

30 April 2021

Dear Investor

### **Changes to the investment objective and investment policy for M&G Sustainable Multi Asset Fund, a sub-fund of M&G Investment Funds (4)**

**This letter is for your information only and has been sent to you because you are invested in the above fund. You do not need to take any action, but we recommend that you read it carefully.**

I am writing to let you know about changes to the M&G Sustainable Multi Asset Fund.

- The investment policy will be amended to allow for an increase in the proportion of “positive impact” assets the fund can hold. Positive impact assets aim to deliver material, measurable positive societal impacts by addressing the world’s major social and environmental challenges, while generating competitive economic returns.
- We will take this opportunity to update the fund’s investment objective and further amend the investment policy to make it easier for investors to understand what the fund aims to achieve and how it sets about meeting its objective.

The changes, which are detailed in the table at the end of this letter, will be effective from Thursday 1 July 2021 (the ‘Effective Date’). **Please note that there will be no change to the fund’s investment process, and the overall asset class allocation and risk profile of the fund will not be affected by the changes.**

#### **What are the changes and why are they happening?**

##### **1. Increase the proportion of “positive impact” assets held in the portfolio**

The current investment policy requires the fund to invest between 10% and 30% of its portfolio in positive impact assets. From the Effective Date, the fund’s minimum exposure to these assets will rise to 20% and will typically be in the range of 20% - 60%.

The issuance of positive impact assets has grown substantially since the fund was launched, considerably expanding the investment universe for these assets. The change will provide the fund manager with the flexibility to make greater use of this widening range of investment opportunities, which we believe will increase the fund’s potential to meet its investment objective.

##### **2. Investment objective update and additional investment policy changes**

###### **• Investment objective**

The investment objective will be updated to specify that Impact Criteria are applied alongside Environmental, Social and Governance (ESG) Criteria as the fund seeks to achieve its total return (the combination of capital growth and income) objective.

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Applying the ESG Criteria ensures that assets are selected which meet our ESG qualitative and quantitative assessment standards. Under the Impact Criteria, the fund applies set criteria and standards for rating a company's impact, intentionality and investment case, with the aim of investing in positive impact assets.

- **Investment policy**

In addition to the change related to positive impact assets, the new investment policy will introduce a categorisation of exclusions for investments the fund cannot invest in:

- norms based exclusions, companies in breach of commonly accepted standards of behaviour related to human rights, labour rights, the environment and anti-corruption;
- sector and/or values based exclusions, companies exposed to business activities or business practices that are damaging to human health, society and the environment or is misaligned to the fund's values; and
- other exclusions, companies deemed to be in conflict with the ESG Criteria and / or Impact Criteria.

Further details on these categories, including specific types of assets excluded from the fund's investment universe, will now be made available to investors through a separate "ESG Criteria and Impact Criteria" document, referred to in the investment policy and published on the M&G website.

In addition to the exclusions listed in the fund's current investment policy, the ESG Criteria and Impact Criteria document will also include the following as types of assets the fund cannot invest in:

- Companies that derive more than 10% of their revenue from the distribution of tobacco, unconventional oil and gas extraction, and the production or distribution of other weapons;
  - Conventional oil and gas extraction companies that derive less than 40% of their revenue from activities related to natural gas extraction or renewable energy sources; and
  - Electricity utilities companies that derive more than 10% of their power production from coal, or more than 30% from oil and gas, or nuclear fuel sources. However, the fund may hold companies that have a clear business model of accelerating the transition to low-carbon power production, up to a maximum total limit of 5% of the fund's Net Asset Value.
- **ESG information**  
A new "ESG information" section will be introduced to provide details of where investors can find additional information on the fund's ESG Criteria and Impact Criteria, as well as reporting on the fund's non-financial characteristics, on the M&G website.
  - **Investment approach**  
The investment approach will also be updated to reference the ESG Criteria and Impact Criteria.

### **Making changes to your investment**

You may sell your investment in the fund, or switch it to (an)other M&G OEIC fund(s), free of charge, at any point before or after the changes have taken place subject to our Terms and Conditions.

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**Costs of the changes**

M&G will bear all costs associated with the implementation of the changes, including legal and administrative costs.

**For more information**

If you have any questions about the changes please contact our **Customer Relations** team by calling **0800 390 390**. The team is available from 08:00 to 18:00, Monday to Friday, and from 09:00 to 13:00 on Saturday. To help us deal with your enquiry as quickly as possible please have your M&G client reference when calling us. For your security and to improve the quality of our service, calls may be recorded.

Please be aware that we are not in a position to give you investment advice. If you are uncertain as to how the changes may affect you, you should consult a financial adviser.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jonathan Willcocks', with a long horizontal flourish extending to the right.

Jonathan Willcocks  
Customer and Distribution Officer  
On behalf of M&G Securities Limited

Enc. Details of current and updated investment objective and investment policy

**M&G Sustainable Multi Asset Fund  
Comparison of current and updated Fund disclosures**

Current wording (as listed in the Prospectus until 30 June 2021)	Updated wording policy (to be listed in the Prospectus from 1 July 2021)
<p><b>Investment objective</b></p>	<p><b>Investment objective</b></p>
<p>The Fund aims to provide a total return (the combination of capital growth and income) of 4 to 8% per annum over any five-year period, net of the Ongoing Charges Figure. The Fund aims to provide this return while considering environmental, social and governance (ESG) factors.</p> <p>There is no guarantee that the Fund will achieve a positive return over five years or any other period and investors may not get back the original amount they invested.</p>	<p>The Fund aims to provide a total return (the combination of capital growth and income) of 4 to 8% per annum over any five-year period, net of the Ongoing Charges Figure, while applying ESG Criteria and/or Impact Criteria.</p> <p>There is no guarantee that the Fund will achieve a positive return over five years or any other period and investors may not get back the original amount they invested.</p>
<p><b>Investment policy</b></p>	<p><b>Investment policy</b></p>
<p>The Fund is a multi-asset fund that invests across a range of asset classes, including equities, fixed income securities, convertibles, cash and near cash. Exposure to these assets may be gained either directly or indirectly, via collective investment schemes or derivatives. The Fund may also invest indirectly in other asset classes such as property and gold.</p> <p>The Fund invests in assets that meet the fund manager’s ESG criteria or that have a positive societal impact, through addressing the world’s major social and environmental challenges. Between 10% and 30% of the portfolio is invested in positive impact assets. All selected securities meet the fund manager’s assessment of ESG or impact criteria through the use of third party ESG information and/or proprietary analysis.</p> <p>In addition, the Fund aims to exclude securities issued by:</p> <ul style="list-style-type: none"> <li>• Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption; and</li> <li>• Companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, thermal coal, or the provision of gambling services.</li> </ul> <p align="right">(continued)</p>	<p>The Fund is a multi-asset fund that typically invests directly across a range of asset classes, including equities, fixed income securities, convertibles, cash and near cash. Exposure to these assets may also be gained indirectly, via collective investment schemes (including funds managed by M&amp;G) or derivatives. The Fund may also invest indirectly in other asset classes such as property and gold.</p> <p>The Fund will typically invest 20-60% of its assets in equities and convertibles, 20-80% in fixed income securities or cash, and up to 20% in other assets. These allocations reflect the net exposure of the portfolio.</p> <p>The Fund invests in assets that meet the ESG Criteria and/or Impact Criteria. This is achieved through the use of M&amp;G’s proprietary analysis and/or third party ESG information. Typically, the Fund holds 20%-60% of its Net Asset Value in positive impact assets. It always holds at least 20% of its Net Asset Value in positive impact assets.</p> <p>The following types of exclusions apply to the Fund’s direct investments:</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p align="right">(continued)</p>

<p>Indirect investments are not subject to the same ESG restrictions as securities held directly. The fund manager will assess the suitability of such investments relative to the Fund’s investment objective. If a derivative does not satisfy the Fund’s ESG requirements, the Fund may only invest via the instrument to take advantage of short-term market movements.</p> <p>The currency exposure of the Fund will be actively managed, seeking to enhance returns, with a minimum of 70% of the fund exposed to sterling.</p> <p>Derivatives may be used for investment purposes, Efficient Portfolio Management and hedging.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria and/or Impact Criteria.</li> </ul> <p>References to “assessed” above mean assessment in accordance with the ESG Criteria and Impact Criteria document as referenced in the ESG Information section below. Further information on the exclusions applicable to the Fund can be found in this document.</p> <p>Collective investment schemes and derivatives may be subject to different ESG Criteria and/or Impact Criteria than securities held directly. The fund manager will assess the suitability of such instruments relative to the Fund’s investment objective. If a derivative does not satisfy the ESG Criteria and/or Impact Criteria, the Fund may only invest via the instrument to take advantage of short-term market movements and to hedge currency exposures. It may also not be practicable to perform ESG analysis on cash and near cash to the same standards as other securities held directly.</p> <p>The currency exposure of the Fund will be actively managed, seeking to enhance returns, with a minimum of 70% of the fund exposed to sterling.</p> <p>Derivatives may be used for investment purposes, Efficient Portfolio Management and hedging.</p>
<p><b>Investment Approach</b></p>	<p><b>Investment Approach</b></p>
<p>The Fund’s approach to sustainable investment is through flexible asset allocation, whilst investing in securities issued by companies or governments that uphold high standards of environmental, social and governance behaviour. In addition, the Fund maintains a core holding of assets that have a positive societal impact through addressing the world’s major social and environmental challenges.</p> <p style="text-align: right;">(continued)</p>	<p>The Fund’s approach to sustainable investment is through flexible asset allocation, whilst investing in securities issued by companies or governments that uphold high standards of environmental, social and governance behaviour as set out in the ESG Criteria. In addition, the Fund maintains a core holding of assets that have a positive societal impact through addressing the world’s major social and environmental challenges as set out in the Impact Criteria.</p> <p style="text-align: right;">(continued)</p>

<p>The fund manager has a flexible top-down approach to the allocation of capital between different types of assets in response to changes in economic conditions and asset values. This approach combines in-depth research to work out the value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities. In particular, the fund manager seeks to respond when asset prices move away from a reasonable sense of 'fair' long-term value due to market reactions to events.</p> <p>The Fund seeks to manage risk by investing globally across multiple asset classes, sectors, currencies and countries. The Fund will typically invest 20-60% of its assets in equities and convertibles, 20-80% in fixed income securities or cash, and up to 20% in other assets. These allocations reflect the net exposure of the portfolio. The Fund's annualised volatility is expected to be between 4% and 7%, over any five-year period.</p>	<p>The fund manager has a flexible top-down approach to the allocation of capital between different types of assets in response to changes in economic conditions and asset values. This approach combines in-depth research to work out the value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities. In particular, the fund manager seeks to respond when asset prices move away from a reasonable sense of 'fair' long-term value due to market reactions to events.</p> <p>The Fund seeks to manage risk by investing globally across multiple asset classes, sectors, currencies and countries. The Fund's annualised volatility is expected to be between 4% and 7%, over any five-year period.</p>
<p><b>N/A</b></p>	<p><b>ESG Information</b></p>
<p>N/A</p>	<p>Additional information is available to investors on the Fund page of the M&amp;G website:</p> <ul style="list-style-type: none"> <li>• ESG Criteria and Impact Criteria: in the document titled "M&amp;G Sustainable Multi Asset Fund - ESG Criteria and Impact Criteria" which includes the Fund's exclusions approach.</li> <li>• Periodic reporting about the Fund's non-financial characteristics.</li> </ul>