

 **M&G** M&G Corporate Credit  
Investments Opportunities ELTIF

February 2023

**Marketing Communication for Investment Professionals only.**

**The value of investments will fluctuate, which will cause prices to fall as well as rise and investors may not get back the original amount they invested. There is no guarantee the objective will be achieved. Wherever past performance is shown, please note that this is not a guide to future performance. The views expressed in this document should not be taken as a recommendation, advice or forecast**

# M&G Corporate Credit Opportunities ELTIF

## Key risks associated with the fund

### Investment policy

The Fund aims to achieve a total return of Euribor +5-6% per annum over the Medium Term (gross of fees).

The Fund will invest across a wide universe of corporate credit including Senior and Junior Syndicated Loans, High Yield Bonds, Mid-Market Direct Lending and Restructuring Debt.

The Fund applies a flexible asset allocation approach through investment in a range of corporate credits. The composition of the portfolio depends on the market analysis and views of the Investment Manager. The Fund is actively managed and does not intend to use any benchmark.

### Key risks associated with the fund

**The Fund is illiquid in nature because its investments are long term. For investors, this is an investment that has low liquidity. The Sub-Fund may not be suitable for Investors that are unable to sustain such a long-term and illiquid commitment. A 10 years holding period is recommended. Where Redemption Requests are not satisfied, the investor may face a longer holding period than foreseen at the time of initial investment.**

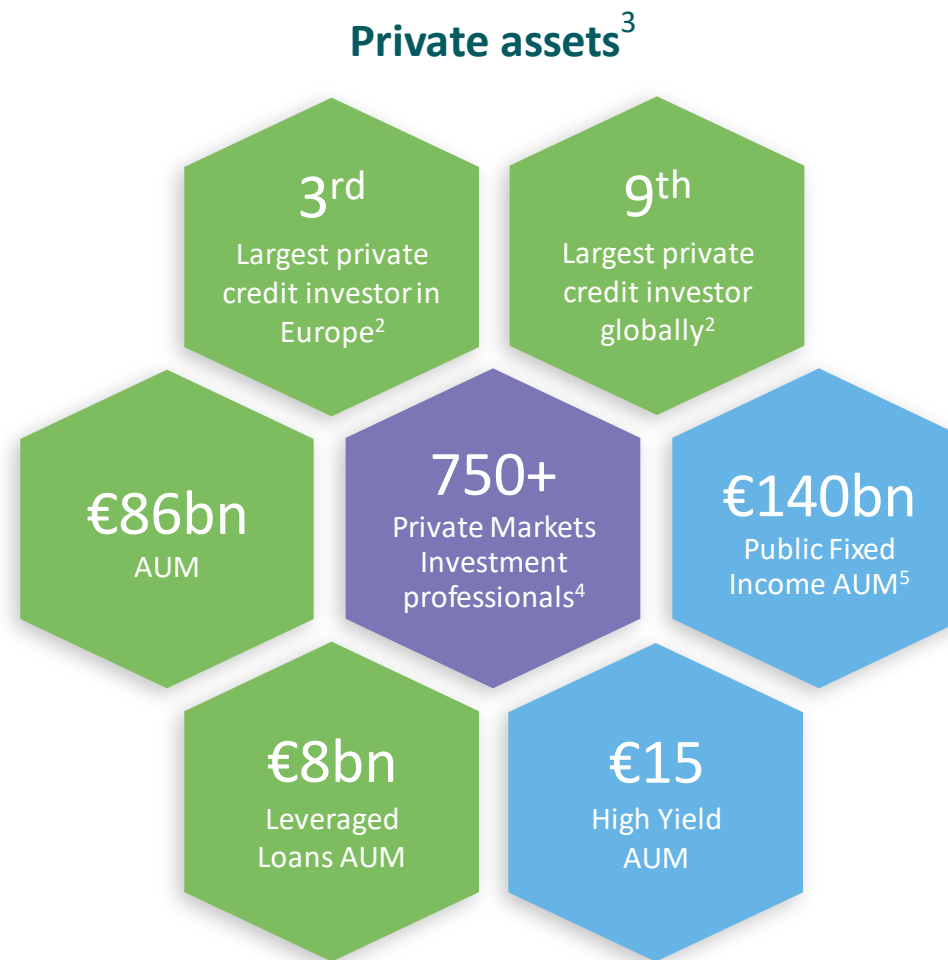
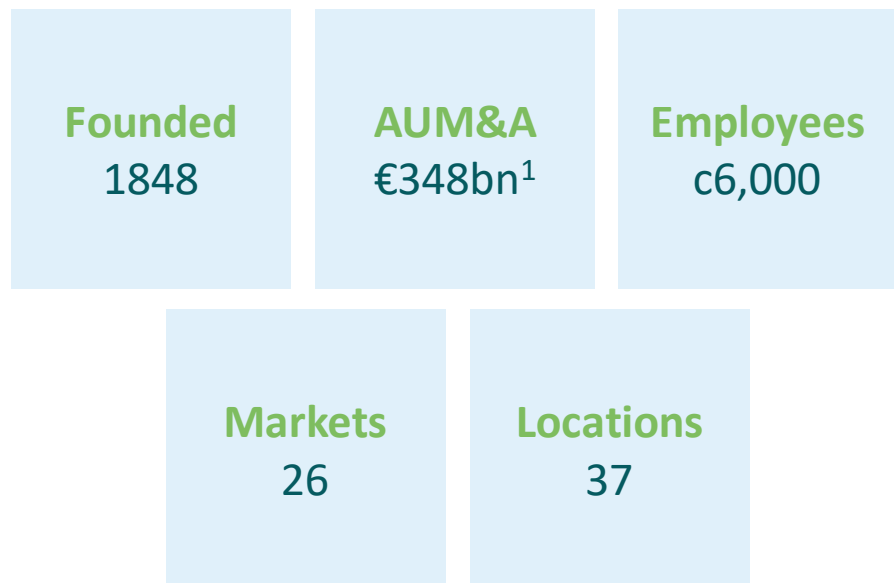
- **Bonds, Notes and Bills Risk:** Investments in fixed rate securities entail certain risks including adverse income fluctuation associated with general economic conditions affecting the fixed income securities market, as well as adverse interest rate changes and volatility of yields.
- **Credit risk:** the possibility that a debtor will not meet their repayment obligations.
- **Sub-Investment Grade Assets Risk :** Sub-Investment Grade Assets carry greater credit and liquidity risk than investment grade assets.
- **Hedging risk:** Hedging transactions may be entered into using exchange-traded or OTC derivatives or by the purchasing of securities in order to hedge a Sub-Fund's exposure to foreign exchange or market risk.

Please note this is not an exhaustive list, you should ensure you understand the risk profile of the products or services you plan to purchase. Further details of the risks that apply to the fund can be found in the fund's Prospectus.

**Only a small part of the portfolio should be invested in an ELTIF. Target returns are not guaranteed.**

# Large and diversified manager

FTSE 100 global asset manager, with a large footprint in Fixed Income and Private Assets in Europe

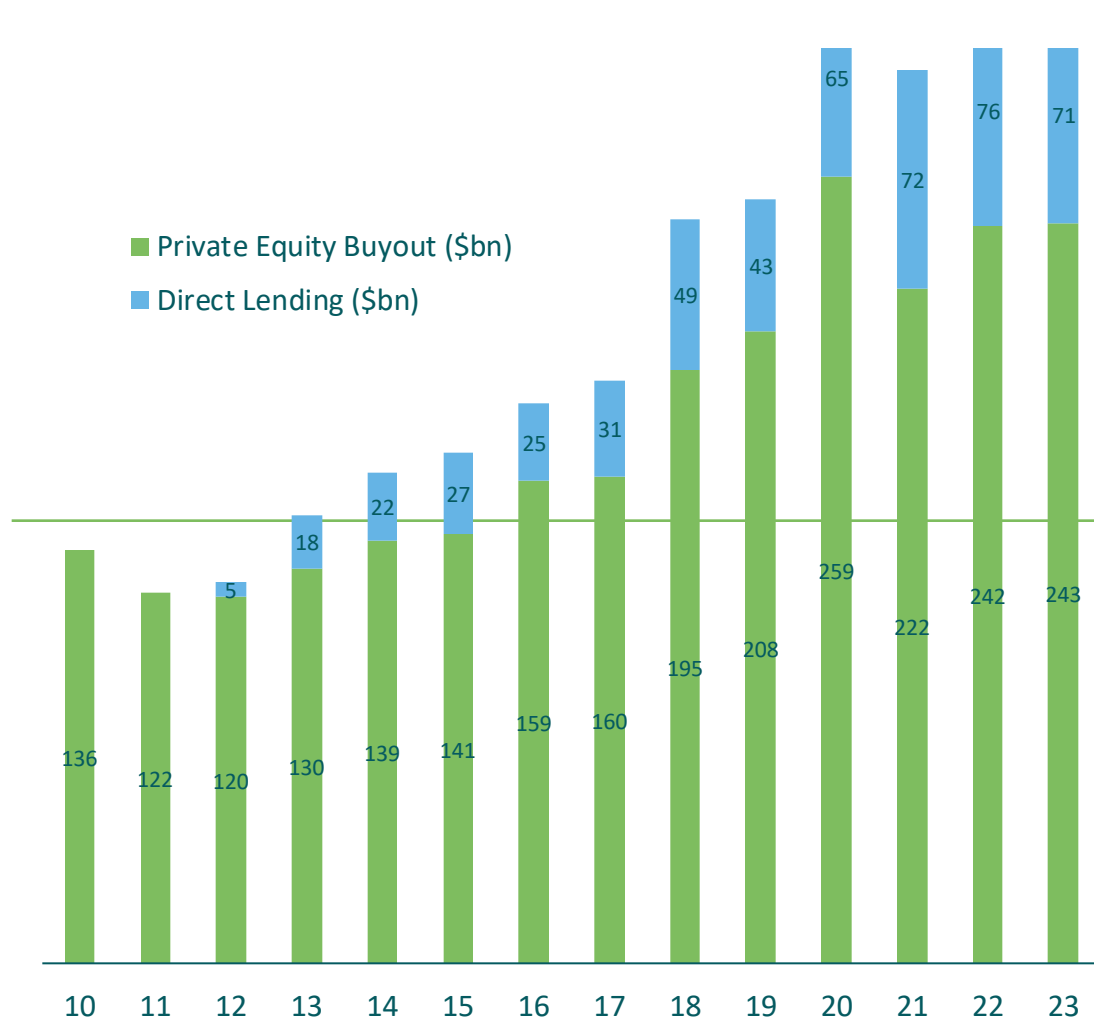


Source: M&G, as of December 2022.

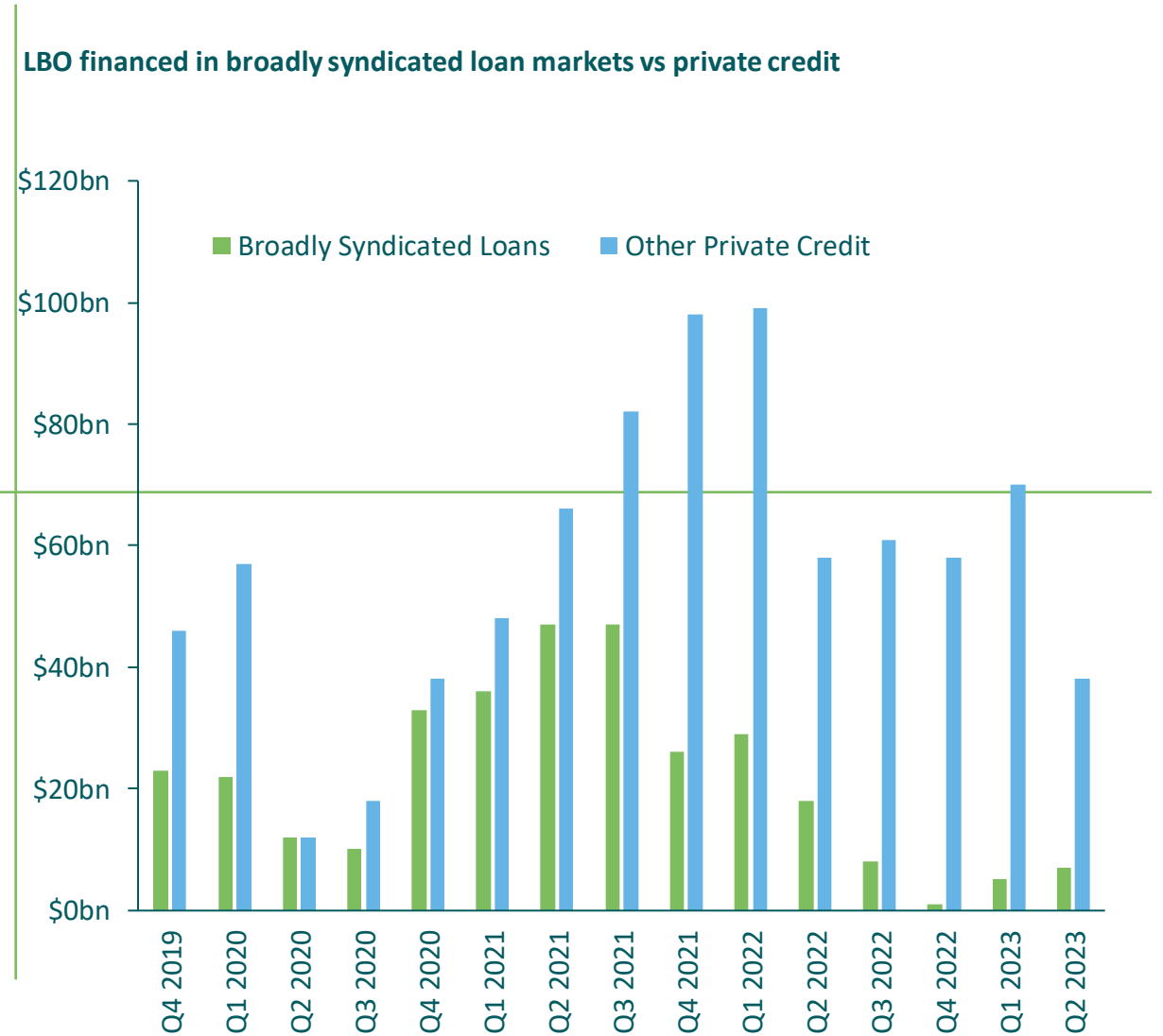
1) Assets under Management and Administration as of 31 December 2022. 2) Based on figures quoted in Private Debt Investor magazine as of December 2022 based on inflows over the past five years. 3) Assets under management including cash, as of 31 December 2022, rounded. 4) August 2023 5) As of 31 December 2022

# Private Credit funds have stepped in to fill the gap left by syndicated loans

## Historic levels of dry powder need deployment

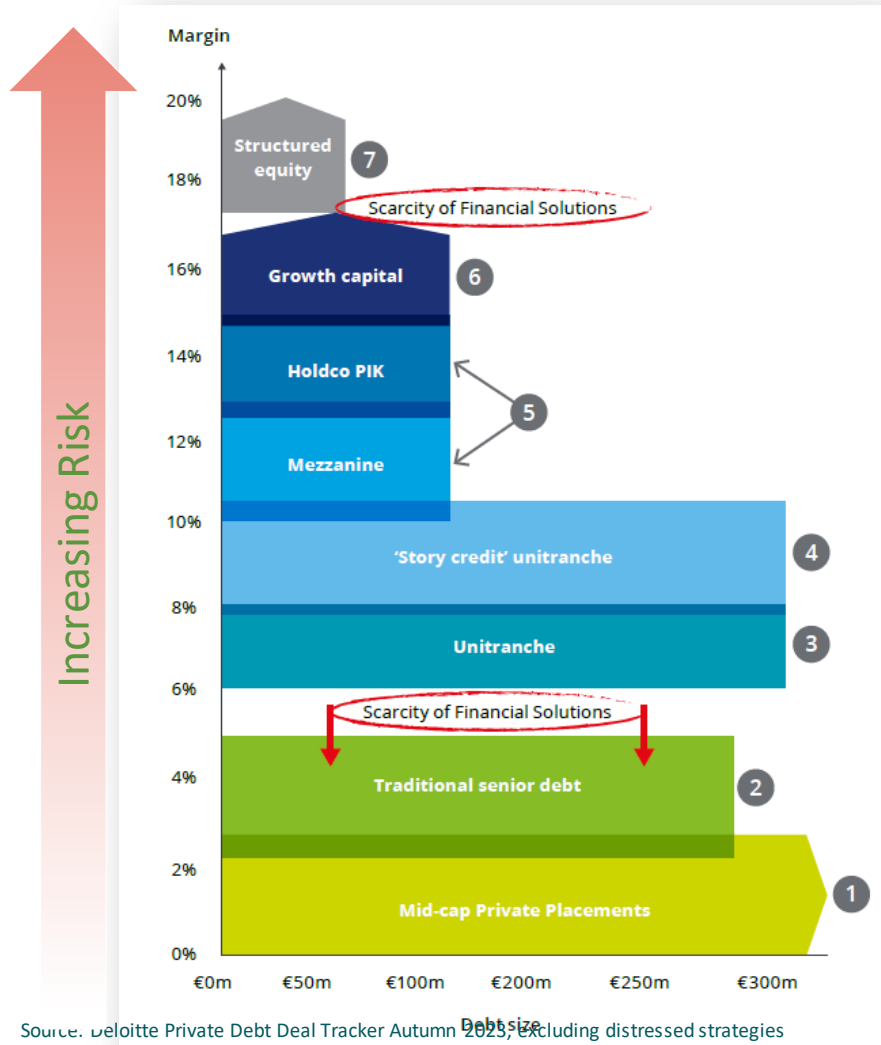


## Private Credit increasingly involved in LBO Pipeline



# The Private Debt market is segmented into a variety of strategies

## Late to the party but right to play in underserved segments



- Active in direct lending („DL“) since 2009
- Very late in externalising a single DL strategy
- Mainstream unitranche space now very crowded
- PD more than just unitranche, leaves white spots
- Particular opportunity for Senior Direct Lending
- Attractive supply / demand dynamics in (stretched) senior space
  - Demand: UT expensive; weather-proof structure
  - Supply: Limited institutional competition; banks retrenching
- Compelling risk / reward
- Right to play
  - Relevant Track Record
  - Leverage Corporate Private Debt Platform
  - Conservative reputation
  - Scaling of hold sizes via e.g. CCOF

 **M&G** Investment Opportunity  
Investments

# M&G Corporate Credit Opportunities ELTIF

Semi-liquid fund enabling broader client access to private credit



## Return

- Target E+5.0-6.0% (gross of fees)
- Current potential yields of c. 9-10% available



## Income

- Floating rate income generation
- Low duration



## Liquidity

- Open ended solution
- No delayed drawdown



## Simple

- Pure corporate debt proposition
- No leverage



## Opportunity set

- Syndicated loans, private credit, direct lending
- > €500m seeded and invested



## Experience

- 50+ person private credit team investing for over 25 years

# M&G Corporate Credit Opportunities ELTIF

Ability to flex allocations to capture value across market conditions

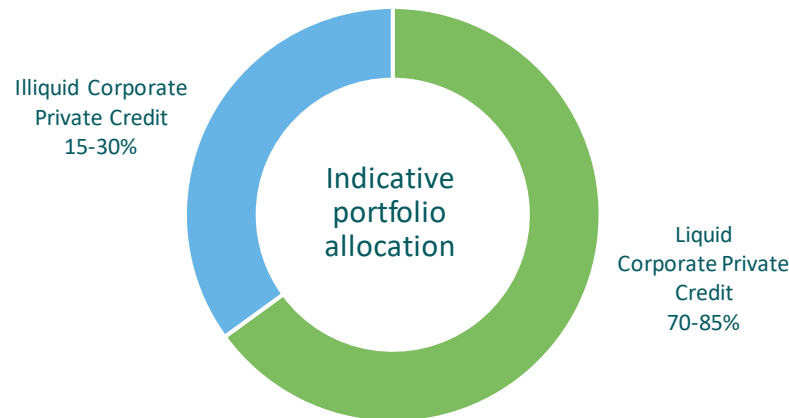
Indicative portfolio characteristics	
AUM	> €500m internal seed
Base currency	EUR
Target returns (gross)	E+500-600bps
Av. Margin	c.450bps
Av. M&G rating	B/B-
No. of issuers	70-100
Basis	Predominantly floating rate
Geography	European focus with global reach

### Liquid Corporate Private Credit

- Broadly syndicated loans offering quick deployment, portfolio diversity and liquidity
- Downside protection afforded by security and seniority, with majority floating rate in nature
- Minority high yield bond allocation to widen investor universe and enhance liquidity

### Illiquid Corporate Private Credit

- Best opportunities in private assets at the higher yielding end of the spectrum
- Junior Loans and Direct lending (large cap and mid-market)
- Lower liquidity, but the inclusion of maintenance covenants





# Implied asset class returns over the market life cycle

## Sizeable attractive yield and running income even post default-loss assumptions

Past performance is not an indication of future performance.

Prospective Asset Returns to 3 Years	
Driver	Contribution %
3Y Swap	3.28%
Gross spread	4.23%
Income effect of discounted purchase and capital gain from 'Pull to Par'	2.16%
<b>Prospective gross annual return</b>	<b>9.67%</b>

- Weighted average mark of 94.75% of par
- Assumes full investment
- Gross of fees
- Assumes no prepayments and reinvestment

Default and Recovery Adjusted Scenarios to 3 years						
		Recovery Rate				
		50%	60%	70%	80%	90%
Annual Default Rate	2.5%	8.42%	8.67%	8.92%	9.17%	9.42%
	5.0%	7.17%	7.67%	8.17%	8.67%	9.17%
	7.5%	5.92%	6.67%	7.42%	8.17%	8.92%
	10.0%	4.67%	5.67%	6.67%	7.67%	8.67%

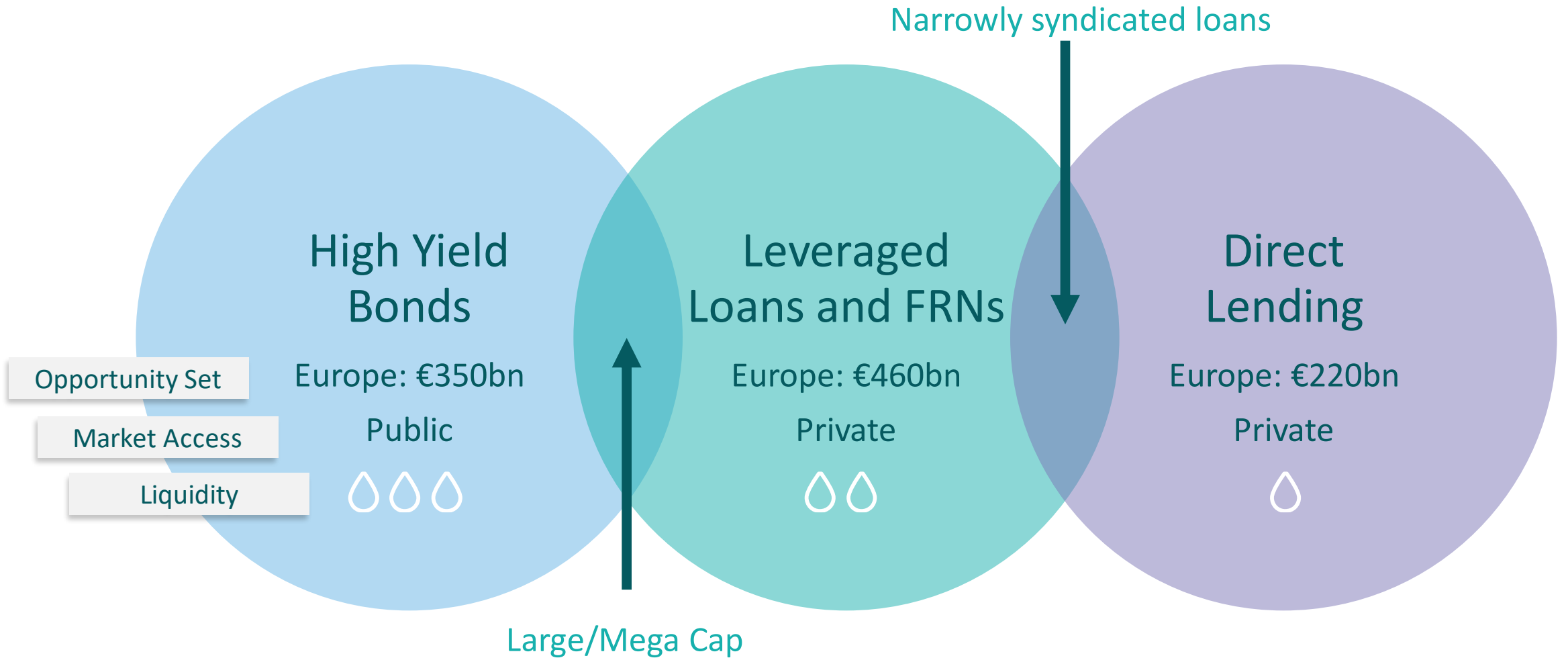
Likely Scenarios

Source: M&G. Bloomberg Swap rate as at 31 October 2023: assumed maturity 3 years. Above data calculated using internal models. Target returns are not guaranteed. The scenarios presented are an estimate of future performance based on hypothetical assumptions and evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs.






 **M&G** Supporting Material  
Investments

# The Boundaries of Debt Financing are Dynamic

M&G has the expertise to source across the spectrum



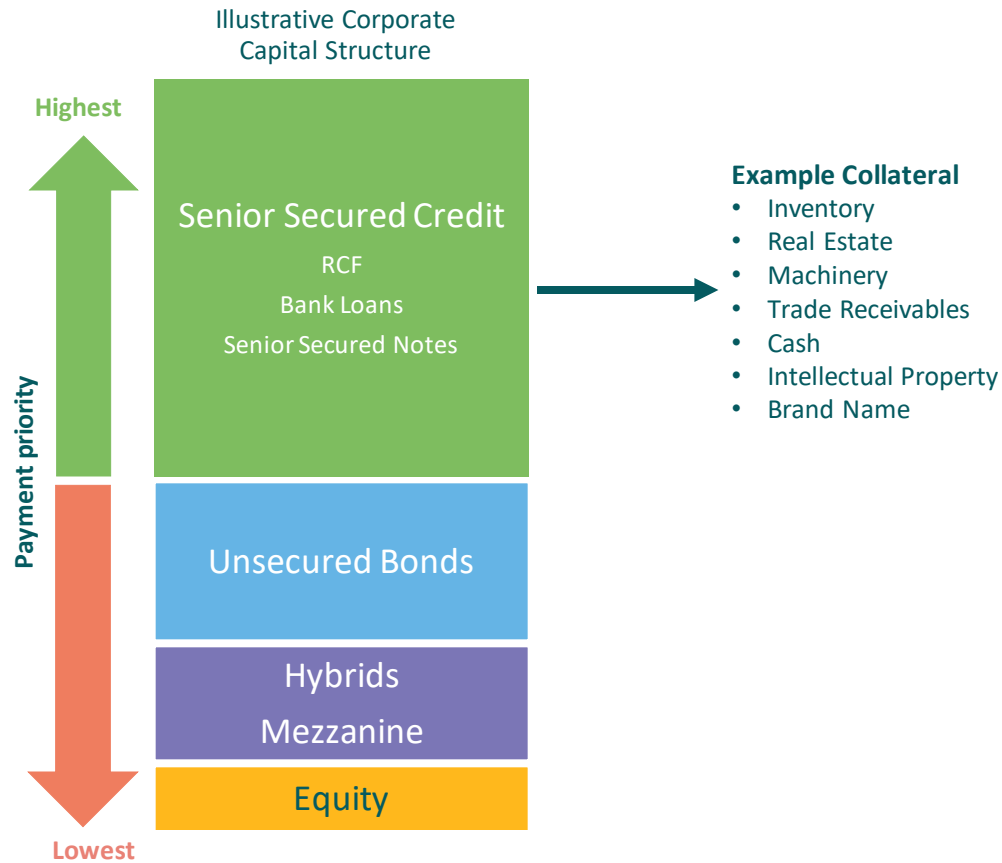
# A diversified offering of corporate credit asset classes

		Long-term Yield*	Prospective Yield*	Basis	Ratings	Liquidity
<b>Liquid Corporate Private Credit</b>						
<b>Senior Loans</b>	Loans to private, below-investment grade companies, but with security and seniority offering an premium of circa 100bps to the main loan market.	4 - 6%	9%	Floating Rate	BB-B	
<b>High Yield Bonds</b>	Bond market which can from time to time offer excess returns over comparable loan risk.	4 - 6%	7%	Fixed Rate	BB-B	
<b>Illiquid Corporate Private Credit</b>						
<b>Mid-Market Direct Lending</b>	Bilateral or club loans in the higher yielding mid-market with the ability to take unitranche loans if appropriate.	6 - 8%	10%	Floating Rate	BB-B	
<b>Narrowly Syndicated Loans</b>	Bilateral or club loans to large and mega cap companies with the ability to take unitranche loans if appropriate.	6 - 8%	10%	Floating Rate	BB-B	
<b>Junior Loans</b>	Second lien, mezzanine or payment in kind (PIK) tranches of capital structures which can offer a significant uplift versus senior debt even for strong underlying credits.	7 - 9%	12%	Floating Rate	B-CCC	

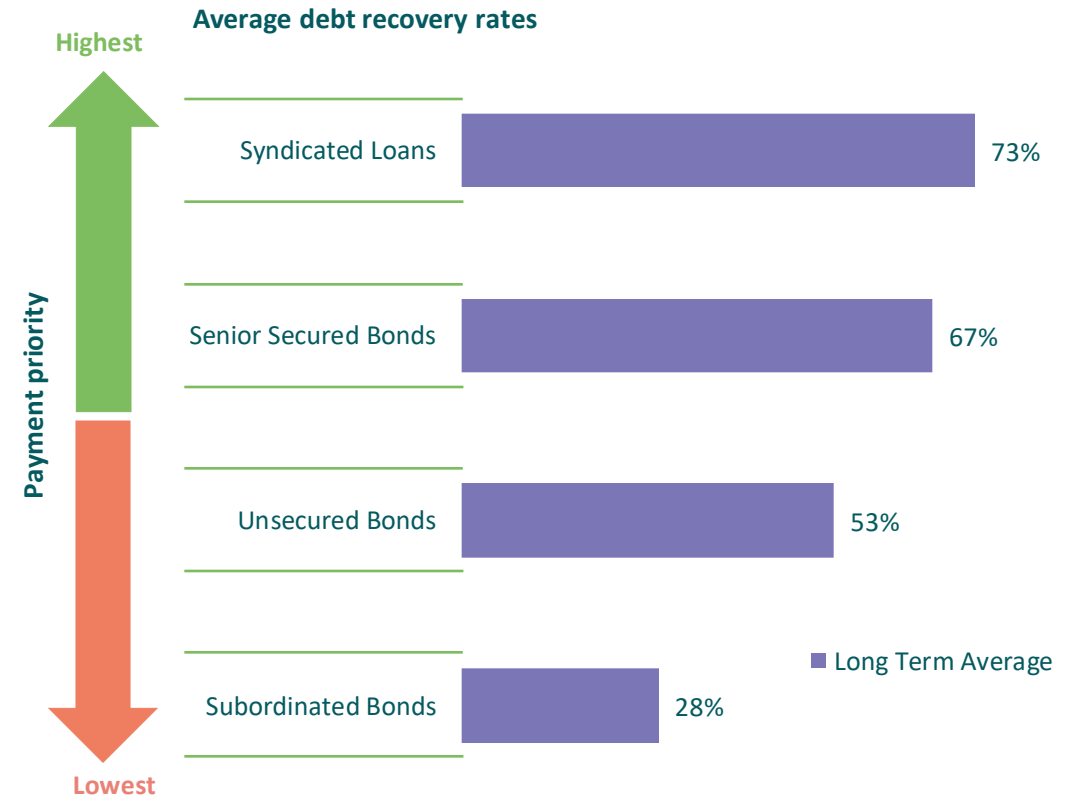
# Why seniority matters

## M&G Corporate Credit Opportunities ELTIF focuses on Senior Secured Credit

Senior secured credit is collateralised against assets with real value



The greater seniority, the higher recovery rate in the event of default

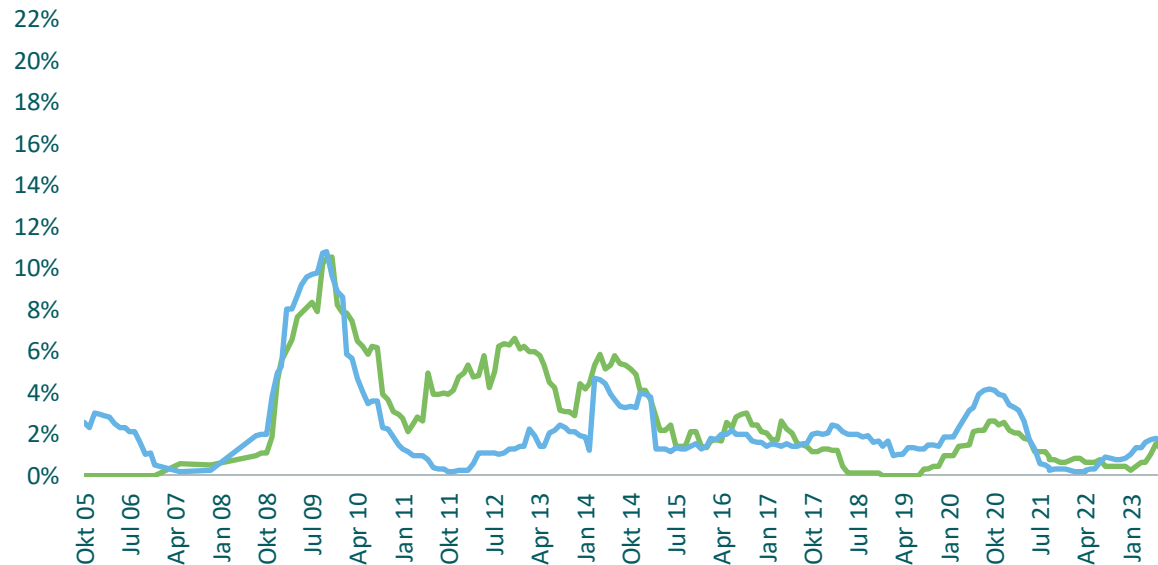


# Default rates remain low; scenario outlook looks more benign for Europe

Year	US Loans Forecast (%)	European Loans Forecast (%)
2020 (actual)	4.50	3.70
2021 (actual)	0.60	2.00
2022 (actual)	1.60	1.20
2023 F	4.00 - 4.50	3.00 (revised from 4.50)
2024 F	3.50 - 4.50	4.00

F – Forecast. Note: Brackets denote the assumption in June 2023.  
Source: Fitch Ratings.

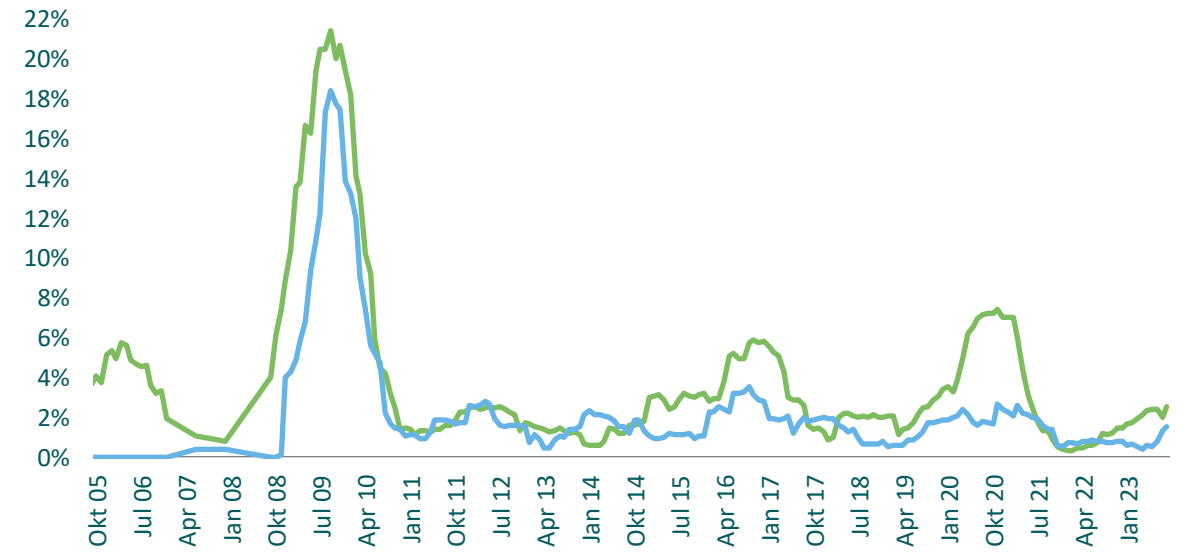
## US and European Loan annual default-rates



Source: S&P LCD, S&P Ratings Direct, BofAML, Credit Suisse 30 September 2023.

— Europe loan default rate — US loan default rate

## US and European High Yield annual default-rates

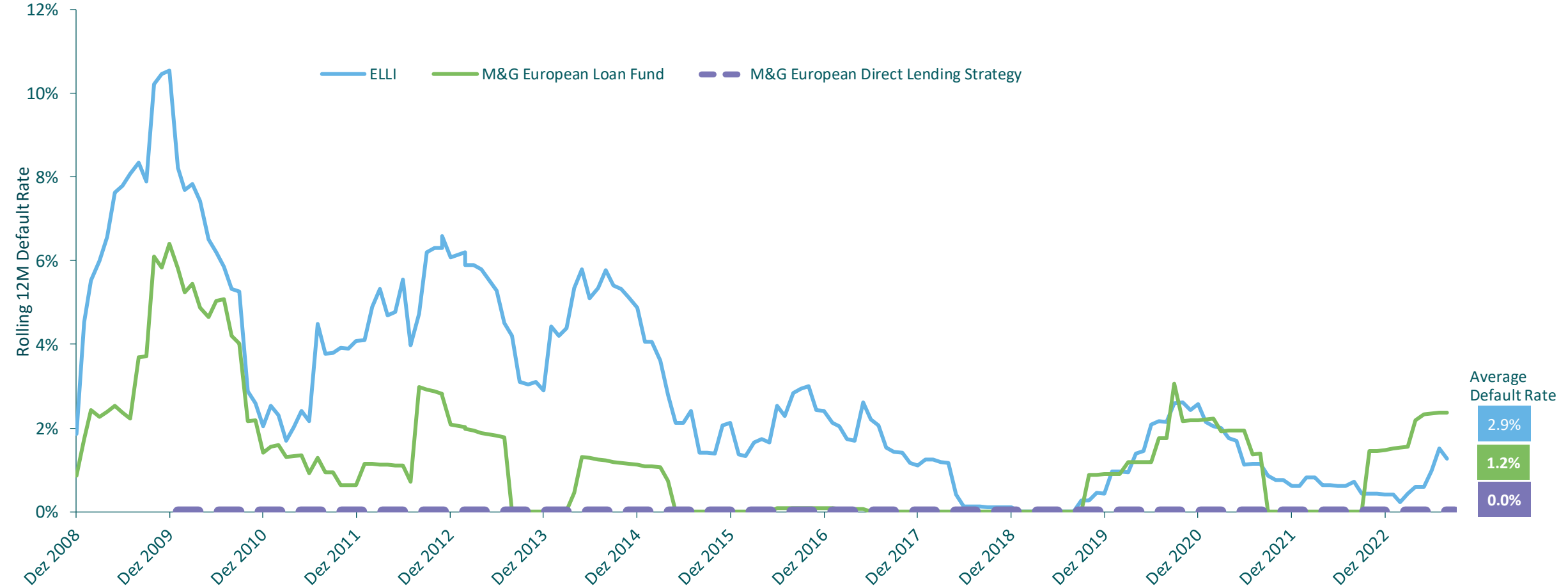


— US HY default rate — EU HY default rate

# M&G sub-investment grade corporates default track record

- Default loss is minimised by stock-picking and defensive positioning
- In-house restructuring team of over 20 investment professionals

## Private Credit Default Track Record

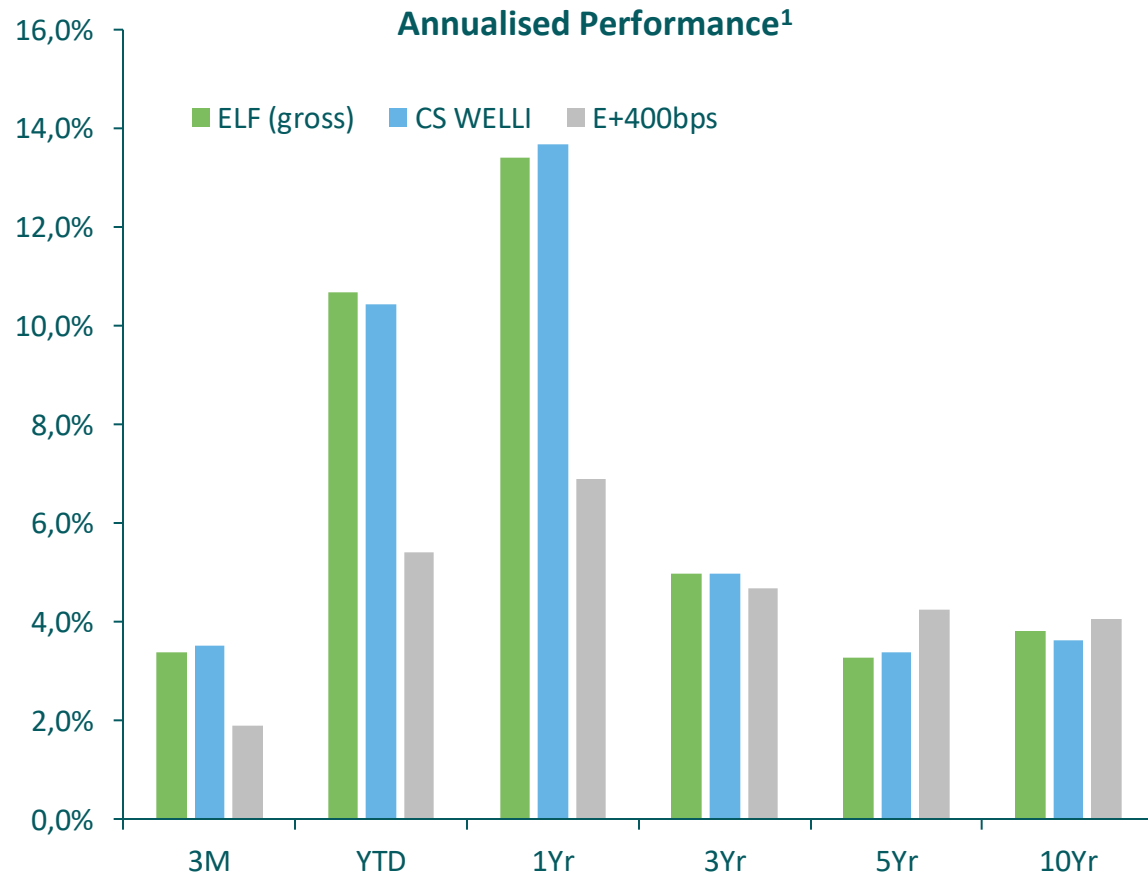


# M&G Private Credit Performance History

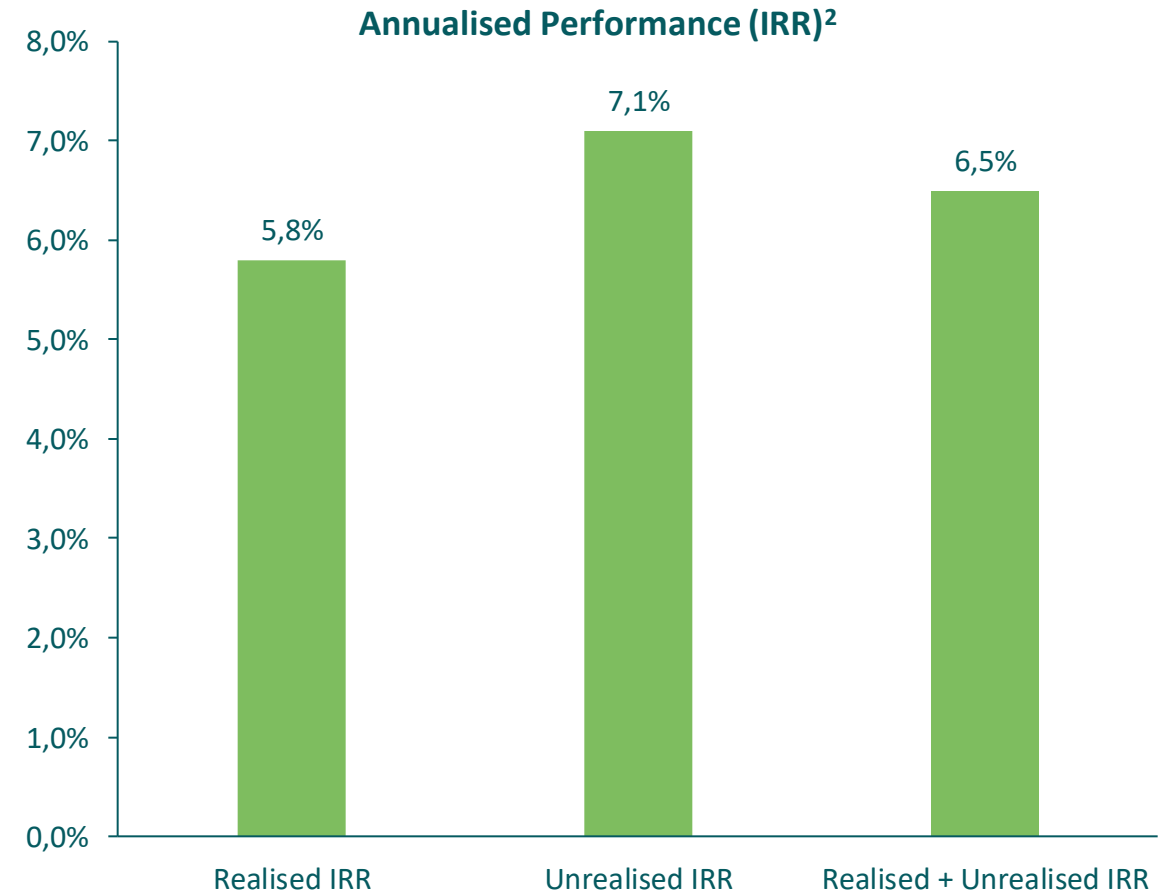
## Attractive value creation through multiple market cycles

Past performance is not an indication of future performance.

### Liquid Corporate Private Credit: Leveraged Loans



### Illiquid Corporate Private Credit: Direct Lending



Source: <sup>1</sup>M&G Euro Hedged as of September 2023, M&G European Loan Fund ('ELF') Class EUR C, Credit Suisse Western European Leveraged Loan Index <sup>2</sup>M&G European Direct Lending Strategy Composite, as of June 2023. Information is subject to change and is not a guarantee of results.





# Appendix

# M&G Corporate Credit Opportunities ELTIF

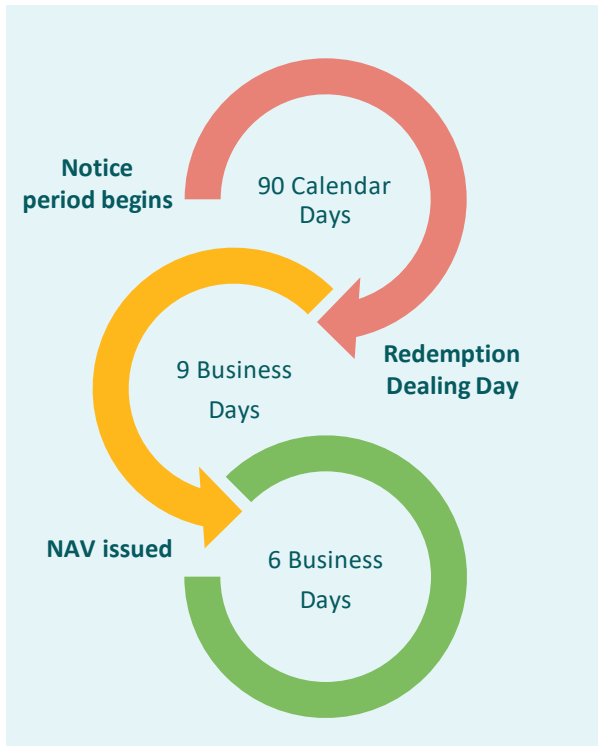
Wide ranging investment universe focused on corporate credit

Indicative Terms	
Launch Date	31st October 2023 (Fund life of 50 years which may be extended by 1 year)
Base currency	EUR
Target returns (gross)	E+500-600bps
Distribution yield	Quarterly distribution, No target, expected to be 3-4%
Structure	Luxembourg UCI Part II SICAV ELTIF
Av. Margin	c.450bps
Av. M&G rating	B/B-
No. of issuers	70-100
Basis	Predominantly floating rate
Investment Universe	<b>70-85% Liquid:</b> Senior Secured Loans, FRNs, Fixed Bonds <b>15-30% Illiquid:</b> Private Credit, Junior Loans
Management Fees	<b>Class P:</b> 1.25% (Min €25k) <b>Class BI:</b> 0.60% (Min €100m) <b>Class W:</b> 0.65% (Min €500k) <b>Class AI:</b> 0.65% (Min €1m) <small>Distribution, Administration and Transaction costs may apply (note this is not an exhaustive list, see the prospectus for more information)</small>
Valuation and Subscriptions frequency	Monthly
Redemptions	Quarterly with 90 days' notice
Recommended Holding Period	10 years
Income	Quarterly
Geography	European focus with a global reach
Hedging	Fully hedged to base currency
Leverage	0%

# M&G Corporate Credit Opportunities ELTIF

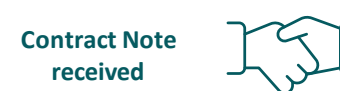
## Example subscription / redemption process

This is the flow in normal market conditions for a client subscribing or selling down their position in the fund.



Sample Redemption Timeline	
Redemption instruction placed	20 January
Next available Redemption Dealing Day	28 June
NAV issued	11 July
Payment of proceeds	19 July

Source: M&G. Redemption cut-off time 5pm CET. Redemptions are granted at the discretion of the Board of Directors. Redemptions within the first 12 months of investment may be subject to a 5% charge. Any redemption request may be capped at 5% of the Net Asset Value of the fund on any Dealing Day



Sample Subscription Timeline	
Subscription instruction placed	20 January
Next available Subscription Dealing Day	29 January
Money Invested	29 January
NAV issued	9 February

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