

Interim Short Report May 2012
For the six months ended 30 April 2012

M&G Property Portfolio



MANAGER'S REPORT

Investment objective and policy of the M&G Property Portfolio

The Trust aims to maximise long term total return (the combination of income and growth of capital) through investment mainly in commercial property.

The Trust invests in a diversified portfolio of commercial property mainly in the UK, seeking to add value through strategic asset allocation, stock selection and asset management. The Trust may also invest in other property related assets, including collective investment schemes, securities, derivatives and debt instruments, as well as government debt, money market instruments and cash.

Risk and reward profile

- The value of stockmarket investments, and the income from them, will fluctuate. This will cause the Fund price to fall as well as rise and you may not get back the original amount you invested.
- **Liquidity** - In difficult market conditions the value of certain fund investments may be less predictable than normal. In some cases this may make such investments harder to sell at the last quoted market price, or at a price considered to be fair. Such conditions could result in unpredictable changes in the value of your holding.
- Property investments can be harder to buy and sell when compared to investments in fixed income securities and shares.

There is no guarantee that investments in property will increase in value or that rental growth will take place.

There is a risk that a property held in the Trust's portfolio could default on its rental payments.

If significant numbers of investors withdraw their investments from the Trust at the same time, the manager may be forced to dispose of property investments. This may result in a less than favourable price being obtained in the market.

All of the above factors could have an adverse effect on the value of your investment.

The Trust invests mainly in one type of asset. It is therefore more vulnerable to the market sentiment of that specific type of asset. This type of fund can carry a higher risk and can experience larger than average price fluctuations when compared to a fund with a broader investment universe.

There is the possibility that a portion of the portfolio will be held in cash if the supply of new investment opportunities is limited which, if the situation persists, may restrict the performance of the Trust.

Property valuations are provided by an independent valuer and are therefore subjective.

The Trust can invest in international property which means that it will be impacted by currency exchange rate fluctuations.

An investment in the Trust may be linked to those risks normally associated with an investment in company shares or fixed income securities (investments which provide a certain level of income or interest). This means that the price of the Trust will fall as well as rise and you may not get back the original amount you invested. Any income earned by the Trust will also vary.

As the Trust is dual priced, there is a price to buy units and a price to sell them. The difference between the two prices is called the spread. The spread is likely to be wider for the Trust than for other less specialist funds and may vary. We reserve the right to change the pricing basis of the Trust and any change will mean an increase or decrease in the price at which you deal.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

**As at 2 April 2012,
for the year ended 31 March 2012**

Trust performance

Between 1 October 2011 (the start of the period under review) and 1 April 2012, the M&G Property Portfolio's Sterling Class 'A' (Income) units produced a total return (capital performance with net income reinvested) of 1.1%.

Investment activity

We purchased a total of four properties during the review period, further enhancing the fund's current bias to the prime end of the market. We bought two large adjoining retail units in affluent Perth, and these are being let to a pair of well-known clothing retailers, which are both on 10-year leases. We believe that the property represents good prospects for future rental growth.

We also purchased a prime, 'open A1' retail warehouse in South London. We felt that the property was attractive as it offered good asset management opportunities, with the tenant, a large American electrical retailer, due to vacate shortly after the purchase was completed. The retailer, however, remains responsible for its 13-year lease, meaning the property's rental income will be protected until such asset management activities have been carried out.

In addition, we completed the purchase of a distribution unit in Wellington, Somerset, at an attractive yield, further improving the income generation profile of the portfolio. The property is leased for over 11 years to the Co-operative Group.

Following an ongoing review of properties held within the portfolio, we sold an industrial warehouse in Birmingham, which we felt no longer fit within the current prime bias of the fund.

We also sold a Travelodge in Bedford while exchanging contracts on one in Oldham, in line with our strategy for the collection of Travelodges we purchased in 2010. As the hotels were purchased as a portfolio we acquired them at a discount, with the intention of eventually selling the weaker assets within it. Both properties achieved selling prices above book value.

Asset management

Optimisation of the trust's assets through active management is a key strategy in our management of commercial property. The aim is to maintain values and enhance the performance of the portfolio.

Retail

At The Brewery, the trust's large retail and leisure complex in Romford, the lease of a major clothing retailer was re-negotiated, resulting in a new 10-year lease on the unit. Another major retailer took up the last remaining vacant unit. The Brewery's dining offering has also been improved with a new national family restaurant, representing a stronger covenant on a higher, longer-term rental agreement than the previous tenant.

Meanwhile at the trust's Orbital Retail Park in Cannock, Staffordshire, the chemist chain Boots entered the park near the beginning of the reporting period under favourable rental terms. This had a positive effect on a rent review carried out on the unit leased by retailer Pets at Home, resulting in a 20% increase in rent from the last review, which was carried out in 2007. This will also set a positive tone for further rent reviews yet to be carried out with the park's other tenants, and should, therefore, provide a boost to trust performance.

Industrial

Refurbishment work was completed on the trust's Junction 6 multi-let 377,000 square foot, 12 unit modern industrial estate, which we purchased in 2010. We bought the property with a short-term lease expiry profile, with the intention of refurbishing the units as they became vacant. There are currently five vacant units and we are seeing strong interest in two of these.

Office

A number of the trust's offices are currently under refurbishment, which will help to add value to the portfolio. Considerable work began on the trust's Coleman Street property in the City of London, while major work also continued on the trust's Poland Street property in London's Soho, expected to be completed imminently. We have already seen strong interest in both properties at very favourable rental terms. In addition, the trust's Norfolk House office building in Manchester is set for extensive refurbishments to maximise its letting potential.

Other

Construction began and work is progressing well on the £28 million project close to Stansted airport in Essex. Work on the 300-room budget hotel is expected to be completed this summer, and there is already a 25-year lease with annual rental uplifts linked to inflation agreed with a national hotelier.

Fiona Rowley

Fund manager

Fiona Rowley is an employee of M&G Limited, which is an associate of M&G Securities Limited.

Please note that the views expressed in this Report should not be taken as a recommendation or advice as to how the M&G Property Portfolio is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial Adviser.

TRUST SUMMARY

Sterling Class 'C' units are not generally available to all investors.

DISTRIBUTION DATES

Distribution type	xd	payment
Third interim	02.07.12	31.08.12
Final	01.10.12	30.11.12
First interim	02.01.13	28.02.13
Second interim	01.04.13	31.05.13

INTERIM DISTRIBUTION

	Inc 31.05.12 ^[a]	Acc 02.04.12 ^[a]
Sterling	p	p
Class 'A'	0.4440	0.4840
Class 'C'	n/a	0.9440
Class 'P'	0.5170	n/a
Class 'R'	0.4790	n/a
Class 'S'	0.5780	n/a
Class 'X'	0.4670	n/a

^[a] The date on which the interim distribution will be paid to Income unitholders and credited to Accumulation unitholders.

EXPENSE RATIOS ^[a]

as at 31 March 2012

	Sterling Class 'A'	Sterling Class 'C'	Sterling Class 'P'	Sterling Class 'R'	Sterling Class 'S'	Sterling Class 'X'
	%	%	%	%	%	%
Fund management fees	1.50	0.01	1.01	1.26	0.76	1.50
Fund operating expenses	0.16	0.16	0.16	0.16	0.16	0.16
Total expense ratio (TER)	1.66	0.17	1.17	1.42	0.92	1.66
Property expense ratio (PER)	0.24	0.24	0.24	0.24	0.24	0.24
Real estate expense ratio (TER + PER)	1.90	0.41	1.41	1.66	1.16	1.90
Transaction costs	0.21	0.21	0.20	0.20	0.20	0.21

EXPENSE RATIOS ^[a] (continued)

as at 30 September 2011

	Sterling Class 'A'	Sterling Class 'C'	Sterling Class 'P'	Sterling Class 'R'	Sterling Class 'S'	Sterling Class 'X'
	%	%	%	%	%	%
Fund management fees	1.51	0.01	1.03	1.26	0.76	1.51
Fund operating expenses	0.18	0.18	0.18	0.18	0.18	0.18
Total expense ratio (TER)	1.69	0.19	1.21	1.44	0.94	1.69
Property expense ratio (PER)	0.16	0.16	0.15	0.16	0.16	0.16
Real estate expense ratio (TER + PER)	1.85	0.35	1.36	1.60	1.10	1.85
Transaction costs	0.83	0.79	1.31	0.83	0.83	0.81

^[a] The Total Expense Ratio (TER) shows the relevant annualised operating expenses, that relate to the management of the trust, of each unit class from the most recent reporting period as a single percentage of the average net asset value for that unit class over the same period. The Fund Management Fees form part of the TER and also include the annualised Investment Accounting Fee. The Property Expense Ratio (PER) shows the operating expenses that relate to the management of the property assets.

TRUST PERFORMANCE

Performance of unit classes

	Net asset value per unit as at 31.03.12		Net asset value per unit as at 30.09.11		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	69.76	76.55	69.87	75.60	-0.16	+1.26
Class 'C'	n/a	101.60	n/a	99.75	n/a	+1.85
Class 'P'	70.11	n/a	70.28	n/a	-0.24	n/a
Class 'R'	69.73	n/a	69.87	n/a	-0.20	n/a
Class 'S'	73.40	n/a	73.53	n/a	-0.18	n/a
Class 'X'	73.44	n/a	73.57	n/a	-0.18	n/a

CAPITAL PERFORMANCE

	six months (03.10.11) %	one year (01.04.11) %	five years (02.04.07) % p.a. ^[a]	since launch (08.11.05) % p.a. ^[a]
M&G Property Portfolio Sterling Class 'A' units ^[b]	-0.3	-0.2	-7.1	-4.1

^[a] Shows the compound rate of return, per annum, over the period.

^[b] Bid to bid excluding reinvested income.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING MARCH)

From	31.03.11	31.03.10	31.03.09	31.03.08	30.03.07
To	30.03.12	31.03.11	31.03.10	31.03.09	31.03.08
	%	%	%	%	%
M&G Property Portfolio Sterling Class 'A' units ^[a]	+2.7	+4.1	+17.0	-21.5	-18.1

^[a] Nominated share class.

Source: Morningstar Inc., bid to bid with net income reinvested.

PRICES

	Calendar year	Income units		Accumulation units	
		Highest offer	Lowest bid	Highest offer	Lowest bid
Sterling (net)		p	p	p	p
Class 'A'	2007	112.05	88.18	n/a	n/a
	2008	93.63	67.78	n/a	n/a
	2009	74.68	62.93	75.97 ^[a]	62.94 ^[a]
	2010	77.28	70.41	80.94	72.22
	2011	77.54	69.37	83.89	74.45
	2012 ^[b]	77.28	72.85	84.26	79.74
Class 'C'	2007	n/a	n/a	126.36	105.72
	2008	n/a	n/a	108.79	84.93
	2009	n/a	n/a	93.27	80.74
	2010	n/a	n/a	100.54	93.33
	2011	n/a	n/a	105.48	98.08
	2012 ^[b]	n/a	n/a	106.25	105.55
Class 'P'	2011 ^[c]	78.07	69.82	n/a	n/a
	2012 ^[b]	77.74	73.22	n/a	n/a
Class 'R'	2007	112.10	88.22	n/a	n/a
	2008	93.64	67.82	n/a	n/a
	2009	74.72	62.95	n/a	n/a
	2010	77.31	70.41	n/a	n/a
	2011	77.58	69.39	n/a	n/a
	2012 ^[b]	77.29	72.83	n/a	n/a
Class 'S'	2007	112.22	92.95	n/a	n/a
	2008	93.66	71.43	n/a	n/a
	2009	74.77	66.27	n/a	n/a
	2010	77.37	74.09	n/a	n/a
	2011	77.64	73.05	n/a	n/a
	2012 ^[b]	77.37	76.67	n/a	n/a
Class 'X'	2007	112.05	92.82	n/a	n/a
	2008	93.63	71.36	n/a	n/a
	2009	74.69	66.25	n/a	n/a
	2010	77.29	74.12	n/a	n/a
	2011	77.56	73.03	n/a	n/a
	2012 ^[b]	77.30	76.71	n/a	n/a

^[a] From 29 May 2009 (the launch date of the Accumulation units).

^[b] To 2 April 2012.

^[c] From 14 March 2011 (the launch date of the unit class).

Past performance is not a guide to future performance.

The price of units and the income from them may go down as well as up, and you may get back less than you invested.

INCOME

Dividend income per unit					
	Calendar year	Interims	Distributed Final	Total	Reinvested
Sterling (net)		p	p	p	p
Class 'A'	2007	1.9020	0.7130	2.6150	n/a
	2008	2.0200	0.6600	2.6800	n/a
	2009	1.7630	0.5650	2.3280	n/a
	2010	1.5830	0.5720	2.1550	2.2183
	2011	1.5750	0.5590	2.1340	2.2413
	2012 [a]	0.9920	-	0.9920	1.0880
Class 'C'	2007	n/a	n/a	n/a	4.4170
	2008	n/a	n/a	n/a	4.5390
	2009	n/a	n/a	n/a	3.9960
	2010	n/a	n/a	n/a	3.9680
	2011	n/a	n/a	n/a	4.1560
	2012 [a]	n/a	n/a	n/a	2.0100
Class 'P'	2011	0.6780	0.6450	1.3230	n/a
	2012 [a]	0.5170	-	0.5170	n/a
Class 'R'	2007	2.0240	0.7620	2.7860	n/a
	2008	2.1520	0.6930	2.8450	n/a
	2009	1.8680	0.5970	2.4650	n/a
	2010	1.6850	0.6070	2.2920	n/a
	2011	1.6800	0.6500	2.3300	n/a
	2012 [a]	1.0850	-	1.0850	n/a
Class 'S'	2007	2.4550	0.9130	3.3680	n/a
	2008	2.5520	0.8260	3.3780	n/a
	2009	2.1850	0.6940	2.8790	n/a
	2010	1.9860	0.7130	2.6990	n/a
	2011	1.9890	0.6960	2.6850	n/a
	2012 [a]	1.2660	-	1.2660	n/a
Class 'X'	2007	1.9860	0.7480	2.7340	n/a
	2008	2.1150	0.6940	2.8090	n/a
	2009	1.8560	0.5950	2.4510	n/a
	2010	1.6660	0.6020	2.2680	n/a
	2011	1.6580	0.5940	2.2520	n/a
	2012 [a]	1.0350	-	1.0350	n/a

[a] Up to interim: ex-distribution date 2 April 2012;
payment date 31 May 2012.

MAJOR HOLDINGS

The major holdings at the end of this period and the previous year end are shown below.
as at 31 March 2012

Property	Location	Sector
Castle Vale Retail Park	Birmingham	Retail
Tesco Extra, White Cliffs Park	Dover	Retail
Ravenside Retail Park	London, N18	Retail
Stanley Green Retail Park, Earl Road	Cheadle	Retail
Tesco Supermarket Kilverstone	Thetford	Retail
Tesco Supermarket, London Road, Loudwater	High Wycome	Retail
Acergy UK Regional Campus, Westhill Business Park	Aberdeen	Office
3 Temple Quay	Bristol	Office
Scottish & Newcastle Distribution Centre, Mill Park	Thatcham	Industrial
4 Coleman Street	London, EC2	Office

Non-Property Investments

The Brewery, Romford (25% in Trust for Land)
The Fort Retail Park, Birmingham (12.5% in Trust for Land)
inProp UK Commercial Property Fund Class 'B'
MedicX Healthfund I LP

as at 30 September 2011

Property	Location	Sector
Castle Vale Retail Park	Birmingham	Retail
Tesco Extra, White Cliffs Park	Dover	Retail
Ravenside Retail Park	London, N18	Retail
Stanley Green Retail Park, Earl Road	Cheadle	Retail
Tesco Supermarket Kilverstone	Thetford	Retail
Tesco Supermarket, London Road, Loudwater	High Wycome	Retail
Acergy UK Regional Campus, Westhill Business Park	Aberdeen	Office
Scottish & Newcastle Distribution Centre, Mill Park	Thatcham	Industrial
3 Temple Quay	Bristol	Office
Buildings 1000 & 2000, G3, Cathedral Hill	Guildford	Office

Non-Property Investments

The Brewery, Romford (25% in Trust for Land)
The Fort Retail Park, Birmingham (12.5% in Trust for Land)
inProp UK Commercial Property Fund Class 'B'
MedicX Healthfund I LP

CLASSIFICATION OF INVESTMENTS

The table below shows the percentage holding per sector.

	% of trust as at	
	31.03.12	30.09.11
Retail	41.02	41.86
Office	17.33	18.02
Industrial	13.68	14.31
Leisure	8.39	8.39
Other investments	4.46	4.67

OTHER INFORMATION

The information in this Report is designed to enable unitholders to make an informed judgement on the activities of the trust during the period covered by the Report and the results of those activities at the end of the period. For more information about the activities and performance of the trust during this period please contact the manager.

Short Reports

This short report is issued in accordance with the requirements of the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Services Authority. This short report does not contain the financial statements of the M&G Property Portfolio, and it is unaudited.

Investment Report and Financial Statements

A copy of the ACD's Interim Investment Report and Financial Statements for the M&G Property Portfolio, which incorporates the trust's interim investment report and unaudited financial statements, or a copy of the ACD's Annual Investment Report and Financial Statements for the M&G Property Portfolio, which incorporates the trust's annual investment report and audited financial statements is available free of charge on request from our website at www.mandg.co.uk/reports or by calling M&G Customer Relations on 0800 390 390.

Manager

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(Authorised and regulated by the Financial Services Authority)

Investment manager

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Telephone: 020 7626 4588

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Administration office

M&G Securities Limited
PO Box 9039, Chelmsford CM99 2XG
Telephone: 0800 390 390

(For your security and to improve the quality of our service, we may record and randomly monitor telephone calls)

Trustee

The Royal Bank of Scotland Plc, Trustee & Depositary Services,
The Broadstone, 50 South Gyle Crescent, Edinburgh EH12 9UZ
(Authorised and regulated by the Financial Services Authority)

With effect from 28 October 2011:

National Westminster Bank Plc, Trustee & Depositary Services,
The Broadstone, 50 South Gyle Crescent, Edinburgh EH12 9LD
(Authorised and regulated by the Financial Services Authority)

Registrar

International Financial Data Services (UK) Limited
IFDS House, St. Nicholas Lane, Basildon, Essex SS15 5FS
(Authorised and regulated by the Financial Services Authority)

Property manager

Prudential Property Investment Managers Limited
Princeton House, 271 - 273 High Holborn, London WC1V 7NE

Standing independent valuer

Knight Frank LLP, 55 Baker Street, London W1U 8AN

Investment accounting services

State Street Global Services,
20 Churchill Place, London E14 5HJ
(Authorised and regulated by the Financial Services Authority)

Directors of the Manager

W J Nott (Chief Executive),
J R Talbot (Director and Secretary),
G N Cotton, C I Jackson, M Lewis, G W MacDowall, L J Mumford

Fund manager

Fiona Rowley
(Fiona Rowley is an employee of M&G Limited, which is an associate of M&G Securities Limited.)

Independent auditors

PricewaterhouseCoopers LLP,
7 More London Riverside, London SE1 2RT

Important information

The Royal Bank of Scotland Plc (RBS), the Trustee of the trust has transferred its Trustee and Depositary Services business to National Westminster Bank Plc, which took effect on 28 October 2011.

As Trustee, the National Westminster Bank Plc has the same duties and responsibilities as RBS and this change of Trustee will have no impact on the way the trust is operated.

Please note that, effective from 3 October 2011, State Street Bank and Trust Company has been assisting the Trustee in the performance of its function as Custodian of the Scheme Property.

M&G is a member of the Investment Management Association and of the Tax Incentivised Savings Association.

The Trust Deed can be inspected at our offices or at the office of the Trustee.

M&G Securities Limited is authorised and regulated by the Financial Services Authority and provides investment products. The company's registered office is Laurence Pountney Hill, London EC4R 0HH. Registered in England number 90776.