

M&G (Lux) Investment Funds 1

Société d'Investissement à Capital Variable

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Change to the investment policy of the M&G (Lux) Sustainable Allocation Fund

We are making a change to the M&G (Lux) Sustainable Allocation Fund's investment policy in order to increase the proportion of its portfolio it can hold in "positive impact" assets. These are assets that have a positive societal impact through addressing the world's major social and environmental challenges.

The current investment policy requires the M&G (Lux) Sustainable Allocation Fund to invest between 10% and 30% of its portfolio in positive impact assets. From 30 April 2021, the Fund's minimum exposure to these assets will rise to 20% and, although they will typically represent between 20% to 50% of its portfolio, there will no longer be a cap on the proportion of positive impact assets the Fund can hold.

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's investment 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.

A full comparison of the current and updated investment policies can be found below.

M&G (Lux) Sustainable Allocation Fund	
Existing investment policy (as listed in the Prospectus until 29 April 2021)	Updated investment policy (as listed in the Prospectus from 30 April 2021)
<p>The Fund invests in a diversified range of asset classes, such as fixed income, equities, cash, and near cash. These investments may be from anywhere in the world, including emerging markets, and denominated in any currency. The Fund has a flexible asset allocation and normally invests within the following net allocation ranges: 20-80% in fixed income securities, 20-60% in equities and 0-20% in other assets.</p> <p>The Fund invests in assets that meet the ESG criteria and/or Impact Criteria. Between 10% and 30% of the portfolio is invested 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">• 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. <p>(continued)</p>	<p>The Fund invests in a diversified range of asset classes, such as fixed income, equities, cash and near cash. These investments may be from anywhere in the world, including emerging markets, and denominated in any currency. The Fund has a flexible asset allocation and normally invests within the following net allocation ranges: 20-80% in fixed income securities, 20-60% in equities and 0-20% in other assets.</p> <p>The Fund invests in assets that meet the ESG Criteria and/or Impact Criteria.</p> <p>The following types of exclusions apply to the Fund's direct investments:</p> <ul style="list-style-type: none">• 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. <p>(continued)</p>

- Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria and/or Impact Criteria.

References to “assessed” above mean assessment in accordance with the ESG Criteria and Impact Criteria document as disclosed in the ESG Information section below.

Further information on the exclusions applicable to the Fund can be found in this document. The Fund may also invest indirectly via other collective investment schemes (including funds managed by M&G) and derivatives, which are not subject to the same ESG Criteria and/or Impact Criteria as securities held directly. The Investment 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.

The Fund normally seeks to hold more than 70% of its Net Asset Value in Euro denominated assets or in other currencies hedged back to Euro.

The Fund may invest up to 40% of its Net Asset Value in sub-investment grade and unrated debt securities. There are no credit quality restrictions with respect to the debt securities in which the Fund may invest.

The Fund may invest up to 10% of its Net Asset Value in asset-backed securities and up to 5% of its Net Asset Value in contingent convertible debt securities.

The Fund may invest in China A-Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

The Fund may invest in Chinese onshore debt securities denominated in CNY traded on the China Interbank Bond Market.

The Fund may use derivatives to meet its investment objective, for hedging and efficient portfolio management. The Fund may take synthetic short positions in markets, currencies, securities, indices and other groups of securities. These instruments may include, but are not limited to, spot and forward contracts, exchange traded futures, swaps, credit default swaps, options and total return swaps.

- Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria and/or Impact Criteria.

References to “assessed” above mean assessment in accordance with the ESG Criteria and Impact Criteria document as disclosed in the ESG Information section below. Further information on the exclusions applicable to the Fund can be found in this document.

Typically, the Fund holds 20%-50% of its Net Asset Value in positive impact assets. Positive impact assets are assets that have a positive societal impact through addressing the world’s major social and environmental challenges. It always holds at least 20% of its Net Asset Value in positive impact assets and there is no cap on the level of positive impact exposure.

The Fund may also invest indirectly via other collective investment schemes (including funds managed by M&G) and derivatives, which are not subject to the same ESG Criteria and/or Impact Criteria as securities held directly. The Investment 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.

The Fund normally seeks to hold more than 70% of its Net Asset Value in Euro denominated assets or in other currencies hedged back to Euro.

The Fund may invest up to 40% of its Net Asset Value in sub-investment grade and unrated debt securities. There are no credit quality restrictions with respect to the debt securities in which the Fund may invest.

The Fund may invest up to 10% of its Net Asset Value in asset-backed securities and up to 5% of its Net Asset Value in contingent convertible debt securities.

The Fund may invest in China A-Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

The Fund may invest in Chinese onshore debt securities denominated in CNY traded on the China Interbank Bond Market.

The Fund may use derivatives to meet its investment objective, for hedging and efficient portfolio management. The Fund may take synthetic short positions in markets, currencies, securities, indices and other groups of securities. These instruments may include, but are not limited to, spot and forward contracts, exchange traded futures, swaps, credit default swaps, options and total return swaps.