

# M&G Property Portfolio

**Annual report and audited financial statements  
for the year ended 30 September 2023**



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# Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Property Portfolio presents its annual report and audited financial statements for the year ended 30 September 2023.

The audited financial statements of M&G Property Portfolio, the Authorised Corporate Director's Report including the portfolio statement, financial highlights and the audited financial statements and notes of the fund are presented in their individual sections of this report as set out in the contents page.

Please note that an explanation of key investment terminology is available on our website at [mandg.com/private-investor/glossary](http://mandg.com/private-investor/glossary). A printed copy of the glossary is available upon request by calling customer services and administration as shown within the 'Investor information' section of this report.

## Company information

M&G Property Portfolio is an Open-Ended Investment Company which is structured as a Property Authorised Investment Fund (PAIF). The Company is a non-UCITS Retail Scheme (NURS) under the COLL Sourcebook and is an alternative investment fund (AIF) for the purposes of the Alternative Investment Fund Managers Directive (AIFMD). This 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 was authorised on 16 October 2012 and was launched on 18 January 2013.

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

A shareholder is not liable for the debts of the Company and will never be liable to make any further payment to the Company after paying the purchase price of the shares.

## Fund manager

Michael Wood is employed by M&G FA Limited, which is an associate of M&G Securities Limited

## ACD

M&G Securities Limited,  
10 Fenchurch Avenue, London EC3M 5AG, UK  
Telephone: 0800 390 390 (UK only)  
(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of The Investing and Saving Alliance).

## Directors of the ACD

N J Brooks, C Dobson (non executive director),  
S A Fitzgerald, P R Jelfs,  
M McGrade (non executive director), L J Mumford

## Investment manager

M&G Investment Management Limited,  
10 Fenchurch Avenue, London EC3M 5AG, UK  
(Authorised and regulated by the Financial Conduct Authority)

## Registrar

SS&C Financial Services Europe Ltd,  
SS&C House, St. Nicholas Lane, Basildon, Essex  
SS15 5FS, UK  
(Authorised and regulated by the Financial Conduct Authority)

## Depository

NatWest Trustee & Depository Services Limited,  
House A, Floor 0, 175 Glasgow Road, Gogarburn,  
Edinburgh EH12 1HQ, UK  
(Authorised and regulated by the Financial Conduct Authority)

## Independent auditor

Ernst & Young LLP  
Atria One, 144 Morrison Street, Edinburgh EH3 8EX, UK

## Property manager

M&G Real Estate Limited  
10 Fenchurch Avenue, London EC3M 5AG, UK

## Standing independent valuer

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

# Authorised Corporate Director's Report

## Annual value assessment

An annual assessment report is available which shows the value provided to investors in each of M&G's UK-based funds. The assessment report evaluates whether M&G's charges are justified in the context of the overall service delivered to its investors. The latest report to 31 March 2023 can be found on our website at [mandg.co.uk/valueassessment](http://mandg.co.uk/valueassessment)

## Climate-related Financial Disclosures (TCFD)

We have produced TCFD reports in compliance with the FCA's rules on climate-related financial disclosures. The TCFD fund reports are designed to help you understand the impact this fund has on the climate and equally how climate change could influence the performance of the fund. The reports will also give you the ability to compare a range of climate metrics with other funds. To understand the governance, strategy and risk management that M&G has in place to manage the risks and opportunities related to climate change, please refer to the M&G Investments Management TCFD report.

These reports are available via the Sustainability Disclosures page on our website at [mandg.com/footer/sustainability-disclosures](http://mandg.com/footer/sustainability-disclosures)

## Important information

The events in Ukraine continue to bring uncertainty. The ACD continues to monitor the associated risks that are posed to the Company.

Effective as of 19 October 2022, Michael Wood replaced Justin Upton as fund manager of the M&G Property Portfolio and M&G Feeder of Property Portfolio.

As of January 2023 the operating charge figure includes the underlying charges for closed-ended funds, such as investment trusts and REITs (real estate investment trusts). There is no change to what you are currently being charged, this is a presentational change to align with the latest industry guidance issued by the Investment Association.

The ACD and the Manager have decided to close the M&G Property Portfolio and its feeder M&G Feeder of Property Portfolio. FCA approval for the M&G Property Portfolio closure was obtained on 17 November 2023. Since the ACD and the Manager announced their intention, dealings in both funds have been suspended since Thursday 19 October 2023.

In recognition of this inability for customers to access their investment, M&G is waiving 30% of its annual charge until the funds close. In addition, effective from the date of the suspension, no charges will be applied to any cash that is held within the funds' portfolios. This supersedes the previous waiver, where M&G continued to waive its annual charge on cash held above 20% of the M&G Property Portfolio's net asset value.

Please refer to the 'Investment review' section for further details on significant events during the period. Investment reviews may become quickly outdated in relation to ongoing economic and geopolitical events.

## Investor information

The Prospectus, Instrument of Incorporation, Key Investor Information Documents, costs and charges illustration, the latest annual or interim investment report and financial statements as well as a list of purchases and sales are available free of charge on request from the following addresses. The Instrument of Incorporation can also be inspected at our offices or at the office of the Depositary.

# Authorised Corporate Director's Report

## Customer services and administration for

### UK clients:

M&G Securities Limited,  
PO Box 9039, Chelmsford CM99 2XG, UK

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 (UK only)

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.

# Authorised Corporate Director's Report

## Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is required to prepare annual and interim reports for the Company. The ACD must ensure that the financial statements, contained in this report, for the fund are prepared in accordance with the Investment Association Statement of Recommended Practice for Financial Statements of UK Authorised Funds (SORP) and UK Financial Reporting Standards, and give a true and fair view of the net revenue or expenses and net capital gains or losses for the accounting period, and the financial position at the end of that period.

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. Additionally, the ACD is responsible for preparing the financial statements on a going concern basis unless it is appropriate to presume that the Company will not continue in operation.

For the reasons stated in the ACD's Report and Note 2a, the financial statements of the M&G Property Portfolio have not been prepared on a going concern basis.

## 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.

M&G Securities Limited  
13 December 2023

# Depository's Responsibilities and Report

## Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Property Portfolio ('the Company') for the year ended 30 September 2023

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

The Depository 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 Depository 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 Depository 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 Depository 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  
13 December 2023

NatWest Trustee and  
Depository Services Limited

# Independent Auditor's Report

## 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 2023, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet, the Cash Flow Statement, the related notes and the Distribution Tables, and the accounting policies of the Company, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 2023 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.

### 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 Financial Reporting Council's (the "FRC") 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.

### Emphasis of matter – financial statements prepared on a basis other than going concern

We draw attention to note 2a to the financial statements which explains that the Authorised Corporate Director ("the ACD") intends to terminate the Company and therefore does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements, have been prepared on a basis other than going concern as described in note 2a. Our opinion is not modified in respect of this matter.

### 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 contained within the annual report.

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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

# Independent Auditor's Report

## Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (the "FCA")

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 FCA and the Instrument of Incorporation; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- 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.

## 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 rules of the Collective Investment Schemes Sourcebook of the FCA requires 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 ACD

As explained more fully in the ACD's responsibilities statement set out on page 3, 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.

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 wind up or terminate 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.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

# Independent Auditor's Report

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Accepted Accounting Practice (UK GAAP), the Investment Management Association's Statement of Recommended Practice ("IMA SORP"), the FCA Collective Investment Schemes Sourcebook, the OEIC Regulations, the Company's Instrument of Incorporation and the Prospectus.
- We understood how the Company is complying with those frameworks through discussions with the ACD and the Company's administrator and a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified fraud risks in relation to;

Incorrect valuation of property investments. For a sample of investment properties, we engaged our valuation specialists to review the property valuations as prepared by the independent valuer engaged by the Company and we agreed key data included in the tenancy schedule, which was provided to the independent valuer, to lease documentation.

Incomplete or inaccurate recognition of rental income including accounting for lease incentives We performed analytical procedures and on a sample basis we recalculated rental income and lease incentives recognised with reference to lease documentation.

Incomplete or inaccurate provisions for doubtful debts We assessed and challenged the provision policy and tested its application to a sample of aged rent receivables.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Company.
- Due to the regulated nature of the Company, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities which included the use of specialists where appropriate to identify non-compliance with the applicable laws and regulations.

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

## Use of our report

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 FCA. 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.

Edinburgh  
13 December 2023

Ernst & Young LLP  
Statutory Auditor

# Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 24 May 2023 has been used.

## 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 doing so, the fund aims to provide a higher total return (capital growth plus income), net of the ongoing charge figure and property expense ratio, than the average return of the IA UK Direct Property Sector over any five-year period.

## Investment policy

At least 70% of the fund is invested directly in a diversified portfolio of commercial property in the UK. This may be reduced to 60%, if it is considered prudent for liquidity management.

The fund may also invest in other property related assets such as:

- other types of property, including residential property;
- property of any type outside the UK;
- funds (including funds managed by M&G); and
- transferable securities (such as shares and bonds); and money market instruments.

For liquidity management, the fund may invest in cash; near cash; money market instruments; and government bonds, directly, or via funds (including funds managed by M&G).

Derivatives may be used for investment purposes, efficient portfolio management and hedging.

## Investment approach

The fund is actively managed, while controlling for risk factors, through diversified real estate exposure primarily in direct property sectors (such as retail, offices and industrial). The fund's investment and

disposals align the fund positioning toward those sectors forecast to outperform with regard for structural trends and property specific risk such as lease expiries and voids, tenant covenant strength and physical and environmental factors.

The investment process is structured to deliver the fund's objective however, as a responsible property manager, M&G's Responsible Property Investment capabilities are drawn on to initiate projects that address ESG themes and risk factors relevant to the fund, such as building suitability in light of regulation and addressing energy efficiency, water use and waste. Performance will take precedence over any ESG goals referenced within the Responsible Property Investment policy.

M&G's Responsible Property Investment policy is available on the M&G website: [mandg.com/dam/investments/common/gb/en/documents/funds-literature/fund-specific-files/rpi-policy-mg-uk-property-portfolio.pdf](https://www.mandg.com/dam/investments/common/gb/en/documents/funds-literature/fund-specific-files/rpi-policy-mg-uk-property-portfolio.pdf)

## Benchmark

Benchmark: IA UK Direct Property sector.

The benchmark is a target which the fund seeks to outperform. The sector has been chosen as the fund's benchmark as the fund is a constituent of the sector. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund.

## Risk profile

For details of the risks associated with this fund, please refer to the Prospectus. For details of the risk management policies, please refer to pages 30 to 32.

# Authorised Corporate Director's Report

## Investment review

For the year ended 30 September 2023

### Performance against objective

Between 1 October 2022 (the start of the review period) and 30 September 2023, the M&G Property Portfolio delivered a negative total return (the combination of income and growth of capital) across all its sterling share classes. Fund performance was behind the fund's benchmark, the IA UK Direct Property Sector, which recorded a total return of -9.5% over the same 12-month period under review.

Over five years, the fund produced an annualised negative total return across all its share classes. The IA UK Direct Property Sector recorded a negative total return of -1.3% pa over the same period. Therefore, the fund did not meet its objective of providing a higher total return (capital growth plus income) net of the ongoing charge figure and property expense ratio than the average return of the IA UK Direct Property Sector over any five-year period.

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

### Performance review

Over the 12-month review period, the UK commercial property market saw a steep fall in capital values, according to property consultant CBRE<sup>a</sup>. Capital values fell most steeply in the fourth quarter of 2022, when a combination of increased debt costs (which affects some investors ability to finance property purchases), higher bond market yields and a weaker economic outlook, depressed prices.

Property market conditions improved somewhat in the Spring of 2023, when capital values actually posted small gains in March and April (they were flat in May). However, from June onwards capital values for All UK commercial property, have again declined, albeit modestly.

Despite the fall in capital values in 2023, when rental income is included, all UK commercial property has actually recorded a positive total return year-to date.

Over the 12-month period, industrials and offices saw the greatest level of repricing. In the case of industrials, this was largely because the sector was the lowest yielding and thus most sensitive to interest rate rises. The fall in industrial capital values occurred in the first half of the review period, but since March 2023, capital values have been rising.

Capital values in the office sector continue to reprice downwards at the moment due to office occupancy concerns and CAPEX expectations to improve energy efficiency and meet EPC and net zero targets. Meanwhile, retail sector values fell the least over the 12-month period.

Against this background the fund produced a negative total return over the review period and underperformed its benchmark, the IA UK Direct Property Sector. Asset selection was the main driver of underperformance, with properties including: The Gracechurch Centre, Sutton Coldfield (sold 9 November 2023); 3 Temple Quay, an office building in Bristol; Junction Six Industrial Estate, Birmingham (sold 20 July 2023); and Portland & Riding Estate, London, recording significant percentage declines.

Conversely, sector allocation added value as the fund's overweight position to retail and underweight position to industrials relative to the MSCI UK Quarterly Property Index<sup>b</sup> proved beneficial.

Overall, the fund's holdings in UK-listed real estate investment trusts (REITs) made a positive contribution to relative returns, as REITs outperformed direct property assets over the review period. (UK REITs represented 6.5% of the fund's net asset value at the end of September 2023).

The fund's cash balance remained healthy and in-line with target liquidity levels throughout the review period – a defensive position during a time where direct property yields shifted out considerably. This was also beneficial for fund performance.

<sup>a</sup> From 17 October 2022 until the end of January 2023, assets were valued on a bi-monthly basis, because of the rapid pace of value adjustment, in the market. Valuations returned to a monthly valuation schedule at the end of January 2023 once the fund's Standing Independent Valuer (Knight Frank)

# Authorised Corporate Director's Report

and M&G were satisfied that valuations could be appropriately reflected by returning to the usual month-end schedule.

<sup>b</sup> When considering the structure of the fund and understanding the performance of the fund relative to other funds, we compare it to the MSCI UK Quarterly Property Index. The MSCI UK Quarterly Property Index tracks the performance of a large number of directly held UK property investments, providing an understanding of the fund's characteristics versus those of the MSCI UK Quarterly Property Index. This information is not available for the fund's benchmark, the IA UK Direct Property Sector.

### Portfolio structure

The fund's investment strategy is to focus on, what we consider to be, higher-quality properties and is formally reviewed semi-annually, with clear objectives with respect to capital allocation. Decisions to buy or sell an asset are based on the individual property's lifecycle and the optimal fund structure. Our activities for the year focused on reducing risk and retaining a liquid portfolio, in light of the continued ongoing uncertainty with respect to the FCA consultation paper, CP 20/15 (Liquidity mismatch in authorised open-ended property funds).

Throughout we have aimed to have small sector bets compared to the MSCI UK Quarterly Property Index, and to limit exposure to individual assets that represent disproportionately large weightings in the portfolio, so as to reduce stock-specific risk.

As at end-September 2023, the fund was significantly underweight in industrials (due to the sale of, what was the fund's second largest asset, a multi-let estate in Birmingham), broadly in-line in offices and overweight in retail and 'other'.

Given our concerns about risk/reward trade off in the industrial sector (initial yields were sub-3% in some cases at the start of the review period), we took the decision in the second half of 2022 to reduce our exposure further and have maintained an underweight position in industrials throughout the review period.

Since COVID-19, office requirements have changed significantly. At that time, the fund sold its South East offices, moving to a broadly neutral position. The fund's focus is on offices in strong locations, near transport nodes, that have the amenities and sustainability characteristics tenants demand. Additionally, the fund holds offices with BREEAM (a science-based suite of

validation and certification systems) sustainability ratings that have the capacity to remain relevant as tenant and regulatory requirements for 'green' buildings increase, thus achieving higher rents, improved capital values and relevance to occupiers.

The sub-sector bets in the retail sector reflect our preference for prime, dominant schemes in strong locations. This explains the fund's higher exposure to retail warehouses and lower exposure to the High Street relative to the MSCI UK Quarterly Property Index.

### ESG strategy

The investment process is structured to deliver the fund's investment objective, however, as a responsible property manager, M&G's ESG Investment capabilities are drawn on to initiate projects that address relevant themes and risk factors, such as a building's suitability in light of regulation, and addressing energy efficiency, water use and waste. Performance will take precedence over any ESG goals referenced within the Responsible Property Investment policy. The fund is not managed to achieve the status of, or claims to seek to be, a sustainable or 'ESG fund'. The M&G Property Portfolio: Responsible Property Investment Policy is available on the M&G website.

We reference the independent, industry-recognised Global Real Estate Sustainability Benchmark (GRESB) as an indicator of the fund's performance relating to ESG matters. GRESB have been analysing the fund since 2013 and its track record has been strong.

The latest 2023 results ranked the fund in the top quartile (19 out of 100) of the UK/Diversified/Core peer group. Key initiatives are underway to improve the fund's resilience in terms of the climate agenda with the goal of developing a net zero carbon pathway based on actual fund data.

The fund sets ESG goals, the details of which can be found on M&G's website. They fall into three main categories, examples of which are:

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- Environmental Excellence – Aim for operational carbon to be Paris-aligned by 2030, all carbon to be net zero by 2050, whilst ensuring portfolio resilience in the face of climate peril risk.
- Social Benefit – Where feasible, collaborate with occupiers to improve health & wellbeing at schemes, while working together to improve occupancy satisfaction.
- Good Governance – Aim for all new leases to include green clauses to help drive our commitment to address ESG factors within our collective control. Key within this, is data collection for informed and productive interventions.

## Investment activities

We aim to maintain a favourable fund structure and liquidity position. At the end of the reporting period the fund had a healthy total liquidity of 27.6%, comprising 21.0% cash and 6.6% REITs, which compares to the long-run target total liquidity profile of 20%.

(The primary purpose of the REIT portfolio is to provide tactical exposure to sectors via sector-specific securities. Additionally, it can also offer liquidity if required. We aim to maintain this position at around 5% of the fund.)

Portfolio turnover was low during the reporting period, with four assets sold and one property bought. The Peel Centre, Blackburn was sold for £12.5 million to a private investor. The proceeds of the Peel Centre, a lower-quality leisure scheme on the outskirts of Blackburn, improved the fund's liquidity position in the first quarter of 2023.

In May 2023, we sold a retail asset in Southampton (the value of the property represented less than one percent of net asset value) and in July we completed on the sale of a Midlands-based, multi-let industrial asset, Junction 6, Industrial Estate, Birmingham, at a consideration that was above book value. This sizeable asset was sold on "concentration-of-risk" grounds. Some of the proceeds were invested in an industrial unit in Bedford.

Towards the end of the review period, we sold a hotel asset (occupied by Travelodge), which is located in Surrey. The property represented less than 1% of net assets.

## Asset management

Since income accounts for around 70% of the total return from investment in property over the long term, we actively manage the assets to safeguard and increase the portfolio's income streams.

Where appropriate, we will devise individual asset strategies designed to extract further value from a property, and hence optimise the achievable returns. Examples of such strategies include renegotiating leases; tenant engineering on multi-let properties; development; refurbishment; and changing the use of a property.

Over the review period we were successful in the industrial and office sectors at securing rents on new leases at above the asset's estimated rental value (ERV). The challenge was in retail, at one asset in particular – The Gracechurch Centre, Sutton Coldfield – where new achieved rents were below ERV. Here activity was focused on temporary leases to cover non-recoverables to enable the scheme to be redeveloped in the near future. Nevertheless, deals done across the portfolio were largely at ERV in aggregate.

## Outlook

Although the UK has managed to sidestep a recession thus far, significant uncertainty remains. This is limiting real estate transaction activity, as investor sentiment remains low and buyers exercise caution.

At the tail-end of the first quarter of 2023, it looked as if the UK commercial property market had reached the bottom of the cycle. Some sectors, in particular industrials and retail warehouses, were in the early stages of recovery, as yields started to stabilise and we saw the emergence of rental growth.

However, the recent turbulence in the macroeconomic environment and higher risk-free rates mean that

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downside risks have increased and there may be further valuation declines, before a renewed recovery phase.

With inflation, interest rates and financing costs, still elevated, investor sentiment remains weak. As a result, we believe transaction volumes will remain muted, as investors exercise caution and selectively approach investments with a greater focus on location, quality and ESG credentials.

In our view, the higher interest rate regime is likely to lead to an increased risk of further upward movement in yields in the short term, with polarisation by asset quality taking centre stage. We expect weaker, poorly located assets that are non-ESG compliant to see sharper, longer valuation declines relative to prime assets in core locations.

## **Suspension and closure**

The ACD and the Manager have decided to close the M&G Property Portfolio and its feeder M&G Feeder of Property Portfolio. FCA approval for the M&G Property Portfolio closure was obtained on 17 November 2023. Since the ACD and the Manager announced their intention, dealings in both funds have been suspended since Thursday 19 October 2023.

In recognition of this inability for customers to access their investment, M&G is waiving 30% of its annual charge until the funds close. In addition, effective from the date of the suspension, no charges will be applied to any cash that is held within the funds' portfolios. This supersedes the previous waiver, where M&G continued to waive its annual charge on cash held above 20% of the M&G Property Portfolio's net asset value.

## **Michael Wood**

Fund manager

An employee of M&G FA 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.

# Portfolio statement

## Investments

Location	as at 30.09.23 £'000	as at 30.09.23 %	as at 30.09.22 %
<b>Retail properties</b>	<b>90,395</b>	<b>15.83</b>	<b>18.37</b>
<b>Values between £60 million and £80 million</b>	<b>0</b>	<b>0.00</b>	<b>8.95</b>
<b>Values between £40 million and £60 million</b>	<b>58,069</b>	<b>10.17</b>	<b>0.00</b>
Llanelli Parc Trostre Retail Park			
<b>Values between £20 million and £40 million</b>	<b>30,144</b>	<b>5.28</b>	<b>8.57</b>
Maidstone 19-21 Fremlin Walk			
<b>Values between £0 million and £20 million</b>	<b>2,182</b>	<b>0.38</b>	<b>0.85</b>
Harrogate Harrogate House			
<b>Office properties</b>	<b>134,739</b>	<b>23.60</b>	<b>21.03</b>
<b>Values between £40 million and £60 million</b>	<b>43,275</b>	<b>7.58</b>	<b>12.53</b>
London, W1 Portland & Riding Estate			
<b>Values between £20 million and £40 million</b>	<b>73,164</b>	<b>12.81</b>	<b>5.56</b>
Bristol 3 Temple Quay			
London, E14 8 Greenwich View Place			
Aberdeen The Capitol, 431 Union Street			
<b>Values between £0 million and £20 million</b>	<b>18,300</b>	<b>3.21</b>	<b>2.94</b>
Aberdeen City View, Craigshaw Drive			
London, N1 Units 1-4 The Yard, 122 East Road			
<b>Industrial properties</b>	<b>63,170</b>	<b>11.06</b>	<b>16.79</b>
<b>Values between £60 million and £80 million</b>	<b>0</b>	<b>0.00</b>	<b>9.31</b>
<b>Values between £20 million and £40 million</b>	<b>0</b>	<b>0.00</b>	<b>2.71</b>
<b>Values between £0 million and £20 million</b>	<b>63,170</b>	<b>11.06</b>	<b>4.77</b>
Leatherhead Leatherhead Trade Park			
Dartford Orbital One Trading Estate, Green Road			
Aberdeen Sites A1-A25, Altens Industrial Estate			
Bedford Unit 5, Apex Park, Cambridge Road			
Aberdeen Units 1-4 Howe Moss Drive, Kirkhill Industrial Estate			
<b>Leisure properties</b>	<b>81,515</b>	<b>14.28</b>	<b>13.78</b>
<b>Values between £20 million and £40 million</b>	<b>27,350</b>	<b>4.79</b>	<b>3.71</b>
Rochester Medway Valley Leisure Park			
<b>Values between £0 million and £20 million</b>	<b>54,165</b>	<b>9.49</b>	<b>10.07</b>
Salisbury Premier Inn & McDonald's			

# Portfolio statement

## Investments (continued)

Location		as at 30.09.23 £'000	as at 30.09.23 %	as at 30.09.22 %
<b>Leisure properties (continued)</b>				
<b>Values between £0 million and £20 million (continued)</b>				
Swansea	Premier Inn Hotel, The Waterfront Development			
Telford	Southwater Square			
London, E11	Travelodge - 73 Hollybush Hill, Snaresbrook			
Woodford Green	Travelodge - 735 Chigwell Road			
Northampton	Travelodge - London Road			
Northolt	Travelodge - Mandeville Road			
Borehamwood	Travelodge - Studio Way			
<b>Other properties</b>		<b>29,800</b>	<b>5.22</b>	<b>4.14</b>
<b>Values between £20 million and £40 million</b>		<b>29,800</b>	<b>5.22</b>	<b>4.14</b>
Birmingham	Selly Oak Student Quarter			
<b>Total direct properties before estimated disposal costs<sup>a</sup></b>		<b>399,619</b>	<b>69.99</b>	<b>74.11</b>
Estimated disposal costs <sup>b</sup>		(4,062)	(0.71)	0.00
<b>Total direct properties after estimated disposal costs</b>		<b>395,557</b>	<b>69.28</b>	<b>74.11</b>
<b>Indirect properties</b>		<b>0</b>	<b>0.00</b>	<b>0.00</b>
Kames Target Healthcare I LP <sup>c</sup>		0	0.00	
<b>Holding</b>	<b>Real estate investment trusts<sup>d</sup></b>	<b>37,635</b>	<b>6.59</b>	<b>6.48</b>
250,000	Derwent London	4,790	0.84	
9,100,000	Home <sup>e</sup>	3,462	0.61	
500,000	Land Securities	2,948	0.52	
582,072	LondonMetric	998	0.17	
1,007,000	Segro	7,256	1.27	
8,000,000	Supermarket Income	5,976	1.05	
2,200,000	Tritax Big Box	3,076	0.54	
892,155	Unite	8,020	1.40	

# Portfolio statement

## Investments (continued)

Location		as at 30.09.23 £'000	as at 30.09.23 %	as at 30.09.22 %
<b>Holding Real estate investment trusts<sup>d</sup> (continued)</b>				
500,000	Urban Logistics	543	0.09	
700,000	Warehouse	566	0.10	
<b>Total portfolio</b>		<b>433,192</b>	<b>75.87</b>	<b>80.59</b>
<b>Net other assets/(liabilities)</b>		<b>137,742</b>	<b>24.13</b>	<b>19.41</b>
<b>Net assets attributable to shareholders</b>		<b>570,934</b>	<b>100.00</b>	<b>100.00</b>

Investment properties have been reclassified into more representative valuation bands, with 2022 investments properties reclassified on a consistent basis.

<sup>a</sup> The fair value of investment property is shown net of a lease incentive balance of £8,806,000 (2022: £11,655,000) which has been deducted from the valuation. This lease incentive asset is disclosed separately see (note 11).

<sup>b</sup> Please refer to note 23.

<sup>c</sup> Residual holding with a fair value less than £500 has been rounded to nil.

<sup>d</sup> Listed on an official stock exchange.

<sup>e</sup> Suspended/delisted

# Portfolio statement

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## Portfolio transactions

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for the year to 30 September	2023 £'000	2022 £'000
Total purchases	12,814	61,809
Total sales	111,334	337,523

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Purchases and sales exclude the cost and proceeds of 'AAA' rated money market funds.

# 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.

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at [mandg.com/investments](http://mandg.com/investments)

## Long-term performance by share class

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 price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

Share class	One year % <sup>a</sup>	Three years % pa	Five years % pa	Ten years % pa
<b>Sterling</b>				
Class 'A' Income	-13.2	-2.7	-4.7	+0.1
Class 'A' Accumulation	-13.2	-2.8	-4.7	+0.1
Class 'D' Income	-12.7	-2.2	-4.2	+0.7
Class 'D' Accumulation	-12.7	-2.3	-4.2	+0.7
Class 'F' Income	-12.3	-1.8	-3.8	+1.2
Class 'I' Income	-12.9	-2.4	-4.3	+0.6
Class 'I' Accumulation	-12.9	-2.5	-4.4	+0.6
Class 'R' Income	-13.1	-2.6	-4.5	+0.4
Class 'R' Accumulation	-13.1	-2.6	-4.5	+0.4
<b>Benchmark</b>	<b>-9.5</b>	<b>-0.6</b>	<b>-1.3</b>	<b>+2.4</b>

<sup>a</sup> Not annualised.

## Specific share class performance

The following comparative 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 per share). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

'Operating charges', 'Property expenses' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

# Financial highlights

## Sterling Class 'A' Income share performance

The share class was launched on 18 January 2013.

for the year to 30 September	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	92.03	91.47	93.26
Return before charges	(9.88)	7.19	3.29
Property expenses	(1.36)	(0.88)	(1.00)
Operating charges	(1.12)	(1.23)	(1.04)
Return after charges	(12.36)	5.08	1.25
Distributions	(3.94)	(4.52)	(3.04)
Closing NAV	75.73	92.03	91.47
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.40	0.50
Dilution adjustments	(0.16)	(0.40)	(0.38)
Total direct transaction costs	0.00	0.00	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.71	0.95	1.00
Other operating charges	1.41	1.32	1.04
Return after charges	-13.43	+5.55	+1.34
Other information			
Closing NAV (£'000)	16,838	23,227	20,901
Number of shares	22,233,261	25,239,159	22,850,042
Highest share price (UK p)	96.99	97.63	92.17
Lowest share price (UK p)	76.49	91.48	90.99

## Sterling Class 'A' Accumulation share performance

The share class was launched on 18 January 2013.

for the year to 30 September	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	126.00	120.21	119.01
Return before charges	(13.49)	9.45	4.41
Property expenses	(1.90)	(1.19)	(1.35)
Operating charges	(1.56)	(1.66)	(1.39)
Return after charges	(16.95)	6.60	1.67
Distributions	(4.09)	(4.48)	(2.74)
Retained distributions	3.48	3.67	2.27
Closing NAV	108.44	126.00	120.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.54	0.67
Dilution adjustments	(0.23)	(0.54)	(0.51)
Total direct transaction costs	0.00	0.00	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.71	0.95	1.00
Other operating charges	1.41	1.32	1.03
Return after charges	-13.45	+5.49	+1.40
Other information			
Closing NAV (£'000)	17,331	23,938	21,508
Number of shares	15,981,211	18,998,928	17,892,379
Highest share price (UK p)	132.83	131.87	120.23
Lowest share price (UK p)	108.03	120.25	118.70

# Financial highlights

## Sterling Class 'D' Income share performance

The share class was launched on 18 January 2013.

for the year to 30 September	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	949.46	937.82	950.92
Return before charges	(101.74)	73.65	34.04
Property expenses	(14.12)	(9.18)	(10.76)
Operating charges	(6.27)	(6.38)	(5.27)
Return after charges	(122.13)	58.09	18.01
Distributions	(40.81)	(46.45)	(31.11)
Closing NAV	786.52	949.46	937.82
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	1.68	4.12	5.36
Dilution adjustments	(1.68)	(4.12)	(4.06)
Total direct transaction costs	0.00	0.00	1.30
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.71	0.95	1.00
Other operating charges	0.76	0.66	0.49
Return after charges	-12.86	+6.19	+1.89
<b>Other information</b>			
Closing NAV (£'000)	1,225	1,845	2,832
Number of shares	155,774	194,280	301,971
Highest share price (UK p)	1,000.75	1,005.49	944.63
Lowest share price (UK p)	794.15	937.93	931.38

## Sterling Class 'D' Accumulation share performance

The share class was launched on 18 January 2013.

for the year to 30 September	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,340.58	1,272.85	1,254.07
Return before charges	(143.65)	99.43	47.53
Property expenses	(20.09)	(12.72)	(15.19)
Operating charges	(8.93)	(8.97)	(7.29)
Return after charges	(172.67)	77.74	25.05
Distributions	(51.42)	(56.40)	(35.61)
Retained distributions	43.70	46.39	29.34
Closing NAV	1,160.19	1,340.58	1,272.85
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	2.39	5.71	7.56
Dilution adjustments	(2.39)	(5.71)	(5.74)
Total direct transaction costs	0.00	0.00	1.82
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.71	0.95	1.00
Other operating charges	0.76	0.67	0.48
Return after charges	-12.88	+6.11	+2.00
<b>Other information</b>			
Closing NAV (£'000)	79	76	43
Number of shares	6,781	5,641	3,370
Highest share price (UK p)	1,413.34	1,401.72	1,272.55
Lowest share price (UK p)	1,150.91	1,272.75	1,254.69

# Financial highlights

## Sterling Class 'F' Income share performance

The share class was launched on 18 January 2013.

for the year to 30 September	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	97.30	95.55	96.45
Return before charges	(10.44)	7.51	3.43
Property expenses	(1.45)	(0.94)	(1.15)
Operating charges	(0.13)	(0.09)	(0.03)
Return after charges	(12.02)	6.48	2.25
Distributions	(4.19)	(4.73)	(3.15)
Closing NAV	81.09	97.30	95.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.42	0.57
Dilution adjustments	(0.17)	(0.42)	(0.43)
Total direct transaction costs	0.00	0.00	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.71	0.95	1.00
Other operating charges	0.15	0.09	0.03
Return after charges	-12.35	+6.78	+2.33
Other information			
Closing NAV (£'000)	455,370	654,386	759,500
Number of shares	561,582,018	672,568,416	794,870,197
Highest share price (UK p)	102.56	102.86	96.21
Lowest share price (UK p)	81.85	95.56	94.75

# Financial highlights

## Sterling Class 'I' Income share performance

The share class was launched on 18 January 2013.

for the year to 30 September	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	941.80	932.36	947.26
Return before charges	(100.99)	72.98	37.22
Property expenses	(13.98)	(9.09)	(12.62)
Operating charges	(8.26)	(8.71)	(8.58)
Return after charges	(123.23)	55.18	16.02
Distributions	(40.44)	(45.74)	(30.92)
Closing NAV	778.13	941.80	932.36
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.67	4.08	6.28
Dilution adjustments	(1.67)	(4.08)	(4.77)
Total direct transaction costs	0.00	0.00	1.51
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.71	0.95	1.00
Other operating charges	1.01	0.91	0.68
Return after charges	-13.08	+5.92	+1.69
Other information			
Closing NAV (£'000)	17,967	27,543	217,159
Number of shares	2,309,049	2,924,504	23,291,329
Highest share price (UK p)	992.54	998.00	939.28
Lowest share price (UK p)	785.76	932.48	926.57

## Sterling Class 'I' Accumulation share performance

The share class was launched on 18 January 2013.

for the year to 30 September	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,323.25	1,258.25	1,242.18
Return before charges	(141.62)	98.59	60.93
Property expenses	(19.94)	(12.29)	(23.73)
Operating charges	(11.78)	(11.77)	(16.14)
Return after charges	(173.34)	74.53	21.06
Distributions	(47.74)	(51.82)	(30.13)
Retained distributions	40.48	42.29	25.14
Closing NAV	1,142.65	1,323.25	1,258.25
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.38	5.52	11.81
Dilution adjustments	(2.38)	(5.52)	(8.96)
Total direct transaction costs	0.00	0.00	2.85
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.71	0.95	1.00
Other operating charges	1.01	0.91	0.68
Return after charges	-13.10	+5.92	+1.70
Other information			
Closing NAV (£'000)	60,103	82,206	40,902
Number of shares	5,259,983	6,212,463	3,250,667
Highest share price (UK p)	1,395.11	1,384.17	1,258.51
Lowest share price (UK p)	1,135.38	1,258.70	1,241.47

# Financial highlights

## Sterling Class 'R' Income share performance

The share class was launched on 18 January 2013.

for the year to 30 September	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	93.21	92.52	94.19
Return before charges	(10.00)	7.27	3.33
Property expenses	(1.38)	(0.90)	(1.02)
Operating charges	(1.02)	(1.11)	(0.91)
Return after charges	(12.40)	5.26	1.40
Distributions	(3.99)	(4.57)	(3.07)
Closing NAV	76.82	93.21	92.52
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.16	0.41	0.51
Dilution adjustments	(0.16)	(0.41)	(0.39)
Total direct transaction costs	0.00	0.00	0.12
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.71	0.95	1.00
Other operating charges	1.26	1.17	0.89
Return after charges	-13.30	+5.69	+1.49
<b>Other information</b>			
Closing NAV (£'000)	675	839	1,045
Number of shares	878,276	899,714	1,129,236
Highest share price (UK p)	98.24	98.85	93.22
Lowest share price (UK p)	77.59	92.53	92.00

## Sterling Class 'R' Accumulation share performance

The share class was launched on 18 January 2013.

for the year to 30 September	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	129.91	123.79	122.41
Return before charges	(13.91)	9.72	4.26
Property expenses	(1.96)	(1.23)	(1.25)
Operating charges	(1.44)	(1.51)	(1.11)
Return after charges	(17.31)	6.98	1.90
Distributions	(4.39)	(4.80)	(3.00)
Retained distributions	3.74	3.94	2.48
Closing NAV	111.95	129.91	123.79
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.23	0.55	0.62
Dilution adjustments	(0.23)	(0.55)	(0.47)
Total direct transaction costs	0.00	0.00	0.15
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.71	0.95	1.00
Other operating charges	1.26	1.17	0.89
Return after charges	-13.32	+5.64	+1.55
<b>Other information</b>			
Closing NAV (£'000)	1,346	2,198	2,048
Number of shares	1,202,577	1,692,064	1,654,131
Highest share price (UK p)	136.96	135.94	123.81
Lowest share price (UK p)	111.41	123.83	122.20

# Financial statements and notes

## Financial statements

### Statement of total return

for the year to 30 September	Note	2023		2022	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains/(losses)	5		(130,554)		17,241
Revenue	7	44,135		56,682	
Expenses	8	(12,927)		(12,015)	
Interest payable and similar charges		(485)		(361)	
Net revenue/(expense) before taxation		30,723		44,306	
Taxation	9	0		0	
Net revenue/(expense) after taxation			30,723		44,306
<b>Total return before distributions</b>			<b>(99,831)</b>		<b>61,547</b>
Distributions	10		(31,162)		(45,188)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(130,993)</b>		<b>16,359</b>

### Statement of change in net assets attributable to shareholders

for the year to 30 September	2023		2022	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>816,258</b>		<b>1,072,775</b>
Amounts received on issue of shares	29,576		322,248	
Amounts paid on cancellation of shares	(148,936)		(604,630)	
		(119,360)		(282,382)
Dilution adjustments		2,110		5,937
Change in net assets attributable to shareholders from investment activities (see above)		(130,993)		16,359
Retained distributions on Accumulation shares		2,919		3,568
Unclaimed distributions		0		1
<b>Closing net assets attributable to shareholders</b>		<b>570,934</b>		<b>816,258</b>

# Financial statements and notes

## Financial statements

### Balance sheet

as at 30 September	Note	2023 £'000	2022 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible assets			
Land and buildings	14	0	604,895
Investments		0	52,937
<b>Current assets</b>			
Tangible assets			
Land and buildings	14	395,557	0
Investments		37,635	0
Debtors	11	43,054	24,879
Cash and bank balances	12	77,698	184,349
Cash equivalents		42,342	0
<b>Total assets</b>		<b>596,286</b>	<b>867,060</b>
<b>Liabilities</b>			
<b>Creditors</b>			
Distribution payable		(7,002)	(11,156)
Other creditors	13	(18,350)	(39,646)
<b>Total liabilities</b>		<b>(25,352)</b>	<b>(50,802)</b>
<b>Net assets attributable to shareholders</b>		<b>570,934</b>	<b>816,258</b>

# Financial statements and notes

## Financial statements

### Cashflow statement

for the year to 30 September	Note	2023		2022	
		£'000	£'000	£'000	£'000
<b>Operating activities</b>					
Net revenue/(expense) before taxation		30,723		44,306	
Adjustments for:					
Interest payable and similar charges		485		361	
Movement in property debtors		(19,079)		40,716	
Movement in non-property debtors		668		(983)	
Movement in property creditors		747		(3,268)	
Movement in non-property creditors		(1,372)		1,351	
Net cash generated from operating activities			12,172		82,483
<b>Investing activities</b>					
Capital expenditure		(3,535)		(1,262)	
Investment purchases		(5,564)		(61,659)	
Investment sales		16,243		28,806	
Tangible assets: acquisitions		(7,250)		(300)	
Tangible assets: disposals		94,192		303,689	
Net cash from investing activities			94,086		269,274
<b>Financing activities</b>					
Amounts received on issue of shares		28,840		168,140	
Amounts paid on cancellation of shares		(169,205)		(434,888)	
Dilution adjustments		2,110		5,937	
Distributions paid		(25,290)		(31,485)	
Interest paid		(412)		(746)	
Movement in revolving bank loan		0		(39,245)	
Taxation		(6,610)		(7,506)	
Unclaimed distributions received		0		1	
Net cash used in financing activities			(170,567)		(339,792)
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>(64,309)</b>		<b>11,965</b>
Cash and cash equivalents at the beginning of the year			184,349		172,384
Net increase/(decrease) in cash for the year			(64,309)		11,965
<b>Cash and cash equivalents at end of the year</b>			<b>120,040</b>		<b>184,349</b>

# Financial statements and notes

## Notes to the financial statements

### 1 Statement of compliance

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss and in compliance with UK Financial Reporting Standard 102 (FRS 102). The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017, except in relation to the separate disclosure in note 17.

### 2 Summary of significant accounting policies

#### a. Basis of preparation

The financial statements of the M&G Property Portfolio are prepared on a basis other than going concern due to the decision to wind up the Company as described in the ACD Report. Under this basis, assets are recorded at fair value less estimated disposal costs and liabilities are recorded at their expected settlement value. Any additional costs in respect of the termination of the fund will be borne by the ACD.

Accounting policies are comparable to prior year with the exception that assets are recorded at fair value less estimated disposal costs and liabilities are recorded at their expected settlement values. Assets and liabilities have been classified as current.

#### b. Functional and presentational currency

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

#### c. Exchange rates

Transactions in currencies other than the fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 30 September 2023 being the last business day of the accounting period.

#### d. 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 Stamp Duty Land Tax (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 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. For the year ended 30 September 2023, estimated disposal costs have been deducted from the fair value.

# Financial statements and notes

## **(ii) Investments – recognition and valuation**

All investments have been classified 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 30 September 2023, 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.

Collective investments operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.

## **e. Recognition of income and expenses**

Rental income is recognised on an accrual basis. 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 Section 20 of FRS 102 (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.

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

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.

## **f. Treatment of income and expenses**

Any increases or decreases in the fair value of land and buildings, property under construction (including estimated disposal costs) 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.

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.

# Financial statements and notes

## g. 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.

## h. 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.

## i. Allocation of returns to share classes

The annual 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 and adjusted where relevant by any specific distribution policies set out in note 4, 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.

## j. Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund, excluding the provision of property operating services.  
For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to the fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Ongoing charges from underlying funds:** Ongoing charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

These 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.

# Financial statements and notes

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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.

## **k. Property expenses**

Property expenses are costs associated with the management and operation of the property portfolio itself, including day-to-day property management, rent collection and payments to third parties providing property operating services.

## **l. 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 of, as the case may be, 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.

## **m. 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 the asset will be recovered.

## **3 Risk management policies**

The ACD is responsible for establishing, implementing and maintaining an adequate and documented risk management policy for identifying, measuring and managing all risks to which funds are or might be exposed.

The fund's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests; market risk, credit risk and liquidity risk. These financial statements are designed to enable users to evaluate the nature and extent of those risks and how they are managed.

The following risk management policies are applicable to the fund, with specific risk disclosures set out in note 20 in this report.

### **a. Market risk**

Market risk is the risk of loss resulting from fluctuations in the market value of the fund's investments including, but not limited to, adverse real estate valuation movements which may be attributable to changes to global or local economic conditions; local market conditions such as the price volatility of the UK commercial property markets or performance of individual properties; the financial conditions of tenants; changes in interest rates or exchange rates; real estate tax rates and other operational expenses; environmental laws and regulations; planning laws and other

# Financial statements and notes

governmental legislation; energy prices and the relative attractiveness of real estate types or locations. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in values.

The fund's exposure to market 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. The value of investments is determined by the Independent Valuer and is therefore subjective. The Independent Valuer has acquired significant experience in the real estate sectors targeted by the fund. No assurance can be given that any given real estate asset could be sold at a price equal to the fair value ascribed to it. 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.

The fund is subject to interest rate risk in respect of cash deposits, overdrafts and revolving credit facilities held.

## **b. Liquidity risk**

Liquidity risk is the risk that funds cannot be raised or investments sold at limited cost or in an adequate time frame to meet financial commitments such as share redemptions.

The fund's liquidity can be affected by unexpected or high levels of share redemptions. 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.

The Independent Risk Team is responsible for second line oversight of liquidity risk. To this end, the Risk Team assesses and monitors liquidity risk. The liquidity reports as provided by the first line can be reviewed ad-hoc by the Risk Team whenever considered relevant, liquidity can be interrogated and fund managers can be challenged on the liquidity in the funds.

The portfolios are reviewed regularly at Investment, Product and Risk committees. The Risk Team is responsible for escalating funds with potential liquidity mismatches to the Risk Committees. These committees are responsible for highlighting, challenging, escalating, or requiring further action, as it deems necessary.

## **c. Credit risk**

The fund is exposed to credit risk in the event of default by an occupational tenant. The fund would suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. The fund has been closely monitoring the ability of tenants to pay their rent and adjusting bad debt provision accordingly. The fund also works with the tenants to determine any rent concessions on a case-by-case basis.

## **d. Risk management**

The fund's risks are measured and managed as an integral part of the investment process. It invests in illiquid assets, but trades daily and hence portfolio diversification contributes towards managing liquidity and default risks as well as reducing market price risk. During the year, 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.

# Financial statements and notes

In managing credit risk, income 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.

To manage liquidity risk, the fund currently targets around 20% cash levels under normal market conditions. Under certain market conditions where liquidity risk may be deemed to be elevated, the level of cash targeted by the fund may be higher. Actual cash levels may differ from targeted cash levels for a number of reasons, particularly arising from time lags related to arranging to exchange and complete property sales. If liquidity becomes more of a focus, for example if actual cash looks likely to move below targeted cash for an extended period, the fund manager will enter an enhanced monitoring and oversight phase, explicitly focusing on ensuring that all customers in the fund are being treated fairly in terms of ongoing portfolio composition, appropriate asset sales or purchases.

In exceptional circumstances where assets cannot be fairly valued, or may otherwise need to be sold at a large discount to raise cash to settle redemptions, the fund may be temporarily suspended if that is deemed to be in the best interest of all investors.

Additionally, the ACD may borrow for the account of the fund but only for the purpose of meeting redemption requests where there is a timing difference in connection with the purchase and sale of property investments, as we bridge pre-identified sales of positions in REITs. Use of the revolving credit facility is detailed in note 15.

## 4 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge is offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

## 5 Net capital gains/(losses)

for the year to 30 September	2023 £'000	2022 £'000
Land and buildings and property under construction	(125,931) <sup>b</sup>	35,593
Non-derivative securities	(4,778)	(17,111)
Provision for a potential return of distribution to Kames Target Healthcare I LP	155	(1,241)
<b>Net capital gains/(losses)<sup>a</sup></b>	<b>(130,554)</b>	<b>17,241</b>

<sup>a</sup> Includes realised losses of £64,649,000 and unrealised losses of £65,905,000 (2022: realised losses of £1,188,000 and unrealised gains of £18,429,000). Certain realised gains and losses in the current year were unrealised in the prior year.

<sup>b</sup> Please refer to note 23.

# Financial statements and notes

## 6 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 sections on 'Operating charges', 'Property expenses' and 'Portfolio transaction costs' on pages 29 and 30. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

for the year to 30 September	2023 £'000	% of transaction	2022 £'000	% of transaction
<b>a) Purchases</b>				
<b>Property acquisitions</b>				
Property acquisitions excluding transaction costs	6,840		0	
Agents' fees	68	0.99	0	0.00
Legal fees	55	0.80	1	0.00
Survey fees	2	0.03	12	0.00
Others	285	4.17	137	0.00
<b>Total transaction costs</b>	<b>410</b>		<b>150</b>	
<b>Total property acquisitions after transaction costs</b>	<b>7,250</b>		<b>150</b>	
<b>Equities</b>				
Equities before transaction costs	5,535		61,386	
Commissions	3	0.05	19	0.03
Taxes	26	0.47	254	0.41
<b>Equities after transaction costs</b>	<b>5,564</b>		<b>61,659</b>	
<b>Total equities purchases after transaction costs</b>	<b>5,564</b>		<b>61,659</b>	
<b>b) Sales</b>				
<b>Property disposals</b>				
Property disposals excluding transaction costs	96,453		311,153	
Agents' fees	(822)	0.85	(2,360)	0.76
Legal fees	(344)	0.36	(547)	0.18
Marketing fees	(26)	0.03	40 <sup>a</sup>	(0.01)
Others	(28)	0.03	(810)	0.26
<b>Total transaction costs</b>	<b>(1,220)</b>		<b>(3,677)</b>	
<b>Total property disposals after transaction costs</b>	<b>95,233</b>		<b>307,476</b>	
<b>Equities</b>				
Equities before transaction costs	16,106		30,049	
Commissions	(5)	0.03	(2)	0.01
<b>Equities after transaction costs</b>	<b>16,101</b>		<b>30,047</b>	
<b>Total equities sales after transaction costs</b>	<b>16,101</b>		<b>30,047</b>	

# Financial statements and notes

	2023	% of average NAV	2022	% of average NAV
<b>c) Direct portfolio transaction costs</b>				
<b>Commissions paid</b>				
Equities	8	0.00	21	0.00
<b>Taxes paid</b>				
Equities	26	0.00	254	0.03
Agents' fees	890	0.14	2,360	0.25
Legal fees	399	0.06	549	0.06
Marketing fees	26	0.00	(40) <sup>a</sup>	0.00
Survey fees	2	0.00	12	0.00
Others	313	0.05	947	0.10
Costs before dilution adjustments	1,664	0.25	4,103	0.44
Dilution adjustments	(1,664)	(0.25)	(4,103)	(0.44)
<b>Total direct portfolio transaction costs</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>

<sup>a</sup> Accrual adjustment in respect of prior year balance.

## 7 Revenue

for the year to 30 September	2023 £'000	2022 £'000
Bank interest	43	2
Distributions from collective investment schemes: property income dividends	(776) <sup>a</sup>	953
Dividends from equity investments: taxable	0	411
Interest distributions	3,589	1,850
Property distribution: non-taxable	337	149
Property distribution: taxable	1,980	1,401
Property interest	318	17
Rebate of ongoing charges from underlying funds	23	0
Rental income	38,621	51,849
Stock dividends	0	50
<b>Total revenue</b>	<b>44,135</b>	<b>56,682</b>

<sup>a</sup> Accrual adjustment in respect of prior year balance.

# Financial statements and notes

## 8 Expenses

for the year to 30 September	2023 £'000	2022 £'000
<b>Payable to the ACD or associate</b>		
Annual charge	1,273	2,014
<b>Other expenses</b>		
Costs incurred from aborted acquisitions <sup>a</sup>	1	(61)
Non-recoverable expenditure <sup>b</sup>	9,017	7,864
Publishing costs	73	32
Additional refurbishment costs	1,970	1,335
Revolving credit facility commitment fees	593	831
	11,654	10,001
<b>Total expenses</b>	<b>12,927</b>	<b>12,015</b>

Audit fees for the financial year ending 2023 were £93,000 (2022: £86,000) (including VAT), which are covered by the annual charge.

<sup>a</sup> Costs incurred from aborted acquisitions as detailed below.

Legal fees	1	(61)
<b>Costs incurred from aborted acquisitions</b>	<b>1</b>	<b>(61)</b>

<sup>b</sup> 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	16,180	15,508
Service charges recoverable	(7,163)	(7,644)
<b>Total non-recoverable expenditure</b>	<b>9,017</b>	<b>7,864</b>

# Financial statements and notes

## 9 Taxation

for the year to 30 September	2023 £'000	2022 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Withholding tax	0	0
Deferred tax (note 9c)	0	0
<b>Total taxation</b>	<b>0</b>	<b>0</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue/(expense) before taxation	30,723	44,306
Corporation tax at 20%	6,145	8,861
<b>Effects of:</b>		
Property distributions: non-taxable	(68)	(40)
Capital allowances	(646)	(453)
Interest distributions	(672)	(347)
Property income distributions	(4,759)	(8,021)
<b>Total tax charge (note 9a)</b>	<b>0</b>	<b>0</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 8a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The fund has not recognised a deferred tax asset in the current financial year (2022: 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.

# Financial statements and notes

## 10 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 30 September	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>PAIF distributions</b>				
First interim	5,754	695	7,847	887
Second interim	6,401	834	8,215	920
Third interim	5,738	739	8,508	854
Final	5,093	651	7,396	907
Total net distributions		25,905		35,534
Income tax deducted at source		4,759		8,021
Income deducted on cancellation of shares		667		2,927
Income received on issue of shares		(169)		(1,294)
<b>Distributions</b>		<b>31,162</b>		<b>45,188</b>
Net revenue/(expense) per statement of total return		30,723		44,306
Expenses offset against capital		439		875
Undistributed income brought forward		2		9
Undistributed income carried forward		(2)		(2)
<b>Distributions</b>		<b>31,162</b>		<b>45,188</b>

## 11 Debtors

Tenant debtors is reduced by a bad debt provision of £4,666,000 (2022: £10,661,000) and includes lease incentives of £8,806,000 (2022: £11,655,000).

as at 30 September	2023 £'000	2022 £'000
Amounts receivable on issues of shares	39	201
Deposit interest receivable	155	155
Distributions receivable	179	791
Dividends receivable	237	306
Sales awaiting settlement: property	18,000	0
Tenant debtors	20,419	20,494
VAT recoverable: non-property	848	835
VAT recoverable: property	2,865	1,711
Interest on unsecured borrowing receivable	312	386
<b>Total debtors</b>	<b>43,054</b>	<b>24,879</b>

# Financial statements and notes

## 12 Cash and bank balances

as at 30 September	2023 £'000	2022 £'000
Cash held as bank balances	29,263	25,690
Cash held on deposit	48,435	158,659
<b>Total cash and bank balances</b>	<b>77,698</b>	<b>184,349</b>

## 13 Other creditors

as at 30 September	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	1,679	22,349
Annual charge payable	35	48
Expenses payable: non-property	109	228
Expenses payable: property	3,223	1,458
Income billed in advance: property	13,304	14,322
Provision for a potential return of distribution to Kames Target Healthcare I LP	0	1,241
<b>Total other creditors</b>	<b>18,350</b>	<b>39,646</b>

## 14 Investment property

The fair value of investment property is shown net of a lease incentive balance of £8,806,000 (2022: £11,655,000) which has been deducted from the valuation. This lease incentive asset is disclosed separately (see note 11).

as at 30 September 2023	Land and buildings £'000
Opening fair value of investment property as at 1 October 2022	604,895
Property acquisitions	7,250
Property disposals	(94,192)
Capital expenses	3,535
Additional capital	0
Net gains/(losses) from fair value adjustments	(125,931)
<b>Closing fair value less estimated disposal costs of investment property as at 30 September 2023</b>	<b>395,557</b>

# Financial statements and notes

as at 30 September 2022	Land and buildings £'000
Opening fair value of investment property as at 1 October 2021	871,429
Property acquisitions	300
Property disposals	(303,689)
Capital expenses	1,262
Additions	0
Net gains/(losses) from fair value adjustments	35,593
<b>Closing fair value of investment property as at 30 September 2022</b>	<b>604,895</b>

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 2023	Increase in equivalent yield 25bps £'000	Decrease in equivalent yield 25bps £'000
Retail	(3,188)	3,408
Office	(4,903)	5,370
Industrial	(2,932)	3,233
Leisure	(2,981)	3,210
Other	(2,538)	2,789
<b>Total</b>	<b>(16,542)</b>	<b>18,010</b>

# Financial statements and notes

as at 30 September 2022	Increase in equivalent yield 25bps £'000	Decrease in equivalent yield 25bps £'000
Retail	(5,914)	6,415
Office	(7,744)	8,738
Industrial	(8,658)	9,904
Leisure	(4,467)	4,848
Other	(2,977)	3,323
<b>Total</b>	<b>(29,760)</b>	<b>33,228</b>

The sensitivities are provided by the fund's Independent Standing Valuer, Knight Frank.

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

as at 30 September	2023 £'000	2022 £'000
Not later than one year	26,556	36,040
Later than one year and not later than five years	90,887	101,887
Later than five years	228,539	256,900
<b>Total</b>	<b>345,982</b>	<b>394,827</b>

## 15 Revolving credit facility

On 12 July 2023 M&G Property Portfolio entered in to a one-year extension to its existing revolving credit facility with Lloyds bank, with total commitments of £50 million. The amount drawn down as at 30 September 2023 was £nil (2022: £nil). The arrangement fee charged on the facility during the year was £474,000 (2022: £360,000)

## 16 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2022: same).

## 17 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 18.

# Financial statements and notes

Sterling Class 'F' Income shares are only available to the M&G Feeder of Property Portfolio.

Share class	Opening 01.10.22	Issued	Movements Cancelled	Converted	Closing 30.09.23
<b>Sterling</b>					
Class 'A' Income	25,239,159	831,043	(3,836,941)	0	22,233,261
Class 'A' Accumulation	18,998,928	377,912	(3,395,629)	0	15,981,211
Class 'D' Income	194,280	26,161	(64,667)	0	155,774
Class 'D' Accumulation	5,641	2,982	(1,842)	0	6,781
Class 'F' Income	672,568,416	31,612,419	(142,598,817)	0	561,582,018
Class 'I' Income	2,924,504	66,888	(682,343)	0	2,309,049
Class 'I' Accumulation	6,212,463	55,361	(1,007,841)	0	5,259,983
Class 'R' Income	899,714	201,485	(222,923)	0	878,276
Class 'R' Accumulation	1,692,064	150,320	(639,807)	0	1,202,577

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

## 18 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. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Sterling Class 'F' Income shares are available only to the M&G Feeder of Property Portfolio.

Share class	Annual charge %
<b>Sterling</b>	
Class 'A'	1.25
Class 'D'	0.60
Class 'F'	0.00
Class 'I'	0.85
Class 'R'	1.10

## 19 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 10. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 11 and 13 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 8. Amounts due at the year end from the annual charge are disclosed in note 13.

# Financial statements and notes

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the annual charge are disclosed in notes 5 and 7. Amounts due at the year end from the ACD, and/or associate, in respect of these rebates are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 93.01% (2022: 93.13%) of the fund's shares. M&G Feeder of Property Portfolio is a related party, as M&G Securities Limited is the manager, and as disclosed in note 17 invests solely in the Sterling Class 'F' Income shares.

## 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 (eg Government bonds) and exchange traded derivatives (eg 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.

as at 30 September	Assets 2023 £'000	Liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000
Basis of valuation				
Level 1	34,173	0	52,937	0
Level 2	0	0	0	0
Level 3	3,462	0	0	0
	<b>37,635</b>	<b>0</b>	<b>52,937</b>	<b>0</b>

Home REIT was suspended in the period and has been transferred from Level 1 to Level 3. Home REIT is held at the last traded price prior to suspension.

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).

# Financial statements and notes

## 21 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 30 to 32.

## 22 Property authorised investment fund (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.

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

### Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.10.22	31.12.22	03.01.23	31.01.23
Second interim	01.01.23	31.03.23	01.04.23	30.04.23
Third interim	01.04.23	30.06.23	01.07.23	31.07.23
Final	01.07.23	30.09.23	01.10.23	31.10.23

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 revenue	Income tax deducted	Net revenue	Equal- isation	Distribution	
	2023 UK p	2023 UK p	2023 UK p	2023 UK p	2023 UK p	2022 UK p
<b>Group 1</b>						
First interim	0.9365	0.1028	0.8337	0.0000	0.8337	0.8749
Second interim	1.0988	0.1441	0.9547	0.0000	0.9547	1.0002
Third interim	1.0062	0.1184	0.8878	0.0000	0.8878	1.0150
Final	0.9013	0.0773	0.8240	0.0000	0.8240	1.0245
<b>Group 2</b>						
First interim	0.4068	0.0442	0.3626	0.4711	0.8337	0.8749
Second interim	0.5231	0.0767	0.4464	0.5083	0.9547	1.0002
Third interim	0.3085	0.0353	0.2732	0.6146	0.8878	1.0150
Final	0.3023	0.0249	0.2774	0.5466	0.8240	1.0245

# Financial statements and notes

## Sterling Class 'A' Accumulation shares

PAIF distributions for the year to 30 September	Gross revenue 2023 UK p	Income tax deducted 2023 UK p	Net revenue 2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
<b>Group 1</b>						
First interim	0.9141	0.1397	0.7744	0.0000	0.7744	0.8254
Second interim	1.1772	0.1935	0.9837	0.0000	0.9837	0.9205
Third interim	1.0649	0.1657	0.8992	0.0000	0.8992	0.9475
Final	0.9345	0.1094	0.8251	0.0000	0.8251	0.9801
<b>Group 2</b>						
First interim	0.4586	0.0723	0.3863	0.3881	0.7744	0.8254
Second interim	0.5935	0.1040	0.4895	0.4942	0.9837	0.9205
Third interim	0.4926	0.0843	0.4083	0.4909	0.8992	0.9475
Final	0.4572	0.0457	0.4115	0.4136	0.8251	0.9801

## Sterling Class 'D' Income shares

PAIF distributions for the year to 30 September	Gross revenue 2023 UK p	Income tax deducted 2023 UK p	Net revenue 2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
<b>Group 1</b>						
First interim	9.6753	1.3055	8.3698	0.0000	8.3698	8.6882
Second interim	11.3645	1.6956	9.6689	0.0000	9.6689	9.8421
Third interim	10.4194	1.4720	8.9474	0.0000	8.9474	10.2758
Final	9.3506	1.0150	8.3356	0.0000	8.3356	10.1390
<b>Group 2</b>						
First interim	5.3981	0.7878	4.6103	3.7595	8.3698	8.6882
Second interim	7.6587	1.1806	6.4781	3.1908	9.6689	9.8421
Third interim	4.4909	0.6793	3.8116	5.1358	8.9474	10.2758
Final	4.8173	0.5149	4.3024	4.0332	8.3356	10.1390

# Financial statements and notes

## Sterling Class 'D' Accumulation shares

PAIF distributions for the year to 30 September	Gross revenue 2023 UK p	Income tax deducted 2023 UK p	Net revenue 2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
<b>Group 1</b>						
First interim	11.8133	1.7985	10.0148	0.0000	10.0148	10.3144
Second interim	14.4583	2.4087	12.0496	0.0000	12.0496	11.6013
Third interim	13.2606	2.0978	11.1628	0.0000	11.1628	12.2176
Final	11.8880	1.4183	10.4697	0.0000	10.4697	12.2561
<b>Group 2</b>						
First interim	6.6144	1.0315	5.5829	4.4319	10.0148	10.3144
Second interim	13.2544	2.1881	11.0663	0.9833	12.0496	11.6013
Third interim	5.4783	0.9614	4.5169	6.6459	11.1628	12.2176
Final	6.1553	0.6856	5.4697	5.0000	10.4697	12.2561

## Sterling Class 'F' Income shares

PAIF distributions for the year to 30 September	Gross revenue 2023 UK p	Income tax deducted 2023 UK p	Net revenue 2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
<b>Group 1</b>						
First interim	0.9923	0.1594	0.8329	0.0000	0.8329	0.8552
Second interim	1.1669	0.1946	0.9723	0.0000	0.9723	0.9784
Third interim	1.0716	0.1726	0.8990	0.0000	0.8990	1.0226
Final	0.9628	0.1264	0.8364	0.0000	0.8364	1.0139
<b>Group 2</b>						
First interim	0.3737	0.0638	0.3099	0.5230	0.8329	0.8552
Second interim	0.7047	0.1214	0.5833	0.3890	0.9723	0.9784
Third interim	0.4159	0.0736	0.3423	0.5567	0.8990	1.0226
Final	0.3780	0.0417	0.3363	0.5001	0.8364	1.0139

# Financial statements and notes

## Sterling Class 'I' Income shares

PAIF distributions for the year to 30 September	Gross revenue 2023 UK p	Income tax deducted 2023 UK p	Net revenue 2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
<b>Group 1</b>						
First interim	9.6111	1.1923	8.4188	0.0000	8.4188	8.6833
Second interim	11.2616	1.5679	9.6937	0.0000	9.6937	9.8919
Third interim	10.3175	1.3570	8.9605	0.0000	8.9605	10.3165
Final	9.2547	0.9290	8.3257	0.0000	8.3257	9.9005
<b>Group 2</b>						
First interim	6.0328	0.7877	5.2451	3.1737	8.4188	8.6833
Second interim	4.4956	0.6799	3.8157	5.8780	9.6937	9.8919
Third interim	4.6291	0.6605	3.9686	4.9919	8.9605	10.3165
Final	4.4254	0.4032	4.0222	4.3035	8.3257	9.9005

## Sterling Class 'I' Accumulation shares

PAIF distributions for the year to 30 September	Gross revenue 2023 UK p	Income tax deducted 2023 UK p	Net revenue 2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
<b>Group 1</b>						
First interim	10.8497	1.7311	9.1186	0.0000	9.1186	10.0245
Second interim	13.5301	2.2245	11.3056	0.0000	11.3056	10.7893
Third interim	12.3622	1.9486	10.4136	0.0000	10.4136	10.1690
Final	10.9946	1.3485	9.6461	0.0000	9.6461	11.3051
<b>Group 2</b>						
First interim	6.8316	1.0942	5.7374	3.3812	9.1186	10.0245
Second interim	6.7565	1.1800	5.5765	5.7291	11.3056	10.7893
Third interim	7.7631	1.2987	6.4644	3.9492	10.4136	10.1690
Final	5.3363	0.5215	4.8148	4.8313	9.6461	11.3051

# Financial statements and notes

## Sterling Class 'R' Income shares

PAIF distributions for the year to 30 September	Gross revenue 2023 UK p	Income tax deducted 2023 UK p	Net revenue 2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
<b>Group 1</b>						
First interim	0.9477	0.1048	0.8429	0.0000	0.8429	0.8794
Second interim	1.1130	0.1486	0.9644	0.0000	0.9644	0.9908
Third interim	1.0200	0.1266	0.8934	0.0000	0.8934	1.0339
Final	0.9138	0.0807	0.8331	0.0000	0.8331	1.0221
<b>Group 2</b>						
First interim	0.5377	0.0607	0.4770	0.3659	0.8429	0.8794
Second interim	0.3365	0.0567	0.2798	0.6846	0.9644	0.9908
Third interim	0.8453	0.1072	0.7381	0.1553	0.8934	1.0339
Final	0.3257	0.0300	0.2957	0.5374	0.8331	1.0221

## Sterling Class 'R' Accumulation shares

PAIF distributions for the year to 30 September	Gross revenue 2023 UK p	Income tax deducted 2023 UK p	Net revenue 2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
<b>Group 1</b>						
First interim	0.9882	0.1503	0.8379	0.0000	0.8379	0.8409
Second interim	1.2567	0.2053	1.0514	0.0000	1.0514	0.9981
Third interim	1.1410	0.1803	0.9607	0.0000	0.9607	1.0533
Final	1.0070	0.1185	0.8885	0.0000	0.8885	1.0506
<b>Group 2</b>						
First interim	0.6572	0.1038	0.5534	0.2845	0.8379	0.8409
Second interim	0.9989	0.1666	0.8323	0.2191	1.0514	0.9981
Third interim	0.4790	0.0831	0.3959	0.5648	0.9607	1.0533
Final	0.4958	0.0475	0.4483	0.4402	0.8885	1.0506

# Financial statements and notes

## 23 Events after the balance sheet date

The ACD and the Manager have decided to close the M&G Property Portfolio and its feeder M&G Feeder of Property Portfolio. FCA approval for the M&G Property Portfolio closure was obtained on 17 November 2023. Since the ACD and the Manager announced their intention, dealings in both funds have been suspended since Thursday 19 October 2023.

In recognition of this inability for customers to access their investment, M&G is waiving 30% of its annual charge until the funds close. In addition, effective from the date of the suspension, no charges will be applied to any cash that is held within the funds' portfolios. This supersedes the previous waiver, where M&G continued to waive its annual charge on cash held above 20% of the M&G Property Portfolio's net asset value.

In light of the decision to close the fund, total direct properties are shown after deducting estimated disposal costs. The estimated disposal costs include, but are not limited to, agents fees, legal fees and survey fees. As at 30 September 2023, these are estimated at £4,062,000.

To give an indication of the effect of this adjustment, the below table shows the effect of the estimated disposal costs on the net asset value per share for each share class as at 30 September 2023.

	Dealing NAV per share UK p <sup>a</sup>	Closing NAV before estimated disposal costs UK p	Estimated disposal costs UK p	Closing NAV after estimated disposal costs UK p
Class 'A' Income	76.49	76.27	(0.54)	75.73
Class 'A' Accumulation	108.35	109.21	(0.77)	108.44
Class 'D' Income	794.16	792.12	(5.60)	786.52
Class 'D' Accumulation	1,159.10	1,168.36	(8.17)	1,160.19
Class 'F' Income	81.86	81.66	(0.57)	81.09
Class 'I' Income	785.76	783.70	(5.57)	778.13
Class 'I' Accumulation	1,141.64	1,150.71	(8.06)	1,142.65
Class 'R' Income	77.59	77.37	(0.55)	76.82
Class 'R' Accumulation	111.86	112.74	(0.79)	111.95

<sup>a</sup> As disclosed in the 'Financial highlights' section of this report, the closing NAV per share shown may diverge from the share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

On 10 November 2023, the sale of the Gracechurch Centre was completed for £18m. The property was exchanged prior to year-end.

# 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 2023 the total amount of leverage is as follows:

#### Gross method:

M&G Property Portfolio	80%
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#### Commitment method:

M&G Property Portfolio	100%
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The M&G Property Portfolio did not use leverage to increase its exposure and this position was unchanged throughout the period ending 30 September 2023.

### 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 2023.

## Remuneration

In line with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"), M&G Securities Limited (the "AIFM") 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 policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the alternative investment funds managed by the AIFM. Further details of the remuneration policy can be found on our website: [mandg.com/who-we-are/mandg-investments/mandg-investments-business-policies](https://www.mandg.com/who-we-are/mandg-investments/mandg-investments-business-policies)

The remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee. The most recent review found no fundamental issues with no material changes made to the policy.

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.

The 'Identified Staff' of M&G Securities Limited are those who could have a material impact on the risk profile of M&G Securities Limited or the AIFs it manages (including M&G Property Portfolio) and generally includes senior management, risk takers and control functions. 'Identified Staff' 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

# Other regulatory disclosures

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. The information needed to provide a further breakdown of remuneration is not readily available and would not be relevant or reliable.

The amounts shown below reflect payments made in respect of the financial year 1 January 2022 to 31 December 2022.

	Fixed Remuneration £000	Variable Remuneration (incl. carried interest) £000	Total £000	Beneficiaries
Senior Management	2,221	5,036	7,257	9
Other Identified Staff	3,477	17,850	21,327	18

