

M&G launches ELTIF to widen access to private credit

The strategy is currently available to professional investors and will aim at a wider investor base in early 2024, following on new ELTIF regulation coming into place

London, 6 November 2023 – M&G Investments today announces the launch of the firm’s first European Long-Term Investment Fund (ELTIF), the M&G Corporate Credit Opportunities strategy. Launched by M&G’s €86 billion Private Markets business¹, the €500 million strategy at launch² targets the best opportunities available in private credit and is managed by M&G’s Private Credit team, investing in private corporate lending since 1999.

With a growing number of companies staying private for longer and in the midst of one of the most aggressive rate hiking cycles in decades, the opportunity set available to investors in private credit has rarely been more attractive. The M&G Corporate Credit Opportunities ELTIF aims to capture this opportunity for a wider investor base, in an asset class traditionally only available to institutional players. Targeting returns of Euribor +5-6% gross of fees over the medium term, with gross potential yields estimated between 9-10% as of the end of October 2023, private credit can offer investors diversification from public markets, protection against duration given its largely floating rate nature and reliable streams of income historically capable of performing through economic cycles.

To provide investors with a well-diversified, flexible-to-market conditions portfolio, the strategy will blend complementary private corporate credit asset classes in which M&G has significant expertise, with the ability to adjust its weightings to reflect the best relative value. The strategy will comprise two buckets:

- The illiquid corporate credit bucket will invest in best opportunities at the higher yielding end of the spectrum and should represent 15-30% of the total portfolio. It will seek large and mid-market direct lending opportunities and Junior Loans, with strong covenants.
- The liquid corporate credit bucket should represent 70-85% of the portfolio and will predominately focus on floating rate, senior secured syndicated loans.

M&G’s Private Credit team has been offering European private corporate lending capabilities for nearly 25 years and currently manages approximately €20 billion for a large and international group of external and internal clients, including Prudential’s With Profits Fund, investing €500 million in the strategy launching today.

Catherine Ross, Head of Private Credit at M&G, comments: “With continued uncertainty around interest rates and inflation, private credit represents an attractive source of floating, stable income and uncorrelated returns. Once a niche asset class, the significant growth in private equity in the past decade and companies staying private for longer has further evolved the depth and breadth of the corporate credit market. Yields in private credit may look very attractive but the effects of a fast changing interest rate environment directly feeds through to company balance sheets, meaning selectivity and experience in this market is paramount to be able to pick the winners from the losers.”

Neal Brooks, Global Head of Product and Distribution at M&G, adds: “We are seeing increasing demand from European clients for investment opportunities in private markets as they seek diversification and uncorrelated returns. The forthcoming ELTIF regulation will spearhead the democratisation of private markets strategies in Europe as it has the potential to widen access in a meaningful way. With this strategy, by launching with €500 million, from day one, we will be providing clients with scale and diversification.”

M&G’s Private Credit Team is part of the company’s €86 billion Private Markets business, recognised for its market-leading expertise across its six core centres of excellence. These include specialist teams in Private Credit, Structured Credit, Impact and Private Equity, Real Estate, as well as M&G’s dedicated businesses in infrastructure equity, Infracapital, and impact investing in emerging markets, responsAbility. The scale and breadth of our private markets operations allows our teams to source unique opportunities across private markets, offering high value, differentiated investment propositions to our clients for over 20 years.

The M&G Corporate Credit Opportunities ELTIF is now available for investment for professional investors. The firm plans to widen access to the strategy in early 2024, following on new ELTIF regulation coming into place.

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¹ As end of June 2023 | ² Day 1 commitment from the Prudential With-Profits Fund

If you require any further information, please contact:

Rebecca Grundy , Corporate Communications, UK	+44 (0)782 782 0428	rebeca.grundy@mandg.com
Eva Martin , Corporate Communications, Europe	+34 636 499 352	eva.martin@mandg.com

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 €387.8bn billion of assets under management (as at 30 June 2023). M&G plc has over 5 million 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: www.mandg.com

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