The M&G Group
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M&G Investments

24 April 2024

Dear Investor

Changes to the M&G Recovery Fund (the "Fund"), a sub-fund of M&G Investment Funds (3)

This letter is for your information only and has been sent to you because you are invested in the Fund. You do not need to take any action, but we recommend that you read it carefully.

Following a full review of the M&G Recovery Fund, we are writing to inform you of some changes, which we believe will increase the Fund's ability to achieve its Investment Objective and reduce the risk of "underperforming" its target benchmark, the FTSE All-Share Index (the "Index"). Underperformance occurs when the Fund's returns are lower than those of the Index.

We wrote to investors in the Fund in October 2023 following the publication of the Annual Value Assessment Report for the 12-month review period ending 31 March 2023, which rated investment performance as "unsatisfactory" for all the Fund's share classes. We stated at the time that we would continue to closely monitor the Fund and keep investors updated on its progress and we are now in a position to communicate some changes.

What is changing?
Effective from Tuesday 28 May 2024 (the "Effective Date"), the Fund will be able to invest up to 20% of its Net Asset Value ("NAV") in companies which are not considered to be "recovery companies" as defined in the Fund's current Investment Approach. These companies will be components of the Index.

The change will be reflected in the Fund's updated Investment Approach, which can be found at the back of this letter and will be updated in the Fund's Prospectus and Key Investor Information Document from the Effective Date. Copies can be downloaded from our website **www.mandg.co.uk/funds** or requested from our **Customer Relations** team using the details overleaf.

There will be no change to the Fund's Investment Objective or to its overall risk profile. The change will not result in any immediate portfolio changes.

continued overleaf

Why is the change happening?
The Fund aims to deliver a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the Index over any five-year period. However, the nature of recovery investing means that the Fund's composition may differ considerably from that of the Index. For example, the Fund may be less, or not at all, invested in a specific sector or company which is heavily represented in the Index. When these sectors or companies are performing strongly, it increases the risk of the Fund underperforming the Index.

The ability to invest in non-recovery companies will provide the fund manager with added flexibility to take tactical positions in companies or sectors within the Index that have the potential to perform strongly to reduce the risk of the Fund underperforming the Index. It should be noted that we only expect the Fund to invest in these companies to a limited extent and they will not exceed 20% of the Fund's NAV at any given time. The fund manager remains committed to achieving the Fund's objective by identifying recovery companies that can deliver long-term returns to investors.

The change will also complement the measures the fund manager and his team implemented when they assumed management of the Fund in January 2021, which included divestment from companies which they believed had lesser prospects for future returns. This led to a reduction of holdings in:

- overseas companies;
- companies that are not part of the Index;
- stocks that may take longer to sell; and
- holdings where the Fund held over 15% of the overall value of the company.

Clarification of the investment process
In addition to the change described above, we are taking this opportunity to further amend the Fund's Investment Approach to provide a more detailed definition of "recovery companies" and clarify the recovery investment process. We believe this will make it easier for investors to understand what types of companies the Fund invests in, how it's managed and how the fund manager constructs the portfolio.

Making changes to your investment
You may sell your investment in the Fund, or switch to (an)other M&G OEIC fund(s), free of charge, at any point before or after the changes have taken place, subject to our Terms and Conditions, which can be found in the Important Information for Investors document available on our website
www.mandg.co.uk/literature

Legal and administrative costs
M&G will pay all costs associated with the implementation of the changes, including legal and administrative costs.

continued

For more information
If you have any questions about the changes please contact our **Customer Relations** team by calling **0800 390 390** or **0044 1268 44 8031** if calling from overseas. Our team can take your call from (UK time) 08:00 to 18:00, Monday to Friday and 09:00 to 13:00 Saturday. For your security and to improve the quality of our service we may record and monitor telephone calls. Alternatively, you may want to consider registering for our online My Account service at **www.myaccount.mandg.com** where you can manage your account and contact us by secure message or our chat facility. For alternative ways to get in touch please visit **www.mandg.co.uk/info**

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. You can find Information on how to access financial advice on our website **www.mandg.co.uk/getfinancialadvice**

Yours faithfully

Laurence Mumford

Laurence Mumford
Director
M&G Securities Limited

Enc. Comparison of current and updated Investment Approach for M&G Recovery Fund

Comparison of current and updated Investment Approach for M&G Recovery Fund

M&G Recovery Fund	
Investment Objective (unchanged) The Fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the FTSE All-Share Index over any five-year period.	
Investment Policy (unchanged) At least 80% of the Fund is invested directly in equity securities and equity-related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, listed or do most of their business in the United Kingdom. The Fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G). The Fund may also hold cash and near cash for liquidity purposes. Derivatives may be used for Efficient Portfolio Management and hedging.	
Current Investment Approach (effective until Monday 27 May 2024) The Fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies. Recovery investing focuses on companies that have experienced difficulties but have the potential to deliver returns for shareholders through their turnaround over the long term. The Fund looks to benefit from the market's inefficiency in valuing companies going through short-term challenges. This enables the fund manager to identify companies whose long-term prospects have been under-appreciated by the market. When analysing a company, the fund manager focuses on three key factors: people, strategy and cashflow. Developing a constructive dialogue with company management is fundamental to the investment process. The investment approach means the fund manager is prepared to take a contrarian view and consider areas that are out of favour with other investors. To take this contrarian view, the fund manager focuses on company management, their turnaround strategy and the businesses' ability to generate cashflow. The fund manager expects individual cases of companies recovering to be the main driver of performance rather than individual sectors and the macroeconomic environment. The fund manager takes a long-term view with a typical holding period of five years or more.	**Updated Investment Approach (effective from Tuesday 28 May 2024)** The Fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies. The fund manager's approach to selecting companies focuses on companies with the potential for recovery, for example: companies where there has been a significant share price decline; companies undergoing significant change which have the potential to recover and develop over the long-term; companies that need support from investors to develop the business and where the long-term prospects are undervalued by the market. The recovery cycle consists of four stages: unloved, stabilising, recovering well and mature ("recovery companies"). When the fund manager invests in a company for the first time, they will seek to invest when the company is in one of the first three stages of the recovery process. Once the fund manager has invested in a company, they can increase the Fund's investments in that company at any stage of the recovery cycle. This approach to investing in recovery companies aims to maximise the Fund's returns from stock selection. In seeking to outperform the benchmark, the fund manager can also invest in companies in the benchmark which are classified as "non-recovery companies" (i.e., those companies not in the recovery cycle) with the aim of reducing the risk of underperforming the benchmark. The fund manager only expects to invest in non-recovery companies to a limited extent and such investments will not exceed 20% of the fund's Net Asset Value. When analysing a company, the fund manager focuses on three key factors: people, strategy and cashflow. The investment approach means the fund manager is prepared to take a contrarian view and consider areas that are out of favour with other investors. To take this contrarian view, the fund manager focuses on company

	management, their turnaround strategy and the businesses' ability to generate cashflow now or in the future. The fund manager expects individual cases of companies recovering to be the main driver of performance rather than individual sectors and the macroeconomic environment. The fund manager takes a long-term view with a typical holding period of three years or more.