

22 November 2022

Dear Investor

**Changes to M&G (Lux) Optimal Income 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, unless otherwise defined hereafter.

I am writing to inform you of our plans to introduce an additional set of Environmental, Social and Governance (ESG) exclusions to the Fund.

The Fund’s Investment Objective, Investment Policy and Investment Approach will not be affected by the changes, and there will be no material change to the Fund’s liquidity and risk profile.

The changes will become effective on Friday 30 June 2023 (the “Effective Date”), and as a result the Fund will not be able to invest in issuers involved in the following (subject to maximum thresholds for revenue derived from some of these activities):

- Arctic Drilling & Oil Sands extraction
- Adult entertainment
- Gambling
- Tobacco

Further details on ESG exclusions applicable to the Fund, including revenue thresholds for each activity listed above and information on our good governance screens, will be made available to investors from the Effective Date through the Fund’s updated ‘ESG Criteria’ document, which can be found on the Fund’s page on our website. The Fund will retain its categorisation as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR).

Why are the changes happening?

The changes will further enhance the Fund’s ESG characteristics and align it with existing and rapidly increasing investor demand for more sustainable investment solutions.

continued overleaf

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

Based on the Fund's holdings as at 1 November 2022, the changes will require a realignment of around 2.6% of its portfolio. This is expected to result in transaction costs, estimated at 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.

Realignment is expected to start on Wednesday 4 January 2023 and be completed by the Effective Date. Although we will seek to sell these assets as soon as practicable, the extended realignment period will allow for efficient management of trading volumes to avoid the risk of potential market price impact, ensuring the divestment and realignment process is completed in the best interests of investors in the Fund.

Please note however, that some of the investments that do not meet the new exclusion criteria and which are currently held in the Fund may be subject to liquidity constraints or lower liquidity (ie the ability to sell the assets without negatively impacting their value) in difficult market conditions. This may result in:

- the Fund having to sell these investments at an undesirable time and/or under adverse market conditions, which could negatively impact the Fund's value; and/or
- a small number of investments that do not meet the new exclusion criteria still being held after the Effective Date; we will, however, seek to sell these assets as soon as practicable after that date should this be required.

Legal and administration costs associated with the changes

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

Making changes to your investment

You may sell your investment, or switch it to another sub-fund of the Company, free of charge, at any point subject to our terms and conditions. Note that if you wish to avoid bearing the costs associated with the realignment of the Fund's portfolio, as detailed above, you should redeem or switch your holding before Wednesday 4 January 2023.

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 csmandg@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