

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

SPECIALIST INVESTMENT FUNDS (1) PLC

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Registered Number: 404836

SPECIALIST INVESTMENT FUNDS (1) PLC
FINANCIAL STATEMENTS
For the financial year ended 31 December 2019

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SPECIALIST INVESTMENT FUNDS (1) PLC

DIRECTORS AND OTHER INFORMATION

DIRECTORS

Mr. Gavin Caldwell (Chairman) (Irish)*
Mr. Mike Kirby (Irish)**
Mr. Bruce Gunn (British)** (resigned 6 March 2019)
Mr. Simon Pilcher (British)** (resigned 28 May 2019)
Mr. William Nicoll (British)** (appointed 19 August 2019)
Mr. Keith Davies (British)** (appointed 26 November 2019) (resigned 9 March 2020)

REGISTERED OFFICE TO 6 OCTOBER 2019

78 Sir John Rogerson's Quay
Dublin D02 HD32
Ireland

REGISTERED OFFICE FROM 7 OCTOBER 2019

5 George's Dock
International Financial Services Centre
Dublin D01 W213
Ireland

ALTERNATIVE INVESTMENT FUND MANAGER TO 28 FEBRUARY 2019

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

DISTRIBUTOR AND ALTERNATIVE INVESTMENT FUND MANAGER FROM 1 MARCH 2019

M&G Luxembourg S.A.
16 Boulevard Royal
2449 Luxembourg

DEPOSITARY

State Street Custodial Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin D02 HD32
Ireland

ADMINISTRATOR

State Street Fund Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin D02 HD32
Ireland

SECRETARY TO THE COMPANY TO 26 AUGUST 2019

State Street Fund Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin D02 HD32
Ireland

SECRETARY TO THE COMPANY FROM 27 AUGUST 2019

KB Associates
5 George's Dock
International Financial Services Centre
Dublin D01 W213
Ireland

INDEPENDENT AUDITOR

Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin D02 AY28
Ireland

SPECIALIST INVESTMENT FUNDS (1) PLC

DIRECTORS AND OTHER INFORMATION (continued)

IRISH LEGAL ADVISERS TO THE COMPANY

A&L Goodbody
International Financial Services Centre
North Wall Quay
Dublin D01 H104
Ireland

SPONSORING BROKERS

A&L Listing Limited
International Financial Services Centre
North Wall Quay
Dublin D01 H104
Ireland

* Independent/Non-Executive Director

** Non-Executive Director

SPECIALIST INVESTMENT FUNDS (1) PLC

DIRECTORS' REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES For the financial year ended 31 December 2019

The Directors present to the shareholders their report together with the audited financial statements for the financial year ended 31 December 2019.

The Company

Specialist Investment Funds (1) Plc (the "Company") is an Irish umbrella type open-ended investment company with variable capital. The Company is structured as an alternative investment fund ("AIF"). The Company has been authorised as an AIF pursuant to the Alternative Investment Fund Managers' Directive ("AIFMD") Regulations. The Company is supervised by the Central Bank of Ireland (the "Central Bank") and is organised under the laws of Ireland as a public limited company pursuant to the Irish Companies Act 2014 (the "Irish Companies Act"). The Company was incorporated on 7 July 2005 under registration number 404836.

The Company is structured as an open-ended umbrella fund with segregated liability between Funds. Shares representing interests in different Funds may be issued from time to time by the Directors. Shares of more than one class may be issued in relation to a Fund. As at 31 December 2019 twelve Funds are trading (each a "Fund", together the "Funds"):

Fund Name	Abbreviation
M&G European Loan Fund	M&G ELF
M&G Dynamic European Loan Fund	M&G DELF
M&G Broad European Loan Fund	M&G BELF
M&G SLK European Loan Fund	M&G SELF
M&G Active European Loan Fund	M&G AELF
M&G Conservative European Loan Fund	M&G CELF
M&G Independent European Loan Fund	M&G IELF
M&G Versatile European Loan Fund	M&G VELF
M&G Managed European Loan Fund	M&G MELF
M&G Zeta European Loan Fund	M&G ZELF
M&G Alpha Opportunities Fund	M&G AOF
M&G Strategic Credit (1) Fund	M&G SCF

Active share classes

Each Fund has the following number of active share classes as at 31 December 2019:

Fund	Number of active share classes
M&G ELF	14
M&G DELF	1
M&G BELF	1
M&G SELF	1
M&G AELF	1
M&G CELF	1
M&G IELF	1
M&G VELF	1
M&G MELF	2
M&G ZELF	1
M&G AOF	12
M&G SCF	1

SPECIALIST INVESTMENT FUNDS (1) PLC

DIRECTORS' REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued) For the financial year ended 31 December 2019

The majority of the Funds' investments are held through wholly owned Subsidiaries, namely:

Subsidiary Name	Abbreviation
M&G European Loan Fund Limited	M&G ELF Limited
M&G Dynamic European Loan Fund Limited	M&G DELF Limited
M&G Broad European Loan Fund Limited	M&G BELF Limited
M&G SLK European Loan Fund Limited	M&G SELF Limited
M&G Active European Loan Fund Limited	M&G AELF Limited
M&G Conservative European Loan Fund Limited	M&G CELF Limited
M&G Independent European Loan Fund Limited	M&G IELF Limited
M&G Versatile European Loan Fund Limited	M&G VELF Limited
M&G Managed European Loan Fund Limited	M&G MELF Limited
M&G Zeta European Loan Fund Limited	M&G ZELF Limited
M&G Alpha Opportunities Fund Limited	M&G AOF Limited
M&G Strategic Credit (1) Fund Limited	M&G SCF Limited

Each Subsidiary is incorporated and tax resident in Ireland and has all directors in common with the Company.

The Company, its Funds and its Subsidiaries are collectively referred to as the "Company".

Investment Objectives

The investment objective of M&G ELF, M&G DELF, M&G BELF, M&G SELF and M&G IELF is to create attractive levels of current income for investors, while maintaining relatively low volatility of Net Asset Value.

The investment objective of M&G AELF is to generate a total return over the medium term of 3 month EURIBOR plus 4% per annum.

The investment objective of M&G CELF is to generate a total return over the medium term of 3 month LIBOR plus 3% per annum.

The investment objective of M&G VELF is to achieve a total return of GBP LIBOR plus 4% per annum (net of all fees) over three to five years.

The investment objective of M&G MELF is to achieve a total return of GBP LIBOR plus 4% per annum over three to five years.

The investment objective of M&G ZELF is to achieve a total return of EURIBOR + 4% per annum (net of fees) over three to five years.

The investment objective of M&G AOF is to seek to maximise total return, consistent with prudent investment management. The Fund will aim to provide investors with attractive returns from capital and income from a diversified pool of debt and debt like assets.

The investment objective of M&G SCF is to create attractive levels of yield, consistent with prudent investment management via a diversified pool of debt assets.

The investment activities of the Funds are managed by M&G Luxembourg S.A. (the "AIFM") and the administration of the Company is delegated to State Street Fund Services (Ireland) Limited (the "Administrator").

Business Review and Future Developments

The net assets of the Company attributable to holders of redeemable shares was EUR16,262,007,079 at 31 December 2019 (31 December 2018: EUR15,562,896,962). The net assets attributable to holders of redeemable shares at 31 December 2019 is detailed on page 43. The results of operations are set out on pages 35-36. A detailed review of the business and future developments is contained in the AIFM's Reports.

The Directors do not anticipate any change in structure or investment objectives of the Company.

SPECIALIST INVESTMENT FUNDS (1) PLC

DIRECTORS' REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued) For the financial year ended 31 December 2019

Business Review and Future Developments (continued)

The AIFM of the Funds has set up a new legal structure in Luxembourg consisting of two entities: 1) a management company which is both a UCITS manager and an AIFM and 2) a MiFID firm to carry out distribution of the Luxembourg management company's funds. The new structure became operational on 13th February 2019. Both firms in the new structure are licensed, staffed and fully operational. Today, there are more than 35 people based in Luxembourg, including team members from risk, legal and compliance, operations and distribution. The new entities allow the Board to distribute products in the EU regardless of the eventual shape of the trading relationship between the UK and the rest of the EU.

On 31 January 2020 the UK left the European Union (EU). Following its departure, the UK entered a transition period (the "transition period") until 31 December 2020. During this period, the UK's trading relationship with the EU is expected to remain the same while a trade deal is negotiated. As noted above, the AIFM has implemented its Brexit contingency plan, being the establishment of a Luxembourg based super management company and MiFID distribution firm. Based on the existing European legal and regulatory framework, the delegation of portfolio management to the UK is permitted and will continue post Brexit. The Board and the AIFM continues to closely monitor the transition period and the related and/or unrelated EU regulatory changes, to assess whether any of these changes to existing EU laws create an issue that requires further consideration and planning.

The Board has conducted the appropriate due diligence of M&G Luxembourg S.A. and is satisfied that it is able to fulfil its obligations as AIFM. M&G Luxembourg S.A. was formally appointed as AIFM at the board meeting on 1 March 2019.

Following the escalation of the COVID-19 pandemic in March 2020 and its negative impact on markets and economies, the Company's management has made an assessment of the Company's ability to continue as a going concern. Given the scale of trading issues for all global assets due to COVID-19, the Company's management are expecting to see a near-term negative impact on the valuation of most investments. However, the Company has enough liquid assets to cover its liabilities, therefore, the financial statements continue to be prepared on the going concern basis.

By end of 2021 London Interbank Offered Rate (LIBOR) is going to be replaced by Sterling Overnight Interbank Average Rate (SONIA). The AIFM is currently working on identifying the impact on the Company and the best possible way of a transition from LIBOR to SONIA with a smooth process and as little effect on Investors. For further information, please visit the FCA website on www.fca.org.uk/markets/libor and AIFM website on www.mandg.co.uk/LIBOR.

Directors

The Directors, who all served throughout the financial year, were:

Mr. Gavin Caldwell

Mr. Mike Kirby

Mr. Bruce Gunn (resigned 6 March 2019)

Mr. Simon Pilcher (resigned 28 May 2019)

Mr. William Nicoll (appointed 19 August 2019)

Mr. Keith Davies (appointed 26 November 2019) (resigned 9 March 2020)

Secretary

State Street Fund Services (Ireland) Limited held the office of the Secretary up to 26 August 2019. KB Associates were appointed as the Secretary with effect from 27 August 2019.

Directors' and Secretary's interests

Mr. Mike Kirby, a Director of the Company, is the managing principal of KB Associates. KB Associates has provided secretarial services and anti-money laundering services to the Company and has earned fees amounting to EUR30,996 (31 December 2018: EUR30,709) for the financial year ended 31 December 2019 with EUR15,498 outstanding at 31 December 2019 (31 December 2018: EUR15,170).

Mr. Simon Pilcher, who was a Director of the Company, was an employee of M&G FA Limited (formerly M&G Limited), an affiliate of the AIFM until his resignation effective 28 May 2019. Mr. Bruce Gunn, who was also a Director was an employee of Prudential International, an affiliate of the AIFM until his resignation effective 6 March 2019.

At 31 December 2019, Mr. Simon Pilcher held 8,101 shares in M&G AOF (31 December 2018: M&G AOF: 7,924).

Mr. William Nicoll, who was appointed Director of the Company on 19 August 2019, is an employee M&G FA Limited.

SPECIALIST INVESTMENT FUNDS (1) PLC

DIRECTORS' REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued) For the financial year ended 31 December 2019

Directors' and Secretary's interests (continued)

Mr. Keith Davies, who was appointed Director of the Company on 26 November 2019, was an employee of M&G plc until his resignation effective 31 January 2020.

Each of the Directors is also a director of each of the Subsidiaries.

The Secretary did not hold any Shares in the Company during or at the end of current financial year or during or at the end of the prior financial year.

Employees

There were no employees of the Company during the financial year under review or during the prior financial year.

Statement of Directors' Responsibilities

The Directors' are responsible for preparing the Directors' report and the financial statements in accordance with the Companies Act 2014.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities of the Company's assets, liabilities and financial position at the end of the financial year and of the profit or loss of the Company for the financial year.

Relevant audit information

As at the date this Directors' Report was approved and signed each Director is satisfied that:

- (a) there is no relevant audit information of which the Company's statutory auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information; and
- (c) where "relevant audit information" means information needed by the Company's statutory auditors in connection with preparing their report.

Risk management objectives and policies

The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk.

For a detailed description of the risk management objectives and policies, please see note 12.

Dividends

It is the intention of the Directors to declare dividends on a quarterly basis, for each Fund, on the first business days of January, April, July and October. Details of the dividends paid during the financial year are set out in note 9.

SPECIALIST INVESTMENT FUNDS (1) PLC

DIRECTORS' REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued) For the financial year ended 31 December 2019

Connected parties

The Central Bank's Alternative Investment Fund ("AIF") Rulebook section on "Dealings by management company, general partner, depositary, AIFM, investment manager or by delegates or group companies of these" states that an AIF should only enter into a transaction with a management company, general partner, depositary, AIFM, investment manager or delegates or group companies of these, where it is negotiated at arm's length. Transactions must be in the best interests of the shareholders.

The Board of Directors ("The Board") are satisfied that there are arrangements (evidenced by written procedures) in place to ensure that the obligations set out in paragraph 1 of section 1, VIII of the AIF Rulebook are applied to all transactions with connected parties, and the Board is satisfied that transactions with connected parties entered into during the financial period complied with the obligations set out in this paragraph.

Significant events during the financial year

M&G Luxembourg S.A. was formally appointed as AIFM at the Board meeting with effect from 1 March 2019.

The registered address of the AIFM changed to 16 Boulevard Royal, 2449 Luxembourg with effect from 1 March 2019.

Revised Prospectus and Supplements for all Funds were issued 1 March 2019.

Mr. Bruce Gunn has resigned as Director of the Company, effective 6 March 2019.

Mr. Simon Pilcher has resigned as Director of the Company, effective 28 May 2019.

M&G European Loan Fund Class C GBP ACC was launched on 4 June 2019.

M&G Alpha Opportunities Fund Class B EUR ACC was launched on 1 August 2019.

Mr. William Nicoll was appointed as Director of the Company, effective 19 August 2019.

KB Associates were appointed as Secretary to the Company with effect from 27 August 2019.

M&G Alpha Opportunities Fund Class A EUR ACC was launched on 2 September 2019.

Mr. Keith Davies was appointed as Director of the Company, effective 26 November 2019.

There were no other significant events affecting the Company during the financial year which require adjustment to or disclosure in the financial statements.

Significant events after the financial year end

Mr. Keith Davies has resigned as Director of the Company, effective 9 March 2020.

Following the escalation of the COVID-19 pandemic in March 2020 and its negative impact on markets and economies, the AIFM's main focus has been to communicate with and review all of the portfolio of the Company, to ensure that the business have the right support and a liquidity runway to see through various scenarios. Given the scale of trading issues for all global assets, it's expected to see a near-term negative impact on the valuation of most deals. It is too early to assess how the situation will develop in the medium-long term and to estimate the potential impact on the Company's performance. For further details, please refer to the Investment Manager's report.

Up to the date of approval of these financial statements, there were no other significant events affecting the Company since the financial year end which required adjustment to or disclosure in the financial statements.

Independent Auditors

Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm have indicated their willingness to continue in office, in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Board of Directors:

Mr. Gavin Caldwell



Mr. Mike Kirby



Date: 29 April 2020

SPECIALIST INVESTMENT FUNDS (1) PLC

DEPOSITARY'S REPORT TO THE SHAREHOLDERS OF SPECIALIST INVESTMENT FUNDS (1) PLC For the financial year ended 31 December 2019

We have enquired into the conduct of M&G Alternatives Investment Management Limited as the authorised Alternative Investment Fund Manager (the "AIFM") in respect of Specialist Investment Funds (1) Plc (the "Company"), the authorised Alternative Investment Fund ("AIF") and into the conduct of the AIF itself as an investment company, for the financial year ended 31 December 2019 in our capacity as Depositary to the AIF.

This report including the opinion has been prepared for and solely for the shareholders in the AIF as a body, in accordance with the Central Bank's AIF Rulebook and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Responsibilities of the Depositary

Our duties and responsibilities are outlined in Regulation 22(7)(8)&(9) of European Union (Alternative Investment Fund Managers Directive) Regulations 2013 as amended (the "Regulations") and the AIF Rulebook. One of those duties is to enquire into the conduct of the AIFM and the investment company in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the AIF has been managed in that period in accordance with the provisions of the AIF's constitutional documentation and the AIF Rulebook. It is the overall responsibility of the AIFM and the investment company to comply with these provisions. If the AIFM or the investment company has not so complied, we as Depositary must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Depositary opinion

The Depositary conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in Regulation 22(7)(8)&(9) of the Regulations, and to ensure that, in all material respects, the AIF has been managed;

- (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations; and
- (ii) otherwise in accordance with the AIF's constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the AIF has been managed during the financial period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the authorised AIF by the constitutional document and by the Central Bank under the powers granted to the Central Bank by the investment fund legislation; and
- (ii) otherwise in accordance with the provisions of the constitutional document and the investment fund legislation.

For and on behalf of
State Street Custodial Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin 2
Ireland

29 April 2020

SPECIALIST INVESTMENT FUNDS (1) PLC
DISCLOSURE OF REMUNERATION (UNAUDITED)
For the financial year ended 31 December 2019

M&G Luxembourg S.A.

In line with the requirements of the Alternative Investment Managers Directive ("AIFMD"), M&G Luxembourg S.A. (the "AIFM") is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the AIFMD.

The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the alternative investment funds managed by the AIFM. Further details of the remuneration policy can be found here: <https://global.mandg.com/our-business/mandg-investments/mandg-investments-business-policies>. The remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee.

The AIFM is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated. Members of staff and senior management typically provide both AIFMD and non-AIFMD related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to the AIFM is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

The aggregate remuneration paid by the AIFM to those with full or partial activities in respect of the AIFM during the financial year ended 31 December 2019¹, amounted to EUR9,484,245 (EUR4,519,492 in respect of fixed remuneration and EUR4,964,753 in respect of variable remuneration), of which EUR2,057,366 related to 29 staff members, EUR1,961,525 to 14 senior management team members and EUR5,465,355 to 43 'Identified Staff' whose actions may have a material impact on the risk profile of the AIFM.

¹ The aggregate remuneration has been determined pro-rata based on the respective time periods during which M&G Alternative Investment Management Limited and M&G Luxembourg S.A. were acting as the AIFM during the financial year.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS for the financial year ended 31 December 2019

M&G European Loan Fund

M&G European Loan Fund (the "Fund") was launched on 15 August 2005 and at 31 December 2019 had a Net Asset Value ("NAV") of EUR3.5 billion*.

The Fund remains well diversified, with 155 issuers in the portfolio as at 31 December 2019. Fund activity comprised purchases of EUR 1.3 billion, sales of EUR 685 million and repayments of EUR 853 million. The weighted average nominal coupon increased by 7 basis points to LIBOR + 370bps (401bps including the estimated value of the LIBOR/EURIBOR floors in the portfolio) based on settled assets only) and at year end the top ten holdings in the Fund represented 19% of Fund assets, in line with our ongoing pursuit of diversity within the portfolio. In 2019 the Fund returned 4.54% in its EUR share classes and 5.80% in the GBP share classes (gross of fees). EURIBOR+400bps was 3.63% over the year (L+400bps 4.83%) and the Credit Suisse Western European Leveraged Loan Index returned 5.03% hedged to EUR (6.25% GBP). The Fund received EUR224.5 million in gains and EUR208.4 million in losses during the year ended 31 December 2019.

In complete contrast to twelve months ago, a strong December rounded off an exceptional year across nearly all major asset classes as a number of the economic and political concerns holding down markets in 2019 failed to fully materialise and central banks continued with supportive monetary policies. The fourth quarter saw progress towards a US/China trade deal, a decisive result in the British election enabling a clearer position on Brexit (although the planned agreement of a trade deal with the EU within a one year timeframe is likely to prove challenging), generally positive economic data and better than anticipated company quarterly reporting.

Naturally in such a positive market environment, the riskier asset classes performed the most strongly with most of the major equity markets returning over 25% in 2019, while both the European and US high yield markets returned around 11% hedged to Euro. Even investment grade and low risk government bonds did well for investors, returning over 6% in Euro as dovish policies from the main central banks rewarded long duration assets.

Floating rate secured loans, being more defensive in nature than equities and high yield, and having minimal interest rate duration, are less volatile than most asset classes and therefore tend to underperform on a relative basis in risk-on periods. This was indeed the case in 2019 but as stated above, European loans performed well in absolute terms, with the 5% return being the best performance since 2016 and identical to the return of the US loan market when hedged back to Euro.

It should be remembered that this performance comes on the back of 2018 when European loans were one of the very few mainstream asset classes to produce a positive return – indeed it outperformed the US loan market by more than 2 percentage points that year and so it has continued its long term outperformance against that market, delivering some 60bps in extra return annually over the decade while exhibiting lower volatility. This stability remains an attractive feature of European loans for investors particularly given the low yields available on other asset classes following the 2019 rally, and indeed the on-going macro risks which could reverse sentiment quickly (escalating tensions between the US and Iran in early 2020 being one such example).

Demand remained high for European loans over the course of the year with new CLO issuance up to EUR29.8 billion from EUR27.3 billion in 2018 creating a new post crisis record while inflows from institutional investors both in Europe and Asia have anecdotally (there being no reported data) been positive again this year.

With strong demand and an inherent level of repayments in the asset class (25% pa on average), new supply is vital to keep new loan spreads at acceptable levels. Supply was fairly steady in 2019, totalling EUR81 billion, and split roughly evenly across the four quarters. This was below the EUR95 billion seen in 2018 but nevertheless was a respectable number, more than half of it coming from M&A, and as a result, while spreads have reduced slightly over the year, they remain attractive relative to what is available in other markets with new issues averaging a yield to maturity of just under 4% in euro terms.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G European Loan Fund (continued)

As always, looking forward, the pace and volume of global Mergers & Acquisitions activity in the year ahead will be important in determining supply. PE fundraising has continued and there is now in excess of USD1.5 trillion of dry powder (a record) waiting to be used to finance acquisitions. Indeed, the European loan pipeline starts the year at over EUR15 billion spread across more than a dozen names including the EUR2 billion financing to support the buyout of UK defence company, Cobham, the EUR1.5 billion financing to support the acquisition of life sciences measurement and testing business, LGC and the EUR600 million financing to support the takeover by Platinum of Biscuit international.

While managers are reliant on general corporate activity to determine supply levels and, indirectly, the returns on offer in the market, what is fully in their control is the quality of their portfolios. 2019 saw an increased level of bifurcation, both in the primary market - where some deals were multiple times oversubscribed, while others could only be sold at steep discounts - and the secondary market, where poorly performing loans fell sharply and more steeply than has been seen in the past. Aggressively-structured transactions will continue to be punished severely should company performance falter. And this will not go unheeded: regulatory scrutiny of the loan and CLO markets, that gathered pace in 2019, is unlikely to subside from here.

While there remains a number of challenges facing investors at the moment (low yields, end-of-cycle concerns, exposure to potential central bank policy errors, low growth, geopolitical turbulence) it remains our view that, in such uncertain environments, European loans remain attractive given the seniority, security and short duration they offer, together with the proven record of delivering consistently positive and relatively stable returns with high running income over a range of economic conditions.

Nevertheless, while default rates remain relatively benign, a pick up towards the historical norms of 2-3% pa is likely over the next couple of years. Low economic growth, combined with the more aggressive structures and weaker documentation protections that have been seen over the past year, make greater dispersion of returns - and the volatility of those returns between managers - likely over the coming years. Stock selection (always key in such an asymmetric asset class), generated from access to assets and well-resourced teams focused on long term fundamental credit analysis, will become ever more important.

Following the escalation of the COVID-19 pandemic in March 2020 loan prices have fallen sharply, the likes of which we haven't seen since the GFC with the loan index down some 17% as at 19 March 2020. This is highly unusual as the European loan market has been fairly resilient in the face of various bouts of volatility over the past ten years (2011, 2016, 2018 etc) but this is a new type of crisis with huge levels of uncertainty as to how it impacts individuals and corporates at least in the short term. Right now the market has not been pricing in fundamentals but instead like other markets, prices are reflecting the need to raise or preserve cash in times of uncertainty. As a result with liquidity at a huge premium across all markets - even large, high quality names are priced in the 80s and more vulnerable credits well below that.

With regard to the impact on companies, it is of course hard to assess in this unprecedented environment - the longer term impact of supply chain disruption and of the virus spreading as a pandemic across the world with shutdowns of whole populations for a certain period cannot be realistically measured at present - most companies will not know the real impact of such disruption - against that of course will be the potential soothing effect of significant monetary policy loosening as announced by various central banks over the past few days and even fiscal policy impacts as seen in the UK last week.

However even though a global downturn is ahead, we would suggest that this is a period of dislocation for loan-prices not fundamental peril for large, strong, liquid companies that can wait out the next few months. Our loan portfolios consist near exclusively of such issuers - high quality, of size - and investors are exposed to them at predominantly senior secured level. While the pandemic may lead to a global recession in the next quarter or two, the return of the demand-side, when social isolation ends, could be fast and significant. Furthermore, the senior secured part of the corporate capital structure carries a significant valuation buffer, even were Enterprise Valuations to fall from their 11x average. When set against the aggregate portfolio characteristics of the fund today, we would suggest that there is ample liquidity and cushion inherent in the fund's population and companies of significant size to feel somewhat assured.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G European Loan Fund (continued)

As with all markets there are a number of known and unknown unknowns but the underlying strengths of loans need to be remembered in times like this as when everything is so volatile it is easy to lose focus. Loan investors have exposure to:

- A diverse portfolio of predominantly senior secured loans offering high and stable running income with historically high recovery rates proven over a cycle
- Exposures across a range of sectors and geographies of generally large and high quality companies with strong market positions and cashflow positive borrowers but with limited exposures to the energy and retail sectors
- A market with an investor base dominated by long-term institutional capital with no daily dealing retail funds/ETFs that can accelerate volatility
- A market that has been through a cycle and a range of economic conditions – we have been in the market for 20 years and there has been just one down year which was fully recovered the following year

M&G Luxembourg S.A.
February 2020

* Please see note 22 for the reconciliation of the published Net Asset Value to the Net Asset Value as disclosed in these financial statements. For a detailed description of the Fund's risk management objectives and policies, please see note 12.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Dynamic European Loan Fund

Following an agreement to accelerate the Fund wind-down c.£83 million of remaining assets were sold in Q4 - largely through a 'BWIC' auction in October. The sales were traded at a weighted average price of 95.71 – although the average level was weighed-down by a nominal amount of c.£900k deeply subordinated Hilding Anders PIK note, which was marked at zero value and not expected to trade, but surprisingly attracted a bid of 5, raising £45k. Legacy, lowly rated positions in Flint, Tunstall and OGF also weighed on the average values. All but two of the eighteen issuers attracted a bid, with 60% of the assets being sold above par – highlighting the quality of the remaining positions.

One of the two remaining assets, a EUR3.33 million position in AR Packaging failed to attract a bid, initially, although this was sold in December at 93. A c.£4 million holding remains in the Fund in relation to UK based facilities management company, PHS. However, this is expected to be repaid in the coming months - following a sale of the company being agreed in December. At the end of the year the NAV of the Fund was GBP46.1 million*. The Fund received GBP0.5 million in gains and GBP1.5 million in losses during the year ended 31 December 2019.

**M&G Luxembourg S.A.
February 2020**

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SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Broad European Loan Fund

M&G Broad European Loan Fund (the "Fund") was launched on 2 June 2009, with net investor subscriptions since that date of GBP225 million. The Fund NAV at the end of the year was GBP193 million*.

The Fund remains well diversified, with 125 issuers in the portfolio as at 31 December 2019. Fund activity comprised purchases of EUR64 million, sales of EUR50 million and repayments of EUR66 million. The weighted average nominal coupon increased to LIBOR + 378bps (411bps including the estimated value of LIBOR floors in the portfolio, based on settled assets only) and at year end the top ten holdings in the Fund represented 22% of Fund assets on a market value basis. The Fund returned 5.57% in 2019 (gross of fees), while L+400bps returned 4.83% and the Credit Suisse Western European Leveraged Loan Index returned 6.25%, hedged to GBP. The Fund received GBP30.1 million in gains and GBP27.2 million in losses during the year ended 31 December 2019.

In complete contrast to twelve months ago, a strong December rounded off an exceptional year across nearly all major asset classes as a number of the economic and political concerns holding down markets in 2019 failed to fully materialise and central banks continued with supportive monetary policies. The fourth quarter saw progress towards a US/China trade deal, a decisive result in the British election enabling a clearer position on Brexit (although the planned agreement of a trade deal with the EU within a one year timeframe is likely to prove challenging), generally positive economic data and better than anticipated company quarterly reporting.

Naturally in such a positive market environment, the riskier asset classes performed the most strongly with most of the major equity markets returning over 25% in 2019, while both the European and US high yield markets returned around 11% hedged to Euro. Even investment grade and low risk government bonds did well for investors, returning over 6% in Euro as dovish policies from the main central banks rewarded long duration assets.

Floating rate secured loans, being more defensive in nature than equities and high yield, and having minimal interest rate duration, are less volatile than most asset classes and therefore tend to underperform on a relative basis in risk-on periods. This was indeed the case in 2019 but as stated above, European loans performed well in absolute terms, with the 5% return being the best performance since 2016 and identical to the return of the US loan market when hedged back to Euro.

It should be remembered that this performance comes on the back of 2018 when European loans were one of the very few mainstream asset classes to produce a positive return – indeed it outperformed the US loan market by more than 2 percentage points that year and so it has continued its long term outperformance against that market, delivering some 60bps in extra return annually over the decade while exhibiting lower volatility. This stability remains an attractive feature of European loans for investors particularly given the low yields available on other asset classes following the 2019 rally, and indeed the on-going macro risks which could reverse sentiment quickly (escalating tensions between the US and Iran in early 2020 being one such example).

Demand remained high for European loans over the course of the year with new CLO issuance up to EUR29.8 billion from EUR27.3 billion in 2018 creating a new post crisis record while inflows from institutional investors both in Europe and Asia have anecdotally (there being no reported data) been positive again this year.

With strong demand and an inherent level of repayments in the asset class (25% pa on average), new supply is vital to keep new loan spreads at acceptable levels. Supply was fairly steady in 2019, totalling EUR81 billion, and split roughly evenly across the four quarters. This was below the EUR95 billion seen in 2018 but nevertheless was a respectable number, more than half of it coming from M&A, and as a result, while spreads have reduced slightly over the year, they remain attractive relative to what is available in other markets with new issues averaging a yield to maturity of just under 4% in euro terms.

As always, looking forward, the pace and volume of global Mergers & Acquisitions activity in the year ahead will be important in determining supply. PE fundraising has continued and there is now in excess of USD1.5 trillion of dry powder (a record) waiting to be used to finance acquisitions. Indeed, the European loan pipeline starts the year at over EUR15 billion spread across more than a dozen names including the EUR2 billion financing to support the buyout of UK defence company, Cobham, the EUR1.5 billion financing to support the acquisition of life sciences measurement and testing business, LGC and the EUR600 million financing to support the takeover by Platinum of Biscuit international.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Broad European Loan Fund (continued)

While managers are reliant on general corporate activity to determine supply levels and, indirectly, the returns on offer in the market, what is fully in their control is the quality of their portfolios. 2019 saw an increased level of bifurcation, both in the primary market - where some deals were multiple times oversubscribed, while others could only be sold at steep discounts - and the secondary market, where poorly performing loans fell sharply and more steeply than has been seen in the past. Aggressively-structured transactions will continue to be punished severely should company performance falter. And this will not go unheeded: regulatory scrutiny of the loan and CLO markets, that gathered pace in 2019, is unlikely to subside from here.

While there remains a number of challenges facing investors at the moment (low yields, end-of-cycle concerns, exposure to potential central bank policy errors, low growth, geopolitical turbulence) it remains our view that, in such uncertain environments, European loans remain attractive given the seniority, security and short duration they offer, together with the proven record of delivering consistently positive and relatively stable returns with high running income over a range of economic conditions.

Nevertheless, while default rates remain relatively benign, a pick up towards the historical norms of 2-3% pa is likely over the next couple of years. Low economic growth, combined with the more aggressive structures and weaker documentation protections that have been seen over the past year, make greater dispersion of returns - and the volatility of those returns between managers - likely over the coming years. Stock selection (always key in such an asymmetric asset class), generated from access to assets and well-resourced teams focused on long term fundamental credit analysis, will become ever more important.

Following the escalation of the COVID-19 pandemic in March 2020 loan prices have fallen sharply, the likes of which we haven't seen since the GFC with the loan index down some 17% as at 19 March 2020. This is highly unusual as the European loan market has been fairly resilient in the face of various bouts of volatility over the past ten years (2011, 2016, 2018 etc) but this is a new type of crisis with huge levels of uncertainty as to how it impacts individuals and corporates at least in the short term. Right now the market has not been pricing in fundamentals but instead like other markets, prices are reflecting the need to raise or preserve cash in times of uncertainty. As a result with liquidity at a huge premium across all markets - even large, high quality names are priced in the 80s and more vulnerable credits well below that.

With regard to the impact on companies, it is of course hard to assess in this unprecedented environment - the longer term impact of supply chain disruption and of the virus spreading as a pandemic across the world with shutdowns of whole populations for a certain period cannot be realistically measured at present - most companies will not know the real impact of such disruption - against that of course will be the potential soothing effect of significant monetary policy loosening as announced by various central banks over the past few days and even fiscal policy impacts as seen in the UK last week.

However even though a global downturn is ahead, we would suggest that this is a period of dislocation for loan-prices not fundamental peril for large, strong, liquid companies that can wait out the next few months. Our loan portfolios consist near exclusively of such issuers - high quality, of size - and investors are exposed to them at predominantly senior secured level. While the pandemic may lead to a global recession in the next quarter or two, the return of the demand-side, when social isolation ends, could be fast and significant. Furthermore, the senior secured part of the corporate capital structure carries a significant valuation buffer, even were Enterprise Valuations to fall from their 11x average. When set against the aggregate portfolio characteristics of the fund today, we would suggest that there is ample liquidity and cushion inherent in the fund's population and companies of significant size to feel somewhat assured:

As with all markets there are a number of known and unknown unknowns but the underlying strengths of loans need to be remembered in times like this as when everything is so volatile it is easy to lose focus. Loan investors have exposure to:

- A diverse portfolio of predominantly senior secured loans offering high and stable running income with historically high recovery rates proven over a cycle
- Exposures across a range of sectors and geographies of generally large and high quality companies with strong market positions and cashflow positive borrowers but with limited exposures to the energy and retail sectors
- A market with an investor base dominated by long-term institutional capital with no daily dealing retail funds/ETFs that can accelerate volatility
- A market that has been through a cycle and a range of economic conditions - we have been in the market for 20 years and there has been just one down year which was fully recovered the following year

M&G Luxembourg S.A.
February 2020

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SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G SLK European Loan Fund

M&G SLK European Loan Fund (the "Fund") was launched on 20 August 2009. The Fund's NAV at 31 December 2019 was EUR222 million*.

The Fund remains well diversified, with 145 issuers in the portfolio as at 31 December 2019. The average spread increased to EURIBOR + 367bps (401bps including estimated value of EURIBOR floors in the portfolio, based on settled assets only). At year end the top ten holdings in the Fund represented 20% of Fund assets (on a market value basis), and the Fund was predominantly invested in senior secured loans (84% at the end of the year). Fund activity comprised purchases of EUR86 million, sales of EUR30 million and repayments of EUR57 million. The Fund returned 4.61% in 2019 (gross of fees), while E+400bps was 3.63% and the Credit Suisse Western European Leveraged Loan Index returned 5.03% (hedged to EUR).

In complete contrast to twelve months ago, a strong December rounded off an exceptional year across nearly all major asset classes as a number of the economic and political concerns holding down markets in 2019 failed to fully materialise and central banks continued with supportive monetary policies. The fourth quarter saw progress towards a US/China trade deal, a decisive result in the British election enabling a clearer position on Brexit (although the planned agreement of a trade deal with the EU within a one year timeframe is likely to prove challenging), generally positive economic data and better than anticipated company quarterly reporting.

Naturally in such a positive market environment, the riskier asset classes performed the most strongly with most of the major equity markets returning over 25% in 2019, while both the European and US high yield markets returned around 11% hedged to Euro. Even investment grade and low risk government bonds did well for investors, returning over 6% in Euro as dovish policies from the main central banks rewarded long duration assets.

Floating rate secured loans, being more defensive in nature than equities and high yield, and having minimal interest rate duration, are less volatile than most asset classes and therefore tend to underperform on a relative basis in risk-on periods. This was indeed the case in 2019 but as stated above, European loans performed well in absolute terms, with the 5% return being the best performance since 2016 and identical to the return of the US loan market when hedged back to Euro.

It should be remembered that this performance comes on the back of 2018 when European loans were one of the very few mainstream asset classes to produce a positive return – indeed it outperformed the US loan market by more than 2 percentage points that year and so it has continued its long term outperformance against that market, delivering some 60bps in extra return annually over the decade while exhibiting lower volatility. This stability remains an attractive feature of European loans for investors particularly given the low yields available on other asset classes following the 2019 rally, and indeed the on-going macro risks which could reverse sentiment quickly (escalating tensions between the US and Iran in early 2020 being one such example).

Demand remained high for European loans over the course of the year with new CLO issuance up to EUR29.8 billion from EUR27.3 billion in 2018 creating a new post crisis record while inflows from institutional investors both in Europe and Asia have anecdotally (there being no reported data) been positive again this year.

With strong demand and an inherent level of repayments in the asset class (25% pa on average), new supply is vital to keep new loan spreads at acceptable levels. Supply was fairly steady in 2019, totalling EUR81 billion, and split roughly evenly across the four quarters. This was below the EUR95 billion seen in 2018 but nevertheless was a respectable number, more than half of it coming from M&A, and as a result, while spreads have reduced slightly over the year, they remain attractive relative to what is available in other markets with new issues averaging a yield to maturity of just under 4% in euro terms.

As always, looking forward, the pace and volume of global Mergers & Acquisitions activity in the year ahead will be important in determining supply. PE fundraising has continued and there is now in excess of USD1.5 trillion of dry powder (a record) waiting to be used to finance acquisitions. Indeed, the European loan pipeline starts the year at over EUR15 billion spread across more than a dozen names including the EUR2 billion financing to support the buyout of UK defence company, Cobham, the EUR1.5 billion financing to support the acquisition of life sciences measurement and testing business, LGC and the EUR600 million financing to support the takeover by Platinum of Biscuit international.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G SLK European Loan Fund (continued)

While managers are reliant on general corporate activity to determine supply levels and, indirectly, the returns on offer in the market, what is fully in their control is the quality of their portfolios. 2019 saw an increased level of bifurcation, both in the primary market - where some deals were multiple times oversubscribed, while others could only be sold at steep discounts - and the secondary market, where poorly performing loans fell sharply and more steeply than has been seen in the past. Aggressively-structured transactions will continue to be punished severely should company performance falter. And this will not go unheeded: regulatory scrutiny of the loan and CLO markets, that gathered pace in 2019, is unlikely to subside from here.

While there remains a number of challenges facing investors at the moment (low yields, end-of-cycle concerns, exposure to potential central bank policy errors, low growth, geopolitical turbulence) it remains our view that, in such uncertain environments, European loans remain attractive given the seniority, security and short duration they offer, together with the proven record of delivering consistently positive and relatively stable returns with high running income over a range of economic conditions.

Nevertheless, while default rates remain relatively benign, a pick up towards the historical norms of 2-3% pa is likely over the next couple of years. Low economic growth, combined with the more aggressive structures and weaker documentation protections that have been seen over the past year, make greater dispersion of returns - and the volatility of those returns between managers - likely over the coming years. Stock selection (always key in such an asymmetric asset class), generated from access to assets and well-resourced teams focused on long term fundamental credit analysis, will become ever more important.

Following the escalation of the COVID-19 pandemic in March 2020 loan prices have fallen sharply, the likes of which we haven't seen since the GFC with the loan index down some 17% as at 19 March 2020. This is highly unusual as the European loan market has been fairly resilient in the face of various bouts of volatility over the past ten years (2011, 2016, 2018 etc) but this is a new type of crisis with huge levels of uncertainty as to how it impacts individuals and corporates at least in the short term. Right now the market has not been pricing in fundamentals but instead like other markets, prices are reflecting the need to raise or preserve cash in times of uncertainty. As a result with liquidity at a huge premium across all markets - even large, high quality names are priced in the 80s and more vulnerable credits well below that.

With regard to the impact on companies, it is of course hard to assess in this unprecedented environment - the longer term impact of supply chain disruption and of the virus spreading as a pandemic across the world with shutdowns of whole populations for a certain period cannot be realistically measured at present - most companies will not know the real impact of such disruption - against that of course will be the potential soothing effect of significant monetary policy loosening as announced by various central banks over the past few days and even fiscal policy impacts as seen in the UK last week.

However even though a global downturn is ahead, we would suggest that this is a period of dislocation for loan-prices not fundamental peril for large, strong, liquid companies that can wait out the next few months. Our loan portfolios consist near exclusively of such issuers - high quality, of size - and investors are exposed to them at predominantly senior secured level. While the pandemic may lead to a global recession in the next quarter or two, the return of the demand-side, when social isolation ends, could be fast and significant. Furthermore, the senior secured part of the corporate capital structure carries a significant valuation buffer, even were Enterprise Valuations to fall from their 11x average. When set against the aggregate portfolio characteristics of the fund today, we would suggest that there is ample liquidity and cushion inherent in the fund's population and companies of significant size to feel somewhat assured.

As with all markets there are a number of known and unknown unknowns but the underlying strengths of loans need to be remembered in times like this as when everything is so volatile it is easy to lose focus. Loan investors have exposure to:

- A diverse portfolio of predominantly senior secured loans offering high and stable running income with historically high recovery rates proven over a cycle
- Exposures across a range of sectors and geographies of generally large and high quality companies with strong market positions and cashflow positive borrowers but with limited exposures to the energy and retail sectors
- A market with an investor base dominated by long-term institutional capital with no daily dealing retail funds/ETFs that can accelerate volatility
- A market that has been through a cycle and a range of economic conditions - we have been in the market for 20 years and there has been just one down year which was fully recovered the following year

M&G Luxembourg S.A.
February 2020

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SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Active European Loan Fund

M&G Active European Loan Fund (the "Fund") was launched on 4 November 2010, with net investor subscriptions of EUR183 million since that date. At the end of 2019 the Fund's total Net Asset Value was EUR270 million*.

The Fund remains well diversified, with 145 issuers in the portfolio as at 31 December 2019. The average spread increased to EURIBOR + 371bps (404 bps including estimated value of the LIBOR/EURIBOR floors in the portfolio) based on settled assets only). The top ten holdings in the Fund represented 20% of Fund assets (on a market value basis), and the Fund remained mainly invested in senior secured loans (85% of investments at the end of the year). Fund activity comprised purchases of EUR108 million, sales of EUR108million and early repayments of EUR73 million. The Fund returned 4.5% in 2019 (gross of fees), while E+400bps was 3.63% and the Credit Suisse Western European Leveraged Loan Index returned 5.03% (hedged to EUR). The Fund received EUR8.8 million in gains and EUR11.6 million in losses during the year ended 31 December 2019.

In complete contrast to twelve months ago, a strong December rounded off an exceptional year across nearly all major asset classes as a number of the economic and political concerns holding down markets in 2019 failed to fully materialise and central banks continued with supportive monetary policies. The fourth quarter saw progress towards a US/China trade deal, a decisive result in the British election enabling a clearer position on Brexit (although the planned agreement of a trade deal with the EU within a one year timeframe is likely to prove challenging), generally positive economic data and better than anticipated company quarterly reporting.

Naturally in such a positive market environment, the riskier asset classes performed the most strongly with most of the major equity markets returning over 25% in 2019, while both the European and US high yield markets returned around 11% hedged to Euro. Even investment grade and low risk government bonds did well for investors, returning over 6% in Euro as dovish policies from the main central banks rewarded long duration assets.

Floating rate secured loans, being more defensive in nature than equities and high yield, and having minimal interest rate duration, are less volatile than most asset classes and therefore tend to underperform on a relative basis in risk-on periods. This was indeed the case in 2019 but as stated above, European loans performed well in absolute terms, with the 5% return being the best performance since 2016 and identical to the return of the US loan market when hedged back to Euro.

It should be remembered that this performance comes on the back of 2018 when European loans were one of the very few mainstream asset classes to produce a positive return – indeed it outperformed the US loan market by more than 2 percentage points that year and so it has continued its long term outperformance against that market, delivering some 60bps in extra return annually over the decade while exhibiting lower volatility. This stability remains an attractive feature of European loans for investors particularly given the low yields available on other asset classes following the 2019 rally, and indeed the on-going macro risks which could reverse sentiment quickly (escalating tensions between the US and Iran in early 2020 being one such example).

Demand remained high for European loans over the course of the year with new CLO issuance up to EUR29.8 billion from EUR27.3 billion in 2018 creating a new post crisis record while inflows from institutional investors both in Europe and Asia have anecdotally (there being no reported data) been positive again this year.

With strong demand and an inherent level of repayments in the asset class (25% pa on average), new supply is vital to keep new loan spreads at acceptable levels. Supply was fairly steady in 2019, totalling EUR81 billion, and split roughly evenly across the four quarters. This was below the EUR95 billion seen in 2018 but nevertheless was a respectable number, more than half of it coming from M&A, and as a result, while spreads have reduced slightly over the year, they remain attractive relative to what is available in other markets with new issues averaging a yield to maturity of just under 4% in euro terms.

As always, looking forward, the pace and volume of global Mergers & Acquisitions activity in the year ahead will be important in determining supply. PE fundraising has continued and there is now in excess of USD1.5 trillion of dry powder (a record) waiting to be used to finance acquisitions. Indeed, the European loan pipeline starts the year at over EUR15 billion spread across more than a dozen names including the EUR2 billion financing to support the buyout of UK defence company, Cobham, the EUR1.5 billion financing to support the acquisition of life sciences measurement and testing business, LGC and the EUR600 million financing to support the takeover by Platinum of Biscuit international.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Active European Loan Fund (continued)

While managers are reliant on general corporate activity to determine supply levels and, indirectly, the returns on offer in the market, what is fully in their control is the quality of their portfolios. 2019 saw an increased level of bifurcation, both in the primary market - where some deals were multiple times oversubscribed, while others could only be sold at steep discounts - and the secondary market, where poorly performing loans fell sharply and more steeply than has been seen in the past. Aggressively-structured transactions will continue to be punished severely should company performance falter. And this will not go unheeded: regulatory scrutiny of the loan and CLO markets, that gathered pace in 2019, is unlikely to subside from here.

While there remains a number of challenges facing investors at the moment (low yields, end-of-cycle concerns, exposure to potential central bank policy errors, low growth, geopolitical turbulence) it remains our view that, in such uncertain environments, European loans remain attractive given the seniority, security and short duration they offer, together with the proven record of delivering consistently positive and relatively stable returns with high running income over a range of economic conditions.

Nevertheless, while default rates remain relatively benign, a pick up towards the historical norms of 2-3% pa is likely over the next couple of years. Low economic growth, combined with the more aggressive structures and weaker documentation protections that have been seen over the past year, make greater dispersion of returns - and the volatility of those returns between managers - likely over the coming years. Stock selection (always key in such an asymmetric asset class), generated from access to assets and well-resourced teams focused on long term fundamental credit analysis, will become ever more important.

Following the escalation of the COVID-19 pandemic in March 2020 loan prices have fallen sharply, the likes of which we haven't seen since the GFC with the loan index down some 17% as at 19 March 2020. This is highly unusual as the European loan market has been fairly resilient in the face of various bouts of volatility over the past ten years (2011, 2016, 2018 etc) but this is a new type of crisis with huge levels of uncertainty as to how it impacts individuals and corporates at least in the short term. Right now the market has not been pricing in fundamentals but instead like other markets, prices are reflecting the need to raise or preserve cash in times of uncertainty. As a result with liquidity at a huge premium across all markets - even large, high quality names are priced in the 80s and more vulnerable credits well below that.

With regard to the impact on companies, it is of course hard to assess in this unprecedented environment - the longer term impact of supply chain disruption and of the virus spreading as a pandemic across the world with shutdowns of whole populations for a certain period cannot be realistically measured at present - most companies will not know the real impact of such disruption - against that of course will be the potential soothing effect of significant monetary policy loosening as announced by various central banks over the past few days and even fiscal policy impacts as seen in the UK last week.

However even though a global downturn is ahead, we would suggest that this is a period of dislocation for loan-prices not fundamental peril for large, strong, liquid companies that can wait out the next few months. Our loan portfolios consist near exclusively of such issuers - high quality, of size - and investors are exposed to them at predominantly senior secured level. While the pandemic may lead to a global recession in the next quarter or two, the return of the demand-side, when social isolation ends, could be fast and significant. Furthermore, the senior secured part of the corporate capital structure carries a significant valuation buffer, even were Enterprise Valuations to fall from their 11x average. When set against the aggregate portfolio characteristics of the fund today, we would suggest that there is ample liquidity and cushion inherent in the fund's population and companies of significant size to feel somewhat assured.

As with all markets there are a number of known and unknown unknowns but the underlying strengths of loans need to be remembered in times like this as when everything is so volatile it is easy to lose focus. Loan investors have exposure to:

- A diverse portfolio of predominantly senior secured loans offering high and stable running income with historically high recovery rates proven over a cycle
- Exposures across a range of sectors and geographies of generally large and high quality companies with strong market positions and cashflow positive borrowers but with limited exposures to the energy and retail sectors
- A market with an investor base dominated by long-term institutional capital with no daily dealing retail funds/ETFs that can accelerate volatility
- A market that has been through a cycle and a range of economic conditions - we have been in the market for 20 years and there has been just one down year which was fully recovered the following year

M&G Luxembourg S.A. February 2020

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SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Conservative European Loan Fund

M&G Conservative European Loan Fund (the "Fund") was launched on 8 June 2010, and has seen net inflows of GBP360 million since inception. The Fund's NAV at the end of 2019 was GBP494 million*.

The Fund remains well diversified, with 58 issuers in the portfolio as at 31 December 2019. The weighted average nominal coupon decreased during the year to LIBOR + 267bps (296bps including the estimated value of LIBOR/EURIBOR floors in the portfolio, based on settled assets only) and at year end the top ten holdings in the Fund represented approximately 34% of Fund assets on a market value basis. Fund activity comprised purchases of EUR305 million, sales of EUR50 million and early repayments of EUR205 million. The Fund returned 6.40% in 2019 (gross of fees), whilst L+300bps was 3.83%. The Fund received GBP64.5 million in gains and GBP60.2 million in losses during the year ended 31 December 2019.

In complete contrast to twelve months ago, a strong December rounded off an exceptional year across nearly all major asset classes as a number of the economic and political concerns holding down markets in 2019 failed to fully materialise and central banks continued with supportive monetary policies. The fourth quarter saw progress towards a US/China trade deal, a decisive result in the British election enabling a clearer position on Brexit (although the planned agreement of a trade deal with the EU within a one year timeframe is likely to prove challenging), generally positive economic data and better than anticipated company quarterly reporting.

Naturally in such a positive market environment, the riskier asset classes performed the most strongly with most of the major equity markets returning over 25% in 2019, while both the European and US high yield markets returned around 11% hedged to Euro. Even investment grade and low risk government bonds did well for investors, returning over 6% in Euro as dovish policies from the main central banks rewarded long duration assets.

Floating rate secured loans, being more defensive in nature than equities and high yield, and having minimal interest rate duration, are less volatile than most asset classes and therefore tend to underperform on a relative basis in risk-on periods. This was indeed the case in 2019 but as stated above, European loans performed well in absolute terms, with the 5% return being the best performance since 2016 and identical to the return of the US loan market when hedged back to Euro.

It should be remembered that this performance comes on the back of 2018 when European loans were one of the very few mainstream asset classes to produce a positive return – indeed it outperformed the US loan market by more than 2 percentage points that year and so it has continued its long term outperformance against that market, delivering some 60bps in extra return annually over the decade while exhibiting lower volatility. This stability remains an attractive feature of European loans for investors particularly given the low yields available on other asset classes following the 2019 rally, and indeed the on-going macro risks which could reverse sentiment quickly (escalating tensions between the US and Iran in early 2020 being one such example).

Demand remained high for European loans over the course of the year with new CLO issuance up to EUR29.8 billion from EUR27.3 billion in 2018 creating a new post crisis record while inflows from institutional investors both in Europe and Asia have anecdotally (there being no reported data) been positive again this year.

With strong demand and an inherent level of repayments in the asset class (25% pa on average), new supply is vital to keep new loan spreads at acceptable levels. Supply was fairly steady in 2019, totalling EUR81 billion, and split roughly evenly across the four quarters. This was below the EUR95 billion seen in 2018 but nevertheless was a respectable number, more than half of it coming from M&A, and as a result, while spreads have reduced slightly over the year, they remain attractive relative to what is available in other markets with new issues averaging a yield to maturity of just under 4% in euro terms.

As always, looking forward, the pace and volume of global Mergers & Acquisitions activity in the year ahead will be important in determining supply. PE fundraising has continued and there is now in excess of USD1.5 trillion of dry powder (a record) waiting to be used to finance acquisitions. Indeed, the European loan pipeline starts the year at over EUR15 billion spread across more than a dozen names including the EUR2 billion financing to support the buyout of UK defence company, Cobham, the EUR1.5 billion financing to support the acquisition of life sciences measurement and testing business, LGC and the EUR600 million financing to support the takeover by Platinum of Biscuit international.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Conservative European Loan Fund (continued)

While managers are reliant on general corporate activity to determine supply levels and, indirectly, the returns on offer in the market, what is fully in their control is the quality of their portfolios. 2019 saw an increased level of bifurcation, both in the primary market - where some deals were multiple times oversubscribed, while others could only be sold at steep discounts - and the secondary market, where poorly performing loans fell sharply and more steeply than has been seen in the past. Aggressively-structured transactions will continue to be punished severely should company performance falter. And this will not go unheeded: regulatory scrutiny of the loan and CLO markets, that gathered pace in 2019, is unlikely to subside from here.

While there remains a number of challenges facing investors at the moment (low yields, end-of-cycle concerns, exposure to potential central bank policy errors, low growth, geopolitical turbulence) it remains our view that, in such uncertain environments, European loans remain attractive given the seniority, security and short duration they offer, together with the proven record of delivering consistently positive and relatively stable returns with high running income over a range of economic conditions.

Nevertheless, while default rates remain relatively benign, a pick up towards the historical norms of 2-3% pa is likely over the next couple of years. Low economic growth, combined with the more aggressive structures and weaker documentation protections that have been seen over the past year, make greater dispersion of returns - and the volatility of those returns between managers - likely over the coming years. Stock selection (always key in such an asymmetric asset class), generated from access to assets and well-resourced teams focused on long term fundamental credit analysis, will become ever more important.

Following the escalation of the COVID-19 pandemic in March 2020 loan prices have fallen sharply, the likes of which we haven't seen since the GFC with the loan index down some 17% as at 19 March 2020. This is highly unusual as the European loan market has been fairly resilient in the face of various bouts of volatility over the past ten years (2011, 2016, 2018 etc) but this is a new type of crisis with huge levels of uncertainty as to how it impacts individuals and corporates at least in the short term. Right now the market has not been pricing in fundamentals but instead like other markets, prices are reflecting the need to raise or preserve cash in times of uncertainty. As a result with liquidity at a huge premium across all markets - even large, high quality names are priced in the 80s and more vulnerable credits well below that.

With regard to the impact on companies, it is of course hard to assess in this unprecedented environment - the longer term impact of supply chain disruption and of the virus spreading as a pandemic across the world with shutdowns of whole populations for a certain period cannot be realistically measured at present - most companies will not know the real impact of such disruption - against that of course will be the potential soothing effect of significant monetary policy loosening as announced by various central banks over the past few days and even fiscal policy impacts as seen in the UK last week.

However even though a global downturn is ahead, we would suggest that this is a period of dislocation for loan-prices not fundamental peril for large, strong, liquid companies that can wait out the next few months. Our loan portfolios consist near exclusively of such issuers - high quality, of size - and investors are exposed to them at predominantly senior secured level. While the pandemic may lead to a global recession in the next quarter or two, the return of the demand-side, when social isolation ends, could be fast and significant. Furthermore, the senior secured part of the corporate capital structure carries a significant valuation buffer, even were Enterprise Valuations to fall from their 11x average. When set against the aggregate portfolio characteristics of the fund today, we would suggest that there is ample liquidity and cushion inherent in the fund's population and companies of significant size to feel somewhat assured.

As with all markets there are a number of known and unknown unknowns but the underlying strengths of loans need to be remembered in times like this as when everything is so volatile it is easy to lose focus. Loan investors have exposure to:

- A diverse portfolio of predominantly senior secured loans offering high and stable running income with historically high recovery rates proven over a cycle
- Exposures across a range of sectors and geographies of generally large and high quality companies with strong market positions and cashflow positive borrowers but with limited exposures to the energy and retail sectors
- A market with an investor base dominated by long-term institutional capital with no daily dealing retail funds/ETFs that can accelerate volatility
- A market that has been through a cycle and a range of economic conditions - we have been in the market for 20 years and there has been just one down year which was fully recovered the following year

M&G Luxembourg S.A. February 2020

* Please see note 22 for the reconciliation of the published Net Asset Value to the Net Asset Value as disclosed in these financial statements. For a detailed description of the Fund's risk management objectives and policies, please see note 12.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Independent European Loan Fund

M&G Independent European Loan Fund (the "Fund") was launched on 29 June 2012, with EUR331 million in investor subscriptions since then. At the end of 2019 the Fund's NAV was EUR385 million*.

The Fund remains well diversified, with 146 issuers in the portfolio as at 31 December 2019. The average spread increased during the year to LIBOR/EURIBOR + 369bps (404bps including the estimated value of the LIBOR/EURIBOR floors in the portfolio) based on settled assets only). At year end the top ten holdings in the Fund represented approximately 19% of Fund assets (on a market value basis), and the Fund was almost exclusively invested in senior secured loans (c. 85% at the end of the year). Fund activity comprised purchases of EUR134 million, sales of EUR42 million and repayments of EUR102 million. The Fund returned 4.54% in 2019 (gross of fees), while E+400bps was 3.63% and the Credit Suisse Western European Leveraged Loan Index returned 5.03% (hedged to EUR). The Fund received EUR9.2 million in gains and EUR12.5 million in losses during the year ended 31 December 2019.

In complete contrast to twelve months ago, a strong December rounded off an exceptional year across nearly all major asset classes as a number of the economic and political concerns holding down markets in 2019 failed to fully materialise and central banks continued with supportive monetary policies. The fourth quarter saw progress towards a US/China trade deal, a decisive result in the British election enabling a clearer position on Brexit (although the planned agreement of a trade deal with the EU within a one year timeframe is likely to prove challenging), generally positive economic data and better than anticipated company quarterly reporting.

Naturally in such a positive market environment, the riskier asset classes performed the most strongly with most of the major equity markets returning over 25% in 2019, while both the European and US high yield markets returned around 11% hedged to Euro. Even investment grade and low risk government bonds did well for investors, returning over 6% in Euro as dovish policies from the main central banks rewarded long duration assets.

Floating rate secured loans, being more defensive in nature than equities and high yield, and having minimal interest rate duration, are less volatile than most asset classes and therefore tend to underperform on a relative basis in risk-on periods. This was indeed the case in 2019 but as stated above, European loans performed well in absolute terms, with the 5% return being the best performance since 2016 and identical to the return of the US loan market when hedged back to Euro.

It should be remembered that this performance comes on the back of 2018 when European loans were one of the very few mainstream asset classes to produce a positive return – indeed it outperformed the US loan market by more than 2 percentage points that year and so it has continued its long term outperformance against that market, delivering some 60bps in extra return annually over the decade while exhibiting lower volatility. This stability remains an attractive feature of European loans for investors particularly given the low yields available on other asset classes following the 2019 rally, and indeed the on-going macro risks which could reverse sentiment quickly (escalating tensions between the US and Iran in early 2020 being one such example).

Demand remained high for European loans over the course of the year with new CLO issuance up to EUR29.8 billion from EUR27.3 billion in 2018 creating a new post crisis record while inflows from institutional investors both in Europe and Asia have anecdotally (there being no reported data) been positive again this year.

With strong demand and an inherent level of repayments in the asset class (25% pa on average), new supply is vital to keep new loan spreads at acceptable levels. Supply was fairly steady in 2019, totalling EUR81 billion, and split roughly evenly across the four quarters. This was below the EUR95 billion seen in 2018 but nevertheless was a respectable number, more than half of it coming from M&A, and as a result, while spreads have reduced slightly over the year, they remain attractive relative to what is available in other markets with new issues averaging a yield to maturity of just under 4% in euro terms.

As always, looking forward, the pace and volume of global Mergers & Acquisitions activity in the year ahead will be important in determining supply. PE fundraising has continued and there is now in excess of USD1.5 trillion of dry powder (a record) waiting to be used to finance acquisitions. Indeed, the European loan pipeline starts the year at over EUR15 billion spread across more than a dozen names including the EUR2 billion financing to support the buyout of UK defence company, Cobham, the EUR1.5 billion financing to support the acquisition of life sciences measurement and testing business, LGC and the EUR600 million financing to support the takeover by Platinum of Biscuit international.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Independent European Loan Fund (continued)

While managers are reliant on general corporate activity to determine supply levels and, indirectly, the returns on offer in the market, what is fully in their control is the quality of their portfolios. 2019 saw an increased level of bifurcation, both in the primary market - where some deals were multiple times oversubscribed, while others could only be sold at steep discounts - and the secondary market, where poorly performing loans fell sharply and more steeply than has been seen in the past. Aggressively-structured transactions will continue to be punished severely should company performance falter. And this will not go unheeded: regulatory scrutiny of the loan and CLO markets, that gathered pace in 2019, is unlikely to subside from here.

While there remains a number of challenges facing investors at the moment (low yields, end-of-cycle concerns, exposure to potential central bank policy errors, low growth, geopolitical turbulence) it remains our view that, in such uncertain environments, European loans remain attractive given the seniority, security and short duration they offer, together with the proven record of delivering consistently positive and relatively stable returns with high running income over a range of economic conditions.

Nevertheless, while default rates remain relatively benign, a pick up towards the historical norms of 2-3% pa is likely over the next couple of years. Low economic growth, combined with the more aggressive structures and weaker documentation protections that have been seen over the past year, make greater dispersion of returns - and the volatility of those returns between managers - likely over the coming years. Stock selection (always key in such an asymmetric asset class), generated from access to assets and well-resourced teams focused on long term fundamental credit analysis, will become ever more important.

Following the escalation of the COVID-19 pandemic in March 2020 loan prices have fallen sharply, the likes of which we haven't seen since the GFC with the loan index down some 17% as at 19 March 2020. This is highly unusual as the European loan market has been fairly resilient in the face of various bouts of volatility over the past ten years (2011, 2016, 2018 etc) but this is a new type of crisis with huge levels of uncertainty as to how it impacts individuals and corporates at least in the short term. Right now the market has not been pricing in fundamentals but instead like other markets, prices are reflecting the need to raise or preserve cash in times of uncertainty. As a result with liquidity at a huge premium across all markets - even large, high quality names are priced in the 80s and more vulnerable credits well below that.

With regard to the impact on companies, it is of course hard to assess in this unprecedented environment - the longer term impact of supply chain disruption and of the virus spreading as a pandemic across the world with shutdowns of whole populations for a certain period cannot be realistically measured at present - most companies will not know the real impact of such disruption - against that of course will be the potential soothing effect of significant monetary policy loosening as announced by various central banks over the past few days and even fiscal policy impacts as seen in the UK last week.

However even though a global downturn is ahead, we would suggest that this is a period of dislocation for loan-prices not fundamental peril for large, strong, liquid companies that can wait out the next few months. Our loan portfolios consist near exclusively of such issuers - high quality, of size - and investors are exposed to them at predominantly senior secured level. While the pandemic may lead to a global recession in the next quarter or two, the return of the demand-side, when social isolation ends, could be fast and significant. Furthermore, the senior secured part of the corporate capital structure carries a significant valuation buffer, even were Enterprise Valuations to fall from their 11x average. When set against the aggregate portfolio characteristics of the fund today, we would suggest that there is ample liquidity and cushion inherent in the fund's population and companies of significant size to feel somewhat assured.

As with all markets there are a number of known and unknown unknowns but the underlying strengths of loans need to be remembered in times like this as when everything is so volatile it is easy to lose focus. Loan investors have exposure to:

- A diverse portfolio of predominantly senior secured loans offering high and stable running income with historically high recovery rates proven over a cycle
- Exposures across a range of sectors and geographies of generally large and high quality companies with strong market positions and cashflow positive borrowers but with limited exposures to the energy and retail sectors
- A market with an investor base dominated by long-term institutional capital with no daily dealing retail funds/ETFs that can accelerate volatility
- A market that has been through a cycle and a range of economic conditions - we have been in the market for 20 years and there has been just one down year which was fully recovered the following year

M&G Luxembourg S.A February 2020

* Please see note 22 for the reconciliation of the published Net Asset Value to the Net Asset Value as disclosed in these financial statements. For a detailed description of the Fund's risk management objectives and policies, please see note 12.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Versatile European Loan Fund

M&G Versatile European Loan Fund (the "Fund") was launched on 1 August 2013. The Fund's total Net Asset Value was GBP143 million* at the end of 2019.

The Fund remains well diversified, with 142 issuers in the portfolio as at 31 December 2019. The average spread increased to LIBOR + 376bps (411bps including the estimated value of the LIBOR floors in the portfolio, based on settled assets only). The top ten holdings in the Fund represented 21% of Fund assets (on a market value basis), and the Fund was predominantly invested in senior secured loans (c. 83% at the end of the year). Fund activity during the year comprised purchases of EUR70 million, sales of EUR24 million and early repayments of EUR42 million. The Fund returned 5.75% in 2019 (gross of fees), while L+400bps was 4.83% and the Credit Suisse Western European Leveraged Loan Index 6.25% (hedged to GBP). The Fund received GBP19.3 million in gains and GBP16.7 million in losses during the year ended 31 December 2019.

In complete contrast to twelve months ago, a strong December rounded off an exceptional year across nearly all major asset classes as a number of the economic and political concerns holding down markets in 2019 failed to fully materialise and central banks continued with supportive monetary policies. The fourth quarter saw progress towards a US/China trade deal, a decisive result in the British election enabling a clearer position on Brexit (although the planned agreement of a trade deal with the EU within a one year timeframe is likely to prove challenging), generally positive economic data and better than anticipated company quarterly reporting.

Naturally in such a positive market environment, the riskier asset classes performed the most strongly with most of the major equity markets returning over 25% in 2019, while both the European and US high yield markets returned around 11% hedged to Euro. Even investment grade and low risk government bonds did well for investors, returning over 6% in Euro as dovish policies from the main central banks rewarded long duration assets.

Floating rate secured loans, being more defensive in nature than equities and high yield, and having minimal interest rate duration, are less volatile than most asset classes and therefore tend to underperform on a relative basis in risk-on periods. This was indeed the case in 2019 but as stated above, European loans performed well in absolute terms, with the 5% return being the best performance since 2016 and identical to the return of the US loan market when hedged back to Euro.

It should be remembered that this performance comes on the back of 2018 when European loans were one of the very few mainstream asset classes to produce a positive return – indeed it outperformed the US loan market by more than 2 percentage points that year and so it has continued its long term outperformance against that market, delivering some 60bps in extra return annually over the decade while exhibiting lower volatility. This stability remains an attractive feature of European loans for investors particularly given the low yields available on other asset classes following the 2019 rally, and indeed the on-going macro risks which could reverse sentiment quickly (escalating tensions between the US and Iran in early 2020 being one such example).

Demand remained high for European loans over the course of the year with new CLO issuance up to EUR29.8 billion from EUR27.3 billion in 2018 creating a new post crisis record while inflows from institutional investors both in Europe and Asia have anecdotally (there being no reported data) been positive again this year.

With strong demand and an inherent level of repayments in the asset class (25% pa on average), new supply is vital to keep new loan spreads at acceptable levels. Supply was fairly steady in 2019, totalling EUR81 billion, and split roughly evenly across the four quarters. This was below the EUR95 billion seen in 2018 but nevertheless was a respectable number, more than half of it coming from M&A, and as a result, while spreads have reduced slightly over the year, they remain attractive relative to what is available in other markets with new issues averaging a yield to maturity of just under 4% in euro terms.

As always, looking forward, the pace and volume of global Mergers & Acquisitions activity in the year ahead will be important in determining supply. PE fundraising has continued and there is now in excess of USD1.5 trillion of dry powder (a record) waiting to be used to finance acquisitions. Indeed, the European loan pipeline starts the year at over EUR15 billion spread across more than a dozen names including the EUR2 billion financing to support the buyout of UK defence company, Cobham, the EUR1.5 billion financing to support the acquisition of life sciences measurement and testing business, LGC and the EUR600 million financing to support the takeover by Platinum of Biscuit international.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Versatile European Loan Fund (continued)

While managers are reliant on general corporate activity to determine supply levels and, indirectly, the returns on offer in the market, what is fully in their control is the quality of their portfolios. 2019 saw an increased level of bifurcation, both in the primary market - where some deals were multiple times oversubscribed, while others could only be sold at steep discounts - and the secondary market, where poorly performing loans fell sharply and more steeply than has been seen in the past. Aggressively-structured transactions will continue to be punished severely should company performance falter. And this will not go unheeded: regulatory scrutiny of the loan and CLO markets, that gathered pace in 2019, is unlikely to subside from here.

While there remains a number of challenges facing investors at the moment (low yields, end-of-cycle concerns, exposure to potential central bank policy errors, low growth, geopolitical turbulence) it remains our view that, in such uncertain environments, European loans remain attractive given the seniority, security and short duration they offer, together with the proven record of delivering consistently positive and relatively stable returns with high running income over a range of economic conditions.

Nevertheless, while default rates remain relatively benign, a pick up towards the historical norms of 2-3% pa is likely over the next couple of years. Low economic growth, combined with the more aggressive structures and weaker documentation protections that have been seen over the past year, make greater dispersion of returns - and the volatility of those returns between managers - likely over the coming years. Stock selection (always key in such an asymmetric asset class), generated from access to assets and well-resourced teams focused on long term fundamental credit analysis, will become ever more important.

Following the escalation of the COVID-19 pandemic in March 2020 loan prices have fallen sharply, the likes of which we haven't seen since the GFC with the loan index down some 17% as at 19 March 2020. This is highly unusual as the European loan market has been fairly resilient in the face of various bouts of volatility over the past ten years (2011, 2016, 2018 etc) but this is a new type of crisis with huge levels of uncertainty as to how it impacts individuals and corporates at least in the short term. Right now the market has not been pricing in fundamentals but instead like other markets, prices are reflecting the need to raise or preserve cash in times of uncertainty. As a result with liquidity at a huge premium across all markets - even large, high quality names are priced in the 80s and more vulnerable credits well below that.

With regard to the impact on companies, it is of course hard to assess in this unprecedented environment - the longer term impact of supply chain disruption and of the virus spreading as a pandemic across the world with shutdowns of whole populations for a certain period cannot be realistically measured at present - most companies will not know the real impact of such disruption - against that of course will be the potential soothing effect of significant monetary policy loosening as announced by various central banks over the past few days and even fiscal policy impacts as seen in the UK last week.

However even though a global downturn is ahead, we would suggest that this is a period of dislocation for loan-prices not fundamental peril for large, strong, liquid companies that can wait out the next few months. Our loan portfolios consist near exclusively of such issuers - high quality, of size - and investors are exposed to them at predominantly senior secured level. While the pandemic may lead to a global recession in the next quarter or two, the return of the demand-side, when social isolation ends, could be fast and significant. Furthermore, the senior secured part of the corporate capital structure carries a significant valuation buffer, even were Enterprise Valuations to fall from their 11x average. When set against the aggregate portfolio characteristics of the fund today, we would suggest that there is ample liquidity and cushion inherent in the fund's population and companies of significant size to feel somewhat assured.

As with all markets there are a number of known and unknown unknowns but the underlying strengths of loans need to be remembered in times like this as when everything is so volatile it is easy to lose focus. Loan investors have exposure to:

- A diverse portfolio of predominantly senior secured loans offering high and stable running income with historically high recovery rates proven over a cycle
- Exposures across a range of sectors and geographies of generally large and high quality companies with strong market positions and cashflow positive borrowers but with limited exposures to the energy and retail sectors
- A market with an investor base dominated by long-term institutional capital with no daily dealing retail funds/ETFs that can accelerate volatility
- A market that has been through a cycle and a range of economic conditions - we have been in the market for 20 years and there has been just one down year which was fully recovered the following year

M&G Luxembourg S.A. February 2020

* Please see note 22 for the reconciliation of the published Net Asset Value to the Net Asset Value as disclosed in these financial statements. For a detailed description of the Fund's risk management objectives and policies, please see note 12.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Managed European Loan Fund

M&G Managed European Loan Fund (the "Fund") was launched on 15 August 2013. At the end of 2019 the Fund's total Net Asset Value was GBP517 million*.

The Fund remains well diversified, with 152 issuers in the portfolio as at 31 December 2019. The average spread decreased to LIBOR/EURIBOR + 369bps (401bps including the estimated value of the LIBOR/EURIBOR floors in the portfolio) based on settled assets only). At year end the top ten holdings in the Fund represented approximately 19% of Fund assets (on a market value basis), and the Fund was predominantly invested in senior secured loans (83%). Fund activity comprised purchases of EUR250 million, sales of EUR 87 million and repayments of EUR143 million. The GBP share class returned 5.77% in 2019 (gross of fees), while L+400bps returned 4.83% and the Credit Suisse Western European Leveraged Loan Index returned 6.25%, hedged to GBP. The Fund received GBP86.5 million in gains and GBP74.6 million in losses during the year ended 31 December 2019.

In complete contrast to twelve months ago, a strong December rounded off an exceptional year across nearly all major asset classes as a number of the economic and political concerns holding down markets in 2019 failed to fully materialise and central banks continued with supportive monetary policies. The fourth quarter saw progress towards a US/China trade deal, a decisive result in the British election enabling a clearer position on Brexit (although the planned agreement of a trade deal with the EU within a one year timeframe is likely to prove challenging), generally positive economic data and better than anticipated company quarterly reporting.

Naturally in such a positive market environment, the riskier asset classes performed the most strongly with most of the major equity markets returning over 25% in 2019, while both the European and US high yield markets returned around 11% hedged to Euro. Even investment grade and low risk government bonds did well for investors, returning over 6% in Euro as dovish policies from the main central banks rewarded long duration assets.

Floating rate secured loans, being more defensive in nature than equities and high yield, and having minimal interest rate duration, are less volatile than most asset classes and therefore tend to underperform on a relative basis in risk-on periods. This was indeed the case in 2019 but as stated above, European loans performed well in absolute terms, with the 5% return being the best performance since 2016 and identical to the return of the US loan market when hedged back to Euro.

It should be remembered that this performance comes on the back of 2018 when European loans were one of the very few mainstream asset classes to produce a positive return – indeed it outperformed the US loan market by more than 2 percentage points that year and so it has continued its long term outperformance against that market, delivering some 60bps in extra return annually over the decade while exhibiting lower volatility. This stability remains an attractive feature of European loans for investors particularly given the low yields available on other asset classes following the 2019 rally, and indeed the on-going macro risks which could reverse sentiment quickly (escalating tensions between the US and Iran in early 2020 being one such example).

Demand remained high for European loans over the course of the year with new CLO issuance up to EUR29.8 billion from EUR27.3 billion in 2018 creating a new post crisis record while inflows from institutional investors both in Europe and Asia have anecdotally (there being no reported data) been positive again this year.

With strong demand and an inherent level of repayments in the asset class (25% pa on average), new supply is vital to keep new loan spreads at acceptable levels. Supply was fairly steady in 2019, totalling EUR81 billion, and split roughly evenly across the four quarters. This was below the EUR95 billion seen in 2018 but nevertheless was a respectable number, more than half of it coming from M&A, and as a result, while spreads have reduced slightly over the year, they remain attractive relative to what is available in other markets with new issues averaging a yield to maturity of just under 4% in euro terms.

As always, looking forward, the pace and volume of global Mergers & Acquisitions activity in the year ahead will be important in determining supply. PE fundraising has continued and there is now in excess of USD1.5 trillion of dry powder (a record) waiting to be used to finance acquisitions. Indeed, the European loan pipeline starts the year at over EUR15 billion spread across more than a dozen names including the EUR2 billion financing to support the buyout of UK defence company, Cobham, the EUR1.5 billion financing to support the acquisition of life sciences measurement and testing business, LGC and the EUR600 million financing to support the takeover by Platinum of Biscuit international.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Managed European Loan Fund (continued)

While managers are reliant on general corporate activity to determine supply levels and, indirectly, the returns on offer in the market, what is fully in their control is the quality of their portfolios. 2019 saw an increased level of bifurcation, both in the primary market - where some deals were multiple times oversubscribed, while others could only be sold at steep discounts - and the secondary market, where poorly performing loans fell sharply and more steeply than has been seen in the past. Aggressively-structured transactions will continue to be punished severely should company performance falter. And this will not go unheeded: regulatory scrutiny of the loan and CLO markets, that gathered pace in 2019, is unlikely to subside from here.

While there remains a number of challenges facing investors at the moment (low yields, end-of-cycle concerns, exposure to potential central bank policy errors, low growth, geopolitical turbulence) it remains our view that, in such uncertain environments, European loans remain attractive given the seniority, security and short duration they offer, together with the proven record of delivering consistently positive and relatively stable returns with high running income over a range of economic conditions.

Nevertheless, while default rates remain relatively benign, a pick up towards the historical norms of 2-3% pa is likely over the next couple of years. Low economic growth, combined with the more aggressive structures and weaker documentation protections that have been seen over the past year, make greater dispersion of returns - and the volatility of those returns between managers - likely over the coming years. Stock selection (always key in such an asymmetric asset class), generated from access to assets and well-resourced teams focused on long term fundamental credit analysis, will become ever more important.

Following the escalation of the COVID-19 pandemic in March 2020 loan prices have fallen sharply, the likes of which we haven't seen since the GFC with the loan index down some 17% as at 19 March 2020. This is highly unusual as the European loan market has been fairly resilient in the face of various bouts of volatility over the past ten years (2011, 2016, 2018 etc) but this is a new type of crisis with huge levels of uncertainty as to how it impacts individuals and corporates at least in the short term. Right now the market has not been pricing in fundamentals but instead like other markets, prices are reflecting the need to raise or preserve cash in times of uncertainty. As a result with liquidity at a huge premium across all markets - even large, high quality names are priced in the 80s and more vulnerable credits well below that.

With regard to the impact on companies, it is of course hard to assess in this unprecedented environment - the longer term impact of supply chain disruption and of the virus spreading as a pandemic across the world with shutdowns of whole populations for a certain period cannot be realistically measured at present - most companies will not know the real impact of such disruption - against that of course will be the potential soothing effect of significant monetary policy loosening as announced by various central banks over the past few days and even fiscal policy impacts as seen in the UK last week.

However even though a global downturn is ahead, we would suggest that this is a period of dislocation for loan-prices not fundamental peril for large, strong, liquid companies that can wait out the next few months. Our loan portfolios consist near exclusively of such issuers - high quality, of size - and investors are exposed to them at predominantly senior secured level. While the pandemic may lead to a global recession in the next quarter or two, the return of the demand-side, when social isolation ends, could be fast and significant. Furthermore, the senior secured part of the corporate capital structure carries a significant valuation buffer, even were Enterprise Valuations to fall from their 11x average. When set against the aggregate portfolio characteristics of the fund today, we would suggest that there is ample liquidity and cushion inherent in the fund's population and companies of significant size to feel somewhat assured.

As with all markets there are a number of known and unknown unknowns but the underlying strengths of loans need to be remembered in times like this as when everything is so volatile it is easy to lose focus. Loan investors have exposure to:

- A diverse portfolio of predominantly senior secured loans offering high and stable running income with historically high recovery rates proven over a cycle
- Exposures across a range of sectors and geographies of generally large and high quality companies with strong market positions and cashflow positive borrowers but with limited exposures to the energy and retail sectors
- A market with an investor base dominated by long-term institutional capital with no daily dealing retail funds/ETFs that can accelerate volatility
- A market that has been through a cycle and a range of economic conditions - we have been in the market for 20 years and there has been just one down year which was fully recovered the following year

M&G Luxembourg S.A. February 2020

* Please see note 22 for the reconciliation of the published Net Asset Value to the Net Asset Value as disclosed in these financial statements. For a detailed description of the Fund's risk management objectives and policies, please see note 12.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Zeta European Loan Fund

M&G Zeta European Loan Fund (the "Fund") was launched on 4 August 2017. At the end of 2019 the Fund's total Net Asset Value was GBP297 million*.

The Fund is well diversified, with outstanding loans to a total of 144 businesses at the end of the year. The average spread was EURIBOR + 356bps (391bps including the estimated value of the EURIBOR floors in the portfolio, based on settled assets only). The top ten holdings in the Fund represented 19% of Fund assets (on a market value basis). Fund activity during the year end comprised purchases of EUR101 million, sales of EUR 46 million and early repayments of EUR67 million. The Fund returned 4.57% in 2019 (gross of fees), while E+400bps was 3.63% and the Credit Suisse Western European Leveraged Loan Index 5.03% (hedged to EUR). The Fund received EUR8 million in gains and EUR10.8 million in losses during the year ended 31 December 2019.

In complete contrast to twelve months ago, a strong December rounded off an exceptional year across nearly all major asset classes as a number of the economic and political concerns holding down markets in 2019 failed to fully materialise and central banks continued with supportive monetary policies. The fourth quarter saw progress towards a US/China trade deal, a decisive result in the British election enabling a clearer position on Brexit (although the planned agreement of a trade deal with the EU within a one year timeframe is likely to prove challenging), generally positive economic data and better than anticipated company quarterly reporting.

Naturally in such a positive market environment, the riskier asset classes performed the most strongly with most of the major equity markets returning over 25% in 2019, while both the European and US high yield markets returned around 11% hedged to Euro. Even investment grade and low risk government bonds did well for investors, returning over 6% in Euro as dovish policies from the main central banks rewarded long duration assets.

Floating rate secured loans, being more defensive in nature than equities and high yield, and having minimal interest rate duration, are less volatile than most asset classes and therefore tend to underperform on a relative basis in risk-on periods. This was indeed the case in 2019 but as stated above, European loans performed well in absolute terms, with the 5% return being the best performance since 2016 and identical to the return of the US loan market when hedged back to Euro.

It should be remembered that this performance comes on the back of 2018 when European loans were one of the very few mainstream asset classes to produce a positive return – indeed it outperformed the US loan market by more than 2 percentage points that year and so it has continued its long term outperformance against that market, delivering some 60bps in extra return annually over the decade while exhibiting lower volatility. This stability remains an attractive feature of European loans for investors particularly given the low yields available on other asset classes following the 2019 rally, and indeed the on-going macro risks which could reverse sentiment quickly (escalating tensions between the US and Iran in early 2020 being one such example).

Demand remained high for European loans over the course of the year with new CLO issuance up to EUR29.8 billion from EUR27.3 billion in 2018 creating a new post crisis record while inflows from institutional investors both in Europe and Asia have anecdotally (there being no reported data) been positive again this year.

With strong demand and an inherent level of repayments in the asset class (25% pa on average), new supply is vital to keep new loan spreads at acceptable levels. Supply was fairly steady in 2019, totalling EUR81 billion, and split roughly evenly across the four quarters. This was below the EUR95 billion seen in 2018 but nevertheless was a respectable number, more than half of it coming from M&A, and as a result, while spreads have reduced slightly over the year, they remain attractive relative to what is available in other markets with new issues averaging a yield to maturity of just under 4% in euro terms.

As always, looking forward, the pace and volume of global Mergers & Acquisitions activity in the year ahead will be important in determining supply. PE fundraising has continued and there is now in excess of USD1.5 trillion of dry powder (a record) waiting to be used to finance acquisitions. Indeed, the European loan pipeline starts the year at over EUR15 billion spread across more than a dozen names including the EUR2 billion financing to support the buyout of UK defence company, Cobham, the EUR1.5 billion financing to support the acquisition of life sciences measurement and testing business, LGC and the EUR600 million financing to support the takeover by Platinum of Biscuit international.

SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Zeta European Loan Fund (continued)

While managers are reliant on general corporate activity to determine supply levels and, indirectly, the returns on offer in the market, what is fully in their control is the quality of their portfolios. 2019 saw an increased level of bifurcation, both in the primary market - where some deals were multiple times oversubscribed, while others could only be sold at steep discounts - and the secondary market, where poorly performing loans fell sharply and more steeply than has been seen in the past. Aggressively-structured transactions will continue to be punished severely should company performance falter. And this will not go unheeded: regulatory scrutiny of the loan and CLO markets, that gathered pace in 2019, is unlikely to subside from here.

While there remains a number of challenges facing investors at the moment (low yields, end-of-cycle concerns, exposure to potential central bank policy errors, low growth, geopolitical turbulence) it remains our view that, in such uncertain environments, European loans remain attractive given the seniority, security and short duration they offer, together with the proven record of delivering consistently positive and relatively stable returns with high running income over a range of economic conditions.

Nevertheless, while default rates remain relatively benign, a pick up towards the historical norms of 2-3% pa is likely over the next couple of years. Low economic growth, combined with the more aggressive structures and weaker documentation protections that have been seen over the past year, make greater dispersion of returns - and the volatility of those returns between managers - likely over the coming years. Stock selection (always key in such an asymmetric asset class), generated from access to assets and well-resourced teams focused on long term fundamental credit analysis, will become ever more important.

Following the escalation of the COVID-19 pandemic in March 2020 loan prices have fallen sharply, the likes of which we haven't seen since the GFC with the loan index down some 17% as at 19 March 2020. This is highly unusual as the European loan market has been fairly resilient in the face of various bouts of volatility over the past ten years (2011, 2016, 2018 etc) but this is a new type of crisis with huge levels of uncertainty as to how it impacts individuals and corporates at least in the short term. Right now the market has not been pricing in fundamentals but instead like other markets, prices are reflecting the need to raise or preserve cash in times of uncertainty. As a result with liquidity at a huge premium across all markets - even large, high quality names are priced in the 80s and more vulnerable credits well below that.

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As with all markets there are a number of known and unknown unknowns but the underlying strengths of loans need to be remembered in times like this as when everything is so volatile it is easy to lose focus. Loan investors have exposure to:

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- Exposures across a range of sectors and geographies of generally large and high quality companies with strong market positions and cashflow positive borrowers but with limited exposures to the energy and retail sectors
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- A market that has been through a cycle and a range of economic conditions - we have been in the market for 20 years and there has been just one down year which was fully recovered the following year

M&G Luxembourg S.A. February 2020

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SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Alpha Opportunities Fund

The M&G Alpha Opportunities Fund ('the Fund') aims to take advantage of highly diversified opportunities in public and private credit markets, including, but not limited to, investment grade and high yield corporate bonds, leveraged loans, asset-backed and mortgage-backed securities. The Fund utilises M&G's extensive global research capabilities to identify fundamental value across securities and credit asset classes. In periods when the Fund is not being sufficiently compensated for taking risk, the Fund manager will aim to protect capital through allocating to low risk asset classes. Interest rate risk is minimised through the use of floating-rate bonds and fixed-rate bonds that are appropriately hedged.

At the end of 2019, the Fund's published NAV was EUR9.9 billion*. The Fund returned 7.24% (gross of fees) over the twelve months to 31 December 2019, while the benchmark (One-month LIBOR £) returned 0.72% over the same period. The Fund received EUR693 million in gains and EUR596 million in losses during the year ended 31 December 2019.

In Q1 2019, the Fund Sterling A share class posted gross performance of 2.38%, outperforming 1-month LIBOR by 2.21% for the quarter. The Fund's holdings in the industrial and financial sectors were significant contributors to performance. In particular, the Fund's positions in General Electric, Altice, Legal and General and the loan holdings were some of the largest contributors to performance.

In Q2 2019, the Fund (Sterling A share class) posted gross performance of 1.85%, outperforming 1-month LIBOR by 1.67% for the quarter. The Fund's holdings in the industrial and financial sectors were significant contributors to performance. In particular, the Fund's positions in Vallourec, Paprec, Legal and General, Banco Sabadell and Commerzbank were some of the largest contributors to performance.

In Q3 2019, the Fund (Sterling A Inc share class) posted gross performance of 0.74%, outperforming 1-month LIBOR by 0.55% for the quarter. The Fund's holdings in the industrial and financial sectors were significant contributors to performance. The allocation to Leveraged Loans continued to deliver steady performance, whilst issuer level positions in Telecom Italia, Altice, Vodafone, Peugeot, Assicurazioni Generali and Intesa San Paolo also performed well.

In Q4 2019, the Fund (Sterling A Inc share class) posted gross performance of 2.09%, outperforming 1-month LIBOR by 1.91% for the quarter. The Fund's holdings in the industrial and financial sectors were significant contributors to performance. The allocation to Leveraged Loans continued to deliver steady performance, whilst issuer level positions in Schmolz + Bickenbach, Virgin Money, Teva Pharmaceuticals, Telecom Italia, General Motors and General Electric performed strongly.

Outlook

Credit spreads in both investment grade and high yield markets were generally tighter at the end of the year as the economic outlook began to improve and trade tensions diminished, though pockets of value are still available. We remain defensively positioned however, retaining cash and cash like instruments to utilise as opportunities arise.

It would have been difficult to predict the emergence of Covid-19 and its global impact. However, a focus on valuations would have shown that through the latter part of 2019 and into early 2020, credit spreads were generally at tight levels. This is why across all of our credit strategies we have been defensively positioned and patiently building reserves of high quality assets waiting for more attractive opportunities to emerge. The recent sell-off has been sharp and wrongfooted many market participants, as you would expect, we have been selectively adding risk to our funds as opportunities have been identified.

The Fund has been adding risk as the market has fallen, and has raised its exposure to credit from a spread duration of 2.9 to 4.6 years. (Spread duration is a measure of the fund's sensitivity to the movement of credit spreads). In adding risk, the AIFM found longer dated US Dollar denominated paper to be very cheap relative to European markets. Consequently, a number of names were added that the manager considers to be of high quality, with the balance sheet depth and management commitment to successfully navigate current market conditions. Purchases included the debt of European banks denominated in Dollars, as well as Telecoms Media and Technology names such as AT&T and Disney, as well as industrial names such as Shell.

M&G Luxembourg S.A. February 2020

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SPECIALIST INVESTMENT FUNDS (1) PLC

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORTS (continued) for the financial year ended 31 December 2019

M&G Strategic Credit (1) Fund

Executive summary

The investment objective of M&G Strategic Credit (1) Fund (the "Fund") to create attractive levels of yield, consistent with prudent investment management via a diversified pool of debt assets. The Fund intends to achieve its investment objective by investing in a diversified portfolio of fixed income instruments (generally being debt instruments with a fixed, variable or floating rate coupon) to create an attractive level of yield. As at 31st December 2019 the published NAV of the Fund was EUR93 million* and during the year the Fund returned 1.14% (net of fees). The Fund received EUR Nil million in gains and EUR Nil million in losses during the year ended 31 December 2019.

Fund Update for 2019

The Fund continued to invest in the M&G Debt Opportunities Fund II, the Debt Investment Opportunities III Designated Activity Company, the Debt Finance Solutions Designated Activity Company and Debt Investment Opportunities IV Designated Activity Company. We are also maintaining a light cash buffer for future drawdowns and some small investments into money market funds which offer a more attractive yield than the negative rates offered by the Custodian.

Investment in M&G Debt Opportunities Fund

M&G Debt Opportunities Fund officially matured on 29th June 2019. The since inception net IRR of the Fund is 12.46% with a money multiple of 1.47x. The Fund is fully divested with only a residual balance still to be distributed to investors in the near future.

Investment in M&G Debt Opportunities Fund II

The value of the holding in the M&G Debt Opportunities Fund II as at 31 December 2019 was EUR 9.2 million. As at 31 December 2019 the Fund has returned 93% of each investor's original commitments. The since inception net IRR of the Fund is 8.25% with a current money multiple of 1.30x. The Fund's scheduled maturity has been extended to June 2020, we expect c80% of the Fund value to distribute back to investors by Q2 2020 with an additional one year extension also a possibility.

Investment in Debt Investment Opportunities III Designated Activity Company.

The value of the holding in the Debt Investment Opportunities III DAC vehicle as at 31 December 2019 was EUR 30.9 million. As at 31 December 2019 the Fund has returned 14% of each investor's original commitments. The since inception net IRR of the vehicle is 5.82% with a current money multiple of 1.17x. The vehicle is scheduled to mature October 2020.

Investment in Debt Investment Opportunities IV Designated Activity Company

The value of the holding in the Debt Investment Opportunities IV DAC vehicle as at 31 December 2019 was EUR 32.6 million. The original commitments are now fully drawn and two additional closes were completed during the 4th quarter. The since inception net IRR of the vehicle is -1.47% with a current money multiple of 0.99x. The vehicle's investment period runs until May 2020.

Investment in M&G Debt Finance Solutions Designated Activity Company

The value of the holding in the M&G Debt Finance Solutions Designated Activity Company as at 31 December 2019 is EUR 17.8 million. As at 31 December 2019 the vehicle has drawn 68% of its capital commitment from investors. The since inception net IRR of the vehicle is -7.02% with a current money multiple of 0.89x. The vehicle's investment period was further extended in 2019 and now runs until August 2020.

The Outlook for 2019

The overall macro picture for 2019 was mixed, the fourth quarter of 2019 saw global market gains off the back of easing political tensions between the US and China. In the UK, Sterling was volatile and strengthened in Q4 down to the landslide general election victory but ultimately faded when it was clear that a hard Brexit was still possible. In Europe, the key story was the slowdown in economic growth and ongoing political uncertainty around Brexit and domestic issues.

Going forward competition for investments remains high in the direct lending space as well as the distressed debt space. As always, the team researches and evaluates any new company that joins this universe and continues to monitor existing names.

Following the escalation of the COVID-19 pandemic in March 2020 and its negative impact on markets and economies, the AIFM's main focus has been to communicate with and review all of the portfolio of Fund, to ensure that the business have the right support and a liquidity runway to see through various scenarios. Given the scale of trading issues for all global assets, it's expected to see a near-term negative impact on the valuation of most deals. It is too early to assess how the situation will develop in the medium-long term and to estimate the potential impact on fund performance.

M&G Luxembourg S.A. February 2020

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST INVESTMENT FUNDS (1) PLC

Report on the audit of the financial statements

Opinion on the financial statements of Specialist Investment Funds (1) PLC ("the company")

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2019 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework, the applicable Regulations and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Net Assets attributable to holders of Redeemable Shares;
- the Statement of Cash Flows; and
- the related notes 1 to 25, including a summary of significant accounting policies as set out in note 2.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union or the relevant financial reporting framework"). The applicable regulations that have been applied in their preparation is the European Union (Alternative Investment Fund Managers) Regulations 2013 (as amended) and the Commission Delegated Regulation (EU) No.231/2013] ("the applicable Regulations").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report and audited financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST INVESTMENT FUNDS (1) PLC

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST INVESTMENT FUNDS (1) PLC

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.



Darren Griffin
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2.

30 April 2020

SPECIALIST INVESTMENT FUNDS (1) PLC

**STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2019**

	Note	M&G European Loan Fund EUR	M&G Dynamic European Loan Fund GBP	M&G Broad European Loan Fund GBP	M&G SLK European Loan Fund EUR	M&G Active European Loan Fund EUR	M&G Conservative European Loan Fund GBP	M&G Independent European Loan Fund EUR
Movement in fair value of the Subsidiary	4	198,584,586	(1,243,217)	2,041,566	12,865,231	18,468,179	8,346,193	21,923,380
Realised gain on derivatives		224,494,586	491,559	30,104,578	6,170,409	8,845,003	64,511,855	9,184,250
Realised loss on derivatives		(208,376,102)	(1,496,730)	(27,180,595)	(8,080,455)	(11,563,181)	(60,187,421)	(12,459,052)
Movement in unrealised gain/(loss) on derivatives		25,614,616	-	6,937,339	(1,114,591)	(1,960,254)	16,264,731	(1,675,691)
Net operating income/(expense)		240,317,686	(2,248,388)	11,902,888	9,840,594	13,789,747	28,935,358	16,972,887
AIFM fees	10	(19,922,296)	(440,541)	(905,967)	(988,709)	(1,174,951)	(2,125,439)	(1,721,384)
Administration fees	10	(1,000,000)	(61,146)	(99,888)	(103,022)	(138,029)	(221,218)	(179,409)
Legal fees and expenses		(15,000)	(20,000)	(10,000)	(9,973)	(10,000)	(10,000)	(9,973)
Audit fees	7	(525)	(459)	(459)	(525)	(525)	(459)	(525)
Directors' fees	10	(16,250)	(3,785)	(3,722)	(4,250)	(4,250)	(3,722)	(4,250)
Share class hedging fees		(205,724)	-	-	-	-	-	-
Other operating expenses		(122,771)	(32,931)	(52,686)	(54,478)	(59,502)	(46,422)	(59,231)
Operating expenses		(21,282,566)	(558,862)	(1,072,722)	(1,160,957)	(1,387,257)	(2,407,260)	(1,974,772)
Distributions to holders of redeemable shares from operations	9	(82,233,914)	-	(7,970,543)	(7,311,264)	(11,428,030)	(12,635,567)	-
Total comprehensive income/(expense) for the financial year		136,801,206	(2,807,250)	2,859,623	1,368,373	974,460	13,892,531	14,998,115

The accompanying notes are an integral part of these financial statements.

Gains and losses arose solely from continuing operations. There were no recognised gains or losses other than those dealt within the Statement of Comprehensive Income.

SPECIALIST INVESTMENT FUNDS (1) PLC

STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2019 (continued)

		M&G Versatile European Loan Fund GBP	M&G Managed European Loan Fund GBP	M&G Zeta European Loan Fund EUR	M&G Alpha Opportunities Fund EUR	M&G Strategic Credit (1) Fund EUR	Specialist Investment Funds (1) Plc EUR
	Note						
Movement in fair value of the Subsidiary	4	888,365	2,938,629	17,161,576	965,638,773	93,009	1,249,582,830
Realised gain on derivatives		19,333,570	86,508,763	7,999,812	693,497,516	-	1,180,212,889
Realised loss on derivatives		(16,712,184)	(74,600,568)	(10,791,006)	(595,561,915)	-	(1,053,075,043)
Movement in unrealised gain/(loss) on derivatives		4,463,303	7,953,392	(1,258,458)	94,623,635	-	155,000,901
Net operating income/(expense)		7,973,054	22,800,216	13,111,924	1,158,198,009	93,009	1,531,721,577
AIFM fees	10	(643,235)	(2,178,175)	(1,262,623)	(40,873,338)	-	(73,147,102)
Administration fees	10	(66,960)	(240,375)	(139,593)	(1,000,000)	(24,000)	(3,373,401)
Legal fees and expenses		(3,423)	(3,143)	(10,000)	(2,333)	(4,238)	(114,820)
Audit fees	7	(459)	(459)	(525)	(525)	(525)	(6,300)
Directors' fees	10	(3,722)	(3,722)	(4,250)	(15,250)	(7,250)	(77,124)
Share class hedging fees		-	(24,030)	-	(1,374,953)	-	(1,608,183)
Other operating expenses		(48,363)	(69,199)	(56,376)	(178,553)	(44,036)	(860,658)
Operating expenses		(766,162)	(2,519,103)	(1,473,367)	(43,444,952)	(80,049)	(79,187,588)
Distributions to holders of redeemable shares from operations	9	(4,913,855)	(17,381,397)	(9,573,039)	(225,250,780)	-	(384,904,823)
Total comprehensive income/(expense) for the financial year		2,293,037	2,899,716	2,065,518	889,502,277	12,960	1,067,629,166

The accompanying notes are an integral part of these financial statements.

Gains and losses arose solely from continuing operations. There were no recognised gains or losses other than those dealt within the Statement of Comprehensive Income.

SPECIALIST INVESTMENT FUNDS (1) PLC

**STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2018**

		M&G European Loan Fund EUR	M&G Dynamic European Loan Fund GBP	M&G Broad European Loan Fund GBP	M&G SLK European Loan Fund EUR	M&G Active European Loan Fund EUR	M&G Conservative European Loan Fund GBP	M&G Independent European Loan Fund EUR
	Note							
Movement in fair value of the Subsidiary	4	57,742,356	20,449,829	6,849,407	3,497,501	6,869,257	11,832,472	6,408,190
Realised gain on derivatives		164,783,142	3,235,375	17,778,174	5,022,692	9,769,500	35,863,348	8,713,497
Realised loss on derivatives		(167,533,232)	(1,907,462)	(16,402,574)	(6,649,791)	(12,862,645)	(36,405,955)	(11,564,649)
Movement in unrealised loss on derivatives		(16,774,858)	-	(3,306,678)	(6,252)	(148,500)	(8,324,624)	(399,598)
Net operating income		38,217,408	21,777,742	4,918,329	1,864,150	3,627,612	2,965,241	3,157,440
AIFM fees	10	(22,699,027)	(1,729,742)	(1,034,533)	(967,332)	(1,667,923)	(2,029,812)	(1,721,236)
Administration fees	10	(844,412)	(252,711)	(120,975)	(106,775)	(207,147)	(224,170)	(190,280)
Distribution recharge		(28,329)	-	-	-	-	-	-
Depositary fees		(55,971)	-	-	-	-	(2,426)	-
Legal fees and expenses		(23,959)	7,395	3,899	(10,000)	(10,000)	(10,000)	(10,000)
Audit fees	7	(1,284)	(1,137)	(1,137)	(1,284)	(1,284)	(1,137)	(1,284)
Directors' fees	10	(15,250)	(3,709)	(3,773)	(4,250)	(4,250)	(3,773)	(4,250)
Share class hedging fees		(356,417)	-	-	-	-	-	-
Other operating expenses		(28,314)	(56,062)	(72,197)	(59,586)	(86,149)	(62,903)	(98,379)
Operating expenses		(24,052,963)	(2,035,966)	(1,228,716)	(1,149,227)	(1,976,753)	(2,334,221)	(2,025,429)
Distributions to holders of redeemable shares from operations	9	(98,046,643)	-	(8,561,792)	(7,019,873)	(14,074,739)	(12,038,968)	-
Total comprehensive (expense)/income for the financial year		(83,882,198)	19,741,776	(4,872,179)	(6,304,950)	(12,423,880)	(11,407,948)	1,132,011

The accompanying notes are an integral part of these financial statements.

Gains and losses arose solely from continuing operations. There were no recognised gains or losses other than those dealt within the Statement of Comprehensive Income.

SPECIALIST INVESTMENT FUNDS (1) PLC

STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2018 (continued)

	Note	M&G Versatile European Loan Fund GBP	M&G Managed European Loan Fund GBP	M&G Zeta European Loan Fund EUR	M&G Alpha Opportunities Fund EUR	M&G Strategic Credit (1) Fund EUR	Specialist Investment Funds (1) Plc EUR
Movement in fair value of the Subsidiary	4	4,044,006	12,713,147	541,143	(72,195,300)	(4,762,214)	61,219,105
Realised gain on derivatives		12,942,498	44,996,946	3,087,331	237,120,226	-	558,164,402
Realised loss on derivatives		(12,058,870)	(41,716,951)	(4,832,289)	(313,241,775)	-	(639,209,778)
Movement in unrealised (loss)/gain on derivatives		(1,957,255)	(833,838)	719,298	(12,272,622)	-	(45,170,486)
Net operating income/(expense)		2,970,379	15,159,304	(484,517)	(160,589,471)	(4,762,214)	(64,996,757)
AIFM fees	10	(643,888)	(2,123,245)	(899,518)	(37,783,553)	-	(74,277,865)
Administration fees	10	(71,108)	(247,820)	(105,181)	(1,000,000)	(24,000)	(3,513,166)
Distribution recharge		-	-	-	-	-	(28,329)
Depositary fees		-	-	-	(112,574)	-	(171,285)
Legal fees and expenses		(8,208)	(6,571)	(12,306)	(26,268)	(5,345)	(113,107)
Audit fees	7	(1,137)	(1,137)	(1,284)	(1,284)	(1,284)	(15,410)
Directors' fees	10	(3,773)	(3,773)	(4,250)	(15,250)	(8,250)	(76,983)
Share class hedging fees		-	(30,818)	-	(1,606,208)	-	(1,997,429)
Other operating expenses		(88,006)	(76,067)	(62,464)	(156,974)	(47,285)	(940,333)
Operating expenses		(816,120)	(2,489,431)	(1,085,003)	(40,702,111)	(86,164)	(81,133,907)
Distributions to holders of redeemable shares from operations	9	(4,898,745)	(17,055,444)	(3,226,417)	(156,210,261)	-	(326,637,431)
Total comprehensive expense for the financial year		(2,744,486)	(4,385,571)	(4,795,937)	(357,501,843)	(4,848,378)	(472,768,095)

The accompanying notes are an integral part of these financial statements.

Gains and losses arose solely from continuing operations. There were no recognised gains or losses other than those dealt within the Statement of Comprehensive Income.

SPECIALIST INVESTMENT FUNDS (1) PLC

**STATEMENT OF FINANCIAL POSITION
as at 31 December 2019**

		M&G European Loan Fund EUR	M&G Dynamic European Loan Fund GBP	M&G Broad European Loan Fund GBP	M&G SLK European Loan Fund EUR	M&G Active European Loan Fund EUR	M&G Conservative European Loan Fund GBP	M&G Independent European Loan Fund EUR
Financial assets at fair value through profit or loss:								
Designated at fair value through profit or loss:								
- Investment in Subsidiaries	4	3,469,216,449	46,202,559	191,202,632	222,479,901	270,198,104	488,213,248	385,181,724
- Forward Foreign exchange contracts		12,203,515	-	1,830,640	329,856	431,571	6,009,414	515,152
Cash held with brokers	2, 3	-	-	-	-	-	-	-
Collateral cash	2, 3	790,000	-	-	-	40,000	-	-
Total assets		3,482,209,964	46,202,559	193,033,272	222,809,757	270,669,675	494,222,662	385,696,876
Financial liabilities at fair value through profit or loss:								
- Forward Foreign exchange contracts		(3,475,783)	-	(64,815)	(454,641)	(669,686)	(75,020)	(745,169)
Subscription received in advance		(25,708,597)	-	-	-	-	-	-
Other payables and accrued expenses	6	(2,456,382)	(130,117)	(155,427)	(182,127)	(215,224)	(330,803)	(293,606)
Total liabilities (excluding net assets attributable to holders of redeemable shares)		(31,640,762)	(130,117)	(220,242)	(636,768)	(884,910)	(405,823)	(1,038,775)
Net assets attributable to holders of redeemable shares		3,450,569,202	46,072,442	192,813,030	222,172,989	269,784,765	493,816,839	384,658,101

The accompanying notes are an integral part of these financial statements.

SPECIALIST INVESTMENT FUNDS (1) PLC

STATEMENT OF FINANCIAL POSITION as at 31 December 2019 (continued)

	Note	M&G Versatile European Loan Fund GBP	M&G Managed European Loan Fund GBP	M&G Zeta European Loan Fund EUR	M&G Alpha Opportunities Fund EUR	M&G Strategic Credit (1) Fund EUR	Specialist Investment Funds (1) Plc EUR
Financial assets at fair value through profit or loss:							
Designated at fair value through profit or loss:							
- Investment in Subsidiaries	4	142,199,982	512,890,353	297,666,147	9,861,962,436	95,051,682	16,231,240,420
- Futures contracts		-	-	-	26,968,140	-	26,968,140
- Forward Foreign exchange contracts		1,371,269	5,538,117	425,232	64,280,646	-	95,592,956
Cash held with brokers	2, 3	-	-	-	5,800,829	-	5,800,829
Collateral cash	2, 3	-	2,460,000	-	20,930,000	-	24,663,241
Total assets		143,571,251	520,888,470	298,091,379	9,979,942,051	95,051,682	16,384,265,586
Financial liabilities at fair value through profit or loss:							
- Forward Foreign exchange contracts		(37,301)	(3,944,001)	(593,879)	(33,411,428)	-	(44,214,267)
Subscription received in advance		-	-	-	(37,233,221)	-	(62,941,818)
Other payables and accrued expenses	6	(117,806)	(331,130)	(208,414)	(8,353,248)	(51,363)	(13,017,587)
Total liabilities (excluding net assets attributable to holders of redeemable shares)		(155,107)	(4,275,131)	(802,293)	(78,997,897)	(51,363)	(120,173,672)
Net assets attributable to holders of redeemable shares		143,416,144	516,613,339	297,289,086	9,900,944,154	95,000,319	16,264,091,914

The accompanying notes are an integral part of these financial statements.

On behalf of the Board of Directors

Mr. Gavin Caldwell



Mr. Mike Kirby



Date: 29 April 2020

SPECIALIST INVESTMENT FUNDS (1) PLC

**STATEMENT OF FINANCIAL POSITION
as at 31 December 2018**

	Note	M&G European Loan Fund EUR	M&G Dynamic European Loan Fund GBP	M&G Broad European Loan Fund GBP	M&G SLK European Loan Fund EUR	M&G Active European Loan Fund EUR	M&G Conservative European Loan Fund GBP	M&G Independent European Loan Fund EUR
Financial assets at fair value through profit or loss:								
Designated at fair value through profit or loss:								
- Investment in Subsidiaries	4	3,662,379,898	309,523,137	239,329,651	212,844,909	413,240,644	448,748,020	381,790,860
- Forward Foreign exchange contracts		7,547,206	-	33,048	1,007,776	1,756,961	173,706	1,484,024
Cash held with brokers	2, 3	-	-	-	-	-	-	-
Other receivables		13,473	-	-	-	-	-	65
Collateral cash	2, 3	24,330,000	-	6,170,000	-	-	12,310,000	-
Total assets		3,694,270,577	309,523,137	245,532,699	213,852,685	414,997,605	461,231,726	383,274,949
Financial liabilities at fair value through profit or loss:								
- Futures contracts		-	-	-	-	-	-	-
- Forward Foreign exchange contracts		(24,434,090)	-	(5,204,561)	(17,970)	(34,822)	(10,504,043)	(38,350)
- Swap agreements		-	-	-	-	-	-	-
Other payables and accrued expenses	6	(4,939,043)	(643,445)	(374,731)	(341,363)	(580,508)	(663,827)	(576,613)
Total liabilities (excluding net assets attributable to holders of redeemable shares)		(29,373,133)	(643,445)	(5,579,292)	(359,333)	(615,330)	(11,167,870)	(614,963)
Net assets attributable to holders of redeemable shares		3,664,897,444	308,879,692	239,953,407	213,493,352	414,382,275	450,063,856	382,659,986

The accompanying notes are an integral part of these financial statements.

SPECIALIST INVESTMENT FUNDS (1) PLC

STATEMENT OF FINANCIAL POSITION as at 31 December 2018 (continued)

		M&G Versatile European Loan Fund GBP	M&G Managed European Loan Fund GBP	M&G Zeta European Loan Fund EUR	M&G Alpha Opportunities Fund EUR	M&G Strategic Credit (1) Fund EUR	Specialist Investment Funds (1) Plc EUR
Financial assets at fair value through profit or loss:							
Designated at fair value through profit or loss:							
- Investment in Subsidiaries	4	140,796,499	495,846,544	294,501,766	8,632,560,939	81,056,787	15,499,110,643
- Futures contracts		-	-	-	-	-	-
- Forward Foreign exchange contracts		18,565	4,510,056	1,176,763	71,595,820	-	89,844,300
Cash held with brokers	2, 3	-	-	-	56,840,707	-	56,840,707
Other receivables		-	-	-	-	-	13,538
Collateral cash	2, 3	3,700,000	12,840,000	-	37,660,000	-	101,006,291
Total assets		144,515,064	513,196,600	295,678,529	8,798,657,466	81,056,787	15,746,815,479
Financial liabilities at fair value through profit or loss:							
- Futures contracts		-	-	-	(22,646,923)	-	(22,646,923)
- Forward Foreign exchange contracts		(3,147,900)	(10,869,332)	(86,953)	(83,479,180)	-	(141,209,351)
- Swap agreements		-	-	-	(2,255,993)	-	(2,255,993)
Other payables and accrued expenses	6	(244,057)	(739,665)	(368,008)	(7,961,364)	(69,428)	(17,806,250)
Total liabilities (excluding net assets attributable to holders of redeemable shares)		(3,391,957)	(11,608,997)	(454,961)	(116,343,460)	(69,428)	(183,918,517)
Net assets attributable to holders of redeemable shares		141,123,107	501,587,603	295,223,568	8,682,314,006	80,987,359	15,562,896,962

The accompanying notes are an integral part of these financial statements.

On behalf of the Board of Directors

SPECIALIST INVESTMENT FUNDS (1) PLC

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES
for the financial year ended 31 December 2019**

	Note	M&G European Loan Fund EUR	M&G Dynamic European Loan Fund GBP	M&G Broad European Loan Fund GBP	M&G SLK European Loan Fund EUR	M&G Active European Loan Fund EUR	M&G Conservative European Loan Fund GBP	M&G Independent European Loan Fund EUR
Opening balance		3,664,897,444	308,879,692	239,953,407	213,493,352	414,382,275	450,063,856	382,659,986
Issue of redeemable shares issued during the financial year	8	464,958,267	-	-	7,311,264	21,428,030	29,860,452	-
Redemption of redeemable shares during the financial year	8	(816,087,715)	(260,000,000)	(50,000,000)	-	(167,000,000)	-	(13,000,000)
Net (decrease)/increase from share transactions		(351,129,448)	(260,000,000)	(50,000,000)	7,311,264	(145,571,970)	29,860,452	(13,000,000)
Total comprehensive income/(expense) for the financial year		136,801,206	(2,807,250)	2,859,623	1,368,373	974,460	13,892,531	14,998,115
Currency remeasurement		-	-	-	-	-	-	-
Closing balance		3,450,569,202	46,072,442	192,813,030	222,172,989	269,784,765	493,816,839	384,658,101

	Note	M&G Versatile European Loan Fund GBP	M&G Managed European Loan Fund GBP	M&G Zeta European Loan Fund EUR	M&G Alpha Opportunities Fund EUR	M&G Strategic Credit (1) Fund EUR	Specialist Investment Funds (1) Plc EUR
Opening balance		141,123,107	501,587,603	295,223,568	8,682,314,006	80,987,359	15,562,896,962
Issue of redeemable shares issued during the financial year	8	-	12,126,020	-	1,284,026,211	14,000,000	1,839,784,324
Redemption of redeemable shares during the financial year	8	-	-	-	(954,898,340)	-	(2,305,832,992)
Net increase/(decrease) from share transactions		-	12,126,020	-	329,127,871	14,000,000	(466,048,668)
Total comprehensive income/(expense) for the financial year		2,293,037	2,899,716	2,065,518	889,502,277	12,960	1,067,629,166
Currency remeasurement		-	-	-	-	-	99,614,454
Closing balance		143,416,144	516,613,339	297,289,086	9,900,944,154	95,000,319	16,264,091,914

The accompanying notes are an integral part of these financial statements.

SPECIALIST INVESTMENT FUNDS (1) PLC

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES
for the financial year ended 31 December 2018**

	Note	M&G European Loan Fund EUR	M&G Dynamic European Loan Fund GBP	M&G Broad European Loan Fund GBP	M&G SLK European Loan Fund EUR	M&G Active European Loan Fund EUR	M&G Conservative European Loan Fund GBP	M&G Independent European Loan Fund EUR
Opening balance		3,856,682,139	635,637,916	244,825,586	212,778,429	412,731,416	443,775,885	349,527,975
Issue of redeemable shares issued during the financial year	8	1,526,385,898	-	-	7,019,873	14,074,739	17,695,919	32,000,000
Redemption of redeemable shares during the financial year	8	(1,634,288,395)	(346,500,000)	-	-	-	-	-
Net (decrease)/increase from share transactions		(107,902,497)	(346,500,000)	-	7,019,873	14,074,739	17,695,919	32,000,000
Total comprehensive (expense)/income for the financial year		(83,882,198)	19,741,776	(4,872,179)	(6,304,950)	(12,423,880)	(11,407,948)	1,132,011
Currency remeasurement		-	-	-	-	-	-	-
Closing balance		3,664,897,444	308,879,692	239,953,407	213,493,352	414,382,275	450,063,856	382,659,986

	Note	M&G Versatile European Loan Fund GBP	M&G Managed European Loan Fund GBP	M&G Zeta European Loan Fund EUR	M&G Alpha Opportunities Fund EUR	M&G Strategic Credit (1) Fund EUR	Specialist Investment Funds (1) Plc EUR
Opening balance		143,867,593	494,134,502	85,019,505	8,205,948,693	85,835,737	15,419,067,952
Issue of redeemable shares issued during the financial year	8	-	11,838,672	215,000,000	3,072,988,557	-	4,900,824,003
Redemption of redeemable shares during the financial year	8	-	-	-	(2,239,121,401)	-	(4,264,730,111)
Net increase from share transactions		-	11,838,672	215,000,000	833,867,156	-	636,093,892
Total comprehensive expense for the financial year		(2,744,486)	(4,385,571)	(4,795,937)	(357,501,843)	(4,848,378)	(472,768,095)
Currency remeasurement		-	-	-	-	-	(19,496,787)
Closing balance		141,123,107	501,587,603	295,223,568	8,682,314,006	80,987,359	15,562,896,962

The accompanying notes are an integral part of these financial statements.

SPECIALIST INVESTMENT FUNDS (1) PLC

STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2019

	M&G European Loan Fund EUR	M&G Dynamic European Loan Fund GBP	M&G Broad European Loan Fund GBP	M&G SLK European Loan Fund EUR	M&G Active European Loan Fund EUR	M&G Conservative European Loan Fund GBP	M&G Independent European Loan Fund EUR
Total comprehensive income/(expense) before distributions to shareholders	219,035,120	(2,807,250)	10,830,166	8,679,637	12,402,490	26,528,098	14,998,115
Adjustments for:							
Movement on financial assets at fair value through profit or loss	193,163,449	263,320,578	48,127,019	(9,634,992)	143,042,540	(39,465,228)	(3,390,864)
Movement in unrealised (gain)/loss on derivatives	(25,614,616)	-	(6,937,338)	1,114,591	1,960,254	(16,264,731)	1,675,691
Operating cash flows before movements in working capital	386,583,953	260,513,328	52,019,847	159,236	157,405,284	(29,201,861)	13,282,942
Decrease/(increase) in receivables	23,553,473	-	6,170,000	-	(40,000)	12,310,000	65
Decrease in payables	(2,482,661)	(513,328)	(219,304)	(159,236)	(365,284)	(333,024)	(283,007)
Cash from/(used in) operations	21,070,812	(513,328)	5,950,696	(159,236)	(405,284)	11,976,976	(282,942)
Net cash inflows/(outflows) from operating activities	407,654,765	260,000,000	57,970,543	-	157,000,000	(17,224,885)	13,000,000
Financing activities							
Proceeds from subscriptions	451,567,992	-	-	-	10,000,000	17,224,885	-
Payment of redemptions	(816,087,715)	(260,000,000)	(50,000,000)	-	(167,000,000)	-	(13,000,000)
Distributions paid to shareholders	(43,135,042)	-	(7,970,543)	-	-	-	-
Net cash (outflows)/inflows from financing activities	(407,654,765)	(260,000,000)	(57,970,543)	-	(157,000,000)	17,224,885	(13,000,000)
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-	-
Cash and cash equivalents at beginning of the financial year	-	-	-	-	-	-	-
Cash and cash equivalents at end of the financial year	-	-	-	-	-	-	-

The accompanying notes are an integral part of these financial statements.

SPECIALIST INVESTMENT FUNDS (1) PLC

STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2019 (continued)

	M&G Versatile European Loan Fund GBP	M&G Managed European Loan Fund GBP	M&G Zeta European Loan Fund EUR	M&G Alpha Opportunities Fund EUR	M&G Strategic Credit (1) Fund EUR	Specialist Investment Funds (1) Plc EUR
Total comprehensive income/(expense) before distributions to shareholders	7,206,892	20,281,113	11,638,557	1,114,753,057	12,960	1,452,533,989
Adjustments for:						
Movement on financial assets at fair value through profit or loss	(1,403,483)	(17,043,809)	(3,164,381)	(1,229,401,497)	(13,994,895)	(633,167,269)
Movement in unrealised (gain)/loss on derivatives	(4,463,303)	(7,953,391)	1,258,457	(94,623,634)	-	(155,000,872)
Operating cash flows before movements in working capital	1,340,106	(4,716,087)	9,732,633	(209,272,074)	(13,981,935)	664,365,848
Decrease in receivables	3,700,000	10,380,000	-	67,769,878	-	128,553,791
(Decrease)/Increase in payables	(126,251)	(408,536)	(159,594)	391,884	(18,065)	(4,907,965)
Cash from/(used in) operations	3,573,749	9,971,464	(159,594)	68,161,762	(18,065)	123,645,826
Net cash inflow/(outflow) from operating activities	4,913,855	5,255,377	9,573,039	(141,110,312)	(14,000,000)	788,011,674
Financing activities						
Proceeds from subscriptions	-	-	-	1,168,306,052	14,000,000	1,663,590,811
Payment of redemptions	-	-	-	(954,898,340)	-	(2,305,832,992)
Distributions paid to shareholders	(4,913,855)	(5,255,377)	(9,573,039)	(72,297,400)	-	(145,769,493)
Net cash (outflows)/inflows from financing activities	(4,913,855)	(5,255,377)	(9,573,039)	141,110,312	14,000,000	(788,011,674)
Net cash increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-
Cash and cash equivalents at beginning of the financial year	-	-	-	-	-	-
Cash and cash equivalents at end of the financial year	-	-	-	-	-	-

The accompanying notes are an integral part of these financial statements.

SPECIALIST INVESTMENT FUNDS (1) PLC

**STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2018**

	M&G European Loan Fund EUR	M&G Dynamic European Loan Fund GBP	M&G Broad European Loan Fund GBP	M&G SLK European Loan Fund EUR	M&G Active European Loan Fund EUR	M&G Conservative European Loan Fund GBP	M&G Independent European Loan Fund EUR
Total comprehensive income before distributions to shareholders	14,164,445	19,741,776	3,689,613	714,923	1,650,859	631,020	1,132,011
Adjustments for:							
Movement on financial assets at fair value through profit or loss	104,293,680	327,101,240	5,680,481	(669,341)	(1,846,042)	(5,127,301)	(33,583,518)
Movement in unrealised gain on derivatives	16,774,858	-	3,306,678	6,252	148,473	8,324,624	399,598
Operating cash flows before movements in working capital	135,232,983	346,843,016	12,676,772	51,834	(46,710)	3,828,343	(32,051,909)
Decrease/(increase) in receivables	75,116,835	-	(4,080,000)	-	-	(9,490,000)	-
(Decrease)/increase in payables	(4,400,678)	(343,016)	(34,980)	(51,834)	46,710	4,706	51,909
Cash from/(used in) operations	70,716,157	(343,016)	(4,114,980)	(51,834)	46,710	(9,485,294)	51,909
Net cash inflows/(outflows) from operating activities	205,949,140	346,500,000	8,561,792	-	-	(5,656,951)	(32,000,000)
Financing activities							
Proceeds from subscriptions	1,468,956,051	-	-	-	-	5,656,951	32,000,000
Payment of redemptions	(1,634,288,395)	(346,500,000)	-	-	-	-	-
Distributions paid to shareholders	(40,616,796)	-	(8,561,792)	-	-	-	-
Net cash (outflows)/inflows from financing activities	(205,949,140)	(346,500,000)	(8,561,792)	-	-	5,656,951	32,000,000
Net cash increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-	-
Cash and cash equivalents at beginning of the financial year	-	-	-	-	-	-	-
Cash and cash equivalents at end of the financial year	-	-	-	-	-	-	-

The accompanying notes are an integral part of these financial statements.

SPECIALIST INVESTMENT FUNDS (1) PLC

STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2018 (continued)

	M&G Versatile European Loan Fund GBP	M&G Managed European Loan Fund GBP	M&G Zeta European Loan Fund EUR	M&G Alpha Opportunities Fund EUR	M&G Strategic Credit (1) Fund EUR	Specialist Investment Funds (1) Plc EUR
Total comprehensive income/(expense) before distributions to shareholders	2,154,259	12,669,873	(1,569,520)	(201,291,582)	(4,848,378)	(146,130,664)
Adjustments for:						
Movement on financial assets at fair value through profit or loss	3,162,711	(2,068,540)	(209,747,669)	(503,032,319)	4,819,098	(268,493,379)
Movement in unrealised gain/(loss) on derivatives	1,957,255	833,838	(719,298)	12,272,622	-	45,170,486
Operating cash flows before movements in working capital	7,274,225	11,435,171	(212,036,487)	(692,051,279)	(29,280)	(369,453,557)
(Increase)/decrease in receivables	(2,385,584)	(6,272,575)	-	18,498,586	-	68,512,015
Increase/(decrease) in payables	10,104	54,176	262,904	(4,104,202)	29,280	(8,514,919)
Cash (used in)/from operations	(2,375,480)	(6,218,399)	262,904	14,394,384	29,280	59,997,096
Net cash inflow/(outflow) from operating activities	4,898,745	5,216,772	(211,773,583)	(677,656,895)	-	(309,456,461)
Financing activities						
Proceeds from subscriptions	-	-	215,000,000	2,963,671,761	-	4,686,016,498
Payment of redemptions	-	-	-	(2,239,121,401)	-	(4,264,730,111)
Distributions paid to shareholders	(4,898,745)	(5,216,772)	(3,226,417)	(46,893,465)	-	(111,829,926)
Net cash (outflows)/inflows from financing activities	(4,898,745)	(5,216,772)	211,773,583	677,656,895	-	309,456,461
Net cash increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-
Cash and cash equivalents at beginning of the financial year	-	-	-	-	-	-
Cash and cash equivalents at end of the financial year	-	-	-	-	-	-

The accompanying notes are an integral part of these financial statements.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2019

Note 1 General information

Specialist Investment Funds (1) Plc (the "Company") is an Irish umbrella type open-ended investment company with variable capital. The Company is structured as an alternative investment fund ("AIF"). The Company has been authorised as an AIF pursuant to the Alternative Investment Managers' Directive ("AIFMD") Regulations. The Company is supervised by the Central Bank of Ireland (the "Central Bank"). The registered office of the Company is 5 George's Dock, International Financial Services Centre, Dublin 1, Ireland.

The Company is structured as an open-ended umbrella fund with segregated liability between Funds. Shares representing interests in different Funds may be issued from time to time by the Directors. As at 31 December 2019 twelve Funds are in operation (each a "Fund", together the "Funds"):

Fund Name	Abbreviation
M&G European Loan Fund	M&G ELF
M&G Dynamic European Loan Fund	M&G DELF
M&G Broad European Loan Fund	M&G BELF
M&G SLK European Loan Fund	M&G SELF
M&G Active European Loan Fund	M&G AELF
M&G Conservative European Loan Fund	M&G CELF
M&G Independent European Loan Fund	M&G IELF
M&G Versatile European Loan Fund	M&G VELF
M&G Managed European Loan Fund	M&G MELF
M&G Zeta European Loan Fund	M&G ZELF
M&G Alpha Opportunities Fund	M&G AOF
M&G Strategic Credit (1) Fund	M&G SCF

Active share classes

Each Fund has the following number of active share classes as at 31 December 2019:

Fund	Number of active share classes
M&G ELF	14
M&G DELF	1
M&G BELF	1
M&G SELF	1
M&G AELF	1
M&G CELF	1
M&G IELF	1
M&G VELF	1
M&G MELF	2
M&G ZELF	1
M&G AOF	12
M&G SCF	1

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 1 General information (continued)

The majority of the Funds' investments are held through wholly owned Subsidiaries, namely:

Subsidiary Name	Abbreviation
M&G European Loan Fund Limited	M&G ELF Limited
M&G Dynamic European Loan Fund Limited	M&G DELF Limited
M&G Broad European Loan Fund Limited	M&G BELF Limited
M&G SLK European Loan Fund Limited	M&G SELF Limited
M&G Active European Loan Fund Limited	M&G AELF Limited
M&G Conservative European Loan Fund Limited	M&G CELF Limited
M&G Independent European Loan Fund Limited	M&G IELF Limited
M&G Versatile European Loan Fund Limited	M&G VELF Limited
M&G Managed European Loan Fund Limited	M&G MELF Limited
M&G Zeta European Loan Fund Limited	M&G ZELF Limited
M&G Alpha Opportunities Fund Limited	M&G AOF Limited
M&G Strategic Credit (1) Fund Limited	M&G SCF Limited

Each Subsidiary is incorporated and tax resident in Ireland and has all directors in common with the Company. The Company, its Funds and its Subsidiaries are collectively referred to as the "Company".

Withdrawal of UK from the European Union ("Brexit")

The AIFM of the Funds has set up a new legal structure in Luxembourg consisting of two entities: 1) a management company which is both a UCITS manager and an AIFM and 2) a MiFID firm to carry out distribution of the Luxembourg management company's funds. The new structure became operational on 13th February 2019. Both firms in the new structure are licensed, staffed and fully operational. Today, there are more than 35 people based in Luxembourg, including team members from risk, legal and compliance, operations and distribution. The new entities allow the Board to distribute products in the EU regardless of the eventual shape of the trading relationship between the UK and the rest of the EU.

On 31 January 2020 the UK left the European Union (EU). Following its departure, the UK entered a transition period (the "transition period") until 31 December 2020. During this period, the UK's trading relationship with the EU is expected to remain the same while a trade deal is negotiated. As noted above, the AIFM has implemented its Brexit contingency plan, being the establishment of a Luxembourg based super management company and MiFID distribution firm. Based on the existing European legal and regulatory framework, the delegation of portfolio management to the UK is permitted and will continue post Brexit. The Board and the AIFM continues to closely monitor the transition period and the related and/or unrelated EU regulatory changes, to assess whether any of these changes to existing EU laws create an issue that requires further consideration and planning.

Note 2 Significant accounting policies

Statement of compliance and basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all financial years presented, unless otherwise stated.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the Irish Companies Act 2014 as applicable to companies preparing financial statements in accordance with IFRS.

The Company has adopted IFRS 10 "Consolidated Financial Statements" and as the Company qualifies as an investment entity it is therefore required to present its subsidiaries as financial assets at fair value through profit or loss and not required to prepare consolidated financial statements for the group.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 2 Significant accounting policies (continued)

Statement of compliance and basis of preparation (continued)

Following the escalation of the COVID-19 pandemic in March 2020 and its negative impact on markets and economies, the Company's management has made an assessment of the Company's ability to continue as a going concern. Given the scale of trading issues for all global assets due to COVID-19, the Company's management are expecting to see a near-term negative impact on the valuation of most investments. However, the Company has enough liquid assets to cover its liabilities, therefore, the financial statements continue to be prepared on the going concern basis.

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue its business for the foreseeable future. Furthermore the Company's management are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Standards and amendments to existing standards

New standards, amendments and interpretations effective for the first time for the year beginning 1 January 2019

IFRS 16 "Leases" was issued in January 2016 and will become effective for periods beginning on or after 1 January 2019. The new standard did not have any significant impact on the Company's financial position, performance or disclosures in its financial statements.

IFRIC 23 ("International Financial Reporting Interpretations Committee"), Uncertainty over Income Tax treatments; clarifies the accounting for uncertainties in income taxes. The interpretation is applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation does not contain any new disclosure requirements. Instead it highlights existing disclosure requirements in IAS 1 and IAS 12. IFRIC 23 has not had a significant impact on the Company's financial position, performance or disclosures in its financial statements.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

New standards, amendments and interpretations issued but not effective after 1 January 2019 and not early adopted

IFRS 17 "Insurance Contracts" was issued in May 2017 and will become effective for accounting periods beginning on or after 1 January 2021. It applies to: insurance contracts, including reinsurance contracts, issued by an entity; reinsurance contracts held by an entity; and investment contracts with discretionary participation features issued by an entity that issues insurance contracts.

An insurance contract is defined as 'a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder'. The new standard is not expected to have a significant impact on the Company's financial position, performance or disclosures in its financial statements.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

Accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 2 Significant accounting policies (continued)

Accounting estimates and judgements (continued)

The estimates and underlying assumptions (the most significant of which are the fair value of financial assets/liabilities and expense accruals) are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Company qualifies as an investment entity under IFRS 10 "Consolidated Financial Statements" and it is therefore only required to prepare individual financial statements under IFRS and is not required to prepare consolidated financial statements for the group. In accordance with IFRS 10, the Company has determined that it meets the definition of an investment entity as it displays the following characteristics:

- obtains funds from multiple investors for the purpose of providing those investors with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

Foreign currency translation

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency").

The functional and presentational currency of M&G DELF, M&G CELF, M&G BELF, M&G MELF and M&G VELF is Pound Sterling ("GBP"). These Funds are translated to Euro ("EUR") when disclosing the total Specialist Investment Funds (1) Plc financial statements. The functional and presentation currency for all other Funds is the Euro.

The financial statements of the Funds are presented in EUR and GBP, as detailed in the relevant Supplement to the Prospectus (the "presentation currency") and rounded to the nearest Euro/Pound Sterling.

Some Funds have share classes which are denominated in different currencies to the functional currency. M&G ELF has five share classes denominated in GBP, M&G AOF has seven share classes denominated in GBP and one share class denominated in US Dollars ("USD") and M&G MELF has one share classes denominated in Swiss Francs ("CHF").

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the presentation currency at the foreign currency closing exchange rate ruling at the financial year end date.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the presentation currency at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to derivative financial instruments are included in Realised gain on derivatives and Realised loss on derivatives as appropriate.

The results and financial position of all the Funds that have a functional currency different from the presentation currency of the Company are translated into the presentation currency as follows:

- (a) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- (b) income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses would be translated at the rate on the dates of the transactions); and is included in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 2 Significant accounting policies (continued)

Currency remeasurement

The totals shown in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares are measured in Euro. The accounts of the individual Funds are translated into EUR. For the purpose of producing the Statement of Financial Position, the financial year end exchange rates are used. For the purpose of producing the Statement of Comprehensive Income and the Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares, average rates applicable to transactions are used. The currency gain or loss on re-translation of opening net assets, and the average rates difference arising on the translation of the Statement of Comprehensive Income and the Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares, is included in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares. This translation difference which amounted to EUR99,614,454 as at 31 December 2019 (31 December 2018: EUR(19,496,787)) is a notional gain/(loss) which has no impact on the net asset value of the individual Funds.

Financial assets and liabilities

Financial assets and financial liabilities at fair value through profit or loss are recognised on the Statements of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised at the date they are originated.

(i) Financial assets and liabilities classification and measurement

IFRS 9 ("Financial Instruments") contains three classification categories for financial instruments: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification (and subsequent measurement) of a financial instrument is based on the business model in which the financial instrument is managed, and where relevant, its cash flow characteristics. Since the Company manages and evaluates the performance of all of its financial instruments listed in the Schedule of Investments on a fair value basis in accordance with a documented investment strategy it must classify its financial assets and financial liabilities as FVTPL.

Financial instruments are measured initially at fair value (transaction price) plus, in the case of financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, whereas they are amortised on other financial instruments. Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statements of Comprehensive Income. Realised and unrealised gains and losses on derivatives are recognised in the Statements of Comprehensive Income.

The Company classifies unconsolidated Subsidiaries into financial assets at fair value through profit or loss by such designation on initial recognition. Financial assets at fair value through profit or loss are initially recorded in the Statements of Financial Position at cost which is the fair value at the date of initial recognition. Subsequent to initial recognition, financial assets at fair value through profit or loss are re-measured at fair value. Changes in fair value of the Subsidiaries are recorded in the Statements of Comprehensive Income as "Movement in fair value of the Subsidiary". This is the net of coupon/interest payments at subsidiary level, all changes in fair value of underlying financial assets and liabilities, both realised and unrealised, gains and losses on foreign exchange and operating expenses at subsidiary level. Financial assets classified in this category are designated by management on initial recognition as part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy. IFRS 10's Investment Entity Amendment also requires subsidiaries to be accounted for at fair value through profit or loss in accordance with IFRS 9.

Regular purchases and sales of investments are recognised on the trade date, the date on which the Company commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 2 Significant accounting policies (continued)

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the Statements of Comprehensive Income within "Movement in unrealised gain/(loss) on derivatives" on an average cost basis.

Derivatives

The fair value of derivatives that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the financial year end date taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9. The Company uses the average cost method to determine realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(i) Forward foreign exchange contracts

Forward foreign exchange contracts are recognised at fair value on the date on which a forward foreign exchange contract is entered into and are subsequently re-measured at their fair value. All forward foreign exchange contracts are carried as assets when fair value is positive and as liabilities when fair value is negative.

Forward foreign exchange contracts are over-the-counter contracts for delayed delivery of currencies in which the buyer agrees to buy and the seller agrees to deliver a specified currency at a specified price on a specified future date. Because the terms of forward foreign exchange contracts are not standardised, they are not traded on organised exchanges and generally can be terminated or closed out only by agreement of both parties to the contract. Forward foreign exchange contracts are valued at the prevailing forward price at the date of valuation.

Subsequent changes in the fair value of any forward foreign exchange contract are recognised immediately in the Statement of Comprehensive Income within realised or unrealised gains or losses on derivatives.

(ii) Futures contracts

A futures contract is an agreement between two parties to buy and sell a security or currency at a specific price or rate at a future date. Future contracts are quoted on active markets. The daily change in contract value is recorded as an unrealised gain or loss and is recognised as a realised gain or loss when the contract is closed. Gains and losses on futures contracts are recognised in the Statement of Comprehensive Income within realised or unrealised gains or losses on derivatives.

(iii) Swap contracts

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the Statement of Financial Position date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The change in value is recorded in realised and movement in unrealised gains/(losses) on derivatives in the Statement of Comprehensive Income. Realised gains and losses are recognised on the maturity of a contract, or when a contract is closed out. Interest arising on swap contracts is reported as realised gains or losses in the Statement of Comprehensive Income.

(iv) Cash held at broker

Cash held at broker is margin cash and cash collateral which is held by brokers for open futures contracts or derivatives and represents the exchange traded futures contracts' margin deposits held with brokers. This amount is the minimum deemed by the brokers and counterparties for collateral requirements and is as such restricted and is reported separately to the unrestricted cash on the Fund's Statements of Financial Position.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 2 Significant accounting policies (continued)

Financial assets and liabilities (continued)

(v) Cash and cash equivalents

Cash comprises current deposits with the Depositary, State Street Custodial Services (Ireland) Limited. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(vi) Collateral

Cash or securities may be set aside as collateral by the Depositary in accordance with the terms of a derivative contract. Cash held with brokers as at 31 December 2019 of EUR5,800,829 (31 December 2018: EUR56,840,707) was held with Royal Bank of Scotland. Cash collateral is the minimum deemed by counterparties for collateral requirements and is as such restricted and reported separately from the unrestricted cash in the Statement of Financial Position.

Expenses

All expenses, including management fees, administration fees and depositary fees, are recognised in the Statement of Comprehensive Income on an accrual basis.

Redeemable shares

All redeemable shares issued by the Company provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Funds' net assets at the redemption date. In accordance with IAS 32 such instruments give rise to a financial liability for the present value of the redemption amount.

Distributions

Proposed distributions to holders of redeemable shares are recognised in the Statement of Comprehensive Income when they are appropriately authorised and no longer at the discretion of the Board. This typically occurs when the proposed distribution is approved by the Board. The distribution on the redeemable shares is recognised as a finance cost in the Statement of Comprehensive Income.

Dilution Levy

Shareholders may be required to pay an anti-dilution levy to be determined by the AIFM, on the relevant subscription and redemption amounts. The anti-dilution levy is paid to the Fund and is used to defray the cost related to the associated purchase or sale of securities within the Fund as a result of shareholder transactions. Anti-Dilution Levies are included in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares, being added to the proceeds from redeemable shares issued and cost of redeemable shares redeemed. M&G AOF and M&G ELF charged an anti-dilution levy for the financial year ended 2019 and 2018, please see note 8 for details.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 3 Cash held at broker

Margin cash

As at 31 December 2019 EUR5,800,829 of margin cash (31 December 2018: EUR56,840,707) was held as security for futures contracts with Natwest Markets plc. All the futures contracts expire in March 2020, therefore, the Funds do not have access to the cash held against futures contracts until after they expire.

Cash Collateral

In addition to the above, the following amounts were pledged as cash collateral with the following counterparties at 31 December 2019:

Fund	Collateral	Counterparty
M&G ELF	EUR790,000	State Street Bank
M&G AELF	EUR40,000	HSBC Bank Plc
M&G MELF	GBP2,460,000	State Street Bank
M&G AOF	EUR20,930,000	Natwest Markets Plc

The following table shows cash collateral held at 31 December 2018:

Fund	Collateral	Counterparty
M&G ELF	EUR24,330,000	State Street Bank
M&G BELF	GBP6,170,000	Bank of America Merrill Lynch International, HSBC Bank Plc
M&G CELF	GBP12,310,000	Bank of America Merrill Lynch International, HSBC Bank Plc
M&G MELF	GBP12,840,000	Bank of America Merrill Lynch International, HSBC Bank Plc
M&G VELF	GBP3,700,000	Bank of America Merrill Lynch International, HSBC Bank Plc
M&G AOF	EUR37,660,000	JP Morgan Securities Plc, State Street Bank

Note 4 Subsidiaries

The following entities are deemed to be Subsidiaries of Specialist Investment Funds (1) Plc as it retains control over these entities and retains the residual risks and rewards of ownership of these entities. The ordinary share capital of these entities is held by the Depositary as nominee for the Company. The Subsidiaries each have minimal ordinary share capital and there are no minority interests.

Name of Subsidiary	Place of incorporation and operation	Proportion of ownership
M&G European Loan Fund Limited	Ireland	100%
M&G Dynamic European Loan Fund Limited	Ireland	100%
M&G Broad European Loan Fund Limited	Ireland	100%
M&G SLK European Loan Fund Limited	Ireland	100%
M&G Active European Loan Fund Limited	Ireland	100%
M&G Conservative European Loan Fund Limited	Ireland	100%
M&G Independent European Loan Fund Limited	Ireland	100%
M&G Versatile European Loan Fund	Ireland	100%
M&G Managed European Loan Fund	Ireland	100%
M&G Zeta European Loan Fund Limited	Ireland	100%
M&G Alpha Opportunities Fund Limited	Ireland	100%
M&G Strategic Credit (1) Fund Limited	Ireland	100%

The registered office of all of the above Subsidiaries is 5 George's Dock, International Financial Services Centre, Dublin 1, Ireland.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 4 Subsidiaries (continued)

The Subsidiaries hold the financial assets at fair value as listed in the Schedules of Investments of each subsidiary, with the exception of the financial derivative instruments, which are held directly by the Funds as indicated by footnotes in each Fund's Schedule of Investments.

The Funds have loan agreements in place with the Subsidiaries whereby the Funds agree to make loans to the Subsidiaries from time to time in such currencies as may be agreed between the Funds and Subsidiaries, during the period from the date of the loan agreement until such date as may be agreed. Each loan is repayable on demand. Interest shall only be payable to the extent that there are funds available to the Subsidiaries with the balance of any such interest accruing until actually paid. Loans of the same currency shall be aggregated and the amount payable at any moment in time on such loans shall be an amount equal to the value of the relevant assets in the same currency as the loans but after accounting for any interest accrued.

All of the income earned by the Company from the Subsidiaries, except for an immaterial amount per financial year which is recorded in the Subsidiary as profit before tax in accordance with the underlying loan agreements, represents all of the net income of the Subsidiaries for the financial year.

Note 5 Debtors and Creditors

All debtors and creditors amounts fall due within one financial year. Trade and other creditors are payable at various dates in accordance with the suppliers' usual and customary credit terms.

Note 6 Other payables and accrued expenses

	M&G European Loan Fund 31 Dec 2019 EUR	M&G Dynamic European Loan Fund 31 Dec 2019 GBP	M&G Broad European Loan Fund 31 Dec 2019 GBP	M&G SLK European Loan Fund 31 Dec 2019 EUR	M&G Active European Loan Fund 31 Dec 2019 EUR
AIFM fee payable	-	(13,344)	(69,657)	(84,986)	(91,729)
Administration fee payable	(414,354)	(18,943)	(31,688)	(35,817)	(45,480)
Depository fee payable	(37,797)	(8,554)	(7,662)	(13,566)	(19,342)
Audit fee payable	(525)	(445)	(445)	(525)	(525)
Other payables	(2,003,706)	(88,831)	(45,975)	(47,233)	(58,148)
	(2,456,382)	(130,117)	(155,427)	(182,127)	(215,224)
	M&G Conservative European Loan Fund 31 Dec 2019 GBP	M&G Independent European Loan Fund 31 Dec 2019 EUR	M&G Versatile European Loan Fund 31 Dec 2019 GBP	M&G Managed European Loan Fund 31 Dec 2019 GBP	M&G Zeta European Loan Fund 31 Dec 2019 EUR
AIFM fee payable	(188,862)	(147,129)	(54,861)	(186,599)	(107,231)
Administration fee payable	(77,483)	(61,877)	(23,205)	(81,119)	(57,140)
Depository fee payable	(8,192)	(17,361)	(6,985)	(6,284)	(342)
Audit fee payable	(445)	(525)	(445)	(445)	(525)
Other payables	(55,821)	(66,714)	(32,310)	(56,683)	(43,176)
	(330,803)	(293,606)	(117,806)	(331,130)	(208,414)

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019

Note 6 Other payables and accrued expenses (continued)

	M&G Alpha Opportunities Fund 31 Dec 2019 EUR	M&G Strategic Credit (1) Fund 31 Dec 2019 EUR	Specialist Investment Funds (1) Plc 31 Dec 2019 EUR
AIFM fee payable	(6,966,069)	-	(8,002,957)
Administration fee payable	(333,327)	(14,442)	(1,236,756)
Depositary fee payable	(75,654)	(11,047)	(219,575)
Audit fee payable	(525)	(525)	(6,300)
Other payables	(977,673)	(25,349)	(3,551,999)
	<u>(8,353,248)</u>	<u>(51,363)</u>	<u>(13,017,587)</u>

	M&G European Loan Fund 31 Dec 2018 EUR	M&G Dynamic European Loan Fund 31 Dec 2018 GBP	M&G Broad European Loan Fund 31 Dec 2018 GBP	M&G SLK European Loan Fund 31 Dec 2018 EUR	M&G Active European Loan Fund 31 Dec 2018 EUR
AIFM fee payable	-	(223,000)	(171,295)	(161,487)	(278,504)
Administration fee payable	(1,022,691)	(260,254)	(121,341)	(100,753)	(195,456)
Depositary fee payable	(55,971)	(71,972)	(26,830)	(22,303)	(37,236)
Audit fee payable	(500)	(449)	(449)	(500)	(500)
Other payables	(3,859,881)	(87,770)	(54,816)	(56,320)	(68,812)
	<u>(4,939,043)</u>	<u>(643,445)</u>	<u>(374,731)</u>	<u>(341,363)</u>	<u>(580,508)</u>

	M&G Conservative European Loan Fund 31 Dec 2018 GBP	M&G Independent European Loan Fund 31 Dec 2018 EUR	M&G Versatile European Loan Fund 31 Dec 2018 GBP	M&G Managed European Loan Fund 31 Dec 2018 GBP	M&G Zeta European Loan Fund 31 Dec 2018 EUR
AIFM fee payable	(340,249)	(289,391)	(106,688)	(357,179)	(210,854)
Administration fee payable	(224,349)	(179,687)	(71,323)	(268,563)	(110,934)
Depositary fee payable	(40,537)	(31,513)	(17,472)	(45,100)	(342)
Audit fee payable	(449)	(500)	(449)	(449)	(500)
Other payables	(58,243)	(75,522)	(48,125)	(68,374)	(45,378)
	<u>(663,827)</u>	<u>(576,613)</u>	<u>(244,057)</u>	<u>(739,665)</u>	<u>(368,008)</u>

	M&G Alpha Opportunities Fund 31 Dec 2018 EUR	M&G Strategic Credit (1) Fund 31 Dec 2018 EUR	Specialist Investment Funds (1) Plc 31 Dec 2018 EUR
AIFM fee payable	(6,498,506)	-	(8,773,909)
Administration fee payable	(941,667)	(32,000)	(3,636,951)
Depositary fee payable	(112,574)	(16,893)	(501,784)
Audit fee payable	(500)	(500)	(6,000)
Other payables	(408,117)	(20,035)	(4,887,606)
	<u>(7,961,364)</u>	<u>(69,428)</u>	<u>(17,806,250)</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 7 Audit fees

Remuneration (including expenses) for statutory audit work charged to the Company by the statutory audit firm is as follows:

	M&G European Loan Fund Year ended 31 Dec 2019 EUR	M&G Dynamic European Loan Fund Year ended 31 Dec 2019 GBP	M&G Broad European Loan Fund Year ended 31 Dec 2019 GBP	M&G SLK European Loan Fund Year ended 31 Dec 2019 EUR	M&G Active European Loan Fund Year ended 31 Dec 2019 EUR
Auditor's remuneration					
Statutory audit fee	(525)	(459)	(459)	(525)	(525)
	(525)	(459)	(459)	(525)	(525)
	M&G Conservative European Loan Fund Year ended 31 Dec 2019 GBP	M&G Independent European Loan Fund Year ended 31 Dec 2019 EUR	M&G Versatile European Loan Fund Year ended 31 Dec 2019 GBP	M&G Managed European Loan Fund Year ended 31 Dec 2019 GBP	M&G Zeta European Loan Fund Period ended 31 Dec 2019 EUR
Auditor's remuneration					
Statutory audit fee	(459)	(525)	(459)	(459)	(525)
	(459)	(525)	(459)	(459)	(525)
	M&G Alpha Opportunities Fund Year ended 31 Dec 2019 EUR	M&G Strategic Credit (1) Fund Year ended 31 Dec 2019 EUR	Specialist Investment Funds (1) Plc Year ended 31 Dec 2019 EUR		
Auditor's remuneration					
Statutory audit fee	(525)	(525)	(6,300)		
	(525)	(525)	(6,300)		

No other fees were charged to the Company by the statutory audit firm during financial year ended 31 December 2019.

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 7 Audit fees (continued)

	M&G European Loan Fund Year ended 31 Dec 2018 EUR	M&G Dynamic European Loan Fund Year ended 31 Dec 2018 GBP	M&G Broad European Loan Fund Year ended 31 Dec 2018 GBP	M&G SLK European Loan Fund Year ended 31 Dec 2018 EUR	M&G Active European Loan Fund Year ended 31 Dec 2018 EUR
Auditor's remuneration					
Statutory audit fee	(500)	(443)	(443)	(500)	(500)
Other non-audit services	(784)	(694)	(694)	(784)	(784)
	<u>(1,284)</u>	<u>(1,137)</u>	<u>(1,137)</u>	<u>(1,284)</u>	<u>(1,284)</u>
	M&G Conservative European Loan Fund Year ended 31 Dec 2018 GBP	M&G Independent European Loan Fund Year ended 31 Dec 2018 EUR	M&G Versatile European Loan Fund Year ended 31 Dec 2018 GBP	M&G Managed European Loan Fund Year ended 31 Dec 2018 GBP	M&G Zeta European Loan Fund Period ended 31 Dec 2018 EUR
Auditor's remuneration					
Statutory audit fee	(443)	(500)	(443)	(443)	(500)
Other non-audit services	(694)	(784)	(694)	(694)	(784)
	<u>(1,137)</u>	<u>(1,284)</u>	<u>(1,137)</u>	<u>(1,137)</u>	<u>(1,284)</u>
	M&G Alpha Opportunities Fund Year ended 31 Dec 2018 EUR	M&G Strategic Credit (1) Fund Year ended 31 Dec 2018 EUR	Specialist Investment Funds (1) Plc Year ended 31 Dec 2018 EUR		
Auditor's remuneration					
Statutory audit fee	(500)	(500)	(6,000)		
Other non-audit services	(784)	(784)	(9,410)		
	<u>(1,284)</u>	<u>(1,284)</u>	<u>(15,410)</u>		

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 8 Redeemable and subscriber shares

Subscriber shares

Subscriber shares issued amount to EUR2, being 2 subscriber shares of EUR1 each. These subscriber shares were issued for the purposes of the incorporation of the Company, with one subscriber share each being legally and beneficially owned by M&G FA Limited and M&G Investment Management Limited. The subscriber shares do not form part of the Net Asset Value of the Company and are thus disclosed in the financial statements by way of this note only.

Redeemable shares

The Funds' capital is represented by the redeemable shares outstanding. The Funds do not have any externally imposed capital requirements.

The issued redeemable share capital is at all times equal to the Net Asset Value ("NAV") of the Funds. Redeemable shares are redeemable at the shareholders' option and are classified as financial liabilities. The movement in the number of redeemable shares and related cash movement are shown in the following tables on pages 63 to 69 inclusive.

Authorised

The authorised share capital of the Company is 1,000,000,000,000 shares of no par value.

Share classes

The following share classes are available:

M&G European Loan Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A GBP	EUR100,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof
Class B GBP	EUR100,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof
Class C GBP	GBP25,000,000* or currency equivalent thereof	GBP25,000,000* or currency equivalent thereof	GBP85,000* or currency equivalent thereof
Class R GBP	GBP150,000,000* or currency equivalent thereof	GBP150,000,000* or currency equivalent thereof	GBP85,000* or currency equivalent thereof
Class A EUR	EUR100,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof
Class C EUR	EUR30,000,000* or currency equivalent thereof	EUR30,000,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof
Class D EUR	EUR30,000,000* or currency equivalent thereof	EUR30,000,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof
Class H EUR	EUR300,000,000* or currency equivalent thereof	EUR300,000,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof
Class R EUR	EUR175,000,000* or currency equivalent thereof	EUR175,000,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 8 Redeemable and subscriber shares (continued)

Share classes (continued)

M&G Dynamic European Loan Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A GBP	GBP100,000,000 or currency equivalent thereof	GBP100,000,000 or currency equivalent thereof	GBP10,000,000 or currency equivalent thereof

M&G Broad European Loan Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A GBP	GBP50,000,000* or currency equivalent thereof	GBP50,000,000* or currency equivalent thereof	GBP5,000,000* or currency equivalent thereof

M&G SLK European Loan Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A EUR	EUR250,000* or currency equivalent thereof	EUR50,000,000* or currency equivalent thereof	EUR250,000* or currency equivalent thereof

M&G Active European Loan Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A EUR	EUR50,000,000* or currency equivalent thereof	EUR100,000,000* or currency equivalent thereof	EUR10,000,000* or currency equivalent thereof

M&G Conservative European Loan Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A GBP	GBP50,000,000* or currency equivalent thereof	GBP50,000,000* or currency equivalent thereof	GBP25,000,000* or currency equivalent thereof

M&G Independent European Loan Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A EUR	EUR100,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof	EUR100,000* or currency equivalent thereof
Class A EUR ACC	EUR100,000,000* or currency equivalent thereof	EUR100,000,000* or currency equivalent thereof	EUR100,000,000* or currency equivalent thereof

M&G Versatile European Loan Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A GBP	GBP50,000,000* or currency equivalent thereof	GBP50,000,000* or currency equivalent thereof	GBP100,000* or currency equivalent thereof

M&G Managed European Loan Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A GBP	GBP50,000,000* or currency equivalent thereof	GBP50,000,000* or currency equivalent thereof	GBP100,000* or currency equivalent thereof
Class A CHF	CHF50,000,000* or currency equivalent thereof	CHF50,000,000* or currency equivalent thereof	CHF100,000* or currency equivalent thereof

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 8 Redeemable and subscriber shares (continued)

Share classes (continued)

M&G Zeta European Loan Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A EUR	€50,000,000* or currency equivalent thereof	€50,000,000* or currency equivalent thereof	€100,000* or currency equivalent thereof

M&G Alpha Opportunities Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A GBP	Sterling equivalent of GBP1,000,000* or currency equivalent thereof	Sterling Equivalent of GBP1,000,000* or currency equivalent thereof	Sterling equivalent of GBP1,000,000* or currency equivalent thereof
Class B GBP	Sterling equivalent of GBP175,000,000* or currency equivalent thereof	Sterling Equivalent of GBP175,000,000* or currency equivalent thereof	Sterling equivalent of GBP1,000,000* or currency equivalent thereof
Class D GBP	Sterling equivalent of GBP875,000,000* or currency equivalent thereof	Sterling equivalent of GBP875,000,000* or currency equivalent thereof	Sterling equivalent of GBP1,000,000* or currency equivalent thereof
Class E GBP	Sterling equivalent of GBP1,375,000,000* or currency equivalent thereof	Sterling equivalent of GBP1,375,000,000* or currency equivalent thereof	Sterling equivalent of GBP1,000,000* or currency equivalent thereof
Class A EUR	EUR1,000,000* or currency equivalent thereof	EUR1,000,000* or currency equivalent thereof	EUR1,000,000* or currency equivalent thereof
Class B EUR	EUR175,000,000* or currency equivalent thereof	EUR175,000,000* or currency equivalent thereof	EUR1,000,000* or currency equivalent thereof
Class A USD	USD1,000,000* or currency equivalent thereof	USD1,000,000* or currency equivalent thereof	USD1,000,000* or currency equivalent thereof
Class A JPY	JPY150,000,000* or currency equivalent thereof	JPY150,000,000* or currency equivalent thereof	JPY150,000,000* or currency equivalent thereof

M&G Strategic Credit (1) Fund

Share Class	Minimum Shareholding	Minimum Initial Investment	Minimum Additional Investment
Class A EUR	EUR100,000,000* or currency equivalent thereof	EUR100,000,000* or currency equivalent thereof	EUR25,000,000* or currency equivalent thereof

* or such other amounts as determined by the Directors at their discretion.

The differences between the share classes are the investment minima shown above and/or the charging structures detailed in note 10 in order to meet the needs of different distribution channels.

Redeemable shares' rights

The rights attaching to the redeemable shares are as follows:

Redeemable shares may be redeemed on the last business day of each month, or such other date or dates as the Board shall from time to time determine, at a NAV per share based on mid prices. The shareholder must request such a redemption at least 60 days prior to the last business day of each month or such other day as the Directors may determine.

The redeemable shareholders are entitled to receive all dividends declared and paid by the relevant class in the relevant Fund. Upon winding up, the holders are entitled to a return of capital based on the NAV per share of the relevant class in the relevant Fund.

Subject to any rights or restrictions attached to any class of shares, the redeemable shareholders are entitled to one vote, in person or by proxy, per redeemable share held. Holders of a fraction of a share may not exercise any voting rights.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 8 Redeemable and subscriber shares (continued)

Possible dealing charges

The Prospectus allows for a preliminary charge of up to 5% of the NAV per share, payable to the AIFM in its capacity as Distributor or to any other distributor or placement agent as it directs.

It also allows for a repurchase charge of up to 5% of the NAV per share if a redemption takes place within 12 months of the initial investment, payable to the relevant Fund.

Finally, the Directors may, at their absolute discretion, also charge an anti-dilution levy. The levy, which will be calculated to cover the costs of acquiring investments as a result of large net subscriptions on any dealing day, will include any dealing spreads, commission and transfer taxes. As the cost of dealing can vary with market conditions, the level of the anti-dilution levy may also vary but shall at no point exceed 2% of the NAV per share.

M&G AOF charged an anti-dilution levy of EUR1,741,483 for the financial year ended 31 December 2019 (EUR1,712,263 during the financial year ended 31 December 2018). M&G ELF charged an anti-dilution levy of EUR2,266,813 for the financial year ended 31 December 2019 (EUR1,188,422 during the financial year ended 31 December 2018). This anti-dilution levy was recorded in the net increase/(decrease) from share transactions section of the Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares. There were no other preliminary charges, repurchase charges, or anti-dilution levies for the financial year ended 31 December 2019 or 31 December 2018.

Limitations on repurchases

The Company may not repurchase shares of any Fund during any period when the calculation of the NAV of the relevant Fund is suspended. Applicants of repurchases of shares will be notified of such postponement and, unless withdrawn, their applications will be considered as at the next dealing day following the end of such suspension.

At the discretion of the Directors, the Administrator may decline to effect a repurchase request which would have the effect of reducing the value of any holding of shares relating to any Fund below the minimum shareholding for that class of shares of that Fund. Any repurchase request having such effect may be treated by the Company as a request to repurchase the shareholders entire holding of that class of shares.

The Directors are entitled to limit the number of shares of any Fund repurchased on any dealing day to shares representing 10% of the total NAV of that Fund on that dealing day or some other amount as they may in their absolute discretion determine, subject to the terms of the relevant Prospectus Supplement. In this event, the limitation will apply pro-rata so that all shareholders wishing to have shares of that Fund repurchased on that dealing day realise the same proportion of such shares. Shares not repurchased, but which would otherwise have been repurchased, will be carried forward for repurchase on the next dealing day and will be dealt with in priority (on a rateable basis) to repurchase requests received subsequently. If requests for repurchases are carried forward, the Administrator will inform the shareholders affected.

The following table represents the movement in the number of redeemable shares only during the financial year ended 31 December 2019:

	M&G European Loan Fund Class A GBP Shares	M&G European Loan Fund Class B GBP Shares	M&G European Loan Fund Class C GBP Shares	M&G European Loan Fund Class R GBP Shares
At 1 January 2019	140,255	696	14,280,891	1,556,341
Issued	320	-	683,175	564
Redeemed	<u>(134,476)</u>	<u>(579)</u>	<u>(3,581,201)</u>	<u>(1,549,440)</u>
At 31 December 2019	<u>6,099</u>	<u>117</u>	<u>11,382,865</u>	<u>7,465</u>
	EUR	EUR	EUR	EUR
Value of shares issued	30,829	-	69,012,749	56,688
Value of shares redeemed	(13,748,141)	(57,341)	(355,186,136)	(158,095,480)

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 8 Redeemable and subscriber shares (continued)

	M&G European Loan Fund Class R GBP Accumulating Shares	M&G European Loan Fund Class A EUR Shares	M&G European Loan Fund Class C EUR Shares	M&G European Loan Fund Class C EUR Accumulating Shares
At 1 January 2019	39,278	42,737	9,136,870	4,005,640
Issued	28,067	3	548,268	841,413
Redeemed	(11,284)	-	(1,274,399)	(528,318)
At 31 December 2019	56,061	42,740	8,410,739	4,318,735
	EUR	EUR	EUR	EUR
Value of shares issued	2,946,688	239	59,831,527	91,469,356
Value of shares redeemed	(1,182,913)	-	(139,225,332)	(56,940,538)
	M&G European Loan Fund Class D EUR Shares	M&G European Loan Fund Class H EUR Accumulating Shares	M&G European Loan Fund Class H EUR Income Shares	M&G European Loan Fund Class R EUR Shares
At 1 January 2019	268,633	2,970,171	448,653	1,277,623
Issued	-	2,173,676	-	20,211
Redeemed	-	-	-	(686,251)
At 31 December 2019	268,633	5,143,847	448,653	611,583
	EUR	EUR	EUR	EUR
Value of shares issued	-	221,673,435	-	1,951,029
Value of shares redeemed	-	-	-	(66,651,834)
	M&G European Loan Fund Class R EUR Accumulating Shares	M&G European Loan Fund Class C GBP Accumulating* Shares	M&G Dynamic European Loan Fund Class A GBP Shares	M&G Broad European Loan Fund Class A GBP Shares
At 1 January 2019	1,756,688	-	3,114,445	2,166,293
Issued	-	157,193	-	-
Redeemed	(243,238)	-	(2,634,062)	(447,265)
At 31 December 2019	1,513,450	157,193	480,383	1,719,028
	EUR	EUR	GBP	GBP
Value of shares issued	-	15,718,914	-	-
Value of shares redeemed	(25,000,000)	-	(260,000,000)	(50,000,000)

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 8 Redeemable and subscriber shares (continued)

	M&G SLK European Loan Fund Class A EUR Shares	M&G Active European Loan Fund Class A EUR Shares	M&G Conservative European Loan Fund Class A GBP Shares	M&G Independent European Loan Fund Class A EUR Accumulating Shares
At 1 January 2019	2,007,396	4,169,667	4,327,122	3,799,623
Issued	68,820	216,118	282,345	-
Redeemed	-	(1,678,025)	-	(127,264)
At 31 December 2019	2,076,216	2,707,760	4,609,467	3,672,359
	EUR	EUR	GBP	EUR
Value of shares issued	7,311,264	21,428,030	29,860,452	-
Value of shares redeemed	-	(167,000,000)	-	(13,000,000)

	M&G Versatile European Loan Fund Class A GBP Shares	M&G Managed European Loan Fund Class A GBP Shares	M&G Managed European Loan Fund Class A CHF Shares	M&G Zeta European Loan Fund Class A EUR Shares
At 1 January 2019	1,384,688	3,410,918	1,968,772	3,003,317
Issued	-	119,107	-	-
Redeemed	-	-	-	-
At 31 December 2019	1,384,688	3,530,025	1,968,772	3,003,317
	GBP	GBP	GBP	EUR
Value of shares issued	-	12,126,020	-	-
Value of shares redeemed	-	-	-	-

	M&G Alpha Opportunities Fund Class A EUR Shares	M&G Alpha Opportunities Fund Class A GBP Shares	M&G Alpha Opportunities Fund Class A GBP Accumulating Shares	M&G Alpha Opportunities Fund Class A JPY Shares
At 1 January 2019	1,275,988	43,222,682	256,040	100,000
Issued	411,030	4,289,666	1,596,336	198,613
Redeemed	(149,886)	(4,536,048)	(205,635)	-
At 31 December 2019	1,537,132	42,976,300	1,646,741	298,613
	EUR	EUR	EUR	EUR
Value of shares issued	39,811,647	508,269,668	188,004,432	16,487,161
Value of shares redeemed	(14,699,298)	(538,934,616)	(23,372,913)	-

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 8 Redeemable and subscriber shares (continued)

	M&G Alpha Opportunities Fund Class A USD Shares	M&G Alpha Opportunities Fund Class B EUR Shares	M&G Alpha Opportunities Fund Class B GBP Shares	M&G Alpha Opportunities Fund Class D GBP Shares
At 1 January 2019	647,813	2,183,877	17,644,169	12,774,654
Issued	16,256	54,789	3,107,766	1,080,674
Redeemed	-	(102,859)	(2,515,539)	(603,699)
At 31 December 2019	<u>664,069</u>	<u>2,135,807</u>	<u>18,236,396</u>	<u>13,251,629</u>
	EUR	EUR	EUR	EUR
Value of shares issued	1,545,062	5,298,812	355,780,725	121,009,837
Value of shares redeemed	-	(10,000,000)	(297,315,937)	(68,314,069)
	M&G Alpha Opportunities Fund Class E GBP Accumulating Shares	M&G Alpha Opportunities Fund Class E GBP Accumulating Shares	M&G Alpha Opportunities Fund Class B EUR Accumulating** Shares	M&G Alpha Opportunities Fund Class A EUR Accumulating*** Shares
At 1 January 2019	19,978	26,446	-	-
Issued	14,479	8,539	177,116	257,000
Redeemed	(7,924)	(11,537)	-	-
At 31 December 2019	<u>26,533</u>	<u>23,448</u>	<u>177,116</u>	<u>257,000</u>
	EUR	EUR	EUR	EUR
Value of shares issued	1,713,514	964,572	17,699,298	25,700,000
Value of shares redeemed	(908,610)	(1,352,897)	-	-
	M&G Strategic Credit (1) Fund Class A EUR Shares			
At 1 January 2019	600,344			
Issued	102,792			
Redeemed	-			
At 31 December 2019	<u>703,136</u>			
	EUR			
Value of shares issued	14,000,000			
Value of shares redeemed	-			

*This share class launched on 4 June 2019.

**This share class launched on 1 August 2019.

***This share class launched on 2 September 2019.

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 8 Redeemable and subscriber shares (continued)

The following table represents the movement in the number of redeemable shares only during the financial year/period ended 31 December 2018:

	M&G European Loan Fund Class A GBP Shares	M&G European Loan Fund Class B GBP Shares	M&G European Loan Fund Class C GBP Shares	M&G European Loan Fund Class R GBP Shares
At 1 January 2018	368,712	767	14,392,278	4,157,289
Issued	149,177	-	2,259,908	40,357
Redeemed	(377,634)	(71)	(2,371,295)	(2,641,305)
At 31 December 2018	140,255	696	14,280,891	1,556,341
	EUR	EUR	EUR	EUR
Value of shares issued	14,934,355	-	227,956,564	4,052,461
Value of shares redeemed	(37,830,960)	(6,870)	(239,545,983)	(266,937,750)
	M&G European Loan Fund Class R GBP Accumulating Shares	M&G European Loan Fund Class A EUR Shares	M&G European Loan Fund Class C EUR Shares	M&G European Loan Fund Class C EUR Accumulating Shares
At 1 January 2018	18,630	35,924	11,041,995	4,839,943
Issued	20,648	27,023	1,600,251	1,228,537
Redeemed	-	(20,210)	(3,505,376)	(2,062,840)
At 31 December 2018	39,278	42,737	9,136,870	4,005,640
	EUR	EUR	EUR	EUR
Value of shares issued	2,076,337	2,070,213	177,745,297	131,005,613
Value of shares redeemed	-	(1,557,442)	(388,224,532)	(219,424,747)
	M&G European Loan Fund Class D EUR Shares	M&G European Loan Fund Class H EUR Accumulating Shares	M&G European Loan Fund Class H EUR Income Shares	M&G European Loan Fund Class R EUR Shares
At 1 January 2018	268,633	-	-	1,599,359
Issued	-	2,970,171	448,653	2,017,804
Redeemed	-	-	-	(2,339,540)
At 31 December 2018	268,633	2,970,171	448,653	1,277,623
	EUR	EUR	EUR	EUR
Value of shares issued	-	297,162,989	44,865,329	200,868,553
Value of shares redeemed	-	-	-	(233,507,340)

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 8 Redeemable and subscriber shares (continued)

	M&G European Loan Fund Class R EUR Accumulating Shares	M&G Dynamic European Loan Fund Class A GBP Shares	M&G Broad European Loan Fund Class A GBP Shares	M&G SLK European Loan Fund Class A EUR Shares
At 1 January 2018	-	6,675,822	2,166,293	1,942,404
Issued	4,208,964	-	-	64,992
Redeemed	(2,452,276)	(3,561,377)	-	-
At 31 December 2018	1,756,688	3,114,445	2,166,293	2,007,396
	EUR	GBP	GBP	EUR
Value of shares issued	422,459,764	-	-	7,019,873
Value of shares redeemed	(247,252,770)	(346,500,000)	-	-
	M&G Active European Loan Fund Class A EUR Shares	M&G Conservative European Loan Fund Class A GBP Shares	M&G Independent European Loan Fund Class A EUR Accumulating Shares	M&G Versatile European Loan Fund Class A GBP Shares
At 1 January 2018	4,030,201	4,159,545	3,481,973	1,384,688
Issued	139,466	167,577	317,650	-
Redeemed	-	-	-	-
At 31 December 2018	4,169,667	4,327,122	3,799,623	1,384,688
	EUR	GBP	EUR	GBP
Value of shares issued	14,074,738	17,695,919	32,000,000	-
Value of shares redeemed	-	-	-	-
	M&G Managed European Loan Fund Class A GBP Shares	M&G Managed European Loan Fund Class A CHF Shares	M&G Zeta European Loan Fund Class A EUR Shares	M&G Alpha Opportunities Fund Class A EUR Shares
At 1 January 2018	3,295,227	1,968,772	849,247	2,979,325
Issued	115,691	-	2,154,070	93,003
Redeemed	-	-	-	(1,796,340)
At 31 December 2018	3,410,918	1,968,772	3,003,317	1,275,988
	GBP	GBP	EUR	EUR
Value of shares issued	11,838,672	-	215,000,000	9,129,628
Value of shares redeemed	-	-	-	(180,511,737)

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 8 Redeemable and subscriber shares (continued)

	M&G Alpha Opportunities Fund Class A GBP Shares	M&G Alpha Opportunities Fund Class A GBP Accumulating Shares	M&G Alpha Opportunities Fund Class A JPY Accumulating Shares	M&G Alpha Opportunities Fund Class A USD Shares
At 1 January 2018	41,653,690	-	-	719,673
Issued	6,156,613	256,040	100,000	13,022
Redeemed	(4,587,621)	-	-	(84,882)
At 31 December 2018	43,222,682	256,040	100,000	647,813
	EUR		EUR	EUR
Value of shares issued	722,145,982	28,593,678	7,579,839	1,158,735
Value of shares redeemed	(537,655,920)	-	-	(7,735,281)
	M&G Alpha Opportunities Fund Class B EUR Shares	M&G Alpha Opportunities Fund Class B GBP Shares	M&G Alpha Opportunities Fund Class D GBP Shares	M&G Alpha Opportunities Fund Class D GBP Accumulating Shares
At 1 January 2018	-	25,128,640	-	-
Issued	2,183,877	5,504,915	12,822,111	12,206
Redeemed	-	(12,989,386)	(47,457)	(12,206)
At 31 December 2018	2,183,877	17,644,169	12,774,654	-
	EUR	GBP	GBP	GBP
Value of shares issued	218,332,459	635,895,664	1,441,817,334	1,391,532
Value of shares redeemed	-	(1,506,595,487)	(5,264,665)	(1,358,311)
	M&G Alpha Opportunities Fund Class E GBP Accumulating Shares	M&G Alpha Opportunities Fund Class E GBP Shares	M&G Strategic Credit (1) Fund Class A EUR Shares	
At 1 January 2018	-	-	600,344	
Issued	19,978	26,446	-	
Redeemed	-	-	-	
At 31 December 2018	19,978	26,446	600,344	
	GBP	GBP	EUR	
Value of shares issued	2,251,297	2,980,147	-	
Value of shares redeemed	-	-	-	

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 8 Redeemable and subscriber shares (continued)

The following shareholders held greater than 20% of the shares in issue of the relevant Fund Share Class at 31 December 2019:

M&G European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
98%	41,955	Investor 1	Class A EUR
20%	1,236	Investor 2*	Class A GBP
35%	2,124	Investor 3*	Class A GBP
100%	117	Investor 4	Class B GBP
25%	1,063,560	Investor 5	Class C EUR ACC
26%	1,109,522	Investor 6	Class C EUR ACC
25%	2,831,965	Investor 7	Class C GBP
100%	157,193	Investor 8	Class C GBP ACC
24%	64,172	Investor 9	Class D EUR
71%	189,555	Investor 10	Class D EUR
26%	1,321,364	Investor 11	Class H EUR ACC
74%	3,822,483	Investor 12	Class H EUR ACC
100%	448,653	Investor 13*	Class H EUR Income
100%	611,583	Investor 14*	Class R EUR
100%	1,513,450	Investor 15*	Class R EUR ACC
81%	6,041	Investor 16*	Class R GBP
22%	12,306	Investor 17*	Class R GBP ACC
26%	14,399	Investor 18*	Class R GBP ACC
28%	15,909	Investor 19*	Class R GBP ACC

M&G Dynamic European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
100%	480,383	Investor 1	Class A GBP

M&G Broad European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
100%	1,719,028	Investor 1	Class A GBP

M&G SLK European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
100%	2,076,216	Investor 1	Class A EUR

M&G Active European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
25%	690,115	Investor 1	Class A EUR
63%	1,696,523	Investor 2	Class A EUR

M&G Conservative European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
81%	3,733,826	Investor 1	Class A GBP

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 8 Redeemable and subscriber shares (continued)

M&G Independent European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
22%	801,875	Investor 1	Class A EUR ACC
25%	927,989	Investor 2	Class A EUR ACC
48%	1,752,110	Investor 3	Class A EUR ACC

M&G Versatile European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
100%	1,384,688	Investor 1	Class A GBP

M&G Managed European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
30%	591,880	Investor 1	Class A CHF
38%	738,891	Investor 2	Class A CHF
100%	3,530,025	Investor 3	Class A GBP

M&G Zeta European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
100%	3,003,317	Investor 1	Class A EUR

M&G Alpha Opportunities Fund

Class %	Number of Shares	Shareholder	Share Class
51%	790,414	Investor 1	Class A EUR
100%	257,000	Investor 2	Class A EUR ACC
25%	412,361	Investor 3	Class A GBP ACC
25%	414,138	Investor 4	Class A GBP ACC
33%	100,000	Investor 5	Class A JPY ACC
67%	198,613	Investor 6	Class A JPY ACC
100%	664,069	Investor 7	Class A USD
100%	2,135,807	Investor 8	Class B EUR
100%	177,116	Investor 9	Class B EUR ACC
23%	4,239,152	Investor 10*	Class B GBP
23%	3,045,711	Investor 11*	Class D GBP
23%	3,055,618	Investor 12*	Class D GBP
34%	4,541,103	Investor 13*	Class D GBP
35%	8,101	Investor 14*	Class E GBP
62%	14,493	Investor 15*	Class E GBP
45%	12,054	Investor 16*	Class E GBP ACC
55%	14,479	Investor 17*	Class E GBP ACC

M&G Strategic Credit (1) Fund

Class %	Number of Shares	Shareholder	Share Class
100%	703,136	Investor 1	Class A EUR

* The above mentioned shareholders are parties related to the Company.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 8 Redeemable and subscriber shares (continued)

The following shareholders held greater than 20% of the shares in issue of the relevant Fund at 31 December 2018:

M&G European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
98%	41,955	Investor 1	Class A EUR
20%	28,083	Investor 2*	Class A GBP
65%	91,727	Investor 3*	Class A GBP
100%	696	Investor 4	Class B GBP
24%	972,215	Investor 5	Class C EUR ACC
24%	64,172	Investor 6	Class D EUR
71%	189,555	Investor 7	Class D EUR
100%	2,970,171	Investor 8	Class H EUR ACC
100%	448,653	Investor 9	Class H EUR Income
100%	1,277,623	Investor 10	Class R EUR
100%	1,756,688	Investor 11	Class R EUR ACC
99%	1,533,736	Investor 12	Class R GBP
21%	8,342	Investor 13*	Class R GBP ACC
31%	12,306	Investor 14*	Class R GBP ACC
41%	15,909	Investor 15*	Class R GBP ACC

M&G Dynamic European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
100%	3,114,445	Investor 1	Class A GBP

M&G Broad European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
100%	2,166,293	Investor 1	Class A GBP

M&G SLK European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
100%	2,007,396	Investor 1	Class A EUR

M&G Active European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
25%	1,052,729	Investor 1	Class A EUR
70%	2,907,156	Investor 2	Class A EUR

M&G Conservative European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
84%	3,633,328	Investor 1	Class A GBP

M&G Independent European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
21%	801,875	Investor 1	Class A EUR ACC
24%	927,989	Investor 2	Class A EUR ACC
46%	1,752,110	Investor 3	Class A EUR ACC

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 8 Redeemable and subscriber shares (continued)

M&G Versatile European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
100%	1,384,688	Investor 1	Class A GBP

M&G Managed European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
30%	591,880	Investor 1	Class A CHF
38%	738,891	Investor 2	Class A CHF
100%	3,410,918	Investor 3	Class A GBP

M&G Zeta European Loan Fund

Class %	Number of Shares	Shareholder	Share Class
100%	3,003,317	Investor 1	Class A EUR

M&G Alpha Opportunities Fund

Class %	Number of Shares	Shareholder	Share Class
53%	677,671	Investor 1	Class A EUR
80%	205,635	Investor 2	Class A GBP ACC
100%	100,000	Investor 3	Class A JPY ACC
100%	647,813	Investor 4	Class A USD
100%	2,183,877	Investor 5	Class B EUR
27%	4,830,395	Investor 6	Class B GBP
23%	2,968,874	Investor 7	Class D GBP
28%	3,570,289	Investor 8	Class D GBP
29%	3,692,118	Investor 9	Class D GBP
42%	11,184	Investor 10*	Class E GBP
54%	14,174	Investor 11*	Class E GBP
40%	7,924	Investor 12*	Class E GBP ACC
60%	12,054	Investor 13*	Class E GBP ACC

M&G Strategic Credit (1) Fund

Class %	Number of Shares	Shareholder	Share Class
100%	600,344	Investor 1	Class A EUR

* The above mentioned shareholders are parties related to the Company.

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 9 Distributions to holders of redeemable shares

	M&G European Loan Fund Year ended 31 Dec 2019 EUR	M&G Dynamic European Loan Fund Year ended 31 Dec 2019 GBP	M&G Broad European Loan Fund Year ended 31 Dec 2019 GBP	M&G SLK European Loan Fund Year ended 31 Dec 2019 EUR
For the fourth quarter of 2018	(23,444,499)	-	(2,223,083)	(1,837,925)
For the first quarter of 2019	(20,217,982)	-	(2,087,915)	(1,773,987)
For the second quarter of 2019	(20,056,470)	-	(1,951,325)	(1,812,215)
For the third quarter of 2019	(18,514,963)	-	(1,708,220)	(1,887,137)
	(82,233,914)	-	(7,970,543)	(7,311,264)
Distributions reinvested	39,098,872	-	-	7,311,264
Net cash payments	(43,135,042)	-	(7,970,543)	-

	M&G Active European Loan Fund Year ended 31 Dec 2019 EUR	M&G Conservative European Loan Fund Year ended 31 Dec 2019 GBP	M&G Independent European Loan Fund Year ended 31 Dec 2019 EUR	M&G Versatile European Loan Fund Year ended 31 Dec 2019 GBP
For the fourth quarter of 2018	(3,770,765)	(3,102,264)	-	(1,240,470)
For the first quarter of 2019	(2,879,061)	(3,061,770)	-	(1,192,409)
For the second quarter of 2019	(2,401,207)	(3,228,086)	-	(1,239,827)
For the third quarter of 2019	(2,376,997)	(3,243,447)	-	(1,241,149)
	(11,428,030)	(12,635,567)	-	(4,913,855)
Distributions reinvested	11,428,030	12,635,567	-	-
Net cash payments	-	-	-	(4,913,855)

	M&G Managed European Loan Fund Year ended 31 Dec 2019 GBP	M&G Zeta European Loan Fund Period ended 31 Dec 2019 EUR	M&G Alpha Opportunities Fund Year ended 31 Dec 2019 EUR	M&G Strategic Credit (1) Fund Year ended 31 Dec 2019 EUR
For the fourth quarter of 2018	(4,466,816)	(2,239,738)	(48,244,895)	-
For the first quarter of 2019	(4,075,512)	(2,357,982)	(59,314,252)	-
For the second quarter of 2019	(4,346,059)	(2,514,634)	(60,119,470)	-
For the third quarter of 2019	(4,493,010)	(2,460,685)	(57,572,163)	-
	(17,381,397)	(9,573,039)	(225,250,780)	-
Distributions reinvested	12,126,020	-	152,953,380	-
Net cash payments	(5,255,377)	(9,573,039)	(72,297,400)	-

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 9 Distributions to holders of redeemable shares (continued)

	Specialist Investment Funds (1) Plc Year ended 31 Dec 2019 EUR
For the fourth quarter of 2018	(92,166,519)
For the first quarter of 2019	(98,467,959)
For the second quarter of 2019	(99,226,682)
For the third quarter of 2019	(95,043,663)
	(384,904,823)
Distributions reinvested	239,136,259
Net cash payments	(145,768,564)

	M&G European Loan Fund Year ended 31 Dec 2018 EUR	M&G Dynamic European Loan Fund Year ended 31 Dec 2018 GBP	M&G Broad European Loan Fund Year ended 31 Dec 2018 GBP	M&G SLK European Loan Fund Year ended 31 Dec 2018 EUR
For the fourth quarter of 2017	(25,236,647)	-	(2,032,051)	(1,637,048)
For the first quarter of 2018	(24,410,820)	-	(2,046,440)	(1,701,057)
For the second quarter of 2018	(23,274,646)	-	(2,226,105)	(1,780,829)
For the third quarter of 2018	(25,124,530)	-	(2,257,196)	(1,900,939)
	(98,046,643)	-	(8,561,792)	(7,019,873)
Distributions reinvested	57,430,275	-	-	7,019,873
Net cash payments	(40,616,368)	-	(8,561,792)	-

	M&G Active European Loan Fund Year ended 31 Dec 2018 EUR	M&G Conservative European Loan Fund Year ended 31 Dec 2018 GBP	M&G Independent European Loan Fund Year ended 31 Dec 2018 EUR	M&G Versatile European Loan Fund Year ended 31 Dec 2018 GBP
For the fourth quarter of 2017	(3,396,913)	(2,816,911)	-	(1,205,199)
For the first quarter of 2018	(3,451,321)	(2,816,238)	-	(1,144,963)
For the second quarter of 2018	(3,500,856)	(3,061,438)	-	(1,243,804)
For the third quarter of 2018	(3,725,649)	(3,344,381)	-	(1,304,779)
	(14,074,739)	(12,038,968)	-	(4,898,745)
Distributions reinvested	14,074,739	12,038,968	-	-
Net cash payments	-	-	-	(4,898,745)

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 9 Distributions to holders of redeemable shares (continued)

	M&G Managed European Loan Fund Year ended 31 Dec 2018 GBP	M&G Zeta European Loan Fund Period ended 31 Dec 2018 EUR	M&G Alpha Opportunities Fund Year ended 31 Dec 2018 EUR	M&G Strategic Credit (1) Fund Year ended 31 Dec 2018 EUR
For the fourth quarter of 2017	(4,284,219)	(119,983)	(35,497,611)	-
For the first quarter of 2018	(4,125,704)	(479,130)	(34,168,945)	-
For the second quarter of 2018	(4,215,818)	(927,049)	(39,049,640)	-
For the third quarter of 2018	(4,429,703)	(1,700,255)	(47,494,065)	-
	(17,055,444)	(3,226,417)	(156,210,261)	-
Distributions reinvested	11,838,672	-	109,316,808	-
Net cash payments	(5,216,772)	(3,226,417)	(46,893,453)	-

	Specialist Investment Funds (1) Plc Year ended 31 Dec 2018 EUR
For the fourth quarter of 2017	(77,563,872)
For the first quarter of 2018	(75,655,386)
For the second quarter of 2018	(80,670,352)
For the third quarter of 2018	(92,747,821)
	(326,637,431)
Distributions reinvested	214,807,515
Net cash payments	(111,829,916)

Total distributions per share

	Year ended 31 Dec 2019 GBP	Year ended 31 Dec 2018 GBP
M&G European Loan Fund		
Class A GBP	6.76	2.39
Class B GBP	2.10	1.92
Class C GBP	2.94	2.76
Class R GBP	2.97	2.81
	EUR	EUR
Class A EUR	2.24	2.06
Class C EUR	3.64	3.48
Class D EUR	3.17	2.95
Class R EUR	3.42	3.52

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 9 Distributions to holders of redeemable shares (continued)

Total distributions per share (continued)

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	GBP	GBP
M&G Dynamic European Loan Fund		
Class A GBP	-	-
M&G Broad European Loan Fund	GBP	GBP
Class A GBP	4.08	3.95
M&G SLK European Loan Fund	EUR	EUR
Class A EUR	3.60	3.57
M&G Active European Loan Fund	EUR	EUR
Class A EUR	3.67	3.45
M&G Conservative European Loan Fund	GBP	GBP
Class A GBP	2.88	2.85
M&G Independent European Loan Fund	EUR	EUR
Class A EUR	-	-
M&G Versatile European Loan Fund	GBP	GBP
Class A GBP	3.55	3.54
M&G Managed European Loan Fund	GBP	GBP
Class A GBP	3.51	3.55
	CHF	CHF
Class A CHF	3.35	3.47
M&G Zeta European Loan Fund	EUR	EUR
Class A EUR	3.19	1.56
M&G Alpha Opportunities Fund	GBP	GBP
Class A GBP	2.58	1.91
Class B GBP	2.56	2.07
Class D GBP	2.52	1.23
	EUR	EUR
Class A EUR	2.41	1.98
Class B EUR	2.49	1.30
	USD	USD
Class A USD	2.65	1.97
M&G Strategic Credit (1) Fund	EUR	EUR
Class A EUR	-	-

It is the intention of the Directors to declare dividends on the active Funds on a quarterly basis on the first business days of January, April, July and October.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 10 Related party transactions

Alternative Investment Fund Manager

The Funds have appointed M&G Luxembourg S.A. (the "AIFM") an alternative investment management company incorporated in Luxembourg and fully authorised by the Luxembourg Commission de Surveillance du Secteur Financier ("CSSF") to implement the investment strategy as specified in the Prospectus and the Supplements. The AIFM is entitled to receive out of the assets of the Funds management fees as detailed below.

The AIFM is entitled to receive out of the assets of the Funds fees equivalent to:

Funds	% of Funds assets equivalent
M&G ELF	0.50%
M&G DELF	0.52%
M&G BELF	0.425%
M&G SELF	0.45%
M&G AELF	0.45% (when total investment value is equal to or less than EUR 250 million) 0.40% (when total investment value is in excess of EUR 250 million)
M&G CELF	0.45%
M&G IELF	0.45%
M&G VELF	0.45%
M&G MELF	0.45%
M&G ZELF	0.425%
M&G AOF	0.35% of Class A 0.30% of Class B
M&G SCF	0.40%

Such fees will accrue and be calculated on each dealing day and be payable monthly in arrears. The related party element is discounted on calculation of the above fees applicable for the M&G AOF and M&G SCF holdings in related Funds.

The AIFM has waived its fee entitlements relating to cross holdings except it charges its full fee for the M&G AOF holding in M&G Focused European Loan Fund, a Fund in the Specialist Investment Funds (3) entity (there are no AIFM fees charged in M&G Focused European Loan Fund). The AIFM does not charge fees on the M&G SCF holdings in M&G Debt Opportunities Fund ("M&G DOF"), M&G Debt Opportunities Fund II ("M&G DOF II") and M&G Debt Investment Opportunities III Fund ("M&G DOF III").

As disclosed in note 11, the AIFM provides valuations for assets categorised as Level 3 within the fair value hierarchy. Please refer to the audited financial statements of the Subsidiaries included in the Appendix to these financial statements.

The AIFM was appointed on 01 March 2019. During the period from 01 March 2019 to 31 December 2019 the AIFM earned Investment Management fees of EUR61,350,673 of which EUR8,002,957 was outstanding at the reporting date. M&G Alternatives Investment Management Limited, as alternative investment fund manager for the period from 01 January 2019 to 28 February 2019, received Investment Management fees of EUR11,796,429 (31 December 2018: EUR74,277,865) of which EUR Nil remained outstanding at 31 December 2019 (31 December 2018: EUR8,773,909).

The AIFM has entered into the Distribution Agreement with M&G International Investments S.A. The Distributor is wholly owned by M&G FA Limited. The Distributor's fee is met by the AIFM out of its own fees received from the Company.

SPECIALIST INVESTMENT FUNDS (1) PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019

Note 10 Related party transactions (continued)

Relationship between Parent and Subsidiaries

The majority of the Funds' investments are held through wholly owned Subsidiaries.

Directors' fees

The total Directors' fees (including expenses) are disclosed in the Statement of Comprehensive Income. All of these fees were emoluments in respect of services to the Company. The listing of the members of the Board of Directors is shown on page 1. Mr. Simon Pilcher (an employee of M&G Limited), Mr. Bruce Gunn (an employee of Prudential International), Mr. Keith Davies (an employee of M&G plc) and Mr. William Nicoll (an employee of M&G FA Limited) are not entitled to fees for the financial year ended 31 December 2019 and for the financial year ended 31 December 2018.

Key management personnel of the Company

Directors' interests

Mr. Mike Kirby, who is also a Director, is the managing principal of KB Associates. KB Associates has provided secretarial services and anti-money laundering services to the Company and has earned fees in the amount of EUR30,996 for the financial year ended 31 December 2019 (31 December 2018: EUR30,709) with EUR15,498 (31 December 2018: EUR15,170) outstanding as at 31 December 2019.

Mr Simon Pilcher, who was a Director of the Company, was an employee of M&G FA Limited (formerly M&G Limited) an affiliate of the AIFM until his resignation effective 28 May 2019. Mr. Bruce Gunn, who was also a Director was an employee of Prudential International, an affiliate of the AIFM until his resignation effective 6 March 2019.

Mr. William Nicoll, who was appointed Director of the Company on 19 August 2019, is an employee of M&G FA Limited.

Mr. Keith Davies, who was appointed Director of the Company on 26 November 2019, was an employee of M&G plc until his resignation effective 31 January 2020.

At 31 December 2019, Mr. Simon Pilcher held 8,101 shares in M&G AOF (31 December 2018: 7,924). There was a subscription of 8,054 shares (31 December 2018: 324 shares) redemptions 7,924 shares (31 December 2018: none) and distributions reinvested of 47 shares (31 December 2018: none) during the financial year ended 31 December 2019.

Each of the Directors is also a Director of each of the Subsidiaries.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 10 Related party transactions (continued)

Key management personnel of the Company (continued)

Staff interests

At 31 December 2019, staff of the AIFM held 124,511 (31 December 2018: 202,369) shares in M&G ELF. There were total subscriptions of 107,334 shares (31 December 2018: 172,135) redemptions 186,189 shares (31 December 2018: 14,767) and distributions reinvested of 997 (31 December 2018: 1,284) during the financial year ended 31 December 2019. At 31 December 2019 staff in the AIFM held 41,880 (31 December 2018: 49,754) shares in M&G AOF. There were total subscriptions of 14,479 shares (31 December 2018: 15,494), redemptions of 22,876 shares (31 December 2018: Nil), distributions reinvested of 522 shares (31 December 2018: 641).

Investment by Prudential Assurance Co. Limited

The AIFM is a member of the group which was headed by Prudential plc until 20 October 2019 and by M&G plc from 21 October 2019. The AIFM manages investments held by Prudential Assurance Co. Limited, M&G Plc's With Profits Life Fund. The Prudential Assurance Co. Limited held 203,290 shares (31 December 2018: 2,712,543 shares) in M&G ELF as at 31 December 2019. During the financial year ended 31 December 2019, 358,109 shares were subscribed to (31 December 2018: 502,768) 2,954,949 shares were redeemed (31 December 2018: Nil) and distributions reinvested of 87,588 shares (31 December 2018: 65,590). The Prudential Staff Pensions Limited held 1,426,298 shares (31 December 2018: 1,391,151 shares) in M&G AOF as at 31 December 2019. During the financial year ended 31 December 2019, no shares were subscribed to (31 December 2018: 1,169) no shares were redeemed (31 December 2018: Nil) and distributions reinvested of shares 35,147 (31 December 2018: 25,305).

Investment by Suffolk Life Annuities Limited and Suffolk Life Trustees Limited

Suffolk Life Annuities Limited and Suffolk Life Trustees Limited acts as a nominees on behalf of some staff of the AIFM and makes investments on their behalf. Suffolk Life Annuities Limited held no shares (31 December 2018: 1,554) in M&G ELF as at 31 December 2019. During the financial year ended 31 December 2019, no shares were subscribed to, no shares were redeemed and distributions reinvested were no shares (31 December 2018: no shares were subscribed to, 1,507 were redeemed and 47 distributions were reinvested). Suffolk Life Trustees Limited held no shares (31 December 2018: 1,169) in M&G ELF as at 31 December 2019. During the financial year ended 31 December 2019, no shares were subscribed to, no shares were redeemed and no distributions were reinvested (31 December 2018: no shares were subscribed to, 1,169 were redeemed and no distribution were reinvested).

Note 11 Fair value hierarchy

The Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted market price in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 11 Fair value hierarchy (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

All of the Funds' investments except for derivatives are held through the wholly owned Subsidiaries. The investment in Subsidiaries, are classified as Level 2 except for M&G Strategic Credit (1) Fund and Dynamic European Loan Fund which are classified as Level 3, reflecting the observable inputs used in valuing the majority of the underlying portfolios of the Subsidiaries. Please refer to the audited financial statements of the Subsidiaries included in the Appendix to these financial statements.

All forward foreign exchange and swap contracts are classified as Level 2 since they are valued using observable inputs. Futures contracts are classified as Level 1 as they are valued using quoted prices in an active market.

Cash collateral and cash held at broker include deposits held with banks and other short-term investments in an active market and are categorised as Level 1.

Receivable for investments sold and other receivables include the contractual amounts for settlement of trades and other obligations due to the Company. Payable for investments purchased and other payables represent the contractual amounts and obligations due by the Company for settlement of trades and other obligations due by the Company for settlement of trades and expenses. All of the receivable and payable balances are categorised as Level 2.

The puttable value of redeemable shares is calculated based on the net difference between total assets and all other liabilities of each Fund within the Company in accordance with the Funds' offering memorandum. These shares are not traded on an active market. A demand feature is attached to these shares, as they are redeemable at the holders' option and can be put back to the Funds at any dealing date for cash/assets equal to a proportionate share of the relevant Fund's NAV attributable to the share class. The fair value is based on the amount payable on demand, discounted from the first date that the amount could be required to be paid. The impact of discounting in this instance is not material. As such, Level 2 is deemed to be the most appropriate categorisation for net assets attributable to holders of redeemable shares.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the period. There were no significant transfers between Level 1 and Level 2 during the reporting year (31 December 2018: None).

The transfers into level 3 as at 31 December 2019 were classified as Level 3 because the securities in the underlying Subsidiary were priced using unobservable inputs. These instruments were Level 2 as at 31 December 2018 because they were valued using observable inputs. The pricing policy on holdings has been reviewed in line with the AIFM's Data Management team's guidelines.

The following is a summary of the fair value hierarchy used as of 31 December 2019 and 31 December 2018 for the Company's financial instruments carried at fair value:

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 11 Fair value hierarchy (continued)

M&G European Loan Fund 31 December 2019	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total Fair Value EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	3,469,216,449	-	3,469,216,449
- Forward foreign exchange contracts	-	12,203,515	-	12,203,515
	<u>-</u>	<u>3,481,419,964</u>	<u>-</u>	<u>3,481,419,964</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:	-			
- Forward foreign exchange contracts	-	(3,475,783)	-	(3,475,783)
	<u>-</u>	<u>(3,475,783)</u>	<u>-</u>	<u>(3,475,783)</u>
M&G Dynamic European Loan Fund 31 December 2019	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total Fair Value GBP
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	-	46,202,559	46,202,559
	<u>-</u>	<u>-</u>	<u>46,202,559</u>	<u>46,202,559</u>
M&G Broad European Loan Fund 31 December 2019	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total Fair Value GBP
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	191,202,632	-	191,202,632
- Forward foreign exchange contracts	-	1,830,640	-	1,830,640
	<u>-</u>	<u>193,033,272</u>	<u>-</u>	<u>193,033,272</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(64,815)	-	(64,815)
	<u>-</u>	<u>(64,815)</u>	<u>-</u>	<u>(64,815)</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 11 Fair value hierarchy (continued)

M&G SLK European Loan Fund				
31 December 2019	Level 1	Level 2	Level 3	Total
	EUR	EUR	EUR	Fair Value
				EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	222,479,901	-	222,479,901
- Forward foreign exchange contracts	-	329,856	-	329,856
	-	<u>222,809,757</u>	-	<u>222,809,757</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(454,641)	-	(454,641)
	-	<u>(454,641)</u>	-	<u>(454,641)</u>
M&G Active European Loan Fund				
31 December 2019	Level 1	Level 2	Level 3	Total
	EUR	EUR	EUR	Fair Value
				EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	270,198,104	-	270,198,104
- Forward foreign exchange contracts	-	431,571	-	431,571
	-	<u>270,629,675</u>	-	<u>270,629,675</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(669,686)	-	(669,686)
	-	<u>(669,686)</u>	-	<u>(669,686)</u>
M&G Conservative European Loan Fund				
31 December 2019	Level 1	Level 2	Level 3	Total
	GBP	GBP	GBP	Fair Value
				GBP
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	488,213,248	-	488,213,248
- Forward foreign exchange contracts	-	6,009,414	-	6,009,414
	-	<u>494,222,662</u>	-	<u>494,222,662</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(75,020)	-	(75,020)
	-	<u>(75,020)</u>	-	<u>(75,020)</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 11 Fair value hierarchy (continued)

M&G Independent European Loan Fund 31 December 2019				Total Fair Value EUR
	Level 1 EUR	Level 2 EUR	Level 3 EUR	
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	385,181,724	-	385,181,724
- Forward foreign exchange contracts	-	515,152	-	515,152
	-	<u>385,696,876</u>	-	<u>385,696,876</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(745,169)	-	(745,169)
	-	<u>(745,169)</u>	-	<u>(745,169)</u>
M&G Versatile European Loan Fund 31 December 2019				Total Fair Value GBP
	Level 1 GBP	Level 2 GBP	Level 3 GBP	
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	142,199,982	-	142,199,982
- Forward foreign exchange contracts	-	1,371,269	-	1,371,269
	-	<u>143,571,251</u>	-	<u>143,571,251</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(37,301)	-	(37,301)
	-	<u>(37,301)</u>	-	<u>(37,301)</u>
M&G Managed European Loan Fund 31 December 2019				Total Fair Value GBP
	Level 1 GBP	Level 2 GBP	Level 3 GBP	
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	512,890,353	-	512,890,353
- Forward foreign exchange contracts	-	5,538,117	-	5,538,117
	-	<u>518,428,470</u>	-	<u>518,428,470</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(3,944,001)	-	(3,944,001)
	-	<u>(3,944,001)</u>	-	<u>(3,944,001)</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 11 Fair value hierarchy (continued)

M&G Zeta European Loan Fund 31 December 2019	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total Fair Value EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	297,666,147	-	297,666,147
- Forward foreign exchange contracts	-	425,232	-	425,232
	<u>-</u>	<u>298,091,379</u>	<u>-</u>	<u>298,091,379</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(593,879)	-	(593,879)
	<u>-</u>	<u>(593,879)</u>	<u>-</u>	<u>(593,879)</u>
M&G Alpha Opportunities Fund 31 December 2019	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total Fair Value EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	9,861,962,436	-	9,861,962,436
- Futures contracts	26,968,140	-	-	26,968,140
- Forward foreign exchange contracts	-	64,280,646	-	64,280,646
	<u>26,968,140</u>	<u>9,926,243,082</u>	<u>-</u>	<u>9,953,211,222</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(33,411,428)	-	(33,411,428)
	<u>-</u>	<u>(33,411,428)</u>	<u>-</u>	<u>(33,411,428)</u>
M&G Strategic Credit (1) Fund 31 December 2019	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total Fair Value EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	-	95,051,682	95,051,682
	<u>-</u>	<u>-</u>	<u>95,051,682</u>	<u>95,051,682</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 11 Fair value hierarchy (continued)

M&G European Loan Fund

31 December 2018

	Level 1	Level 2	Level 3	Total
	EUR	EUR	EUR	Fair Value
				EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	3,662,379,898	-	3,662,379,898
- Forward foreign exchange contracts	-	7,547,206	-	7,547,206
	-	3,669,927,104	-	3,669,927,104

Financial liabilities at fair value through profit or loss:

Designated at fair value through profit or loss:

- Forward foreign exchange contracts	-	(24,434,090)	-	(24,434,090)
	-	(24,434,090)	-	(24,434,090)

M&G Dynamic European Loan Fund

31 December 2018

Financial liabilities at fair value through profit or loss:

Designated at fair value through profit or loss:

- Investment in Subsidiary	-	309,523,137	-	309,523,137
	-	309,523,137	-	309,523,137

M&G Broad European Loan Fund

31 December 2018

	Level 1	Level 2	Level 3	Total
	GBP	GBP	GBP	Fair Value
				GBP
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	239,329,651	-	239,329,651
- Forward foreign exchange contracts	-	33,048	-	33,048
	-	239,362,699	-	239,362,699

Financial liabilities at fair value through profit or loss:

Designated at fair value through profit or loss:

- Forward foreign exchange contracts	-	(5,204,561)	-	(5,204,561)
	-	(5,204,561)	-	(5,204,561)

M&G SLK European Loan Fund

31 December 2018

	Level 1	Level 2	Level 3	Total
	EUR	EUR	EUR	Fair Value
				EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	212,844,909	-	212,844,909
- Forward foreign exchange contracts	-	1,007,776	-	1,007,776
	-	213,852,685	-	213,852,685

Financial liabilities at fair value through profit or loss:

Designated at fair value through profit or loss:

- Forward foreign exchange contracts	-	(17,970)	-	(17,970)
	-	(17,970)	-	(17,970)

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 11 Fair value hierarchy (continued)

M&G Active European Loan Fund				
31 December 2018	Level 1	Level 2	Level 3	Total
	EUR	EUR	EUR	Fair Value
				EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	413,240,644	-	413,240,644
- Forward foreign exchange contracts	-	1,756,961	-	1,756,961
	-	<u>414,997,605</u>	-	<u>414,997,605</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(34,822)	-	(34,822)
	-	<u>(34,822)</u>	-	<u>(34,822)</u>
M&G Conservative European Loan Fund				
31 December 2018	Level 1	Level 2	Level 3	Total
	GBP	GBP	GBP	Fair Value
				GBP
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	448,748,020	-	448,748,020
- Forward foreign exchange contracts	-	173,706	-	173,706
	-	<u>448,921,726</u>	-	<u>448,921,726</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(10,504,043)	-	(10,504,043)
	-	<u>(10,504,043)</u>	-	<u>(10,504,043)</u>
M&G Independent European Loan Fund				
31 December 2018	Level 1	Level 2	Level 3	Total
	EUR	EUR	EUR	Fair Value
				EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	381,790,860	-	381,790,860
- Forward foreign exchange contracts	-	1,484,024	-	1,484,024
	-	<u>383,274,884</u>	-	<u>383,274,884</u>
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(38,350)	-	(38,350)
	-	<u>(38,350)</u>	-	<u>(38,350)</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 11 Fair value hierarchy (continued)

M&G Versatile European Loan Fund				
31 December 2018	Level 1	Level 2	Level 3	Total
	GBP	GBP	GBP	Fair Value
				GBP
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	140,796,499	-	140,796,499
- Forward foreign exchange contracts	-	18,565	-	18,565
	-	140,815,064	-	140,815,064
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(3,147,900)	-	(3,147,900)
	-	(3,147,900)	-	(3,147,900)
M&G Managed European Loan Fund				
31 December 2018	Level 1	Level 2	Level 3	Total
	GBP	GBP	GBP	Fair Value
				GBP
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	495,846,544	-	495,846,544
- Forward foreign exchange contracts	-	4,510,056	-	4,510,056
	-	500,356,600	-	500,356,600
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(10,869,332)	-	(10,869,332)
	-	(10,869,332)	-	(10,869,332)
M&G Zeta European Loan Fund				
31 December 2018	Level 1	Level 2	Level 3	Total
	EUR	EUR	EUR	Fair Value
				EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	294,501,766	-	294,501,766
- Forward foreign exchange contracts	-	1,176,763	-	1,176,763
	-	295,678,529	-	295,678,529
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Forward foreign exchange contracts	-	(86,953)	-	(86,953)
	-	(86,953)	-	(86,953)

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 11 Fair value hierarchy (continued)

M&G Alpha Opportunities Fund 31 December 2018	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total Fair Value EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	8,632,560,939	-	8,632,560,939
- Forward foreign exchange contracts	-	71,595,820	-	71,595,820
	-	<u>8,704,156,759</u>	-	<u>8,704,156,759</u>

Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Futures contracts	(22,646,923)	-	-	(22,646,923)
- Forward foreign exchange contracts	-	(83,479,180)	-	(83,479,180)
- Swap contracts	-	(2,255,993)	-	(2,255,993)
	<u>(22,646,923)</u>	<u>(85,735,173)</u>	-	<u>(108,382,096)</u>

M&G Strategic Credit (1) Fund 31 December 2018	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total Fair Value EUR
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investment in Subsidiary	-	-	81,056,787	81,056,787
	-	-	<u>81,056,787</u>	<u>81,056,787</u>

Level 3 Reconciliation

M&G Dynamic European Loan Fund	Financial assets at fair value through profit or loss 31 Dec 2019 GBP
Opening balance	-
Movement in unrealised losses	(1,243,217)
Repayment of loans	(262,123,001)
Loans issued	45,640
Transfer into Level 3	309,523,137
Closing balance	<u>46,202,559</u>

M&G Strategic Credit (1) Fund	Financial assets at fair value through profit or loss 31 Dec 2019 EUR	Financial assets at fair value through profit or loss 31 Dec 2018 EUR
Opening balance	81,056,787	-
Movement in unrealised losses	(1,991,826)	85,875,885
Repayment of loans	1,986,676	(4,762,214)
Loans issued	14,000,045	(56,884)
Closing balance	<u>95,051,682</u>	<u>81,056,787</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 11 Fair value hierarchy (continued)

Key sources of estimation uncertainty

Certain financial instruments and derivatives held by the Funds are fair valued using valuation techniques or single broker quotes as described in note 2.

Please refer to the relevant financial statements for the financial year ended 31 December 2019 underlying Subsidiary for full details of the inputs used in the valuation of the Subsidiary's investments.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, volatility, estimated cash flows etc.) and therefore, cannot be determined with precision.

Note 12 Financial Instruments and associated risks

As at 31 December 2019, the unconsolidated Subsidiaries held all of the assets on behalf of the twelve relevant Funds with the exception of derivatives and cash collateral. For a detailed review of the financial instruments and the associated risk of the Investments held by the Subsidiaries, please refer to the audited financial statements of the Subsidiaries which are attached as an appendix to these financial statements.

The Funds were exposed to market risk, credit risk and liquidity risk arising from the financial instruments they held. Market risk is further analysed into interest rate risk, currency risk and other price risk.

Risk management

The AIFM's approach to risk management includes both analytical and judgemental elements.

The principal risk in these Funds is credit risk, so the focus of the processes is on managing and mitigating specific credit risk.

The Alternative Investment Fund Manager attempts to gain the best and most consistent returns for clients while managing risks via the following:

- A bottom-up approach, centred around a detailed evaluation of individual investments;
- Diversification across geographies and industries, to minimise the impact of default;
- Sourcing investments from the primary market where possible, due to both the pricing advantages and the superior information that is afforded to the investor, but also through strategic secondary investments where these offer attractive relative value; and
- A high deal rejection rate, resulting in robust and sensibly priced issues being included in the Funds' portfolios.

Portfolio management decisions are based on in-house credit assessment and instrument rating which is carried out by the AIFM's leveraged finance analysts.

In addition, the Depositary, State Street Custodial Services (Ireland) Limited, undertakes post trade compliance monitoring as part of its fiduciary oversight function (primary responsibility for compliance monitoring lies with the AIFM, and is performed on a pre and post-trade basis). The Depositary's testing systems review the portfolio positions to validate the Funds' compliance with the key regulatory and Prospectus limits at each valuation point. The reporting generated for M&G ELF, M&G DELF, M&G BELF, M&G SELF, M&G AELF, M&G CELF, M&G IELF, M&G VELF, M&G MELF and M&G ZELF (the "Loan Funds") is provided to the AIFM for review each month.

The aim of spreading investment risk has been maintained by the AIFM.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk

Market risk embodies the potential for both losses and gains and includes foreign currency risk, interest rate risk and price risk, which are discussed in detail under separate headings within this note.

The Funds' exposure to market risk is that the market value of assets and some liabilities will generally fluctuate with, among other things, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry and the financial condition of the issuers of the loans and bonds that the Funds invest in.

The Funds' market risk is managed on a daily basis by the AIFM as set out above in accordance with policies and procedures in place. The Funds' overall market positions are reported to the Board on a quarterly basis.

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements caused by factors specific to the individual investment or factors affecting all instruments traded in the market.

(i) Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment (credit risk), its issuer or factors affecting all instruments traded in the market such as changes in interest rates or currency rates.

As the majority of the Funds' financial instruments are valued at market prices, changes in market conditions will directly affect net investment income and the value of the Funds. The AIFM assesses the merits and demerits of each security in which it invests and clearly attempts to reduce the downside correlation to market levels and increase the upward correlation to market levels via positive asset selection – aiming to buy only when we are being compensated for the underlying risks of the financial instrument.

Pricing risk is managed at Subsidiary level, the majority of the Funds' investments are held by wholly owned Subsidiaries, therefore, the associated risks of the Subsidiaries are currently substantially the same as the risks associated with the Funds. For a detailed review of the financial instruments and associated risks of the investment in the Subsidiaries, please refer to the audited financial statements of the Subsidiaries which are attached in the Appendix to these financial statements.

Estimation of fair values

The fair value of the Fund's swap contracts is the estimated amount that the Fund would receive or pay to terminate the swap at the reporting date, taking into account the current relevant rates and the current creditworthiness of the swap counter-parties, and is calculated based on industry standard models that rely on pricing inputs observed from quoted markets. Accordingly the swap contracts held by the Fund were categorised within Level 2 of the fair value hierarchy.

Fund	31 Dec 2019	31 Dec 2018
M&G AOF		- EUR(2,255,993)

The carrying amounts of swaps and forward foreign exchange contracts as at 31 December 2019 and 31 December 2018 can be found on the Company Statement of Financial Position on pages 39-42; the fair values of these have been determined using valuation techniques.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(i) Price risk (continued)

Sensitivity analysis:

A 5% increase in investment prices would have changed the net assets attributable to holders of redeemable shares and the changes in net assets attributable to holders of redeemable shares by the amounts shown below. A 5% decrease in investment prices would have resulted in an equal but opposite effect than that on the table below, on the basis that all other variables remain constant.

Fund	31 Dec 2019	31 Dec 2018
M&G ELF	173,460,822	183,118,995
M&G DELF	2,310,128	15,476,157
M&G BELF	9,560,132	11,966,483
M&G SELF	11,123,995	10,642,245
M&G AELF	13,509,905	20,662,032
M&G CELF	24,410,662	22,437,401
M&G IELF	19,259,086	19,089,543
M&G VELF	7,109,999	7,039,825
M&G MELF	25,644,518	24,792,327
M&G ZELF	14,883,307	14,725,088
M&G AOF	493,098,122	431,628,047
M&G SCF	4,752,584	4,052,839

(ii) Foreign currency risk

Foreign currency risk, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The foreign exchange exposure relating to non-monetary assets and liabilities is a component of market price risk, not currency risk.

The Company's Financial Statements are denominated in Euro though investments are made and realised in other currencies at Subsidiary level. Changes in rates of exchange may have an adverse effect on the value, price or income of the investments of the Subsidiary. A specific foreign exchange translation risk arises on the non-Euro denominated Funds.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(ii) Foreign currency risk (continued)

On the Loan Funds, the AIFM attempts to hedge out currency exposure to offer a true share class currency return to investors.. This is implemented by using monthly forward foreign exchange contracts, in line with the monthly dealing days on the Funds, on the principal and, on occasion, on the interest, where this is material. This is executed by the AIFM's treasury desk with market counterparties from a group with whom the Funds have International Swaps and Derivatives Association ("ISDA") Master Agreements in place or other credit/FX lines for trading the relevant instruments. The daily movement on these contracts is reported by the AIFM's internal risk function and reviewed daily by the AIFM, with collateral delivered or called, where required, by the underlying ISDA Master Agreements in place with the contract counterparties.

On the Non-Loan Funds, the AIFM actively manages the foreign currency risk exposure, both to profit from changes in currency valuations and to protect the Funds' capital value from adverse changes. The AIFM undertakes macro-economic research and analysis to determine the likely changes to currency valuations. The AIFM will use currency forwards, futures and options, amongst other instruments, to introduce or reduce currency risk to produce the desired exposure. The ultimate exposure of the Funds to foreign currency risk is governed by the investment restrictions in each Fund's Supplement, by diversification and by VaR restrictions imposed at the whole Fund level.

M&G MELF, M&G ELF and M&G AOF are the only three Funds as at 31 December 2019 and 31 December 2018 that have share classes issued in a currency that is different to the relevant Fund's functional currency. These three Funds hold forward foreign exchange contracts specifically to attempt to manage the currency risk exposure of the non-functional currency share class. The realised gains or losses of these forward foreign exchange contracts are allocated to the relevant share class. M&G AOF also holds forward foreign exchange contracts and futures for investment purposes, which are subject to currency risk. The remaining Funds which hold forward foreign exchange contracts do so to attempt to manage the currency risk exposure on portfolio investments.

As at 31 December 2019 the Funds only exposure (% of Fund's Net Assets respectively) to foreign currency is on the derivatives held which are detailed below:

The currencies are abbreviated as follows:

Currency	Abbreviation
Australian Dollar	("AUD")
British Pound Sterling	("GBP")
Canadian Dollar	("CAD")
Czech Koruna	("CZK")
Danish Krone	("DKK")
Euro	("EUR")
Japanese Yen	("JPY")
New Zealand Dollar	("NZD")
Norwegian Krone	("NOK")
Polish Zloty	("PLN")
Swedish Krone	("SEK")
Swiss Franc	("CHF")
United States Dollar	("USD")

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(ii) Foreign currency risk (continued)

M&G European Loan Fund

	Notional	10% Sensitivity Analysis
	EUR	EUR
AUD	(560,276)	(56,028)
DKK	(1,894,397)	(189,440)
GBP	733,508,138	73,350,814
NOK	(55,904,439)	(5,590,444)
PLN	(19,351,501)	(1,935,150)
SEK	(1,154,736)	(115,474)
USD	(350,549,897)	(35,054,990)

M&G Dynamic European Loan Fund

M&G Dynamic European Loan Fund had no foreign currency exposure at 31 December 2019.

M&G Broad European Loan Fund

	Notional	10% Sensitivity Analysis
	GBP	GBP
DKK	(408,941)	(40,894)
EUR	(132,006,501)	(13,200,650)
NOK	(3,625,954)	(362,595)
PLN	(1,478,497)	(147,850)
SEK	(249,227)	(24,923)
USD	(11,295,765)	(1,129,577)

M&G SLK European Loan Fund

	Notional	10% Sensitivity Analysis
	EUR	EUR
DKK	(281,048)	(28,105)
GBP	(29,426,822)	(2,942,682)
NOK	(3,588,589)	(358,859)
PLN	(1,268,276)	(126,828)
SEK	(168,429)	(16,843)
USD	(19,755,652)	(1,975,565)

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(ii) Foreign currency risk (continued)

M&G Active European Loan Fund

	Notional	10% Sensitivity Analysis
	EUR	EUR
DKK	196	20
GBP	(454,433)	(45,443)
NOK	(180,935)	(18,094)
PLN	(29,554)	(2,955)
SEK	(4,764)	(476)
USD	431,375	43,138

M&G Conservative European Loan Fund

	Notional	10% Sensitivity Analysis
	GBP	GBP
DKK	(192,843)	(19,284)
EUR	(272,029,405)	(27,202,941)
NOK	(4,574,525)	(457,453)
PLN	(6,506,224)	(650,622)
SEK	(112,919)	(11,292)
USD	(108,365,346)	(10,836,535)

M&G Independent European Loan Fund

	Notional	10% Sensitivity Analysis
	EUR	EUR
DKK	(244,913)	(24,491)
GBP	(47,266,569)	(4,726,657)
NOK	(6,156,513)	(615,651)
PLN	(2,555,359)	(255,536)
SEK	(146,543)	(14,654)
USD	(31,200,002)	(3,120,000)

M&G Versatile European Loan Fund

	Notional	10% Sensitivity Analysis
	GBP	GBP
DKK	(189,440)	(18,944)
EUR	(98,709,302)	(9,870,930)
NOK	(2,310,123)	(231,012)
PLN	(873,748)	(87,375)
SEK	(115,741)	(11,574)
USD	(8,132,757)	(813,276)

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(ii) Foreign currency risk (continued)

M&G Managed European Loan Fund

	Notional	10% Sensitivity
	GBP	Analysis
	GBP	GBP
CHF	148,778,674	14,877,867
DKK	(511,034)	(51,103)
EUR	(347,168,678)	(34,716,868)
NOK	(8,094,400)	(809,440)
PLN	(2,995,463)	(299,546)
SEK	(306,090)	(30,609)
USD	(39,689,519)	(3,968,952)

M&G Zeta European Loan Fund

	Notional	10% Sensitivity
	EUR	Analysis
	EUR	EUR
DKK	(2,184,813)	(218,481)
GBP	(42,695,614)	(4,269,561)
NOK	(2,719,521)	(271,952)
PLN	(2,206,260)	(220,626)
SEK	(123,705)	(12,371)
USD	(25,850,866)	(2,585,087)

M&G Alpha Opportunities Fund

	Notional	10% Sensitivity
	EUR	Analysis
	EUR	EUR
GBP	5,669,828,122	566,982,812
JPY	25,180,785	2,518,079
USD	(618,744,719)	(61,874,472)

M&G Strategic Credit (1) Fund

M&G Strategic Credit (1) Fund had no foreign currency exposure at 31 December 2019.

Amounts in the above tables are based on the carrying value of monetary assets and liabilities and the underlying principal amount of forward currency contracts.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(ii) Foreign currency risk (continued)

As at 31 December 2018 the Funds only exposure (% of Fund's Net Assets respectively) to foreign currency is on the derivatives held which are detailed below:

M&G European Loan Fund

	Notional	10% Sensitivity Analysis
	EUR	EUR
AUD	(550,912)	(55,091)
CHF	(10,705,775)	(1,070,578)
DKK	(1,896,915)	(189,692)
GBP	1,089,616,791	108,961,679
NOK	(55,722,706)	(5,572,271)
PLN	(49,271,596)	(4,927,160)
SEK	(1,197,364)	(119,736)
USD	(313,833,709)	(31,383,371)

M&G Dynamic European Loan Fund

M&G Dynamic European Loan Fund had no foreign currency exposure at 31 December 2018.

M&G Broad European Loan Fund

	Notional	10% Sensitivity Analysis
	GBP	GBP
CHF	(725,030)	(72,503)
DKK	(433,740)	(43,374)
EUR	(163,563,214)	(16,356,321)
NOK	(3,828,246)	(382,825)
PLN	(3,780,804)	(378,080)
SEK	(273,735)	(27,374)
USD	(22,855,246)	(2,285,525)

M&G SLK European Loan Fund

	Notional	10% Sensitivity Analysis
	EUR	EUR
CHF	(585,717)	(58,572)
DKK	(281,422)	(28,142)
GBP	(26,999,366)	(2,699,937)
NOK	(3,576,923)	(357,692)
PLN	(3,047,511)	(304,751)
SEK	(174,646)	(17,465)
USD	(19,434,993)	(1,943,499)

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(ii) Foreign currency risk (continued)

M&G Active European Loan Fund

	Notional	10% Sensitivity Analysis
	EUR	EUR
CHF	(1,144,810)	(114,481)
DKK	(461,531)	(46,153)
GBP	(50,369,465)	(5,036,946)
NOK	(6,583,803)	(658,380)
PLN	(5,899,535)	(589,954)
SEK	(286,637)	(28,664)
USD	(38,395,086)	(3,839,509)

M&G Conservative European Loan Fund

	Notional	10% Sensitivity Analysis
	GBP	GBP
DKK	(204,537)	(20,454)
EUR	(272,890,623)	(27,289,062)
NOK	(4,829,737)	(482,974)
PLN	(14,135,380)	(1,413,538)
SEK	(124,022)	(12,402)
USD	(97,999,370)	(9,799,937)

M&G Independent European Loan Fund

	Notional	10% Sensitivity Analysis
	EUR	EUR
CHF	(1,437,669)	(143,767)
DKK	(245,239)	(24,524)
GBP	(42,804,985)	(4,280,499)
NOK	(6,136,500)	(613,650)
PLN	(5,741,283)	(574,128)
SEK	(151,952)	(15,195)
USD	(36,686,770)	(3,668,677)

M&G Versatile European Loan Fund

	Notional	10% Sensitivity Analysis
	GBP	GBP
CHF	(422,270)	(42,227)
DKK	(200,928)	(20,093)
EUR	(100,288,241)	(10,028,824)
NOK	(2,439,004)	(243,900)
PLN	(2,222,097)	(222,210)
SEK	(127,123)	(12,712)
USD	(11,640,638)	(1,164,064)

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(ii) Foreign currency risk (continued)

M&G Managed European Loan Fund

	Notional	10% Sensitivity
	GBP	Analysis
	GBP	GBP
CHF	153,877,848	15,387,785
DKK	(542,024)	(54,202)
EUR	(356,934,401)	(35,693,440)
NOK	(8,545,984)	(854,598)
PLN	(7,675,076)	(767,508)
SEK	(336,189)	(33,619)
USD	(35,004,144)	(3,500,414)

M&G Zeta European Loan Fund

	Notional	10% Sensitivity
	EUR	Analysis
	EUR	EUR
CHF	(1,331,175)	(133,117)
DKK	(2,187,717)	(218,772)
GBP	(39,139,572)	(3,913,957)
NOK	(2,710,681)	(271,068)
PLN	(5,685,430)	(568,543)
SEK	(128,271)	(12,827)
USD	(25,654,392)	(2,565,439)

M&G Alpha Opportunities Fund

	Notional	10% Sensitivity
	EUR	Analysis
	EUR	EUR
GBP	4,601,659,800	460,165,980
JPY	7,849,937	784,994
USD	(680,360,799)	(68,036,080)

M&G Strategic Credit (1) Fund

M&G Strategic Credit (1) Fund had no foreign currency exposure at 31 December 2018.

Amounts in the above tables are based on the carrying value of monetary assets and liabilities and the underlying principal amount of forward currency contracts.

(iii) Interest rate risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in interest rates may adversely affect the market value of the Funds' investments.

The Subsidiaries are subject to interest rate risk on the investments they hold. For a detailed review of these please refer to the audited financial statements of the Subsidiaries which are attached in the appendix to these financial statements.

The Company is exposed to interest rate risk on the interest received on the Investment in the Subsidiaries.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

M&G AOF holds future contracts. Interest rate future contracts are used to both achieve targeted interest rate exposure as well as to hedge unwanted exposure. Futures are also frequently used to achieve targeted duration segments along the yield curve. Interest rate futures contracts are exchange traded and carry the interest rate risk (duration) of the cheapest to deliver bond in the deliverable basket, or the otherwise contractually set interest rate risk. Bond futures with a basket of allowed deliverable bonds also carry so called basis risk that can affect the returns on the margin.

The following tables detail the Funds' exposure to interest rate risk. It includes the Funds' assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying value of the assets and liabilities at 31 December 2019:

M&G European Loan Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	3,469,216,449	-	-	3,469,216,449
Cash collateral held with brokers	790,000	-	-	790,000
Forward foreign exchange contracts	-	-	12,203,515	12,203,515
Total assets	3,470,006,449	-	12,203,515	3,482,209,964
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(3,475,783)	(3,475,783)
Subscription received in advance	-	-	(25,708,597)	(25,708,597)
Other payables and accrued expenses	-	-	(2,456,382)	(2,456,382)
Total liabilities	-	-	(31,640,762)	(31,640,762)
Total interest sensitivity gap	3,470,006,449	-		

M&G Dynamic European Loan Fund

	Floating GBP	Fixed GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	46,202,559	-	-	46,202,559
Total assets	46,202,559	-	-	46,202,559
Financial liabilities at fair value through profit or loss:				
Other payables and accrued expenses	-	-	(130,117)	(130,117)
Total liabilities	-	-	(130,117)	(130,117)
Total interest sensitivity gap	46,202,559	-		

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

M&G Broad European Loan Fund

	Floating GBP	Fixed GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	191,202,632	-	-	191,202,632
Forward foreign exchange contracts	-	-	1,830,640	1,830,640
Total assets	191,202,632	-	1,830,640	193,033,272
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(64,815)	(64,815)
Other payables and accrued expenses	-	-	(155,427)	(155,427)
Total liabilities	-	-	(220,242)	(220,242)
Total interest sensitivity gap	191,202,632	-		

M&G SLK European Loan Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	222,479,901	-	-	222,479,901
Forward foreign exchange contracts	-	-	329,856	329,856
Total assets	222,479,901	-	329,856	222,809,757
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(454,641)	(454,641)
Other payables and accrued expenses	-	-	(182,127)	(182,127)
Total liabilities	-	-	(636,768)	(636,768)
Total interest sensitivity gap	222,479,901	-		

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

M&G Active European Loan Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	270,198,104	-	-	270,198,104
Cash collateral held with brokers	40,000	-	-	40,000
Forward foreign exchange contracts	-	-	431,571	431,571
Total assets	270,238,104	-	431,571	270,669,675
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(669,686)	(669,686)
Other payables and accrued expenses	-	-	(215,224)	(215,224)
Total liabilities	-	-	(884,910)	(884,910)
Total interest sensitivity gap	270,238,104	-		

M&G Conservative European Loan Fund

	Floating GBP	Fixed GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	488,213,248	-	-	488,213,248
Forward foreign exchange contracts	-	-	6,009,414	6,009,414
Total assets	488,213,248	-	6,009,414	494,222,662
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(75,020)	(75,020)
Other payables and accrued expenses	-	-	(330,803)	(330,803)
Total liabilities	-	-	(405,823)	(405,823)
Total interest sensitivity gap	488,213,248	-		

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

M&G Independent European Loan Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	385,181,724	-	-	385,181,724
Forward foreign exchange contracts	-	-	515,152	515,152
Total assets	385,181,724	-	515,152	385,696,876
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(745,169)	(745,169)
Other payables and accrued expenses	-	-	(293,606)	(293,606)
Total liabilities	-	-	(1,038,775)	(1,038,775)
Total interest sensitivity gap	385,181,724	-		

M&G Versatile European Loan Fund

	Floating GBP	Fixed GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	142,199,982	-	-	142,199,982
Forward foreign exchange contracts	-	-	1,371,269	1,371,269
Total assets	142,199,982	-	1,371,269	143,571,251
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(37,301)	(37,301)
Other payables and accrued expenses	-	-	(117,806)	(117,806)
Total liabilities	-	-	(155,107)	(155,107)
Total interest sensitivity gap	142,199,982	-		

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

M&G Managed European Loan Fund

	Floating GBP	Fixed GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	512,890,353	-	-	512,890,353
Cash collateral held with brokers	2,460,000	-	-	2,460,000
Forward foreign exchange contracts	-	-	5,538,117	5,538,117
Total assets	515,350,353	-	5,538,117	520,888,470
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(3,944,001)	(3,944,001)
Other payables and accrued expenses	-	-	(331,130)	(331,130)
Total liabilities	-	-	(4,275,131)	(4,275,131)
Total interest sensitivity gap	515,350,353	-		

M&G Zeta European Loan Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	297,666,147	-	-	297,666,147
Other receivables	-	-	425,232	425,232
Total assets	297,666,147	-	425,232	298,091,379
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(593,879)	(593,879)
Other payables and accrued expenses	-	-	(208,414)	(208,414)
Total liabilities	-	-	(802,293)	(802,293)
Total interest sensitivity gap	297,666,147	-		

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

M&G Alpha Opportunities Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	9,861,962,436	-	-	9,861,962,436
Cash collateral held with brokers	20,930,000	-	-	20,930,000
Cash held with brokers	5,800,829	-	-	5,800,829
Futures contracts	-	-	26,968,140	26,968,140
Forward foreign exchange contracts	-	-	64,280,646	64,280,646
Total assets	9,888,693,265	-	91,248,786	9,979,942,051

Financial liabilities at fair value through profit or loss:

Forward foreign exchange contracts	-	-	(33,411,428)	(33,411,428)
Subscription received in advance	-	-	(37,233,221)	(37,233,221)
Other payables and accrued expenses	-	-	(8,353,248)	(8,353,248)
Total liabilities	-	-	(78,997,897)	(78,997,897)

Total interest sensitivity gap 9,888,693,265 -

M&G Strategic Credit (1) Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	95,051,682	-	-	95,051,682
Total assets	95,051,682	-	-	95,051,682

Financial liabilities at fair value through profit or loss:

Other payables and accrued expenses	-	-	(51,363)	(51,363)
Total liabilities	-	-	(51,363)	(51,363)

Total interest sensitivity gap 95,051,682 -

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

The following tables detail the Funds' exposure to interest rate risk. It includes the Funds' assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying value of the assets and liabilities at 31 December 2018:

M&G European Loan Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	3,662,379,898	-	-	3,662,379,898
Cash collateral held with brokers	24,330,000	-	-	24,330,000
Forward foreign exchange contracts	-	-	7,547,206	7,547,206
Other receivables	-	-	13,473	13,473
Total assets	3,686,709,898	-	7,560,679	3,694,270,577
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(24,434,090)	(24,434,090)
Other payables and accrued expenses	-	-	(4,939,043)	(4,939,043)
Total liabilities	-	-	(29,373,133)	(29,373,133)
Total interest sensitivity gap	3,686,709,898	-		

M&G Dynamic European Loan Fund

	Floating GBP	Fixed GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	309,523,137	-	-	309,523,137
Total assets	309,523,137	-	-	309,523,137
Financial liabilities at fair value through profit or loss:				
Other payables and accrued expenses	-	-	(643,445)	(643,445)
Total liabilities	-	-	(643,445)	(643,445)
Total interest sensitivity gap	309,523,137	-		

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

M&G Broad European Loan Fund

	Floating GBP	Fixed GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	239,329,651	-	-	239,329,651
Cash collateral held with brokers	6,170,000	-	-	6,170,000
Forward foreign exchange contracts	-	-	33,048	33,048
Total assets	245,499,651	-	33,048	245,532,699
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(5,204,561)	(5,204,561)
Other payables and accrued expenses	-	-	(374,731)	(374,731)
Total liabilities	-	-	(5,579,292)	(5,579,292)
Total interest sensitivity gap	245,499,651	-		

M&G SLK European Loan Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	212,844,909	-	-	212,844,909
Forward foreign exchange contracts	-	-	1,007,776	1,007,776
Total assets	212,844,909	-	1,007,776	213,852,685
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(17,970)	(17,970)
Other payables and accrued expenses	-	-	(341,363)	(341,363)
Total liabilities	-	-	(359,333)	(359,333)
Total interest sensitivity gap	212,844,909	-		

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

M&G Active European Loan Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	413,240,644	-	-	413,240,644
Forward foreign exchange contracts	-	-	1,756,961	1,756,961
Total assets	413,240,644	-	1,756,961	414,997,605
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(34,822)	(34,822)
Other payables and accrued expenses	-	-	(580,508)	(580,508)
Total liabilities	-	-	(615,330)	(615,330)
Total interest sensitivity gap	413,240,644	-		

M&G Conservative European Loan Fund

	Floating GBP	Fixed GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	448,748,020	-	-	448,748,020
Cash collateral held with brokers	12,310,000	-	-	12,310,000
Forward foreign exchange contracts	-	-	173,706	173,706
Total assets	461,058,020	-	173,706	461,231,726
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(10,504,043)	(10,504,043)
Other payables and accrued expenses	-	-	(663,827)	(663,827)
Total liabilities	-	-	(11,167,870)	(11,167,870)
Total interest sensitivity gap	461,058,020	-		

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

M&G Independent European Loan Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	381,790,860	-	-	381,790,860
Forward foreign exchange contracts	-	-	1,484,024	1,484,024
Other receivables	-	-	65	65
Total assets	381,790,860	-	1,484,089	383,274,949
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(38,350)	(38,350)
Other payables and accrued expenses	-	-	(576,613)	(576,613)
Total liabilities	-	-	(614,963)	(614,963)
Total interest sensitivity gap	381,790,860	-		

M&G Versatile European Loan Fund

	Floating GBP	Fixed GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	140,796,499	-	-	140,796,499
Cash collateral held with brokers	3,700,000	-	-	3,700,000
Forward foreign exchange contracts	-	-	18,565	18,565
Total assets	144,496,499	-	18,565	144,515,064
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(3,147,900)	(3,147,900)
Other payables and accrued expenses	-	-	(244,057)	(244,057)
Total liabilities	-	-	(3,391,957)	(3,391,957)
Total interest sensitivity gap	144,496,499	-		

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

M&G Managed European Loan Fund

	Floating GBP	Fixed GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	495,846,544	-	-	495,846,544
Cash collateral held with brokers	12,840,000	-	-	12,840,000
Forward foreign exchange contracts	-	-	4,510,056	4,510,056
Total assets	508,686,544	-	4,510,056	513,196,600
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(10,869,332)	(10,869,332)
Other payables and accrued expenses	-	-	(739,665)	(739,665)
Total liabilities	-	-	(11,608,997)	(11,608,997)
Total interest sensitivity gap	508,686,544	-		

M&G Zeta European Loan Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	294,501,766	-	-	294,501,766
Other receivables	-	-	1,176,763	1,176,763
Total assets	294,501,766	-	1,176,763	295,678,529
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	-	(86,953)	(86,953)
Other payables and accrued expenses	-	-	(368,008)	(368,008)
Total liabilities	-	-	(454,961)	(454,961)
Total interest sensitivity gap	294,501,766	-		

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

M&G Alpha Opportunities Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	8,632,560,939	-	-	8,632,560,939
Cash collateral held with brokers	37,660,000	-	-	37,660,000
Cash held with brokers	56,840,707	-	-	56,840,707
Futures contracts	-	-	-	-
Forward foreign exchange contracts	-	-	71,595,820	71,595,820
Total assets	8,727,061,646	-	71,595,820	8,798,657,466

Financial liabilities at fair value through profit or loss:

Swap contracts	-	(2,255,993)	-	(2,255,993)
Futures contracts	-	-	(22,646,923)	(22,646,923)
Forward foreign exchange contracts	-	-	(83,479,180)	(83,479,180)
Other payables and accrued expenses	-	-	(7,961,364)	(7,961,364)
Total liabilities	-	(2,255,993)	(114,087,467)	(116,343,460)

Total interest sensitivity gap 8,727,061,646 (2,255,993)

M&G Strategic Credit (1) Fund

	Floating EUR	Fixed EUR	Non-interest bearing EUR	Total EUR
Financial assets at fair value through profit or loss:				
Investment in Subsidiary	81,056,787	-	-	81,056,787
Total assets	81,056,787	-	-	81,056,787

Financial liabilities at fair value through profit or loss:

Other payables and accrued expenses	-	-	(69,428)	(69,428)
Total liabilities	-	-	(69,428)	(69,428)

Total interest sensitivity gap 81,056,787 -

Credit risk

Credit risk includes the risk that one party to a financial instrument or transaction will cause a financial loss for the other party by failing to discharge an obligation when it falls due. This includes counterparty risk and issuer (or investment) risk.

Substantially all of the assets of the Funds are held through their wholly owned Subsidiaries which are Irish registered companies which were specifically set up for that purpose. These Subsidiaries have appointed State Street Custodial Services (Ireland) Limited to act as Depositary. Bankruptcy or insolvency of the Depositary may cause the Company's rights with respect to securities held by the Depositary to be delayed or limited. The Company monitors its risk by monitoring the credit quality and financial positions of the Depositary the Company uses.

The depositary will ensure that any agents it appoints to assist in safekeeping the assets of the Funds will segregate the assets of the Funds. Thus in the event of insolvency or bankruptcy of the Depositary, the Funds' assets are segregated and protected and this further reduces counterparty risk.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Credit risk (continued)

All of the cash at bank held by the Company is held by the Depositary and their appointed Sub-Depositary. Cash as a practical matter may not be held in physical segregation, therefore bankruptcy or insolvency by the Depositary or its appointed Sub-Depositary may cause the Company's rights with respect to the cash held by the Depositary to be delayed or limited. The Company monitors its risk by reviewing the credit quality of the Depositary on a monthly basis, as reported by Standard and Poor's, Moody's and Fitch. In addition, the AIFM monitors the financial position of the Depositary on a quarterly basis by reviewing earnings releases. If the credit quality or the financial position of the Depositary deteriorates the AIFM will move the cash holdings to another bank. The credit rating for the State Street Corporation is A as at 31 December 2019 (A as at 31 December 2018).

Counterparty Risk

Counterparty risk is an important element of credit risk

The Funds may utilise different financial instruments to seek to hedge against declines in the value of the Funds' positions as a result of changes in currency exchange rates. The Funds are exposed to credit risk associated with forward currency contracts, future contracts and swap counterparties with whom they trade and will also bear the risk of settlement default. The Funds minimise concentrations of credit risk by undertaking transactions with large well capitalised counterparties. All counterparties are listed on the Schedules of Investments. The unsettled forward foreign exchange contracts, the unsettled swap contracts and the open futures contracts are listed in the Schedules of Investments.

Note 3 provides the details of the cash held by broker as margin in respect of futures contracts and cash collateral pledged by the Funds for OTC derivative instruments. The following table details the credit rating of the institutions where this cash is held.

Margin cash

Fund	Margin cash	Amount	Credit Rating
M&G AOF	Natwest Markets Plc	EUR5,800,829	A
Total assets			

Cash Collateral

Fund	Margin cash	Amount	Credit Rating
M&G ELF	State Street Bank	EUR790,000	A
M&G AELF	HSBC Bank Plc	EUR40,000	A
M&G MELF	State Street Bank	GBP2,460,000	A
M&G AOF	Natwest Markets Plc	EUR20,930,000	A-

For a detailed review of the credit ratings of the Subsidiaries, please refer to the audited financial statements of the Subsidiaries which are attached in the Appendix to these financial statements.

Credit risk includes the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds. M&G AOF may also invest in derivatives including but not limited to credit default swaps, exchange traded derivatives, forward foreign exchange contracts, options, swaps and swaptions.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Counterparty Risk (continued)

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the high credit quality of the brokers used. If a trade is cancelled by a broker, the cost to the Company is merely an opportunity cost rather than a monetary cost, as no cash would have been transferred to the broker prior to settlement of the asset, due to the tripartite nature of loan settlement between issuer, borrower and Agent Bank.

The Fund monitors the credit rating and financial positions of the brokers used to further mitigate this risk. The majority of the credit ratings are M&G internal ratings which are provided by an internal risk team which monitors the assets and provide a rating based on known factors. Additionally, M&G AOF enters into credit default swap agreements. A credit default swap is a contract under which one party (the "protection seller") agrees to compensate another party for the financial loss it may incur following the occurrence of a credit event in relation to a reference amount or notional amount of a credit obligation, usually a bond.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Company's Prospectus provides for the monthly creation and cancellation of shares and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time.

Liquidity risk requires careful management by the AIFM. The Subsidiaries invest in illiquid assets and their value is generally not readily realisable. The AIFM manages liquidity risk by running a cash balance in the Subsidiaries. The cash balance is deemed sufficient to manage the liquidity risk associated with posting collateral against trades governed by ISDA, settling the monthly share class forward foreign exchange trades and to pay investor income. There has been no change in the maximum leverage permitted, or any right of reuse of collateral or guarantee granted under the leveraging arrangements or the total amount of leverage employed by the Company except for the addition of the leverage limits as required by the Alternative Investment Fund Managers Directive ("AIFMD") (please refer to the Leverage section of this note).

The requirement to sell investments quickly may result in an adverse impact on the value of holdings as forced sales will potentially be made below the fair value of investments. However, to mitigate this risk, the Prospectus of Specialist Investment Funds (1) Plc and the Supplements for the Funds provide for restrictions in repurchasing redeemable shares. These restrictions will influence how quickly the Company's assets could be liquidated, if necessary, and include provisions restricting the size of the repurchase of redeemable shares to 10% of the total NAV of the relevant Fund and if the request is greater than 5%, the Company may satisfy the request by a distribution of investments in specie. However, in the Supplements for M&G SCF, the Directors decided not to implement these restrictions. In the Supplement for M&G BELF, the Directors decided not to implement the 10% restriction. Therefore, these Funds are open to the risks associated with forced sales.

In the event of a material demand for redemptions, the Funds could be forced to sell liquid positions resulting in over-weighting in a small number of illiquid investments. In such circumstances, the aggregate return of the Funds may be substantially and adversely affected by the unfavourable performance of a single investment. The Funds' restriction of repurchases of shares in excess of 10% of the total NAV of each of the relevant Funds on any one dealing day mitigates this risk should these circumstances arise.

The Company's Prospectus makes provision for a range of measures to assist with the management of liquidity on an ongoing basis, including, for example, notice periods and redemption penalties.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Liquidity risk (continued)

Where consistent with its investment objectives and policy, each Fund may utilise, directly or indirectly (for example through investment in another fund) a variety of exchange traded and over-the-counter ("OTC") derivative instruments as part of its investment policy or for hedging purposes.

The use of derivatives may expose the Fund to a higher degree of risk. In particular, derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard underlying bonds or equities. Leveraged derivative positions can therefore increase Fund volatility.

Average leverage on a gross exposure basis is calculated by taking the sum of the notional values of the derivatives used by the Fund, without netting, and is expressed as a percentage of the net asset value. Average leverage on a net or commitment basis, is calculated by netting the sum of the notional values of the derivatives and expressing it as a percentage of the NAV.

All Funds (except M&G Alpha Opportunities Fund) have utilised zero leverage and have no limits in the Fund documentation. M&G Alpha Opportunities Fund may borrow up to 25 per cent of its NAV to cover a short term cashflow, to fund the repurchase of Shares and/or for general liquidity management. The Fund may enter derivative contracts whose gross notional value may exceed its NAV. As at 31 December 2019, the leverage used by the Fund was 267.00% (31 December 2018: 195.89%) under the gross method and 100.00% (31 December 2018: 61.34%) under the commitment method.

The liquidity risk of all Loan Funds as at 31 December 2019 and 31 December 2018 is less than 3 months.

The table below sets out the other Funds' financial liabilities and net-settled derivative financial liabilities at 31 December 2019:

M&G Alpha Opportunities Fund	Less than 1 month	1-3 months	> 3 months	Total
	EUR	EUR	EUR	EUR
Forward foreign exchange contracts	(33,411,428)	-	-	(33,411,428)
Subscription received in advance	(37,233,221)	-	-	(37,233,221)
Other payables and accrued expenses	(8,353,248)	-	-	(8,353,248)
Net assets attributable to holders of redeemable shares	-	(9,900,944,154)	-	(9,900,944,154)
	(78,997,897)	(9,900,944,154)	-	(9,979,942,051)

M&G Strategic Credit (1) Fund	Less than 1 month	1-3 months	> 3 months	Total
	EUR	EUR	EUR	EUR
Other payables and accrued expenses	(51,363)	-	-	(51,363)
Net assets attributable to holders of redeemable shares	-	(95,000,319)	-	(95,000,319)
	(51,363)	(95,000,319)	-	(95,051,682)

The table below sets out the Funds' financial liabilities and net-settled derivative financial liabilities at 31 December 2018:

M&G Alpha Opportunities Fund	Less than 1 month	1-3 months	> 3 months	Total
	EUR	EUR	EUR	EUR
Interest rate swaps	-	(728,731)	(1,527,262)	(2,255,993)
Futures	-	(22,646,923)	-	(22,646,923)
Forward foreign exchange contracts	(83,479,180)	-	-	(83,479,180)
Other payables and accrued expenses	(7,961,364)	-	-	(7,961,364)
Net assets attributable to holders of redeemable shares	-	(8,682,314,006)	-	(8,682,314,006)
	(91,440,544)	(8,705,689,660)	(1,527,262)	(8,798,657,466)

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 12 Financial Instruments and associated risks (continued)

Liquidity risk (continued)

M&G Strategic Credit (1) Fund	Less than 1 month EUR	1-3 months EUR	> 3 months EUR	Total EUR
Other payables and accrued expenses	(69,428)	-	-	(69,428)
Net assets attributable to holders of redeemable shares	-	(80,987,359)	-	(80,987,359)
	(69,428)	(80,987,359)	-	(81,056,787)

Operational Risk

Operational risk pertains to the risk of loss from inadequate internal processes and failures in relation to the people, processes and systems or from external events; it includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures.

The AIFM operates a Three Lines of Defence model to manage risk:

- Business management (1st line of defence): Business management have primary responsibility for the management of risks, so that accountability and ownership are as close as possible to the activity that creates the risks. Each business area is responsible for identifying and evaluating operational risks to which its business is potentially exposed and for developing adequate controls to mitigate these risks, which it does by establishing effective Risk and Control Management processes ("RCM") that include identification, measurement, management, monitoring and reporting requirements.
- Risk and Compliance (2nd line of defence): Responsible for providing risk management and regulatory advice and guidance and providing oversight to support and challenge the completeness and accuracy of the RCMs.
- Internal audit (3rd line of defence): Responsible for providing oversight and challenge of the effectiveness (design and operation) of 1st and 2nd lines of defence and RCMs.

The following reports will be reviewed on a quarterly basis by the AIFM's Risk Committee:

- Current and future operational risk exposures (net risk assessment, control assessment, action plan assessment).
- Operational incidents potentially impacting the Funds within the previous quarter.

Note 13 Master netting agreements

The derivative assets and the derivative liabilities are subject to master netting agreements in place with the counterparties used by the Company. However, none of the derivative assets or the derivative liabilities are offset in the Statement of Financial Position. Below are the derivative assets and liabilities by counterparty and details of the collateral received and pledged by Funds as at 31 December 2019:

M&G European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position EUR	Financial Instruments EUR	Collateral EUR	Net Amount EUR
Assets				
Derivatives				
HSBC Bank Plc	5,479,316	(1,786,318)	-	3,692,998
State Street Bank	6,700,045	(1,689,465)	-	5,010,580
UBS AG London	24,154	-	-	24,154
	12,203,515	(3,475,783)	-	8,727,732
Liabilities				
Derivatives				
HSBC Bank Plc	(1,786,318)	1,786,318	-	-
State Street Bank	(1,689,465)	1,689,465	-	-
	(3,475,783)	3,475,783	-	-

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 13 Master netting agreements (continued)

M&G Broad European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position GBP	Financial Instruments GBP	Collateral GBP	Net Amount GBP
Assets				
Derivatives				
Barclays Bank Plc	18,548	-	-	18,548
HSBC Bank Plc	1,801,858	(63,271)	-	1,738,587
UBS AG London	10,234	(1,544)	-	8,690
	<u>1,830,640</u>	<u>(64,815)</u>	<u>-</u>	<u>1,765,825</u>
Liabilities				
Derivatives				
HSBC Bank Plc	(63,271)	63,271	-	-
UBS AG London	(1,544)	1,544	-	-
	<u>(64,815)</u>	<u>64,815</u>	<u>-</u>	<u>-</u>

M&G SLK European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position EUR	Financial Instruments EUR	Collateral EUR	Net Amount EUR
Assets				
Derivatives				
Barclays Bank Plc	7,698	-	-	7,698
HSBC Bank Plc	322,039	(322,039)	-	-
UBS AG London	119	-	-	119
	<u>329,856</u>	<u>(322,039)</u>	<u>-</u>	<u>7,817</u>
Liabilities				
Derivatives				
HSBC Bank Plc	(454,641)	322,039	-	(132,602)
	<u>(454,641)</u>	<u>322,039</u>	<u>-</u>	<u>(132,602)</u>

M&G Active European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position EUR	Financial Instruments EUR	Collateral EUR	Net Amount EUR
Assets				
Derivatives				
Barclays Bank Plc	7,990	-	-	7,990
HSBC Bank Plc	401,491	(401,491)	-	-
UBS AG London	22,090	-	-	22,090
	<u>431,571</u>	<u>(401,491)</u>	<u>-</u>	<u>30,080</u>
Liabilities				
Derivatives				
HSBC Bank Plc	(669,686)	401,491	40,000	(228,195)
	<u>(669,686)</u>	<u>401,491</u>	<u>40,000</u>	<u>(228,195)</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 13 Master netting agreements (continued)

M&G Conservative European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position GBP	Financial Instruments GBP	Collateral GBP	Net Amount GBP
Assets				
Derivatives				
Barclays Bank Plc	35,970	-	-	35,970
HSBC Bank Plc	5,912,994	(74,321)	-	5,838,673
UBS AG London	60,450	(699)	-	59,751
	<u>6,009,414</u>	<u>(75,020)</u>	<u>-</u>	<u>5,934,394</u>
Liabilities				
Derivatives				
HSBC Bank Plc	(74,321)	74,321	-	-
UBS AG London	(699)	699	-	-
	<u>(75,020)</u>	<u>75,020</u>	<u>-</u>	<u>-</u>

M&G Independent European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position EUR	Financial Instruments EUR	Collateral EUR	Net Amount EUR
Assets				
Derivatives				
HSBC Bank Plc	513,511	(513,511)	-	-
UBS AG London	1,641	-	-	1,641
	<u>515,152</u>	<u>(513,511)</u>	<u>-</u>	<u>1,641</u>
Liabilities				
Derivatives				
HSBC Bank Plc	(745,169)	513,511	-	(231,658)
	<u>(745,169)</u>	<u>513,511</u>	<u>-</u>	<u>(231,658)</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 13 Master netting agreements (continued)

M&G Versatile European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position	Financial Instruments	Collateral	Net Amount
	GBP	GBP	GBP	GBP
Assets				
Derivatives				
Barclays Bank Plc	12,946	-	-	12,946
HSBC Bank Plc	1,350,861	(36,584)	-	1,314,277
UBS AG London	7,462	(717)	-	6,745
	<u>1,371,269</u>	<u>(37,301)</u>	<u>-</u>	<u>1,333,968</u>
Liabilities				
Derivatives				
HSBC Bank Plc	(36,584)	36,584	-	-
UBS AG London	(717)	717	-	-
	<u>(37,301)</u>	<u>37,301</u>	<u>-</u>	<u>-</u>

M&G Managed European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position	Financial Instruments	Collateral	Net Amount
	GBP	GBP	GBP	GBP
Assets				
Derivatives				
Barclays Bank Plc	50,571	-	-	50,571
HSBC Bank Plc	5,018,685	(128,160)	-	4,890,525
State Street Bank	447,199	(447,199)	-	-
UBS AG London	21,662	(1,896)	-	19,766
	<u>5,538,117</u>	<u>(577,255)</u>	<u>-</u>	<u>4,960,862</u>
Liabilities				
Derivatives				
HSBC Bank Plc	(128,160)	128,160	-	-
State Street Bank	(3,813,945)	447,199	2,460,000	(906,746)
UBS AG London	(1,896)	1,896	-	-
	<u>(3,944,001)</u>	<u>577,255</u>	<u>2,460,000</u>	<u>(906,746)</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 13 Master netting agreements (continued)

M&G Zeta European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position EUR	Financial Instruments EUR	Collateral EUR	Net Amount EUR
Assets				
Derivatives				
HSBC Bank Plc	422,667	(422,667)	-	-
UBS AG London	2,565	-	-	2,565
	<u>425,232</u>	<u>(422,667)</u>	<u>-</u>	<u>2,565</u>
Liabilities				
Derivatives				
HSBC Bank Plc	(593,879)	422,667	-	(171,212)
	<u>(593,879)</u>	<u>422,667</u>	<u>-</u>	<u>(171,212)</u>

M&G Alpha Opportunities Fund

Counterparty	Gross amounts presented in the Statement of Financial Position EUR	Financial Instruments EUR	Collateral EUR	Net Amount EUR
Assets				
Derivatives				
Barclays Bank Plc	7,305,053	-	-	7,305,053
Deutsche Bank	730,993	-	-	730,993
State Street Bank	56,244,600	(23,134,218)	-	33,110,382
	<u>64,280,646</u>	<u>(23,134,218)</u>	<u>-</u>	<u>41,146,428</u>
Liabilities				
Derivatives				
Goldman Sachs	(10,277,210)	-	10,277,210	-
State Street Bank	(23,134,218)	23,134,218	-	-
	<u>(33,411,428)</u>	<u>23,134,218</u>	<u>10,277,210</u>	<u>-</u>

The derivative assets and the derivative liabilities are subject to master netting agreements in place with the counterparties used by the Company. However, none of the derivative assets, the derivative liabilities or collateral are offset in the Statement of Financial Position.

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 13 Master netting agreements (continued)

Below are the derivative assets and liabilities by counterparty and details of the collateral received and pledged by Funds as at 31 December 2018:

M&G European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position	Financial Instruments	Collateral	Net Amount
	EUR	EUR	EUR	EUR
Assets				
Derivatives				
Barclays Bank Plc	834	-	-	834
HSBC Bank Plc	1,168,865	(320,561)	-	848,304
JP Morgan Securities Plc	1,788,593	-	-	1,788,593
State Street Bank	4,588,914	(4,588,914)	-	-
	<u>7,547,206</u>	<u>(4,909,475)</u>	<u>-</u>	<u>2,637,731</u>
Liabilities				
Derivatives				
HSBC Bank Plc	(320,561)	320,561	-	-
State Street Bank	(24,113,529)	4,588,914	19,524,615	-
	<u>(24,434,090)</u>	<u>4,909,475</u>	<u>19,524,615</u>	<u>-</u>

M&G Broad European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position	Financial Instruments	Collateral	Net Amount
	GBP	GBP	GBP	GBP
Assets				
Derivatives				
HSBC Bank Plc	23,776	(23,776)	-	-
JP Morgan Securities Plc	478	-	-	478
UBS AG London	8,794	(8,794)	-	-
	<u>33,048</u>	<u>(32,570)</u>	<u>-</u>	<u>478</u>
Liabilities				
Derivatives				
HSBC Bank Plc	(4,589,680)	23,776	4,565,904	-
Bank of America Merrill Lynch International	(603,784)	-	603,784	-
UBS AG London	(11,097)	8,794	-	(2,303)
	<u>(5,204,561)</u>	<u>32,570</u>	<u>5,169,688</u>	<u>(2,303)</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 13 Master netting agreements (continued)

M&G SLK European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position EUR	Financial Instruments EUR	Collateral EUR	Net Amount EUR
Assets				
Derivatives				
Barclays Bank Plc	141	(141)	-	-
HSBC Bank Plc	908,545	(17,404)	-	891,141
JP Morgan Securities Plc	99,090	-	-	99,090
	1,007,776	(17,545)	-	990,231

Liabilities

Derivatives

Barclays Bank Plc	(566)	141	-	(425)
HSBC Bank Plc	(17,404)	17,404	-	-
	(17,970)	17,545	-	(425)

M&G Active European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position EUR	Financial Instruments EUR	Collateral EUR	Net Amount EUR
Assets				
Derivatives				
Barclays Bank Plc	304	(304)	-	-
HSBC Bank Plc	1,568,021	(33,973)	-	1,534,048
JP Morgan Securities Plc	188,636	-	-	188,636
	1,756,961	(34,277)	-	1,722,684

Liabilities

Derivatives

Barclays Bank Plc	(849)	304	-	(545)
HSBC Bank Plc	(33,973)	33,973	-	-
	(34,822)	34,277	-	(545)

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 13 Master netting agreements (continued)

M&G Conservative European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position GBP	Financial Instruments GBP	Collateral GBP	Net Amount GBP
Assets				
Derivatives				
HSBC Bank Plc	18,298	(18,298)	-	-
JP Morgan Securities Plc	37,655	-	-	37,655
UBS AG London	117,753	-	-	117,753
	<u>173,706</u>	<u>(18,298)</u>	<u>-</u>	<u>155,408</u>

Liabilities

Derivatives

Bank of America Merrill Lynch International	(2,444,743)	-	2,444,743	-
Barclays Bank Plc	(149,513)	-	-	(149,513)
HSBC Bank Plc	(7,909,787)	18,298	7,891,489	-
	<u>(10,504,043)</u>	<u>18,298</u>	<u>10,336,232</u>	<u>(149,513)</u>

M&G Independent European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position EUR	Financial Instruments EUR	Collateral EUR	Net Amount EUR
Assets				
Derivatives				
Barclays Bank Plc	208	(208)	-	-
HSBC Bank Plc	1,307,453	(29,178)	-	1,278,275
JP Morgan Securities Plc	176,363	-	-	176,363
	<u>1,484,024</u>	<u>(29,386)</u>	<u>-</u>	<u>1,454,638</u>

Liabilities

Derivatives

Barclays Bank Plc	(9,172)	208	-	(8,964)
HSBC Bank Plc	(29,178)	29,178	-	-
	<u>(38,350)</u>	<u>29,386</u>	<u>-</u>	<u>(8,964)</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 13 Master netting agreements (continued)

M&G Versatile European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position	Financial Instruments	Collateral	Net Amount
	GBP	GBP	GBP	GBP
Assets				
Derivatives				
HSBC Bank Plc	12,565	(12,565)	-	-
JP Morgan Securities Plc	287	-	-	287
UBS AG London	5,713	(5,153)	-	560
	18,565	(17,718)	-	847

Liabilities

Derivatives

Bank of America Merrill Lynch International	(324,892)	-	324,892	-
HSBC Bank Plc	(2,817,855)	12,565	2,805,290	-
UBS AG London	(5,153)	5,153	-	-
	(3,147,900)	17,718	3,130,182	-

M&G Managed European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position	Financial Instruments	Collateral	Net Amount
	GBP	GBP	GBP	GBP
Assets				
Derivatives				
HSBC Bank Plc	44,396	(44,396)	-	-
JP Morgan Securities Plc	478	(478)	-	-
State Street Bank	4,443,389	(104,405)	-	4,338,984
UBS AG London	21,793	(21,793)	-	-
	4,510,056	(171,072)	-	4,338,984

Liabilities

Derivatives

Barclays Bank Plc	(5,280)	-	-	(5,280)
Bank of America Merrill Lynch International	(849,058)	-	849,058	-
JP Morgan Securities Plc	(51,025)	478	-	(50,547)
HSBC Bank Plc	(9,831,139)	44,396	9,786,743	-
State Street Bank	(104,405)	104,405	-	-
UBS AG London	(28,425)	21,793	-	(6,632)
	(10,869,332)	171,072	10,635,801	(62,459)

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 13 Master netting agreements (continued)

M&G Zeta European Loan Fund

Counterparty	Gross amounts presented in the Statement of Financial Position EUR	Financial Instruments EUR	Collateral EUR	Net Amount EUR
Assets				
Derivatives				
Barclays Bank Plc	6,135	(6,135)	-	-
HSBC Bank Plc	1,082,636	(17,063)	-	1,065,573
JP Morgan Securities Plc	47,105	-	-	47,105
State Street Bank	13,380	(4,992)	-	8,388
UBS AG London	27,507	-	-	27,507
	1,176,763	(28,190)	-	1,148,573
Liabilities				
Derivatives				
Barclays Bank Plc	(64,898)	6,135	-	(58,763)
HSBC Bank Plc	(17,063)	17,063	-	-
State Street Bank	(4,992)	4,992	-	-
	(86,953)	28,190	-	(58,763)

M&G Alpha Opportunities Fund

Counterparty	Gross amounts presented in the Statement of Financial Position EUR	Financial Instruments EUR	Collateral EUR	Net Amount EUR
Assets				
Derivatives				
HSBC Bank Plc	884,340	-	-	884,340
State Street Bank	68,434,243	(68,434,243)	-	-
UBS AG London	2,277,237	-	-	2,277,237
	71,595,820	(68,434,243)	-	3,161,577
Liabilities				
Derivatives				
Deutsche Bank	(93,730)	-	-	(93,730)
JP Morgan Securities Plc	(2,255,993)	-	2,255,993	-
State Street Bank	(83,385,450)	68,434,243	14,951,207	-
	(85,735,173)	68,434,243	17,207,200	(93,730)

Note 14 Securities received as collateral

As at 31 December 2019 and 31 December 2018 no securities were received as collateral by the Company.

SPECIALIST INVESTMENT FUNDS (1) PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2019**

Note 15 Net asset value per redeemable share

At 31 December 2019	Net Assets attributable to holders of redeemable shares in base currency*	Net Asset Value per redeemable share in class currency
M&G European Loan Fund		
Class A EUR	3,259,280	75.71
Class A GBP	607,780	83.84
Class B GBP	11,960	85.03
Class C EUR	920,843,558	108.56
Class C EUR ACC	477,027,203	110.46
Class C GBP	1,207,424,404	89.15
Class C GBP ACC**	16,759,754	90.34
Class D EUR	26,423,155	97.43
Class H EUR ACC	530,542,939	103.14
Class H EUR Inc	44,509,933	98.35
Class R EUR	59,638,011	96.69
Class R EUR ACC	156,530,003	103.43
Class R GBP	812,415	91.45
Class R GBP ACC	6,178,807	93.39
M&G Dynamic European Loan Fund		
Class A GBP	46,072,442	95.91
M&G Broad European Loan Fund		
Class A GBP	192,813,030	111.16
M&G SLK European Loan Fund		
Class A EUR	222,172,989	106.10
M&G Active European Loan Fund		
Class A EUR	269,784,765	98.71
M&G Conservative European Loan Fund		
Class A GBP	493,816,839	106.49
M&G Independent European Loan Fund		
Class A EUR	384,658,101	104.74
M&G Versatile European Loan Fund		
Class A GBP	143,416,144	102.69
M&G Managed European Loan Fund		
Class A GBP	364,652,520	102.41
Class A CHF	151,960,819	98.15
M&G Zeta European Loan Fund		
Class A EUR	297,289,086	98.13

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 15 Net asset value per redeemable share (continued)

	Net Assets attributable to holders of redeemable shares in base currency*	Net Asset Value per redeemable share in class currency
At 31 December 2019		
M&G European Loan Fund		
M&G Alpha Opportunities Fund		
Class A GBP	5,377,458,290	105.58
Class A GBP ACC	204,327,207	105.28
Class A EUR	151,987,841	98.47
Class A EUR ACC***	26,188,256	102.04
Class A USD	65,502,633	110.24
Class A JPY ACC	25,341,804	10366.72
Class B EUR	210,675,898	98.21
Class B EUR ACC****	17,977,859	101.64
Class B GBP	2,233,936,152	103.35
Class D GBP	1,581,337,837	100.67
Class E GBP	2,879,556	103.60
Class E GBP ACC	3,330,821	106.51
M&G Strategic Credit (1) Fund		
Class A	95,000,319	135.11

* Based on NAV per Financial Statements. See note 22 for reconciliation of NAV to prospectus.

** This share class launched on 4 June 2019

*** This share class launched on 2 September 2019

**** This share class launched on 1 August 2019

	Net Assets attributable to holders of redeemable shares in base currency*	Net Asset Value per redeemable share in class currency
At 31 December 2018		
M&G European Loan Fund		
Class A EUR	3,246,087	75.32
Class A GBP	13,575,772	86.25
Class B GBP	65,767	84.24
Class C EUR ACC	425,979,407	106.34
Class C EUR	995,777,789	108.05
Class C GBP	1,406,041,550	87.63
Class D EUR	26,263,506	96.98
Class H EUR ACC	294,578,214	99.18
Class H EUR Inc	44,279,962	97.84
Class R EUR	124,142,443	96.29
Class R EUR ACC	174,793,708	99.50
Class R GBP	152,268,198	87.06
Class R GBP ACC	3,885,041	88.78

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 15 Net asset value per redeemable share (continued)

	Net Assets attributable to holders of redeemable shares in base currency*	Net Asset Value per redeemable share in class currency
At 31 December 2018		
M&G Dynamic European Loan Fund		
Class A GBP	308,879,692	99.18
M&G Broad European Loan Fund		
Class A GBP	239,953,407	109.74
M&G SLK European Loan Fund		
Class A EUR	213,493,352	105.44
M&G Active European Loan Fund		
Class A EUR	414,382,275	98.48
M&G Conservative European Loan Fund		
Class A GBP	450,063,856	103.29
M&G Independent European Loan Fund		
Class A EUR ACC	382,659,986	100.71
M&G Versatile European Loan Fund		
Class A GBP	141,123,107	101.02
M&G Managed European Loan Fund		
Class A GBP	346,433,701	100.66
Class A CHF	155,153,902	98.07
M&G Zeta European Loan Fund		
Class A EUR	295,223,568	97.55
M&G Alpha Opportunities Fund		
Class A GBP	4,906,909,462	101.44
Class A GBP ACC	28,109,760	98.64
Class A EUR	122,563,876	95.63
Class A USD	59,242,764	104.07
Class A JPY ACC	7,809,437	9,804.51
Class B EUR	209,357,095	95.42
Class B GBP	1,960,575,865	99.27
Class D GBP	1,382,594,707	96.72
Class E GBP ACC	2,216,696	99.70
Class E GBP	2,934,344	99.44
M&G Strategic Credit (1) Fund		
Class A EUR	80,987,359	134.90

* Based on NAV per Financial Statements. See note 22 for reconciliation of NAV to prospectus.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 15 Net asset value per redeemable share (continued)

At 31 December 2017	Net Assets attributable to holders of redeemable shares in base currency*	Net Asset Value per redeemable share in class currency
M&G European Loan Fund		
Class A EUR	2,807,341	78.15
Class A GBP	36,722,842	88.41
Class B GBP	74,589	86.27
Class C EUR ACC	513,343,107	106.06
Class C EUR	1,238,407,677	112.15
Class C GBP	1,457,765,796	89.91
Class D EUR	27,010,872	100.55
Class R EUR	160,486,789	100.34
Class R GBP	418,226,337	89.30
Class R GBP ACC	1,836,789	87.52
M&G Dynamic European Loan Fund		
Class A GBP	635,637,916	95.21
M&G Broad European Loan Fund		
Class A GBP	244,825,586	113.02
M&G SLK European Loan Fund		
Class A EUR	212,778,429	109.54
M&G Active European Loan Fund		
Class A EUR	412,731,416	102.41
M&G Conservative European Loan Fund		
Class A GBP	443,775,885	106.69
M&G Independent European Loan Fund		
Class A EUR	349,527,975	100.38
M&G Versatile European Loan Fund		
Class A GBP	143,867,593	103.90
M&G Managed European Loan Fund		
Class A GBP	341,145,062	103.53
Class A CHF	152,989,440	102.44
M&G Zeta European Loan Fund		
Class A EUR	85,019,505	100.11
M&G Alpha Opportunities Fund		
Class A GBP	4,929,477,707	105.05
Class A EUR	298,660,095	100.24
Class A USD	63,544,937	106.03
Class B GBP	2,914,265,954	102.95
M&G Strategic Credit (1) Fund		
Class A EUR	85,835,737	142.98

* Based on NAV per Financial Statements. See note 22 for reconciliation of NAV to prospectus.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 16 Exchange rates

The following exchange rates (against EUR) were used to convert the investments and other assets and liabilities denominated in currencies other than EUR at 31 December 2019 and 31 December 2018:

	31 Dec 2019	31 Dec 2018
AUD	1.596841	1.623792
CAD	1.455601	1.561313
CHF	1.086972	1.126917
DKK	7.472479	7.462424
GBP	0.847329	0.897573
JPY	121.987632	125.420679
NZD	-	1.704794
NOK	9.863740	9.898705
PLN	4.251242	4.294527
SEK	10.507774	10.134994
USD	1.122499	1.143149

The average exchange rates used to convert GBP to EUR in the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares and the Statement of Cash Flows were as follows:

31 Dec 2019	1.140682
31 Dec 2018	1.129352

Note 17 Cross liability

While the provisions of the Companies Act 2014 provide for segregated liability between Funds, these provisions have yet to be tested in foreign courts, in particular in satisfying local creditors' claims. Accordingly, it is not free from doubt that the assets of each Fund and Class may not be exposed to the liabilities of the other Funds and Classes within the Company. At 31 December 2019 or 31 December 2018, the Directors are not aware of any such existing or contingent liability.

Note 18 Comparative year

The comparative amounts in these financial statements are for the financial year ended 31 December 2018.

Note 19 Taxation

Under current law and practice the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis, it is not chargeable to Irish tax on its income or gains.

However, Irish tax may arise on the happening of a "chargeable event". A chargeable event includes any distribution payments to shareholders, any encashment, redemption, cancellation or transfer of shares and the holding of shares at the end of each eight year period beginning with the acquisition of such shares.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 19 Taxation (continued)

No Irish tax will arise on the Company in respect of chargeable events in respect of:

- A shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended, are held by the Company or the Company has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations; and
- Certain exempted Irish tax resident shareholders who have provided the Company with the necessary signed statutory declarations.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Company or its shareholders.

The Funds hold their investments through wholly owned Subsidiaries, which are Irish resident and are qualifying companies for the purposes of Section 110 of the Taxes Consolidation Act, 1997, as amended. These Subsidiaries are subject to corporation tax in Ireland on their profits computed as though they were carrying on a trade. However, as the Subsidiaries are financed by borrowing, the cost of this finance is deductible and accordingly their profits for tax purposes will not be material. Interest payable by the Subsidiaries to the Funds can be paid free of any Irish withholding tax.

Note 20 Significant events during the financial year

M&G Luxembourg S.A. was formally appointed as AIFM at the Board meeting with effect from 1 March 2019.

The registered address of the AIFM changed to 16 Boulevard Royal, 2449 Luxembourg with effect from 1 March 2019.

Revised Prospectus and Supplements for all Funds were issued 1 March 2019.

Mr. Bruce Gunn has resigned as Director of the Company, effective 6 March 2019.

Mr. Simon Pilcher has resigned as Director of the Company, effective 28 May 2019.

M&G European Loan Fund Class C GBP ACC was launched on 4 June 2019.

M&G Alpha Opportunities Fund Class B EUR ACC was launched on 1 August 2019.

Mr. William Nicoll was appointed as Director of the Company, effective 19 August 2019.

KB Associates were appointed as Secretary to the Company with effect from 27 August 2019.

M&G Alpha Opportunities Fund Class A EUR ACC was launched on 2 September 2019.

Mr. Keith Davies has appointed as Director of the Company, effective 26 November 2019.

There were no other significant events affecting the Company during the financial year which require adjustment to or disclosure in the financial statements.

Note 21 Significant events after the financial year end

Mr. Keith Davies has resigned as Director of the Company, effective 9 March 2020.

Following the escalation of the COVID-19 pandemic in March 2020 and its negative impact on markets and economies, the AIFM's main focus has been to communicate with and review all of the portfolio of the Company, to ensure that the business have the right support and a liquidity runway to see through various scenarios. Given the scale of trading issues for all global assets, it's expected to see a near-term negative impact on the valuation of most deals. It is too early to assess how the situation will develop in the medium-long term and to estimate the potential impact on the Company's performance. For further details, please refer to the Investment Manager's report.

There were no other significant events affecting the Company since the financial year end which required adjustment to or disclosure in the financial statements.

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 22 Reconciliation of NAV

In accordance with the Prospectus, distributions for the full year are included in the NAV as at 31 December 2019 and 31 December 2018. Under IFRS it is not permitted to include distributions not formally approved by the Directors and must be excluded from these financial statements.

The impact on the NAV of the Funds at 31 December 2019 is set out in the following tables. Please note the movement disclosed in the Statement of Comprehensive Income is a combination of the 2018 and 2019 adjustments to the net assets attributable to holders of redeemable shares.

	M&G European Loan Fund 31 Dec 2019 EUR	M&G Dynamic European Loan Fund 31 Dec 2019 GBP	M&G Broad European Loan Fund 31 Dec 2019 GBP	M&G SLK European Loan Fund 31 Dec 2019 EUR
Net Assets attributable to holders of redeemable shares per the financial statements	3,450,569,202	46,072,442	192,813,030	222,172,989
Distributions not approved at financial year end	(18,736,266)	-	(1,733,460)	(1,895,886)
Net Assets attributable to holders of redeemable shares in accordance with the Prospectus	3,431,832,936	46,072,442	191,079,570	220,277,103
	M&G Active European Loan Fund 31 Dec 2019 EUR	M&G Conservative European Loan Fund 31 Dec 2019 GBP	M&G Independent European Loan Fund 31 Dec 2019 EUR	M&G Versatile European Loan Fund 31 Dec 2019 GBP
Net Assets attributable to holders of redeemable shares per the financial statements	269,784,765	493,816,839	384,658,101	143,416,144
Distributions not approved at financial year end	(2,502,482)	(2,950,295)	-	(1,226,237)
Net Assets attributable to holders of redeemable shares in accordance with the Prospectus	267,282,283	490,866,544	384,658,101	142,189,907
	M&G Managed European Loan Fund 31 Dec 2019 GBP	M&G Zeta European Loan Fund 31 Dec 2019 EUR	M&G Alpha Opportunities Fund 31 Dec 2019 EUR	M&G Strategic Credit (1) Fund 31 Dec 2019 EUR
Net Assets attributable to holders of redeemable shares per the financial statements	516,613,339	297,289,086	9,900,944,154	95,000,319
Distributions not approved at financial year end	(4,452,746)	(2,568,504)	(53,874,101)	-
Dividends receivable from M&G FELF*	-	-	13,383,814	-
Net Assets attributable to holders of redeemable shares in accordance with the Prospectus	512,160,593	294,720,582	9,860,453,867	95,000,319

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 22 Reconciliation of NAV (continued)

	M&G Specialist Investment Funds (1) Plc 31 Dec 2019 EUR
Net Assets attributable to holders of redeemable shares per the financial statements	16,264,091,914
Distributions not approved at financial year end	(91,807,128)
Dividends receivable from M&G FELF*	13,383,814
Net Assets attributable to holders of redeemable shares in accordance with the Prospectus	<u>16,185,668,600</u>

*M&G Focused European Loan Fund, a sub-fund of Specialist Investment Fund (3) plc

	M&G European Loan Fund 31 Dec 2018 EUR	M&G Dynamic European Loan Fund 31 Dec 2018 GBP	M&G Broad European Loan Fund 31 Dec 2018 GBP	M&G SLK European Loan Fund 31 Dec 2018 EUR
Net Assets attributable to holders of redeemable shares per the financial statements	3,664,897,444	308,879,692	239,953,407	213,493,352
Distributions not approved at financial year end	(23,444,500)	-	(2,223,082)	(1,837,925)
Net Assets attributable to holders of redeemable shares in accordance with the Prospectus	<u>3,641,452,944</u>	<u>308,879,692</u>	<u>237,730,325</u>	<u>211,655,427</u>
	M&G Active European Loan Fund 31 Dec 2018 EUR	M&G Conservative European Loan Fund 31 Dec 2018 GBP	M&G Independent European Loan Fund 31 Dec 2018 EUR	M&G Versatile European Loan Fund 31 Dec 2018 GBP
Net Assets attributable to holders of redeemable shares per the financial statements	414,382,275	450,063,856	382,659,986	141,123,107
Distributions not approved at financial year end	(3,770,765)	(3,102,264)	-	(1,240,470)
Net Assets attributable to holders of redeemable shares in accordance with the Prospectus	<u>410,611,510</u>	<u>446,961,592</u>	<u>382,659,986</u>	<u>139,882,637</u>
	M&G Managed European Loan Fund 31 Dec 2018 GBP	M&G Zeta European Loan Fund 31 Dec 2018 EUR	M&G Alpha Opportunities Fund 31 Dec 2018 EUR	M&G Strategic Credit (1) Fund 31 Dec 2018 EUR
Net Assets attributable to holders of redeemable shares per the financial statements	501,587,603	295,223,568	8,682,314,006	80,987,359
Distributions not approved at financial year end	(4,466,816)	(2,239,738)	(48,244,890)	-
Dividends receivable from M&G FELF*	-	-	9,049,188	-
Net Assets attributable to holders of redeemable shares in accordance with the Prospectus	<u>497,120,787</u>	<u>292,983,830</u>	<u>8,643,118,304</u>	<u>80,987,359</u>

SPECIALIST INVESTMENT FUNDS (1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) for the financial year ended 31 December 2019

Note 22 Reconciliation of NAV (continued)

	M&G Specialist Investment Funds (1) Plc 31 Dec 2018 EUR
Net Assets attributable to holders of redeemable shares per the financial statements	15,562,896,962
Distributions not approved at financial year end	(91,829,434)
Dividends receivable from M&G FELF*	<u>9,049,188</u>
Net Assets attributable to holders of redeemable shares in accordance with the Prospectus	<u>15,480,116,716</u>

*M&G Focused European Loan Fund, a sub-fund of Specialist Investment Fund (3) plc

Note 23 Soft Commissions

There were no soft commissions for the financial year under review (31 December 2018: Nil).

Note 24 Contingent Liability

There are no contingent liabilities as at 9 March 2019 (31 December 2018: None).

Note 25 Approval of the financial statements

The financial statements were approved by the Directors on 29 April 2020.

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G EUROPEAN LOAN FUND

**SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019**

Security Description - Investment in Subsidiary	Fair Value EUR	% of Net Assets
M&G European Loan Fund Limited	3,469,216,449	100.54
Total financial assets designated at fair value through profit or loss (31 December 2018: 99.93%)	3,469,216,449	100.54

Forward Foreign Exchange Contracts

Gain Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain EUR	% of Net Assets
13/01/2020*	EUR	1,895,202	DKK	14,155,000	805	0.00
14/02/2020**	EUR	491,818,951	GBP	416,349,333	1,157,980	0.04
13/01/2020***	EUR	2,244,902	USD	2,500,000	19,120	0.00
13/01/2020*	EUR	10,740,568	USD	12,037,588	23,349	0.00
13/01/2020**	EUR	13,509,086	USD	15,000,000	154,394	0.00
13/01/2020***	EUR	329,712,399	USD	364,200,316	5,460,196	0.16
14/02/2020**	GBP	427	EUR	502	-	0.00
14/02/2020**	GBP	16,397	EUR	19,310	14	0.00
13/01/2020**	GBP	1,313	EUR	1,531	18	0.00
13/01/2020**	GBP	2,021	EUR	2,358	27	0.00
14/02/2020**	GBP	33,726	EUR	39,716	29	0.00
14/02/2020**	GBP	43,318	EUR	51,011	38	0.00
13/01/2020**	GBP	10,342	EUR	12,063	138	0.00
13/01/2020**	GBP	11,660	EUR	13,601	156	0.00
14/02/2020**	GBP	438,540	EUR	516,428	383	0.00
13/01/2020**	GBP	126,076	EUR	147,054	1,689	0.00
13/01/2020**	GBP	210,983	EUR	246,093	2,823	0.00
13/01/2020**	GBP	233,649	EUR	272,527	3,131	0.00
13/01/2020**	GBP	316,357	EUR	369,002	4,233	0.00
14/02/2020**	GBP	38,673,836	EUR	45,542,673	33,819	0.00
13/01/2020**	GBP	4,289,464	EUR	5,003,201	57,480	0.00
13/01/2020**	GBP	6,656,529	EUR	7,764,129	89,199	0.00
13/01/2020**	GBP	17,563,396	EUR	20,486,156	235,019	0.01
13/01/2020**	GBP	370,104,469	EUR	431,687,245	4,959,475	0.14
Total unrealised gain on forward exchange contracts (31 December 2018: 0.21%)					12,203,515	0.35

Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss EUR	% of Net Assets
13/01/2020**	EUR	551,338	AUD	895,000	(8,938)	(0.00)
13/01/2020**	EUR	904,285	GBP	771,762	(6,235)	(0.00)
13/01/2020**	EUR	10	GBP	9	-	(0.00)
13/01/2020***	EUR	54,373,077	NOK	551,742,356	(1,531,362)	(0.04)
13/01/2020***	EUR	19,116,446	PLN	82,317,519	(235,055)	(0.01)

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G EUROPEAN LOAN FUND

**SCHEDULE OF INVESTMENTS (unaudited) (continued)
as at 31 December 2019**

Forward Foreign Exchange Contracts (continued)

Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss EUR	% of Net Assets
13/01/2020***	EUR	1,134,836	SEK	12,135,000	(19,901)	(0.00)
14/02/2020**	GBP	589,431,357	EUR	696,274,711	(1,639,369)	(0.05)
14/02/2020**	GBP	6,675,685	EUR	7,885,754	(18,567)	(0.00)
13/01/2020**	GBP	2,779,871	EUR	3,291,845	(12,172)	(0.00)
14/02/2020**	GBP	647,005	EUR	764,285	(1,799)	(0.00)
14/02/2020**	GBP	512,844	EUR	605,805	(1,426)	(0.00)
14/02/2020**	GBP	249,536	EUR	294,768	(694)	(0.00)
13/01/2020**	GBP	38,699	EUR	45,826	(169)	(0.00)
13/01/2020**	GBP	14,762	EUR	17,481	(65)	(0.00)
14/02/2020**	GBP	6,313	EUR	7,457	(18)	(0.00)
13/01/2020**	GBP	1,904	EUR	2,254	(8)	(0.00)
13/01/2020**	GBP	1,220	EUR	1,445	(5)	(0.00)
13/01/2020**	GBP	24	EUR	29	-	(0.00)
Total unrealised loss on forward exchange contracts (31 December 2018: (0.67)%)					(3,475,783)	(0.10)

All forwards were held by the Fund.

* The counterparty for the above forward foreign exchange contracts is UBS AG London.

** The counterparty for the above forward foreign exchange contracts is State Street Bank.

*** The counterparty for the above forward foreign exchange contracts is HSBC Bank Plc.

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G DYNAMIC EUROPEAN LOAN FUND

**SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019**

Security Description - Investment in Subsidiary	Fair Value GBP	% of Net Assets
M&G Dynamic European Loan Fund Limited	46,202,559	100.28
Total financial assets designated at fair value through profit or loss (31 December 2018: 100.21%)	46,202,559	100.28

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G BROAD EUROPEAN LOAN FUND

**SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019**

Security Description - Investment in Subsidiary	Fair Value GBP	% of Net Assets
M&G Broad European Loan Fund Limited	191,202,632	99.16
Total financial assets designated at fair value through profit or loss (31 December 2018: 99.74%)	191,202,632	99.16

Forward Foreign Exchange Contracts

Gain Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain GBP	% of Net Assets
13/01/2020*	GBP	414,105	DKK	3,605,000	5,164	0.00
13/01/2020**	GBP	853,470	EUR	1,000,000	5,863	0.00
13/01/2020***	GBP	1,660,307	EUR	1,936,936	18,548	0.01
13/01/2020**	GBP	129,736,043	EUR	151,303,441	1,490,317	0.79
13/01/2020*	GBP	382,387	USD	500,000	5,070	0.00
13/01/2020**	GBP	337,400	USD	436,652	7,887	0.00
13/01/2020**	GBP	10,886,726	USD	14,031,868	297,791	0.15

Total unrealised gain on forward exchange contracts (31 December 2018: 0.01%)	1,830,640	0.95
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Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss GBP	% of Net Assets
13/01/2020**	GBP	1,265,603	EUR	1,500,000	(5,807)	(0.00)
13/01/2020**	GBP	3,569,071	NOK	42,220,000	(56,883)	(0.03)
13/01/2020**	GBP	1,477,916	PLN	7,420,000	(581)	(0.00)
13/01/2020*	GBP	247,683	SEK	3,090,000	(1,544)	(0.00)

Total unrealised loss on forward exchange contracts (31 December 2018: (2.17%))	(64,815)	(0.03)
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All forwards were held by the Fund.

*The counterparty for the above forward foreign exchange contracts is UBS AG London.

**The counterparty for the above forward foreign exchange contracts is HSBC Bank Plc.

***The counterparty for the above forward foreign exchange contracts is Barclays Bank Plc.

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G SLK EUROPEAN LOAN FUND

**SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019**

Security Description - Investment in Subsidiary	Fair Value EUR	% of Net Assets
M&G SLK European Loan Fund Limited	222,479,901	100.14
Total financial assets designated at fair value through profit or loss (31 December 2018: 99.70%)	222,479,901	100.14

Forward Foreign Exchange Contracts

Gain Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain EUR	% of Net Assets
13/01/2020*	EUR	281,167	DKK	2,100,000	119	0.00
13/01/2020**	EUR	639,169	USD	709,269	7,698	0.00
13/01/2020***	EUR	19,446,219	USD	21,480,294	322,039	0.15
Total unrealised gains on forward exchange contracts (31 December 2018: 0.47%)					329,856	0.15

Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss EUR	% of Net Assets
13/01/2020***	EUR	29,088,789	GBP	24,942,357	(338,033)	(0.15)
13/01/2020***	EUR	3,490,289	NOK	35,417,162	(98,300)	(0.04)
13/01/2020***	EUR	1,252,871	PLN	5,395,000	(15,405)	(0.01)
13/01/2020***	EUR	165,526	SEK	1,770,000	(2,903)	(0.00)
Total unrealised loss on forward exchange contracts (31 December 2018: (0.01)%)					(454,641)	(0.20)

All forwards were held by the Fund.

* The counterparty for the above forward foreign exchange contracts is UBS AG London.

** The counterparty for the above forward foreign exchange contracts is Barclays Bank Plc.

*** The counterparty for the above forward foreign exchange contracts is HSBC Bank Plc.

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G ACTIVE EUROPEAN LOAN FUND

**SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019**

Security Description - Investment in Subsidiary	Fair Value EUR	% of Net Assets
M&G Active European Loan Fund Limited	270,198,104	100.15
Total financial assets designated at fair value through profit or loss (31 December 2018: 99.72%)	270,198,104	100.15

Forward Foreign Exchange Contracts

Gain Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain EUR	% of Net Assets
13/01/2020*	EUR	461,114	DKK	3,444,000	196	0.00
13/01/2020**	EUR	663,447	USD	736,209	7,990	0.00
13/01/2020*	EUR	1,802,520	USD	2,000,000	21,894	0.01
13/01/2020***	EUR	24,243,928	USD	26,779,843	401,491	0.15
Total unrealised gain on forward exchange contracts (31 December 2018: 0.42%)					431,571	0.16

Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss EUR	% of Net Assets
13/01/2020***	EUR	39,105,399	GBP	33,531,159	(454,433)	(0.17)
13/01/2020***	EUR	6,424,341	NOK	65,190,000	(180,935)	(0.07)
13/01/2020***	EUR	2,403,561	PLN	10,350,000	(29,554)	(0.01)
13/01/2020***	EUR	271,669	SEK	2,905,000	(4,764)	(0.00)
Total unrealised loss on forward exchange contracts (31 December 2018: (0.01)%)					(669,686)	(0.25)

All forwards were held by the Fund.

* The counterparty for the above forward foreign exchange contracts is UBS AG London.

** The counterparty for the above forward foreign exchange contracts is Barclays Bank Plc.

*** The counterparty for the above forward foreign exchange contracts is HSBC Bank Plc.

SPECIALIST INVESTMENT FUNDS (1) PLC
M&G CONSERVATIVE EUROPEAN LOAN FUND

SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019

Security Description - Investment in Subsidiary	Fair Value GBP	% of Net Assets
M&G Conservative European Loan Fund Limited	488,213,248	98.87
Total financial assets designated at fair value through profit or loss (31 December 2018: 99.71%)	488,213,248	98.87

Forward Foreign Exchange Contracts

Gain Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain GBP	% of Net Assets
13/01/2020*	GBP	195,278	DKK	1,700,000	2,435	0.00
13/01/2020*	GBP	1,697,784	EUR	2,000,000	2,572	0.00
13/01/2020*	GBP	850,472	EUR	1,000,000	2,866	0.00
13/01/2020**	GBP	2,165,173	EUR	2,525,920	24,188	0.00
13/01/2020***	GBP	270,452,368	EUR	315,412,532	3,106,767	0.64
13/01/2020**	GBP	766,416	USD	1,000,000	11,782	0.00
13/01/2020*	GBP	955,967	USD	1,250,000	12,674	0.00
13/01/2020***	GBP	1,277,074	USD	1,652,747	29,854	0.01
13/01/2020*	GBP	3,813,077	USD	5,000,000	39,903	0.01
13/01/2020***	GBP	4,572,911	USD	6,000,000	45,103	0.01
13/01/2020***	GBP	99,850,486	USD	128,696,992	2,731,270	0.55
Total unrealised gain on forward exchange contracts (31 December 2018: 0.04%)					6,009,414	1.22

Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss GBP	% of Net Assets
13/01/2020***	GBP	4,502,761	NOK	53,265,000	(71,765)	(0.02)
13/01/2020***	GBP	6,503,668	PLN	32,652,204	(2,556)	(0.00)
13/01/2020*	GBP	112,219	SEK	1,400,000	(699)	(0.00)
Total unrealised loss on forward exchange contracts (31 December 2018: (2.33)%)					(75,020)	(0.02)

All forwards were held by the Fund.

* The counterparty for the above forward foreign exchange contracts is UBS AG London.

** The counterparty for the above forward foreign exchange contracts is Barclays Bank Plc.

*** The counterparty for the above forward foreign exchange contracts is HSBC Bank Plc.

SPECIALIST INVESTMENT FUNDS (1) PLC
M&G INDEPENDENT EUROPEAN LOAN FUND

SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019

Security Description - Investment in Subsidiary	Fair Value EUR	% of Net Assets
M&G Independent European Loan Fund Limited	385,181,724	100.14
Total financial assets designated at fair value through profit or loss (31 December 2018: 99.77%)	385,181,724	100.14

Forward Foreign Exchange Contracts

Gain Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain EUR	% of Net Assets
13/01/2020*	EUR	245,017	DKK	1,830,000	104	0.00
13/01/2020**	EUR	31,008,215	USD	34,251,674	513,511	0.13
13/01/2020*	EUR	706,834	USD	792,191	1,537	0.00
Total unrealised gain on forward exchange contracts (31 December 2018: 0.39%)					515,152	0.13

Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss EUR	% of Net Assets
13/01/2020**	EUR	46,723,607	GBP	40,063,437	(542,962)	(0.14)
13/01/2020**	EUR	5,987,871	NOK	60,760,989	(168,642)	(0.04)
13/01/2020**	EUR	2,524,320	PLN	10,870,000	(31,039)	(0.01)
13/01/2020**	EUR	144,017	SEK	1,540,000	(2,526)	(0.00)
Total unrealised loss on forward exchange contracts (31 December 2018: (0.01)%)					(745,169)	(0.19)

All forwards were held by the Fund.

* The counterparty for the above forward foreign exchange contracts is UBS AG London.

** The counterparty for the above forward foreign exchange contracts is HSBC Bank Plc.

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G VERSATILE EUROPEAN LOAN FUND

**SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019**

Security Description - Investment in Subsidiary	Fair Value GBP	% of Net Assets
M&G Versatile European Loan Fund Limited	142,199,982	99.15
Total financial assets designated at fair value through profit or loss (31 December 2018: 99.77%)	142,199,982	99.15

Forward Foreign Exchange Contracts

Gain Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain GBP	% of Net Assets
13/01/2020*	GBP	191,832	DKK	1,670,000	2,392	0.00
13/01/2020**	GBP	1,158,880	EUR	1,351,965	12,946	0.01
13/01/2020***	GBP	98,697,132	EUR	115,104,602	1,133,764	0.80
13/01/2020*	GBP	382,387	USD	500,000	5,070	0.00
13/01/2020***	GBP	246,608	USD	319,152	5,765	0.00
13/01/2020***	GBP	7,725,928	USD	9,957,926	211,332	0.15
Total unrealised gain on forward exchange contracts (31 December 2018: 0.01%)					1,371,269	0.96

Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss GBP	% of Net Assets
13/01/2020***	GBP	2,273,882	NOK	26,898,680	(36,241)	(0.03)
13/01/2020***	GBP	873,405	PLN	4,385,000	(343)	(0.00)
13/01/2020*	GBP	115,025	SEK	1,435,000	(717)	(0.00)
Total unrealised loss on forward exchange contracts (31 December 2018: (2.23)%)					(37,301)	(0.03)

All forwards were held by the Fund.

* The counterparty for the above forward foreign exchange contracts is UBS AG London.

** The counterparty for the above forward foreign exchange contracts is Barclays Bank Plc.

*** The counterparty for the above forward foreign exchange contracts is HSBC Bank Plc.

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G MANAGED EUROPEAN LOAN FUND

**SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019**

Security Description - Investment in Subsidiary	Fair Value GBP	% of Net Assets
M&G Managed European Loan Fund Limited	512,890,353	99.28
Total financial assets designated at fair value through profit or loss (31 December 2018: 98.86%)	512,890,353	99.28

Forward Foreign Exchange Contracts

Gain Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain GBP	% of Net Assets
17/02/2020*	CHF	960,382	GBP	741,140	8,841	0.00
16/03/2020*	CHF	58,151,726	GBP	45,086,826	381,629	0.07
13/01/2020*	GBP	619,546	CHF	787,036	5,852	0.00
13/01/2020**	GBP	2,212,969	CHF	2,805,000	25,762	0.00
17/02/2020*	GBP	4,389,459	CHF	5,555,738	50,877	0.01
13/01/2020***	GBP	517,488	DKK	4,505,000	6,453	0.00
13/01/2020****	GBP	3,656,826	EUR	4,266,102	40,852	0.01
13/01/2020**	GBP	347,545,058	EUR	405,321,157	3,992,355	0.78
13/01/2020**	GBP	756,273	USD	1,000,000	1,638	0.00
13/01/2020****	GBP	1,317,741	USD	1,733,318	9,719	0.00
13/01/2020**	GBP	1,524,304	USD	2,000,000	15,034	0.00
13/01/2020***	GBP	1,147,161	USD	1,500,000	15,209	0.00
13/01/2020**	GBP	35,969,538	USD	46,361,029	983,896	0.20
Total unrealised gain on forward exchange contracts (31 December 2018: 0.90%)					5,538,117	1.07

Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss GBP	% of Net Assets
13/01/2020*	CHF	65,121,886	GBP	53,801,199	(3,022,216)	(0.59)
16/03/2020*	CHF	77,936,220	GBP	61,581,912	(720,026)	(0.14)
13/01/2020*	CHF	1,039,631	GBP	858,912	(48,257)	(0.01)
13/01/2020*	GBP	2,728,358	CHF	3,519,410	(23,446)	(0.00)
13/01/2020**	GBP	7,967,416	NOK	94,249,820	(126,983)	(0.02)
00/01/1900**	GBP	2,994,286	PLN	15,033,063	(1,177)	(0.00)
00/01/1900***	GBP	304,194	SEK	3,795,000	(1,896)	(0.00)
Total unrealised loss on forward exchange contracts (31 December 2018: (2.17)%)					(3,944,001)	(0.76)

All forwards were held by the Fund.

* The counterparty for the above forward foreign exchange contracts is State Street Bank.

** The counterparty for the above forward foreign exchange contracts is HSBC Bank Plc.

*** The counterparty for the above forward foreign exchange contracts is UBS AG London.

**** The counterparty for the above forward foreign exchange contracts is Barclays Bank Plc.

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G ZETA EUROPEAN LOAN FUND

**SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019**

Security Description - Investment in Subsidiary	Fair Value EUR	% of Net Assets
M&G Zeta European Loan Fund Limited	297,666,147	100.13
Total financial assets designated at fair value through profit or loss (31 December 2018: 99.76%)	297,666,147	100.13

Forward Foreign Exchange Contracts

Gain Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain EUR	% of Net Assets
13/01/2020*	EUR	2,185,742	DKK	16,325,000	929	0.00
13/01/2020*	EUR	752,533	USD	843,408	1,636	0.00
13/01/2020**	EUR	25,522,636	USD	28,192,304	422,667	0.14
Total unrealised gain on forward exchange contracts (31 December 2018: 0.40%)					425,232	0.14

Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss EUR	% of Net Assets
13/01/2020**	EUR	42,205,160	GBP	36,189,068	(490,453)	(0.16)
13/01/2020**	EUR	2,645,027	NOK	26,840,000	(74,495)	(0.03)
13/01/2020**	EUR	2,179,461	PLN	9,385,000	(26,799)	(0.01)
13/01/2020**	EUR	121,573	SEK	1,300,000	(2,132)	(0.00)
Total unrealised loss on forward exchange contracts (31 December 2018: (0.03)%)					(593,879)	(0.20)

All forwards were held by the Fund.

* The counterparty for the above forward foreign exchange contracts is UBS AG London.

** The counterparty for the above forward foreign exchange contracts is HSBC Bank Plc.

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G ALPHA OPPORTUNITIES FUND

**SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019**

Security Description - Investment in Subsidiary	Fair Value EUR	% of Net Assets
M&G Alpha Opportunities Fund Limited	9,861,962,436	99.61
Total financial assets designated at fair value through profit or loss (31 December 2018: 99.43%)	9,861,962,436	99.61

Forward Foreign Exchange Contracts

Gain Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain EUR	% of Net Assets
16/01/2020*	EUR	158	GBP	133	1	0.00
16/01/2020*	EUR	289	GBP	243	2	0.00
16/01/2020*	EUR	125,614	GBP	105,832	767	0.00
16/01/2020*	EUR	184,115	GBP	155,121	1,124	0.00
16/01/2020*	EUR	397,922	GBP	335,257	2,429	0.00
09/01/2020**	EUR	35,504,303	GBP	29,680,000	483,338	0.00
09/01/2020*	EUR	2,728	JPY	328,143	38	0.00
16/01/2020*	EUR	169,439	JPY	20,422,877	2,028	0.00
09/01/2020*	EUR	3,783	USD	4,205	38	0.00
09/01/2020*	EUR	66,423	USD	73,822	682	0.00
16/01/2020*	EUR	121,699	USD	135,327	1,238	0.00
09/01/2020**	EUR	9,207,345	USD	10,223,587	102,875	0.00
09/01/2020**	EUR	20,609,292	USD	22,980,000	144,780	0.00
09/01/2020***	EUR	666,882,904	USD	740,652,824	7,305,053	0.08
07/01/2020*	GBP	1,722	EUR	2,016	17	0.00
15/01/2020*	GBP	1,520	EUR	1,770	23	0.00
09/01/2020*	GBP	3,552	EUR	4,159	32	0.00
07/01/2020*	GBP	4,719	EUR	5,523	45	0.00
09/01/2020*	GBP	17,288	EUR	20,244	155	0.00
15/01/2020*	GBP	14,079	EUR	16,399	211	0.00
07/01/2020*	GBP	137,842	EUR	161,334	1,324	0.00
15/01/2020*	GBP	134,835	EUR	157,055	2,011	0.00
09/01/2020*	GBP	402,250	EUR	471,854	2,781	0.00
07/01/2020*	GBP	362,938	EUR	424,792	3,485	0.00
09/01/2020*	GBP	500,848	EUR	586,475	4,502	0.00
15/01/2020*	GBP	344,068	EUR	400,755	5,147	0.00
07/01/2020*	GBP	557,997	EUR	653,087	5,365	0.00
09/01/2020*	GBP	1,958,004	EUR	2,296,811	13,539	0.00
07/01/2020*	GBP	1,789,155	EUR	2,094,051	17,201	0.00
15/01/2020*	GBP	1,248,561	EUR	1,454,318	18,625	0.00
07/01/2020*	GBP	3,245,119	EUR	3,798,130	31,199	0.00

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G ALPHA OPPORTUNITIES FUND

**SCHEDULE OF INVESTMENTS (unaudited) (continued)
as at 31 December 2019**

Forward Foreign Exchange Contracts (continued)

Gain Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain EUR	% of Net Assets
15/01/2020*	GBP	5,100,000	EUR	5,974,254	42,281	0.00
07/01/2020*	GBP	4,698,584	EUR	5,499,285	45,173	0.00
15/01/2020*	GBP	3,321,564	EUR	3,868,806	49,685	0.00
15/01/2020*	GBP	3,341,906	EUR	3,892,500	49,989	0.00
09/01/2020*	GBP	6,790,288	EUR	7,951,175	61,036	0.00
09/01/2020*	GBP	7,834,094	EUR	9,173,433	70,419	0.00
15/01/2020*	GBP	8,800,000	EUR	10,308,518	72,955	0.00
15/01/2020*	GBP	5,236,985	EUR	6,099,802	78,336	0.00
09/01/2020*	GBP	25,090,303	EUR	29,379,815	225,530	0.00
15/01/2020*	GBP	37,127,387	EUR	43,491,855	307,799	0.00
09/01/2020*	GBP	56,723,431	EUR	66,538,686	392,221	0.00
15/01/2020*	GBP	30,515,178	EUR	35,543,933	455,212	0.00
07/01/2020*	GBP	48,512,819	EUR	56,780,650	465,814	0.00
07/01/2020*	GBP	134,404,925	EUR	157,310,976	1,290,538	0.01
07/01/2020*	GBP	250,000,436	EUR	292,606,931	2,400,470	0.02
07/01/2020*	GBP	341,247,702	EUR	399,405,074	3,276,614	0.03
15/01/2020*	GBP	294,613,011	EUR	343,163,829	4,394,907	0.04
15/01/2020*	GBP	296,353,505	EUR	345,191,148	4,420,871	0.04
09/01/2020*	GBP	769,028,650	EUR	902,099,091	5,317,544	0.06
09/01/2020*	GBP	887,252,180	EUR	1,040,779,671	6,135,015	0.07
15/01/2020*	GBP	464,529,459	EUR	541,081,697	6,929,644	0.08
09/01/2020*	GBP	2,841,591,725	EUR	3,333,292,345	19,648,538	0.22

Total unrealised gain on forward exchange contracts (31 December 2018: 0.82%)

64,280,646 0.65

Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss EUR	% of Net Assets
09/01/2020*	EUR	3,624,371,828	GBP	3,089,733,491	(21,364,344)	(0.23)
15/01/2020*	EUR	36,326,138	GBP	31,000,000	(244,958)	(0.00)
15/01/2020*	EUR	147	GBP	126	(2)	(0.00)
16/01/2020****	GBP	805,666,908	EUR	956,521,888	(6,098,704)	(0.07)
16/01/2020****	GBP	414,088,619	EUR	491,623,553	(3,134,552)	(0.03)
16/01/2020****	GBP	112,054,903	EUR	133,036,328	(848,229)	(0.01)
16/01/2020****	GBP	24,953,193	EUR	29,625,488	(188,890)	(0.00)
16/01/2020*	GBP	19,816,509	EUR	23,509,861	(132,868)	(0.00)
16/01/2020*	GBP	15,277,981	EUR	18,122,745	(99,729)	(0.00)
16/01/2020*	GBP	8,224,550	EUR	9,757,422	(55,145)	(0.00)
16/01/2020*	GBP	7,852,503	EUR	9,314,641	(51,258)	(0.00)
16/01/2020*	GBP	5,953,020	EUR	7,062,529	(39,915)	(0.00)

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G ALPHA OPPORTUNITIES FUND

**SCHEDULE OF INVESTMENTS (unaudited) (continued)
as at 31 December 2019**

Forward Foreign Exchange Contracts (continued)

Loss Maturity	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss EUR	% of Net Assets
16/01/2020*	GBP	2,124,875	EUR	2,520,527	(13,870)	(0.00)
16/01/2020*	GBP	707,517	EUR	839,383	(4,744)	(0.00)
16/01/2020****	GBP	531,282	EUR	630,760	(4,022)	(0.00)
16/01/2020*	GBP	473,196	EUR	561,305	(3,089)	(0.00)
16/01/2020****	GBP	371,651	EUR	441,239	(2,813)	(0.00)
16/01/2020*	GBP	12,617	EUR	14,969	(85)	(0.00)
16/01/2020*	GBP	10,593	EUR	12,568	(71)	(0.00)
16/01/2020*	GBP	10,075	EUR	11,951	(66)	(0.00)
16/01/2020*	GBP	7,048	EUR	8,360	(46)	(0.00)
16/01/2020*	JPY	2,286,983,382	EUR	18,974,911	(227,988)	(0.00)
07/01/2020*	JPY	287,005,117	EUR	2,392,690	(39,951)	(0.00)
15/01/2020*	JPY	252,017,758	EUR	2,096,551	(30,687)	(0.00)
09/01/2020*	JPY	250,013,835	EUR	2,075,958	(26,470)	(0.00)
16/01/2020*	JPY	13,167,905	EUR	109,268	(1,328)	(0.00)
07/01/2020*	JPY	2,175,713	EUR	18,139	(303)	(0.00)
15/01/2020*	JPY	1,231,512	EUR	10,245	(150)	(0.00)
07/01/2020*	USD	19,791,162	EUR	17,917,299	(290,363)	(0.00)
09/01/2020*	USD	20,142,129	EUR	18,139,787	(202,500)	(0.00)
16/01/2020*	USD	21,163,855	EUR	19,033,202	(194,294)	(0.00)
15/01/2020*	USD	11,563,811	EUR	10,396,773	(102,655)	(0.00)
07/01/2020*	USD	272,596	EUR	246,784	(3,998)	(0.00)
16/01/2020*	USD	311,335	EUR	279,924	(2,791)	(0.00)
15/01/2020*	USD	62,089	EUR	55,822	(550)	(0.00)
Total unrealised loss on forward exchange contracts (31 December 2018: (0.96)%)					(33,411,428)	(0.34)

All forwards were held by the Fund.

* The counterparty for the above forward foreign exchange contracts is State Street Bank.

** The counterparty for the above forward foreign exchange contracts is Deutsche Bank.

*** The counterparty for the above forward foreign exchange contracts is Barclays Bank Plc.

**** The counterparty for the above forward foreign exchange contracts is Goldman Sachs.

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G ALPHA OPPORTUNITIES FUND

**SCHEDULE OF INVESTMENTS (unaudited) (continued)
as at 31 December 2019**

Swap Contracts

Total Swap Contracts at negative fair value Nil (31 December 2018: (0.03)%)

Futures Contracts

Contracts Position	Currency	Description	Notionals	Unrealised Gain EUR	% of Net Assets
Short	EUR	German Euro Buxl Futures March 2020	(9,300,600)	373,500	0.00
Short	EUR	German Euro Schatz Futures March 2020	(575,305,473)	449,488	0.00
Short	EUR	German Euro Bobl Futures March 2020	(1,173,982,549)	6,858,128	0.08
Short	EUR	German Euro Bund Futures March 2020	(448,491,194)	7,263,039	0.08
Short	GBP	UK Long Gilt Bond Futures March 2020	(740,720,351)	6,704,363	0.08
Short	USD	2Yr US Treasury Note Futures March 2020	(65,276,370)	2,398	0.00
Short	USD	5Yr US Treasury Note Futures March 2020	(96,389,868)	234,341	0.00
Short	USD	US Ultra Bond Futures March 2020	(20,670,416)	603,258	0.01
Short	USD	10Yr US Treasury Note Futures March 2020	(157,138,358)	1,430,340	0.02
Short	USD	US Long Bond Futures March 2020	(140,413,517)	3,049,285	0.04
Total unrealised gain on Futures Contracts (31 December 2018: Nil)				26,968,140	0.31

Total unrealised loss on Futures Contracts Nil (31 December 2018: (0.26)%)

All futures contracts were held by the Natwest Markets Plc.

SPECIALIST INVESTMENT FUNDS (1) PLC

M&G STRATEGIC CREDIT (1) FUND

**SCHEDULE OF INVESTMENTS (unaudited)
as at 31 December 2019**

Security Description - Investment in Subsidiary	Fair Value EUR	% of Net Assets
M&G Strategic Credit (1) Fund Limited	95,051,682	100.05
Total financial assets designated at fair value through profit or loss (31 December 2018: 100.09%)	95,051,682	100.05