Key Investor Information

This document provides you with key investor information about this Fund. It is not marketing material. The information is required by law to help you understand the nature and the risks of investing in this Fund. You are advised to read it so you can make an informed decision about whether to invest.

M&G INVESTMENTS

M&G Recovery Fund

a sub-fund of M&G Investment Funds (3)

Sterling Class A - Income shares ISIN no. GB0031289100

Sterling Class A - Accumulation shares ISIN no. GB0031289217

Managed by M&G Securities Limited, which is part of the Prudential Group

Objective and investment policy

Objective

Growth.

Investment policy

At least 80 % of investment is in shares of UK companies which are out of favour, in difficulty or whose future prospects are not fully recognised by the market.

The Fund may use derivatives [financial instruments whose value are linked to the expected future price movements of the underlying assets] to protect the value of the Funds' assets and/or, in the short-term, to efficiently invest cash inflows.

You can buy and sell shares in the Fund on any business day. Provided we receive your instruction before 12 noon, shares will be bought at that day's price.

This Fund allows the fund manager to make discretionary choices when deciding which investments should be held in the Fund. These investment decisions will always be made within the constraints of the Fund's objective and investment policy.

If you hold income shares, any income from the Fund may be paid out to you.

If you hold accumulation shares, any income from the Fund will be rolled up into the value of your investment.

In addition to the charges set out in the charges section, the Fund will incur portfolio transaction costs which are paid from the assets of the Fund.

Risk and reward profile

Low risk — High risk

Typically lower rewards — Typically higher rewards

1	2	3	4	5	**6**	7

- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

The Fund has the above risk number because of the effect of the following risks:

- The value of stockmarket investments, and the income from them, will fluctuate. This will cause the Fund price to fall as well as rise and you may not get back the original amount you invested.
- **Liquidity -** In difficult market conditions the value of certain fund investments may be less predictable than normal. In some cases this may make such investments harder to sell at the last quoted market price, or at a price considered to be fair. Such conditions could result in unpredictable changes in the value of your holding.
- The Fund invests mainly in one geographic region or country. It is therefore more vulnerable to the market sentiment of that specific geographic region or country. This type of fund can carry a higher risk and can experience larger than average price fluctuations when compared to a fund with a broader investment universe.

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Charges

One-off charges taken before or after you invest	
Entry charge	4.00 %
Exit charge	0.00 %
This is the maximum that might be taken out of your money before it is invested.	
Charges taken from the Fund over a year	
Ongoing charge	1.66 %
Charges taken from the Fund under certain specific conditions	
Performance fee	None

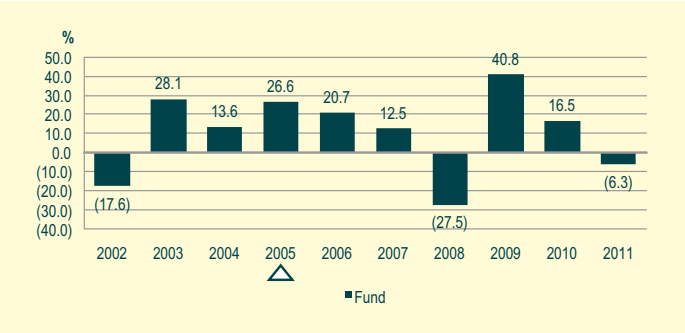
The entry and exit charges shown are the maximum figures, and in some cases, you may pay less. You can find out the specific charges which apply to your investment by contacting your financial adviser, distributor, or by contacting us using the details given in the practical information section.

The ongoing charge is based on expenses for the year ending 30 June. This figure may vary from year to year. It excludes performance fees and portfolio transaction costs (except in the case of an entry / exit charge paid by the Fund when buying and selling shares in another fund).

The charges shown in the table are used to pay the costs of running the Fund, including the costs of marketing and distributing it. These charges reduce the potential growth of your investment.

For more information on charges, please refer to the relevant sections of the Prospectus which can be found by visiting www.mandg.co.uk/literature

Past performance



- Past performance is not a guide to future performance.
- The past performance calculation does not take into account the entry and exit charges but does take into account the ongoing charge, as shown in the Charges section.
- The Fund launched on 23 May 1969 and the share class launched on 27 June 1977.
- Past performance is calculated using Sterling Class A Shares.

△ 28 November 2005. The Fund changed its objective. The past performance shown before this change was therefore achieved under circumstances that no longer apply. For more information about this change, visit www.mandg.co.uk/objectivechange

Practical information

The depositary is National Westminster Bank plc.

For further information about this Fund, please visit www.mandg.co.uk/literature where you can obtain a copy of the Prospectus, Instrument of Incorporation, and latest annual or interim Investment Report and Financial Statements in English, free of charge. Our website also provides other information not contained in the above documents such as share prices.

This Fund is subject to UK tax laws, which may have an impact on your personal tax position. Please speak to an advisor for further information.

M&G Securities Limited may be held liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the relevant parts of the Prospectus for the Fund.

The Fund is a sub-fund of M&G Investment Funds (3), an umbrella Open Ended Investment Company (OEIC). The Prospectus, and Annual or Interim Investment Report and Financial Statements contain information about all of the sub-funds in M&G Investment Funds (3).

Each sub-fund of the umbrella OEIC is normally responsible for meeting its own debts. However, the sub-funds are not segregated by law. This means the investments of this Fund may be used to pay the debts of the other sub-funds. If we need to do this, we will do it in a way which is fair to the shareholders of the OEIC generally, but it may cause your investment to go down in value. If reallocation occurs, we will tell shareholders that it has been carried out in the next succeeding annual or half yearly report.

You can switch your investment at any time. For further information on switching, please contact us by calling M&G Customer Relations on 0800 390 390.

Other share classes may exist for the Fund as set out in the relevant Prospectus.

Both this Fund and M&G Securities Limited are authorised in the UK and regulated by the Financial Services Authority (FSA).

This key investor information is accurate as at 18 June 2012.

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