

M&G Property Portfolio

INVESTMENT POLICY AND OBJECTIVES

The Fund aims to maximise long term performance mainly through investing in a diversified portfolio of UK commercial property, seeking to add value through strategic asset allocation, stock selection and asset management. It may also invest in other collective investment schemes that invest primarily in commercial property and in securities and debt instruments issued by property companies.

INVESTOR CONSTITUENCY

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

| Fund details | |
|-----------------------------|-------------------------------------|
| Type of fund | Property authorised investment fund |
| Residence | United Kingdom |
| Launch date | November 2005 |
| Open/closed-ended | Open-ended |
| Earliest date of winding up | Not applicable |
| Year-end | 30-Sep |
| NAV (GBPm) | 2080.9 |

Source : M&G Property Portfolio

| Management/professional advisors | |
|----------------------------------|--|
| Manager | M&G Securities Limited* |
| Investment manager | M&G Investment Management Limited* |
| Property Manager | Prudential Property Investment Managers Ltd* |
| Fund manager | Justin Upton |
| Trustee | Royal Bank of Scotland plc |
| Auditors | PricewaterhouseCoopers LLP |

* A wholly-owned subsidiary of Prudential plc

Source : M&G Property Portfolio

| Investment rates of return, % | | MSCI/AREF UK Quarterly Property Fund Index | | |
|-------------------------------|------|--|--------------------|-----------|
| M&G Property Portfolio | | Other balanced | All balanced funds | All funds |
| 3 months | 0.7 | 2.2 | 2.2 | 1.8 |
| Year-to-date | 0.7 | 2.2 | 2.2 | 1.8 |
| 12 months | -6.3 | 2.5 | 2.5 | 0.7 |
| 3 years+ | -4.4 | 2.7 | 2.4 | 1.1 |
| 5 years+ | -2.8 | 4.6 | 4.1 | 3.2 |
| 10 years+ | 2.0 | 6.8 | 6.4 | 5.9 |

Source : M&G Property Portfolio

Property investment restrictions

| | |
|--|-----|
| Maximum development exposure (speculative or pre-let) | 10% |
| Maximum lot-size holding as a standing investment | 25% |
| Maximum lot-size holding permitted at purchase | 15% |
| Maximum exposure to limited partnerships | * |
| Maximum exposure to joint ventures | * |
| | 10% |
| Maximum exposure to closed and open-ended property unit trusts | |
| Maximum development exposure (speculative or pre-let) | 10% |

Source : M&G Property Portfolio

Portfolio distribution %

| | M&G Property | MSCI/AREF UK Quarterly Property Fund Index | | |
|------------------------------|-----------------|--|-----------------------|--------------|
| | | Other balanced | All balanced funds | All funds |
| Standard retail – South East | 0.5 | 6.0 | 5.2 | 4.9 |
| Standard retail – Rest of UK | 0.3 | 2.1 | 2.4 | 3.3 |
| Shopping centres | 9.5 | 0.7 | 1.2 | 3.5 |
| Retail warehouses | 10.5 | 10.9 | 10.5 | 9.0 |
| All UK retail | 20.9 | 19.7 | 19.3 | 20.6 |
| City offices | 0.0 | 3.9 | 3.6 | 3.4 |
| West End offices | 2.5 | 7.6 | 8.5 | 7.6 |
| Rest of South East offices | 13.1 | 10.8 | 10.2 | 7.4 |
| Rest of UK offices | 8.1 | 6.0 | 5.6 | 5.1 |
| All UK offices | 23.8 | 28.3 | 27.9 | 23.5 |
| South East industrial | 9.7 | 21.7 | 22.7 | 18.5 |
| Rest of UK industrial | 8.8 | 12.0 | 11.8 | 9.5 |
| All UK industrial | 18.5 | 33.7 | 34.5 | 28.0 |
| Other UK properties | 8.3 | 11.3 | 10.7 | 21.9 |
| Cash*** | 28.5 | 7.0 | 7.7 | 5.9 |
| Overall | 100.0 | 100.0 | 100.0 | 100.0 |

Source : M&G Property Portfolio

Property ownership structure

| | Number of assets | Valuation (GBPm) | % of total portfolio |
|-----------------------------|------------------|------------------|-------------------------|
| Direct holdings | 55 | 1,382.8 | 91.5 |
| Joint and indirect holdings | 3 | 70.3 | 4.7 |
| Listed investments | 0 | 57.9 | 3.8 |
| Total | 58 | 1,511.0 | 100.0 |

Source : M&G Property Portfolio

Largest direct investments by lot size & percentage of total portfolio

| Property | Location | Sector | Valuation (GBPm) | % of total portfolio |
|----------------------------|----------|------------------|---------------------|-------------------------|
| 1-8 Bedfont Lakes | Heathrow | Office | 100 - 125 | * |
| Wales Designer Outlet | Bridgend | Shopping Centre | 100 - 125 | * |
| Heritage House | London | Industrial | 75 - 100 | * |
| Parc Trostre Retail Park | Llanelli | Retail Warehouse | 50 - 75 | * |
| Aurora 120 Bothwell Street | Glasgow | Office | 50 - 75 | * |
| Enterprises House | Uxbridge | Office | 50 - 75 | * |

| | | | | |
|---|-------------|------------------|---------|---|
| Riverside Retail Park | Northampton | Retail Warehouse | 50 - 75 | * |
| Portland & Riding Estate | London | Office | 50 - 75 | * |
| Junction Six Industrial Estate | Birmingham | Industrial | 25-50 | * |
| Fremlin Walk | Maidstone | Shopping Centre | 25-50 | * |
| 10 largest investments as % of portfolio | | | | * |

Source : M&G Property Portfolio

| Direct portfolio structure by lot-size bands | | | |
|--|------------------|------------------|----------------------|
| Value band (GBPm) | Number of assets | Valuation (GBPm) | % of total portfolio |
| 0 -2.5 | 5 | 9.0 | 0.6 |
| 2.5 - 5 | 9 | 36.3 | 2.4 |
| 5-10 | 4 | 28.8 | 1.9 |
| 10-25 | 17 | 277.3 | 18.3 |
| 25 - 50 | 12 | 449.4 | 29.7 |
| 50 - 100 | 7 | 477.2 | 31.6 |
| 100-150 | 1 | 105.0 | 6.9 |
| Over 150 | 0 | 0.0 | 0.0 |
| Total | 55 | 1382.8 | 91.5 |
| Average lot size | | 25.1 | |

Source : M&G Property Portfolio

| Property Yield | | Voids as % of ERV | |
|--------------------------|-------|-------------------|-------|
| Net initial yield | 5.06% | Investments | 10.7% |
| Nominal equivalent yield | 5.67% | Developments | 0.0% |
| True equivalent yield | - | Total | 10.7% |
| Net reversionary yield | 6.30% | | |

Source : M&G Property Portfolio

| Rental income & ERV by type of property | | |
|---|-----------------|--------------------------|
| | Rental income % | Estimated rental value % |
| Standard retail | 1.1 | 1.4 |
| Retail warehousing | 19.1 | 15.6 |
| Shopping centres | 19.8 | 21.6 |
| Central London offices | 2.3 | 2.0 |
| Other offices | 30.2 | 33.1 |
| Industrial | 16.3 | 16.5 |
| Other | 11.2 | 9.8 |
| Overall | 100.0 | 100.0 |

Source : M&G Property Portfolio

| 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 | 1.1 | 0.0 | 0.0 | 0.3 | -0.3 | 36.0 | 35.7 | 136.0 |
| Retail warehousing | 17.6 | 0.3 | 0.0 | 1.1 | -4.6 | -9.3 | -13.9 | 90.7 |
| Shopping centres | 18.2 | 0.4 | 0.0 | 2.7 | -1.8 | 20.9 | 19.1 | 120.9 |
| Central London | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 |
| Other offices | 27.7 | 0.2 | 0.0 | 7.0 | -1.8 | 21.3 | 19.5 | 121.3 |
| Industrial | 15.0 | 0.0 | 0.0 | 0.6 | -0.2 | 11.9 | 11.7 | 111.9 |

| | | | | | | | | |
|----------------|-------------|------------|------------|-------------|-------------|-------------|------------|--------------|
| Other | 10.3 | 0.1 | 0.0 | 0.1 | -1.1 | -3.7 | -4.8 | 96.3 |
| Overall | 92.0 | 1.0 | 0.0 | 11.8 | -9.9 | 10.7 | 0.9 | 110.7 |

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

Source : M&G Property Portfolio

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 | 2.8 |
| 15 years or greater, but less than 20 | 3.6 |
| 10 years or greater, but less than 15 | 9.9 |
| 5 years or greater, but less than 10 | 19.1 |
| Less than 5 years | 64.6 |

Source : M&G Property Portfolio

Joint and Indirect property holdings

| Holdings | Sector | Joint/Indirect | Vehicle Type | Ownership % | Valuation | Est. % of total portfolio |
|-------------------------------------|------------------|----------------|--------------|-------------|-----------|---------------------------|
| Kames Target Healthcare Property Lp | Medical | Indirect | LP | * | 0 - 25 | * |
| The Brewery Romford | Retail Warehouse | Joint | JV | * | 25 - 50 | * |
| The Fort Birmingham | Retail Warehouse | Joint | JV | * | 0 - 25 | * |
| - | - | - | - | * | - | * |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |

Source : M&G Property Portfolio

Debt analysis

| Fixed rate borrowings | | | Variable rate borrowings | | |
|-----------------------|-----|-------------------|--------------------------|-------------------------|------------------------|
| Amount drawn | (%) | Average unexpired | Amount drawn | Rate above LIBOR (incl) | Off balance sheet debt |
| 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 Property Portfolio

Development exposure*

Capital value of developments

| | Not yet started | In progress+ | All developments | Cost to complete schemes in progress+ |
|-----------------------------------|-----------------|--------------|------------------|---------------------------------------|
| 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

Including schemes to which the fund is contractually committed

Source : M&G Property Portfolio

Valuations/performance monitors/affiliations

| | |
|---|--|
| Frequency of valuation | Monthly, on the last day of the month* |
| Valuers | Knight Frank |
| Portfolio performance monitored by MSCI | Yes |
| Constituent of MSCI/AREF UK Quarterly Property Fund Index | No |
| Member of the Association of Real Estate Funds | Full member |

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

Source : M&G Property Portfolio

Restrictions on holdings of cash/borrowings

| | |
|---------------------------------|-----|
| Maximum total gearing permitted | 25% |
| for investment purposes | 25% |
| for liquidity purposes | 10% |
| Cash holdings (maximum) | * |
| Cash holdings (minimum) | 25% |

Source : M&G Property Portfolio

The contribution of major tenants to rental income

| Tenant | % |
|--|------|
| Bp International Limited | 4.0 |
| Coca-Cola European Partners Gb Limited | 3.5 |
| Barclays Execution Services Limited | 3.4 |
| Tjx Uk | 2.4 |
| Amec Foster Wheeler Group Limited | 2.1 |
| Marks & Spencer Plc | 1.8 |
| Biogen Idec Limited | 1.7 |
| Saba Infra Uk Limited | 1.7 |
| Next Holdings Limited | 1.7 |
| Nippon Express (Uk) Limited | 1.6 |
| Three largest tenants' contribution to rental income | 10.9 |
| Five largest tenants' contribution to rental income | 15.3 |
| Ten largest tenants' contribution to rental income | 23.8 |

Source : M&G Property Portfolio

Balance sheet/gearing

| | Direct holdings | Joint holdings | Indirect investments | Listed investments | Total |
|----------------------|-----------------|----------------|----------------------|--------------------|-------|
| Balance sheet (GBPm) | | | | | |

| | | | | | |
|------------------------------|--------|------|------|------|--------|
| Properties at valuation | 1382.8 | 51.6 | 18.8 | 0.0 | 1453.1 |
| Listed investments | 0.0 | 0.0 | 0.0 | 57.9 | 57.9 |
| Debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash | 578.7 | 0.0 | 0.0 | 0.0 | 578.7 |
| Other net assets/liabilities | -8.8 | 0.0 | 0.0 | 0.0 | -8.8 |
| Total net assets | 1952.7 | 51.6 | 18.8 | 57.9 | 2080.9 |
| Gearing (%) | | | | | |
| Net debt (cash)/properties | -41.8 | 0.0 | 0.0 | - | -39.8 |
| Net debt (cash)/equity | -29.6 | 0.0 | 0.0 | 0.0 | -27.8 |

Source : M&G Property Portfolio

| 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) | 126.8800 | 124.5500 | 120.7000 | 117.8300 | 115.7000 | 116.3900 |
| Offer (GBP) | 135.6400 | 132.8400 | 128.7300 | 125.4700 | 122.4500 | 122.1100 |
| Mid (GBP) | 131.2600 | 128.6950 | 124.7150 | 121.6500 | 119.0750 | 119.2500 |
| Bid/offer spread | 6.5% | 6.2% | 6.2% | 6.1% | 5.5% | 4.7% |
| Net asset value (GBP) | 128.2700 | 125.8900 | 121.9800 | 119.0388 | 116.7686 | 117.2999 |

Source : M&G Property Portfolio

Share pricing

The Fund has five classes of retail units ("A", "D", "R", "X" and "I"). Income and accumulation units are available for retail classes, with the exception of the "X" class which offers income only. There are differences in minimum holdings and initial annual and redemption charges between the various classes of units. The Fund's net asset

Distributions

The Fund distributes its net income quarterly, on or before 28 February, 31 May, 31 August and 30 November.

Minimum investment/disinvestment

| Class | Initial Subscription | Top Up Subscription | Minimum holding |
|------------|----------------------|---------------------|-----------------|
| Sterling A | £500 | £100 | £500 |
| Sterling D | n/a | n/a | n/a |
| Sterling I | £500,000 | £10,000 | £500,000 |
| Sterling R | £500 | £100 | £500 |
| Sterling X | £500 | £100 | £500 |

The Manager may, at its discretion, reduce any of the above amounts

Creation, transfer and realisation of units

Orders to the manager to buy or sell units are carried out at the next valuation following receipt of instructions. When units are sold, a cheque for the proceeds will be posted not less than four business days after receipt of

Taxation

Capital Gains Tax

The Trust is exempt from UK capital gains tax. Unitholders may be liable to CGT on the disposal of their units in

Corporation tax

The Trust is subject to corporation tax.

Income Tax

Distributions of income are made net of income tax at the lower rate. Higher rate taxpayers may incur a further

Stamp duty reserve tax

Transfers of units attract SDRT at the standard rate, currently 0.5%.

Charges

The initial, annual and redemption charges (if any) applicable to the various classes of units are as follows:

| Class | Initial | Annual | Redemptio |
|------------|---------|--------|-----------|
| Sterling A | 5.00% | 1.50% | nil |
| Sterling D | 2.00% | 0.60% | nil |
| Sterling I | 2.00% | 0.75% | nil |
| Sterling R | 2.00% | 1.00% | nil |
| Sterling X | nil | 1.50%l | 5years* |

Note: * The deduction from redemption value would be made on the following basis: within the 1st year 4.5%, within the 2nd year 4.0%, within the 3rd year 3.0%, within the 4th year 2.0%, within the 5th year 1.0% and nil

Unit holder analysis

| | Number of unitholders | Total % held |
|--------------------------------|-----------------------|--------------|
| Less than 1% of units in issue | 3,434 | 22.9 |
| 1% or greater but less than 2% | 6 | 7.0 |
| 2% or greater but less than 4% | 4 | 11.3 |
| 4% or greater but less than 8% | 1 | 4.5 |
| Greater than 8.0% | 1 | 54.4 |
| Total | 3,446 | 100.0 |
| Major investors | | |
| 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