News release

Marketing communication

M&G Investments

M&G widens access to ABS with launch of daily dealing fund as investors seek exposure to growing securitisation markets

London, 05 November 2024 – M&G's £7 billion[1] Structured Credit team today announces the launch of the **M&G Investment Grade ABS Fund** (the Fund), offering daily liquidity to investors. Launching with €200 million of external client capital from pension schemes and family offices, the Fund will seek opportunities across growing global securitised markets, investing in high quality, defensive instruments backed by assets such as residential mortgages, consumer, corporate and automotive loans.

M&G has been actively investing in securitised markets for more than 25 years, with a team of circa 40 structured credit investment professionals, supported by the firm's wider fixed income expertise in leveraged finance, corporate and financials research and real estate. The Fund will follow the same long-term, value-based investment philosophy as M&G's £3.5 billion[2] of existing Investment Grade Asset Backed Securities (ABS) strategies.

A strong securitization market is widely recognised as critical to the development of European capital markets, providing much needed diversification of funding sources for banks, particularly as central bank funding schemes are rolled back. At an estimated €550bn[3] in size, the European ABS market provides a substantial investment universe. The €71.5 billion[4] of issuance in H1 2024, which has exceeded the annual primary market's supply in three of the past five years, provides a compelling backdrop in which to launch the Fund.

This higher primary market supply provides a broader and more varied investible universe within which to identify opportunities, with improving regional and issuer diversity. At the same time, the asset class benefits from the significant improvement in mortgage, auto and consumer loan underwriting quality over the last decade with robust pre-approval affordability assessments, interest rate stress testing and conservative loan to value ratios. The evolution of Solvency-based risk capital models is also opening up access to a wider set of insurance clients across Europe.

Matthew Wardle, Head of Investment Grade Structured Credit at M&G, comments: "The investment case for the asset class is compelling for its exposure to granular and defensive underlying assets, low correlation with other asset classes and attractive value compared to corporate and government bonds.

"ABS performance has remained robust during recent years against a backdrop of higher interest rates, increased inflation and costs pressures for consumers and corporates alike. Falling inflation, expectations of continued low unemployment and healthy wage growth can continue to support a strong fundamental track record for the asset class looking forward."

Neal Brooks, Global Head of Product and Distribution at M&G, adds: "We continue to see demand from institutional investors who use ABS as an alternative to other areas of fixed income for its strong risk-adjusted yield pick-up - many of whom have a growing appetite for daily liquidity - a feature that is also resonating with our wholesale client base.

"This Fund is a helpful entry point for wholesale investors who may have previously overlooked ABS because of the perceived complexity and risk but are attracted to its high credit resiliency and attractive value. Offering daily liquidity and launching with €200 million of invested capital, it caters to a wide investor base, providing a well-diversified and seasoned portfolio from day one with liquidity ready to be deployed in what is expected to be a continued busy period for investment grade ABS issuance."

The Fund is classified Article 8 under SFDR.

-ENDS-

Notes to editors:

[1,2] As of September 2024

[3,4] M&G data, as of end of 2023

Key Features of the M&G Investment Grade ABS Fund

- **Fund domicile:** Luxembourg
- **Fund structure**: SICAV
- **Fund currency**: EUR
- **Fund managers**: Matthew Wardle, Scott Ellerby and Joseph Rice
- **Investment objective:** The Fund aims to provide a higher total return (capital growth plus income) than that of the Benchmark over any three-year period, net of fees while applying ESG Criteria.
- **Benchmark**: SONIA (or equivalent)
- **SFDR classification**: Article 8
- AA and single-A rated assets, including ABS, Collateralised Loan Obligation (CLOs) and Residential Mortgage-Backed Securities (RMBs).

Investment policy:

- The Fund aims to provide a higher total return (capital growth plus income) than that of the Benchmark over any three-year period, net of fees while applying ESG Criteria.0-80% in fixed income securities (including bonds and asset-backed securities). The Fund invests at least 70% of its Net Asset Value in Investment Grade Asset-Backed Securities ("ABS") denominated in any currency (or in the case of unrated ABS, which may represent up to 10% of the Net Asset Value, ABS which are deemed to be of comparable credit quality by the Investment Manager). The Fund may invest in any type of Investment Grade ABS. The Fund may invest up to 30% of its Net Asset Value in Investment Grade corporate debt securities, convertible bonds and government bonds. Issuers of these securities may be located in any country, including emerging markets (which shall not exceed 30% of the Net Asset Value of the Fund). The Fund seeks to make investments that meet the ESG Criteria applying an Exclusionary Approach as described in the precontractual annex to this Fund Supplement. The fund's recommended holding period is 3 years. The Fund's expected average level of leverage under normal market conditions is 100% of the Fund's Net Asset Value

The main risks associated with this fund:

- 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.
- 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.

- Interest Rate Risk: When interest rates rise, the value of the Fund is likely to fall.
- Counterparty Risk: Some transactions the Fund makes, such as placing cash on deposit, require the use of other financial institutions. If one of these institutions defaults on their obligations or becomes insolvent, the Fund may incur a loss.
- Asset-Backed Securities Risk: The assets backing mortgage and asset-backed securities may be repaid earlier than required, resulting in a lower return.
- ESG information from third-party data providers may be incomplete, inaccurate or unavailable. There is a risk that the investment manager may incorrectly assess a security or issuer, resulting in the incorrect inclusion or exclusion of a security in the portfolio of the fund.
- Please note, investing in this fund means acquiring units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned by the fund.
- Further details of the risks that apply to the fund can be found in the fund's Prospectus.

If you require any further information, please contact:

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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 £346 billion of assets under management (as at 30 June 2024). 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: www.mandg.com

Dutch regulator, the AFM. M&G Luxembourg S.A. is the manager of the UCITS referred to in this document. Registered Office: 16, boulevard Royal, L 2449, Luxembourg.The Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários, the "CMVM") has received a passporting notification under Directive 2009/65/EC of the European Parliament and of the Council and the Commission Regulation (EU) 584/2010 enabling the fund to be distributed to the public in Portugal.

This information is not an offer or solicitation of an offer for the purchase of investment shares in one of the funds referred to herein. Purchases of a fund should be based on the current Prospectus and Key Information Document. The Instrument of Incorporation, Prospectus, Key Information Document, annual or interim Investment Report and Financial Statements, are available free of charge, in English or your local language (unless specified below) in paper form, from one of the following – M&G Luxembourg S.A., German branch, mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main; the Austrian paying agent: Société Générale Vienna Branch, Zweigniederlassung Wien Prinz Eugen-Strasse, 8-10/5/Top 11 A-1040 Wien, Austria; the Luxembourg paying agent: Société Générale Bank & Trust SA, Centre operational 28-32, place de la Gare L 1616 Luxembourg; the Danish paying agent: Nordea Danmark, Filial af Nordea Bank Abp, Finland, Issuer Services, Postbox 850, Reg.no. 5528, DK-0900 Copenhagen C; Allfunds Bank, Calle Estafeta, No 6 Complejo Plaza de la Fuente, La Moraleja, 28109, Alcobendas, Madrid, Spain; M&G Luxembourg S.A. French branch, 8 rue Lamennais, Paris 75008; the French centralising agent of the fund: RBC Investors Services Bank France; or the Swedish paying agent: Nordea Bank AB (publ), Smålandsgatan 17, 105 71 Stockholm, Sweden. For Switzerland, please refer to by M&G International Investments Switzerland AG, Zollstrasse 17, 8005 Zürich or Société Générale, Paris, Zurich Branch, Talacker 50, P.O. Box 5070, 8021 Zurich, which acts as the Swiss representative and acts as the Swiss paying agent. For Italy, they can also be obtained on the website: www.mandgitalia.it. For the Netherlands, they are available online at www.mandg.com/investments/nl and for more information concerning the Key Information Document, please refer to www.afm.nl/eid. For Ireland, they are available in English language and can also be obtained from the Irish facilities agent, Société Générale SA, Dublin Branch, 3rd Floor IFSC House – The IFSC Dublin 1, Ireland.

Before subscribing investors should read the Key Information Document and the Prospectus, which includes a description of the investment risks relating to these funds. *The value of the assets managed by the funds may greatly fluctuate as a result of the investment policy. The information contained herein is not a substitute for independent investment advice.*

M&G Luxembourg S.A. may terminate arrangements for marketing under the new Cross-Border Distribution Directive denotification process.