

Proposed reconstruction and wind-up of M&G High Income Investment Trust P.L.C.

As an investor in M&G High Income Investment Trust P.L.C. (the “Company”) via The M&G ISA, you may be aware that the Company is approaching the end of its 20-year fixed life and is due to wind up on 17 March 2017.

We now want to provide you with some options for your investment and give you the information you need to help you make a decision regarding those options. Please note that unless otherwise indicated, words and expressions defined in the Circular bear the same meanings when used in this document.

The primary option is a rollover of your investment into the M&G UK Income Distribution Fund, an Open-Ended Investment Company (OEIC) which has a similar objective to that of the Company.

This is the default option and as such, your investment will automatically be rolled over into M&G UK Income Distribution Fund R Income shares if we do not receive a completed Form of Direction from you. This is to maintain the tax-efficient ISA status of your investment.

There are a number of other options which you can elect to receive in respect of your investment. The full set of options is outlined below:

1. Rollover into one or more of the following M&G OEIC funds:

A – M&G UK Income Distribution Fund Sterling Class R Income shares, and/or

B – M&G Strategic Corporate Bond Fund Sterling Class R Income shares, and/or

C – M&G Dividend Fund Sterling Class R Income shares.

2. Take cash

3. A combination of the above

Please note that JPMorgan Elect plc, the investment trust offered as a rollover option to shareholders in the enclosed Circular, is not available for investment in The M&G ISA. As a result this option is not available to you as an M&G ISA investor.

Important:

An investment in option 1 above (the “Rollover Funds”) is suitable only for investors who have evaluated the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Investors should consider their preferred risk/reward profile when investing in the Rollover Funds.

What do I need to do?

The forms enclosed with this brochure are asking you to do two things: firstly, vote on the proposed reconstruction and wind-up of the Company (with the Voting Instruction Forms) and, secondly, to elect what you would like to do next with your investment (using the Form of Direction identified by a blue flash). For more information on both of these forms, refer to the ‘Instructing M&G’ section on page 4.

As an ISA holder you will maintain the tax-efficient ISA status of your investment under option 1. You also have the option to maintain the ISA status of your investment by transferring some or all of your ISA to another ISA Manager. If you wish to move your units to another ISA Manager (in-specie), such a transfer must be initiated by you through your new ISA Manager and they must in turn instruct us before 22 February 2017 in order for us to transfer your holding of Package and/or Income and Growth Units before the last dealing date, as explained on page 3. If you wish to transfer your ISA to another provider in cash, we must receive the valid instruction from your new ISA Manager no later than 12 noon on 1 March 2017.

For more information on these options, please see pages 2 and 3.

If you are in any doubt about the proposed scheme of reconstruction of the Company (the “Scheme”) or what action to take, you should seek independent financial advice.

Your options in more detail

1. Rollover your investment into M&G UK Income Distribution Fund, M&G Strategic Corporate Bond Fund or M&G Dividend Fund from M&G's OEIC range

The M&G UK Income Distribution Fund, M&G Strategic Corporate Bond Fund and M&G Dividend Fund are being offered as rollover options within the Scheme.

The M&G UK Income Distribution Fund is managed since May 2002 by Richard Hughes (also the fund manager with primary responsibility for the day-to-day management of the Company's portfolio), and aims to grow its income distributions and targets a yield above that of the FTSE All-Share Index. It also aims to grow capital. The fund invests in UK equities (at least 70%) and sterling denominated corporate bonds. Derivatives may be used to reduce risk, minimise costs and generate additional capital and/or income.

Income is paid quarterly. If you choose this option you will be allotted Sterling Class R Income shares. You will still be able to reinvest your income if you wish to do so. The enclosed Key Information for Investors Document (KIID) will give you more information on the fund.

The M&G Strategic Corporate Bond Fund is managed by Richard Woolnough and aims to deliver income and capital growth by investing mainly in investment grade, or high quality, corporate bonds issued anywhere in the world. A portion of the fund may also be invested in fixed income securities issued by governments and high yield fixed income securities. Derivatives may be used to reduce risk, minimise costs and generate additional capital and/or income.

Income is paid quarterly. If you choose this option you will be allotted Sterling Class R Income shares. You will still be able to reinvest your income if you wish to do so. The enclosed KIID will give you more information on the fund.

M&G Dividend Fund is managed by Phil Cliff and aims to deliver growing income distributions and to provide a dividend yield above that of the FTSE All-Share Index. The M&G Dividend Fund also aims to deliver capital growth. The Fund invests in UK equities (at least 70%) but may also invest in the shares of non-UK companies. Derivatives may be used to reduce risk, minimise costs and generate additional capital and/or income.

Income is paid semi-annually. If you choose this option you will be allotted Sterling Class R Income shares. You will still be able to reinvest your income if you wish to do so. The enclosed KIID will give you more information on the fund.

Important

Investors who rollover into one or more M&G Rollover Funds should note that M&G's standard terms and conditions will apply to holdings in these funds, including in relation to M&G policies in respect of minimum holdings.

In addition, any new investments made outside the Scheme, including any future Direct Debit contributions, will be subject to M&G's standard terms and conditions and may only be eligible for participation in the A shares which carry a higher Ongoing Charge Figure (OCF) than R Shares. For further details on the OCF for each share class, please see the KIID for that share class. If you currently invest by Direct Debit, the KIIDs for the funds' A shares have been included in your pack. Otherwise you can view them at www.mandg.co.uk/kiids

Please be aware that the value of investments and the income from them will fluctuate causing the fund price to fall as well as rise. There is no guarantee that the fund objective will be achieved and you may not get back the original amount you invested. For further information on any of the above OEIC funds, consult the enclosed KIIDs or go to www.mandg.co.uk/funds

2. Take cash

You may choose to take cash when the Company winds up. It is worth noting though, that you don't have to make a complete withdrawal. You should note that electing for cash means that all or a portion of your investment will lose its tax-efficient ISA status.

Investors who choose to take their proceeds in the form of a full or partial cash withdrawal are expected to have their payment despatched in the week commencing 20 March 2017.

3. A mix of the above

You are not restricted to just one of the above options. You may also choose to split your liquidation proceeds amongst the options in whatever proportion you would like. For example, you may choose to rollover 50% of your investment into M&G UK Income Distribution Fund and put 50% into the M&G Strategic Corporate Bond Fund. To do this, simply write "50%" next to M&G Strategic Corporate Bond Fund on the Form of Direction which accompanies this brochure; the remaining balance, in this case 50%, will automatically be allocated into M&G UK Income Distribution Fund R Income shares. If the total percentage of the options you have chosen is less than 100%, the remainder will be allocated to M&G UK Income Distribution Fund R Income shares.

Once you have selected your preferred option(s), all you need to do is send us the Form of Direction using the reply-paid envelope (both identified by a blue flash) to arrive no later than 2 March 2017. We'll do the rest.

Alternatively, you can transfer to another ISA Manager

You also have the option of maintaining the ISA status of your investment by transferring some or all of your ISA to another ISA Manager – such a transfer must be initiated through your new chosen ISA Manager.

- If your new ISA manager can hold units in the Company, you will be able to move your holding in-specie.

Your new ISA Manager must instruct us before 22 February 2017 to transfer your holding of Package and/or Income and Growth Units. This is to ensure the transaction is completed in advance of 1 March 2017, the date trading in these units in The M&G ISA will cease in preparation for the wind-up.

- If your new ISA manager cannot hold units in the Company, or you do not wish to hold your units until the Company winds up, you can instruct a cash transfer.

We must receive the instruction from the new ISA Manager no later than 12 noon on 1 March 2017.

If instructions to transfer your investment reach us too late, your investment will be rolled over into M&G UK Income Distribution Fund R Income shares. If you instructed a cash transfer that could not be completed before 1 March 2017, we will sell your holding in M&G UK Income Distribution Fund R Income shares at the single price and complete the transfer to your new ISA Manager after the Rollover. You should note that whilst your investment is being transferred it will be out of the market for a short period of time. Your new provider may apply a charge when you transfer your investment.

If you instructed an in-specie transfer that could not be completed before the dealing deadline, the request to transfer your units will be rejected and your investment will be rolled over into M&G UK Income Distribution Fund R Income shares. A new application to transfer your ISA will need to be made to your new ISA Manager in this event.

Please note that it is not possible to transfer to another ISA Manager on the wind-up date nor is it possible to elect to take cash but continue to hold it within your M&G ISA.

We are unable to give financial advice. If you are unsure about the suitability of the different options available to you, please speak to your financial adviser.

You should note that electing for cash and receiving a cheque for the proceeds means that a portion of your investment will lose its tax-efficient ISA status.

You will find the following forms enclosed in this pack:

Voting Instruction Forms

These forms set out the resolutions to be proposed at the General Meetings. As an M&G ISA holder, the units are held in the name of State Street Nominees Limited on your behalf and as the beneficial owner of the units, you have the right to direct M&G Securities Limited, as the ISA Manager, how you wish to vote in respect of the resolutions. We will then instruct State Street Nominees Limited to vote in accordance with your direction.

We do need you to vote so please ensure that the Voting Instruction Forms for voting at the relevant meetings reach the specified address no later than the dates specified on each form. These forms should be returned in the reply-paid envelope to M&G Group, c/o Electoral Reform Services, London N81 1ER.

Form of Direction

This is the form with a blue flash and is for you to indicate what you would like to do with your investment. You will receive one form for each M&G ISA product you hold, and for each unit type you hold in that product, as explained in question 3 of this brochure's "Your questions answered" section. Please insert in the relevant box(es) on your form(s) the amount, as a whole percentage of your current investment, that you wish to apply to any of the options offered. Remember, you can select more than one option if you wish. Please complete all the Forms of Direction you have received unless you wish your holdings to rollover into the M&G UK Income Distribution Fund.

You should ensure that the Form(s) of Direction reaches the specified address no later than 2 March 2017 (please use the reply-paid envelope provided with the blue flash).

If you wish to rollover your entire holding in the Company into M&G UK Income Distribution Fund Sterling Class R Income shares, you do not need to return a valid Form of Direction. We will automatically roll your investment over for you.

You will also find the following information enclosed:

Circular

The Circular explains in detail the proposed Scheme associated with the reconstruction and wind-up of the Company. It contains a letter from the Chairman outlining the proposals, the background to them and the board of directors' recommendation. It also contains information about the JPMorgan Elect plc, another investment trust available for shareholders to move their investment into. However, as an M&G ISA holder you should note that this option is not available to you and the action you need to take is as set out in this brochure and not as set out in the Circular.

Key Information for Investors Documents (KIIDs)

These documents contain important information relating to each of the M&G OEIC funds which you can choose to roll your investment into. They also explain fund charges, including the ongoing charge, a deduction from your fund which M&G makes to cover the costs of investment management and administration. They should be read before making any election or decision regarding one of the investment options.

Please note that KIIDs for all M&G funds will be revised as part of our annual review on 14 February 2017. To view the latest KIIDs please visit www.mandg.co.uk/kiids

Important Information for Investors document

This document includes information on The M&G ISA as well as M&G's Terms and Conditions. It should be read alongside the KIIDs prior to making any investment decision.

If you require any further information, please contact our **Customer Relations** team by calling **0800 390 390**. The team is available from 8.00am to 6.00pm, Monday to Friday, and from 9.00am to 1.00pm on Saturday. If you are calling from outside the UK, please call **+44 1268 448031**. You will need to provide your M&G client reference in order to discuss your account details with us. For your security and to improve the quality of our service, calls may be recorded. Please be aware that we are not permitted to give financial advice. If you are unsure as to how to proceed, you should contact a financial adviser.

Your questions answered

Q1. What happens if I don't return a Voting Instruction Form?

If you do not submit valid instructions to exercise your voting rights, then we will exercise those voting rights in accordance with our terms and conditions.

Q2. Why have I received more than one Voting Instruction Form?

There are five separate meetings for which you may cast a vote.

- The three General Meetings are for holders of Income, Capital and Zero Dividend Shares respectively, to approve the passing of the Special Resolutions at the subsequent General Meetings, and any variation to the special rights attached to Shares resulting from proposed amendments to the articles of association ("Articles"). (You have received this vote as you are either the beneficial owner of Income, Capital and Zero Dividend Shares through Package Units, or of Income and Capital Shares through Income and Growth Units.)
- The First General Meeting is required to vote on a Special Resolution to approve (i) the reclassification of the Company's Shares and the alteration of the Articles of Association of the Company; and (ii) the implementation of the Scheme and the appointment of the Liquidators to implement the Scheme when appointed.
- The Second General Meeting is required to vote on a Special Resolution to (i) authorise the voluntary winding-up of the Company; (ii) authorise the appointment of the Liquidators for the purposes of such winding-up; and (iii) confer the appropriate powers on the Liquidators to allow them to implement the Scheme of Reconstruction of the Company.

If you hold a combination of Package and Income and Growth Units, you will have received one Voting Form per type of unit for each type of meeting mentioned above.

Q3. Why have I received more than one Form of Direction?

There are four distinct M&G ISA products (the M&G Stocks and Shares ISA, the Ex Mini M&G Stocks and Shares ISA, the Ex PEP M&G Stocks and Shares ISA and the M&G APS ISA). You will receive a separate Form of Direction for each of these products you hold, in each type of unit (Package or Income and Growth) you are invested in. You will need to complete and return each of these forms if you do not want your holdings to rollover into M&G UK Income Distribution Fund Income shares.

Q4. What happens if I don't return a Form of Direction?

If we don't receive your form by 5.00pm on 2 March 2017, we will rollover your investment into M&G UK Income Distribution Fund R Income shares. Don't worry though – if this happens you will maintain the tax-efficient ISA status of your investment and you will still be able to operate your account as such after the rollover.

Q5. If I rollover to one of the M&G OEIC funds, will I hold the same number of shares as the number of units I held in the Company?

The number of shares that you are allocated will be different to your original holding. This is due to the difference in price and structure between units in the Company and shares in your chosen Rollover Fund. Your new shares will be allotted on the basis of the calculations outlined in the Circular.

Q6. What happens if the number of units I hold when the Company winds up is different to the number shown on my Form of Direction?

Your Form of Direction shows the number of Units held in the Company within your M&G ISA on 16 January 2017. However, you may continue to buy further units in the Company or sell units in the Company as usual up to 12 noon on 1 March 2017. The percentage elections you make on your Form of Direction will then be applied to the final number of Units you hold in your M&G ISA when the Company winds up.

Q7. What will be the value of my holding at liquidation and will I pay any charges?

The value of your holding at wind-up is calculated by multiplying the number of Package or Income and Growth Units by their Terminal Asset Value (TAV). The Company's TAV will be calculated by deducting £350,000, which reflects an estimation of the costs it would incur in relation to its liquidation, and additional sundry costs and expenses as set out in Part IV of the Circular, from the Net Assets of the Company on the Calculation Date (15 March 2017).

- The TAV of a Package Unit is the sum of the TAV of one Income, one Capital and one Zero Dividend Share.
- The TAV of an Income and Growth Unit is the sum of the TAV of one Income and one Capital Share.

If you rollover into one of the M&G funds:

The Unit TAV will be applied to the relevant number of each type of Units you have chosen to rollover into each of the Rollover Funds, and the resulting value will then be divided by the issue price of the specific Rollover Fund to determine your share allocation.

The issue price of M&G UK Income Distribution Fund, M&G Strategic Corporate Bond Fund and M&G Dividend Fund is the published single price of shares based on each fund's valuation at 12 noon on 17 March 2017. The entry charge normally associated with the R share class for these funds is currently being discounted so you will pay no entry charge when you rollover your investment.

Please note that the OEIC funds all have ongoing charges. You should consult the enclosed KIIDs for details on individual fund charges.

If you take cash:

Other than the costs and expenses described above and in the Circular, there will be no additional charge for taking the cash proceeds from your investment upon wind-up. The value of the proportion of your holding which you choose to take as cash at wind-up is determined by applying the TAV for each Package Unit or Income and Growth Unit (as described above). Remember that **any cash proceeds taken will result in the loss of ISA status for the sum concerned.**

Q8. If I rollover into one of the M&G funds, at what price will my new investment be issued and how will it be valued thereafter?

M&G's OEIC funds have a single price at which you buy and sell which is based on the Net Asset Value (NAV) of the fund. The price is calculated by dividing the NAV of the fund by the number of shares in issue and adjusting it to account for any relevant dilution. Once shares in the M&G UK Income Distribution Fund, M&G Strategic Corporate Bond Fund and/or M&G Dividend Fund have been issued to you, your investment will be valued at the single price calculated daily at the 12 noon Valuation Point.

Details regarding the dilution adjustment can be found in the enclosed M&G Important Information for Investors document.

Q9. The Circular mentions JPMorgan Elect plc as a rollover option. Why is this not available to me?

It is not possible to hold shares in JPMorgan Elect plc within The M&G ISA, therefore we are unable to make this option available to you as an M&G ISA investor.

Q10. What is the last point I can buy, sell or switch my M&G High Income Investment Trust P.L.C. holdings?

All instructions to buy or sell Units in the Company within The M&G ISA must be received by 12 noon on 1 March 2017.

If you want to switch out of M&G High Income Investment Trust P.L.C. into another M&G fund prior to the Company wind-up, we will need to receive your instructions no later than 12 noon on 1 March 2017. The exact value of your holding in M&G High Income Investment Trust P.L.C. will be determined by the market price we obtain when we sell your holding. Shares in your chosen fund would be allocated at the issue price based on that fund's valuation at 12 noon on the same day, with any initial charge waived. For further information on any of our funds please visit www.mandg.co.uk or call **Customer Relations** free on **0800 390 390**.

Q11. What is the difference between switching into one of the M&G OEIC funds now rather than waiting until the Company winds-up?

If you sell (or transfer your ISA investment in cash) now, you will receive the market price for your units. The market price will depend on what other investors are willing to pay for your units on that day, and these could trade at a premium (above) or a discount (below) to the value of the assets owned by the Company, less dealing costs. It is likely that the market price will be different to the NAV for the Company units, which may or may not be to your advantage.

If you choose to hold your units until wind-up and then receive cash for them, or you will get the TAV, which is calculated as described in Q7.

The final factor to consider is the effect of market movements on the assets of the Company between the wind-up date and any earlier intermediate point.

Whether you switch beforehand or rollover your investment when the Company winds up, the price at which you acquire shares in M&G UK Income Distribution Fund, M&G Strategic Corporate Bond Fund or M&G Dividend Fund will be the published single price as calculated at 12 noon on the date of the transaction.

Q12. What happens if the resolutions are not passed?

If the M&G High Income Investment Trust P.L.C. Special Resolution to approve the Scheme and wind-up the Company is not passed by the shareholders, all shareholders will be cashed out and rollover elections will not be implemented.

Q13. What will happen to my final interim dividend from the Company?

Your final interim dividend from the Company will be paid on 15 March 2017. As the Company's register closes on 6 March in readiness for the wind-up, we will not be able to reinvest this income for you. This dividend payment will therefore be sent out by cheque.

Q14. If I elect to cash out, how and when will I get my payment?

If you select the cash option for part or all of your investment on your Form of Direction, you should expect to have your payment despatched in the week commencing 20 March 2017.

Q15. What will happen with my income?

If you rollover into one of the OEIC funds offered, your income will continue to be paid out or reinvested as per your current instructions for your holding in the Company's Package or Income and Growth Units. However, if you already hold the fund(s) you decide to rollover into then your income will continue to be paid out or reinvested as per your existing instruction for those funds.

If you currently receive your income, but would now like to reinvest – or vice-versa – then please call our **Customer Relations** team free on **0800 390 390**.

You should be aware that the income amount from the M&G OEICs is expected initially to be lower than that historically from the Company and will be distributed on different dates. Details of each of the Rollover Funds' income frequency and payment dates can be found in the enclosed M&G Important Information for Investors document.

Q16. What happens if I currently invest via Direct Debit?

If you have elected to roll your investment into one, or several of the M&G funds, although the value of your investment at wind-up will be moved into R Income shares for the fund(s) you have chosen, any subsequent contributions will be used to purchase A Income shares in the fund(s). If you currently invest by Direct Debit, the Key Investor Information Documents for the funds' A Income shares has been enclosed for your information, and can also be found at www.mandg.co.uk/kiids

If you have chosen to roll your investment over into more than one fund, each fund will receive an amount proportionate to the split you have requested at the time of the rollover. For example, if you have chosen to roll 75% of your investment over into M&G UK Income Distribution Fund and 25% into M&G Strategic Corporate Bond Fund, a £100 payment would be divided into £75 invested into M&G UK Income Distribution Fund and £25 invested into M&G Strategic Corporate Bond Fund.

Please note that the last date we will be able to collect a Direct Debit payment for investment in the Company is 10 February 2017. There will not be a collection on 22 February, 1 March or 10 March 2017. If, as a Direct Debit contributor, you elect to roll your investment into M&G UK Income Distribution Fund, M&G Strategic Corporate Bond Fund and/or M&G Dividend Fund, collections will resume on 22 March, 1 April or 10 April 2017 depending on your current monthly payment date. We will continue to collect payment from the same bank or building society account.

If you wish to make an additional lump sum payment to make up for the amount we will not be collecting as a result of the rollover, please contact **Customer Relations** free on **0800 390 390**.

Q17. What acknowledgement documents will I receive?

You will not receive confirmation of receipt of any of your forms. However, whether you elect to rollover your investment into an M&G fund or to take cash, you will receive a confirmatory contract note together with confirmation of the TAV. If you cash out your investment, the proceeds of your investment will be sent under separate cover. Payments and/or contract notes are expected to be despatched in the week commencing 20 March 2017.

