

27 July 2022

Dear Investor

**Information for shareholders in M&G (Lux) Sustainable Allocation Fund,
a sub-fund of M&G (Lux) Investment Funds 1 (the “M&G SICAV”)**

You are not required to take any action but we recommend that you read this letter.

I am writing to you as a shareholder in M&G (Lux) Sustainable Allocation Fund to inform you of the upcoming merger (the “**Merger**”) of M&G (Lux) Conservative Allocation Fund (the “**Merging Fund**”) into M&G (Lux) Sustainable Allocation Fund (the “**Receiving Fund**”). The Merger is expected to take place on Friday 21 October 2022 (the “**Effective Date**”) or any other date notified to you.

Please be informed that the Merging Fund will be merged into the Receiving Fund in accordance with the terms of Article 1 (20) a) of the 2010 Law by transferring all of its assets and liabilities to the Receiving Fund following which it will be dissolved without going into liquidation.

The Merger is carried out in accordance with article 26 of the articles of incorporation and the prospectus of the Company and is governed by Articles 65 to 76 of the 2010 Law and Articles 3 to 7 of CSSF Regulation 10-5 transposing Directive 2010/44/EU implementing Directive 2009/65/EC.

The way in which the Receiving Fund is operated will not change and after the Merger it will continue to be managed in accordance with its current Investment Objective and Investment Policy. We do not anticipate that the Merger will have any material effect on the portfolio of the Receiving Fund. In particular, there will be no rebalancing of the Receiving Fund’s portfolio prior to or following the Merger Effective Date.

In order to ensure that the assets transferred from the Merging Fund to the Receiving Fund as part of the Merger are aligned with the Receiving Fund’s Investment Objective, Investment Policy and Investment Strategy, and that they comply with its ESG exclusion Criteria, the portfolio of the Merging Fund will be aligned to that of the Receiving Fund prior to the Merger.

The realignment process seeks to ensure that the transfer of the Merging Fund’s assets has no impact on the performance of the Receiving Fund. Should the Merging Fund still hold any assets that do not align with the Receiving Fund on the Effective Date, these assets will be transferred into the Receiving Fund to complete the selling process and M&G will compensate investors in the Receiving Fund for any detrimental performance impact.

continued overleaf

Background and reason for the Merger

The Merging Fund was launched in January 2018¹ aiming to provide a positive total return (the combination of capital growth and income) through a conservative multi asset strategy. However, since launch, yields available from fixed income securities, which were already at relatively low levels at the time of the launch and in which the Merging Fund is typically mostly invested, have fallen further. This has made it challenging for the Merging Fund consistently to meet its target of returning 3%-6% per annum over any 3-year period and maintain the lower levels of volatility (the degree to which the value of the Fund fluctuates over any 12-month period) investors would expect from this type of fund. We expect the market outlook to remain challenging for the Merging Fund for the foreseeable future, whilst investor appetite for cautious multi asset strategies is set to continue to decline.

Consequently, after reviewing prospects for the Merging Fund, the Board of Directors of the M&G SICAV has explored a number of options and decided that a merger into the Receiving Fund would be in the best interest of investors in the Merging Fund.

Will the Merger have an impact on M&G Receiving Fund shareholders?

The Receiving Fund is significantly smaller (€67.8m as at 31.05.2022) than the Merging Fund (€621.5m as at 31.05.2022). We believe that the Receiving Fund's expected asset increase resulting from the Merger will allow for better growth prospects by making it available for investment by large investors who would up to now have been unable to invest in it due to its relatively small size. The increase in size, and potential for further growth will benefit investors in the Receiving through the relative reduction of the impact of fixed costs on their charges.

Procedure

The Merger does not require the approval of shareholders of either the Merging Fund or the Receiving Fund. Dealing in the Receiving Fund will not be suspended to facilitate the Merger.

Costs

M&G will bear any stamp duty or transfer taxes which may arise as a consequence of transferring assets from the Merging Fund into the Receiving Fund in order to complete the Merger. The Merger will not result in any additional taxes or charges for shareholders in the Receiving Fund.

Right to sell or switch

As stated above, we believe that the Merger will benefit investors in the Receiving Fund, without having any adverse effect on its portfolio. However, if the changes detailed in this letter do not suit your investment need, you may sell your shares or switch to another sub-fund of M&G SICAV, free of charge, at any point before or after the changes have taken place. The procedures for selling, switching and transferring shares are set out in M&G SICAV's prospectus which can be found on our website www.mandg.com or by calling our Customer Services team.

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¹ The Fund was originally created with the merged non-GBP assets of the M&G Conservative Allocation Fund, UK- authorised Open-Ended Investment Company which was launched in 2015. The Merging Fund allowed investors in the OEIC from outside the UK to remain invested in a similar strategy through a UCITS-compliant SICAV vehicle after Brexit came into effect.

Please note that the original English wording for these procedures, included in the latest, legally valid version of the English language prospectus as approved by the *Commission de Surveillance du Secteur Financier* (CSSF), should under all circumstances take precedence over any translation of that wording.

Additional information

Following the Merger, the report made by the auditor in respect of the Merger will be available upon request and free of charge by calling our Customer Services team.

If you have any questions concerning the Merger, 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, so if you are uncertain as to how the changes may affect you, you should consult a financial adviser.

Yours faithfully



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