

M&G (Lux) Emerging Markets Hard Currency Bond Fund USD Class C – Accumulation shares



Monthly Fund Review as at 31 January 2021

For investment professionals only

Highlights

- Emerging market debt experienced a muted start to the year, due mainly to a steepening US yield curve.
- In hard currency debt, sovereigns underperformed, while losses from corporates were mitigated by their typically shorter duration.
- In our view, the low yield environment and expected COVID-19 vaccine rollouts should be supportive for the asset class.

The main risks associated with this fund

For any past performance shown, please note that past performance is not a guide to future performance.

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.

Investing in emerging markets involves a greater risk of loss as there may be difficulties in buying, selling, safekeeping or valuing investments in such countries.

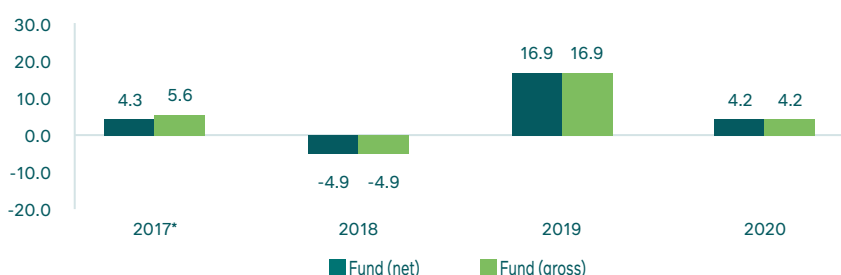
Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund.

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

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.

Further risk factors that apply to the fund can be found in the fund's Key Investor Information Document (KIID).

Single year performance (%)



*from inception (22/05/2017 to 31/12/17)

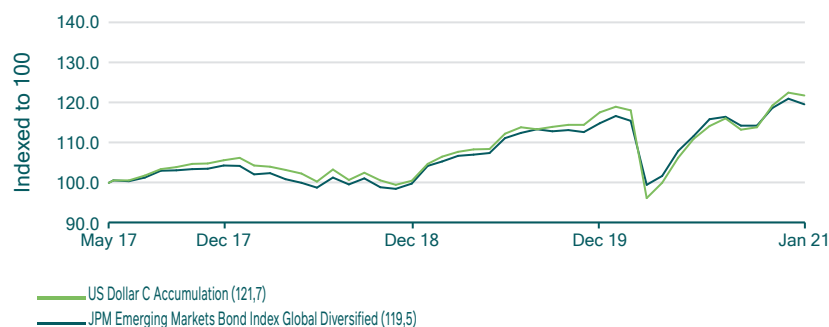
Past performance is not a guide to future performance.

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 1.25% (i.e. \$12.50 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.

Performance since launch



Fund performance

	1 month (%)	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)
US Dollar C Accumulation	-0,6%	6,9%	-0,6%	2,3%	4,6%	-
JPM Emerging Markets Bond Index Global Diversified	-1,1%	4,7%	-1,1%	2,6%	4,7%	-
Sector	-0,9%	6,0%	-0,9%	4,2%	2,8%	-

Past performance is not a guide to future performance.

Key information

Fund manager(s)	Claudia Calich
Fund manager tenure from	22 May 2017
Deputy fund manager(s)	Charles De Quinsonas
ISIN	LU1582978331
Launch date of fund	22 May 2017
Launch of share class	22 May 2017
Fund size (millions)	\$ 226,50
Fund type	SICAV
Benchmark	JPM EMBI Global Diversified Index
Sector	Morningstar Global Emerging Markets Bond sector
Number of issuers	90
Average credit rating	BB-
Modified duration (years)	7,18
VaR	8,29%
Average coupon	5,64
Spread duration (years)	7,1

Charges

Maximum entry charge	1,25%
Ongoing charge	0,80%

Things you should know

The fund allows for the extensive use of derivatives.

Performance is stated in the share class currency, which may differ from your domestic currency. As a result, the return may rise or fall due to currency movements.

Fund ratings

Overall Morningstar rating **★★★**

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

Ratings should not be taken as a recommendation.

M&G (Lux) Emerging Markets Hard Currency Bond Fund USD Class C – Accumulation shares



Monthly Fund Review as at 31 January 2021
For investment professionals only

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

The performance shown in the chart and table above does not take entry charges into account.

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. Past performance is not a guide to future performance.

Asset breakdown (%)

	Net
Government bonds - local currency	5,0
Government bonds - hard currency	83,9
Credit - local currency	0,3
Credit - hard currency	10,0
Other	0,0
Cash	0,8

Largest issuers (%)

	Fund
Petroleos Mexicanos	3,5
KazMunayGas National Co JSC	3,1
US	3,0
Egypt	2,9
Dominican Republic	2,4
Turkey	2,3
Ukraine	2,2
Nigeria	2,2
Oman Sultanate of	2,1
Bahrain	2,1

Credit rating breakdown (%)

	Net
AAA	0,0
AA	4,9
A	0,3
BBB	11,6
BB	30,7
B	41,0
CCC	5,7
CC	2,0
C	0,2
D	0,6
No rating	2,2
Cash	0,8

Maturity breakdown (%)

	Physical
0 - 1 years	5,8
1 - 3 years	10,0
3 - 5 years	11,1
5 - 7 years	15,3
7 - 10 years	15,4
10 - 15 years	13,6
15+ years	28,1
Cash	0,8

Duration by currency and asset class (years)

	Fund	Futures	Swaps	Net
Euro	0,9	0,0	0,0	0,9
British pound	0,1	0,0	0,0	0,1
US dollar	6,1	0,0	0,0	6,1
Other	0,2	0,0	0,0	0,2
Total	7,2	0,0	0,0	7,2

Country breakdown (%)

	Fund
Mexico	4,7
Ukraine	3,8
South Africa	3,2
Kazakhstan	3,1
Turkey	3,0
US	3,0
Egypt	2,9
Russia	2,7
Other	72,9
Cash	0,8

Currency breakdown (%)

	Pre-hedge	Post-hedge
US dollar	82,5	95,1
Mexican peso	1,5	1,1
Uruguay peso	0,7	0,7
Egyptian pound	0,6	0,6
British pound	0,5	0,5
Ukraine hryvna	0,5	0,5
Indian rupee	0,0	0,5
Russian ruble	0,5	0,5
Uzbekistan som	0,4	0,4
Other	12,9	0,1

Commentary

Emerging market (EM) debt experienced a muted start to 2021, due in large part to the steepening of the US Treasury yield curve. This had a negative impact on EM hard currency sovereign debt yields, due to the effects of duration. Meanwhile, hard currency corporate bond spreads remained tight, and were less affected by the rise in US yields due to their lower interest rate risk. There was divergent performance from local currency assets, but returns were weak overall.

The JP Morgan Emerging Markets Bond (EMBI) Global Diversified Index, which represents the performance of hard currency government bonds, fell by -1.09% during the month. For emerging market hard currency corporate debt, the JP Morgan Corporate EMBI (CEMBI) Broad Diversified Index delivered -0.07%. Local currency sovereigns, as tracked by the JP Morgan GBI-EM Global Diversified Index, declined by -1.07%. All returns are stated in US dollars.

In this environment, portfolio returns were slightly negative. However, losses were partially mitigated by overweight exposure to high yield debt, which generally outperformed, due to its typically shorter duration. We also avoided exposure to some of the worst-performing sovereigns during the month, including Belize, Ethiopia and Lebanon.

Key changes

January saw high volumes of new EM debt, with most of the of issuance coming from corporates, although several sovereigns also came to market. We participated in a number of sovereign and corporate issues from central Europe and Latin America. The fund is also permitted to gain a small amount of exposure to local currency assets. As such, we reduced a position in the Russian ruble and added some exposure to the Turkish lira.

In our view, investment grade spreads generally appear fully valued. However, high yield spreads remain at attractive levels, even if some parts of the market have recovered strongly after the rally at the end of last year. Valuations and yields remain attractive on a relative basis, given the low yield environment globally.

Despite the recent resurgence of the virus, the expected vaccine rollout and potential economic recovery should provide a supportive global environment for EM debt and for countries with strong links to commodities and tourism, in our view.

Global monetary policy, which the consensus expects to remain accommodative for a long period, is a significant supportive factor. However, the crisis will undoubtedly have left some scars. In an environment where valuations have normalised, thorough analysis of fundamentals, as well as selectivity and diversification, will be as important as ever in navigating idiosyncratic risks effectively.

Fund codes and charges

Share class	ISIN	Bloomberg	WKN code	Share class launch date	Ongoing charge	Distribution yield	Underlying yield	Minimum initial investment	Minimum top up investment
USD A Acc	LU1582978091	MGEHUAA LX	A2DQ94	22/05/2017	1,70%*	-	4,33%	\$1.000	\$75
USD A Inc	LU1582978174	MGEHUAI LX	A2DQ95	22/05/2017	1,70%*	6,11%	4,33%	\$1.000	\$75
USD C Acc	LU1582978331	MGEHUCA LX	A2DQ97	22/05/2017	0,80%*	-	5,23%	\$500.000	\$50.000
USD C Inc	LU1582978414	MGEHUCI LX	A2DQ98	22/05/2017	0,80%*	6,11%	5,23%	\$500.000	\$50.000
USD CI Acc	LU1582978257	MGHUCIA LX	A2DQ96	22/05/2017	0,76%*	-	5,27%	\$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. The audit fees and custody transaction charges are borne by M&G until the fund size increases to above 200 million euros. 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

The M&G (Lux) Emerging Markets Hard Currency 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 C 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 only. Not for onward distribution. No other persons should rely on any information contained within.

English copies of the Instrument of Incorporation, Prospectus, annual or interim Investment Report and Financial Statements, plus the Prospectus and Key Investor Information Document/s in German, are available free of charge in paper form from M&G International Investments S.A., German branch, mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main and from www.mandg.de.

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

This financial promotion is issued by M&G International Investments S.A. Registered Office: 16, Boulevard Royal, L-2449, Luxembourg.

Contact

Germany
www.mandg.de