

M&G (Lux) Global High Yield ESG Bond Fund USD Class C – Accumulation shares

Monthly Fund Review as at 31 January 2021

For investment professionals only

Highlights

- It was a relatively subdued month for fixed income markets, with returns held back by rising government bond yields and steepening yield curves.
- Credit proved more resilient, with investment grade spreads fairly flat, while high yield spreads saw a modest tightening.
- The fund delivered a modest positive return over the month, helped by our relatively low allocation to emerging markets, although this was offset by our cautious positioning in the CCC space which outperformed.

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.

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.

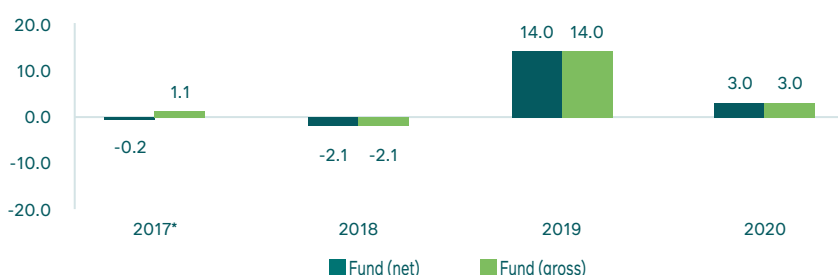
High yield bonds usually carry greater risk that the bond issuers may not be able to pay interest or return the capital.

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.

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.

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 (05/10/2017 to 31/12/17)

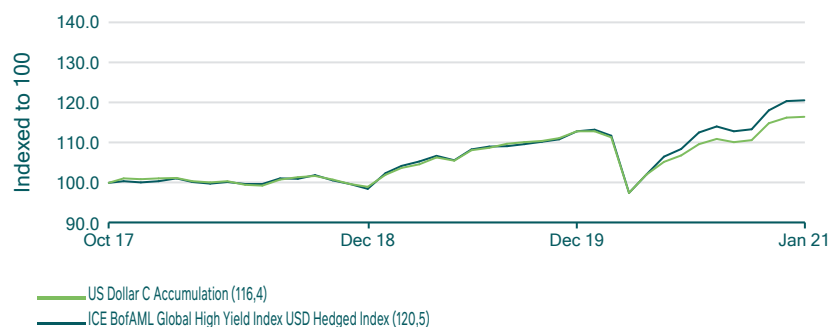
Past performance is not a guide to future performance.

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 (%)
					p.a.	p.a.
US Dollar C Accumulation	0,2%	5,2%	0,2%	3,2%	4,7%	-
ICE BofAML Global High Yield Index USD Hedged Index	0,2%	6,4%	0,2%	6,4%	6,0%	-
Sector	0,1%	6,7%	0,1%	5,6%	4,2%	-

Past performance is not a guide to future performance.

Key information

Fund manager(s)	James Tomlins, Stefan Isaacs
Fund manager tenure from	05 October 2017
Deputy fund manager(s)	Lu Yu
ISIN	LU1665235088
Launch date of fund	05 October 2017
Launch of share class	05 October 2017
Fund size (millions)	\$ 76,49
Fund type	SICAV
Benchmark	ICE BofAML Global High Yield Index USD Hedged
Sector	Morningstar Global High Yield Bond sector
Number of issuers	116
Average credit rating	BB-
Modified duration (years)	3,14
VaR	3,53%
Average coupon	5,04
Spread duration (years)	3,3

Charges

Maximum entry charge	1,25%
Ongoing charge	0,85%

Asset breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Government bonds	0,0	0,0	0,0	0,0
Investment grade corporate bonds	7,1	0,0	0,0	7,1
Fixed rate	5,5	0,0	0,0	5,5
Floating rate	1,7	0,0	0,0	1,7
Index linked	0,0	0,0	0,0	0,0
Credit default swap indices	0,0	0,0	0,0	0,0
High yield corporate bonds	87,7	0,0	0,0	87,7
Fixed rate	69,8	0,0	0,0	69,8
Floating rate	17,8	0,0	0,0	17,8
Index linked	0,0	0,0	0,0	0,0
Credit default swap indices	0,0	0,0	0,0	0,0
Securitised	0,5	0,0	0,0	0,5
Equities	0,1	0,0	0,0	0,1
Other	0,0	0,0	0,0	0,0
Cash	4,6	0,0	0,0	4,6

Things you should know

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.	

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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.

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Largest issuers (excluding government bonds and CDS indices, %)

	Fund
Hanesbrands Finance Luxembourg	2,1
Occidental Petroleum Corporation	2,1
PVH	1,9
Kraft Heinz Foods	1,7
Tenet Healthcare Corporation	1,7
KB Home	1,7
HCA	1,5
Levi Strauss	1,4
Ocado Group	1,4
Vodafone Group	1,4

Top 5 companies by Industry Relative ESG Score

	Net
Koninklijke Kpn	10,0
Banco Bilbao Vizcaya Argentaria	10,0
Merck KGAA	10,0
Intesa Sanpaolo	10,0
KBC Groep	10,0

Industry breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Retail	10,1	0,0	0,0	10,1
Media	9,6	0,0	0,0	9,6
Healthcare	9,1	0,0	0,0	9,1
Energy	8,5	0,0	0,0	8,5
Banking	7,6	0,0	0,0	7,6
Telecommunications	6,9	0,0	0,0	6,9
Basic industry	6,6	0,0	0,0	6,6
Consumer goods	6,4	0,0	0,0	6,4
Real Estate	6,0	0,0	0,0	6,0
Capital goods	6,0	0,0	0,0	6,0
Technology & electronics	4,0	0,0	0,0	4,0
Services	3,9	0,0	0,0	3,9
Financial services	3,8	0,0	0,0	3,8
Transportation	3,4	0,0	0,0	3,4
Utility	1,4	0,0	0,0	1,4
Pfd-Banking	0,6	0,0	0,0	0,6
Insurance	0,6	0,0	0,0	0,6
Leisure	0,5	0,0	0,0	0,5
Asset backed	0,2	0,0	0,0	0,2
Automotive	0,0	0,0	0,0	0,0
Other	0,1	0,0	0,0	0,1
Cash	4,6	0,0	0,0	4,6

Duration by currency and asset class (years)

	Fund	Futures	Swaps	Net
Euro	1,1	0,0	0,0	1,1
British pound	0,2	0,0	0,0	0,2
US dollar	1,8	0,0	0,0	1,9
Total	3,1	0,0	0,0	3,1

Country breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
US	42,9	0,0	0,0	42,9
UK	8,8	0,0	0,0	8,8
China	6,4	0,0	0,0	6,4
France	5,2	0,0	0,0	5,2
Netherlands	3,7	0,0	0,0	3,7
Spain	3,4	0,0	0,0	3,4
Italy	3,4	0,0	0,0	3,4
Germany	2,7	0,0	0,0	2,7
Other	18,9	0,0	0,0	18,9
Cash	4,6	0,0	0,0	4,6

MSCI ESG score

	Fund
Fund average ESG score	5,8
Universe average ESG score	4,2

Commentary

It was a relatively subdued month for fixed income markets, with returns held back by rising government bond yields and steepening yield curves. A key driver for these moves was the outcome of the Georgia run-off elections in the US, which gave the Democrats control of the Senate and raised the prospect of increased fiscal stimulus.

US Treasuries returned -1.1% in the month as 10-year yields climbed above 1% for the first time since March 2020. Other core government bond markets sold off in sympathy, with bunds (-0.4%) and gilts (-1.7%) both losing ground. Credit proved more resilient, with investment grade spreads fairly flat, while high yield spreads saw a modest tightening. It was also a good month for oil prices, which were boosted by the announcement of output cuts from Saudi Arabia.

The fund delivered a modest positive return over the month, helped by our relatively low allocation to emerging markets, although this was offset by our cautious positioning in the CCC space which outperformed.

Key changes

It was a relatively busy month in terms of trading activity. In the primary market, we purchased new issues from a range of business, including JSL Logistics and burglar alarm business Verisure.

In the secondary market, we added to shipping company CMA CGM, Delta Airlines and French retailer Casino Guichard, whilst reducing CPI Property Group, radio broadcaster Sirius XM and HCA Healthcare. We also added some AT1 financial bonds as the asset class has continued to underperform non-financial high yield bonds.

Credit rating breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
AAA	0,0	0,0	0,0	0,0
AA	0,0	0,0	0,0	0,0
A	0,6	0,0	0,0	0,6
BBB	6,5	0,0	0,0	6,5
BB	52,8	0,0	0,0	52,8
B	26,0	0,0	0,0	26,0
CCC	8,6	0,0	0,0	8,6
CC	0,8	0,0	0,0	0,8
C	0,0	0,0	0,0	0,0
D	0,0	0,0	0,0	0,0
No rating	0,1	0,0	0,0	0,1
Cash	4,6	0,0	0,0	4,6

Maturity breakdown (%)

	Physical
0 - 1 years	13,2
1 - 3 years	24,4
3 - 5 years	34,3
5 - 7 years	10,9
7 - 10 years	10,2
10 - 15 years	1,5
15+ years	0,9
Cash	4,6

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	LU1665234511	MGHYUAA LX	A2DWEJ	05/10/2017	1,45%*	-	3,24%	\$1.000	\$75
USD A Inc	LU1665234602	MGGHUAD LX	A2DWEK	05/10/2017	1,45%*	4,75%	3,24%	\$1.000	\$75
USD A M Inc	LU1665234784	MGGUAMD LX	A2DWEL	05/10/2017	1,45%*	4,71%	3,24%	\$1.000	\$75
USD C Acc	LU1665235088	MGHYUCA LX	A2DWEM	05/10/2017	0,85%*	-	3,84%	\$500.000	\$50.000
USD C Inc	LU1665235161	MGHYUCD LX	A2DWEN	05/10/2017	0,85%*	4,74%	3,84%	\$500.000	\$50.000
USD CI Acc	LU1665235245	MGGUCIA LX	A2DWEF	05/10/2017	0,81%*	-	3,88%	\$500.000	\$50.000
USD L Acc	LU1665235328	MGHYULA LX	A2DWEQ	05/10/2017	0,60%*	-	4,09%	\$20.000.000	\$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+ funds



Funds that apply a positive ESG tilt to companies/issuers with better ESG characteristics (ie, excluding companies or issuers with poorer ESG characteristics, for example those that have high exposure to significant ESG risks and fail to manage such risks).

Approach to responsible investment

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

Please see glossary for further explanation of these terms.

*Other exclusions or restrictions

This fund excludes:	
<ul style="list-style-type: none"> Adult entertainment Alcohol Controversial weapons Defense and Weapons Gambling Power generation – nuclear Tobacco Thermal coal 	<ul style="list-style-type: none"> UN Global Compact – companies deemed to be in breach

*Thresholds may apply

ESG Range 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.

Controversial weapons: refers to chemical and biological weapons, white phosphorus, weapons and armour made from depleted uranium, nuclear weapons and nuclear weapons outside the Nuclear Non-Proliferation Treaty.

Conventional oil and gas: conventional oil and gas production – deepwater, shallow water and other onshore/offshore.

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 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.

GMO: genetically modified crops.

Impact: investment with the purpose of generating a measurable social or environmental return, alongside a financial return.

Sustainable: one or more components may apply. The investment universe is driven by sustainability-themed considerations, which might include climate change mitigation, pollution prevention, sustainability solutions (environmental, social) and approaches that address one or more of the UN Sustainable Development Goals (SDGs); there is a clear ambition, supported by explicit targets, to drive sustainability across the portfolio; an investment approach that selects companies/issuers with strong ESG credentials.

Tobacco: understood as those companies whose business models are based on the production, trading and distribution of tobacco.

Unconventional oil and gas: oil sands (production), shale oil, shale gas and arctic drilling.

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.

Weapons: refers to systems, components, and support systems and services.

Important information

The M&G (Lux) Global High Yield ESG 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.

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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.

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Contact

Germany
www.mandg.de