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M&G Investments

11 February 2025

Dear Shareholder

Important changes to M&G (Lux) Sustainable Emerging Markets Corporate Bond Fund (the "Fund"), a sub-fund of M&G (Lux) Investment Funds 1 (the "Company")

We recommend that you read this letter carefully.

Defined terms used in this letter have the same meaning as in the Prospectus, unless otherwise defined in this letter.

I am writing to inform you of changes to the Fund's Environmental, Social and Governance ("**ESG**") characteristics. Effective from Monday 17 March 2025 (the **"Effective Date"**), the Investment Manager's ESG Classification for the Fund will be updated from "**Planet+/Sustainable"**, which applies to funds that allocate to investments that are expected to have a positive contribution to environmental and/or social objectives, to "**Planet+/ESG Enhanced**", which applies to funds that seek to mitigate negative impacts on the environment and society. The name of the Fund will also change to **M&G (Lux) Emerging Markets Corporate Bond Fund** as a result of the changes. Full details of the changes can be found in the "Details of the changes" section on page 2 of this letter.

Please note that the Fund's Investment Objective will remain unchanged and it will still be classified as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR). The changes will not result in any immediate changes to the Fund's portfolio, and no portfolio realignment costs are therefore anticipated. The Fund's overall risk profile will also remain unchanged.

We believe that the changes will benefit investors by providing increased investment flexibility for the Fund Manager to achieve the Fund's Investment Objective, whilst retaining sustainability characteristics.

continued overleaf

In order to align the Fund's ESG characteristics to our fixed income Planet+/ESG Enhanced fund range, the following changes will be implemented on the Effective Date:

- The Fund's approach to investment exclusions will change from an Exclusionary Approach with Positive ESG Outcome to solely Exclusionary Approach[1].
- We will make changes to the Fund's exclusions.
  Further details for both these changes can be found below under the "Details of the changes" section.
- The minimum proportion of Sustainable Investments that must be held by the Fund will be lowered from 40% to 20%.
- The Fund's ESG-related classification with the *Autorité des marchés financiers* ("**AMF**", the French financial regulator) will change from AMF1 to AMF2, and the associated commitment to reduce the investment universe by 20% will no longer be applied.

The Fund's Investment Policy, Investment Manager's ESG Classification and precontractual annex within the Prospectus, as well as its sustainability-related disclosures will be updated to reflect the changes.

Why are the changes happening?

The changes will provide the Fund's manager with access to a wider range of investment opportunities, whilst continuing to apply ESG Criteria. They will also bring about a more consistent approach to the application of ESG Criteria across our Emerging Markets fixed income fund offering, making it simpler and more coherent for investors.

You may be aware that the European Securities and Markets Authority ("**ESMA**") guidelines in funds' names using ESG or sustainability-related terms will take effect, for existing funds, on 21 May 2025. While we are not making the changes described in this letter as a result of the implementation of these ESMA guidelines, their timing was a consideration in the review that led to the changes and in the choice of the Effective Date.

Details of the changes

- **ESG exclusions changes**

  In line with our Planet+/ESG Enhanced fixed income range of funds, the following sector-based exclusions will no longer apply to the Fund:

  - Nuclear Power
  - Unconventional Oil and Gas Extraction (except for oil sands and Arctic drilling) and Distribution
  - Oil and Gas Related Activities
  - Carbon-intensive and Nuclear Power Generation
  - Genetically Modified (GM) Crops
  - Defence and Other Weapons
  - Animal testing on non-medical grounds
  - Factory farming
  - Alcohol

continued overleaf

[1] With an Exclusionary Approach, the Fund's investment universe is reduced by excluding investments assessed to be in conflict with the Fund's ESG Criteria. Where a Fund also applies a Positive ESG Outcome, the Investment Manager expects the Fund's investment strategy to typically result in one or more stated environmental and/or social characteristics to be better than a relative and/or absolute measure.

In addition, in line with our Planet+/ESG Enhanced fixed income range of funds, the revenue thresholds for unconventional oil and gas, adult entertainment and gambling exclusions will increase from 5% to 10%.

The Fund's approach to thermal coal will continue to align to the M&G Investments Thermal Coal Exclusion Policy. Details of this policy can be found on our website.

- Good Governance exclusions

The Fund currently excludes issuers from countries classified as "Not Free" by the Freedom House index. From the Effective Date, in line with the exclusions that apply to our Planet+/ESG Enhanced fixed income fund range, Good Governance exclusions will be based on the Investment Manager's good governance tests. This will not result in any changes to the Fund's holdings.

- **Change to Exclusionary Approach and removal of Positive ESG Outcome**

In addition to applying norms-based, sector-based and values-based exclusions, the Fund currently also considers additional factors to assess issuers and achieve a favourable ESG outcome. As a result of the move to solely Exclusionary Approach, from the Effective Date the exclusion of poorer ESG performers based on their overall ESG credentials ("ESG Laggards") from the Fund's investment universe will no longer be applied.

In accordance with an Exclusionary Approach, the Fund will continue to screen out ESG exclusions to reduce the Fund's investment universe, with the Investment Manager applying further analysis including consideration of ESG factors in order to identify and take advantage of investment opportunities.

With the application of Exclusionary Approach only, as detailed above, the Fund's "Positive ESG Outcomes" will no longer be relevant. These currently require that the Fund achieve:

- a higher portfolio weighted average ESG score than the investment universe's weighted average ESG score; and
- a lower portfolio weighted average carbon intensity than the investment universe's weighted average carbon intensity.

The Fund's sustainability indicators, which are used to measure the attainment of the Fund's ESG characteristics, will be updated accordingly.

We believe that the corresponding expansion of the Fund's investment universe will enhance flexibility for the Fund Manager to take advantage of investment opportunities and increase his ability to deliver the Fund's Investment Objective.

continued overleaf

- **Reduction of Sustainable Investments held by the Fund**

The reduction of the minimum amount of Sustainable Investments that must be held by the Fund will be updated from 40% to 20% of its portfolio in line with the ESG characteristics applied to our Planet+/ESG Enhanced fixed income fund range. This will also contribute to increasing flexibility for the Fund's manager to access a wider range of investment opportunities consistent with the Fund's Investment Policy.

- **Investment Policy**

The Investment Policy will be amended to reflect the shift from an Exclusionary Approach and a Positive ESG Outcome to solely Exclusionary Approach.

- **Additional documentation changes**

The Fund will continue to be categorised as Article 8 under SFDR, which applies to funds promoting environmental and/or social characteristics, whilst applying good governance practices.

The Fund's online Sustainability-Related Disclosures and Precontractual Annex within the Prospectus, which together include details on ESG exclusions applicable to the Fund and information on our good governance screens, will be updated from the Effective Date. The Disclosures can be found on our website at **www.mandg.com/country-specific-fund-literature**

Administration costs associated with the changes

All administration costs associated with implementing 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 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 **csmandg@caceis.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

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

Encl: Appendix - Comparison of current and new Prospectus disclosures for the Fund

Appendix: Comparison of current and new Prospectus disclosures for the Fund

The changes are highlighted in **bold**.

You may notice that the wording differs from those in the Fund's Key Information Documents (KIDs)*. 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 K(I)IDs provides a shorter description. K(I)IDs based on the Fund's new Investment Objective, Investment Policy and Investment Strategy will be available to view at **www.mandg.com**
* Or Key Investor Information Documents (KIIDs) for UK investors

<table>
<tr><th>Effective until Sunday 16 March 2025</th><th>Effective from Monday 17 March 2025</th></tr>
<tr><td>Fund Name
M&G (Lux) Sustainable Emerging Markets Corporate Bond Fund</td><td>Fund Name
M&G (Lux) Emerging Markets Corporate Bond Fund</td></tr>
<tr><td colspan="2">Investment Objective (unchanged)
The Fund aims to provide a higher total return (capital growth plus income) than that of the corporate bond market in emerging markets over any three-year period while applying ESG Criteria.</td></tr>
<tr><td>Investment Policy
The Fund invests at least 80% of its Net Asset Value in debt securities issued by companies and quasi-sovereigns that are incorporated, domiciled, or do most of their business activity in emerging markets, and are denominated in hard currency.
The Fund may also invest in debt securities issued or guaranteed by emerging market governments or their agencies, local authorities, public authorities and supranational bodies and other debt securities denominated in any currency.
The Fund may invest in Chinese onshore debt securities denominated in CNY traded on the China Interbank Bond Market.
There are no credit quality restrictions applicable to the investments and the Fund may invest up to 100% of its Net Asset Value in below investment grade and unrated debt securities.
The Fund invests in securities that meet the ESG Criteria, applying an Exclusionary Approach and a Positive ESG Outcome as described in the precontractual annex to this Fund Supplement.
The Fund may invest up to 10% of its Net Asset Value in asset-backed securities. The Fund may invest in contingent convertible debt securities up to 20% of its Net Asset Value.
In addition to the above, the Fund may also invest in UCITS and other UCIs, considered to be consistent with its investment policy. The Fund may invest in cash (meaning deposits permitted by article 41(1) of the 2010 Law) and near cash. Investments in cash and near cash shall not exceed 20% of the Net Asset Value of the Fund unless otherwise permitted by this investment policy.</td><td>Investment Policy
The Fund invests at least 80% of its Net Asset Value in debt securities issued by companies and quasi-sovereigns that are incorporated, domiciled, or do most of their business activity in emerging markets, and are denominated in hard currency.
The Fund may also invest in debt securities issued or guaranteed by emerging market governments or their agencies, local authorities, public authorities and supranational bodies and other debt securities denominated in any currency.
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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 and credit linked notes.</td><td>The Fund may receive certain assets as a consequence of corporate actions such as mergers and acquisitions and restructures that are not consistent with its investment policy. The Fund will generally dispose of such assets to the extent possible but may continue to hold up to 10% of its Net Asset Value in such assets where the Investment Manager considers this to be in the best interest of investors.

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<tr><td>Investment Strategy
Investment Approach
The Fund’s investment approach involves an in-depth analysis of corporate bond issuers from emerging markets. Given the nature of emerging markets, the analysis of corporate bonds and their issuers will be performed in conjunction with a detailed credit assessment of the relevant sovereign(s).
Investment Manager’s ESG Classification
The Fund is categorised as Planet+ / Sustainable.
The ESG categorisation of the Fund is explained in the section "ESG Glossary" of Appendix 1 of this Prospectus.</td><td>Investment Strategy
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Investment Manager’s ESG Classification
The Fund is categorised as Planet+ / ESG Enhanced.
The ESG categorisation of the Fund is explained in the section "ESG Glossary" of Appendix 1 of this Prospectus.</td></tr>
<tr><td colspan="2">EU Sustainable Finance Disclosure Regulation (unchanged)
The Fund is categorised as an Article 8 fund under SFDR and promotes environmental and/or social characteristics as described in the precontractual annex to this Fund Supplement.</td></tr>
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