

28 January 2026

Dear Investor

**Introduction of securities lending to a number of UK-based Open-Ended Investment Company (“OEIC”) funds**

**Please refer to the Appendix for the full list of impacted funds, referred to in this letter as the “Funds”.**

**This letter is for your information only and has been sent to you because you are invested in one or more of the Funds. 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 2 April 2026 (the “**Effective Date**”), we will amend the Funds’ Prospectuses to introduce securities lending as a potential additional source of income for the Funds.

**What is securities lending?**

Securities lending is an arrangement where a lender (the “**Lender**”), in this case one of the Funds, lends securities, ie shares or bonds, to a borrower (the “**Borrower**”) in exchange for a fee. The Borrower will also:

- commit to returning the borrowed securities – this will be either when the Borrower chooses to return the borrowed securities or when the Lender requests them; and
- in a separate transaction, provide other securities as a guarantee for the Lender in case they fail to return the borrowed securities. This is known as the ‘collateral’.

**The introduction of securities lending will not result in any changes to the Funds’ Investment Objectives, Investment Policies or Investment Approaches. Securities lending will solely be used as an ‘Efficient Portfolio Management<sup>1</sup>’ technique to generate extra revenue for the Funds.**

**Why is securities lending being introduced?**

Securities lending will provide an alternative source of income for the Funds, which will bring the potential for additional returns. We believe any risks related to the lending activities can be appropriately managed. Some funds managed within the broader M&G group already use securities lending, and all the relevant monitoring and control processes that have been implemented for those funds will be applied to the Funds prior to them undertaking any securities lending transactions.

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<sup>1</sup> Efficient Portfolio Management is the use of cost-effective techniques or instruments designed to reduce risk or cost and/or generate capital or income for the Funds.

### **How will it work?**

Each Fund may lend the securities held within its portfolio through a securities lending agent (the “Agent”). M&G Investment Management Limited, who also acts as Investment Manager for the Funds and already acts as securities lending agent for funds within the broader M&G group, has been appointed as the Agent for the Funds. The Agent is responsible for performing all functions related to securities lending and collateral management, including risk management and reporting.

Borrowers will pay securities lending fees to the relevant Fund(s). The Agent will receive 30% of the fee, which will cover all of their own costs as well as costs associated with lending the securities on behalf of the Funds.

The remaining 70% of the fee paid by the Borrowers will be retained by the relevant Fund(s).

### **How will the collateral be used?**

The collateral is provided by a Borrower to a Lender before a loan takes place, and given back when the Borrower returns the borrowed securities. It has a higher value than the borrowed securities it provides a guarantee for, and is valued on a daily basis to protect the Lender against the value of the collateral falling lower than that of the borrowed securities.

If the Borrower fails to return the borrowed securities, the collateral is sold, and the proceeds are used to replace the borrowed securities.

Please refer to the section below on risks associated with securities lending for the specific risk associated with the use of collateral.

### **What proportion of the Funds will be subject to securities lending transactions?**

At any given time, we expect up to 40% of each Fund’s assets under management (“AUM”) to be subject to securities lending transactions, with a maximum of 50% of each Fund’s AUM allowed to be subject to such transactions.

### **What are the risks associated with securities lending?**

Securities borrowed under securities lending transactions may be returned late by the Borrower or not at all. If the Borrower of a security fails to return it, the Fund may not recover the value of the security in full or at all if the proceeds of the sale of the collateral held by the Fund at the relevant time are not sufficient to fully replace the borrowed securities within the Fund. Should this happen, M&G will indemnify the Fund by reimbursing any amount not covered by the collateral sale proceeds to ensure the full replacement of the borrowed securities.

Full details of all risks associated with each Fund can be found in their respective Prospectuses.

All securities lending activities will be overseen by M&G Securities Limited as the Funds’ Authorised Corporate Director.

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

You may sell your investment in any of the Funds, or switch to (an)other M&G fund(s), free of charge, at any point before or after the changes have taken place subject to our Terms and Conditions, which can be found in the Important Information for Investors document available on our website [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature)

### **Legal and administrative costs**

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

### **For more information**

If you have any questions about the changes please contact our **Customer Relations** team by calling **0800 390 390** or **0044 1268 44 8031** if calling from overseas. Our team can take your call from (UK time) 08:00 to 18:00, Monday to Friday and 09:00 to 13:00 Saturday. For your security and to improve the quality of our service we may record and monitor telephone calls. Alternatively, you may want to consider registering for our online My Account service at **www.myaccount.mandg.com** where you can manage your account and contact us by secure message or our chat facility. For alternative ways to get in touch please visit [www.mandg.com/contact](http://www.mandg.com/contact)

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](http://www.mandg.co.uk/getfinancialadvice)

Yours faithfully



Laurence Mumford  
Director  
M&G Securities Limited

Appendix: List of Funds impacted by the changes

**Appendix:**  
**List of Funds impacted by the changes**

The Prospectuses of the Funds listed below will be updated on 2 April 2026 to allow the use of securities lending.

<b>Fund</b>	<b>A Sub-Fund of...</b>
M&G Asian Fund	M&G Investment Funds (1)
M&G China Fund	M&G Investment Funds (10)
M&G Dividend Fund	M&G Investment Funds (3)
M&G Emerging Markets Bond Fund	M&G Investment Funds (3)
M&G Episode Allocation Fund	M&G Investment Funds (4)
M&G Episode Growth Fund	M&G Investment Funds (4)
M&G Gilt & Fixed Interest Income Fund	M&G Investment Funds (2)
M&G Global Convertibles Fund	M&G Investment Funds (7)
M&G Global Corporate Bond Fund	M&G Investment Funds (7)
M&G Global Emerging Markets Fund	M&G Investment Funds (7)
M&G Global Floating Rate High Yield Fund	M&G Investment Funds (7)
M&G Global High Yield Bond Fund	M&G Investment Funds (2)
M&G Global Listed Infrastructure Fund	M&G Investment Funds (10)
M&G Global Macro Bond Fund	N/A
M&G Global Strategic Value Fund	M&G Investment Funds (12)
M&G Income and Growth Fund	M&G Investment Funds (11)
M&G Japan Smaller Companies Fund	M&G Investment Funds (1)
M&G North American Dividend Fund	M&G Investment Funds (1)
M&G Short Dated Corporate Bond Fund	M&G Investment Funds (2)
M&G Smaller Companies Fund	M&G Investment Funds (3)
M&G Strategic Corporate Bond Fund	N/A
M&G UK Income Distribution Fund	M&G Investment Funds (2)