M&G (Lux) Optimal Income Fund

EUR Class A – Accumulation shares

Monthly Fund Review as at 31 July 2025

Marketing Communication - for Professional Investors only

M&G Investments

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 fund is exposed to different currencies. Derivatives are used to minimise, but may not always eliminate, the impact of movements in currency 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	LU1670724373
Launch date of fund	05 September 2018
Launch of share class	07 September 2018
Fund size (millions)	€ 8.731,40
Fund type	SICAV
Benchmark	1/3 Bloomberg Global Agg Corporate Index EUR Hedged, 1/3 Bloomberg Global High Yield Index EUR Hedged, 1/3 Bloomberg Global Treasury Index EUR Hedged
Sector	Morningstar EUR Cautious Allocation - Global sector
Number of issuers	177
Average credit rating[1]	A+
Modified duration (years)	6,96
VaR	3,33%
Average coupon	3,19
Yield to maturity	3,16%
Yield to worst	3,01%
Spread duration (years)	3,9
SFDR Article Classification	8
Recommended Holding Period	5 years

'Manager tenure' includes the period when managing an equivalent UK-authorised OEIC. Please see 'Important information' at the end of this document for further details.

[1]See 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	4,00%
Management fees and other costs	1,34%
Transaction costs	0,22%

Fund ratings as at 31 July 2025

Morningstar Medalist Rating™

Bronze™

Analyst-Driven %
100
Data Coverage %
100

Overall Morningstar rating ★★★

Source of Morningstar ratings: Morningstar

Ratings should not be taken as a recommendation.

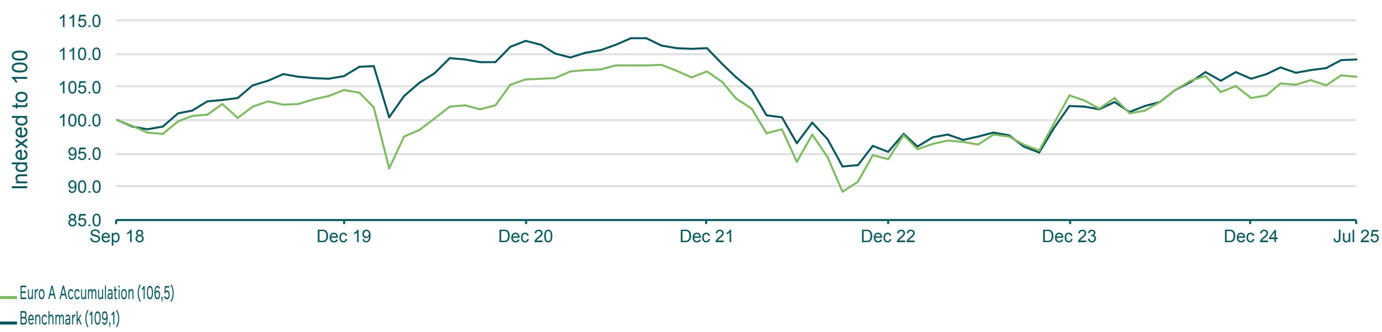
Past performance is not a guide to future performance.

Single year performance (10 years)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
■ Euro A Accumulation	-0,4%	10,2%	-12,3%	1,2%	1,4%	6,8%	-4,0%	4,3%	7,0%	-1,6%
■ Benchmark	4,0%	7,3%	-14,1%	-0,9%	4,9%	7,8%	-	-	-	-
■ Sector	5,5%	6,3%	-10,9%	3,9%	1,5%	7,5%	-4,9%	2,1%	1,9%	0,8%

Performance over 10 years

Performance vs Benchmark



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.
■ Euro A Accumulation	-0,2%	0,5%	3,3%	3,1%	1,8%	2,9%	0,9%	1,4%
■ Benchmark	0,1%	1,5%	2,6%	2,7%	4,4%	3,1%	0,0%	-
■ Sector	0,8%	2,5%	0,7%	1,5%	3,5%	2,8%	1,7%	1,0%

The chart above shows the fund performance vs the benchmark performance from the closest month-end to the introduction of the benchmark.

Benchmark: Until 24 August 2021 the name of the benchmark was 1/3 Bloomberg Barclays Global Aggregate Corporate Index EUR Hedged, 1/3 Bloomberg Barclays Global High Yield Index EUR Hedged, 1/3 Bloomberg Barclays Global Treasury Index EUR Hedged.
The benchmark is a comparator against which the fund's performance can be measured. The composite index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.
The fund is actively managed. The investment manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents. The benchmark is not an ESG benchmark and is not consistent with the ESG Criteria.

Fund performance prior to 7 September 2018 is that of the EUR Class A-H Accumulation of the M&G Optimal Income Fund (a UK-authorised OEIC), which merged into this fund on 8 March 2019. Tax rates and charges may differ.
The composite index was introduced as the fund's benchmark on 7 September 2018.

Source: Morningstar, Inc and M&G, as at 31 July 2025. Returns are calculated on a price to price basis with income reinvested. Performance data does not take account of the commissions and costs that may incur on the issue and redemption of units. Benchmark returns stated in EUR 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

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.

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**

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

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

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

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 reference/valuation currency.

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

Fund codes and charges

Share class	ISIN	Bloomberg	Valoren	Share class launch date	Management fees and other costs	Distribution yield	Minimum initial investment	Minimum top up investment
Euro A Acc	LU1670724373	MGOIEAA LX	42939722	07/09/2018	1,34%	-	€1.000	€75
Euro A Inc	LU1670724456	MGOIEAD LX	42939724	07/09/2018	1,34%	4,78%	€1.000	€75
Euro B Acc	LU1670724530	MGLOEBA LX	42939725	07/09/2018	1,84%	-	€1.000	€75
Euro B Inc	LU1670724613	MGLOEBD LX	42939726	07/09/2018	1,84%	4,78%	€1.000	€75
Euro C Acc	LU1670724704	MGOIECA LX	42939727	07/09/2018	0,84%	-	€500.000	€50.000
Euro C Inc	LU1670724886	MGOIECD LX	42939728	07/09/2018	0,84%	4,78%	€500.000	€50.000
Euro CI Acc	LU1797814339	MOIECIA LX	42513261	07/09/2018	0,80%	-	€500.000	€50.000
Euro CI Inc	LU1797814412	MOIECID LX	42513263	17/12/2018	0,80%	4,78%	€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 March 2025. 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.

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.

Climate metrics

	Weighted Average Carbon Intensity (tCO_2e /US$m sales)	Coverage by portfolio weight (%)
Euro A Accumulation	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.

Explanation of our climate metrics

The Weighted Average Carbon Intensity (WACI) is the metric used to report our funds' carbon emissions. It is a measure of how much CO2 is being emitted per US$ million of sales by each company that the fund invests in. This can be used to determine the likely effect a company is having on the environment. It can also help to compare the impact different companies have on the environment, and to compare companies against the broad market or the financial benchmark for the fund. However, this metric does not take into account the difference in carbon characteristics among sectors.
The WACI metric is one of many greenhouse gas emissions data points, each offering a different aspect of analysis on climate impact. M&G have selected this metric as it is applicable to multi-asset, equity and fixed income funds and it is aligned to the recommendations from the Taskforce for Climate Related Financial Disclosures (TCFD). It has also been chosen to align with M&G's groupwide target of transparency when it comes to the disclosure of climate emissions.
For the avoidance of doubt, this fund is not managed to a carbon emission objective and, the benchmark WACI (should funds have a benchmark) has been included for information purposes only.

Exposure to ESG Bonds

	Exposure (%)
Fund	2,3

Explanation of other sustainability indicators

More sustainable, better run and less harmful businesses – MSCI Analysis
The 'MSCI analysis' table shows the weighted average ESG score of the portfolio using MSCI, compared to either the fund's benchmark or to the named index, as indicated in the fund's Prospectus.
The 'Exposure to ESG bonds' table shows the percentage of the portfolio invested in ESG bonds, such as green bonds, social bonds, transition bonds, sustainability bonds or sustainability linked bonds.

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

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.
Past performance is no indication of current or future performance. The performance data does not take into account of commissions and costs incurred on the issue and redemption of units.

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.[1]The fund's average credit rating 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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