

# M&G Equities Investment Fund for Charities (Charifund); M&G Charibond Charities Fixed Interest Fund (Charibond); and M&G Charity Multi Asset Fund

Prospectus

27 April 2022

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# Important information for investors

This Prospectus has been prepared in accordance with the terms of the rules contained in the Collective Investment Schemes Sourcebook (the FCA Regulations) published by the FCA as part of their Handbook of rules made under the Financial Services and Markets Act 2000 (the Act), as amended from time to time.

This Prospectus is dated and is valid as at 27 April 2022.

Copies of this Prospectus have been sent to the FCA, the Charities Commission and the Trustee.

If you are in any doubt about the contents of this Prospectus you should consult your professional adviser.

This Prospectus is based on information, law and practice at the above date, but where it refers to any statutory provision or regulation this includes any modification or re-enactment that has been made. The Funds are not bound by any out of date prospectuses when a new prospectus has been issued and potential investors should check that they have the most recently published prospectus.

M&G Securities Limited, the Manager of the Funds, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this document does not contain any untrue or misleading statement or omit any matters required by the FCA Regulations to be included in it.

# Directory

## Manager

M&G Securities Limited  
10 Fenchurch Avenue  
London EC3M 5AG  
United Kingdom

## Investment Manager

M&G Investment Management Limited  
10 Fenchurch Avenue  
London EC3M 5AG  
United Kingdom

## Custodian

State Street Bank and Trust Company  
20 Churchill Place  
Canary Wharf  
London E14 5HJ  
United Kingdom

## Trustee

NatWest Trustee and Depositary Services Limited  
House A, Floor 0  
175 Glasgow Road  
Gogarburn  
Edinburgh EH12 1HQ  
United Kingdom

## Administration Office

M&G Securities Limited  
PO Box 9038  
Chelmsford CM99 2XF  
United Kingdom

## Advisory Committee Members

### **M&G Equities Investment Fund for Charities (Charifund)**

Mr D S S Chichester (Chair)  
Ms A W Behrens  
Mr B S Bostrom  
Mr S M Corbett LVO  
Mr A F Gibbs  
Mr G A Prescott BA FCA  
Mr N C Talbot-Rice

### **M&G Charibond Charities Fixed Interest Fund (Charibond)**

Mr D S S Chichester (Chair)  
Ms A W Behrens  
Mr B S Bostrom  
Mr S M Corbett LVO  
Mr A F Gibbs  
Mr G A Prescott BA FCA  
Mr N C Talbot-Rice

### **M&G Charity Multi Asset Fund**

Mr N C Talbot Rice (Chair)  
Ms P F Blake-Roberts  
Mr D S S Chichester  
Mr W Hartley-Russell  
Ms H V B Vinnecombe  
Mr D L Wilson

## Auditor

Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX  
United Kingdom

# Definitions

## Defined terms

The following terms have these specific meanings and are qualified in their entirety by reference to the more detailed information included in this Prospectus. All references to laws and documents apply to those laws and documents as amended from time to time.

<b>Accumulation Unit</b>	means a Unit whose income allocation is credited periodically to capital pursuant to the FCA Regulations net of any tax deducted or accounted for by the relevant Fund
<b>Act</b>	means Financial Services and Markets Act 2000
<b>Administrator</b>	means DST Financial Services Europe Limited or such successor entity appointed administrator by the Manager from time to time
<b>Advisory Committee</b>	means the advisory committee of each Fund provided for in each Trust Deed and further described in paragraph 8
<b>AIF</b>	refers to an alternative investment fund and has the same meaning as listed in the glossary to the FCA Rules
<b>AIFM</b>	refers to an alternative investment fund manager and has the same meaning as listed in the glossary to the FCA Rules
<b>AIFMD</b>	refers to the Alternative Investment Fund Managers Directive (2011/61/EU) and has the same meaning as listed in the glossary to the FCA Rules
<b>Annual Charge</b>	is the fee paid to the Manager as payment for carrying out its duties and responsibilities in managing the Fund and to pay for third party services
<b>Approved Derivative</b>	means a derivative which is traded or dealt on an eligible derivatives market and any transaction in such a derivative must be effected on or under the rules of the market
<b>Associate</b>	means an associate in accordance with the FCA rules
<b>Auditors</b>	means Ernst & Young LLP or such successor entity appointed auditor from time to time
<b>Charitable purpose</b>	bears the meaning as set out in Section 2 of the Charities Act 2011
<b>Client Account</b>	means a bank account held by us in accordance with FCA Rules
<b>CAIF</b>	Charity Authorised Investment Fund
<b>COLL</b>	refers to an individual rule reference in the FCA Regulations
<b>Custodian</b>	means State Street Bank and Trust Company or such successor entity appointed by the Trustee from time to time

<b>Dealing Day</b>	means Monday to Friday excluding UK public and bank holidays, and other days at the Manager's discretion
<b>Depository Agreement</b>	means the agreement entered into between the Trustee and the Manager in relation to the services the Trustee provides in respect of each Fund
<b>Efficient Portfolio Management</b>	means the use of derivative transactions (which the Manager reasonably believes to be economically appropriate and to be fully covered) to reduce risk or cost to a Fund or to generate additional capital or income with a risk level which is consistent with the risk profile of that Fund and the risk diversification rules laid down in the FCA Regulations
<b>FCA</b>	means the Financial Conduct Authority or such regulatory authority as may succeed it from time to time
<b>FCA Regulations</b>	means the rules contained in the Collective Investment Schemes Sourcebook (or the Investment Funds Sourcebook once it is implemented) as part of the FCA Rules
<b>FCA Rules</b>	means the FCA handbook of rules made under the Act
<b>Fund or Funds</b>	means any or all of the following UK authorised unit trusts as the context requires: <ul style="list-style-type: none"> <li>● M&amp;G Equities Investment Fund for Charities (<b>Charifund</b>);</li> <li>● M&amp;G Charibond Charities Fixed Interest Fund (<b>Charibond</b>); or</li> <li>● M&amp;G Charity Multi Asset Fund</li> </ul>
<b>Income Reserve Account</b>	a separate account maintained by the Trustee and forming part of the income property of a Fund into which income may be transferred in accordance with COLL 14.4.1R and 14.4.4R and Clause 28 of the Trust Deed that would otherwise fall to be allocated or distributed as income
<b>Income Unit</b>	means a Unit whose income allocation is distributed periodically to the holder of that Unit pursuant to the FCA Regulations net of any tax deducted or accounted for by the relevant Fund
<b>Investment Manager</b>	means M&G Investment Management Limited or such successor entity as is appointed the investment manager in respect of a Fund
<b>Manager</b>	means M&G Securities Limited, or such successor entity as is appointed the manager of the Funds
<b>M&amp;G Group</b>	M&G plc and each of its subsidiaries
<b>Net Asset Value or NAV</b>	means, in respect of each Fund, the value of the Scheme Property less the liabilities of that Fund
<b>Ongoing Charge Figure</b>	a percentage figure representing the actual cost of running the Fund, see also Section 31
<b>Prospectus</b>	means this Prospectus as may be updated from time to time
<b>Registrar</b>	means the entity appointed by the Manager as Registrar from time to time
<b>Regulated Activities Order</b>	means The Financial Services and Markets Act 2000 (Regulated Activities Order) 2001 (as amended from time to time)

<b>Scheme Property</b>	means the property of each Fund to be given to the Trustee for safe-keeping, as required by the FCA Regulations
<b>Trust Deed</b>	means, in respect of each Fund, its establishing trust deed as may be amended from time to time
<b>Trustee</b>	means NatWest Trustee and Depositary Services Ltd or such successor entity as may be appointed trustee of the Funds
<b>Unit</b>	means a unit representing the rights and interests of a participating holder in a Fund
<b>Unit Class</b>	means such class or classes of Unit (according to the context) detailed in Appendix 1
<b>Unitholder</b>	means a holder of Units



# Operating structure and details

## 1 The Funds

- 1.1 The Funds are authorised unit trusts, regulated as Charity Authorised Investment Funds and non-UCITS retail schemes as defined in the FCA Regulations, whose individual dates of authorisation by the FCA including the FCA reference numbers are set out in Appendix 1. Each Fund also qualifies as an AIF under AIFMD.
- 1.2 Each Fund is also a Common Investment Fund under the Charities Act 2011 and a charity registered with the Charity Commission for England and Wales. The registration numbers and charitable objective of the Funds are set out in Appendix 1.
- 1.3 The base currency of each Fund is pounds sterling. If sterling ceases to exist, the Manager may convert the base currency of a Fund from sterling to such other currency as may be the lawful currency of the United Kingdom. The Manager, in consultation with the Trustee, shall determine the best means to effect this conversion.
- 1.4 Unitholders are not liable for the debts of any Fund. A Unitholder is not liable to make any further payment to a Fund after paying the purchase price of Units.
- 1.5 Units issued by the Funds are not currently listed on any investment exchange.

## 2 Investment Objective and Policy

The investment objective and policy of each Fund and how such investment objective and policy may be changed is set out in Appendix 1.

## 3 Units

The classes of Units presently available in each Fund are set out in Appendix 1 together with details of the minimum initial investment. The nature of the right represented by Units is that of a beneficial interest under trust.

## 4 Management and Administration

### 4.1 The Manager

The Manager of the Funds is M&G Securities Limited which is a private company limited by shares and incorporated in England and Wales under the Companies Acts 1862 to 1900 on 12 November 1906. The Manager is authorised and regulated by the Financial Conduct Authority in the conduct of its investment business in the United Kingdom and is entered on the FCA's register under number 122057. The Manager is authorised by the FCA as a full scope AIFM.

### 4.2 Registered Office and Head Office

10 Fenchurch Avenue, London, EC3M 5AG.

#### Share Capital

Authorised	£100,000
Issued and paid-up	£100,000

**Directors:**

- Mr Philip Jelfs
- Mr Laurence Mumford

All of the directors above have significant business activities which are not connected to those of the Manager but of other companies within the M&G Group.

**Non-executive directors:**

- Ms Carolan Dobson
- Ms Michelle McGrade

**4.3 Administration Office**

PO Box 9038, Chelmsford CM99 2XF.

**4.4 Ultimate Holding Company**

The ultimate holding company of the Manager is M&G plc, a company incorporated in England and Wales.

**4.5 Principal Business Activity**

The main business activity of the Manager is acting as an operator of collective investment schemes.

**4.6 Terms of Appointment**

**4.6.1** The Manager acts as the manager of each Fund by virtue of its Trust Deed between the Trustee and the Manager.

**4.6.2** The Manager is entitled to its pro rata fees and expenses to the date of termination of any Fund and any additional expenses necessarily incurred in settling or realising any outstanding obligations.

**4.6.3** Subject to the FCA Rules and the AIFMD the Manager may delegate (and authorise its delegate to sub-delegate) its duties as Manager.

**4.6.4** The Manager has delegated the provision of certain services including investment management, administration and maintenance of the register as detailed below.

**4.6.5** The Manager may deal as principal in the units of the Funds. This is often known as “book management”. The level of units held by the Manager for this purpose is incidental and only for administrative ease, not for taking an investment position. It is possible for the Manager to make a profit from book management, although this is not the primary reason for dealing as principal. Equally, it is possible for the Manager to make a loss from book management activity. If losses are made in a month these will be offset against profits made in future months during the same calendar year. However, any profit remaining at the end of each calendar quarter will be returned to the Fund by the end of the month following the calendar quarter. Any book management losses not recovered during the calendar year will be borne by the Manager.

**4.7 Duties and Responsibilities of the Manager**

**4.7.1** The Manager has been authorised by the FCA to act as an AIFM pursuant to the AIFMD with the ability to delegate certain functions to third parties and in compliance with the FCA Regulations:

- the Manager is responsible for the investment management function in respect of each Fund which includes portfolio management and risk management; and
- in carrying out its investment management duties, the Manager acts as agent and in the name of each Fund.

**4.7.2** The Manager shall also provide or procure the provision of such administrative, accounting, consultancy, advisory, secretarial and general management services as are necessary to manage each Fund and to allow the Funds to meet the requirements of this Prospectus, its Trust Deed and any other applicable legislation and regulations.

- 4.7.3 The Manager shall provide or procure the provision of the services of a person to act as registrar of the Funds performing all such functions as are usually performed by registrars (as further explained in paragraph 10 below).

## 5 The Trustee

### 5.1 Details of the Trustee

NatWest Trustee and Depositary Services Limited is the Trustee of the Funds. For the purposes of AIFMD, the Trustee is also the depositary. The Trustee is incorporated in England as a private limited company. Subject to the FCA Rules and the AIFMD, the Trustee is responsible for the safekeeping of the Scheme Property entrusted to it and has a duty to take reasonable care to ensure that the Fund is managed in accordance with the provisions of the FCA Rules and the Trust Deed relating to the pricing of, and dealing in, units of the Fund and to the income of the Fund.

### 5.2 Registered Office and Head Office

250 Bishopsgate, London, EC2M 4AA.

### 5.3 Ultimate Holding Company

The Royal Bank of Scotland Group plc.

### 5.4 Principal Business Activity

The principal business of the Trustee is the provision of trustee and depositary services.

### 5.5 Terms of Appointment

- 5.5.1 The Trustee is appointed as Trustee of each Fund pursuant to its Trust Deed and a Depositary Agreement in place between the Trustee and the Manager.

- 5.5.2 The main duties of the Trustee are to provide safekeeping, oversight, cash monitoring and asset verification services in respect of the Scheme Property in accordance with the provisions of the FCA Rules, the AIFMD and the relevant Trust Deed.

- 5.5.3 In accordance with the FCA Rules and the AIFMD, the Trustee may delegate the provision of custody services in relation to the Funds.

- 5.5.4 The Trustee has appointed State Street Bank and Trust Company to act as custodian of the Scheme Property.

- 5.5.5 The Trustee is entitled to receive remuneration out of the scheme property of each Fund for its services, though such remuneration is normally paid by the Manager out of the Annual Charge as set out in Section 31.

- 5.5.6 Under the Depositary Agreement, the Trustee's appointment may be terminated on three months' written notice.

### 5.6 Liability of the Trustee

- 5.6.1 Subject to paragraph 5.6.2 below, pursuant to the Depositary Agreement, the Trustee will be liable for loss of assets in custody (i.e. those assets which are required to be held in custody pursuant to the AIFMD) or in the custody of any sub-custodian (should such sub-custodian be appointed) unless that loss has arisen as a result of an external event beyond its control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary or where the asset which is lost was held by a sub-custodian appointed in accordance with the Depositary Agreement and the transfer of liability from the Trustee to the sub-custodian has been expressly agreed.

- 5.6.2 The Manager will disclose to potential Unitholders before they invest in a Fund any arrangement made by the Trustee to contractually discharge itself of liability. Currently, it is not envisaged that the Trustee will

seek to contractually discharge itself of liability under any circumstances, and so it is not expected that this requirement will be applicable to the Manager. In the event that there are any changes to the Trustee's liability, the Manager will inform Unitholders of such changes without delay.

- 5.6.3 However, the Trustee shall not be liable for any indirect, special or consequential losses or damages whether caused by negligence or breach of duty or arising in any other way.

## 6 The Custodian

The Trustee has appointed as its delegate State Street Bank and Trust Company to provide custody services in respect of the Funds. The Custodian holds each Fund's investments on behalf of the Trustee. The Custodian is authorised by the PRA and is subject to regulation by the FCA and the PRA in the conduct of its investment business in the United Kingdom. In turn, the Custodian may delegate the custody of assets in certain markets in which the Fund may invest to various sub-delegates ("Sub-Custodians").

## 7 The Investment Manager

- 7.1 The Manager has appointed M&G Investment Management Limited (MAGIM) as Investment Manager. MAGIM has the authority to make investment decisions on behalf of the Fund and the Manager. MAGIM belongs to the M&G Group having M&G plc as its ultimate holding company.
- 7.2 The Manager has entered into an Investment Management Agreement with MAGIM which may be terminated on three months' written notice by MAGIM or by the Manager, or immediately if the Manager believes this is in the best interests of Unitholders or if MAGIM ceases to be under common control with the Manager.
- 7.3 The registered office of MAGIM is 10 Fenchurch Avenue, London, EC3M 5AG. The principal activities of MAGIM are acting as an investment manager and the provision of investment advice.
- 7.4 The Manager is responsible for any fees payable to MAGIM, and such fees will not be taken from the Scheme Property.

## 8 Advisory Committee

- 8.1 Each Fund has an Advisory Committee which is independent of the Manager and Trustee. The Advisory Committee is a consultative body and is tasked with representing the interests of the Unitholders.
- 8.2 The Manager shall consult with and consider the views of the relevant Advisory Committee regarding:
- 8.2.1 each Fund's investment objective and policy and reviewing that Fund's investment performance;
  - 8.2.2 the distribution policy of each Fund;
  - 8.2.3 fees and charges to be borne by each Fund and by Unitholders;
  - 8.2.4 the appointment or change of key service providers to the Funds.
- 8.3 The relevant Advisory Committee will prepare and an annual statement regarding the discharge of its responsibilities which will be published in each Fund's annual long report.
- 8.4 Each Advisory Committee may request the convening of a general meeting of Unitholders as set out in paragraph 36.
- 8.5 Membership**
- 8.5.1 The current members of each Advisory Committee is set out in the directory at the front of this Prospectus.
  - 8.5.2 The membership of the committees may change from time to time.

8.5.3 The Advisory Committees and their members are not FCA Approved Persons under the FCA Regulations nor are they charity trustees.

## 8.6 **Nomination and termination of an Advisory Committee Member.**

8.6.1 Advisory Committee members will be appointed by the Manager or the chair of the Advisory Committee. The Manager will provide 'terms of reference' which each member of the Advisory Committee must sign prior to their appointment to the Advisory Committee. The duration of the membership will be for a period of three years from the time of appointment and thereafter for rolling three years terms, subject to the same procedures for future members as set out in the 'terms of reference' being followed.

8.6.2 Members may retire on providing written notice to the chair of the Advisory Committee. The chair may retire on providing written notice to all current members of the Advisory Committee and the Manager. The Manager may recommend that a member resigns, such recommendation must be approved by a majority resolution of the other Advisory Committee members. The member may be removed by a majority resolution of the Advisory Committee members on the basis that it is in the interests of the relevant Fund to do so.

8.6.3 A Member will automatically cease to be a member of the Advisory Committee if they are absent without good reason, such reason being notified to the chair of the Advisory Committee, from three consecutive Advisory Committee meetings.

## 8.7 **Meetings of the Advisory Committees**

8.7.1 Meetings of an Advisory Committee will be called by the Manager regularly, at least four times a year. Normally, the Advisory Committees will meet as follows:

- The Advisory Committee of Charifund will meet 8 times in a year;
- The Advisory Committee of Charibond will meet 4 times in a year; and
- The Advisory Committee of M&G Charity Multi Asset Fund will meet 4 times in a year.

Each Advisory Committee may also request in writing that the Manager calls a meeting of the relevant Advisory Committee and the Manager is obliged to comply.

8.7.2 The Manager will distribute the annual and half-yearly reports, updated prospectuses and any supplemental Trust Deeds at the relevant Advisory Committee meetings.

8.7.3 The members of each Committee will appoint one member to act as chair of that Committee.

8.7.4 The quorum for any meeting of an Advisory Committee is three Members of the Advisory Committee may attend committee meetings in person or remotely through live communications such as telephone or video conference. If any meeting of the Advisory Committee is not quorate, the meeting will be adjourned until such time that a quorum is in attendance.

8.7.5 Decisions of the Advisory Committees shall be made by the majority of the Advisory Committee members present (including via remote means) and eligible to vote voting at a meeting, or by a written resolution passed by a majority of the Advisory Committee members eligible to vote on the resolution. In the case of deadlock, the chair shall have the casting vote.

## 9 **The Auditor**

9.1 The Auditors of the Funds are Ernst & Young LLP.

9.2 The Auditors shall, with respect to the assets of a Fund, carry out their duties in accordance with all applicable laws, rules and regulations, including the audit of the accounting information contained in the annual report of that Fund.

## 10 The Administrator, Registrar of Unitholders, Fund Accounting and Pricing

- 10.1 The Manager has appointed DST Financial Services Europe Limited ('DST') as Registrar and Administrator of each Fund. The register may be inspected at their office at DST House, St. Nicholas Lane, Basildon, Essex SS15 5FS during normal business hours by any Unitholder or any Unitholder's duly authorised agent.
- 10.2 The Manager has appointed State Street Bank and Trust Company to undertake the fund accounting and pricing functions on behalf of each Fund.

## 11 Collateral Management

Where a Fund enters into OTC derivative transactions, JPMorgan Chase Bank, N.A. will provide administrative services in connection with the collateral management functions.

## 12 Unitholders' rights against service providers

It should be noted that Unitholders will only be able to exercise their rights directly against the Manager and will not have any direct contractual rights against the service providers of the Funds appointed from time to time or any member of an Advisory Committee.

## 13 Conflicts of Interest

- 13.1 The Manager, the Trustee, the Custodian, the Investment Manager, the Administrator or the Registrar are or may be involved in other financial, investment and professional activities which may, on occasion, cause conflicts of interest in the management of a Fund. In addition, the Manager may enter into transactions on behalf of a Fund at arm's length with companies in the same group as the Manager.
- 13.2 Each of the parties will, to the extent of their ability and in compliance with the FCA Regulations and the AIFMD, ensure that the performance of their respective duties will not be impaired by any such involvement
- 13.3 The Trustee may, from time to time, act as trustee or custodian of other funds. The Trustee operates in accordance with an established written conflicts policy set at RBS Group level. Nevertheless, as the Trustee, in its role as depositary of the Funds, operates independently from the Unitholders, the Manager and its associated suppliers and the custodian, the Trustee does not anticipate any conflicts of interest with any of the aforementioned parties. In the event the Trustee identifies any issue when performing its duties and services under the Depositary Agreement the Trustee will notify the Manager in writing. Once so notified, the Trustee shall consult with the Manager and, to the extent it is within the Trustee's control, take such further action as may reasonably be requested by the Manager to remedy the issue.

## 14 Buying, Selling and Switching Units

- 14.1 The dealing office of the Manager is open from 8.00 am until 6.00 p.m. on each Dealing Day to receive requests for the sale, redemption and switching of Units, which will, if received prior to 12.00 noon UK time on a Dealing Day be effected at prices determined at the next valuation point following receipt of such request. Requests received after 12.00 noon will be dealt with at the valuation point on the following dealing day.
- 14.2 The Manager does not currently permit the transfer of Units by electronic means but may do so in the future at its discretion. For further details please contact the Manager.

## 15 Buying Units

### 15.1 Procedure

15.1.1 On any given Dealing Day the Manager will be willing to sell Units in each Fund. Units can be bought by sending a completed application form and cheque to the Manager at the Administration Office set out in the Directory, or by such other written, telephonic, or electronic means as the Manager may from time to time determine. Application forms are available from the Manager.

15.1.2 The Manager has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Units in whole or part, and in this event the Manager will return any moneys sent, or the balance of such monies, at the risk of the applicant. In addition the Manager may also cancel any application previously accepted for the issue of Units in the event of either non-payment or undue delay in the payment by the applicant, including non-clearance of cheques or other documents presented in payment.

15.1.3 Any subscription monies remaining after a whole number of Units has been issued will not be returned to the applicant. Instead, fractions of Units will be issued in such circumstances. Units are recorded on the register to three decimal places.

15.1.4 Units may be registered in the name of the charity or its nominee, or in the joint names of up to four individuals. Any appointment of new trustees or resignation of existing trustees or change of authorised signatories should be notified to the Manager in writing as soon as possible after the change. Failure to do this may result in a delay in releasing the proceeds of any sale or transfer of Units. When there is a change of trustee it may be necessary for a stock transfer form to be completed to reflect the change on the register and additional anti-money laundering verification may be required.

### 15.2 Documentation

15.2.1 A contract note giving details of the Units purchased and the applicable Unit price will be issued by the end of the business day following the valuation point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

15.2.2 Where payment has not accompanied the application, settlement is due by the third business day following the valuation point used to price the Units purchased.

15.2.3 Certificates will not be issued in respect of Units. Certificates issued before 2 January 1996 are now no longer valid for any purpose. Ownership of Units will be evidenced by an entry on the each Fund's register of Unitholders. Statements in respect of periodic distributions of income in a Fund will show the number of Units held by the Unitholder in that Fund. Individual statements of a Unitholder's (or, when Units are jointly held, the first named Unitholder's) Units will also be issued at any time on request by the Unitholder(s).

### 15.3 Minimum subscriptions

The minimum initial and subsequent subscription levels, if any, are set out in Appendix 1. The Manager may at its discretion accept subscriptions for lower than the minimum amounts.

### 15.4 HM Revenue & Customs (Charities) requirements

15.4.1 Each Fund operates under a self-certification system agreed with HM Revenue & Customs (Charities) whereby new Unitholders must complete a declaration confirming their charitable status; confirmation being the insertion of their Charity Commission Registration number and their HM Revenue & Customs (Charities) claims reference number on the declaration form.

- (a) Charities in England and Wales that are unable to trace their Charity Commission number should check the register of charities at [www.charity-commission.gov.uk/registeredcharities.asp](http://www.charity-commission.gov.uk/registeredcharities.asp).
- (b) Charities in Scotland that are unable to trace their Scottish Charity number should check the Scottish Charity Register at [www.oscr.org.uk/TheRegister.stm](http://www.oscr.org.uk/TheRegister.stm).

- (c) Charities in Northern Ireland that are unable to trace their Charity Commission number should check the Charity Commission for Northern Ireland register at: <https://www.charitycommissionni.org.uk/>
- (d) Charities not on the Northern Ireland Charity register, the Scottish Charity register, or the Charity Commission register, should contact HM Revenue & Customs (Charities), St John House, Merton Road, Bootle, Merseyside L69 9BB. Tel. 08453 020203.

15.4.2 Non-receipt of the declaration form within 60 calendar days of purchase will result in the investment being void and the Units will be sold. In exceptional circumstances, and subject to the agreement of the Manager, this period may be extended. If the price of the Units has fallen, you will not get a full refund of the money you have paid. Further, if you have received an income distribution before the holding is declared void then this will be deducted from the sale proceeds.

15.4.3 All declarations may be subject to independent checks by HM Revenue & Customs (Charities). It is the charity's responsibility to ensure that the information it supplies is correct, and if it ceases to be a charity to inform us immediately.

## 16 Redeeming Units

### 16.1 Procedure

16.1.1 Every Unitholder has the right to require, except where Paragraph 21 applies, that a Fund redeems his Units on any Dealing Day.

16.1.2 Requests to redeem Units may be made in writing to the Manager at the Administration Office set out in the Directory, or by such other written, telephonic, or electronic means as the Manager may from time to time determine.

### 16.2 Documents the Seller will receive

16.2.1 A contract note giving details of the number of Units sold and the price used will be sent to the selling Unitholder (the first named on the register, in the case of joint Unitholders) or their duly authorised agents, together (if required and sufficient written instructions have not already been given) with a Withdrawal Form for completion and execution by the Unitholder (and, in the case of a joint holding, by all the joint Unitholders), not later than the end of the business day following the valuation point by reference to which the price is determined. Payment of proceeds will be made within third business days following the later of:

- (a) receipt by the Manager, when required, of sufficient written instructions duly signed by all the relevant Unitholders and completed as to the appropriate number of Units, together with any other appropriate evidence of title; and
- (b) the valuation point following receipt by the Manager of the request to redeem.

16.2.2 Payment will normally be made by cheque sent to the registered address unless otherwise specified. Payment will be made directly into a bank account by BACS upon request.

16.2.3 All instructions and notices required to be given in writing under these paragraphs, transmitted by facsimile (or any other electronic means) to the Manager shall not be accepted as served unless the Unitholder also sends and delivers the original instruction or notice to the Manager by post or by hand.

### 16.3 In Specie Redemption

16.3.1 If a Unitholder requests the redemption or cancellation of Units, the Manager may, if it considers the deal substantial in relation to the total size of a Fund, arrange for that Fund to cancel the Units and transfer Scheme Property to the Unitholder instead of paying the price of the Units in cash or, if required by the Unitholder, pay the net proceeds of sale of the relevant Scheme Property to the Unitholder.

16.3.2 Before the proceeds of cancellation of the Units become payable, the Manager will give written notice to the Unitholder that Scheme Property (or the proceeds of sale of that Scheme Property) will be transferred to that Unitholder.



- 16.3.3 The Manager will select the Scheme Property to be transferred (or sold) in consultation with the Trustee. They must ensure that the selection is made with a view to achieving no greater advantage or disadvantage to the redeeming Unitholder than to continuing Unitholders.

#### 16.4 Issue and Cancellation of Units

The Trustee will issue or cancel Units in a Fund when instructed to do so by the Manager.

## 17 Dealing Charges and other dealing information

### 17.1 Initial Charge

- 17.1.1 The Manager may impose an initial charge on the buying of Units. This charge is a percentage of the total amount of your investment and is deducted from your investment before Units are purchased. The initial charge is payable to the Manager. Full details of the current initial charge are set out in Appendix 1.

## 18 Pricing Basis and dilution policy

- 18.1 The basis on which a Fund's investments are valued for the purpose of calculating the price of Units as stipulated in the FCA Regulations and its Trust Deed is summarised at paragraph 23. However, the actual cost of purchasing or selling investments for a Fund may deviate from the mid-market value used in calculating the price of Units in that Fund due to dealing costs such as broking charges, taxes and any spread between the buying and selling prices of the underlying investments. These dealing costs can have an adverse effect on the value of the Fund, known as "dilution". It is not, however, possible to predict accurately whether dilution will occur at any point in time. The FCA Regulations allow the cost of dilution to be met directly from the Fund's assets or to be recovered from investors on the purchase or redemption of Units in the Fund inter alia by means of a dilution adjustment to the dealing price and this is the policy which has been adopted by the Manager. The Manager shall comply with the FCA Regulations in its application of any such dilution adjustment. The Manager's policy is designed to minimise the impact of dilution in the Fund.
- 18.2 The dilution adjustment for a Fund will be calculated by reference to the estimated costs of dealing in the underlying investments of that Fund, including any dealing spreads, commissions and transfer taxes. The need to apply a dilution adjustment will depend on the relative volume of sales (where Units are issued) to redemptions (where Units are cancelled) of Units. The Manager may apply a dilution adjustment to the price on the issue and redemption of such Units if, in its opinion, the existing Unitholders (for sales) or remaining Unitholders (for redemptions) might be adversely affected, and if in applying a dilution adjustment, so far as practicable, it is fair to all Unitholders and potential Unitholders. In specie transfers will not be taken into account when determining any dilution adjustment and any incoming portfolio will be valued on the same basis as the Fund is priced (i.e. offer plus notional dealing charges, mid, or bid less notional dealing charges). When a dilution adjustment is not applied there may be a dilution of the assets of the Fund which may constrain its future growth.
- 18.3 The Manager may alter its current dilution adjustment policy by giving Unitholders at least 60 days' notice and amending the Prospectus before the change takes effect.
- 18.4 Based on experience, the Manager would typically expect to make a dilution adjustment on most days, and this is expected to be of the magnitude detailed below. The Manager reserves the right to adjust the price by a lesser amount but will always make such an adjustment in a fair manner solely to reduce dilution and not for the purpose of creating a profit or avoiding a loss for the account of the Manager or an Associate. It should be noted that as dilution is related to inflows and outflows of monies and the purchase and sale of investments it is not possible to predict accurately if and when dilution will occur and to what extent.

## Dilution Adjustment Table

Typical dilution adjustments for the following Sub-funds are expected to be:

M&G Equities Investment Fund for Charities (Charifund)	- 0.30% / + 0.31%
M&G Charibond Charities Fixed Interest Fund (Charibond)	- 0.08% / + 0.08%
M&G Charity Multi Asset Fund	-0.00% / + 0.01%

Positive dilution adjustment figures indicate a typical increase from mid-price when a Fund is experiencing net issues. Negative dilution adjustment figures indicate a typical decrease from mid-price when a Fund is experiencing net redemptions.

Figures are based on the historic costs of dealing in the underlying investments of Charifund for the twelve months to 31 May 2021 including any spreads, commissions and transfer taxes.

### 18.5 Client Account

Cash may be held for you in a 'Client Account' in certain circumstances. Interest is not paid on any such balances.

## 19 Money Laundering

As a result of legislation in force in the United Kingdom to prevent money laundering, firms conducting investment business are responsible for compliance with money laundering regulations. The Manager or their agent may verify your identity electronically when buying, selling or transferring Units. In certain circumstances investors may be asked to provide proof of identity when buying Units. Normally this will not result in any delay in carrying out instructions but, should the Manager request additional information, this may mean that instructions will not be carried out until the information is received. In these circumstances the Manager may refuse to sell or redeem Units, release the proceeds of redemption or carry out such instructions. The Manager reserves the right to reverse the transaction if it is not satisfied as to the identity of the applicant.

## 20 Void transactions and failure of charitable purpose

- 20.1 Each Trust Deed includes a number of special provisions to protect the exclusively charitable nature of the relevant Fund.
- 20.2 Any purported issue or sale of a Unit by the Manager (acting as agent for the Trustee or as a principal) to a person who is not a charity or to a charity which does not comply with the requirements as to the supply of documentation on the purchase of Units shall be void ab initio.
- 20.3 The person or charity mentioned in paragraph 20.2 shall, on making a claim in writing to the Manager, be entitled to have repaid to him by the Trustee or the Manager as appropriate:
- 20.3.1 any sum paid to the Trustee on the purported issue of the Unit less any shortfall due to market movements or
- 20.3.2 any sum paid to the Manager for the purported sale of the Unit less any shortfall due to market movements,
- but the person or charity shall:
- 20.3.3 not be paid or shall repay to the Trustee (and shall allow by way of set-off against any payment due to him by the Manager or the Trustee) all sums purported to be due to him or which have been paid to him purportedly by way of income on the relevant Unit; and
- 20.3.4 allow, by way of set-off against the repayment, any sum due from the person by reason of the Trustee having incurred non-charitable expenditure.

- 20.4 If a Unitholder, or a charity who is a beneficiary of Units held for it ceases to be a charity it shall immediately inform the Manager and shall thereupon transfer its Units or arrange for them to be transferred to another charity or alternatively shall at the same time request the Manager to redeem all the Units.
- 20.5 If a holder or charity who is a beneficiary of Units held for it purports to transfer or arrange for the transfer of the Units to a transferee who is not a charity the transfer shall be void and the holder of the Units shall be treated as having at the time of the transfer requested the Manager to redeem all the Units.
- 20.6 The Manager may at any time and from time to time call upon the holder of any Units by notice in writing to establish to its satisfaction that the holder is or holds Units for the benefit of a charity and for that purpose to furnish them with all the information and evidence requisite for the purpose and also to sign and complete such documentation (or arrange for its signature and completion) as the Manager shall require in order to establish the position with HMRC.
- 20.7 If such information and evidence is not so furnished within a reasonable time (not being more than 14 days after service of the notice requiring the same) so as to establish to the satisfaction of the Manager that the holder in question is or holds Units for the benefit of a charity, then the Manager shall forthwith serve a further notice on the holder calling on him within seven days of the service of the further notice either to transfer or cause to be transferred all his Units or to request the Manager to redeem all the Units held by him.
- 20.8 If in any such case the holder shall not have duly complied with the requirements of such further notice within the time limited thereby the Manager may appoint some other person as his agent to request the Manager to redeem the Units in question.

## 21 Suspension of Dealings in a Fund

- 21.1 The Manager may, with the agreement of the Trustee, or must if the Trustee so requires, temporarily suspend for a period the issue, cancellation, sale and redemption of Units or any class of Units in a Fund, if the Manager or the Trustee is of the opinion that due to exceptional circumstances there is good and sufficient reason to do so having regard to the interests of Unitholders or potential Unitholders.
- 21.2 The Manager or the Trustee (as appropriate) will immediately inform the FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation to the FCA of the suspension and the reasons for it.
- 21.3 The Manager will notify Unitholders and the relevant Advisory Committee as soon as is practicable after the commencement of the suspension, giving details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving details of how to find further information about the suspensions.
- 21.4 Where such suspension takes place, the Manager will publish, on its website or through other generally available media, sufficient details to keep Unitholders appropriately informed about the suspension, including, if known, its possible duration.
- 21.5 During the period of suspension none of the obligations in COLL 6.2 (Dealing) will apply but the Manager will comply with as much of COLL 6.3 (Valuation and Pricing) as is practicable in light of the suspension.
- 21.6 Re-calculation of the Unit price for the purpose of purchases and redemptions will commence at the time the suspension is ended or at the next valuation point following the ending of the suspension.
- 21.7 The exceptional circumstances in which the Manager or the Trustee may require the temporary suspension of the issue, sale, cancellation and redemption of Units, or any class of Units in a Fund include, but are not limited to the following:
- 21.7.1 during any period when, in the opinion of the Manager or the Trustee, an accurate valuation of that Fund cannot occur, including:

- 21.7.1.1 where one or more markets is unexpectedly closed or where dealing is suspended or restricted;
- 21.7.1.2 during a political, economic, military or other emergency; or
- 21.7.1.3 during any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments of the Fund or any Classes of Units;
- 21.7.2 upon the decision of the Manager, having given sufficient notice to Unitholders, to wind up the relevant Fund.

## 22 Governing Law

The Manager treats a Unitholder's participation in a Fund as governed by the law of England and Wales. The English courts shall have exclusive jurisdiction to settle any disputes or claims which may arise out of, or in connection with, a Unitholder's participation in the relevant Fund. A number of European laws provide for the recognition and enforcement in England and Wales of judgements given in other European Union States. This means that a Unitholder based in any European Union country can enforce a judgement obtained in England in their country of residence, or vice versa.

## 23 Valuation of the Funds

- 23.1 The price of a Unit in a particular Unit Class is calculated by reference to the Net Asset Value attributable to that Unit Class and adjusted for the effect of charges applicable and further adjusted to reduce any dilutive effect of dealing in the Fund (for more detail of the dilution adjustment see paragraph 18).
- 23.2 The Net Asset Value per Unit of each Fund is currently calculated at 12:00 noon UK time on each Dealing Day.
- 23.3 The Manager may at any time during a Dealing Day carry out an additional valuation if the Manager considers it desirable so to do.

## 24 Calculation of the Net Asset Value

- 24.1 The value of the Scheme Property shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.
- 24.2 All the Scheme Property (including receivables) is to be included, subject to the following provisions.
- 24.3 Scheme Property which is not cash (or sums held in bank accounts) or a contingent liability transaction shall be valued as follows:
  - 24.3.1 units or shares in a collective investment scheme:
    - (a) if a single price for buying and selling units is quoted, at the most recent such price; or
    - (b) if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price excludes any exit or redemption charge attributable thereto;
    - (c) if no price or no recent price exists, at a price which in the opinion of the Manager is fair and reasonable;
  - 24.3.2 any other transferable security:
    - (a) if a single price for buying and selling the security is quoted, at that price; or
    - (b) if separate buying and selling prices are quoted, at the average of those two prices;
    - (c) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no price exists, at a value which in the opinion of the Manager reflects a fair and reasonable price for that investment;

- 24.3.3 Scheme Property other than that described in 24.3.1 and 24.3.2 above, will be valued at a value which, in the opinion of the Manager, represents a fair and reasonable mid-market price.
- 24.4 Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
- 24.5 Scheme Property which is a contingent liability transaction shall be treated as follows:
- 24.5.1 if it is a written option (and the premium for writing the option has become part of the Scheme Property), the amount of the net valuation of premium receivable shall be deducted.
- 24.5.2 if it is an off-exchange future, it will be included at the net value of closing out in accordance with a valuation method agreed between the Manager and the Trustee;
- 24.5.3 if the Scheme Property is an off-exchange derivative, it will be included at a valuation method agreed between the Manager and Trustee;
- 24.5.4 if it is any other form of contingent liability transaction, it will be included at the net value of margin on closing out (whether as a positive or negative value).
- 24.6 In determining the value of the Scheme Property, all instructions given to issue or cancel Units shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 24.7 Subject to paragraphs 24.8 and 24.9 below, agreements for the unconditional sale or purchase of Scheme Property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the Manager, their omission will not materially affect the final net asset amount.
- 24.8 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 24.7.
- 24.9 All agreements are to be included under paragraph 24.7 which are, or ought reasonably to have been, known to the person valuing the Scheme Property.
- 24.10 An estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax, stamp duty, and any foreign taxes and duties will be deducted.
- 24.11 An estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day-to-day will be deducted.
- 24.12 The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.
- 24.13 An estimated amount for accrued claims for tax of whatever nature which may be recoverable will be added.
- 24.14 Any other credits or amounts due to be paid into the Scheme Property will be added.
- 24.15 A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.
- 24.16 Currency or values in currencies other than the base currency shall be converted at a rate of exchange that is not likely to result in any material prejudice to the interests of Unitholders or potential Unitholders.

## 25 Unit Prices

The price per Unit at which Units are bought and sold by investors is the sum of the Net Asset Value of a Unit adjusted to reduce any dilutive effect of dealing in the relevant Fund (for more detail of dilution

adjustment see paragraph 18). Where Units are bought this adjustment will occur before any initial charge.

## 26 Pricing basis

There is a single price for a Unit in each Fund. Each Fund deals on a forward pricing basis. A forward price is the price calculated at the next valuation point after the sale or redemption is agreed.

## 27 Publication of Prices

The most recent prices of Units appear on our website <https://www.mandg.co.uk/charities> on each day the Funds are valued. Unitholders can also obtain the price of their Units by calling M&G Charities Helpline on 0800 917 4472.

## 28 Risk factors

Potential Unitholders should consider the risk factors referenced in section 40 before investing in the Funds.

## 29 Risk Management Process and Liquidity Management

- 29.1 The Manager employs a risk management process which enables it to identify, measure, manage and monitor at any time the relevant risks of the positions to which a Fund is or may be exposed and their contribution to the overall risk profile of that Fund and which includes the use of appropriate stress testing procedures.
- 29.2 The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of a Fund and to ensure the liquidity profile of the investments of that Fund will facilitate compliance with its underlying obligations. The Manager's liquidity policy takes into account the investment strategy, the liquidity profile, redemption policy and other underlying obligations of the Fund. The liquidity management systems and procedures include appropriate escalation measures to address anticipated or actual liquidity shortages or other distressed situations of the Fund. In summary, the liquidity management policy monitors the profile of investments held by each Fund and ensures that such investments are appropriate to the redemption policy as set out in this Prospectus. Further, the liquidity management policy includes details of measures taken by the Manager to manage the liquidity risk of the Funds in exceptional and extraordinary circumstances.
- 29.3 The liquidity management systems and procedures allow the Manager to apply various tools and arrangements necessary to ensure that the Funds are sufficiently liquid to respond appropriately to redemption requests normally. In normal circumstances, redemption requests will be processed as set out in paragraph 16.
- 29.4 Other arrangements may also be used in response to redemption requests, including, in exceptional circumstances, the temporary suspension of the sale and redemption of Units or any class of Units. This would restrict the redemption rights Unitholders benefit from in normal circumstances as set out above under paragraph 21.
- 29.5 Further information regarding the risk management process and liquidity management systems and procedures, including the measures used to manage the most relevant risks to which the Funds are or could be exposed, can be found in the Risk Management Process Policy which is available upon request from the Manager.
- 29.6 It is intended that Unitholders will be notified of any material changes to the liquidity management systems and procedures employed by the Manager and will be notified as soon as is practicable if redemptions are suspended. It is intended that any changes to the maximum level of Leverage that may be employed by a Fund will be provided to Unitholders without undue delay.

- 29.7 The Investment Manager’s execution policy sets out the basis upon which the Investment Manager will effect transactions and place orders in relation to a Fund whilst complying with its obligations under the FCA Rules to obtain the best possible result for the Manager on behalf of that Fund and is available upon request from the Manager.
- 29.8 A description of the Investment Manager’s strategy for determining how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of the Funds is available on request from the Manager. Details of action taken in respect of voting rights are also available.

## 30 Leverage (as defined by AIFMD)

Appendix 3 explains in what circumstances and how the Manager may use leverage as defined by AIFMD (Leverage) in respect of the Funds and the maximum level of Leverage permitted.

## 31 Charges and Expenses

### Introduction

This section describes the fees that an Unitholder bears on their investment and how they work. It details the payments that may be made out of the Scheme Property of each Fund as expenses and as charges for services in relation to the management, operation and administration of the respective Funds.

The Trust Deed provides that the Manager may be remunerated (and may take expenses) and that the Trustee may be remunerated (and may take expenses) out of the Scheme Property of each Fund. In practice, to simplify disclosure to Unitholders, all fees and everyday expenses (excluding the expenses listed in paragraph 31.4.1), are combined into a single charge (the Manager’s Annual Charge) owed to and accruing to the Manager. The Manager apportions and directs that fee to ensure that the Trustee and its delegates, and the Manager’s delegates are all paid.

### 31.1 The Manager’s Annual Charge

- 31.1.1 The Manager is permitted to take a charge from the Scheme Property of each Unit Class of each Fund as payment for carrying out its duties and responsibilities and to pay for third parties’ services (the ‘Annual Charge’).
- 31.1.2 The Annual Charge covers, among other things, the following:
- (1) Manager fees and expenses,
  - (2) Service providers’ (including the Investment Manager and the Trustee) fees and expenses,
  - (3) All the costs, charges, fees and expenses payable in relation to the operation and management of each Fund which may be taken from scheme property under the FCA rules, excluding those set out in paragraph 31.4 ‘Other payments from the scheme property of the Funds not included in the Annual Charge’.

The permitted costs, charges, fees and expenses are:

- (a) Registrar fees and expenses covering the establishment and maintenance of the Register of Unitholders;
- (b) Costs and expenses relating to the formation, authorisation and registration of a new Fund and the offer of Units;
- (c) Documentation costs and expenses, such as preparing, printing and distributing the Prospectus, the NURS KIIDs/PRIIPs KIDs (or successor disclosure document), as well as the annual reports of the Funds and any other documents made available to Unitholders;
- (d) Costs of registration, publication of Unit prices, listing on a Stock Exchange, creation, conversion and cancellation of Unit Classes;
- (e) Costs of production and dispatch of payments made by the Funds;
- (f) Costs of arranging and convening meetings of Unitholders;

- (g) Legal fees and expenses other than the extraordinary expenses as referenced in paragraph 31.4.1(b);
- (h) Audit fees and expenses;
- (i) Liabilities that are charges, costs and expenses arising on unitisation, amalgamation or reconstruction including certain liabilities arising after transfer of property to the Funds in consideration for the issue of Units as more fully detailed in the Regulations;
- (j) Advisory Committee expenses and remuneration.

31.1.3 The costs and expenses relating to research services provided to the Investment Manager by brokers, or independent research providers, will be borne by the Investment Manager.

31.1.4 The costs of a Fund relating to investments in collective investment schemes will be borne by the Manager to ensure Unitholders are not charged for those in addition to the Annual Charge.

## 31.2 Calculation and operation of the Annual Charge

31.2.1 The Annual Charge is set as a rate which is a percentage of the Net Asset Value of each Unit Class in Fund, as disclosed in Appendix 1. It is taken as a charge from each Unit Class of each Fund.

31.2.2 The Annual Charge is calculated as follows:

- Each day the Manager charges one-365th of the Annual Charge (or one-366th if it is a leap year). If the day is not a Dealing Day, the Manager will take the charge into account on the next Dealing Day.
- The Manager calculates this charge using the Net Asset Value of each Unit Class on the previous Dealing Day.

31.2.3 Though the Annual Charge is calculated and taken into account daily in each Unit Class' price, it is actually paid to the Manager each fortnight in arrears.

31.2.4 In setting the Annual Charge, the Manager is taking upon itself the risk that the Net Asset Value of a Fund will fall to the extent that the Annual Charge will not fully recompense it for the charges and expenses that the Manager would otherwise be entitled to charge to each Fund. Conversely, the Manager is not accountable to Unitholders should the aggregate fees generated by the Annual Charge in any period exceed the charges and expenses that it incurs and the Manager will retain the surplus.

## 31.3 Changes to the Annual Charge

31.3.1 The Manager reserves the right to increase or decrease the Annual Charge. In the event of any changes to the Annual Charge the Manager will notify Unitholders in accordance with the FCA's requirements under the COLL Sourcebook. This does not include changes to the level of discount to the Annual Charge (as described in section 31.5) arising as a result of a change in the Net Asset Value of a Fund.

## 31.4 Other payments from the scheme property of the Funds not included in the Annual Charge

31.4.1 In addition to the Annual Charge, and in accordance with the COLL Sourcebook, the following payments, including any additional VAT incurred, will be made out of the scheme property of each Fund, where they arise.

- (a) Portfolio transaction costs including broker's commission, taxes and duties (including stamp duty), and other disbursements which are necessarily incurred in effecting transactions for the Funds.
- (b) Extraordinary expenses including, without limitation, litigation expenses and the fees and expenses of legal and other professional advisers ("Extraordinary Expenses").
- (c) Interest on borrowing and charges incurred in effecting or terminating such borrowing or in negotiating or varying the terms of such borrowing on behalf of the Funds.
- (d) Taxation and duties payable in respect of the property of each Fund or the issue of redemption of units.
- (e) Any value added or similar tax relating to any change or expense set out in the section 31.4.

31.4.2 Each Fund may reimburse the relevant Advisory Committee members for reasonable cost and expenses incurred in the course of their duties and Advisory Committee members may be remunerated



for their services out of Scheme Property. However, it is the Manager's policy to make these payments out of the Annual Charge.

### 31.5 Discounts to the Annual Charge

31.5.1 The Manager will pass to Unitholders some of the benefit of potential savings, achieved from economies of scale generated by a significant growth of assets under management in a Fund, by applying a discount to the Annual Charge of a Fund. The applicable discount to the Annual Charge will be determined by the size of the Fund as shown in the table below.

31.5.2 The Manager reserves the right to change the Net Asset Value range or change the discount associated with each band of the Net Asset Value range as shown in the table in Section 31.5.4. In the event of any such changes, the Manager will notify Unitholders.

31.5.3 The Manager will review the Net Asset Value of each Fund on at least a quarterly basis and will implement the applicable discount on a forward basis, no later than 13 business days after quarter end. Where a Fund has experienced a decline in its Net Asset Value; it will only remove or reduce a discount when the Net Asset Value is lower than the buffer as shown in the table below.

31.5.4 The discounted Annual Charge will be calculated as follows: Annual Charge (as per Appendix 1) – Discount (as per the table below).

Fund Net Asset Value	Annual Charge discount	Buffer applied in case of reducing Net Asset Value
£0-1bn	Nil	Not applicable
£1-2bn	0.02%	£100m
£2-3bn	0.04%	£100m
£3-4bn	0.06%	£100m
£4-5bn	0.08%	£200m
£5-6bn	0.10%	£200m
More than £6bn	0.12%	£200m

See below a numerical example:

Time	Fund AUM	Discounted annual charge for a Unit Class A Annual Charge: 1.40%
Quarter 1	£1.67bn	0.53% (0.55% - 0.02%) A 0.02% discount is applied to the Annual Charge as the Fund's Net Asset Value is in the £1-2bn range
Quarter 2	£958m	0.53% No change as the Fund's Net Asset Value has not reduced by more than the buffer.
Quarter 3	£882m	0.55% The 0.02% discount is removed as the Fund's Net Asset Value is below the buffer.
Quarter 4	£1.05bn	0.53% (0.55% - 0.02%) A 0.02% discount is applied as the Fund's Net Asset Value is in the £1-2bn range.
Quarter 5	£2.15bn	0.51% (0.55% - 0.04%) A 0.04% discount is applied to the Annual Charge as the Fund's Net Asset Value is in the £2-3bn range.

Information regarding the Annual Charge, including any discount can be found at [www.mandg.co.uk](http://www.mandg.co.uk)

### 31.6 Allocation of Charges and Expenses

31.6.1 For each Unit Class, the charges and expenses described in this section are either allocated to capital or income depending upon whether they are Income Units or Accumulation Units:

**Income Units:** most charges and expenses are charged to capital. This treatment of the charges and expenses may increase the amount of income available for distribution to Unitholders in the Unit Class concerned, but it may constrain capital growth.

**Accumulation Units:** most charges and expenses are allocated to income. If there is insufficient income to fully pay the charges and expenses, the residual amount is allocated to capital.

#### Allocation of Charges

	Accumulation Units	Income Units
Annual Charge	100% to Income	100% to Capital
Portfolio transaction costs	100% to Capital	100% to Capital
Extraordinary Expenses	100% to Income	100% to Income
Interest on borrowing	100% to Income	100% to Income
Charges incurred in effecting or terminating borrowing or in negotiating or varying the terms of borrowing on behalf of the Sub-funds	100% to Income	100% to Income

### 31.7 Ongoing Charge Figures

31.7.1 Each Unit Class has an Ongoing Charges Figure shown in the NURS Key Investor Information Document.

31.7.2 The Ongoing Charge Figure is intended to help Unitholders to understand the impact of charges on their investment each year and to compare the level of those charges with the level of charges in other funds. It will normally equal the Annual Charge taken from each Unit, except where the Annual Charge has been discounted and/or Extraordinary Expenses apply as described in Section 31.4.

31.7.3 The Ongoing Charges Figure excludes portfolio transaction costs, and any initial charge or redemption charge but will include the effect of the various charges and expenses referred to in section 31.7.2. In common with other types of investors in financial markets, the Funds incur costs when buying and selling underlying investments in pursuit of their investment objective. These portfolio transaction costs include dealing spread, broker commissions, transfer taxes and stamp duty incurred by the Funds on transactions. The annual and half-yearly reports of each Fund provide further information on portfolio transaction costs incurred in the relevant reporting period.

31.7.4 The Ongoing Charge Figure also excludes interest on borrowing.

31.8 The Manager may not introduce a new category of remuneration for its services unless approved by an extraordinary resolution of Unitholders in the Fund.

## 32 Taxes

Each Fund will bear any taxes and duties that may become payable on its property, under its Trust Deed or the issue of Units. Please see paragraph 36 for more information regarding the tax position of the Funds.

## 33 Changes to the Funds

Where any changes are proposed to be made to any of the Funds, including changes to the investment objective, policy or strategy, the Manager will assess whether the change is fundamental, significant or notifiable in accordance with COLL 4.3. If the change is regarded as fundamental, unitholder approval will be required. If the change is regarded as significant, not less than 60 days' prior written notice will be given to unitholders. If the change is regarded as notifiable, unitholders will receive suitable notice of the change.

## 34 Unitholder Meetings and Voting Rights

### 34.1 Requisitions of Meetings

34.1.1 Under the FCA Regulations, the Manager, Advisory Committee or the Trustee may requisition a general meeting at any time.

34.1.2 Unitholders in a Fund may also requisition a general meeting of that Fund. A requisition by Unitholders must state the objects of the meeting, be dated, be signed by Unitholders who, at the date of the requisition, are registered as holding not less than one-tenth in value of all Units then in issue and the requisition must be deposited at the head office of the Manager. The Manager must convene a general meeting no later than eight weeks after receipt of such requisition.

### 34.2 Notice and Quorum

Unitholders will receive at least 14 days' notice of a Unitholders' meeting (other than an adjourned meeting where a shorter period of notice can apply) and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Unitholders, present in person or by proxy. The quorum for an Adjourned Meeting is also two Unitholders present in person or by proxy, however if a quorum is not present within a reasonable period of time from the time appointed for the meeting then one person entitled to be counted in a quorum shall be a quorum. Notices of Meetings and Adjourned Meetings will be sent to Unitholders at their registered addresses or, at the discretion of the Manager, such other address which it may hold for the purposes of correspondence.

34.2.1 The Advisory Committee will have the right to attend Unitholder meetings. However they will not be counted in the quorum.

### 34.3 Voting Rights

34.3.1 At a meeting of Unitholders, on a show of hands every Unitholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

34.3.2 On a poll vote, a Unitholder may vote either in person or by proxy. The voting rights attaching to each Unit are such proportion of the voting rights attached to all the Units in issue that the price of the Unit bears to the aggregate price(s) of all the Units in issue at a reasonable time before the notice of meeting is deemed to have been served.

34.3.3 A Unitholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

34.3.4 Except where the FCA Regulations or the Trust Deed of a Fund require an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution will be passed by a simple majority of the votes validly cast for and against the resolution.

34.3.5 The Manager may not be counted in the quorum for a meeting and neither the Manager nor any associate (as defined in the FCA Regulations) of the Manager is entitled to vote at any meeting of a Fund except in respect of Units which the Manager or associate holds on behalf of or jointly with a person who, if the registered Unitholder, would be entitled to vote and from whom the Manager or associate has received voting instructions.

34.3.6 "Unitholders" in this context means Unitholders on a date determined by the Manager before the notice of the relevant meeting was deemed to have been served but excludes holders who are known to the Manager not to be Unitholders at the time of the meeting.

## 35 Class Meetings

The above provisions, unless the context otherwise requires, apply to Unit Class meetings as they apply to general meetings of Unitholders.

## 36 Taxation

### 36.1 Introduction

Taxation information contained in this Prospectus is based on our understanding of current law and on the assumption that each Unitholder is recognised as a charity for UK tax purposes and therefore qualifies for the relevant charitable UK tax exemptions. Whilst we believe our interpretation to be correct at the date of publication we cannot be held responsible for the effects of any future changes in law or any change in interpretation or treatment. This information does not constitute legal or tax advice and prospective unitholders should obtain their own tax advice in respect of their particular position.

### 36.2 Taxation of the Fund

36.3 Each Fund is a registered charity and recognised as such for UK tax purposes by HM Revenue & Customs. As a charity, a Fund should not be subject to UK tax on:

- (a) gains arising on the disposal of investments, provided such gains are applied exclusively for charitable purposes; or
- (b) income from investments, provided such income is applied exclusively to charitable purposes.

### 36.4 Taxation of distributions

Distributions of income by the Funds are made gross (i.e. without deduction of tax). Unitholders should not be liable to UK tax in respect of such distributions provided such income is applied exclusively to charitable purposes.

### 36.5 Stamp duty

Where UK stamp duty is potentially chargeable in respect of investments made by a Fund, as a charity that Fund should be exempt from any such charge. However, where Financial Transaction Taxes apply in other jurisdictions exemption will depend on whether the charity is recognised as exempt in those jurisdictions.

### 36.6 Automatic exchange of information for international tax compliance

The Manager (or its agent) will collect and report information about Unitholders and their investments, including information to verify their identity and tax residence.

When requested to do so by the Manager or its agent, Unitholders must provide information to be passed on to HMRC, and, by them, to any relevant overseas tax authorities. If a Unitholder does not provide the necessary information, the Manager will be required to report it to HMRC who will in turn report it to the United States' and certain other tax authorities.

This is required by UK legislation implementing its obligations under various intergovernmental agreements relating to the Automatic Exchange of Information to improve international tax compliance (including the international common reporting standard, the United States provisions commonly known as FATCA, and other intergovernmental agreements for the automatic exchange of information).

## 37 Income Equalisation

The first income allocation received by an investor after buying Units may include an amount of income equalisation. This is effectively a repayment of the income that the investor acquired as part of the purchase price. It is a return of capital, and is not taxable. Rather it should be deducted from the acquisition cost of the Units for capital gains tax purposes.

## 38 Winding up of a Fund

38.1 A Fund may be wound up only under the FCA Regulations.

- 38.2 Such winding up may be commenced only following approval by the FCA. The FCA may give such approval only if the Manager provides a statement (following an investigation into the affairs of the Fund) either that the Fund will be able to meet its liabilities within 12 months of the date of the statement or that the Fund will be unable to do so. The Fund may not be wound up under the FCA Regulations if there is a vacancy in the position of Manager at the relevant time.
- 38.3 A Fund may be wound up under the FCA Regulations if:
- 38.3.1 the authorisation order of the Fund is revoked; or
- 38.3.2 if an extraordinary resolution to that effect is passed by Unitholders providing that the FCA have consented to the resolution; or
- 38.3.3 if the period (if any) fixed for the duration of the Fund in its Trust Deed expires or if a change in the laws or regulations of any country means that, in the Manager's opinion, it is desirable to terminate the Fund; or
- 38.3.4 on the date of effect stated in any agreement by the FCA to a request by the Manager for the revocation of the authorisation order in respect of the Fund; or
- 38.3.5 on the effective date of a duly approved scheme of arrangement, which is to result in the Fund being left with no property.
- 38.4 On the occurrence of any of the above:
- 38.4.1 the parts of the FCA Regulations and the relevant Trust Deed relating to pricing and dealing and investment and borrowing will cease to apply to the Fund;
- 38.4.2 the issue and cancellation of Units in the relevant Fund will cease and the Manager shall cease to sell or redeem Units or arrange for the Fund to issue or cancel them;
- 38.4.3 no transfer of a Unit shall be registered and no other change to the register shall be made without the sanction of the Manager;
- 38.4.4 where a Fund is being wound up, the Fund shall cease to carry on its business except in so far as it is beneficial for the winding up of the Fund;
- 38.4.5 the status and powers of the Fund and, subject to the provisions of paragraphs 38.3.1 and 38.3.4 above, the powers of the Manager shall remain until the Fund is dissolved.
- 38.5 The Manager shall, as soon as practicable after a Fund falls to be wound up, realise the assets and meet the liabilities of that Fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Trustee to make one or more interim distributions out of the proceeds remaining (if any) to Unitholders proportionately to their rights to participate in the Scheme Property. When the Manager has caused all of the Scheme Property to be realised and all of the liabilities of a Fund to be met, the Manager shall arrange for the Trustee to also make a final distribution to Unitholders (if any Scheme Property remains to be distributed) of any balance remaining in proportion to their holdings in the Fund on or prior to the date on which the final account is sent to Unitholders.
- 38.6 As soon as reasonably practicable after completion of the winding up of a Fund, the Manager shall notify the FCA.
- 38.7 Following the completion of the winding up of a Fund, the Manager must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The Auditors of the Fund shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the Auditors' report must be sent to the FCA and to each Unitholder within four months of the termination of the winding up.

## 39 General Information

### 39.1 Accounting Periods

The annual accounting period of each Fund ends each year on the date specified within Appendix 1 (the accounting reference date). The half-yearly accounting period of each Fund ends each year on the date specified within Appendix 1.

### 39.2 Income Allocations

39.2.1 Allocations of income are made in respect of the income available for allocation as determined by the Manager in accordance with its policy on income smoothing.

39.2.2 In order to smooth income fluctuations from accounting period to accounting period, the Manager may, in consultation with the Trustee, decide to retain up to 15% of income from one accounting period to be held in an income reserve account, in order to smooth out future income payments in the following accounting periods in accordance with its income-smoothing policy. The Manager may, in consultation with the Trustee, in any accounting period withdraw any sum standing to the credit of the income reserve account, and such sum shall be treated as income available for allocation or distribution in that accounting period.

39.2.3 Distributions of income of the Funds are paid by cheque or by BACS on or before the published income allocation dates.

39.2.4 The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the relevant Fund in respect of that period, and deducting the charges and expenses of that Fund paid or payable out of income or capital depending on the Unit Class in respect of that accounting period. The Manager then makes such other adjustments as it considers appropriate (and after consulting the Auditors as appropriate) in relation to its income-smoothing policy, taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and any other adjustments which the Manager considers appropriate after consulting the Auditors.

### 39.3 Unclaimed distributions

39.3.1 Where on any distribution date and in respect of Income Units held by or on behalf of a charity, ten successive distributions remain unclaimed and the latest of these was made on the immediately preceding distribution date, the amount due in respect of that distribution together with the amount due in respect of the 10 previous distributions will be applied by the Manager as agent for the Unitholder in the purchase of additional Income Units in the scheme and the Manager will thereupon instruct the Trustee to convert those Units together with all other Income Units held by or on behalf of that charity into Accumulation Units. Unclaimed distributions made before this provision comes into force may be counted for this purpose.

39.3.2 If a distribution remains unclaimed for a period of six years after it has become due it will be forfeited and will revert to the relevant Fund.

### 39.4 Annual Reports

39.4.1 Annual reports (both long and short) of a Fund will be published within four months of each annual accounting period and half-yearly reports (both long and short) will be published within two months of each half-yearly accounting period. Unitholders will be sent the short report and the long report will be made available on request.

39.4.2 In addition to the information contained in the annual short report of the Fund, pursuant to the AIFMD the Manager will disclose the following information in each annual long report:

- (a) the percentage of the Fund's assets which are subject to special arrangements arising from their illiquid nature, including an overview of any special arrangements in place, the valuation methodology applied to the assets which are subject to such arrangements and how management and performance fees, if any, apply to these assets;
- (b) if risk limits set for the Fund by the Manager have been or are likely to be exceeded and, where these risk limits have been exceeded, a description of the circumstances and the remedial measures taken;
- (c) the total amount of Leverage employed by the Fund; and
- (d) any material changes to the following information:
  - (i) the arrangements for managing the liquidity of the Fund;
  - (ii) the risk management systems employed by the Manager to manage the risks to which the Fund is or may be exposed;
  - (iii) the current risk profile of the Fund and the maximum level of Leverage that may be employed by the Fund; and
  - (iv) where applicable, any right for re-use of collateral or any guarantee under the Fund's leveraging arrangements as well as the nature of such rights or guarantees.

39.4.3 In addition, other policies and procedures are available from the Manager including, but not limited to, policies regarding conflicts of interest and order execution.

### 39.5 Documents of the Funds

39.5.1 The following documents may be inspected free of charge between 9.00 a.m. and 5.00pm every business day at the offices of the Manager at 10 Fenchurch Avenue, London, EC3M5AG:

- (a) the most recent annual and half-yearly reports of the Funds; and
- (b) the Trust Deeds (and any amending trust deeds).

39.5.2 The Manager may make a reasonable charge at its discretion for copies of documents.

### 39.6 Notices

Notices and Documents will be sent to the Unitholder's registered address or, at the discretion of the Manager, such other address which it may hold for the purposes of correspondence.

### 39.7 Professional Liability

The Manager holds sufficient own funds to cover professional liability risk.

### 39.8 Fair treatment of Unitholders

39.8.1 The Manager has established policies and procedures and made arrangements to ensure the fair treatment of Unitholders. Such arrangements include, but are not limited to, ensuring that no Unitholders are given preferential treatment regarding any rights and obligations in relation to their investment in a Fund. All rights and obligations to Unitholders, including those related to subscription and redemption requests, are set out in this Prospectus.

39.8.2 The Manager has established fair and transparent pricing models and valuation systems and procedures for the assets of each Fund and endeavours to ensure that there are no undue costs being charged to that Fund and the Unitholders.

39.8.3 The Manager has also established procedures to identify, manage and monitor conflicts of interest and, where applicable, disclose those conflicts of interest to prevent them from adversely affecting the interests of the Unitholders. The Manager has established a process for recognising and dealing with complaints fairly.

### 39.9 Amending the Prospectus

In accordance with the Instrument and the FCA Regulations, the Prospectus may be revised from time to time by the Manager.

### 39.10 Complaints

Complaints concerning the operation or marketing of any Fund should be referred to M&G Customer Relations at PO Box 9038, Chelmsford, CM99 2XF in the first instance. If the complaint is not dealt with satisfactorily then it can be made direct to The Financial Ombudsman Service at Exchange Tower, London E14 9SR.

## 40 Risk factors

General Risks		M&G Equities Charities (Charifund)	M&G Charibond Charities Fixed Interest Fund (Charibond)	M&G Charity Multi Asset Fund
<b>Risk to Capital &amp; Income will vary</b>	The investments of a Fund are subject to normal market fluctuations and other risks inherent in investing in units, bonds and other stock market related assets. These fluctuations may be more extreme in periods of market disruption and other exceptional events. There can be no assurance that any appreciation in value of investments will occur or that the investment objective will actually be achieved. The value of investments and the income from them will fall as well as rise and investors may not recoup the original amount they invested. Past performance is not a guide to future performance.	✓	✓	✓
<b>Charges to Capital</b>		✓	✓	✓
<b>Counterparty Risk</b>	Whilst the Investment Manager will place transactions, hold positions (including derivatives transactions) and deposit cash with a range of counterparties, there is a risk that a counterparty may default on its obligations or become insolvent, which may put a Fund's capital at risk.	✓	✓	✓
<b>Liquidity Risk</b>	A Fund's and underling fund's investments may be subject to liquidity constraints which means that securities may trade infrequently and in small volumes. Normally liquid securities may also be subject to periods of significantly lower liquidity in difficult market conditions. As a result, changes in the value of investments may be more unpredictable and in certain cases, it may be difficult to deal a security at the last market price quoted or at a value considered to be fair.	✓	✓	✓
<b>Suspension of dealing in units</b>	Investors are reminded that in exceptional circumstances their right to sell or redeem units may be temporarily suspended.	✓	✓	✓
<b>Cancellation Risks</b>	When cancellation rights are applicable and are exercised, the full amount invested may not be returned if the price falls before we are informed of your intention to cancel.	✓	✓	✓
<b>Inflation</b>	A change in the rate of inflation will affect the real value of your investment.	✓	✓	✓
<b>Taxation</b>	The current tax regime is not guaranteed and may be subject to change. Any changes may have a negative impact on returns received by investors.  The Charity Funds rely extensively on tax treaties to reduce domestic rates of withholding tax in countries where they invest. A risk exists that tax authorities in countries with which the United Kingdom has double tax treaties, may change their position on the application of the relevant tax treaty. As a consequence,	✓	✓	✓



General Risks		M&G Equities Investment Fund for Charities (Charifund)	M&G Charibond Charities Fixed Interest Fund (Charibond)	M&G Charity Multi Asset Fund
	higher tax may be suffered on investments, (e.g. as a result of the imposition of withholding tax in that foreign jurisdiction). Accordingly, any such withholding tax may impinge upon the returns to the Sub-fund and investors.			
<b>Tax Developments</b>	<p>The tax regulations which M&amp;G Sub-funds are subject to constantly change as a result of:</p> <ul style="list-style-type: none"> <li>(i) technical developments – changes in law regulations;</li> <li>(ii) interpretative developments – changes in the way tax authorities apply law and</li> <li>(iii) market practice – whilst tax law is in place, there may be difficulties applying the law in practice (e.g. due to operational constraints).</li> </ul> <p>Any changes to the tax regimes applicable to Charity Funds and investors may impact negatively on the returns received by investors.</p>	✓	✓	✓
<b>Cyber Event Risk</b>	<p>Like other business enterprises, the use of the internet and other electronic media and technology exposes M&amp;G Funds, its service providers, and their respective operations, to potential risks from cyber-security attacks or incidents (collectively, “cyber-events”). Cyber-events may include, for example, unauthorised access to systems, networks or devices (such as, for example, through “hacking” activity), infection from computer viruses or other malicious software code, and attacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. In addition to intentional cyber-events, unintentional cyber-events can occur, such as, for example, the inadvertent release of confidential information. Any cyber-event could adversely impact a Fund and its Unitholders. A cyber-event may cause a Fund, or its service providers to lose proprietary information, suffer data corruption, lose operational capacity (such as, for example, the loss of the ability to process transactions, calculate the Net Asset Value of the Fund or allow Unitholders to transact business) and/or fail to comply with applicable privacy and other laws. Among other potentially harmful effects, cyber-events also may result in theft, unauthorised monitoring and failures in the physical infrastructure or operating systems that support the Fund and its service providers. In addition, cyber-events affecting issuers in which the Fund invests could cause the Fund’s investments to lose value.</p>	✓	✓	✓
<b>Eurozone</b>	<p>There is a risk that one or more countries will exit the Euro and re-establish their own currencies. In light of this uncertainty or in the event that this does occur, there is an increased risk of volatility in asset values, liquidity and default risk. In addition, there is a risk that disruption in Eurozone markets could give rise to difficulties in valuing the assets of the Funds. In the event that it is not possible to carry out an accurate valuation of any Fund, dealing may be temporarily suspended.</p>	✓	✓	✓

Fund Specific Risks		M&G Equities Investment Fund for Charities (Charifund)	M&G Charibond Charities Fixed Interest Fund (Charibond)	M&G Charity Multi Asset Fund
<b>Force majeure, including terrorism and pandemic risk</b>	<p>The Sub-Funds and Relevant Parties could be severely disrupted in the event of a major terrorist attack or the outbreak, continuation or expansion of war or other hostilities, or as a result of governmental or regulatory actions in anticipation of the same.</p> <p>Additionally, a serious pandemic, or a natural disaster, such as a hurricane or a super typhoon, or governmental or regulatory actions in anticipation or mitigation of the same, such as a lockdown, or a typhoon warning, could severely disrupt the global economy and/or the operation of the Sub-Funds and Relevant Parties. In particular, the recent “novel coronavirus” (COVID-19) outbreak, which has affected various parts of the world, could have a material and adverse effect on the ability to accurately determine the prices of investments owned by the Sub-Funds, which might further result in inaccurate valuation of the Sub-Funds assets. In the event of a serious pandemic or natural disaster, for safety and public policy reasons, relevant persons and entities involved in the operations of the Sub-Funds and Related Parties may to the extent that they are affected by such pandemic or natural disaster or by such governmental or regulatory actions, be required to temporarily shut down their offices and to prohibit their respective employees from going to work. Any such closure could severely disrupt the services provided to the Sub-Funds and materially and adversely affect their operation.</p>	✓	✓	✓
<b>Currency &amp; Exchange Rate Risk</b>	Depending on the extent to which a Fund holds or underlying funds are invested in assets denominated in a currency other than sterling, currency fluctuations may adversely affect the value of an investment. This is because such investments are generally bought and sold in the local currency of the country in which the assets are listed and their values must be converted back into sterling when calculating the value of the Fund's or underlying fund's portfolio.	✓		✓
<b>Interest rate risk</b>	Interest rate fluctuations will affect the capital and income value of investments within funds that invest substantially in fixed income investments. This effect will be more apparent if the fund holds a significant proportion of its portfolio in long dated securities.		✓	✓
<b>Credit risk</b>	The value of a Fund and underlying funds will fall in the event of the default or perceived increased credit risk of an issuer. This is because the capital and income value and liquidity of the investment is likely to decrease. AAA rated government and corporate bonds have a relatively low risk of default compared to non-investment grade bonds. However, the ratings are subject to change and they may be downgraded. The lower the rating the higher the risk of default.			✓
<b>Emerging Markets</b>	<p>Securities markets in emerging market countries are generally not as large as those in more developed economies and have substantially less dealing volume which can result in lack of liquidity.</p> <p>Accordingly, where a Fund holds other funds (underlying funds) that invests in securities listed or traded in such markets, its net asset value may be more volatile than a Fund that invests in the securities of companies in developed countries.</p> <p>Substantial limitations may exist in certain countries with respect to repatriation of investment income or capital or the proceeds of sale of securities to foreign</p>			✓

Fund Specific Risks		M&G Equities Investment Fund for Charities (Charifund)	M&G Charibond Charities Fixed Interest Fund (Charibond)	M&G Charity Multi Asset Fund
	<p>investors or by restriction on investment, all of which could adversely affect the Fund.</p> <p>Many emerging markets do not have well developed regulatory systems and disclosure standards. In addition, accounting, auditing and financial reporting standards, and other regulatory practices and disclosure requirements (in terms of the nature, quality and timeliness of information disclosed to investors) applicable to companies in emerging markets are often less rigorous than in developed markets. Accordingly, investment opportunities may be more difficult for the underlying funds to properly assess.</p> <p>Adverse market and political conditions arising in a specific emerging market country may spread to other countries within the region.</p> <p>Political risks and adverse economic circumstances (including the risk of expropriation and nationalisation) are more likely to arise in these markets, putting the value of these investments at risk.</p> <p>These factors may lead to temporary suspension of dealing units in the underlying funds and impair the ability of the investing Fund to meet redemption requests.</p>			
<b>Possible constraint on capital growth (income units only)</b>	<p>The charges and expenses attributable to a Fund's Income units are taken from capital, in whole or in part, and as a result capital growth for that unit class will be constrained.</p> <p>When the distribution yield of a fund is higher than the underlying yield it means income is paid at the expense of capital.</p> <p>It is the Fund's policy to distribute the actual interest from debt securities without calculating the impact (positive or negative) of the difference between the purchase price and expected final value of the securities. When the distributed income exceeds the calculated income it will reduce the potential growth of your investment.</p>	✓	✓	✓
<b>Negative interest rates</b>	<p>Cash or money market instruments held in a Fund are subject to the prevailing interest rates in the specific currency of the asset. There may be situations where the interest rate environment results in rates turning negative. In such situations the Funds may have to pay to have money on deposit or hold the money market instrument.</p>	✓	✓	✓

Derivatives		M&G Equities Investment Fund for Charities (Charifund)	M&G Charibond Charities Fixed Interest Fund (Charibond)	M&G Charity Multi Asset Fund
<b>Derivatives used for EPM only</b>	A Fund may enter into derivative transactions for the purposes of Efficient Portfolio Management ("EPM"), including hedging transactions and temporary short term tactical asset allocation. e.g. for the purposes of preserving the value of an asset or assets of the Fund and liquidity management purposes (i.e. to enable the Fund to be adequately invested). The Risk Management Process document sets out the approved derivative strategies.	✓	✓	✓
<b>Correlation (Basis risk)</b>	Correlation risk is the risk of loss due to divergence between two rates or prices. This applies particularly where an underlying position is hedged through derivative contracts which are not the same as (but may be similar to) the underlying position.	✓	✓	✓
<b>Valuation</b>	Valuation risk is the risk of differing valuations of derivatives arising from different permitted valuation methods. Many derivatives, in particular non-exchange traded OTC derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals who are often also the counterparty to the transaction. As a result, the daily valuation may differ from the price that can actually be achieved when trading the position in the market.	✓	✓	✓
<b>Liquidity</b>	Liquidity risk exists when a particular instrument is difficult to purchase or sell. Derivative transactions that are particularly large or traded off market (i.e. OTC), may be less liquid and therefore not readily adjusted or closed out. Where it is possible to buy or sell, this may be at a price that differs from the price of the position as reflected in the valuation.	✓	✓	✓
<b>"Daylight Risk" to Counterparty</b>	Certain derivative types may require the establishment of a long term exposure to a single counterparty which increases the risk of counterparty default or insolvency. While these positions are collateralised, there is a residual risk between both the mark to market and the receipt of the corresponding collateral as well as between the final settlement of the contract and the return of any collateral amount. This risk is referred to as daylight risk. In certain circumstances, the physical collateral returned may differ from the original collateral posted. This may impact the future returns of the Fund.	✓	✓	✓
<b>Delivery</b>	A Fund's ability to settle derivative contracts on their maturity may be affected by the level of liquidity in the underlying asset. In such circumstances, there is a risk of loss to the Fund.	✓	✓	✓
<b>Legal risk</b>	Derivative transactions are typically undertaken under separate legal arrangements. In the case of OTC derivatives, a standard International Swaps and Derivatives Association ("ISDA") agreement is used to govern the trade between the Fund and the counterparty. The agreement covers situations such as a default of either party and also the delivery and receipt of collateral. As a result, there is a risk of loss to the Fund where liabilities in those agreements are challenged in a court of law.	✓	✓	✓
<b>Volatility</b>	It is not intended nor anticipated that the use of these derivative instruments will have a material impact on the risk profile or the volatility of the Funds. Extreme market events, counterparty default or insolvency may, however, result in a loss to a Fund.	✓	✓	✓



# Appendix 1 – Details of the Funds

## 1.1 M&G Equities Investment Fund for Charities (Charifund)

### Charitable Objective

The Fund's charitable objective will be to further the charitable purposes of the Charities that directly or indirectly hold units in the Fund from time to time.

### Investment Objective

The Fund has three aims:

- To provide an annual yield above that available from the FTSE All-Share Index;
- To provide an income stream that increases every year;
- To provide a level of capital growth, net of the Ongoing Charge Figure, that is higher than inflation over any ten-year period, as measured by the UK Retail Prices Index (RPI).

There is no guarantee that the Fund will achieve its investment objective over this, or any other, period and investors may not get back the original amount they invested.

### Investment Policy

At least 70% of the Fund is invested 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, including the shares of non-UK companies cash and near cash directly or via collective investment schemes (including funds managed by M&G).

Companies involved in the production of tobacco are excluded from the investment universe.

Derivatives may be used for Efficient Portfolio Management and hedging.

### Investment Approach

The Fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The Fund typically invests in a well-diversified portfolio of high-yielding UK stocks. The yield premium attached to the Fund means that there is a bias toward good value, out of favour stocks (i.e. those stocks which the portfolio manager considered to be undervalued by the market). The emphasis on yield helps to identify shares that are relatively cheap and to avoid those that are expensive. From the universe of high yielding stocks, the manager identifies companies that are competitive, with a strong business franchise and that have attractive dividend growth prospects.

### Benchmarks:

The Fund is actively managed. The target benchmarks and comparator benchmark do not constrain the Fund's portfolio construction.

- Target
  - Yield: FTSE All-Share Index

- Capital growth: UK Retail Price index (RPI)

The benchmarks are targets which the Fund seeks to outperform. The target yield and capital growth level referenced in the investment objective have been chosen as they are achievable targets given the Fund's investment policy.

- Comparator

- Total return: FTSE All-Share Index

The Fund's performance can be measured against the comparator benchmark. The index has been chosen as the Fund's comparator benchmark as it best reflects the scope of the Fund's investment policy.

**Accounting reference date:** 31 October

**Half yearly accounting date:** 30 April

**Income allocation date:** On or before 28 February, 31 May, 31 August and 15 December (final)

#### Investment Minima

Unit classes in issue	Currency	Lump sum initial Investment	Lump sum subsequent investment	Lump sum holding	Regular Savings (per month)	Redemption
Sterling Units – Accumulation and Income	GBP	Nil	Nil	Nil	10	Nil

#### Charges and Expenses

Unit classes in issue	Initial Charge %	Redemption Charge %	Annual Charge %
Sterling Units – Accumulation and Income	N/A	N/A	0.47

#### Allocation of Charges

	Accumulation Units	Income Units
Annual Charge	100% to Income	100% to Capital
Extraordinary Expenses	100% to Income	100% to Income
Portfolio Transaction Costs	100% to Capital	100% to Capital

See sections 31-32 Charges and Expenses above for further detail on the charges, and the potential discount to the Annual Charge. The current Annual Charge for each Unit Class, including any discounts currently applicable can be found at [www.mandg.co.uk](http://www.mandg.co.uk)

#### Investor Profile

This Fund is suitable for all types of charity investors, with basic investment knowledge, seeking to invest in an actively managed fund pursuing the objective and investment policy of the Fund as described above. Investors should be looking to invest for at least 10 years and should appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.

## Other Information

<b>Investment Manager</b>	M&G Investment Management Limited
<b>Valuation point</b>	12.00 noon UK time
<b>Launch date</b>	1 March 1960
<b>Base Currency</b>	Sterling
<b>FCA reference number</b>	106838
<b>Charity registration number</b>	249958

## Risk Factors

The specific risks factors below should be read in conjunction with the general risks of investment detailed in Section 40.

- Currency and Exchange Rate Risk
- Possible Constraint on Capital Growth – Income units only
- Negative Interest rates



## 1.2 M&G Charibond Charities Fixed Interest Fund (Charibond)

### Charitable Objective

The Fund's charitable objective will be to further the charitable purposes of the Charities that directly or indirectly hold units in the Fund from time to time.

### Investment Objective

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 a composite index comprising one half Gilts and one half UK corporate bonds, over any five-year period.

The composite index is 50% of the ICE BoAML 1-15 Gilt Index and 50% of the ICE BoAML 1-15 Non Gilt Index.

### Investment Policy

At least 70% of the Fund is invested in investment grade Sterling denominated bonds issued by governments or companies.

The Fund may also invest in non-Sterling denominated bonds, cash and near cash directly or via collective investment schemes (including funds managed by M&G).

Derivatives may be used for Efficient Portfolio Management and hedging.

### Investment Approach

The Fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual bonds, while also assessing macroeconomic trends such as the outlook for economic growth, interest rates and inflation.

The investment approach identifies bonds which, in the manager's opinion at the time of investment, are undervalued.

An in-house team of credit analysts assists the manager in the selection of bonds and with the monitoring of issuers held by the Fund. The Fund's active investment approach allows the manager to adjust the portfolio's interest rate and credit exposure based on the outlook.

**Benchmark:** 50% ICE BoAML 1-15 Gilt Index and 50% ICE BoAML 1-15 Non-Gilt Index.

### Benchmark uses

The fund is actively managed. The benchmark is a target which the Fund seeks to outperform. The composite index has been chosen as the Fund's target benchmark as it best reflects the scope of the Fund's investment policy. The target benchmark is used solely to measure the Fund's performance and does not constrain the Fund's portfolio construction.

**Accounting reference date:** 31 October

**Half yearly accounting date:** 30 April

**Income allocation date:** On or before 28 February, 31 May, 31 August and 15 December (final)

## Investment Minima

Unit classes in issue	Currency	Lump sum initial Investment	Lump sum subsequent investment	Lump sum holding	Regular Savings (per month)	Redemption
Sterling Units – Accumulation and Income	GBP	Nil	Nil	Nil	10	Nil

## Charges and Expenses

Unit classes in issue	Initial Charge %	Redemption Charge %	Annual Charge %
Sterling Units – Accumulation and Income	N/A	N/A	0.30

## Allocation of Charges

	Accumulation Units	Income Units
Annual Charge	100% to Income	100% to Capital
Extraordinary Expenses	100% to Income	100% to Income
Portfolio Transaction Costs	100% to Capital	100% to Capital

See sections 31-32 Charges and Expenses above for further detail on the charges, and the potential discount to the Annual Charge. The current Annual Charge for each Unit Class, including any discounts currently applicable can be found at [www.mandg.co.uk](http://www.mandg.co.uk).

## Investor Profile

This Fund is suitable for all types of charity investors, with basic investment knowledge, seeking to invest in an actively managed Fund pursuing the objective and investment policy of the Fund as described above. Investors should be looking to invest for at least 5 years and should appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.

## Other Information

<b>Investment Manager</b>	M&G Investment Management Limited
<b>Valuation point</b>	12.00 noon UK time
<b>Launch date</b>	15 November 2019
<b>Base Currency</b>	Sterling
<b>FCA reference number</b>	844281
<b>Charity registration number</b>	1184315

## Risk Factors

The specific risks factors below should be read in conjunction with the general risks of investment detailed in Section 40.

- Interest Rate Risk
- Credit Risk
- Possible Constraint on Capital Growth – income units only
- Negative Interest rates

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## 1.3 M&G Charity Multi Asset Fund

### Charitable Objective

The Fund's charitable objective will be to further the charitable purposes of the Charities that directly or indirectly hold units in the Fund from time to time.

### Investment Objective

The Fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of a composite index\* over any five-year period.
- To provide an annual yield of at least 3%.

There is no guarantee that the Fund will achieve its investment objective over this, or any other, period. The income distributions and the value of investments may rise and fall and investors may not recoup the amount they originally invested.

\*Comprising of 45% of the FTSE All-share Index, 30% of the MSCI ACWI (ex UK) Index, 12.5% of the ICE BoAML 1-15 Gilt Index and 12.5% of the ICE BoAML 1-15 Non-Gilt Index.

### Investment Policy

The Fund invests in collective investment schemes, typically funds managed by M&G, to gain exposure to a diversified range of asset classes including equities, fixed income securities, property, cash and near cash. These assets may be from anywhere in the world, including emerging markets.

The Fund's exposure to these assets will normally be within the following ranges: 60-90% in equities, 0-40% in fixed income securities and cash, and 0-15% in other assets. The Fund may also hold and invest in cash and near cash directly.

Derivatives may be used for Efficient Portfolio Management and hedging. The Fund invests in funds that may use derivatives for investment purposes.

### Investment Approach

The Fund invests indirectly across a range of assets through investments in other funds, typically managed by M&G. The fund manager has a flexible approach to the allocation of capital between different types of assets in response to changes in economic conditions and asset values. This approach combines in-depth research to work out the value of assets over the short to medium term with analysis of market reactions to events to identify investment opportunities. In particular, the fund manager seeks to respond when asset prices move away from a reasonable sense of 'fair' value due to market reactions to events. The Fund tends to have a bias towards underlying funds with an income focus to achieve its investment objective.

**Benchmark:** 45% FTSE All-share Index, 30% MSCI ACWI (ex UK) Index, 12.5% ICE BoAML 1-15 Gilt Index and 12.5% ICE BoAML 1-15 Non-Gilt Index

### Benchmark uses

The Fund is actively managed. The benchmark is a target which the Fund seeks to outperform. The composite index has been chosen as it best reflects the scope of the Fund's investment policy and is used solely to measure the Fund's performance. The target yield referenced in the investment objective has been chosen as it is an achievable target given the Fund's investment policy. The target benchmark and target yield do not constrain the Fund's portfolio construction.

**Accounting reference date:** 1 November

**Half yearly accounting date:** 1 May

**Income allocation date:** On or before 28 February, 31 May, 31 August and 15 December (final)

#### Investment Minima

Unit classes in issue	Currency	Lump sum initial Investment	Lump sum subsequent investment	Lump sum holding	Regular Savings (per month)	Redemption
Sterling Units – Accumulation and Income	GBP	Nil	Nil	Nil	10	Nil

#### Charges and Expenses

Unit classes in issue	Initial Charge %	Redemption Charge %	Annual Charge %
Sterling Units – Accumulation and Income	N/A	N/A	0.50

#### Allocation of Charges

	Accumulation Units	Income Units
Annual Charge	100% to Income	100% to Capital
Extraordinary Expenses	100% to Income	100% to Income
Portfolio Transaction Costs	100% to Capital	100% to Capital

See section 31-32 Charges and Expenses above for further detail on the charges, and the potential discount to the Annual Charge. The current Annual Charge for each Unit Class, including any discounts currently applicable can be found at [www.mandg.co.uk](http://www.mandg.co.uk).

#### Investor Profile

This Fund is suitable for all types of charity investors, with basic investment knowledge, seeking to invest in an actively managed Fund pursuing the objective and investment policy of the Fund as described above. Investors should be looking to invest for at least 5 years and should appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.

#### Other Information

<b>Investment Manager</b>	M&G Investment Management Limited
<b>Valuation point</b>	12.00 noon UK time
<b>Launch date</b>	15 November 2019
<b>Base Currency</b>	Sterling
<b>FCA reference number</b>	844280
<b>Charity registration number</b>	1184314

## Risk Factors

The specific risks factors below should be read in conjunction with the general risks of investment detailed in Section 40.

- Currency & Exchange rate Risk
- Interest Rate Risk
- Credit Risk
- Possible Constraint on Capital Growth – income units only
- Emerging Markets
- Negative Interest rates

# Appendix 2 – Investment management and borrowing powers

## Investment and borrowing powers of M&G Equities Investment Fund for Charities (Charifund) (the Fund).

### 1 Introduction

The full investment and borrowing powers that may be adopted by a unit trust are contained within the FCA's Collective Investment Scheme Sourcebook, a copy of which is available on their website ([www.fca.org.uk](http://www.fca.org.uk)), which is also available from the Manager upon request. The investment and borrowing powers of the Fund have not been extended as a result of the adoption of the FCA's Collective Investment Scheme Sourcebook as the Manager has decided that, at present, this is not necessary to enable the Fund to achieve its investment objective. The following restrictions therefore apply to this Fund.

#### 1.1 Investment restrictions

The property of the Fund will be invested with the aim of achieving the investment objective of the Fund but subject to the limits on investment set out in the FCA Regulations and the investment policy of the Fund. The following limits apply to the Fund.

- 1.1.1 Generally the Fund will invest in the investments to which it is dedicated including approved securities which are transferable securities admitted to or dealt in on an eligible market or, in warrants, money-market instruments, deposits and derivatives and forward transactions.
- 1.1.2 Eligible markets are regulated markets or markets established in the United Kingdom or an EEA State which are regulated, operate regularly and are open to the public; and markets which the Manager, after consultation with the Trustee, has decided are appropriate for the purpose of investment of or dealing in the property of the Fund having regard to the relevant criteria in the FCA Regulations and guidance from the FCA. Such markets must operate regularly, be regulated, recognised, open to the public, adequately liquid and have arrangements for unimpeded transmission of income and capital to or to the order of the investors. The eligible markets for the Fund at the date of this Prospectus are set out in Appendix 4.
- 1.1.3 New eligible markets may be added to the existing list from time to time and the Manager and the Trustee will need to assess whether such an addition would be either; a) a fundamental event requiring the passing of a resolution of Unitholders at a Unitholders' meeting; or b) a significant event requiring Unitholders to be notified of the change 60 days in advance, and for the Prospectus to reflect the intended change and the date of commencement of eligibility; or c) a notifiable event if the addition is of minimal significance to the investment policy of the Fund such that Unitholders will simply be notified of the change.
- #### 1.2 Transferable securities and money-market instruments
- 1.2.1 Transferable securities and money-market instruments must:
- (a) be approved securities as set out in 1.1.1 above, or admitted to or dealt in on any eligible market as set out in 1.1.2 and 1.1.3 above;
  - (b) be recently issued transferable securities provided that the terms of issue include an undertaking that application will be made to be admitted to an eligible market and such admission is secured within a year of issue; or

- (c) be approved money-market instruments not admitted to or dealt in on an eligible market but where the issue or the issuer is regulated for the purpose of protecting investors and savings and the instrument is issued or guaranteed in accordance with the FCA Regulations.

1.2.2 Up to 10% of the value of the Fund may be invested in transferable securities which are not listed in 1.2.1 above or money-market instruments which are liquid and have a value which can be determined accurately at any time.

1.2.3 The Fund may only invest in transferable securities to the extent that:

- (a) the potential loss that the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
- (b) the liquidity of the transferable security does not compromise the Manager's ability to comply with its obligation to redeem Units at the request of any qualifying Unitholder;
- (c) reliable valuation and appropriate information are available in accordance with the FCA Regulations;
- (d) the transferable security is negotiable; and
- (e) the risks are adequately captured by the Manager's risk management process.

1.2.4 The Fund may invest in Units in closed-end funds and instruments backed by or linked to the performances of other assets as if they were transferable securities, subject to the requirements of the FCA Regulations.

1.2.5 Up to 5% of the Fund may be invested in transferable securities other than Government and public securities issued by any single body. However, up to 10% in value of the Fund may be invested in those securities and instruments (or certificates representing those securities) issued by the same issuer if the value of all such holdings combined does not exceed 40% of the value of the property of the Fund. Subject as above, up to 10% of the value of the Scheme Property may be invested in a single issuer, but the Scheme Property may not include shares in any one company which carry the right to exercise more than 10% of the votes in all circumstances at general meetings of that company. The Fund may not (except in the case of Government and public securities) acquire more than 10% of any shares, loan instruments or units issued by the same issuer.

1.2.6 No more than 35% of the Scheme Property may be invested in Government and public securities. There is no limit on the amount which may be invested in such securities issued by the same issuer.

1.2.7 Warrants are a type of transferable securities. The limits in 1.2.5 and 1.2.6 above shall not apply to warrants which instead shall be subject to the limits in 1.4.

### 1.3 Collective Investment Schemes

1.3.1 Up to 5% in value of the Scheme Property of the Fund may be invested in units in other collective investment schemes. Such investments may be in collective investment schemes managed by the Manager, or an associate of the Manager.

1.3.2 The investee schemes must comply with 1.3.3 to 1.3.7.

1.3.3 Any schemes in which the Fund invests need to comply with the conditions necessary for them to enjoy the rights conferred by the UCITS Directive or be collective investment schemes that:

- (a) comply with section 243(10) of the Act (Authorisation orders: entitlement to have units redeemed) or are treated as complying with it by section 243(11) of the Act;
- (b) are either:
  - (i) recognised schemes; or
  - (ii) collective investment schemes constituted outside the United Kingdom in which the investments of the schemes consist of units which are approved securities as defined in 1.1.1 above;
- (c) are dedicated to investing funds raised from the public in transferable securities.

1.3.4 Any schemes in which the Fund invests need to operate on the principle of risk spreading.



- 1.3.5 Any schemes in which the Fund invests needs to be prohibited from investing more than 15% of its property in other collective investment schemes.
- 1.3.6 Investee schemes must also comply with the rules relating to investment in other group schemes contained in the FCA Regulations and themselves be schemes which have terms which prohibit more than 5% of their assets consisting of units in other collective investment schemes.
- 1.3.7 The Fund may invest in units of collective investment schemes and pay any related charges or expenses for investing in such units unless the schemes are managed, operated or administered by the Manager (or one of its associates), in which case the Fund will pay no additional management or administrative charges to the Manager or its associate (as the case may be).

#### 1.4 Warrants and nil and partly paid securities

- 1.4.1 Up to 5% in value of the Scheme Property of the Fund may consist of warrants. A warrant (the proposed warrant) falls within any power of investment only if, on the assumptions that:
- (a) there is no change to the Scheme Property between the acquisition of the proposed warrant and its exercise; and
  - (b) the rights conferred by the proposed warrant and all other warrants forming part of the Scheme Property at the time of the acquisition of the proposed warrant will be exercised (whether or not it is intended that they will be),

it is reasonably foreseeable that the right conferred by the proposed warrant could be exercised by the Fund without contravening the FCA Regulations.

- 1.4.2 Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund at any time when the payment is required without contravening the FCA Regulations.
- 1.4.3 A warrant which is an investment falling within article 80 of the Regulated Activities Order (Certificates representing certain securities) and which is akin to an investment falling within article 79 (Instruments giving entitlement to investments) of the Regulated Activities Order may not be included in the Scheme Property unless it is listed on an eligible securities market.

#### 1.5 Derivatives and forward transactions

Derivative transactions may be used for the purposes of Efficient Portfolio Management (as that term is defined in the glossary to the FCA Rules). In pursuing the Fund's objective the Manager may make use of a variety of derivative instruments in accordance with the FCA Regulations. Where derivatives are used for Efficient Portfolio Management, then this will not compromise the risk profile of the Fund. Use of derivatives will not contravene any relevant investment objectives or limits.

- 1.5.1 Except as set out in 1.5.4 below there is no upper limit on the use of transactions in derivatives or forward transaction for the Fund but they must fall under 1.5.2 and 1.5.3.
- 1.5.2 A transaction in a derivative or forward transaction must:
- (a) be in an Approved Derivative (as that term is defined in the glossary to the FCA Rules), or if an OTC (Over the Counter) derivative, which must be entered into with a counterparty that is acceptable in accordance with the FCA Regulations, be on approved terms as to valuation and close out and be capable of valuation and subject to verifiable valuation throughout its lifetime;
  - (b) have the underlying consisting of any or all of the following to which the Fund is dedicated:
    - (i) transferable securities;
    - (ii) permitted money-market instruments;
    - (iii) permitted deposits;
    - (iv) permitted derivatives;
    - (v) permitted collective investment scheme units;

- (vi) financial indices;
  - (vii) interest rates;
  - (viii) foreign exchange rates; or
  - (ix) currencies;
- (c) be effected on or under the rules of an eligible derivatives market, not cause the Fund to diverge from its investment objective, not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money-market instruments, units in collective investment schemes, or derivatives and be with an approved counterparty.

Use of derivatives must be supported by a risk management process maintained by the Manager which should take account of the investment objective and policy of the Fund.

1.5.3 A transaction in derivatives or a forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the Fund is or may be committed by another person is covered in accordance with the FCA Regulations, including:

- (a) exposure is covered if adequate cover from within the Scheme Property for the Fund is available to meet its total exposure, taking into account the initial outlay, the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions;
- (b) global exposure relating to derivatives held in the Fund may not exceed the net value of its Scheme Property;
- (c) the Manager must calculate its global exposure on at least a daily basis;
- (d) the exposure must be calculated by taking into account the current value of the underlying assets, counterparty risks, future market movements and the time available to liquidate the positions.

1.5.4 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property of the Fund. This limit is raised to 10% where the counterparty is an approved bank.

1.5.5 Exposure to the underlying assets is included in applying any limit in 1.2.6 and 1.7, subject to the FCA Regulations.

1.5.6 A derivative or forward transaction which will or could lead to the delivery of property for the account of the Fund may only be entered into if:

- (a) that property can be held for the account of the Fund; and
- (b) the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the FCA Regulations.

1.5.7 No agreement by or on behalf of the Fund to dispose of property or rights may be made unless:

- (i) the obligation to make the disposal and any other similar obligation could immediately be honoured by the Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights; and
- (ii) the property and rights at (i) are owned by the Fund at the time of the agreement.
- (iii) and (ii) above do not apply to a deposit.

## 1.6 Combinations of Investments

In applying the limits in 1.2.5, 1.4 and 1 not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following: (a) transferable securities (including covered bonds) or approved money-market instruments issued by; (b) deposits made with; or (c) exposures from OTC derivative transactions made with, a single body.

## 1.7 Concentration

1.7.1 The Fund must not hold more than:

- (a) 10% of the transferable securities issued by a body corporate which do not carry rights to vote on any matter at a general meeting of that body; or
- (b) 10% of the debt securities issued by any single body; or
- (c) 10% of the units in a collective investment scheme; or
- (d) 10% of the approved money-market instruments issued by any single body.

1.7.2 The Fund must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

- (a) immediately before the acquisition, the aggregate of any such securities held by the Fund gives the Fund power to influence significantly the conduct of business of that body corporate; or
- (b) the acquisition gives the Fund that power.

1.7.3 For the purpose of 1.7.2(a), the Fund is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

## 1.8 General

1.8.1 Underwriting and sub-underwriting contracts and placings may also, subject to certain conditions set out in the FCA Regulations, be entered into for the account of the Fund.

1.8.2 Cash or near cash must not be retained in the Scheme Property of the Fund except in order to enable the pursuit of the Fund's investment objective; or for redemption of Units in the Fund; or efficient management of the Fund in accordance with its investment objective or for a purpose which may reasonably be regarded as ancillary to the investment objectives of the Fund.

1.8.3 No more than 20% of deposits will be placed with a single entity.

## 2 Borrowing powers

2.1 The Fund may, subject to the FCA Regulations, borrow money from an eligible institution or an approved bank for the use of the Fund on the terms that the borrowing is to be repayable out of the Scheme Property.

2.2 Borrowing must be on a temporary basis and must not be persistent and in any event must not exceed three months without the prior consent of the Trustee, which may be given only on such conditions as appear appropriate to the Trustee to ensure that the borrowing does not cease to be on a temporary basis.

2.3 The Manager must ensure that borrowing does not, on any business day, exceed 10% of the value of the Scheme Property of the Fund.

## **Investment and borrowing powers of M&G Charibond Charities Fixed Interest Fund (Charibond) and M&G Charity Multi Asset Fund (the Funds).**

### **1 General rules of investment**

- 1.1 The property of the Funds will be invested with the aim of achieving the investment objective of each Fund subject to each Fund's investment policy and the limits on investment set out in Chapter 5 of the COLL Sourcebook (COLL 5.6) that are applicable to Non-UCITS Retail Schemes. These limits apply to each Fund as summarised below.
- 1.2 Each Fund's investment policy may mean that at times, where it is considered appropriate, the property of a Fund will not be fully invested and that prudent levels of liquidity will be maintained.

### **2 Prudent spread of risk**

The Manager must ensure that, taking account of the investment objectives and policy of a Fund, the property of a Fund aims to provide a prudent spread of risk.

### **3 Treatment of obligations**

- 3.1.1 Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of a Fund under any other of those rules has also to be provided for.
- 3.1.2 Where a rule in the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:
- 3.1.2.1 it must be assumed that in applying any of those rules, a Fund must also simultaneously satisfy any other obligation relating to cover; and
- 3.1.2.2 no element of cover must be used more than once.

### **4 Non-UCITS Retail Schemes – general**

- 4.1 Subject to the investment objectives and policy of a Fund, the Scheme Property must, except where otherwise provided in chapter 5 of the COLL Sourcebook, only consist of any or all of:
- 4.1.1 transferable securities;
- 4.1.2 money market instruments;
- 4.1.3 deposits;
- 4.1.4 units in collective investment schemes;
- 4.1.5 derivatives and forward transactions;
- 4.1.6 immovables; and
- 4.1.7 gold (up to a limit of 10% in value of the Scheme Property).
- 4.2 The requirements on spread and investment in government and public securities do not apply during any period during which it is not reasonable to comply provided that the requirement to maintain prudent spread of risk is complied with.
- 4.3 It is not intended that any Fund will invest directly in immovable property, tangible movable property or gold.

## 5 Transferable securities

- 5.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (Instruments creating or acknowledging indebtedness), article 78 (Government and public securities), article 79 (Instruments giving entitlement to investments) and article 80 (Certificates representing certain securities) of the Regulated Activities Order.
- 5.1.1 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
- 5.1.2 In applying paragraph 5.1.1 to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (Shares, etc) or 77 (Instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.
- 5.1.3 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.
- 5.2 Not more than 5% in value of a Fund is to consist of warrants.

## 6 Transferable securities and money market instruments generally to be admitted or dealt in on an Eligible Market

- 6.1 Transferable securities and approved money market instruments held within a Fund must be:
- 6.1.1 admitted to or dealt in on an eligible market (as described in paragraph 10.3.1); or
- 6.1.2 for an approved money market instrument not admitted to or dealt in on an eligible market, within 10.3.2; or
- 6.1.3 recently issued transferable securities provided that:
- 6.1.3.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
- 6.1.3.2 such admission is secured within a year of issue.
- 6.2 However, a Fund may invest no more than 20% of the scheme property in transferable securities and/or money-market instruments other than those referred to in 6.1.

## 7 Money-market instruments with a regulated issuer

- 7.1 In addition to instruments admitted to or dealt in on an eligible market, a Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
- 7.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
- 7.1.2 the instrument is issued or guaranteed in accordance with section 8 (issuers and guarantors of money market instruments).
- 7.2 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
- 7.2.1 the instrument is an approved money-market instrument;
- 7.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with section 9 (appropriate information for money market instruments); and
- 7.2.3 the instrument is freely transferable.

## 8 Issuers and guarantors of money-market instruments

8.1 A Fund may invest in an approved money-market instrument if it is:

8.1.1 issued or guaranteed by any one of the following:

8.1.1.1 a central authority of the United Kingdom an EEA State or, if the EEA State is a federal state, one of the members making up the federation;

8.1.1.2 a regional or local authority of the United Kingdom or an EEA State;

8.1.1.3 the Bank of England, the European Central Bank or a central bank of an EEA State;

8.1.1.4 the European Union or the European Investment Bank;

8.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;

8.1.1.6 a public international body to which one or more EEA States belong; or

8.1.2 issued by a body, any securities of which are dealt in on an eligible market; or

8.1.3 issued or guaranteed by an establishment which is:

8.1.3.1 subject to prudential supervision in accordance with criteria defined by UK or EU law; or

8.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by UK or EU law.

8.2 An establishment shall be considered to satisfy the requirement in 8.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

8.2.1 it is located in the European Economic Area;

8.2.2 it is located in an OECD country belonging to the Group of Ten;

8.2.3 it has at least investment grade rating;

8.3 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by UK or EU law.

## 9 Appropriate information for money-market instruments

9.1 In the case of an approved money-market instrument within 8.1.2 or issued by a body of the type referred to in COLL 5.2.10E(G); or which is issued by an authority within 8.1.1.2 or a public international body within 8.1.1.6 but is not guaranteed by a central authority within 8.1.1.1, the following information must be available:

9.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;

9.1.2 updates of that information on a regular basis and whenever a significant event occurs; and

9.1.3 available and reliable statistics on the issue or the issuance programme.

9.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within 8.1.3, the following information must be available:

9.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;

9.2.2 updates of that information on a regular basis and whenever a significant event occurs; and

9.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

- 9.3 In the case of an approved money-market instrument:
- 9.3.1 within 8.1.1.1, 8.1.1.4 or 8.1.1.5; or
- 9.3.2 which is issued by an authority within 8.1.1.2 or a public international body within 8.1.1.6 and is guaranteed by a central authority within 8.1.1.1;
- 9.4 Information must be available on both the issue or the issuance programme, and on the legal and financial situation of the issuer prior to the issue of the instrument.

## 10 Eligible markets regime: purpose

- 10.1 To protect investors the markets on which investments of a Fund are dealt in or traded on should be of an adequate quality (“eligible”) at the time of acquisition of the investment and until it is sold.
- 10.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 20% restriction on investing in non-approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.
- 10.3 A market is eligible for the purposes of the rules if it is:
- 10.3.1 a regulated market; or
- 10.3.2 a market in the United Kingdom or an EEA State which is regulated, operates regularly and is open to the public.
- 10.4 A market not falling within paragraph 10.3 is eligible for the purposes of Chapter 5 of the COLL Sourcebook if:
- 10.4.1 the Manager, after consultation and notification with the Trustee, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
- 10.4.2 the market is included in a list in the prospectus; and
- 10.4.3 the Trustee has taken reasonable care to determine that:
- 10.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
- 10.4.3.2 all reasonable steps have been taken by the Manager in deciding whether that market is eligible.
- 10.5 In paragraph 10.4.1 a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.
- 10.6 The eligible markets for each Fund are set out in Appendix 4.

## 11 Spread: general

- 11.1 This section on spread does not apply in respect of a transferable security or an approved money-market instrument to which COLL 5.2.1R (Spread: government and public securities) applies.
- 11.2 Not more than 20% in value of the Scheme Property is to consist of deposits with a single body.
- 11.3 Not more than 10% in value of the Scheme Property is to consist of transferable securities or money market instruments issued by any single body subject to COLL 5.6.23R (Schemes replicating an index).
- 11.4 The limit of 10% in 11.3 is raised to 25% in value of the scheme property in respect of covered bonds.
- 11.5 In applying paragraph 11.3 certificates representing certain securities are treated as equivalent to the underlying security.
- 11.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the Scheme Property.

- 11.7 Not more than 35% in value of Scheme Property is to consist of units of any one collective investment scheme.
- 11.8 For the purpose of calculating the limit in paragraph 11.6, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets the following conditions:
- 11.8.1 the collateral is marked-to-market on a daily basis and exceeds the value of the amount at risk;
- 11.8.2 is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
- 11.8.3 is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
- 11.8.4 can be fully enforced by the Company at any time.
- 11.9 For the purpose of calculating the limit in paragraph 11.6, OTC derivative positions with the same counterparty may be netted provided that the netting provisions comply with the conditions set out in COLL 5.6.7R(9).
- 11.10 In applying this section 11, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house is backed by an appropriate performance guarantee and is characterised by a daily mark-to-market valuation of the derivative positions and an at least daily margining.

## 12 Spread: Government and public securities

- 12.1 The following section applies to Government and public securities (“such securities”).
- 12.2 Where no more than 35% in value of the Scheme Property of a Fund is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in such securities issued by any one body or of any one issue.
- 12.3 A Fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
- 12.3.1 the Manager has before any such investment is made consulted with the Trustee and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of a Fund;
- 12.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;
- 12.3.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues.
- 12.4 In relation to such securities:
- 12.4.1 issue, issuer and issuer include guarantee, guaranteed and guarantor; and
- 12.4.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.
- 12.5 Subject to 12.3 above in relation to M&G Charibond Charities Fixed Interest Fund (Charibond) over 35% of the Scheme Property may be invested in transferable securities or approved money-market instruments issued or guaranteed by the Government of the United Kingdom (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly and the National Assembly of Wales).

## 13 Investment in collective investment schemes

- 13.1 A Fund may invest in units or shares in other collective investment schemes (“second scheme”) provided that the investment is permitted under paragraphs 13.2.1 to 13.2.4.
- 13.2 The second scheme is a scheme which:



- 13.2.1 complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
- 13.2.2 is a Non-UCITS Retail Scheme; or
- 13.2.3 is recognised under the provisions of section 264, 270 or 272 of the Financial Services and Markets Act 2000 (Schemes constituted in other EEA states, Schemes authorised in designated countries or territories and Individually Recognised Schemes); or
- 13.2.4 is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a Non-UCITS Retail Scheme; or
- 13.2.5 is a scheme not falling within paragraphs 13.2.1 to 13.2.4 and in respect of which no more than 20% in value of the Scheme Property (including any transferable securities which are not approved securities) is invested.
- 13.3 The second scheme operates on the principle of the prudent spread of risk.
- 13.4 The second scheme has terms which prohibit more than 15% in value of the Scheme Property consisting of units or shares in collective investment schemes.
- 13.5 The participants in the second scheme must be entitled to have their units or shares redeemed in accordance with the scheme at a price related to the net value of the property to which the units or shares relate and determined in accordance with the scheme.
- 13.6 In accordance with 5.6.11R of the COLL Sourcebook (Investment in other group schemes) each of the Funds may invest in collective investment schemes managed or operated by (or, if it is an open-ended investment company has as its authorised corporate director), the Manager or an Associate of the Manager and the rules on double charging in the COLL Sourcebook are complied with.
- 13.7 Charibond may not invest more than 15% in the value of the Scheme Property consisting of units or shares in collective investment schemes.

## 14 Investment in nil and partly paid securities

No Fund must invest in nil and partly paid securities unless the investment complies with the conditions in COLL 5.2.17R (Investment in nil and partly paid securities).

## 15 Investment in deposits

- 15.1 A Fund may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

## 16 Derivatives - General

- 16.1 Under the COLL Sourcebook derivatives are permitted for Non-UCITS Retail Schemes for investment purposes and derivative transactions may be used for the purposes of hedging or meeting the investment objectives or both.
- 16.2 A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in section 17 below (Permitted transactions (derivatives and forwards)); and the transaction is covered, as required by section 24 (Cover for transactions in derivatives and forward transactions).
- 16.3 Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in COLL in relation to spread (COLL 5.6.7 R Spread: general and COLL 5.6.8 R Spread: government and public securities) except for index based derivatives where the rules below apply.
- 16.4 Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 16.5 Where a scheme invests in an index based derivative, provided the relevant index falls within COLL 5.6.23 the underlying constituents of the index do not have to be taken into account for the purposes of the

rules on spread in COLL. The relaxation is subject to the Manager continuing to ensure that the Scheme Property provides a prudent spread of risk.

## **17 Permitted transactions (derivatives and forwards)**

- 17.1 A transaction in a derivative must be in an approved derivative; or be one which complies with section 21 (OTC transactions in derivatives).
- 17.2 A transaction in a derivative must have the underlying consisting of any or all of the following to which the scheme is dedicated: transferable securities, permitted money market instruments, deposits, permitted derivatives under this section, collective investment scheme units permitted under section 13 (Investment in collective investment schemes), financial indices, interest rates, foreign exchange rates and currencies or all of the attributes thereof.
- 17.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 17.4 A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.
- 17.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, money market instruments, units in collective investment schemes, or derivatives.
- 17.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.

## **18 Financial indices underlying derivatives**

- 18.1 The financial indices referred to in paragraph 17.2 are those which satisfy the following criteria:
- 18.1.1 the index is sufficiently diversified;
- 18.1.2 the index represents an adequate benchmark for the market to which it refers; and
- 18.1.3 the index is published in an appropriate manner.
- 18.2 A financial index is sufficiently diversified if:
- 18.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
- 18.2.2 where it is composed of assets in which the scheme is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread set out in this Appendix; and
- 18.2.3 where it is composed of assets in which the scheme cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread set out in this Appendix.
- 18.3 A financial index represents an adequate benchmark for the market to which it refers if:
- 18.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
- 18.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
- 18.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 18.4 A financial index is published in an appropriate manner if:
- 18.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and

18.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

18.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to paragraph 17.2 be regarded as a combination of those underlyings.

## 19 Transactions for the purchase of property

19.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of a Fund may be entered into only if that property can be held for the account of the Fund, and the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

## 20 Requirement to cover sales

20.1 No agreement by or on behalf of a Fund to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Fund at the time of the agreement. This requirement does not apply to a deposit.

20.2 Paragraph 20.1 does not apply where:

20.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

20.2.2 the Manager or the Trustee has the right to settle the derivative in cash and cover exists within the Scheme Property which falls within one of the following asset Classes:

- cash;
- liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safe guards (in particular, haircuts); or
- other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

20.2.3 In the asset classes referred to in 20.2.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

## 21 OTC transactions in derivatives

21.1 Any transaction in an OTC derivative under section 17 must be:

21.1.1 in a future or an option or a contract for differences;

21.1.2 with an approved counterparty; A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;

21.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, before the transaction is entered into, the Trustee is satisfied that the counterparty has agreed with a Manager to provide, at least daily and at any other time at the request of the Manager; a reliable and verifiable valuation in respect of that transaction corresponding to its fair value (being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction) and which does not rely on market quotations by the counterparty; and that it will, at the request of the Manager, enter into a further transaction to close out that transaction at any time, at a fair

value arrived at under the reliable market value basis or pricing model agreed under the following paragraph; and

- 21.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the Manager having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy: on the basis of an up-to-date market value which the Manager and the Trustee have agreed is reliable; or if this value is not available, on the basis of a pricing model which the Manager and the Trustee have agreed uses an adequate recognised methodology; and
- 21.1.5 subject to verifiable valuation; a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the Manager is able to check it; or a department within the Manager or an associate of the Manager which is independent from the department in charge of managing the Scheme Property and which is adequately equipped for such a purpose.

## 22 Valuation of OTC derivatives

22.1 For the purposes of paragraph 21.1.2, the Manager must:

- 22.1.1 establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Fund to OTC derivatives; and
- 22.1.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.

22.2 Where the arrangements and procedures referred to in paragraph 22.1.1 involve the performance of certain activities by third parties, the Manager must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (4) to (6) (Due diligence requirements of AFMs of UCITS schemes).

22.3 The arrangements and procedures referred to in this rule must be:

- 22.3.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and
- 22.3.2 adequately documented.

## 23 Risk management

23.1 The Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and measure as frequently as appropriate the risk of a Fund's positions and their contribution to the overall risk profile of the Fund.

23.2 The following details of the risk management process must be regularly notified by the Manager to the FCA and at least on an annual basis:

- 23.2.1 a true and fair view of the types of derivatives and forward transactions to be used within a Fund together with their underlying risks and any relevant quantitative limits; and
- 23.2.2 the methods for estimating risks in derivative and forward transactions.

23.3 The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of each Fund and to ensure the liquidity profile of the investments of each trust will facilitate compliance with its underlying obligations.

The Manager's liquidity policy takes into account the investment strategy, the liquidity profile, redemption policy and other underlying obligations of each trust. The liquidity management systems and procedures include appropriate escalation measures to address anticipated or actual liquidity shortages or other distressed situations of each trust.

In summary, the liquidity management policy monitors the profile of investments held by each trust and ensures that such investments are appropriate to the redemption policy as set out in this Prospectus. Further, the liquidity management policy includes details of measures taken by the Manager to manage the liquidity risk of each trust in exceptional and extraordinary circumstances.

The liquidity management systems and procedures allow the Manager to apply various tools and arrangements necessary to ensure that each trust is sufficiently liquid to respond appropriately to redemption requests normally. In normal circumstances, redemption requests will be processed as set out in 16 'Redeeming Units'.

Other arrangements may also be used in response to redemption requests, including, in exceptional circumstances, the temporary suspension of the sale and redemption of Units or any class of Unit. This would restrict the redemption rights Unitholders benefit from in normal circumstances as set out above under 21 'Suspension of dealings in the Fund'.

## **24 Derivatives exposure**

24.1 A Fund may invest in derivatives and forward transactions as long as the exposure to which the Fund is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.

24.2 Cover ensures that a Fund is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, the Fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed. Section 25 (Cover for transactions in derivatives and forward transactions) sets out detailed requirements for cover of a Fund.

24.3 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

## **25 Cover for transactions in derivatives and forward transactions**

25.1 A transaction in derivatives or forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the scheme is or may be committed by another person is covered globally.

25.2 Exposure is covered globally if adequate cover from within the Scheme Property is available to meet the scheme's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

25.3 Cash not yet received into the Scheme Property but due to be received within one month is available as cover.

25.4 Property the subject of a stock lending transaction is only available for cover if the Manager has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.

25.5 The total exposure relating to derivatives held in a Fund may not exceed the net value of the Scheme Property.

## **26 Daily calculation of global exposure**

26.1 The Manager must calculate the global exposure of a Fund on at least a daily basis.

26.2 For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

## **27 Calculation of global exposure**

27.1 The Manager must calculate the global exposure of any Fund it manages either as:

- 27.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in section 16 (Derivatives: general), which may not exceed 100% of the Net Asset Value of the scheme property of a Fund, by way of the commitment approach;
- or
- 27.1.2 the market risk of the scheme property of a Fund, by way of the value at risk approach.
- 27.2 The Manager must ensure that the method selected above is appropriate, taking into account:
- 27.2.1 the investment strategy pursued by the Fund;
- 27.2.2 the types and complexities of the derivatives and forward transactions used; and
- 27.2.3 the proportion of the scheme property comprising derivatives and forward transactions.
- 27.3 Where a Fund employs techniques and instruments including repo contracts or stock lending transactions in order to generate additional leverage or exposure to market risk, the Manager must take those transactions into consideration when calculating global exposure.
- 27.4 For the purposes of paragraph 27.1, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.
- 27.5 The Manager calculates the global exposure of each of the Funds using the Commitment approach.

## 28 Commitment approach

- 28.1 Where the Manager uses the commitment approach for the calculation of global exposure, it must:
- 28.1.1 ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in section 16 (Derivatives: general), whether used as part of the Fund's general investment policy, for the purposes of risk reduction or for the purposes of Efficient Portfolio Management); and
- 28.1.2 convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).
- 28.2 The Manager may apply other calculation methods which are equivalent to the standard commitment approach.
- 28.3 For the commitment approach, the Manager may take account of netting and hedging arrangements when calculating global exposure of a Fund, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.
- 28.4 Where the use of derivatives or forward transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.
- 28.5 Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Fund in accordance with section 34 need not form part of the global exposure calculation.

## 29 Cover and borrowing

- 29.1 Cash obtained from borrowing, and borrowing which the Manager reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under the previous section 25 (Cover for transactions in derivatives and forward transactions) as long as the normal limits on borrowing (see below) are observed.
- 29.2 Where, for the purposes of this section a Fund borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under section 31 (General power to borrow) do not apply to that borrowing.

### **30 Cash and near cash**

- 30.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, where this may reasonably be regarded as necessary in order to enable:
- 30.1.1 the pursuit of a Fund’s investment objectives; or
  - 30.1.2 the redemption of units; or
  - 30.1.3 efficient management of a Fund in accordance with its investment objectives; or
  - 30.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.
- 30.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

### **31 General power to borrow**

- 31.1 The Fund may, in accordance with this section and section 32 (Borrowing limits), borrow money for the use of the Funds on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Fund to comply with any restriction in the Instrument of Incorporation.
- 31.2 The Fund may borrow under paragraph 3.1.1 only from an Eligible Institution or an Approved Bank.

### **32 Borrowing limits**

- 32.1 The Fund must ensure that a Fund’s borrowing does not, on any business day, exceed 10% of the value of the Scheme Property.

### **33 Restrictions on lending of money**

- 33.1 None of the money in the Scheme Property may be lent and, for the purposes of this prohibition, money is lent by a Fund if it is paid to a person (“the payee”) on the basis that it should be repaid, whether or not by the payee.
- 33.2 Acquiring a debenture is not lending for the purposes of section 28; nor is the placing of money on deposit or in a current account.
- 33.3 Paragraph 33.1 does not prevent the Fund from providing an officer of the Fund with funds to meet expenditure to be incurred by him for the purposes of the Fund (or for the purposes of enabling him properly to perform his duties as an officer of the Fund) or from doing anything to enable an officer to avoid incurring such expenditure.

### **34 Restrictions on lending of property other than money**

- 34.1 The Scheme Property other than money must not be lent by way of deposit or otherwise.
- 34.2 Transactions permitted by section 39 (Stock lending) are not lending for the purposes of paragraph 24.1.
- 34.3 Nothing in this section prevents the Fund or the Trustee at the request of the Fund from lending, depositing, pledging or charging Scheme Property for margin requirements where transactions in derivatives or forward transactions are used for the account of the Fund in accordance with any other of the provisions in the Appendix.

### **35 General power to accept or underwrite placings**

- 35.1 Any power in Chapter 5 of the COLL Sourcebook to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Trust Deed.
- 35.2 This section applies, subject to paragraph 35.3, to any agreement or understanding:

- 35.2.1 which is an underwriting or sub-underwriting agreement; or
- 35.2.2 which contemplates that securities will or may be issued or subscribed for or acquired for the account of a Fund.
- 35.3 Paragraph 35.2 does not apply to:
  - 35.3.1 an option; or
  - 35.3.2 a purchase of a transferable security which confers a right:
    - 35.3.2.1 to subscribe for or acquire a transferable security; or
    - 35.3.2.2 to convert one transferable security into another.
- 35.3.3 The exposure of a Fund to agreements and understandings within paragraph 35.2 must, on any business day:
  - 35.3.3.1 be covered in accordance with the requirements of COLL 5.3.3R of the COLL Sourcebook; and
  - 35.3.3.2 be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in Chapter 5 of the COLL Sourcebook.

## **36 Guarantees and indemnities**

- 36.1 The Manager or the Trustee, for the account of the Fund, must not provide any guarantee or indemnity in respect of the obligation of any person.
- 36.2 None of the Scheme Property may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 36.3 Paragraphs 36.1 and 36.2 do not apply in respect of the Funds to an indemnity given for margin requirements where derivatives or forward transactions are being used in accordance with COLL 5, and:
  - 36.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with the FCA rules;
  - 36.3.2 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;
  - 36.3.3 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Trustee against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and
  - 36.3.4 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Fund and the holders of units in that scheme become the first unitholders in the Fund.

## **37 Efficient Portfolio Management techniques**

- 37.1 The Funds may use property to enter into transactions for the purposes of hedging and use within Efficient Portfolio Management ('EPM') and may enter into any transaction to hedge (i.e. with the purpose of preserving the value of an asset or assets of a Fund).
- 37.2 Permitted EPM transactions (excluding stock lending arrangements) are transactions in derivatives (i.e. options, futures forward transactions or contracts for differences) dealt in or traded on an eligible derivatives market; off-exchange futures, options or contracts for differences resembling options; or synthetic futures in certain circumstances. The Funds may enter into approved derivative transactions on derivatives markets which are eligible. Eligible derivatives markets are those which the Manager after consultation with the Trustee has decided are appropriate for the purpose of investment of or dealing in



the scheme property with regard to the relevant criteria set out in the Regulations and the Guidance on eligible markets issued by the FCA as amended from time to time.

- 37.3 The eligible derivatives markets for the Funds are set out in Appendix 4.
- 37.4 New eligible derivatives markets may be added to a Fund in accordance with the Regulations and only after the Manager has revised the prospectus accordingly.
- 37.5 Any forward transactions must be with an approved counter-party (Eligible Institutions, money market institutions etc). A derivatives or forward transaction which would or could lead to delivery of Scheme Property to the Trustee in respect of the Fund may be entered into only if such scheme property can be held by the Fund, and the Manager reasonably believes that delivery of the property pursuant to the transaction will not lead to a breach of the Regulations.
- 37.6 There is no limit on the amount of the Scheme Property which may be used for EPM but the transactions must satisfy three broadly-based requirements:
- 37.6.1 A transaction must reasonably be believed by the Manager to be economically appropriate to the Efficient Portfolio Management of the Fund. This means that, for transactions undertaken to reduce risk or cost (or both) must alone or in combination with other EPM transactions diminish a risk or cost of a kind or level which it is sensible to reduce and transactions undertaken to generate additional capital or income must confer a benefit on the Fund.
- 37.6.2 EPM must not include speculative transactions.
- 37.6.3 The purpose of an EPM transaction for the Fund must be to achieve one of the following aims in respect of a Fund:
- reduction of risk
  - reduction of cost
  - the generation of additional capital or income
- 37.6.3.1 Reduction of risk allows for the use of the technique of cross-currency hedging in order to switch all or part of the Funds' exposure away from a currency the Manager considers unduly prone to risk, to another currency. This aim also permits the use of stock index contracts to change the exposure from one market to another, a technique known as 'tactical asset allocation'.
- 37.6.3.2 Reduction of cost allows for the use of futures or options contracts, either on specific stocks or on an index, in order to minimise or eliminate the effect of changing prices of stocks to be bought or sold.
- 37.6.3.3 The aims of reduction of risk or cost, together or separately, allow the Manager on a temporary basis to use the technique of tactical asset allocation. Tactical asset allocation permits the Manager to undertake a switch in exposure by use of derivatives, rather than through the sale and purchase of the scheme property. If an EPM transaction for the Fund relates to the acquisition or potential acquisition of transferable securities, the Manager must intend that the Fund should invest in transferable securities within a reasonable time and the Manager must thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time.
- 37.6.3.4 The generation of additional capital or income for the Fund with no or an acceptably low level of risk means the Manager of the Fund reasonably believes that the Fund is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit.
- The generation of additional capital or income may arise out of taking advantage of price imperfections or from the receipt of a premium for writing of covered call or covered put options (even if the benefit is obtained at the expense of the chance of yet greater benefit) or pursuant to stock lending arrangements as permitted by the Regulations.
- The relevant purpose must relate to Scheme Property; scheme property (whether precisely identified or not) which is to be or is proposed to be acquired for the Fund; and anticipated cash receipts of the Fund, if due to be received at some time and likely to be received within one month.

37.7 Each EPM transaction for each of the Funds must be fully covered "individually" by scheme property of the right kind (i.e. in the case of exposure in terms of property, appropriate transferable securities or other property; and, in the case of exposure in terms of money, cash, near- cash instruments, borrowed cash or transferable securities which can be easily sold to realise the appropriate cash). Scheme property and cash can be used only once for cover and, generally, scheme property is not available for cover if it is the subject of a stock lending transaction.

### 38 Scheme replicating an index

38.1 A Fund may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the aim of the investment policy of the Fund as stated in its most recently published prospectus is to replicate the performance or composition of an index within 38.2.

38.2 The index must:

38.2.1 have a sufficiently diversified composition;

38.2.2 be a representative benchmark for the market to which it refers; and

38.2.3 be published in an appropriate manner.

38.3 The limit in 38.1 may be raised for a particular scheme up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.

### 39 Stock lending

As an extension of Efficient Portfolio Management techniques explained above, the Manager or the Trustee at the request of the Manager, may enter into certain repo contracts or stock lending arrangements in respect of the Manager. Briefly, such arrangements are those where the Manager or the Trustee delivers securities which are the subject of the transaction to a third party in return for which it is agreed that those securities or securities of the same kind and amount should be redelivered to the Manager or the Trustee at a later date. The Manager or the Trustee at the time of delivery receives collateral to cover against the risk of the future redelivery not being completed. There is no limit on the value of the property of the Fund which may be the subject of stock lending arrangements.

Such arrangements must always comply with the requirements of the Taxation of Chargeable Gains Act 1992, the requirements of the COLL Sourcebook and the Guidance on Stock Lending issued by the FCA as amended from time to time.

Underwriting and sub-underwriting contracts and placings may also, subject to certain conditions set out in the COLL Sourcebook, be entered into for the account of the Fund.

### 40 Underwriting

Underwriting and sub-underwriting contracts and placings may also, subject to certain conditions set out in the Regulations, be entered into for the account of the Fund.

### 41 Borrowing Powers

41.1 The Manager may, on the instructions of the Trustee and subject to the Regulations, borrow money from an eligible institution or an approved bank for the use of the Fund on the terms that the borrowing is to be repayable out of the scheme property.

41.2 Borrowing must be on a temporary basis, not persistent and in any event must not exceed three months without the prior consent of the Trustee, which may be given only on such conditions as appear appropriate to the Trustee to ensure that the borrowing does not cease to be on a temporary basis.

41.3 The Manager must ensure that borrowing does not, on any business day, exceed 10% of the value of the scheme property.

## 42 M&G plc

The Manager and the Investment Manager are subsidiaries of M&G plc, a listed company. The relevant Funds are not permitted to directly hold securities issued by M&G plc unless the Fund's investment policy is to passively track an index which includes M&G plc. The relevant Funds are allowed to trade derivatives linked to publicly available indices which include M&G plc, and are allowed to hold collective investment schemes which passively track such indices.

## 43 Additional investment restrictions

The Manager has the right to determine additional investment restrictions to the extent that those restrictions are necessary to comply with the laws and regulations of countries where Units are offered or sold.

### Investment and borrowing powers of M&G Equities Investment Fund for Charities (Charifund), M&G Charibond Charities Fixed Interest Fund (Charibond) (the Funds).

## 44 Investment Restrictions Applying under M&G Investments Thermal Coal Investment Policy

From 27 April 2022 (the "Effective Date"), all Funds 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 Policy in our funds" document which will be made available on the M&G website prior to the Effective Date.

M&G Charity Multi Asset Fund invests in other funds which are currently not covered by the Coal Policy, however, where the Fund invests in M&G Funds the underlying investments will be screened for suitability under the Coal Policy.

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

The Investment Manager will continue 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 fund 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 Funds ("Excluded Companies"). Accordingly the Funds shall be subject to additional investment restrictions from 31 October 2022 and 31 October 2024 to give effect to the above mentioned 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 Fund.

Excluded Companies to be sold by the 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 Funds, and/or result in a small number of Excluded Companies still being held by the 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 Fund will retain discretion as to whether they begin to sell holdings in each Fund prior to the additional investment restrictions coming into force. Each Fund may therefore commence sale of Excluded Companies from the Effective Date.

# Appendix 3 – Leverage

- 1 This Schedule explains in what circumstances and how the Manager may use leverage as defined by AIFMD (Leverage) in respect of each Fund and the maximum level of Leverage permitted.
- 2 Leverage means any method by which a Fund increases its exposure whether through borrowing cash or securities or leverage embedded in derivative positions or any other means. The sources of Leverage which can be used when managing a Fund is limited to temporary cash borrowing to meet redemptions.
- 3 The Manager is required to calculate and monitor the level of Leverage of the Funds. Leverage is expressed as a ratio between the exposure of a Fund and its Net Asset Value (Exposure/NAV) and calculated using the gross method (Gross Method) or the commitment method (Commitment Method). The exposure of the Funds shall be calculated in accordance with the Gross and Commitment Method.  
  
Gross Method: under the Gross Method, the exposure of a Fund is calculated as follows:
  - 3.1.1 include the sum of all assets purchased, plus the absolute value of all liabilities;
  - 3.1.2 exclude the value of cash and cash equivalents which are highly liquid investments held in the base currency of the Fund, that:
    - (a) are readily convertible to a known amount of cash;
    - (b) are subject to an insignificant risk of change in value; and
    - (c) provide a return no greater than the rate of a three month high quality government bond;
  - 3.1.3 derivative instruments are converted into the equivalent position in their underlying assets;
  - 3.1.4 exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
  - 3.1.5 include exposure resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of the cash borrowed;
  - 3.1.6 include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.
- 4 Under the Commitment Method, the exposure of a Fund is calculated in the same way as under the Gross Method. However, the exposure of derivative or security positions employed in hedging and netting arrangements are not included in this calculation, provided certain conditions are met.
- 5 Further information regarding these different leverage calculation methods can be obtained from the Manager upon request.
- 6 The maximum level of leverage for the relevant Fund under both the gross and commitment methods is disclosed in the Risk Management Process document, which is available on request from the Manager.
- 7 In addition, the total amount of leverage employed by a Fund will be disclosed in the relevant Fund's annual report.
- 8 It is not intended that the Trustee or any sub-custodian shall be entitled to re-use for its own benefit any of a Fund's assets with which it has been entrusted.

# Appendix 4 – Eligible markets

- 1 Subject to its objective and policy, M&G Equities Investment Fund for Charities (Charifund) and M&G Charibond Charities Fixed Interest Fund (Charibond) may deal in any securities, derivatives or money market instruments on any market that is:
  - 1.1 a regulated market; or
  - 1.2 a market in the United Kingdom or an EEA State which is regulated, operates regularly and is open to the public; or
  - 1.3 a market which the Manager, after consultation with the Trustee, decides is appropriate for investment of or dealing in the Scheme Property (see Appendix 2, 1.1.2 for more detail).
- 2 For the purposes of “1.2” above, the Manager may trade in bonds and other securities issued by non-UK institutions, on the UK OTC Market. Additionally, for “1.3” above, the markets listed below have been deemed appropriate
- 3 In addition, up to 10% in value the Fund may be invested in transferable securities and/or money market instruments which are not listed on these markets.

Europe (non-EEA States)	
<b>Switzerland</b>	SIX Swiss Exchange
<b>Turkey</b>	Borsa Istanbul

Americas	
<b>Brazil</b>	BM&F Bovespa
<b>Canada</b>	TSX (forms part of the TMX Group)
<b>United States</b>	<p>New York Stock Exchange</p> <p>NYSE Mkt LLC</p> <p>NYSE Arca</p> <p>Boston Stock Exchange (BSE)</p> <p>Chicago Stock Exchange (CHX)</p> <p>The NASDAQ Stock Market</p> <p>US OTC market regulated by</p> <p>FINRA</p> <p>National Stock Exchange</p> <p>NASDAQ OMX PHLX</p> <p>The market in transferable securities issued by or on behalf of the Government of the United States of America conducted through those persons for the time being recognised and supervised by the</p> <p>Federal Reserve Bank of New York and known as primary dealers</p>

Africa	
<b>South Africa</b>	The JSE Securities Exchange

Far East	
<b>Australia</b>	Australian Securities Exchange (ASX)
<b>China</b>	Shanghai Stock Exchange Shenzhen Stock Exchange
<b>Hong Kong</b>	Hong Kong Exchanges Growth Global Enterprise Market (GEM)
<b>India</b>	Bombay Stock Exchange Ltd The National Stock Exchange of India
<b>Indonesia</b>	Indonesia Stock Exchange (IDX)
<b>Japan</b>	Tokyo Stock Exchange Nagoya Stock Exchange Sapporo Stock Exchange JASDAQ
<b>Korea</b>	Korea Exchange Incorporated (KRX)
<b>Malaysia</b>	Bursa Malaysia Berhad
<b>New Zealand</b>	New Zealand Stock Exchange
<b>Philippines</b>	Philippine Stock Exchange (PSE)
<b>Singapore</b>	Singapore Exchange (SGX)
<b>Sri Lanka</b>	Colombo Stock Exchange
<b>Taiwan</b>	Taiwan Stock Exchange Gre Tai (Taiwan OTC)
<b>Thailand</b>	The Stock Exchange of Thailand (SET)

Middle East	
<b>Israel</b>	Tel Aviv Stock Exchange (TASE)

For the purposes of “1.3” above, the derivatives markets listed below have been deemed appropriate.

Europe (Non-EEA States)	
<b>Switzerland</b>	EUREX

Americas	
<b>Canada</b>	The Montreal Exchange
<b>United States</b>	CME Group Inc Chicago Board Options Exchange (CBOE)

Africa	
<b>South Africa</b>	The South African Futures Exchange (SAFEX)

Far East	
<b>Australia</b>	Australian Securities Exchange (ASX)
<b>Hong Kong</b>	Hong Kong Exchanges
<b>Japan</b>	Osaka Securities Exchange

Far East	
<b>Korea</b>	Korea Exchange Incorporated (KRX)
<b>New Zealand</b>	New Zealand Futures Exchange
<b>Singapore</b>	Singapore Exchange (SGX)



# Appendix 5 – Performance table

Past performance is not a guide to future performance.

M&G Equities Investment Fund for Charities (Charifund)	
<b>Sterling Class Acc</b>	The cumulative performance over the past 10 years ending 31 May 2021 is 112.05% The cumulative performance for the FTSE All-Share Index over the same period is 84.35%.

M&G Charibond Charities Fixed Interest Fund (Charibond)	
<b>Sterling Class Acc</b>	The cumulative performance since inception to 31 May 2021 is 3.09% The cumulative performance for the 50% ICE BoAML 1-15 Gilt Index and 50% ICE BoAML 1-15 Non-Gilt Index. Over the same period is 2.50%.

M&G Charity Multi Asset Fund	
<b>Sterling Class Acc</b>	The cumulative performance since inception 31 May 2021 is 8.53% The cumulative performance for the 45% FTSE All-share Index, 30% MSCI ACWI (ex UK) Index, 12.5% ICE BoAML 1-15 Gilt Index and 12.5% ICE BoAML 1-15 Non-Gilt Index over the same period is 10.57%.

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