



M&G Sustainable Multi Asset Fund

a sub-fund of M&G Investment Funds (4)

Interim Short Report April 2019

For the six months ended 30 April 2019

The Authorised Corporate Director (ACD) of M&G Investment Funds (4) presents its Interim Short Report for M&G Sustainable Multi Asset Fund which contains a review of the fund's investment activities and investment performance during the period. The ACD's Interim Long Report and unaudited Financial Statements for M&G Investment Funds (4), incorporating all the sub-funds and a Glossary of terms is available free of charge either from our website at www.mandg.co.uk/reports or by calling M&G Customer Relations on 0800 390 390.

ACD

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(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of the Tax Incentivised Savings Association.)

Important information

On 14 February 2019, the M&G Sustainable Multi Asset Fund was launched as a sub-fund of M&G Investment Funds (4).

On 8 April 2019, the Sterling Class 'PP' (Accumulation) shares were launched across all four sub-funds of M&G Investment Funds (4).

Investment objective

The fund aims to provide a total return (the combination of capital growth and income) of 4 to 8% per annum over any five-year period, net of the ongoing charges figure. The fund aims to provide this return while considering environmental, social and governance (ESG) factors.

There is no guarantee that the fund will achieve a positive return over five years or any other period and investors may not get back the original amount they invested.

Investment policy

The fund is a multi-asset fund that invests across a range of asset classes, including equities, fixed income securities, convertibles, cash and near cash. Exposure to these assets may be gained either directly or indirectly, via collective investment schemes or derivatives. The fund may also invest indirectly in other asset classes such as property and gold.

The fund invests in assets that meet the fund manager's ESG criteria or that have a positive societal impact, through addressing the world's major social and environmental challenges. Between 10% and 30% of the portfolio is invested in positive impact assets. All selected securities meet the fund manager's assessment of ESG or impact criteria through the use of third party ESG information and/or proprietary analysis.

In addition, the fund aims to exclude securities issued by:

- Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption; and
- Companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, thermal coal, or the provision of gambling services.

Indirect investments are not subject to the same ESG restrictions as securities held directly. The fund manager will assess the suitability of such investments relative to the fund's investment objective. If a derivative does not satisfy the fund's ESG requirements, the fund may only invest via the instrument to take advantage of short-term market movements.

The currency exposure of the fund will be actively managed, seeking to enhance returns, with a minimum of 70% of the fund exposed to sterling.

Derivatives may be used for investment purposes, efficient portfolio management and hedging.

Investment approach

The fund's approach to sustainable investment is through flexible asset allocation, whilst investing in securities issued by companies or governments that uphold high standards of environmental, social and governance behaviour. In addition, the fund maintains a core holding of assets that have a positive societal impact through addressing the world's major social and environmental challenges.

The fund manager has a flexible top-down approach to the allocation of capital between different types of assets in response to changes in economic conditions and asset values. This approach combines in-depth research to work out the value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities. In particular, the fund manager seeks to respond when asset prices move away from a reasonable sense of 'fair' long-term value due to market reactions to events.

The fund seeks to manage risk by investing globally across multiple asset classes, sectors, currencies and countries. The fund will typically invest 20-60% of its assets in equities and convertibles, 20-80% in fixed income securities or cash, and up to 20% in other assets. These allocations reflect the net exposure of the portfolio. The fund's annualised volatility is expected to be between 4% and 7%, over any five-year period.

Risk profile

The fund invests globally in a broad range of assets, whilst considering environmental, social and governance (ESG) factors. The fund's investments can include company shares (equities), fixed income securities (bonds), currencies and other assets such as property shares and convertible bonds. The fund is, therefore, subject to the price volatility of global financial and currency markets.

The fund's approach to investment is through flexible asset allocation, implemented by investing in securities of companies or governments that uphold high standards of ESG or positive impact behaviour. The fund allocates capital between different types of assets in response to changes in economic conditions and the valuation of assets. The manager will seek to build a highly diversified portfolio wherever possible.

The blend of assets held in the fund is regularly adjusted, depending on where the fund manager sees the most value, and to manage risks, including liquidity, credit, currency and market risks. The fund's risks are measured and managed as an integral part of the investment process.

The following table shows the risk number associated with the fund and is based on Sterling Class 'A' shares.



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has not changed during this period.

For the period from 14 February 2019 to 1 May 2019

The fund primarily holds a combination of equities (company shares) and bonds. Bonds may be government bonds, those issued by governments, or corporate bonds, those issued by companies and any bond held may have a credit rating that is either investment grade or high yield (below investment grade). The government bonds held by the fund may include some that are issued by emerging market governments. The fund may also hold bonds issued by supranational or quasi-government institutions, an example of which would be the International Bank for Reconstruction and Development.

The fund may also hold green bonds, (bonds where the proceeds of their sale are dedicated to sustainable activities), and green infrastructure assets. It may hold convertible bonds, which are bonds that may be converted into a prescribed number of company shares at the holder's discretion, and may also hold collective investment vehicles, such as other funds, as well as cash and derivatives.

The level of fund returns, and their variability over any given period, are influenced by the allocation to and selection of the different asset classes, such as equities and bonds. The fund's asset class-level exposures are determined through a top-down asset allocation approach – meaning we look at the economic and other factors forming the big picture before selecting the securities to invest in. Most potential individual holdings are then identified via an evaluation process that assesses the environmental, social and governance (ESG) factors of individual candidate securities that are considered to carry appropriate risk/return characteristics.

In addition to ESG-screened securities, the fund also has a dedicated core allocation to assets (stocks, bonds or funds) that are expected to deliver a positive impact towards achieving against one or more of the United Nations Sustainable Development Goals.

At the beginning of May, the fund's main positioning includes a preference for equities, where we see better value overall, over bonds. Within that, we believe that technology stocks and bank stocks offer good value and hold baskets of shares in European, Japanese and

US banks. We think the government bond sector, particularly in core Europe, is unattractive and prefer peripheral European markets such as Italy and Spain over low-yielding Germany and the UK. Emerging market government bonds do offer attractive value in our view, along with their currencies. Of the corporate bonds held, the fund has a combined total of approximately 2.5% in five green bonds. The fund holds investments in funds dedicated to infrastructure in renewable energy and wind power. Holdings such as these also represent assets that are expected to provide positive impacts.

Maria Municchi

Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited.

Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial Adviser.

Classification of investments

The table below shows the percentage holding per sector.

	% of fund as at 30.04.19
EQUITIES	
United Kingdom	
UK equities	3.47
Europe	
European equities	16.92
North America	
North American equities	9.51
Japan	
Japan equities	12.23
Asia pacific (ex Japan)	
Asia Pacific equities	7.51
Other	
Other equities	2.46
FIXED INCOME	
Europe	
European Government bonds	5.75
Europe investment grade corporate bonds	0.91
North America	
North American Government bonds	15.30
North America investment grade corporate bonds	4.14
Global	
Global fixed income funds	1.91
Other	
Other Government bonds	10.45
Other investment grade corporate bonds	0.46
Other Interest rate futures	(0.13)
CURRENCY	
Forward currency contracts	1.09

Portfolio transactions

for the period to 30 April	2019
Portfolio transactions	£'000
Total purchases	10,147
Total sales	460

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back the original amount you invested.

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations. For the specific performance tables of all share classes, please refer to the Interim Long Report and unaudited Financial Statements for M&G Investment Funds (4), which is available free of charge either from our website at www.mandg.co.uk/reports or by calling M&G Customer Relations.

Fund level performance

Fund net asset value

	2019
as at 30 April	£'000
Fund net asset value (NAV)	10,803

Performance since launch

As the fund has not yet operated for a 12 month period, the performance since launch graph and long-term performance figures have not been calculated.

Financial highlights

Fund performance

To give an indication of how the fund has performed during the period the tables below show the performance of Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per share (NAV). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

Historic yields for the current period are calculated as at 10 May 2019.

Sterling Class 'A' Accumulation share performance

The share class was launched on 20 February 2019.

for the period to 30 April Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	2.79
Operating charges	(0.32)
Return after operating charges	2.47
Distributions	(0.43)
Retained distributions	0.43
Closing NAV	102.47
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.06
Dilution adjustments ^[a]	(0.24)
Total direct portfolio transaction costs	(0.18)
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	1.53*
Return after operating charges	+2.47
Historic yield	1.92
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (£'000)	41
Closing NAV percentage of total fund NAV (%)	0.38
Number of shares	40,271
Highest share price (UK p)	102.81
Lowest share price (UK p)	99.17

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'I' Accumulation share performance

The share class was launched on 20 February 2019.

for the period to 30 April Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	2.76
Operating charges	(0.18)
Return after operating charges	2.58
Distributions	(0.54)
Retained distributions	0.54
Closing NAV	102.58
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.06
Dilution adjustments ^[a]	(0.25)
Total direct portfolio transaction costs	(0.19)
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.78*
Return after operating charges	+2.58
Historic yield	2.66
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (£'000)	72
Closing NAV percentage of total fund NAV (%)	0.67
Number of shares	69,778
Highest share price (UK p)	102.92
Lowest share price (UK p)	99.19

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

^[a] In respect of direct portfolio transaction costs.

^[b] As a percentage of average net asset value.

Financial highlights

Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, comprising operating charges and portfolio transaction costs.

Operating charges

Operating charges include payments made to M&G and to providers independent of M&G:

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Administration:** Charge paid to M&G for administration services in addition to investment management – any surplus from this charge will be retained by M&G.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated.

Operating charges do not include portfolio transaction costs or any entry and exit charges (also known as initial and redemption charges). The charging structures of share classes may differ, and therefore the operating charges may differ.

Operating charges are the same as the ongoing charges shown in the Key Investor Information Document, other than where an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

For this fund there is no difference between operating charges and ongoing charges figures, unless disclosed under the specific share class performance table.

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange and method of execution. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission and taxes.
- **Indirect portfolio transaction costs:** 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid.

Investments are bought or sold by a fund when changes are made to the investment portfolio and in response to net flows of money into or out of the fund from investors buying and selling shares in the fund.

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. The table below shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

Further information on this process is in the Prospectus, which is available free of charge on request either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Portfolio transaction costs	
for the period to 30 April	2019
Direct portfolio transaction costs ^[a]	%
Broker commission	0.04
Taxes	0.07
Costs before dilution adjustments	0.11
Dilution adjustments ^[b]	(0.11)
Total direct portfolio transaction costs	0.00
as at	30.04.19
Indirect portfolio transaction costs	%
Average portfolio dealing spread	0.14

^[a] As a percentage of average net asset value.

^[b] In respect of direct portfolio transaction costs. Please see the section above this table for an explanation of dilution adjustments.

Contact



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