

M&G (Lux) Investment Funds 1
Société d'Investissement à Capital Variable
Registered office: 49, Avenue J.F. Kennedy, L-1855 Luxembourg
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Clearstream Banking S.A.
42 Avenue JF Kennedy
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LUXEMBOURG

1 October 2020

Dear Investor

**Changes to the fee structure for the Funds of M&G (Lux) Investment Funds 1
(the "Funds" of the "Company")**

Please note that there will be no change to the Funds' investment objectives and investment policies, and the Funds will continue to be managed in the same way.

You do not need to take any action, but we recommend that you read this letter carefully.

Defined terms used in this letter have the same meaning as in the Prospectus.

I am writing to inform you that, effective from Thursday 1 October 2020 (the "Effective Date"), we are introducing a discount on the Administration Charge for the Company's larger Funds. In addition, M&G Luxembourg S.A. (the "Management Company") will pay the Audit Fees and Custody Transaction Charges for Funds with a Net Asset Value (NAV) of less than €200m.

The changes will allow investors in our larger Funds to benefit from the economies of scale resulting from these Funds' relatively lower administrative costs, whilst reducing costs for investors in smaller Funds, where the impact of fixed costs can be comparatively high.

We will assess each Fund's size on a quarterly basis to determine whether it qualifies for a discount or for its Audit and Custody Transaction Charges to be paid by the Management Company.

In addition, we will be amending the description of the Administration Charge in the Prospectus to clarify what is included within this fee.

- **Administration Charge discount for larger funds**

The discount will depend on each Fund's NAV. For every €1.25 billion of a Fund's NAV, a discount of 0.02% will be applied from that Fund's Administration Charge, up to a maximum of 0.12% discount. The Funds' Administration Charge is currently up to 0.15% per annum.

Please note that this change does not apply to the M&G (Lux) Multi Asset 2023 Fund, which carries a Single Charge.

continued overleaf

Discount amount	Discount introduced when Fund NAV reaches	Discount removed/reduced when NAV falls to (see below for description and value of the "buffer")
0.02%	€1.250bn	€1.125bn
0.04%	€2.500bn	€2.375bn
0.06%	€3.750bn	€3.625bn
0.08%	€5.000bn	€4.875bn
0.10%	€6.250bn	€6.000bn
0.12%	€7.500bn	€7.250bn

If, having qualified for a given discount at the end of a quarter, a Fund's NAV drops below the lower qualifying threshold at the end of the following quarter, we will reduce or remove the discount. However, a buffer will be in place to allow for small reductions in NAV so a discount will not be affected if a Fund's assets fall just below a given threshold. The size of the buffer will depend on the size of the Funds:

- For Funds with a NAV of up to €6.25bn, we will continue to apply the same discount until the NAV drops to €125m below the discount threshold.
- For Funds with a NAV higher than €6.25bn, we will continue to apply the same discount until the NAV drops to €250m below the discount threshold.

There is no corresponding buffer when a Fund's assets rise just above a threshold that triggers the introduction or increase of a discount.

Below is an illustration of the discounts that would apply to a Fund depending on the evolution of its NAV:

	NAV	Discount	Reason for discount
End of first quarter	€3.72bn	0.04%	Fund NAV means it qualifies for 0.04% discount
End of second quarter	€3.76bn	0.06%	Fund NAV rises above the €3.75bn threshold and it qualifies for 0.06% discount
End of third quarter	€3.72bn	0.06%	Fund's NAV has dropped below the €3.75bn threshold, but not the additional €125m buffer – it still qualifies for 0.06% discount
End of fourth quarter	€3.61bn	0.04%	The Fund's NAV has dropped below the €3.75bn threshold minus the €125m buffer – the discount is reduced back to 0.04%

There will be no quarterly change to the maximum Administration Charge figures published in the Company's Prospectus (the "Prospectus"). Information on which Funds qualify for a discount, and for what amount, will be available on our website www.mandg.com

- **Audit Fees and Custody Transaction Charges paid by the Management Company for smaller funds**

From the Effective Date, these two fees will be paid by the Management Company for any Fund where the NAV has been lower than €200m at the end of two consecutive quarters.

The Management Company will continue to pay these charges until the Fund's NAV has been higher than €200m at the end of two consecutive quarters.

continued

- **Enhanced description of the Administration Charge**

As well as introducing the changes described above, we are taking this opportunity to clarify what the Administration Charge is made up of. We are making this change in response to feedback from a number of investors who have been requesting a more detailed breakdown of this fee. The Administration Charge includes:

- Administrator's fees;
- Registrar and Transfer Agent's fees;
- Paying Agents' fees
- Directors' fees
- Domiciliary Agent's fees
- Other service providers' fees; and
- Fees of regulators in countries where the Funds are registered for sale.

Please note that there is no change to the fees covered by the Administration Charge.

All changes detailed in this letter will be reflected in an updated version of the Prospectus to be dated September 2020. The Prospectus is available on our website www.mandg.com or by contacting our Customer Services team using the contact details below.

Costs associated with the changes

All administration costs associated with the changes will be borne by M&G.

Making changes to your investment

You may sell your investment, or switch it to another Fund of the Company, free of charge, at any point before or after the changes have taken place subject to the requirements of the Prospectus.

For more information

If you are in any doubt as to how the changes may affect you or require further information, please do not hesitate to contact your usual M&G contact or, for operational queries, our **Customer Services** team by email at csmandg@rbc.com. We are open from 09:00 to 18:00 CET Monday to Friday. For security and to improve the quality of our service we may record and monitor telephone calls.

Please be aware that we are not in a position to give you investment advice. If you are uncertain as to how the changes may affect you, you should consult a financial adviser.

Yours sincerely



Laurence Mumford
Chair, M&G (Lux) Investment Funds 1