M&G Property Portfolio

Annual Long Report and audited Financial Statements
for the year ended 30 September 2017

M&G INVESTMENTS

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Company information

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M&G Property Portfolio

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(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of the Tax Incentivised Savings Association.)

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W J Nott (Chief Executive),
G N Cotton, N M Donnelly*, P R Jelfs, G W MacDowall, L J Mumford

* Appointed 9 June 2017.

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Fund manager
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An employee of M&G Limited, which is an associate of M&G Securities Limited.

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(Authorised and regulated by the Financial Conduct Authority)

* International Financial Data Services (UK) Ltd changed its name to DST Financial Services Europe Ltd on 14 August 2017.

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Please remember to quote your name and M&G client reference and sign any written communication to M&G. Failure to provide this will affect your ability to transact with us.

Telephone: 0800 390 390

For security purposes and to improve the quality of our service, we may record and monitor telephone calls. You will require your M&G client reference. Failure to provide this will affect your ability to transact with us.

The Instrument of Incorporation can be inspected at our offices or at the office of the Depositary.

Important information

The fund's temporary suspension was lifted and dealing in the fund's shares was resumed on 4 November 2016.

Please note that with effect from 16 December 2016:

- we have discounted the initial charge to zero on all new investments into sterling share classes that currently carry such a charge.
- we have waived the exit charges on future withdrawals from all Sterling Class 'X' shares.

The initial charge on all sterling classes and the exit charge on Sterling Class 'X' shares were effectively removed as from 29 September 2017.

In the 2016 Budget, the UK government announced that, effective from 6 April 2017, interest distributions from authorised investment funds may be paid without deducting income tax (currently 20%).

The M&G Property Portfolio is a Property Authorised Investment Fund. Distributions from the fund comprise three streams of income: Property Income Distributions, Interest Income and Dividend Income. As a result of the changes, prices for the share classes of the M&G Property Portfolio have been calculated without an accrual for the deduction of income tax on interest distributions from 1 January 2017.

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) presents its annual investment report and audited financial statements for the year ended 30 September 2017.

This Open-Ended Investment Company (OEIC) is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000. The Company is a Non-UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA.

The Company was authorised on 16 October 2012 and the fund was launched on 18 January 2013.

The Company's principal activity is to carry on business as an OEIC.

The annual investment report and audited financial statements for the M&G Property Portfolio for the year ended 30 September 2017 are set out in detail on pages 3 to 24.

G W MacDowall
Director of M&G Securities Limited

L J Mumford
Director of M&G Securities Limited

14 November 2017

M&G Property Portfolio

Authorised Corporate Director's Report

Investment objective

The investment objective of the fund is to carry on Property Investment Business and to manage cash raised from investors for investment in the Property Investment Business. In so doing, the fund aims to maximise long-term total return (the combination of income and growth of capital) through investment mainly in commercial property.

Investment policy

The fund 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 fund may also invest in other property related assets, including collective investment schemes, transferable securities, derivatives and debt instruments, as well as government debt, money market instruments and cash. Derivatives may be used for investment purposes as well as for efficient portfolio management.

Investment approach

The M&G Property Portfolio aims to maximise long-term total return through direct investment in commercial property. The fund is diversified across different property sectors (such as retail, offices and industrial). This is done by reviewing the structural and portfolio risk implications of holding various assets within the fund and when acquiring new assets for the fund. In researching properties and therefore the associated risk, the manager considers location, property type, rent review and lease expiry pattern, tenant, industry sector, tenure, lease covenants and physical and environmental factors.

Risk profile

The fund invests in a diversified portfolio of commercial property mainly in the UK. It is therefore subject to the price volatility of the UK commercial property markets as well as the performance of individual properties.

The fund is valued daily on both an 'offer' basis (how much its assets would cost to buy) and a 'bid' basis (how much the fund would receive if assets were sold). The difference between the two, known as the 'spread', is currently around 6.25%. The published dealing prices are based on either the offer or bid valuation, depending on whether investors are generally buying fund shares (the fund is in 'net inflow') or selling shares (the fund is in 'net outflow'). Should fund flows move from net inflow to net outflow, the dealing prices may 'swing' from an offer basis to a bid basis and fall by the extent of the spread. On the other hand, the dealing prices may rise by the same extent should fund flows move from net outflow to net inflow.

For large deals, the dealing price investors receive may be different from the published price. If investors are buying shares, they may receive a price that is higher than the quoted offer price. If investors are selling shares, they may receive a price that is lower than the quoted bid price.

In difficult market conditions, or if significant numbers of investors withdraw their investments from the fund at the same time, the manager may be forced to dispose of property investments, and the value of certain property investments may therefore be less predictable than usual. Under these circumstances, it may be harder to sell assets at the last valuation or quoted market price, or at a price considered to be fair. Such conditions could result in unpredictable changes in the value of the fund's holdings. In general, property investments are harder to buy and sell compared to investments in fixed income securities and company shares.

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 fund.

In addition, there is a risk that an occupational tenant on a property held in the fund's portfolio could default on its rental payments. Furthermore, the fund manager will place transactions, hold positions and place cash on deposit with a range of eligible persons or institutions, also known as counterparties. There is a risk that a counterparty may default on its obligations or become insolvent, which could have a negative impact on the value of the fund.

Portfolio diversification is key in managing liquidity and default risks as well as reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

Investment review

As at 2 October 2017, for the year ended 30 September 2017

Dealings in the M&G Property Portfolio and the M&G Feeder of Property Portfolio were temporarily suspended from midday on Monday 4 July 2016 (before the start of the review period) after high levels of uncertainty in the UK commercial property market caused an uptick in investor redemptions. The fund manager used the period of temporary suspension to sell properties in a controlled manner and increase the fund's cash position.

The M&G Property Portfolio and the M&G Feeder of Property Portfolio, resumed dealing on Friday 4 November (after the start of the review period). The decision to resume dealing was taken in agreement with the Depositary and Trustee and the Financial Conduct Authority was informed.

Performance against objective

Between 3 October 2016 (the start of the review period) and 2 October 2017, the M&G Property Portfolio produced a positive total return (the combination of income and growth of capital) across all share classes.*

Over the longer term (since the fund became a Property Authorised Investment Fund in January 2013 to 2 October 2017), the fund has achieved its objective of maximising long-term total return through direct investment in commercial property.

* For the performance of each share class, please refer to the 'Long-term performance by share class' table in the 'Fund performance' section of this report.

Market background

Over the review period, the UK commercial property market enjoyed a solid recovery in capital values and a steady increase in rental income. According to property consultant CBRE, UK commercial property recorded a robust total return of 10.9% over the 12 month period.

This performance is in marked contrast to the immediate aftermath of the UK referendum on membership of the European Union, when capital values fell by around 4% in the third quarter of 2016. (The third quarter of 2016, covers the three months before the start of the review period.)

Capital value growth has been strongest for Industrials. We believe valuations in the industrial sector are fairly well underpinned due to the lack of supply of quality assets. Moreover, there is ongoing demand from retailers for smaller warehouses close to towns, as online shoppers demand tighter delivery windows, while larger sheds are still required for regional and national distribution.

The office sector saw significant falls in capital values following the referendum, with City Offices the worst affected. Offices have since witnessed a solid rebound and over the review period, capital values have increased steadily. Including rental income, which grew modestly, Offices recorded a total return of around 9%. Although it is unclear at this stage the scale of any relocation of financial institutions to other European business centres, several institutions have announced their intention to relocate some of their operations from London.

The retail sector has seen the weakest growth in both capital and rental values. Despite this, the total return from the sector was over 8% and reflects the higher yields that can be obtained in the sector. Generally, most businesses are not cutting back on their requirements for retail space.

Property transactions, which ground to a halt in June 2016, totalled nearly £25 billion in the second half of 2016 and reached £51.4 billion for the year as a whole, surpassing their £41 billion 16-year average. This was due, in part, to sterling's weakness, which has resulted in increased interest from overseas buyers. These buyers have made up a little over half of this activity, with a renewed focus on Central London. For the first nine months of 2017, transactions have totalled £40.6 billion, which is up around 8% on the same period a year ago.

Portfolio structure

The portfolio is predominantly invested in what we believe to be either prime or good secondary property – the higher quality end of the spectrum. In terms of strategy, we aim to balance the elements of income and growth within the portfolio while, importantly, managing the fund's assets actively in order to optimise performance.

Over the review period, we sold a greater number of good secondary – relatively riskier – assets, than prime assets, which has tilted the fund's exposure more towards prime, higher-quality properties. The value of and crucially, the income from prime assets, tends to be more resilient in times of market stress.

The fund is a well-diversified portfolio designed to generate rental income across the UK by region and sector with valuations guiding asset allocation decisions. Across all sectors, the strength of rental growth in the next 12 to 18 months may have a significant bearing on property valuations going forward. The somewhat muted supply response in recent years (with the exception of Central London offices) and low historical vacancies should be supportive of rents at current levels.

In terms of positioning, our largest underweight exposure is to offices in Central London, that is, the City, Mid Town and the West End. Pricing has been driven higher in recent years, principally from overseas investors driving yields well below their long-run average. We forecast total returns for Central London offices will lag the broader market over the medium term, which would be supportive of the fund's relative performance. Overall, the fund's weighting in Offices is in line with the broader market (as measured by IPD, a company that provides analysis of the UK real estate market) as the underweight position in Central London is offset by overweight positions in South East Offices and Rest of UK Offices, where we forecast healthier returns.

Turning to the Retail sector, we have continued to observe an ongoing polarisation of rental growth between prime, dominant locations at the expense of fringe, secondary towns. As the internet continues to alter the way consumers spend, those towns and centres that draw the greatest level of footfall and dwell time consistently attract retailers prepared to pay a premium rent. We therefore retain our material underweight position to the High Street and overweight exposure to dominant regional sites, including Shopping Centres. We also favour out-of-town retail parks, which benefit from the steady rise in online shopping, particularly the increasing demand for 'click & collect' shopping.

Investment review

Portfolio structure (continued)

The fund has a small overweight position in supermarkets, which provide a steady income stream that is generally linked to movements in the Retail Prices Index or is subject to predefined increases. This should help protect, to a degree, the real income generated by the portfolio if inflation rises further.

In the industrial sector, the fund is underweight in London and the South East and in line the Rest of the UK. The fund has been underweight for some time as pricing has remained firm, making it challenging for us to find value in the sector.

Within the sector, demand is strong from retailers for smaller warehouses close to towns, as online shoppers demand tighter delivery windows, while larger sheds are still required for regional and national distribution. We forecast capital growth within the asset class will be strongest in Rest of UK Industrials and will look to add to our allocation there as attractive opportunities materialise.

Outside the three core property sectors, we hold a position in the growing direct student accommodation market. Student accommodation proved resilient in the last downturn and investment in this sector provides exposure to a market which is structurally undersupplied, as well as being accretive to the overall yield of the portfolio.

The portfolio's vacancy rate rose marginally during the reporting period and stands at 8.7% which is just above that of the benchmark. However, it should be noted the benchmark does not include developments, whereas the fund's vacancy rate does. Most of the vacancy rate is attributable to the fund's office holdings, some of which were development projects that completed in 2016.

The elevated vacancy rate does reduce the income distributed; however, the vacant buildings do represent an opportunity for the portfolio. These properties are best-in-class, prime assets, located in dense occupier markets and are garnering interest from prospective occupiers who, on becoming tenants, should underpin the assets' value and income generated by the fund.

In normal commercial property market conditions, we aim to keep the amount of cash held in the portfolio between 7.5% and 12.5% of the value of the fund. However, in the short to medium term, the cash holding on the fund is likely to be in excess of 15%, above our normal stated desired range, as a precautionary measure given the current uncertain economic climate. At the end of September, the fund's cash position was 18.3%.

Investment activities

In July 2016 (before the start of the review period), we took the decision to temporarily suspend trading in the fund in order to best protect the interests of the fund's investors, as redemptions rose markedly because of high levels of uncertainty in the UK property market following the UK referendum on membership of the European Union.

Suspending the fund enabled us to sell assets in an orderly manner and at reasonable values. In order to resume trading, we needed confidence that the market had stabilised and that we had raised sufficient cash in order to meet likely investor redemptions. In November 2016, our view was that we had reached that point and trading in the fund resumed as of midday, Friday 4 November.

Over the review period, we sold just over 50 properties and raised approximately £800 million, around three-quarters of which (in terms of value) came in the first six months. No purchases of note were made. Asset sales were guided with positioning in mind and with the aim of ensuring that going forward, the fund was aligned with those sectors forecast to outperform.

We sold a greater number of good secondary – relatively riskier – assets, than prime assets, which has tilted the fund's exposure more towards prime, higher-quality properties, whose value and crucially, income tends to be more resilient in times of market stress. Currently, around 65% of the fund is invested in prime properties, with the remainder invested in good secondary. According to an independent report by IPD, as a consequence of the sales decisions, the fund has moved from the top quartile to the top decile relative to its peer group, in terms of quality of income.

Nevertheless, the fund still retains a broad diversity of assets across all sectors throughout the UK, underpinned by good tenants with strong covenants – all key to generating ongoing interest from a broad spectrum of property investors. Critically, despite the considerable sales programme required to enable the resumption of dealing on the fund, both the liquidity of the portfolio and the fund allocation have been optimised, rather than compromised, for the years ahead.

Our desire to trim the fund's largest overweight position to retail warehouses and to focus on core assets within the sector saw a number of retail parks leave the portfolio including: Dysart Road, Grantham which was sold for £13.8 million; Castle Vale Birmingham (£58.4 million); Gala Retail Park, Galashiels (£10.0 million) and West Five Centre, West London (£40.0 million).

We also sold Tesco Kilverstone, a shop in Thetford, Norfolk for £43.2 million. The decision to sell was based on concerns over the potential to generate further rental growth from the asset. The lack of future rental growth would have an adverse impact on overall returns going forward.

We decided to reduce the fund's overweight position to Scotland, a decision made easier due to the uncertainty surrounding a second independence referendum. We sold an industrial unit in Dale Avenue, near Glasgow for £9.0 million and 97a/98 Princes Street & 3 Frederick Street, Edinburgh for £12.1 million. The Edinburgh property comprises two retail units and six recently completed residential apartments above the shops, which are vacant. A shop at 111-119, High Street, Perth, also left the portfolio.

In the office sector, we sold several properties in London, including Riverside House, located next to Southwark Bridge, for £144.4 million, Aliffe House, located in The City, for £40.0 million, Chiswick Green and an office park in West London, for £64.9 million.

We sold Riverside House for several reasons. Firstly, the property represents significant development risk – the asset needs a substantial sum of money spent on it in the coming years. Furthermore, a material lease comes up for renewal in 2018. This has the potential to create a large void at the building next year, representing around £4 million of rental income. Finally, as the fund size has fallen over the past year, because of outflows, this property's weighting in the fund has increased, thus elevating property-specific risk in the portfolio.

In the South East, Reading Bridge House (sold for £34.7 million), 64 Clarendon Road, Watford (£27.0 million) and Globe House in Maidenhead (£7.1 million) also left the portfolio. The office in Maidenhead was on the edge of the town and had a short-term lease. The property has been bought with permitted development rights for conversion into residential space.

Investment review

Investment activities (continued)

Outside the South East we sold offices in Leeds and Cardiff. Toronto Square, Leeds, was sold for £22.2 million. At the time of sale, around one-third of Toronto Square was vacant and we felt that securing a new tenant might be challenging, making the risk/reward profile of the asset unattractive. Fusion Point in Cardiff was sold for £8.8 million and was bought by the owner of the adjacent property.

In Industrials, the larger assets sold included Birch Coppice Business Park in Tamworth for £80.1 million. This asset was sold during the temporary suspension period and being one of the fund's more liquid assets, was sold specifically to raise sufficient funds to enable the fund to recommence dealing as soon as was practicable.

At the period end, the fund was in modest net outflow and the need to sell assets to meet redemptions has dissipated. Properties sold recently were chosen principally because of their less compelling risk/return characteristics compared to other assets in the fund. This move to sell predominantly on investment grounds is driven by our annual strategic portfolio review, not the need to raise capital to meet redemptions and is a positive development.

Asset management

Active asset management continued during the review period so as to enhance the performance of the portfolio by maintaining values through securing and strengthening rental income.

Retail

Activity took place at a number of the fund's shopping centre and retail park assets.

At Fremlin Walk Shopping Centre, Maidstone, we completed a new letting to Three Mobile for a lease term of 10 years from December 2016. The rent achieved has boosted the level of rents for the Grade A part of the shopping centre. Additionally, 5-year leases were renewed with Body Shop and Hotel Chocolat.

Recent activity at Corktree Retail Park, Chingford includes completing new leases to DSG Retail (trading as Currys) and Decathlon. In the case of DSG Retail, we secured a 10-year FRI lease (a lease which imposes full repairing and insuring obligations on the tenant). Meanwhile, the new lease with Decathlon was a 15-year FRI lease with a tenant break option in year 10.

At Riverside Retail Park in Northampton, a rent review was completed with McDonalds and KFC. In both cases the new rents represent a substantial uplift from the previous amount. A rent review was also completed with Sainsbury's at Lindis Retail Park, Lincoln. The new rent is effective June 2016 and also represents an uplift from the previous amount. We also completed a 20-year reversionary lease (a lease that takes effect when an existing lease has expired) with DP Realty (which trades as Domino's Pizza). This extends the unexpired term to 2044.

At Tungsten Business Park, a 65,200 sq ft speculative development, we let two units to Howdens, on a 15-year lease, with a tenant break clause at year 10. The terms included a rent free period of nine months and the rent achieved was above the estimated rental value for the asset. We also let another unit to Auto Windscreens, on a 10-year lease, with a tenant break clause at year five. The terms included a rent free period of three months. As a result of this recent activity, Tungsten Business Park is now 85% let.

At Parc Trostre Retail Park, Llanelli, one of the fund's largest assets, a 25-year lease commencing April 2017 was completed with Primark; the tenant has a break option in April 2032. Primark is an excellent addition to the retail park and, as a result, we estimate that footfall should increase by some 8%. We also completed a lease renewal on alternative/new terms with TK Maxx, which secures income for the next five years and a reversionary lease with WH Smith.

At Newcastle Shopping Park, we completed on a variation to the lease with anchor tenant Asda. The previous lease was not optimal and most notably contained a tenant only break clause exercisable in August 2026, with the principal term continuing until August 2036. This break clause has now been removed in exchange for a rent free period. In addition, issues with the service charge and the landlord's covenant to provide car parking in line with the number of spaces that actually exist on the site, have been resolved.

Offices

In the office sector, a large US law firm signed a 10-year lease for the top floor at Alder Castle in the City of London, leaving three floors undergoing refurbishment. The rental value achieved was a new high for the building.

At Reading Bridge House, we agreed a new five-year lease with Thames Water Utilities on part of the seventh floor. No rent-free period was granted due to the flexible nature of the lease.

We also completed the remodelling of the receptions at 3 Hardman Square, Manchester and Toronto Square, Leeds. The work was carried out in order to make the office buildings more appealing for existing and prospective tenants. At Toronto Square, Leeds, we completed the surrender of a lease to legal firm Gateley. Subsequently, we have let part of the seventh floor to Bevan Brittan LLP for a five-year term, with a 12-month rent free period.

At 3 Temple Quay, Bristol we completed a letting to Towers Watson at an increased rent on unrefurbished space. The seven-year term-certain lease included a six-month rent-free period.

Industrial

At the Royal Mail distribution centre in Normanton, Yorkshire, we completed a reversionary lease with the tenant. The lease is for a 10-year period from the expiry of the current lease in December 2019, and has a tenant-only break clause after five years and includes a short rent-free period. As a result of the rent review, there has been an uplift in the valuation of the asset from £14.3 million to £15.5 million. A rent review was also completed at the Royal Mail distribution centre in Warrington, which resulted in an increase in rental value. This led to an increase in the property's valuation from £19,650,000 to £20,850,000.

In the industrial sector, the tenant at the distribution warehouse on Dale Avenue, Glasgow agreed a new 10-year lease securing income for the portfolio. Similarly, a rent review at Kingsbury also validated the ongoing investment in the sector for a well-positioned distribution unit near Tamworth, West Midlands, with a rent increase of 5%.

Investment review

Portfolio structure (continued)

At our distribution warehouse in Southampton, we completed a rent review with tenant Tesco. As a result, the asset's valuation increased from £7.2 million to £7.8 million.

At Bardon Hill Industrial Estate, Coalville, a three-year lease was completed with DHL Supply Chain Limited for £1.3 million per annum. The letting completed on 30 June 2017 and the term start date was 1 July 2017.

Other sectors

At The Peel Centre, Blackburn, a mixed retail and leisure park, the re-configuration and the refurbishment of the property was completed. The site includes a cinema, bowling alley and restaurants. As part of the building works, the bowling alley was downsized to make it more marketable and we have exchanged on an agreement for lease of 15 years with Tenpin. In addition, we completed a letting to Nandos for a 20-year lease on a new c.3,500 sq. ft. catering unit located below the Vue Cinema.

At Medway Valley Leisure Park, Rochester, a re-gear of the lease with McDonalds was completed, extending the term by 20 years to September 2042.

Outlook

Despite investors' concerns following the UK referendum on membership of the European Union, UK commercial property values in total have now recovered all of the capital losses recorded as a result of the 'Leave' vote.

In our opinion, the condition of the property market prior to the vote was a key factor in its swift recovery. The combination of several years of moderate rental growth and a muted supply response has kept rents at sustainable levels. Meanwhile, deleveraging by investors combined with responsible lending by the banks has resulted in the sturdy property fundamentals that underpin the market today. However, evidence has begun to emerge of a divergence in returns across the market, depending on asset quality – whilst prime property has recovered, prices for secondary assets have been slow to stabilise.

In terms of sectors, Industrials continue to outperform, with returns driven by a combination of yield compression and good rental growth. Historically, the investment case for Industrials was based on a high yield, with little to no rental growth expected. However, the popularity of e-commerce has led to an increase in demand for well-located fulfilment centres and smaller distribution units. Keen competition for this space has also led to an improvement in the lease terms landlords can expect to achieve. We envisage this to continue in the near term; however, as new units enter the market in the next year or two, rental growth could soften.

Meanwhile, the dire predictions by some for the office sector, in light of the 'Leave' vote – which was driven by concerns over Central London (20% of the office sector) – have failed to materialise, although capital values remain below pre-referendum levels. Across the regions offices have also performed better than expected. Central London in particular has benefitted from strong interest from overseas investors. Furthermore, with vacancy rates at levels that typically propel rents higher, and news of ongoing demand for space in London, the outlook for the sector appears attractive.

While this sector has surprised on the upside, there are reasons for concern, in our view. For example, properties have been withdrawn from the market, having been unsuccessful in attracting bidders at the asking price. In addition, rent-free periods on new tenant agreements and lease renewals are being extended. Meanwhile, in the serviced office market, take up of new space by companies that provide shared work space now needs to be filled. This has the effect of flattering current demand, at the expense of future demand, and adding historically high rents to the mix, we believe the outlook for Central London Offices looks challenged relative to the 'Big 6' cities and the Thames corridor. In these locations outside London, rents are at sustainable levels and tenant activity is rising tentatively.

Like the office sector, Retail has not recovered all of the losses made in the summer of 2016. Similarly, there are areas of the sector that look better placed than others to evolve with the changes brought about by technology. What is becoming clear is that in order for retailers to meet consumers' needs, they require a physical presence. So much so, those pure online businesses are selectively taking space to satisfy click-and-collect and returns.

Within the sector, the area that looks most compromised is secondary assets located in smaller towns, where a vicious circle of weak tenant demand gives rise to vacancies, creating a less enticing shopping experience and results in further empty units as tenants leave. At a time when retailers are consolidating their footprint rather than expanding it, strong revenue generating sites are likely to witness higher occupier demand, at the expense of less dominant locations.

Looking ahead, we expect UK commercial property to generate mid-single digit returns over the next five years, with some short-term weakness expected in 2018. This weakness is expected to come predominantly from Central London Offices and Retail, where rents and rates are notably high.

The investor market remains healthy, buoyed by overseas demand, while occupiers have re-engaged after a slight hiatus towards the end of 2016. However, the current uncertain political and economic landscape does temper our positive appraisal of the state of the UK commercial property market in the near term.

Fiona Rowley
Fund manager

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 on how the fund or any holding mentioned in the Report 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.

Investments

Portfolio statement

as at 30 September Location		2017 £'000	2017 %	2016 %
	Retail properties	**1,365,622**	**36.89**	**37.56**
	Values between £100 million and £150 million	**374,267**	**10.11**	**11.38**
Llanelli	Parc Trostre Retail Park			
Bridgend	Wales Designer Outlet, The Derwen			
Maidstone	19-21 Fremlin Walk			
	Values between £50 million and £100 million	**428,330**	**11.57**	**8.09**
Sutton Coldfield	The Gracechurch Centre			
Northampton	Riverside Retail Park			
London, N18	Ravenside Retail Park			
High Wycombe	Wycombe Retail Park			
Lincoln	Lindis Retail Park, Tritton Road			
Romford	The Brewery (25% of Trust for Land)			
	Values between £20 million and £50 million	**355,383**	**9.60**	**11.61**
Tyne And Wear	Newcastle Shopping Park, Fossway, Heaton, Byker			
High Wycombe	Tesco Supermarket, London Road, Loudwater			
London, E4	Corktree Retail Park, Hall Lane, Chingford			
Petersfield	1-20 Rams Walk & 11-13 The Square			
Ayr	Ayr Central Shopping			
Bolton	Bolton Shopping Park, Trinity Street			
Cannock	Orbital Retail Park, Voyager Drive			
Scarborough	Brunswick Shopping Centre			
Birmingham	The Fort Retail Park (12.5% of Trust for Land)			
Blandford St Mary	Tesco Supermarket, Stour Road			
Croydon	Trafalgar Way Retail Park, Purley Way			
	Values up to £20 million	**207,642**	**5.61**	**6.48**
Sheffield	Debenhams, The Mall and Charter Square			
Haverfordwest	Springfield Retail Park			
Londonderry	Lisnagelvin Retail Park			
Harrogate	Royal Baths and Harrogate House			
York	3/7 Coney Street			
Belfast	17-21 Donegall Place			
Newcastle	46/48 Northumberland Street & 1/5 Saville Row			
Northampton	Tungsten Business Park, Caswell Road,			
Harrow	Debenhams, 275 Station Road			
Glasgow	70/76 Argyle Street			
Southampton	57/61 Above Bar Street			
Worcester	48-50 High Street & 3-6 The Shambles			
Chester	43 Eastgate Street			
St Albans	Lockey House, St Peters Street			
London, N1	359 Upper Street, The Mall			
Brighton	45 East Street & 10-12 Castle Square			
Leeds	27-28 Commercial Street			
Peterborough	Barclays Bank, 1/3 Church Street			
Winchester	71/73 St Georges Street & 126 High Street			
Hounslow	210/212 High Street			
Leeds	25-26 Commercial Street			

Portfolio statement (continued)

as at 30 September Location		2017 £'000	2017 %	2016 %
	Office properties	**918,300**	**24.81**	**30.20**
	Values between £150 million and £200 million	**172,881**	**4.67**	**4.05**
Heathrow	1-8 New Square Bedfont Lakes Office Park			
	Values between £100 million and £150 million	**0**	**0.00**	**3.66**
	Values between £50 million and £100 million	**311,090**	**8.41**	**8.55**
Manchester	3 Hardman Square, Spinningfields			
London, EC2	Alder Castle, 10 Noble Street			
Glasgow	Aurora Building, 120 Bothwell Street			
Uxbridge	Enterprises House, Bakers Road			
	Values between £20 million and £50 million	**394,729**	**10.66**	**10.36**
Maidenhead	Quantum Business Park			
Reading	Aldwych House, Blagrave Street			
Birmingham	120 Edmund Street			
Bristol	3 Temple Quay			
Aberdeen	Acergy UK Regional Campus, Westhill Business Park			
Milton Keynes	Wavendon Business Park			
Uxbridge	Stockley Park, 5 The Square			
Brighton	2 City Park			
Staines	20 Kingston Road			
Aberdeen	The Capitol, 431 Union Street			
London W8	2 Kensington Square			
Aberdeen	City View, Craigshaw Drive			
London E14	8 Greenwich View Place			
	Values up to £20 million	**39,600**	**1.07**	**3.58**
Glasgow	23 Cadogan Street			
London N1	Units 1-4 The Yard, 122 East Road			
Guernsey	Mill Court, La Charotterie, St Peter Port			
	Industrial properties	**504,316**	**13.62**	**14.79**
	Values between £50 million and £100 million	**69,100**	**1.86**	**3.28**
Belvedere	Iron Mountain Distribution Warehouse, Isis Reach, Norman Road			
	Values between £20 million and £50 million	**272,346**	**7.36**	**6.02**
Birmingham	Units 2-12, 14 & 15, Junction 6 Industrial Estate, Electric Avenue			
Southampton	Tesco Distribution Unit, Main Site, Nursling Industrial Estate			
Bristol	Plot 4000, Western Approach Distribution Park			
Enfield	Heritage House, Southbury Road			
Didcot	Booker Unit, Foxhall Road			
Aberdeen	Sites A1, A7-A10, A12, A15-A25 & A29, Altens Industrial Estate			
Aberdeen	Sites WT1-WT5 & WT8-WT18 & WT20, West Tullos Industrial Estate			
Walsall	TK Maxx Distribution Centre, Green Lane			
Warrington	Royal Mail Distribution Centre, Orion Boulevard			
	Values up to £20 million	**162,870**	**4.40**	**5.49**
Coalville	Canon Unit, 22 Beveridge Lane, Bardon Hill			
Rainham	Wincanton Distribution Unit			
Tamworth	DSV, Kingsbury Link, Trinity Road			
Normanton	Royal Mail Distribution Centre, Tuscany Way, Wakefield Europort			
Thrapston	Units HP1 & HP2, Halden's Parkway			

Investments

Portfolio statement (continued)

as at 30 September Location		2017 £'000	2017 %	2016 %
	Industrial properties (continued)			
	Values up to £20 million (continued)			
Lutterworth	Plot 3320, Magna Park			
Fareham	11 Barnes Wallis Road			
Southampton	Norbert Dentressangle Recycling Plant, Site 1b, Nursling Industrial Estate			
Hartlebury	Unit 100, Hartlebury Trading Estate			
Nottingham	Unit 10, Blenheim Park			
Tamworth	Inalfa Unit Kingsbury Link			
Aberdeen	Portfolio of 7 Ground Leases, Murcar Industrial Estate			
Aberdeen	Units 1-4 Howe Moss Drive, Kirkhill Industrial Estate			
Normanton	Unit 1000, Normanton Industrial Estate			
Aberdeen	Souterhead Industrial Estate			
	Leisure properties	**186,839**	**5.05**	**5.01**
	Values between £20 million and £50 million	**130,009**	**3.51**	**2.46**
Rochester	Medway Valley Leisure Park			
Stansted	Premier Inn Hotel Thremhall Avenue			
Telford	Southwater Square			
Blackburn	Peel Retail & Leisure Centre, Lower Audley Street			
	Values up to £20 million	**56,830**	**1.54**	**2.55**
Swansea	Premier Inn Hotel, The Waterfront Development			
Birmingham	Travelodge - 2225 Coventry Road			
Milton Keynes	Travelodge - Burchard Crescent			
Walton on Thames	Travelodge - Ashley Park Road			
Slough	Travelodge - 399 London Road, Langley			
Northampton	Travelodge - London Road			
Redhill	Travelodge - 2 Redstone Hill			
Woodford Green	Travelodge - 735 Chigwell Road			
Borehamwood	Travelodge - Studio Way			
London, E11	Travelodge - 73 Hollybush Hill, Snaresbrook			
Arundel	Travelodge - Fontwell Avenue			
Northolt	Travelodge - Mandeville Road			
Eastbourne	Travelodge - Highfield Park, Willingdon Drove			
London, N14	Travelodge - The Green, Southgate			
Portsmouth	Travelodge - 1 Whichers Gate Road, Rowland's Castle			
	Other properties	**28,500**	**0.77**	**0.62**
	Values between £20 million and £50 million	**28,500**	**0.77**	**0.62**
Birmingham	Selly Oak Student Quarter			
Total direct properties		**3,003,577**	**81.14**	**88.18**

Portfolio statement (continued)

as at 30 September Location		2017 £'000	2017 %	2016 %
	Indirect properties	**28,746**	**0.78**	**0.66**
	Kames Target Healthcare I LP	16,275	0.44	
	Octopus Healthcare Fund (formerly MedicX Healthfund I LP)	12,471	0.34	
Portfolio of investments		**3,032,323**	**81.92**	**88.84**
	'AA' credit rated bonds [a]	**399,862**	**10.80**	**0.00**
£100,000,000	Treasury 0% (9 Oct 2017)	99,995	2.70	
£50,000,000	Treasury 0% (30 Oct 2017)	49,995	1.35	
£50,000,000	Treasury 0% (6 Nov 2017)	49,992	1.35	
£50,000,000	Treasury 0% (27 Nov 2017)	49,987	1.35	
£50,000,000	Treasury 0% (18 Dec 2017)	49,975	1.35	
£50,000,000	Treasury 0% (2 Jan 2018)	49,966	1.35	
£50,000,000	Treasury 0% (29 Jan 2018)	49,952	1.35	
Total portfolio		**3,432,185**	**92.72**	**88.84**
Net other assets / (liabilities)		**269,501**	**7.28**	**11.16**
Net assets attributable to shareholders		**3,701,686**	**100.00**	**100.00**

[a] Cash equivalents.

M&G Property Portfolio

Financial highlights

Fund performance

Please note past performance is not a guide to future performance and the value of 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.

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the share classes. Performance is shown after deduction of this charge. All investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have invested.

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Property Portfolio, which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

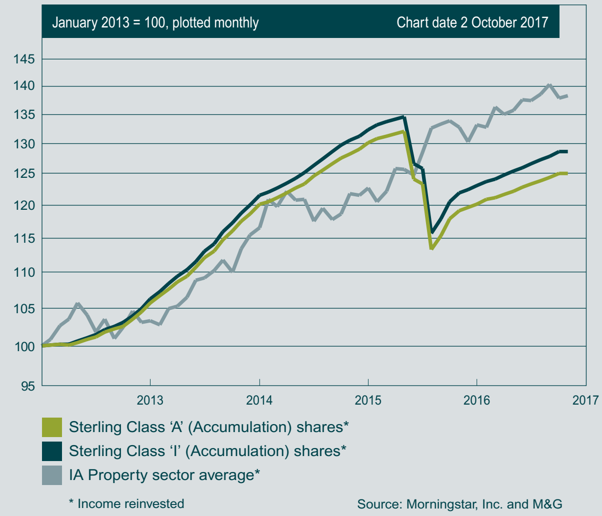
Fund level performance

Fund net asset value

as at 30 Spetember	2017 £'000	2016 £'000	2015 £'000
Fund net asset value (NAV)	3,701,686	4,102,611	4,588,640

Performance since launch

To give an indication of how the fund has performed since launch, the chart below shows total return of Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.



To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a bid to bid basis with income reinvested.

Long-term performance by share class

	One year 03.10.16 % [a]	Three years 02.10.14 % p.a.	Five years 02.10.12 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	+6.0	+2.5	n/a	+4.9 [c]
Class 'D'	+6.8	+3.2	n/a	+5.6 [c]
Class F'	+6.7	+3.4	n/a	+5.8 [c]
Class 'I'	+6.7	+3.1	n/a	+5.5 [c]
Class 'R'	+6.5	+2.9	n/a	+5.3 [c]
Class X'	+5.7	+2.3	n/a	+4.7 [c]

[a] Absolute basis.

[b] Bid to bid with income reinvested.

[c] 18 January 2013, the launch date of the fund.

M&G Property Portfolio

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, comprised of operating charges and portfolio transaction costs.

Operating charges

Operating charges include payments made to M&G and to providers independent of M&G:

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Administration:** Charge paid to M&G for administration services in addition to investment management – any surplus from this charge will be retained by M&G.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.
- **Property expenses:** Costs associated with the management and operation of the property portfolio itself, including day-to-day property management and rent collection.

The operating charges paid by each share class of the fund are shown in the following performance tables. Operating charges do not include portfolio transaction costs or any entry and exit charges (also known as initial and redemption charges). The charging structures of share classes may differ, and therefore the operating charges may differ.

Operating charges are the same as the ongoing charges shown in the Key Investor Information Document, other than where an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

For this fund there is no difference between operating charges and ongoing charges figures, unless disclosed under the specific share class performance table.

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange and method of execution.

Investments are bought or sold by a fund when changes are made to the investment portfolio and in response to net flows of money into or out of the fund from investors buying and selling shares in the fund.

Portfolio transaction costs include the costs of acquiring or disposing, as the case may be, of all the assets forming the scheme property, being agents' commissions, legal, fiscal and financial advisory fees and additionally in the case of acquisitions, surveyors' fees and taxes, including Stamp Duty Land Tax (SDLT).

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. The table below shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs.

Further information on this process is in the Prospectus, which is available free of charge on request either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Portfolio transaction costs

for the year to 30 September Direct portfolio transaction costs [b]	2017 %	2016 %	2015 %	Average [a] %
Agents' fees	0.01	0.04	0.16	0.07
Land registry fees	0.00	0.00	0.00	0.00
Legal fees	0.18	0.09	0.02	0.10
Marketing fees	0.00	0.00	0.00	0.00
Retained sum	0.00	0.00	0.00	0.00
SDLT	0.00	0.12	0.72	0.28
Survey fees	0.00	0.00	0.01	0.00
Valuation fees	0.00	0.00	0.01	0.00
Costs before dilution adjustments	0.19	0.25	0.92	0.45
Dilution adjustments [c]	(0.13)	(0.17)	(0.92)	(0.41)
Total direct portfolio transaction costs	0.06	0.08	0.00	0.04

[a] Average of first three columns.

[b] As a percentage of average net asset value.

[c] In respect of direct portfolio transaction costs. Please see the section above this table for an explanation of dilution adjustments.

M&G Property Portfolio

Financial highlights

Specific share class performance

The following tables show the performance of each share class. All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per share (NAV). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

Interest distributions payable to holders of Sterling Income shares are shown gross, including any income tax. Retained interest distributions in respect of Sterling Accumulation shares are shown net of income tax, with the income tax payable shown as distributions.

Sterling Class 'A' Income share performance

The share class was launched on 18 January 2013.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	111.46	116.80	109.27
Return before operating charges and after direct portfolio transaction costs	9.34	0.90	13.80
Operating charges	(2.70)	(2.48)	(2.15)
Return after operating charges	6.64	(1.58)	11.65
Distributions	(2.76)	(3.76)	(4.12)
Closing NAV	115.34	111.46	116.80
Direct portfolio transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.22	0.29	1.04
Dilution adjustments [a]	(0.15)	(0.20)	(1.04)
Total direct portfolio transaction costs	0.07	0.09	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.06	0.08	0.00
Operating charges excluding property expenses	1.70	1.67	1.66
Property expenses	0.69	0.46	0.23
Operating charges	2.39	2.13	1.89
Return after operating charges	+5.96	-1.36	+10.66
Historic yield	2.38	3.43	3.53
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	134,878	133,178	162,293
Closing NAV percentage of total fund NAV (%)	3.64	3.25	3.54
Number of shares	116,936,298	119,486,298	138,949,298
Highest share price (UK p)	124.77	132.22	129.45
Lowest share price (UK p)	118.35	119.44	120.53

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 January 2013.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	124.77	127.32	115.65
Return before operating charges and after direct portfolio transaction costs	10.53	0.87	14.78
Operating charges	(3.02)	(2.67)	(2.30)
Return after operating charges	7.51	(1.80)	12.48
Distributions	(3.12)	(4.13)	(4.41)
Retained distributions	2.58	3.38	3.60
Closing NAV	131.74	124.77 *	127.32
Direct portfolio transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.24	0.33	1.12
Dilution adjustments [a]	(0.17)	(0.22)	(1.11)
Total direct portfolio transaction costs	0.07	0.11	0.01
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.06	0.08	0.00
Operating charges excluding property expenses	1.70	1.67	1.66
Property expenses	0.67	0.41	0.23
Operating charges	2.37	2.08	1.89
Return after operating charges	+6.02	-1.41	+10.79
Historic yield	2.35	3.36	3.47
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	74,592	89,664	205,907
Closing NAV percentage of total fund NAV (%)	2.02	2.19	4.49
Number of shares	56,620,668	71,862,668	161,728,623
Highest share price (UK p)	139.66	146.05	140.15
Lowest share price (UK p)	131.07	132.85	127.57

* Restated.

Sterling Class 'D' Income share performance

The share class was launched on 18 January 2013.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	1,114.79	1,168.34	1,093.02
Return before operating charges and after direct portfolio transaction costs	93.60	8.77	138.11
Operating charges	(16.84)	(14.25)	(11.35)
Return after operating charges	76.76	(5.48)	126.76
Distributions	(37.87)	(48.07)	(51.44)
Closing NAV	1,153.68	1,114.79	1,168.34
Direct portfolio transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	2.17	2.95	10.45
Dilution adjustments [a]	(1.52)	(2.02)	(10.43)
Total direct portfolio transaction costs	0.65	0.93	0.02
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.06	0.08	0.00
Operating charges excluding property expenses	0.79	0.77	0.76
Property expenses	0.69	0.46	0.24
Operating charges	1.48	1.23	1.00
Return after operating charges	+6.89	-0.47	+11.60
Historic yield	3.26	4.37	4.40
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	60,210	61,361	73,858
Closing NAV percentage of total fund NAV (%)	1.63	1.50	1.61
Number of shares	5,218,937	5,504,237	6,321,637
Highest share price (UK p)	1,217.32	1,284.31	1,257.45
Lowest share price (UK p)	1,183.87	1,159.41	1,168.64

Specific share class performance

Sterling Class 'D' Accumulation share performance

The share class was launched on 18 January 2013.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	1,281.24	1,298.06	1,170.90
Return before operating charges and after direct portfolio transaction costs	108.38	8.11	149.88
Operating charges	(19.20)	(14.53)	(12.29)
Return after operating charges	89.18	(6.42)	137.59
Distributions	(43.94)	(55.68)	(55.88)
Retained distributions	36.05	45.28	45.45
Closing NAV	1,362.53	1,281.24	1,298.06
Direct portfolio transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	2.54	3.37	11.35
Dilution adjustments [a]	(1.78)	(2.31)	(11.32)
Total direct portfolio transaction costs	0.76	1.06	0.03
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.06	0.08	0.00
Operating charges excluding property expenses	0.79	0.76	0.76
Property expenses	0.66	0.33	0.24
Operating charges	1.45	1.09	1.00
Return after operating charges	+6.96	-0.49	+11.75
Historic yield	3.21	4.39	4.31
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	1,290	1,270	171,503
Closing NAV percentage of total fund NAV (%)	0.03	0.03	3.74
Number of shares	94,700	99,100	13,212,300
Highest share price (UK p)	1,430.03	1,451.11	1,385.20
Lowest share price (UK p)	1,364.55	1,321.57	1,251.83

Sterling Class 'F' Income share performance

The share class was launched on 18 January 2013.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	111.49	116.85	109.36
Return before operating charges and after direct portfolio transaction costs	9.36	0.88	13.77
Operating charges	(1.00)	(0.74)	(0.45)
Return after operating charges	8.36	0.14	13.32
Distributions	(4.47)	(5.50)	(5.83)
Closing NAV	115.38	111.49	116.85
Direct portfolio transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.22	0.29	1.05
Dilution adjustments [a]	(0.15)	(0.20)	(1.04)
Total direct portfolio transaction costs	0.07	0.09	0.01
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.06	0.08	0.00
Operating charges excluding property expenses	0.20	0.17	0.16
Property expenses	0.68	0.47	0.24
Operating charges	0.88	0.64	0.40
Return after operating charges	+7.50	+0.12	+12.18
Historic yield	3.86	4.99	4.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	2,374,784	2,602,552	2,762,640
Closing NAV percentage of total fund NAV (%)	64.15	63.43	60.20
Number of shares	2,058,143,808	2,334,238,573	2,364,319,005
Highest share price (UK p)	121.89	126.03	123.39
Lowest share price (UK p)	116.85	113.72	114.53

Sterling Class 'I' Income share performance

The share class was launched on 18 January 2013.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	1,114.73	1,168.20	1,093.68
Return before operating charges and after direct portfolio transaction costs	93.56	9.08	137.32
Operating charges	(18.45)	(16.24)	(13.04)
Return after operating charges	75.11	(7.16)	124.28
Distributions	(36.16)	(46.31)	(49.76)
Closing NAV	1,153.68	1,114.73	1,168.20
Direct portfolio transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	2.17	2.94	10.45
Dilution adjustments [a]	(1.52)	(2.02)	(10.43)
Total direct portfolio transaction costs	0.65	0.92	0.02
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.06	0.08	0.00
Operating charges excluding property expenses	0.95	0.92	0.91
Property expenses	0.68	0.48	0.24
Operating charges	1.63	1.40	1.15
Return after operating charges	+6.74	-0.61	+11.36
Historic yield	3.12	4.21	4.26
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	803,243	923,501	873,174
Closing NAV percentage of total fund NAV (%)	21.70	22.51	19.03
Number of shares	69,624,227	82,845,327	74,744,924
Highest share price (UK p)	1,216.89	1,283.86	1,256.98
Lowest share price (UK p)	1,183.79	1,159.13	1,168.57

M&G Property Portfolio

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 18 January 2013.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	1,275.54	1,293.93	1,174.89
Return before operating charges and after direct portfolio transaction costs	108.11	9.47	143.28
Operating charges	(21.30)	(18.27)	(14.20)
Return after operating charges	86.81	(8.80)	129.08
Distributions	(41.77)	(51.55)	(53.89)
Retained distributions	34.30	41.96	43.85
Closing NAV	1,354.88	1,275.54	1,293.93
Direct portfolio transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	2.51	3.30	11.37
Dilution adjustments [a]	(1.76)	(2.26)	(11.34)
Total direct portfolio transaction costs	0.75	1.04	0.03
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.06	0.08	0.00
Operating charges excluding property expenses	0.95	0.92	0.91
Property expenses	0.68	0.48	0.24
Operating charges	1.63	1.40	1.15
Return after operating charges	+6.81	-0.68	+10.99
Historic yield	3.07	4.10	4.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	234,627	269,877	247,986
Closing NAV percentage of total fund NAV (%)	6.34	6.58	5.40
Number of shares	17,317,204	21,157,904	19,165,354
Highest share price (UK p)	1,422.00	1,445.19	1,380.70
Lowest share price (UK p)	1,358.18	1,315.85	1,249.29

Sterling Class 'R' Income share performance

The share class was launched on 18 January 2013.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	111.50	116.82	109.29
Return before operating charges and after direct portfolio transaction costs	9.30	0.63	13.80
Operating charges	(2.08)	(1.71)	(1.58)
Return after operating charges	7.22	(1.08)	12.22
Distributions	(3.33)	(4.24)	(4.69)
Closing NAV	115.39	111.50	116.82
Direct portfolio transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.22	0.29	1.04
Dilution adjustments [a]	(0.15)	(0.20)	(1.04)
Total direct portfolio transaction costs	0.07	0.09	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.06	0.08	0.00
Operating charges excluding property expenses	1.20	1.17	1.16
Property expenses	0.64	0.30	0.23
Operating charges	1.84	1.47	1.39
Return after operating charges	+6.48	-0.93	+11.18
Historic yield	2.87	3.86	4.02
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	2,457	3,865	68,410
Closing NAV percentage of total fund NAV (%)	0.07	0.09	1.49
Number of shares	2,129,058	3,466,058	58,561,058
Highest share price (UK p)	121.65	128.15	125.62
Lowest share price (UK p)	118.40	115.90	116.85

Sterling Class 'R' Accumulation share performance

The share class was launched on 18 January 2013.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	126.64	128.53	116.47
Return before operating charges and after direct portfolio transaction costs	10.76	1.12	14.73
Operating charges	(2.47)	(2.11)	(1.73)
Return after operating charges	8.29	(0.99)	13.00
Distributions	(3.82)	(4.84)	(5.06)
Retained distributions	3.14	3.94	4.12
Closing NAV	134.25	126.64	128.53
Direct portfolio transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.25	0.33	1.13
Dilution adjustments [a]	(0.17)	(0.23)	(1.13)
Total direct portfolio transaction costs	0.08	0.10	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.06	0.08	0.00
Operating charges excluding property expenses	1.20	1.17	1.16
Property expenses	0.70	0.46	0.23
Operating charges	1.90	1.63	1.39
Return after operating charges	+6.55	-0.77	+11.16
Historic yield	2.83	3.88	3.94
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	829	792	937
Closing NAV percentage of total fund NAV (%)	0.02	0.02	0.02
Number of shares	617,648	625,648	728,648
Highest share price (UK p)	140.89	143.55	137.34
Lowest share price (UK p)	134.78	130.66	124.51

M&G Property Portfolio
Financial highlights

Specific share class performance

Sterling Class 'X' Income share performance

The share class was launched on 18 January 2013.

for the year to 30 September **Change in NAV per share**	**2017** **UK p**	**2016** **UK p**	**2015** **UK p**
Opening NAV	111.46	116.81	109.49
Return before operating charges and after direct portfolio transaction costs	9.33	0.88	13.59
Operating charges	(2.69)	(2.47)	(2.15)
Return after operating charges	6.64	(1.59)	11.44
Distributions	(2.76)	(3.76)	(4.12)
Closing NAV	115.34	111.46	116.81
Direct portfolio transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.22	0.29	1.04
Dilution adjustments [a]	(0.15)	(0.20)	(1.04)
Total direct portfolio transaction costs	0.07	0.09	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.06	0.08	0.00
Operating charges excluding property expenses	1.70	1.67	1.66
Property expenses	0.68	0.46	0.23
Operating charges	2.38	2.13	1.89
Return after operating charges	+5.96	-1.37	+10.45
Historic yield	2.38	3.42	3.53
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	14,776	16,551	21,932
Closing NAV percentage of total fund NAV (%)	0.40	0.40	0.48
Number of shares	12,810,210	14,849,210	18,776,210
Highest share price (UK p)	121.48	125.61	122.98
Lowest share price (UK p)	116.74	113.47	114.50

[a] In respect of direct portfolio transaction costs.

[b] As a percentage of average net asset value.

Financial statements

Statement of total return

for the year to 30 September	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Income					
Net capital gains / (losses)	4		127,140		(204,825)
Revenue	6	186,347		239,909	
Expenses	7	(46,210)		(41,684)	
Interest on unsecured borrowing		(178)		0	
Net revenue / (expense) before taxation		139,959		198,225	
Taxation	8	(204)		(328)	
Net revenue / (expense) after taxation			139,755		197,897
Total return before distributions			**266,895**		**(6,928)**
Distributions	9		(140,566)		(197,792)
Change in net assets attributable to shareholders from investment activities			**126,329**		**(204,720)**

Statement of change in net assets attributable to shareholders

for the year to 30 September	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Opening net assets attributable to shareholders		**4,102,611**		**4,588,640**
Amounts received on issue of shares	90,206		602,971	
Amounts paid on cancellation of shares	(630,457)		(907,153)	
		(540,251)		(304,182)
Dilution adjustments		5,172		7,768
Change in net assets attributable to shareholders from investment activities (see above)		126,329		(204,720)
Retained distributions on Accumulation shares		7,824		15,095
Unclaimed distributions		1		10
Closing net assets attributable to shareholders		**3,701,686**		**4,102,611**

Balance sheet

as at 30 September	Note	2017 £'000	2016 £'000
Assets			
Fixed assets			
Tangible assets			
Land and buildings	13	3,003,577	3,612,857[a]
Property under construction	13	0	4,965
Investments		28,746	26,778[a]
Current assets			
Debtors	10	67,379	180,954
Cash and bank balances	11	290,027	387,562
Cash equivalents	11	399,862	0
Total assets		**3,789,591**	**4,213,116**
Creditors			
Distribution payable		(30,479)	(49,562)
Other creditors	12	(57,426)	(60,943)
Total liabilities		**(87,905)**	**(110,505)**
Net assets attributable to shareholders		**3,701,686**	**4,102,611**

[a] Restated.

Cash flow statement

for the year to 30 September	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Operating activities					
Net revenue / (expense) before taxation		139,959		198,225	
Adjustments for					
Amortised income		(266)		(886)	
Movement in debtors		(10,982)		(15,732)	
Movement in creditors		(8,450)		1,977	
Net cash generated from operating activities			120,261		183,584
Investing activities					
Capital expenditure		(16,719)		(111,965)	
Debt security purchases		(1,147,567)		(1,532,242)	
Debt security sales		1,147,800		1,533,129	
Tangible assets acquisitions *		(640)		(155,021)	
Tangible assets disposals *		886,373		326,295	
Transaction charges		(4)		(3)	
Net cash from investing activities			869,243		60,193
Financing activities					
Amounts received on issue of shares		85,574		622,431	
Amounts paid on cancellation of shares		(627,396)		(927,921)	
Dilution adjustments		5,172		7,762	
Distributions paid		(118,583)		(147,201)	
Interest paid		(178)		0	
Taxation		(31,767)		(38,306)	
Unclaimed distributions received		1		10	
Net cash used in financing activities			(687,177)		(483,225)
Net increase / (decrease) in cash and cash equivalents			**302,327**		**(239,448)**
Cash and cash equivalents at the beginning of the year	11		387,562		627,010
Net increase / (decrease) in cash for the year			302,327		(239,448)
Cash and cash equivalents at the end of the year	**11**		**689,889**		**387,562**

* For transaction costs associated with these assets please refer to note 5 on page 19.

Notes to the financial statements

1 Statement of compliance

The financial statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 (2014 SORP).

Amendments to FRS 102 'Fair value hierarchy disclosures' effective for annual periods beginning on or after 1 January 2017 have been early adopted. These amendments improve the consistency of fair value disclosures for financial instruments with those required by EU-adopted International Financial Reporting Standards (IFRS).

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements of M&G Property Portfolio are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

b) Functional and presentational currency

The functional and presentational currency of M&G Property Portfolio is UK sterling.

c) Fixed assets - recognition and valuation

(i) Land and buildings and property under construction

Initially land and buildings and property under construction are recognised at cost, including SDLT and other transaction costs, and reduced for amounts received from the vendor associated with the purchase of the asset. Acquisitions and disposals are accounted for on exchange of contracts or thereafter when all conditions have been met. Additions to land and buildings and property under construction consist of costs of a capital nature.

Land and buildings and property under construction are subsequently measured at fair value and are valued by an independent valuer at fair value as defined in the Appraisal and Valuation Standards manual issued by the Royal Institution of Chartered Surveyors of the United Kingdom.

(ii) Investments – recognition and valuation

All investments have been designated as fair value through profit and loss and recognised initially at fair value, which is normally the transaction price (excluding transaction costs and accrued interest).

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 29 September 2017, the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the single price or most recent transaction price is used. Interest accrued is not included in the fair value. The methods of determining fair value for the principal classes of investment are Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.

d) Recognition of income and expenses

Rental income and contingent rents, being those that are not fixed at the inception of the lease, are recorded as income in the period in which earned. Rent reviews are recorded as income, based on estimates, when it is reasonable to assume they will be received. In accordance with the Section 20 of FRS 2 (Leases), benefits to lessees in the form of rent free periods are treated as a reduction in the overall return on the leases on a straight line basis over the non-cancellable period for which the lessee has contracted to lease the asset and capital contributions granted to tenants are recognised as a debtor then amortised over the non-cancellable period for which the lessee has contracted to lease the asset. In line with the Section 35 of FRS 102 (Transition to this FRS) benefits to lessees for leases commenced before the date of transition to FRS 102 are continued to be recognised on the basis as applied at the date of transition, which considered the shorter of the lease term or the period up to the initial rent review date.

Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.

Interest income and other income, including coupons from debt securities and bank interest is recognised on an accruals basis.

All income is accounted for on an accruals basis net of VAT.

If it is expected that revenue receivable at the balance sheet date will not be received, a provision is recognised for the amount that is considered irrecoverable.

Distributions received are accounted for in the period in which they are declared.

Expenses are recognised on an accruals basis.

e) Treatment of income and expenses

Any increases or decreases in the fair value of land and buildings, property under construction and investments and gains and losses realised on their sales are treated as capital and recognised in net capital gains / (losses).

Rental income is treated as revenue.

Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.

Debt security interest comprises the coupon interest and the difference between the purchase price and the expected maturity price spread over its expected remaining life. This is treated as revenue with the difference adjusting the cost of the debt securities and treated as capital.

Other interest income, such as bank interest is treated as revenue.

Expenses relating to the purchase and sale of land and buildings and property under construction are treated as capital; all other expenses are treated as revenue.

Notes to the financial statements

2 Summary of significant accounting policies (continued)

f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits with an original maturity of three months or less and other short-term, highly liquid investments that are readily convertible to a known amount of cash.

Debt securities which are traded on an active market are included at the quoted price, which is normally the bid price, excluding any accrued interest in respect of bonds.

g) Revolving credit facility

Drawdowns from the revolving credit facility are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of total return over the period of the revolving credit facility using the effective interest method. An interest expense is recognised within expenses in the statement of total return using the effective interest method. The direct issue costs of raising finance are amortised over the life of the leveraged facility.

h) Tax

Dividends and similar income receivable are recognised at an amount that includes any withholding tax but excludes irrecoverable tax credits. Any withholding tax suffered is shown as part of the tax charge.

The fund qualifies as a Property Authorised Investment Fund (PAIF) for tax purposes. Accordingly the income generated by its property investment business will be exempt from tax.

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average rate of tax expected to apply in the period in which it expects the deferred tax to be realised or settled. A deferred tax asset is only recognised to the extent that it is more likely than not that it will be recovered.

i) Allocation of returns to share classes

The annual management charge is directly attributable to individual share classes. All other returns are apportioned to the fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

All available net revenue accounted for in accordance with the above policies, is distributed to holders of Income shares or retained and reinvested for holders of Accumulation shares.

Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the fund.

3 Risk management policies

In pursuing the fund's investment objective, as set out in the Authorised Corporate Director's (ACD's) Report, the ACD accepts liquidity risk, market price risk, credit risk and interest rate risk. The ACD and the Investment Manager monitor and seek to manage these risks by using appropriate reporting mechanisms which identify risk activities and allow the fund to control or avoid risks identified.

a) Liquidity risk: The fund will encounter liquidity risk when attempting to realise assets or otherwise raise funds to meet financial commitments.

The fund's liquidity can be affected by unexpected or high levels of share redemptions. In order to mitigate this risk, the ACD may borrow for the account of the fund but only for the purpose of meeting redemption requests and to meet timing differences in connection with the purchase and sale of property investments. Under normal market conditions the fund will hold between 7.5 and 12.5% unencumbered cash. However, under certain market conditions where liquidity risk may be deemed to be elevated, the level of cash held by the fund may be higher.

b) Market price risk: The fund's exposure to market price risk is comprised mainly of movements in the value of the fund's investments in properties. Property investments are inherently difficult to value and difficult to transform into cash due to the individual nature of each property. As a result, valuations are subject to uncertainty. There is no assurance that the actual sale price will reflect the estimates resulting from the valuation process even where such sales occur shortly after the valuation date. Where it is necessary for the fund to sell properties in order to meet redemptions, the amounts realised from the sales may be materially less than the current valuation.

During the year under review, the fund has not hedged against movements in the value of its investments. However, the Prospectus permits the fund to use derivative instruments for hedging such risks and the ACD may from time to time employ such instruments.

c) Credit risk: In the event of default by an occupational tenant, the fund will suffer a rental shortfall and incur additional cost, including legal expenses, in maintaining, insuring and re-letting the property. This risk is minimised by investing in a diversified portfolio of properties. Additionally, the revenue from any one tenant or tenants within the same group must not exceed 25% of the aggregate revenue in relation to the property investments in any accounting period unless the tenant is the UK Government or guaranteed by the UK Government. Rent is collected from tenants in advance, usually quarterly. Cash is placed on deposit with reputable financial institutions and is subject to limits as disclosed in the Prospectus.

d) Interest rate risk: The fund is subject to interest rate risk in respect of cash deposits, Treasury Bills, overdrafts held and drawdowns on revolving credit facility.

Since the objective of the fund is to deliver returns over the long term, transactions with the sole objective of realising short-term returns are generally not undertaken.

These policies have been consistently applied since the beginning of the financial year.

Notes to the financial statements

4 Net capital gains / (losses)

for the year to 30 September	2017 £'000	2016 £'000
Land and buildings and property under construction	125,210	(204,509)
Non-derivative securities	1,934	(313)
Transaction charges	(4)	(3)
Net capital gains / (losses) [a]	127,140	(204,825)

[a] Includes realised gains of £17,334,000 and unrealised gains of £109,806,000 (30.09.16: realised gains of £36,792,000 and unrealised losses of £241,617,000). Certain realised gains and losses in the current year were unrealised in the prior year.

5 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on operating charges and portfolio transaction costs on page 11.

for the year to 30 September	2017 £'000	% of transaction	2016 £'000	% of transaction
a) Purchases				
Property acquisitions				
Property acquisitions excluding transaction costs	0		148,172 [a]	
Agents' fees	412	0.00	756	0.51 [a]
Land registry fees	0	0.00	2	0.00 [a]
Legal fees	70	0.00	778	0.53 [a]
Stamp Duty Land Tax	0	0.00	5,208	3.51 [a]
Survey fees	158	0.00	92	0.06 [a]
Valuation fees	0	0.00	12	0.01 [a]
Total transaction costs	**640**		**6,848**	
Total property acquisitions after transaction costs	**640**		**155,020** [a]	
Debt securities	1,547,429		1,232,316 [a]	
Total purchases after transaction costs	**1,547,429**		**1,232,316** [a]	
b) Sales				
Property disposals				
Property disposals excluding transaction costs	763,553		463,012 [a]	
Agents' fees	(62)	0.01	(1,114)	0.24 [a]
Legal fees	(6,669)	0.87	(3,302)	0.71 [a]
Marketing fees	(2)	0.00	(22)	0.00 [a]
Retained sum	(6)	0.00	(59)	0.01 [a]
Total transaction costs	**(6,739)**		**(4,497)**	
Total property disposals after transaction costs	**756,814**		**458,515** [a]	
Debt securities	1,147,800		1,533,129 [a]	
Total sales after transaction costs	**1,147,800**		**1,533,129** [a]	

c) Direct portfolio transaction costs	2017 £'000	% of average NAV	2016 £'000	% of average NAV
Agents' fees	474	0.01%	1,870	0.04%
Land registry fees	0	0.00%	2	0.00%
Legal fees	6,739	0.18%	4,080	0.09%
Marketing fees	2	0.00%	22	0.00%
Retained sum	6	0.00%	59	0.00%
Stamp Duty Land Tax	0	0.00%	5,208	0.12%
Survey fees	158	0.00%	92	0.00%
Valuation fees	0	0.00%	12	0.00%
Total direct portfolio transaction costs	**7,379**	**0.19%**	**11,345**	**0.25%**

[a] Restated

Uncommitted surplus cash placed into 'AA' credit rated bonds with the aim of reducing counterparty risk is excluded.

d) Direct portfolio transaction costs

Single prices are only available for property investments and therefore there is no portfolio dealing spread.

6 Revenue

for the year to 30 September	2017 £'000	2016 £'000
Bank interest	9	26 [a]
Distributions from collective investment schemes: taxable	749	801
Distributions from collective investment schemes: property income dividends	741	1,098
Interest distributions	869	1,535
Prior year capital allowance adjustment	(203)	519
Rental income	184,103	235,913
Property interest	79	17 [a]
Total revenue	**186,347**	**239,909**

[a] Restated.

Notes to the financial statements

7 Expenses

for the year to 30 September	2017 £'000	2016 £'000
Payable to the ACD or associate		
Annual management charge	11,797	15,066
Administration charge	5,772	6,735
	17,569	21,801
Payable to the Depositary or associate		
Depositary's charge (including VAT)	231	265
Other expenses		
Audit fee (including VAT)	78	77
Costs incurred from aborted acquisitions [a]	17	126
Dividend charges	0	89
Independent valuer's fees (including VAT)	868	1,120
Interest payable	4	5
Irrecoverable service charges, insurance and rates [b]	17,296	11,883
Regulatory fees	8	8
Safe custody charge	0	13
Tax fees (including VAT)	40	62
Additional refurbishment costs	8,080	5,673
Revolving credit facility commitment fees	1,421	399
Revolving credit facility arrangement fees	598	163
	28,410	19,618
Total expenses	**46,210**	**41,684**

[a] Costs incurred from aborted acquisitions as detailed below.

Legal fees	0	1
Survey fees	9	116
Valuation fees	8	9
Costs incurred from aborted acquisitions	**17**	**126**

[b] Service charges are common costs which are paid to service providers by the fund and recovered from tenants. In some circumstances these service charges cannot be recovered, for example, vacant units and shared areas, resulting in an irrecoverable amount as set out below.

Service charges incurred	44,597	36,872
Service charges recoverable	(27,301)	(24,989)
Irrecoverable service charges	**17,296**	**11,883**

8 Taxation

for the year to 30 September	2017 £'000	2016 £'000
a) Analysis of charge in the year		
Overseas tax expensed	202	328
Prior year adjustment	2	0
Deferred tax (note 8c)	0	0
Total taxation	**204**	**328**
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	139,959	198,225
Corporation tax at 20%	27,992	39,645
Effects of:		
Capital allowances (plant & machinery)	(2,374)	(2,487)
Expenses not deductible for tax purposes	120	33
Distributions from underlying funds not taxable	0	(51)
Interest distributions	(286)	(580)
Property income distributions	(25,452)	(36,560)
Overseas tax expensed	202	328
Prior year adjustment	2	0
Current tax charge (note 8a)	**204**	**328**
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 8a)	0	0
Provision at the end of the year	**0**	**0**

The fund has not recognised a deferred tax asset in the current year (2016: same).

Whilst properties in which the fund invests may have capital allowances attributable to them, these allowances are dependent on the relevant properties being held at the fund's year end. Since the properties are principally held for investment purposes, there is no certainty that they will be held at the year end and as such, the fund only recognises these allowances as they crystallise. Therefore no deferred tax asset and corresponding charge is provided for.

9 Distributions

for the year to 30 September Interest distributions	2017 Inc [a] £'000	2017 Acc [b] £'000	2016 Inc [a] £'000	2016 Acc [b] £'000
First interim	29,719	2,294	35,712	4,822
Second interim	29,186	2,140	38,956	4,486
Third interim	26,158	1,934	35,903	3,054
Final	20,495	1,456	33,520	2,733
Total net distributions		**113,382**		**159,186**
Income tax deducted at source		25,505		37,104
Income deducted on cancellation of shares		2,050		4,170
Income received on issue of shares		(371)		(2,668)
Distributions		**140,566**		**197,792**
Net revenue / (expense) per statement of total return		139,755		197,897
Expenses offset against capital		598		163
Capital allowance adjustment offset against capital		203		(265)
Undistributed income brought forward		18		15
Undistributed income carried forward		(8)		(18)
Distributions		**140,566**		**197,792**

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

Notes to the financial statements

10 Debtors

as at 30 September	2017 £'000	2016 £'000
Amounts receivable on issues of shares	5,003	0
Distributions receivable	261	264
Sales awaiting settlement	2,660	132,220
Tenant debtors	59,455	48,470
Total debtors	**67,379**	**180,954**

11 Cash and bank balances

as at 30 September	2017 £'000	2016 £'000
Cash held as bank balances	73,390	228,713
Cash held on deposit	216,637	158,849
Total cash and bank balances	**290,027**	**387,562**
'AA' credit rated bonds with original maturity of less than 3 months	399,862	0
Total cash and cash equivalents	**689,889**	**387,562**

12 Other creditors

as at 30 September	2017 £'000	2016 £'000
ACD's annual management charge payable	570	632 [a]
Administration charge payable	274	301 [a]
Amounts payable on cancellation of shares	5,111	0
Expenses payable	2,673	5,048 [a]
Other creditors	48,798	54,962
Total other creditors	**57,426**	**60,943**

[a] Restated.

13 Investment property

as at 30 September 2017	Land and Buildings £'000	Property Under Construction £'000	Total £'000
Opening fair value of investment property as at 1 October 2016	3,612,857[a]	4,965	3,617,822[a]
Property acquisitions	640	0	640
Property disposals	(756,814)	0	(756,814)
Additions	14,866	1,853	16,719
Net gains or losses from fair value adjustments	125,373	(163)	125,210
Completion of properties under construction	6,655	(6,655)	0
Closing fair value of investment property as at 30 September 2017	**3,003,577**	**0**	**3,003,577**

[a] Restated.

The valuation has been primarily derived using comparable recent market transactions on arm's length terms. The valuation was also determined using cashflow projections based on estimates of current and future cashflows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market conditions.

The future rental rates were estimated depending on the actual location, type and quality of the property, and by taking into account market data and projections at the valuation date. In addition to the condition and repair of buildings and sites, certain assumptions were also made as to the tenure, letting, and local town planning in order to derive the valuation.

The below sensitivities illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the fund's property investments, analysed by sector in accordance with the portfolio statement.

as at 30 September 2017	Increase in yield 25bps £'000	Decrease in yield 25bps £'000
Retail	(60,996)	66,610
Office	(43,815)	47,715
Industrial	(24,130)	26,515
Leisure	(9,195)	10,045
Other	(1,290)	1,410
Total	**(139,426)**	**152,295**

as at 30 September 2016	Increase in yield 25bps £'000	Decrease in yield 25bps £'000
Retail	(68,972)	75,234
Office	(83,935)	95,380
Industrial	(31,025)	34,300
Leisure	(9,697)	10,576
Other	(4,200)	4,575
Total	**(197,829)**	**220,065**

Future minimum rentals receivable under non-cancellable operating leases within investment property are as follows:

	2017 £'000	2016 £'000
Not later than one year	136,393	180,011
Later than one year and not later than five years	550,474	675,594
Later than five years	964,114	1,108,690
Total other creditors	**1,650,981**	**1,964,295**

14 Revolving credit facility

The fund has a £300 million revolving credit facility agreement with Lloyds Bank plc, as per agreement dated 23 June 2016. As at 30 September 2017, none of the facility was drawn down. During the year the facility was utilised to the portion of £72,000,000 (2016: nil). For any portion used during the year, interest was charged on the daily balance at 3 month GBP LIBOR plus 1.4% equalling £178,000 (2016: 1.4% £nil) per annum. On the remaining unused portion of the facility, interest was charged at 0.49% equalling £1,421,000 (2016: 0.49% £399,000) per annum. The revolving credit facility and associated charges are repayable on expiry of the facility, being 23 June 2019.

There was an arrangement fee charged at 0.60% of the total commitment equalling £598,000 (2016: 0.60% £163,000) amortised over the life of the facility.

15 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date.

Notes to the financial statements

16 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 17 below.

Share class	Opening 01.10.16	Movements Issued	Movements Cancelled	Closing 30.09.17
Sterling				
Class 'A' Income	119,486,298	8,904,000	(11,454,000)	116,936,298
Class 'A' Accumulation	71,862,668	0	(15,242,000)	56,620,668
Class 'D' Income	5,504,237	432,200	(717,500)	5,218,937
Class 'D' Accumulation	99,100	112,600	(117,000)	94,700
Class 'F' Income	2,334,238,573	24,298,597	(300,393,362)	2,058,143,808
Class 'I' Income	82,845,327	3,417,600	(16,638,700)	69,624,227
Class 'I' Accumulation	21,157,904	546,000	(4,386,700)	17,317,204
Class 'R' Income	3,466,058	127,000	(1,464,000)	2,129,058
Class 'R' Accumulation	625,648	140,000	(148,000)	617,648
Class 'X' Income	14,849,210	40,000	(2,079,000)	12,810,210

17 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual management charge %
Sterling			
Class 'A'	5.00 [a]	n/a	1.50
Class 'D'	2.00 [a]	n/a	0.60
Class 'F'	n/a	n/a	n/a
Class 'I'	2.00 [a]	n/a	0.75
Class 'R'	2.00 [a]	n/a	1.00
Class 'X'	nil	4.50 [b]	1.50

[a] With effect from 16 December 2016, the entry charge has been discounted to zero on all investments into sterling share classes. The initial charge on all sterling classes was effectively removed as from 29 September 2017.

[b] With effect from 16 December 2016, the exit charge has been waived on future withdrawals from all Sterling Class 'X' shares. The exit charge on Sterling Class 'X' shares was effectively removed as from 29 September 2017.

18 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 9. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 10 and 12 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge and administration charge are disclosed in note 7. Amounts due at the year end to the ACD in respect of the ACD's annual management charge and administration charge are disclosed in note 12.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 89.39% (2016: 87.95%) of the fund's shares.

19 Events after the balance sheet date

There have been no acquisitions after the balance sheet date and there have been disposals totalling £12,250,000 (30.09.16 there were no acquisitions and there were disposals totalling £315,532,000 after the balance sheet date).

20 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 30 September Basis of valuation	Assets 2017 £'000	Liabilities 2017 £'000	Assets 2016 £'000	Liabilities 2016 £'000
Level 1	399,862	0	0	0
Level 2	28,746	0	26,778	0
Level 3	0	0	0	0
	428,608	**0**	**26,778**	**0**

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 16 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

Land and buildings and property under construction do not fall within the FRS 102 definition of financial instruments held at fair value. The balance sheet totals for these items in the current and prior year are therefore not included in the above table (these would fall under level 3 if included).

21 Risk management policies

The general risk management policies for the fund are described in note 3 to the financial statements on page 18.

Notes to the financial statements

22 Property authorised investment funds (PAIF) distribution tables

This fund pays PAIF distributions. PAIF distributions are categorised into three streams: income from property, interest from cash and dividend income. Income tax is deducted from the property stream.

Please note for the first interim distribution, income tax was deducted from both the property and interest from cash streams.

This fund pays quarterly PAIF distributions and the following table sets out the distribution periods.

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.10.16	31.12.16	02.01.17	28.02.17
Second interim	01.01.17	31.03.17	03.04.17	31.05.17
Third interim	01.04.17	30.06.17	03.07.17	31.08.17
Fourth interim	01.07.17	30.09.17	02.10.17	30.11.17

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the net revenue and equalisation components.

Sterling Class ‘A’ Income shares

PAIF distributions for the year to 30 September	Gross income 2017	Income tax deducted 2017	Net income 2017	Equal-isation 2017	Distribution 2017	Distribution 2016
Group 1	p	p	p	p	p	p
First interim	0.7881	0.1420	0.6461	-	0.6461	0.7530
Second interim	0.7982	0.1436	0.6546	-	0.6546	0.8274
Third interim	0.6927	0.1174	0.5753	-	0.5753	0.7667
Final	0.4855	0.0745	0.4110	-	0.4110	0.7243
Group 2						
First interim	0.3227	0.0573	0.2654	0.3807	0.6461	0.7530
Second interim	0.2986	0.0541	0.2445	0.4101	0.6546	0.8274
Third interim	0.3311	0.0557	0.2754	0.2999	0.5753	0.7667
Final	0.2190	0.0325	0.1865	0.2245	0.4110	0.7243

Sterling Class ‘A’ Accumulation shares

PAIF distributions for the year to 30 September	Gross income 2017	Income tax deducted 2017	Net income 2017	Equal-isation 2017	Distribution 2017	Distribution 2016
Group 1	p	p	p	p	p	p
First interim	0.8814	0.1588	0.7226	-	0.7226	0.8205
Second interim	0.8989	0.1617	0.7372	-	0.7372	0.9035
Third interim	0.7841	0.1329	0.6512	-	0.6512	0.8471
Final	0.5526	0.0848	0.4678	-	0.4678	0.8058
Group 2						
First interim	0.2793	0.0498	0.2295	0.4931	0.7226	0.8205
Second interim	0.4186	0.0757	0.3429	0.3943	0.7372	0.9035
Third interim	0.4333	0.0735	0.3598	0.2914	0.6512	0.8471
Final	0.2193	0.0323	0.1870	0.2808	0.4678	0.8058

Sterling Class ‘D’ Income shares

PAIF distributions for the year to 30 September	Gross income 2017	Income tax deducted 2017	Net income 2017	Equal-isation 2017	Distribution 2017	Distribution 2016
Group 1	p	p	p	p	p	p
First interim	10.4049	1.9246	8.4803	-	8.4803	9.6690
Second interim	10.5324	1.9400	8.5924	-	8.5924	10.4107
Third interim	9.4930	1.6860	7.8070	-	7.8070	9.7980
Final	7.4363	1.2566	6.1797	-	6.1797	9.2284
Group 2						
First interim	3.8328	0.7042	3.1286	5.3517	8.4803	9.6690
Second interim	4.0073	0.7429	3.2644	5.3280	8.5924	10.4107
Third interim	6.6933	1.1844	5.5089	2.2981	7.8070	9.7980
Final	3.2172	0.5364	2.6808	3.4989	6.1797	9.2284

Sterling Class ‘D’ Accumulation shares

PAIF distributions for the year to 30 September	Gross income 2017	Income tax deducted 2017	Net income 2017	Equal-isation 2017	Distribution 2017	Distribution 2016
Group 1	p	p	p	p	p	p
First interim	11.9449	2.2093	9.7356	-	9.7356	10.7416
Second interim	12.1931	2.2433	9.9498	-	9.9498	11.6488
Third interim	11.0617	1.9560	9.1057	-	9.1057	12.2763
Final	8.7378	1.4767	7.2611	-	7.2611	10.6134
Group 2						
First interim	5.0343	0.9242	4.1101	5.6255	9.7356	10.7416
Second interim	5.8314	1.0811	4.7503	5.1995	9.9498	11.6488
Third interim	6.6018	1.1602	5.4416	3.6641	9.1057	12.2763
Final	2.6415	0.4376	2.2039	5.0572	7.2611	10.6134

Sterling Class ‘F’ Income shares

PAIF distributions for the year to 30 September	Gross income 2017	Income tax deducted 2017	Net income 2017	Equal-isation 2017	Distribution 2017	Distribution 2016
Group 1	p	p	p	p	p	p
First interim	1.2093	0.2262	0.9831	-	0.9831	1.1056
Second interim	1.2241	0.2277	0.9964	-	0.9964	1.1823
Third interim	1.1204	0.2026	0.9178	-	0.9178	1.1215
Final	0.9161	0.1598	0.7563	-	0.7563	1.0555
Group 2						
First interim	0.4689	0.0872	0.3817	0.6014	0.9831	1.1056
Second interim	0.2638	0.0495	0.2143	0.7821	0.9964	1.1823
Third interim	0.3528	0.0633	0.2895	0.6283	0.9178	1.1215
Final	0.0421	0.0066	0.0355	0.7208	0.7563	1.0555

Notes to the financial statements

22 Property authorised investment funds (PAIF) distribution tables (continued)

Sterling Class 'I' Income shares

PAIF distributions for the year to 30 September	Gross income 2017	Income tax deducted 2017	Net income 2017	Equal-isation 2017	Distribution 2017	Distribution 2016
Group 1	p	p	p	p	p	p
First interim	9.9833	1.8403	8.1430	-	8.1430	9.3091
Second interim	10.1063	1.8559	8.2504	-	8.2504	10.0406
Third interim	9.0641	1.6005	7.4636	-	7.4636	9.4496
Final	7.0060	1.1716	5.8344	-	5.8344	8.8981
Group 2						
First interim	4.5449	0.8315	3.7134	4.4296	8.1430	9.3091
Second interim	4.2763	0.7906	3.4857	4.7647	8.2504	10.0406
Third interim	4.8591	0.8544	4.0047	3.4589	7.4636	9.4496
Final	2.6530	0.4353	2.2177	3.6167	5.8344	8.8981

Sterling Class 'I' Accumulation shares

PAIF distributions for the year to 30 September	Gross income 2017	Income tax deducted 2017	Net income 2017	Equal-isation 2017	Distribution 2017	Distribution 2016
Group 1	p	p	p	p	p	p
First interim	11.4192	2.1050	9.3142	-	9.3142	10.3115
Second interim	11.6458	2.1384	9.5074	-	9.5074	10.9247
Third interim	10.5194	1.8568	8.6626	-	8.6626	10.6244
Final	8.1866	1.3689	6.8177	-	6.8177	10.1004
Group 2						
First interim	4.1411	0.7573	3.3838	5.9304	9.3142	10.3115
Second interim	5.0914	0.9414	4.1500	5.3574	9.5074	10.9247
Third interim	5.9015	1.0373	4.8642	3.7984	8.6626	10.6244
Final	4.0275	0.6690	3.3585	3.4592	6.8177	10.1004

Sterling Class 'R' Income shares

PAIF distributions for the year to 30 September	Gross income 2017	Income tax deducted 2017	Net income 2017	Equal-isation 2017	Distribution 2017	Distribution 2016
Group 1	p	p	p	p	p	p
First interim	0.9281	0.1700	0.7581	-	0.7581	0.8074
Second interim	0.9400	0.1713	0.7687	-	0.7687	1.0915
Third interim	0.8340	0.1456	0.6884	-	0.6884	0.7224
Final	0.6290	0.1030	0.5260	-	0.5260	0.8355
Group 2						
First interim	0.4785	0.0869	0.3916	0.3665	0.7581	0.8074
Second interim	0.2878	0.0529	0.2349	0.5338	0.7687	1.0915
Third interim	0.5562	0.0968	0.4594	0.2290	0.6884	0.7224
Final	0.2322	0.0377	0.1945	0.3315	0.5260	0.8355

Sterling Class 'R' Accumulation shares

PAIF distributions for the year to 30 September	Gross income 2017	Income tax deducted 2017	Net income 2017	Equal-isation 2017	Distribution 2017	Distribution 2016
Group 1	p	p	p	p	p	p
First interim	1.0543	0.1931	0.8612	-	0.8612	0.9605
Second interim	1.0745	0.1958	0.8787	-	0.8787	1.0489
Third interim	0.9624	0.1681	0.7943	-	0.7943	0.9912
Final	0.7282	0.1192	0.6090	-	0.6090	0.9413
Group 2						
First interim	0.2814	0.0509	0.2305	0.6307	0.8612	0.9605
Second interim	0.5705	0.1048	0.4657	0.4130	0.8787	1.0489
Third interim	0.6291	0.1096	0.5195	0.2748	0.7943	0.9912
Final	0.2696	0.0420	0.2276	0.3814	0.6090	0.9413

Sterling Class 'X' Income shares

PAIF distributions for the year to 30 September	Gross income 2017	Income tax deducted 2017	Net income 2017	Equal-isation 2017	Distribution 2017	Distribution 2016
Group 1	p	p	p	p	p	p
First interim	0.7876	0.1419	0.6457	-	0.6457	0.7534
Second interim	0.7984	0.1436	0.6548	-	0.6548	0.8242
Third interim	0.6923	0.1173	0.5750	-	0.5750	0.7671
Final	0.4855	0.0745	0.4110	-	0.4110	0.7245
Group 2						
First interim	0.3340	0.0593	0.2747	0.3710	0.6457	0.7534
Second interim	0.2507	0.0453	0.2054	0.4494	0.6548	0.8242
Third interim	0.2343	0.0393	0.1950	0.3800	0.5750	0.7671
Final	0.1131	0.0152	0.0979	0.3131	0.4110	0.7245

Directors' statement

This report has been prepared in accordance with the requirements of the Collective Investment Schemes sourcebook, as issued and amended by the Financial Conduct Authority.

G W MACDOWALL }
L J MUMFORD } Directors

14 November 2017

Authorised Corporate Director's Responsibilities

Statement of the Authorised Corporate Director's responsibilities in respect of the annual investment report and financial statements of the Company

The Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA), requires the Authorised Corporate Director (ACD) to prepare the investment report and financial statements for each financial year which give a true and fair view of the financial position of the Company as at the end of the financial year, and the net revenue and the net capital gains / (losses) for the year. In preparing the financial statements, the ACD is required to:

- comply with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014, the Instrument of Incorporation, generally accepted accounting principles and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements;
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is required to keep proper accounting records, and to manage the Company in accordance with the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA, the Instrument of Incorporation and the Prospectus, and to take reasonable steps for the prevention and detection of fraud or other irregularities.

Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of M&G Property Portfolio ('the Company') for the period ended 30 September 2017

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cashflows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

Edinburgh
14 November 2017

National Westminster Bank Plc
Trustee and Depositary Services

Independent auditor's report to the shareholders of M&G Property Portfolio

Opinion

We have audited the financial statements of M&G Property Portfolio ("the Company") for the year ended 30 September 2017 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet and Cash Flow Statement, the accounting policies of the Company and the related notes and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 September 2017 and of the net revenue and the net capital gains on the scheme property of the Company for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes sourcebook of the Financial Conduct Authority rules require us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the Authorised Corporate Director (ACD)

As explained more fully in the ACD's responsibilities statement, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the shareholders of M&G Property Portfolio

In preparing the financial statements, the ACD is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

This report is made solely to the company's shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Edinburgh
14 November 2017

Ernst & Young LLP
Statutory Auditor

M&G Property Portfolio

Other regulatory disclosures

Alternative Investment Fund Managers Directive (AIFMD)

In accordance with the AIFMD we are required to report to investors on the 'leverage' of the fund and any 'special arrangements' that exist in relation to the fund's assets.

Leverage

Under AIFMD, leverage is defined as any method by which the fund increases its exposure through borrowing or the use of derivatives. This exposure must be calculated in two ways, the 'gross method' and the 'commitment method'. The fund must not exceed maximum exposures under both methods.

'Gross method' is calculated as the sum of all positions of the fund (both positive and negative), that is, all eligible assets, liabilities and derivatives, including derivatives held for risk reduction purposes.

'Commitment method' exposure is also calculated as the sum of all positions of the fund (both positive and negative), but after netting off derivative and security positions as specified by AIFMD rules.

Therefore as at 30 September 2017 the total amount of leverage is as follows:

Gross method:

M&G Property Portfolio	83%

Commitment method:

M&G Property Portfolio	83%

The M&G Property Portfolio did not use leverage to increase its exposure and this position was unchanged throughout the period ending 30 September 2017.

Special arrangements

A 'Special Arrangement' is an arrangement in relation to fund assets that results in an investor or group of investors receiving different redemption rights to those generally available to investors in a given share class.

The fund had no assets subject to special arrangements for the period ending 30 September 2017.

Remuneration

In line with the requirements of the Alternative Investment Fund Managers Directive ('AIFMD'), M&G Securities Limited is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the AIFMD.

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the alternative investment funds it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here: www.mandg.com/en/corporate/about-mg/our-people.

M&G Securities Limited in its capacity as the Alternative Investment Fund Manager (the 'AIFM') of M&G Property Portfolio has delegated portfolio management services to M&G Investment Management Limited (the 'Delegate').

The ESMA Guidelines require the AIFM to ensure that, to the extent portfolio management activities are delegated by the AIFM, the Delegate is itself subject to remuneration provisions of equivalent effect to those contained in the AIFMD. M&G Investment Management Limited is subject to the Markets in Financial Instruments Directive ('MiFID') which is considered by the Financial Conduct Authority to be equally effective.

The AIFM is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated. Members of staff and senior management typically provide both AIFMD and non-AIFMD related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to the AIFM is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

M&G Securities Limited does not directly employ any staff members. However, for the financial year ended 31 December 2016, aggregate remuneration of £4,482,473 was paid to individuals whose actions may have a material impact on the risk profile of M&G Securities Limited, of which £277,179 related to senior management.

Glossary

Accumulation shares: A type of share where distributions are automatically reinvested and reflected in the value of the shares.

Accumulation units: A type of unit where distributions are automatically reinvested and reflected in the value of the units.

Asset: Anything having commercial or exchange value that is owned by a business, institution or individual.

Asset allocation: Apportioning a portfolio's assets according to risk tolerance and investment goals.

Asset class: Category of assets, such as cash, company shares, fixed income securities and their sub-categories, as well as tangible assets such as real estate.

Bond: A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

Bond issue: A set of fixed income securities offered for sale to the public by a company or government. If the bonds are sold for the first time, it is called a 'new issue'.

Bottom-up selection: Selecting stocks based on the attractiveness of a company.

Bunds: Fixed income securities issued by the German government.

Capital: Refers to the financial assets, or resources, that a company has to fund its business operations.

Capital growth: Occurs when the current value of an investment is greater than the initial amount invested.

Capital return: The term for the gain or loss derived from an investment over a particular period. Capital return includes capital gain or loss only and excludes income (in the form of interest or dividend payments).

Cash equivalents: Deposits or investments with similar characteristics to cash.

Comparative sector: A group of funds with similar investment objectives and/or types of investment, as classified by bodies such as the Investment Association (IA) or Morningstar™. Sector definitions are mostly based on the main assets a fund should invest in, and may also have a geographic focus. Sectors can be the basis for comparing the different characteristics of similar funds, such as their performance or charging structure.

Consumer Prices Index (CPI): An index used to measure inflation, which is the rate of change in prices for a basket of goods and services. The contents of the basket are meant to be representative of products and services we typically spend our money on.

Convertible bonds: Fixed income securities that can be exchanged for predetermined amounts of company shares at certain times during their life.

Corporate bonds: Fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky.

Coupon: The interest paid by the government or company that has raised a loan by selling bonds.

Credit: The borrowing capacity of an individual, company or government. More narrowly, the term is often used as a synonym for fixed income securities issued by companies.

Credit default swaps (CDS): Are a type of derivative, namely financial instruments whose value, and price, are dependent on one or more underlying assets. CDS are insurance-like contracts that allow investors to transfer the risk of a fixed income security defaulting to another investor.

Credit rating: An independent assessment of a borrower's ability to repay its debts. A high rating indicates that the credit rating agency considers the issuer to be at low risk of default; likewise, a low rating indicates high risk of default. Standard & Poor's, Fitch and Moody's are the three most prominent credit rating agencies. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Credit rating agency: A company that analyses the financial strength of issuers of fixed income securities and attaches a rating to their debt. Examples include Standard & Poor's and Moody's.

Credit risk: Risk that a financial obligation will not be paid and a loss will result for the lender.

Credit selection: The process of evaluating a fixed income security, also called a bond, in order to ascertain the ability of the borrower to meet its debt obligations. This research seeks to identify the appropriate level of default risk associated with investing in that particular bond.

Credit spread: The difference between the yield of a corporate bond, a fixed income security issued by a company, and a government bond of the same life span. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value.

Default: When a borrower does not maintain interest payments or repay the amount borrowed when due.

Default risk: Risk that a debtholder will not receive interest and full repayment of the loan when due.

Derivatives: Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded over the counter.

Developed economy/market: Well-established economies with a high degree of industrialisation, standard of living and security.

Dilution adjustments: The dilution adjustment is used to protect ongoing investors against the transaction charges incurred in investing or divesting in respect of creations and cancellations. The dilution adjustment is made up of the direct and indirect transaction charges. In the financial statements the direct transaction charges as a percentage of average NAV will be disclosed. This percentage will take account of those direct transaction charges that have been recovered through the dilution adjustment leaving a percentage that just represents the costs incurred in portfolio management.

Distribution: Distributions represent a share in the income of the fund and are paid out to Income shareholders or reinvested for Accumulation shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

Distribution yield: Expresses the amount that is expected to be distributed by the fund over the next 12 months as a percentage of the share price as at a certain date. It is based on the expected gross income less the ongoing charges.

Glossary

Diversification: The practice of investing in a variety of assets. This is a risk management technique where, in a well-diversified portfolio, any loss from an individual holding should be offset by gains in other holdings, thereby lessening the impact on the overall portfolio.

Dividend: Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

Duration: A measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Duration risk: The longer a fixed income security, also called a bond, or bond fund's duration, the more sensitive and therefore at risk it is to changes in interest rates.

Emerging economy or market: Economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

Equities: Shares of ownership in a company.

Exchange traded: Usually refers to investments traded on an exchange, such as company shares on a stock exchange.

Ex-dividend, ex-distribution or XD date: The date on which declared distributions officially belong to underlying investors.

Exposure: The proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

Fixed income security: A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also referred to as a bond.

Floating rate notes (FRNs): Securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

Foreign exchange: The exchange of one currency for another, or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The term foreign exchange is usually abbreviated as 'forex' and occasionally as 'FX'.

Foreign exchange (FX) strategy: Currencies can be an asset class in its own right, along with company shares, fixed income securities, property and cash. Foreign exchange strategy can therefore be a source of investment returns.

Forward contract: A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Examples include foward currency contracts.

Fundamentals (company): A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals pertain specifically to that company, and are factors such as its business model, earnings, balance sheet and debt.

Fundamentals (economic): A basic principle, rule, law, or the like, that serves as the groundwork of a system. Economic fundamentals are factors such as inflation, employment, economic growth.

Futures: A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Futures are traded on a regulated exchange.

Gilts: Fixed income securities issued by the UK government.

Government bonds: Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

Hedging: A method of reducing unnecessary or unintended risk.

High water mark (HWM): The highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period.

High yield bonds: Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Historic yield: The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown.

Income yield: Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

Index: An index represents a particular market or a portion of it, serving as a performance indicator for that market.

Income shares: A type of share where distributions are paid out as cash on the payment date.

Income units: A type of unit where distributions are paid out as cash on the payment date.

Index tracking: A fund management strategy that aims to match the returns from a particular index.

Index-linked bonds: Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation: The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation risk: The risk that inflation will reduce the return of an investment in real terms.

Initial public offering (IPO): The first sale of shares by a private company to the public.

Interest rate risk: The risk that a fixed income investment will lose value if interest rates rise.

Interest rate swap: An agreement between two parties to swap a fixed interest payment with a variable interest payment over a specified period of time.

Investment Association (IA): The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

Glossary

Issuer: An entity that sells securities, such as fixed income securities and company shares.

Investment grade bonds: Fixed income securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk from default than those issued by companies with lower credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Issuer: An entity that sells securities, such as fixed income securities and company shares.

Leverage: When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.

Liquidity: A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

Long position: Refers to ownership of a security held in the expectation that the security will rise in value.

Macroeconomic: Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

Maturity: The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

Modified duration: A measure of the sensitivity of a fixed income security, called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Monetary easing: When central banks lower interest rates or buy securities on the open market to increase the money in circulation.

Monetary policy: A central bank's regulation of money in circulation and interest rates.

Monetary tightening: When central banks raise interest rates or sell securities on the open market to decrease the money in circulation.

Morningstar™: A provider of independent investment research, including performance statistics and independent fund ratings.

Near cash: Deposits or investments with similar characteristics to cash.

Net asset value (NAV): A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

Open-ended investment company (OEIC): A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options: Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC): Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight: If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date: The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets: An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost: The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares: Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal: The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement: An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER): Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Real yield: The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI): A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk: The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management: The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium: The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset: An asset that notionally carries no risk of non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.

Risk/reward ratio: A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Glossary

Safe-haven assets: Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security: Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class: Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging: Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position: A way for a fund manager to express his or her view that the market might fall in value.

Short selling: This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds: Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds: Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt: Debt of a government. Also referred to as government bonds.

Sub-investment grade bonds: Fixed income securities issued by a company with a low rating from a recognised credit rating agency. They are considered to be at higher risk from default than those issued by companies with higher credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Top-down investing: An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

Total return: The term for the gain or loss derived from an investment over a particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

Treasuries: Fixed income securities issued by the US government.

Triple A or AAA rated: The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

UCITS: Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

Unconstrained: The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

Underlying value: The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

Underlying yield: Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

Underweight: If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

Unit trust: A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Unit/share type: Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

Valuation: The worth of an asset or company based on its current price.

Volatile: When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

Volatility: The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Warrant: A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

Yield: This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (equity): Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (bonds): This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Yield (income): Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

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