

# 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)	3661.7

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 open-ended funds	All balanced open-ended funds	All funds
3 months	-1.0	0.3	0.4	0.3
Year-to-date	-0.7	0.1	0.2	0.1
12 months	-18.5	-17.1	-17.4	-17.1
3 years+	-0.5	3.3	3.4	2.3
5 years+	1.2	2.3	2.2	1.1
10 years+	4.7	6.6	6.3	5.5

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 %		MSCI/AREF UK Quarterly Property Fund Index		
	M&G Secure Property Income Fund	Long Income Open-Ended Funds	All balanced open-ended funds	All funds
Standard retail – South East	16.0	7.9	4.6	4.6
Standard retail – Rest of UK	9.9	5.8	1.4	2.3
Shopping centres	0.0	0.5	0.9	2.5
Retail warehouses	0.0	0.9	12.1	7.6
<b>All UK retail</b>	<b>25.9</b>	<b>15.2</b>	<b>19.0</b>	<b>17.1</b>
City offices	6.8	2.9	3.4	3.2
West End offices	6.2	3.8	7.5	5.1
Rest of South East offices	10.1	5.6	7.1	5.5
Rest of UK offices	3.5	9.6	4.9	5.3
<b>All UK offices</b>	<b>26.5</b>	<b>21.9</b>	<b>22.9</b>	<b>19.1</b>
South East industrial	4.1	4.8	24.5	20.3
Rest of UK industrial	2.6	10.2	13.7	11.8
<b>All UK industrial</b>	<b>6.6</b>	<b>15.0</b>	<b>38.2</b>	<b>32.1</b>
Other UK properties	39.1	44.9	12.5	25.9
Cash***	1.8	3.0	7.4	5.8
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: M&G Investment Management Limited

Property ownership structure			
	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	185	3,318.8	97.1
Joint and indirect holdings	1	100.2	2.9
Listed investments	0	0.0	0.0
<b>Total</b>	<b>186</b>	<b>3,419.0</b>	<b>100.0</b>

Source: M&G Investment Management Limited

Largest direct investments by lot size & percentage of total portfolio				
Property	Location	Sector	Valuation (GBPm)	% of total portfolio

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	59	84.4	2.5
2.5 - 5	44	160.3	4.7
5-10	32	226.3	6.6
10-25	19	307.5	9.0
25 - 50	9	358.7	10.5
50 - 100	16	1183.7	34.6
100-150	3	377.9	11.1
Over 150	3	620.1	18.1
<b>Total</b>	<b>185</b>	<b>3318.8</b>	<b>97.1</b>
Average lot size		17.9	

Source: M&G Investment Management Limited

Property Yield		Voids as % of ERV	
Net initial yield	5.26%	Investments	0.00%
Nominal equivalent yield	-	Developments	0.00%
True equivalent yield	-	Total	0.00%
Net reversionary yield	6.05%		

Source: M&G Investment Management Limited

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	28.8	15.9
Retail warehousing	0.0	0.0
Shopping centres	0.0	0.0
Central London offices	13.7	21.5
Other offices	10.0	9.1
Industrial	9.0	5.6
Other	38.5	47.8
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>

Source: M&G Investment Management Limited

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	55.3	0.0	0.0	0.0	-36.5	-36.5	-72.9	63.5
Retail warehousing	0.0	-	-	-	0.0	-	-	-
Shopping centres	0.0	-	-	-	0.0	-	-	-
Central London offices	26.3	0.0	0.0	0.0	0.0	80.3	80.3	180.3
Other offices	19.2	0.0	0.0	0.0	-7.6	5.2	-2.4	105.2
Industrial	17.4	0.0	0.0	0.0	-34.9	-28.4	-63.3	71.6
Other	74.0	0.0	0.0	0.0	-4.1	42.6	38.5	142.6
<b>Overall</b>	<b>192.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-16.0</b>	<b>14.8</b>	<b>-1.2</b>	<b>114.8</b>

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

Source: M&G Investment Management Limited

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	38.1
15 years or greater, but less than 20	27.4
10 years or greater, but less than 15	29.8

5 years or greater, but less than 10	4.7
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	OE-PUT	100.0	100.4	2.9
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

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 (ind 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				Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
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*
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	%
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	3318.8	0.0	100.2	0.0	3419.0
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	64.4	0.0	0.0	0.0	64.4
Other net assets/liabilities	178.2	0.0	0.0	0.0	178.2
Total net assets	3561.5	0.0	100.2	0.0	3661.7
Gearing (%)					
Net debt (cash)/properties	-1.9	-	0.0	-	-1.9
Net debt (cash)/equity	-1.8	-	0.0	-	-1.8

Source: M&G Investment Management Limited

Quarterly data per unit						
As at	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23
Bid (GBP)	n/a	n/a	n/a	n/a	n/a	n/a
Offer (GBP)	132.254	133.584	114.484	101.892	101.072	99.015
Bid/offer spread	-	-	-	-	-	-
Net asset value (GBP)	127.167	128.409	115.886	103.140	102.310	100.081
Quarterly distribution (GBP)	1.012	1.091	1.125	1.240	1.190	1.196
Yield	3.4%	3.4%	4.0%	4.6%	4.8%	4.7%

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 units.

The Fund is treated as tax transparent for UK Income Tax purposes. Distributions to unit holders resident in the UK (or non-resident but in relation to whom the Manager has received the appropriate clearances from HM Revenue and Customs that such unit holders may be paid gross) are made without the deduction of UK tax. Distributions to other unit holders are made net of UK income tax at the standard rate.

#### 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	94	30.5
1% or greater but less than 2%	17	22.4
2% or greater but less than 4%	12	35.1
4% or greater but less than 8%	0	0.0
Greater than 8.0%	1	12.0
<b>Total</b>	<b>124</b>	<b>100.0</b>
Major investors		
Largest holder	1	11.9
Three largest holders	3	19.2
Five largest holders	5	26.1
Ten largest holders	10	40.0
Internal/external investors		
Internal	6	16.3
External	118	83.7

Source: M&G Investment Management Limited

Liquidity						
Period	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021	Year to Dec 2022	Year to Dec 2023
<b>Issues and redemptions</b>						
Units in issue as at start of period	33,601,711	33,601,711	35,761,682	35,873,488	36,903,819	37,492,320
Units issued during period	0	2,159,971	111,806	1,030,331	1,757,265	42,951
Units redeemed during period	0	0	0	0	-1,168,763	-3,540,271
Units in issue at end of period	33,601,711	35,761,682	35,873,488	36,903,819	37,492,320	33,995,000
<b>Unit transfers</b>						
Matched bargains	0	0	0	0	0	0
Matched bargains %*	0	0	0	0	0	0.00%

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

Source: M&G Investment Management Limited