

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) | 4327.5 |

Source: M&G Investment Management Limited

| Management/professional advisors | |
|----------------------------------|------------------------------------|
| Manager | M&G (Guernsey) Limited* |
| Investment Advisor | M&G Investment Management Limited* |
| Fund Manager | Lee McDowell & Holly Johnstone |
| Tusteee | Northern Trust (Guernsey) Limited |
| Auditors | Ernst and Young |

* A wholly-owned subsidiary of Prudential plc

Source: M&G Investment Management Limited

| Investment rates of return, % | | MSCI/AREF UK Quarterly Property Fund Index | | |
|-------------------------------|---------------------------------|--|--------------------|-----------|
| | M&G Secure Property Income Fund | Other balanced funds | All balanced funds | All funds |
| 3 months | 1.5 | 0.3 | 0.3 | 0.0 |
| Year-to-date | 5.8 | 1.8 | 1.6 | 0.7 |
| 12 months | 5.8 | 1.8 | 1.6 | 0.7 |
| 3 years+ | 7.7 | 6.5 | 6.0 | 5.3 |
| 5 years+ | 7.1 | 7.2 | 6.6 | 6.0 |
| 10 years+ | 8.9 | 8.1 | 7.7 | 7.7 |

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 | 13.4 | 9.1 | 6.8 | 5.6 |
| Standard retail – Rest of UK | 12.4 | 9.0 | 3.2 | 3.6 |
| Shopping centres | 0.0 | 0.8 | 2.0 | 6.6 |
| Retail warehouses | 0.0 | 2.0 | 12.0 | 10.8 |
| All UK retail | 25.8 | 20.8 | 23.9 | 26.5 |
| City offices | 6.0 | 3.8 | 3.3 | 2.9 |
| West End offices | 3.6 | 2.4 | 8.0 | 6.7 |
| Rest of South East offices | 8.7 | 5.5 | 10.8 | 7.6 |
| Rest of UK offices | 3.4 | 8.6 | 5.9 | 5.0 |
| All UK offices | 21.7 | 20.3 | 28.0 | 22.2 |
| South East industrial | 1.9 | 2.2 | 19.9 | 15.9 |
| Rest of UK industrial | 2.7 | 6.3 | 10.2 | 8.3 |
| All UK industrial | 4.6 | 8.6 | 30.1 | 24.2 |
| Other UK properties | 47.3 | 48.5 | 10.7 | 21.4 |
| Cash*** | 0.5 | 1.8 | 7.3 | 5.7 |
| Overall | 100.0 | 100.0 | 100.0 | 100.0 |

Source: M&G Investment Management Limited

| Property ownership structure | | | |
|------------------------------|------------------|------------------|----------------------|
| | Number of assets | Valuation (GBPm) | % of total portfolio |
| Direct holdings | 241 | 3,730.6 | 85.5 |
| Joint and indirect holdings | 0 | 635.0 | 14.5 |
| Listed investments | 0 | 0.0 | 0.0 |
| Total | 241 | 4,365.6 | 100.0 |

Source: M&G Investment Management Limited

| Largest direct investments by lot size & percentage of total portfolio | | | | |
|--|----------|--------|------------------|----------------------|
| Property | Location | Sector | Valuation (GBPm) | % of total portfolio |

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 | 110 | 79.9 | 1.8 |
| 2.5 - 5 | 46 | 169.5 | 3.9 |
| 5-10 | 32 | 195.8 | 4.5 |
| 10-25 | 8 | 141.9 | 3.2 |
| 25 - 50 | 19 | 699.2 | 16.0 |
| 50 - 100 | 17 | 1150.5 | 26.4 |
| 100-150 | 6 | 707.4 | 16.2 |
| Over 150 | 3 | 586.5 | 13.4 |
| Total | 241 | 3730.6 | 85.5 |

Average lot size

15.5

Source: M&G Investment Management Limited

| Property Yield | | Voids as % of ERV | |
|--------------------------|-------|-------------------|-------|
| Net initial yield | 4.53% | Investments | 0.00% |
| Nominal equivalent yield | 0.00% | Developments | 0.00% |
| True equivalent yield | 0.00% | Total | 0.00% |
| Net reversionary yield | 4.92% | | |

Source: M&G Investment Management Limited

Rental income & ERV by type of property

| | Rental income % | Estimated rental value % |
|------------------------|-----------------|--------------------------|
| Standard retail | 30.6 | 21.5 |
| Retail warehousing | 0.0 | 0.0 |
| Shopping centres | 0.0 | 0.0 |
| Central London offices | 12.1 | 18.5 |
| Other offices | 3.3 | 2.5 |
| Industrial | 6.2 | 2.4 |
| Other | 47.8 | 55.0 |
| Overall | 100.0 | 100.0 |

Source: M&G Investment Management Limited

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 | 61.1 | - | - | - | -14.6 | 4.2 | -10.4 | 82.9 |
| Retail warehousing | - | - | - | - | - | - | - | - |
| Shopping centres | - | - | - | - | - | - | - | - |
| Central London offices | 24.2 | - | - | - | 0.0 | 19.2 | 19.2 | 179.3 |
| Other offices | 6.6 | - | - | - | -0.6 | 0.0 | -0.6 | 90.7 |
| Industrial | 12.5 | - | - | - | -6.7 | 0.0 | -6.7 | 46.1 |
| Other | 95.5 | - | - | - | -5.9 | 39.9 | 34.0 | 135.7 |
| Overall | 199.8 | 0.0 | 0.0 | 0.0 | -27.9 | 63.3 | 35.5 | 117.8 |

*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 | 45.0 |
| 15 years or greater, but less than 20 | 43.7 |
| 10 years or greater, but less than 15 | 11.3 |
| 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 | 100 | 0.016 | -120.0821918 |
| 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 | 255.18 | 255.18 | 211.27 |
| % of all directly held properties* | 0.00% | 6.84% | 6.84% | 5.66% |

* 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 | % |
|--------|---|

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 | 3730.6 | 534.5 | 100.5 | 0.0 | 4365.6 |
| Listed investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt | -61.4 | 0.0 | 0.0 | 0.0 | -61.4 |
| Cash | 23.2 | 0.0 | 0.0 | 0.0 | 23.2 |
| Other net assets/liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total net assets | 3692.5 | 534.5 | 100.5 | 0.0 | 4327.5 |
| Gearing (%) | | | | | |
| Net debt (cash)/properties | 1.0 | 0.0 | 0.0 | - | 0.9 |
| Net debt (cash)/equity | 1.0 | 0.0 | 0.0 | - | 0.9 |

Source: M&G Investment Management Limited

| Quarterly data per unit | | | | | | |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| As at | 30-Sep-18 | 31-Dec-18 | 31-Mar-19 | 30-Jun-19 | 30-Sep-19 | 31-Dec-19 |
| Bid (GBP) | n/a | n/a | n/a | n/a | n/a | n/a |
| Offer (GBP) | 120.142 | 121.141 | 121.897 | 122.398 | 122.689 | 123.368 |
| Bid/offer spread | - | - | - | - | - | - |
| Net asset value (GBP) | 115.355 | 116.230 | 116.917 | 117.408 | 117.699 | 118.259 |
| Quarterly distribution (GBP) | 1.183 | 1.149 | 1.126 | 1.122 | 1.134 | 1.160 |
| Yield | 4.0% | 4.0% | 3.9% | 3.9% | 3.8% | 3.8% |

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

| Unit holder analysis | | |
|--------------------------------|-----------------------|--------------|
| | Number of unitholders | Total % held |
| Less than 1% of units in issue | 109 | 31.7 |
| 1% or greater but less than 2% | 15 | 21.2 |
| 2% or greater but less than 4% | 8 | 22.3 |
| 4% or greater but less than 8% | 3 | 13.9 |
| Greater than 8.0% | 1 | 10.9 |
| Total | 136 | 100.0 |
| Major investors | | |
| Largest holder | 1 | 10.9 |
| Three largest holders | 3 | 20.2 |
| Five largest holders | 5 | 28.1 |
| Ten largest holders | 10 | 41.6 |
| Internal/external investors | | |
| Internal | 0 | 0.0 |
| External | 136 | 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 |
| Issues and redemptions | | | | | | |
| 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 | 2,159,971 |
| 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 | 35,761,682 |
| Unit transfers | | | | | | |
| 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