

Sustainability-related disclosures

Environmental or social characteristics promoted by the financial product

The Master Fund aims to provide a total return (capital growth plus income) to investors based on exposure to optimal income streams in investment markets.

Environmental and/or social characteristics

The Master Fund applies a Positive ESG Tilt approach as defined in Appendix 1 «ESG Integration and Approaches to Responsible Investment» of the Master Fund Prospectus.

The Master Fund applies ESG Integration. ESG integration is the systematic inclusion of ESG factors in investment analysis and investment decisions.

The Master Fund invests in securities that meet the ESG Criteria.

The Master Fund includes ESG analysis in its investment decisions on at least:

90% of debt securities, money market instruments with an investment grade credit rating; sovereign debt issued by developed countries; and equities issued by large capitalisation companies in developed countries;

75% of debt securities and money market instruments with a high yield credit rating; sovereign debt issued by emerging market countries; equities issued by large capitalisation companies in emerging market countries; and equities issued by small and mid-capitalisation companies in any country.

Investment Policy

The Master Fund aims to provide a total return (the combination of capital growth and income) to investors based on exposure to optimal income streams in investment markets.

The Master Fund invests at least 50% of its Net Asset Value in debt securities, including investment grade bonds, high yield bonds, unrated securities and asset-backed securities. These securities may be issued by governments and their agencies, public authorities, quasi-sovereigns, supranational bodies and companies. Issuers of these securities may be located in any country, including emerging markets, and denominated in any currency. At least 80% of the net asset value will be in EUR or hedged into EUR.

While the Master Fund's overall duration will not be negative, the Master Fund may derive negative duration from individual fixed income markets.

The Master Fund may invest up to a combined maximum of 100% of the Master Fund's net asset value in below investment grade and unrated securities. There are no credit quality restrictions with respect to the debt securities in which the Master Fund may invest.

The Master Fund may invest in Chinese onshore debt securities denominated in CNY traded on the China Interbank Bond Market.

The Master Fund may also hold up to a maximum of 20% of its net asset value in contingent convertible debt securities and up to a maximum of 20% of its net asset value in asset-backed securities.

The Master Fund is a flexible bond fund that allows investment across a broad range of fixed income assets according to where the investment manager finds value. In identifying the optimal income stream, the Master Fund also has the flexibility to invest up to a maximum of 20% of its net asset value in equities.

The Master Fund may also invest in other transferable securities, cash, and near cash, directly or via collective investment schemes (i.e. UCITS and other UCIs including funds managed by M&G).

Reference benchmark

For performance comparison use, the Master Fund has this composite index made of the following three indices:

- 1/3 Bloomberg Global Aggregate Corporate Index EUR Hedged;
- 1/3 Bloomberg Global High Yield Index EUR Hedged; and
- 1/3 Bloomberg Global Treasury Index EUR Hedged.

These indices represent the global investment grade corporate market, the global high yield corporate market and the global government bond market respectively.

Sub Fund and Master Fund is actively managed. The composite index is a point of reference against which the performance of Sub-Fund and Master Fund may be measured. Master Fund may bear little resemblance to this composite index as it only represents the neutral position of the Fund.

Methodologies, Data Sources and Processing

Further information on the ESG methodology, including data sources, screening criteria and the relevant sustainability indicators of the Master Fund can be found in the ESG Criteria.

A description of ESG and responsible investment terms used is available in the Master Fund's Prospectus.

Information on how the environmental and social characteristics have been met can be found in the latest annual report.

<https://www.mandg.com/investments/professional-investor/en-lu/funds/mg-lux-optimal-income-fund/lu1670723722#documents>