

# European Specialist Investment Funds

## Prospectus

*Société d'investissement à capital variable (SICAV) under Luxembourg Law*

30 April 2024

## Contents

Introduction .....	3
Directory .....	5
Principal Features and Definitions .....	6
Management and Administration .....	12
The Shares .....	18
General Information .....	34
Fund Charges .....	43
Investment Strategies of the Funds .....	45
Taxation .....	47
Risk Management Process .....	54
Risk Factors .....	56
Appendix 1 – Investment Restrictions and Techniques and Instruments .....	71
Appendix 2 – Additional Information For Investors in Switzerland .....	80
Appendix 3 – ESG Integration and Approaches to Responsible Investment .....	81
<b>Fund Supplements .....</b>	<b>84</b>
M&G European Credit Investment Fund .....	85
M&G Total Return Credit Investment Fund.....	90
M&G European High Yield Credit Investment Fund .....	94
M&G Senior Asset Backed Credit Fund.....	99
M&G Sustainable European Credit Investment Fund.....	104
M&G Sustainable Total Return Credit Investment Fund .....	110
M&G Investment Grade ABS Fund .....	115
Country Supplement.....	154

# Introduction

**European Specialist Investment Funds** (the “Company”) is authorised under Part I of the Luxembourg law of December 17, 2010 relating to collective investment undertakings, as amended (*loi concernant les organismes de placement collectif*) (the “Law of 2010”). The Company qualifies as an Undertaking for Collective Investments in Transferable Securities (“UCITS”) under Article 1, paragraph 2, points a) and b) of the Directive 2009/65/EC of 13 July 2009 of the European Parliament and of the Council (the “Directive 2009/65/EC”), and may therefore be offered for sale in European Union (“EU”) Member-States (subject to registration in countries other than Luxembourg). In addition, applications to register the Company may be made in other countries.

The Company has appointed M&G Luxembourg S.A. as its management company.

The registration of the Company pursuant to Part I of the Law of 2010 constitutes neither approval nor disapproval by any Luxembourg authority as to the adequacy or accuracy of this Prospectus or as to the assets held in the various sub-funds of the Company (individually, a “Fund” and collectively, the “Funds”). Any representations to the contrary are unauthorised and unlawful.

## United States

None of the Shares of the Company have been or will be registered under the United States Securities Act of 1933, as amended (the “1933 Act”) or under the securities laws of any state or political subdivision of the United States of America or any of its territories, possessions or other areas subject to its jurisdiction including the Commonwealth of Puerto Rico (the “United States”), and the Shares may be offered, sold or otherwise transferred only in compliance with the 1933 Act or the securities laws of any state and such other securities laws. Certain restrictions also apply to the subsequent transfer of Shares in the United States or to or for the account of any United States Person (as defined in Regulation S under the 1933 Act) which includes any resident of the United States, or any corporation, partnership or other entity created or organised in or under the laws of the United States (including any estate of any such person created or organised in the United States). The attention of investors is drawn to certain compulsory redemption provisions applicable to United States Persons described under “The Shares – Redemption of Shares” below. The Company has not been and does not intend to be registered under the United States Investment Company Act of 1940, as amended.

## Canada

This Prospectus pertains to the offering of the Shares described in this Prospectus only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and only by persons permitted to sell such Shares. This Prospectus is not, and under no circumstances is to be construed as, an advertisement or a public offering of the Shares described in this Prospectus in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the Shares described in this Prospectus, and any representation to the contrary is an offence.

The distribution of this Prospectus in other jurisdictions may also be restricted; persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer by anyone in any jurisdiction in which such offer is not authorized or to any person to whom it is unlawful to make such offer.

Prospective investors should review this Prospectus carefully and in its entirety, and consult with their legal, tax and financial advisors in relation to

- the legal and regulatory requirements within their own countries for the subscribing, purchasing, holding, converting, redeeming or disposing of Shares;
- any foreign exchange restrictions to which they are subject in their own countries in relation to the subscribing, purchasing, holding, converting, redeeming or disposing of Shares;
- the legal, tax, financial or other consequences of subscribing for, purchasing, holding, converting, redeeming or disposing of Shares; and
- any other consequences of such activities.

A KID for each available Share Class of each Fund of the Company shall be made available to prospective investors free of charge prior to their subscription for Shares. Prospective investors must consult the KID for the relevant Share Classes and Fund in which they intend to invest.

Before consent to distribute this Prospectus is granted, certain jurisdictions require that it be translated into an appropriate language. Unless contrary to local law in the jurisdiction concerned, in the event of any inconsistency or ambiguity in relation to the meaning of any word or phrase in any translation, the English version shall prevail.

Any information or representation in respect of the Company given or made by any person which is not contained herein or in any other document which may be available for inspection by the public should be regarded as unauthorized and should accordingly not be relied upon. Neither the delivery of this Prospectus nor the offer, issue or sale of Shares in the Company shall under any circumstances constitute a representation that the information given in this Prospectus is correct as at any time subsequent to the date hereof.

Unless stated to the contrary, all references herein to times and hours refer to Luxembourg local time and all references herein to dollar amounts refer to US dollars.

# Directory

## Registered Office of the Company

16, boulevard Royal  
L-2449 Luxembourg  
Grand Duchy of Luxembourg

## Board of Directors of the Company

Mr Laurence Mumford (Chairperson)  
Mr Phil Robert Jelfs  
Dr Yves Wagner  
Mrs Susanne van Dootingh

## Management Company, Global Distributor and Domiciliary Agent

M&G Luxembourg S.A.  
16, boulevard Royal  
L-2449 Luxembourg  
Grand Duchy of Luxembourg

## Board of Directors of the Management Company

Neal Brooks  
Keith Burman, Independent Director  
Matthias Dörscher  
Sean Fitzgerald  
Micaela Forelli  
Darren Judge

## Conducting Officers of the Management Company

Matthias Dörscher - IT, including Distribution Operations  
Forbes Fenton - Portfolio Management  
Micaela Forelli - Branch Oversight and Marketing  
Olalekan Hassan - Finance  
Darren Judge - Operations and Valuation  
Remi Kamiya - Risk  
Elina Vincent - Financial Crime Compliance and, by interim, Compliance

## Investment Manager

**M&G Investment Management Limited**  
10 Fenchurch Avenue  
London EC3M 5AG  
United Kingdom

## Depository and Paying Agent, Administrative Agent, Registrar and Transfer Agent

**State Street Bank International GmbH, Luxembourg Branch**  
49, Avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

## Auditor

**Deloitte Audit S.à r.l.**  
560, rue de Neudorf  
L - 2220 Luxembourg  
Grand Duchy of Luxembourg

## Legal Advisor

**Elvinger Hoss Prussen, société anonyme**  
2, place Winston Churchill  
L-1340 Luxembourg  
Grand Duchy of Luxembourg

# Principal Features and Definitions

The following summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Prospectus.

<b>Administrative Agent</b>	State Street Bank International GmbH, Luxembourg Branch.
<b>Ancillary Liquid Assets</b>	Means liquid assets such as cash deposits (at sight).
<b>Annual Meeting</b>	The annual meeting of Shareholders of the Company.
<b>Appendix</b>	The relevant Appendix of the Prospectus.
<b>Articles of Incorporation</b>	The articles of incorporation of the Company, as may be amended from time to time.
<b>Base Currency</b>	The base currency of the Company which is the Euro.
<b>Board of Directors or Directors</b>	The directors of the Company, as may be appointed from time to time.
<b>Business Day</b>	Any day in which banks in Luxembourg and in London are open for normal banking business (excluding Saturdays, Sundays and 24 December).
<b>Canadian Overnight Repo Rate Average (CORRA)</b>	A reference rate for the Canadian dollar overnight market administered by the Bank of Canada. CORRA measures the cost of overnight general collateral funding in Canadian dollars using Government of Canada treasury bills and bonds as collateral for repurchase transactions.
<b>Classes</b>	Pursuant to the Articles of Incorporation, the Board of Directors may decide to issue, within each Fund, separate classes of Shares (the “Class” or “Classes” or “Share Class(es)”) whose assets will be commonly invested but where a specific initial sales charge structure, fee structure, minimum subscription amount or distribution policy or such other distinctive feature, as decided from time to time by the Board of Directors, may be applied. Further information on the Classes is set out in Section “ <b>Class Description, Availability of Shares, Minimum Subscription and Holding Amounts</b> ” and the relevant Fund Supplement.
<b>Company</b>	European Specialist Investment Funds; the Company is an investment company organized under Luxembourg law as a société anonyme qualifying as a société d'investissement à capital variable (SICAV). The Company is set up as a multi-compartment structure and may therefore comprise several Funds. Each Fund may have one or more Classes. The Company is authorised under Part I of the Law of 2010 as an Undertaking for Collective Investments in Transferable Securities (“UCITS”) under Article 1, paragraph 2, points a) and b) of Directive 2009/65/EC.
<b>Corporate Agent</b>	M&G Luxembourg S.A.

<b>Currency Hedged Share Class</b>	Means a Share Class which seeks to reduce the effect of exchange rate movements between the Share Class Reference Currency and the Fund Reference Currency. For Funds which seek to fully hedge the underlying portfolio currencies back to the Fund Reference Currency, these will be denoted with the suffix “(Currency Hedged)”. For Funds which do not seek to fully hedge the underlying portfolio currencies back to the Fund Reference Currency, these will be denoted with the suffix “(NAV Hedged)”. For the avoidance of doubt, it should be noted that a Fund can offer either “Currency Hedged” or “NAV Hedged” Share Classes but not both.
<b>Depository</b>	State Street Bank International GmbH, Luxembourg Branch.
<b>Domiciliary Agent</b>	M&G Luxembourg S.A.
<b>EU</b>	The European Union.
<b>Euro Interbank Offered Rate (EURIBOR)</b>	A reference rate based on the average interest rate at which Eurozone banks offer to lend unsecured short-term lending to other banks on the interbank market. It was reformed in 2019 and is administered by the European Money Markets Institute (EMMI).
<b>Fund</b>	The Company offers investors, within the same investment vehicle, a choice of investment in one or more Funds, which are distinguished mainly by their specific investment objective and policy and/or by the currency in which they are denominated. The specifications of each Fund are described in the relevant Fund Supplement to this Prospectus. The Board of Directors may, at any time, decide to create additional Funds and, in such case, this Prospectus will be updated by adding corresponding Fund Supplements.
<b>Fund Reference Currency</b>	The reference currency in which a Fund is denominated. The details of the reference currency of a relevant Fund are described in the relevant Fund Supplement.
<b>Fund Supplement</b>	A supplement to this Prospectus specifying certain information in respect of a Fund.
<b>GDPR</b>	Means the General Data Protection Regulation (Regulation (EU) 2016/679 of the European Parliament and the Council of 27 April 2016) and any consequential data protection legislation applicable in Luxembourg and any guidance and/or codes of practice issued by the Luxembourg Data Protection Authority (CNPD) or other relevant supervisory authority, including without limitation the European Data Protection Board.
<b>Global Distributor</b>	M&G Luxembourg S.A.
<b>Grand-Ducal Regulation</b>	Grand-Ducal Regulation of 8 February 2008 relating to certain definitions of the amended law of 20 December 2002 on undertakings for collective investment and implementing Commission Directive 2007/16/EC of 19 March 2007 implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions.
<b>Group of Companies</b>	All companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 2013/34/EU or in accordance with recognised international accounting rules.
<b>Investment Grade</b>	Means securities which, at the time of investment, are rated at least BBB- or equivalent by a recognised rating agency, such as Standard & Poor's, Fitch or Moody's, or in the case of unrated securities, securities which are deemed to be of comparable credit quality by the Investment Manager.

<b>Institutional Investors</b>	As defined from time to time by the Luxembourg supervisory authority within the context of Luxembourg law on undertakings for collective investment.
<b>Intermediate Shareholder</b>	A firm whose name is entered in the Company's register of shareholders, or which holds Shares indirectly through a third party acting as a nominee, and which: (a) is not the beneficial owner of the relevant Share; and (b) does not manage investments on behalf of the relevant beneficial owner of the Share; or (c) does not act as a depositary of a collective investment scheme or on behalf of such a depositary in connection with its role in holding property subject to the scheme."
<b>Investment Manager</b>	M&G Investment Management Limited.
<b>KIDs</b>	Means Key Information Documents, a legally required pre-contractual document describing in brief the objectives, policies, risks, costs, past performance and other relevant information for a given Share Class of a given Fund.
<b>Law of 2010</b>	The Luxembourg law of 17 December 2010 relating to undertakings for collective investment, as amended.
<b>Management Company</b>	M&G Luxembourg S.A.
<b>Management Company Agreement</b>	The management agreement dated 13 July 2020 pursuant to which the Management Company is appointed by the Company.
<b>Member State</b>	A member state of the EU.
<b>MiFID II</b>	Directive 2014/65/EU on markets in financial instruments, Regulation (EU) No 600/2014 on markets in financial instruments, and any secondary legislation, rules, regulations and procedures made pursuant thereto.
<b>Money Market Instruments</b>	Financial instruments normally dealt with on the money market which are liquid and have a value which can be accurately determined at any time.
<b>NAV</b>	Means the net asset value.
<b>Near cash</b>	A security that can be readily converted into cash, such as a treasury bill or other short-term government bond, a bank certificate of deposit or a money market instrument or fund.
<b>Other Regulated Market</b>	<p>A market which is not a Regulated Market and which is regulated, operates regularly and is recognized and open to the public, namely a market</p> <ul style="list-style-type: none"> <li>● that meets the following cumulative criteria: liquidity; multilateral order matching (general matching of bid and ask prices in order to establish a single price); transparency (the circulation of complete information in order to give clients the possibility of tracking trades, thereby ensuring that their orders are executed on current conditions);</li> <li>● on which the securities are dealt in at a certain fixed frequency;</li> <li>● which is recognized by a State or by a public authority which has been delegated by that State or by another entity which is recognized by that State or by that public authority, such as a professional association; and</li> <li>● on which the securities dealt are accessible to the public.</li> </ul>



<b>Other State</b>	Any state of Europe which is not a Member State, and any state of the Americas, Africa, Asia and Oceania.
<b>Paying Agent</b>	State Street Bank International GmbH, Luxembourg Branch
<b>Personal Data</b>	Has the same meaning as set out in Article 4(1) of the GDPR.
<b>Prospectus</b>	The prospectus of the Company.
<b>Registrar and Transfer Agent</b>	State Street Bank International GmbH, Luxembourg Branch
<b>Regulated Market</b>	A market defined in MiFID II.
<b>Regulatory Authority</b>	The Luxembourg authority or its successor in charge of the supervision of the undertakings for collective investment in the Grand Duchy of Luxembourg.
<b>Secured Overnight Financing Rate (SOFR)</b>	A reference rate for US dollar-denominated derivatives and loans. Administered by the Federal Reserve Bank of New York. It is a rate which is based on actual transactions and reflects the average of the interest rates that banks pay to borrow US dollars cash overnight from other financial institutions and institutional investors while posting US Treasury bonds as collateral.
<b>Securitisation</b>	Shall have the meaning ascribed thereto in the Securitisation Regulation.
<b>Securitisation Regulation</b>	Means the Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation.
<b>SFTR</b>	Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012.
<b>Shares</b>	Shares of each Fund are offered in registered form and are issued without certificates. Fractions of Shares are rounded down to three decimal places. All Shares must be fully paid for.
<b>Share Class Reference Currency</b>	The reference currency in which a Class is denominated. The details of the reference currency of a relevant Class are described in the relevant Fund Supplement.
<b>Shareholder</b>	A holder of Shares of the Company.
<b>Singapore Overnight Rate Average (SORA)</b>	A reference rate for the Singapore dollar overnight market administered by the Monetary Authority of Singapore (MAS). SORA is defined as the volume-weighted average rate of borrowing transactions in the unsecured overnight interbank SGD cash market in Singapore.
<b>Sterling Overnight Index Average (SONIA):</b>	A reference rate for sterling markets, administered by the Bank of England. It is a rate which is based on actual transactions and reflects the average of the interest rates that banks pay to borrow unsecured sterling overnight from other financial institutions and other institutional investors.

<b>Secured Overnight Financing Rate (SOFR)</b>	A reference rate for US dollar-denominated derivatives and loans. Administered by the Federal Reserve Bank of New York. It is a rate which is based on actual transactions and reflects the average of the interest rates that banks pay to borrow US dollars cash overnight from other financial institutions and institutional investors while posting US Treasury bonds as collateral.
<b>Stockholm Interbank Offered Rate (STIBOR)</b>	A reference rate that shows an average of the interest rates at which a number of banks active on the Swedish krona money market (“the Stibor banks”) are willing to lend to one another without collateral at different maturities. It is administered by the Swedish Financial Benchmark Facility.
<b>Sustainability Risk</b>	Has the meaning given in Section “ <b>Risk Factors</b> ”
<b>Swiss Average Rate Overnight (SARON):</b>	A reference rate of the secured money market for Swiss francs administered by SIX Swiss Exchange. It is based on transactions and quotes posted in the repurchase agreement (repo) market.
<b>Tokyo Overnight Average Rate (TONA or TONAR):</b>	A reference rate which measures the cost of borrowing in the Japanese Yen unsecured overnight money market. It is administered by the Bank of Japan and is sometimes referred to as “TONAR”.
<b>Transferable Securities</b>	One of the following: <ul style="list-style-type: none"> <li>• shares and other securities equivalent to shares;</li> <li>• bonds and other debt instruments; or</li> <li>• any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchanges, with the exclusion of techniques and instruments.</li> </ul>
<b>UCI(s):</b>	Undertaking(s) for collective investment.
<b>UCITS:</b>	Undertaking(s) for collective investment in transferable securities, pursuant to Article 1, paragraph 2, points a) and b) of Directive 2009/65/EC.
<b>UCITS V Directive</b>	Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to UCITS as regards depositary functions, remuneration policies and sanctions.
<b>USD or US dollars</b>	Means the currency of the United States of America.
<b>United States Person</b>	Means any natural person resident in the United States of America or a partnership, corporation or other entity organised or existing in any State, territory or possession of the United States except that Shares may be offered, sold or delivered to a US Person who is not deemed to be a US Person under file 902 (o) of Regulation S under the US Securities Act of 1933.
<b>Valuation Day</b>	Means a day, being typically each Business Day where the NAV per Share of each Fund is determined.

## Responsible investment terms

Additional definitions aimed to provide investors with helpful information on terms related to ESG and responsible

investment and their meanings intended in this Prospectus are disclosed in Appendix 3 “**ESG integration and approaches to Responsible Investment**”.

# Management and Administration

## Board of Directors

The Board of Directors has overall responsibility for the management and control of the Company in accordance with the Articles of Incorporation. The Board of Directors is further responsible for the implementation of each Fund's investment objective and policies as well as for oversight of the administration and operations of each Fund.

## Management Company

The Company has appointed M&G Luxembourg S.A. pursuant to the Management Company Agreement to serve as its management company within the meaning of the Law of 2010. The Management Company is responsible, subject to the overall supervision of the Board of Directors, for the provision of investment management services, administrative services and marketing/distribution services to the Company.

The Management Company is a public limited company limited by shares incorporated in Luxembourg on 1 August 2012 under number B.170.483. The ultimate holding company of the Management Company is M&G plc. The Management Company is authorised and regulated by the CSSF. The Management Company's registered office is at 16, boulevard Royal, L-2449 Luxembourg, Luxembourg. The subscribed capital is set at two hundred and fifty thousand Euro (EUR 250,000.).

The Management Company acts as the management company of the Company in accordance with the relevant provisions of the Law of 2010 and subject to Chapter 15 of the Law of 2010.

In addition to the Company, the Management Company also acts as management company for other funds, and can be appointed in the future to act as the management company for other funds. The list of funds managed by the Management Company will be set out in the Company's annual reports and may be obtained upon request from the Management Company.

The Management Company Agreement has been entered into by the Company and the Management Company for an unlimited period of time. The Company and the Management Company may terminate at any time the Management Company Agreement upon 90 days' prior written notice addressed by one party to the other or under other circumstances set out in the Management Company Agreement.

The Management Company will also carry out the functions of the domiciliary and corporate agent and Global Distributor of the Company.

In its capacity as domiciliary and corporate agent, the Management Company is responsible for the receipt and safekeeping of the correspondence of the Company, the provision of the registered office and the convening and holding of the meetings of Shareholders.

The Management Company has appointed M&G Investment Management Limited to carry out investment management functions, and State Street Bank International GmbH, Luxembourg Branch to carry out certain administrative functions in respect of the Company.

## Remuneration policy

The Management Company has a remuneration policy in place which seeks to comply with Article 111 ter of the Law of 2010.

The Management Company applies a staff remuneration policy consistent with the principles outlined in the Law of 2010.

The remuneration policy is overseen by a remuneration committee and is designed to promote sound and effective risk management by, amongst other things:

- Identifying staff with the ability to have a material impact on the risk profile of either the Management Company or the Funds;
- Ensuring that the remuneration of those staff is in line with the risk profiles of the Management Company and of the Funds, and that any relevant conflicts of interest are appropriately managed at all times; and
- Setting out the link between pay and performance for all of Management Company employees, including the terms of annual bonus and long-term incentive plans and individual remuneration packages for Board of Directors and other senior employees.

Please visit the following website: <http://www.mandg.lu/remuneration> for details of the remuneration policy, including, but not limited to:

- A description of how remuneration and benefits are calculated;
- The identities of persons responsible for awarding the remuneration; and
- The composition of the remuneration committee.

Alternatively, a paper copy can be obtained from our customer relations department free of charge on +352 2605 9944.

## Investment Manager

The Management Company has appointed M&G Investment Management Limited as investment manager to manage and invest the assets of the Funds pursuant to their respective investment objectives and policies.

M&G Investment Management Limited was incorporated in London on 5 August 1968, with the registered number 936683, and is wholly owned by M&G FA Limited. It is authorised and regulated by the Financial Conduct Authority (FCA) and is registered under FCA number 119328.

The focus of M&G Investment Management Limited Fixed Income division lies in public and private debt, including alternative credit products, leveraged, property and infrastructure finance as well as a complete range of pooled funds which are used to construct solutions for both defined benefit and defined contribution pension schemes and other Institutional clients.

Pursuant to the Investment Management Agreement and this Prospectus, the Investment Manager has discretion, on a day-to-day basis and subject to the oversight and control of the Management Company and the Board of Directors, to purchase and sell securities and otherwise to manage the Funds' portfolios. The Investment Manager may appoint sub-investment managers from time to time to provide portfolio management services in respect of the investments of any Fund. The Investment Manager, in the execution of its duties and the exercise of its powers, shall be responsible for ensuring that each Fund complies with its investment policy and restrictions.

The Investment Manager will not be responsible for any loss to the assets and investments of the Company as are at any time allocated by the Management Company to the Investment Manager for discretionary investment management howsoever arising, except to the extent that such loss is due to the Investment Manager's negligence, wilful default or fraud or that of any of its directors or employees.

Under the Investment Management Agreement the Management Company agrees to indemnify the Investment Manager and the directors, officers and employees of the Investment Manager from and against any and all liabilities, obligations, losses, damages, suits and expenses which may be incurred by or asserted against the Investment Manager in its capacity as investment manager of the assets and investments of the Company as are at any time allocated by the Management Company to the Investment Manager for discretionary investment management other than those resulting from the negligence, wilful default or fraud on its or their part.

The Investment Management Agreement may be terminated by one party giving to the other party not less than three months' written notice. The Investment Management Agreement may also be terminated immediately by notice in writing by either party (the "notifying party"), if the other party shall commit any material breach of its obligations under the Investment Management Agreement and, if such breach is capable of being made good, shall fail to make good such breach within 14 days of receipt of written notice from the notifying party requiring it so to do. The Investment Management Agreement may also be terminated by the Management Company with immediate effect when this is deemed by the Management Company to be in the best interests of the Shareholders.

With the prior consent of the Company and the Management Company, the Investment Manager may delegate its investment management function for a particular Fund to a sub-investment manager, as specified in the relevant Fund Supplement.

The Investment Manager may also appoint one or more of its affiliates to provide dealing services in respect of a Fund.

## Depository and Paying Agent, Administrative Agent, Registrar and Transfer Agent

### General

The Company has appointed State Street Bank International GmbH acting through its Luxembourg Branch as the depository of all of the Company's assets.

State Street Bank International GmbH is a limited liability company organized under the laws of Germany, having its registered office at Brienner Str. 59, 80333 München, Germany and registered with the commercial register court, Munich under number HRB 42872. It is a credit institution supervised by the European Central Bank (ECB), the German Federal Financial Services Supervisory Authority (BaFin) and the German Central Bank. State Street Bank International GmbH, Luxembourg Branch is authorized by the CSSF in Luxembourg to act as depository and is specialized in depository, fund administration, and related services. State Street Bank International GmbH, Luxembourg Branch is registered in the Luxembourg Commercial and Companies' Register (RCS) under number B 148 186. State Street Bank International GmbH is a member of the State Street group of companies having as their ultimate parent State Street Corporation, a US publicly listed company.

### Appointment

The appointment of the Depository has been made under an agreement between the Company and the Depository effective as from 12 February 2018 (the "Depository Agreement").

The Depository is appointed to act as depository of all of the Company's assets, including its cash, securities and other assets, which will be held either directly by the Depository or through other financial institutions such as correspondent banks, subsidiaries or affiliates of the Depository.

The Depository is entrusted with the safe-keeping of the Company's assets including its cash and securities. All financial instruments that can be held in custody are registered in the Depository's books within segregated accounts, opened in the name of the Company, in respect of each Fund. For assets other than financial instruments and cash, the Depository must verify the ownership of such assets by the Company in respect of each Fund. Furthermore, the Depository shall ensure that the Company's cash flows are properly monitored.

The Depository has been entrusted with the following main functions:

- ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with applicable law and the Articles of Incorporation of the Company;
- ensuring that the value of the Shares is calculated in accordance with applicable law and with the Articles of Incorporation of the Company;
- carrying out the instructions of the Board of Directors or the Management Company (as the case may be), unless they conflict with applicable law and the Articles of Incorporation of the Company;
- ensuring that in transactions involving the assets of the Company any consideration is remitted within the usual time limits;
- ensuring that the income of the Company is applied in accordance with applicable law and the Articles of Incorporation of the Company;
- monitoring of the Company's cash and cash flows; and
- safe-keeping of the Company's assets, including the safekeeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

## **Depository's liability**

In carrying out its duties the Depository shall act honestly, fairly, professionally, independently and solely in the interests of the Company and its Shareholders.

In the event of a loss of a financial instrument held in custody, determined in accordance with the Law of 2010, and in particular Article 18 of the Commission Delegated Regulation No 2016/438, the Depository shall return financial instruments of identical type or the corresponding amount to the Company without undue delay.

The Depository shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the Law of 2010.

In case of a loss of financial instruments held in custody, the Shareholders may invoke the liability of the Depository directly or indirectly through the Company provided that this does not lead to a duplication of redress or to unequal treatment of the Shareholders.

The Depository will be liable to the Company and the Shareholders for all other losses suffered by them arising as a result of the Depository's (or its delegate's or agent's) fraud, negligent or intentional failure to properly fulfil its obligations pursuant to the Law of 2010 or the Depository Agreement.

The Depository shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Depository of its duties and obligations.

## **Delegation**

The Depository has full power to delegate the whole or any part of its safe-keeping functions but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Depository's liability shall not be affected by any delegation of its safe-keeping functions under the Depository Agreement.

The Depository has delegated those safekeeping duties set out in Article 18(4) of the Law of 2010 to State Street Bank and Trust Company with registered office at One Congress Street, Suite 1, Boston, MA 02114-2016, USA, whom it has appointed as its global sub-custodian. State Street Bank and Trust Company as global sub-custodian has appointed local sub-custodians within the State Street Global Custody Network.

Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates is available at the registered office of the Company or at the following internet site: <https://www.statestreet.com/disclosures-and-disclaimers/lu/subcustodians>

## **Termination**

The Company and the Depository may terminate the Depository Agreement on six (6) months prior written notice provided that no such notice shall take effect until the appointment of a successor to the Depository. The Depository Agreement may also be terminated on shorter notice in certain circumstances. The Depository shall take all necessary steps to ensure the good preservation of the interests of the Shareholders of the Company and allow the transfer of all assets of the Company to the succeeding depository.

## **Indemnity**

To the extent permitted under applicable law, the Company undertakes to hold harmless and indemnify the Depository against all liabilities directly suffered or incurred by the Depository by reason of the proper performance of the Depository's duties under the terms of the Depository Agreement save where any such liabilities arise as a result of the Depository's breach of the Depository Agreement or the negligence, fraud, bad faith, wilful default or recklessness of the Depository or its agent and/or delegate or the loss of financial instruments held in custody or in the event such indemnification would be contrary to the mandatory provisions in the Law of 2010 in relation to an agent or delegate that is an affiliate, to the extent the Depository is liable to the Company in relation to such agent or delegate under the Depository Agreement.

### Conflicts of interest

The Depositary is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depositary or its affiliates engage in activities under the Depositary Agreement or under separate contractual or other arrangements. Such activity may include:

- providing nominee, administration, registrar and transfer agency, research, investment management, financial advice and/or other advisory services to the Company;
- engaging in banking, sales and trading transactions including foreign exchange derivative, principal lending, broking, market making or other financial transactions with the Company either as principal and in the interests of itself, or for other clients.

In connection with the above activities the Depositary or its affiliates:

- will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and are not bound to disclose to, the Company, the nature or amount of any such profits or compensation including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;
- may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interest of its affiliates or for its other clients;
- may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to the Company;
- may provide the same or similar services to other clients including competitors of the Company;
- may be granted creditors' rights by the Company which it may exercise.

The Company may use an affiliate of the Depositary to execute foreign exchange, spot or swap transactions for the account of the Company. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Company. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Company. The affiliate shall enter into such transactions on the terms and conditions agreed with the Company.

Where cash belonging to the Company is deposited with an affiliate being a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker and not as trustee.

The Investment Manager, the Management Company or the Company may also be a client or counterparty of the Depositary or its affiliates.

Potential conflicts that may arise in the Depositary's use of sub-custodian include four broad categories:

- conflicts from the sub-custodian selection and asset allocation among multiple sub-custodians influenced by (a) cost factors, including lowest fees charged, fee rebates or similar incentives and (b) broad two-way commercial relationships in which the Depositary may act based on the economic value of the broader relationship, in addition to objective evaluation criteria;
- sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests;
- sub-custodians, both affiliated and non-affiliated, have only indirect relationships with clients and look to the Depositary as its counterparty, which might create incentive for the Depositary to act in its self-interest, or other clients' interests to the detriment of clients; and
- sub-custodians may have market-based creditors' rights against client assets that they have an interest in enforcing if not paid for securities transactions.

The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the depositary issues to be properly identified, managed and monitored. Additionally, in the context of the Depositary's use of sub-custodians, the Depositary imposes contractual restrictions to address some of the potential conflicts and maintains due diligence and oversight of sub-custodians to ensure a high level of client service by those agents. The Depositary further provides frequent



reporting on clients' activity and holdings, with the underlying functions subject to internal and external control audits. Finally, the Depositary internally separates the performance of its custodial tasks from its proprietary activity and follows a standard of conduct that requires employees to act ethically, fairly and transparently with clients.

Up-to-date information on the Depositary, its duties, any conflicts that may arise, the safe-keeping functions delegated by the Depositary, the list of delegates, and any conflicts of interest that may arise from such a delegation will be made available to Shareholders on request.

State Street Bank International GmbH acting through its Luxembourg Branch has also been appointed by the Management Company as the administrative agent and registrar and transfer agent of the Company and as the listing agent and paying agent of the Company. In its capacity as administrative agent, State Street Bank International GmbH, Luxembourg Branch is responsible for the general administrative functions required by law, is in charge of the calculation of the NAV of each Fund and the maintenance of the accounting records. The Depositary has implemented appropriate segregation of activities between the depositary and the administration/registrar and transfer agency services, including escalation processes and governance. In addition, the depositary function is hierarchically and functionally segregated from the administration and registrar and transfer agency services business unit.

In its capacity as registrar and transfer agent, State Street Bank International GmbH, Luxembourg Branch is responsible for processing the issue, redemption, conversion and transfer of Shares on behalf of the Company, as well as for maintaining the register of Shareholders.

In its capacity as paying agent of the Company, State Street Bank International GmbH, Luxembourg Branch has the obligation to pay out distributions, if any, for Shares.

## Global Distributor

### **M&G Luxembourg S.A.**

M&G Luxembourg S.A. acts as the global distributor of Shares.

The Global Distributor has the power to appoint distributors.

The Global Distributor will at all times comply with any obligations imposed by the applicable laws and regulations with respect to money laundering prevention and, in particular, with CSSF Regulation 12-02 as amended by CSSF Regulation 20-05.

# The Shares

## The Shares

Subject to the restrictions described below, Shares of each Class of each Fund are freely transferable and are each entitled to participate equally in the profits and liquidation proceeds attributable to that Class. The rules governing such allocation are set forth below. The Shares, which are of no par value and which must be fully paid upon issue, carry no preferential or pre-emptive rights, and each Share entitles its holder to one vote at all general meetings of Shareholders and at all meetings of the Fund in which Shares are held. Shares redeemed by the Company become null and void.

The Board of Directors may restrict or prevent the legal or beneficial ownership of Shares or prohibit certain practices as disclosed in this Prospectus (see also 5.7 “Structured Products” and 5.8 “Late Trading and Market Timing”) by any person, firm or corporation, if such ownership is against the interests of the Company or of the majority of Shareholders or of any Fund or Class therein. Where it appears to the Board of Directors that a person who is precluded from holding Shares, either alone or in conjunction with any other person, is a beneficial owner of Shares, the Company may proceed to the compulsory redemption of all Shares so owned.

The Shares are available in registered form only and will be issued without certificates.

## Subscription for Shares

Applications for subscriptions for Shares of each Fund must be submitted by 11.00 (Luxembourg time) on the Valuation Day for the relevant Fund in order for such applications to be processed, if accepted, on the basis of the NAV per Share for that Valuation Day. Applications for subscriptions received after such time will be dealt with on the next Valuation Day. The NAV per Share for that Valuation Day is unknown to the investors when they place their subscription orders.

Applications for subscriptions for Shares should be sent to the Registrar and Transfer Agent.

The initial offering period as well as the initial price per Share on such day for each newly created or activated Class or Fund will be determined by the Board of Directors and will be available at the office of the Administrative Agent. The relevant Fund Supplements will be updated as new Classes or Funds become available.

The Board of Directors may fix minimum initial investment amounts for each Class which, if applicable, are detailed in Section “**Class Description, Availability of Shares, Minimum Subscription and Holding Amounts**”. These minimum initial investment amounts may be waived or decreased by the Board of Directors or Management Company as described in more detail in Section “**Class Description, Availability of Shares, Minimum Subscription and Holding Amounts**”.

Shares of each Class of a Fund shall be allotted at the NAV per Share of such Class determined on the applicable Valuation Day, plus any applicable initial sales charges. An initial sales charge as disclosed in the relevant Fund Supplement may be applied to the investment amount or it may be waived in whole or in part at the discretion of the Global Distributor, with the consent of the Board of Directors.

Applications for shares can be made either in cash amount or in number of Shares.

As soon as the price at which the Shares are to be issued has been calculated, the Registrar and Transfer Agent will notify the purchaser of the total amount to be paid, including any applicable initial sales charges, in respect of the Shares subscribed for. Payment for Shares must be received by the Registrar and Transfer Agent, in a currency in which the relevant Class is available, no later than two (2) Business Days following the applicable Valuation Day. The currencies in which a Class of a Fund is available are indicated in the Fund Supplement of the relevant Fund.

If the payment has not been received by that date or has been received thereafter, the application for Shares may be rejected, and any allocation of Shares made on the basis of the application request may be cancelled. In such case, the Registrar and Transfer Agent will inform the investor that the application has been rejected, that the funds received (if any) after the relevant date will be returned to the investor and that any loss resulting from a cancellation of an application request will be borne by the relevant investor.

The Board of Directors may, if a prospective investor requests, satisfy any application for subscription of Shares in kind. The nature and type of assets to be accepted in any such case shall be determined by the Board of Directors and must correspond to the investment policy of the Fund being invested in. In accepting or rejecting such a contribution at any given time, the Board of Directors shall take into account the interest of other investors of the Fund and the principle of fair treatment. Any contribution in kind will be valued independently in a special report issued by the Auditor or any other independent auditor (*réviseur d'entreprises agréé*) agreed by the Company. The Company and the contributing investor will agree on specific settlement procedures. The costs of any such transfer, including the production of any necessary valuation report, shall be borne by the prospective investor requesting the transfer or by such other third party as agreed by the Company.

The Board of Directors reserves the right to accept or refuse any application in whole or in part at its discretion. The Company may also limit the distribution of Shares of a Class or Fund to certain countries. The issue of Shares of a Class shall be suspended whenever the determination of the NAV per Share of such Class is suspended by the Company (see "General Information - Temporary Suspension of Determination of the Net Asset Value, Issues, Redemptions and Conversions").

A Fund or Share Class may be closed totally or partially to new subscriptions or transfers in (but not to redemptions or transfers out of it) if, in the opinion of the Board of Directors, this is necessary to protect the interests of existing Shareholders.

One such circumstance would be where the Fund or Share Class has reached a size such that the capacity of the market and/or the capacity of the Investment Manager has been reached, and where to permit further inflows would be detrimental to the performance of the Fund. Where any Fund or Share Class is materially capacity constrained in the opinion of the Board of Directors, the Fund or Share Class may be closed to new subscriptions or transfers in without notice to Shareholders.

Details of Funds and Share Classes which are closed to new subscriptions and transfers in will be provided in the annual report including the audited financial statements and in the half-yearly report including the unaudited financial statements.

Where any type of closure to new subscriptions or transfers in occurs, the website of the Investment Manager will be amended to indicate the change in status of the applicable Fund or Share Class. Shareholders and potential investors should confirm with the Investment Manager or the Transfer Agent or check the website for the current status of the relevant Fund or Share Class.

Once closed, a Fund or Share Class will not be re-opened until, in the opinion of the Board of Directors, the circumstances which required closure no longer prevail.

The Company, the Management Company and the Administrative Agent will at all times comply with any obligations imposed by any applicable laws, rules and regulations with respect to anti-money laundering, as such laws, rules and regulations may be amended or replaced from time to time, and will furthermore adopt procedures designed to ensure, to the extent applicable, that the Company complies with the foregoing laws, rules and regulations.

With respect to anti-money laundering requirements, application forms for Shares must be accompanied by a true copy certified by a competent authority (such as an embassy, consulate, notary or police commissioner) of the subscriber's identity card or passport for individuals, or by a copy of the Articles of Incorporation (or the comparable constituting document) and extract of the trade register for corporate entities, in the following cases:

- if the application is made directly to the Registrar and Transfer Agent;
- if the application is made via a professional of the financial sector residing in a country which is not required to follow an identification procedure equivalent to the standards applicable in Luxembourg relating to the prevention of the use of the financial system for money-laundering purposes; or

- if the application is made via a subsidiary or branch whose parent company is required to follow an identification procedure equivalent to that required by Luxembourg law, if the law governing the parent company does not oblige it to ensure that the said procedure is followed by its subsidiaries and branches.

Moreover, the Company is legally responsible for identifying the origin of monies transferred to or from the Company. Subscriptions and payment of redemption proceeds may be temporarily suspended until such monies or the identity of the relevant Shareholder has been correctly identified.

It is generally accepted that financial sector professionals resident

- in a member state of the European Economic Area or
- of the European Union

are deemed to have an identification obligation equivalent to that required by Luxembourg law.

In relation to an application for redemption or transfer of Shares, the Company, the Management Company and/or the Registrar and Transfer Agent may require at any time such documentation as it/they deem appropriate. Failure to provide such information in a form which is satisfactory to the Company, the Management Company and/or the Registrar and Transfer Agent, as applicable, may result in an application for redemption or transfer not being processed.

Confirmation of completed subscriptions will be mailed at the risk of the investor, to the address indicated in his, her or its application within ten (10) Business Days following the issue of the Shares.

The Company and/or the Management Company may enter into agreements with certain distributors pursuant to which the distributors agree to act as or appoint nominees for investors subscribing for Shares through their facilities (distribution and nominee agreements). In such capacity, the distributor may effect subscriptions, conversions and redemptions of Shares in nominee name on behalf of investors, and request the registration of such operations on the register of shareholders of the Company in such nominee name. Each nominee/distributor maintains its own records and provides the investor with individualized information as to its holdings of Shares in the Company.

## Anti-money laundering

The Company is subject to international and Luxembourg laws and regulations which impose duties, obligations and sanctions with the main objective of preventing the financial sector from being used for money laundering and financing of terrorism purposes. These international and Luxembourg laws and regulations are hereinafter collectively referred to as the "AML/CFT laws and regulations", and all the duties and obligations imposed by such AML/CFT laws and regulations are hereinafter collectively referred to as the "AML/CFT obligations". The AML/CFT laws and regulations include the Luxembourg Laws of 12 November 2004 on the fight against money laundering and financing of terrorism (the "2004 AML Law") and of 13 January 2019 creating a register of beneficial owners (the "2019 RBO Law"), as well as the Grand-ducal regulation of 1 February 2010 providing details on certain provisions of the 2004 AML Law, the CSSF Regulation N°12-02 of 14 December 2012 on the fight against money laundering and terrorist financing, ("CSSF Regulation 12-02") and any further implementing regulations and CSSF circulars in the field of AML/CFT.

As part of its AML/CFT obligations, the Management Company, on behalf of the Company, maintains appropriate AML/CFT policies to detect, prevent and deter money laundering, tax crimes and terrorism financing.

The Management Company (on behalf of the Company) must comply with "know your customer" obligations which require the Management Company (on behalf of the Company) to know and ascertain the identity of each investor, as well as that of other persons related to this investor (such as, but not limited to, any of this investor's beneficial owners or proxyholders), the source of the funds being invested in a Fund, and, as the case may be, the source of wealth of the investor. The Management Company, on behalf of the Company, must also take reasonable measures to verify each of these persons' identity so that it is satisfied that it knows who its investors' beneficial owners are, and take reasonable measures to understand the ownership and control structure of its investors, and, as the case may be, the purpose and nature of the business relationship.

AML/CFT laws and regulations also contain provisions which impose upon certain beneficially owned persons (such as the Company and possibly certain investors) specific obligations in relation to their beneficial ownership. In this context,

the Management Company, on behalf of the Company, must, amongst other things, identify each of its beneficial owners, obtain and hold adequate, accurate and up-to-date information about all its beneficial owners, including the details of the beneficial interests they hold, as well as certain supporting documentation.

Beneficial ownership broadly refers to the natural persons (each a "beneficial owner") who ultimately, hence directly or indirectly, own or control a legal person (the "beneficially owned person") or on whose behalf a transaction or activity is being conducted. According to the 2004 AML Law which the 2019 RBO Law refers to, beneficially owned persons include corporate and other legal entities, as well as trusts and similar structures. Different criteria (such as ownership thresholds and control features) set forth in AML/CFT laws and regulations determine if a natural person is or is not a beneficial owner of a beneficially owned person. Internal policies and procedures may possibly provide for additional criteria. This means that a direct or an indirect holding in the Company does not automatically render an investor a beneficial owner of the Company or an investor's beneficial owner.

Either prior to subscription or at any time thereafter, initially and on an ongoing basis, upon the Management Company's request or at the relevant investor's own initiative (e.g. without delay in case of a change of beneficial ownership), each investor and any other related person thereto (A) shall use its best endeavours to proactively assist the Management Company, on behalf of the Company, in fulfilling its AML/CFT obligations, and (B) in particular shall provide all information and documents which are required by AML/CFT laws and regulations and/or which the Management Company considers necessary for performing its AML/CFT obligations, including ongoing monitoring of all information and documents, the name screening and transaction monitoring as defined by the AML/CFT laws and regulations, whilst ensuring at all times that each piece of information and each document provided to the Management Company is and remains adequate, accurate and up-to-date as per a risk-based approach. All information and documents are hereinafter collectively referred to as the "AML/CFT Information and Documentation".

The Management Company, on behalf of the Company, may delegate or outsource its AML/CFT obligations to eligible service providers such as the Company's Registrar and Transfer Agent, and may amend, at any time and with immediate effect, the list of required AML/CFT Information and Documentation and the form in which the required AML/CFT Information and Documentation is to be provided. The Management Company may retain AML/CFT Information and Documentation pertaining to an investor for a period of at least five years after the business relationship has ended or longer if warranted by the AML/CFT laws and regulations.

The Management Company may be required to transmit (possibly without prior notice to the investor and/or other related person concerned) all or part of the AML/CFT Information and Documentation to certain third parties, including other potentially beneficially owned persons, competent authorities and the Luxembourg register of beneficial owners as required by the 2019 RBO Law.

Under the AML/CFT laws and regulations, criminal sanctions may be imposed on the Management Company and/or the Company in case of its failure to comply with the obligations to collect and make available the required information. Any investor that fails to comply with the Management Company's information or documentation requests may be held liable for penalties imposed on Management Company and/or the Company.

In addition to criminal and non-criminal sanctions provided by AML/CFT laws and regulations, any delay or failure to provide any required piece of AML/CFT Information and Documentation may result in, amongst other consequences and where applicable, in a subscription request being declined, Shares in the Company being compulsorily redeemed in accordance with the Articles, a payment of distribution or liquidation or redemption proceeds being delayed, and/or in this delay or failure to be reported or subject to declaration by the Management Company, on behalf of the Company, to the competent authorities, possibly without prior notice to the investor and/or other related person concerned.

Furthermore, in such case, The Management Company may take the measures that it considers to be appropriate, including but not limited to, the blocking of such investor's account until the receipt of the information and documents required. Any costs (including account maintenance costs) which are related to non-cooperation of such investor will be borne by the respective investor. No liability for any interest, costs or compensation will be accepted.

Agreements are entered into with intermediaries pursuant to which these intermediaries market shares of the Company to underlying clients. A risk-based customer due diligence is performed on any intermediary in order for the Company and Management Company to be satisfied as to the identity of the intermediary.

In addition to the due diligence measures on investors, pursuant to articles 3 (7) and 4 (1) of the 2004 AML Law, the Management Company is also required to apply precautionary measures regarding the assets of the Company. The

Management Company should assess, using its risk-based approach, the extent to which the offering of its products and services presents potential vulnerabilities to placement, layering or integration of criminal proceeds into the financial system. Pursuant to the 2020 Law, the application of international financial sanctions must be enforced by any Luxembourg natural or legal person, as well as any other natural or legal person operating in or from the Luxembourg territory. As a result, prior investing in assets, the Management Company or the appointed delegate must, as a minimum, screen the name of such assets or of the issuer against the target financial sanctions lists.

## Class Description, Availability of Shares, Minimum Subscription and Holding Amounts

Currently, Shares including the designation “Class A”, “Class AI”, “Class B”, “Class BI”, “Class D”, “Class DI”, “Class E”, “Class EI”, “Class F”, “Class L”, “Class LI”, “Class MI”, “Class P”, “Class Q”, “Class QI”, “Class W”, or “Class WI”, are available for issue. Each Share Class, where available, may also have different distribution policies as described under Section of the Prospectus headed “**Distribution Policy**”. Where a Share Class is accumulating in nature it will be identified by a suffix to the Share Class name “(Acc)” and where it is distributing in nature it will be identified by a suffix to the Share Class name “(Dist)”.

Each Share Class, where available, may be offered in the relevant Fund Reference Currency, or may be denominated in any other currency, and such currency denomination will be represented as a suffix to the Share Class name. Share Classes may be available in the following currencies: EUR, GBP, USD, CHF, JPY, SGD, SEK, CAD or any such other currency as the Management Company or Board of Directors may decide to issue.

For information on the Share Classes currently being issued for each Fund, please refer to the M&G website.

Shareholders may also request the information from the Management Company, the Company’s registered office or the Administrative Agent.

For information on the eligibility of investors for each Share Class, please refer to the table below and to the relevant Fund Supplement.

Each Share Class may be currency hedged or unhedged. Where a Share Class is currency hedged the suffix to the Share Class name will depend on the underlying currency profile of the Fund. For Funds which seek to fully hedge the underlying portfolio currencies back to the Fund Reference Currency, these will be denoted with the suffix “(Currency Hedged)”. For Funds which do not seek to fully hedge the underlying portfolio currencies back to the Fund Reference Currency, these will be denoted with the suffix “(NAV Hedged)”. Provision is made for the amount of hedging to be between 95% and 105% of the Net Asset Value of the Currency Hedged Share Class, although changes in the market value of the portfolio as well as subscriptions and redemptions in the Currency Hedged Share Class, can result in the hedging temporarily exceeding the aforementioned range. However, in such circumstances the Company and the Management Company will take the necessary steps to bring the hedging back within such limits. Shareholders should refer to Section “**Risk Factors**” for more information on the risks relating to Currency Hedged Share Classes.

## Minimum Initial Investment and Subsequent Subscription Amounts, and Minimum Holding Amounts

For information on the Initial Offer Price, Minimum Initial Investment and Minimum Holding Amounts per Share Class please refer to the table below. The Board of Directors or the Management Company may reduce or waive the Minimum Initial Investment and / or the Minimum Holding Amount and / or vary the Availability of Shares terms with respect to any Fund or Share Class, in their sole respective discretion.

Class	Eligible Investors	Initial Offer Price, Minimum Initial Investment and Minimum Holding Amounts		
		Initial Offer Price	Minimum Initial Investment	Minimum Holding Amount
<b>Class A / AI</b>	<p>Available to investors approved by the Management Company who:</p> <ul style="list-style-type: none"> <li>meet the definition of “Institutional Investor” as defined in the Law of 2010 and by guidelines or recommendations issued by the CSSF from time to time; and</li> <li>meet the minimum investment criteria.</li> </ul> <p>Investors who held class A/AI Shares prior to 30 April 2024 but no longer comply with the minimum initial investment and minimum holding amount applicable as at the date of this Prospectus, can continue to hold such Shares and are authorised to apply for additional subscriptions in Class A/AI Shares which they hold.</p>	EUR 100	EUR 100,000,000	EUR 100,000,000
<b>Class B / BI</b>	<p>Available to investors approved by the Management Company who:</p> <ul style="list-style-type: none"> <li>meet the definition of “Institutional Investor” as defined in the Law of 2010 and by guidelines or recommendations issued by the CSSF from time to time; and</li> <li>meet the minimum investment criteria.</li> </ul>	EUR 100	EUR 175,000,000	EUR 175,000,000
<b>Class D</b>	<p>Available only after entering into a prior written agreement with the Management Company.</p> <p>Where Class D Shares are held via an Intermediate Shareholder, where applicable, the client of the Intermediate Shareholder must have such a written agreement in place with the Management Company.</p> <p>An investor having entered into the written agreement with the Management Company may invest in Class D Shares and will be permitted to begin to invest for amounts less than the Minimum Initial Investment.</p> <p>N.B: successive D Shares may be issued in different Funds for different investors or investor groups and numbered 2, 3 etc. respectively.</p>	EUR 100	EUR 525,000,000	EUR 525,000,000

Class	Eligible Investors	Initial Offer Price, Minimum Initial Investment and Minimum Holding Amounts		
		Initial Offer Price	Minimum Initial Investment	Minimum Holding Amount
<b>Class DI</b>	<p>Available to investors who both:</p> <ul style="list-style-type: none"> <li>meet the definition of “Institutional Investor” as defined in the Law of 2010 and by guidelines or recommendations issued by the CSSF from time to time; and</li> <li>have entered into a prior written agreement with the Management Company</li> </ul> <p>Where Class DI Shares are held via an Intermediate Shareholder, where applicable, the client of the Intermediate Shareholder must have such a written agreement in place with the Management Company.</p> <p>N.B: successive DI Shares may be issued in different Funds for different investors or investor groups and numbered 2, 3 etc. respectively.</p>	EUR 100	EUR 525,000,000	EUR 525,000,000
<b>Class E</b>	<p>Available to investors approved by the Management Company, who subscribe within a certain period of the launch date of the Fund and who meet the minimum investment criteria. This Share Class will be offered for a restricted time only. Any investors who have acquired access to this Share Class can continue investing in this Share Class even after the end of the restricted time period.</p>	EUR 100	EUR 1,000,000	EUR 1,000,000
<b>Class EI</b>	<p>Available to investors approved by the Management Company, who:</p> <ul style="list-style-type: none"> <li>meet the definition of “Institutional Investor” as defined in the Law of 2010 and by guidelines or recommendations issued by the CSSF from time to time; and</li> <li>subscribe within a certain period of the launch date of the Fund.; and</li> <li>meet the minimum investment criteria</li> </ul> <p>Any investors who have acquired access to this Share Class can continue investing in this Share Class even after the end of the restricted time period.</p>	EUR 100	EUR 1,000,000	EUR 1,000,000
<b>Class F</b>	<p>Available to certain investors, approved by the Management Company, who subscribe within a certain period of the launch date of the Fund and who meet the minimum investment criteria. This Share Class will be offered for a restricted time only. Any investors who have acquired access to this Share Class can continue investing in this Share Class even after the end of the restricted time period.</p>	EUR 100	EUR 1,000,000	EUR 1,000,000



Class	Eligible Investors	Initial Offer Price, Minimum Initial Investment and Minimum Holding Amounts		
		Initial Offer Price	Minimum Initial Investment	Minimum Holding Amount
<b>Class L</b>	<p>Available to investors approved by the Management Company, who subscribe within a certain period of the launch date of the Fund and who meet the minimum investment criteria. This Share Class will be offered for a restricted time only. Any investors who have acquired access to this Share Class can continue investing in this Share Class even after the end of the restricted time period.</p> <p>Available to investors who are either:</p> <ul style="list-style-type: none"> <li>• Eligible Counterparties, within the meaning of article 30 of MiFID II, investing for their own account;</li> <li>• other Collective Investment Schemes; or</li> <li>• distributors, platforms and other intermediaries who operate fee based arrangements with their clients to provide advisory or discretionary portfolio management services, or other individual fee arrangements with their clients, and do not receive any fee rebates from the Investment Manager. For their clients, the Minimum Initial Investment and the Minimum Holding Amount specified above will not apply.</li> </ul>	EUR 100	EUR 1,000,000	EUR 1,000,000
<b>Class LI</b>	<p>Available to investors approved by the Management Company, who subscribe within a certain period of the launch date of the Fund, who meet the minimum investment criteria and who meet the definition of “Institutional Investor” as defined in the Law of 2010 and by guidelines or recommendations issued by the CSSF from time to time. This Share Class will be offered for a restricted time only. Any investors who have acquired access to this Share Class can continue investing in this Share Class even after the end of the restricted time period.</p>	EUR 100	EUR 1,000,000	EUR 1,000,000

Class	Eligible Investors	Initial Offer Price, Minimum Initial Investment and Minimum Holding Amounts		
		Initial Offer Price	Minimum Initial Investment	Minimum Holding Amount
<b>Class MI</b>	<p>Available to investors who both:</p> <ul style="list-style-type: none"> <li>meet the definition of “Institutional Investor” as defined in the Law of 2010 and by guidelines or recommendations issued by the CSSF from time to time; and</li> <li>have entered into a prior written agreement with the Management Company.</li> </ul> <p>Where Class MI Shares are held via an Intermediate Shareholder, where applicable, the client of the Intermediate Shareholder must have such a written agreement in place with the Management Company.</p>	EUR 100	EUR 525,000,000	EUR 525,000,000
<b>Class P</b>	Available to distributors, platforms and other intermediaries who meet the eligibility and minimum investment criteria.	EUR 100	EUR 1,000	EUR 1,000

Class	Eligible Investors	Initial Offer Price, Minimum Initial Investment and Minimum Holding Amounts		
		Initial Offer Price	Minimum Initial Investment	Minimum Holding Amount
<b>Class Q</b>	<p>Available to:</p> <ul style="list-style-type: none"> <li>Eligible Counterparties within the meaning of article 30 of MiFID II, investing for their own account.</li> <li>Other Collective Investment Schemes.</li> <li>Distributors or other intermediaries, who operate fee based arrangements with their clients to provide advisory or discretionary portfolio management services, or other individual fee arrangements with their clients, and do not receive any fee rebates from the Management Company.</li> <li>Companies which the Management Company deems to be associate companies and other investors which have an agreement with the Management Company.</li> </ul> <p>The Management Company shall not pay any fee rebates on the Class Q Shares to investors.</p> <p>Such investors will only be able to invest in Class Q Shares if they:</p> <ul style="list-style-type: none"> <li>have entered into a specific prior written agreement with the Management Company (where the Class Q Shares are held via an Intermediate Shareholder, where applicable, the end investor must have entered into such agreement with the Management Company); and</li> <li>have a significant investment in the relevant Fund as determined on a case-to-case basis by the Management Company.</li> </ul> <p>Where an investor's assets in Share Class Q fall below a level of significance determined solely by the Management Company, the Management Company may then reject any new subscriptions in the Class Q Shares.</p> <p>Investors who held class Q Shares prior to 1st October 2021 but no longer comply with the minimum initial investment and minimum holding amount applicable as at the date of this Prospectus, can continue to hold such Shares and are authorised to apply for additional subscriptions in Class Q Shares which they hold.</p>	EUR 100	EUR 50,000,000	EUR 50,000,000

Class	Eligible Investors	Initial Offer Price, Minimum Initial Investment and Minimum Holding Amounts		
		Initial Offer Price	Minimum Initial Investment	Minimum Holding Amount
<b>Class QI</b>	<p>Available to investors who meet the definition of “Institutional Investor” as defined in the Law of 2010 and by guidelines or recommendations issued by the CSSF from time to time, and who:</p> <ul style="list-style-type: none"> <li>• have entered into a specific prior written agreement with the Management Company (where the Class QI shares are held via an Intermediate Shareholder, where applicable, the end investor must have entered such agreement with the Management Company); and</li> <li>• have a significant investment in the relevant Fund as determined on a case-to-case basis by the Management Company.</li> </ul> <p>Where an Institutional Investor’s assets in the Class QI Shares fall below a level of significance determined solely by the Management Company, the Management Company may then reject any new subscriptions in the Class QI Shares.</p> <p>Existing Shareholders in the Class QI Shares, who held such Shares as at 30th September 2021 but no longer comply with the foregoing, can continue to hold such Shares and will be able to apply for additional subscriptions in Class QI Shares which they hold. Changes to such arrangements will revert to the terms detailed above.</p>	EUR 100	EUR 50,000,000	EUR 50,000,000
<b>Class W</b>	<p>Available to investors who are either:</p> <ul style="list-style-type: none"> <li>• Eligible Counterparties, within the meaning of article 30 of MiFID II, investing for their own account;</li> <li>• other Collective Investment Schemes; or</li> <li>• distributors, platforms and other intermediaries who operate fee based arrangements with their clients to provide advisory or discretionary portfolio management services, or other individual fee arrangements with their clients, and do not receive any fee rebates from the Investment Manager. For their clients, the Minimum Initial Investment and the Minimum Holding Amount specified above will not apply.</li> </ul>	EUR 100	EUR 500,000	EUR 500,000
<b>Class WI</b>	<p>Available to investors who meet the definition of “Institutional Investor” as defined in the Law of 2010 and by guidelines or recommendations issued by the CSSF from time to time.</p>	EUR 100	EUR 500,000	EUR 500,000

Where a Share Class is offered in another currency, the Benchmark may also be denominated or hedged into the relevant Share Class Reference Currency. For any GBP, USD, or CHF Share Classes offered, the Initial Offer Price, the Minimum Initial Investment and the Minimum Holding Amount will be the same as the stated EUR amounts. For any JPY Share Classes, the Initial Offer Price will be JPY 10,000, and the Minimum Initial Investment and the Minimum Holding Amount will be 150 times the stated EUR amounts. For any SGD or CAD Share Classes, the Initial Offer Price will be the same as the stated EUR amounts, and the Minimum Initial Investment and the Minimum Holding Amount will be 2 times the stated EUR amounts. For any SEK Share Classes, the Initial Offer Price, the Minimum Initial Investment and the Minimum Holding Amount will be 10 times the stated EUR amounts.

The Management Company or the Board of Directors may also decide to launch any newly created Share Classes at a different Initial Offer Price than those stated above, in their respective entire discretion.

## Charges

Details of the Annual Charge and any applicable Initial Sales Charge can be found in the relevant Fund Supplement. Shareholders should also refer to Section “**Net Asset Value Adjustment (“Swing Pricing”)**”.

## Conversion of Shares

Subject to any suspension of the determination of the NAV, Shareholders have the right to convert all or some of their Shares of any Class of a Fund into Shares of the same Class in another Fund or into Shares of another existing Class of that same or another Fund by applying for conversion in the same manner as for the issue of Shares. However, the right to convert Shares is subject to compliance with any conditions (including any minimum initial investment amounts) applicable to the Class into which the conversion is to be effected. Therefore, if, as a result of a conversion, the value of a Shareholder’s holding in the new Class would be less than the minimum initial investment amount specified in the Fund Supplement of the relevant Fund, where appropriate, the Board of Directors may decide not to accept the request for conversion of the Shares. In addition, if, as a result of a conversion, the value of a Shareholder’s holding in the original Class would become less than the relevant minimum initial investment amount, the Shareholder may be deemed (if the Board of Directors so decides) to have requested the conversion of all of his, her or its Shares.

Conversion requests received in good order by 11.00 (Luxembourg time) on the Valuation Day will be processed on that Valuation Day. Conversion requests received after such time will be deferred to the next Valuation Day in the same manner as for the issue and redemption of Shares. The NAV per Share for that Valuation Day is unknown to the investors when they place their conversion orders.

The number of Shares issued upon a conversion will be based upon the respective NAVs of the two Classes as of the applicable Valuation Day.

The rate at which all or some of the Shares of a Fund or Class (the “original Fund/Class”) are converted into Shares of another Fund or Class (the “new Fund/Class”) is determined on the basis of the following formula:

$$A = \frac{(B \times C \times D)}{E}$$

- A is the number of Shares to be allocated in the new Fund/Class
- B is the number of Shares to be converted in the original Fund/Class
- C is the NAV on the applicable Valuation Day of the Shares to be converted in the original Fund/Class
- D is the exchange rate applicable on the effective transaction day for the currencies of the two Funds/Classes
- E is the NAV on the applicable Valuation Day of the Shares to be allocated in the new Fund/Class

After the conversion, the Registrar and Transfer Agent will inform the Shareholders as to the number of new Shares acquired as a result of the conversion, as well as the NAV of the new Shares.

A conversion charge of up to 1% of the conversion amount may be applied at the discretion of the Board of Directors, provided however that equal treatment of all Shareholders is being observed by applying the same percentage to all conversion orders received for the same Valuation Day. Such conversion charge will be payable to the Management

Company. The conversion charge (if any) will be applied for the benefit of the Classes or Funds between which the conversion is effected, as appropriate, to cover the costs of transactions arising from the conversion.

Additionally, if the Company receives individual and/or aggregate redemption and/or conversion requests for a withdrawal of more than 10% of the total number of the issued and outstanding Shares for any Fund on a Valuation Day, the Board of Directors may decide, without Shareholder approval, to

- postpone the requests for a maximum period of ten (10) Business Days;
- defer settlement of the requests for a maximum period of one calendar month; or
- postpone the processing of requests for a maximum period of ten (10) Business Days and defer settlement of the requests for a maximum period of one calendar month. In all cases, the maximum period between the receipt of a properly documented redemption or conversion request and the settlement will be for such period as the Board of Directors considers to be in the best interests of the applicable Fund but shall not exceed one calendar month.

Conversions of Shares of a Fund shall be suspended whenever the determination of the NAV per Share of such Fund is suspended by the Board of Directors (see “General Information - Temporary Suspension of Determination of the Net Asset Value, Issues, Redemptions and Conversions”).

## Redemption of Shares

Any Shareholder may apply for redemption of his, her or its Shares in part or in whole on any Valuation Day.

Applications for redemptions must include

- the cash amount the Shareholder wishes to redeem, or
- the number of Shares the Shareholder wishes to redeem. In addition, the application must include the Shareholder’s personal details and account number. Failure to provide any of this information may result in a delay whilst verification is being sought. Valid written redemption applications should be received in good order by the Registrar and Transfer Agent by 11.00 (Luxembourg time) on the relevant Valuation Day. The NAV per Share for that Valuation Day is unknown to the Shareholders when they place their redemption orders.

Redemptions shall be effected at the NAV per Share of the relevant Class determined on the applicable Valuation Day.

Each redemption payment in respect of any Shares may be made in the same currency as the subscription payment for such Shares or another currency offered by the Fund and as specified in the Fund Supplement of the relevant Fund. The Depositary will issue payment instructions to its correspondent bank for payment, normally no later than two (2) Business Days following the applicable Valuation Day.

Shares of all Classes of Shares of all Funds may be redeemed without charge.

If, as a result of a redemption, the value of a Shareholder’s holding in a Class of Fund falls below the relevant minimum initial investment amount, that Shareholder may be deemed (if the Board of Directors so decides) to have requested redemption of all of his, her or its Shares in that Class.

Shareholders are required to notify the Registrar and Transfer Agent immediately in the event that they

- are or become United States Persons;
- hold Shares for the account or benefit of United States Persons;
- otherwise hold Shares in breach of any law or regulation; or
- otherwise in circumstances having, or which may have, adverse regulatory, tax or fiscal consequences to the Company or the Shareholders or otherwise be detrimental to the interests of the Company. If the Board of Directors becomes aware that a Shareholder
  - (a) is a United States Person or is holding Shares for the account of a United States Person, or
  - (b) is holding Shares in breach of any law or regulation or otherwise in circumstances having, or which may have, adverse regulatory, tax or fiscal consequences to the Company or the Shareholders or otherwise be detrimental to the interests of the Company, the Board of Directors may redeem the Shares in accordance with the provisions of the Articles of Incorporation.

The Board of Directors may decide with the agreement of the Shareholder(s) that may be affected that settlement may be deferred for redemption or conversion requests for a period of time to be agreed upon with the affected Shareholder(s).

If the Company receives individual and/or aggregate redemption and/or conversion requests for a withdrawal of more than 10% of the total number of the issued and outstanding Shares for any Fund on a Valuation Day, the Board of Directors may decide, without Shareholder approval, to

- postpone the requests for a maximum period of ten (10) Business Days;
- defer settlement of the requests for a maximum period of one calendar month; or
- postpone the processing of requests for a maximum period of ten (10) Business Days and defer settlement of the requests for a maximum period of one calendar month. In all cases, the maximum period between the receipt of a properly documented redemption or conversion request and the settlement will be for such period as the Board of Directors considers to be in the best interests of the applicable Fund but shall not exceed one calendar month.

Redemption and/or conversion requests which have not been dealt with because of a postponement will be given priority on the next Valuation Day following such postponement, but within ten (10) Business Days of the receipt of such requests.

Redemption and/or conversion requests the settlement of which is deferred shall be paid in proportion to the value at the time of the relevant redemption and/or conversion requests. The settlement of these redemption and/or conversion requests will be met in priority to later requests.

The Board of Directors may, at its discretion and with the approval of the affected Shareholder(s), pay all or a portion of the redemption proceeds in investments owned by the relevant Fund. The nature and type of investments to be transferred in any such case shall be determined by the Board of Directors upon recommendation of the Investment Manager and with the consent of the Board of Directors on a fair and equitable basis, and without material prejudice to the interests of the remaining Shareholders. Any costs of such transfers shall be borne by the Shareholders benefiting from the redemption in kind, and the Shareholder additionally will bear the risks associated with the transfer of the investments.

The procedures relating to a postponement and/or deferral of settlement of redemption requests will not apply to redemption proceeds paid to Shareholders in the form of investments owned by the relevant Fund.

Redemption of Shares of a given Fund shall be suspended whenever the determination of the NAV per Share of such Fund is suspended by the Company (see "General Information - Temporary Suspension of Determination of the Net Asset Value, Issues, Redemptions and Conversions").

From time to time, it may be necessary for the Company to borrow, on a temporary basis, to fund redemptions. For restrictions applicable to the Company's ability to borrow, see "Investment Restrictions" below.

## Transfer of Shares

The transfer of registered Shares may normally be effected by delivery to the Registrar and Transfer Agent of an instrument of transfer in an appropriate form. On receipt of the transfer request, the Registrar and Transfer Agent may, after reviewing the endorsement(s), require that the signature(s) be guaranteed by an approved bank, stockbroker or public notary.

Shareholders are advised to contact the Registrar and Transfer Agent prior to requesting a transfer to ensure that they have all the correct documentation for the transaction.

## Distribution Policy

Whether distribution Shares and/or accumulation Shares will be issued in relation to a particular Fund and the list of all available Share Classes will be available from the registered office of the Company, the Management Company or from the Administrative Agent.

The Directors reserve the right to introduce a distribution policy that may vary between Funds and different Classes of Shares in issue. The distribution frequency of a Fund is indicated in each Fund Supplement.

Accumulation Shares accumulate all earnings pertaining to the relevant Class for the benefit of the accumulation Shareholders, whereas distribution Shares may pay dividends to Shareholders.

The Directors will exercise their discretion to determine whether or not to declare a dividend in respect of Distribution Shares.

Dividends may be paid out of investment income, capital gains or capital at the discretion of the Directors. As dividends may be paid out of the capital of a Fund, there is a risk that capital will be eroded and “income” will be achieved by forgoing the potential for future capital growth of Shareholders’ investments and the value of future returns may also be diminished. This cycle may continue until all capital is depleted (subject to the minimum Net Asset Value requirement detailed below). Dependent on investor jurisdiction, dividends paid out of capital may have different tax implications to dividends paid out of income and investors are recommended to seek their own advice in this regard.

Dividends will normally be declared and paid within 2 months of the end of the relevant distribution period as described in the relevant Fund Supplement. If the dividend declared is less than 50 Euros (or its equivalent in any other currency), the Directors reserve the right to reinvest the dividend into the same Class of Shares in the relevant Fund (free of any initial sales charges).

Dividends will be paid by electronic transfer to the Shareholder, or, in the case of joint holders, to the name of the first Shareholder appearing on the register.

Payments will be made in the relevant Share Class Reference Currency. Distributions remaining unclaimed for five years after their declaration will be forfeited and revert to the relevant Fund. In any event, no distribution may be made if, as a result thereof, the Net Asset Value of the Company would fall below the equivalent of €1,250,000.

Dividends may be treated as taxable income in certain jurisdictions. Shareholders should seek their own professional tax advice.

If the Fund issues distribution Shares, a reinvestment facility may be available.

Should the Shareholders decide to reinvest the amount to be distributed to them where such facilities exist, these distributions will be reinvested in further Shares within the same Class of the same Fund and investors will be advised of the details by distribution statements. No initial sales charges, as defined below, will be imposed on reinvestments of distributions.

In the event of a liquidation of a Fund, any uncollected dividends will be deposited with the Luxembourg *Caisse de Consignation*, once the liquidation has been effected.

## Structured Products

Investment in the Shares for the purpose of creating a structured product is only permitted after entering into a specific agreement to this effect with the Management Company. In the absence of such an agreement, the Board of Directors can refuse an investment into the Shares if this is related to a structured product and deemed by the Board of Directors to potentially conflict with the interest of other Shareholders.

In the event that a Shareholder in the Company fails to comply with the above requirement, the Board of Directors may effect a compulsory redemption of Shares held by that Shareholder.

## Late Trading and Market Timing

The Company and the Registrar and Transfer Agent shall maintain controls to help ensure that the practices of late trading and market-timing are minimized in relation to the distribution of Shares of the Company. Late trading is a fraudulent practice consisting of accepting subscription and/or redemption orders after the cut-off time, such practice is not allowed by the Board of Directors. The cut-off times indicated in Section, “**The Shares**”, will be observed. In addition, the investors will not know the NAV per Share at the time of their request for subscription, redemption or conversion. Hence the risk of market timing is mitigated by the fact that the subscription and redemption activity will



be applied at an unknown NAV, meaning that the cut-off time is prior to the valuation point and therefore investors cannot take advantage of timing differences and/or deficiencies in the NAV calculation.

Subscriptions, redemptions and conversions of Shares should be made for investment purposes only. The Company does not permit market-timing or other excessive trading practices. Excessive, short-term (market-timing) trading practices may disrupt portfolio management strategies and harm Company performance. To minimize harm to the Company and the Shareholders, the Board of Directors or the Registrar and Transfer Agent on its behalf, has the right to reject any subscription or conversion order, or to levy a fee of up to 2% of the value of the order or the amount redeemed for the benefit of the Company from any investor who, in the opinion of the Board of Directors and in its sole discretion, is engaging in excessive trading or whose trading in Shares has been or may be disruptive to the Company or any of the Funds. In making this judgment, the Board of Directors may consider trading done in multiple accounts under common ownership or control. The Board of Directors also reserves the right to redeem all Shares held by a Shareholder who is or has been engaging in excessive trading. Neither the Board of Directors nor the Company will be held liable for any loss resulting from rejected orders, the imposition of redemption fees or mandatory redemptions in connection with excessive trading.

## Data Protection

Shareholders should note that by completing the application form they are providing the Company and the Management Company with information which constitutes Personal Data. Personal Data will be processed in accordance with the data privacy notice attached to the application form, and which is available at any time from the Company and the Management Company on request.

Shareholders acknowledge and agree that the Company, which is a controller of the Personal Data of Shareholders, shall always process personal data in accordance with the provisions of the GDPR and the law of 1 August 2018 organizing the National Commission for data protection and of the general system on data protection, as further set out in the privacy notice attached to the application form.

## Transfer of Shareholders' Confidential Information

**Before subscribing for Shares of the Company, the Shareholders should read this section "Transfer of Shareholders' Confidential Information", as well as the corresponding section in the application form.**

The M&G Group, the Company and the Management Company have appointed a third party service provider who will build a bespoke integrated, robust and scalable AUM and flow intelligence solution for the purpose of data collection and data consolidation in order to ensure its communication with Shareholders and regulators. To assist with this process globally, the Company and the Management Company in particular may use third party service providers who may be domiciled outside the European Union, and who may have their own service providers (together, "Data Consolidators").

In this context, the Company has instructed the Management Company and/or the Registrar and Transfer Agent to transfer confidential information as detailed below to Data Consolidators.

A description of the purposes of this arrangement, the confidential information that may be transferred to the Data Consolidators, as well as the countries where the Data Consolidators are located is set out in the below table.

Type of confidential information transmitted to Sub-contractors	Countries where the Sub-contractors are established	Nature of the outsourced activities
Shareholders' name, breakdown of their holding(s) (with number of Shares held, relevant Fund and Classes), prices	EU countries United Kingdom	Data collection and consolidation

As regards the processing of personal data, section "Data Protection" above applies.

# General Information

## Organisation

The Company is an investment company organized as a *société anonyme* under the laws of the Grand-Duchy of Luxembourg and qualifies as a *société d'investissement à capital variable* (SICAV). The Company was incorporated in Luxembourg on 8 March 2011. The Articles of Incorporation of the Company were published in the *Mémorial, Recueil des Sociétés et Associations* ("Mémorial") on 22 March 2011. The Articles of Incorporation have been amended on 20 January 2020 and were published on the *Recueil Electronique des Sociétés et Associations*. The Company qualifies as an undertaking for collective investment under Part I of the Law of 2010. The Company is registered with the Luxembourg Commercial and Companies' Register under number B 159397.

On the date of incorporation of the Company, the capital of the Company was 300,000 Euro represented by 3,000 Shares issued with no par value and fully paid up.

## Meetings and Announcements

Annual Meetings of Shareholders will be held at the registered office of the Company in Luxembourg on the last Thursday in the month of June at 14:00 or, if any such day is not a Business Day, on the next following Business Day, unless otherwise stated in the notice of convocation. Notices of all general meetings will be sent to the holders of registered Shares by registered mail at least eight days prior to the meeting at their addresses shown on the register of Shareholders or if the addressees have individually agreed to receive the convening notices by another means of communication ensuring access to the information, by such means of communication. Such notices will include the agenda and will specify the time and place of the meeting and the conditions of admission. They will also refer to the rules of quorum and majorities required by the Luxembourg law of 10 August 1915 on commercial companies (as amended) and in the Articles of Incorporation of the Company.

Each whole Share confers the right to one vote. Any change to the Articles of Incorporation must be approved by Shareholders at a general meeting of the Shareholders of the Company.

The Board of Directors of the Company draws the investors' attention to the fact that any investor will only be able to fully exercise his/her/its investor rights directly against the Company, notably the right to participate in general shareholders' meetings if the investor is registered himself/herself/itself and in his/her/its own name in the shareholders' register of the Company. In cases where an investor invests in the Company through an intermediary investing into the Company in his/her/its own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights directly against the Company. Investors are advised to take advice on their rights.

## Reports and Accounts

Audited annual reports of the Company shall be published within four (4) months following the end of the fiscal year of the Company, and unaudited semi-annual reports shall be published within two (2) months following the period to which they refer. The annual and semi-annual reports shall be made available at the registered office of the Company during ordinary office hours. The Company's financial year ends on 31 December. Shareholders who wish to receive a physical copy of the Company's annual and/or semi-annual reports must request this from the Company. If such a request is received, the Company will provide the relevant Shareholder with a physical copy of the Company's annual and/or semi-annual reports free of charge.

The Base Currency of the Company is the Euro. The aforesaid reports will comprise consolidated accounts of the Company expressed in Euro as well as individual information on each Fund expressed in the Fund Reference Currency.

## Allocation of Assets and Liabilities among the Funds

For the purpose of allocating the assets and liabilities between the Funds, the Board of Directors has established a pool of assets for each Fund in the following manner:

- the proceeds from the issue of each Share of each Fund are to be applied in the books of the Company to the pool of assets established for that Fund and the assets and liabilities and income and expenditure attributable;
- where any asset is derived from another asset, such financial derivative asset is applied in the books of the Company to the same pool as the asset from which it was derived and on each revaluation of an asset, the increase or diminution in value is applied to the relevant pool;
- where the Company incurs a liability which relates to any asset of a particular pool or to any action taken in connection with an asset of a particular pool, such liability is allocated to the relevant pool; provided that all liabilities, whatever Fund they are attributable to, are, unless otherwise agreed upon with the creditors, only binding upon the relevant Fund;
- in the case where any asset or liability of the Company cannot be considered as being attributable to a particular pool, such asset or liability is allocated to all the pools in equal parts or, if the amounts so justify, pro rata to the NAVs of the relevant Funds.

Under the Articles of Incorporation, the Board of Directors, may decide to create within each Fund one or more Classes whose assets will be commonly invested pursuant to the specific investment policy of the Fund but where a specific initial sales charge structure, fee structure, minimum initial investment amount or distribution policy may be applied to each Class. A separate NAV, which will differ as a consequence of these variable factors, will be calculated for each Class. If one or more Classes have been created within the same Fund, the allocation rules set out above shall apply, as appropriate, to such Classes. The Board of Directors, reserves the right to apply additional criteria as appropriate.

## Determination of the Net Asset Value of Shares

The NAV per Share of each Share Class within each Fund shall be determined by the Administrative Agent under the supervision of the Directors and the Management Company, in accordance with the requirements of the Articles of Incorporation.

The NAV of the Shares of each Class is determined in the relevant Share Class Reference Currency on each Valuation Day by dividing the net assets attributable to each Class by the number of Shares of such Class then outstanding. The number of decimals for the calculation of the NAV per Share will be rounded up to four decimal places. Fractions of Shares will be calculated by rounding down to three decimal places, and may be allocated as required.

The net assets of each Class are made up of the value of all the assets attributable to such Class less the total liabilities attributable to such Class determined as at the end of each Valuation Day. The actual calculation of the value of the assets will take place on the next Business Day:

- the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash distributions and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless, however, the same is unlikely to be paid or received in full, in which case the value thereof shall be determined after making such discount as appropriate in such case to reflect the true value thereof;
- the value of Transferable Securities, Money Market Instruments and any other assets which are listed or dealt in on any stock exchange shall be based on the latest available closing price. Transferable Securities, Money Market Instruments and any other assets traded on any other Regulated Market shall be valued in a manner as similar as possible to that provided for listed securities;
- for non-listed assets or assets not dealt in on any stock exchange or other Regulated Market, as well as listed or non-listed assets on such other market for which no valuation price is available or assets for which the listed prices are not representative of the fair market value, the value thereof shall be determined as the appropriate fair value for the asset;

- shares or units in underlying open-ended UCIs shall be valued at their last determined and available NAV or, if such price is not representative of the fair market value of such assets, then the price shall be determined as the appropriate fair value for the asset. Units or shares of a closed-ended UCI will be valued at their last available stock market value;
- Money Market Instruments with a remaining maturity of more than ninety days at the time of purchase shall be valued at their market price. Money Market Instruments with a remaining maturity of less than ninety days at the time of purchase or securities the applicable interest rate or reference interest rate of which is adjusted at least once every ninety days on the basis of market conditions shall be valued at cost plus accrued interest from its date of acquisition, adjusted by an amount equal to the sum of
  - (i) any accrued interest paid on its acquisition and
  - (ii) any premium or discount from its face amount paid or credited at the time of its acquisition, multiplied by a fraction the numerator of which is the number of days elapsed from its date of acquisition to the relevant Valuation Day and the denominator of which is the number of days between such acquisition date and the maturity date of such instruments;
- liquid assets not otherwise described above may be valued using an appropriate valuation basis ensuring that fair value is determined for the asset. All other assets, where practice allows, may be valued in the same manner;
- the net liquidating value of futures, forward and options contracts not traded on exchanges or on other Regulated Markets shall be determined pursuant to established policies on a basis consistently applied for each different variety of contracts. The liquidating value of futures, forward and options contracts traded on exchanges or on other Regulated Markets shall be based upon the last available settlement prices of these contracts on exchanges and/or Regulated Markets on which the particular futures, forward or options contracts are traded by the Company; provided that if a futures, forward or options contract could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract shall be such value as may be deemed fair and reasonable;
- all other assets of any kind or nature will be valued at their net realisable value as determined in good faith by or under the responsibility of the Board of Directors in accordance with generally accepted valuation principles and procedures.

The Company is authorized to apply other appropriate valuation principles for the assets of the Company and/or the assets of a Class if the aforesaid valuation methods appear impossible or inappropriate in the light of prevailing markets conditions in order to reflect better the probable realisation value established with prudence and good faith.

The value of assets denominated in a currency other than the Fund Reference Currency shall be determined by taking into account the rate of exchange prevailing at the time of the determination of the NAV.

The value of assets and liabilities of the Company is generally determined in accordance with Luxembourg generally accepted accounting principles.

The NAV per Share of each Class and the issue and redemption prices thereof are available at the registered office of the Company.

## Net Asset Value Adjustment (“Swing Pricing”)

The basis on which a Fund’s investments are valued is described in Section “**Determination of the Net Asset Value of Shares**” of this Prospectus. The actual cost of purchasing or selling investments differs from the mid-market value utilised by the Administrative Agent to calculate the NAV per Share due to, but not limited to, transaction costs such as dealing spreads, commissions and taxes.

A Fund may suffer a reduction in value, known as “dilution” when trading the underlying investments as a result of net inflows or net outflows of the respective Fund. This is due to transaction charges and other costs that may be incurred by liquidating and purchasing the underlying assets and the spreads between the buying and selling prices. In order to counter this effect and to protect Shareholders’ interests the Board of Directors will adopt a swing pricing mechanism as part of its valuation policy.

If on any Valuation Day, the aggregate net investor(s) transactions in a Fund exceed a threshold pre-determined by the Board of Directors, the net asset value per Share may be adjusted upwards or downwards to reflect the costs attributable to the net inflows and net outflows respectively. Typically, such adjustments will increase the net asset value per Share when there are net subscriptions into the Fund and decrease the net asset value per Share when there are net redemptions out of the Fund. The Board of Directors is responsible for setting the threshold, which will be a percentage of the net assets of the respective Fund. The threshold is based on objective criteria such as the size of a Fund and the dealing costs for a Fund, and may be revised from time to time.

The swing pricing mechanism will be applied across all Funds of the Company and it is not aimed at addressing the specific circumstances of each individual investor transaction. The amount of the swing factor will be up to a maximum of 2% of the NAV per Share. The swing factors are determined on the basis of the Funds' objectives and investment profiles, the markets in which they invest and the various cost components which amongst others may include market spread.

Investors are advised that the volatility of the Funds' net asset value might not reflect the true portfolio performance as a consequence of the application of swing pricing.

## Temporary Suspension of Determination of the Net Asset Value, Issues, Redemptions and Conversions

The determination of the NAV of the Shares of one or more Classes of a Fund may be suspended during:

- any period during which any of the principal markets or stock exchanges on which a substantial portion of the investments of the Fund is listed or dealt in, are closed otherwise than for ordinary holidays, or during which dealings therein are restricted or suspended;
- the existence of a state of affairs which constitutes an emergency as a result of which disposal or valuation of assets of the Fund would be impracticable;
- any breakdown in the means of communication or computation normally employed in determining the price or value of the assets of the Fund or the current prices or values on any market or stock exchange;
- any period when the Company is unable to repatriate funds for the purpose of making payments on the redemption of Shares or during which any transfer of funds involved in the realization or acquisition of investments or payments due on redemption of Shares cannot, in the opinion of the Board of Directors, be effected at normal rates of exchange;
- any other circumstance or circumstances beyond the control and responsibility of the Board of Directors where a failure to effect such suspension might result in the Company or its Shareholders incurring any tax liability or being affected in an adverse manner (pecuniary or otherwise);
- following the suspension of the calculation of the net asset value per share/unit, the issue, redemption and/or the conversion at the level of a master fund in which the Fund invests as feeder fund of such master fund, to the extent applicable; or
- following a possible decision to liquidate or dissolve the Company or one or several Classes or Funds.

In addition, the issue and repurchase of Shares shall be prohibited:

- (a) during the period in which the Company does not have a depositary;
- (b) where the Depositary is put into liquidation or declared bankrupt or seeks an arrangement with creditors, a suspension of payment or a controlled management or is the subject of similar proceedings.

The Board of Directors reserves the right to suspend the issue, redemption and conversion of Shares in one or more Classes for any period during which the determination of the NAV per Share of the Fund(s) concerned is suspended by the Company by virtue of the reasons described above. Any redemption or conversion request made or in abeyance during such a suspension period may be withdrawn by written notice to the Company before the end of such suspension period. Should such withdrawal not be effected, the Shares in question shall be redeemed or converted, as applicable, on the first Valuation Day following the termination of the suspension period. Investors who have requested the purchase, redemption or conversion of Shares shall be informed of such suspension when such request is made. In the event where such suspension period exceeds the period initially determined by the Board of Directors, all Shareholders of the Class concerned shall be informed.

## Liquidation of the Company, Funds and Share Classes

### The Company

The Company is incorporated for an unlimited period, and liquidation shall normally be decided upon by an extraordinary general meeting of Shareholders. This meeting will be convened in compliance with Luxembourg law:

- If the net assets of the Company fall below two-thirds of the minimum capital as required by law (€1,250,000), approval from a simple majority of the Shares represented at the meeting would be required; and
- If the net assets of the Company fall below one-fourth of the minimum capital as required by law, approval from the Shareholders holding one-quarter of the Shares present at the meeting would be required.

Should the Company be liquidated, such liquidation shall be carried out in accordance with the provisions of the Law of 2010 which specifies the steps to be taken to enable Shareholders to participate in the liquidation distributions and provides for deposit in escrow at the *Caisse de Consignation* in Luxembourg of any such amounts which it has not been possible to distribute to the Shareholders at the close of the liquidation. Amounts not claimed within the prescribed period would be forfeited in accordance with the provisions of Luxembourg law. The net liquidation proceeds of each Fund shall be distributed to the Shareholders of each Class of the Fund in proportion to their respective holdings of such Class.

At the latest nine months after the decision of the Shareholders to terminate the Company,

- the liquidation of the Company will have to be closed and
- all assets which have not yet been distributed to their beneficiaries shall be deposited with the *Caisse de Consignation* on behalf of the persons entitled thereto.

The liquidation of the last remaining Fund will result in the liquidation of the Company as referred to in Article 145 (1) of the Law of 2010.

### The Funds or Share Classes

The Board of Directors may decide to liquidate any Fund or Share Class

- if the net assets of such Fund or Share Class fall below a level considered by the Board of Directors to be too low for that Fund or Share Class to continue to be managed efficiently;
- if an unfavourable change in the economic or political situation relating to the Fund or Share Class would justify such liquidation as decided by the Board of Directors; or
- in the event of a product rationalisation decided by the Board of Directors.

Shareholders of the relevant Fund or Share Class will be notified by registered letter of the decision to liquidate prior to the effective date of the liquidation, and the letter will indicate the reasons for, and the procedures of, the liquidation. Actual realisation prices of investments, realisation expenses and liquidation costs will be taken into account in calculating the net asset value applicable to the compulsory redemption. Shareholders in the Fund or Share Class concerned will generally be authorised to continue requesting the redemption or conversion of their Shares prior to the effective date of the compulsory redemption, unless the Board of Directors determines that it would not be in the best interests of the Shareholders in that Fund or Share Class or could jeopardise the fair treatment of the Shareholders.

Notwithstanding the powers conferred on the Board of Directors by the preceding paragraphs, the Shareholders of any Fund or Share Class, as applicable, may also decide to terminate such Fund or Share Class at a general meeting of such Shareholders and have the Company redeem compulsorily all the Shares of the -Fund or Share Class at the net asset value per Share for the applicable Valuation Day. The convening notice to the general meeting of Shareholders of the Fund or Share Class will indicate the reasons for and the process of the proposed termination and liquidation.

No later than nine months after a decision of the Board of Directors to terminate a Fund or Share Class,

- the liquidation of the Fund or Share Class will be closed and
- such proceeds of the liquidation which the Directors have been unable to distribute to their beneficiaries shall be deposited with the *Caisse de Consignation* on behalf of the persons entitled thereto.

## Merger of the Company – Merger of Funds – Reorganisation of Share Classes

### Mergers decided by the Board of Directors

#### The Company

The Board of Directors may decide to proceed with a merger (within the meaning of the Law of 2010) of the Company, either as receiving or absorbed UCITS, with:

- another Luxembourg or foreign UCITS (the “**New UCITS**”); or
- a fund thereof,

and, as appropriate, to redesignate the Shares of the Company concerned as shares of this New UCITS, or of the relevant fund thereof as applicable.

In case the Company involved in a merger is the receiving UCITS (within the meaning of the Law of 2010), solely the Board of Directors will decide on the merger and effective date thereof.

In the case the Company involved in a merger is the absorbed UCITS (within the meaning of the Law of 2010), and hence ceases to exist, the general meeting of the Shareholders, rather than the Board of Directors, has to approve, and decide on the effective date of, such merger by a resolution adopted with no quorum requirement and at a simple majority of the votes validly cast at such meeting.

Such a merger shall be subject to the conditions and procedures imposed by the Law of 2010, in particular concerning the merger project and the information to be provided to the Shareholders.

#### The Funds

The Board of Directors may decide to proceed with a merger (within the meaning of the Law of 2010) of any Fund, either as receiving or absorbed Fund, with:

- another existing or new Fund within the Company or another sub-fund within a New UCITS (the “**New Sub-Fund**”); or
- a New UCITS,

and, as appropriate, to redesignate the Shares of the Fund concerned as shares of the New UCITS, or of the New Sub-Fund as applicable.

Such a merger shall be subject to the conditions and procedures imposed by the Law of 2010, in particular concerning the merger project and the information to be provided to the Shareholders.

### Mergers decided by the Shareholders

#### The Company

Notwithstanding the powers conferred to the Board of Directors by the preceding section, a merger (within the meaning of the Law of 2010) of the Company, either as receiving or absorbed UCITS, with:

- a New UCITS; or
- a fund thereof,

may be decided by a general meeting of the Shareholders for which there shall be no quorum requirement and which will decide on such a merger and its effective date by a resolution adopted at a simple majority of the votes validly cast at such meeting.

Such a merger shall be subject to the conditions and procedures imposed by the Law of 2010, in particular concerning the merger project and the information to be provided to the Shareholders.

## The Funds

The general meeting of the Shareholders of a Fund may also decide a merger (within the meaning of the Law of 2010) of the relevant Fund, either as receiving or absorbed Fund, with:

- any New UCITS; or
- a New Fund,

by a resolution adopted with no quorum requirement at a simple majority of the votes validly cast at such meeting.

Such a merger shall be subject to the conditions and procedures imposed by the Law of 2010, in particular concerning the merger project and the information to be provided to the Shareholders.

## General

Shareholders will in any case be entitled to request, without any charge other than those retained by the Company or the Fund to meet disinvestment costs, the repurchase or redemption of their Shares, in accordance with the provisions of the Law of 2010.

## Reorganisation of Share Classes

In the event that for any reason the net asset value of a Share Class has decreased to, or has not reached an amount determined by the Board of Directors (in the interests of Shareholders) to be the minimum level for such Class to be operated in an efficient manner, the Board of Directors may decide to re-allocate the assets and liabilities of that Class to those of one or several other Classes within the Company and to re-designate the shares of the Class(es) concerned as shares of such other share class or share classes (following a split or consolidation, if necessary, and the payment to Shareholders of the amount corresponding to any fractional entitlement). The Shareholder of the Share Class concerned will be informed of the reorganisation by way of a notice and/or in any other way as required or permitted by applicable laws and regulations.

Notwithstanding the powers conferred on the Board of Directors by the preceding paragraph, the Shareholders may decide on such reorganisation by resolution taken by the general meeting of Shareholders of the Share Class concerned. The convening notice to the general meeting of Shareholders will indicate the reasons for and the process of the reorganisation.

## Income Equalisation

Income equalisation arrangements will be applied to the Funds unless otherwise specified in the relevant Fund Supplement. Such income equalisation arrangements are designed to minimise the dilutive effect of subscriptions, conversions and redemptions on the level of income accrued within a Fund and attributable to each Share during a distribution period.

## Material Contracts

The following material contracts have been entered into:

- A management company agreement effective as from 13 July 2020 between the Company and the Management Company, as amended from time to time, (the "Management Company Agreement") pursuant to which the latter acts as the management company of the Company. This Agreement is entered into for an unlimited period and is terminable by either party upon ninety (90) days' written notice.
- An investment management agreement effective as from 13 July 2020 between the Management Company and the Investment Manager, as amended from time to time, (the "Investment Management Agreement") pursuant to which the latter acts as investment manager of the Company. This Agreement is entered into for an unlimited period and is terminable by either party upon three (3) months' written notice.
- A depositary agreement effective as from 12 February 2018 between the Company and the Depositary (the "Depositary Agreement") pursuant to which the latter is appointed depositary of the assets of the Company. This Agreement is entered into for an unlimited period and is terminable by either party upon six (6) months prior written notice.



- An administration agreement effective as from 13 July 2020 between the Company, the Management Company and the Administrative Agent, as amended from time to time, (the “Administration Agreement”) pursuant to which the latter is appointed administrative agent and registrar and transfer agent and paying agent of the Company. This Agreement is entered into for an unlimited period and is terminable by either party upon six (6) months written notice.

## Documents

### Prospectus, Articles of Incorporation, Periodical Reports and KIDs

Copies of the Articles of Incorporation of the Company, the current Prospectus, the KIDs and the latest financial reports may be obtained free of charge during normal office hours at the registered office of the Company in Luxembourg. Such reports form an integral part of this Prospectus. The KIDs may also be obtained free of charge on M&G Investment Management Limited’s website at <http://www.mandg.lu/institutions/product-literature/>.

### Policies

The Management Company will make the following additional information available at its registered office upon request in accordance with Luxembourg laws and regulations:

- The procedure relating to complaints handling
- The strategy followed for the exercise of voting rights of the Company
- The best execution policy
- The procedure for the giving and receiving of inducements.

## Potential Conflicts of Interest

The Board of Directors, the Management Company and the Investment Manager and/or their respective affiliates or any person connected with them (together the “Relevant Parties”) may from time to time act as directors, management company, investment manager, distributor, trustee, custodian, depositary, registrar, broker, administrator, investment adviser or dealer in relation to, or be otherwise involved in, other investment funds which have similar or different objectives to those of the Funds or which may invest in the Funds. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Funds. The Directors and each of the Relevant Parties will, at all times, have regard in such event to its obligations to the Funds and will endeavour to ensure that such conflicts are resolved fairly.

In addition, subject to applicable law, any Relevant Party may deal, as principal or agent, with the Funds, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm’s length basis. Any Relevant Party may deal with the Company as principal or as agent, provided that it complies with applicable law and regulation and the provisions of the Investment Management Agreement, the Management Company Agreement, to the extent applicable.

The Investment Manager or any of its affiliates or any person connected with the Investment Manager may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by the Funds. Neither the Investment Manager nor any of its affiliates nor any person connected with the Investment Manager is under any obligation to offer investment opportunities of which any of them becomes aware to the Company or to account to the Company in respect of (or share with the Funds or inform the Company of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Company and other clients.

The Investment Manager has policies and procedures in place to identify and mitigate any potential conflicts of interest arising from related party transactions, with a view to ensuring that all such transactions will be effected on terms which are not materially less favourable to the Company or a Fund than if the potential conflict had not existed.

The Investment Manager will also have policies and procedures requiring it to act in the best interests of the Company and the Funds so far as it is practicable having regard to its obligations to other clients, when undertaking any investment where potential conflicts of interest may arise.

The foregoing does not purport to be a complete list of all potential conflicts of interest involved in an investment in the Company.

The Directors will seek to ensure that any conflict of interest of which they are aware is resolved fairly.

# Fund Charges

Any fees or expenses payable by a Shareholder or out of the assets of the Company are set out in this section.

Each Class of Shares in the Company has an “Ongoing Charges Figure” (“OCF”), and this is shown in the relevant KID. The OCF is intended to assist Shareholders to ascertain and understand the impact of charges on their investment each year and to compare the level of those charges with the level of charges in other funds. The OCF excludes any initial charge, portfolio transaction costs and any extraordinary expenses, but will capture the Fund’s Annual Charge as detailed below.

## Initial Sales Charge

The Company is permitted to make an initial sales charge on the subscription of Shares by an investor. Where applicable, the percentage rate of any initial sales charge will be disclosed in the relevant Fund Supplement for each Fund. The maximum amount for such initial sales charge will be 4% of the value of the relevant subscription. Any initial sales charge will be passed to the Management Company or placement or other introducing agents.

## Annual Charge

The Company will pay an annual charge calculated as a percentage of the average daily net assets of each Fund or Share Class under its management (the “Annual Charge”). The Annual Charge will accrue daily and be payable quarterly in arrears at the rate specified in the relevant Fund Supplement and includes:

- formation expenses such as organisation and registration costs;
- fees and charges associated with the portfolio management services, operation, administration and oversight costs associated with the Company;
- fees and expenses payable to the service providers of the Company (the “Service Providers”) including their out of pocket expenses as permitted pursuant to any contractual arrangements with such Service Provider;
- fees and expenses of any delegates (including sub-custodians) of such Service Providers;
- costs of preparation and dissemination of the Prospectus, KIDs and constitution as well as financial statements and other reports and notifications to Shareholders;
- costs, fees and expenses in respect of the distribution of the Shares;
- costs, fees and expenses of any paying agent or representative appointed in compliance with the requirements of another jurisdiction;
- Luxembourg asset-based *taxe d’abonnement*;
- Collateral manager fees;
- costs, fees and expenses relating to the share class currency hedging provider (where relevant); and
- remuneration paid to Directors who are not connected with running the Company.

Subject to applicable law and regulations, the Investment Manager, at its absolute discretion, may on a negotiated basis enter into a private arrangement with a distributor under which the Investment Manager makes payments to or for the benefit of such distributor which represent a rebate of all or part of the fees paid by the Company to the Investment Manager.

In addition, the Investment Manager or a distributor at their absolute discretion, subject to applicable law and regulations, may enter into similar arrangements with investors that are investing sufficiently large amounts, either initially or are anticipated to do so over time, such as platform service providers or those who are cornerstone or early investors in a given Fund. Additionally, the Investment Manager may grant similar preferential terms to the employees of M&G and affiliates.

Consequently, the effective net fees payable by a holder of Shares who is entitled to receive a rebate under the arrangements described above may be lower than the fees payable by a holder of Shares who does not participate in such arrangements.

## Portfolio Transaction Costs

Each Fund bears all the costs and expenses of buying and selling portfolio securities and financial instruments in pursuit of its investment objective. These costs and expenses may include dealing spreads, brokerage fees and commissions, interest or taxes payable, gains and losses associated with currency hedging transactions (including share class hedging transactions) and other transaction-related expenses (“Transaction Costs”).

Shareholders should note that these costs are not included in the Annual Charge, but will impact the Net Asset Value of the Fund.

## Extraordinary Expenses

In addition, the Company or any Fund may bear any extraordinary expenses including, without limitation, litigation expenses and the full amount of any tax, levy, duty or similar charge imposed on the Company or Fund that would not be considered as ordinary expenses (“Extraordinary Expenses”).

## Collective Investment Scheme Costs

The Funds may invest in UCITS and other UCIs managed by the Management Company or its affiliates and also other investment managers (“Collective Investment Schemes”). Accordingly, the Fund would indirectly pay its pro rata share of the fees and expenses charged by each Collective Investment Scheme and all such fees and expenses will be reflected in the valuation of the Collective Investment Scheme.

Where the Fund invests in a Collective Investment Scheme managed by the Management Company or its affiliates, the Management Company will rebate to the Fund any management fee charged by the underlying Collective Investment Scheme or alternatively reduce the Annual Charge by the amount of any equivalent management fee that has been charged by the underlying Collective Investment Scheme. The Management Company will also waive any initial sales or redemption charge at the level of the underlying Collective Investment Scheme to avoid any double charging. The Fund would still however bear its pro rata share of any operating and administrative expenses as well as any applicable performance fees.

Where a Fund invests in a Collective Investment Scheme managed by other investment managers these may not be subject to the above rebate process and they may also be subject to initial sales and redemption charges.

## Relationship Discount

M&G FA Limited, through entering into a separate agreement or some other mechanism, may enter into an arrangement with one or more investors to provide a relationship discount. The relationship discount will be offered to investors who are invested in multiple strategies and meet certain criteria, subject to applicable exceptions. No costs in respect of any relationship discount shall be borne by the Company. Investors who may benefit from this initiative will be contacted directly. Investors may obtain further information from their usual M&G contacts.

# Investment Strategies of the Funds

## Investment Strategies of the Funds

The Board of Directors has determined the investment objective and investment policy of each of the Funds as described in the Fund Supplements to this Prospectus. There can be no assurance that the investment objective for any Fund will be attained. Pursuit of the investment objective and investment policy of any Fund must be in compliance with the limits and restrictions set out in Appendix 1 “Investment Restrictions and Techniques and Instruments”.

The Funds may hold up to 20% of their net assets in Ancillary Liquid Assets. In exceptionally unfavourable market conditions, and if justified in the interest of the Shareholders, a Fund may however invest up to 100% of its net assets in Ancillary Liquid Assets and other liquid instruments for as long as the exceptionally unfavourable market condition persists.

For the purpose of efficient portfolio management, each Fund may use derivatives to hedge against market risk, interest rate risk and currency risk. The Funds may seek to hedge their investments against currency fluctuations which are adverse to the Funds’ Reference Currency by using currency options, futures contracts and forward foreign exchange contracts. The Funds may also use derivatives such as options, futures, forwards and swaps as a substitute for direct investment. Derivatives may be used for the purposes of hedging and/or efficient portfolio management of each of the Funds. If derivatives are used for purposes other than hedging and/or efficient portfolio management, this will be stated for the relevant Funds in the relevant Fund Supplement.

When using the techniques and instruments described in the preceding paragraphs, the Funds must comply with the limits and restrictions set out in Appendix 1 “Investment Restrictions and Techniques and Instruments”. Also, such techniques and instruments shall be used only to the extent that they do not affect the quality of the investment policies and objectives of the Funds.

Use of the aforesaid techniques and instruments involves certain risks, and there can be no assurance that the objective sought to be obtained from such use will be achieved.

The Investment Manager shall not invest on behalf of a Fund in Securitisation positions which are issued on or after 1 January 2019, unless these comply with the obligations imposed by Articles 5 and 6 of the Securitisation Regulation.

## Securities Financing Transactions Regulation (SFTR)

SFTR refers to the Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012.

At this time, none of the Funds will enter into

- repurchase or reverse repurchase agreements,
- securities or commodities lending and securities and commodities borrowings,
- buy-sell back transactions or sell-buy back transactions,
- margin lending transactions and
- total return swaps, as referred to under the SFTR. Should the Funds decide to use any of these techniques, this Prospectus shall be updated in accordance with SFTR.

## Sustainability Related Disclosures

Pursuant to EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”), the Management Company is required to disclose the manner in which Sustainability Risks are integrated into the investment process of the Funds, and the results of the assessment of the likely impacts of Sustainability Risks on the returns of the Funds.

Sustainability Risks are integrated into the investment decision making and risk monitoring to the extent that they represent a potential or actual material risks and/or opportunities to maximising the long-term risk-adjusted returns across all Funds.

The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk, region and asset class. In general, where a sustainability risk occurs in respect of an asset, there will be a negative impact on, or entire loss of, its value.

Such assessment of the likely impact must therefore be conducted at Fund level, further detail and specific information is given in each relevant Fund Supplement.

The Company follows a series of ESG investment principles described in the Investment Manager’s ESG Principles Statement, which can be accessed via the Investment Manager’s website.

# Taxation

## General

The following information is of a general nature only and is based on the Company's understanding of certain aspects of the laws and practice in force in Luxembourg as of the date of this Prospectus. It does not purport to be a comprehensive description of all of the tax considerations that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. It is a description of the essential material Luxembourg tax consequences with respect to the subscribing, purchasing, owning and disposing of Shares in the Company and may not include tax considerations that arise from rules of general application or that are generally assumed to be known to investors.

The following summary is based on the law and practice applicable in the Grand Duchy of Luxembourg as at the date of this Prospectus and is subject to changes in law (or interpretation) later introduced, whether or not on a retroactive basis.

Investors should inform themselves of, and when appropriate, consult their professional advisors with regards to the possible tax consequences of subscription for buying, holding, exchanging, redeeming or otherwise disposing of Shares under the laws of Luxembourg and their country of citizenship, residence, domicile or incorporation.

Investors should be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*). Shareholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax and the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply in addition.

## The Company

### Subscription tax

The Company is, in principle, liable in Luxembourg to a subscription tax (*taxe d'abonnement*) of 0.05% per annum of its Net Asset Value, such tax being payable quarterly on the basis of the value of the aggregate net assets of the Company at the end of the relevant calendar quarter.

This rate is reduced to 0.01% per annum for:

- UCIs as well as sub-funds of UCIs with multiple sub-funds that are authorised as money market funds in accordance with Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds; and
- individual sub-funds of UCIs with multiple sub-funds as well as for individual classes of securities issued within a UCI or within a sub-fund of a UCI with multiple sub-funds, provided that the securities of such sub-funds or classes are reserved to one or more Institutional Investors.

The Company or its individual Funds may benefit from reduced subscription tax rates depending on the value of the relevant Fund's net assets invested in economic activities that qualify as environmentally sustainable within the meaning of Article 3 of the Taxonomy Regulation (the "Qualifying Activities"), except for the proportion of net assets of the Company or its individual Funds invested in fossil gas and/or nuclear energy related activities. The reduced subscription tax rates would be of:

- 0.04% if at least 5% of the total net assets of the Company, or of its individual Funds, are invested in Qualifying Activities;
- 0.03% if at least 20% of the total net assets of the Company, or of its individual Funds, are invested in Qualifying Activities;
- 0.02% if at least 35% of the total net assets of the Company, or of its individual Funds, are invested in - Qualifying Activities; and
- 0.01% if at least 50% of the total net assets of the Company, or of its individual Funds, are invested in Qualifying Activities.

The subscription tax rates mentioned above would only apply to the net assets invested in Qualifying Activities.

In addition, exemptions are available from the subscription tax where:

- the value of the assets represented by units held in other UCIs, provided such units have already been subject to the subscription tax;
- UCIs as well as sub-funds of UCIs with multiple sub-funds which (i) are reserved for Institutional Investors, (ii) are authorised as short-term money market funds in accordance with Regulation (EU) 2017/1131, and (iii) have obtained the highest possible rating from a recognised rating agency ;
- UCIs as well as sub-funds of UCIs with multiple sub-funds whose securities are reserved for (i) institutions for occupational retirement pension schemes, set up on one or more employers' initiative for the benefit of their employees, (ii) companies of one or more employers' investing funds they hold, to provide retirement benefits to their employees, and (iii) savers in the framework of a pan-European personal pension product governed by Regulation (EU) 2019/1238;
- UCIs as well as sub-funds of UCIs with multiple sub-funds whose main objective is the investment in microfinance institutions;
- UCIs as well as sub-funds of UCIs with multiple sub-funds which securities are listed or traded and whose exclusive object is to replicate the performance of one or more indices;
- UCIs as well as sub-funds of UCIs with multiple sub-funds that are authorised as European long-term investment funds within the meaning of Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds.

## **Other taxes**

No stamp duty or other tax is generally payable in Luxembourg on the issue of Shares for cash by the Company except a fixed registration duty of €75 paid upon incorporation. Any amendments to the Articles of Incorporation are as a rule also subject to a fixed registration duty of €75.

The Company may be subject to withholding tax on dividends and interest and to tax on capital gains in the country of origin of its investments. As the Company itself is exempt from income tax, withholding tax levied at source, if any, is not refundable in Luxembourg. It is not certain whether the Company itself would be able to benefit from Luxembourg's double tax treaties network. Whether the Company may benefit from a double tax treaty concluded by Luxembourg must be analysed on a case-by-case basis. Indeed, as the Company is structured as an investment company (as opposed to a mere co-ownership of assets), certain double tax treaties signed by Luxembourg may directly apply to the Company.

## **Withholding tax**

Under current Luxembourg tax law, there is no withholding tax on any distribution, redemption or payment made by the Company to the Shareholders under the Shares. There is also no withholding tax on the distribution of liquidation proceeds to the Shareholders.



## Shareholders

It is expected that Shareholders in the Company will be resident for tax purposes in many different countries. Consequently, except as set-out below, no attempt is made in this Prospectus to summarise the taxation consequences for each investor subscribing, converting, holding or redeeming or otherwise acquiring or disposing of Shares of the Company. These consequences will vary in accordance with the law and practice currently in force in a Shareholder's country of citizenship, residence, domicile or incorporation and with his personal circumstances.

Shareholders should consult their own professional advisors on the possible tax or other consequences of buying, holding, transferring or selling the Shares under the laws of their countries of citizenship.

Under current legislation Shareholders are generally not subject to any capital gains or income tax in Luxembourg, except Shareholders who are resident in Luxembourg for tax purposes or non-resident Shareholders who have a permanent establishment or a permanent representative in Luxembourg to which or whom the Shares are attributable.

### Luxembourg Tax Residency

A Shareholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding and/or disposing of Shares or the execution, performance or enforcement of its rights and obligations thereunder.

### Income Tax - Luxembourg Residents

#### Luxembourg Resident Individuals

Any dividends and other payments derived from the Shares received by Luxembourg resident individuals, who act in the course of either their private wealth or their professional or business activities are subject to income tax at the progressive ordinary rate.

Capital gains realised upon the sale, disposal or redemption of Shares by Luxembourg resident individual Shareholders acting in the course of the management of their private wealth are generally not subject to Luxembourg income tax, provided this sale, disposal or redemption takes place more than six months after the Shares were acquired and provided the Shares do not represent a substantial shareholding. A shareholding is considered as a substantial shareholding in limited cases, in particular if

- the Shareholder has held, either alone or together with his/her spouse or partner and/or his/her minor children, either directly or indirectly, at any time within the five years preceding the realisation of the gain, more than 10% of the share capital of the Company or
- (ii) the Shareholder acquired free of charge, within the five years preceding the transfer, a participation that constituted a substantial participation in the hands of the alienator (or alienators, in case of successive transfers free of charge within the same five year period). Capital gains realised on a substantial participation more than six months after the acquisition thereof are subject to income tax according to the half-global rate method (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realised on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the shareholding.

Capital gains realized on the disposal of the Shares by a resident individual Shareholder, who acts in the course of the management of his/her professional/business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

#### Luxembourg Resident Corporations

Luxembourg resident corporate Shareholders (*sociétés de capitaux*) must include any profits derived, as well as any gain realised on the sale, disposal or redemption of Shares, in their taxable profits for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price and the lower of the cost or book value of the Shares sold or redeemed.

### Luxembourg Residents Benefiting from a Special Tax Regime

Luxembourg resident corporate Shareholders which benefit from a special tax regime, such as

- UCI governed by the Law of 2010,
- specialised investment funds governed by the amended law of 13 February 2007,
- family wealth management companies governed by the amended law of 11 May 2007, and
- reserved alternative investment funds (treated as specialized investment funds for Luxembourg tax purposes) subject to the law of 23 July 2016,

are tax exempt entities in Luxembourg and are thus not subject to any Luxembourg income tax (but subject to the annual subscription tax (*taxe d'abonnement*)).

### Income Tax - Luxembourg Non-residents

Shareholders, who are non-residents of Luxembourg and which have neither a permanent establishment nor a permanent representative in Luxembourg to which the Shares are attributable are generally not subject to Luxembourg taxation on any income, withholding, capital gains or other taxes in Luxembourg and the Shares will not be subject to net wealth tax.

Corporate Shareholders which are non-residents of Luxembourg but which have a permanent establishment or a permanent representative in Luxembourg to which the Shares are attributable must include any income received, as well as any gain realised on the sale, disposal or redemption of Shares in their taxable income for Luxembourg tax assessment purposes. The same inclusion applies to individuals, acting in the course of the management of a professional or business undertaking, who have a permanent establishment or a permanent representative in Luxembourg to which the Shares are attributable. Taxable gains are determined as being the difference between the sale, repurchase or redemption price and the lower of the cost or book value of the Shares sold or redeemed.

Investors should consult their professional advisors regarding the possible tax or other consequences of buying, holding, transferring or selling Shares under the laws of their countries of citizenship, residence or domicile.

### Net Wealth Tax

In general, Luxembourg non-resident Shareholders are not subject to net wealth tax. Net wealth tax is only applicable to Luxembourg non-resident Shareholders if their Shares are attributable to a permanent establishment or a permanent representative in Luxembourg.

Luxembourg resident Shareholders, and non-resident Shareholders having a permanent establishment or a permanent representative in Luxembourg to which the Shares are attributable, would generally be subject to Luxembourg net wealth tax on such Shares, unless the Shareholder is

- a resident or non-resident individual taxpayer,
- a UCI governed by the Law of 2010,
- a securitisation company governed by the amended law of 22 March 2004,
- a venture capital vehicles governed by the amended law of 15 June 2004,
- a specialised investment fund governed by the amended law of 13 February 2007, or
- a family wealth management company governed by the amended law of 11 May 2007,
- a professional pension institution governed by the amended law dated 13 July 2005, or,
- a reserved alternative investment fund governed by the amended law of 23 July 2016.

However,

- a securitisation company governed by the amended law of 22 March 2004,
- a venture capital vehicle governed by the amended law of 15 June 2004,
- a professional pension institution governed by the amended law dated 13 July 2005, as well as
- an opaque reserved alternative investment fund governed by the law of 23 July 2016 (opting to be treated as a venture capital vehicle for Luxembourg tax purposes)

remain subject to minimum net worth tax.

## Value Added Tax

In Luxembourg, a regulated investment fund such as the Company is considered as a taxable person for VAT purposes without any input VAT deduction right. A VAT exemption applies in Luxembourg for services qualifying as fund management services. Other services supplied to the Company could potentially trigger VAT and require the VAT registration of the Company in Luxembourg. As a result of such VAT registration, the Company will be in a position to fulfil its duty to self-assess the VAT regarded as due in Luxembourg on taxable services (or goods to some extent) purchased from abroad.

No VAT liability arises in principle in Luxembourg in respect of any payments by the Company to its Shareholders, to the extent that such payments are linked to their subscription for Shares and do not constitute the consideration received for any taxable services supplied.

## Common Reporting Standard (CRS) - Luxembourg

Capitalised terms used in this section should have the meaning as set forth in the CRS Law (as defined below), unless provided otherwise herein.

The Company may be subject to the Common Reporting Standard (the “CRS”) as set out in the amended Luxembourg law dated 18 December 2015 (the “CRS Law”) implementing Directive 2014/107/EU which provides for an automatic exchange of financial account information between Member States of the European Union as well as the OECD’s multilateral competent authority agreement on automatic exchange of financial account information signed on 29 October 2014 in Berlin, with effect as of 1 January 2016.

Under the terms of the CRS Law, the Company is likely to be treated as a Luxembourg Reporting Financial Institution.

As such, since 30 June 2017 and in accordance with Section “**Data Protection**” of the Prospectus, the Company is required to annually report to the Luxembourg tax authorities personal and financial information related, inter alia, to the identification of, holdings by and payments made to

- certain Shareholders qualifying as Reportable Persons as per the CRS Law and
- Controlling Persons of certain non-financial entities (“NFEs”) which are themselves Reportable Persons.

This information, as exhaustively set out in Annex I of the CRS Law (the “Information”), will include Personal Data related to the Reportable Persons.

The Company’s ability to satisfy its reporting obligations under the CRS Law will depend on each Shareholder providing the Company with the Information, along with the required supporting documentary evidence. In this context, the Shareholders are hereby informed that, as data controller, the Company will process the Information for the purposes as set out in the CRS Law.

Shareholders qualifying as passive NFEs undertake to inform their Controlling Persons, if applicable, of the processing of their Information by the Company.

Additionally, the Company is responsible for the processing of Personal Data and each Shareholder has a right to access the data communicated to the Luxembourg tax authorities and to correct such data (if necessary). Any data obtained by the Company are to be processed in accordance with the applicable Data Protection Laws.

The Shareholders are further informed that the Information related to Reportable Persons within the meaning of the CRS Law will be disclosed to the Luxembourg tax authorities annually for the purposes set out in the CRS Law. The Luxembourg tax authorities will, under their own responsibility, eventually exchange the reported information to the competent authority of the Reportable Jurisdiction(s). In particular, Reportable Persons are informed that certain operations performed by them will be reported to them through the issuance of statements, and that part of this information will serve as a basis for the annual disclosure to the Luxembourg tax authorities.

Similarly, the Shareholders undertake to inform the Company within thirty (30) days of receipt of these statements should any included Personal Data be not accurate. The Shareholders further undertake to immediately inform the Company of, and provide the Company with all supporting documentary evidence of any changes related to the Information after occurrence of such changes.

Although the Company will attempt to satisfy any obligation imposed on it to avoid any fines or penalties imposed by the CRS Law, no assurance can be given that the Company will be able to satisfy these obligations. If the Company becomes subject to a fine or penalty as a result of the CRS Law, the value of the Shares held by the Shareholders may suffer material losses.

Any Shareholder that fails to comply with the Company's Information or documentation requests may be held liable for penalties imposed on the Company as a result of such Shareholder's failure to provide the Information or subject to disclosure of the Information by the Company to the Luxembourg tax authorities and the Company may, in its sole discretion, redeem the Shares of such Shareholders.

## US Foreign Account Tax Compliance Requirements ("FATCA")

Capitalised terms used in this section should have the meaning as set forth in the FATCA Law (as defined below), unless provided otherwise herein.

The Company may be subject to the so-called FATCA legislation which generally requires reporting to the US Internal Revenue Service of non-US financial institutions that do not comply with FATCA and direct or indirect ownership by US persons of non-US entities. As part of the process of implementing FATCA, the US government has negotiated intergovernmental agreements with certain foreign jurisdictions which are intended to streamline reporting and compliance requirements for entities established in such foreign jurisdictions and subject to FATCA.

Luxembourg has entered into a Model I Intergovernmental Agreement ("IGA") implemented by the amended Luxembourg law of 24 July 2015 (the "FATCA Law"), which requires Financial Institutions located in Luxembourg to report, when required, information on Financial Accounts held by Specified US Persons, if any, to the Luxembourg tax authorities (*administration des contributions directes*).

Under the terms of the FATCA Law, the Company is likely to be treated as a Luxembourg Reporting Financial Institution.

This status imposes on the Company the obligation to regularly obtain and verify information on all of its Shareholders. Such verification shall be performed in accordance with Section "**Data Protection**" of the Prospectus. On the request of the Company, each Shareholder shall agree to provide certain information, including, in the case of a passive Non-Financial Foreign Entity ("NFFE"), information on the Controlling Persons of such NFFE, along with the required supporting documentation. Similarly, each Shareholder shall agree to actively provide to the Company within thirty (30) days any information that would affect its status, as for instance a new mailing address or a new residency address.

The FATCA Law may require the Company to disclose the names, addresses and taxpayer identification number (if available) of its Shareholders as well as information such as account balances, income and gross proceeds (non-exhaustive list) to the Luxembourg tax authorities for the purposes set out in the FATCA Law. Such information will be relayed by the Luxembourg tax authorities to the US Internal Revenue Service. Such disclosure shall be performed in accordance with Section "**Data Protection**" of the Prospectus.

Shareholders qualifying as passive NFFEs undertake to inform their Controlling Persons, if applicable, of the processing of their information by the Company.

Additionally, the Company is responsible for the processing of personal data, and each Shareholder has a right to access the data communicated to the Luxembourg tax authorities and to correct such data (if necessary). Any data obtained by the Company is to be processed in accordance with the applicable Data Protection Laws.

Although the Company will attempt to satisfy any obligation imposed on it to avoid imposition of FATCA withholding tax, no assurance can be given that the Company will be able to satisfy these obligations. If the Company becomes subject to a withholding tax or penalties as result of the FATCA regime, the value of the Shares held by the Shareholders may suffer material losses. The failure for the Company to obtain such information from each Shareholder and to transmit it to the Luxembourg tax authorities may trigger the 30% withholding tax to be imposed on payments of U.S. source income as well as penalties.

Any Shareholder that fails to comply with the Company's documentation requests may be charged with any taxes and/or penalties imposed on the Company as a result of such Shareholder's failure to provide the information and the Company may, in its sole discretion, redeem the Shares of such Shareholder.

Shareholders who invest through intermediaries are reminded to check if and how their intermediaries will comply with this U.S. withholding tax and reporting regime.

Shareholders should consult a U.S. tax advisor or otherwise seek professional advice regarding the above requirements.

## Other Taxes

No estate or inheritance tax is levied on the transfer of Shares upon death of a Shareholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes at the time of his death. On the contrary, where an individual Shareholder is a resident of Luxembourg for tax purposes at the time of his/her death, the Shares are included in his or her taxable basis for inheritance tax purposes.

Luxembourg gift tax may be levied on a gift or donation of Shares if embodied in a Luxembourg notarial deed or otherwise registered in Luxembourg.

# Risk Management Process

## Risk Management Process

In accordance with the Law of 2010, CSSF circular 18/698 and other applicable regulations, the Management Company must employ a risk management process which enables it to monitor and measure the exposure of the Company to market, liquidity and counterparty risks, and to all other risks, including operational risks, which are material for the Company.

The Management Company has accordingly implemented a risk management process which will be followed in relation to the Company and each Fund. The risk management process enables the Management Company to assess the exposure of the Funds to market, liquidity and counterparty risks, and to all other risks, including operational risks, which are material for each Fund. The directors of the Management Company will review such risk management process at least annually.

In relation to financial derivative instruments the Company employs a process for accurate and independent assessment of the value of OTC derivatives and the Company ensures for each of its Funds that its global exposure relating to financial derivative instruments does not exceed the total net value of its portfolio.

The global exposure of the Fund(s) is measured by using the relative Value-at-Risk (VaR) or the absolute VaR as the case may be. The global exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

The expected leverage levels, set out for each Fund in the relevant Fund Supplement, have been calculated using the specific methodologies prescribed under the ESMA (formerly CESR) Guidelines 10-788 of 28 July 2010 on Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS and the document entitled “Questions and Answers: Risk Measurement and Calculation of Global Exposure and Counterparty Risk for UCITS (2012/ESMA/429)” published on 9 July 2012 (namely, the “sum of notionals” and the “commitment approach” methodologies).

In particular, the calculation of VaR should be carried out in accordance with the following parameters (the “**VaR Parameters**”):

- one-sided confidence interval of 99 %;
- holding period equivalent to 1 month (20 Business Days);
- effective observation period (history) of risk factors of at least 1 year (250 Business Days) unless a shorter observation period is justified by a significant increase in price volatility (for instance extreme market conditions);
- updates to the data set on a quarterly basis, or more frequent when market prices are subject to material changes; and
- at least daily calculation.

A confidence interval and/or a holding period differing from the VaR Parameters in (a) and (b) above may be used by a Fund provided the confidence interval is not below 95% and the holding period does not exceed 1 month (20 Business Days).

These methodologies might differ from the methodologies used in other jurisdictions and/or general market practice regarding how leverage is understood. Shareholders should note that under these methodologies, where a Fund uses derivatives for the purposes of efficient portfolio management, this will in some cases be included in the expected leverage calculation. This will inevitably inflate the expected leverage level for that Fund. In particular, under the sum of notionals methodology, neither netting, (including duration netting), nor hedging in relation to derivative positions is permitted. This will inevitably inflate the expected leverage levels calculated using this methodology, especially for any Fund that uses foreign exchange forward contracts as part of its investment strategy.

Each Fund may invest, according to its investment policy and within the limits laid down Appendix 1 “Investment Restrictions and Techniques and Instruments” in financial derivative instruments provided that the global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in Appendix 1 **Investment Restrictions and Techniques and Instruments**.

When a Fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in Appendix 1 **Investment Restrictions and Techniques and Instruments**.

When a Transferable Security or Money Market Instrument embeds a financial derivative instrument, the latter must be taken into account when complying with the requirements of this section.

Upon request of investors, the Management Company will provide supplementary information relating to the risk management process.

# Risk Factors

## Risk Factors

The risks described herein should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in a Fund. Different risks may apply to different Funds. Prospective investors should review this Prospectus and the relevant Fund Supplement in its entirety and consult with their professional and financial advisers before making an application for Shares.

Prospective investors should consider, among others, the following factors before subscribing for Shares:

## General Risks

Investors should be aware that there are risks inherent in the holding of securities:

### Business Risk

There can be no assurance that the Company will achieve its investment objective in respect of any of the Funds. The investment results of the Funds are reliant upon the success of the Investment Manager.

### Effect of Initial Sales Charge

Where an initial sales charge (if any) is imposed, an investor who realises his Shares after a short period may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested.

The Shares therefore should be viewed as medium to long-term investments.

### Depository – Segregation, Sub-custodians and Insolvency

Where securities are held with a sub-custodian or by a securities depository or clearing system, such securities may be held by such entities in client omnibus accounts and in the event of a default by any such entity, where there is an irreconcilable shortfall of such securities, the Company may have to share that shortfall on a pro-rata basis. Securities may be deposited with clearing brokers which the Depository is not obliged to appoint as its sub-custodians and in respect of the acts or defaults of which the Depository shall have no liability. There may be circumstances where the Depository is relieved from liability for the acts or defaults of its appointed sub-custodians provided that the Depository has complied with its duties.

The Company is at risk of the Depository or a sub-custodian entering into an insolvency procedure. During such a procedure (which may last many years) the use by the Company of assets held by or on behalf of the Depository or the relevant sub-custodian, as the case may be, may be restricted and accordingly (a) the ability of the Investment Manager to fulfil the investment objective of each Fund may be severely constrained, (b) the Funds may be required to suspend the calculation of the Net Asset Value and as a result subscriptions for and redemptions of Shares, and/or (c) the Net Asset Value may be otherwise affected. During such a procedure, the Company is likely to be an unsecured creditor in relation to certain assets and accordingly the Company may be unable to recover such assets from the insolvent estate of the Depository or the relevant sub-custodian, as the case may be, in full, or at all.

### Market Crisis and Governmental Intervention

The global financial markets are currently undergoing pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an “emergency” basis without much or any notice with the consequence that some market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or



substantially eliminated. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the Investment Manager's ability to fulfil a Fund's investment objective. However, there is a high likelihood of significantly increased regulation of the global financial markets, and such increased regulation could be materially detrimental to the performance of a Fund's portfolio.

### **Pandemic, Epidemic or Other Outbreaks of Contagious Disease Risk**

An outbreak of contagious disease, particularly if the outbreak reaches epidemic or pandemic proportions (such as the recent outbreak of COVID-19), can create significant economic and social uncertainty. Whilst it is difficult to predict the ultimate impacts of such outbreaks, it is likely that outbreaks will have material adverse impacts on affected economies and societies, and that such negative impacts may persist for some time.

The Company's investments may be impacted as a result of such outbreaks by disruptions to commercial activity due to failures to contain such outbreaks and/or due to containment measures, including but not limited to the introduction of guidance and/or imposition of directives to stay at home, lockdown, self-isolate, quarantine, work remotely, socially distance, and to restrict gatherings and travel.

In addition, such outbreaks may contribute to volatility in financial markets, which can disrupt historical pricing relationships or trends, increase illiquidity, disrupt the availability of financing or negatively impact the performance of the Company's investments.

In addition, the imposition of such containment measures may materially disrupt the Company's and its appointed service providers' and counterparties' (including providers of financing) business activities, including but not limited to the Management Company's and/or Investment Manager's ability to effectively identify, monitor, operate and dispose of investments and operate the Company in general.

### **CRS and FATCA**

Under the terms of the FATCA Law and CRS Law, the Company is likely to be treated as a Luxembourg Reporting Financial Institution. As such, the Company may require all investors to provide documentary evidence of their tax residence and all other information deemed necessary to comply with the above mentioned regulations. Should the Company become subject to a withholding tax and/or penalties as a result of non-compliance under the FATCA Law and/or penalties as a result of non-compliance under the CRS Law, the value of the Shares held by all Shareholders may be materially affected. Furthermore, the Company may also be required to withhold tax on certain payments to its Shareholders which would not be compliant with FATCA (i.e. the so-called foreign pass-through payments withholding tax obligation).

### **Hedging Risk**

Hedging transactions may be entered into using futures, forwards or other exchange-traded or OTC Derivatives or by the purchasing of securities ("**Hedging transactions**") in order to hedge the Fund's exposure to foreign exchange or interest rate risk. The Investment Manager may, as far as is reasonably practicable, seek to hedge out foreign currency exposure at Fund level by entering into forward foreign exchange transactions or other methods of reducing exposure to currency fluctuations.

If undertaken, portfolio hedging aims to reduce the Fund's level of risk or hedge the currency exposure to the currency of denomination of some or all of the securities held by the Fund. Any currency hedging undertaken at portfolio level may not fully hedge currency exposure and will not fully mitigate currency risk. Hedging transactions, while potentially reducing the risk of currency and inflation exposure which a Fund or a Class of Shares may otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty, as described under the risk factor headed "Derivatives - Counterparty" below.

Prospective investors should note that there can be no assurance that any hedges which are in place from time to time will be effective.

Please refer to the risk factors headed “**Currency Hedged Share Classes - No Segregation of Liabilities**” and “**Currency Hedged Share Classes Implications for Specific Share Class**” below for further disclosure in relation to certain risks related to Shares being denominated in different currencies and assets of a Fund being denominated in a currency other than the Reference Currency of the relevant Fund.

### **Market Risk**

The investments of the Fund are subject to normal market fluctuations and other risks inherent in investing in shares, bonds and other stock market related assets. These fluctuations may be more extreme in periods of market disruption and other exceptional events. There can be no assurance that any appreciation in value of investments will occur or that the investment objective will actually be achieved. The value of investments and the income from them will fall as well as rise and investors may not recoup the original amount they invested. Past performance is not a guide to future performance.

### **Counterparty Risk**

On a day-to-day basis the Company on behalf of a Fund may trade with market participants in order to build assets which will give rise to short term counterparty risk. Additionally each Fund may invest its assets in overnight deposits of credit institutions, money market funds, treasuries or other near-cash securities. Such liquid assets may be held for longer periods where, due to market circumstances, the Company on behalf of the Fund believes that it is in its best interests to do so. Should the Fund trade OTC Derivatives (which includes forward foreign exchange) it must do so with approved OTC counterparties with appropriate legal documentation in place, namely ISDA agreements. The ISDA agreement also contains a Credit Support Annex (the “CSA”). If the Company in respect of a Fund is subject to the European market infrastructure regulation (“EMIR”) clearing requirements and the counterparty is also acting as the clearing broker a clearing addendum must also be appended to the ISDA. Also in the case of cleared OTC a separate cleared derivatives execution agreement (the “CDEA”) is also required. These legal documents ensure segregation of liabilities in the event of a default and define the appropriate collateral and acceptable haircuts with each counterparty, clearing broker, clearing house and the Fund. Additional key controls for both bi-lateral and cleared OTC include; daily valuation of positions, daily collateralisation, zero thresholds and netting. Owing to the settlement cycle of collateral the Fund may have a mixture of collateralised and uncollateralised risk.

### **Liquidity Risk**

A Fund’s investments may be subject to liquidity constraints which means that securities may trade infrequently and in small volumes. Normally liquid securities may also be subject to periods of significantly lower liquidity in difficult market conditions. As a result, changes in the value of investments may be more unpredictable and in certain cases, it may be difficult to deal a security at the last market price quoted or at a value considered to be fair.

### **Suspension of Dealing in Shares**

Investors are reminded that in exceptional circumstances their right to sell or redeem Shares may be temporarily suspended.

### **Cancellation Risks**

When cancellation rights are applicable and are exercised, the full amount invested may not be returned if the price falls before we are informed of your intention to cancel.

### **Inflation**

A change in the rate of inflation will affect the real value of your investment.

## Taxation

The current tax regime applicable to investors in collective investment schemes in their country of residence or domicile is not guaranteed and may be subject to change. Any changes may have a negative impact on returns received by investors.

A Fund may be subject to withholding, capital gains or other taxes on income and/or gains arising from its investment portfolio, including without limitation taxes imposed by the jurisdiction in which the issuer of securities held by that Fund is incorporated, established or resident for tax purposes. The Funds rely extensively on tax treaties to reduce domestic rates of withholding tax in countries where they invest. A risk exists that tax authorities in countries with which Luxembourg has double tax treaties, may change their position on the application of the relevant tax treaty. As a consequence, higher tax may be suffered on investments, (e.g. as a result of the imposition of withholding tax in that foreign jurisdiction). Accordingly, any such withholding tax may impinge upon the returns to the Fund and investors.

In specific treaties which contain 'limitation of benefits' provisions (e.g. US), the tax treatment of the Fund may be affected by the tax profiles of investors in the Fund as such treaties may require the majority of investors in the Fund to be from the same jurisdiction. Failing to meet the limitation of benefits provision may result in increased withholding tax being suffered by the Fund.

A Fund may also incur or bear transaction or other similar taxes in respect of the actual or notional amount of any acquisition, disposal or transaction relating to its investment portfolio, including without limitation taxes imposed by the jurisdiction in which the issuer of securities held by that Fund or the counterparty to a transaction involving that Fund is incorporated, established or resident for tax purposes. Where a Fund invests in securities or enters into transactions that are not subject to withholding, capital gains, transaction or other taxes at the time of acquisition, there can be no assurance that tax may not be withheld or imposed in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The relevant Fund may not be able to recover such tax and so any change could have an adverse effect on the Net Asset Value of the Shares.

Where a Fund chooses or is required to pay taxation liabilities and/or account for reserves in respect of taxes that are or may be payable in respect of current or prior periods by that Fund or the Company (whether in accordance with current or future accounting standards), this would have an adverse effect on the Net Asset Value of the Shares in that Fund. This could cause benefits or detriments to certain Shareholders, depending on the timing of their entry to and exit from the relevant Fund.

### Tax treatment of the investors

The tax position of the investors may vary according to their particular financial and tax situation. The tax structuring of the Company and/or its investments may not be tax-efficient for a particular prospective investor. No undertaking is given that amounts distributed or allocated to the investors will have any particular characteristics or that any specific tax treatment will apply. Further, no assurance is given that any particular investment structure in which the Company has a direct or indirect interest will be suitable for all investors and, in certain circumstances, such structures may lead to additional costs or reporting obligations for some or all of the investors.

Prospective investors should consider their own tax position in relation to subscribing, purchasing, owning and disposing of Shares, and consult their own tax advisors as appropriate. None of the Company and its affiliates, or any officer, director, member, partner, employee, advisor or agent thereof can take responsibility in this regard.

### Tax Developments

The tax regulations which the Funds are subject to constantly change as a result of:

- technical developments – changes in law regulations;
- interpretative developments – changes in the way tax authorities apply law; and
- market practice – whilst tax law is in place, there may be difficulties applying the law in practice (e.g. due to operational constraints).

Any changes to the tax regimes applicable to the Funds and investors in their country of residence or domicile may impact negatively on the returns received by investors.

### Base Erosion and Profit Shifting and Anti-Tax Avoidance Directives

The pace of evolution of fiscal policy and practice has recently been accelerated due to a number of developments. In particular, the Organization for Economic Co-operation and Development (the “OECD”) together with the G20 countries have committed to addressing abusive global tax avoidance, referred to as base erosion and profit shifting (“BEPS”), through 15 actions detailed in reports released on 5 October 2015.

As part of the BEPS project, new rules dealing inter alia with the abuse of double tax treaties, the definition of permanent establishments, controlled foreign companies, restriction on the deductibility of excessive interest payments and hybrid mismatch arrangements, have been or will be introduced into the respective domestic laws of jurisdictions which form part of the BEPS project, via European directives and a multilateral instrument.

The Council of the European Union adopted two Anti-Tax Avoidance Directives (i.e. Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market (“ATAD I”) and Council Directive (EU) 2017/952 of 29 May 2017 amending ATAD I as regards hybrid mismatches with third countries (“ATAD II”)) that address many of the above-mentioned issues. The measures included in ATAD I and ATAD II have been implemented by the law of 21 December 2018 (the “ATAD I Law”) and the law of 20 December 2019 (the “ATAD II Law”) into Luxembourg domestic law. Most of the measures have been applicable since 1 January 2019 and 1 January 2020, the remaining being applicable as from 2022. These measures may significantly affect returns to the Company and the investors.

Furthermore, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the “MLI”) was published by the OECD on 24 November 2016. The aim of the MLI is to update international tax rules and lessen the opportunity for tax avoidance by transposing results from the BEPS project into more than 2,000 double tax treaties worldwide. A number of jurisdictions (including Luxembourg) have signed the MLI. Luxembourg ratified the MLI through the Luxembourg law of 7 March 2019 and deposited its instrument of ratification with the OECD on 9 April 2019. As a result, the MLI entered into force for Luxembourg on 1 August 2019. Its application per double tax treaty concluded by Luxembourg depends on the ratification by the other contracting state and on the type of tax concerned. The resulting changes and any other subsequent changes in tax treaties negotiated by Luxembourg may significantly affect returns to the Company and the investors.

### Exchange of information on reportable cross-border arrangements

Following the adoption of the Luxembourg law of 25 March 2020 (the “DAC 6 Law”) implementing Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements, certain intermediaries and, in certain cases, taxpayers will have to report to the Luxembourg tax authorities within a specific timeframe certain information on reportable cross-border arrangements.

A reportable cross-border arrangement covers any cross-border arrangement that contains at least one hallmark (i.e. a characteristic or feature that presents an indication of a potential risk of tax avoidance) as set out in the DAC 6 Law. A cross-border arrangement will only fall within the scope of the DAC 6 Law if its first step was implemented between 25 June 2018 and 30 June 2020 or if one of the following triggering events occurs as from 1 July 2020: the arrangement is made available for implementation, the arrangement is ready for implementation, the first step of the implementation of the arrangement is made, or aid, assistance or advice is provided with respect to designing, marketing, organising, making available for implementation or managing the implementation of a reportable cross-border arrangement. The reporting obligation in Luxembourg started on 1 January 2021.

The reported information will be automatically exchanged by the Luxembourg tax authorities with the competent authorities of all other EU Member States. As the case may be, the Company may take any action that it deems required, necessary, advisable, desirable or convenient to comply with the reporting obligations imposed on intermediaries and/or taxpayers pursuant to the DAC 6 Law. Late, incomplete or inaccurate reporting, or non-reporting, shall be subject to a maximum fine of EUR 250,000.

### Cyber Event Risk

Like other business enterprises, the use of the internet and other electronic media and technology exposes the Company, its service providers, and their respective operations, to potential risks from cyber-security attacks or incidents (collectively, “cyber-events”). Cyber-events may include, for example, unauthorised access to systems, networks or devices (such as, for example, through “hacking” activity), infection from computer viruses or other

malicious software code, and attacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. In addition to intentional cyber-events, unintentional cyber-events can occur, such as, for example, the inadvertent release of confidential information. Any cyber-event could adversely impact the Company and its Shareholders. A cyber-event may cause the Company, or its service providers to lose proprietary information, suffer data corruption, lose operational capacity (such as, for example, the loss of the ability to process transactions, calculate the Net Asset Value of the Company or allow Shareholders to transact business) and/or fail to comply with applicable privacy and other laws. Among other potentially harmful effects, cyber-events also may result in theft, unauthorised monitoring and failures in the physical infrastructure or operating systems that support the Company and its service providers. In addition, cyber-events affecting issuers in which a Fund invests could cause the Fund's investments to lose value.

## **Sustainability Risks**

A Sustainability Risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential negative impact on the value of an investment made by the Company.

The following types of sustainability risks are likely to impact the return of a Fund:

- Environmental risks include, but are not limited to, the ability of companies to mitigate and adapt to climate change, the potential for higher carbon prices, exposure to increasing water scarcity and potential for higher water prices, waste management challenges, and impact on global and local ecosystems.
- Social risks include, but are not limited to, product safety, supply chain management and labour standards, health and safety and human rights, employee welfare, data & privacy concerns and increasing technological regulation.
- Governance risks include, but are not limited to, board composition and effectiveness, management incentives, management quality and stakeholder alignment.

## **ESG Data Risk**

ESG information from third-party data providers may be incomplete, inaccurate or unavailable. As a result, there is a risk that the Investment Manager (or sub-investment manager where applicable) may incorrectly assess a security or issuer, resulting in the incorrect inclusion or exclusion of a security in the portfolio of a Fund. Incomplete, inaccurate or unavailable ESG data may also act as a methodological limitation to a non-financial investment strategy (such as the application of ESG Criteria or similar). Where identified, the Investment Manager (or sub-investment manager where applicable) will seek to mitigate this risk through its own assessment.

## **Investments Exclusion Risk**

The investment policy for a Fund may exclude potential investments where they do not meet certain criteria (e.g. financial criteria such as minimum credit ratings, or non-financial criteria such as ESG screens). This may cause the Fund to perform differently compared to similar funds that are permitted to invest in those investments.

## **Fund Specific Risks**

Please review the relevant Fund Supplement for reference to the key specific risks associated with each particular Fund.

## **Currency & Exchange Rate Risk**

Currency exchange rate fluctuations will impact the value of a Fund which holds currencies or assets denominated in currencies that differ from the valuation currency of the Fund.

## **Currency Risk on Unhedged Share Classes**

Currency exchange rate fluctuations will impact the value of an unhedged share classes where the currency of the share class differs from that of the valuation currency of the Fund.

## **Interest Rate Risk**

Interest rate fluctuations will affect the capital and income value of investments within Funds that invest substantially in fixed income investments. This effect will be more apparent if the Fund holds a significant proportion of its portfolio in long dated securities.

## **Credit Risk**

The value of the Fund will fall in the event of the default or perceived increased credit risk of an issuer. This is because the capital and income value and liquidity of the investment is likely to decrease. Debt securities, such as AAA rated government and corporate bonds, have a relatively low risk of default compared to non-Investment Grade bonds. However, the ratings are subject to change and they may be downgraded. The lower the rating the higher the risk of default. The risk associated with unrated bonds is similar to the risk associated to a rated debt security with similar features.

## **Zero or Negative Yield**

The costs of using derivative instruments to implement a short position within a Fund, for example short positions in currency or government bonds, may result in a zero or negative yield on the portfolio. In such circumstances the Fund may not make any distributions and any shortfall will be met from capital.

## **Emerging Markets**

The Funds may invest in emerging market debt securities, foreign exchange instruments and equities which may lead to additional risks being encountered when compared with investments in developed markets.

Securities markets in emerging market countries are generally not as large or as efficient as those in more developed economies and have substantially less dealing volume which can result in lack of liquidity. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighbouring exchange.

Accordingly, where a Fund invests substantially in securities listed or traded in such markets, its net asset value may be more volatile than a fund that invests in the securities of companies in developed countries. Further, custodians may not be able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets and there is a risk that the Fund will not be recognised as the owner of securities held on its behalf by a sub-custodian.

Substantial limitations may exist in certain countries with respect to repatriation of investment income or capital or the proceeds of sale of securities to foreign investors or by restriction on investment, all of which could adversely affect the Fund.

Many emerging markets do not have well developed regulatory systems and disclosure standards. In addition, accounting, auditing and financial reporting standards, and other regulatory practices and disclosure requirements (in terms of the nature, quality and timeliness of information disclosed to investors) applicable to companies in emerging markets are often less rigorous than in developed markets. Accordingly, investment opportunities may be more difficult to properly assess. Some emerging markets securities may be subject to brokerage or stock transfer taxes levied by governments, which would have the effect of increasing the cost of investment and which may reduce the realised gain or increase the loss on such securities at the time of sale.

Adverse market and political conditions arising in a specific emerging market country may spread to other countries within the region.

Political risks and adverse economic circumstances (including the risk of expropriation and nationalisation) are more likely to arise in these markets, putting the value of the investment at risk.

These factors may lead to temporary suspension of dealing shares in the Fund.

## **Funds Investing In A Specific Asset Class, Region or Sector**

Funds investing mainly in a specific asset class, region or sector may be more volatile and carry a higher risk to capital than funds investing more broadly. This is because the former are more vulnerable to market sentiment specific to that asset class, region or sector.

## **Currency Hedged Share Classes - No Segregation of Liabilities**

Gains or losses arising from currency hedging transactions are borne by the Shareholders of the respective hedged Share Classes. Given that there is no segregation of liabilities between Share Classes, there is a risk that, under certain circumstances, the settlement of currency hedging transactions or the requirement for collateral (if such activity is collateralised) in relation to one Share Class could have an adverse impact on the net asset value of the other Share Classes in issue. Although this risk will be mitigated, it cannot be fully eliminated, as there may be circumstances where it is not possible or practical to do so. For example, where the Fund needs to sell securities to fulfil financial obligations specifically related to the Currency Hedged Share Classes and such actions adversely affect the net asset value of the other Share Classes in the Fund.

## **Currency Hedged Share Classes Implications for Specific Share Class**

The Investment Manager will undertake transactions specifically to reduce the exposure of holders of Currency Hedged Share Classes to movements in the reference currency of the relevant Fund. The hedging strategy employed may not completely eliminate the exposure of the Currency Hedged Share Classes to currency movements and no assurance can be given that the hedging objective will be achieved. Investors should also be aware that the hedging strategy may substantially limit Shareholders of the relevant Currency Hedged Share Class from benefiting if the Share Class Reference Currency falls against the relevant hedging currencies.

During periods when interest rates across currency areas are very similar, the interest rate differential (the "IRD") is very small, the impact on hedged share class returns is low. However, in an environment where interest rates are significantly different between the relevant hedging reference currency of the Fund and the hedged Share Class Reference Currency, the IRD will be higher and the performance difference will be greater.

## **Hedging Methodology – Currency Hedged**

For Funds which seek to fully hedge the underlying portfolio currencies back to the Fund Reference Currency, the Investment Manager undertakes hedging transactions to reduce the effect of exchange rate movements between the Share Class Reference Currency and the Fund Reference Currency. Such Currency Hedged Share Classes will be denoted with the suffix "(Currency Hedged)".

## **Hedging Methodology – NAV Hedged**

For Funds which do not seek to fully hedge the underlying portfolio currencies back to the Fund Reference Currency, the Investment Manager undertakes hedging transactions to reduce the effect of exchange rate movements between the Share Class Reference Currency and the Fund Reference Currency. Such Currency Hedged Share Classes will be denoted with the suffix "(NAV Hedged)". Investors should note that when investing in such classes that they will still be exposed to the effect of exchange rate movements between the underlying portfolio currencies and Fund Reference Currency, which could be volatile and negatively impact returns.

## **Liabilities of the Fund**

Shareholders are not liable for the debts of the Fund. A Shareholder is not liable to make any further payment to the Fund after he has paid in full for the purchase of Shares.

## **Protected Cell - Foreign Courts**

Whilst the Articles of Incorporation provides for segregated liability between the Fund, the concept of segregated liability may not be recognised and given effect by a court in certain contexts including where relevant contractual documents involving the Funds are not construed in a manner to provide segregated liability. Where claims are

brought by local creditors in foreign courts or under foreign contracts, and the liability relates to one Fund which is unable to discharge its liability, it is not clear whether a foreign court would give effect to the segregated liability contained in the Articles of Incorporation. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance.

### **Negative Interest Rates**

Cash or money market instruments held in the Funds are subject to the prevailing interest rates in the specific currency of the asset. There may be situations where the interest rate environment results in rates turning negative. In such situations the Fund may have to pay to have money on deposit or hold the money market instrument.

### **Investment in funds**

Collective Investment Schemes (or “funds”) invest in a range of assets, each with its individual risks. While the Investment Manager will exercise due skill and care in selecting such schemes for investment, he will not have control over the management of these schemes or the fair pricing of the underlying securities. As such there is no guarantee that fair value of the fund’s underlying holdings is at all times reflected in the reported net asset value.

### **European Union and Eurozone Risk**

The deterioration of the sovereign debt of several countries, together with the risk of contagion to other, more stable, countries, has exacerbated the global economic crisis. This situation has also raised a number of uncertainties regarding the stability and overall standing of the European Economic and Monetary Union and may result in changes to the composition of the Eurozone.

As a result of the credit crisis in Europe, the European Commission created the European Financial Stability Facility (the EFSF) and the European Financial Stability Mechanism (the EFSM) to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism (the ESM), to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries from 1 July 2013 onward.

Despite these measures, concerns persist regarding the growing risk that other Eurozone countries could be subject to an increase in borrowing costs and could face an economic crisis similar to that of Cyprus, Greece, Ireland, Italy, Portugal and Spain, together with the risk that some countries could leave the Eurozone (either voluntarily or involuntarily), and that the impact of these events on Europe and the global financial system could be severe which could have a negative impact on the Collateral.

Furthermore, concerns that the Eurozone sovereign debt crisis could worsen may lead to the reintroduction of national currencies in one or more Eurozone countries or, in more extreme circumstances, the possible dissolution of the Euro entirely. The departure or risk of departure from the Euro by one or more Eurozone countries and/or the abandonment of the Euro as a currency could have major negative effects on the Company and its investments (including the risks of currency losses arising out of redenomination and related haircuts on any affected areas). Should the Euro dissolve entirely, the legal and contractual consequences for holders of Euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the securities or the portfolio investments. It is difficult to predict the final outcome of the Eurozone crisis. Investors should carefully consider how changes to the Eurozone may affect their investment in the securities.

Following the UK’s exit from EU, the EU has entered into a period of political uncertainty as to how relationships, strategy and direction within the EU27 may progress going forward. Such uncertainty could lead to a high degree of economic and market disruption and uncertainty. It is not possible to ascertain the impact it will have within the EU markets, including market value and liquidity, for the Company’s investments. Such conditions could have a material adverse effect on the business, financial condition, results of operations and prospects of the Company and its investments, the Investment Manager and other transaction parties. There is likely to be a degree of continued market uncertainty regarding this exit which may also negatively impact the value of investments held by the Company.



## **Russian Invasion of Ukraine**

On February 24, 2022, Russian troops began a full-scale invasion of Ukraine and, as of the date of this material, the countries remain in active armed conflict. Around the same time, the United States, the United Kingdom, the European Union, and several other nations announced a broad array of new or expanded sanctions, export controls, and other measures against Russia, Russia-backed separatist regions in Ukraine, and certain banks, companies, government officials, and other individuals in Russia and Belarus. The ongoing conflict and the rapidly evolving measures in response could be expected to have a negative impact on the economy and business activity globally (including in the countries in which the Funds invest), and therefore could adversely affect the performance of certain Funds' investments. The severity and duration of the conflict and its impact on global economic and market conditions are impossible to predict, and as a result, could present material uncertainty and risk with respect to certain Funds and the performance of their investments and operations, and the ability of certain Funds to achieve their investment objectives. Similar risks will exist to the extent that any underlying investments, service providers, vendors or certain other parties have material operations or assets in Russia, Ukraine, Belarus, or the immediate surrounding areas

## **Derivatives**

### **Derivative Instruments**

Funds undertake transactions in derivatives and forward transactions, both on exchange and OTC Derivatives, for the purposes of meeting the investment objective, protecting the risk to capital, currency, duration and credit management, as well as for hedging.

Generally, derivative instruments are financial contracts whose value depend upon, or are derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, leveraged loans, high yield debt securities, interest rates, currencies or currency exchange rates and related indexes.

Derivative instruments can include, but not limited to, futures, forwards, swaps, (including total return swaps), options and contracts for differences. These instruments can be highly volatile and expose investors to a high risk of loss. Such instruments normally require only low initial margin deposits in order to establish a position in such instruments and may permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited.

The Risk Management Process document sets out the approved derivative strategies and is available upon request from the Management Company.

### **Derivatives – Correlation (Basis Risk)**

Correlation risk is the risk of loss due to divergence between two rates or prices. This applies particularly where an underlying position is hedged through derivative instruments which are not the same as (but may be similar to) the underlying position.

### **Derivatives – Valuation**

Valuation risk is the risk of differing valuations of derivative instruments arising from different permitted valuation methods. Many derivative instruments, in particular OTC Derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals who are often also the counterparty to the transaction. As a result, the daily valuation may differ from the price that can actually be achieved when trading the position in the market.

### **Derivatives – Liquidity**

Liquidity risk exists when a particular instrument is difficult to purchase or sell. Derivative transactions that are particularly large, or traded off market (i.e. over the counter), may be less liquid and therefore not readily adjusted or closed out. Where it is possible to buy or sell, this may be at a price that differs from the price of the position as reflected in the valuation.

## **Derivatives – Counterparty**

Certain derivative types may require the establishment of a long term exposure to a single counterparty which increases the risk of counterparty default or insolvency. While these positions are collateralised, there is a residual risk between both the mark to market and the receipt of the corresponding collateral as well as between the final settlement of the contract and the return of any collateral amount, this risk is referred to as daylight risk. In certain circumstances, the physical collateral returned may differ from the original collateral posted. This may impact the future returns of the Fund.

## **Derivatives – Delivery**

A Fund's ability to settle derivative contracts on their maturity may be affected by the level of liquidity in the underlying asset. In such circumstances, there is a risk of loss to the Fund.

## **Derivatives – Legal Risk**

Derivative transactions are typically undertaken under separate legal arrangements. In the case of OTC Derivatives, a standard International Swaps and Derivatives Association ("ISDA") agreement is used to govern the trade between the Company on behalf of a Fund and the counterparty. The agreement covers situations such as a default of either party and also the delivery and receipt of collateral.

As a result, there is a risk of loss to the relevant Fund where liabilities in those agreements are challenged in a court of law.

## **Derivatives – Limited Use**

Derivative instruments may be used in a limited way to obtain exposure to investments rather than holding the investments directly. It is anticipated that the use of derivative instruments will not materially alter the risk profile of the Fund or increase price fluctuations compared to equivalent funds that do not invest in derivative instruments.

## **Exposure Greater than Net Asset Value**

Derivative instruments may be used to generate credit and equity exposure to investments exceeding the net asset value of the Fund, thereby exposing the Fund to a higher degree of risk. As a result of increased market exposure, the size of any positive or negative movement in markets will have a relatively larger effect on the net asset value of the Fund. The additional credit and equity exposure will however be limited to such an extent as to not materially increase the overall volatility of the net asset value.

## **Short Sales**

The Fund may take short positions through the use of derivative instruments which are not backed by equivalent physical assets. Short positions reflect an investment view that the price of the underlying asset is expected to fall in value. Accordingly, if this view is incorrect and the asset rises in value, the short position could involve losses of the Fund's capital due to the theoretical possibility of an unlimited rise in their market price.

However, shorting strategies are actively managed by the Investment Manager such that the extent of the losses will be limited.

## **Currency Strategies**

Funds which use currency management strategies may have substantially altered exposures to currency exchange rates. Should these currencies not perform as the Investment Manager expects, the strategy may have a negative effect on performance.

## Negative Duration

A Fund may take a negative duration position if the Investment Manager believes yields are likely to rise strongly. This means the Fund could produce a capital gain if bond yields increase which is not normally achievable by a typical bond fund. However, if the Fund is positioned with negative duration and yields fall, the position will be detrimental to performance.

## Convertible Bond Transactions

Convertible bonds issued by companies that give the bondholder the option to trade in the bond for shares in the company (the “**Convertible Bond**”).

## Convertibles Risk

Convertibles are subject to the risks associated with both bonds and company shares, and to risks specific to the asset class. Their value may change significantly depending on economic and interest rate conditions, the creditworthiness of the issuer, the performance of the underlying company shares and general financial market conditions. In addition, issuers of convertibles may fail to meet payment obligations and their credit ratings may be downgraded. Convertibles may also be less liquid than the underlying company shares.

## Contingent Convertible Debt Securities

Contingent convertible debt securities (the “Contingent Convertible Debt Securities”) are bonds issued by companies, which convert into shares in the company when certain capital conditions are met and are subject to the following risks:

*Trigger levels and conversion risks:* Contingent Convertible Debt Securities are complex financial instruments in respect of which trigger levels and conversion risk, depending on the distance of the capital ratio to the trigger level, differ. It might be difficult for the Investment Manager to anticipate the triggering events that would require the debt to convert into equity and to assess how the securities will behave upon conversion. In case of conversion into equity, the Investment Manager might be forced to sell these new equity shares because the investment policy of the Fund does not allow equity in its portfolio. This forced sale may itself lead to liquidity issue for these shares.

*Unknown and yield risks:* the structure of the Contingent Convertible Debt Securities is innovative yet untested. Investors have been drawn to this instrument as a result of its often attractive yield which may be viewed as a complexity premium. Yield has been a primary reason this asset class has attracted strong demand, yet it remains unclear whether investors have fully considered the underlying risks. Relative to more highly rated debt issues of the same issuer or similarly rated debt issues of other issuers, Contingent Convertible Debt Securities tend to compare favourably from a yield standpoint. The concern is whether investors have fully considered the risk of conversion or, for AT1 Contingent Convertible Debt Securities, coupon cancellation.

*Write-down, capital structure inversion and industry concentration risks:* the investment in Contingent Convertible Debt Securities may also result in a material loss. In this event, should a Contingent Convertible Debt Security undergo a write-down, the Contingent Convertible Debt Securities’ investors may lose some or all of its original investment. Contrary to classical capital hierarchy, Contingent Convertible Debt Securities’ investors may suffer a loss of capital when equity holders do not. To the extent that the investments are concentrated in a particular industry, the Contingent Convertible Debt Securities’ investors will be susceptible to loss due to adverse occurrences affecting that industry.

*Call extension risk:* Contingent Convertible Debt Securities are issued as perpetual instruments, callable at pre-determined levels only with the approval of the competent authority.

*Coupon cancellation risk:* for some Contingent Convertible Debt Securities, coupon payments are entirely discretionary and may be cancelled by the issuer at any point, for any reason and for any length of time.

*Liquidity risk:* In certain circumstances finding a ready buyer for Contingent Convertible Debt Securities may be difficult and the seller may have to accept a significant discount to the expected value of the bond in order to sell it.

## Asset-Backed Securities

Certain Funds may invest in asset-backed securities which are debt securities originated by corporations or other entities (including public or local authorities) and collateralized (or “backed”) by cash flows from an underlying pool of assets (“**Asset-Backed Securities**”). The underlying assets may include, but are not limited to, commercial and residential mortgages, loans, leases or receivables (such as credit card debt, automobile loans and student loans) but exclude physical assets.

Asset-Backed Securities are issued by a special purpose vehicle, which is an entity created and organised for the issuance of such securities and the obligations of the special purpose vehicle are isolated from those of the originator. The cash flows of an asset-backed security are dependent on the performance of the underlying pool of assets and where such securities are issued in different classes with varying characteristics (“tranching”) the subordination of these tranches will determine the distribution of losses during the life of the security. Investors in more junior classes are subject to greater risk in the event that the cash flow from the collateral pool is insufficient to make all payments in respect of its liabilities due to subordination of the junior classes. Certain classes may be rated by one or more rating agencies based on the credit profile of the collateral pool and the seniority of the relevant class, though the Fund may (where permitted) acquire tranches of Asset-Backed Securities that are not rated by any recognised rating agency.

Asset-Backed Securities may be subject to greater credit, liquidity and interest rate risk compared to other fixed income securities such as government issued bonds.

Asset-Backed Securities are also often exposed to extension risk (where obligations on the underlying assets are not paid on time) and prepayment risks (where obligations on the underlying assets are paid earlier than expected), these risks may have a substantial impact on the timing and size of the cash flows paid by the securities and may negatively impact the returns of the securities.

Prepayment risk is typically greater when interest rates are declining as mortgages and loans are prepaid. This may negatively impact the return of any Fund investing in such security as the income generated will have to be reinvested at the lower prevailing interest rates. Conversely, extension risk tends to increase when interest rates rise as the prepayment rate decreases causing the duration of Asset-Backed Securities to lengthen and expose investors to higher interest rate risk.

The average life of each individual security may be affected by a large number of factors such as the existence and frequency of exercise of any optional redemption and mandatory prepayment, the prevailing level of interest rates, the actual default rate of the underlying assets, the timing of recoveries and the level of rotation in the underlying assets.

In some ABS transactions, such as Collateralised Loan Obligations, the underlying pool of assets will be managed by a collateral manager in accordance with certain parameters set out in a collateral management agreement relating to such Asset-Backed Securities. The success of investment in such classes of Asset-Backed Security may be dependent on the financial and managerial expertise of the collateral manager.

## Credit Default Swaps

A credit default swap is a type of credit derivative instrument which allows one party (the “**protection buyer**”) to transfer credit risk of a reference entity (the “**reference entity**”) to one or more other parties (the “**protection seller**”). The protection buyer pays a periodic fee to the protection seller in return for protection against the occurrence of a number of events (each, a “**credit event**”) experienced by the reference entity. Credit default swaps carry specific risks including high levels of gearing, the possibility that premiums are paid for credit default swaps which expire worthless, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to fulfil its obligations to the Fund if a credit event occurs in respect of the reference entity. Further, the counterparty to a credit default swap may seek to avoid payment following an alleged credit event by claiming that there is a lack of clarity in, or an alternative meaning of, language used in the contract, most notably the language specifying what would amount to a credit event.

## Swap Agreements

The Funds may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Fund's exposure to long-term or short-term interest rates, currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Company is not limited to any particular form of swap agreement if consistent with the terms of the Prospectus and the investment objective and policy of a Fund.

Swap agreements tend to shift the Fund's investment exposure from one type of investment to another. For example, if the Fund agrees to exchange payments in one currency for payments another currency, the swap agreement would tend to decrease the Fund's exposure to interest rates in the country and/or region of the first currency and increase its exposure to the other currency and interest rates in the relevant country and/or region. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Fund. If a swap agreement calls for payments by the Fund, the Fund must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Fund. Use of swaps agreements may also incur counterparty risk as defined below.

## Collateral

The taking of collateral may reduce counterparty risk but it does not eliminate it entirely. There is a risk that the value of collateral held by the Fund may not be sufficient to cover the Fund's exposure to an insolvent counterparty. This could for example be due to the issuer of the collateral itself defaulting (or, in the case of cash collateral, the bank with whom such cash is placed becoming insolvent), lack of liquidity in the relevant collateral meaning that it cannot be sold in a timely manner on the failure of the collateral giver, or price volatility due to market events. In the event that the Fund attempts to realise collateral following the default by a counterparty, there may be no or limited liquidity or other restrictions in respect of the relevant collateral and any realisation proceeds may not be sufficient to off-set the Fund's exposure to the counterparty and the Fund may not recover any shortfall. It is also possible that assets held as collateral in custody may be lost although, for financial assets held in custody, the Depositary will be obliged to return equivalent assets.

Collateral management is also subject to a number of operational risks, which can result in a failure to request collateral to cover the exposure of a Fund or failure to demand the return of collateral from a counterparty when due. There is the risk that the legal arrangements entered into by the Company for the account of a Fund are held not to be enforceable in the courts of the relevant jurisdiction, meaning that the Fund is unable to enforce its rights over the collateral received in the case of a counterparty failure.

Collateral will not be reused.

Where collateral is delivered by way of title transfer, the Fund will be exposed to the creditworthiness of the counterparty and, in the event of insolvency, the Fund will rank as an unsecured creditor in relation to any amounts transferred as collateral in excess of the Fund's exposure to the counterparty.

## Below Investment Grade Debt Securities

Below-Investment Grade debt securities, also known as "high-yield" debt securities may carry a greater risk of default than higher rated debt securities. In addition, below-Investment Grade debt securities tend to be more volatile than higher rated debt securities, so that adverse economic events may have a greater impact on the prices of non-Investment Grade debt securities than on higher rated debt securities. Further, an issuer's ability to service its debt obligations may be adversely affected by specific issuer developments, for example, an economic recession may adversely affect an issuer's financial condition and the market value of high yield debt securities issued by such entity.

## Bond Downgrade Risk

A Fund may invest in highly rated/Investment Grade bonds, however, where a bond is subsequently downgraded it may continue to be held in order to avoid a distressed sale. To the extent that a Fund does hold such downgraded bonds, there will be an increased risk of default on repayment, which in turn translates into a risk that the capital value of the Fund will be affected. Investors should be aware that the yield or the capital value of the Fund (or both) could fluctuate.

## Sovereign Debt Securities

Sovereign debt refers to debt obligations issued or guaranteed by governments or their agencies and instrumentalities (each a “governmental entity”). Investments in sovereign debt may involve a degree of risk. The governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity’s willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity’s policy towards the international monetary bodies, any constraints placed on it by inclusion in a common monetary policy, or any other constraints to which a governmental entity might be subject. Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and other foreign entities to reduce principal and interest arrears on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity’s implementation of economic reforms and/or economic performance and the timely service of such debtor’s obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties’ commitments to lend funds to the governmental entity, which may further impair such debtor’s ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their sovereign debt. Holders of sovereign debt, including a Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities.

Sovereign debt holders may also be affected by additional constraints relating to sovereign issuers which may include

- the restructuring of such debt (including the reduction of outstanding principal and interest and or rescheduling of repayment terms) without the consent of the impacted Fund(s) (e.g. pursuant to legislative actions unilaterally taken by the sovereign issuer and/or decisions made by a qualified majority of the lenders); and
- the limited legal recourses available against the sovereign issuer in case of failure of or delay in repayment (for example there may be no bankruptcy proceedings available by which sovereign debt on which a government entity has defaulted may be recovered).

## Credit Linked Note (“CLN”)

A CLN is a security with an embedded credit default swap allowing the issuer to transfer a specific credit risk to the Fund.

CLNs are created through a special purpose company or trust. The Fund buys securities from the trust that pays a fixed or floating coupon during the life of the note. At maturity, the Fund will receive the par value unless the referenced credit defaults or declares bankruptcy, in which case it receives an amount equal to the recovery rate. The trust enters into a default swap with a deal arranger. In case of default, the trust pays the dealer par minus the recovery rate in exchange for an annual fee that is passed on to the Fund in the form of interest on the notes.

Under this structure, the coupon or price of the note is linked to the performance of a reference asset. It offers the Fund a higher yield on the note for accepting exposure to a specified credit event.

# Appendix 1 – Investment Restrictions and Techniques and Instruments

## Investment Restrictions

### A. The assets of each Fund shall comprise only one or more of the following:

- (1) Transferable Securities and Money Market Instruments listed or dealt in on a Regulated Market;
- (2) Transferable Securities and Money Market Instruments listed or dealt in on an Other Regulated Market in a Member State;
- (3) Transferable Securities and Money Market Instruments admitted to official listing on a Regulated Market in an Other State or dealt in on an Other Regulated Market in an Other State;
- (4) recently issued Transferable Securities and Money Market Instruments, provided that:
  - the terms of issue include an undertaking that application will be made for admission to official listing on a Regulated Market or on an Other Regulated Market as described under (1)-(3) above;
  - such admission is secured within one year of issue;
- (5) units of UCITS and/or other UCIs within the meaning of the first and second indent of Article 1, paragraph 2, points a) and b) of Directive 2009/65/EC, whether situated in a Member State or in an Other State, provided that:
  - such other UCIs are authorised under laws which provide that they are subject to supervision considered by the Regulatory Authority to be equivalent to that set out in Community law, and that cooperation between authorities is sufficiently ensured (currently the United States of America, Canada, Switzerland, Hong Kong, Japan, Norway, the Isle of Man and Guernsey);
  - the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on asset segregation, borrowing, lending, and uncovered sales of Transferable Securities and Money Market Instruments are equivalent to the requirements of Directive 2009/65/EC;
  - the business of the other UCIs is reported in semi-annual and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period;
  - no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs;
- (6) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in an Other State, provided that it is subject to prudential rules considered by the Regulatory Authority as equivalent to those set out in Community law;
- (7) financial derivative instruments, i.e. in particular credit default swaps, interest rate swaps, options, futures, including equivalent cash-settled instruments, dealt in on a Regulated Market or on an Other Regulated Market referred to in (1), (2) and (3) above, and/or financial derivative instruments dealt over-the-counter (“OTC derivatives”), provided that:
  - (i)
    - the underlying consists of instruments covered by this section A, financial indices, interest rates, foreign exchange rates or currencies, in which the Fund may invest according to its investment objectives;

- the counterparties to OTC derivative transactions are institutions subject to prudential supervision and belonging to the categories approved by the Regulatory Authority; and
  - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Fund's initiative;
- (ii) Under no circumstances shall these operations cause the Fund to diverge from its investment objectives.
- (8) Money Market Instruments other than those dealt in on a Regulated Market or on an Other Regulated Money Market, to the extent that the issue or the issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that such instruments are:
- issued or guaranteed by a central, regional or local authority or by a central bank of a Member State, the European Central Bank, the EU or the European Investment Bank, an Other State or, in case of a federal state, by one of the members making up the federation, or by a public international body to which one or more Member States belong; or
  - issued by an undertaking any securities of which are dealt in on Regulated Markets or on Other Regulated Markets referred to in (1), (2) or (3) above; or
  - issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the Regulatory Authority to be at least as stringent as those set out in Community law; or
  - issued by other bodies belonging to the categories approved by the Regulatory Authority provided that investments in such instruments are subject to investor protection equivalent to that set out in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least ten million Euro (10,000,000 Euro) and which presents and publishes its annual accounts in accordance with directive 78/660/EEC as amended, is an entity which, within a Group of Companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

**B. Each Fund may however:**

- (1) Invest up to 10% of its net assets in Transferable Securities and Money Market Instruments other than those referred to above under A (1) through (4) and (8).
- (2) Hold cash and cash equivalents on an ancillary basis; such restriction may exceptionally and temporarily be exceeded if the Board of Directors considers this to be in the best interest of the Shareholders.
- (3) Borrow up to 10% of its net assets, provided that such borrowings are made only on a temporary basis. For the purpose of this restriction back-to-back loans are not considered to be borrowings.
- (4) Acquire foreign currency by means of a back-to-back loan.

**C. In addition, the Company shall comply in respect of the net assets of each Fund with the following investment restrictions per issuer:**

**Risk Diversification rules**

For the purpose of calculating the restrictions described under items (1) to (5) and (8) hereunder, companies which are included in the same Group of Companies are regarded as a single issuer.



## Transferable Securities and Money Market Instruments

- (1) No Fund may purchase additional Transferable Securities and Money Market Instruments of any single issuer if:
  - (i) upon such purchase more than 10% of its net assets would consist of Transferable Securities or Money Market Instruments of one single issuer; or
  - (ii) the total value of all Transferable Securities and Money Market Instruments of issuers in which it invests more than 5% of its net assets would exceed 40% of the value of its net assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.
- (2) A Fund may invest, on a cumulative basis, up to 20% of its net assets in Transferable Securities and Money Market Instruments issued by the same Group of Companies.
- (3) The limit of 10% set forth above under item (1) (i) is increased to 35% in respect of Transferable Securities and Money Market Instruments issued or guaranteed by a Member State, by its local authorities, by any Other State or by a public international body of which one or more Member State(s) are member(s).
- (4) The limit of 10% set forth above under item (1) (i) is increased to 25% in respect of covered bonds as defined under article 3, point 1 of Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU, and for certain qualifying debt securities issued by a credit institution which has its registered office in a Member State and which, under applicable law, is submitted to specific public control in order to protect the holders of such qualifying debt securities. For the purposes hereof, “qualifying debt securities” are securities issued before 8 July 2022, the proceeds of which are invested in accordance with applicable law in assets providing a return which will cover the debt service through to the maturity date of the securities and which will be applied on a priority basis to the payment of principal and interest in the event of a default by the issuer. To the extent that a relevant Fund invests more than 5% of its net assets in debt securities issued by such an issuer, the total value of such investments may not exceed 80% of the net assets of such Fund.
- (5) The securities specified above under items (3) and (4) are not to be included for purposes of computing the ceiling of 40% set forth above under item (1) (ii).
- (6) **Notwithstanding the ceilings set forth above, each Fund is authorised to invest, in accordance with the principle of risk spreading, up to 100% of its net assets in Transferable Securities and Money Market Instruments issued or guaranteed by a Member State, by its local authorities, by any other state which is a member of the Organisation for Economic Cooperation and Development (“OECD”) such as the Group of 20 (G20), by the Republic of Singapore, or by the Hong Kong Special Administrative Region of the People’s Republic of China or by a public international body of which one or more Member State(s) are member(s), provided that (i) such securities are part of at least six different issues and (ii) the securities from any such issue do not account for more than 30% of the net assets of such Fund.**
- (7) Without prejudice to the limits set forth under item (b) below, the limits set forth under item (1) are raised to a maximum of 20% for investments in shares and/or bonds issued by the same body when the aim of the Fund's investment policy is to replicate the composition of a certain stock or bond index which is recognised by the Regulatory Authority, on the following basis:
  - the composition of the index is sufficiently diversified,
  - the index represents an adequate benchmark for the market to which it refers,
  - it is published in an appropriate manner.

The limit of 20% is raised to 35% where that proves to be justified by exceptional market conditions, in particular in Regulated Markets where certain Transferable Securities or Money Market Instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

## Bank Deposits

- (8) A Fund may not invest more than 20% of its net assets in deposits made with the same body.

## Financial Derivative Instruments

- (9) The risk exposure to a counterparty in an OTC derivative transaction may not exceed 10% of the Fund's net assets when the counterparty is a credit institution referred to in section A item (6) above or 5% of its net assets in other cases.
- (10) Investment in financial derivative instruments shall only be made provided that the exposure to the underlying assets does not exceed in aggregate the investment limits set forth in items (1) to (5), (8), (9), (13) and (14). When the Fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits set forth in items (1) to (5), (8), (9), (13) and (14).
- (11) When a Transferable Security or Money Market Instrument embeds a financial derivative instrument, the latter must be taken into account when complying with the requirements of section A item (7) and section D item (1), as well as with the risk exposure and information requirements set out in the present Prospectus. To the extent the Funds do not use total return swaps (or other financial derivative instruments with the same characteristics) as part of their investment strategy, no information on the underlying strategy and composition of the investment portfolio or index has been disclosed. However, should one or several Funds contemplate to use primarily such instruments, appropriate disclosures will be added according to the ESMA guidelines 2014/937 on ETFs and other UCITS.

## Units of Open-Ended Funds

- (12) Unless specified in the Fund specific Supplement, no Fund may invest in aggregate more than 10% of its net assets in the units of other single UCITS or other UCIs.

If specified in the relevant Fund Supplement, the following applies:

A Fund may acquire units or shares of UCITS and/or other UCI specified in 9.1 A. (5), provided that it does not invest more than 20% of its assets in a single UCITS or UCI.

For the purpose of the application of this investment limit, each portfolio of a UCI with multiple sub-funds within the meaning of Article 181 of the Law of 2010 is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various sub-funds vis-à-vis third parties is ensured.

Investments in units or shares of UCIs other than UCITS may not in total exceed 30% of the assets of a Fund. If a Fund has acquired units or shares in UCITS and/or other UCIs, the assets of these UCITS or other UCIs are not combined for the purposes of the limits stipulated in Article 43 of the Law of 2010.

When a Fund invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the Management Company or by any other company with which the Management Company is linked by common management or control, or by a substantial direct or indirect holding of more than 10% of the share capital or the voting rights, the Management Company or other company may not charge investment management, subscription or redemption fees on account of the Fund's investment in the units of such other UCITS and/or other UCIs.

A Fund that invests a substantial proportion of its assets in other UCITS and/or other UCIs will, if applicable, disclose in the relevant Fund Supplement of this Prospectus the maximum level of the management fees that may be charged both to the Fund itself and to the other UCITS and/or other UCIs in which it intends to invest.

## Combined limits

- (13) Notwithstanding the individual limits set out in items (1), (8) and (9) above, a Fund may not combine:
- investments in Transferable Securities or Money Market Instruments issued by,
  - deposits made with, and/or
  - exposures arising from OTC derivative transactions undertaken with a single body in excess of 20% of its net assets.
- (14) The limits set out in items (1), (3), (4), (8), (9) and (13) above may not be combined, and thus investments in Transferable Securities or Money Market Instruments issued by the same body, in deposits or financial

derivative instruments made with this body carried out in accordance with items (1), (3), (4), (8), (9) and (13) above may not exceed a total of 35% of the net assets of the Fund.

### Limitations on Control

- (15) No Fund may acquire such amount of shares carrying voting rights which would enable the Fund to exercise a significant influence over the management of the issuer.
- (16) A Fund may not acquire (i) more than 10% of the outstanding non-voting shares of any one issuer; (ii) more than 10% of the outstanding debt securities of any one issuer; (iii) more than 10% of the Money Market Instruments of any one issuer; or (iv) more than 25% of the outstanding shares or units of any one UCI.

The limits set forth in (ii) to (iv) may be disregarded at the time of acquisition if at that time the gross amount of bonds or of the Money Market Instruments or the net amount of the securities in issue cannot be calculated.

The ceilings set forth above under items (15) and (16) do not apply in respect of:

- Transferable Securities and Money Market Instruments issued or guaranteed by a Member State or by its local authorities;
- Transferable Securities and Money Market Instruments issued or guaranteed by any Other State;
- Transferable Securities and Money Market Instruments issued by a public international body of which one or more Member State(s) are member(s); and
- Shares in the capital of a company which is incorporated under or organized pursuant to the laws of an Other State provided that (i) such company invests its assets principally in securities issued by issuers of that State, (ii) pursuant to the laws of that State a participation by the relevant Fund in the equity of such company constitutes the only possible way to purchase securities of issuers of that State, and (iii) such company observes in its investments policy the restrictions set forth under section C, items (1) to (5), (8), (9) and (12) to (16);
- Shares in the capital of subsidiary companies which, exclusively on its or their behalf carry on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the redemption of shares at the request of Shareholders.

### D. Finally, the Company shall comply in respect of the assets of each Fund with the following investment restrictions:

- (1) No Fund may acquire precious metals or certificates representative thereof.
- (2) No Fund may invest in real estate provided that investments may be made in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.
- (3) No Fund may use its assets to underwrite any securities.
- (4) No Fund may issue warrants or other rights to subscribe for Shares in such Fund.
- (5) A Fund may not grant loans or guarantees in favour of a third party, provided that such restriction shall not prevent a Fund from investing in non-fully paid-up Transferable Securities, Money Market Instruments or other financial instruments, as mentioned under A, items (5), (7) and (8).
- (6) The Company may not enter into uncovered sales of Transferable Securities, Money Market Instruments or other financial instruments as listed under section A, items (5), (7) and (8).
- (7) Investments from one Fund into another Fund:

A Fund may subscribe, acquire and/or hold Shares to be issued or issued by one or more Funds of the Company under the condition that:

- the target Fund does not, in turn, invest in the Fund invested in this target Fund; and
- no more than 10% of the assets of the target Funds whose acquisition is contemplated, may be invested in aggregate in units of other UCIs; and

- voting rights, if any, attaching to the relevant securities are suspended for as long as they are held by the Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
  - in any event, for as long as these securities are held by the Company, their value will not be taken into consideration for the calculation of the net assets of the Company for the purposes of verifying the minimum threshold of the net assets imposed by the Law of 2010.
- (8) The Company may not invest in securities where the issuer is an entity which is included in the cluster munitions exclusion lists as adopted by regulatory authorities and or / fund industry associations in The Netherlands and Belgium at the time of purchase of the security. The Board of Directors may, from time to time, consider similar lists adopted by other countries in which the Board of Directors intends to market the Shares.

## E. Additional investment restrictions

- (9) Since 27 April 2022 (the “Effective Date”), all Funds in the Company are subject to the M&G Investments Thermal Coal Investment Policy (the “Coal Policy”) available on the M&G website.

**The M&G Senior Asset Backed Credit Fund and the M&G Investment Grade ABS Fund invest mostly in Asset Backed Securities, which will not be covered by the Coal Policy. This is because data is not available to determine the suitability of Asset Backed Securities in relation to the Coal Policy. As a result, a substantial majority of the Fund’s assets will not fall within the scope of the Coal Policy.**

The Funds will be subject to additional investment restrictions commencing on 31 October 2022 and 31 October 2024 as further described below.

The Investment Manager will continue its engagement with companies involved in thermal coal activities (the extraction of, or power generation from, thermal coal, and related sectors), as further explained in the Coal Policy.

This engagement will involve encouraging such companies to adopt plans to transition away from thermal coal, which are credible in the opinion of the Investment Manager (“Credible Transition Plans”), by:

- 2030 for companies in, or conducting thermal coal activities in, a Member State of the OECD and/or the EU; and
- 2040 for companies in, or conducting thermal coal activities in, other countries.

Companies that have not adopted Credible Transition Plans by 31 October 2022 (for companies in, or conducting thermal coal activities in, a Member State of the OECD and/or the EU) or 31 October 2024 (for companies in, or conducting thermal coal activities in, other countries) shall be excluded from direct investment by the Funds (“Excluded Companies”). Accordingly the Funds shall be subject to additional investment restrictions from 31 October 2022 and 31 October 2024 to give effect to the abovementioned exclusions. These investment restrictions consist of data points which are defined in the Coal Policy and which will enable the Investment Manager to assess whether or not a company is sufficiently engaged in the energy transition to remain an eligible investment for the relevant Fund.

Excluded Companies to be sold by the Funds may be subject to liquidity constraints or lower liquidity in difficult market conditions, which may result in the Investment Manager having to sell investments in Excluded Companies at an unfavourable time and/or under adverse market conditions. This may have a negative impact on the value of the Funds, and/or result in a small number of Excluded Companies still being held by the Funds after 31 October 2022 (for companies in, or conducting thermal coal activities in, a Member State of the OECD and/or the EU) or 31 October 2024 (for companies in, or conducting thermal coal activities in, other countries). The fund managers will, however, seek to sell investment in excluded companies as soon as practicable after these dates should this be required.

While engagement will be co-ordinated centrally to maximise M&G’s influence, the fund manager(s) of each Fund will retain discretion as to whether they begin to sell holdings in each Fund prior to the additional investment restrictions coming into force. Each Fund may therefore commence sale of Excluded Companies from the Effective Date.

Any change to any of the effective dates of the Coal Policy investment restrictions described above to a later date determined by the Board would be communicated to Shareholders.

#### **F. Notwithstanding anything to the contrary herein contained:**

- (1) The ceilings set forth above may be disregarded by each Fund when exercising subscription rights attaching to Transferable Securities or Money Market Instruments in such Fund's portfolio.
- (2) If such ceilings are exceeded for reasons beyond the control of a Fund or as a result of the exercise of subscription rights, such Fund must adopt as its priority objective in its sale transactions the remedying of such situation, taking due account of the interests of its Shareholders.
- (3) The risk exposure of the Company may not be increased by more than 10% by means of temporary borrowing. Taking into account the maximum risk exposure resulting from the use of financial derivative instruments, the overall risk exposure may not exceed 210% of the NAV of the Company under any circumstances.
- (4) During the first six months following the date of its authorisation, a Fund may derogate from C. (1) – (9) and (12) – (14), while ensuring the observance of the principle of risk spreading. Within six months following their launch dates, each Fund may also temporarily derogate from the investment restrictions set out in its investment policy until the fifteenth Business Day following the date that the Fund receives an expected large subscription which represents more than 50% of such Fund's total net assets.

The Board of Directors has the right to determine additional investment restrictions to the extent that those restrictions are necessary to comply with the laws and regulations of countries where Shares of the Company are offered or sold.

## **Investment Techniques and Instruments**

### **General**

The Company in respect of each Fund may employ techniques and instruments relating to Transferable Securities and Money Market Instruments for the purpose of efficient portfolio management as set forth in detail in Section "Investment Strategies of the Funds" of the Prospectus and in the Fund Supplements.

When these operations concern the use of financial derivative instruments, the relevant techniques and instruments shall conform to the provisions stipulated in Appendix 1 "Investment Restrictions and Techniques and Instruments". In addition, the provisions stipulated in Section "**Risk Management Process**" have to be complied with.

Under no circumstances shall these operations cause a Fund to diverge from its investment policies and objectives as set out in Section "Investment Strategies of the Funds" of the Prospectus and in the Fund Supplements.

### **Management of collateral**

In the context of OTC financial derivatives transactions and efficient portfolio management techniques, each Fund may receive collateral with a view to reduce its counterparty risk. This section sets out the collateral management applied by the Fund in such case.

### **Eligible collateral**

Collateral received by the Funds may be used to reduce their counterparty risk exposure if it complies with the criteria set out in applicable laws, regulations and circulars issued by the CSSF from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability.

In particular, collateral should comply with the following conditions:

- Any collateral received other than cash should be of high quality, highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation;
- It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;
- It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the Funds' net asset value to any single issuer on an aggregate basis, taking into account all collateral received; By way of derogation to the present point (d), the Funds may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, one or more of its local authorities, a third country, or a public international body to which one or more Member States belong. Such Funds should receive securities from at least six different issues, but securities from any single issue should not account for more than 30% of the Funds' net asset value;
- It should be capable of being fully enforced by the Funds at any time without reference to or approval from the counterparty.

Subject to the abovementioned conditions, collateral received by the Funds may consist of:

- (a) liquid assets such as cash and cash equivalents, including short-term bank certificates and Money Market Instruments;
- (b) bonds issued or guaranteed by a member state of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or worldwide scope;
- (c) shares or units issued by money market UCIs calculating a daily NAV and being assigned a rating of AAA or its equivalent;
- (d) shares or units by UCITS investing mainly in bonds/shares mentioned in (e) and (f) below;
- (e) bonds issued or guaranteed by first class issuers offering an adequate liquidity; and
- (f) shares admitted to or dealt in on a regulated market of an EU Member State or on a stock exchange of a member state of the OECD, on the condition that these shares are included in a main index.

A reinvestment of cash provided as collateral may only be effected in compliance with the respective circulars of the CSSF.

## **Level of collateral**

Each Fund will determine the required level of collateral for OTC financial derivatives transactions and efficient portfolio management techniques by reference to the applicable counterparty risk limits and taking into account the nature and characteristics of transactions, the creditworthiness and identity of counterparties and prevailing market conditions.

## **OTC financial derivative transactions**

The Company will generally require the counterparty to an OTC derivative to post collateral in favour of the Fund representing, at any time during the lifetime of the agreement, up to 100% of the Fund's exposure under the transaction.

## **Haircut policy**

Collateral acceptability and haircuts will depend on a number of factors including the asset pool available to the Fund for posting as well as the asset types acceptable to the Fund when receiving collateral, but will as a rule be of high quality, liquid and not display significant correlation with the counterparty under normal market conditions.

The taking of collateral is intended as a hedge against default risk, with haircuts seen as hedging the risk on that collateral. From this point of view, haircuts are an adjustment to the quoted market value of a collateral security to take account of the unexpected loss that may be faced due to the difficulty in realising that security in response to a

default by the counterparty. By applying a haircut, the quoted market value of a collateral security is translated into a probable future liquidation or restoration value.

To this end therefore the haircuts that are applied are the result of a view of the credit and liquidity risk of the collateral and will become more “aggressive” depending on the asset type and maturity profile.

As at the date of this Prospectus, the Investment Manager typically accepts the following collateral types and applies the following haircuts in relation thereto:

- the following haircuts are in place, if applied, in respect of collateral received in the context of OTC derivative transactions

Collateral type	Typical haircut
Cash	0%
Government Bonds	1% to 20%
Corporate Bonds	1% to 20%

The Investment Manager reserves the right to depart from the above haircut levels where it would be appropriate to do so, taking into account the assets’ characteristics (such as the credit standing of the issuers, the maturity, the currency and the price volatility of the assets). Furthermore, the Investment Manager reserves the right to accept collateral types other than those disclosed above.

### Reinvestment of collateral

Non-cash collateral received by the Company on behalf of a Fund cannot be sold, reinvested or pledged, except where and to the extent permissible under Luxembourg law and regulations.

Cash collateral received by the Funds can only be:

- placed on deposit with credit institutions which have their registered office in an EU Member State or, if their registered office is located in a third-country, are subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law;
- invested in high-quality government bonds;
- used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and the relevant Fund is able to recall at any time the full amount of cash on accrued basis; and/or
- invested in short-term money market funds as defined in the ESMA Guidelines on a common definition of European Money Market Funds.

Any reinvestment of cash collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure, on an aggregate basis, of 20% of the Fund’s Net Asset Value to any single issuer. The Fund may incur a loss in reinvesting the cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made with cash collateral received. A decline in the value of such investment of the cash collateral would reduce the amount of collateral available to be returned by the Fund to the counterparty at the conclusion of the transaction. The Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Fund.

# Appendix 2 – Additional Information For Investors in Switzerland

## **Representative and Paying Agent in Switzerland**

Société Générale, Paris, Zurich Branch, Talacker 50, P.O. Box 5070, 8021 Zurich has been appointed as representative and paying agent in Switzerland.

## **Location where the relevant documents may be obtained**

The Prospectus, the Key Information Document, the Articles of Incorporation as well as the annual and semi-annual reports may be obtained free of charge from the Representative.

## **Publications**

Publications concerning the foreign collective investment scheme (including publications concerning changes in the Articles of Incorporation and the Prospectus) are made in Switzerland on [www.fundinfo.com](http://www.fundinfo.com).

The net asset value of the Shares of the Funds together with a reference stating “excluding commissions” is published daily on [www.fundinfo.com](http://www.fundinfo.com).

## **Payment of Retrocessions and Rebates**

The Company and its agents do not pay any retrocessions or rebates to third parties as remuneration for distribution activity in respect of fund units in Switzerland.

## **Place of performance and Place of jurisdiction**

In respect of the Shares distributed in or from Switzerland, the place of performance is the registered office of the Representative, the place of jurisdiction is at the registered office of the Representative or at the registered office or place of residence of the investor.



# Appendix 3 – ESG Integration and Approaches to Responsible Investment

## ESG Integration

The Investment Manager has endorsed the definition of the United Nations-supported Principles for Responsible Investment (UNPRI), which defines ESG integration as the systematic inclusion of ESG Factors in investment analysis and investment decisions. Put another way, ESG integration is the analysis of all financially material ESG Factors in investment analysis and investment decisions.

ESG integration for a Fund requires that:

- ESG and climate change-related considerations are systematically integrated into the research and investment process;
- Sustainability risks are identified and evaluated, with material ESG risk factors incorporated into the investment thesis; and
- Evidence is captured of ESG research and ESG integration.

In relation to Funds which are ESG Integrated (i.e. funds under Article 6 SFDR), ESG integration is not intended to qualify the Investment Manager's duty of maximizing risk-adjusted returns for a Fund and is hence not a binding element of a Fund's investment policy. As a result, ESG integration does not mean:

- certain sectors, countries and companies are prohibited from investment;
- every ESG consideration for every company or issuer must be assessed and valued;
- every investment decision is affected by ESG considerations;
- portfolio returns are sacrificed to perform ESG integration techniques.

## ESG Glossary

The following terms reflect the meanings intended in this Prospectus. These definitions are primarily informational (as opposed to legal) and are intended to provide investors with helpful descriptions of ESG and responsible investment terms used in this Prospectus.

**Best-in-Class:** An approach to Responsible Investment, whereby companies and issuers with strong ESG credentials are selected, which are those that typically lead their peer groups in respect of sustainability performance.

**ESG Criteria:** The ESG criteria including the Exclusionary Approach applied to investments available from the link given in the precontractual annex of the Fund Supplement for the relevant Funds.

**ESG Enhanced:** One of the M&G's ESG Fund categorisations, as explained on M&G's website. In order to be categorised as ESG Enhanced by M&G, Funds will seek to mitigate negative impacts on the environment and society.

**ESG Factors:** ESG factors are non-financial considerations that may impact the risk, volatility and long-term return of securities, as well as markets. Investments can have both a positive and negative impact on society and the environment.

- Environmental covers themes such as climate risks, natural resources scarcity, pollution, waste and environmental opportunities;

- Social covers themes such as data security, health and safety, working conditions and other social and employee matters, and human rights;
- Governance covers themes such as diversity amongst directors and workforce, business ethics, accounting practices, board independence, and anti-corruption and anti-bribery matters.

In certain contexts ESG factors may be referred to as sustainability factors.

**ESG Integrated:** This is M&G's term for Funds which do not promote environmental or social characteristics, or pursue a sustainable objective, but, that apply ESG integration explained above. ESG integration involves the identification of sustainability risks and their integration into investment decision making and risk monitoring, as further explained in the Sustainability risks section in the "**Risk Factors**"

**ESG laggards:** Companies classified as ESG laggards are based on MSCI (ESG rating of B or CCC) unless the Investment Manager's in-house ESG assessment takes a different view.

**ESG rating / score:** An aggregate measure of how a company performs on a range of ESG Factors.

**Exclusionary Approach:** A binding environmental and/or social characteristic where the Fund's investment universe is reduced by excluding investments assessed to be in conflict with the Fund's ESG Criteria. An exclusionary approach may be used to mitigate potential negative effects on the environment and society by applying one or more Exclusion Types. It may also be used to assist a Fund in delivering more sustainable outcomes by excluding investments considered more likely to do significant harm to environmental and/or social objectives.

**Exclusion Types:** Where a Fund applies an Exclusionary Approach, the following types of exclusions apply to the Fund's direct investments:

- Norms-based exclusions: investments that are assessed to be in breach of commonly accepted standards of behaviour related to human rights, labour rights, environment and anti-corruption.
- Sector-based and/or values-based exclusions: investments and/or sectors exposed to business activities that are assessed to be damaging to human health, societal wellbeing, the environment, or otherwise assessed to be misaligned with the Fund's sector-based and/or values-based criteria.
- Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria.

References to "assessed" above mean assessment in accordance with the Fund's ESG Criteria.

**Impact:** One of the M&G's ESG Fund categorisation, as explained on M&G's website. In order to be categorised as Impact by M&G, Funds target a measurable positive impact on the environment and/or society.

**Planet+ Funds:** The M&G range of sustainability focused funds, comprised of funds categorised as Impact, Sustainable and ESG Enhanced.

**Positive ESG Outcome:** A non-binding characteristic of a Fund, where the Investment Manager expects the Fund's investment strategy to typically result in one or more stated environmental and/or social characteristics to be better than a relative and/or absolute measure.

**Positive ESG Tilt:** A binding characteristic of a Fund, where the Investment Manager commits to maintain one or more stated environmental and/or social characteristics better than a relative and/or absolute measure.

**Principal Adverse Impacts:** The principal adverse impacts of investment decisions on Sustainability Factors.

**Responsible Investment:** A strategy and practice to incorporate Environmental, Social and Governance (ESG) factors into investment decisions and active ownership. It considers both how ESG might influence the risk-adjusted return of an asset and the stability of an economy, as well as how investment in and engagement with assets and investees can impact society and the environment.

**SDG-aligned:** A characteristic of a Fund, where the Investment Manager considers the alignment of investments to one or more of the SDGs as part of the Fund's investment strategy. Whether or not this characteristic is binding and which SDGs are considered is described in the precontractual annex to the relevant Fund Supplement.

**SDGs:** The United Nations Sustainable Development Goals. A collection of 17 sustainability goals, which include a range of environmental and social objectives.

**SFDR:** Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended.

**Stewardship and Engagement:** Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

**Sustainable:** One of the M&G's ESG Fund categorisation, as explained in the document on M&G's website. In order to be categorised as Sustainable by M&G, Funds will allocate to investments that are expected to have a positive contribution to environmental and/or social objectives.

**Sustainability Factors:** Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

**Taxonomy Regulation:** Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

**Weighted Average Carbon Intensity (WACI):** Carbon intensity is the measure of a company's carbon emissions produced in relation to its product sales. A Fund's WACI is calculated by aggregating the carbon intensity of the portfolio holdings, weighting the contribution of each holding by reference to its percentage of the Fund's Net Asset Value. Certain portfolio holdings may be excluded from this calculation, for example where appropriate data is not available, which will be disclosed when reporting to investors.

Engagement refers to interactions between the investor and current or potential investees (which may be companies, governments, municipalities, etc.) on ESG Factors. Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.

The Funds are managed with an active ownership approach to engagement and voting.

# Fund Supplements

# M&G European Credit Investment Fund

The information contained in this part of this Prospectus in relation to the M&G European Credit Investment Fund should be read in conjunction with the full text of this Prospectus.

<b>Launch Date</b>	12 April 2011
<b>Reference Currency</b>	Euro (EUR)
<b>Investment Objective</b>	The Fund aims to provide a total return (capital growth plus income) of the Benchmark plus 0.75% (gross of fees per annum), over any five-year period while applying ESG Criteria.
<b>Investment Policy</b>	<p>The Fund invests at least 70% of its Net Asset Value in EUR-denominated Investment Grade corporate bonds, Asset-Backed Securities and preference shares.</p> <p>The Fund may invest up to a maximum of 20% of its Net Asset Value in Asset Backed Securities.</p> <p>Issuers of these securities may be located in any country, including emerging markets.</p> <p>The Fund does not take currency views and aims to hedge any non-EUR assets back to EUR.</p> <p>The Fund may invest up to 15% of its Net Asset Value in below Investment Grade debt securities.</p> <p>The Fund may invest in Convertible Bonds including up to 10% of its Net Asset Value in Contingent Convertible Debt Securities.</p> <p>The Fund may hold up to 5% of its Net Asset Value in equity securities received as a result of debt securities being restructured or converted. This limit does not include investment in preference shares.</p> <p>The Fund seeks to make investments that meet the ESG Criteria, applying an Exclusionary Approach as described in the precontractual annex to this Fund Supplement.</p> <p>The Fund will typically invest directly. The Fund may also invest indirectly via derivatives instruments to take both long and short positions to meet the Fund's investment objective, for efficient portfolio management and for the purposes of hedging. These instruments may include, but are not limited to, spot and forward contracts, exchange traded futures, options, credit default swaps, interest rate swaps.</p> <p>The Fund may also invest in other assets including Collective Investment Schemes, cash and near cash, deposits, and other debt instruments.</p>
<b>Additional Investment Restrictions</b>	The Fund may only invest into (a) debt or debt-like instruments that, at the time of purchase, have a minimum rating of B- (by Standard & Poor's and Fitch) or B3 (by Moody's) or a comparable internal rating by the Investment Manager and (b) Asset-Backed Securities or credit-linked instruments, which are rated at least Investment Grade. In the event of a downgrade, which causes the security or instrument to be rated below the limits referred to above, such securities or instruments may remain in the Fund provided in aggregate they do not exceed 3% of the Net Asset Value of the Fund. To the extent that the aggregate value of such securities or instruments

exceeds 3% of the Net Asset Value of the Fund, any which have not been upgraded within a six-month period, will be sold.

In the case of split ratings by recognised rating agencies, the lower of the two highest ratings must be used. Where the lower of the two highest ratings does not meet the requirements stated above, the Investment Manager may replace it with its own internal rating based on quantitative analysis, which may be higher. Similarly, where there is only one rating by a recognised rating agency and this does not meet the requirements stated above, the Investment Manager may replace it with its own internal rating based on quantitative analysis, which may be higher. The Fund will under no circumstances rely exclusively on external ratings in determining the credit risk of a financial instrument.

The Fund will only invest in Collective Investment Schemes which have equivalent restrictions in respect of the above rating requirements.

## **Investment Strategy**

### **Investment Approach**

The Investment Manager will employ multiple strategies to meet the Fund's investment objective, including asset allocation, sector and security selection, duration and yield curve. The approach will focus on the risk / return relationship for each strategy and the portfolio as a whole.

### **Investment Manager's ESG Classification**

The Fund is categorised as Planet+ / ESG Enhanced.

The ESG categorisation of the Fund is explained in the section "ESG Glossary" of Appendix 3 "**ESG Integration and Approaches to Responsible Investment**" of this Prospectus.

## **EU Sustainable Finance Disclosure Regulation**

The Fund is categorised as an Article 8 fund under SFDR and promotes environmental and/or social characteristics as described in the precontractual annex to this Fund Supplement.

## **Benchmark**

ICE BofAML Euro Corporate Index (Total Return Gross)

For unhedged and Currency Hedged Share Classes, the index is shown in the Share Class currency as follows:

GBP Hedged: ICE BofAML Euro Corporate Index (GBP – Hedged)

CHF Hedged: ICE BofAML Euro Corporate Index (CHF – Hedged)

USD Hedged: ICE BofA Euro Corporate Index (USD – Hedged)

JPY Hedged: ICE BofA Euro Corporate Index (JPY – Hedged)

The benchmark is a target which the Fund seeks to achieve. The index has been chosen as the Fund's benchmark as it is an achievable performance target and best reflects the scope of the Fund's investment policy. The benchmark is used solely to measure the Fund's performance and does not constrain the Fund's portfolio construction.

The Fund is actively managed. The Investment Manager has complete freedom in choosing which assets to buy, hold and sell in the Fund, subject to the investment restrictions and guidelines set out in this prospectus.

<b>Profile of Typical Investor</b>	<p>The Fund is designed for retail and institutional investors seeking to gain a combination of income and capital growth from a portfolio primarily invested in EUR denominated Investment Grade corporate and government bonds and Asset-Backed Securities and have sustainability preferences.</p> <p>There is no guarantee that the Fund will achieve its objective. Investors should appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.</p> <p>In each case it is expected that all investors will understand and appreciate the risks associated with investing in Shares of the Fund.</p> <p>This Fund is designed for investors who have an investment time horizon of at least five years.</p>
<b>Currency Hedged Share Classes</b>	<p>The Fund may offer Currency Hedged Share Classes which seek to reduce the effect of exchange rate movements between the Share Class Reference Currency and the Fund Reference Currency (“Currency Hedged”).</p>
<b>Calculation of Global Exposure</b>	<p>The Fund uses the relative Value-at-Risk (VaR) methodology to monitor and measure the global exposure. The Fund’s VaR cannot be greater than twice the VaR of the Fund’s Benchmark.</p>
<b>Leverage</b>	<p>The Fund’s expected average level of leverage under normal market conditions will generally not exceed 300% of the Fund’s Net Asset Value when calculated in accordance with the sum of notionals approach.</p> <p>The level of leverage could sometimes be higher under certain circumstances including, but not limited to, changes in the reference market conditions and the investment strategy.</p>
<b>Distribution Policy</b>	<p>If declared, unless otherwise specified for a Share Class, the Fund will pay dividends on a quarterly basis on the first Business Day of January, April, July and October.</p>
<b>Risk Warnings</b>	<p>Investors’ attention is particularly drawn to the section entitled “<b>Risk Factors</b>” of the Prospectus and especially to the risk factors relating to:</p> <ul style="list-style-type: none"> <li>● Contingent Convertible Debt Securities Risk</li> <li>● Counterparty Risk</li> <li>● Credit Risk</li> <li>● Derivatives Risk</li> <li>● Interest Rate Risk</li> <li>● Liquidity Risk</li> <li>● Market Risk</li> <li>● Asset-Backed Securities Risk</li> <li>● ESG Data Risk</li> <li>● Investments Exclusions Risk</li> </ul>
<b>Sustainability Risks Likely Impact on Fund’s Return</b>	<p>The potential impacts of Sustainability Risks on this Fund may include:</p> <ul style="list-style-type: none"> <li>● Fixed income securities: Sustainability Risks may affect a corporate or sovereign borrower’s cash flows and affect their ability to meet their debt obligations. Sustainability Risks may also affect the credit quality of those issuers. Considering the Fund’s European focus, social factors such as demographics may affect a country’s credit rating or cash flows, for example, as a result of an ageing population that may have adverse fiscal implications longer term and increase a country’s healthcare costs.</li> <li>● Currencies: Sustainability Risks may also affect the value of currencies.</li> </ul>

- **Regulatory Changes:** Increasing regulatory requirements in Europe that result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy may result in significant Sustainability Risks that impede borrowers' business models, revenues and overall value. Such financial impediments could arise, for example, from changes in the regulatory framework such as carbon pricing mechanisms or stricter energy efficiency standards.

## Share Classes

Share Class	Initial Sales Charge	Annual Charge
A	Nil	0.18%
B	Nil	0.16%
D	Nil	Up to 0.22%
DI	Nil	Up to 0.18%
E	Nil	0.10%
F	Nil	0.18%
MI	Nil	0.14%
P	Up to 3.25%	0.49%
Q	Nil	0.25%
QI	Nil	0.21%
W	Nil	0.29%
WI	Nil	0.25%

Investors should refer to Section “**Class Description, Availability of Shares, Minimum Subscription and Holding Amounts**” for further information on the availability of Share Classes. Each Share Class may be offered as accumulation or distribution Shares and denominated or hedged into other currencies.

**Not all individual Share Classes issued in this Fund may be disclosed in this Fund Supplement at the time of issue of this Prospectus. An exhaustive list of Share Classes issued in this Fund can be found on the M&G website.**



**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product Name:** European Specialist Investment Funds - M&G European Credit Investment Fund  
**Legal Entity Identifier:** 5493007H6U0V9QP44023

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective**:

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**:

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the use of an Exclusionary Approach (as defined below):

The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society. For securitised investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to be detrimental to ESG Factors.

For further information on the Fund's exclusions, please refer to the Fund's website disclosure, which may be found via the following link [www.mandg.com/country-specific-fund-literature](http://www.mandg.com/country-specific-fund-literature).

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

### Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicators selected to demonstrate the attainment of the promoted environmental and/or social characteristics are:

- Exclusionary approach: Percentage (%) of NAV held in excluded investments
- Exclusionary approach: Percentage (%) of ABS below the Investment Manager's threshold for alignment

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund may allocate to sustainable investments of any type, i.e. investments with an environmental, and/or a social objective. The Fund is not required to favour any specific type of sustainable investment.

The Investment Manager uses a series of proprietary tests based on available data to determine whether and how an investment makes positive contribution(s) towards environmental and social objectives.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Sustainable investments that the Fund intends to make do not cause significant harm to any environmental or social sustainable investment objective as they are required to pass a series of tests, including:

1. Whether they represent significant exposure to businesses the Investment Manager considers harmful
2. Principal Adverse Impact indicators considered to render the investment incompatible with sustainable investment (violations of the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises, social violations by sovereigns such as being subject to sanctions, negative effects on biodiversity sensitive areas)
3. Other Principal Adverse Impact indicators form part of a materiality assessment to understand whether any exposures are compatible with sustainable investment

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

The Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available (i.e. not just for sustainable investments), which allows the Investment Manager to make informed investment decisions.

The Fund's consideration of Principal Adverse Impact indicators is used as part of understanding the operating practices of the investments purchased by the Fund. Investments held by the Fund are then subject to ongoing monitoring and a quarterly review process.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund.

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

All investments purchased by the Fund must pass the Investment Manager's good governance tests, and in addition, sustainable investments must also pass tests to confirm they do no significant harm, as described above. These tests embed a consideration of the OECD Guidelines and UN Guiding Principles.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### **Does this financial product consider principal adverse impacts on sustainability factors?**

- Yes, for sustainable investments, principal adverse impacts are a key part of assessing such investments do not do significant harm as explained above. For other investments the Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available, which allows the Investment Manager to make informed investment decisions, as explained above.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund. Information on how the principal adverse impacts were taken into account will be provided in the Fund's annual report.

- No



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### **What investment strategy does this financial product follow?**

Consideration of ESG Factors is fully integrated into analysis and investment decisions.

In order to identify securities for purchase, the Investment Manager reduces the potential investment universe as follows:

1. The exclusions listed in the ESG Criteria are screened out.
2. From this narrowed investment universe, the Investment Manager performs further analysis, including consideration of ESG factors, to identify and take advantage of investment opportunities.

The Fund's ESG Criteria apply to at least:

- 90% of debt securities, money market instruments with an investment grade credit rating; sovereign debt issued by developed countries; and equities issued by large capitalisation companies in developed countries;
- 75% of debt securities and money market instruments with a high yield credit rating; sovereign debt issued by emerging market countries; equities issued by large capitalisation companies in emerging market countries; and equities issued by small and mid-capitalisation companies in any country.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The following elements are binding, as part of the Investment Manager's strategy for this Fund:

- The Fund's exclusions;
- The amount of the Fund aligned to the promoted environmental and/or social characteristics, as set out in the section "What is the asset allocation planned for this financial product?"; and
- Minimum levels of sustainable investments, as set out in the section "What is the asset allocation planned for this financial product?".

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

0%

- **What is the policy to assess good governance practices of the investee companies?**

The Investment Manager operates a data driven quantitative good governance test used to consider investments into companies. M&G excludes investments in securities that are considered as failing the Investment Manager's good governance test. When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance).

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



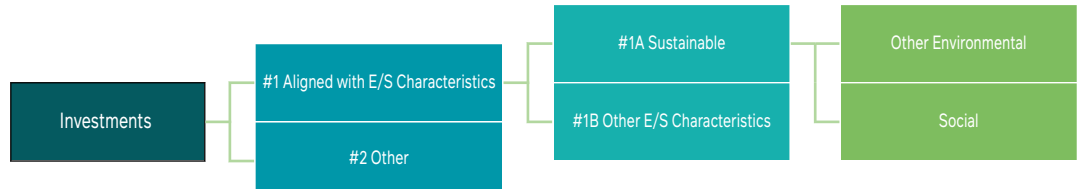
**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?

The Investment Manager expects at least 70% of the Fund to be aligned to the promoted E/S characteristics. At least 20% of the Fund will be in Sustainable Investments.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

## How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives may be considered aligned with the promoted environmental and/or social characteristics on the following basis:

Exclusions:

1. Where a derivative represents exposure to a single name it must be a permitted investment for the Fund.
2. Where a derivative represents exposure to a diversified financial index, it must deliver an evidencable alignment to the promoted characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

Whilst the minimum mandatory allocation to Taxonomy-aligned sustainable investments is 0%, the Fund is permitted to allocate to such investments, which would form part of its overall allocation to sustainable investments with environmental objectives.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

## Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

- Yes:
- In fossil gas                       In nuclear energy
- No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\* As there is no Taxonomy-alignment, there is no impact on the graph if sovereign bonds are excluded (i.e. the percentage of Taxonomy-aligned investments remains 0%) and the Management Company therefore believes that there is no need to mention this information.

- **What is the minimum share of investments in transitional and enabling activities?**  
0%

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy



- **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**  
5%



- **What is the minimum share of socially sustainable investments?**  
5%



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may hold cash, near cash and money market funds, FX, interest rate derivatives and similar derivatives (which may include certain technical trades such as government bond futures used for duration trades) as “Other” investments, for any purpose permitted by the Fund’s investment policy. No minimum environmental or social safeguards are applied.

Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for any reason permitted by the Fund’s investment policy and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test.

The Fund may also hold as Other investments those investments where insufficient data exists to determine the investments’ alignment with the promoted characteristics.

It is also possible that the Fund may hold investments that are not in line with the promoted characteristics, e.g. as a result of a merger or other corporate action, or as a result of the characteristics of a previously acquired investment changing. Where this happens, the Fund will generally seek to dispose of them in the best interests of investors, but may not always be able to do so immediately.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**  
Not Applicable
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**  
Not Applicable
- **How does the designated index differ from a relevant broad market index?**  
Not Applicable.
- **Where can the methodology used for the calculation of the designated index be found?**  
Not Applicable.



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

[www.mandg.com/investments/institutional/en-global/sustainability-related-disclosures](http://www.mandg.com/investments/institutional/en-global/sustainability-related-disclosures)

# M&G Total Return Credit Investment Fund

The information contained in this part of this Prospectus in relation to the M&G Total Return Credit Investment Fund should be read in conjunction with the full text of this Prospectus.

<b>Launch Date</b>	5 May 2014
<b>Reference Currency</b>	Euro (EUR)
<b>Investment Objective</b>	The Fund aims to provide a total return (the combination of income and capital growth) of the Benchmark plus 3-5% (gross of fees per annum), over any five-year period.
<b>Investment Policy</b>	<p>The Fund invests at least 70% of its Net Asset Value in corporate and government bonds, cash and cash equivalents, Asset-Backed Securities and preference shares denominated in any currency.</p> <p>The Fund may invest a significant portion of its assets in Asset-Backed Securities. Issuers of these securities may be located in any country, including emerging markets.</p> <p>At least 75% of the Fund's assets will be denominated in EUR or hedged back to EUR.</p> <p>The Fund may invest in Convertible Bonds including up to 20% of its Net Asset Value in Contingent Convertible Debt Securities.</p> <p>The Fund may hold up to 5% of its Net Asset Value in equity securities received as a result of debt securities being restructured or converted. This limit does not include investment in preference shares.</p> <p>The Fund will typically invest directly. The Fund may also invest indirectly via derivatives instruments to take both long and short positions to meet the Fund's investment objective, for efficient portfolio management and for the purposes of hedging. These instruments may include, but are not limited to, spot and forward contracts, exchange traded futures, options, credit default swaps, and interest rate swaps.</p> <p>The Fund may also invest in other assets including Collective Investment Schemes and other debt instruments.</p>

## Investment Strategy

### Investment Approach

The Fund is an actively managed, diversified fixed income fund that will typically invest in debt instruments with a fixed, variable or floating rate coupon. The Fund aims to maximise total return through all stages of the economic and credit cycles, principally by exploiting long term risk premia. During any interest rate and credit cycle, the Investment Manager seeks to identify the optimal allocation amongst Fixed Income asset classes, such as government bonds, Investment Grade or high yield corporate bonds.

Further to the asset allocation strategies described above, the Investment Manager will identify opportunities at the market, sector, issuer or security level to enhance returns. Duration, yield curve and currency investment strategies will be used. There is no geographic limitation to the investment universe.

### **ESG Integration Approach**

The Fund is categorised as ESG Integrated.

The ESG categorisation of the Fund is explained in the section “**ESG Glossary**” of Appendix 3 “**ESG Integration and Approaches to Responsible Investment**” of this Prospectus.

### **EU Sustainable Finance Disclosure Regulation**

#### **SFDR**

The Fund is categorised as an Article 6 fund under SFDR. This Fund does not promote environmental or social characteristics, therefore, the Investment Manager does not systematically consider the adverse impacts of its investment decisions on Sustainability Factors. The Fund does consider sustainability risks and their impacts as detailed in the section “**Sustainability Risks**”.

#### **Taxonomy Regulation**

The Fund’s underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

### **Benchmark**

1-Month EURIBOR (the Benchmark)

For unhedged and Currency Hedged Share Classes, the rate is shown in the Share Class currency as follows:

GBP Hedged: SONIA  
USD Hedged: SOFR  
CHF Hedged: SARON  
SEK Hedged: STIBOR  
JPY Hedged: TONA  
CAD Hedged: CORRA  
SGD Hedged: SORA

The benchmark is a target which the Fund seeks to achieve. The rate has been chosen as the Fund’s benchmark as it is an achievable performance target and best reflects the scope of the Fund’s investment policy. The benchmark is used solely to measure the Fund’s performance and does not constrain the Fund’s portfolio construction.

The Fund is actively managed. The Investment Manager has complete freedom in choosing which assets to buy, hold and sell in the fund, subject to the investment restrictions and guidelines set out in this Prospectus.

### **Profile of Typical Investor**

The Fund is designed for retail and institutional investors seeking to gain a combination of capital growth and income from a portfolio invested primarily in debt and debt like securities, but who appreciate that this is not guaranteed and that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.

In each case it is expected that all investors will understand and appreciate the risks associated with investing in Shares of the Fund.

This Fund is designed for investors who have an investment time horizon of at least five years.

### **Currency Hedged Share Class**

The Fund may offer Currency Hedged Share Classes which seek to reduce the effect of exchange rate movements between the Share Class Reference Currency and the Fund Reference Currency (“NAV-Hedged”).



<b>Calculation of Global Exposure</b>	The Fund uses the absolute Value-at-Risk (VaR) methodology to monitor and measure its global exposure. The Fund’s VaR cannot be greater than 10%.
<b>Leverage</b>	<p>The Fund’s expected average level of leverage under normal market conditions will generally not exceed 900% of the Fund’s Net Asset Value when calculated in accordance with the sum of notionals approach.</p> <p>The level of leverage could sometimes be higher under certain circumstances including but not limited to changes in the reference market conditions and the investment strategy.</p>
<b>Distribution Policy</b>	If declared, unless otherwise specified for a Share Class, the Fund will pay dividends on a quarterly basis on the first Business Day of January, April, July and October.
<b>Risk Warnings</b>	<p>Investors’ attention is particularly drawn to the section entitled “<b>Risk Factors</b>” of the Prospectus and especially to the risk factors relating to:</p> <ul style="list-style-type: none"> <li>● Contingent Convertible Debt Securities Risk</li> <li>● Counterparty Risk</li> <li>● Credit Risk</li> <li>● Currency &amp; Exchange Rate Risk</li> <li>● Derivatives Risk</li> <li>● Below Investment Grade Debt Securities Risk</li> <li>● Interest Rate Risk</li> <li>● Liquidity Risk</li> <li>● Market Risk</li> <li>● Asset-Backed Securities Risk</li> </ul>
<b>Sustainability Risks Likely Impact on Fund’s Return</b>	<p>The potential impacts of Sustainability Risks on this Fund may include:</p> <ul style="list-style-type: none"> <li>● Fixed income securities (including High-Yield): Sustainability Risks may affect a corporate or sovereign borrower’s cash flows and affect their ability to meet their debt obligations. Sustainability Risks may also affect the credit quality of those issuers. The Fund is exposed to the High-Yield market, which may include debt securities of smaller companies, some of which may be privately owned, and may be less transparent in respect of ESG and sustainability disclosures. Lower levels of disclosure and resources dedicated to corporate sustainability compared to larger companies may present additional challenges to identify Sustainability Risks affecting smaller companies, and may impact the returns of the Fund.</li> <li>● Asset Backed Securities (ABS): Sustainability Risks may affect a borrowers' cash flow and affect their ability to meet their debt obligations, depending on the underlying collateral of the security. Sustainability Risks may also affect the credit quality of those issues.</li> <li>● Currencies: Sustainability Risks may also affect the value of currencies.</li> <li>● Regulatory Changes: Increasing regulatory requirements that result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy may result in significant Sustainability Risks that impede borrowers’ business models, revenues and overall value. Such financial impediments could arise, for example, from changes in the regulatory framework such as carbon pricing mechanisms or stricter energy efficiency standards.</li> </ul>

## Share Classes

Share Class	Initial Sales Charge	Annual Charge
A	Nil	0.45%
B	Nil	0.40%
D	Nil	Up to 0.49%
DI	Nil	Up to 0.45%
F	Nil	0.45%
P	Up to 3.25%	1.09%
MI	Nil	0.37%
Q	Nil	0.52%
QI	Nil	0.48%
W	Nil	0.59%
WI	Nil	0.55%

Investors should refer to Section “**Class Description, Availability of Shares, Minimum Subscription and Holding Amounts**” for further information on available Share Classes. Each Share Class may be offered as accumulation or distribution Shares and denominated or hedged into other currencies.

**Not all individual Share Classes issued in this Fund may be disclosed in this Fund Supplement at the time of issue of this Prospectus. An exhaustive list of Share Classes issued in this Fund can be found on the M&G website.**

# M&G European High Yield Credit Investment Fund

The information contained in this part of this Prospectus in relation to the M&G European High Yield Credit Investment Fund should be read in conjunction with the full text of this Prospectus.

<b>Launch Date</b>	6 March 2013
<b>Reference Currency</b>	Euro (EUR)
<b>Investment Objective</b>	The Fund aims to provide a total return (capital growth plus income) of the Benchmark plus 1% (gross of fees per annum), over any five-year period while applying ESG Criteria.
<b>Investment Policy</b>	<p>The Fund invests at least 70% of its Net Asset Value in below Investment Grade corporate bonds, Asset-Backed Securities and preference shares denominated in any European currency.</p> <p>The Fund may invest up to a maximum of 20% of its Net Asset Value in Asset Backed Securities.</p> <p>Issuers of these securities may be located in any country, including emerging markets.</p> <p>The Fund does not take any currency views and aims to hedge any non-EUR assets back to EUR.</p> <p>The Fund may invest in Convertible Bonds including up to 10% of its Net Asset Value in Contingent Convertible Debt Securities.</p> <p>The Fund may hold up to 5% of its Net Asset Value in equity securities received as a result of debt securities being restructured or converted. This limit does not include investment in preference shares.</p> <p>The Fund seeks to make investments that meet the ESG Criteria, applying an Exclusionary Approach as described in the precontractual annex to this Fund Supplement.</p> <p>The Fund will typically invest directly. The Fund may also invest indirectly via derivative instruments to take both long and short positions to meet the Fund's investment objective, for efficient portfolio management and for the purposes of hedging.</p> <p>These instruments may include, but are not limited to spot and forward contracts, exchange traded futures, credit default swaps, and interest rate swaps.</p> <p>The Fund may also invest in other assets including, Collective Investment Schemes, cash and near cash, deposits and other debt instruments.</p>

## Investment Strategy

### Investment Approach

The Investment Manager will employ multiple strategies to meet the Fund's investment objective, including asset allocation, sector and security selection, duration and yield curve. The approach will focus on the risk / return relationship for each strategy and the portfolio as a whole.

### Investment Manager's ESG Classification

The Fund is categorised as Planet+ / ESG Enhanced.

The ESG categorisation of the Fund is explained in the section “**ESG Glossary**” of Appendix 3 “**ESG Integration and Approaches to Responsible Investment**” of this Prospectus.

**EU Sustainable Finance Disclosure Regulation**

The Fund is categorised as an Article 8 fund under SFDR and promotes environmental and/or social characteristics as described in the precontractual annex to this Fund Supplement.

**Benchmark**

ICE BofAML European Currency Developed Markets High Yield Index ex Financials 2% Constrained (EUR-Hedged) (Total Return Gross).

For unhedged and Currency Hedged Share Classes, the index is shown in the Share Class currency as follows:

GBP Hedged: ICE BofAML European Currency Developed Markets High Yield Index ex Financials 2% Constrained (GBP – Hedged) (Total Return Gross)

The benchmark is a target which the Fund seeks to achieve. The index has been chosen as the Fund’s benchmark as it is an achievable performance target and best reflects the scope of the Fund’s investment policy. The benchmark is used solely to measure the Fund’s performance and does not constrain the Fund’s portfolio construction.

The Fund is actively managed. The Investment Manager has complete freedom in choosing which assets to buy, hold and sell in the Fund, subject to the investment restrictions and guidelines set out in this prospectus.

**Profile of Typical Investor**

The Fund is designed for retail and institutional investors seeking to gain a high level of income and capital growth from a portfolio primarily invested in below Investment Grade corporate and government bonds and Asset-Backed Securities and who have sustainability preferences.

There is no guarantee that the Fund will achieve its objective. Investors should appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.

In each case it is expected that all investors will understand and appreciate the risks associated with investing in Shares of the Fund.

This Fund is designed for investors who have an investment time horizon of at least five years.

**Currency Hedged Share Classes**

The Fund may offer Currency Hedged Share Classes which seek to reduce the effect of exchange rate movements between the Share Class Reference Currency and the Fund Reference Currency (“Currency Hedged”).

**Calculation of Global Exposure**

The Fund uses the relative Value-at-Risk (VaR) methodology to monitor and measure the global exposure. The Fund’s VaR cannot be greater than twice the VaR of the Fund’s Benchmark.

**Leverage**

The Fund’s expected average level of leverage under normal market conditions will generally not exceed 300% of the Fund’s Net Asset Value when calculated in accordance with the sum of notionals approach.

The level of leverage could sometimes be higher under certain circumstances including but not limited to changes in the reference market conditions and the investment strategy.

## Distribution Policy

If declared, unless otherwise specified for a Share Class, the Fund will pay dividends on a quarterly basis on the first Business Day of January, April, July and October.

## Risk Warnings

Investors' attention is particularly drawn to the section entitled "**Risk Factors**" of the Prospectus and especially to the risk factors relating to:

- Contingent Convertible Debt Securities Risk
- Counterparty Risk
- Credit Risk
- Derivatives Risk
- Below Investment Grade Debt Securities Risk
- Interest Rate Risk
- Liquidity Risk
- Market Risk
- Asset-Backed Securities Risk
- ESG Data Risk
- Investments Exclusions Risk

## Sustainability Risks Likely Impact on Fund's Return

The potential impacts of Sustainability Risks on this Fund may include:

- Fixed income securities (including High-Yield): Sustainability Risks may affect a corporate or sovereign borrower's cash flows and affect their ability to meet their debt obligations. Sustainability Risks may also affect the credit quality of those issuers. The Fund is exposed to the High-Yield market, which may include debt securities of smaller companies, some of which may be privately owned, and may be less transparent in respect of ESG and sustainability disclosures. Lower levels of disclosure and resources dedicated to corporate sustainability compared to larger companies may present additional challenges to identify Sustainability Risks affecting smaller companies, and may impact the returns of the Fund. Considering the Fund's European focus, social factors such as demographics may affect a country's credit rating or cash flows, for example, as a result of an ageing population that may have adverse fiscal implications longer term and increase a country's healthcare costs.
- Currencies: Sustainability Risks may also affect the value of currencies.
- Regulatory Changes: Increasing regulatory requirements in Europe that result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy may result in significant Sustainability Risks that impede borrowers' business models, revenues and overall value. Such financial impediments could arise, for example, from changes in the regulatory framework such as carbon pricing mechanisms or stricter energy efficiency standards.

## Share Classes

Share Class	Initial Sales Charge	Annual Charge
A	Nil	0.30%
B	Nil	0.25%
D	Nil	Up to 0.55%
DI	Nil	Up to 0.51%
E	Nil	0.20%
MI	Nil	Up to 0.51%
P	Up to 3.25%	0.95%
Q	Nil	Up to 0.55%
QI	Nil	Up to 0.51%
W	Nil	0.55%
WI	Nil	0.51%

Investors should refer to Section “**Class Description, Availability of Shares, Minimum Subscription and Holding Amounts**” for further information on the availability of Share Classes. Each Share Class may be offered as accumulation or distribution Shares and denominated or hedged into other currencies.

**Not all individual Share Classes issued in this Fund may be disclosed in this Fund Supplement at the time of issue of this Prospectus. An exhaustive list of Share Classes issued in this Fund can be found on the M&G website.**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**Product Name:** European Specialist Investment Funds - M&G European High Yield Credit Investment Fund  
**Legal Entity Identifier:** 549300FH80NGSGJZ6T14

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective**:

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**:

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the use of an Exclusionary Approach (as defined below):

The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society. For securitised investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to be detrimental to ESG Factors.

For further information on the Fund's exclusions, please refer to the Fund's website disclosure, which may be found via the following link [www.mandg.com/country-specific-fund-literature](http://www.mandg.com/country-specific-fund-literature).

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

### What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The sustainability indicators selected to demonstrate the attainment of the promoted environmental and/or social characteristics are:

- Exclusionary approach: Percentage (%) of NAV held in excluded investments
- Exclusionary approach: Percentage (%) of ABS below the Investment Manager's threshold for alignment

### What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The Fund may allocate to sustainable investments of any type, i.e. investments with an environmental, and/or a social objective. The Fund is not required to favour any specific type of sustainable investment.

The Investment Manager uses a series of proprietary tests based on available data to determine whether and how an investment makes positive contribution(s) towards environmental and social objectives.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Sustainable investments that the Fund intends to make do not cause significant harm to any environmental or social sustainable investment objective as they are required to pass a series of tests, including:

1. Whether they represent significant exposure to businesses the Investment Manager considers harmful
2. Principal Adverse Impact indicators considered to render the investment incompatible with sustainable investment (violations of the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises, social violations by sovereigns such as being subject to sanctions, negative effects on biodiversity sensitive areas)
3. Other Principal Adverse Impact indicators form part of a materiality assessment to understand whether any exposures are compatible with sustainable investment

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

The Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available (i.e. not just for sustainable investments), which allows the Investment Manager to make informed investment decisions.

The Fund's consideration of Principal Adverse Impact indicators is used as part of understanding the operating practices of the investments purchased by the Fund.

Investments held by the Fund are then subject to ongoing monitoring and a quarterly review process.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund.

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

All investments purchased by the Fund must pass the Investment Manager's good governance tests, and in addition, sustainable investments must also pass tests to confirm they do no significant harm, as described above. These tests embed a consideration of the OECD Guidelines and UN Guiding Principles.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### **Does this financial product consider principal adverse impacts on sustainability factors?**

- Yes, for sustainable investments, principal adverse impacts are a key part of assessing such investments do not do significant harm as explained above. For other investments the Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available, which allows the Investment Manager to make informed investment decisions, as explained above.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund. Information on how the principal adverse impacts were taken into account will be provided in the Fund's annual report.

- No





**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### **What investment strategy does this financial product follow?**

Consideration of ESG Factors is fully integrated into analysis and investment decisions.

In order to identify securities for purchase, the Investment Manager reduces the potential investment universe as follows:

1. The exclusions listed in the ESG Criteria are screened out.
2. From this narrowed investment universe, the Investment Manager performs further analysis, including consideration of ESG factors, to identify and take advantage of investment opportunities.

The Fund's ESG Criteria apply to at least:

- 90% of debt securities, money market instruments with an investment grade credit rating; sovereign debt issued by developed countries; and equities issued by large capitalisation companies in developed countries;
- 75% of debt securities and money market instruments with a high yield credit rating; sovereign debt issued by emerging market countries; equities issued by large capitalisation companies in emerging market countries; and equities issued by small and mid-capitalisation companies in any country.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The following elements are binding, as part of the Investment Manager's strategy for this Fund:

- The Fund's exclusions;
- The amount of the Fund aligned to the promoted environmental and/or social characteristics, as set out in the section "What is the asset allocation planned for this financial product?"; and
- Minimum levels of sustainable investments, as set out in the section "What is the asset allocation planned for this financial product?".

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

0%

- **What is the policy to assess good governance practices of the investee companies?**

The Investment Manager operates a data driven quantitative good governance test used to consider investments into companies. M&G excludes investments in securities that are considered as failing the Investment Manager's good governance test. When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance)

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



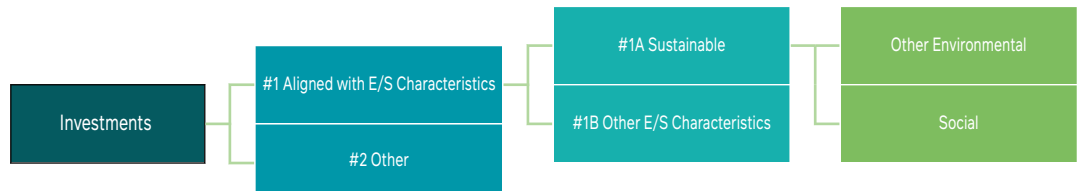
**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?

The Investment Manager expects at least 70% of the Fund to be aligned to the promoted E/S characteristics. At least 20% of the Fund will be in Sustainable Investments.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

## How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives may be considered aligned with the promoted environmental and/or social characteristics on the following basis:

Exclusions:

1. Where a derivative represents exposure to a single name it must be a permitted investment for the Fund.
2. Where a derivative represents exposure to a diversified financial index, it must deliver an evidencable alignment to the promoted characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

Whilst the minimum mandatory allocation to Taxonomy-aligned sustainable investments is 0%, the Fund is permitted to allocate to such investments, which would form part of its overall allocation to sustainable investments with environmental objectives.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

## Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

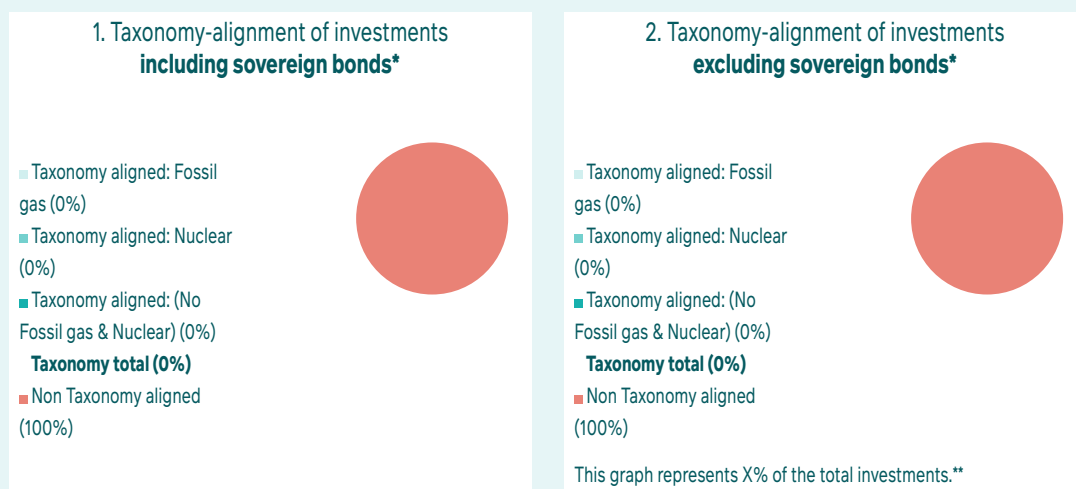
- Yes:
- In fossil gas                       In nuclear energy
- No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\* As there is no Taxonomy-alignment, there is no impact on the graph if sovereign bonds are excluded (i.e. the percentage of Taxonomy-aligned investments remains 0%) and the Management Company therefore believes that there is no need to mention this information.

● **What is the minimum share of investments in transitional and enabling activities?**  
0%

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**  
5%



**What is the minimum share of socially sustainable investments?**  
5%



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may hold cash, near cash and money market funds, FX, interest rate derivatives and similar derivatives (which may include certain technical trades such as government bond futures used for duration trades) as “Other” investments, for any purpose permitted by the Fund’s investment policy. No minimum environmental or social safeguards are applied.

Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for any reason permitted by the Fund’s investment policy and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test.

The Fund may also hold as Other investments those investments where insufficient data exists to determine the investments’ alignment with the promoted characteristics.

It is also possible that the Fund may hold investments that are not in line with the promoted characteristics, e.g. as a result of a merger or other corporate action, or as a result of the characteristics of a previously acquired investment changing. Where this happens, the Fund will generally seek to dispose of them in the best interests of investors, but may not always be able to do so immediately.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**  
Not Applicable
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**  
Not Applicable
- **How does the designated index differ from a relevant broad market index?**  
Not Applicable
- **Where can the methodology used for the calculation of the designated index be found?**  
Not Applicable



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

[www.mandg.com/investments/institutional/en-global/sustainability-related-disclosures](http://www.mandg.com/investments/institutional/en-global/sustainability-related-disclosures)

# M&G Senior Asset Backed Credit Fund

The information contained in this part of this Prospectus in relation to the M&G Senior Asset Backed Credit Fund should be read in conjunction with the full text of this Prospectus.

<b>Launch Date</b>	28 August 2020
<b>Reference Currency</b>	GBP (GBP)
<b>Investment Objective</b>	The Fund aims to provide a higher total return (capital growth plus income) than that of the Benchmark over any three-year period, net of fees while applying ESG Criteria.
<b>Investment Policy</b>	<p>The Fund invests in Asset-Backed Securities and other floating rate instruments that are Investment Grade (i.e. at the time of investment are rated at least BBB- or equivalent by a recognised rating agency, such as Standard &amp; Poor's, Fitch or Moody's, or in the case of unrated securities, securities which are deemed to be of comparable credit quality by the Investment Manager) and denominated in any currency.</p> <p>In usual market conditions, at least 70% of the portfolio will be invested in Asset Backed Securities and at least 80% of the portfolio is expected to be subject to a credit rating of at least AA-; this is a credit rating which is above that included in the definition of "Investment Grade" in the Prospectus and will mean that these are usually in the senior tranches for Asset Backed Securities which are towards the top of the capital structure.</p> <p>The Fund may invest up to 10% of its assets in securities that are not rated by any recognised rating agency, in which case a comparable internal credit rating will be used.</p> <p>Asset-Backed Securities (ABS) are debt securities originated by corporations or other entities (including public or local authorities) and collateralised (or "backed") by cash flows from an underlying pool of assets. The underlying assets may include, but are not limited to, commercial and residential mortgages, loans, leases or receivables (such as credit card debt, automobile loans and student loans) but exclude physical assets.</p> <p>The types of ABS the Fund will invest in may include, but are not limited to, Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Collateralised Loan Obligations (CLO), Whole-Business Securitisation (WBS), Consumer ABS backed by such receivables as consumer loans, credit card debt, auto or equipment loans and leases and student loans. Other ABS may be backed by loans or receivables to corporates.</p> <p>Issuers of these securities may be located in any country, including emerging markets. The investment manager expects to invest mainly in the United Kingdom, Europe and the United States but may also invest in other geographies on a global basis.</p> <p>The Fund does not take currency views and aims to hedge any non-GBP assets back to GBP.</p> <p>The Fund seeks to make investments that meet the ESG Criteria applying an Exclusionary Approach as described in the precontractual annex to this Fund Supplement.</p> <p>The Fund may use derivatives to meet its investment objective, for efficient portfolio management and for the purposes of hedging. These instruments may include but are</p>

not limited to spot and forward contracts, options, exchange traded futures, credit default swaps, and interest rate swaps.

The Fund may also invest in other assets including, Collective Investment Schemes, cash and near cash, deposits and other debt instruments.

## **Investment Strategy**

### **Investment Approach**

The Investment Manager will employ a fundamental research driven approach to identify assets that offer an appropriate return on a relative value and risk adjusted basis. The portfolio will be constructed so as to ensure that it remains well diversified and with an appropriate liquidity profile.

### **Investment Manager's ESG Classification**

The Fund is categorised as Planet+ / ESG Enhanced.

The ESG categorisation of the Fund is explained in the section “**ESG Glossary**” of Appendix 3 “**ESG Integration and Approaches to Responsible Investment**” of this Prospectus.

## **EU Sustainable Finance Disclosure Regulation**

The Fund is categorised as an Article 8 fund under SFDR and promotes environmental and/or social characteristics as described in the precontractual annex to this Fund Supplement.

## **Benchmark**

SONIA

For unhedged and Currency Hedged Share Classes, the rate is shown in the Share Class currency as follows:

EUR Hedged: 3-month EURIBOR  
USD Hedged: SOFR  
CHF Hedged: SARON  
JPY Hedged: TONA  
CAD Hedged: CORRA  
SGD Hedged: SORA

The benchmark is a target which the Fund seeks to achieve. The rate has been chosen as the Fund's benchmark as it is an achievable performance target and best reflects the scope of the Fund's investment policy. The benchmark is used solely to measure the Fund's performance and does not constrain the Fund's portfolio construction.

The Fund is actively managed. The Investment Manager has complete freedom in choosing which assets to buy, hold and sell in the Fund, subject to the investment restrictions and guidelines set out in this Prospectus.

## **Profile of Typical Investor**

The Fund is designed for sophisticated and/or institutional investors seeking income and capital growth from a portfolio primarily invested in Investment Grade Asset Backed Securities. Such investors will have knowledge of, and are more experienced in, this asset class and understand and can evaluate the strategy, characteristics and risks in order to make an informed investment decision and who have sustainability preferences.

There is no guarantee that the Fund will achieve its objective. Investors should appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.

In each case it is expected that all investors will understand and appreciate the risks associated with investing in Shares of the Fund.

This Fund is designed for investors who have an investment time horizon of at least three years.

**Currency Hedged Share Classes**

The Fund may offer Currency Hedged Share Classes which seek to reduce the effect of exchange rate movements between the Share Class Reference Currency and the Fund Reference Currency (“Currency Hedged”).

**Calculation of Global Exposure**

The Fund uses the absolute Value-at-Risk (VaR) methodology to monitor and measure its global exposure. The Fund’s VaR cannot be greater than 10%.

**Leverage**

The Fund’s expected average level of leverage under normal market conditions will generally not exceed 400% of the Fund’s Net Asset Value when calculated in accordance with the sum of notionals approach.

The level of leverage could sometimes be higher under certain circumstances including but not limited to changes in the reference market conditions and the investment strategy.

**Distribution Policy**

If declared, unless otherwise specified for a Share Class, the Fund will pay dividends on a quarterly basis on the first Business Day of January, April, July and October.

**Risk Warnings**

Investors’ attention is particularly drawn to the section entitled “**Risk Factors**” of the Prospectus and especially to the risk factors relating to:

- Counterparty Risk
- Credit Risk
- Derivatives Risk
- Interest Rate Risk
- Liquidity Risk
- Market Risk
- Asset-Backed Securities Risk
- ESG Data Risk
- Investments Exclusions Risk

**Sustainability Risks Likely Impact on Fund’s Return**

The Fund is highly diversified due to its exposure to different types of ABS with diversified underlying exposures, it is therefore not anticipated that any single Sustainability Risk could cause a material negative financial impact on the Fund. The Fund may be exposed to a broad range of Sustainability Risks, which will differ from asset to asset.

Some markets and sectors will have greater exposure to Sustainability Risk than others. For instance, CMBS (Commercial Mortgage Backed Securities), which the Fund is likely to have limited exposure to, can be backed by properties such as offices or logistics warehouses for example which can be major Greenhouse Gas (GHG) producers and may be subject to greater regulatory or public pressure than other sectors and thus, greater risk. In general physical underlying collateral, such as residential homes or commercial property, may also be exposed to potential physical risks resulting from climate change. For example, the tail risk of significant damage due to increasing erratic and potentially catastrophic weather phenomena such as droughts, wildfires, flooding and heavy precipitations, heat/cold waves, landslides or storms. As the frequency of extreme weather events increases, the Fund’s ABS underlying assets’ exposure to these events increases as well.

**Risk related to the discontinuance of the London Interbank Offered Rate (‘LIBOR’)**

Since the end of 2021, LIBOR has ceased, with the exception of USD LIBOR which will continue to end June 2023. Therefore, the rate of interest on debt instruments which reference LIBOR needs to be, where possible, transitioned to a replacement rate determined by any applicable fallback provisions. In certain circumstances the transition to a replacement rate will be delayed beyond end 2021 (including where

certain debt instruments held by the Fund have not yet been capable of such transition) as the replacement rate in the fall-back provision relied on the continued existence of LIBOR. Additionally, in the absence of a fall-back provision or where such fall-back provisions have been amended to reflect such discontinuance and there is uncertainty on the establishment of an alternative interest rate measure, there can be no assurance that any such amendments or alternative interest rates will adequately mitigate interest rate risk. Therefore, the delay transitioning and such changes could have an adverse effect on the applicable interest rates of debt instruments referencing LIBOR and their value and liquidity, and this in turn may have an adverse effect on the performance of the Fund, the Net Asset Value, the Fund's earnings and returns to Shareholders.

## Share Classes

Share Class	Initial Sales Charge	Annual Charge
A	Nil	0.15%
B	Nil	0.13%
D	Nil	Up to 0.19%
DI	Nil	Up to 0.15%
MI	Nil	Up to 0.11%
P	Up to 3.25%	0.37%
Q	Nil	0.22%
QI	Nil	0.18%
W	Nil	Up to 0.29%
WI	Nil	Up to 0.25%

Investors should refer to Section “**Class Description, Availability of Shares, Minimum Subscription and Holding Amounts**” for further information on the availability of Share Classes. Each Share Class may be offered as accumulation or distribution Shares and denominated or hedged into other currencies.

**Not all individual Share Classes issued in this Fund may be disclosed in this Fund Supplement at the time of issue of this Prospectus. An exhaustive list of Share Classes issued in this Fund can be found on the M&G website.**



**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**Product Name:** European Specialist Investment Funds - M&G Senior Asset Backed Credit Fund  
**Legal Entity Identifier:** 25490036P711C6KJIQ72

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective**:

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**:

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of % of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the use of an Exclusionary Approach (as defined below):

The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society. For securitised investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to be detrimental to ESG Factors.

For further information on the Fund's exclusions, please refer to the Fund's website disclosure, which may be found via the following link [www.mandg.com/country-specific-fund-literature](http://www.mandg.com/country-specific-fund-literature).

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

### What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The sustainability indicators selected to demonstrate the attainment of the promoted environmental and/or social characteristics are:

- Exclusionary approach: Percentage (%) of NAV held in excluded investments
- Exclusionary approach: Percentage (%) of ABS below the Investment Manager's threshold for alignment

### What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The Fund does not target investment in sustainable investments.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

The Fund does not target investment in sustainable investments.

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

The Fund does not target investment in sustainable investments.

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

The Fund does not target investment in sustainable investments.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### **Does this financial product consider principal adverse impacts on sustainability factors?**

- Yes, the Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available, which allows the Investment Manager to make informed investment decisions, as explained above.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund. Information on how the principal adverse impacts were taken into account will be provided in the Fund's annual report.

- No



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### **What investment strategy does this financial product follow?**

Consideration of ESG Factors is fully integrated into fundamental analysis and investment decisions.

In order to identify investments for purchase, the Investment Manager reduces the potential investment universe as follows:

1. The exclusions listed in the ESG Criteria are screened out.
2. From this narrowed investment universe, the Investment Manager performs fundamental analysis, including consideration of ESG factors, to identify and take advantage of investment opportunities.

The Fund's ESG Criteria apply to at least:

- 90% of debt securities, money market instruments with an investment grade credit rating; sovereign debt issued by developed countries; and equities issued by large capitalisation companies in developed countries;
- 75% of debt securities and money market instruments with a high yield credit rating; sovereign debt issued by emerging market countries; equities issued by large capitalisation companies in emerging market countries; and equities issued by small and mid-capitalisation companies in any country.

### **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The following elements are binding, as part of the Investment Manager's strategy for this Fund:

- The Fund's exclusions; and

- The amount of the Fund aligned to the promoted environmental and/or social characteristics, as set out in the section "What is the asset allocation planned for this financial product?".

### What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

0%

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- **What is the policy to assess good governance practices of the investee companies?**

The Investment Manager operates a data driven quantitative good governance test used to consider investments into companies. M&G excludes investments in securities that are considered as failing the Investment Manager's good governance test. When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance)



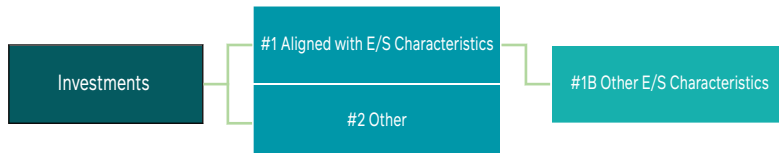
### What is the asset allocation planned for this financial product?

The Investment Manager expects at least 70% of the Fund to be aligned to the promoted E/S characteristics.

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be considered aligned with the promoted environmental and/or social characteristics on the following basis:

Exclusions:

1. Where a derivative represents exposure to a single name it must be a permitted investment for the Fund.
2. Where a derivative represents exposure to a diversified financial index, it must deliver an evidencable alignment to the promoted characteristics.



### To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

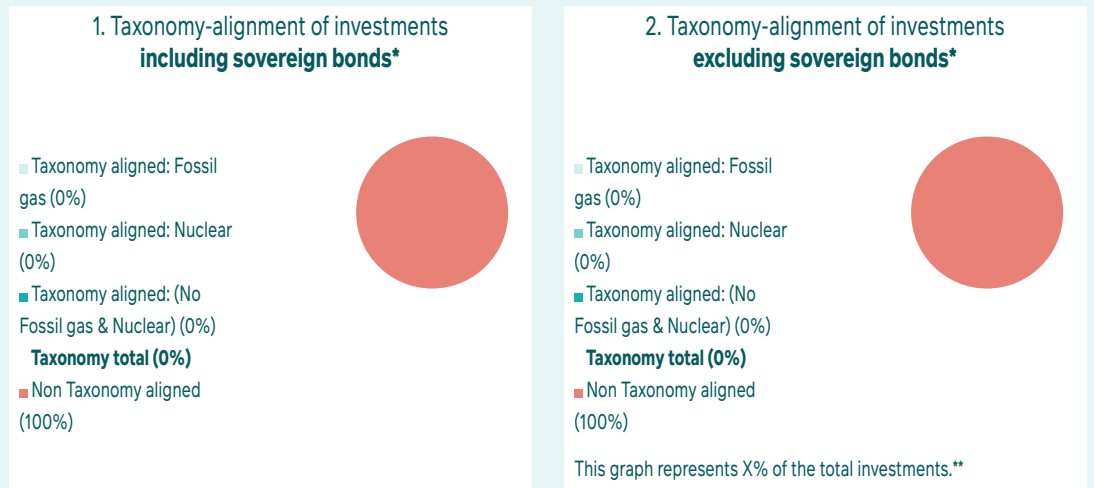
**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:  In fossil gas  In nuclear energy
- No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**The two graphs below show the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.**



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.

\*\* As there is no Taxonomy-alignment, there is no impact on the graph if sovereign bonds are excluded (i.e. the percentage of Taxonomy-aligned investments remains 0%) and the Management Company therefore believes that there is no need to mention this information.

● **What is the minimum share of investments in transitional and enabling activities?**

0%

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

0%



**What is the minimum share of socially sustainable investments?**

0%



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may hold cash, near cash and money market funds, FX, interest rate derivatives and similar derivatives (which may include certain technical trades such as government bond futures used for duration trades) as “Other” investments, for any purpose permitted by the Fund’s investment policy. No minimum environmental or social safeguards are applied.

Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for any reason permitted by the Fund’s investment policy and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test.

The Fund may also hold as Other investments those investments where insufficient data exists to determine the investments’ alignment with the promoted characteristics.

It is also possible that the Fund may hold investments that are not in line with the promoted characteristics, e.g. as a result of a merger or other corporate action, or as a result of the characteristics of a previously acquired investment changing. Where this happens, the Fund will generally seek to dispose of them in the best interests of investors, but may not always be able to do so immediately.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

**How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

Not Applicable

**How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

Not Applicable

**How does the designated index differ from a relevant broad market index?**

Not Applicable

**Where can the methodology used for the calculation of the designated index be found?**

Not Applicable



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

[www.mandg.com/investments/institutional/en-global/sustainability-related-disclosures](http://www.mandg.com/investments/institutional/en-global/sustainability-related-disclosures)

# M&G Sustainable European Credit Investment Fund

The information contained in this part of this Prospectus in relation to the M&G Sustainable European Credit Investment Fund should be read in conjunction with the full text of this Prospectus.

<b>Launch Date</b>	7 October 2021
<b>Reference Currency</b>	Euro (EUR)
<b>Investment Objective</b>	The Fund aims to provide a total return (the combination of income and capital growth) of the Benchmark plus 0.75% (gross of fees per annum), over any five-year period, while applying ESG Criteria.
<b>Investment Policy</b>	<p>The Fund invests at least 70% of its Net Asset Value in EUR-denominated Investment Grade corporate bonds, Asset-Backed Securities, and preference shares.</p> <p>The Fund may invest up to a maximum of 20% of its Net Asset Value in Asset-Backed Securities.</p> <p>The Fund may also invest in other debt instruments including government bonds. The Fund may invest up to 15% of its Net Asset Value in below Investment Grade debt instruments. The Fund may invest in Convertible Bonds including up to 10% of its Net Asset Value in Contingent Convertible Debt Securities.</p> <p>The Fund may hold up to 5% of its Net Asset Value in equity securities received as a result of debt securities being restructured or converted. This limit does not include investment in preference shares.</p> <p>Issuers may be located in any country, including emerging markets. The Fund does not take currency views and typically hedges non-EUR assets to EUR.</p> <p>The Fund invests in securities that meet the ESG Criteria applying an Exclusionary Approach and a Positive ESG Outcome as described in the precontractual annex to this Fund Supplement.</p> <p>The Fund may use derivatives for investment purposes, efficient portfolio management and hedging. These instruments may include, but are not limited to, spot and forward contracts, exchanged traded futures, options, credit default swaps, and interest rate swaps.</p> <p>The Fund may also invest in other assets including Collective Investment Schemes (including funds managed by M&amp;G), cash and near cash, and other debt instruments.</p>
<b>Additional Investment Restrictions</b>	<p>The Fund may only invest into (a) debt or debt-like instruments that, at the time of purchase, have a minimum rating of B- (by Standard &amp; Poor's and Fitch) or B3 (by Moody's) or a comparable internal rating by the Investment Manager and (b) Asset-Backed Securities or credit-linked instruments, which are rated at least Investment Grade. In the event of a downgrade, which causes the security or instrument to be rated below the limits referred to above, such securities or instruments may remain in the Fund provided in aggregate they do not exceed 3% of the Net Asset Value of the Fund. To the extent that the aggregate value of such securities or instruments exceeds 3% of the Net Asset Value of the Fund, any which have not been upgraded within a six-month period, will be sold.</p> <p>In the case of split ratings by recognised rating agencies, the lower of the two highest ratings must be used. Where the lower of the two highest ratings does not meet the requirements stated above, the Investment Manager may replace it with its own internal rating based on quantitative analysis, which may be higher. Similarly, where</p>

there is only one rating by a recognised rating agency and this does not meet the requirements stated above, the Investment Manager may replace it with its own internal rating based on quantitative analysis, which may be higher. The Fund will under no circumstances rely exclusively on external ratings in determining the credit risk of a financial instrument.

The Fund will only invest in Collective Investment Schemes which have equivalent restrictions in respect of the above rating requirements.

## **Investment Strategy**

### **Investment Approach**

The Investment Manager will employ multiple strategies to meet the Fund's investment objective, including asset allocation, sector and security selection, duration and yield curve.

### **Investment Manager's ESG Classification**

The Fund is categorised as Planet+ / Sustainable.

The ESG categorisation of the Fund is explained in the section **"ESG Glossary"** of Appendix 3 **"ESG Integration and Approaches to Responsible Investment"** of this Prospectus.

## **EU Sustainable Finance Disclosure Regulation**

The Fund is categorised as an Article 8 fund under SFDR and promotes environmental and/or social characteristics as described in the precontractual annex to this Fund Supplement.

## **Benchmark**

Bloomberg MSCI Euro Corporate ESG BB+ Sustainable SRI Bond Index (Total Return Gross) ("the Benchmark")

For unhedged and Currency Hedged Share Classes, the index is shown in the Share Class currency as follows:

EUR Unhedged: the Benchmark

GBP Hedged: Bloomberg MSCI Euro Corporate ESG BB+ Sustainable SRI Bond Index (GBP – Hedged)

CHF Hedged: Bloomberg MSCI Euro Corporate ESG BB+ Sustainable SRI Bond Index (CHF – Hedged)

USD Hedged: Bloomberg MSCI Euro Corporate ESG BB+ Sustainable SRI Bond Index (USD – Hedged)

The Benchmark is a target which the Fund seeks to outperform. The index has been chosen as the Fund's Benchmark as it is an achievable performance target to seek to outperform and best reflects the scope of the Fund's investment policy. The Benchmark is used solely to measure the Fund's performance and does not constrain the Fund's portfolio construction. The Fund's holdings may deviate significantly from the benchmark's constituents.

The Fund is actively managed. The Investment Manager has complete freedom in choosing which investments to buy, hold and sell in the Fund, subject to the investment restrictions and guidelines set out in this prospectus and in the ESG Criteria document.

## **Profile of Typical Investor**

The Fund is designed for retail and Institutional Investors seeking to gain a combination of capital growth and income from a portfolio primarily invested in EUR-denominated Investment Grade corporate bonds and Asset-Backed Securities and who have sustainability preferences. Such investors appreciate that their capital will

be at risk and that the value of their investment and any derived income may fall as well as rise.

In each case it is expected that all investors will understand and appreciate the risks associated with investing in Shares of the Fund.

This Fund is designed for investors who have an investment time horizon of at least five years.

<b>Currency Hedged Share Classes</b>	The Fund may offer Currency Hedged Share Classes which seek to reduce the effect of exchange rate movements between the Share Class Reference Currency and the Fund Reference Currency (“Currency Hedged”).
<b>Calculation of Global Exposure</b>	The Fund uses the relative Value-at-Risk (VaR) methodology to monitor and measure its global exposure. The Fund’s VaR cannot be greater than twice the VaR of the Fund’s Benchmark.
<b>Leverage</b>	<p>The Fund’s expected average level of leverage under normal market conditions is 200% of the Fund’s Net Asset Value when calculated in accordance with the sum of notionals approach.</p> <p>The level of leverage could sometimes be higher under certain circumstances including but not limited to changes in the reference market conditions and the investment strategy.</p>
<b>Distribution Policy</b>	If declared, unless otherwise specified for a Share Class, the Fund will pay dividends on a quarterly basis on the first Business Day of January, April, July and October.
<b>Risk Warnings</b>	<p>Investors’ attention is particularly drawn to the section entitled “<b>Risk Factors</b>” of the Prospectus and especially to the risk factors relating to:</p> <ul style="list-style-type: none"><li>● Contingent Convertible Debt Securities Risk</li><li>● Counterparty Risk</li><li>● Credit Risk</li><li>● Derivatives Risk</li><li>● Interest Rate Risk</li><li>● Liquidity Risk</li><li>● Market Risk</li><li>● Asset-Backed Securities Risk</li><li>● ESG Data Risk</li><li>● Investments Exclusions Risk</li></ul>



**Sustainability Risks  
Likely Impact on Fund's  
Return**

The potential impacts of Sustainability Risks on this Fund may include:

- Fixed income securities: Sustainability Risks may affect a corporate or sovereign borrower's cash flows and affect their ability to meet their debt obligations. Sustainability Risks may also affect the credit quality of those issuers. Considering the Fund's European focus, social factors such as demographics may affect a country's credit rating or cash flows, for example, as a result of an ageing population that may have adverse fiscal implications longer term and increase a country's healthcare costs.
- Currencies: Sustainability Risks may also affect the value of currencies.
- Regulatory Changes: Increasing regulatory requirements in Europe that result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy may result in significant Sustainability Risks that impede borrowers' business models, revenues and overall value. Such financial impediments could arise, for example, from changes in the regulatory framework such as carbon pricing mechanisms or stricter energy efficiency standards.

**Share Classes**

Share Class	Initial Sales Charge	Annual Charge
AI	Nil	0.18%
BI	Nil	0.16%
D	Nil	Up to 0.22%
DI	Nil	Up to 0.18%
L	Nil	0.25%
LI	Nil	0.21%
EI	Nil	0.14%
MI	Nil	0.14%
P	Up to 3.25%	0.49%
Q	Nil	Up to 0.29%
QI	Nil	Up to 0.25%
W	Nil	0.29%
WI	Nil	0.25%

Investors should refer to Section “**Class Description, Availability of Shares, Minimum Subscription and Holding Amounts**” for further information on availability of Share Classes. Each Share Class may be offered as accumulation or distribution Shares and denominated or hedged into other currencies.

**Not all individual Share Classes issued in this Fund may be disclosed in this Fund Supplement at the time of issue of this Prospectus. An exhaustive list of Share Classes issued in this Fund can be found on the M&G website.**

## This precontractual annex is applicable until 29 May 2024

**Product Name:** European Specialist Investment Funds - M&G Sustainable European Credit Investment Fund  
**Legal Entity Identifier:** 2549000WVVSQ1VU6ZB54

## Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective**:

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**:

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 51% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the use of an Exclusionary Approach and a strategy to achieve a Positive ESG Outcome (as defined below):

The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society and to assist it in delivering more sustainable outcomes. For securitised investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to do significant harm to environmental and/or social objectives.

The Fund typically has a higher weighted average ESG rating and lower weighted average carbon intensity than an index used as a proxy for its investment universe ("Positive ESG Outcome"). The Fund's calculation methodology does not include those securities that do not have carbon intensity data respectively, or cash, near cash, some derivatives and some collective investment schemes.

In constructing a portfolio which favours investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings remaining within the narrowed universe. At an individual security level, the Investment Manager favours investments with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective.

For further information on the Fund's exclusions, please refer to the Fund's website disclosure, which may be found via the following link [www.mandg.com/country-specific-fund-literature](http://www.mandg.com/country-specific-fund-literature).

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

### • What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The sustainability indicators selected to demonstrate the attainment of the promoted environmental and/or social characteristics are:

- Exclusionary approach: Percentage (%) of NAV held in excluded investments

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- Exclusionary approach: Percentage (%) of ABS below the Investment Manager's threshold for alignment
- Positive ESG Outcome: Portfolio weighted average ESG score versus investment universe weighted average ESG score
- Positive ESG Outcome: Portfolio weighted average carbon intensity versus investment universe weighted average carbon intensity

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund may allocate to sustainable investments of any type, i.e. investments with an environmental, and/or a social objective. The Fund is not required to favour any specific type of sustainable investment.

The Investment Manager uses a series of proprietary tests based on available data to determine whether and how an investment makes positive contribution(s) towards environmental and social objectives.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Sustainable investments that the Fund intends to make do not cause significant harm to any environmental or social sustainable investment objective as they are required to pass a series of tests, including:

1. Whether they represent significant exposure to businesses the Investment Manager considers harmful
2. Principal Adverse Impact indicators considered to render the investment incompatible with sustainable investment (violations of the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises, social violations by sovereigns such as being subject to sanctions, negative effects on biodiversity sensitive areas)
3. Other Principal Adverse Impact indicators form part of a materiality assessment to understand whether any exposures are compatible with sustainable investment

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

The Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available (i.e. not just for sustainable investments), which allows the Investment Manager to make informed investment decisions.

The Fund's consideration of Principal Adverse Impact indicators is used as part of understanding the operating practices of the investments purchased by the Fund. Investments held by the Fund are then subject to ongoing monitoring and a quarterly review process.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund.

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

All investments purchased by the Fund must pass the Investment Manager's good governance tests, and in addition, sustainable investments must also pass tests to confirm they do no significant harm, as described above. These tests embed a consideration of the OECD Guidelines and UN Guiding Principles.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes, for sustainable investments, principal adverse impacts are a key part of assessing such investments do not do significant harm as explained above. For other investments the Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available, which allows the Investment Manager to make informed investment decisions, as explained above.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund. Information on how the principal adverse impacts were taken into account will be provided in the Fund's annual report.

- No



### What investment strategy does this financial product follow?

Sustainability considerations, encompassing ESG factors, are fully integrated into analysis and investment decisions, and play an important role in determining the investment universe and portfolio construction.

In order to identify securities for purchase, the Investment Manager reduces the potential investment universe as follows:

1. The exclusions listed in the ESG Criteria are screened out.
2. The Investment Manager then assesses the ESG credentials of the remaining issuers. Based upon a combination of external ESG ratings and the Investment Manager's assessment, lower scoring issuers classified as ESG laggards are excluded.
3. From this narrowed investment universe, the Investment Manager performs further analysis, including consideration of ESG factors, to identify and take advantage of investment opportunities. The Investment Manager favours issuers with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective. This process typically results in a portfolio with better ESG characteristics. In constructing a portfolio which favours investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings remaining within the narrowed universe.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The following elements are binding, as part of the Investment Manager's strategy for this Fund:

- The Fund's exclusions;
- The amount of the Fund aligned to the promoted environmental and/or social characteristics, as set out in the section "What is the asset allocation planned for this financial product?"; and
- Minimum levels of sustainable investments, as set out in the section "What is the asset allocation planned for this financial product?".

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

20%

Whilst any commitment on the minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy as a result of the Fund's exclusions is intended to be binding, as this is calculated by considering the Fund's exclusions against a proxy for the investment universe (such as a financial index) outside the control of the Investment Manager, and as additional exclusions will require an update of fund materials, it is possible that the Fund may temporarily be out of compliance with this commitment.

- **What is the policy to assess good governance practices of the investee companies?**

The Investment Manager operates a data driven quantitative good governance test used to consider investments into companies. M&G excludes investments in securities that are considered as failing the Investment Manager's good governance test. When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance).

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?

The Investment Manager expects at least 70% of the Fund to be aligned to the promoted E/S characteristics. At least 51% of the Fund will be in Sustainable Investments.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

## How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives may be considered aligned with the promoted environmental and/or social characteristics on the following basis:

Exclusions:

1. Where a derivative represents exposure to a single name it must be a permitted investment for the Fund.
2. Where a derivative represents exposure to a diversified financial index, it must deliver an evidencable alignment to the promoted characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

Whilst the minimum mandatory allocation to Taxonomy-aligned sustainable investments is 0%, the Fund is permitted to allocate to such investments, which would form part of its overall allocation to sustainable investments with environmental objectives.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

## Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

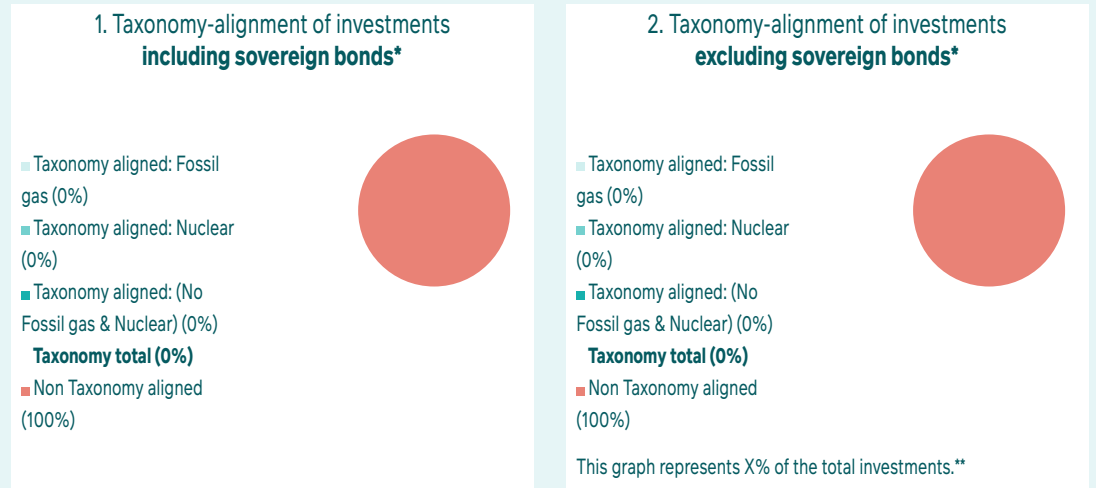
- Yes:
- In fossil gas  In nuclear energy
- No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\* As there is no Taxonomy-alignment, there is no impact on the graph if sovereign bonds are excluded (i.e. the percentage of Taxonomy-aligned investments remains 0%) and the Management Company therefore believes that there is no need to mention this information.

- **What is the minimum share of investments in transitional and enabling activities?**  
0%

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy



- **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**  
5%



- **What is the minimum share of socially sustainable investments?**  
5%



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may hold cash, near cash and money market funds, FX, interest rate derivatives and similar derivatives (which may include certain technical trades such as government bond futures used for duration trades) as “Other” investments, for any purpose permitted by the Fund’s investment policy. No minimum environmental or social safeguards are applied.

Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for any reason permitted by the Fund’s investment policy and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test.

The Fund may also hold as Other investments those investments where insufficient data exists to determine the investments’ alignment with the promoted characteristics.

It is also possible that the Fund may hold investments that are not in line with the promoted characteristics, e.g. as a result of a merger or other corporate action, or as a result of the characteristics of a previously acquired investment changing. Where this happens, the Fund will generally seek to dispose of them in the best interests of investors, but may not always be able to do so immediately.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**  
Not Applicable
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**  
Not Applicable
- **How does the designated index differ from a relevant broad market index?**  
Not Applicable
- **Where can the methodology used for the calculation of the designated index be found?**  
Not Applicable



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

[www.mandg.com/country-specific-fund-literature](http://www.mandg.com/country-specific-fund-literature)



## This precontractual annex is applicable from 30 May 2024

**Product Name:** European Specialist Investment Funds - M&G Sustainable European Credit Investment Fund  
**Legal Entity Identifier:** 2549000WVVSQ1VU6ZB54

## Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective?

Yes  No

It will make a minimum of **sustainable investments with an environmental objective:**

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 51% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the use of an Exclusionary Approach and a strategy to achieve a Positive ESG Outcome (as defined below):

The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society and to assist it in delivering more sustainable outcomes. For securitised investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to do significant harm to environmental and/or social objectives.

The Fund typically has a higher weighted average ESG rating and lower weighted average carbon intensity than an index used as a proxy for its investment universe ("Positive ESG Outcome"). The Fund's calculation methodology does not include those securities that do not have carbon intensity data respectively, or cash, near cash, some derivatives and some collective investment schemes.

In constructing a portfolio which favours investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings remaining within the narrowed universe. At an individual security level, the Investment Manager favours investments with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective.

For further information on the Fund's exclusions, please refer to the Fund's website disclosure, which may be found via the following link [www.mandg.com/country-specific-fund-literature](http://www.mandg.com/country-specific-fund-literature).

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

### • What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The sustainability indicators selected to demonstrate the attainment of the promoted environmental and/or social characteristics are:

- Exclusionary approach: Percentage (%) of NAV held in excluded investments

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- Exclusionary approach: Percentage (%) of ABS below the Investment Manager's threshold for alignment
- Positive ESG Outcome: Portfolio weighted average ESG score versus investment universe weighted average ESG score
- Positive ESG Outcome: Portfolio weighted average carbon intensity versus investment universe weighted average carbon intensity

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund may allocate to sustainable investments of any type, i.e. investments with an environmental, and/or a social objective. The Fund is not required to favour any specific type of sustainable investment.

The Investment Manager uses a series of proprietary tests based on available data to determine whether and how an investment makes positive contribution(s) towards environmental and social objectives.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Sustainable investments that the Fund intends to make do not cause significant harm to any environmental or social sustainable investment objective as they are required to pass a series of tests, including:

1. Whether they represent significant exposure to businesses the Investment Manager considers harmful
2. Principal Adverse Impact indicators considered to render the investment incompatible with sustainable investment (violations of the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises, social violations by sovereigns such as being subject to sanctions, negative effects on biodiversity sensitive areas)
3. Other Principal Adverse Impact indicators form part of a materiality assessment to understand whether any exposures are compatible with sustainable investment

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

The Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available (i.e. not just for sustainable investments), which allows the Investment Manager to make informed investment decisions.

The Fund's consideration of Principal Adverse Impact indicators is used as part of understanding the operating practices of the investments purchased by the Fund. Investments held by the Fund are then subject to ongoing monitoring and a quarterly review process.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund.

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

All investments purchased by the Fund must pass the Investment Manager's good governance tests, and in addition, sustainable investments must also pass tests to confirm they do no significant harm, as described above. These tests embed a consideration of the OECD Guidelines and UN Guiding Principles.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes, for sustainable investments, principal adverse impacts are a key part of assessing such investments do not do significant harm as explained above. For other investments the Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available, which allows the Investment Manager to make informed investment decisions, as explained above.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund. Information on how the principal adverse impacts were taken into account will be provided in the Fund's annual report.

- No



### What investment strategy does this financial product follow?

Sustainability considerations, encompassing ESG factors, are fully integrated into analysis and investment decisions, and play an important role in determining the investment universe and portfolio construction.

In order to identify securities for purchase, the Investment Manager reduces the potential investment universe as follows:

1. The exclusions listed in the ESG Criteria are screened out.
2. The Investment Manager then assesses the ESG credentials of the remaining issuers. Based upon a combination of external ESG ratings and the Investment Manager's assessment, lower scoring issuers classified as ESG laggards are excluded.
3. From this narrowed investment universe, the Investment Manager performs further analysis, including consideration of ESG factors, to identify and take advantage of investment opportunities. The Investment Manager favours issuers with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective. This process typically results in a portfolio with better ESG characteristics. In constructing a portfolio which favours investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings remaining within the narrowed universe.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The following elements are binding, as part of the Investment Manager's strategy for this Fund:

- The Fund's exclusions;
- The amount of the Fund aligned to the promoted environmental and/or social characteristics, as set out in the section "What is the asset allocation planned for this financial product?"; and
- Minimum levels of sustainable investments, as set out in the section "What is the asset allocation planned for this financial product?".

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

10%

Whilst any commitment on the minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy as a result of the Fund's exclusions is intended to be binding, as this is calculated by considering the Fund's exclusions against a proxy for the investment universe (such as a financial index) outside the control of the Investment Manager, and as additional exclusions will require an update of fund materials, it is possible that the Fund may temporarily be out of compliance with this commitment.

- **What is the policy to assess good governance practices of the investee companies?**

The Investment Manager operates a data driven quantitative good governance test used to consider investments into companies. M&G excludes investments in securities that are considered as failing the Investment Manager's good governance test. When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance).

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



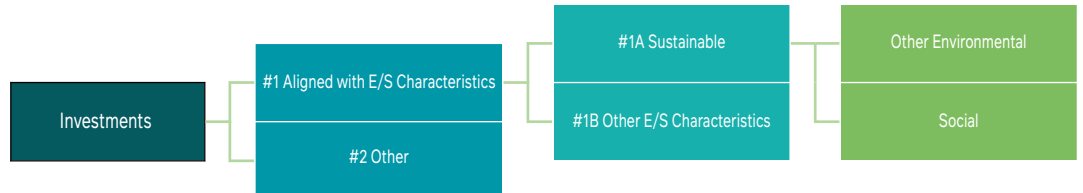
**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?

The Investment Manager expects at least 70% of the Fund to be aligned to the promoted E/S characteristics. At least 51% of the Fund will be in Sustainable Investments.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

## How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives may be considered aligned with the promoted environmental and/or social characteristics on the following basis:

Exclusions:

1. Where a derivative represents exposure to a single name it must be a permitted investment for the Fund.
2. Where a derivative represents exposure to a diversified financial index, it must deliver an evidencable alignment to the promoted characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

Whilst the minimum mandatory allocation to Taxonomy-aligned sustainable investments is 0%, the Fund is permitted to allocate to such investments, which would form part of its overall allocation to sustainable investments with environmental objectives.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

## Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

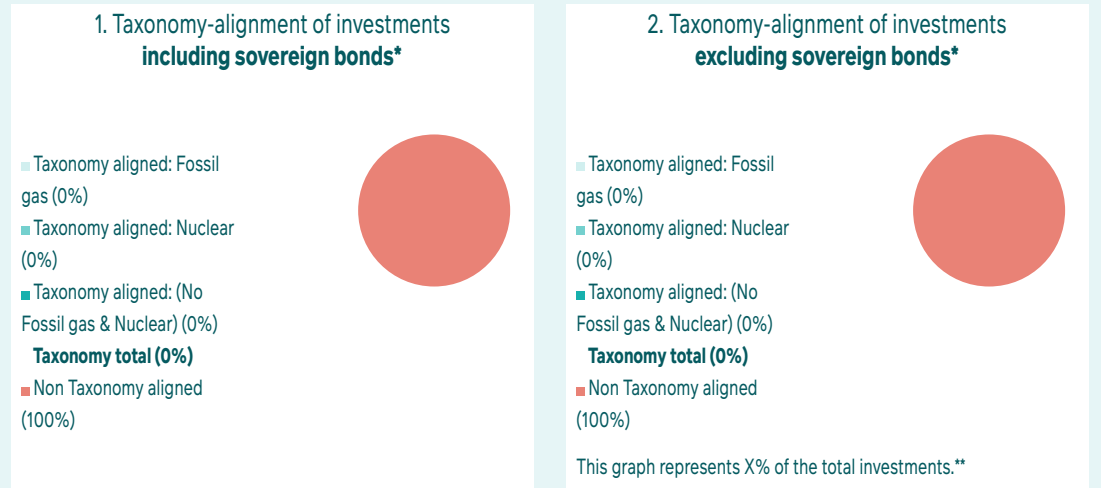
- Yes:
- In fossil gas  In nuclear energy
- No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\* As there is no Taxonomy-alignment, there is no impact on the graph if sovereign bonds are excluded (i.e. the percentage of Taxonomy-aligned investments remains 0%) and the Management Company therefore believes that there is no need to mention this information.

● **What is the minimum share of investments in transitional and enabling activities?**  
0%

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**  
5%



**What is the minimum share of socially sustainable investments?**  
5%



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may hold cash, near cash and money market funds, FX, interest rate derivatives and similar derivatives (which may include certain technical trades such as government bond futures used for duration trades) as “Other” investments, for any purpose permitted by the Fund’s investment policy. No minimum environmental or social safeguards are applied.

Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for any reason permitted by the Fund’s investment policy and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test.

The Fund may also hold as Other investments those investments where insufficient data exists to determine the investments’ alignment with the promoted characteristics.

It is also possible that the Fund may hold investments that are not in line with the promoted characteristics, e.g. as a result of a merger or other corporate action, or as a result of the characteristics of a previously acquired investment changing. Where this happens, the Fund will generally seek to dispose of them in the best interests of investors, but may not always be able to do so immediately.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**  
Not Applicable
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**  
Not Applicable
- **How does the designated index differ from a relevant broad market index?**  
Not Applicable
- **Where can the methodology used for the calculation of the designated index be found?**  
Not Applicable



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

[www.mandg.com/country-specific-fund-literature](http://www.mandg.com/country-specific-fund-literature)

# M&G Sustainable Total Return Credit Investment Fund

The information contained in this part of this Prospectus in relation to the M&G Sustainable Total Return Credit Investment Fund should be read in conjunction with the full text of this Prospectus.

<b>Launch Date</b>	14 October 2021
<b>Reference Currency</b>	Euro (EUR)
<b>Investment Objective</b>	The Fund aims to provide a higher total return (the combination of income and capital growth) of at least 3-5% per annum, gross of fees, than that of the Benchmark over any five-year period while applying ESG Criteria.
<b>Investment Policy</b>	<p>The Fund invests at least 70% of its Net Asset Value in corporate and government bonds, cash and cash equivalents, Asset-Backed Securities, and preference shares, denominated in any currency. The Fund may invest a significant portion of its assets in Asset-Backed Securities. The Fund may invest up to a maximum of 40% of its Net Asset Value in Asset-Backed Securities.</p> <p>Asset-Backed Securities are debt securities originated by corporations or other entities (including public or local authorities) and collateralised (or “backed”) by cash flows from an underlying pool of assets. The underlying assets may include, but are not limited to, commercial and residential mortgages, loans, leases or receivables (such as credit card debt, automobile loans and student loans) but exclude physical assets.</p> <p>The types of Asset-Backed Securities the Fund will invest in may include, but are not limited to, residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralised loan obligations (CLO), whole-business securitisation (WBS), consumer Asset-Backed Securities backed by such receivables as consumer loans, credit card debt, auto or equipment loans and leases and student loans. Other Asset-Backed Securities may be backed by loans or receivables to corporates.</p> <p>The Fund may invest in Convertible Bonds including up to 20% of its Net Asset Value in Contingent Convertible Debt Securities.</p> <p>The Fund may hold up to 5% of its Net Asset Value in equity securities received as a result of debt securities being restructured or converted. This limit does not include investment in preference shares.</p> <p>Issuers of these securities may be located in any country, including emerging markets. At least 75% of the Fund’s assets will be denominated in EUR or hedged back to EUR.</p> <p>The Fund invests in securities that meet the ESG Criteria, applying an Exclusionary Approach and a Positive ESG Outcome as described in the precontractual annex to this Fund Supplement.</p> <p>The Fund may use derivatives for investment purposes, efficient portfolio management and hedging. These instruments may include, but are not limited to, spot and forward contracts, exchanged traded futures, options, credit default swaps, and interest rate swaps.</p> <p>The Fund may also invest in other assets including Collective Investment Schemes and other debt instruments.</p>

## Investment Strategy

### Investment Approach

The Fund is an actively managed, diversified fixed income fund that will typically invest in debt instruments. These will include, but are not limited to, instruments with a fixed, variable or floating rate coupon. The Fund seeks to exploit long term risk premia from Fixed Income asset classes, such as government bonds, Investment Grade or high yield corporate bonds, or Asset-Backed Securities.

The Investment Manager employs multiple strategies including asset allocation, sector and security selection, duration, and yield curve.

### Investment Manager's ESG Classification

The Fund is categorised as Planet+ / Sustainable.

The ESG categorisation of the Fund is explained in section "ESG Glossary" of Appendix 3 "ESG Integration and Approaches to Responsible Investment" of this Prospectus.

## EU Sustainable Finance Disclosure Regulation

The Fund is categorised as an Article 8 fund under SFDR and promotes environmental and/or social characteristics as described in the precontractual annex to this Fund Supplement.

## Benchmark

1-Month EURIBOR (the Benchmark)

For unhedged and Currency Hedged Share Classes, the rate is shown in the Share Class currency as follows:

EUR Unhedged: the Benchmark

GBP Hedged: SONIA

USD Hedged: SOFR

CHF Hedged: SARON

SEK Hedged: STIBOR

JPY Hedged: TONA

CAD Hedged: CORRA

SGD Hedged: SORA

The Benchmark is a target which the Fund seeks to outperform. The rate has been chosen as the Fund's Benchmark as it is an achievable performance target to seek to outperform and best reflects the scope of the Fund's investment policy. The Benchmark is used solely to measure the Fund's performance and does not constrain the Fund's portfolio construction.

The Fund is actively managed. The Investment Manager has complete freedom in choosing which investments to buy, hold and sell in the Fund, subject to the investment restrictions and guidelines set out in this Prospectus.

## Profile of Typical Investor

The Fund is designed for retail and Institutional Investors seeking to gain a combination of capital growth and income from a portfolio invested primarily in debt and debt-like securities, and who have sustainability preferences. Such investors should appreciate that this is not guaranteed and that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.

In each case it is expected that all investors will understand and appreciate the risks associated with investing in Shares of the Fund.

This Fund is designed for investors who have an investment time horizon of at least five years.



<b>Currency Hedged Share Class</b>	The Fund may offer Currency Hedged Share Classes which seek to reduce the effect of exchange rate movements between the Share Class Reference Currency and the Fund Reference Currency (“NAV-Hedged”).
<b>Calculation of Global Exposure</b>	The Fund uses the absolute Value-at-Risk (VaR) methodology to monitor and measure its global exposure. The Fund’s VaR cannot be greater than 10%.
<b>Leverage</b>	<p>The Fund’s expected average level of leverage under normal market conditions is 300% of the Fund’s Net Asset Value when calculated in accordance with the sum of notionals approach.</p> <p>The level of leverage could sometimes be higher under certain circumstances including but not limited to changes in the reference market conditions and the investment strategy.</p>
<b>Distribution Policy</b>	If declared, unless otherwise specified for a Share Class, the Fund will pay dividends on a quarterly basis on the first Business Day of January, April, July and October.
<b>Risk Warnings</b>	<p>Investors’ attention is particularly drawn to the section entitled “<b>Risk Factors</b>” of the Prospectus and especially to the risk factors relating to:</p> <ul style="list-style-type: none"> <li>● Contingent Convertible Debt Securities Risk</li> <li>● Counterparty Risk</li> <li>● Credit Risk</li> <li>● Currency &amp; Exchange Rate Risk</li> <li>● Derivatives Risk</li> <li>● Below Investment Grade Debt Securities Risk</li> <li>● Interest Rate Risk</li> <li>● Liquidity Risk</li> <li>● Market Risk</li> <li>● Asset-Backed Securities Risk</li> <li>● ESG Data Risk</li> <li>● Investments Exclusions Risk</li> </ul>
<b>Sustainability Risks Likely Impact on Fund’s Return</b>	<p>The potential impacts of Sustainability Risks on this Fund may include:</p> <ul style="list-style-type: none"> <li>● Fixed income securities (including High-Yield): Sustainability Risks may affect a corporate or sovereign borrower’s cash flows and affect their ability to meet their debt obligations. Sustainability Risks may also affect the credit quality of those issuers. The Fund is exposed to the High-Yield market, which may include debt securities of smaller companies, some of which may be privately owned, and may be less transparent in respect of ESG and sustainability disclosures. Lower levels of disclosure and resources dedicated to corporate sustainability compared to larger companies may present additional challenges to identify Sustainability Risks affecting smaller companies, and may impact the returns of the Fund.</li> <li>● Asset Backed Securities (ABS): Sustainability Risks may affect a borrowers' cash flow and affect their ability to meet their debt obligations, depending on the underlying collateral of the security. Sustainability Risks may also affect the credit quality of those issues.</li> <li>● Currencies: Sustainability Risks may also affect the value of currencies.</li> <li>● Regulatory Changes: Increasing regulatory requirements that result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy may result in significant Sustainability Risks that impede borrowers’ business</li> </ul>

models, revenues and overall value. Such financial impediments could arise, for example, from changes in the regulatory framework such as carbon pricing mechanisms or stricter energy efficiency standards.

## Share Classes

Share Class	Initial Sales Charge	Annual Charge
AI	Nil	0.45%
BI	Nil	0.40%
D	Nil	Up to 0.49%
DI	Nil	Up to 0.45%
L	Nil	0.52%
LI	Nil	0.48%
EI	Nil	0.35%
MI	Nil	0.37%
P	Up to 3.25%	1.09%
Q	Nil	Up to 0.59%
QI	Nil	Up to 0.55%
W	Nil	0.59%
WI	Nil	0.55%

Investors should refer to Section “**Class Description, Availability of Shares, Minimum Subscription and Holding Amounts**” for further information on availability of Share Classes. Each Share Class may be offered as accumulation or distribution Shares and denominated or hedged into other currencies.

**Not all individual Share Classes issued in this Fund may be disclosed in this Fund Supplement at the time of issue of this Prospectus. An exhaustive list of Share Classes issued in this Fund can be found on the M&G website.**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Product Name:** European Specialist Investment Funds - M&G Sustainable Total Return Credit Investment Fund  
**Legal Entity Identifier:** 25490084CBA1PTW2A983

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective**:

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**:

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 51% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the use of an Exclusionary Approach and a strategy to achieve a Positive ESG Outcome (as defined below):

The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society and to assist it in delivering more sustainable outcomes. For securitised investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to do significant harm to environmental and/or social objectives.

The Fund typically has a higher weighted average ESG rating and lower weighted average carbon intensity than an index used as a proxy for its investment universe ("Positive ESG Outcome"). The Fund's calculation methodology does not include those securities that do not have carbon intensity data respectively, or cash, near cash, some derivatives and some collective investment schemes.

In constructing a portfolio which favours investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings remaining within the narrowed universe. At an individual security level, the Investment Manager favours investments with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective.

For further information on the Fund's exclusions, please refer to the Fund's website disclosure, which may be found via the following link [www.mandg.com/country-specific-fund-literature](http://www.mandg.com/country-specific-fund-literature).

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

### • What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The sustainability indicators selected to demonstrate the attainment of the promoted environmental and/or social characteristics are:

- Exclusionary approach: Percentage (%) of NAV held in excluded investments

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- Exclusionary approach: Percentage (%) of ABS below the Investment Manager's threshold for alignment
- Positive ESG Outcome: Portfolio weighted average ESG score versus investment universe weighted average ESG score
- Positive ESG Outcome: Portfolio weighted average carbon intensity versus investment universe weighted average carbon intensity

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund may allocate to sustainable investments of any type, i.e. investments with an environmental, and/or a social objective. The Fund is not required to favour any specific type of sustainable investment.

The Investment Manager uses a series of proprietary tests based on available data to determine whether and how an investment makes positive contribution(s) towards environmental and social objectives.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Sustainable investments that the Fund intends to make do not cause significant harm to any environmental or social sustainable investment objective as they are required to pass a series of tests, including:

1. Whether they represent significant exposure to businesses the Investment Manager considers harmful
2. Principal Adverse Impact indicators considered to render the investment incompatible with sustainable investment (violations of the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises, social violations by sovereigns such as being subject to sanctions, negative effects on biodiversity sensitive areas)
3. Other Principal Adverse Impact indicators form part of a materiality assessment to understand whether any exposures are compatible with sustainable investment

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

The Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available (i.e. not just for sustainable investments), which allows the Investment Manager to make informed investment decisions.

The Fund's consideration of Principal Adverse Impact indicators is used as part of understanding the operating practices of the investments purchased by the Fund. Investments held by the Fund are then subject to ongoing monitoring and a quarterly review process.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund.

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

All investments purchased by the Fund must pass the Investment Manager's good governance tests, and in addition, sustainable investments must also pass tests to confirm they do no significant harm, as described above. These tests embed a consideration of the OECD Guidelines and UN Guiding Principles.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes, for sustainable investments, principal adverse impacts are a key part of assessing such investments do not do significant harm as explained above. For other investments the Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available, which allows the Investment Manager to make informed investment decisions, as explained above.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund. Information on how the principal adverse impacts were taken into account will be provided in the Fund's annual report.

- No



### What investment strategy does this financial product follow?

Sustainability considerations, encompassing ESG factors, are fully integrated into analysis and investment decisions, and play an important role in determining the investment universe and portfolio construction.

In order to identify securities for purchase, the Investment Manager reduces the potential investment universe as follows:

1. The exclusions listed in the ESG Criteria are screened out.
2. The Investment Manager then assesses the ESG credentials of the remaining issuers. Based upon a combination of external ESG ratings and the Investment Manager's assessment, lower scoring issuers classified as ESG laggards are excluded.
3. From this narrowed investment universe, the Investment Manager performs further analysis, including consideration of ESG factors, to identify and take advantage of investment opportunities. The Investment Manager favours issuers with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective. This process typically results in a portfolio with better ESG characteristics. In constructing a portfolio which favours investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings remaining within the narrowed universe.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The following elements are binding, as part of the Investment Manager's strategy for this Fund:

- The Fund's exclusions;
- The amount of the Fund aligned to the promoted environmental and/or social characteristics, as set out in the section "What is the asset allocation planned for this financial product?"; and
- Minimum levels of sustainable investments, as set out in the section "What is the asset allocation planned for this financial product?".

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

20%

Whilst any commitment on the minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy as a result of the Fund's exclusions is intended to be binding, as this is calculated by considering the Fund's exclusions against a proxy for the investment universe (such as a financial index) outside the control of the Investment Manager, and as additional exclusions will require an update of fund materials, it is possible that the Fund may temporarily be out of compliance with this commitment.

- **What is the policy to assess good governance practices of the investee companies?**

The Investment Manager operates a data driven quantitative good governance test used to consider investments into companies. M&G excludes investments in securities that are considered as failing the Investment Manager's good governance test. When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance).

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

## What is the asset allocation planned for this financial product?

The Investment Manager expects at least 70% of the Fund to be aligned to the promoted E/S characteristics. At least 51% of the Fund will be in Sustainable Investments.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

## How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives may be considered aligned with the promoted environmental and/or social characteristics on the following basis:

Exclusions:

1. Where a derivative represents exposure to a single name it must be a permitted investment for the Fund.
2. Where a derivative represents exposure to a diversified financial index, it must deliver an evidencable alignment to the promoted characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

Whilst the minimum mandatory allocation to Taxonomy-aligned sustainable investments is 0%, the Fund is permitted to allocate to such investments, which would form part of its overall allocation to sustainable investments with environmental objectives.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

## Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

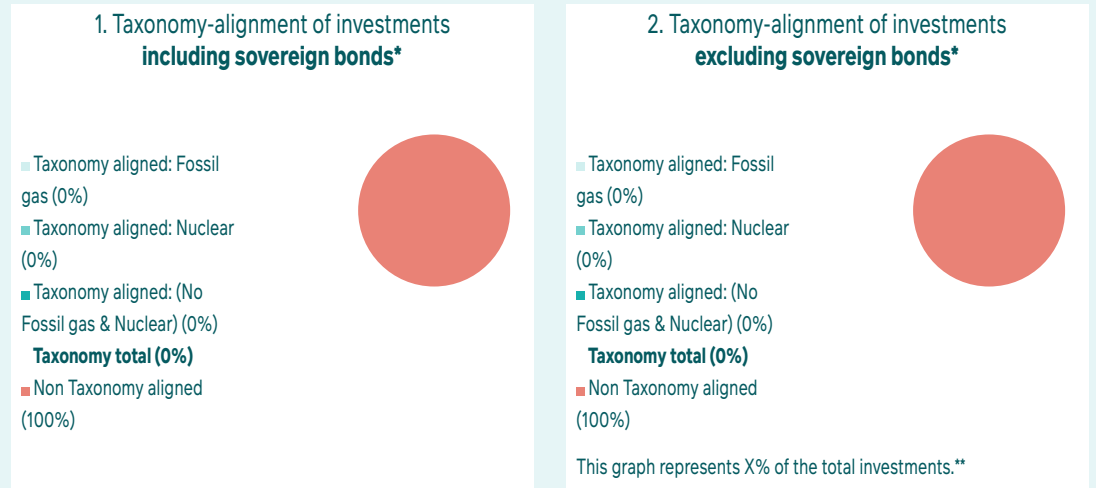
- Yes:
- In fossil gas  In nuclear energy
- No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

\*\* As there is no Taxonomy-alignment, there is no impact on the graph if sovereign bonds are excluded (i.e. the percentage of Taxonomy-aligned investments remains 0%) and the Management Company therefore believes that there is no need to mention this information.

● **What is the minimum share of investments in transitional and enabling activities?**  
0%

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**  
5%



**What is the minimum share of socially sustainable investments?**  
5%



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may hold cash, near cash and money market funds, FX, interest rate derivatives and similar derivatives (which may include certain technical trades such as government bond futures used for duration trades) as “Other” investments, for any purpose permitted by the Fund’s investment policy. No minimum environmental or social safeguards are applied.

Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for any reason permitted by the Fund’s investment policy and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test.

The Fund may also hold as Other investments those investments where insufficient data exists to determine the investments’ alignment with the promoted characteristics.

It is also possible that the Fund may hold investments that are not in line with the promoted characteristics, e.g. as a result of a merger or other corporate action, or as a result of the characteristics of a previously acquired investment changing. Where this happens, the Fund will generally seek to dispose of them in the best interests of investors, but may not always be able to do so immediately.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**  
Not Applicable
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**  
Not Applicable
- **How does the designated index differ from a relevant broad market index?**  
Not Applicable
- **Where can the methodology used for the calculation of the designated index be found?**  
Not Applicable



### **Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

[www.mandg.com/country-specific-fund-literature](http://www.mandg.com/country-specific-fund-literature)



## M&G Investment Grade ABS Fund

The information contained in this part of this Prospectus in relation to the M&G Investment Grade ABS Fund should be read in conjunction with the full text of this Prospectus.

**Launch Date** 24 June or on any other date decided by the Management Company or by the Board of Directors of the Company, in which case the new launch date will be disclosed here as soon as possible.

**Reference Currency** GBP (GBP)

**Investment Objective** The Fund aims to provide a higher total return (capital growth plus income) than that of the Benchmark over any three-year period, net of fees while applying ESG Criteria.

**Investment Policy** The Fund invests at least 70% of its Net Asset Value in Investment Grade Asset-Backed Securities (“ABS”) denominated in any currency (or in the case of unrated ABS, which may represent up to 10% of the Net Asset Value, ABS which are deemed to be of comparable credit quality by the Investment Manager).

The Fund may invest in any type of Investment Grade ABS, for example, Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Collateralised Loan Obligations (CLO), Consumer ABS backed by such receivables as consumer loans, credit card debt, auto or equipment loans and leases, and student loans.

The Fund may invest up to 30% of its Net Asset Value in Investment Grade corporate debt securities, convertible bonds and government bonds.

Whilst all securities purchased by the Fund will be Investment Grade at the time of purchase, the Fund may hold up to 10% of its Net Asset Value in ABS, corporate debt securities, convertible bonds and government bonds which have been downgraded below Investment Grade after purchase.

Issuers of these securities may be located in any country, including emerging markets (which shall not exceed 30% of the Net Asset Value of the Fund).

The Fund does not take currency views and aims to hedge any non-GBP assets back to GBP.

The Fund seeks to make investments that meet the ESG Criteria applying an Exclusionary Approach as described in the precontractual annex to this Fund Supplement.

The Fund may use derivatives to meet its investment objective, for efficient portfolio management and for the purposes of hedging. These instruments may include but are not limited to spot and forward contracts, options, exchange traded futures, credit default swaps, and interest rate swaps.

In addition to the above, the Fund may also invest in UCITS and other UCIs, considered to be consistent with its investment policy. The Fund may invest in cash (meaning deposits permitted by article 41(1) of the Law of 2010) and near cash. Investments in cash and near cash shall not exceed 30% of the Net Asset Value of the Fund unless otherwise permitted by this investment policy.

The Fund may receive certain assets as a consequence of corporate actions such as mergers and acquisitions and restructures that are not consistent with its investment policy. The Fund will generally dispose of such assets to the extent possible but may

continue to hold up to 10% of its Net Asset Value in such assets where the Investment Manager considers this to be in the best interest of investors.

## **Investment Strategy**

### **Investment Approach**

The Investment Manager will employ a fundamental research driven approach to identify assets that offer an attractive level of income for their credit risk. The Investment Manager typically expects a weighted average credit rating of the Asset-Backed Securities held by the Fund to be between AA+ and A- rated.

The Investment Manager expects to invest mainly in securities exposed to the United Kingdom, Europe and the United States but may also invest in other geographies, including emerging markets, on a global basis.

In the event that a debt security's or an issuer's credit rating is downgraded below Investment Grade, the credit standing will be assessed as soon as possible and appropriate actions may be taken, taking into account that the Fund may hold up to 10% of its Net Asset Value in debt securities which have been downgraded below Investment Grade after purchase. These actions may include selling the securities or retaining the securities to maturity depending on the specific circumstances; in either case, the decision will be based on what is in the best interest of the Shareholders of the Fund.

### **Investment Manager's ESG Classification**

The Fund is categorised as Planet+ / ESG Enhanced.

The ESG categorisation of the Fund is explained in the section "ESG Glossary" of Appendix 3 "ESG Integration and Approaches to Responsible Investment" of this Prospectus.

## **EU Sustainable Finance Disclosure Regulation**

The Fund is categorised as an Article 8 fund under SFDR and promotes environmental and/or social characteristics as described in the precontractual annex to this Fund Supplement.

## **Benchmark**

SONIA

For unhedged and Currency Hedged Share Classes, the benchmark is shown in the Share Class currency as follows:

EUR Hedged: 3-month EURIBOR

USD Hedged: SOFR

CHF Hedged: SARON

JPY Hedged: TONA

SEK Hedged: STIBOR

CAD Hedged: CORRA

SGD Hedged: SORA

The benchmark is a target which the Fund seeks to outperform. The Fund's benchmark has been chosen as it is an appropriate performance target to seek to outperform and best reflects the scope of the Fund's investment policy. The benchmark is used solely to measure the Fund's performance and does not constrain the Fund's portfolio construction.

The Fund is actively managed. The Investment Manager has complete freedom in choosing which assets to buy, hold and sell in the Fund, subject to the investment restrictions and guidelines set out in this Prospectus.

<b>Profile of Typical Investor</b>	<p>The Fund is designed for retail and institutional investors seeking income and capital growth from a portfolio primarily invested in Investment Grade Asset-Backed Securities and who have sustainability preferences.</p> <p>There is no guarantee that the Fund will achieve its objective. Investors should appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.</p> <p>In each case it is expected that all investors will understand and appreciate the risks associated with investing in Shares of the Fund.</p> <p>This Fund is designed for investors who have an investment time horizon of at least three years.</p>
<b>Currency Hedged Share Classes</b>	<p>The Fund may offer Currency Hedged Share Classes which seek to reduce the effect of exchange rate movements between the Share Class Reference Currency and the Fund Reference Currency (“Currency Hedged”).</p>
<b>Calculation of Global Exposure</b>	<p>The Fund uses the absolute Value-at-Risk (VaR) methodology to monitor and measure its global exposure. The Fund’s VaR cannot be greater than 10%.</p>
<b>Leverage</b>	<p>The Fund’s expected average level of leverage under normal market conditions is 100% of the Fund’s Net Asset Value when calculated in accordance with the sum of notionals approach. The level of leverage could sometimes be higher under certain circumstances including but not limited to changes in the reference market conditions and the investment strategy.</p>
<b>Distribution Policy</b>	<p>If declared, unless otherwise specified for a Share Class, the Fund will pay dividends on a quarterly basis on the first Business Day of January, April, July and October.</p>
<b>Initial Offer Period</b>	<p>The Fund is not launched at the date of this Prospectus, but it can be launched at any time by decision of the Management Company or by the Board of Directors, in which case the launch date will be disclosed in the prospectus as soon as possible.</p>
<b>Risk Warnings</b>	<p>Investors’ attention is particularly drawn to the section entitled “Risk Factors” of the Prospectus and especially to the risk factors relating to:</p> <ul style="list-style-type: none"> <li>● Counterparty Risk</li> <li>● Credit Risk</li> <li>● Derivatives Risk</li> <li>● Interest Rate Risk</li> <li>● Liquidity Risk</li> <li>● Market Risk</li> <li>● Asset-Backed Securities Risk</li> <li>● Below Investment Grade Debt Securities</li> <li>● Bond Downgrade Risk</li> <li>● ESG Data Risk</li> <li>● Investments Exclusions Risk</li> </ul>
<b>Sustainability Risks Likely Impact on Fund’s Return</b>	<p>The Fund is highly diversified due to its exposure to different types of ABS with diversified underlying exposures, it is therefore not anticipated that any single Sustainability Risk could cause a material negative financial impact on the Fund. The Fund may be exposed to a broad range of Sustainability Risks, which will differ from asset to asset.</p> <p>Some markets and sectors will have greater exposure to Sustainability Risk than others. For instance, CMBS (Commercial Mortgage Backed Securities), which the Fund is likely to have limited exposure to, can be backed by properties such as offices or logistics warehouses for example which can be major Greenhouse Gas (GHG)</p>

producers and may be subject to greater regulatory or public pressure than other sectors and thus, greater risk. In general physical underlying collateral, such as residential homes or commercial property, may also be exposed to potential physical risks resulting from climate change. For example, the tail risk of significant damage due to increasing erratic and potentially catastrophic weather phenomena such as droughts, wildfires, flooding and heavy precipitations, heat/cold waves, landslides or storms. As the frequency of extreme weather events increases, the Fund's ABS underlying assets' exposure to these events increases as well.

## Share Classes

Share Class	Initial Sales Charge	Annual Charge
AI	Nil	0.30%
BI	Nil	0.28%
D	Nil	Up to 0.34%
DI	Nil	Up to 0.30%
EI	Nil	0.26%
MI	Nil	0.26%
P	Up to 3.25%	0.59%
Q	Nil	0.37%
QI	Nil	0.33%
W	Nil	Up to 0.39%
WI	Nil	Up to 0.35%

Investors should refer to Section “**Class Description. Availability of Shares, Minimum Subscription and Holding Amounts**” for further information on the availability of Share Classes. Each Share Class may be offered as accumulation or distribution Shares and denominated or hedged into other currencies.

**Not all individual Share Classes issued in this Fund may be disclosed in this Fund Supplement at the time of issue of this Prospectus. An exhaustive list of Share Classes issued in this Fund can be found on the M&G website.**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product Name:** European Specialist Investment Funds – M&G Investment Grade ABS Fund  
**Legal Entity Identifier:** 254900ZLW1WO0NWWUD79

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective**:

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**:

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of % of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the use of an Exclusionary Approach (as defined below):

The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society. For securitised investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to be detrimental to ESG Factors.

For further information on the Fund's exclusions, please refer to the Fund's website disclosure, which may be found via the following link [www.mandg.com/country-specific-fund-literature](http://www.mandg.com/country-specific-fund-literature).

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

### Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicators selected to demonstrate the attainment of the promoted environmental and/or social characteristics are:

- Exclusionary approach: Percentage (%) of NAV held in excluded investments
- Exclusionary approach: Percentage (%) of ABS below the Investment Manager's threshold for alignment

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund does not target investment in sustainable investments.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

The Fund does not target investment in sustainable investments.

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

The Fund does not target investment in sustainable investments.

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

The Fund does not target investment in sustainable investments.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### **Does this financial product consider principal adverse impacts on sustainability factors?**

- Yes, the Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available, which allows the Investment Manager to make informed investment decisions, as explained above.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund. Information on how the principal adverse impacts were taken into account will be provided in the Fund's annual report.

No



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### **What investment strategy does this financial product follow?**

Consideration of ESG Factors is fully integrated into fundamental analysis and investment decisions.

In order to identify investments for purchase, the Investment Manager reduces the potential investment universe as follows:

1. The exclusions listed in the ESG Criteria are screened out.
2. From this narrowed investment universe, the Investment Manager performs fundamental analysis, including consideration of ESG factors, to identify and take advantage of investment opportunities.

The Fund's ESG Criteria apply to at least:

- 90% of debt securities, money market instruments with an investment grade credit rating; sovereign debt issued by developed countries; and equities issued by large capitalisation companies in developed countries;
- 75% of debt securities and money market instruments with a high yield credit rating; sovereign debt issued by emerging market countries; equities issued by large capitalisation companies in emerging market countries; and equities issued by small and mid-capitalisation companies in any country.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The following elements are binding, as part of the Investment Manager's strategy for this Fund:

- The Fund's exclusions; and

- The amount of the Fund aligned to the promoted environmental and/or social characteristics, as set out in the section "What is the asset allocation planned for this financial product?".

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

0%

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- **What is the policy to assess good governance practices of the investee companies?**

The Investment Manager operates a data driven quantitative good governance test used to consider investments into companies. M&G excludes investments in securities that are considered as failing the Investment Manager's good governance test. When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance)



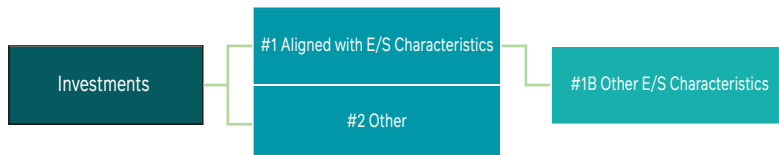
### What is the asset allocation planned for this financial product?

The Investment Manager expects at least 70% of the Fund to be aligned to the promoted E/S characteristics.

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives may be considered aligned with the promoted environmental and/or social characteristics on the following basis:

Exclusions:

1. Where a derivative represents exposure to a single name it must be a permitted investment for the Fund.
2. Where a derivative represents exposure to a diversified financial index, it must deliver an evidencable alignment to the promoted characteristics.



### To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

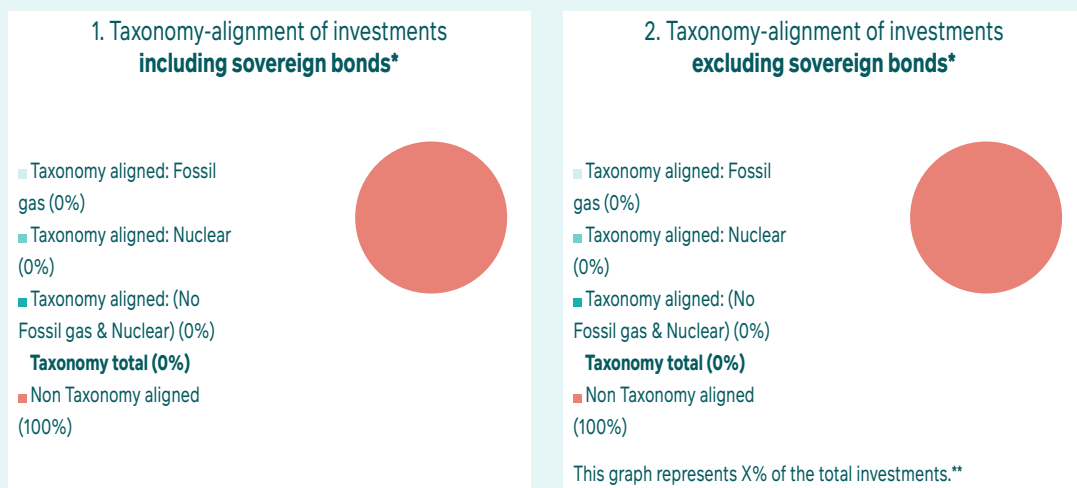
**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:  In fossil gas  In nuclear energy
- No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**The two graphs below show the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.**



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.  
 \*\* As there is no Taxonomy-alignment, there is no impact on the graph if sovereign bonds are excluded (i.e. the percentage of Taxonomy-aligned investments remains 0%) and the Management Company therefore believes that there is no need to mention this information.

● **What is the minimum share of investments in transitional and enabling activities?**  
 0%

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy

 **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**  
 0%

 **What is the minimum share of socially sustainable investments?**  
 0%





**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund may hold cash, near cash and money market funds, FX, interest rate derivatives and similar derivatives (which may include certain technical trades such as government bond futures used for duration trades) as “Other” investments, for any purpose permitted by the Fund’s investment policy. No minimum environmental or social safeguards are applied.

Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for any reason permitted by the Fund’s investment policy and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test.

The Fund may also hold as Other investments those investments where insufficient data exists to determine the investments’ alignment with the promoted characteristics.

It is also possible that the Fund may hold investments that are not in line with the promoted characteristics, e.g. as a result of a merger or other corporate action, or as a result of the characteristics of a previously acquired investment changing. Where this happens, the Fund will generally seek to dispose of them in the best interests of investors, but may not always be able to do so immediately.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**  
Not Applicable
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**  
Not Applicable
- **How does the designated index differ from a relevant broad market index?**  
Not Applicable
- **Where can the methodology used for the calculation of the designated index be found?**  
Not Applicable



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

[www.mandg.com/investments/institutional/en-global/sustainability-related-disclosures](http://www.mandg.com/investments/institutional/en-global/sustainability-related-disclosures)

# Country Supplement

This Country Supplement should be read in conjunction with the prospectus for European Specialist Investment Funds.

# Contents

- Austria..... 3
- Denmark ..... 4
- Germany ..... 5
- Ireland..... 6
- UK ..... 9

# Austria

## Right to Distribution in Austria

The Company has notified the Finanzmarktaufsicht (“FMA”) of its intention to publicly market shares in Austria. Since completion of the notification process the Company has the right to publicly market shares in Austria.

**With respect to the following sub-funds no registration notification has been filed with FMA. Consequently, Shares in the following sub-funds must not be distributed in Austria:**

- **M&G Investment Grade ABS Fund**

## Facility for investors in Austria

The function of the facility the meaning of Art. 92 of Directive 2009/65/EC, as amended by Directive (EU) 2019/1160, in Austria has been assumed by:

**Société Générale Zweigniederlassung Wien  
Prinz Eugen-Strasse 8-10/5/Top 11  
1040 Wien**

# Denmark

## Right to Distribution in Denmark

The Company has notified the Finanstilsynet ("FSA") of its intention to publicly market shares in Denmark. Since completion of the notification process the Company has the right to publicly market shares in Denmark.

## Facility for investors in Denmark

The facilities in Denmark within the meaning of points (a) to (e) of Art 92(1) Directive 2009/65/EC will be provided by:

**M&G Luxembourg S.A Swedish Filial**  
**Birger Jarlsgatan 14 11434**  
**Stockholm Sweden**

**Tel: +46 8 506 217 13 / +4670 321 33 30**

**Email address: [EuropeClientServices@mandg.com](mailto:EuropeClientServices@mandg.com) / [Nordics@mandg.com](mailto:Nordics@mandg.com)**

# Germany

## Right to Distribution in Germany

The Company has notified the Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”) of its intention to distribute its Shares in Germany and may do so since completion of the notification process.

**With respect to the following sub-funds no registration notification has been filed with BaFin and consequently Shares in the following sub-funds must not be distributed in Germany:**

- **M&G Investment Grade ABS Fund**

## Facility for investors in Germany

**State Street Bank International GmbH, Luxembourg Branch**  
**49, Avenue J.F. Kennedy**  
**L-1855 Luxembourg**  
**Grand Duchy of Luxembourg**

Subscription, payment, redemption and conversion orders for Shares are processed in accordance with the conditions set out in the sales documents.

Investors are informed by the facility how the aforementioned orders can be made and how redemption proceeds are paid.

Procedures and arrangements in relation to the exercise and safeguarding of investor rights under Art. 15 of Directive 2009/65/EC have been established. The facility facilitates access within the scope of this law and investors can obtain information about this from the facility.

Hardcopies of the Prospectus, the Key Information Documents (PRIIPs), and the Company’s Articles, as well as the annual and semi-annual financial reports are available free of charge at the facility. Moreover, issue, conversion and redemption prices of Shares can be obtained free of charge from the facility.

All of the documents listed under “Documents” in the section “General Information” of the Prospectus are also available for inspection during normal business hours at the premises of the facility.

The facility also holds any additional information that may be made available to investors at the Company’s registered office in Luxembourg.

# Ireland

## Right to Distribution in Ireland

The Directors of the Fund, whose names appear in the Management and Administration section of the Prospectus, accept responsibility for the information contained in the Prospectus and this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

## Facilities Agent for Irish investors

The Fund has appointed Société Générale Securities Services as Facilities Agent of the Fund in Ireland for the facilities tasks listed in Article 92 of Directive 2009/65/EC, as amended by Directive 2019/1160, and it has agreed to provide such facilities at its office at 3rd Floor IFSC House IFSC, Custom House Quay, Dublin, D01 R2P9, Ireland where it will:

- 1) Process subscription, repurchase and redemption orders and make other payments to Shareholders relating to the Shares of the Fund, in accordance with the conditions set out in the Prospectus and the Key Information Documents;
- 2) Provide investors with information on how orders referred to in point 1. can be made and how repurchase and redemption proceeds are paid;
- 3) Facilitate the handling of information and access to procedures and arrangements referred to in Article 15 Directive 2009/65/EC relating to the investors' exercise of their rights arising from their investment in the Fund in the Member State where the Fund is marketed;
- 4) Make the information and documents required pursuant to Chapter IX Directive 2009/65/EC available to investors under the conditions laid down in Article 94 Directive 2009/65/EC, for the purposes of inspection and obtaining copies thereof;
- 5) Provide investors with information relevant to the tasks that the Facilities Agent performs in a durable medium;
- 6) Act as a contact point for communicating with the competent authorities.

## Irish Taxation

The following information is based on the law in force in Ireland on the date of this Prospectus. This summary deals only with Shares held as capital assets by Irish resident Shareholders and does not address special classes of Shareholders such as dealers in securities or persons that may be exempt from tax such as Irish pension funds and charities. This summary is not exhaustive and Shareholders are advised to consult their own tax advisors with respect to the taxation consequences of the ownership or disposition of Shares.

It is the intention of the Directors to conduct the affairs of the Fund so that it is neither resident in Ireland for tax purposes nor carrying on a trade in Ireland through a branch or agency. Accordingly, the Fund will not be subject to Irish corporation tax.

### Taxation generally

Shares in the Fund are likely to constitute a "material interest" in an offshore fund for the purposes of Chapter 4 Part 27 of the Taxes Consolidation Act, 1997.

## **Reporting of acquisition**

An Irish resident or ordinarily resident person acquiring Shares in the Fund is required to disclose details of the acquisition in his annual tax return. Where an intermediary in the course of carrying on a business in Ireland acquires Shares in the Fund it must report details of the acquisition to the Irish Revenue Commissioners.

## **Income and capital gains**

An Irish resident corporate Shareholder will be liable to corporation tax at 25% on income distributions received from the Fund and on gains on disposal of shares in the Fund, except where the corporate shareholder holds shares as part of its trading activities in which case the rate of corporation tax applicable will be that applicable to trading income. It should be noted that no indexation allowance is available in respect of the gain.

Where an Irish resident or ordinarily resident person who is not a company holds Shares in the Fund and receives an income distribution from the Fund, that Shareholder will be liable to Irish tax at 41% on the amount of such distribution.

Where an Irish resident or ordinarily resident person who is not a company disposes of a Share a liability to Irish tax at 41% will arise on the amount of the gain. No indexation allowance is available and the death of a Shareholder would constitute a deemed disposal of a Share.

There is a deemed disposal and reacquisition at market value for the purposes of Irish tax of Shares held by an Irish resident or ordinarily resident investor on a rolling 8 year basis where the Shares are acquired on or after 1 January 2001. This deemed disposal takes place at market value so that Irish resident or ordinarily resident shareholders will be subject to tax at the rate of 41% for individuals or 25% for a corporate shareholder on the increase in value of their Shares at 8 year intervals commencing on 8th anniversary of the date of acquisition of the Shares.

To the extent that any tax arises on such a deemed disposal such tax will be taken into account to ensure that any tax payable on the subsequent encashment, redemption, cancellation or transfer of the relevant Shares does not exceed the tax that would have arisen had the deemed disposal not occurred.

## **Anti-avoidance provision**

There is an anti-avoidance provision imposing higher rates of tax on Irish resident investors in "personal portfolio investment undertakings" ("PPIU"). A PPIU is a fund in which the investor, or a person connected with the investor, has a right under the terms of the fund or any other agreement, to influence the selection of the assets of the fund. If a fund is treated as a PPIU the Irish resident investor can suffer tax at rates of up to 60% (80% where details of the payments/disposal are not correctly included in the shareholder's annual tax return) on amounts received from the fund, or on the rolling 8 year deemed disposal.

Specific exemptions apply where the ability to select the property invested in has been clearly identified in the offshore fund's marketing and promotional literature and the investment is widely marketed to the public.

## **Withholding obligation on paying agents**

If any dividend is paid through an Encashment Agent established in Ireland, such an agent would be obliged to deduct tax from such dividend at the standard rate of income tax and account for this to the Irish Revenue Commissioners. The recipient of the dividend would be entitled to claim a credit for the sum deducted by the Paying Agent against his tax liability for the relevant year.

## **Stamp duty**

Transfers for cash or Shares in the Fund will not be subject to Irish stamp duty.

## **Gift and inheritance tax**

A gift or inheritance of Shares in the Fund received from a person who is resident or ordinarily resident in Ireland or received by such a person will be within the charge to Irish capital acquisitions tax. Capital acquisitions tax is charged



at a rate of 33% above a tax-free threshold which is determined by the amount of the benefit and of previous benefits within the charge to capital acquisitions tax, and the relationship between the person treated as disposing of such shares and the successor or donee. Tax chargeable on the gain arising on a deemed disposal by an individual on their death shall be treated as an amount paid in respect of capital gains tax for the purposes of crediting such amount paid against gift or inheritance tax arising on such death.

### **Transfers between funds**

The Directors have been advised that in the Republic of Ireland the exchange of Shares in one sub-fund for shares in another subfund of an umbrella scheme should not constitute a disposal of such Shares and will not give rise to a charge to tax.

# UK

## Right to Distribution in the UK

M&G (Lux) Investment Funds 1 (the “Fund”) is categorized as a “recognized scheme” in the United Kingdom under Section 264 of the Financial Services and Markets Act 2000, as amended (“FSMA”). In connection with the Fund’s recognition under Section 264 of FSMA, the Fund has appointed a UK Facilities Agent (the “Facilities Agent”).

## Facility for investors in the UK

**Societe Generale London Branch**  
**One Bank Street, Canary Wharf**  
**London E14 4SG**  
**United Kingdom**

The following documents related to the Fund will be available for inspection and for the obtaining (free of charge) of copies in English during regular business hours at the office of the Facilities Agent:

- 1) the Articles of Incorporation of the Fund;
- 2) the latest prospectus for the Fund;
- 3) key investor information documents;
- 4) the latest annual and half-yearly reports.

The prospectus contains information describing where information in English can be obtained about prices of the shares of the Fund and where a participant in the Fund may redeem or arrange for redemption of the shares of the Fund and obtain payment. For UK investors, information in English can be obtained about prices of the Fund and where a participant may arrange for redemption of the shares of the Fund and arrange payment from the Facilities Agent.

Any person wishing to make complaint about the operation of the Fund can submit a complaint to the UK Facilities Agent at the address set out above for transmission to the Fund.