

23 September 2021

Dear Investor

**Changes to the M&G (Lux) Global High Yield ESG Bond Fund,
a sub-fund of M&G (Lux) Investment Funds 1 (the “Company”)**

Defined terms used in this letter have the same meaning as in the Prospectus.

I am writing to inform you of changes we are making to the M&G (Lux) Global High Yield ESG Bond Fund (the “Fund”) to enhance its sustainability profile. In order to achieve this, from **Friday 29 October 2021** (the ‘Effective Date’) an additional set of exclusions will be introduced to the Fund’s ESG Criteria and Sustainability Criteria document, which is available on the Fund’s page of the M&G website, to exclude unsustainable activities from the Fund’s investment universe, particularly those harmful to the environment.

In addition to the new exclusions:

- The Fund will be renamed **M&G (Lux) Sustainable Global High Yield Bond Fund**.
- The Investment Objective will be amended solely to refer to a target of beating the sustainable, rather than the conventional, global high yield market; the non-financial objective of achieving a higher Environmental, Social and Governance (ESG) rating than the global high yield market will be removed – this will become a commitment under the updated Investment Policy as per the point below.
- The Investment Policy will be updated to specify that the Fund will maintain a higher weighted average ESG rating and lower weighted average carbon intensity (the measure of a company’s carbon emissions produced in relation to its product sales) than the conventional global high yield market.
- The Investment Strategy will be updated to provide details on how it will incorporate Sustainability Criteria into the management of its portfolio, in addition to the ESG Criteria.
- The Fund’s performance comparison benchmark will change from ICA BoFA Merrill Lynch Global High Yield Index USD Hedged to Bloomberg MSCI Global HY Corporate ESG BB+ Sustainable SRI Bond Index.

continued

These changes will have no impact on the Fund's categorisation under the Sustainable Finance Disclosure Regulation (SFDR) and the Fund will remain categorised under article 8 SFDR.

This letter provides you with details of the changes and how they will impact investors. A full comparison of the current and updated Prospectus disclosures, as well as a list of the new exclusions which will be incorporated in the Fund's ESG Criteria and Sustainability Criteria document from the Effective Date.

Please note that, although the additional exclusions will reduce the Fund's investment universe and result in the sale of some holdings (see below), there will be no material change to the way the Fund is managed, nor to its liquidity and risk profile.

What changes are we making to the Fund?

In addition to the fund name change, the following changes will come into effect from the Effective Date:

- **New exclusions from the Fund's investment universe**

A number of activities considered to be unsustainable and/or harmful to the environment will be added to the list of assets the Fund cannot invest in directly. These will be included in the Fund's ESG Criteria and Sustainability Criteria document and cover:

- Carbon intensive activities (power production).
- Conventional and unconventional oil and gas-related activities – rather than solely production or extraction.
- Activities related to genetically modified crops.

In addition, sovereign debt issued by countries considered 'Not Free' by the Freedom House index, which measures a nation's degree of democratic freedom, will be excluded.

Finally, the revenue threshold for exclusions related to gambling activity will be lowered from 10% to 5%.

Full details of the exclusions, including revenue threshold limits (where relevant) for each exclusion, will be made available in the Fund's updated ESG Criteria and Sustainability Criteria document and can be found in Appendix 2 at the back of this letter.

- **Investment Objective**

The Investment Objective will be amended to state that the Fund will target a total return (capital growth plus income) higher than that of the **sustainable** global high yield market, while applying ESG Criteria and Sustainability Criteria. We believe this will better reflect the Fund's enhanced sustainable characteristics.

continued overleaf

The non-financial objective of delivering a higher ESG rating than that of the global high yield market will no longer form part of the Investment Objective; rather, as stated below, it will become a requirement listed in the Investment Policy.

- **Investment Policy**

The Investment Policy will be updated with a requirement for the Fund to maintain a higher weighted average ESG rating and lower weighted average carbon intensity than the global high yield market, as represented by the Fund's current benchmark, the ICE BofA Merrill Lynch Global High Yield Index USD Hedged. This will ensure that the Fund delivers a higher ESG score and lower weighted average carbon intensity than the majority of conventional high yield bond funds.

- **Investment Strategy:**

The Investment Strategy will be updated to provide more details on how the fund's sustainable characteristics are incorporated into its investment philosophy and strategy.

In addition, the Responsible Investment Approach will be amended to reflect the Fund's change of categorisation from Planet + / ESG + to Planet + / Sustainable.

- **Benchmark**

The Bloomberg MSCI Global HY Corporate ESG BB+ Global High Yield Sustainable SRI Bond Index will replace the ICE BofA Merrill Lynch Global High Yield Index USD Hedged as the Fund's benchmark better to reflect the scope of the Fund's enhanced sustainable characteristics.

Note that the Fund's current benchmark, the ICE BofA Merrill Lynch Global High Yield Index USD Hedged, will continue to be used as comparison when measuring the Fund's ESG rating and weighted average carbon intensity.

Will the changes result in any realignment of the Fund's portfolio?

Based on the Fund's holdings as at 01 September 2021, the changes will require a realignment of around 7.63% of the portfolio. This is expected to result in transaction costs, estimated at circa 0.02% of the Fund's net asset value. These costs will be borne by the Fund, and will impact its performance by an equivalent amount.

Details of the updated Prospectus disclosures can be found in Appendix 1 at the back of this letter.

Costs associated with the changes

All administration costs associated with the changes will be borne by M&G.

continued

Making changes to your investment

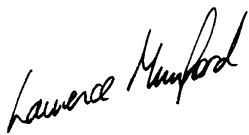
You may sell your investment, or switch it to another sub-fund of the Company or M&G fund, free of charge, at any point before or after the changes have taken place subject to our terms and conditions.

For more information

If you are in any doubt as to the action to be taken or require further information, please do not hesitate to contact your usual M&G contact or, for operational queries, our Customer Services team by email at csmang@rbc.com or by telephone on +352 2605 9944. We are open from 09:00 to 18:00 CET Monday to Friday. For security and to improve the quality of our service we may record and monitor telephone calls.

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 Sincerely



Laurence Mumford
Chair, M&G (Lux) Investment Funds 1

Encl:

- Appendix 1: Comparison of previous and new wording for the Fund's Prospectus disclosures; and
- Appendix 2: List of new exclusions as included in the updated M&G (Lux) Sustainable Global High Yield Bond Fund ESG Criteria and Sustainability Criteria Document

Appendix 1 – comparison of Prospectus disclosures

You may notice that the wording differs from those in the Fund’s Key Investor Information Documents (KIIDs). This is because the Prospectus describes the full scope of the tools available to the fund manager and the limitations within which they must operate, whereas the information listed in the KIIDs provides a shorter description. KIIDs based on the new investment objectives, investment policies and investment strategies will be available to view at www.mandg.com

Effective until Thursday 28 October 2021	Effective from Friday 29 October 2021
M&G (Lux) Global High Yield ESG Bond Fund	M&G (Lux) Sustainable Global High Yield ESG Bond Fund
<p>Investment objective</p> <p>The Fund has two aims:</p> <ul style="list-style-type: none"> • to provide a higher total return (the combination of capital growth and income) than the global high yield market over any five-year period, while applying ESG Criteria; and • to achieve a higher ESG rating than the global high yield market. 	<p>Investment objective</p> <p>The Fund aims to provide a higher total return (capital growth plus income) than that of the sustainable global high yield market over any five-year period, while applying ESG Criteria and Sustainability Criteria.</p>
<p>Investment policy</p> <p>The Fund invests at least 80% of its Net Asset Value in high yield bonds issued by companies located anywhere in the world including emerging markets, and denominated in any currency.</p> <p>The Fund does not take currency views and aims to hedge any non-USD assets to USD.</p> <p>There are no credit quality restrictions applicable to the investments and the Fund may invest up to 100% of its Net Asset Value in high yield and unrated debt securities.</p> <p>The Fund invests in securities that meet the ESG 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. • Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria. <p style="text-align: right;">continued</p>	<p>Investment policy – changes in bold</p> <p>The Fund invests at least 80% of its Net Asset Value in high yield bonds issued by companies located anywhere in the world including emerging markets, and denominated in any currency.</p> <p>The Fund does not take currency views and aims to hedge any non-USD assets to USD. There are no credit quality restrictions applicable to the investments and the Fund may invest up to 100% of its Net Asset Value in high yield and unrated debt securities.</p> <p>The Fund invests in securities that meet the ESG Criteria and Sustainability 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. • Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria and Sustainability Criteria. <p style="text-align: right;">continued</p>

<p>References to "assessed" above mean assessment in accordance with the ESG 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.</p> <p>The Fund may invest up to 20% of its Net Asset Value in asset-backed securities and up to 20% of its Net Asset Value in contingent convertible debt securities.</p> <p>The Fund may also invest in other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).</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, credit default swaps, interest rate swaps, total return swaps and credit linked notes.</p>	<p>References to "assessed" above mean assessment in accordance with the ESG Criteria and Sustainability Criteria.</p> <p>The Fund maintains a higher weighted average ESG rating and lower weighted average carbon intensity than the global high yield market as represented by the ICE BofA Merrill Lynch Global High Yield Index USD Hedged. This index is only used as comparator when measuring the Fund's weighted average ESG rating and weighted average carbon intensity. The Fund's calculation methodology does not include those securities that do not have an ESG rating or carbon intensity data respectively, or cash, near cash, some derivatives and some collective investment schemes.</p> <p>Further information on the Fund's exclusions, ESG rating and weighted average carbon intensity can be found in the ESG Criteria and Sustainability Criteria as disclosed in the ESG Information section below.</p> <p>The Fund may invest up to 20% of its Net Asset Value in asset-backed securities and up to 20% of its Net Asset Value in contingent convertible debt securities.</p> <p>The Fund may also invest in other transferable securities, cash, and near cash, directly or via collective investment schemes (i.e. UCITS and other UCIs including funds managed by M&G).</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, exchange traded futures, credit default swaps, interest rate swaps, total return swaps and credit linked notes.</p>
<p>Investment Strategy</p> <ul style="list-style-type: none"> • Investment Approach <p>The Fund is globally diversified and the Investment Manager seeks to provide exposure to a broad range of individual issuers across a variety of sectors.</p> <p>Consideration of ESG Factors is fully integrated into credit analysis and investment decisions.</p> <p>In order to identify securities for purchase, the Investment Manager reduces the potential investment universe as follows:</p> <ol style="list-style-type: none"> 1. The exclusions listed in the Investment Policy are screened out. <p style="text-align: right;">continued</p>	<p>Investment Strategy</p> <ul style="list-style-type: none"> • Investment Approach <p>The Fund is globally diversified and seeks to provide exposure to a broad range of issuers across a variety of sectors.</p> <p>The Investment Manager has the flexibility to adjust the Fund's credit exposure, sector positioning and regional allocations based on the assessment of current market valuations and the macroeconomic environment.</p> <p>Individual credit selection based on bottom-up analysis of the corporate bond markets by in-house credit analysts complements the Investment Manager's views.</p> <p style="text-align: right;">continued</p>

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. This process results in a portfolio tilted towards issuers with better ESG characteristics. Further information about the assessment and scoring process can be found in the ESG Criteria document.

3. From this narrowed investment universe, the Investment Manager performs fundamental analysis taking into consideration macroeconomic, sector, and company specific information, as well as analysis of corporate bonds and their issuers to identify and take advantage of mispriced bonds.

The Investment Manager has the flexibility to adjust the Fund's credit exposure, sector positioning and regional allocations depending on the assessment of current market valuations and the macroeconomic environment, including the likely path of economic growth, inflation and interest rates.

Individual credit selection is carried out in conjunction with the in-house team of credit analysts, which provides bottom-up analysis of the corporate bond markets to complement the Investment Manager's views.

• **Responsible Investment Approach**

- The Fund is categorised as Planet+ / ESG+ and promotes ESG characteristics. Within this category, the Positive ESG Tilt approach is applied.
- The ESG Criteria are anticipated to reduce the Fund's investment universe by at least 20%.
- All securities held in the Fund are subject to the ESG Criteria. This is achieved through the use of M&G's proprietary analysis and/or third party ESG information. As explained in the ESG Criteria document, it may not be practicable to perform ESG analysis on cash, near cash, some derivatives and some collective investment schemes, to the same standards as for the other investments.

The ESG categorisation of the Fund is explained in Appendix 1 "ESG Integration and Approaches to Responsible Investment" of this Prospectus. Investors should refer to that section for further details.

Sustainability considerations, encompassing ESG Factors, are fully integrated into credit 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 Investment Policy 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 fundamental analysis taking into consideration macroeconomic, sector, and company specific information, as well as analysis of corporate bonds and their issuers to identify and take advantage of mispriced bonds.

The Investment Manager favours issuers with better ESG characteristics where this is not detrimental to the pursuit of the investment objective. This process results in a portfolio positively tilted towards issuers with better ESG characteristics.

Further information about the ESG assessment, scoring, and investment process can be found in the ESG Criteria and Sustainability Criteria.

• **Responsible Investment Approach**

- The Fund is categorised as an Article 8 fund under SFDR.
- The Fund is categorised as Planet+ / Sustainable.
- The ESG Criteria and Sustainability Criteria are anticipated to reduce the Fund's investment universe by at least 20%.
- All securities held in the Fund are subject to the ESG Criteria and Sustainability Criteria. This is achieved through the use of M&G's proprietary analysis and/or third party ESG information. As explained in the ESG Criteria and Sustainability Criteria, it may not be practicable to perform ESG analysis on cash, near cash, some derivatives and some collective investment schemes, to the same standards as for the other investments.

The ESG categorisation of the Fund is explained in Appendix 1 "ESG Integration and Approaches to Responsible Investment" of this Prospectus. Investors should refer to that section for further details.

<p>ESG Information</p> <p>Additional information is available to investors on the Fund page of the M&G website:</p> <ul style="list-style-type: none"> • ESG Criteria: in the document titled "M&G (Lux) Global High Yield ESG Bond Fund – ESG Criteria" which includes the Fund's exclusions approach. • Periodic reporting against the Fund's non-financial objective. 	<p>ESG Information – changes in bold</p> <p>Additional information is available to investors on the Fund page of the M&G website:</p> <ul style="list-style-type: none"> • ESG Criteria and Sustainability Criteria: in the document titled "M&G Sustainable Global High Yield Bond Fund – ESG Criteria and Sustainability Criteria" which includes the Fund's exclusions approach. • Periodic reporting against the Fund's non-financial characteristics.
<p>Benchmark</p> <p>ICE BofA Merrill Lynch Global High Yield Index USD Hedged</p> <p>The benchmark is a comparator against which the Fund's performance can be measured. The index has been chosen as the Fund's benchmark as it 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.</p> <p>The Fund is actively managed. The Investment Manager has complete freedom in choosing which investments to buy, hold and sell in the Fund. The Fund's holdings may deviate significantly from the benchmark's constituents.</p> <p>The benchmark is not an ESG benchmark and is not consistent with the ESG Criteria.</p> <p>The benchmark is shown in the Share Class currency.</p>	<p>Benchmark</p> <p>Bloomberg MSCI Global HY Corporate ESG BB+ Sustainable SRI Bond Index</p> <p>The benchmark is a comparator against which the Fund's performance can be measured. The index has been chosen as the Fund's benchmark as it 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.</p> <p>The Fund is actively managed. The Investment Manager has complete freedom in choosing which investments to buy, hold and sell in the Fund. The Fund's holdings may deviate significantly from the benchmark's constituents.</p> <p>The benchmark is an ESG benchmark which is consistent with the ESG characteristics promoted by the Fund. The Bloomberg MSCI Global HY Corporate ESG BB+ Sustainable SRI Bond Index is a high yield bond benchmark that follows the rules of the Bloomberg Global High Yield Bond Index and applies additional ESG Factors for security eligibility.</p> <p>The Investment Manager refers to the benchmark when constructing the Fund's portfolio but is not bound by the benchmark rules when selecting investments. Further information on the benchmark can be found on the Bloomberg website.</p> <p>The benchmark is shown in the Share Class currency.</p>

**Appendix 2 – New types of investments excluded from the
M&G (Lux) Sustainable High Yield Bond Fund’s investment universe
as listed in the M&G (Lux) Sustainable High Yield Bond Fund ESG Criteria
and Sustainability Criteria from Friday 29 October 2021.**

- **Norms-based exclusions**

This stage will also exclude government bonds from countries classed as “Not Free” by the Freedom House index based on civil liberties, political rights, and press freedom.

- **Sector-based and/or values-based exclusions**

Note that one of the criteria below is a showing an amendment to the threshold applied to revenue derived gambling related activities, rather than a new exclusion – the amendment has been highlighted accordingly.

Environmental		
Issue	Rationale	Criteria
Unconventional Oil and Gas Extraction	Unconventional oil and gas extraction techniques can have long-lasting negative impacts on the environment. These include air and water pollution, and the increased frequency of oil spills.	The fund excludes companies involved in the unconventional extraction and/or distribution of oil and gas such as shale oil, shale gas, oil sands and Arctic drilling. We apply a 5% revenue threshold for such companies.
Oil and Gas Related Activities	While we acknowledge that oil and gas will continue to play an important role in the overall energy mix over the next decades, we believe that the transition to a low-carbon world needs to accelerate.	The Fund excludes companies that are involved in oil and gas related activities. We apply a 5% revenue threshold for such companies. Exposure to issuers with revenue in excess of 5% only permitted if credible decarbonisation strategy in place and/or are assessed as best-in-class transition names based on in-house ESG assessment.
Carbon-intensive power generation (fossil fuel-derived power, and nuclear power)	Fossil-fuel derived power, such as the generation of electricity from thermal coal, is environmentally damaging due to emissions of carbon dioxide and other pollutants. Although nuclear power generation does not emit greenhouse gas emissions, it poses serious environmental and health risks linked to the generation of radioactive waste, and has an overwhelming net-negative impact.	The fund will not finance electricity utility firms that derive more than 10% power production from coal, more than 30% from oil and gas or more than 30% from nuclear fuel sources*. However, companies with a clear business model aim of accelerating transition to low-carbon power production will be considered, even if in breach of the limits above.

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Genetically modified (GM) crops	GM crops often result in the increased use of toxic herbicides and pesticides. They can also cross-pollinate with wild and non-GM plants, which can compromise the organic or non-GM farming system.	The Fund excludes companies that derive more than 5% of their revenue from the genetic modification of plants/crops intended for agriculture or human consumption.
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*Note that whilst this exclusion is applied, there are also a number of stricter exclusions, applying a 5% revenue threshold for thermal coal extraction activities, nuclear power activities, unconventional oil and gas and oil and gas related activities.

Social		
Issue	Rationale	Criteria
Gambling	Gambling has been proven to be addictive and can lead to oppressive debt, which disproportionately affects the poorest in society. It can also be harmful to psychological and physical health.	The Fund excludes companies involved in the provision of gambling services. We apply a 5% threshold for revenue derived from gambling-related business activities.