

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)	2294.4

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	Fiona Rowley
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 funds	All balanced funds	All funds
3 months	-1.8	-1.3	-1.3	-1.8
Year-to-date	-1.8	-1.3	-1.3	-1.8
12 months	-8.5	0.1	0.0	-1.3
3 years+	-0.1	5.3	4.8	3.9
5 years+	0.1	6.3	5.8	5.1
10 years+	3.1	7.4	7.1	6.9

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

Source : M&G Property Portfolio

Portfolio distribution %		MSCI/AREF UK Quarterly Property Fund Index		
	M&G Property Portfolio	Other balanced funds	All balanced funds	All funds
Standard retail – South East	1.1	7.2	6.3	5.4

Standard retail – Rest of UK	3.6	2.7	3.0	3.5
Shopping centres	12.0	1.2	1.8	6.1
Retail warehouses	15.4	11.9	11.3	10.1
All UK retail	32.1	23.0	22.5	25.1
City offices	0.0	4.2	3.7	3.2
West End offices	2.3	7.5	8.4	7.1
Rest of South East offices	18.3	11.7	11.0	7.7
Rest of UK offices	8.3	6.3	5.9	5.5
All UK offices	28.8	29.6	29.0	23.5
South East industrial	12.6	19.9	20.3	16.3
Rest of UK industrial	10.5	10.8	10.5	8.5
All UK industrial	23.1	30.7	30.8	24.9
Other UK properties	8.7	11.5	10.6	21.7
Cash***	7.3	5.2	7.1	4.9
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	76	2,053.1	95.4
Joint and indirect holdings	4	88.4	4.1
Listed investments	0	11.7	0.5
Total	80	2,153.1	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	150 +	*
Wales Designer Outlet	Bridgend	Shopping Centre	100 - 125	*
Parc Trostre Retail Park	Llanelli	Retail Warehouse	75 - 100	*
Iron Mountain Distribution Warehouse	London	Industrial	75 - 100	*
Aurora 120 Bothwell Street	Glasgow	Office	75 - 100	*
Riverside Retail Park	Northampton	Retail Warehouse	50 - 75	*
Fremlin Walk	Maidstone	Shopping Centre	50 - 75	*
Enterprises House	Uxbridge	Office	50 - 75	*
The Gracechurch Centre	Sutton Coldfield	Shopping Centre	50 - 75	*
Lindis Retail Park	Lincoln	Shop	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	3	5.1	0.2
2.5 - 5	8	30.1	1.4
5-10	12	77.4	3.6
10-25	27	449.6	20.9
25 - 50	12	438.2	20.3
50 - 100	12	770.3	35.8
100-150	1	115.0	5.3
Over 150	1	167.5	7.8
Total	76	2053.1	95.4
Average lot size		27.0	

Source : M&G Property Portfolio

Property Yield		Voids as % of ERV	
Net initial yield	5.39%	Investments	6.3%
Nominal equivalent yield	5.79%	Developments	0.0%
True equivalent yield	0.00%	Total	6.3%
Net reversionary yield	6.29%		

Source : M&G Property Portfolio

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	6.7	5.0
Retail warehousing	21.3	18.1
Shopping centres	19.2	19.7
Central London offices	1.6	1.5
Other offices	24.3	29.1
Industrial	18.8	19.3
Other	8.2	7.3
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, % 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	8.7	0.1	0.0	0.0	-1.6	0.3	-1.3	80.3
Retail warehousing	27.7	0.5	0.0	0.4	-3.6	1.6	-2.0	90.5
Shopping centres	25.0	0.3	0.0	1.2	-1.6	3.4	1.8	109.3
Central London offices	2.1	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Other offices	31.6	1.8	0.0	4.0	-1.1	7.9	6.7	127.6
Industrial	24.4	0.1	0.0	0.7	-0.8	2.6	1.8	109.6
Other	10.6	0.1	0.0	0.1	-0.9	0.6	-0.4	95.4
Overall	130.0	2.8	0.0	6.3	-9.7	16.3	6.6	106.6

*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	Est. % of total portfolio
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
	0.0	0.0

The unexpired term of leases	
Years	% of rent passing
20 years or greater	2.4
15 years or greater, but less than 20	5.5
10 years or greater, but less than 15	10.5
5 years or greater, but less than 10	21.4
Less than 5 years	60.2

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 Romford	Retail Warehouse	Joint	JV	*	25 - 50	*
The Fort Birmingham	Retail Warehouse	Joint	JV	*	0 - 15	*
-	-	-	-	-	-	-
-	-	-	-	-	-	-

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			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
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	%
Sainsbury'S Supermarkets Limited	3.1
Iron Mountain (Uk) Limited	3.0
Bp International Limited	2.8
Barclays Services Limited	2.6
Coca-Cola European Partners Gb Limited	2.5
Debenhams Retail Plc	2.1
Tesco Stores Limited	2.1
Tjx Uk	1.9
Royal Mail Group Limited	1.9
Next Holdings Limited	1.8
Three largest tenants' contribution to rental income	8.9
Five largest tenants' contribution to rental income	14.0
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	2053.1	55.5	32.9	0.0	2141.4
Listed investments	0.0	0.0	0.0	11.7	11.7
Debt	0.0	0.0	0.0	0.0	0.0
Cash	168.2	0.0	0.0	0.0	168.2
Other net assets/liabilities	-26.9	0.0	0.0	0.0	-26.9
Total net assets	2194.4	55.5	32.9	11.7	2294.4
Gearing (%)					
Net debt (cash)/properties	-8.2	0.0	0.0	-	-7.9

Net debt (cash)/equity	-7.7	0.0	0.0	0.0	-7.3
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Source : M&G Property Portfolio

Quarterly data per unit						
As at	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20
Bid (GBP)	137.9900	136.7600	136.0900	133.6300	126.8800	124.5500
Offer (GBP)	146.5700	145.7100	144.9300	142.8100	135.6400	132.8400
Mid (GBP)	142.2800	141.2350	140.5100	138.2200	131.2600	128.6950
Bid/offer spread	5.9%	6.1%	6.1%	6.4%	6.5%	6.2%
Net asset value (GBP)	139.3500	138.1500	137.4900	135.0800	128.2700	125.8900

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 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	3,377	22.7
1% or greater but less than 2%	6	7.1
2% or greater but less than 4%	4	11.4
4% or greater but less than 8%	1	4.5
Greater than 8.0%	1	54.4
Total	3,389	100.0
Major investors		
Largest holder	1	39.1
Three largest holders	3	45.1
Five largest holders	5	49.6
Ten largest holders	10	59.1
Internal/external investors		
Internal	25	45.7
External	3,364	54.3

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	-1,476,473,269	-823,338,728	-383,506,851	-1,000,287,635	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%

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

Source : M&G Property Portfolio