

## M&G raises £155 million in first close of second specialty finance fund

**London, 22 February 2022** – M&G today announces the first close of its second Specialty Finance Fund (“the Fund”) with £155 million from the Prudential With-Profits Fund and a Nordic pension fund. The Fund is targeting a final close of around £750 million and is designed for institutional investors seeking high single-digit returns.

The Fund invests primarily in portfolios of performing residential mortgage and consumer loans from across OECD countries, with a bias towards Europe. Consumer lending across Europe is dominated by retail banks, but wide-ranging regulatory changes have encouraged banks to find ways to manage their capital and balance sheets more efficiently. Over recent years, asset managers have stepped up to provide long-term capital to this market on behalf of institutional investors seeking long-term income and diversification with a return premium to the public markets. This has resulted in banks transferring residential mortgages and consumer loan portfolios to carefully selected institutional investors from time to time, while still servicing the loans and maintaining relationships with the end-consumers.

Since forming a dedicated specialty finance team in 2017, M&G has invested almost £1 billion into the market through a suite of funds, referencing pools of over £15 billion of residential mortgage and consumer debt from over 25 different counterparties. The team is supported by M&G’s extensive fixed income research team, including 16 dedicated ABS analysts, within M&G’s £65 billion Private & Alternative Assets division.

The team sources assets in a variety of ways, including acquiring back-books of pre-originated loans from bank balance sheets, non-bank finance companies and other intermediaries, through new origination partnerships with banks and innovative non-bank lending platforms (such as M&G’s long-standing partnership with Finance Ireland), or by acquiring mezzanine or junior tranches of residential mortgages and consumer loan portfolios in privately-negotiated external transactions.

**William Nicoll, Chief Investment Officer of Private & Alternative Assets, M&G,** says: “Institutional investors, including pension funds and insurance companies, have historically not invested heavily in the steady cashflows and protection from inflation that portfolios of floating-rate consumer loans and mortgages have the potential to provide. Making these assets available creates significant opportunities for investors seeking diversification and the potentially high risk-adjusted returns on offer from these pools of high-quality assets.”

**Jerome Henrion, Head of Specialty Finance, M&G**, says: “In the past two years, the world has experienced the biggest consumer bailout ever seen and despite headwinds, European consumers are generally in good financial health. This, alongside regulatory changes which have prompted banks to reluctantly shift some of these portfolios away from their balance sheets so that they no longer need to hold regulatory capital against them, is creating an exciting market.

“The asset class has demonstrated its resilience through economic cycles and has provided stability and security. As banks have introduced more stringent underwriting requirements over the past decade consumer lending has become progressively stronger and safer. There is an estimated \$28.5 trillion of consumer loan balances globally, meaning this market opportunity offers significant potential for growth and scale for institutional investors with flexible capital, analytical skills and the ability to provide counterparties with certainty of execution.”

**-ENDS-**

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## **Notes to Editors**

### **About M&G Investments**

M&G Investments is part of M&G plc, a savings and investment business which was formed in 2017 through the merger of Prudential plc's UK and Europe savings and insurance operation and M&G, its wholly owned international investment manager. M&G plc listed as an independent company on the London Stock Exchange in October 2019 and has over £370 billion of assets under management (as at 30 June 2021). M&G plc has customers in the UK, Europe, the Americas and Asia, including individual savers and investors, life insurance policy holders and pension scheme members.

For nearly nine decades M&G Investments has been helping its customers to prosper by putting investments to work, which in turn creates jobs, homes and vital infrastructure in the real economy. Its investment solutions span equities, fixed income, multi asset, cash, private debt, infrastructure and real estate.

M&G recognises the importance of responsible investing and is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and is a member of the Climate Bonds Initiative Partners Programme.

M&G plc has committed to achieve net zero carbon emissions on its total book of assets under management and administration by 2050 and committed to reduce operational carbon emissions as a corporate entity to net zero by 2030.

For more information, please visit: <https://global.mandg.com/>

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