

## M&G Secure Property Income Fund

### INVESTMENT POLICY AND OBJECTIVES

The Fund's objective is to deliver secure medium to long term returns with a rising income stream from a diversified portfolio of properties let to high quality tenants in strong locations across the UK. It typically maintains weighted average unexpired lease term of approximately 25 years and a weighted average investment grade credit rating. With the majority of leases providing regular contracted increases in rental income linked to the Retail Price Index (usually with a cap and floor) and the remainder having regular fixed uplifts. The Fund's tenants are responsible for all outgoings, maintenance and capital expenditure for the entire term of the lease. The Fund utilises the extensive resources of M&G's fixed income division to undertake credit analysis and of M&G Real Estate, its property division, to source and manage its assets.

### INVESTOR CONSTITUENCY

The Fund is open to investment by UK and overseas institutional investors.

Fund details	
Type of fund	Property unit trust
Residence	Guernsey
Launch date	August 2007
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	30-Jun
NAV (GBPm)	4293.3

Source: M&G Investment Management Limited

## Management/professional advisors

<b>Manager</b>	<b>M&amp;G (Guernsey) Limited*</b>
<b>Investment Advisor</b>	<b>M&amp;G Investment Management Limited*</b>
Fund Manager	Ben Jones
Tustee	Kleinwort Benson (Guernsey) Trustees Limited
Auditors	Ernst and Young

\* A wholly-owned subsidiary of Prudential plc

Source: M&G Investment Management Limited

## Investment rates of return, %

	M&G Secure Property Income Fund	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced funds	All balanced funds	All funds
3 months	1.4	0.6	0.6	0.4
Year-to-date	3.0	1.0	0.9	0.6
12 months	6.7	4.1	3.4	2.8
3 years+	7.3	6.6	6.3	5.6
5 years+	7.4	8.9	8.3	7.6
10 years+	9.8	9.1	8.7	9.1

Source: M&G Investment Management Limited

## Property investment restrictions

Maximum development exposure (pre-let)	20%
Maximum lot-size holding as a standing investment	30%
Maximum lot-size holding permitted at purchase	30%
Maximum exposure to limited partnerships	*
Maximum exposure to joint ventures	*
Maximum exposure to closed and open-ended property unit trusts	*

Source: M&G Investment Management Limited

## Portfolio distribution %

	M&G Secure Property Income Fund	MSCI/AREF UK Quarterly Property Fund Index		
		Long Income Funds	All balanced funds	All funds
Standard retail – South East	14.0	9.3	7.1	5.7
Standard retail – Rest of UK	13.0	9.3	3.3	3.6
Shopping centres	0.0	0.8	2.5	7.3
Retail warehouses	0.0	2.1	13.6	13.0
<b>All UK retail</b>	<b>27.0</b>	<b>21.5</b>	<b>26.4</b>	<b>29.7</b>
City offices	6.2	3.9	3.7	3.3
West End offices	3.1	2.2	7.7	7.0
Rest of South East offices	7.4	5.1	11.1	7.7
Rest of UK offices	3.6	8.9	5.8	4.9
<b>All UK offices</b>	<b>20.3</b>	<b>20.1</b>	<b>28.4</b>	<b>22.9</b>
South East industrial	2.0	2.3	19.5	15.6
Rest of UK industrial	2.8	6.4	10.0	8.0
<b>All UK industrial</b>	<b>4.8</b>	<b>8.7</b>	<b>29.5</b>	<b>23.6</b>
Other UK properties	46.2	47.1	10.0	19.4
Cash***	1.6	2.6	5.7	4.4
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: M&G Investment Management Limited

## Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	136	3,479.7	84.7
Joint and indirect holdings	0	626.3	15.3
Listed investments	0	0.0	0.0
<b>Total</b>	<b>136</b>	<b>4,106.0</b>	<b>100.0</b>

Source: M&G Investment Management Limited

### Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
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M&G Secure Property Income Fund has declined to provide this data on the grounds of its commercial sensitivity

### 10 largest investments as % of portfolio

Source: M&G Investment Management Limited

### Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	24	41.4	1.0
2.5 - 5	33	121.3	3.0
5-10	27	165.3	4.0
10-25	8	138.2	3.4
25 - 50	19	688.4	16.8
50 - 100	16	1069.0	26.0
100-150	7	833.0	20.3
Over 150	2	423.2	10.3
<b>Total</b>	<b>136</b>	<b>3479.7</b>	<b>84.7</b>
Average lot size		25.6	

Source: M&G Investment Management Limited

### Property Yield

Net initial yield	4.55%
Nominal equivalent yield	5.74%
True equivalent yield	5.97%
Net reversionary yield	6.85%

Source: M&G Investment Management Limited

### Voids as % of ERV

Investments	0.00%
Developments	0.00%
Total	0.00%

### Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	32.6	25.7
Retail warehousing	0.0	0.0
Shopping centres	0.0	0.0
Central London offices	10.3	13.4
Other offices	3.6	3.0
Industrial	6.8	2.9
Other	46.7	55.0
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>

Source: M&G Investment Management Limited

#### Comparison of rents passing and ERV by type of property\*

Sector	Rent passing %	Pre-lets & rent- free periods %	Development voids %	Other voids %	Over rented %	Reversionary potential %	Net reversionary potential %	ERV %
Standard retail	115.9	0.0	0.0	0.0	-25.5	9.5	-15.9	100.0
Retail warehousing	-	-	-	-	-	-	-	0.0
Shopping centres	-	-	-	-	-	-	-	0.0
Central London offices	70.4	0.0	0.0	0.0	0.0	29.6	29.6	100.0
Other offices	110.3	0.0	0.0	0.0	-10.3	0.0	-10.3	100.0
Industrial	215.1	0.0	0.0	0.0	-115.1	0.0	-115.1	100.0
Other	77.6	0.0	0.0	0.0	-4.8	27.2	22.4	100.0
<b>Overall</b>	<b>91.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-12.8</b>	<b>21.4</b>	<b>8.6</b>	<b>100.0</b>

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

Source: M&G Investment Management Limited

#### Listed Investments

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

#### The unexpired term of leases

Years	% of rent passing
20 years or greater	58.5
15 years or greater, but less than 20	35.6
10 years or greater, but less than 15	5.8
5 years or greater, but less than 10	0.0
Less than 5 years	0.0

Source: M&G Investment Management Limited

#### Joint and Indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
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	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	0.0				
0.0	0.0	0.0				

Source: M&G Investment Management Limited

#### 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 Investment Management Limited

#### Development exposure\*

	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	0	228.20	228.20	238.30
% of all directly held properties*	0.00%	6.56%	6.56%	6.85%

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

Source: M&G Investment Management Limited

#### Valuations/performance monitors/affiliations

Frequency of valuation	Monthly, on the last day of the month*
Valuers	CBRE
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

Note: \* The Fund itself is priced and is available for dealing on a daily basis

Source: M&G Investment Management Limited

#### Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	-
Cash holdings (maximum)	-
Cash holdings (minimum)	-

Source: M&G Investment Management Limited

#### The contribution of major tenants to rental income

Tenant	%
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M&G Secure Property Income Fund has declined to provide this data on the grounds of its commercial sensitivity

Three largest tenants' contribution to rental income

Five largest tenants' contribution to rental income

Ten largest tenants' contribution to rental income

Source: M&G Investment Management Limited

### Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	3479.7	525.8	100.5	0.0	4106.0
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	67.6	0.0	0.0	0.0	67.6
Other net assets/liabilities	119.7	0.0	0.0	0.0	119.7
Total net assets	3667.0	525.8	100.5	0.0	4293.3
Gearing (%)					
Net debt (cash)/properties	-1.9	0.0	0.0	-	-1.6
Net debt (cash)/equity	-1.8	0.0	0.0	-	-1.6

Source: M&G Investment Management Limited

### Quarterly data per unit

As at	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
Bid (GBP)	n/a	n/a	n/a	n/a	n/a	n/a
Offer (GBP)	118.196	119.116	120.142	121.141	121.897	122.398
Bid/offer spread	-	-	-	-	-	-
Net asset value (GBP)	113.560	114.440	115.355	116.230	116.917	117.408
Quarterly distribution (GBP)	1.127	1.158	1.183	1.149	1.126	1.122
Yield	3.9%	4.0%	4.0%	4.0%	3.9%	3.9%

Source: M&G Investment Management Limited

### Unit pricing

The Fund's net asset value is re-calculated as at the end of each month, following the revaluation of its portfolio.



**Distributions**

The Fund distributes 100% of its net income which is distributed within 30 days in respect of the quarters ending 31 March, 30 June, 30 September and 31 December

**Minimum investment/disinvestment**

The minimum initial investment in the fund is GBP10,000,000 (at the Manager's discretion).

**Creation, transfer and realisation of units**

Please see the Information Memorandum, available from M&G Investment Management Limited.

**Taxation****CGT and Income Tax**

The Fund is not subject to UK Capital Gains Tax, but unit holders may be subject to CGT on the disposal of their units.

The Fund is treated as tax transparent for UK Income Tax purposes. Distributions to unit holders resident in the UK (or non-resident but in relation to whom the Manager has received the appropriate clearances from HM Revenue and Customs that such unit holders may be paid gross) are made without the deduction of UK tax. Distributions to other unit holders are made net of UK income tax at the standard rate.

**Stamp duty reserve tax**

Transfers of units do not attract SDRT.

**Charges****Annual charges**

The Manager is entitled to an Annual Management fee (payable out of income).

**Performance fees**

There are no performance fees.

**Initial charge**

There is no initial charge

	Number of unitholders	Total % held
Less than 1% of units in issue	106	31.0
1% or greater but less than 2%	15	20.7
2% or greater but less than 4%	9	24.2
4% or greater but less than 8%	3	13.5
Greater than 8.0%	1	10.6
<b>Total</b>	<b>134</b>	<b>100.0</b>
Major investors		
Largest holder	1	11.1
Three largest holders	3	20.5
Five largest holders	5	28.5
Ten largest holders	10	43.3
Internal/external investors		
Internal	0	0.0
External	134	100.0

Source: M&G Investment Management Limited

Liquidity						
Period	Year to Dec 2014	Year to Dec 2015	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019
<b>Issues and redemptions</b>						
Units in issue as at start of period	18,942,256	24,301,864	29,427,493	31,337,731	33,601,711	33,601,711
Units issued during period	5,359,608	5,170,261	1,910,238	2,263,980	0	724,545
Units redeemed during period	-	-44633	-	-	0	0
Units in issue at end of period	24,301,864	29,427,493	31,337,731	33,601,711	33,601,711	34,326,256
<b>Unit transfers</b>						
Matched bargains	-	-	-	-	0	0
Matched bargains %*	-	-	-	-	0	0.00%

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

Source: M&G Investment Management Limited