

9 November 2023

Dear Investor

**Important information about M&G Index Tracker Fund (the “Fund”),
a sub-fund of M&G Investment Funds (2)**

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

I am writing to inform you that, effective from Tuesday 12 December 2023, the Fund’s Investment Manager, M&G Investment Management Limited (“MAGIM”), will appoint BlackRock Investment Management (UK) (“BlackRock”) as Sub-Investment Manager for the Fund. This means that BlackRock will become responsible for making investment decisions on behalf of the Fund.

The Fund’s Investment Objective of aiming to track the performance of the FTSE All-Share Index (the “Index”) will remain unchanged. Its Investment Policy, which details the types of investments the Fund can hold, will also stay the same. However, while the Fund currently uses “stratified sampling” to try and replicate the Index’s returns, BlackRock will be implementing a “full replication” methodology.

With stratified sampling, the fund manager analyses characteristics of an index, such as industry or geographic sectors. It will then look to build a sample of companies from the index that, when combined, should have the same overall characteristics as that index. Some companies will be held in a greater or lower proportion than the index, and some not at all. The aim is that the fund should perform in line with the index, but there is a risk that it could perform differently.

Using full replication will result in the Fund aiming to hold all the companies that make up the Index, and in similar proportions as the Index. Therefore the performance of the Fund may provide a closer match to the Index.

The Fund’s Investment Approach will be updated in the prospectus to reflect this change. A comparison of the current and updated Investment Approaches can be found at the end of this letter.

continued overleaf

Will I pay more charges?

The Annual Charge (which forms part of the Ongoing Charge Figure) which applies to your investment in the Fund will remain the same. However, the Fund's direct portfolio transaction costs (the costs incurred when the fund buys and sells investments, which include commission paid to brokers and taxes) may increase as a result of the change in Investment Approach. These costs vary year on year, and are dependent on a number of factors, including changes to the Index itself. They amounted to **0.0118%** for the year ending 30 June 2023, which is equivalent to **£1.18 per year for a £10,000 investment**. At the time of writing, we estimate that they may increase to between **0.02% and 0.05%**, or **£2.00 to £5.00 per year for a £10,000 investment**.

Will there be any change to the way I manage my investment in the Fund?

No. Your investment will still be held with M&G, under the same terms, and there will be no change in the way you manage your investment in the Fund with us.

Why are the changes happening?

The changes are being made following the decision by MAGIM to no longer manage 'passive' strategies, as they plan to focus solely on actively managed strategies in the future.

A passive investment strategy aims to match the returns from the stockmarket or specified index/sector. This differs from an active strategy where an investor or fund manager uses their judgement to allocate capital with the aim of delivering better returns than the stockmarket or specified index/sector.

Why was BlackRock chosen as Sub-Investment Manager?

M&G has a long-standing relationship with BlackRock, who are already Sub-Investment Manager to some of M&G's funds aimed at institutional clients. They are one of the world's leading providers of investment, advisory and risk management solutions, and have extensive experience of managing index and ETF strategies across a range of asset classes, including \$5.9 trillion (£4.8 trillion) across equities and fixed income as at 30 September 2023.

I was notified of the closure of M&G European Index Tracker Fund only recently. Why are you writing to me again so soon?

We are aware that some, or all of your investment in the Fund was previously held in the M&G European Index Tracker Fund, which closed on 30 June 2023. For operational reasons, we were unable to make the changes described in this letter at the same time as that closure, and therefore regrettably couldn't share this information when we notified you of the closure. This is why you will have received the information about both changes in separate communications.

Making changes to your investment

You may sell your investment in the Fund, or switch 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. If you hold your investment in the Fund through The M&G ISA or The M&G Junior ISA, you may transfer your investment to another ISA/Junior ISA manager. You will not be charged for the transfer by M&G but your new ISA manager may levy a charge. Please note that if you choose to transfer your M&G ISA or M&G Junior ISA in cash to another manager your monies may not be invested for a period of time.

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Investment subject to sanctions

At the time of writing, the Fund holds shares in Evraz (the “Holding”), a Russian steelmaker listed on the London Stock Exchange which used to be a member of the Index until the implementation of the financial sanctions linked to the Russian invasion of Ukraine. As a result of these sanctions, the Holding cannot be sold and BlackRock is unable to take over its management. It will therefore remain within the Fund under MAGIM’s management whilst BlackRock take over management of the rest of the Fund’s portfolio.

MAGIM will try and sell the Holding in a timely and practicable manner, taking the best interests of investors into consideration. If the Holding is sold, any proceeds from the sale will be transferred to the BlackRock-managed part of the Fund to be reinvested according to the Fund’s investment strategy.

The Holding will be subject to a periodic review in conjunction with the Fund’s Depositary, which may conclude that there is no realistic prospect of either being able to sell it or receiving any proceeds from it, in which case it would be written off.

Costs of the changes

M&G will bear all costs associated with the implementation of the changes, including legal and administrative costs, and any portfolio realignment costs resulting from the change of Investment Approach from stratified sampling to full replication methodology.

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. You can find Information on how to access financial advice on our website www.mandg.co.uk/getfinancialadvice

Yours faithfully



Laurence Mumford
Director
M&G Securities Limited

Encl: Comparison of previous and updated Investment Approach for M&G Index Tracker Fund

Comparison of current and updated Investment Approach for M&G Index Tracker Fund

Existing Investment Approach (as listed in the Prospectus until Monday 11 December 2023)	Updated Investment Approach (to be listed in the Prospectus from Tuesday 12 December 2023)
<p>The Fund is designed to track the FTSE All-Share Index. The Index represents the performance of small, medium and large companies listed on the London Stock Exchange's main market.</p> <p>The Fund uses a stratified sampling method to track the Index and therefore may not hold all the Index constituents.</p> <p>The Fund will normally hold all of the largest securities in the Index, as well as a selection of the remaining smaller securities to ensure that the Fund's capitalisation, sector and industry weights are in line with the Index weightings.</p> <p>Using a stratified sampling method may affect the Fund's ability to track the Index. There are many factors which do not affect the Index, but do impact on the Fund's performance, such as transaction costs, expenses and illiquidity of any security. Cash flows, including income and distributions, into and out of the Fund may also have an impact on performance as the Fund rebalances, due to the dealing spreads and broker commission incurred. In addition, the Index constituents are not fixed, it rebalances quarterly, and it may take time for the Fund to reflect any changes.</p> <p>The tracking method (combining the stratified sampling technique and the use of derivatives when required for short term Efficient Portfolio Management purposes) does not introduce any counterparty risk.</p> <p>The Tracking Error between the performance of the Fund (gross of OCF) and that of the Index is anticipated to be up to 0.3% per annum under normal circumstances.</p>	<p>The Fund is designed to track the FTSE All-Share Index. The Index represents the performance of small, medium and large companies listed on the London Stock Exchange's main market.</p> <p>The Fund uses a full-replication method to track the Index and seeks to replicate as closely as possible the constituents of the Index by holding all the securities comprising the Index in similar proportions to their weightings in the Index.</p> <p>It may not be possible or practicable to purchase each and every constituent of the Index in accordance with the weightings of the Index, or doing so may be detrimental to investors (for example, where there are considerable costs or practical difficulties involved in compiling a portfolio of securities in order to replicate the Index, or in circumstances where a security in the Index becomes temporarily illiquid, unavailable or less liquid, or as a result of legal restrictions that apply to the Sub-Fund but not to the Index).</p> <p>There are many factors which do not affect the Index, but do impact on the Fund's performance, such as transaction costs, expenses and illiquidity of any security. Cash flows, including income and distributions, into and out of the Fund may also have an impact on performance as the Fund rebalances, due to the dealing spreads and broker commission incurred. In addition, the Index constituents are not fixed, it rebalances quarterly, and it may take time for the Fund to reflect any changes.</p> <p>The tracking method (combining the full-replication technique and the use of derivatives when required for short term Efficient Portfolio Management purposes) does not introduce any counterparty risk.</p> <p>The ex-ante Tracking Error between the performance of the Fund (gross of OCF) and that of the Index is anticipated to be up to 0.3% per annum under normal circumstances.</p>