

Impact investing with M&G



M&G (Lux) Positive Impact Fund

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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.

Previously, impact investing was mostly restricted to high net worth individuals or institutional investors. But today, it is easily accessible for individual investors through global impact equity funds. This article covers how impact investing is different to other types of responsible investing, and takes a closer look at one of M&G's global impact equity funds, the M&G (Lux) Positive Impact Fund.

An overview of impact investing

Impact investors aim to find companies that deliver meaningful societal outcomes by addressing the world's major social and environmental challenges, while also producing a financial return.

The investor (and underlying companies) must set out to make an **intentional** positive impact, rather than it being a by-product of their usual activities. Impact investors will also look at **materiality** – the level to which a company contributes to a particular goal or issue, usually as a percentage of overall revenue. Finally, the positive impact should be **measurable**.

Why choose impact investing?

- Clients can contribute towards positive environmental and social outcomes, without sacrificing financial returns.
- Impact investment strategies can take advantage of the large flows of capital currently being deployed towards seeking to deal with some of the world's most pressing challenges, such as climate change and social inequality.
- Global impact funds can be held as part of a wider global equity strategy.

The M&G (Lux) Positive Impact Fund

The fund belongs to a range of impact funds managed by M&G, and it invests in companies across six areas that are aligned with the UN's Sustainable Development Goals (SDGs)*.

Three of these areas are environmental: climate action, environmental solutions, and circular economy. The

others are social: social inclusion, better work and education, and better health/saving lives. In addition, when selecting stocks, the fund manager also screens out companies from a number of industries including alcohol, gambling, coal mining and fossil fuel extraction.

Every holding in the fund is assigned a key impact indicator (KII). This is used to track their progress in a particular impact area over time. For example, how much CO2 emissions have been avoided, or how many lives have been saved.

"I believe that not only is impact investing the purest and most honest end point for purposeful investors, but I also believe it has the potential to provide superior investment returns – when executed with care."

John William Olsen

Portfolio construction

The M&G (Lux) Positive Impact Fund is a global equity fund, holding a concentrated portfolio of 30-40 shares of companies, across any sector and of any size, from anywhere in the world, including emerging markets, which it aims to hold for the long term. Before a company can be held in the fund, it must be approved unanimously by M&G's Positive Impact team. The company will be evaluated in three areas as part of M&G's 'Triple I' framework:

- **Investment** – the company’s business model, competitive position, capital allocation and business risks.
- **Intention** – the company’s mission statement and purpose, how its activities align with these, and its internal culture.
- **Impact** – the balance of positive and negative impacts, and how measurable and material the positive impacts are.

Example holdings**

- **Ørsted.** Wind power company, saved **13.1m** tonnes of CO2 emissions.
- **DS Smith.** Sustainable packaging manufacturer, saved **~59m** trees.
- **ALK-Abelló.** Allergy immunotherapy producer, treated **~2m** patients.
- **HDFC Bank.** Indian financial services business, opened **2.4m** accounts across underserved populations.
- **Helios Towers.** Cellular tower company, covered **107m** people across Sub-Saharan Africa.

The fund benchmark’s is the MSCI ACWI Net Return Index. The benchmark is a comparator against which the fund’s performance can be measured. It is a net return index which includes dividends after the deduction of withholding taxes. The index has been chosen as the fund’s benchmark as it best reflects the scope of the fund’s investment policy. The benchmark is used solely to measure the fund’s performance and does not constrain the fund’s portfolio construction. The fund is actively managed. The fund has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund’s holdings may deviate significantly from the benchmark’s constituents.

*While we support the UN SDGs, please note that we are not affiliated with and our funds are not endorsed by the UN.

**As at February 2022. Impact data for the year 2020, the latest available. Data supplied by the companies.

Key risks associated with this fund

The fund holds a small number of investments, and therefore a fall in the value of a single investment may have a greater impact than if it held a larger number of investments.

The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investment.

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.

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.

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 risks associated with the fund can be found in the fund’s Key Investor Information Document.

Other important information:

The fund invests mainly in company shares and is therefore likely to experience larger price fluctuations than funds that invest in bonds and/or cash.

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.

For an explanation of technical terms, please refer to the glossary: via the link <https://www.mandg.com/dam/global/shared/en/documents/glossary-master-en.pdf>

For European investors, the fund’s sustainability-related disclosures can be found on the relevant country website below:

Luxembourg:

<https://www.mandg.com/investments/professional-investor/en-lu/funds/mg-lux-positive-impact-fund/lu1854107148#sustainability>

Austria:

<https://www.mandg.com/investments/professional-investor/de-at/funds/mg-lux-positive-impact-fund/lu1854107148#sustainability>

Belgium:

<https://www.mandg.com/investments/professional-investor/en-be/funds/mg-lux-positive-impact-fund/lu1854107148#sustainability>

Denmark:

<https://www.mandg.com/investments/professional-investor/en-dk/funds/mg-lux-positive-impact-fund/lu1854107148#sustainability>

Finland:

<https://www.mandg.com/investments/professional-investor/en-fi/funds/mg-lux-positive-impact-fund/lu1854107148#sustainability>

France:

<https://www.mandg.com/investments/professional-investor/fr-fr/funds/mg-lux-positive-impact-fund/lu1854107148#sustainability>

Germany:

<https://www.mandg.com/investments/professional-investor/de-de/funds/mg-lux-positive-impact-fund/lu1854107148#sustainability>

Greece: <https://www.mandg.com/investments/private-investor/en-gr/funds/mg-lux-positive-impact-fund/lu1854107148#sustainability>

Ireland:

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Liechtenstein:

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Netherlands:

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Norway:

<https://www.mandg.com/investments/professional-investor/en-no/funds/mg-lux-positive-impact-fund/lu1854107148#sustainability>

Portugal: <https://www.mandg.com/investments/private-investor/pt-pt/solucoes/os-nosso-fundos>

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UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE



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