

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



M&G (Lux) Optimal Income Fund

Richard Woolnough, Stefan Isaacs and Anjulie Rusius

Investment professionals 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. 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.

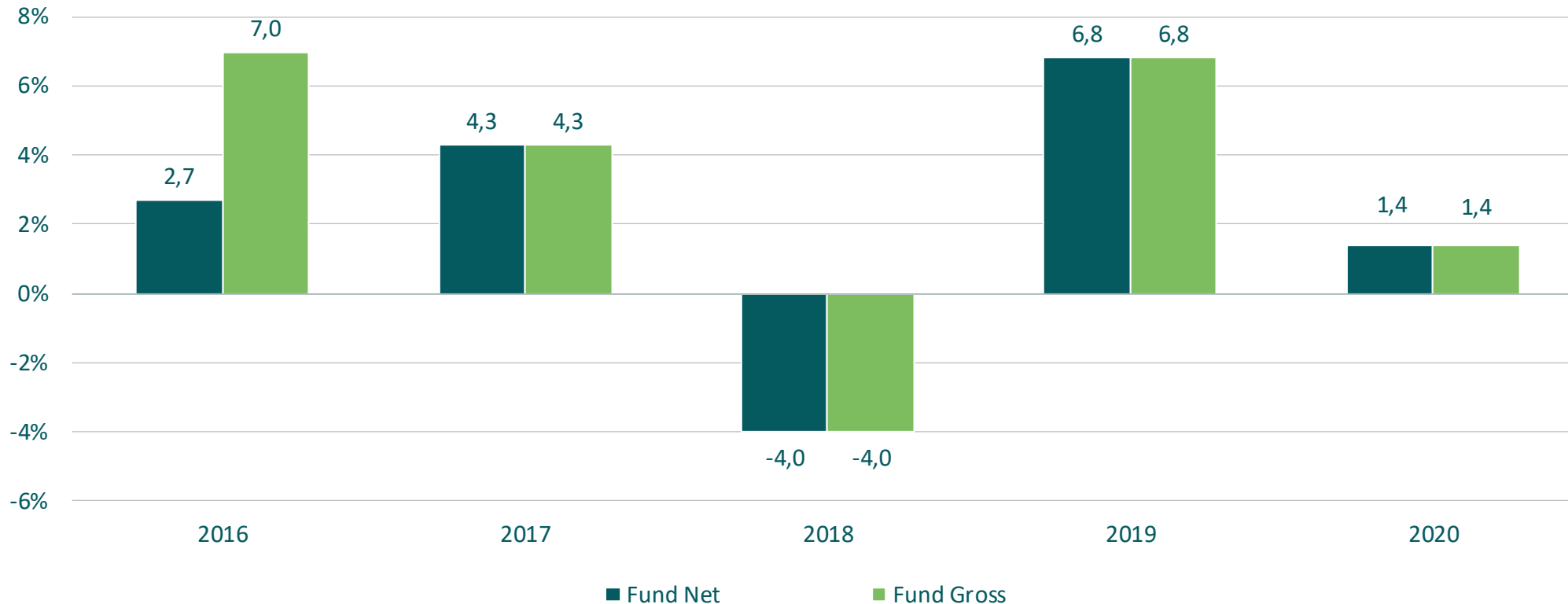
The views expressed in this document should not be taken as a recommendation, advice or forecast.

It is also important to note that

The Fund allows for the extensive use of derivatives.

M&G (Lux) Optimal Income Fund

Calendar-year performance

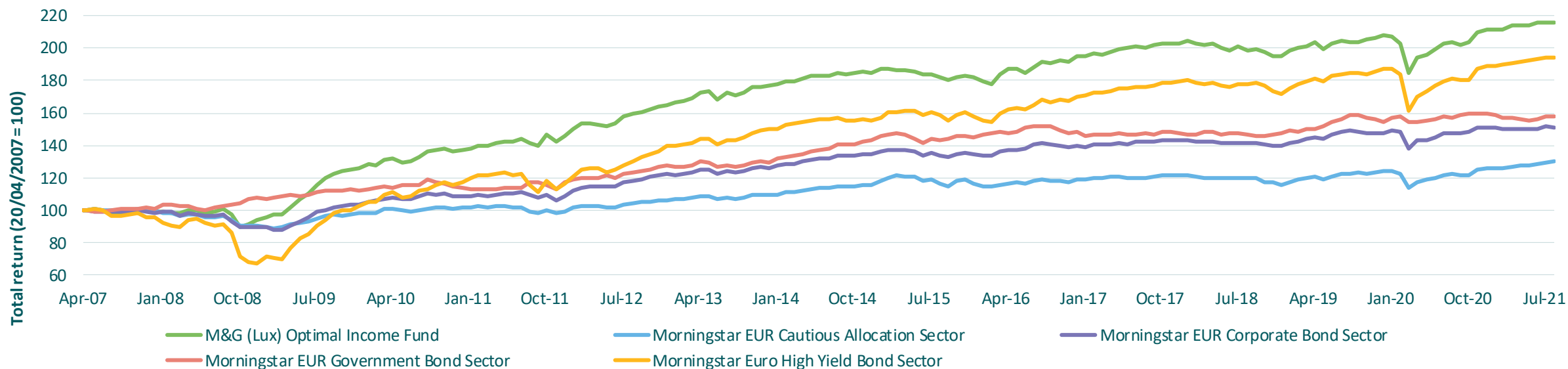


Past performance is not a guide to future performance

Gross = performance after fees but before any entry charge is taken into account. Net = performance after fees but after any entry charge has been taken into account. The maximum allowable entry charge of 4,00% (i.e. €40,00 for an investment of €1000) is deducted in the first investment year. This means the gross/net figures differ solely in that year. Other charges may reduce performance

Calendar year performance in Euros

M&G (Lux) Optimal Income Fund



	YTD	2020	2019	2018	2017	2016
	%	%	%	%	%	%
M&G (Lux) Optimal Income Fund	2.0	1.4	6.8	-4.0	4.3	7.0
Benchmark*	0.4	4.9	7.8	N/A	N/A	N/A

Past performance is not a guide to future performance

The benchmark is a comparator against which the fund's performance can be measured. The composite 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 investment manager 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.

*1/3 Bloomberg Barclays Global Agg Corporate Index EUR Hedged; 1/3 Bloomberg Barclays Global High Yield Index EUR Hedged; and 1/3 Bloomberg Barclays 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, 31 August 2021, 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.

Biographies

Richard Woolnough



- Joined M&G in January 2004 from Old Mutual
- Richard is the fund manager of the M&G Corporate Bond Fund since February 2004 and M&G Strategic Corporate Bond Fund since launch in February 2004
- He is also the fund manager of M&G Optimal Income Strategy since launch in December 2006.
- He has 30 years experience in fixed income markets

Stefan Isaacs



- Stefan Isaacs is Deputy CIO of Public Fixed Income and Head of M&G's Wholesale Fixed Income business.
- He joined M&G as a graduate in 2001 and was appointed fund manager of the M&G European Corporate Bond Fund in April 2007, the M&G Global High Yield Bond Fund in October 2010 and co-fund manager of the M&G Global High Yield ESG Bond Fund upon launch in February 2020.
- He is co-fund manager of the Luxembourg-domiciled SICAVs, the M&G (Lux) Floating Rate High Yield Solution, launched in August 2017 and the M&G (Lux) Global High Yield ESG Bond Fund, launched in October 2017.
- Stefan is also deputy fund manager of the M&G Optimal Income strategy and the M&G Global Floating Rate High Yield strategy.

Anjulie Rusius



- Anjulie Rusius has worked within the M&G fixed income team since 2013, initially as a fund managers' assistant, before being promoted to junior manager in September 2015 and, in January 2018 as deputy manager of the Gilt and Fixed Interest Income and Index-Linked Bond strategies.
- Focused initially on the UK government bond funds, she expanded her coverage to developed market sovereign bonds, the global macro funds and global credit.
- Prior to working in the fixed income team, Anjulie spent five years working in Counterparty Credit Risk at M&G.
- Anjulie completed a BA degree in economics at the University of Cambridge and holds the Investment Management Certificate (IMC).

Agenda

1. **Macro and credit views**

2. Fund positioning

3. Transition to Art. 8

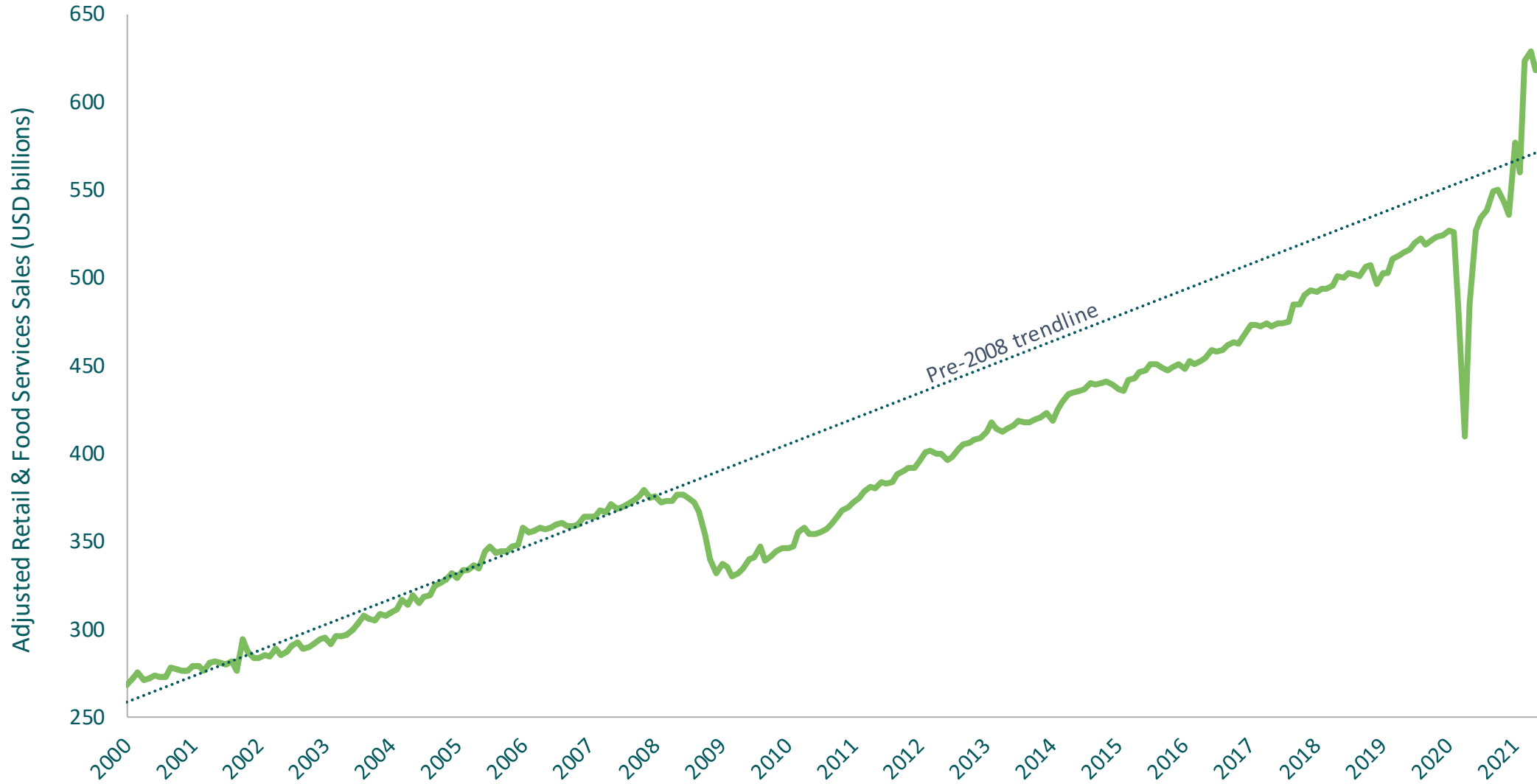
A record collapse followed by a record rebound

US quarterly real GDP



Economies are reopening and people are spending

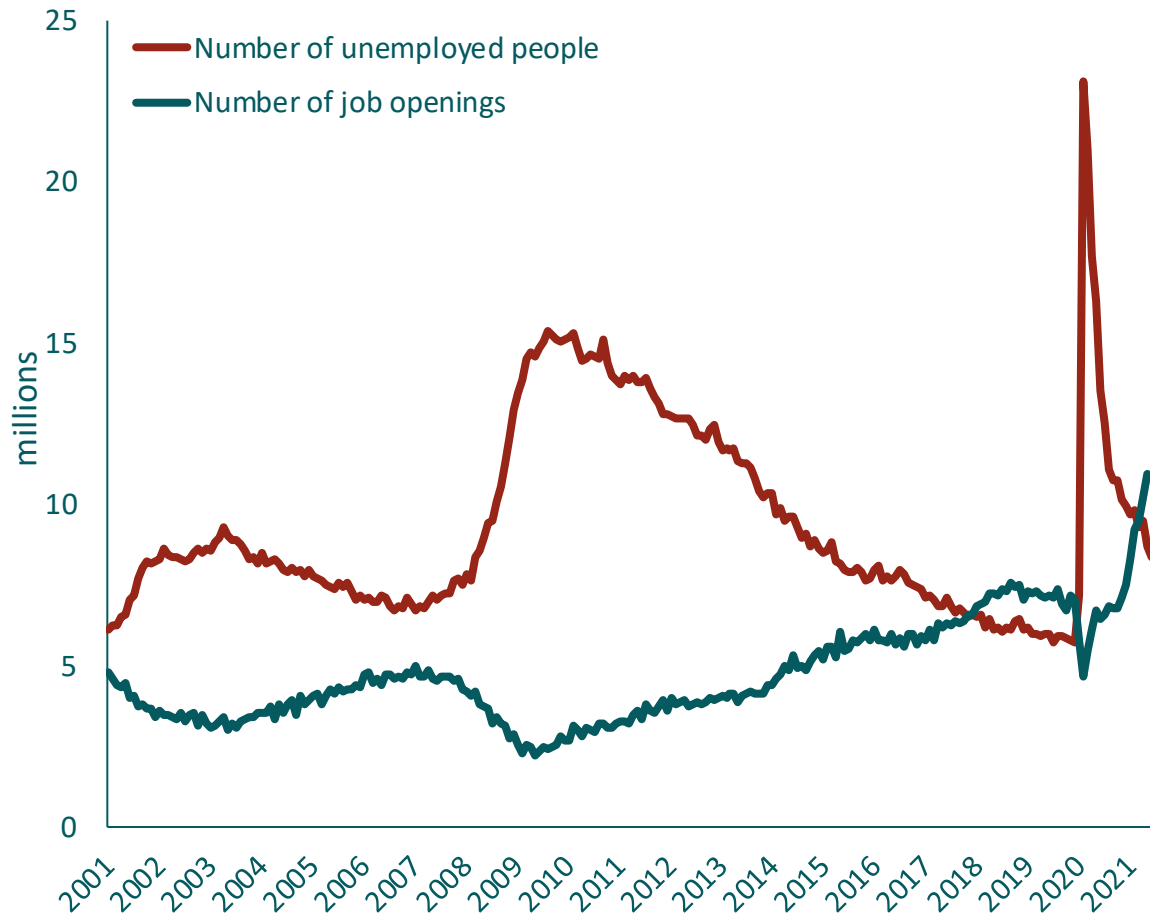
US Retail Sales



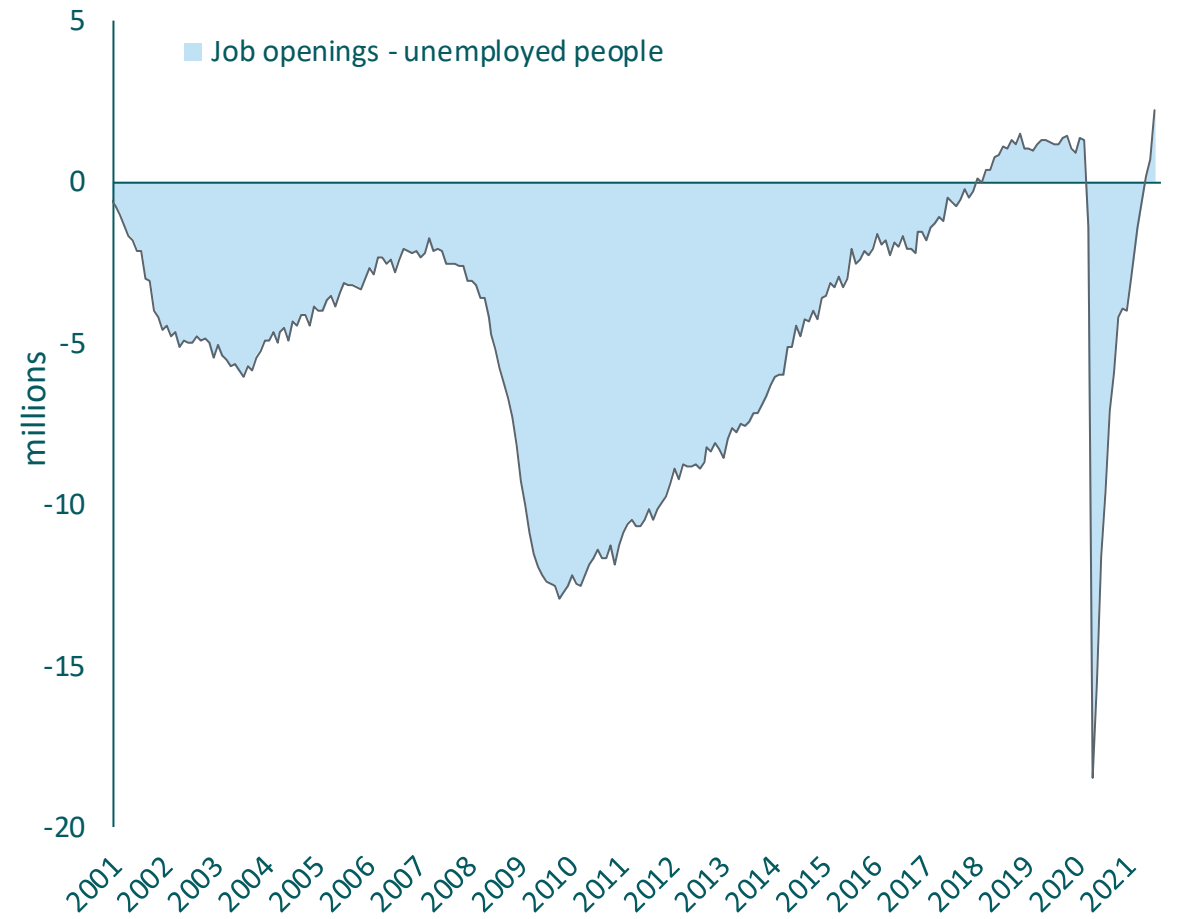
US job openings vs unemployed people

There are more jobs available than people looking for a job

Jobs available vs people looking for a job

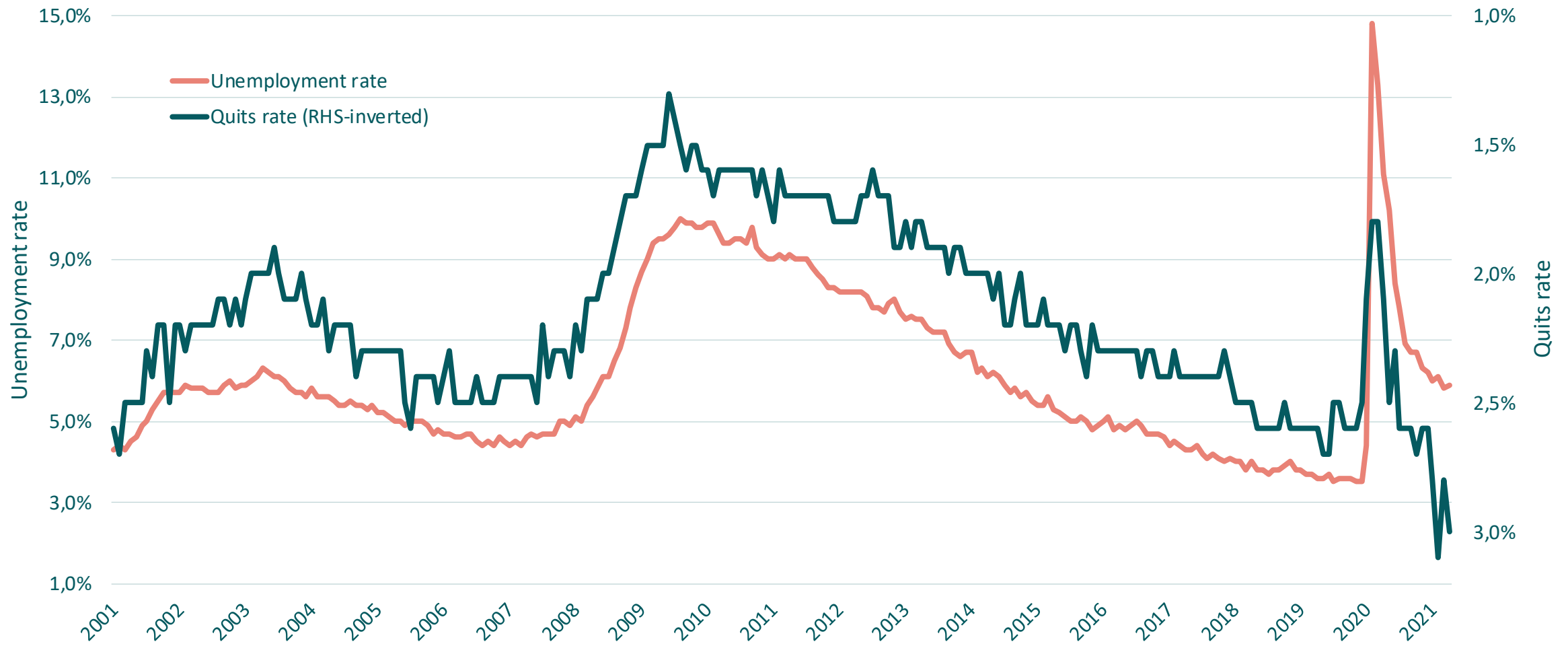


Difference between jobs available and people looking for a job



US labour market

Quits* rate vs unemployment rate

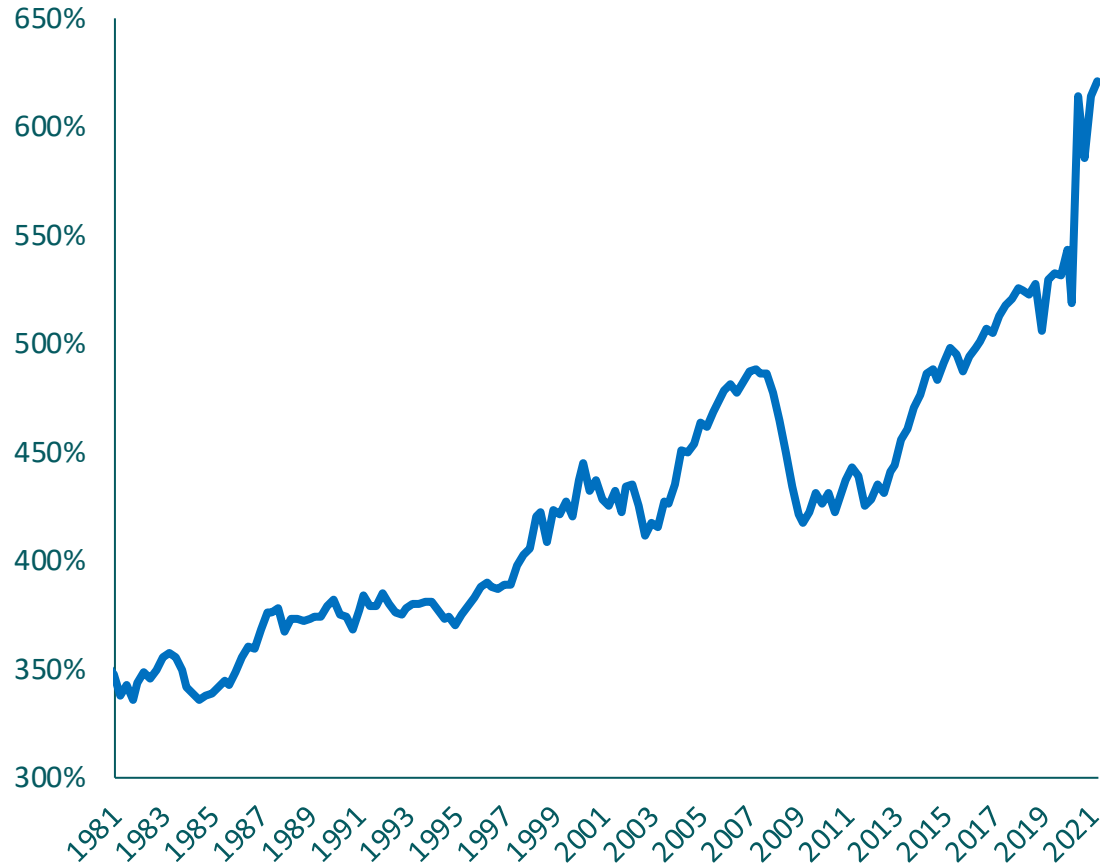


Source: Bloomberg, 30 June 2021. *People leaving a company of their own accord. Information is subject to change and not a guarantee of future results.

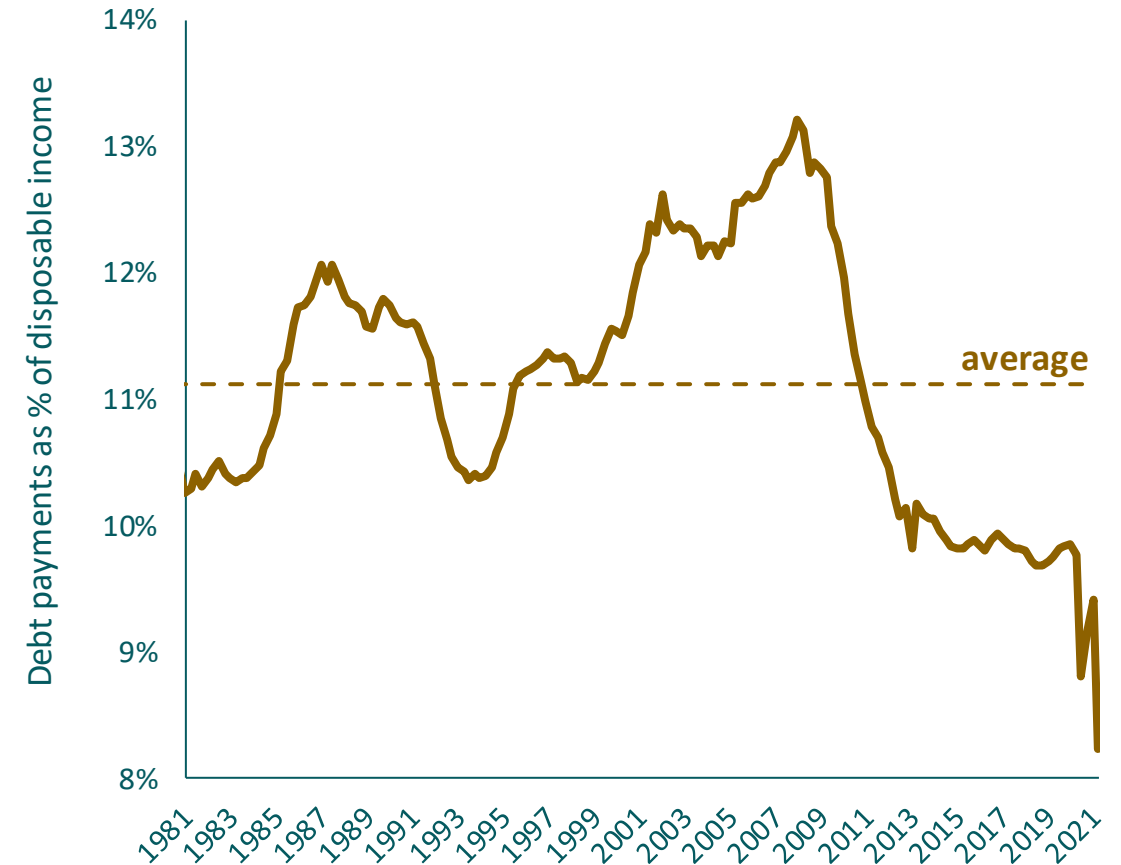
Households are in a strong financial position

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

Household net worth as % of GDP

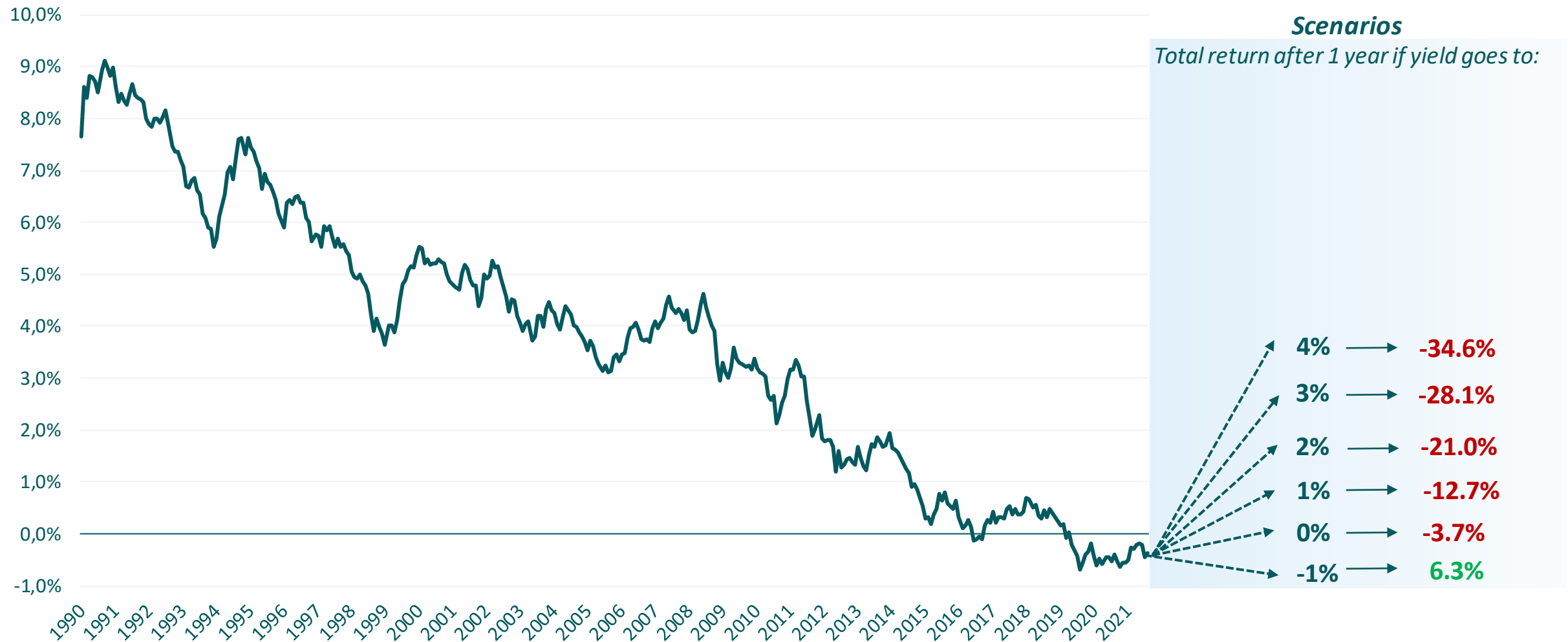


Debt payments as % of disposable income



Risk-reward in 10 year Bunds

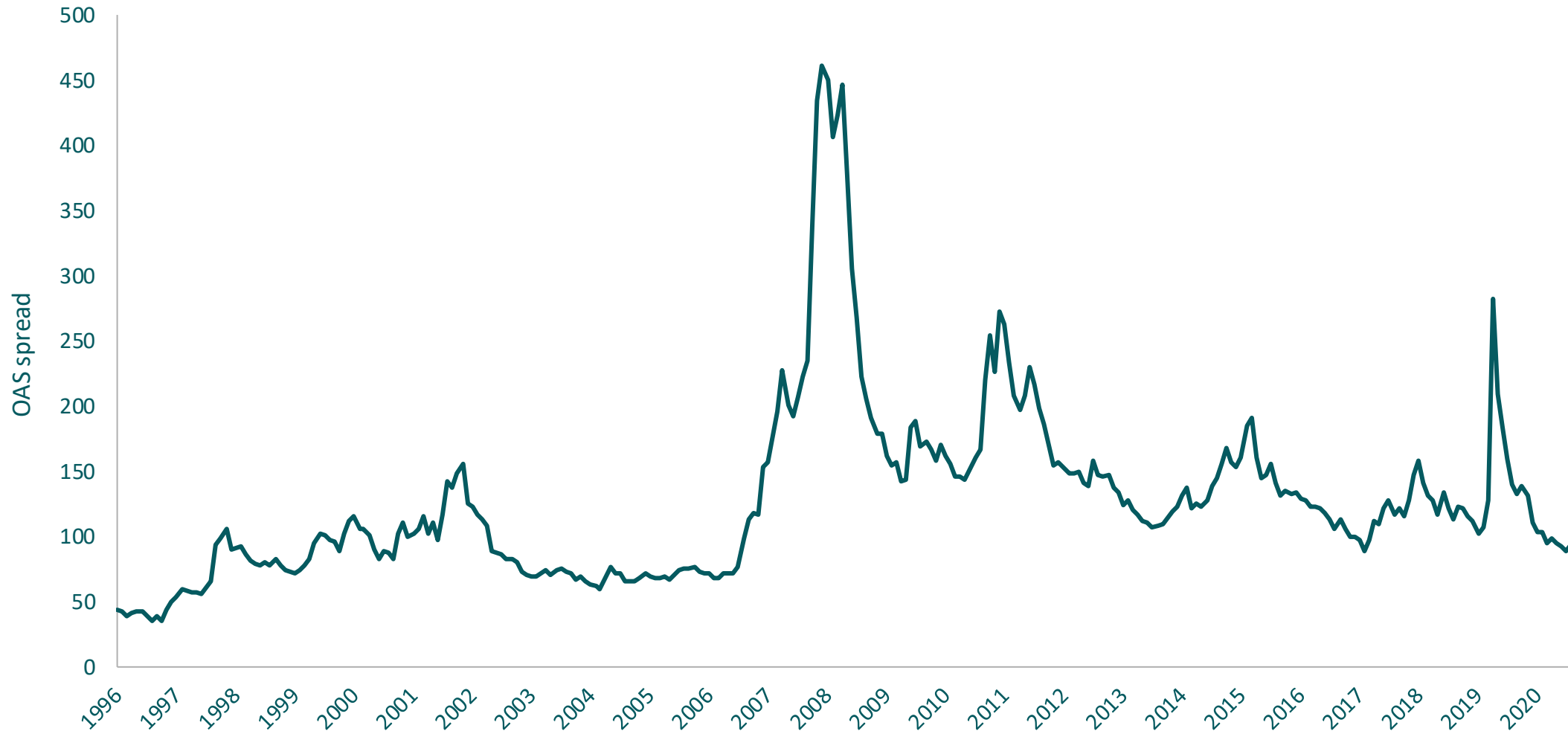
10y Bund scenarios



Positive macroeconomic environment for credit

Strong growth + no rate hikes = low default risk = tight spreads

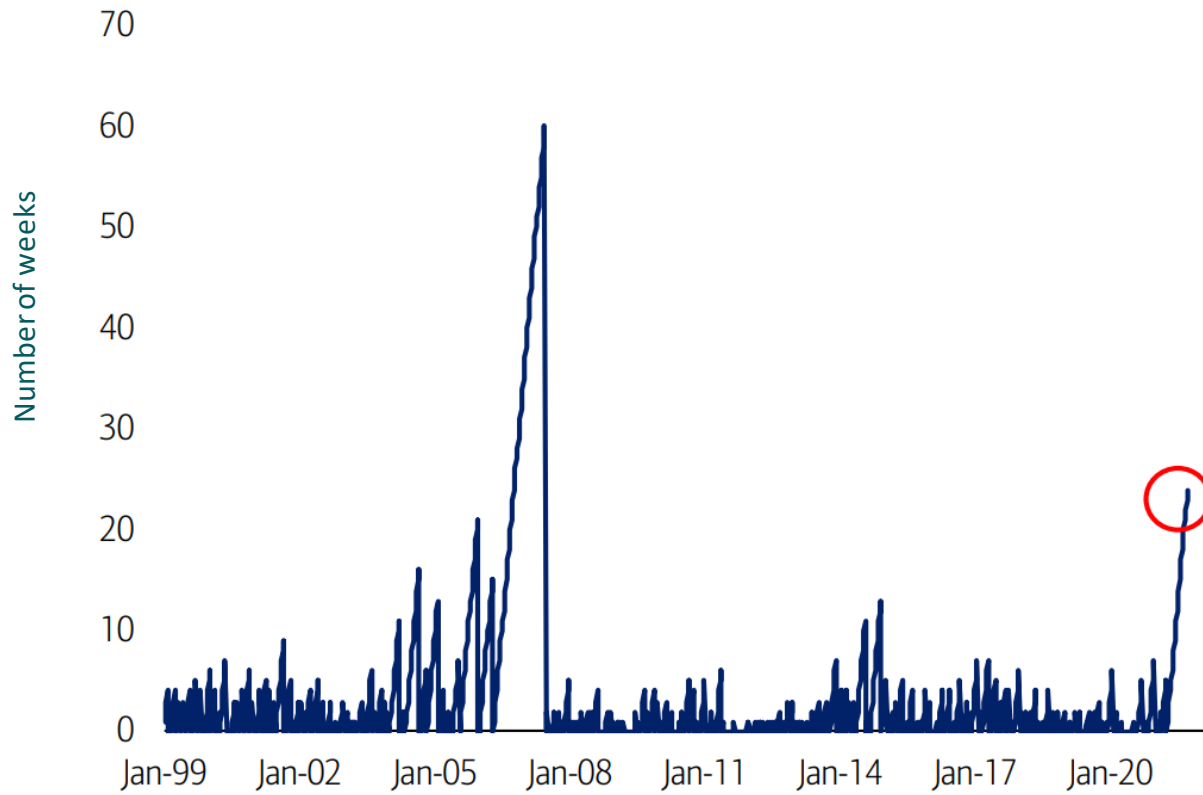
Global IG Corporate Bond* spreads



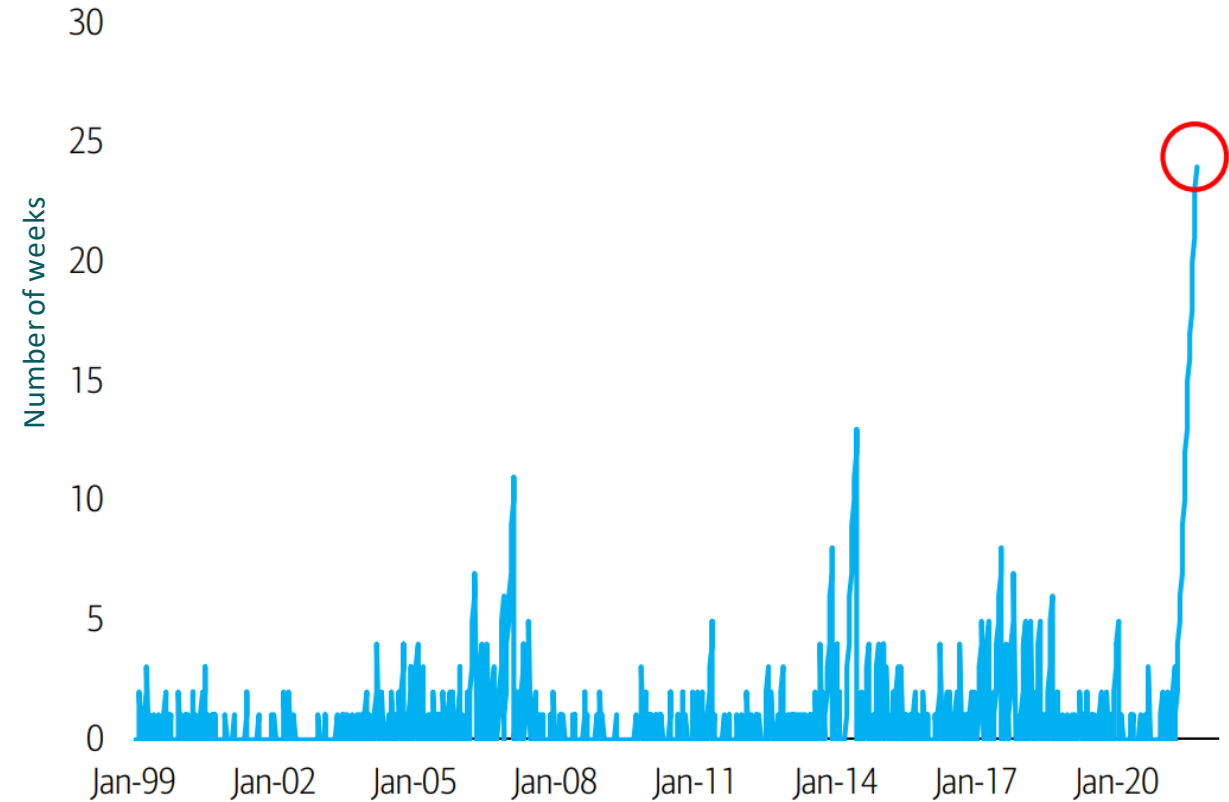
Euro credit spreads

Limited dispersion

Consecutive weeks of IG spreads moving less than 3bp

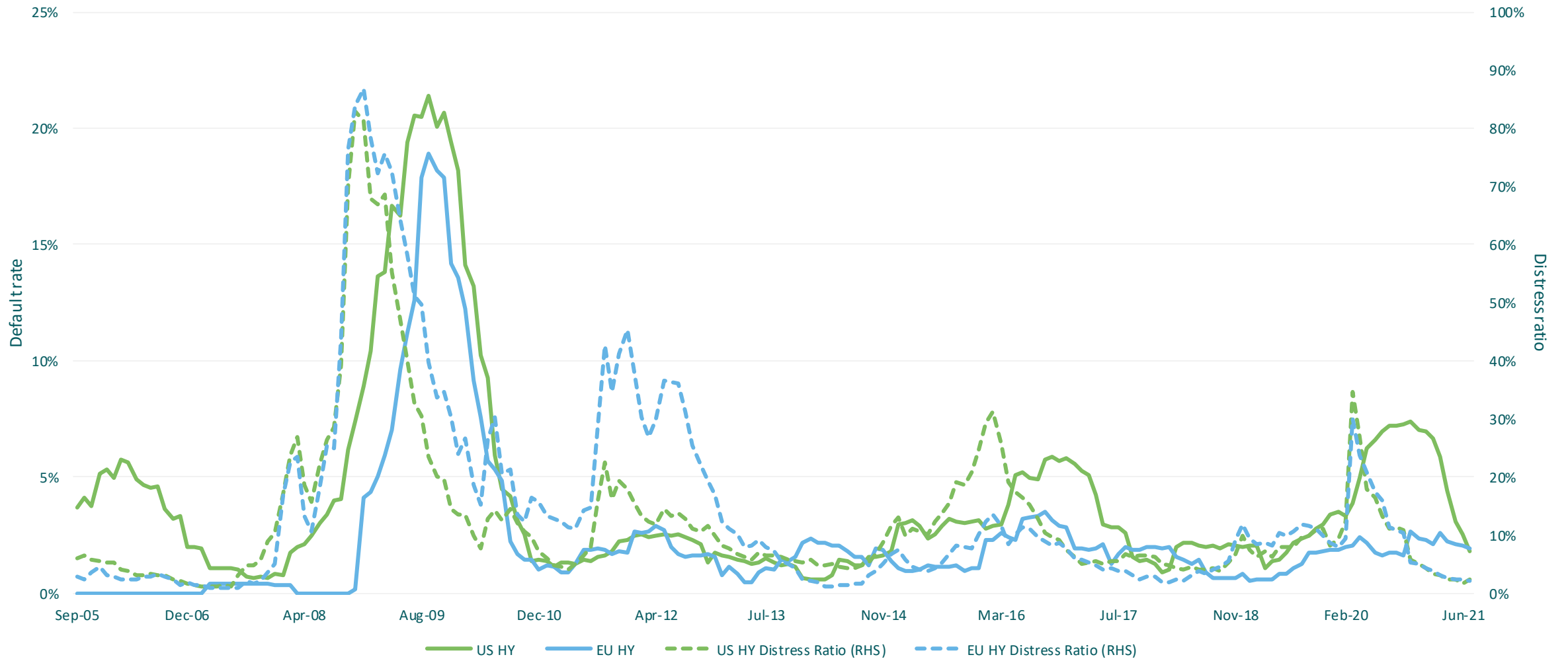


Consecutive weeks of HY spreads moving less than 10bp



US and European high yield default cycles

The ratio of distressed issuers tends to lead default cycles



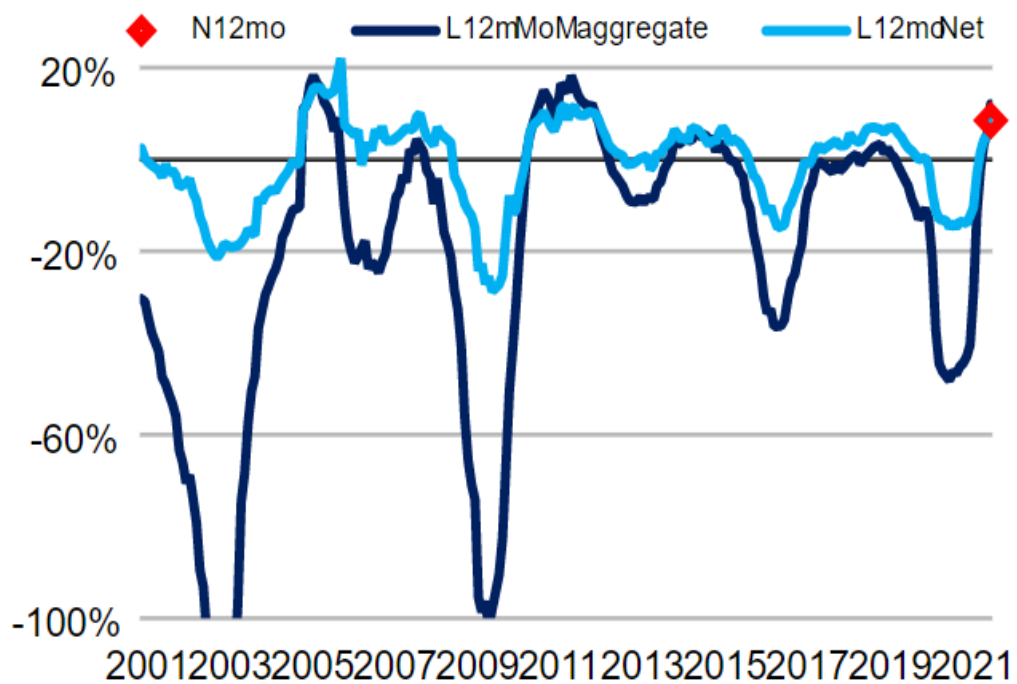
Source: ICE Bank of America, 31 July 2021. Default rate calculated as last twelve months par weighted default rate. Distress is defined as spreads > 1,000bp. Information is subject to change and not a guarantee of future results.
 US HY: ICE BoA US High Yield Index. Europe HY: ICE BoA European High Yield Index.

Positive rating migration momentum

HY rating migrations

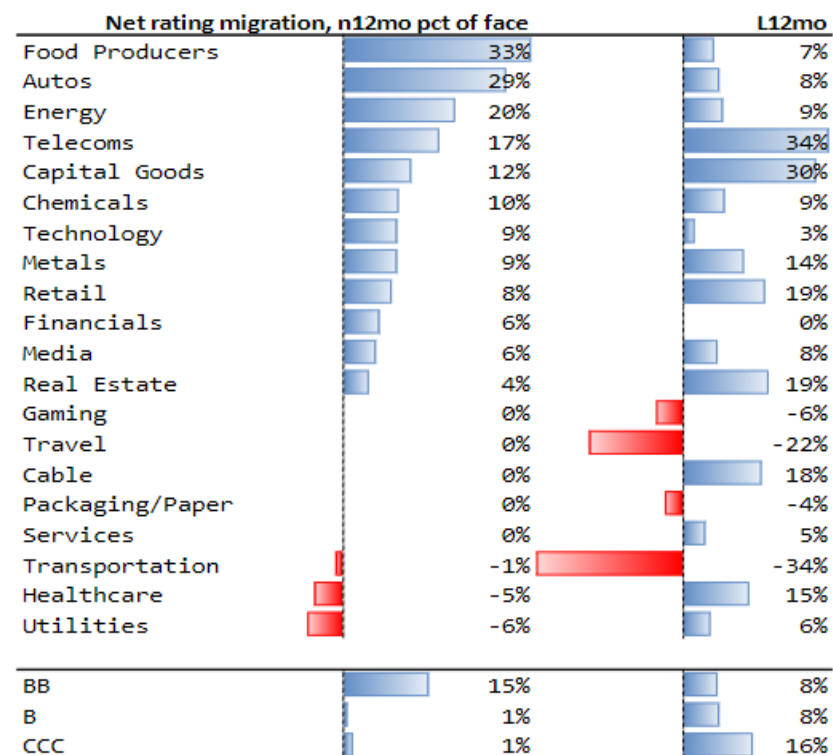
Overall High Yield* rating migration rates

We expect 8% net upgrade going forward



Sector rating migration rates

Food, autos, energy among the top sectors to be upgraded



Agenda

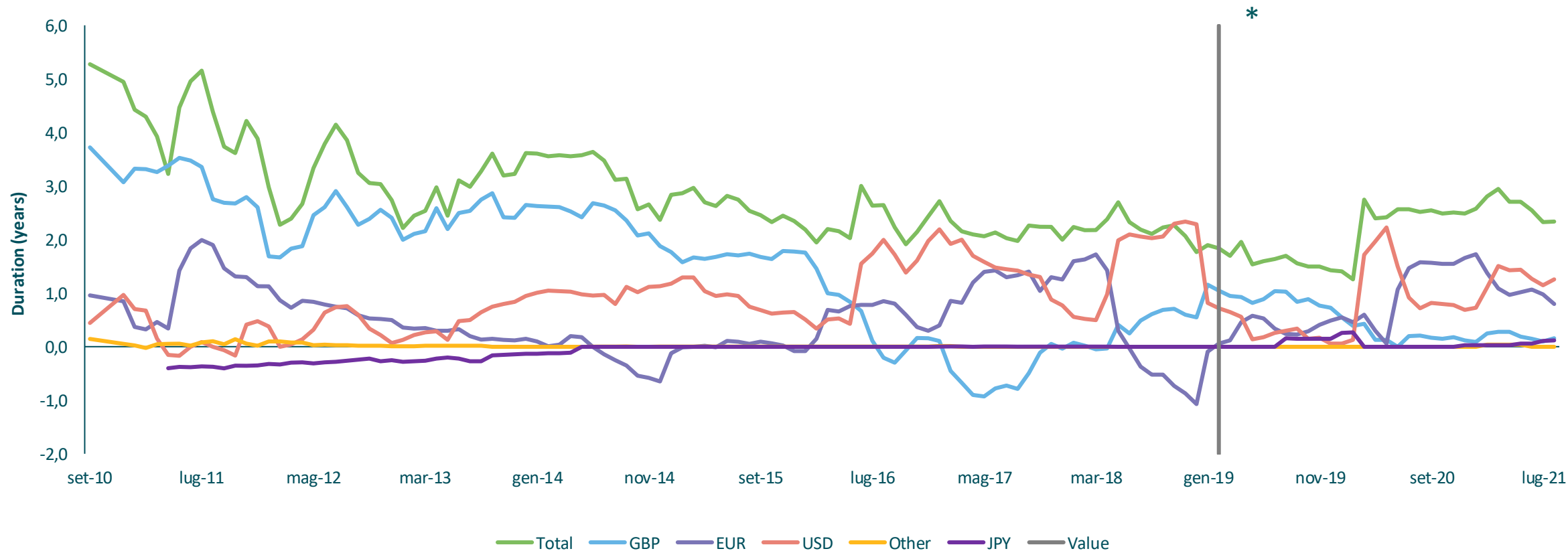
1. Macro and credit views

2. Fund positioning

3. Transition to Art. 8

Duration contributions

M&G (Lux) Optimal Income Fund



Actively managing duration across markets

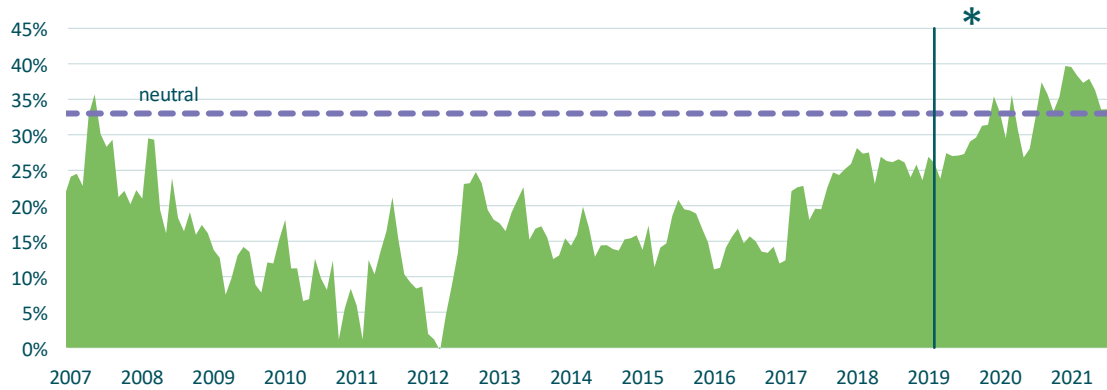
On 8 March 2019, the non-sterling assets of the M&G Optimal Income Fund, a UK-authorized OEIC, merged in the M&G (Lux) Optimal Income Fund, a Luxembourg authorized SICAV, which launched on 5 September 2018. *Data prior to the 8 March 2019 refers to the OEIC.

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.

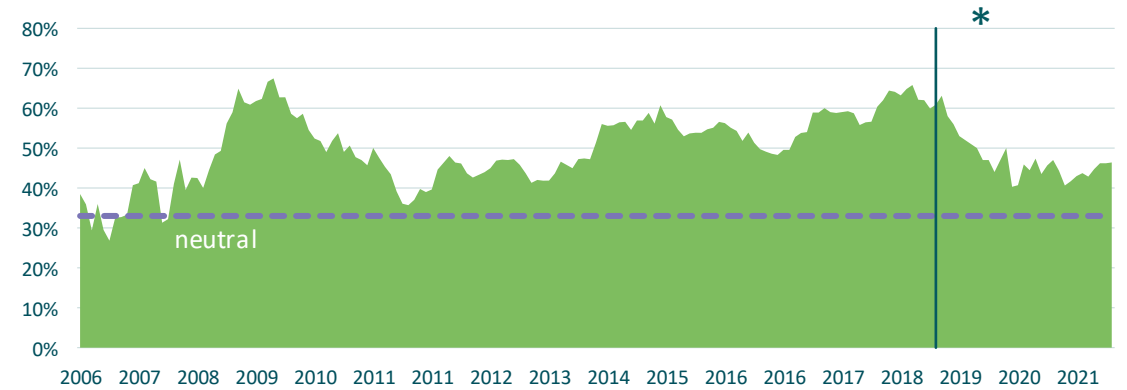
Asset allocation over time

M&G (Lux) Optimal Income Fund

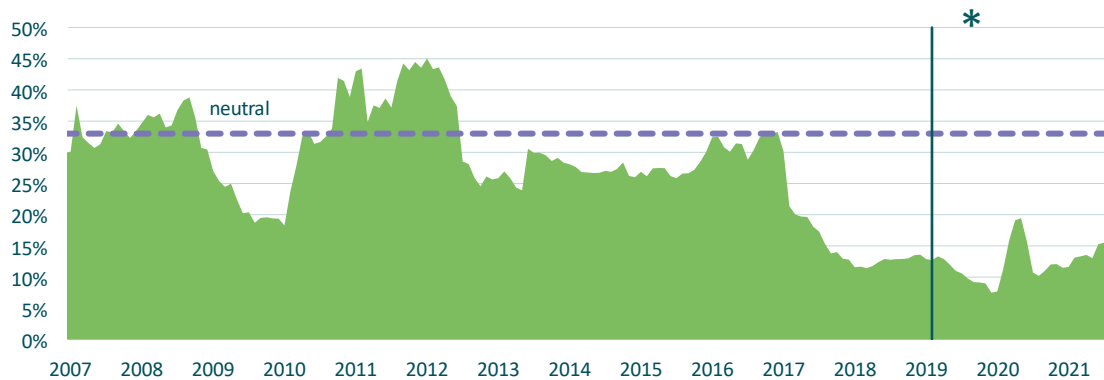
Government bonds (and cash)



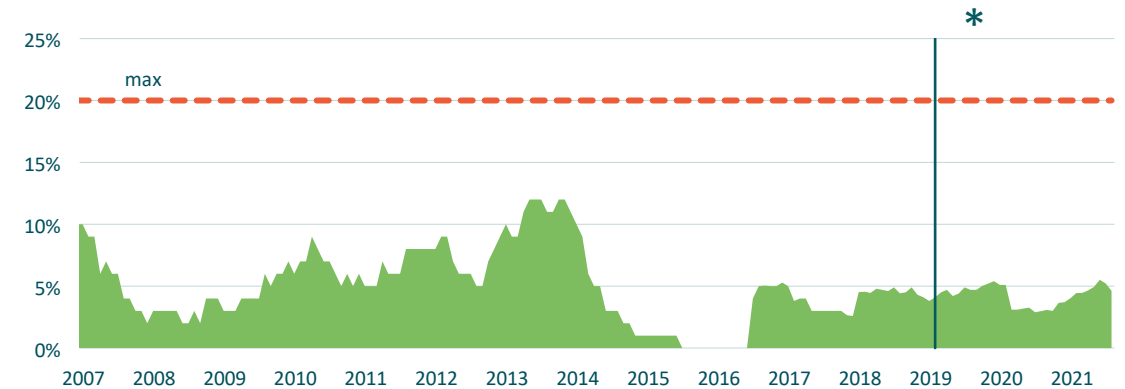
IG corporate



HY corporate



Equity



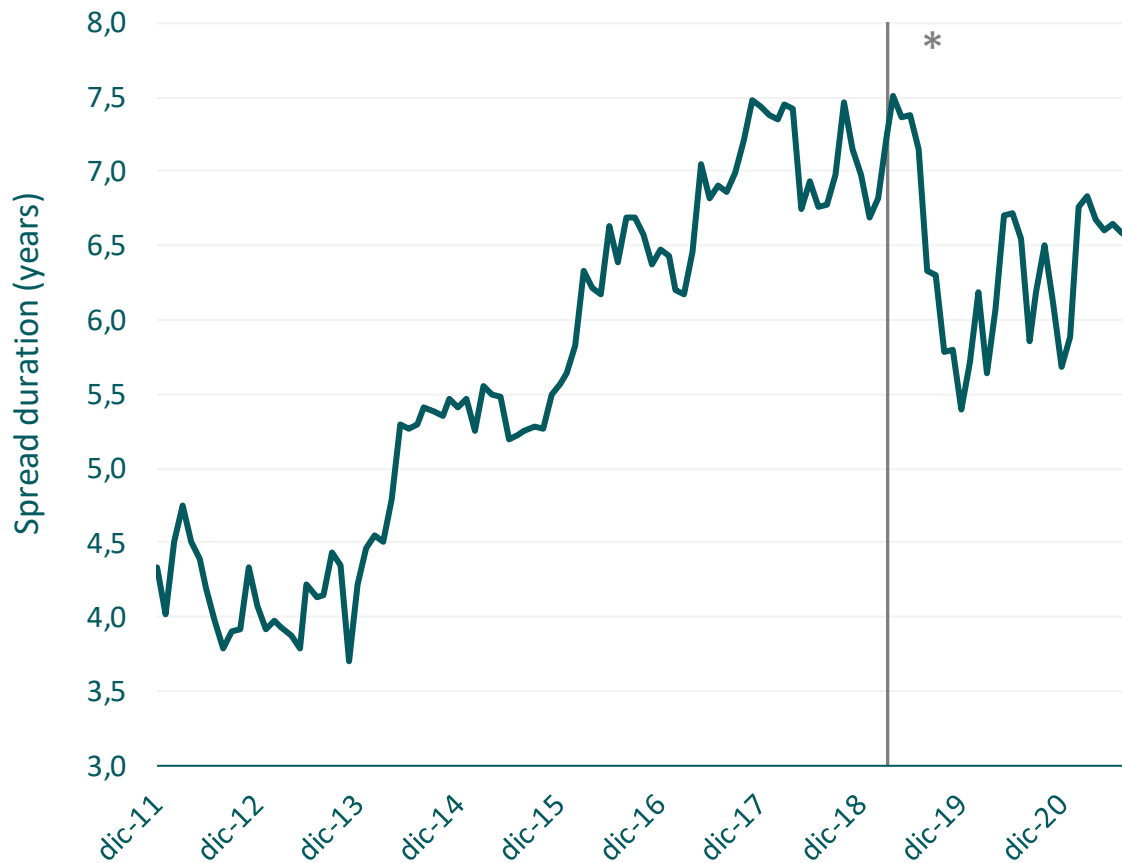
On 8 March 2019, the non-sterling assets of the M&G Optimal Income Fund, a UK-authorized OEIC, merged in the M&G (Lux) Optimal Income Fund, a Luxembourg authorized SICAV, which launched on 5 September 2018. *Data prior to the 8 March 2019 refers to the OEIC.

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.

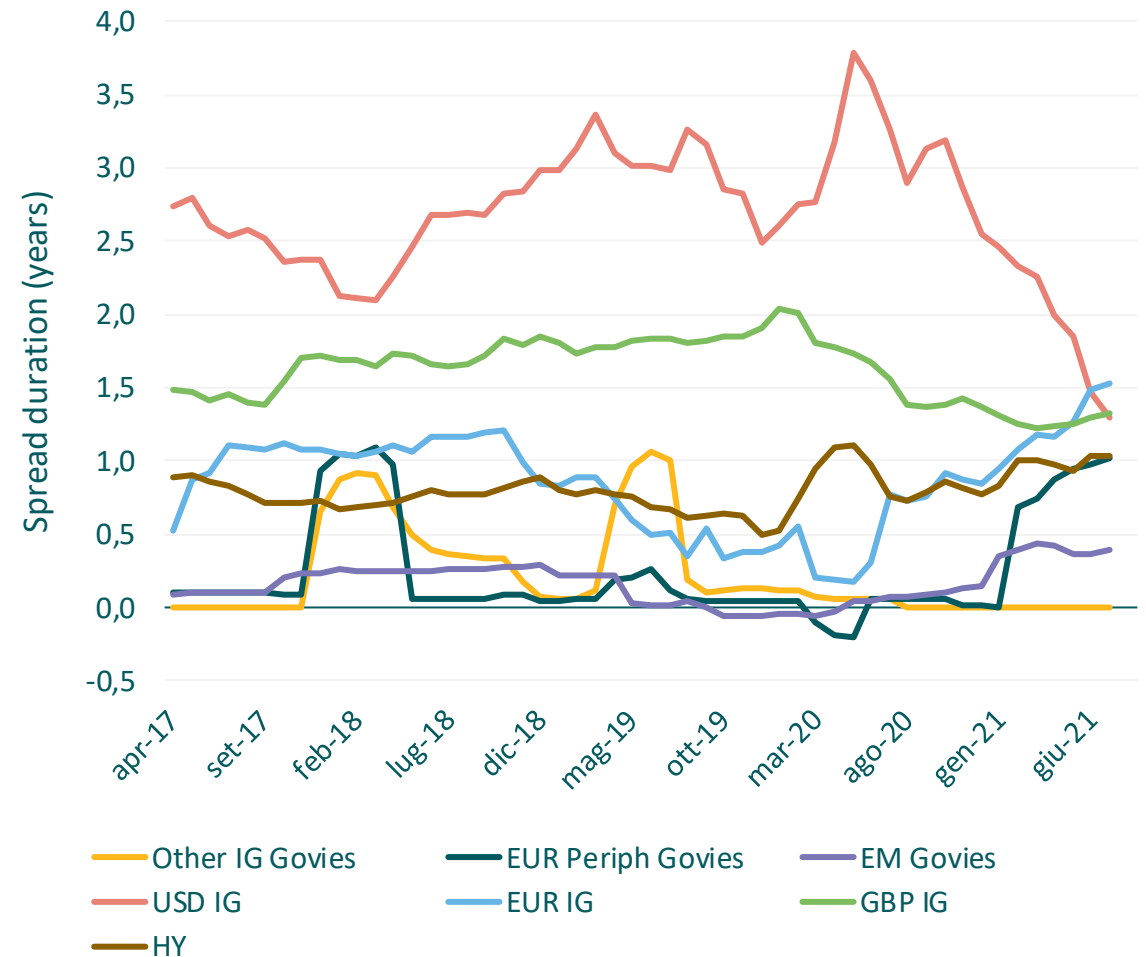
Spread duration by asset class

M&G (Lux) Optimal Income Fund

Spread duration over time



Spread duration contribution

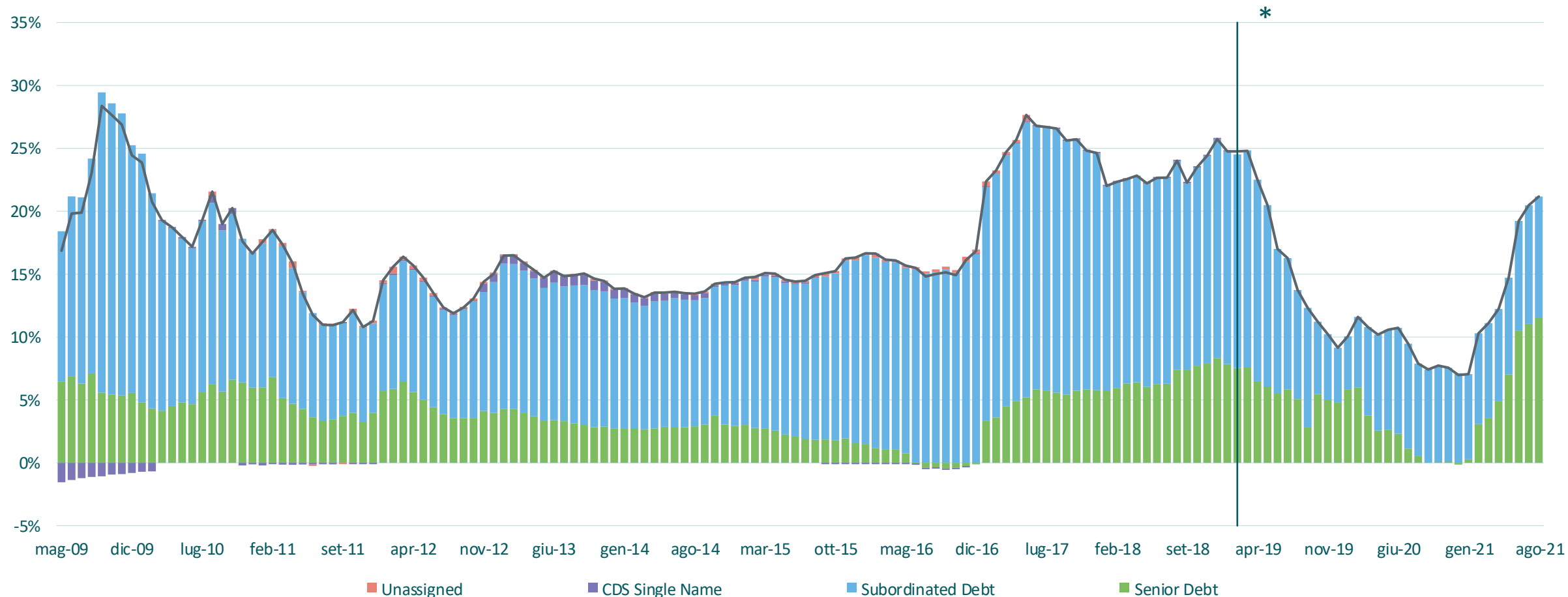


On 8 March 2019, the non-sterling assets of the M&G Optimal Income Fund, a UK-authorized OEIC, merged in the M&G (Lux) Optimal Income Fund, a Luxembourg authorized SICAV, which launched on 5 September 2018. *Data prior to the 8 March 2019 refers to the OEIC.

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.

Financial exposure: senior vs subordinated debt

M&G (Lux) Optimal Income Fund



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.

Note: covered bonds are not included.

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 August 2021

Agenda

1. Macro and credit views
2. Fund positioning
3. **Transition to Art. 8**

What will change when M&G (Lux) Optimal Income Fund becomes art. 8?

Positive ESG tilt + exclusions

2 things will change

1. Positive ESG tilt

M&G (Lux) Optimal Income Fund art. 8 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 ESG rating: **A***
Benchmark current ESG rating: **BBB***

2. Exclusions

M&G (Lux) Optimal Income Fund art. 8 will exclude issuers involved in major controversies. 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%***

Internal and external ESG capabilities



Our proprietary ESG Scorecard

Qualitative	Rigorous	Granular	Forward looking
Simplified Scorecard View			
Analyst Name MICHAEL POSNANSKY	Ticker	50 Climate Score	45 E Score
		54 S Score	57 G Score
			52 Total ESG Score
Analyst Name MICHAEL POSNANSKY		Integrated ESG Impact Evaluation Little impact	
		Last Updated 09/03/2021	
Climate		Social	
Governance			
Current / Long Term Materiality / Controversy			
Issue	Current Materiality	Current Comment	Long Term Materiality
Air Quality	Little impact	Well managed and declining trend NOx & SOx slightly above Median of Sector. High particulate Emissions vs peers.	Little impact
Competitive Behavior	Little impact	History of price fixing but nothing ongoing	Little impact
Ecological Impacts	Little impact	Extractive resources	Little impact

Key Issues section based on the SASB Materiality Map® and captures key idiosyncratic issues based on a company's sector and segmentation. Flexibility for analysts to raise 'out of scope' supplemental or bespoke issues.



Launched in 2010
155+ ESG analysts
9000 issuers
350,000 securities

Data access / portfolio analytics



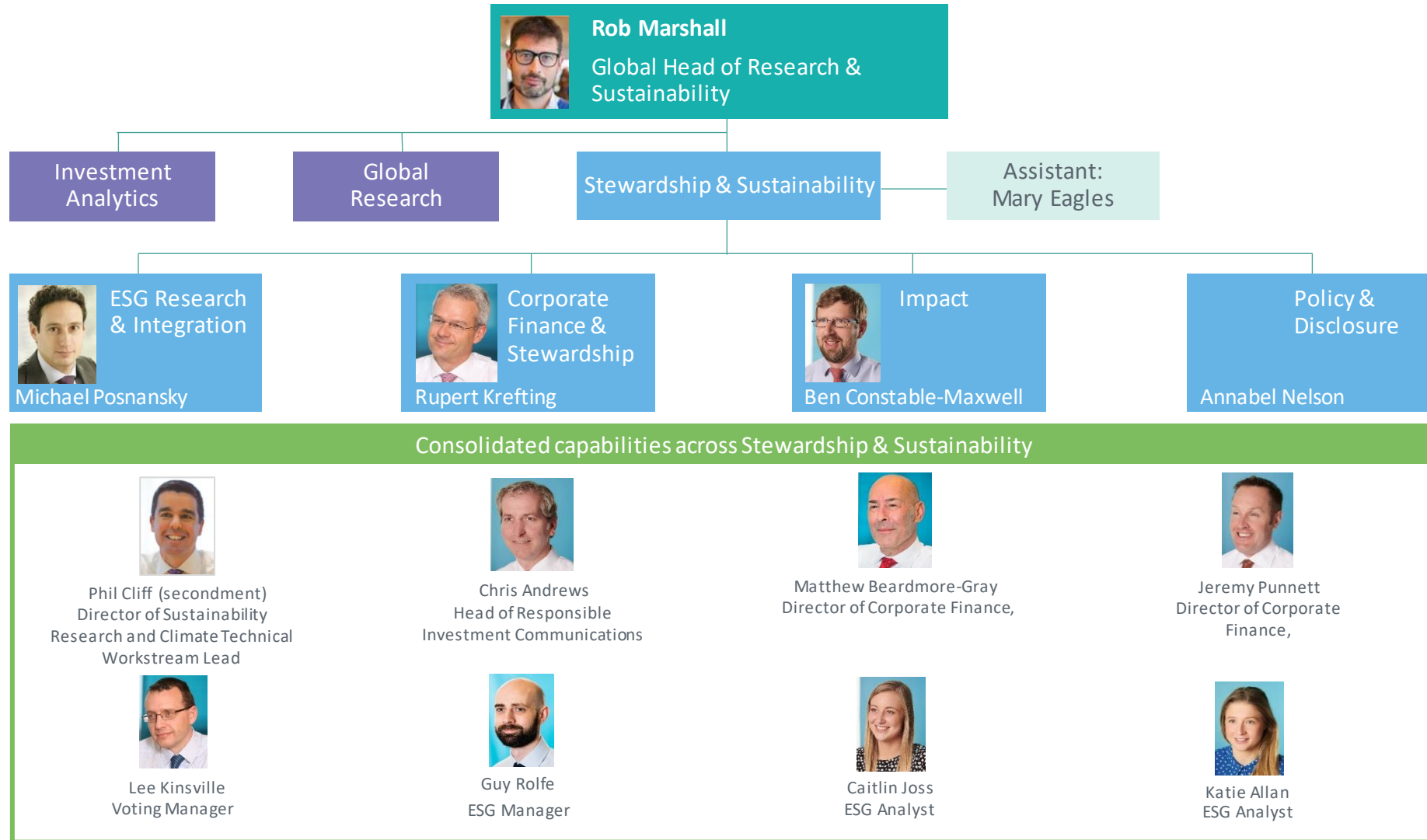
Best in class coverage of global bond universe



Identify key issues for each industry
Judge each company
Assign a normalised rating relative to industry peers (from 10.0 to 0.0) with a rating trend

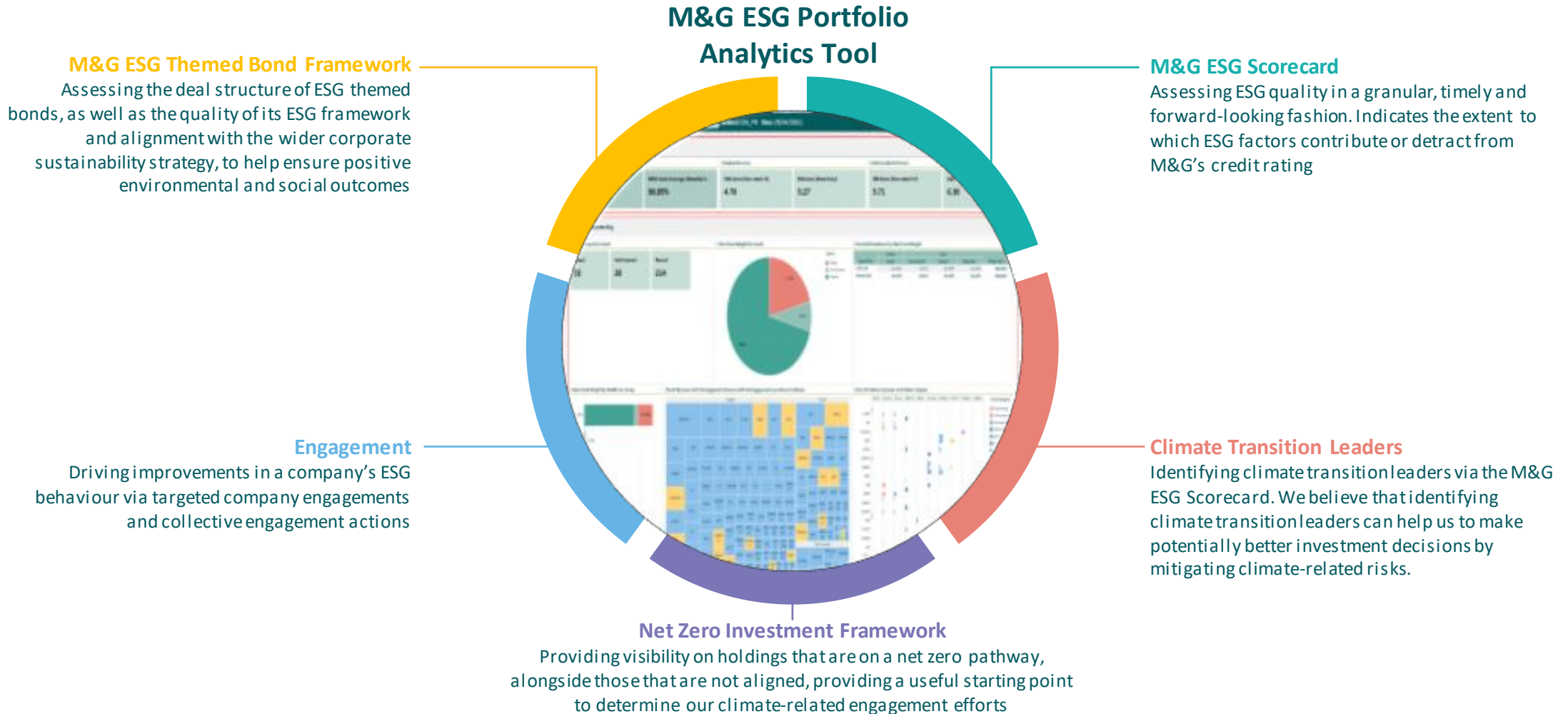
Stewardship & Sustainability team

Integrated into M&G Fixed Income



Actively driving sustainability in fixed income

Optimising sustainability credentials



The M&G ESG Portfolio Analytics tool is our core ESG portfolio analysis tool which consolidates all ESG research into a single system



Q&A

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

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 Investment Funds (1) reg. no. 390, M&G Investment Funds (2) reg. no. 601, M&G Investment Funds (3) reg. no. 391, M&G Investment Funds (5) reg. no. 972, M&G Investment Funds (7) reg. no. 541, M&G Investment Funds (9) reg. no. 930, M&G Investment Funds (12) reg. no. 1415, M&G Investment Funds (14) reg. no. 1243, M&G Global Dividend Fund reg. no. 713, M&G Global Macro Bond Fund reg. no. 1056, M&G Optimal Income Fund reg. no. 522 and 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 England and Wales in respect of M&G Investment Funds and in Luxembourg in respect of M&G (Lux) Investment Funds.

In the Netherlands, all funds referred to are UCITS and registered with the Dutch regulator, the AFM.

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 paper form, from the ACD: M&G Securities Limited, 10 Fenchurch Avenue, London, EC3M 5AG, GB; or one of the following – M&G International Investments S.A., Registered Office: 16, boulevard Royal, L 2449, Luxembourg, M&G International Investments S.A., German branch, mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main; the Austrian paying agent: Société Générale Vienna Branch, Zweigniederlassung Wien Prinz Eugen-Strasse, 8-10/5/Top 11 A-1040 Wien, Austria; 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 Bank Danmark A/S Issuer Services, Securities Services, Hermes Hus, Helgeshøj Allé 33, Postbox 850, DK-0900, Copenhagen C, Denmark; Allfunds Bank, Calle Estafeta, No 6 Complejo Plaza de la Fuente, La Moraleja, 28109, Alcobendas, Madrid, Spain; M&G International Investments S.A. or its French branch; the French centralising agent of the fund: RBC Investors Services Bank France; or the Swedish paying agent: Nordea Bank AB (publ), Smålandsgatan 17, 105 71 Stockholm, Sweden. For Switzerland, please refer to by 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 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. For Germany and Austria, copies of the Instrument of incorporation, annual or interim Investment Report, Financial Statements and Prospectus are available in English and the Prospectus and Key Investor Information Document/s are available in German. For Greece, they are available in English, except the Key Investor Information Document/s which is available in Greek, from the Greek Representative: Eurobank Ergasias S.A. 8, Othonos Street, 10557 Athens.

Before subscribing investors should read the Prospectus, which includes a description of the investment risks relating to these funds.

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

This financial promotion is issued by M&G International Investments S.A., Registered Office: 16, boulevard Royal, L 2449, Luxembourg and M&G Securities Limited (registered in England, No. 90776), authorised and regulated by the Financial Conduct Authority in the UK. Registered office: 10 Fenchurch Avenue, London EC3M 5AG. 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.

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

In Hong Kong, this financial promotion is issued by M&G Investments (Hong Kong) Limited. Office: Unit 1002, LHT Tower, 31 Queen's Road Central, Hong Kong; in Singapore by M&G Investments (Singapore) Pte. Ltd. (Co. Reg. No. 201131425R), regulated by the Monetary Authority of Singapore; and in Taiwan by M&G International Investments S.A. Registered Office: 16, boulevard Royal, L-2449, Luxembourg.

For Hong Kong only: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer of any funds mentioned in it. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. Shares, units or other interests in the funds mentioned in this document may only be offered or sold in Hong Kong to persons who are "professional investors" as defined in the Securities and Futures Ordinance ("Ordinance") and any rules made under the Ordinance – or in circumstances which are permitted under the Companies (Winding Up and Miscellaneous Provisions) Ordinance. In addition, distribution of this document in Hong Kong is restricted. It may not be issued or possessed for the purposes of issue, whether in Hong Kong or elsewhere, and shares, units or other interests in the funds mentioned may not be disposed of to any person unless such person is a "professional investor" as defined in the Ordinance and any rules made under the Ordinance or as otherwise may be permitted under Hong Kong law.

For Singapore only: For "accredited investors" and "institutional investors" as defined under the Securities and Futures Act (Cap. 289) of Singapore ("SFA") only. This document forms part of, and should be read in conjunction with, the Information Memorandum of the Fund and other communications permitted for offers made in reliance of prospectus exemptions under the SFA. All forms of investments carry risks. Such investments may not be suitable for everyone.

For Taiwan only: The financial product(s) offered herein has not been reviewed or approved by the competent authorities and is not subject to any filing or reporting requirement. The financial product(s) offered herein is only permitted to be recommended or introduced to or purchased by customers of an offshore banking unit of a bank ("OBU")/offshore securities unit of a securities firm ("OSU") which customers reside outside the R.O.C. Customers of an OBU/OSU are not eligible to use the financial consumer dispute resolution mechanism under the Financial Consumer Protection Law. This product(s) may be made available for purchase by Taiwan OBUs/OSUs acting on behalf of non-Taiwan customers of such units but may not otherwise be offered or sold in Taiwan.

M&G Investments (Hong Kong) Limited, M&G International Investments S.A., M&G Investments (Singapore) Pte. Ltd and the funds referred to in this document may not be authorised, recognised or regulated by the local regulator in your jurisdiction. This information is not an offer or solicitation of an offer for the purchase or sale of investment shares in one of the funds referred to herein.