

## **Mitteilung an alle Anteilseigner der European Specialist Investment Fonds:**

Anbei finden Sie die Information der Fondsgesellschaft, folgende Fonds sind betroffen:

**LU2377005462      European Specialist Investment M+G Total Return Credit  
Investment - W CAP**

Details können Sie der beigefügten Anlage entnehmen. Falls Ihre Kunden diesen Änderungen nicht zustimmen und die Möglichkeit besteht, die Anteile ohne Gebühren seitens der Fondsgesellschaft zurückzugeben, können Sie den Verkauf der Anteile direkt in MoventumOffice erfassen.

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1 MAR '22 7:30 EXP-HOW

BANQUE DE LUXEMBOURG / CLIENT  
ACCOUNT  
14 BOULEVARD ROYAL  
LUXEMBOURG  
2449



000006

22 February 2022

ESIF Account Name	ESIF Account Number
BANQUE DE LUXEMBOURG / CLIENT ACCOUNT	1260

Dear Investor

**Implementation of M&G Investments Thermal Coal Investment Policy and its impact on the sub-funds of European Specialist Investment Funds (the "Sub-Funds" of the "Fund")**

**You do not need to take any action, but we recommend that you read this letter carefully. Please note that there will be no change to the Sub-Funds' Investment Objectives, nor to their overall risk profiles.**

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

In March 2021, M&G plc announced its intention to remove its direct exposure to public equity (shares) and fixed income (bonds) from companies involved in business related to thermal coal, which is the coal used for the purpose of power generation, by:

- 2030 for investments in developed countries, defined as Member States of the Organisation for Economic Co-Operation and Development (OECD) and/or the European Union (EU) (as listed in Appendix 3); and
- 2040 across the rest of the world - mostly emerging market countries.

These targets for the removal of our thermal coal exposure are in line with the Intergovernmental Panel on Climate Change (IPCC) guidelines for adhering to the Paris Agreement, which aims to limit global temperature increase to 1.5 degrees Celsius above pre-industrial levels by the end of this century.

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In order to achieve this, from 27 April 2022 (the "Effective Date"), the **M&G Investments Thermal Coal Investment Policy** (the "Coal Policy") will be applied across all the Sub-Funds. The policy enables the identification, engagement and ultimately exclusion of companies which we believe have material thermal coal exposure and/or are unable or unwilling to participate in the transition away from thermal coal, as set out within the timeframes stated above.

This letter provides you with details of how the Coal Policy will be implemented across the Sub-Funds, how we believe it will benefit you, and the potential impact on your investment.

- **How will the Coal Policy benefit investors in the Sub-Funds?**

Companies are increasingly taking steps to align with the Paris Agreement, not only in response to growing investor pressure, but also as governments who have signed up to the Agreement bring in restrictions and policies related to the extraction and use of thermal coal. As a result, companies that do not have the willingness and/or ability to make the transition in the required timeframes are likely to face additional wide-ranging challenges.

We therefore believe that engaging with these companies to align to internationally recognised requirements for phasing out thermal coal, and excluding those where this engagement is not successful, reduces the associated risk profile.

- **How will the Coal Policy be implemented?**

We have already conducted research on all companies involved in thermal coal activities (including power generation, mining and any companies with plans for new expansion of thermal coal-related business) held within the Sub-Funds' portfolios. This analysis only includes shares or bonds held directly by the Sub-Funds and excludes investments held indirectly, for example through other funds not managed by M&G.

The Prospectus has been updated to disclose the investment restrictions that will apply to the Sub-Funds under the Coal Policy (see Appendix 1). The criteria we have used for assessing companies are included in the "Implementing M&G Investments Thermal Coal Investment Policy in our funds" document on the M&G website.

This research led to the identification of a number of companies which fall within the Policy's thermal coal related investment restrictions, and/or do not yet meet our expectations for transition away from thermal coal within the required timeframes. These would include any company without a transition plan in place.

From the Effective Date, we will continue our engagement with these companies, highlighting our investment restriction criteria and setting expectations to adopt what we believe are credible plans to transition away from thermal coal ("Credible Transition Plans"), by:

- 2030 for companies in, or conducting thermal coal activities in, a Member State of the OECD and/or the EU; and
- 2040 for companies in, or conducting thermal coal activities in, the rest of the world.

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<sup>1</sup> The Coal Policy does not apply to metallurgical coal, which is used in the steel production process.

Where this engagement does not yield a successful outcome, and/or we consider there are no Credible Transition Plans, we will seek to sell our investments in these companies ("Excluded Companies") no later than:

- **31 October 2022**, for companies in, or conducting thermal coal activities in, the OECD and the EU; and
- **31 October 2024**, for companies in, or conducting thermal coal activities in, other countries. The longer engagement period for these regions reflects the later thermal coal phase-out target date set by the IPCC to allow a 'just transition' out of coal in countries still heavily dependent on thermal coal for their energy production, and where more significant changes in culture, strategy and/or corporate governance may be required to achieve a complete phase-out of thermal coal.

Please note that, where Sub-Funds currently hold Excluded Companies, they may commence selling them before these dates. These investments may be subject to liquidity constraints or lower liquidity (ie the ability to sell the assets without negatively impacting their value) in difficult market conditions. This may result in:

- the Sub-Funds having to sell these investments at an undesirable time and/or under adverse market conditions, which could negatively impact the Sub-Funds' value; and/or
- a small number of Excluded Companies still being held after 31 October 2022/2024; we will, however, seek to sell these assets as soon as practicable after these dates should this be required.

#### **How will the Coal Policy impact my investment?**

The **M&G Sustainable Total Return Credit Investment Fund** already applies thermal coal-related ESG exclusions which are at least as restrictive as the Coal Policy, and as a result it will not be impacted by its implementation.



For all the other Sub-Funds, the implementation of the Coal Policy will introduce new investment restrictions effective from 31 October 2022 and/or 31 October 2024, when the Sub-Funds will be unable to hold any companies that do not meet the Coal Policy criteria. This may result in some Sub-Funds having to realign their portfolios to comply with the Coal Policy.

Any change to the Effective Date of the Coal Policy and/or to any of the effective dates of the Coal Policy investment restrictions to a later date determined by the Board would be communicated to you.

A summary of the impact of the Coal Policy on each Sub-Fund, including details of estimated realignment costs based on the holdings in the Sub-Funds as at December 2021, can be found in the table included in Appendix 2 at the back of this letter. These costs will be borne by the Sub-Funds, and the actual costs could vary from the estimates depending on many factors, including what companies each Sub-Fund is invested in on the Effective Date and any information on the companies involved which may alter their status with regards to the Coal Policy. We will be updating investors on the progress of the implementation through the Sub-Funds' annual reports.

Please note that, in the case of the **M&G Senior Asset Backed Credit Fund**, the Coal Policy will only apply to the section of the portfolio that is not invested in Asset-Backed Securities (ABS). This is because data is not available to determine the suitability of ABS in relation to the Coal Policy.

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**Will the Coal Policy impact the risk profile of the Sub-Funds?**

Risk analysis has been conducted on the relevant Sub-Funds' portfolio and determined that their risk profiles will not be affected as a result of the additional investment restrictions or, where applicable, any realignment resulting from the implementation of the Coal Policy.

**Administration costs associated with the changes**

All administration and legal costs associated with implementing the Coal Policy will be borne by M&G.

**Making changes to your investment**

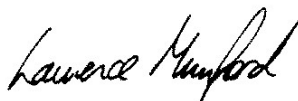
You may sell your investment, or switch<sup>2</sup> it to another Sub-Fund of the Fund or M&G fund, free of charge, at any point before or after the changes have taken place subject to the Fund's prospectus terms and conditions.

**For more information**

If you have any further queries, please do not hesitate to contact your Client Director, Maria Stott (institutional.client.directors@mandg.co.uk).

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 faithfully



Laurence Mumford  
Chair, European Specialist Investment Sub-Funds

Encl:

- Appendix 1: Investment Restrictions Applying to Thermal Coal under M&G Investments Thermal Coal Investment Policy
- Appendix 2: Summary of impact of the implementation of the M&G Investments Thermal Coal Investment Policy
- Appendix 3: List of Member States of the OECD and/or the EU



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<sup>2</sup> Note that you would switch to a Sub-Fund the Coal Policy also applies to.

**Appendix 1**  
**Investment Restrictions Applying to Thermal Coal**  
**under M&G Investments Thermal Coal Investment Policy**  
**As included in the European Specialist Investment Funds' Prospectus dated February 2022.**

"From 27 April 2022 (the "Effective Date"), all Sub-Funds in the Fund will be subject to the M&G Investments Thermal Coal Investment Policy (the "Coal Policy"). For further information, investors should refer to the "Implementing M&G Investments Thermal Coal Investment Policy in our funds" document which will be made available on the M&G website prior to the Effective Date.

The M&G Senior Asset Backed Credit Fund invests mostly in Asset Backed Securities, which will not be covered by the Coal Policy. This is because data is not available to determine the suitability of Asset Backed Securities in relation to the Coal Policy. As a result, a substantial majority of the Sub-Fund's assets will not fall within the scope of the Coal Policy.

The Sub-Funds will be subject to additional investment restrictions commencing 31 October 2022 and 31 October 2024 as further described below.

The Investment Manager will continue its engagement with companies involved in thermal coal activities (the extraction of, or power generation from, thermal coal, and related sectors), as further explained in the Coal Policy.

This engagement will involve encouraging such companies to adopt plans to transition away from thermal coal, which are credible in the opinion of the Investment Manager ("Credible Transition Plans"), by:

- 2030 for companies in, or conducting thermal coal activities in, a Member State of the OECD and/or the EU; and
- 2040 for companies in, or conducting thermal coal activities in, other countries.

Companies that have not adopted Credible Transition Plans by 31 October 2022 (for companies in, or conducting thermal coal activities in, a Member State of the OECD and/or the EU) or 31 October 2024 (for companies in, or conducting thermal coal activities in, other countries) shall be excluded from direct investment by the Sub-Funds ("Excluded Companies"). Accordingly the Sub-Funds shall be subject to additional investment restrictions from 31 October 2022 and 31 October 2024 to give effect to the abovementioned exclusions. These investment restrictions consist of data points which are defined in the Coal Policy and which will enable the Investment Manager to assess whether or not a company is sufficiently engaged in the energy transition to remain an eligible investment for the relevant Sub-Fund.

Excluded Companies to be sold by the Sub-Funds may be subject to liquidity constraints or lower liquidity in difficult market conditions, which may result in the Investment Manager having to sell investments in Excluded Companies at an unfavourable time and/or under adverse market conditions. This may have a negative impact on the value of the Sub-Funds, and/or result in a small number of Excluded Companies still being held by the Sub-Funds after 31 October 2022 (for companies in, or conducting thermal coal activities in, a Member State of the OECD and/or the EU) or 31 October 2024 (for companies in, or conducting thermal coal activities in, other countries). The fund managers will, however, seek to sell investment in excluded companies as soon as practicable after these dates should this be required.

While engagement will be co-ordinated centrally to maximise M&G's influence, the fund manager(s) of each Sub-Fund will retain discretion as to whether they begin to sell holdings in each Sub-Fund prior to the additional investment restrictions coming into force. Each Sub-Fund may therefore commence sale of Excluded Companies from the Effective Date.

Any change to the Effective Date of the Coal Policy and/or to any of the effective dates of the Coal Policy investment restrictions described above to a later date determined by the Board would be communicated to Shareholders."

**Appendix 2**  
**Summary of impact of the implementation of the Coal Policy for**  
**European Specialist Investment Funds**  
**(Based on holdings as at December 2021)**

The following table summarises the impact of the implementation of the Coal Policy on each Sub-Fund for which it will result in the introduction of investment restrictions.

Please note that the M&G Sustainable Total Return Credit Investment Fund will not be impacted by the implementation of the Coal Policy, as detailed in the "How will the Coal Policy impact my investment?" section of the letter, and as a result is not included in this table.

Costs are estimated based on analysis of their portfolio as at December 2021. Note that these costs could change and may be higher or lower by the end of the realignment process, depending on a number of factors including the success of our engagement efforts and our approach to assessing Credible Transition Plans.

Sub-Fund	Anticipated realignment required (% of the Sub-Fund's Net Asset Value)	Estimated transaction cost (% of the Sub-Fund's Net Asset Value, to the nearest 0.01%)
M&G European Credit Investment Fund	1.2%	<0.01%
M&G European High Yield Credit Investment Fund	1.7%	0.01%
M&G Senior Asset Backed Credit Fund	0.00%	0.00%
M&G Sustainable European Credit Investment Fund	0.2%	<0.01%
M&G Total Return Credit Investment Fund	0.3%	<0.01%

**Appendix 3**  
**List of Member States of the OECD and/or the EU**  
**As at January 2022**

Australia	Denmark	Japan	Romania
Austria	Estonia	Latvia	Slovakia
Belgium	Finland	Lithuania	Slovenia
Bulgaria	France	Luxembourg	South Korea
Canada	Germany	Malta	Spain
Chile	Greece	Mexico	Sweden
Colombia	Hungary	Netherlands	Switzerland
Costa Rica	Iceland	New Zealand	Turkey
Croatia	Ireland	Norway	United Kingdom
Cyprus	Israel	Poland	United States
Czech Republic	Italy	Portugal	