

# Form ADV Part 2A

## M&G Investments (USA) Inc.

311 West Monroe Street, Suite 403  
Chicago, IL 60606  
United States of America

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This brochure provides information about the qualifications and business practices of M&G Investments (USA) Inc. ("MGIU"). If you have any questions about the contents of this brochure, please contact David Muckley, Chief Compliance Officer and Head of Legal, US at 312-684-0871 or [david.muckley@mandg.co.uk](mailto:david.muckley@mandg.co.uk). Additional information about MGIU is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

MGIU is registered with the U.S. Securities and Exchange Commission ("SEC") as an investment adviser. Registration with the SEC or any state securities authority does not imply a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.





## Item 2 Summary of Material Changes

This brochure is an amended document prepared by MGIU in accordance with the SEC's requirements and rules related to Form ADV. The following material changes have been made to this Form ADV since the last amendment dated July 16, 2020:

Item 4 – The information about MGIU and its affiliates has been updated. Additionally, MGIU included a description of the services it provides to its affiliated clients.

Item 8 – The descriptions of investment methods of analysis and strategies have been updated. Additionally, the risk disclosure descriptions have been updated, including the addition of new risk categories.

Item 9 – MGIU added a regulatory action disclosure reporting page to reflect a regulatory action of its advisory affiliate, M&G Investment Management Ltd.

This is only a summary of material changes. It does not identify every change to the brochure since the last update.



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## Item 4 Advisory Business

### Description of Firm

MGIU was incorporated in Delaware on July 17, 2019. MGIU is wholly owned by M&G Investments (Americas) Inc. and is an indirect subsidiary of M&G FA Limited ("MGFA"), which is ultimately wholly-owned by M&G Plc ("M&G"), a publicly traded holding company in the United Kingdom.

### Services

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to MGIU and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

MGIU provides investment management to clients who are group affiliates of M&G ("Group Affiliates"), including affiliated insurance companies and investment advisers. Client funds are invested by MGIU on the basis of the individual aims and needs of each client at such time as deemed necessary, having regard to the assessment of prevailing investment opportunities.

MGIU provides discretionary fixed income investment management strategies tailored to achieve a Group Affiliate client's objectives and guidelines. Such strategies generally invest in US dollar denominated corporate bonds and loans, agency and non-agency mortgage backed securities, commercial mortgage backed securities, asset-backed securities, sovereign debt and US treasuries and futures. Additionally, MGIU offers a discretionary US Treasury strategy that primarily includes short, medium and long duration US Treasuries.

MGIU provides non-discretionary investment advisory services to Group Affiliates in the form of private asset sourcing and origination. These services are performed by MGIU's New York-based private assets team and involve the sourcing of private assets, including loans and real assets, the provision of non-binding investment advice, and delivery of investment research. Additionally, MGIU provides non-discretionary investment advisory dealing services in the form of routing orders to brokers to a Group Affiliate client, M&G Investment Management Limited ("MAGIM").

### Investment Restrictions

All advisory services are provided under the terms of an advisory agreement between MGIU and its respective Group Affiliate. MGIU and its Group Affiliates work on a collaborative basis to establish suitable investment guidelines and restrictions for their accounts.

### Wrap Fee Programs

We do not participate in any wrap fee program.


### Assets Under Management

As of September 17, 2020, MGIU's total assets under management were approximately \$120 million.

## Item 5 Fees and Compensation

MGIU provides, non-discretionary investment advisory services (such as asset sourcing and loan origination), dealing services, and discretionary investment management to clients who are Group Affiliates.

Fees are negotiable as between Group Affiliates. Group Affiliates are charged on a flat fee basis (as determined by the cost to service) and asset based fee basis, depending on the nature of the advisory service and particular investment



strategy. We do not currently have any external clients and therefore all revenue will be generated from contractual arrangements with Group Affiliates. Fees are normally billed on a semi-annual, quarterly on monthly basis in arrears and are due from clients on receipt of a billing statement and are not deducted directly from a client's account.

Unless otherwise agreement, MGIU is not obligated to pay any expenses of a client. Group Affiliate clients will directly bear the costs associated with custodians and other service providers to their separately-managed account, as well as brokerage and other transaction costs associated with trading in the account.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

Our clients who are Group Affiliates are not charged performance-based fees.

## **Item 7 Types of Clients**

All of our services are provided to clients who Group Affiliates of M&G, which include other investment advisers and insurance companies.

## **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

MGIU's investment process is a team-based, bottom-up approach supported by top-down views and relative value discipline. This process relies on the expertise of its investment teams: research analysts, traders, and portfolio managers.

Companies, assets and their related securities are researched by specialist teams of research analysts and portfolio managers, involving both face-to-face meetings with company management and the reviews of financial statements and other research material. Using the company meeting as the focal point, these investment professionals make a thorough assessment of both quality and valuation for each potential investment. The output of research activity is provided from the research analysts to the investment committees or directly to the portfolio manager(s).

MGIU traders are responsible for providing thoughtful and timely feedback on market news and overall tone, trading technical and asset valuations to portfolio managers and research analysts to help determine an asset's fair value.


MGIU portfolio managers are responsible for constructing portfolios that meet clients' objectives in terms of both risk and reward. Companies, assets and their related securities are subject to ongoing oversight by portfolio managers. It is also the fund managers' responsibility to understand the cash impact of any transaction undertaken.

### **Risk Factors**

Clients should understand that all investment strategies and the investments made pursuant to such strategies involve risk of loss, which clients should be prepared to bear. Risks will vary based on an account's specific strategy and specific investments held. Below is a summary of certain risks that may be associated with MGIU's strategies. The risks provided are not a complete enumeration of explanation of the risks involved in a strategy.

#### **General Risks**

**Cybersecurity risk:** Cyber attacks could disrupt daily operations related to trading and portfolio management. In addition, technology disruptions and cyber attacks may impact the operations or securities prices of an issuer or group of issuers, and thus may have an adverse impact on the value of account's investments. Cyber attacks on securities markets or the financial services infrastructure could cause market volatility or the failure of critical financial services and could impact an account's performance.



**Force Majeure Events:** Portfolio investments may be affected by force majeure events (i.e. events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemics or other serious public health concerns, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, governmental policies and social instability). Some force majeure events may adversely affect the ability of a party (including an issuer or a counterparty to a portfolio investment) to perform its obligations until it is able to remedy the force majeure event. Furthermore, force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in a particular country and may contribute to volatility in financial markets. Any of the foregoing may therefore adversely affect the performance of an account.

**Operational risk:** An account may suffer a loss arising from shortcomings or failures in internal or external processes, people or systems, or from external events. Operations risks can arise from factors such as processing errors, human errors, inadequate or failed processes, fraud, failure in systems and technology, changes in personnel, and errors caused by affiliated or third-party service providers.

**Regulatory risk:** MGIU is an indirect wholly owned subsidiary of M&G. Through this ownership structure, MGIU has a number of global financial industry affiliates. As a result of this structure, and the asset management and financial industry business activities of MGIU and its affiliates, MGIU may be prohibited or limited in effecting transactions in certain securities for clients accounts. Additionally, changes in US or other applicable law regulating investment advisers or financial markets may result in changes to MGIU's investment strategy or practices, increases in client transaction costs and related fees, delay implementation of desired investment strategies, and potentially adversely impact MGIU's provision of investment advisory services to a client.

**Liquidity Risk:** Securities investments may at any given time be illiquid such that either no market exists for them or they are restricted as to their transferability under federal or state securities laws. Thus, the same of these investments may be made at substantial discounts, delayed, or impossible. In addition, the illiquidity of a security or other instrument makes valuation of such investment difficult.

### **Fixed Income Risk**

**Fixed Income Market Risk:** Fixed income securities' values generally increases or decreases based on changes in interest rates. If interest rates increase, the value of fixed income securities is highly likely to decline. On the other hand, if rates fall, the value of the fixed income securities is highly likely to increase. The longer a fixed income instrument's duration, the greater the impact a change in interest rates can have on its price.


**Credit Risk:** Fixed income securities carry the risk of default and/or downgrades over time. If an issuer defaults, it would be unable to pay scheduled interest and principal payments. Thus, an investor who experiences a default is highly likely to experience a loss in value. Fixed income securities can also be subject to a decline in credit ratings. As these ratings are one of the bases the market uses to price risk, a decline in the credit rating often leads to a decline in the market value of the security.

**Currency Risk:** The Client may be exposed to currency rate movements.

**Valuation Risk:** The Client invests significantly in hard to value instruments, i.e. instruments for which it is not possible to obtain a market quote and internal valuation models are required. The valuation derived from these valuation models may differ significantly from their realization price, should they been sold before maturity.

**Counterparty Risk:** Fixed income securities and derivative transactions involve counterparty credit risk and will expose clients to possible unanticipated losses to the extent that counterparties default or are unable or unwilling to fulfill their contractual obligations.

**Inflation Risk:** Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the account and distributions can decline.



**Prepayment Risk:** A callable fixed income security allows the issuer to call, or repay, the security early. Declining interest rates can accelerate the redemption of a callable security, causing an investor's principal to be returned sooner than expected. In that scenario, investors must reinvest the principal at the lower interest rates.

**Issuer Risk:** The value of fixed income securities decline because of negative events or circumstances that directly relate to conditions at the issuer, its affiliates, or to any entity providing it credit support.

**Asset-Backed Securities:** Asset-backed securities decline in value when defaults on the underlying assets (e.g. mortgages, student loans, etc.) occur and these securities exhibit increased volatility in periods of changing interest rates. When interest rates decline, the resulting prepayment of mortgages, or assets underlying such securities, result in diminished returns.

**Convertible Bonds:** Convertible bonds are subject to risk of loss due to changes in interest rates and credit quality, and are further subject to the risk that the underlying equity will lose value, affecting the price of the bond. Falling equity prices will generally exert a negative influence on convertible bond prices, while rising equity prices are a positive factor.

**High Yield Risk:** Issuers of high yield bonds are typically of a lower credit rating, which will make them more sensitive to market fluctuations and credit risk in a shorter period than those of a higher quality rating. Due to the liquidity risk of high yield bonds, a portfolio may not be able to dispose of a bond at a favorable price or prior to a default, which could impact the portfolio. Typically, these bonds are unsecured or possibly subordinated debt of a company, and therefore, a client could be at risk of losing a large portion or its entire investment in the case of a default.


**TIPS and inflation-linked bonds or inflation-indexed securities risk:** The value of inflation-protected securities generally fluctuates in response to changes in real interest rates, which are tied to the relationship between nominal (stated) interest rates and the rate of inflation as the principal and/or interest is adjusted for inflation and can be unpredictable. As a result, if inflation rates were to rise at a faster rate than nominal rates, real interest rates might decline, leading to an increase in the value of inflation-protected securities and an account may not receive any income from such investments. In contrast, if nominal interest rates increased at faster rate than inflation, real interest rates might rise, leading to a decrease in the value of inflation-protected securities. If an account purchases inflation-protected securities in the secondary market whose principal values have been adjusted upward due to inflation since issuance, the account may experience a loss if there is a subsequent period of deflation. The inflation-protected securities markets are generally much smaller and less liquid than the nominal bonds from the same issuers and, as such, can suffer from losses during times of economic stress or illiquidity.

**US Government Securities Risk:** Obligations issued by agencies and instrumentalities of the US Government vary in the level of support they receive from the US Government. They may be (i) supported by the full faith and credit of the US Treasury, such as those of the Government National Mortgage Association; (ii) supported by the right of the issuer to borrow from the US Treasury, such as those of the Federal National Mortgage Association, (iii) supported by the discretionary authority of the US Government to purchase the issuer's obligations, such as those of the former Student Loan Marketing Association, or (iv) supported only by the credit of the issuer, such as those of the Federal Farm Credit Bureau. The maximum potential liability of the issuers of some US Government Securities may greatly exceed their current resources, including their legal right to support from the US Treasury. It is possible that these issuers will not have the funds to meet their payment obligations in the future.

**Leveraged Loan Risk:** Leveraged loans carry a higher risk of default than investment grade bonds and, as a result, they tend to pay higher interest rates. The loan market has lower trading activity than the high yield bond market which can impair the ability to realize full value if sold before maturity. The specific collateral used to secure a loan can decline in value or become illiquid, which would adversely affect the loan's value. These instruments introduce additional risks if they do not settle delivery versus payment.

**Concentration Risk:** The Client may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of a portfolio and adversely impact its performance.

**Derivative Risk:** We invest on behalf of clients in both exchanged-traded and OTC derivatives (both cleared and non-cleared). These instruments can be highly volatile, illiquid, and expose clients to a risk of loss and a risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments of the strategy's other



investments. The initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage.

Leverage Risk: The Client may be exposed to leveraged investments or may increase its overall exposure through derivatives and/or borrowing. This makes it more sensitive to certain market or risk factor movements and may cause increased volatility and risk of loss.

## Item 9 Disciplinary Information

There are no legal or disciplinary events within the past ten years that are material to a client's or prospective client's evaluation of or the integrity of MGIU or its management persons.

MGIU's advisory affiliate, MAGIM, has been the subject of a regulatory disclosure event in which the Federal Financial Supervisory Authority of Germany ("BaFin") alleged that MAGIM did not have procedures in place to ensure compliance with German law regarding notification to the BaFin of significant shareholders in German securities.

## Item 10 Other Financial Industry Activities and Affiliations

MGIU is part of a wider group of firms (M&G) that includes other SEC-registered investment advisers (M&G Investment Management, Ltd, which is a registered investment adviser, commodity pool operator and commodity trading advisor, and M&G Alternatives Investment Management Ltd., which is an exempt reporting adviser) as well as other financial services firms located around the world which are not material to MGIU's advisory business.

Neither we, nor any management person, are registered as a broker-dealer or as representatives of a broker-dealer. M&G Investments (Americas) Inc., our direct parent, is not a registered broker-dealer but employs individuals that are registered representatives of a broker-dealer, Foreside Financial Services, LLC.

MGIU serves as investment adviser to and receives compensation from Group Affiliates including M&G Investment Management Limited and M&G Alternative Investment Management Limited. MGIU receives services from MGFA via a master services agreement. Such services include mid and back office functions, including asset valuation, investment operations (including corporate action processing and trade support), and information technology and security. MGIU's Risk and Control Forum has oversight of the outsourced functions.

MGIU treats all its clients fairly and does not favor one affiliated client over another (see Section 11 for Conflicts of Interest).


## Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### Code of Ethics

MGIU has adopted a Code of Ethics (the "Code") pursuant to Advisers Act Rule 204A-1 applicable to all employees, officers, directors and certain contractors and affiliated employees (collectively, "Access Persons"). This includes implementation of provisions to address ethical standards and professional standard of behavior, conflicts of interest, personal account dealing, gifts and hospitality, political contributions, outside business activities, the handling of material, non-public information ("MNPI") and the reporting of violations of the Code.

MGIU permits employees to receive business gifts and hospitality as long as this is done in accordance with the requirements set out in its Gifts and Hospitality Policy. The receipt of gifts and hospitality pose a conflict of interest. Our policy enforces standards for the receipt of such gifts, and the firm monitors the receipt of gifts and hospitality for any conflict or impropriety.





Under the Code, certain personal securities transactions of Access Persons are prohibited, while others are subject pre-approval requirements. Such restrictions apply to any account over which an Access Person and certain family members have investment discretion. Access Persons are required to pre-clear personal securities transactions (including IPOs and private placement transactions) prior to execution, except as specifically exempted under the Code. MGIU recognizes there could be an employee-client conflict where a member of staff or related person may undertake personal account dealing for a security that the investment adviser recommends to buy or sell for a client. An employee personal account dealing in advance of dealing for a client (i.e. front running) could be at the detriment to the client.

In order to manage this conflict an employee or a related person (i.e. a person over whose security dealings the investment adviser has control) cannot undertake a personal account transaction in a security (including related securities such as derivatives) that the investment adviser has bought or sold (or proposes to buy or sell) for any portfolio for 5 days on either side of the transaction.

Interest in any outside employment or business activity may create a conflict of interest when it interferes with an employee's ability to perform the duties of his or her job. To mitigate this conflict, the Personal Conflicts Policy incorporates strict requirements for individuals to disclose outside directorships/ where these interests could conflict with the interests of MGIU or one or more of its clients. Where such outside interests are material, MGIU may invoke specific dealing exclusions/limitations for the investment management activities of the member of staff concerned. To date there are no such outside interests that warrant the invocation of such controls.

MGIU maintains policies and procedures regarding inside information and information barriers that establish barriers around certain internal groups which might be in possession or aware of material non-public information. The policy is designed to block the flow and potential misuse of that information by placing relevant companies on a restricted dealing list.

All Access Persons must certify that they have received, read and understand our Code, annual or as amended. The Compliance department monitors compliance with the Code by reviewing the required initial, quarterly and annual reporting by Access Persons.

We will provide any client or prospective client a copy of our Code upon request.

### **Participation or Interest in Client Transactions**

MGIU does not manage any "proprietary" investment accounts – i.e., accounts that are funded with MGIU's own money and are intended to create profits for MGIU. Accordingly, MGIU in the ordinary course of business does not buy or sell securities to or from client accounts on a principal basis. While employees may not participate in client transactions, MGIU may participate or have an interest in client transactions by conducting cross trades as follows.

#### **Cross Trades**

In certain circumstances, where we deem it advisable, we will enter into a cross trade on a client's behalf. Cross trades present an inherent conflict of interest because we (or an affiliate) act on behalf of both the selling and buying accounts in the same transaction. As a result, a cross trade could result in more favorable treatment of one client over the other. Additionally, there is a risk that the price at which a cross trade is executed may not be as favorable as the price available in the open market. To address such risks and conflicts, we have adopted policies and procedures which, among other requirements, acknowledge that we are a fiduciary, that any cross trade is subject to our duty to obtain best execution, requires clients to consent to cross trades before cross trades may be executed on their behalf, and prohibits us from collecting any commissions.

## **Item 12 Brokerage Practices**

MGIU is authorized to select brokers and dealers and negotiate transaction prices, mark-ups and markdowns and brokerage commission rates for its clients. Factors which MGIU considers in approving broker-dealers include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by some broker-dealers may be higher or lower than those charged by other broker-dealers. MGIU seeks to obtain best execution for client transactions, which is defined as the best combination of quality execution and prices



given the particular circumstances of a transaction. Oversight of best execution, and other trading practices, is provided by MGIU's Risk and Control team and MGIU's Risk and Control Forum.

### **Trade Aggregation and Allocation**

We combine multiple orders for shares of the same securities purchased for client accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "aggregated trading") when we have the opportunity to do so. Our Client Order Handling Policy operates under the principle that all client orders (regardless of client type) in designated investments should be effected in a manner which is prompt, fair and expeditious. In accordance with such policy, trades are allocated on a pro-rata basis, subject to order size, minimum trade size and incremental lot size restrictions.

The MGIU trading desk provides dealing services, such as order routing, in US securities to Group Affiliates. The MGIU trading desk routes orders in certain asset classes to a Group Affiliate via a dealing services agreement. Dealing services orders are aggregated with client orders if provided for in our Client Order Handling Policy.

### **Research and Soft Dollar Practices**

We do not have formal "soft dollar" arrangements. MGIU currently provides services to Group Affiliate clients that are subject to MiFID II. Accordingly, MGIU and its Group Affiliates have put in place appropriate controls to ensure that the receipt and sharing of research complies with MiFID II's regulations. Such third party research is paid out of its profit and loss account (and not but any clients) and trades with such brokers are done on execution-only rates. Any research and brokerage services received from brokers is in accordance with Section 28(e) of the Securities Exchange Act of 1934.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers or counterparties.

### **Directed Brokerage**

MGIU does not at the behest of its clients, direct trades to specific broker-dealers for execution in return for some sort of benefit (where such benefits would include services or payments that are realized by the client).

## **Item 13 Review of Accounts**


Each of our portfolio managers and other investment personnel are responsible for managing assigned accounts in accordance with their investment objectives and guidelines. MGIU's portfolio managers regularly monitor the accounts under their supervision and review each account within their style of management as frequently as deemed appropriate for such account (which may be daily, monthly, or quarterly). Additionally, investment performance and risk of each account is reviewed on a monthly basis by MGIU's Risk and Control Forum.

Generally, all clients receive, at least quarterly, a summary outlining the activity in their accounts, including, where applicable, performance information which highlights the portfolio's return and characteristics as compared to the appropriate benchmarks (as applicable). In addition, MGIU generally will hold meetings with clients to review their portfolios on a periodic basis or at the request of the client. In general, the portfolio manager would expect to meet clients twice a year, but is available (as a minimum) for annual meetings.

## **Item 14 Client Referrals and Other Compensation**

MGIU does not pay or receive any compensation other than that which it will receive from a Group Affiliate who is a client under a contractual engagement for providing investment advice.

## **Item 15 Custody**



MGIU does not have custody of any client funds or securities. MGIU uses the services of a qualified, independent custodian selected by a Group Affiliate client prior to or at the time of contracting with MGIU.

Clients receive quarterly or monthly account statements from the broker-dealer, bank or other financial services firm that serves as qualified custodian to their account(s). Clients should carefully review those statements. Clients who receive additional reports from MGIU affiliates are urged to compare these reports to the account statements they receive from the qualified custodian.

## **Item 16 Investment Discretion**

MGIU provides both discretionary and non-discretionary investment advisory services to Group Affiliates who are clients. For non-discretionary services, ultimate investment decision rests with the respective fund managers and/ or investment committees of the applicable Group Affiliate. Such services are outlined in the applicable investment advisory contract.

When MGIU has discretionary authority over client accounts, it includes buying or selling securities, the amount of securities bought or sold, broker or dealer to be used and the commission rates paid.

Our discretionary or non-discretionary authority is provided for in each client's investment management agreement or offering documents.

Investment activity is not undertaken unless a signed investment management agreement is in place. Client investment restrictions are coded into trading systems used by MGIU to ensure adherence to client mandates.

## **Item 17 Voting Client Securities**

MGIU provides investment advisory services to Group Affiliates who are clients. Proxy voting decisions are always taken by Group Affiliates.

MGIU does not vote proxy solicitations received on behalf of clients from the issuers of securities held in client accounts. Clients will receive voting materials directly from the broker-dealer and/or the transfer agent of record.

A copy of MGIU's proxy voting policy is available to clients upon request.

## **Item 18 Financial Information**

MGIU is a wholly owned indirect subsidiary of a public company in the U.K., M&G plc. Shares of M&G plc are listed for trading on the London Stock Exchange.

MGIU is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has MGIU been the subject of a bankruptcy petition at any time during the past ten years.

We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.