

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product Name: Specialist Investment Funds (1) Plc - M&G Sustainable Alpha Opportunities Fund
Legal Entity Identifier: 254900R8VRJEVMA6E584

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☒ ☒ ☐ **Yes**

☒ ☐ ☒ **No**

☐ It made **sustainable investments with an environmental objective:**

- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It made **sustainable investments with a social objective:**

☒ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 64.9% of sustainable investments

- ☒ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☒ with a social objective

☐ It promoted E/S characteristics, but **did not make any sustainable investments**



To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Fund promoted the use of an Exclusionary Approach and a strategy to achieve certain Positive ESG Outcomes.

Exclusionary approach

The Fund excluded certain potential investments from its investment universe to mitigate potential negative effects on the environment and society and to assist it in delivering more sustainable outcomes. For securitised investments such as asset-backed securities (ABS), this also included assessing them against the Investment Manager's proprietary scoring methodology ("Exclusionary Approach"). Accordingly, the Investment Manager promoted environmental and/or social characteristics by excluding certain investments that are considered to do significant harm to environmental and/or social objectives.

Positive ESG Outcome – ESG Score

The Fund's allocation to corporate bonds typically had a higher weighted average ESG rating than an index used as a proxy for the global corporate bond investment universe. The Fund's calculation methodology does not include those corporate bonds that do not have ESG scores. In constructing a portfolio which favours corporate bonds with better ESG characteristics, the Investment Manager may nonetheless invest in corporate bonds across the full spectrum of ESG ratings remaining within the narrowed universe

Positive ESG Outcome – Net Zero

The Fund allocated to Net Zero Aligned (as defined below) and Net Zero Aligning (as defined below) assets and companies with net zero targets and expects this allocation to increase over time. This may not be a linear year on year increase. The Fund aims to contribute to the goal of achieving net zero greenhouse gas emissions by 2050, with an interim target of 1.5°C alignment by 2030, where there is sufficient data and credible methodologies to inform the Investment Manager's Net Zero Investment Framework ("NZIF").

"Net Zero Aligned" means an investment that is aligned to a pathway consistent to net zero, as defined by the Investment Manager's interpretation of the Institutional Investors Group on Climate Change's ("IIGCC's") Net Zero Investment Framework. "Net Zero Aligning" means an asset that is aligning towards a pathway consistent to net zero, as defined by the Investment Manager's interpretation of the IIGCC's Net Zero Investment Framework. No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

● How did the sustainability indicators perform?

- Exclusionary approach: Percentage (%) of NAV held in excluded investments: The Sub-Fund's sustainability indicators to test its compliance with its Exclusionary Approach were met at all times during the reporting period.
- Exclusionary approach: Percentage (%) of ABS below the Investment Manager's threshold for alignment: Zero holdings below alignment.

Positive ESG Outcome (ESG Score):

- The Weighted average ESG score of the directly held corporate bonds was greater than that of the global corporate bond investment universe weighted average ESG score

Positive ESG Outcome (Net Zero):

- The percentage (%) of corporate investments with Net Zero targets held by the portfolio was 25.9%
- The percentage (%) of NAV held in investments assessed as Net Zero Aligning was 27.7%
- The percentage (%) of NAV held in investments assessed as Net Zero Aligned was 17.7%
- Temperature Alignment: The current Temperature Alignment (as defined below) of the corporate investments held on the reporting date versus the Temperature Alignment at the Temperature Start Date (as defined below) of the corporate investments that were held at the Temperature Start Date was -0.53%
- The percentage (%) of NAV assessed by Net Zero Investment Framework was 76.2%

"Temperature Alignment" means a data point determined by the Investment Manager from available data which assesses the emissions contribution of a company in context of decarbonisation pathways, to determine a company's contribution to global warming, given as a single implied temperature rise in 2100 above pre-industrial levels.

"Temperature Start Date" means the date on which the Fund has completed its initial allocation to corporate investments in the opinion of the Investment Manager, which then provides a baseline against which future temperature alignment can be measured. This is expected to be the first month end date after the launch of the Fund, but the Investment Manager has discretion to determine a different date. Once set, it will not change and will be communicated to investors in the periodic reporting for these sustainability indicators.

* Note that investments are measured at market value. Both investments in the numerator and denominator are valued at market value and the Net Asset Value is equivalent to total Market Value.

Sustainability indicator	Measured performance
As at - 31 December 2023	
Percentage (%) of ABS below the Investment Manager's threshold for alignment	0%
Percentage (%) of NAV held in excluded investments	0%
Weighted average ESG score of the directly held corporate bonds versus the global corporate bond investment universe weighted average ESG score	7.10
Percentage (%) of corporate investments with Net Zero targets	25.9%
Percentage (%) of NAV held in investments assessed as Net Zero Aligning	27.7%
Percentage (%) of NAV held in investments assessed as Net Zero Aligned	17.7%
Percentage (%) of NAV assessed by Net Zero Investment Framework	76.2%
Temperature Alignment: The current Temperature Alignment (as defined below) of the corporate investments held on the reporting date versus the Temperature Alignment at the Temperature Start Date (as defined below) of the corporate investments that were held at the Temperature Start Date	-0.53%

● ...and compared to previous periods?

The Fund is not yet able to provide comparison to a previous reporting period as this is the Fund's first SFDR Level 2 Periodic Report. The Fund will provide historic comparison in the next Periodic Report.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

The Fund may allocate to sustainable investments of any type, i.e. investments with an environmental and/or a social objective. The Fund is not required to favour any specific type of sustainable investment. The Investment Manager used a series of proprietary tests based on available data to determine.

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Sustainable investments that the Fund made did not cause significant harm to any environmental or social sustainable investment objective as they passed a series of tests applied both before investment and periodically during the holding period, including:

1. Whether they represent significant exposure to businesses the Investment Manager considers harmful
2. Principal Adverse Impact indicators considered to render the investment incompatible with sustainable investment (violations of the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises, social violations by sovereigns such as being subject to sanctions, negative effects on biodiversity sensitive areas)
3. Other Principal Adverse Impact indicators form part of a materiality assessment to understand whether any exposures are compatible with sustainable investment.

- **How were the indicators for adverse impacts on sustainability factors taken into account?**

The Investment Manager's research process included consideration of Principal Adverse Impact indicators for all investments where data was available (i.e. not just for sustainable investments), which allowed the Investment Manager to make informed investment decisions. The Fund's consideration of Principal Adverse Impact indicators is used as part of understanding the operating practices of the investments purchased by the Fund. Investments held by the Fund are then subject to ongoing monitoring and a quarterly review process. Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund.

- **Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

All investments purchased by the Fund passed the Investment Manager's good governance tests, and in addition, sustainable investments also passed tests to confirm they do no significant harm, as described above. These tests that are applied both before investment and periodically during the holding period embed a consideration of the OECD Guidelines and UN Guiding Principles.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: to 31 December 2023

What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
Investment 1	Funds	13.37%	Ireland
Investment 2	Sovereign	2.49%	Germany
Investment 3	Sovereign	1.05%	France
Investment 4	Covered	0.50%	France
Investment 5	Covered	0.47%	Canada
Investment 6	Covered	0.47%	Italy
Investment 7	Covered	0.46%	New Zealand
Investment 8	Supranational	0.44%	Global
Investment 9	Financial services	0.44%	Netherlands
Investment 10	Banking	0.41%	United Kingdom
Investment 11	Insurance	0.40%	Switzerland
Investment 12	Banking	0.39%	Spain
Investment 13	Banking	0.39%	United Kingdom
Investment 14	Banking	0.39%	Germany
Investment 15	Banking	0.37%	Germany



What was the proportion of sustainability-related investments?

As at 31 December 2023, 82.8% of NAV was aligned to promote the environmental or social characteristics, which is above the minimum commitment of 70% as stated in the SFDR Level 2 Pre-Contractual Disclosure (annex to the Fund Prospectus). This comprised 64.9% of NAV in sustainable investments, which is above the minimum commitment of 51%. This was made up of 31.1% related to investments with environmental characteristics, and 33.7% related to socially sustainable investments. The remaining 17.9% of NAV was in investments with other environmental and or social characteristics.

Whilst the Fund did not commit to invest in investments aligned to the EU Taxonomy, 0.7% were aligned to the EU Taxonomy.

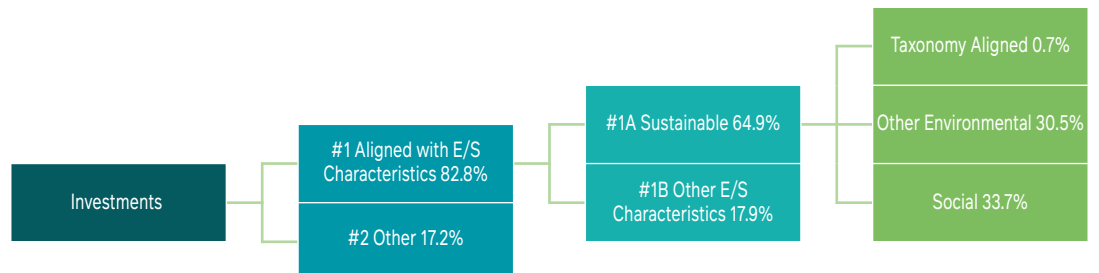
The remainder of the fund (17.2%) was held in "other" investments.

* Note that investments are measured at market value. Both investments in the numerator and denominator are valued at market value and the Net Asset Value is equivalent to total Market Value.

Asset allocation describes the share of investments in specific assets.

• What was the asset allocation?

The graphic below provides an overview of the asset allocation.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

● In which economic sectors were the investments made?

Economic sector	% Assets
Banking	19.50%
Other	17.10%
Funds	13.40%
Real Estate	4.70%
Insurance	4.60%
Financial Services	4.40%
Sovereign	3.50%
Utility	3.30%
Telecommunications	3.20%
Covered	3.20%
Automotive	2.50%
Healthcare	2.40%
Asset Backed	2.40%
Basic Industry	2.30%
Technology & Electronics	2.20%
Media	2.20%
Retail	2.10%
Consumer Goods	1.70%
Services	1.50%
Transportation	1.10%
Capital Goods	1.10%
Leisure	0.50%
Supranational	0.50%
Agency	0.30%
Mortgage Backed	0.30%



To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

Sustainable investments with an environmental objective aligned with the EU taxonomy accounted for 0.7% of NAV. This is despite the fact that the Fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy Regulation.

* Note that investments are measured at market value. Both investments in the numerator and denominator are valued at market value and the Net Asset Value is equivalent to total Market Value.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy¹?**

☐ Yes:

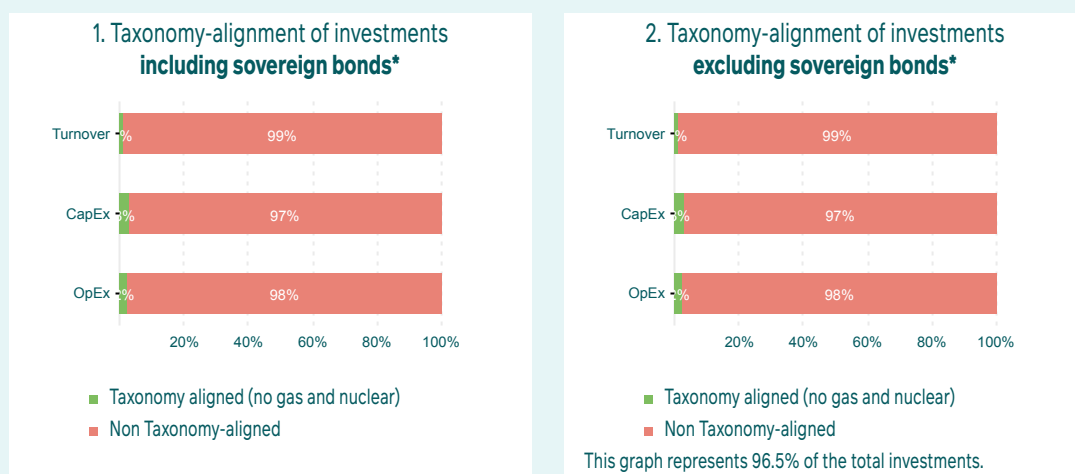
☐ In fossil gas

☐ In nuclear energy

☒ No

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objectives. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The graphs below show the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



*For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures

● **What was the share of investments made in transitional and enabling activities?**

The share of the Sub-Fund's investments made in transitional activities over the period was 0.02% and in enabling activities was 0.49%. The Fund does not set a minimum share of investments in these activities, as stated in the Fund's precontractual disclosure.

Activity	Percentage Investments
Share of Transitional Activities	0.02%
Share of Enabling Activities	0.49%

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

The Fund is not yet able to provide comparison to a previous reporting period as this is the Fund's first SFDR Level 2 Periodic Report. The Fund will provide historic comparison in the next Periodic Report.

 are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.



What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that were not aligned with the EU taxonomy was 30.5%. The Fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy Regulation.



What was the share of socially sustainable investments?

The minimum share of socially sustainable investments was 33.7%. This compares to a minimum percentage commitment of 5% stated in the Fund's pre-contractual disclosure.



What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

Over the period, the Fund held cash, near cash and money market funds, FX, interest rate derivatives and similar derivatives (which may include certain technical trades such as government bond futures used for duration trades) as "Other" investments, for any purpose permitted by the Fund's investment policy. No minimum environmental or social safeguards were applied to such investments.

Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for any reason permitted by the Fund's investment policy and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test.

The Fund may also hold as "Other" investments those investments where insufficient data exists to determine the investments' alignment with the promoted characteristics. It is also possible that the Fund may hold investments that are not in line with the promoted characteristics, e.g. as a result of a merger or other corporate action, or as a result of the characteristics of a previously acquired investment changing. Where this happens, the Fund will generally seek to dispose of them in the best interests of investors, but may not always be able to do so immediately.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Fund applied a set of exclusions to achieve its Exclusionary Approach. Its compliance with the same is reported in the sustainability indicators section above. In addition, the Fund applied a strategy to achieve certain Positive ESG Outcomes as reported above.



How did this financial product perform compared to the reference benchmark?

Not applicable. No reference benchmark has been designated to determine whether this portfolio is aligned with the environmental and social characteristics that it promotes.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How did the reference benchmark differ from a broad market index?**

N/A

- **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?**

N/A

- **How did this financial product perform compared with the reference benchmark?**

N/A

- **How did this financial product perform compared with the broad market index?**

N/A