

# 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)	1081.0

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

	M&G Property Portfolio	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced funds	All balanced funds	All funds
3 months	1.4	4.3	4.5	4.2
Year-to-date	3.1	10.6	10.8	10.0
12 months	1.3	12.9	13.1	11.5
3 years+	-4.4	4.1	4.0	2.7
5 years+	-0.2	6.2	6.0	4.9
10 years+	2.1	7.3	7.0	6.4

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	*
Maximum exposure to closed and open-ended property unit trusts	10%
Maximum development exposure (speculative or pre-let)	10%

Source : M&G Property Portfolio

	M&G Property Portfolio	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced funds	All balanced funds	All funds
Standard retail – South East	0.4	5.6	4.9	4.7
Standard retail – Rest of UK	0.0	1.7	2.1	3.1
Shopping centres	15.1	0.6	1.1	3.3
Retail warehouses	9.4	11.0	10.5	8.7

<b>All UK retail</b>	<b>24.9</b>	<b>19.0</b>	<b>18.6</b>	<b>19.8</b>
City offices	0.0	3.9	3.6	3.2
West End offices	4.7	7.6	8.4	7.4
Rest of South East offices	7.1	10.2	9.5	6.9
Rest of UK offices	9.6	5.6	5.3	4.9
<b>All UK offices</b>	<b>21.4</b>	<b>27.3</b>	<b>26.8</b>	<b>22.4</b>
South East industrial	8.7	23.6	24.7	20.6
Rest of UK industrial	15.0	13.0	12.8	10.4
<b>All UK industrial</b>	<b>23.6</b>	<b>36.5</b>	<b>37.5</b>	<b>30.9</b>
Other UK properties	15.3	10.9	10.4	21.9
Cash***	14.7	6.3	6.7	5.0
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source : M&G Property Portfolio

#### Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	37	884.2	91.8
Joint and indirect holdings	2	60.1	6.2
Listed investments	0	19.2	2.0
<b>Total</b>	<b>39</b>	<b>963.5</b>	<b>100.0</b>

Source : M&G Property Portfolio

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

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
Wales Designer Outlet	Bridgend	Shopping Centre	75 - 100	*
Junction Six Industrial Estate	Birmingham	Industrial	50 - 75	*
Unit 2 And 7A/B/C Millington Road	Hayes	Industrial	50 - 75	*
Parc Trostre Retail Park	Llanelli	Retail Warehouse	50 - 75	*
Portland & Riding Estate	London	Office	50 - 75	*
3 Temple Quay	Bristol	Office	25 - 50	*
Fremlin Walk	Maidstone	Shopping Centre	25 - 50	*
Enterprises House	Uxbridge	Office	25 - 50	*
The Warrington Mail Centre	Warrington	Industrial	25 - 50	*
The Gracechurch Centre	Sutton Coldfield	Shopping Centre	25 - 50	*
<b>10 largest investments as % of portfolio</b>				<b>*</b>

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	3	5.1	0.5
2.5 - 5	7	27.8	2.9
5-10	1	5.5	0.6
10-25	14	232.3	24.1
25 - 50	7	274.9	28.5
50 - 100	5	338.7	35.2
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
<b>Total</b>	<b>37</b>	<b>884.2</b>	<b>91.8</b>
Average lot size		23.9	

Source : M&G Property Portfolio

Property Yield	
Net initial yield	4.92%
Nominal equivalent yield	5.55%
True equivalent yield	0.00%
Net reversionary yield	6.14%

Source : M&G Property Portfolio

Voids as % of ERV	
Investments	9.0%
Developments	0.0%
<b>Total</b>	<b>9.0%</b>

#### Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	0.7	0.7
Retail warehousing	15.9	11.9
Shopping centres	27.5	31.3

Central London offices	3.5	3.4
Other offices	18.2	19.1
Industrial	16.4	17.6
Other	17.7	16.0
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>

Source : M&G Property Portfolio

#### 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	0.4	0.0	-	0.0	-0.1	7.9	7.7	107.9
Retail warehousing	9.3	0.2	-	1.5	-5.5	-21.9	-27.4	78.1
Shopping centres	16.1	0.7	-	3.8	-2.3	18.8	16.5	118.8
Central London offices	2.1	0.0	-	0.0	0.0	0.0	0.0	100.0
Other offices	10.6	0.9	-	2.2	-2.0	9.7	7.8	109.7
Industrial	9.6	0.0	-	1.3	-0.7	11.7	11.0	111.7
Other	10.4	0.0	-	0.6	-1.9	-5.8	-7.7	94.2
<b>Overall</b>	<b>58.5</b>	<b>1.7</b>	<b>0.0</b>	<b>9.4</b>	<b>-12.5</b>	<b>4.4</b>	<b>-8.1</b>	<b>104.4</b>

\*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	4.5
15 years or greater, but less than 20	4.3
10 years or greater, but less than 15	14.4
5 years or greater, but less than 10	23.5
Less than 5 years	53.4

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	*
-	-	-	-	*	-	*
-	-	-	-	*	-	*
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Source : M&G Property Portfolio

#### 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 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	%
Coca-Cola European Partners Gb Limited	5.5
Amec Foster Wheeler Group Limited	3.3
Marks & Spencer Plc	2.8
Saba Infra Uk Limited	2.7
Royal Mail Group Limited	2.6
Nippon Express (UK) Limited	2.5
Chrysaor Limited	2.5
Premier Inn Hotels Limited	2.4
Tony Blair Institute	2.1
Bloomberg L.P.	2.0
Three largest tenants' contribution to rental income	11.5
Five largest tenants' contribution to rental income	16.9
Ten largest tenants' contribution to rental income	28.4

Source : M&G Property Portfolio

#### Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	884.2	40.3	19.8	0.0	944.3
Listed investments	0.0	0.0	0.0	19.2	19.2
Debt	0.0	0.0	0.0	0.0	0.0
Cash	162.9	0.0	0.0	0.0	162.9
Other net assets/liabilities	-45.5	0.0	0.0	0.0	-45.5
Total net assets	1001.7	40.3	19.8	19.2	1081.0
Gearing (%)					
Net debt (cash)/properties	-18.4	0.0	0.0	-	-17.3
Net debt (cash)/equity	-16.3	0.0	0.0	0.0	-15.1

Source : M&G Property Portfolio

#### Quarterly data per unit

As at	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21
Bid (GBP)	120.7000	117.8300	115.7000	116.3900	117.5500	119.0800
Offer (GBP)	128.7300	125.4700	122.4500	122.1100	124.8600	126.3600
Mid (GBP)	124.7150	121.6500	119.0750	119.2500	121.2050	122.7200
Bid/offer spread	6.2%	6.1%	5.5%	4.7%	5.9%	5.8%
Net asset value (GBP)	121.9800	119.0388	116.7686	117.2999	118.7100	119.0800

**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 value is re-calculated daily at noon, and dealing is on a forward basis. Income is not included in the unit price of any class of units.

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**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	Top Up	Minimum
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 the properly completed renunciation form.

The Manager reserves the right to impose a maximum transaction size of £10m or 10% of the value of the company (whichever is the lower) in respect of Class A, R, I and D units. A maximum transaction size of £30,000 will apply to Class X units, but may be waived at the discretion of the Manager. In order to protect the liquidity of the Trust, the Manager may defer redemptions of Class R and S units to a point within 90 days where the net redemptions exceed 1% of the Trust's value. (See "Redemption notices outstanding" overleaf).

**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 the Trust.

**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 liability.

**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 charge	Annual charge	Redemption charge
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%	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 thereafter.

**Unit holder analysis**

	Number of unitholders	Total % held
Less than 1% of units in issue	2,876	20.3
1% or greater but less than 2%	0	6.3
2% or greater but less than 4%	0	10.3
4% or greater but less than 8%	0	12.0
Greater than 8.0%	0	51.2
<b>Total</b>	<b>2,876</b>	<b>100.0</b>
Major investors		
Largest holder	1	41.4
Three largest holders	3	50.9
Five largest holders	5	56.9
Ten largest holders	10	66.9
Internal/external investors		
Internal	21	52.8

Source : M&amp;G Property Portfolio

<b>Liquidity</b>						
<b>Period</b>	<b>Year to Dec 2016</b>	<b>Year to Dec 2017</b>	<b>Year to Dec 2018</b>	<b>Year to Dec 2019</b>	<b>Year to Dec 2020</b>	<b>Year to Dec 2021</b>
<b>Issues and redemptions</b>						
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	-1,476,473,269	-823,338,728	-383,506,851	-1,000,287,635	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
<b>Unit transfers</b>						
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&amp;G Property Portfolio