



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)	3244.1

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	-0.8	0.3	0.3	0.3
Year-to-date	-0.8	0.3	0.3	0.3
12 months	1.8	5.7	4.8	4.1
3 years+	0.5	6.9	6.1	5.6
5 years+	4.4	9.6	9.1	8.5
10 years+	5.8	8.5	8.3	8.5

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 %

	M&G Property Portfolio	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced funds	All balanced funds	All funds
Standard retail – South East	3.3	7.7	7.0	5.7
Standard retail – Rest of UK	3.7	3.6	3.6	3.8
Shopping centres	10.8	1.9	2.5	7.6
Retail warehouses	18.4	13.5	13.9	13.3
All UK retail	36.2	26.6	27.1	30.4
City offices	3.3	3.8	3.7	3.3
West End offices	1.6	7.6	8.3	7.3
Rest of South East offices	14.1	11.8	11.3	7.7
Rest of UK offices	7.5	5.8	5.8	4.9
All UK offices	26.4	28.9	29.0	23.2
South East industrial	9.7	18.9	19.1	15.3
Rest of UK industrial	9.3	10.1	10.1	8.0
All UK industrial	19.0	29.1	29.2	23.4
Other UK properties	7.3	11.0	9.7	18.8
Cash***	11.1	4.4	5.1	4.3
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	95	2,808.9	96.5
Joint and indirect holdings	4	101.8	3.5
Listed investments	0	0.0	0.0
Total	99	2,910.7	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	178.6	6.1
PARC TROSTRE RETAIL PARK	LLANELLI	RET WHSE	131.2	4.5
WALES DESIGNER OUTLET	BRIDGEND	SH CENTRE	128.9	4.4
ALDER CASTLE 10 NOBLE STREET	LONDON	OFFICE	107.0	3.7
FREMLIN WALK	LONDON	OFFICE	95.6	3.3
RIVERSIDE RETAIL PARK	NORTHAMPTON	RET WHSE	91.5	3.1
IRON MOUNTAIN DISTRIBUTION WAREHOUSE	LONDON	INDUSTRIAL	84.6	2.9
AURORA 120 BOTHWELL STREET	GLASGOW	OFFICE	81.5	2.8
THE GRACECHURCH CENTRE	SUTTON COLDFIELD	SH CENTRE	78.8	2.7
RAVENSIDE RETAIL PARK	LONDON	RET WHSE	67.0	2.3
10 largest investments as % of portfolio			1044.7	35.9

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	9.2	0.3
2.5 - 5	10	40.0	1.4
5-10	14	95.0	3.3
10-25	26	439.6	15.1
25 - 50	23	839.2	28.8
50 - 100	12	840.3	28.9
100-150	3	367.1	12.6
Over 150	1	178.6	6.1
Total	95	2808.9	96.5
Average lot size		29.6	

Source : M&G Property Portfolio

Property Yield

Net initial yield	4.79%
Nominal equivalent yield	5.42%

Voids as % of ERV

Investments	6.9%
Developments	0.6%

True equivalent yield	5.61%	Total	7.5%
Net reversionary yield	5.76%		

Source : M&G Property Portfolio

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	10.2	7.5
Retail warehousing	23.5	20.9
Shopping centres	17.4	16.3
Central London offices	1.3	1.2
Other offices	21.2	29.2
Industrial	18.9	17.9
Other	7.5	7.0
Overall	100.0	100.0

Source : M&G Property Portfolio

Comparison of rents passing and ERV by type of property*

Sector	Rent passing %	Pre-lets & rent-free periods %	Development voids %	Other voids %	Over rented %	Reversionary potential %	Net reversionary potential %	ERV %
Standard retail	121.6	1.0	0.0	0.8	-24.1	0.7	-23.4	100.0
Retail warehousing	100.6	0.9	0.0	1.3	-7.0	4.1	-2.8	100.0
Shopping centres	95.1	0.4	0.0	4.3	-6.5	6.8	0.2	100.0
Central London offices	96.8	0.0	0.0	2.5	0.0	0.7	0.7	100.0
Other offices	64.7	6.3	0.0	18.1	-1.7	12.6	11.0	100.0
Industrial	94.3	1.9	0.0	2.7	-6.6	7.7	1.0	100.0
Other	94.4	4.9	0.0	1.8	-4.9	3.8	-1.1	100.0
Overall	89.2	2.8	0.0	6.9	-6.4	7.4	1.0	100.0

*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
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	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
	0.0	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	6.2
10 years or greater, but less than 15	15.2
5 years or greater, but less than 10	29.3
Less than 5 years	46.9

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	6.5	13.4	0.5
Kames Target Healthcare Ltd. Partnership	Medical	Indirect	LP	19.4	17.8	0.6
The Brewery, Romford	Retail Warehouse	Joint	JV	25.0	53.3	1.8
The Fort, Birmingham	Retail Warehouse	Joint	JV	12.5	17.4	0.6
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Source : M&G Property Portfolio

Debt analysis

Fixed rate borrowings	Variable rate borrowings
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Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0

Source : M&G Property Portfolio

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

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%
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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	%
TESCO STORES LIMITED	3.2
DEBENHAMS RETAIL PLC	3.2
SAINSBURY'S SUPERMARKETS LIMITED	2.6
IRON MOUNTAIN (UK) LIMITED	2.5
BP INTERNATIONAL LIMITED	2.4
BARCLAYS BANK UK PLC	2.2
COCA-COLA EUROPEAN PARTNERS GB LIMITED	2.1
DSG RETAIL LIMITED	2.2
TJX UK	2.0
WICKES BUILDING SUPPLIES LIMITED	2.0
Three largest tenants' contribution to rental income	9.0
Five largest tenants' contribution to rental income	13.9
Ten largest tenants' contribution to rental income	24.4

Source : M&G Property Portfolio

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	2808.9	70.6	31.2	0.0	2910.7
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	364.1	0.0	0.0	0.0	364.1
Other net assets/liabilities	-30.8	0.0	0.0	0.0	-30.8

Total net assets	3142.2	70.6	31.2	0.0		3244.1
Gearing (%)						
Net debt (cash)/properties	-13.0	0.0	0.0	-		-12.5
Net debt (cash)/equity	-11.6	0.0	0.0	-		-11.2

Source : M&G Property Portfolio

Quarterly data per unit						
As at	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19
Bid (GBp)	130.5000	135.1700	136.6600	137.9600	137.9900	136.7600
Offer (GBp)	138.2600	143.2300	145.0400	146.4400	146.5700	145.7100
Mid (GBp)	134.3800	139.2000	140.8500	142.2000	142.2800	141.2350
Bid/offer spread	5.6%	5.6%	5.8%	5.8%	5.9%	6.1%
Net asset value (GBp)	131.7300	136.4400	137.9800	139.3000	139.3500	138.1500

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.

	Number of unitholders	Total % held
Less than 1% of units in issue	3,695	24.3
1% or greater but less than 2%	8	11.4
2% or greater but less than 4%	3	10.0
4% or greater but less than 8%	0	0.0
Greater than 8.0%	1	54.3
Total	3,707	100.0
Major investors		
Largest holder	1	38.5
Three largest holders	3	44.7
Five largest holders	5	48.7
Ten largest holders	10	57.5
Internal/external investors		
Internal	30	46.0
External	3,677	54.0

Source : M&G Property Portfolio

Liquidity						
Period	Year to Dec 2014	Year to Dec 2015	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019
Issues and redemptions						
Units in issue as at start of period	3,475,062,429	4,314,664,155	4,341,019,890	3,618,792,956	3,100,227,046	2,951,684,209
Units issued during period	1,573,525,518	820,300,168	754,246,335	304,772,817	234,964,015	37,255,309
Units redeemed during period	-733,923,791	-793,944,433	-1,476,473,269	-823,338,728	-383,506,851	-250,051,084
Units in issue at end of period	4,314,664,155	4,341,019,890	3,618,792,956	3,100,227,046	2,951,684,209	2,738,888,434
Unit transfers						
Matched bargains	-	-	-	-	0	0
Matched bargains %*	-	-	-	-	0	0.00%

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

Source : M&G Property Portfolio