

M&G (Lux) Emerging Markets Bond Fund USD Class A – Accumulation shares

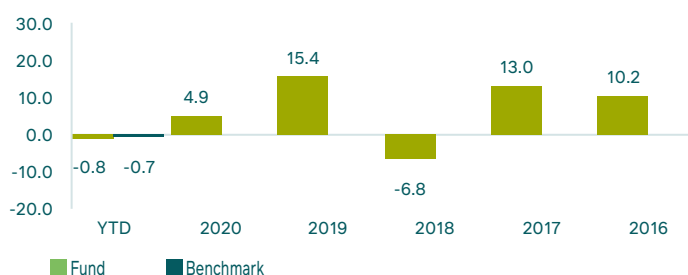
Monthly Fund Review as at 31 January 2021

For investment professionals only

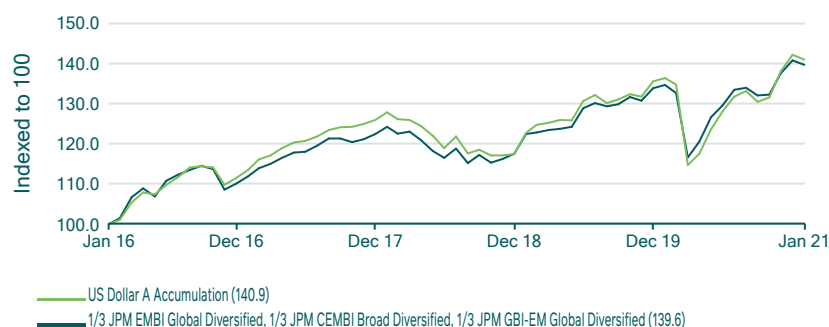
Highlights

- It was a soft start to the year for emerging market debt, largely due to a steepening US Treasury yield curve over the month.
- Tightening spreads in the asset class weren't enough to compensate for the negative impact from duration.
- It was the busiest January ever in terms of new bond issuance, with over US\$125 billion of new issuance coming to the market.

Annual performance (%)



Performance over 5 years



Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)
US Dollar A Accumulation	-0.8%	7.1%	-0.8%	3.3%	3.3%	7.1%
1/3 JPM EMBI Global Diversified, 1/3 JPM CEMBI Broad Diversified, 1/3 JPM GBI-EM Global Diversified	-0.7%	5.6%	-0.7%	3.7%	4.0%	6.9%
Sector	-0.9%	6.0%	-0.9%	4.2%	2.8%	6.2%

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.

Fund performance prior to 21 September 2018 is that of the USD Class A Accumulation of the M&G Emerging Markets Bond Fund (a UK-authorized OEIC), which merged into this fund on 7 December 2018. Tax rates and charges may differ.

Benchmark performance is shown from the start of manager's tenure of the OEIC, which was 2 December 2013.

Source: Morningstar, Inc and M&G, as at 31 January 2021. Returns are calculated on a price to price basis with income reinvested. Benchmark returns stated in USD terms.

Performance charts © 2021 Morningstar Inc., All Rights Reserved. The information contained within: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Key information

Fund manager(s)	Claudia Calich
Fund manager tenure from	02 December 2013
Deputy fund manager(s)	Charles De Quinsonas
ISIN	LU1670632337
Launch date of fund	17 September 2018
Launch of share class	21 September 2018
Fund size (millions)	\$ 2,838.96
Fund type	SICAV
Benchmark	1/3 JPM EMBI Global Diversified Index 1/3 JPM CEMBI Broad Diversified Index 1/3 JPM GBI-EM Global Diversified Index
Sector	Morningstar Global Emerging Markets Bond sector
Number of issuers	141
Average credit rating	BB
Modified duration (years)	6.43
VaR	7.13%
Average coupon	6.06
Spread duration (years)	4.7

Manager tenure includes the period when managing an equivalent UK-authorized OEIC. Please see 'important information' at the end of this document for further details.

Charges

Maximum entry charge	4.00%
Ongoing charge	1.50%

Things you should know

The fund allows for the extensive use of derivatives.

Fund ratings

Overall Morningstar rating **★★★★**

Source of Morningstar ratings: Morningstar, as at 31 January 2021

Ratings should not be taken as a recommendation.

Asset breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Government bonds - local currency	30.8	0.0	0.0	30.8
Government bonds - hard currency	40.0	0.0	0.0	40.0
Credit - local currency	3.4	0.0	0.0	3.4
Credit - hard currency	25.8	0.0	0.0	25.8
Other	0.0	0.0	0.0	0.0
Cash	0.0	0.0	0.0	0.0

Credit rating breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
AAA	4.1	0.0	0.0	4.1
AA	1.1	0.0	0.0	1.1
A	2.4	0.0	0.0	2.4
BBB	24.5	0.0	0.0	24.5
BB	28.3	0.0	0.0	28.3
B	30.8	0.0	0.0	30.8
CCC	3.8	0.0	0.0	3.8
CC	0.7	0.0	0.0	0.7
C	0.6	0.0	0.0	0.6
D	0.5	0.0	0.0	0.5
No rating	3.3	0.0	0.0	3.3
Cash	0.0	0.0	0.0	0.0

Country breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Mexico	6.5	0.0	0.0	6.5
Russia	4.9	0.0	0.0	4.9
Brazil	4.0	0.0	0.0	4.0
China	3.7	0.0	0.0	3.7
South Africa	3.6	0.0	0.0	3.6
Indonesia	3.5	0.0	0.0	3.5
Singapore	3.4	0.0	0.0	3.4
Ukraine	2.7	0.0	0.0	2.7
Other	67.7	0.0	0.0	67.7
Cash	0.0	0.0	0.0	0.0

Largest issuers (%)

	Fund
Mexico	3.3
Singapore	3.0
Russia	3.0
South Africa	3.0
Indonesia	2.8
Egypt	2.5
Peru	2.4
Dominican Republic	2.3
Turkey	2.3
Brazil	2.2

Maturity breakdown (%)

	Physical
0 - 1 years	5.8
1 - 3 years	12.9
3 - 5 years	13.9
5 - 7 years	16.2
7 - 10 years	14.7
10 - 15 years	11.4
15+ years	25.0
Cash	0.0

Currency breakdown (%)

	Pre-hedge	Post-hedge
US dollar	57.2	64.5
Mexican peso	3.2	3.2
Singapore dollar	3.0	3.0
Russian ruble	3.0	3.0
Indonesian rupiah	2.8	2.8
Peruvian nuevo sol	2.4	2.4
South African rand	2.3	2.3
Brazilian real	2.2	2.2
Malaysian ringgit	1.7	1.7
Other	22.0	14.9

Industry breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Foreign Sovereign	38.7	0.0	0.0	38.7
Sovereign	32.1	0.0	0.0	32.1
Energy	5.3	0.0	0.0	5.3
Banking	3.6	0.0	0.0	3.6
Real Estate	2.5	0.0	0.0	2.5
Financial services	2.3	0.0	0.0	2.3
Agency	2.1	0.0	0.0	2.1
Basic industry	2.0	0.0	0.0	2.0
Transportation	1.9	0.0	0.0	1.9
Telecommunications	1.9	0.0	0.0	1.9
Utility	1.6	0.0	0.0	1.6
Supranational	1.0	0.0	0.0	1.0
Healthcare	0.9	0.0	0.0	0.9
Consumer goods	0.8	0.0	0.0	0.8
Local-Authority	0.7	0.0	0.0	0.7
Media	0.7	0.0	0.0	0.7
Retail	0.5	0.0	0.0	0.5
Technology & electronics	0.5	0.0	0.0	0.5
Capital goods	0.3	0.0	0.0	0.3
Services	0.3	0.0	0.0	0.3
Government Guaranteed	0.3	0.0	0.0	0.3
Automotive	0.0	0.0	0.0	0.0
Insurance	0.0	0.0	0.0	0.0
Leisure	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Cash	0.0	0.0	0.0	0.0

Duration by currency and asset class (years)

	Fund	Futures	Swaps	Net
Euro	0.5	0.0	0.0	0.5
British pound	0.1	0.0	0.0	0.1
US dollar	3.9	0.0	0.0	3.9
Other	1.9	0.0	0.0	1.9
Total	6.4	0.0	0.0	6.4

Commentary

US Treasuries and other core governments bonds sold off as President Biden's Democrats took control of Congress during the month, prompting expectations of increased fiscal spending in the US economy. The US Treasury yield curve steepened and the US dollar rose which hurt emerging market debt and currencies over the month.

Despite a high level of new issuance in January, spreads on hard currency emerging market bonds tightened slightly, highlighting the fact that demand for the asset class remains high. However, it was not enough to compensate for the losses from duration. Emerging market corporate debt was the best-performing segment in January, benefiting from its shorter duration.

The fund registered a small negative return over the month, broadly in line with its benchmark. The fund's large US dollar exposure meant the unhedged euro share classes registered a small positive return.

The fund had no exposure to some of the worst-performing high yield issuers in the market, including Lebanon, Belize and Ethiopia, although we did have benchmark-neutral exposure (in risk terms) to Ecuador, the worst performer in January ahead of the elections in the country this month.

Investment grade issuers continue to look relatively rich, in our opinion, so we continue to favour exposure to higher-yielding issuers. We are likely to keep adding to local exposure selectively, should investment grade valuations continue to tighten. However, we are also paying close attention to valuations in parts of the high yield market as well, given the ongoing spread tightening there.

Key changes

There were no major changes in terms of fund positioning. We continued to gradually increase exposure to local currency issuers, and are now 2% above the benchmark index weight.

It was the busiest January ever in the new issue market with over US\$125 billion of new issuance. We remained disciplined and participated only in a select few deals as there appeared to be a dearth of value, in our view, compared with the secondary market. We invested in some sovereign bonds that do not issue very often, including Benin and Armenia, and what we consider to be some attractively valued Latin American companies, including WOM (a Chilean telco operator); Banco BTG in Brazil; Banco Industrial in Guatemala and SIMPAR – a Brazilian holding company that owns several transportation businesses.

We moved to a small above-index weight in local Turkish bonds following the central bank's decision to increase interest rates in December and on expectations of the country maintaining monetary discipline in the near term. We also topped up a position in Kazakhstan government bonds and added a small holding of local Chinese government bonds (China's benchmark weight has grown to over 3% and is no longer negligible). We reduced our duration position in local Mexican government bonds (leaving overall exposure unchanged, however) after some good performance following the sell-off in US Treasuries.

Fund codes and charges

Share class	ISIN	Bloomberg	Currency	Share class launch date	Ongoing charge	Distribution yield	Underlying yield	Minimum initial investment	Minimum top up investment
USD A Acc	LU1670632337	MGLEUAA LX	USD	21/09/2018	1.50%*	-	4.33%	\$1,000	\$75
USD A Inc	LU1670632410	MGLEUAD LX	USD	21/09/2018	1.50%*	5.84%	4.33%	\$1,000	\$75
USD A M F Inc	LU2153606442	MGEMBUA LX	USD	19/11/2020	1.50%*	-	-	\$1,000	\$75
USD A M Inc	LU1903670880	MGLCAMD LX	USD	29/11/2018	1.50%*	-	-	\$1,000	\$75
USD C Acc	LU1670632501	MGLEUCA LX	USD	21/09/2018	0.85%*	-	4.98%	\$500,000	\$50,000
USD C Inc	LU1670632683	MGLEUCD LX	USD	21/09/2018	0.85%*	5.83%	4.98%	\$500,000	\$50,000
USD C M Inc	LU1904154066	MGLCCMD LX	USD	29/11/2018	0.85%*	-	-	\$500,000	\$50,000
USD CI Acc	LU1797810857	MGLEUCI LX	USD	21/09/2018	0.81%*	-	5.02%	\$500,000	\$50,000

The above ongoing charge figure is an estimate of the charges because of a change to the charging structure with effect from 1st October 2020.

The ongoing charge figure may vary from year to year and excludes portfolio transaction costs. Given the size of the fund, the Administration Charge which is included in the OCF has been discounted. The fund's annual report for each financial year will include details on the exact charges made. Any ongoing charge figure with * indicates an estimate. The fund's annual report for each financial year will include details of the exact charges.

Please note that not all of the share classes listed above might be available in your country.

Please see the Important Information for Investors document and the relevant Key Investor Information Document for more information on the risks associated with this fund and which share classes are available for which product and which investor type.

ESG Integrated funds



Funds that integrate financially material ESG data into the risk management and decision-making process, as well as our company-wide exclusions (cluster munitions and anti-personnel mines). Some strategies may have some additional ESG exclusions.

Approach to responsible investment

	Yes	No	N/A
ESG integration	✓		
Additional ESG specifications		✓	
Exclusions	✓		
Cluster munitions & anti personnel landmines	✓		
Other exclusions or restrictions		✓	
Voting			✓
Engagement	✓		

Please see glossary for further explanation of these terms.

ESG Standard Glossary

Additional ESG specifications: In the context of M&G, these are funds managed with an explicit ESG objective, outcome or in accordance with specific ESG criteria, and will have a number of minimum exclusions in place.

Engagement: Interaction with company management on various financial and non-financial, including ESG, issues. Engagement allows investors to better understand how a company is undertaking its operations and how it is interacting with its stakeholders, as well as advising on and influencing company behaviour and disclosures where appropriate.

ESG integration: Describes the explicit and systematic inclusion of Environmental, Social and Governance factors in investment analysis and investment decisions. It underpins a responsible investment approach, and allows investors to

better manage risk and generate sustainable, long-term returns.

Exclusions: The exclusion or restriction of investments based on the sector in which they operate, the products or services they provide or for other specific criteria, i.e. they are deemed to be in breach of the United Nations Global Compact principles on human rights, labour the environment and anti-corruption.

Voting: As the partial owners of a company, shareholders have the right to vote on resolutions put forward at a company's annual general meeting. These resolutions include the re-election of directors, executive remuneration and business strategy, among others, and may include resolutions put forward by shareholders.

Important information

On 7 December 2018 the non-sterling assets of the M&G Emerging Markets Bond Fund, a UK-authorized OEIC which launched on 15 October 1999, merged into the M&G (Lux) Emerging Markets Bond Fund, a Luxembourg-authorized SICAV, which launched on 17 September 2018. The SICAV is run by the same fund manager, applying the same investment strategy, as the UK-authorized OEIC.

The M&G (Lux) Emerging Markets Bond Fund is a sub-fund of M&G (Lux) Investment Funds 1.

The Morningstar Overall Rating based on the fund's US Dollar Class A shares. Copyright © 2021 Morningstar UK Limited. All Rights Reserved. Ratings should not be taken as recommendation.

Where a security has not been rated by Standard & Poor's, Fitch or Moody's, we may use M&G's internal credit rating. Based on a comparison of all available ratings for each security, the most conservative rating (S&P, Fitch, Moody's or M&G's internal rating) is taken into consideration. The ratings so identified are then expressed or converted into M&G's ratings format to obtain uniform information for all securities in the portfolio.

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.

Contact M&G

Asia / Global Banks

<http://www.mandg.com/international/>