

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)	2084.8

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, %

M&G Property Portfolio	MSCI/AREF UK Quarterly Property Fund Index		
	Other balanced	All balanced funds	All funds
3 months	-1.7	2.1	1.4
Year-to-date	-8.6	-1.0	-2.9
12 months	-8.6	-1.0	-2.9
3 years+	-4.2	2.7	1.1
5 years+	-2.6	4.4	3.0
10 years+	2.1	6.7	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	0.8	6.1	5.3	4.9
Standard retail – Rest of UK	0.5	2.2	2.5	3.3
Shopping centres	10.6	1.1	1.5	4.2
Retail warehouses	11.6	11.2	10.5	9.2
All UK retail	23.5	20.6	19.8	21.6
City offices	0.0	4.1	3.8	3.2
West End offices	2.5	7.6	8.5	7.6
Rest of South East offices	15.3	11.0	10.5	7.5
Rest of UK offices	8.3	6.1	5.7	5.1
All UK offices	26.1	28.9	28.5	23.4
South East industrial	12.5	21.1	21.9	18.0
Rest of UK industrial	9.6	11.6	11.4	9.2
All UK industrial	22.2	32.7	33.2	27.3
Other UK properties	8.9	11.0	10.1	21.5
Cash***	19.4	6.8	8.4	6.2
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	63	1,564.7	91.8
Joint and indirect holdings	4	84.6	5.0
Listed investments	0	55.6	3.3
Total	67	1,704.9	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	*
Iron Mountain Distribution Warehouse	London	Industrial	75 - 100	*
Parc Trostre Retail Park	Llanelli	Retail Warehouse	75 - 100	*
Aurora 120 Bothwell Street	Glasgow	Office	50 - 75	*
Riverside Retail Park	Northampton	Retail Warehouse	50 - 75	*
Heritage House	London	Industrial	50 - 75	*

Enterprises House	Uxbridge	Office	50 - 75	*
Portland & Riding Estate	London	Office	50 - 75	*
Fremlin Walk	Maidstone	Shopping Centre	50 - 75	*
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	6	11.0	0.6
2.5 - 5	9	35.7	2.1
5-10	7	51.8	3.0
10-25	22	385.5	22.6
25 - 50	9	345.2	20.2
50 - 100	8	506.6	29.7
100-150	2	229.0	13.4
Over 150	0	0.0	0.0
Total	63	1564.7	91.8
Average lot size		24.8	

Source : M&G Property Portfolio

Property Yield		Voids as % of ERV	
Net initial yield	5.24%	Investments	9.2%
Nominal equivalent yield	5.75%	Developments	0.0%
True equivalent yield	0.00%	Total	9.2%
Net reversionary yield	6.32%		

Source : M&G Property Portfolio

	Rental income %	Estimated rental value %
Standard retail	1.4	2.3
Retail warehousing	18.8	15.7
Shopping centres	20.8	20.8
Central London offices	2.0	1.8
Other offices	28.5	32.3
Industrial	18.5	18.5
Other	10.0	8.6
Overall	100.0	100.0

Source : M&G Property Portfolio

Over Renting and Reversionary Potential, % Rent Passing									
Sector	Rent Passing, GRP Millions	Rent Free, % Rent Passing	Development vacancy %	Investment vacancy %	Over rented, % Rent Passing	Reversionary potential %	Reversionary potential Net	Market Value %	Rent
Standard retail	1.4	0.1	0.0	0.2	-0.4	83.0	82.7	183.0	
Retail warehou:	19.8	0.4	0.0	1.0	-4.1	-8.9	-13.0	91.1	
Shopping centrs	21.9	0.5	0.0	2.0	-2.4	9.3	6.8	109.3	
Central London	2.1	0.0	0.0	0.0	0.0	0.0	0.0	100.0	
Other offices	30.0	0.4	0.0	6.1	-1.3	23.5	22.2	123.5	
Industrial	19.4	0.1	0.0	0.6	-0.9	9.2	8.3	109.2	
Other	10.5	0.1	0.0	0.2	-1.0	-5.6	-6.6	94.4	

Overall	105.2	1.5	0.0	10.1	-10.2	9.2	-0.9	109.2
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*Comprising the ERV of developments in progress or contracted which have not been pre-let

Source : M&G Property Portfolio

Listed Investments

	held	(GBPm)	portfolio
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
	0.0	0.0	0.0

The unexpired term of leases

Years	% of rent passing
20 years or greater	2.5
15 years or greater, but less than 20	3.2
10 years or greater, but less than 15	12.2
5 years or greater, but less than 10	20.9
Less than 5 years	61.2

Source : M&G Property Portfolio

Joint and Indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
Octopus Healthfund	Other	Indirect	LP	*	0 - 15	*
Kames Target Healthcare Property Lp	Medical	Indirect	LP	*	0 - 25	*
The Brewery	Retail	Joint	JV	*	25 - 50	*
Romford The Fort Birmingham	Warehouse Retail Warehouse	Joint	JV	*	0 - 15	*
-	-	-	-	-	-	-
-	-	-	-	-	-	-

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	%
Iron Mountain (Uk) Plc	3.9
Bp International Limited	3.5
Barclays Execution Services Limited	3.2
Coca-Cola European Partners Gb Limited	3.1
Royal Mail Group Limited	2.3
Tjx Uk	2.1
Next Holdings Limited	1.9
Amec Foster Wheeler Group Limited	1.8
Canon (Uk) Limited	1.5
Marks & Spencer Plc	1.5
Three largest tenants' contribution to rental income	10.6
Five largest tenants' contribution to rental income	16.0
Ten largest tenants' contribution to rental income	24.9

Source : M&G Property Portfolio

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	1564.7	51.6	33.0	0.0	1649.3

Listed investments	0.0	0.0	0.0	55.6	55.6
Debt	0.0	0.0	0.0	0.0	0.0
Cash	395.8	0.0	0.0	0.0	395.8
Other net assets/liabilities	-15.8	0.0	0.0	0.0	-15.8
Total net assets	1944.6	51.6	33.0	55.6	2084.8
Gearing (%)					
Net debt (cash)/properties	-25.3	0.0	0.0	-	-24.0
Net debt (cash)/equity	-20.4	0.0	0.0	0.0	-19.0

Source : M&G Property Portfolio

Quarterly data per unit						
As at	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20
Bid (GBP)	133.6300	126.8800	124.5500	120.7000	117.8300	115.7000
Offer (GBP)	142.8100	135.6400	132.8400	128.7300	125.4700	122.4500
Mid (GBP)	138.2200	131.2600	128.6950	124.7150	121.6500	119.0750
Bid/offer spread	6.4%	6.5%	6.2%	6.2%	6.1%	5.5%
Net asset value (GBP)	135.0800	128.2700	125.8900	121.9800	119.0388	116.7686

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 Subscriptions	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%	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	3,404	24.2
1% or greater but less than 2%	5	5.7
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	3,415	100.0
Major investors		
Largest holder	1	38.9
Three largest holders	3	44.8
Five largest holders	5	49.4
Ten largest holders	10	58.8
Internal/external investors		
Internal	25	45.4
External	3,390	54.6

Source : M&G Property Portfolio

Liquidity

Period	Year to Dec 2015	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020
Issues and redemptions						
Units in issue as at start of period	4,314,664,155	4,341,019,890	3,618,792,956	3,100,227,046	2,951,684,209	2,171,249,463
Units issued during period	820,300,168	754,246,335	304,772,817	234,964,015	219,852,889	0
Units redeemed during period	-793,944,433	#####	-823,338,728	-383,506,851	#####	0
Units in issue at end 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
Unit transfers						
Matched bargains	-	-	-	0	0	0

Matched bargains %*	-	-	-	0.00%	0	0.00%
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* as % of units in issue at the end of the period

Source : M&G Property Portfolio