

M&G UK Property Limited Partnership

INVESTMENT POLICY AND OBJECTIVES

The objective is to provide well-informed investors with exposure to the UK commercial property market through a diversified portfolio of assets. The performance target is to outperform the All Balanced Fund component of the MSCI/AREF UK Quarterly Property Fund Index series by 50 bps per annum, net of fees, on a rolling 3 year basis.

INVESTOR CONSTITUENCY

Well-Informed Investors as defined in SIF Law (the law of 13 February 2007 concerning specialised investment funds)

Fund details	
Type of fund	Luxembourg FCP
Residence	Luxembourg
Launch date	31 May 2013 (seed portfolio March 1971)
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31 March
NAV (GBPm)	451.9

Source : M&G UK Property Limited Partnership

Management/professional advisors	
Manager	M&G Real Estate Funds Management S.à.r.l
Investment Advisor	M&G Investment Management Ltd
Fund Manager	Jon Rowley
Trustee	Not applicable
Auditors	Ernst & Young

Source : M&G UK Property Limited Partnership

	M&G UK Property Limited Partnership	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced funds	All balanced funds	All funds
3 months	4.5	3.8	3.8	3.7
Year-to-date	6.0	6.1	6.0	5.6
12 months	8.4	8.5	8.5	6.9
3 years+	1.3	3.3	3.0	1.8
5 years+	3.5	5.1	4.9	3.9
10 years+	6.0	7.0	6.7	6.1

Source: MSCI/AREF UK Quarterly Property Fund Index

Property investment restrictions	
Maximum development exposure	10%
Maximum lot-size holding as a standing investment	15%
Maximum lot-size holding permitted at purchase	15%
Maximum exposure to joint ventures	10%

Source : M&G UK Property Limited Partnership

	M&G UK Property Limited Partnership	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced funds	All balanced funds	All funds
Standard retail – South East	0.0	5.7	5.0	4.6
Standard retail – Rest of UK	5.1	2.0	2.3	3.2
Shopping centres	0.9	0.6	1.1	3.4

Retail warehouses	17.6	10.8	10.4	8.7
All UK retail	23.7	19.2	18.8	20.0
City offices	0.0	3.9	3.6	3.2
West End offices	0.0	7.7	8.5	7.5
Rest of South East offices	8.9	10.4	9.7	7.0
Rest of UK offices	8.0	5.7	5.4	5.0
All UK offices	16.8	27.7	27.2	22.7
South East industrial	24.8	22.8	23.8	19.5
Rest of UK industrial	9.3	12.5	12.6	10.3
All UK industrial	34.1	35.3	36.4	29.9
Other UK properties	13.1	11.0	10.6	21.9
Cash***	12.4	6.8	7.0	5.5
Overall	100.0	100.0	100.0	100.0

Source : M&G UK Property Limited Partnership

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	22	331.8	82.0
Joint and indirect holdings	5	72.7	18.0
Listed investments	0	0	0.0
Total	27	404.5	100.0

Source : M&G UK Property Limited Partnership

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
SG1	Stevenage	Industrial	30 - 35	*
HADDINGTON PLACE, OTHER RESIDENTIAL, EDINBURGH	Edinburgh	Other	25 - 30	*
ORCHARDS BUSINESS CENTRE	Redhill	Industrial	25 - 30	*
ACRE ROAD	Reading	Industrial	25 - 30	*
MERIDIEN HOUSE	Watford	Office	25 - 30	*
EMERSONS GREEN RETAIL PARK	Bristol	Ret Whse	25 - 30	*
9-18 BATH STREET	Bath	Shop	15 - 20	*
THE PARLINGTON ESTATE	Leeds	Other	15 - 20	*
1 VICTORIA STREET	Bristol	Office	15 - 20	*
PLOT 2 CHOATS ROAD DAGENHAM DOCK	Dagenham	Industrial	15 - 20	*
10 largest investments as % of portfolio				*

Source : M&G UK Property Limited Partnership

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	3	5.3	1.3
2.5 - 5	3	9.4	2.3
5-10	0	0.0	0.0
10-25	10	152.3	37.6
25 - 50	6	164.9	40.8
50 - 100	0	0.0	0.0
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	22	331.8	82.0
Average lot size		15.1	

Source : M&G UK Property Limited Partnership

Property Yield

Net initial yield	5.76%
Nominal equivalent yield	5.59%
True equivalent yield	-
Net reversionary yield	5.44%

Source : M&G UK Property Limited Partnership

Voids as % of ERV

Investments	1.43%
Developments	0.00%
Total	1.43%

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	10.1	7.7
Retail warehousing	29.1	26.3
Shopping centres	0.0	0.0
Central London offices	0.0	0.0
Other offices	23.5	24.4
Industrial	28.7	32.6
Other	8.7	8.9
Overall	100.0	100.0

Source : M&G UK Property Limited Partnership

Over Renting and Reversionary Potential, % Rent Passing									
Sector	Rent Passing, GBP Millions	Rent Free , % Rent Passing	Development vacancy, % Rent Passing	Investment vacancy, % Rent Passing	Over rented,% Rent Passing	Reversionary potential,% Rent Passing	Reversionary potential Net of Over renting,% Rent Passing	Market Value,% Rent Passing	
Standard retail	2.3	0.0	-	0.8	-4.1	-24.0	-28.1	76.0	
Retail warehousing	6.8	0.1	-	0.4	-5.0	-10.4	-15.4	89.6	
Shopping centres	0.0	0.0	-	0.0	0.0	-	-	-	
Central London offices	0.0	0.0	-	0.0	0.0	-	-	-	
Other offices	5.5	0.0	-	0.1	-0.1	2.9	2.8	102.9	
Industrial	6.7	0.0	-	0.0	-0.3	12.4	12.0	112.4	
Other	2.0	0.0	-	0.1	-0.1	1.5	1.5	101.5	
Overall	23.3	0.1	-	1.4	-9.6	-1.1	-10.7	98.9	

*Comprising the ERV of developments in progress or contracted which have not been pre-let

Source : M&G UK Property Limited Partnership

Listed Investments			
	% of Issue held	Valuation (GBPm)	Est. % of total portfolio
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
	0.0	0.0	0.0

The unexpired term of leases	
Years	% of rent passing
20 years or greater	4.6
15 years or greater, but less than 20	3.5
10 years or greater, but less than 15	7.9
5 years or greater, but less than 10	25.8
Less than 5 years	58.2

Source : M&G UK Property Limited Partnership

Joint and Indirect property holdings						
Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
Standard Life Investments Uk Shopping Centre Unit	Shopping Centre	Indirect	PUT	*	0 - 5	*
Lend Lease (Jersey) Unit Trust	Shopping Centre	Indirect	PUT	*	0 - 5	*
Kames Target Healthcare Prop Unit Trust	Healthcare	Indirect	LP	*	5 - 10	*
Embankment Unit Trust	Office	Joint	JV	*	15 - 20	*
The Brewery	Retail Warehouse	Joint	JV	*	40 - 45	*

Source : M&G UK Property Limited Partnership

Debt analysis

Fixed rate borrowings			Variable rate borrowings		
Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)	Amount drawn (GBPm)	Rate above LIBOR (incl expenses) (%)	Off balance sheet debt (GBPm)+
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0

Source : M&G UK Property Limited Partnership

Development exposure*

	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	0	0	0	0
% of all directly held properties*	0.00%	0.00%	0.00%	0.00%

* Includes joint ventures in which the Fund has an interest of 50% or more

Source : M&G UK Property Limited Partnership

Valuations/performance monitors/affiliations

Frequency of valuation	*Monthly
Valuers	*CB Richard Ellis
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	Yes
Member of the Association of Real Estate Funds	Full member

Source : M&G UK Property Limited Partnership

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	
For investment purpose	Nil
For liquidity purpose	10%
Cash holdings (maximum)	10%
Cash holdings (minimum)	*

Source : M&G UK Property Limited Partnership

The contribution of major tenants to rental income

Tenant	%
Boots Uk Limited	7.0
Tjx Uk	6.5
Bae Systems Applied Intelligence Limited	5.6
Primark Stores Limited	5.6
Mapfre Asistencia Co.Int.De Seguros S.A.	5.3
Sainsbury'S Supermarkets Ltd	4.6
Xpo Supply Chain Uk Limited	4.3
Mma Holdings Uk Plc	3.2
Aah Pharmaceuticals Limited	3.2
Flamingo Produce Ltd.	3.1
Three largest tenants' contribution to rental income	19.1
Five largest tenants' contribution to rental income	29.9
Ten largest tenants' contribution to rental income	48.3

Source : M&G UK Property Limited Partnership

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	331.8	61.0	11.7	0.0	404.5

Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	57.1	0.0	0.0	0.0	57.1
Other net assets/liabilities	-9.7	0.0	0.0	0.0	-9.7
Total net assets	379.2	61.0	11.7	0.0	451.9
Gearing (%)					
Net debt (cash)/properties	-17.2	0.0	0.0	-	-14.1
Net debt (cash)/equity	-15.1	0.0	0.0	-	-12.6

Source : M&G UK Property Limited Partnership

Quarterly data per unit						
As at	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21
Bid (GBP)	121.129	118.091	118.084	118.740	119.310	123.690
Offer (GBP)	130.253	126.966	126.942	127.660	128.260	132.950
Mid (GBP)	125.691	122.528	122.513	123.200	123.785	128.320
Bid/offer spread	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Net asset value (GBP)	122.664	119.584	119.569	120.243	120.810	125.236
Quarterly distribution (GBP)	1.167	1.117	0.773	1.337	1.121	0.992
Yield	4.3%	4.2%	3.7%	3.7%	3.6%	3.4%

Source : M&G UK Property Limited Partnership

Unit pricing

The unit price is recalculated and published on a monthly basis.

Distributions

The fund makes quarterly income distributions.

Minimum investment/disinvestment

The minimum initial investment is £2m. There is no minimum disinvestment amount, but the remaining holding must be greater than the minimum holding of £2m.

Creation, transfer and realisation of units

The fund's Prospectus provides for the creation or redemption of units on a monthly basis. The manager offers a secondary market service to unitholders wishing to dispose of their units to incoming unitholders.

The manager has the right to delay redemptions for up to a maximum of six months, and to repay the proceeds in 10 monthly installments. This right of deferment may be invoked only if there was insufficient liquidity in the fund and may last only until the liquidity of the fund is restored.

Taxation

The following is a summary of current law and practice and is subject to change. The information should not be regarded as legal or tax advice.

Capital Gains Tax

The fund is exempt from UK Capital Gains Tax and UK Income Tax

Stamp duty reserve tax

Transfers of units do not attract SDRT.

Charges

There are annual management charges of 70 & 80 bps p.a. of the value of the fund (chargeable by class of units held). All fees and charges are reflected in the unit price and the quoted performance is after deduction of all fees, costs and charges.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	3	2.1
1% or greater but less than 2%	0	0.0
2% or greater but less than 4%	0	0.0
4% or greater but less than 8%	0	0.0
Greater than 8.0%	1	97.9
Total	4	100.0
Major investors		
Largest holder	1	97.9
Three largest holders	3	99.7
Five largest holders	5	0.0
Ten largest holders	10	0.0

Internal/external investors

Internal	1	97.9
External	3	2.1

Source : M&G UK Property Limited Partnership

Liquidity

Period	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021
Issues and redemptions						
Units in issue as at start of period	6,083,116	5,920,405	5,920,405	5,129,093	4,437,540	3,921,389
Units issued during period	-	-	0	0	0	0
Units redeemed during period	-162,711	-	-791312.477	-691,552	-516,151	-177,649
Transfer of Properties [^]	-	-	63332	0	0	0
Units in issue at end of period	5,920,405	5,920,405	5,129,093	4,437,540	3,921,389	3,743,741

* as % of units in issue at the end of the period

Source : M&G UK Property Limited Partnership