



M&G (Lux) Optimal Income Fund

Richard Woolnough, Fund Manager

April 2022

Marketing communication for investment professional use only.

M&G (Lux) Optimal Income Fund

The main risks that could affect performance are set out below:

- The value and income from the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.
- Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund.
- High yield bonds usually carry greater risk that the bond issuers may not be able to pay interest or return the capital.
- The fund may use derivatives to profit from an expected rise or fall in the value of an asset. Should the asset's value vary in an unexpected way, the fund will incur a loss. The fund's use of derivatives may be extensive and exceed the value of its assets (leverage). This has the effect of magnifying the size of losses and gains, resulting in greater fluctuations in the value of the fund.
- Investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries.
- The fund is exposed to different currencies. Derivatives are used to minimise, but may not always eliminate, the impact of movements in currency exchange rates.
- In exceptional circumstances where assets cannot be fairly valued, or have to be sold at a large discount to raise cash, we may temporarily suspend the fund in the best interest of all investors.
- The fund could lose money if a counterparty with which it does business becomes unwilling or unable to repay money owed to the fund.
- Operational risks arising from errors in transactions, valuation, accounting, and financial reporting, among other things, may also affect the value of your investments.
- ESG information from third-party data providers may be incomplete, inaccurate or unavailable. There is a risk that the investment manager may incorrectly assess a security or issuer, resulting in the incorrect inclusion or exclusion of a security in the portfolio of the fund. Further details of the risks that apply to the fund can be found in the fund's Prospectus
- Wherever a reference or indication of past performance is shown, please note, past performance is not a guide to future performance.
- The views expressed in this document should not be taken as a recommendation, advice or forecast.
- Please note, investing in this fund means acquiring units or shares in a fund, and not in a given underlying asset such as a building or shares of a company, as these are only the underlying assets owned by the fund.

It is also important to note that

The fund aims to provide a combination of capital growth and income to deliver a return based on exposure to optimal income streams in investment markets. Typically, at least 50% of the portfolio is invested in a broad range of fixed income securities of any credit quality and from any country, including emerging markets, and denominated in any currency. The fund manager selects investments wherever he sees the greatest opportunities, based on his assessment of a combination of macroeconomic, asset, sector and stock-level factors. The manager may also hold up to 20% of the portfolio in company shares when he believes they offer better value than bonds. The fund follows a positive ESG tilt approach, achieved by the fund maintaining a weighted average ESG rating above that of the benchmark. The fund also excludes any company that is assessed to be in breach of the United Nations Global Compact principles and any government bond from countries classed as "Not Free" by the Freedom House Index. The fund may gain exposure to assets through both physical holdings and the use of derivatives

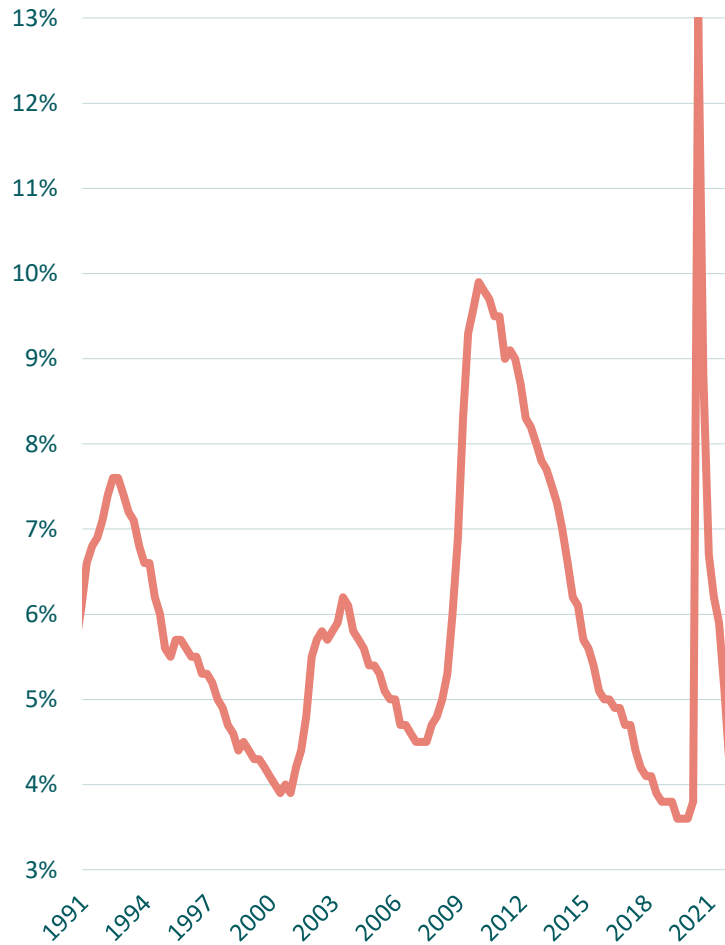


Macro update

Unemployment rate over time

US, UK and Eurozone

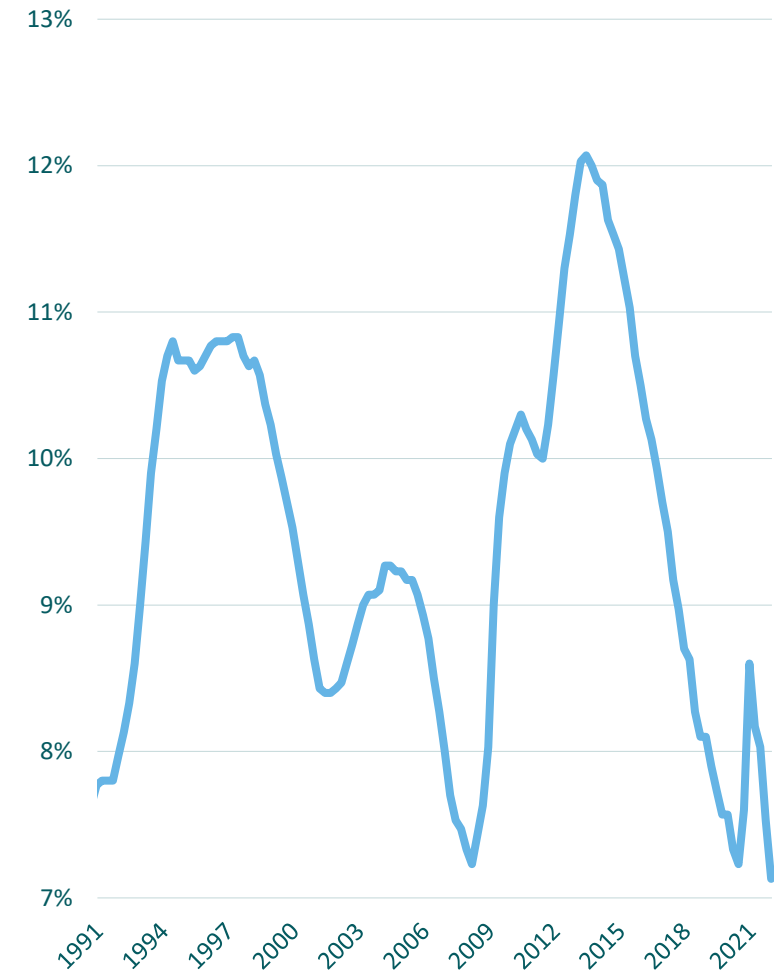
United States



United Kingdom

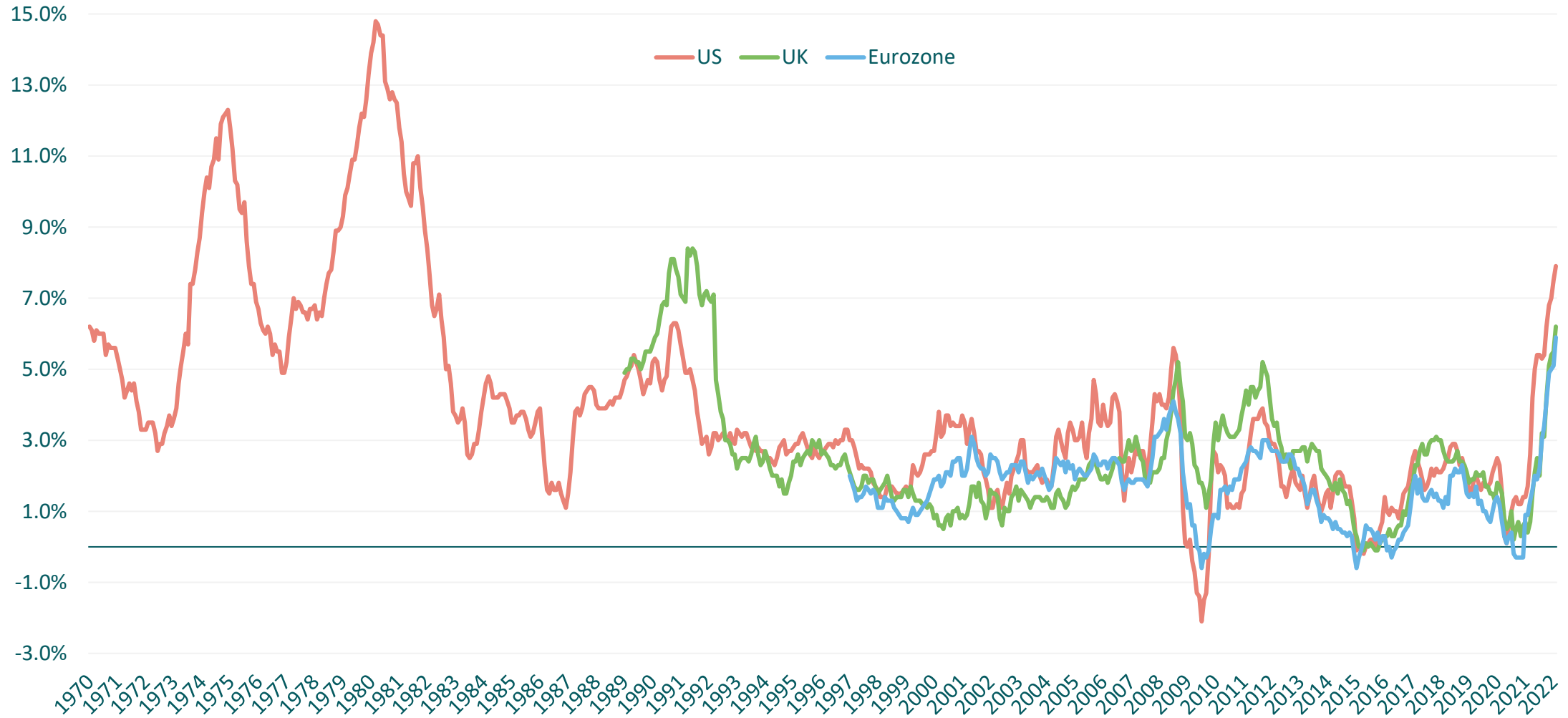


Eurozone



Inflation over time

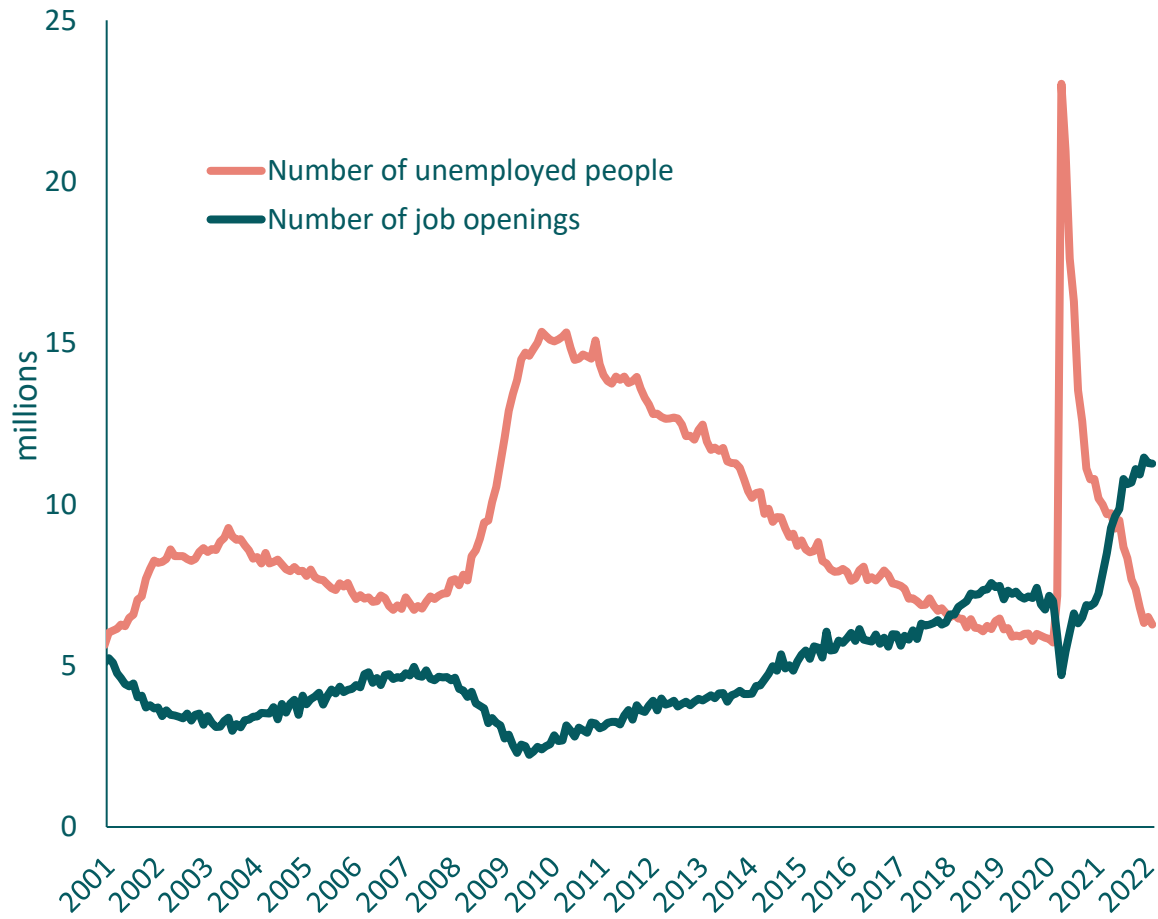
US, UK and Eurozone



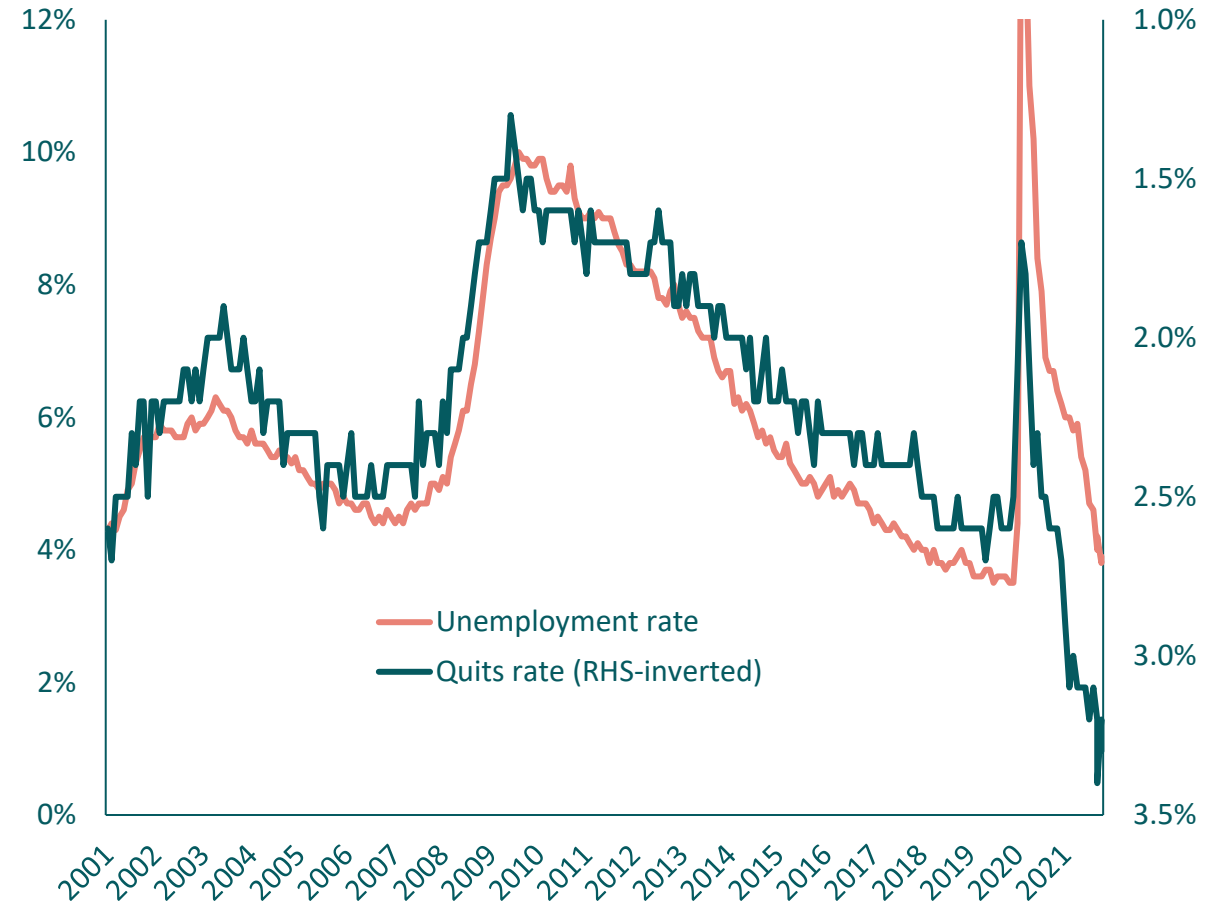
The US labour market is strong

There are more jobs available than people looking for a job

There are more jobs available than people looking for a job



Private quits rate* vs unemployment rate



5y Government bond yields US, UK and Germany

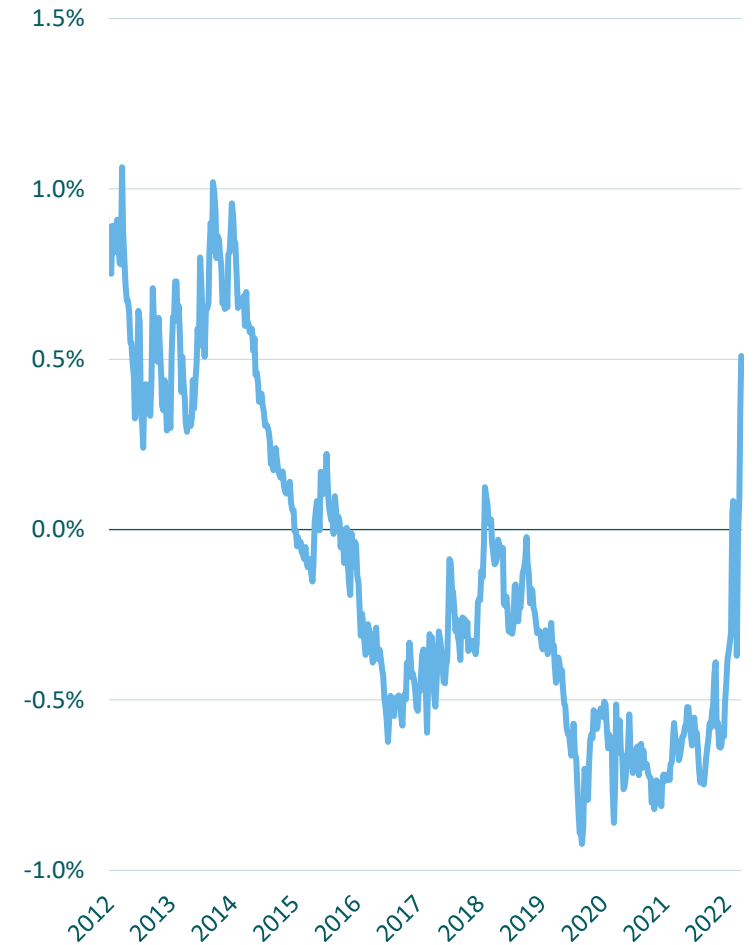
5y US Treasury yield



5y UK Gilt yield



5y German Bund yield



30y Government bond yields

US, UK and Germany

30y US Treasury yield



30y UK Gilt yield



30y German Bund yield



Risk-reward in 5 year Bunds

5y Bund scenarios



Risk-reward in 30 year Bunds

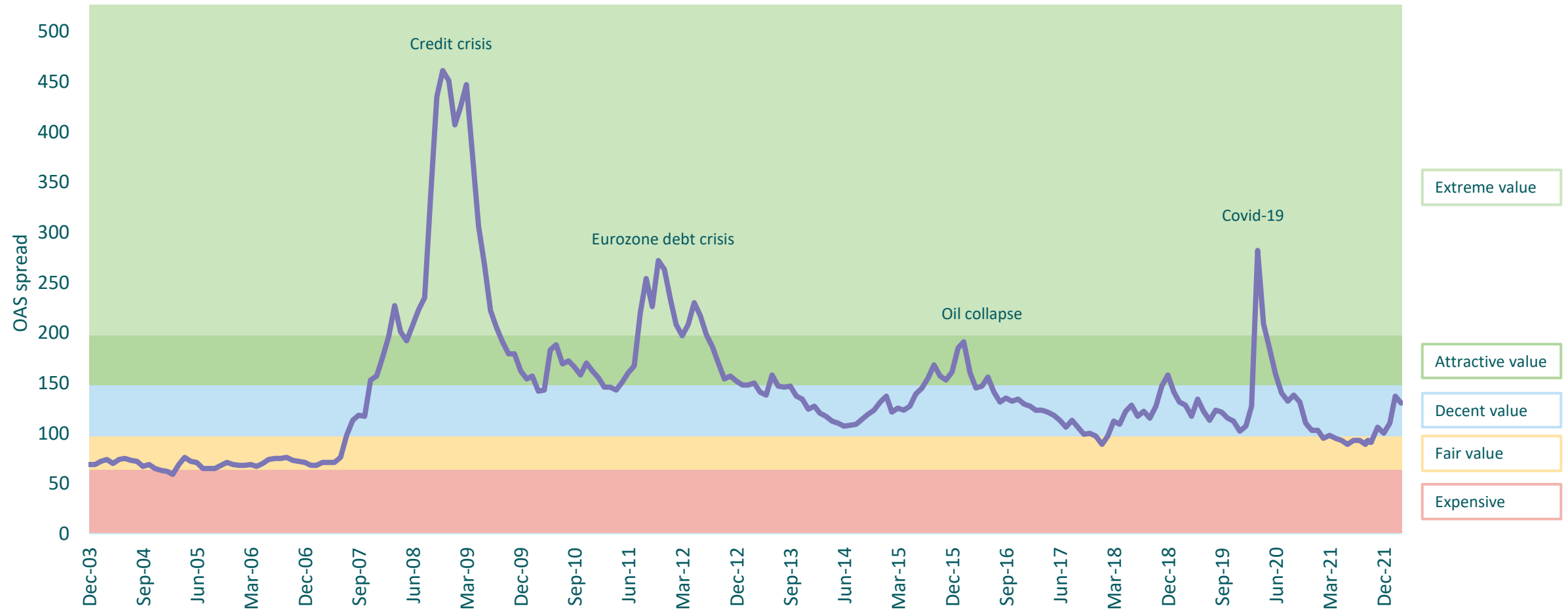
30y Bund scenarios



Global IG Corporate Bond Index

Credit spreads over time

What past experience tell us about corporate bond spreads



Past performance is no guarantee of future results

High Yield vs Investment Grade valuations

iTraxx Xover – iTraxx EUR





M&G (Lux) Optimal Income Fund

Fund facts

M&G (Lux) Optimal Income Fund

**SFDR
ARTICLE 8**

Past performance is not a guide to future performance

Fund name	M&G (Lux) Optimal Income Fund
Fund manager:	Richard Woolnough
Launch date of the SICAV*	7 September 2018
Launch date of the OEIC*	8 December 2006
Manager tenure (strategy)	8 December 2006
Fund size:	€12 billion
Investment objective:	The fund aims to provide a total return (the combination of income and growth of capital) to investors based on exposure to optimal income streams.
SFDR Category	Article 8
YTM (gross of fees)	2.4%
YTM (net in the fund nominated share class)**	1.1%
Benchmark:	1/3 Bloomberg Global Agg. Corporate Index EUR Hedged; 1/3 Bloomberg Global High Yield Index EUR Hedged; and 1/3 Bloomberg Global Treasury Index EUR Hedged
Valuation currency:	EUR
Fund structure:	Luxembourg SICAV
Pricing/dealing frequency:	Daily

The benchmark is a comparator used solely to measure the fund's performance and reflects the scope of the fund's investment policy but does not constrain portfolio construction. The fund is actively managed. The fund's holdings may deviate significantly from the benchmark's constituents. The benchmark is not an ESG benchmark and is not consistent with the ESG Criteria.

The composite index was introduced as the fund's benchmark on 7 September 2018.



Ratings should not be taken as recommendation. Ratings as at 31.01.22 The Morningstar Overall Rating based on the fund's Euro Class A shares. Copyright © 2022 Morningstar UK Limited. All Rights Reserved. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Ratings should not be taken as recommendation.

For further details of the fund's ESG Criteria, please refer to the ESG Criteria document on our website. For further details of our ESG Product Framework, please see the fund's Prospectus, available on our website.

*This strategy originally launched on 8 December 2006 as a UK-authorised OEIC, named M&G Optimal Income Fund, run by the same fund managers, applying the same investment strategy. The Euro A-H Acc share class of the OEIC was launched on 20 April 2007. Following shareholder approval, the OEIC merged into the SICAV on 08 March 2019.

Performance in Euros

M&G (Lux) Optimal Income Fund

Past performance is not a guide to future performance

Annual performance

	Yr to MRQ**	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	%	%	%	%	%	%	%	%	%	%	%
M&G (Lux) Optimal Income Fund	1.2	1.2	1.4	6.8	-4.0	4.3	7.0	-1.6	4.7	7.2	13.0
Benchmark*	-0.9	-0.9	4.9	7.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Morningstar EUR Cautious Allocation - Global Sector	3.9	3.9	1.8	7.7	-4.8	2.4	2.4	1.0	6.1	3.5	7.5

Rolling periods performance

	YTD	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 years
	%	%	%	%	%	%	%	%
M&G (Lux) Optimal Income Fund	-3.8	-2.4	-3.1	-4.6	-3.0	0.8	0.9	2.9
Benchmark*	-4.0	-1.9	-3.9	-5.3	-3.3	1.6	N/A	N/A
Morningstar EUR Cautious Allocation - Global Sector	-3.8	-1.8	-3.1	-3.7	0.0	2.0	1.0	2.3

The benchmark is a comparator used solely to measure the fund's performance and reflects the scope of the fund's investment policy but does not constrain portfolio construction. The fund is actively managed. The fund's holdings may deviate significantly from the benchmark's constituents. The benchmark is not an ESG benchmark and is not consistent with the ESG Criteria.

*1/3 Bloomberg Global Agg Corporate Index EUR Hedged; 1/3 Bloomberg Global High Yield Index EUR Hedged; and 1/3 Bloomberg Global Treasury Index EUR Hedged. The composite index was introduced as the fund's benchmark on 7 September 2018.

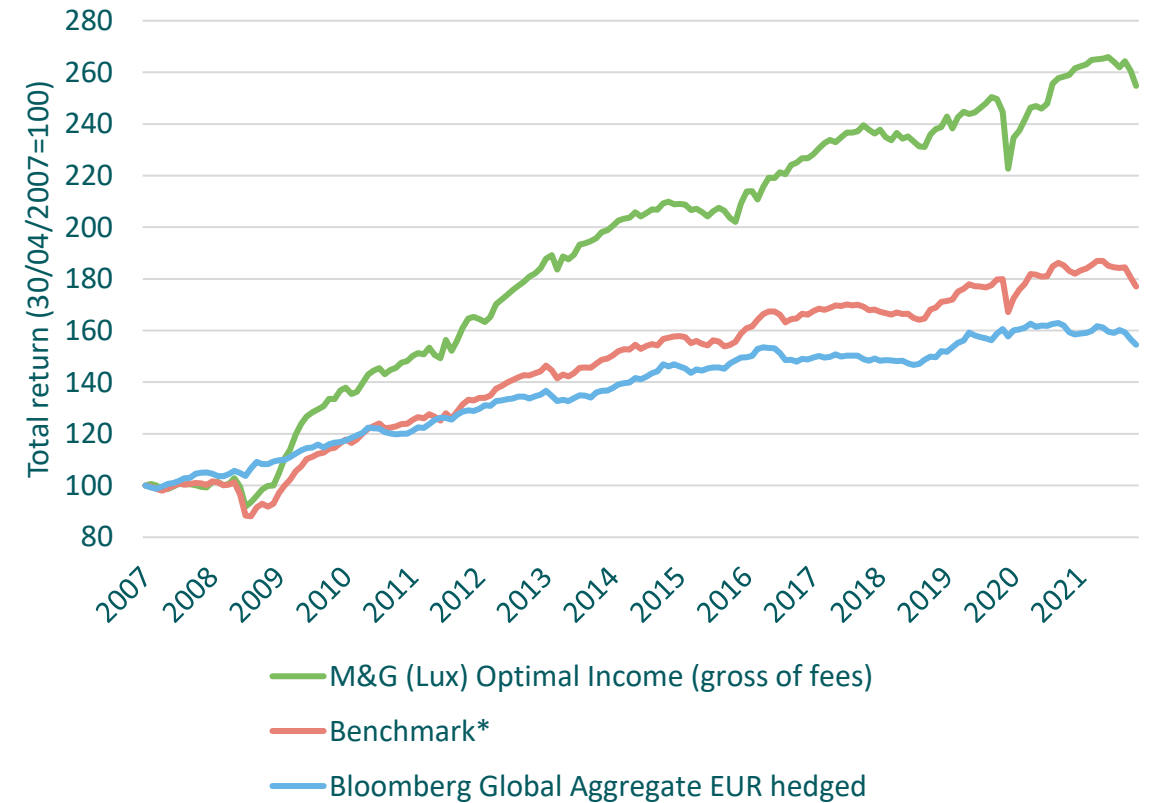
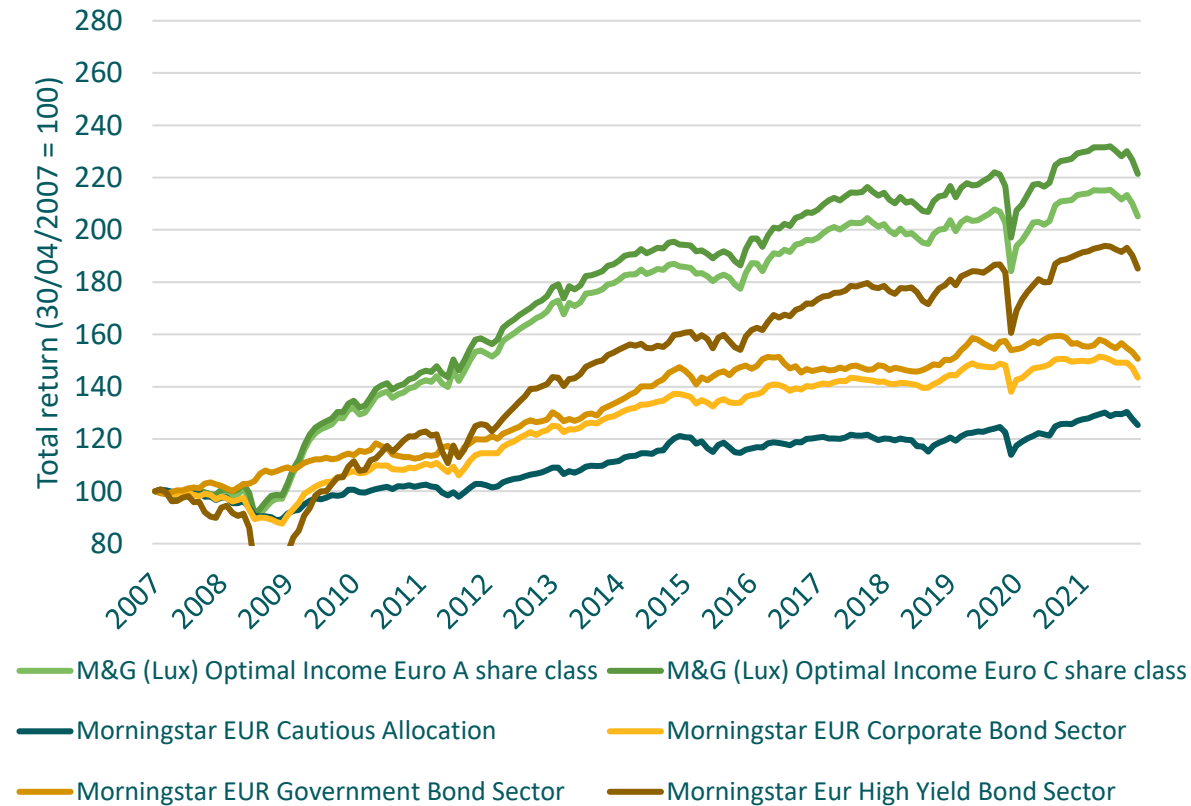
The M&G (Lux) Optimal Income Fund is a highly flexible bond fund with the ability to invest across all the major bond sectors – government, corporate and high yield. Performance of these sectors have been included for comparison purposes to illustrate the advantages of a flexible approach.

Source: Morningstar, Inc., Morningstar wider universe, 28 February 2022, Euro A share class, income reinvested, price to price, net of all fees. Fund performance prior to 5 September 2018 is that of the Euro A-H share class of the M&G Optimal Income Fund (which launched on 20 April 2007), and which merged into this fund on 8 March 2019. Tax rates and charges may differ. **Year to date at most recent quarter.

M&G (Lux) Optimal Income fund

Performance since inception

Past performance is not a guide to future performance



The M&G (Lux) Optimal Income Fund is a highly flexible bond fund that can invest across government, corporate and high yield bond sectors. Each sector has a different level of investment risk, including duration and credit risk, and the fund is subject to these risks given its flexible investment strategy.

The benchmark is a comparator used solely to measure the fund's performance and reflects the scope of the fund's investment policy but does not constrain portfolio construction. The fund is actively managed. The fund's holdings may deviate significantly from the benchmark's constituents. The benchmark is not an ESG benchmark and is not consistent with the ESG Criteria.

*1/3 Bloomberg Global Agg Corporate Index EUR Hedged; 1/3 Bloomberg Global High Yield Index EUR Hedged; and 1/3 Bloomberg Global Treasury Index EUR Hedged. The composite index was introduced as the fund's benchmark on 7 September 2018.

Source: Morningstar, Inc., Morningstar wider universe, 28 February 2022, Euro A share class, income reinvested, price to price, net of all fees. Fund performance prior to 5 September 2018 is that of the Euro A-H share class of the M&G Optimal Income Fund (which launched on 20 April 2007), and which merged into this fund on 8 March 2019. Tax rates and charges may differ.

Duration evolution

M&G (Lux) Optimal Income Fund

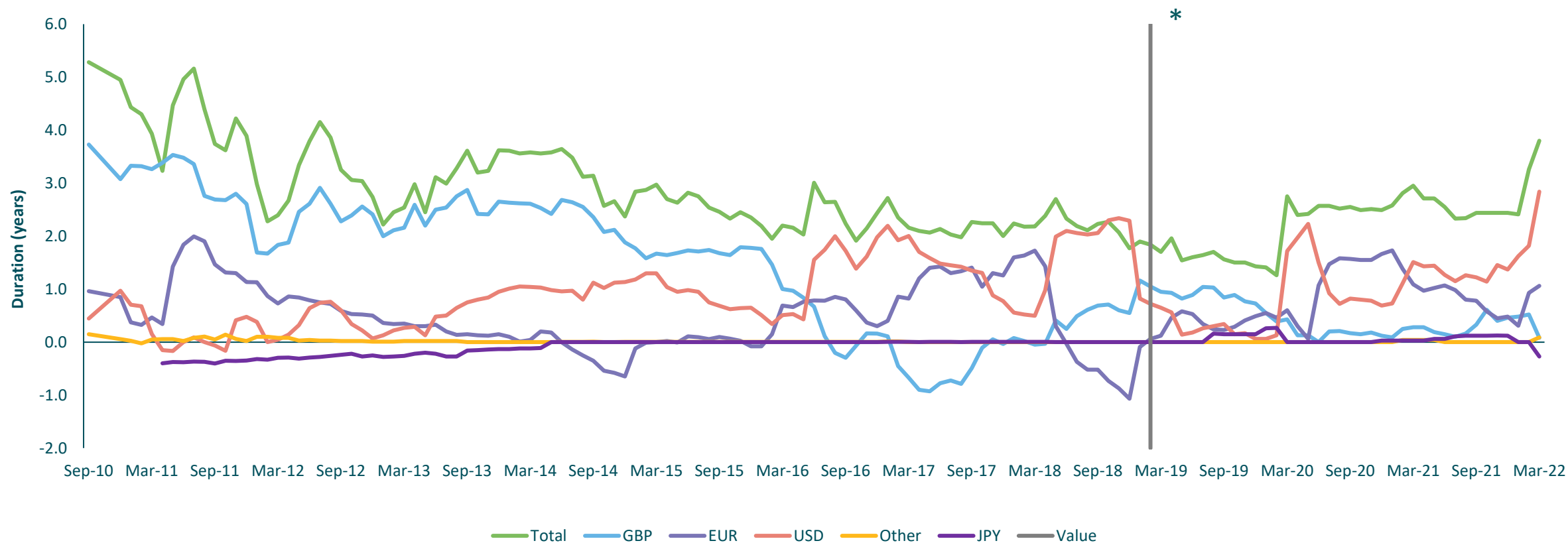


On 8 March 2019, the non-sterling assets of the M&G Optimal Income Fund, a UK-authorised OEIC, merged in the M&G (Lux) Optimal Income Fund, a Luxembourg authorised SICAV, which launched on 5 September 2018. *Data prior to the 8 March 2019 refers to the OEIC.

Please note: Portfolio data is based on internal sources, is unaudited and may differ from information as shown in the Monthly Fund Review. Information is subject to change and is not a guarantee of future results.

Duration contributions

M&G (Lux) Optimal Income Fund



Actively managing duration across markets

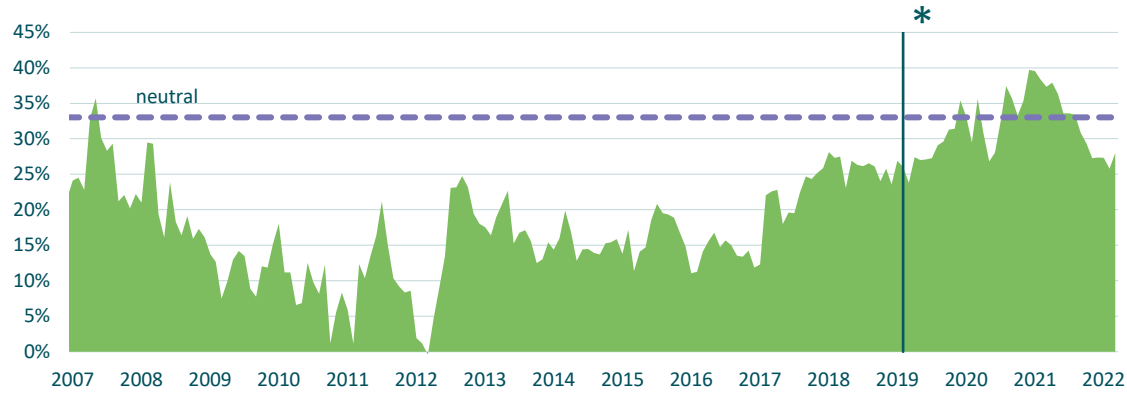
On 8 March 2019, the non-sterling assets of the M&G Optimal Income Fund, a UK-authorized OEIC, merged in the M&G (Lux) Optimal Income Fund, a Luxembourg authorised SICAV, which launched on 5 September 2018. *Data prior to the 8 March 2019 refers to the OEIC.

Please note: Portfolio data is based on internal sources, is unaudited and may differ from information as shown in the Monthly Fund Review. Information is subject to change and is not a guarantee of future results.

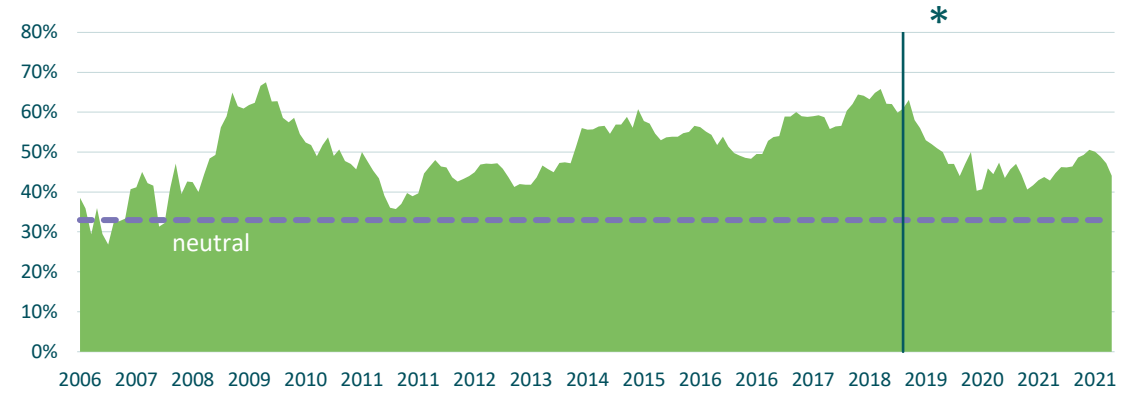
Asset allocation over time

M&G (Lux) Optimal Income Fund

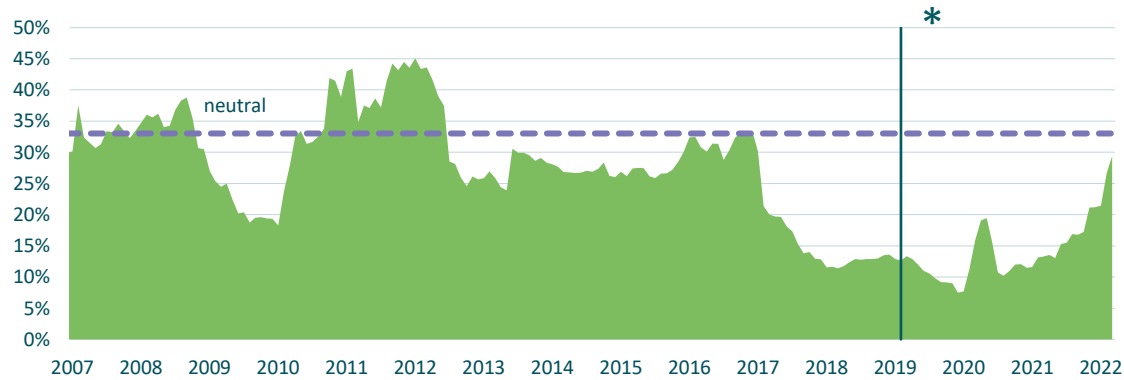
Government bonds (and cash)



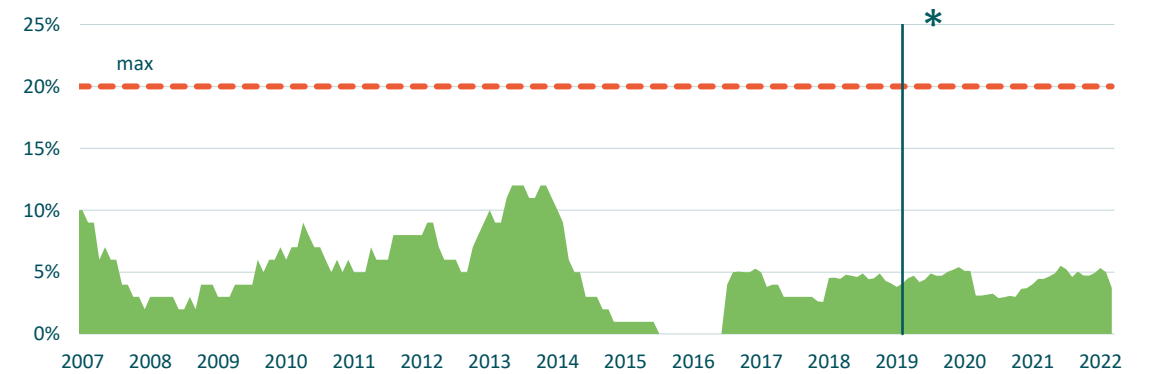
IG corporate



HY corporate



Equity



On 8 March 2019, the non-sterling assets of the M&G Optimal Income Fund, a UK-authorized OEIC, merged in the M&G (Lux) Optimal Income Fund, a Luxembourg authorised SICAV, which launched on 5 September 2018. *Data prior to the 8 March 2019 refers to the OEIC.

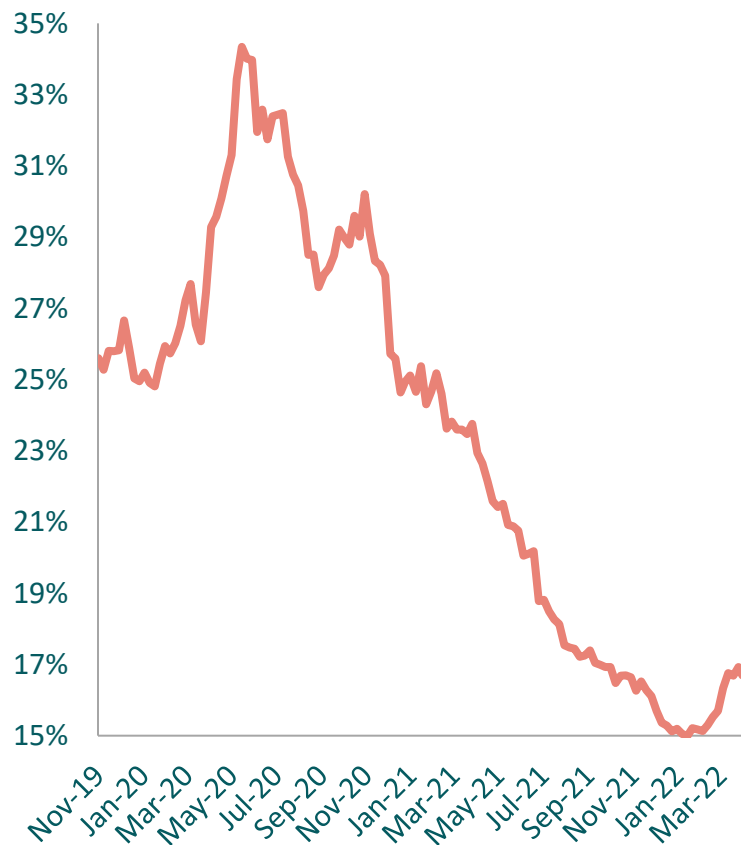
Please note: Portfolio data is based on internal sources, is unaudited and may differ from information as shown in the Monthly Fund Review. Information is subject to change and is not a guarantee of future results.

Source: M&G, 31 March 2022

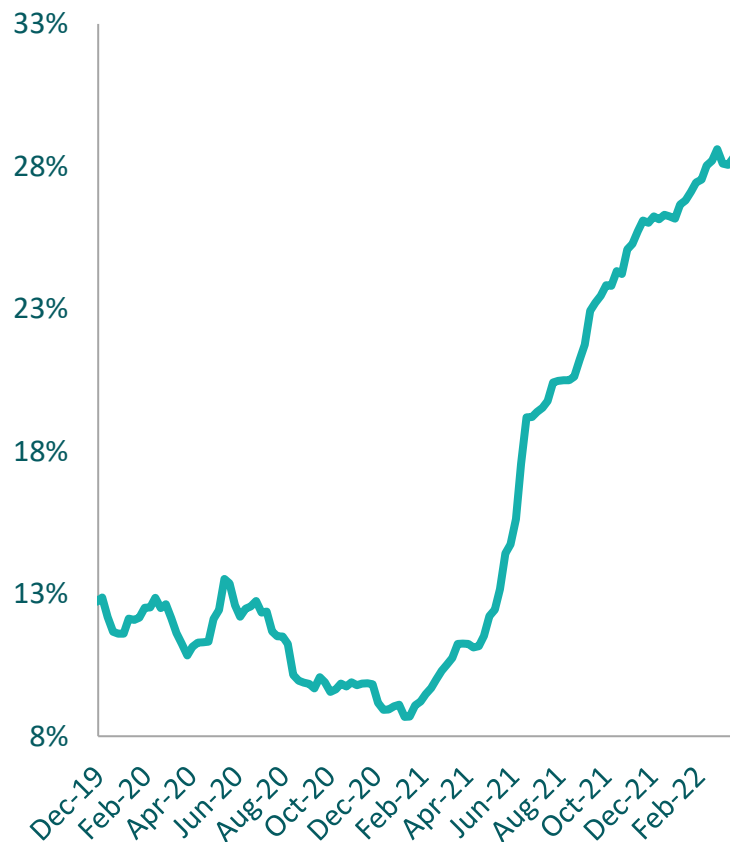
Key changes we made since 2020

M&G (Lux) Optimal Income Fund

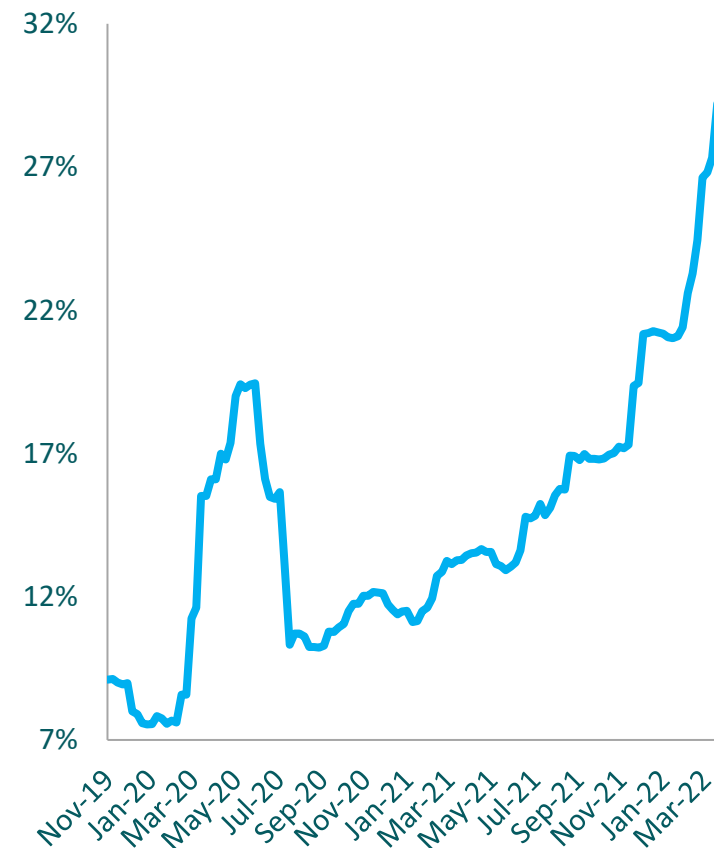
Long dated IG Corp bonds exposure



Financials exposure



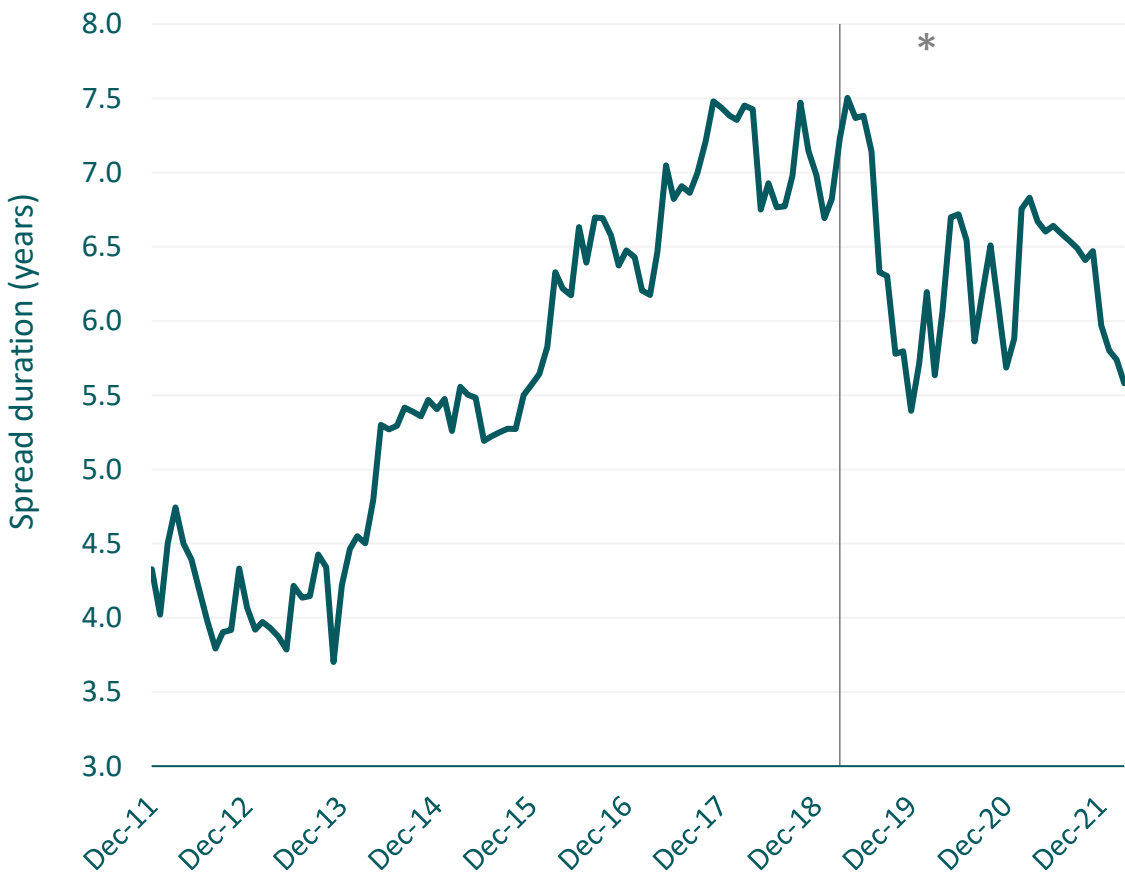
High Yield exposure



Spread duration by asset class

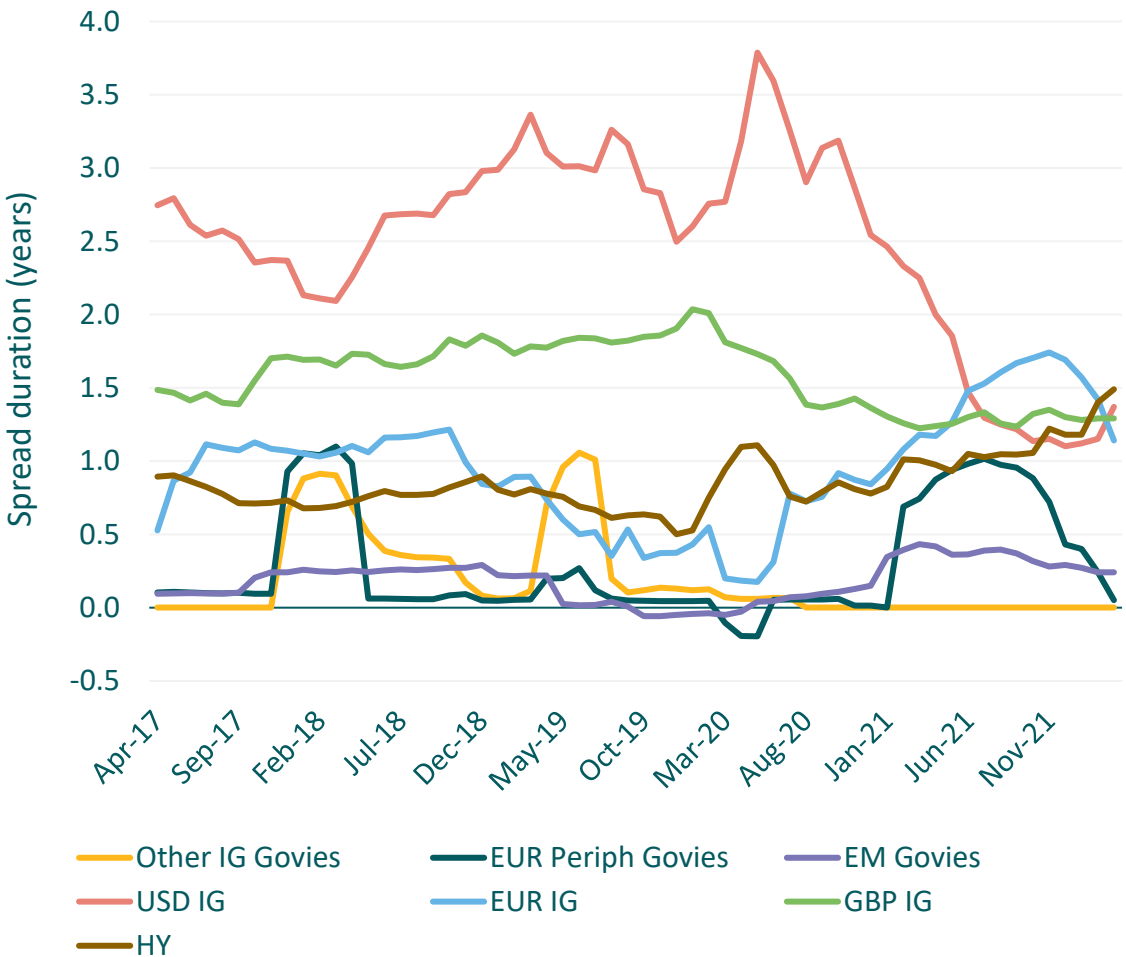
M&G (Lux) Optimal Income Fund

Spread duration over time



On 8 March 2019, the non-sterling assets of the M&G Optimal Income Fund, a UK-authorized OEIC, merged in the M&G (Lux) Optimal Income Fund, a Luxembourg authorized SICAV, which launched on 5 September 2018. *Data prior to the 8 March 2019 refers to the OEIC.

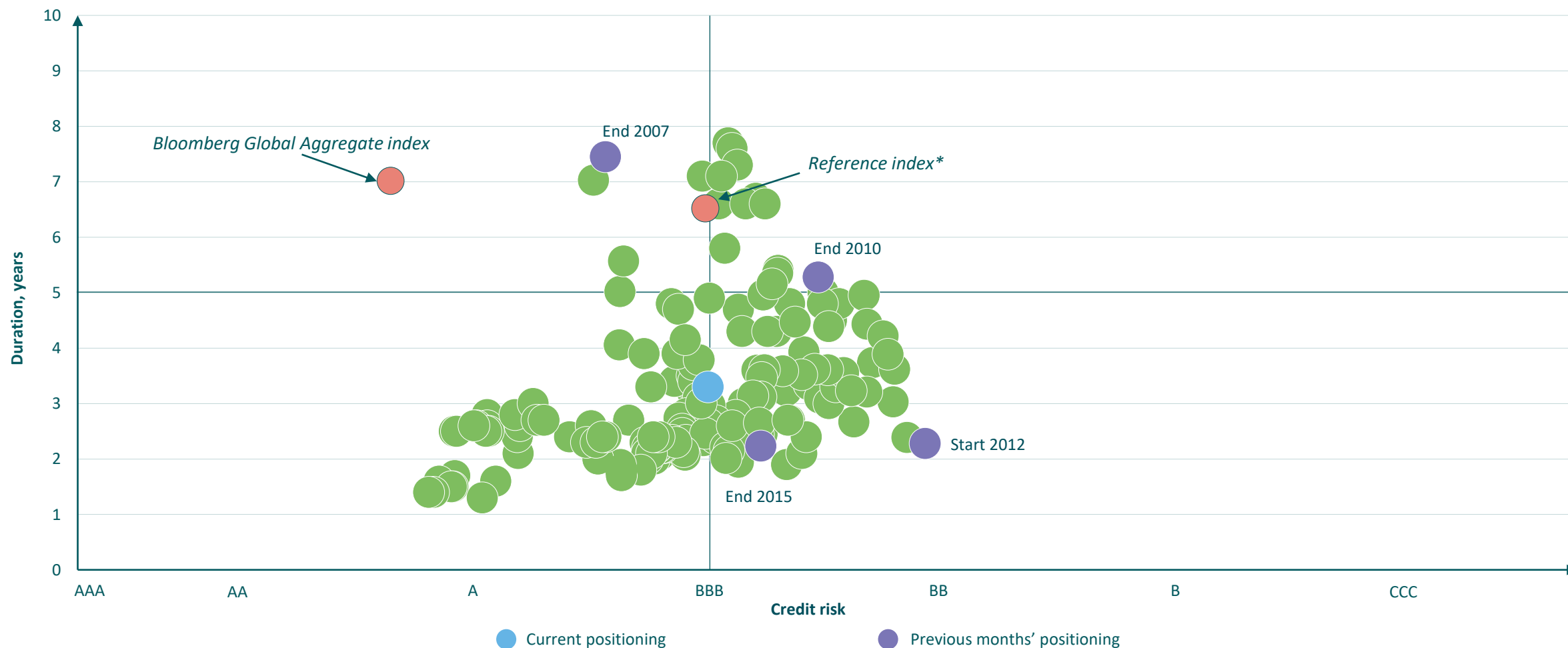
Spread duration contribution



Source: M&G, 30 March 2022. Please note, portfolio data is based on internal sources, is unaudited and may differ from information as shown in the Monthly Fund Review. Information is subject to change and is not a guarantee of future results.

Duration vs credit risk

M&G (Lux) Optimal Income Fund



On 8 March 2019, the non-sterling assets of the M&G Optimal Income Fund, a UK-authorised OEIC, merged in the M&G (Lux) Optimal Income Fund, a Luxembourg authorised SICAV, which launched on 5 September 2018. Data prior to the 8 March 2019 refers to the OEIC.

Note: Equity is considered with a CCC rating. Information is subject to change and is not a guarantee of future results.

*Reference index = 1/3 Bloomberg Barclays Global Treasuries, 1/3 Bloomberg Barclays Global Credit Corp, 1/3 Bloomberg Barclays Global High Yield



APPENDIX

M&G (Lux) Optimal Income Fund as an SFDR Article 8 Fund

Positive ESG tilt + exclusions

2 things have changed

1. Positive ESG tilt

M&G (Lux) Optimal Income Fund will commit to maintain a weighted average ESG score above the average ESG score of the benchmark.

Note: the Fund may nonetheless invest across the full spectrum of ESG ratings (i.e. laggards are still included)

*Current Fund MSCI ESG rating: **A***
Benchmark current MSCI ESG rating: **BBB***

2. Exclusions

M&G (Lux) Optimal Income Fund will exclude companies that do not adhere to commonly accepted standards of behaviour related to human rights, labour rights, environment and anti-corruption

For Companies we will exclude UNGC** violators.
For Sovereigns we will exclude countries deemed not free by the Freedom House index

*UNGC violators in the benchmark: **1.9%***
*Freedom house “not free” in the benchmark: **4.3%***

For further details of the fund's ESG Criteria, please refer to the ESG Criteria document on our website. For further details of our ESG Product Framework, please see the fund's Prospectus, available on our website.

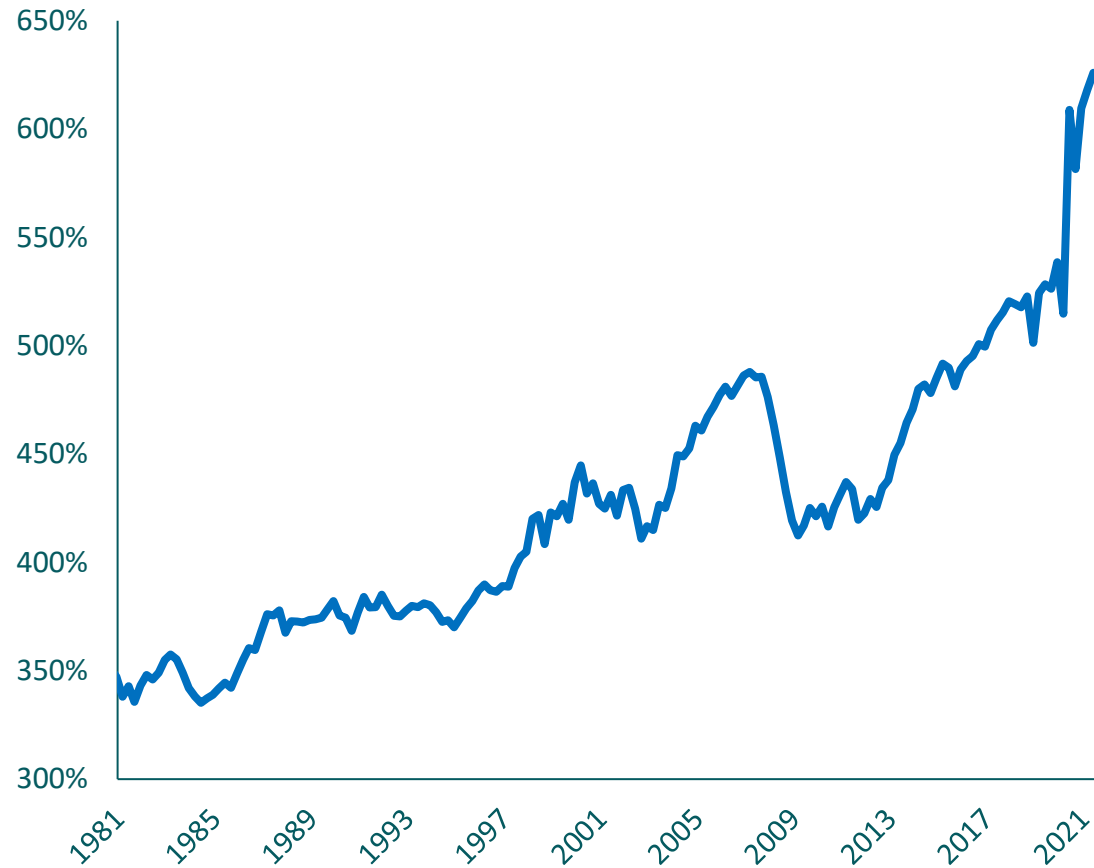
Source: M&G, 8 September 2021. *The benchmark is a comparator used solely to measure the fund's performance and reflects the scope of the fund's investment policy but does not constrain portfolio construction. The fund is actively managed. The fund's holdings may deviate significantly from the benchmark's constituents. The benchmark is not an ESG benchmark and is not consistent with the ESG Criteria. The composite index was introduced as the fund's benchmark on 7 September 2018. 1/3 Bloomberg Barclays Global Corporate Bond index EUR hedged, 1/3 Bloomberg Barclays Global High Yield index EUR hedged, 1/3 Bloomberg Barclays Global Treasury index EUR hedged.

**United Nations Global Compact, a set of principles aiming to encourage businesses to adopt sustainable and socially responsible policies.

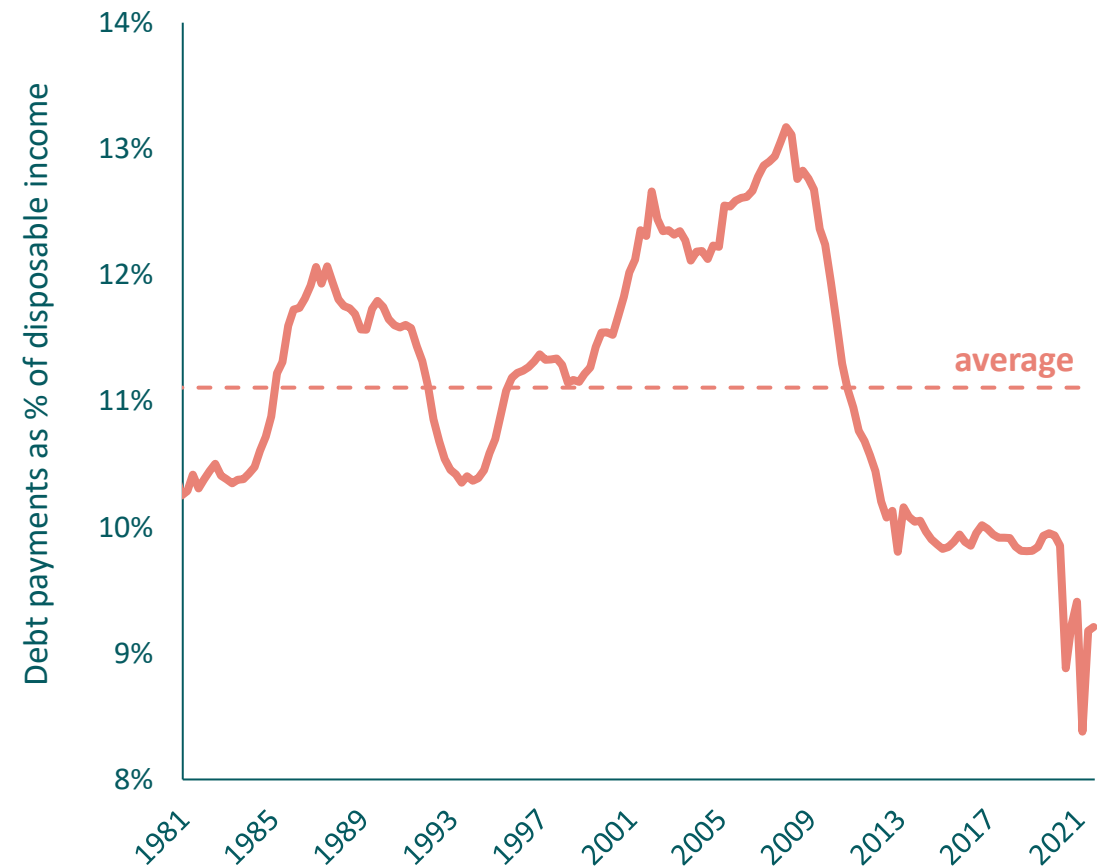
Households are in a strong financial position

Net worth at an all-time high while debt payments as % of income at an all-time low

Household net worth as % of GDP

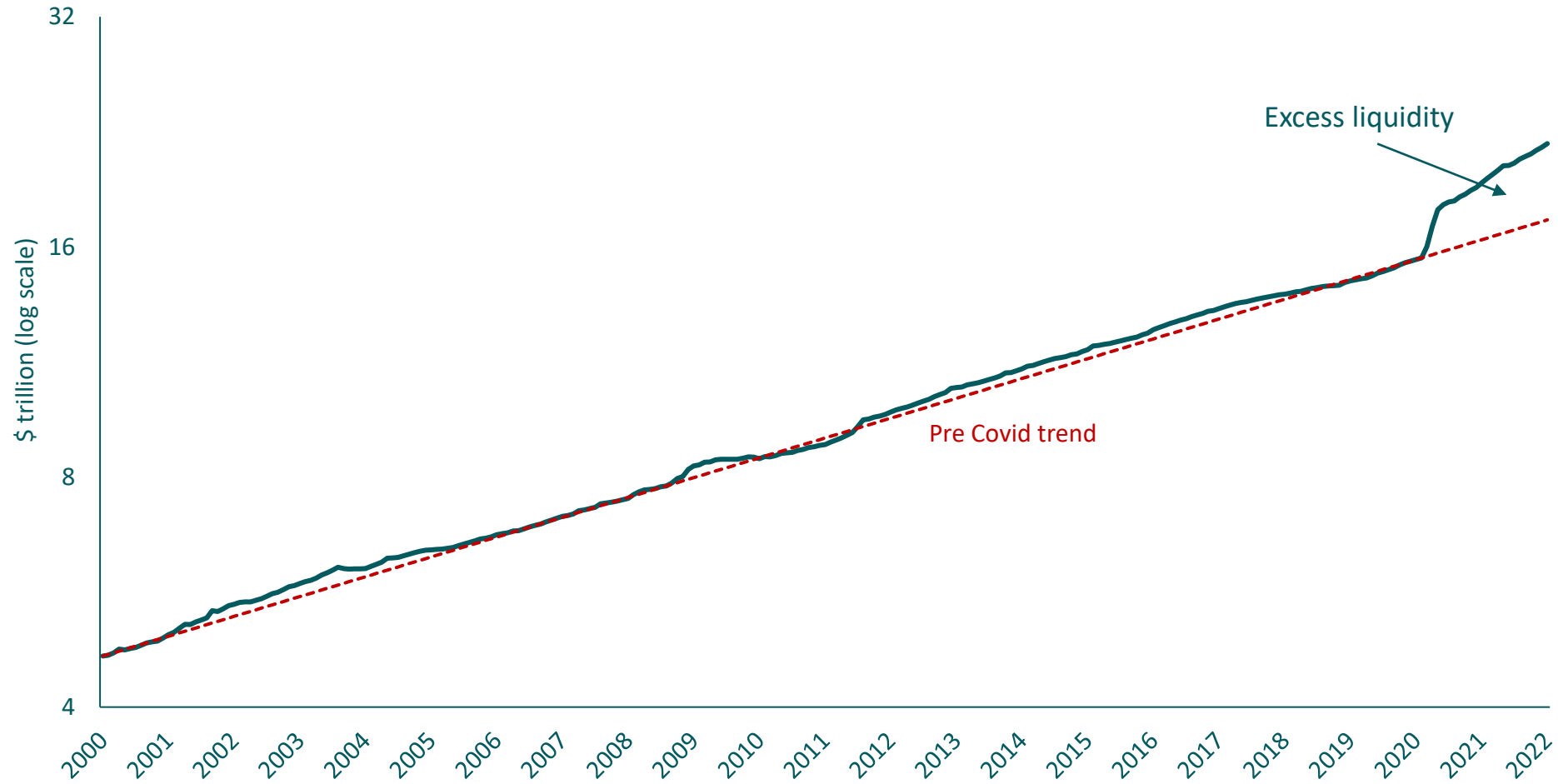


Debt payments as % of disposable income



Excess liquidity increased significantly during the pandemic

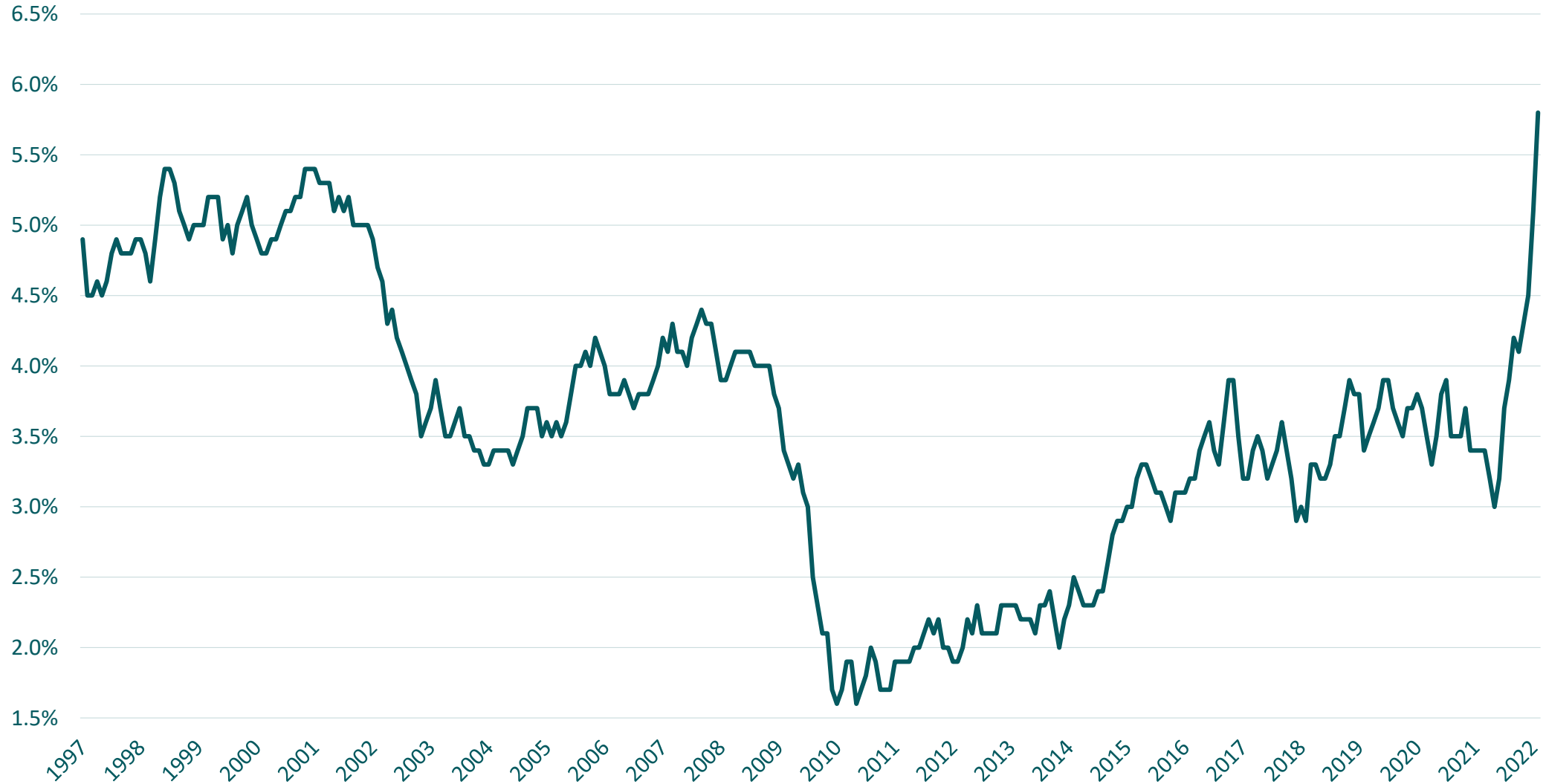
Money supply (M2)



Source: M&G, Bloomberg, Fed Z-1 financial accounts, 31 January 2022. M2 is a classification of money supply. It includes M1 – which is comprised of cash outside of the private banking system plus current account deposits – while also including capital in savings accounts, money market accounts and retail mutual funds, and time deposits of under \$100,000. M2 is a broader classification than M1. Information is subject to change and is not a guarantee of future results.

Wages are rising

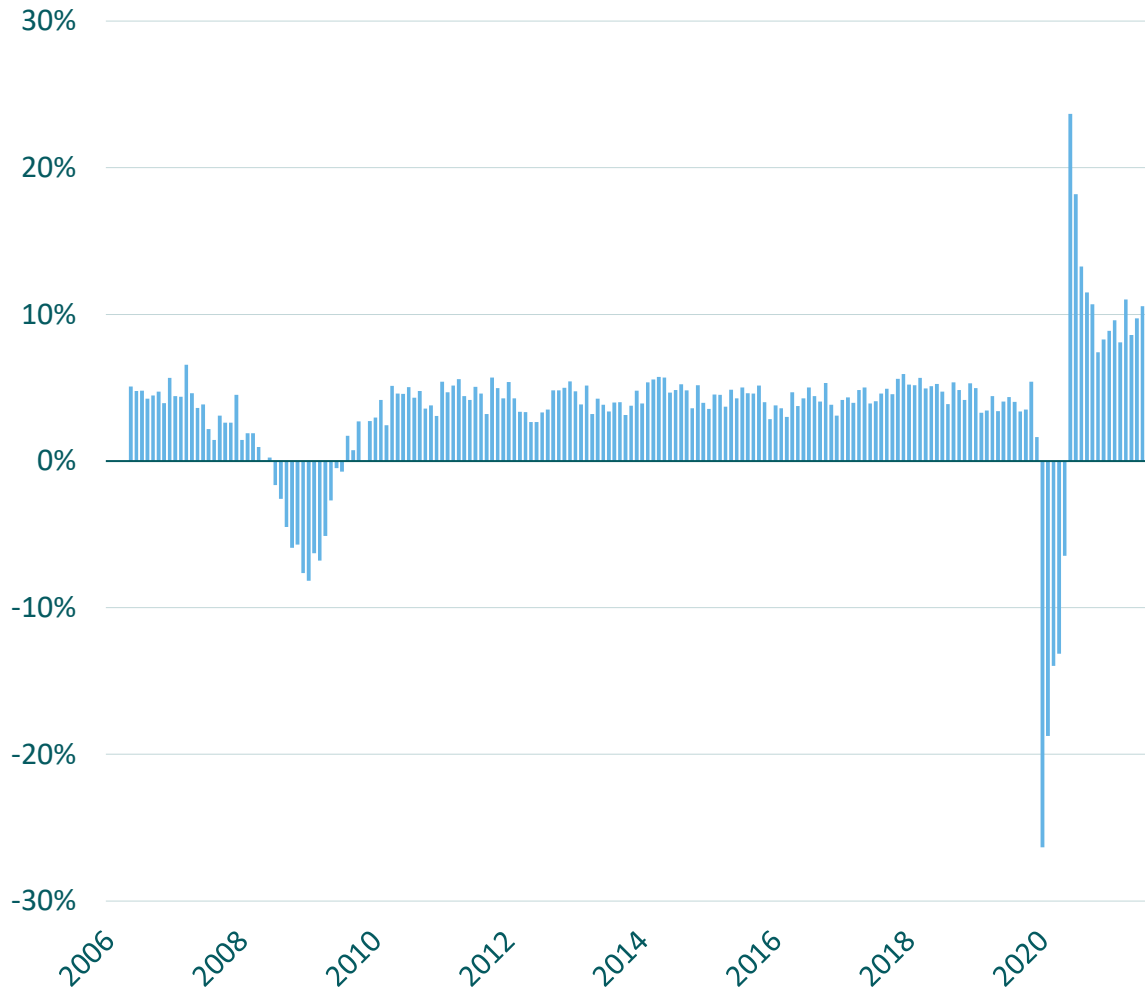
Atlanta Fed wage growth tracker



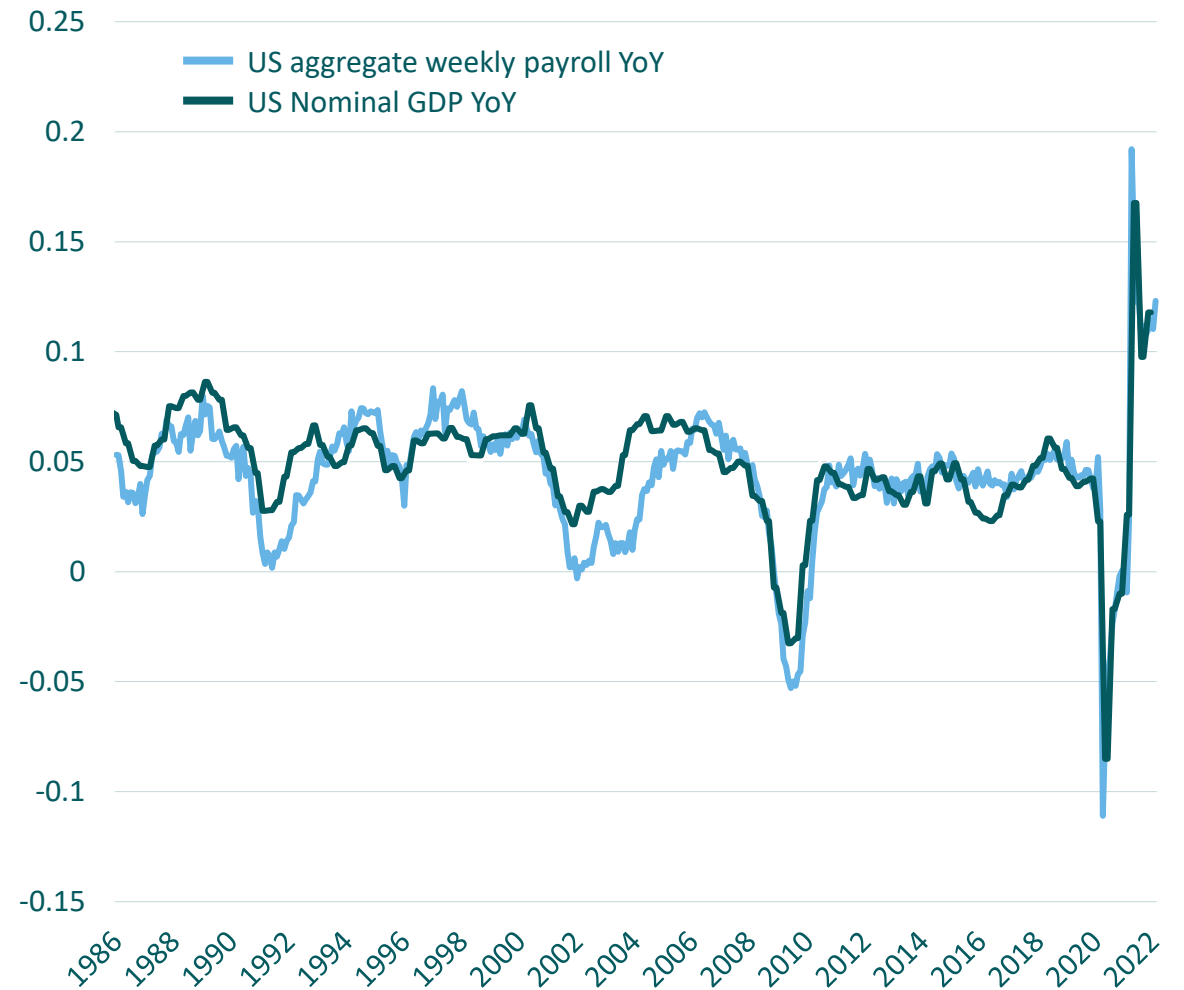
Aggregate weekly payroll and nominal GDP

Nominal spending capacity has increased significantly

US aggregate weekly payroll MoM change (simple moving average)

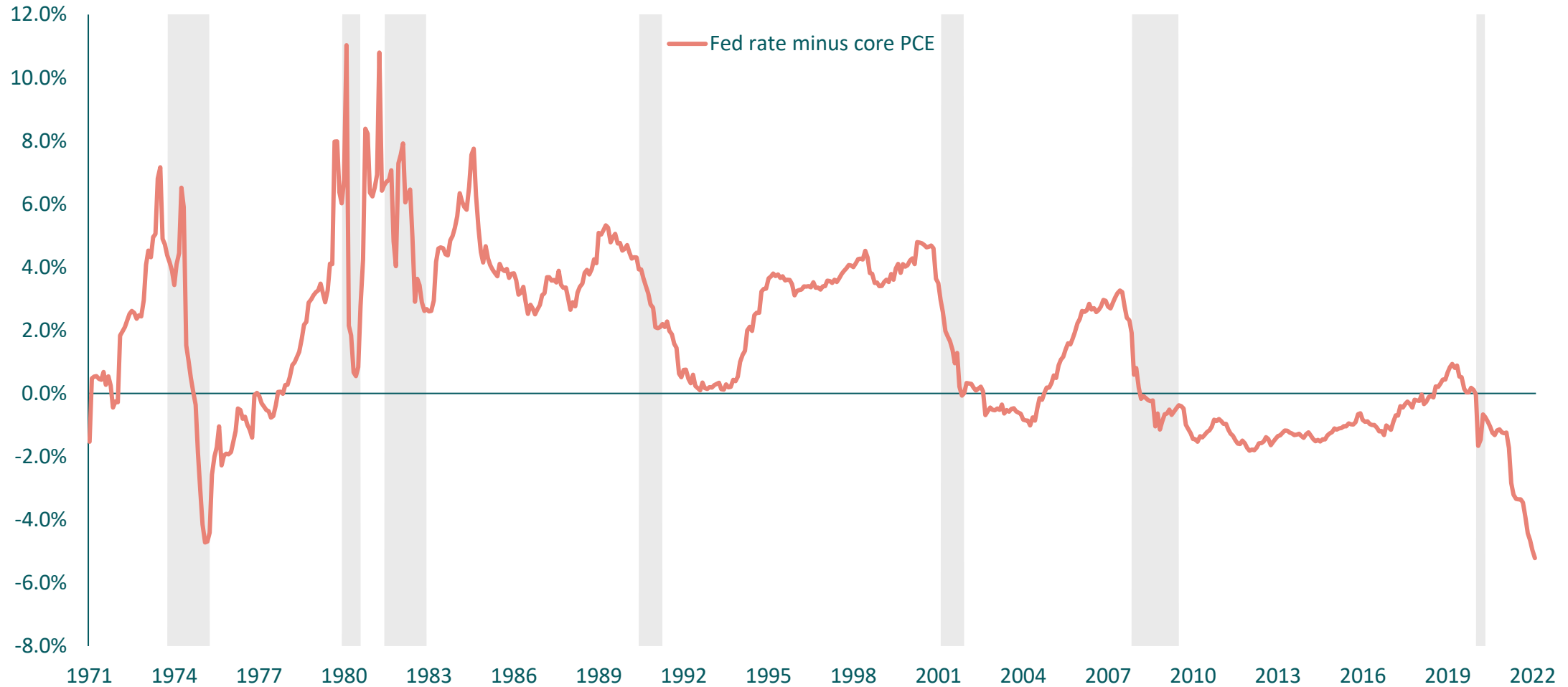


US aggregate weekly payroll YoY vs US nominal GDP YoY



Real rates over time

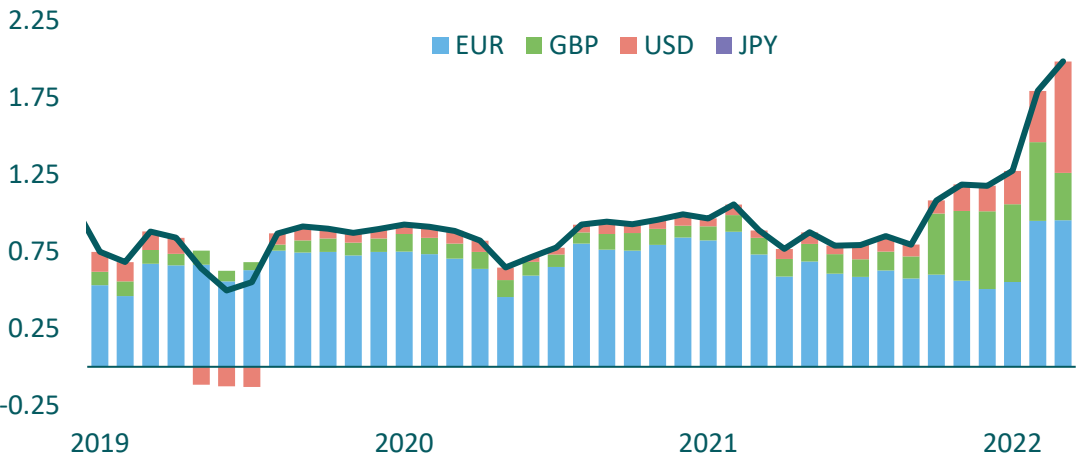
Fed is well behind the curve



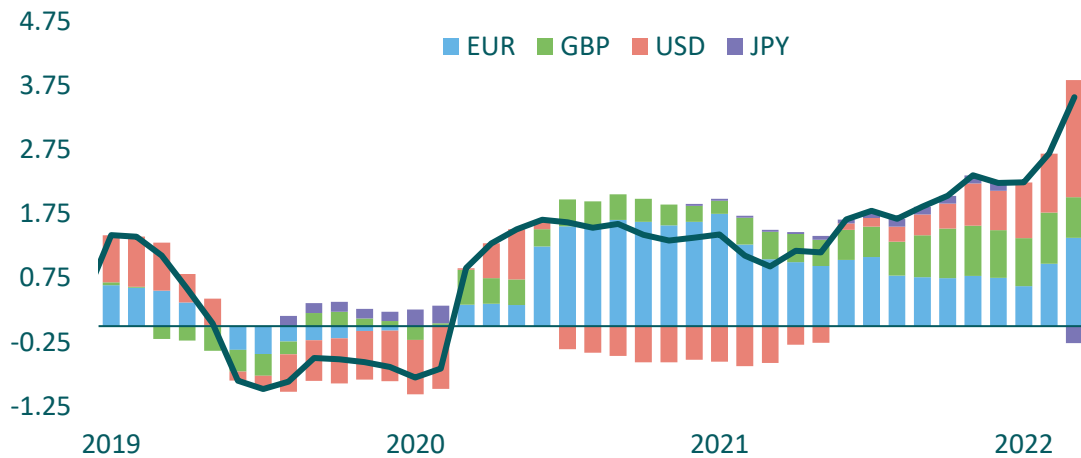
Duration by currency and maturity

M&G (Lux) Optimal Income Fund

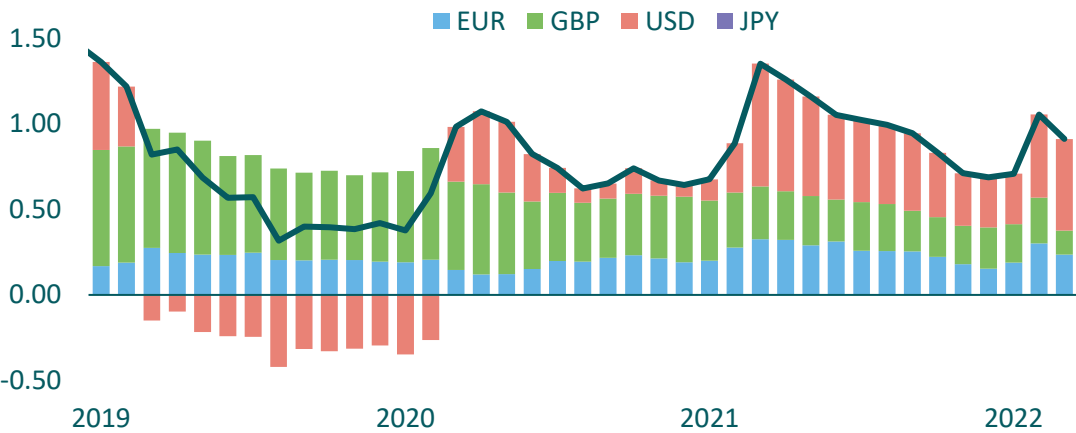
0-5 years



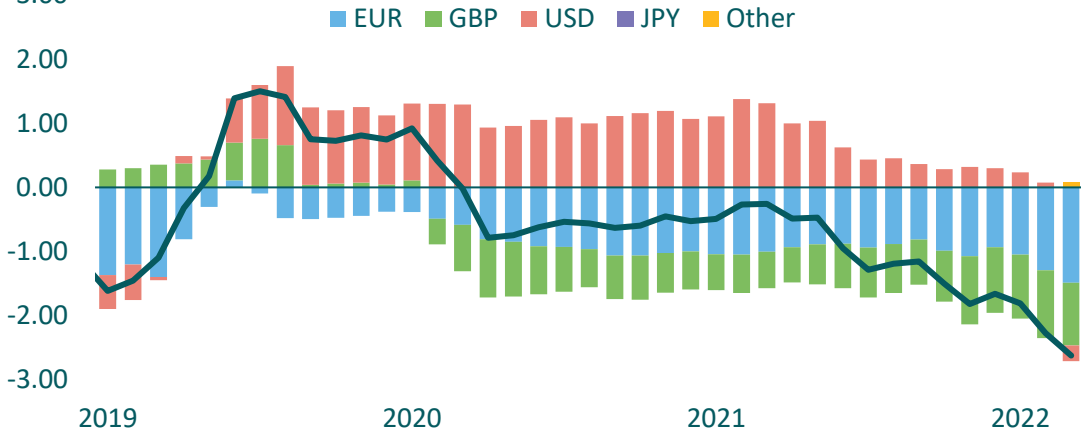
5-10 years



10-15 years



15+ years



Source: M&G, 30 March 2022. Please note, portfolio data is based on internal sources, is unaudited and may differ from information as shown in the Monthly Fund Review. Information is subject to change and is not a guarantee of future results.

For Investment Professionals and Institutional Investors only. Not for onward distribution. No other persons should rely on any information contained within.

Distribution of this document in or from Switzerland is not permissible with the exception of the distribution to Qualified Investors according to the Swiss Collective Investment Schemes Act, the Swiss Collective Investment Schemes Ordinance and the respective Circular issued by the Swiss supervisory authority ("Qualified Investors"). Supplied for the use by the initial recipient (provided it is a Qualified Investor) only.

In Spain the M&G Investment Funds are registered for public distribution under Art. 15 of Act 35/2003 on Collective Investment Schemes as follows: M&G (Lux) Investment Funds 1 reg. no 1551

The collective investment schemes referred to in this document (the "Schemes") are open-ended investment companies with variable capital, incorporated in Luxembourg.

In the Netherlands, all funds referred to, are UCITS and registered with the Dutch regulator, the AFM. M&G Luxembourg S.A. is the manager of the UCITS referred to in this document. Registered Office: 16, boulevard Royal, L 2449, Luxembourg.

This information is not an offer or solicitation of an offer for the purchase of investment shares in one of the funds referred to herein. Purchases of a fund should be based on the current Prospectus. The Instrument of Incorporation, Prospectus, Key Investor Information Document, annual or interim Investment Report and Financial Statements, are available free of charge, in English or your local language (unless specified below) in paper form, from M&G International Investments S.A. or one of the following – the Luxembourg paying agent Société Générale Bank & Trust SA, Centre operational 28-32, place de la Gare L 1616 Luxembourg; the Danish paying agent: Nordea Danmark, Filial af Nordea Bank Abp, Finland, Issuer Services, Postbox 850, Reg.no. 5528, DK-0900 Copenhagen C; Allfunds Bank, Calle Estafeta, No 6 Complejo Plaza de la Fuente, La Moraleja, 28109, Alcobendas, Madrid, Spain; M&G International Investments S.A. French branch; from the French centralising agent of the fund: RBC Investors Services Bank France; or from the Swedish paying agent: Nordea Bank AB (publ), Smålandsgatan 17, 105 71 Stockholm, Sweden. For Switzerland, please refer to M&G International Investments Switzerland AG, Talstrasse 66, 8001 Zurich or Société Générale, Paris, Zurich Branch, Talacker 50, P.O. Box 5070, 8021 Zurich, which acts as the Swiss representative of the Schemes (the "Swiss Representative") and acts as their Swiss paying agent.

For Italy, they can also be obtained on the website: www.mandgitalia.it. For the Netherlands, they are available online at www.mandg.com/investments/nl and for more information concerning the Key Investor Information Document, please refer to www.afm.nl/ebi. For Ireland, they are available in English language and can also be obtained from the Irish facilities agent, Société Générale SA, Dublin Branch, 3rd Floor IFSC House – The IFSC Dublin 1, Ireland.

Before subscribing investors should read the Prospectus and Key Investor Information Document, which includes a description of the investment risks relating to these funds. The value of the assets managed by the funds may greatly fluctuate as a result of the investment policy. M&G International Investments S.A. may terminate arrangements for marketing under the new Cross-Border Distribution Directive denotification process.

The information contained herein is not a substitute for independent investment advice.

Complaints handling information is available in English or your local language from

Luxembourg: www.mandg.com/investments/professional-investor/en-lu/complaints-dealing-process

Ireland: www.mandg.com/investments/professional-investor/en-ie/complaints-dealing-process

Belgium: www.mandg.com/investments/professional-investor/en-be/complaints-dealing-process

Denmark: www.mandg.com/investments/professional-investor/en-dk/complaints-dealing-process

Norway: www.mandg.com/investments/professional-investor/en-no/complaints-dealing-process

Netherlands: www.mandg.com/investments/professional-investor/en-nl/complaints-dealing-process

Sweden: www.mandg.com/investments/professional-investor/en-se/complaints-dealing-process

Finland: www.mandg.com/investments/professional-investor/en-fi/complaints-dealing-process

Spain: www.mandg.com/investments/professional-investor/es-es/complaints-dealing-process

Italy: www.mandg.com/investments/professional-investor/it-it/complaints-dealing-process

Portugal: www.mandg.com/investments/private-investor/pt-pt/complaints-dealing-process

France: www.mandg.com/investments/professional-investor/fr-fr/complaints-dealing-process

This financial promotion is issued by M&G International Investments S.A. Registered Office: 16, boulevard Royal, L 2449, Luxembourg. The Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários, the "CMVM") has received a passporting notification under Directive 2009/65/EC of the European Parliament and of the Council and the Commission Regulation (EU) 584/2010 enabling the fund to be distributed to the public in Portugal.