

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)	4581.5

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	All balanced funds	All funds
3 months	2.3	2.2	2.2	1.8
Year-to-date	2.3	2.2	2.2	1.8
12 months	3.3	2.5	2.5	0.7
3 years+	4.9	2.7	2.4	1.1
5 years+	5.9	4.6	4.1	3.2
10 years+	7.5	6.8	6.4	5.9

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	MSCI/AREF UK Quarterly Property Fund Index		
		Long Income Funds	All balanced funds	All funds
Standard retail – South East	14.2	8.6	5.2	4.9
Standard retail – Rest of UK	12.7	8.6	2.4	3.3
Shopping centres	0.0	0.6	1.2	3.5
Retail warehouses	0.0	1.9	10.5	9.0
All UK retail	26.9	19.7	19.3	20.6
City offices	6.5	4.7	3.6	3.4
West End offices	4.6	5.4	8.5	7.6
Rest of South East offices	9.0	5.1	10.2	7.4
Rest of UK offices	3.1	8.8	5.6	5.1
All UK offices	23.2	24.0	27.9	23.5
South East industrial	1.9	3.1	22.7	18.5
Rest of UK industrial	2.7	6.4	11.8	9.5
All UK industrial	4.6	9.4	34.5	28.0
Other UK properties	44.2	44.8	10.7	21.9
Cash***	1.1	2.0	7.7	5.9
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	237	4,275.4	97.6
Joint and indirect holdings	1	104.4	2.4
Listed investments	0	0.0	0.0
Total	238	4,379.8	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
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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	71	113.2	2.6
2.5 - 5	55	202.7	4.6
5-10	43	290.1	6.6
10-25	25	421.0	9.6
25 - 50	17	649.3	14.8
50 - 100	16	1108.7	25.3
100-150	7	833.9	19.0
Over 150	3	656.5	15.0
Total	237	4275.4	97.6
Average lot size		18.0	

Source: M&G Investment Management Limited

Property Yield		Voids as % of ERV	
Net initial yield	4.43%	Investments	-
Nominal equivalent yield	-	Developments	-
True equivalent yield	-	Total	-
Net reversionary yield	4.83%		

Source: M&G Investment Management Limited

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	29.6	22.2
Retail warehousing	0.0	0.0
Shopping centres	0.0	0.0
Central London offices	16.9	19.4
Other offices	3.2	2.7
Industrial	6.0	2.6
Other	44.4	53.1
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 %	Investment vacancy %	Over rented,% Rent Passing	Reversionary potential %	Reversionary potential Net	Market Value % Rent
Standard retail	62.0	-	-	-	-30.3	-19.7	-50.0	80.3
Retail warehou:	0.0	-	-	-	0.0	-	-	-
Shopping centre	0.0	-	-	-	0.0	-	-	-
Central London	35.4	-	-	-	-3.4	22.8	19.4	122.8
Other offices	6.7	-	-	-	-10.6	-10.7	-21.3	89.3
Industrial	12.6	-	-	-	-51.9	-53.1	-105.0	46.9
Other	93.0	-	-	-	-8.8	27.7	18.9	127.7
Overall	209.7	-	-	-	-16.9	6.8	-10.1	106.8

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

Source: M&G Investment Management Limited

Listed Investments			
	held	(GBPm)	portfolio
-	-	-	-

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
0.0		0.0	0.0

The unexpired term of leases

Years	% of rent passing
20 years or greater	54.4
15 years or greater, but less than 20	22.7
10 years or greater, but less than 15	22.9
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
THE JADE UNIT TRUST	Retail Other	INDIRECT RE - LIMITED PARTNERSHIP	-	100.0	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

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			
	Not yet started	In progress+	All developments	complete
GBPm	0	0.00	0.00	0.00
% 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 Investment Management Limited

Valuations/performance monitors/affiliations

Frequency of valuation	Monthly, on the last day of the month*
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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	4275.4	0.0	104.4	0.0	4379.8
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	49.8	0.0	0.0	0.0	49.8
Other net assets/liabilities	152.0	0.0	0.0	0.0	152.0
Total net assets	4477.2	0.0	104.4	0.0	4581.5
Gearing (%)					
Net debt (cash)/properties	-1.2	-	0.0	-	-1.1
Net debt (cash)/equity	-1.1	-	0.0	-	-1.1

Source: M&G Investment Management Limited

Quarterly data per unit

As at	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21
Bid (GBP)	n/a	n/a	n/a	n/a	n/a	n/a
Offer (GBP)	123.368	122.370	119.218	119.254	120.430	122.126
Bid/offer spread	-	-	-	-	-	-
Net asset value (GBP)	118.259	117.325	114.314	114.370	115.521	117.169
Quarterly distribution (GBP)	1.160	1.108	0.882	0.993	1.119	0.955
Yield	3.8%	3.9%	3.7%	3.6%	3.6%	3.4%

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

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	107	34.5
1% or greater but less than 2%	13	18.6
2% or greater but less than 4%	10	27.7
4% or greater but less than 8%	2	8.6
Greater than 8.0%	1	10.5
Total	133	100.0
Major investors		
Largest holder	1	10.5
Three largest holders	3	19.1
Five largest holders	5	25.9
Ten largest holders	10	40.0
Internal/external investors		
Internal	6	16.1
External	127	83.9

Source: M&G Investment Management Limited

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	29,427,493	31,337,731	33,601,711	33,601,711	35,761,682	35,873,488
Units issued during period	1,910,238	2,263,980	0	2,159,971	111,806	210,561
Units redeemed during period	-	-	0	0	0	0
Units in issue at end of period	31,337,731	33,601,711	33,601,711	35,761,682	35,873,488	36,084,049
Unit transfers						
Matched bargains	-	-	0	0	0	0
Matched bargains %*	-	-	0	0	0	0.00%

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

Source: M&G Investment Management Limited

Largest holder	1	38.8
Three largest holders	3	44.7
Five largest holders	5	49.4
Ten largest holders	10	58.8
Internal/external investors		
Internal	25	45.4
External	3,421	54.7

Source : M&G Property Portfolio

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	4,341,019,890	3,618,792,956	3,100,227,046	2,951,684,209	2,171,249,463	2,171,249,463
Units issued during period	754,246,335	304,772,817	234,964,015	219,852,889	0	0
Units redeemed during period	#####	-823,338,728	-383,506,851	#####	0	0
Units in issue at end of period	3,618,792,956	3,100,227,046	2,951,684,209	2,171,249,463	2,171,249,463	2,171,249,463
Unit transfers						
Matched bargains	-	-	0	0	0	0
Matched bargains %*	-	-	0	0.00%	0	0.00%

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

Source : M&G Property Portfolio