

M&G (Lux) Optimal Income Fund

USD Class V-H M F1 – Distribution shares



Monthly Fund Review as at 31 July 2025

Marketing Communication - for Professional Investors only

Highlights

- Despite tariffs continuing to dominate headlines, financial markets remained relatively subdued in July. Interest rates saw a marginal increase, while credit spreads compressed further, supported by encouraging economic data.
- We continue to maintain a long position in duration; as curves have steepened this year, we have been actively seeking opportunities to increase our exposure to longer-dated bonds. Within this area, we have favoured US bonds over UK bonds, where we typically prefer shorter-dated instruments.
- We capitalised on recent market strength to reduce our exposure to investment grade corporate bonds. Our primary focus has been on European credit, as this market has experienced the most spread compression and now appears expensive compared to others. We further decreased our high yield (HY) exposure, primarily through reducing our allocation to the EUR HY CDS index. We also divested from certain US airline bonds acquired in April, following the tariff volatility. At present, our HY exposure stands at 8.5% vs a neutral position of 33.3%.

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.

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.

Investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries.

The hedging process seeks to minimise, but cannot eliminate, the effect of movements in exchange rates on the performance of the hedged share class. Hedging also limits the ability to gain from favourable movements in exchange rates.

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.

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.

Further risk factors that apply to the fund can be found in the fund's Prospectus.

Key information

Fund manager(s)	Richard Woolnough, Stefan Isaacs
Fund manager tenure from	20 April 2007
ISIN	LU2758130871
Launch date of fund	05 September 2018
Launch of share class	29 April 2024
Fund size (millions)	\$ 9,993.52
Fund type	SICAV
Benchmark	1/3 Bloomberg Global Agg Corporate Index USD Hedged, 1/3 Bloomberg Global High Yield Index USD Hedged, 1/3 Bloomberg Global Treasury Index USD Hedged
Sector	Morningstar USD Cautious Allocation sector
Number of issuers	177
Average credit rating¹	A+
Modified duration (years)	6.96
VaR	3.33%
Average coupon	3.19
Yield to maturity	5.39%
Yield to worst	5.24%
Spread duration (years)	3.9
SFDR Article Classification	8

¹See important information section for explanation of average credit rating methodology.

The yield-to-maturity (YTM) figure shown here is calculated on a monthly basis. It shows the weighted average long term total yield of all the instruments held by the fund, assuming that all coupon payments are made – and reinvested at the same rate as the bond's current yield – and all principal payments are made. The figure is expressed as an annual rate.

The yield-to-worst (YTW) figure shown here is calculated on a monthly basis. This is a measure of the lowest potential weighted average yield of the instruments held in the fund. This metric can be used to evaluate the worst-case scenario for yield at the earliest allowable retirement date of the bonds held. This figure will be less than the YTM given the shortened investment horizon. The figure is expressed as an annual rate.

Charges

Maximum entry charge	0.00%
Management fees and other costs	1.38%
Transaction costs	0.22%

Fund ratings as at 31 July 2025

Morningstar Medalist Rating™	Analyst-Driven %
 Bronze	100
	Data Coverage %
	100

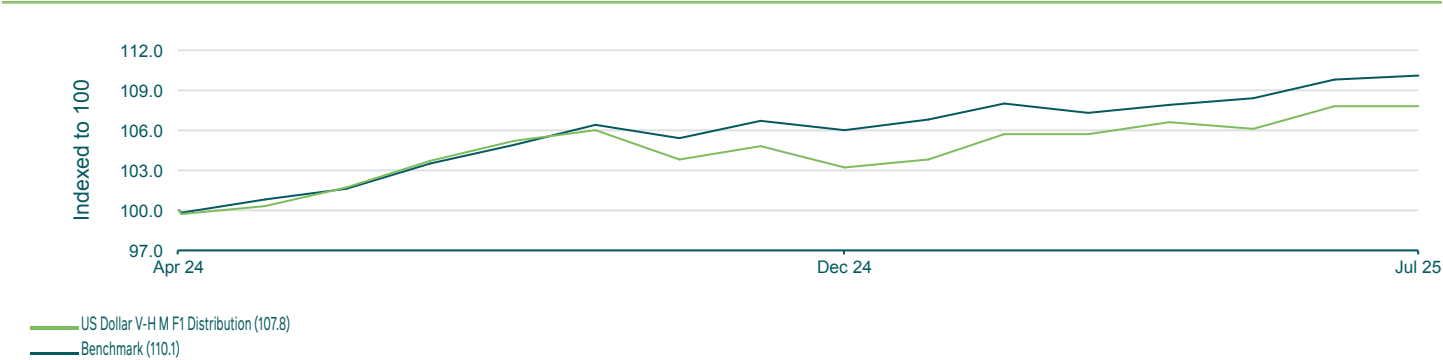
Ratings should not be taken as a recommendation.

Past performance is not a guide to future performance.

Annual performance (%)



Performance since launch



Fund performance (10 years)

	1 month	3 months	YTD to QTR end	YTD	1 year	3 years p.a.	5 years p.a.	10 years p.a.
US Dollar V-H M F1 Distribution	0.0%	1.1%	4.4%	4.4%	3.9%	-	-	-
Benchmark	0.3%	2.1%	3.6%	3.9%	6.4%	-	-	-
Sector	0.5%	3.5%	4.2%	4.7%	6.2%	-	-	-

Source: Morningstar, Inc and M&G, as at 31 July 2025. Returns are calculated on a price to price basis. Benchmark returns stated in USD terms.

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Industry breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Sovereign	55.6	0.0	0.0	55.6
Banking	14.5	0.0	0.0	14.5
Insurance	4.9	0.0	0.0	4.9
Foreign Sovereign	2.5	0.0	0.0	2.5
Asset backed	2.2	0.0	0.0	2.2
Utility	1.7	0.0	0.0	1.7
Financial services	1.6	0.0	0.0	1.6
Energy	1.0	0.0	0.0	1.0
Technology & electronics	0.9	0.0	0.0	0.9
Telecommunications	0.8	0.0	0.0	0.8
Commercial Mortgage Backed	0.7	0.0	0.0	0.7
Leisure	0.7	0.0	0.0	0.7
Transportation	0.5	0.0	0.0	0.5
Real Estate	0.5	0.0	0.0	0.5
Consumer goods	0.4	0.0	0.0	0.4
Capital goods	0.3	0.0	0.0	0.3
Basic industry	0.3	0.0	0.0	0.3
Media	0.2	0.0	0.0	0.2
Equity	0.1	0.0	0.0	0.1
Retail	0.1	0.0	0.0	0.1
Agency	0.1	0.0	0.0	0.1
Healthcare	0.1	0.0	0.0	0.1
Automotive	0.1	0.0	0.0	0.1
Futures	0.0	0.0	0.0	0.0
High Yield indices	0.2	0.0	2.9	3.1
Cash	10.0	0.0	0.0	10.0

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

	Fund
Intesa Sanpaolo	1.1
Lloyds Banking Group	1.0
Apple	0.9
Banco Santander	0.8
Barclays	0.7
UBS Group	0.7
AXA	0.7
Legal & General	0.7
BNP Paribas	0.6
JP Morgan	0.6

Currency breakdown (%)

	Fund
Euro	99.6
US dollar	0.2
British pound	0.1
New Zealand dollar	0.0
Australian dollar	0.0
South African rand	0.0
Hong Kong dollar	0.0
Singapore dollar	0.0
Swiss franc	0.0

Currency exposures in the table above show positions after hedging to the fund's base currency.

Credit rating breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
AAA	3.2	0.0	0.0	3.2
AA	53.1	0.0	0.0	53.1
A	8.8	0.0	0.0	8.8
BBB	18.8	0.0	0.0	18.8
BB	4.7	0.0	1.3	6.0
B	0.8	0.0	1.6	2.4
CCC	0.2	0.0	0.0	0.2
CC	0.0	0.0	0.0	0.0
C	0.0	0.0	0.0	0.0
D	0.1	0.0	0.0	0.1
No rating	0.2	0.0	0.0	0.2
Cash	10.0	0.0	0.0	10.0

A mid-average credit rating for each security, where available from S&P, Fitch, Moody's, is calculated. Where a security has not been rated by S&P, Fitch or Moody's, we may use M&G's internal credit rating. Ratings should not be taken as a recommendation.

Country breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
US	40.5	0.0	0.0	40.5
UK	17.6	0.0	0.0	17.6
France	10.2	0.0	0.0	10.2
Ireland	3.3	0.0	0.0	3.3
Germany	3.2	0.0	0.0	3.2
Italy	2.7	0.0	0.0	2.7
Spain	2.7	0.0	0.0	2.7
Netherlands	1.6	0.0	0.0	1.6
Other	8.2	0.0	0.0	8.2
High Yield indices	0.2	0.0	2.9	3.1
Cash	10.0	0.0	0.0	10.0

Duration by currency and asset class (years)

	Physical	Futures	Swaps	Net
Euro	2.6	-0.2	-0.9	1.5
British pound	1.7	0.0	-0.6	1.1
US dollar	4.3	0.1	-0.2	4.2
Other	0.1	0.0	0.0	0.1
Total	8.7	-0.1	-1.6	7.0

Asset breakdown (%)

	Physical	Short (via CDS)	Long (via CDS)	Net
Government bonds	58.1	0.0	0.0	58.1
Investment grade corporate bonds	24.4	0.0	0.0	24.4
Fixed rate	24.4	0.0	0.0	24.4
Floating rate	0.0	0.0	0.0	0.0
Index linked	0.0	0.0	0.0	0.0
Credit Default Swaps & Indices	0.0	0.0	0.0	0.0
High yield corporate bonds	4.4	0.0	2.9	7.3
Fixed rate	4.1	0.0	0.0	4.1
Floating rate	0.1	0.0	0.0	0.1
Index linked	0.0	0.0	0.0	0.0
Credit Default Swaps & Indices	0.2	0.0	2.9	3.1
Securitised	2.9	0.0	0.0	2.9
Equities	0.1	0.0	0.0	0.1
Other	0.0	0.0	0.0	0.0
Cash	10.0	0.0	0.0	10.0

Maturity breakdown (%)

	Physical
0 - 1 years	0.6
1 - 3 years	4.8
3 - 5 years	7.7
5 - 7 years	16.6
7 - 10 years	22.6
10 - 15 years	4.4
15+ years	33.1
Cash	10.0
Other	0.2

Fund codes and charges

Share class	ISIN	Bloomberg	Currency	Share class launch date	Annual Management Charge	Management fees and other costs	Minimum initial investment	Minimum top up investment
USD A-H Acc	LU1670725347	MOIUAHA LX	USD	07/09/2018	1.25%	1.36%	\$1,000	\$75
USD A-H Inc	LU1670725420	MOIUAHD LX	USD	07/09/2018	1.25%	1.36%	\$1,000	\$75
USD A-H M F Inc	LU2135367709	MGLOIAH LX	USD	03/04/2020	1.25%	1.36%	\$1,000	\$75
USD A-H M F1 Inc	LU2249902607	MGLOIUA LX	USD	19/11/2020	1.25%	1.36%	\$1,000	\$75
USD A-H M Inc	LU1670725693	MOIUAHM LX	USD	07/09/2018	1.25%	1.36%	\$1,000	\$75
USD C-H Acc	LU1670725776	MOIUCHA LX	USD	07/09/2018	0.75%	0.86%	\$500,000	\$50,000
USD C-H Inc	LU1670725859	MOIUCHD LX	USD	07/09/2018	0.75%	0.86%	\$500,000	\$50,000
USD C-H M F1 Inc	LU2751577086	MGOIUCH LX	USD	06/03/2024	-%	0.86%	\$500,000	\$50,000
USD C-H M Inc	LU2545633153	MGDHUCH LX	USD	15/11/2022	0.75%	0.85%	\$500,000	\$50,000
USD CI-H Acc	LU1797814685	MOUCIHA LX	USD	07/09/2018	0.75%	0.82%	\$500,000	\$50,000
USD CI-H Inc	LU1797814768	MOUCIHD LX	USD	21/01/2019	0.75%	0.82%	\$500,000	\$50,000

Management fees and other administrative or operating costs figures disclosed above include direct costs to the fund, such as the annual management charge (AMC), administration charge and custodian charge, as well as portfolio transaction costs. They are based on expenses for the period ending 31 December 2024. Any ongoing costs figure with * indicates an estimate. Not all costs are presented. 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' at the end of this document, the fund's Prospectus and the KID for more information on the risks associated with this fund and which share classes are available for which product and which investor type.

Approach to responsible investment

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

Please see glossary for further explanation of these terms.

SFDR Article Classification: Article 8 fund. The decision to invest in this fund should be based on all objectives and characteristics and not solely its non-financial objectives and characteristics.

Climate metrics

	Weighted Average Carbon Intensity (tCO ₂ e /US\$m sales)	Coverage by portfolio weight (%)
US Dollar V-H M F1 Distribution	50.35	97.99%
Benchmark	3477.34	92.67%

Source: We use a variety of data sources to gather and map the carbon emissions of our funds. This allows for data gaps from some data providers on some issuers. We currently use MSCI as our main third-party data provider for carbon intensity data as we consider its coverage to be the broadest of the current providers.

Exposure to ESG Bonds

	Exposure (%)
Fund	2.3

More sustainable, better run and less harmful businesses - MSCI Analysis

	Environmental score	Social score	Governance score	Overall score	Overall Rating	MSCI coverage (%)
Fund	2.3	1.5	1.8	7.8	AA	97.0
Benchmark	3.3	2.5	2.9	6.2	A	90.5

ESG Standard Glossary

Additional ESG specifications: In the context of M&G, these are funds that are managed in accordance with specific ESG criteria or, where relevant, with an explicit ESG objective. They will have a number of minimum exclusions in place.

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, the products or services they provide 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.

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.

Fund description

The fund aims to provide a combination of capital growth and income to deliver a return based on exposure to optimal income streams in investment markets, while applying environmental, social and governance (ESG) criteria. It seeks to make these investments using an exclusionary approach, as described in the prospectus. Typically, at least 50% of the portfolio is invested in a broad range of fixed income securities of any credit quality and from any country, including emerging markets, and denominated in any currency. The fund manager selects investments wherever he sees the greatest opportunities, based on his assessment of a combination of macroeconomic, asset, sector and stock-level factors. The manager may also hold up to 20% of the portfolio in company shares when he believes they offer better value than bonds. The fund's recommended holding period is five years. In normal market conditions, the fund's expected average leverage – how much it can increase its investment position by borrowing money or using derivatives – is 200% of its net asset value.

Glossary

Please find a link to our [glossary page](#) which provides an explanation of terms used in this document across our fund ranges.

Important information

On 8 March 2019 the non-sterling assets of the M&G Optimal Income Fund, a UK-authorised OEIC which launched on 8 December 2006, merged into the M&G (Lux) Optimal Income Fund, a Luxembourg-authorised SICAV, which launched on 5 September 2018. The SICAV is run by the same fund manager, applying the same investment strategy, as the OEIC.

For the avoidance of doubt, for fixed income funds, we count different entities belonging to the same company as separate issuers to arrive at the number of issuers in the fund, as shown under the key information section.¹The fund's average credit ratings uses a mid-average rating (S&P, Fitch, Moody's or M&G's internal rating if no rating is available from these ratings agencies) of securities held by the fund. It excludes some derivatives that are used for efficient portfolio management only. Ratings should not be taken as a recommendation.

The M&G (Lux) Optimal Income Fund is a sub-fund of M&G (Lux) Investment Funds 1.

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