M&G Feeder of Property Portfolio

Annual Long Report and audited Financial Statements for the year ended 30 September 2021

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Fund information

M&G Feeder of Property Portfolio is an authorised unit trust, regulated as 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).

The Trust was authorised on 16 October 2012 and was launched on 18 January 2013.

Manager

M&G Securities Limited
10 Fenchurch Avenue, London EC3M 5AG
Telephone: 0800 390 390 (UK only)
(Authorised and regulated by the Financial Conduct Authority)

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: +44 (0)20 7626 4588

(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)

Administration office

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

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

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

Trustee

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

Investment accounting services

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

Directors of the Manager

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

* Appointed 19 May 2021.

Fund manager

Justin Upton

(Employee of M&G FA Limited, which is an associate of M&G Securities Limited. Fiona Rowley stepped down on 30 November 2020 and from 1 December 2020 Justin Upton is the sole fund manager.)

Independent auditor

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

Suspension

Dealings in the M&G Property Portfolio and its feeder fund were suspended on 4 December 2019 after a sustained period of withdrawals. The suspension was lifted and dealings in the M&G Property Portfolio and its feeder fund resumed on 10 May 2021. The fund manager has used the time during suspension to sell properties in a controlled manner and improve the liquidity position.

The ACD and Depositary were satisfied that the fund had sufficient cash for investors who had wished to sell their investment and appropriate cash for those who had wished to remain, and therefore reopened for dealing. The Financial Conduct Authority was also notified.

Manager's Report

In recognition of the inconvenience caused to customers and clients, M&G had waived 30% of the funds' annual charge during suspension. M&G will also continue to waive the charge on cash held above 20% of the funds' net asset value until the end of 2021.

Assessment of value

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 report can be found at www.mandg.co.uk/valueassessment

Important information

There was a reduction in the annual charge on some unit classes from 15 February 2021. The reduction in annual charge varies across the M&G funds and the detail was communicated in the unitholder letter dated 15 January 2021.

The fund has changed the pricing methodology from 25 June 2021 and has moved to dual pricing on a full spread basis. This provides greater dealing clarity, reduces the potential for large price fluctuations and provides stronger alignment with the fund's long term horizon. For further information please see the investor communication on the M&G website: www.mandg.com/investments/professional-investor/en-gb/property-portfolio

On 25 June 2021, the investment objective and benchmark were changed for M&G Feeder of Property Portfolio.

The World Health Organisation declared the COVID-19 outbreak a pandemic on 11 March 2020.

The COVID-19 pandemic has been an unprecedented event. After an initial period of increased market volatility and uncertainty, there has been a marked recovery in global markets, bolstered by supportive economic policies from governments and positive news on vaccines for COVID-19.

The UK commercial property market has subsequently recorded positive total returns driven by a combination of capital growth and rental income with variability between sectors.

The Manager continues to monitor the ongoing operational risks that are posed to the trust and its service providers due to global and local movement restrictions that have been enacted by various governments.

Manager's Report

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
24 November 2021

Manager's Responsibilities & Trustee's Responsibilities

Statement of the Manager's Responsibilities in respect of the annual investment report and financial statements of the Scheme

The Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA), requires the Manager to prepare the investment report and financial statements for each accounting period which give a true and fair view of the financial position of the Scheme as at the end of the accounting period, and the net revenue and the net losses for the period. In preparing the financial statements, the Manager is required to:

- comply with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017, the Trust Deed, generally accepted accounting principles and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements;
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

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

Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders of M&G Feeder of Property Portfolio ('the Scheme') for the year ended 30 September 2021

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Scheme's Trust Deed and Prospectus (together 'the Scheme documents') as detailed below.

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

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

The Trustee must ensure that:

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

The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with

Manager's Responsibilities & Trustee's Responsibilities

the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

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

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

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

Edinburgh
24 November 2021

NatWest Trustee and
Depositary Services Limited

Independent Auditor's Report

Independent Auditor's Report to the unitholders of M&G Feeder of Property Portfolio

Opinion

We have audited the financial statements of M&G Feeder of Property Portfolio ("the Fund") for the year ended 30 September 2021, which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Fund, 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 (United Kingdom Generally Accepted Accounting Practice) 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 Fund as at 30 September 2021 and of the net revenue and the net capital losses on the scheme property of the Fund 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 Fund 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for the going concern period, being the period to 30/11/2022 which is 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor' report thereon. The Manager 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

Independent Auditor's Report

misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (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 Trust Deed; 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 Manager'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 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 Manager

As explained more fully in the Manager's responsibilities statement set out on page 4, the Manager 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 Manager 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 Manager is responsible for assessing the Fund'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 Manager either intends to wind up or terminate the Fund 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.

Our approach was as follows:

Independent Auditor's Report

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Accepted Accounting Practice, the Investment Management Association's Statement of Recommended Practice ("IMA SORP"), the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager and the Fund's administrator and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund'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.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reviewing the reporting to the Manager 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 Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities 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: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Fund's unitholders, 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 Fund's unitholders 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 Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Edinburgh
24 November 2021

Ernst & Young LLP
Statutory Auditor

(1) The maintenance and integrity of the M&G website is the responsibility of the ACD; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(2) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Manager's Report

Investment objective up to 24 June 2021

The trust aims to maximise long term total return (the combination of income and growth of capital) solely through investment in the M&G Property Portfolio.

Investment objective from 25 June 2021

The trust 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 solely through investment in M&G Property Portfolio.

Investment policy

The trust will invest solely in the M&G Property Portfolio.

Investment approach

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

Benchmark up to 24 June 2021

Benchmark: IA UK Direct Property sector.

The M&G Property Portfolio, in which the trust solely invests, is actively managed. The benchmark is a comparator against which the trust's performance can be measured. The sector has been chosen as the trust's comparator benchmark as it is the M&G Property Portfolio's comparator benchmark. Both the M&G Property Portfolio and the trust are constituents of the sector. The comparator benchmark does not constrain the portfolio construction of the M&G Property Portfolio or the trust.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 25 June 2021

Benchmark: IA UK Direct Property sector

The benchmark is a target which the M&G Property Portfolio, in which the trust solely invests, seeks to outperform. The sector has been chosen as the trust's benchmark as both the M&G Property Portfolio and the trust are constituents of the sector. The benchmark is used solely to measure the trust's performance and does not constrain the M&G Property Portfolio or the trust's portfolio construction.

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

For unhedged share classes, the benchmark is shown in the share class currency.

Risk profile

As the trust invests solely in the M&G Property Portfolio, its risk profile therefore reflects that of the M&G Property Portfolio, the underlying fund. The underlying fund invests in a diversified portfolio of commercial property mainly in the UK. It is therefore subject to the price volatility of the UK commercial property markets as well as the performance of individual properties.

In difficult market conditions, or if significant numbers of investors withdraw their investments from the underlying fund at the same time, the manager may be forced to dispose of property investments in the underlying fund, and the value of certain property investments may therefore be less predictable than usual. Under these circumstances, it may be harder to

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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 underlying fund's holdings. In general, property investments are harder to buy and sell compared to investments in fixed income securities and company shares.

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

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

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

The underlying fund is dual-priced, meaning that its shares have different buying (offer) and selling (bid) prices. Shares will ordinarily be issued at the offer price and redeemed at the bid price. Each day the assets of the underlying fund are valued on both an 'offer' basis (how much they would cost to buy) and a 'bid' basis (how much the fund would receive if they were sold). The difference between the two prices is known as the "spread" and reflects the costs of buying and selling properties, in particular Stamp Duty Land Tax paid on purchases which can account for up to 5% of the property value. The spread is significant and was 6.11% as at 30 September 2021, meaning you will see a drop in the value of your investment immediately after buying shares. This spread is generally larger than for funds not investing in Property Assets and therefore the risk of an investment being worth less than when originally purchased is greater, particularly in the short-term.

Investment review

As at 1 October 2021, for the year ended 30 September 2021

Performance against objective

Between 1 October 2020 (the start of the review period) and 1 October 2021, the M&G Feeder of Property Portfolio delivered a positive total return (the combination of income and growth of capital) across all its unit classes. The IA UK Direct Property Sector rose by 3.4% over the same period.

Over five years, the trust produced a small annualised negative total return across all its unit classes.

The IA UK Direct Property Sector rose by 2.3% pa over the same period.

On 25 June 2021 the trust's objective and policy changed. Prior to 25 June 2021, the trust's aim was to provide a combination of capital growth and income over five years or more by investing mainly in UK commercial property. From 25 June 2021 onwards, the trust's aim is 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.

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

Performance review

Over the 12-month review period, the UK commercial property market recorded a positive total return of 12.6%, according to property consultant CBRE. This total return was driven by a combination of capital growth and rental income.

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All sectors recorded a positive total return, although performance was dominated by Industrials, which generated a total return of 32.2%. Demand for Industrials is ongoing and was reflected in an increase in capital values of 19.0% over the 12 months, with rental values rising by 4.7%. Within the sector, there is strong demand from retailers for smaller warehouses close to towns, as online shoppers demand tighter delivery windows, while larger sheds are still required for regional and national distribution.

Encouragingly, the fortunes of the Retail sector appear to have improved. Capital values for the sector have been increasing since May 2021 and for the 12 months to end-September 2021, the total return for Retail was 7.1%. Capital values grew by 2.4%, whilst rental values fell slightly. In terms of sub-sectors, supermarkets, retail warehouses and Central London shops were most resilient, whereas the biggest declines in capital values were shopping centres and regional high street shops.

In the Office sector, the attractive long-term fundamentals of London remain intact, in our opinion. Outside London, greater polarisation is evident between the Big 6 regional central business districts (CBDs) (Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester) and business parks. More generally, more up-to-date buildings, better adaptable to modern methods of working and with more favourable ESG (environmental, social and governance) credentials are in higher occupational demand. For these assets, shorter voids and better renewal rates are likely, meaning cheaper financing and improved investor demand. The sector recorded a total return of 4.5% over the 12 months, with capital values and rental growth close to flat, meaning the bulk of the sector's total return came from rental income.

Given the acceleration of trends in the property sector, be they internet shopping or working from home, investors' appetite for an asset and the risk premium they attach to it will be determined by whether the asset is future-proof, its weighted average unexpired lease term (an indicator of the average remaining life of the leases of a property) and the financial strength of the tenant.

UK commercial property transactions picked up notably around the start of the review period. Part of the reason was the greater confidence in property valuations. Indeed, the underlying fund's own Independent Standing Valuer, Knight Frank, had removed all Material Uncertainty Clauses from the underlying fund's assets by 8 September 2020.

In the second half of 2020, UK commercial property transactions totalled £25.6 billion. So far this year (up to end Q3 2021) transactions have totalled £39.7 billion.

Interestingly, the total value of Office transactions so far this year is comparable with that of Industrials. This might be considered surprising, given the contrasting fortunes of the sectors, as returns for Industrials this year have been propelled by yield compression. (Yields measure the income from an asset as a percentage of its price and therefore move inversely to asset prices; as the yields of properties in the Industrial sector decreased, the prices of those properties increased.) In Retail, retail warehouses have seen transaction volumes pick up, as investor confidence in the sub-sector re-emerges.

Market participants are both domestic and foreign, with overseas capital representing just over half of the total volume, so far in 2021. This was also the case in 2020. According to research from Hodes Weill, a real estate advisory company, investors globally continue to increase their allocation to UK property assets. At a time when political and economic uncertainty about the UK has moderated, after a protracted period of unease, we believe the pricing of UK property assets relative to some other markets globally looks attractive.

Against this background the trust produced a small positive total return over the review period.

When considering the structure of the underlying fund (including sector weightings), we compare it to the MSCI UK Quarterly Property Index. The MSCI UK Quarterly Property Index tracks the performance of a

Manager's Report

large number of directly held UK property investments, providing an understanding of the underlying fund's characteristics versus those of the MSCI UK Quarterly Property Index. This information is not available for the underlying fund's benchmark, the IA UK Direct Property Sector.

Over the review period, the underlying fund's overweight position to Retail and underweight position to Industrials relative to the MSCI UK Quarterly Property Index held back performance. Whilst the underweight in Industrials detracted from performance, asset selection within the sector added value over the review period.

Addressing the sector allocation of the underlying fund was a primary focus during the trust's suspension. We believe the underlying fund is better positioned today and our intention is to maintain reduced sector picks going forward. In future, we expect performance will be driven by stock selection, supported by asset management activities.

In Offices, the underlying fund's holdings in the South East of the UK, cost some performance. At the start of the review period, five holdings in South East Offices represented just over half (52%) of the underlying fund's vacancy rate (a vacancy rate of 3.8% out of the underlying fund's total vacancy rate of 7.3%). Four of these assets were in out-of-town business parks.

With lockdowns and restrictions on movement accelerating the already established trend of working from home, the risk associated with this type of asset was increasing and substantial discounts were being applied to valuations. Despite the depressed valuations, the decision was taken to sell these properties in order to de-risk the underlying portfolio and raise liquidity. As well as existing vacancies already detracting from rental income, we had limited confidence in the future letting potential of the properties and we had concerns about the existing tenants remaining.

Indeed, since selling Quantum, Maidenhead (one of the five properties), one of the largest tenants at the property has announced it intends to vacate the building. This adds further to the supply of available office space in the area, which raises concerns on the level of rents that will be achievable in future.

In Retail, both the overweight position relative to the MSCI UK Quarterly Property Index and property selection held back performance. Within the sector the adverse impact of the underlying fund's overweight to Shopping Centres was partly offset by the underweight to Standard Retail (weightings relative to the MSCI UK Quarterly Property Index). Both sub-sectors performed poorly, being the two areas of Retail most impacted by the pandemic and the move to online and omni-channel shopping.

Performance was aided by the underlying fund's holdings in UK listed REITs (real estate investment trusts). Although the underlying fund's REIT portfolio is relatively small (it represented 1.8% of net asset value (NAV) at the end of September 2021) it rose in value by 36.0% over the 12 months. The primary purpose of the REIT portfolio is to provide tactical exposure to sectors via sector-specific securities, but it can also offer additional liquidity if required. To date our exposure has been focused on Industrial REITs. The active investment range for the REIT portfolio is 0% to 5%.

Vacancies reduce the rental income and increase costs for the underlying fund. In turn, this decreases the distributions investors receive. Furthermore, in risk-off environments, given the uncertainty of income, the market and the underlying fund's Standing Independent Valuer, Knight Frank recognises this additional premium, which impacts valuations. The underlying fund's level of vacancies was broadly flat during the review period rising modestly from 7.3% at the end of September 2020, to 9.0% at the end of September 2021. For comparison, the MSCI UK Quarterly Property Index had a vacancy rate of 8.0% at the end of June 2021 (the latest date for which data is available).

Another important factor which affected trust performance was the high level of cash held by the underlying fund. Holding a high level of cash means that the part of the underlying portfolio that is not invested is not earning rental income nor able to grow

Manager's Report

in capital value which contrasts with investment in real estate exposure during this positive period for the asset class.

From 4 December 2019 (before the start the review period) to 10 May 2021, trading in the underlying fund was temporarily suspended. The suspension allowed us to restore enough liquidity, resume dealing at the earliest opportunity and reposition the underlying portfolio towards areas of the market we anticipate will outperform, by selling non-core assets. At the start of the review period the cash balance was 10.1% of NAV. This rose to 34.2% at the end of April 2021, shortly before the underlying fund resumed trading and was 15.1% at end-September 2021.

While performance has been challenging over the reporting period, the actions taken over the course of the year have resulted in the trust delivering a positive total return of 3.1% for the nine months to 30 September 2021, putting it in the third quartile of the IA UK Direct Property sector.

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 underlying portfolio's income streams. Given the business challenges presented by lockdown, much of the asset management work has been focused on rent collection and tenant liaison.

M&G Real Estate's asset managers are in regular dialogue with occupiers to maintain the important focus on receipt of rental income. We take our responsibilities as a major commercial property owner very seriously and are supporting tenants to find solutions that help protect businesses in distress, whilst also protecting the interests of the many savers and pensioners whose money is invested in our buildings. We are doing all we can to preserve value during this period of market stress and are working with occupiers to balance business continuity with our objective to deliver returns at this very difficult time for all.

Portfolio structure

The underlying fund's investment strategy is to focus on what we consider to be higher-quality properties and is reviewed quarterly, 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 underlying fund structure.

Our focus throughout the review period and for some time before, has been on selling 'risk', such as assets with vacancies and/or short leases, to improve the income security of the underlying fund. We have also been reducing sector picks compared to the MSCI UK Quarterly Property Index. Our objective has been to de-risk the underlying portfolio with the aim of making stock selection the main driver of returns going forward, by holding higher-quality prime and good secondary assets.

(Prime properties are the highest quality buildings in their respective sector occupying a desirable location, requiring little capital expenditure with an attractive lease term and a financially strong tenant. Secondary properties tend to be higher yielding assets reflecting the additional risk owning a building in a fringe locale not exhibiting favourable prime property characteristics.)

The sales programme we began in December 2019 is nearing conclusion. Given the voracious appetite for Industrial assets, the sale of select properties in the underlying portfolio that carry risk (eg significant investment requirements, high vacancies and/or poor ESG credentials) has been brought forward, to capitalise on demand and remove future liabilities and risk from the underlying fund.

Meanwhile, the sale of some Retail assets has yet to complete, as market illiquidity – particularly for high value assets – has hindered the pace of sales until recently. This means the allocation to the Retail sector is expected to decline as we progress with the disposal of a few larger assets. When these sales complete, the underlying portfolio's weighting in Retail should be more aligned with the MSCI UK Quarterly Property Index.

We believe Retail has a place in a diversified portfolio and the sub-sector picks indicate our preference for prime, dominant schemes in strong locations. This

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explains the underlying fund's overweight to Retail Warehouses and underweight to the High Street (as at end-September 2021) relative to the MSCI UK Quarterly Property Index.

The way people shop varies, as do the physical stores and online sites. The impact that the internet is having on the sector is undeniable, but it is not a zero-sum game where only digital players win. E-tailing is a multifaceted concept and enhanced by an omnichannel presence. Online purchases often require a physical store presence, be that for 'click and collect' or returns, as the activities of Amazon indicate which has been building a physical presence in stores around London. But that does not mean you need to be online to be successful, as Primark has shown.

The pandemic has exposed retailers' business models. Retailers across the spectrum are assessing their footprint and the future landscape for the most profitable solution. There is a growing recognition that a well-structured online offering is the key, but it is reliant on a number of well-chosen tangible stores. For a retailer, a warehouse in a well-located retail park nearby large conurbations provides easy delivery access of goods, has space for their full collection (and meets near-term social distancing requirements), while addressing customer needs of easy access and parking, click and collect and returns – the comparison with the high street is stark.

Furthermore, for the property investor, retail parks can have an advantage over the high street. Investors typically own the whole retail park and so have control over rents and occupiers. On the other hand, the high street has highly fragmented ownership that can quickly undermine shopping experience and achievable rents.

On a positive note, it is encouraging that investor interest and activity in the sector is rising after a sustained period of transactions being at levels well below long-term averages.

The underlying fund is underweight the Office sector relative to the MSCI UK Quarterly Property Index. Within the sector the underlying fund is overweight to the Rest of UK, underweight to Central London and neutral to South East Offices.

At the start of the review period the underlying fund was overweight Offices relative to the MSCI UK Quarterly Property Index and a large part of the reduction in relative weighting is due to the sale of South East Offices. We have been selectively selling offices we no longer consider to be core holdings. This can be due to a variety of reasons, including a reduction in the quality of the rental income stream, vacancy risk or stock-specific characteristics such as asset size, location and whether the property requires further capital investment to be fit for purpose to meet occupier requirements. These considerations are particularly pertinent at the current time, given the uncertain backdrop for office requirements in the future.

Whilst the underlying fund was underweight the Industrial sector relative to the MSCI UK Quarterly Property Index at the end of September 2021, once our divestment programme has concluded we anticipate the underlying fund will be overweight relative to the MSCI UK Quarterly Property Index. As at end-September 2021, the underlying fund was underweight London and the South East and overweight Rest of UK.

The underlying fund is also invested in sector-specific UK REITs. The REIT strategy on the underlying portfolio is designed to be selective and tactical in nature, and the volatility in the stockmarket has provided attractive entry points.

As part of the broader review that took place during the underlying fund's suspension, the decision was taken to target a liquidity weighting (cash and REITs) of circa 20% going forward, to enhance liquidity management. At 30 September 2021, the underlying fund's liquidity was 16.9%, with 15.1% cash and a further 1.8% invested in REITs.

Responsible property investment (RPI)

For the purpose of clarity around terminology our responsible property investment strategy is the language we use to describe how we manage environmental, social and governance issues (ESG)

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across our real estate investments. We use the terms RPI, ESG and sustainability interchangeably.

Being responsible property managers has been a core consideration at M&G Real Estate for over a decade and the Responsible Property Investing team continue to evolve M&G Real Estate's and the fund's strategies, to keep the business at the forefront of the industry-wide sustainable investment agenda. The fund seeks to meet its objective through an investment decision-making process committed to delivering financial performance. The fund is not managed to meet ESG objectives, nor claims or seeks to be regarded as an 'ESG fund'. However, M&G Real Estate as a responsible property manager incorporates asset management initiatives designed to enhance prospective returns while improving the environmental and social footprint of the properties. These range from addressing regulatory requirements to meet Minimum Energy Efficiency Standards, for example, to providing communities with health, well-being and inclusivity programmes on site at the properties.

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 the track record has been strong. In 2019/2020 the underlying fund ranked first place in its GRESB peer group (Peer Group: United Kingdom, Diversified, Core, Tenant Controlled), outperforming the peer benchmark in all sections of the survey. We have reviewed the results to identify opportunities for further improvement and remain focused on driving ESG initiatives for the fund.

Investment activities

Investment activity over the review period was focused on divestment, with the aim of raising enough capital to enable the underlying fund to resume dealing, with a favourable structure and for the liquidity position to stabilise at the new target of 20% after anticipated redemptions.

This process aimed to treat all customers fairly by balancing competing objectives: seeking to preserve value and the long-term future of the portfolio via underlying fund structure and holdings (for those that wish to remain invested), and the immediate resumption of dealing for those that plan to redeem.

By selling non-core assets that do not fit with the underlying fund's intended medium to long-term structure we can avoid the risk of skewing the underlying portfolio and undermining investor value.

Given the current environment, we are focused on selling areas of the market that we feel are likely to contribute negatively to performance in the medium-term, due to either their sector dynamics eg Retail, or property-specific risks eg shortening lease lengths and vacancy rates.

At the same time, we recognise the need to maintain liquidity and have been selling select assets in sectors such as Industrials, where investor demand remains strong and pricing firm. During the 12 months under review, the principal assets sold from each sector were as follows.

In Retail, we sold retail warehouses at Corktree Retail Park, Chingford and Orbital Retail Park, Cannock. We also sold Lindis Retail Park, Lincoln (a supermarket) and two shopping centres – Ayr Shopping Centre and Bolton Shopping Centre.

In the second half of the review period, we sold Riverside Retail Park, Northampton, Trafalgar Way Retail Warehouse, Croydon and The Fort Retail Warehouse, Birmingham. The Fort was one of two joint ventures on the underlying fund, sold into a strengthening market for Retail Warehouses and at a premium to book value.

In Industrials, we sold a Tesco Distribution Unit in Southampton and a unit at Segensworth East Industrial Estate, Fareham. Also in the first half of the review period, we sold the Iron Mountain Distribution Warehouse in Belvedere, London and the Royal Mail Distribution Centre, in Normanton.

Later, we sold an industrial distribution warehouse occupied by TK Maxx in Walsall, Heritage House Enfield, Brackmills Trade Park in Northampton and the Wincanton Unit at Rainham.

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In Offices, we sold Wavendon Business Park, Milton Keynes and 5, The Square Stockley Park, Uxbridge. We also sold R+ Blagrave Street, Reading and 1-8 Bedfont Lakes, Heathrow (all these assets were among the underlying fund's top 10 vacancies at the start of the reporting period).

Bedfont Lakes, Heathrow, a South East Office – was sold on stock-specific risk grounds (the level of vacancies and its size in the underlying portfolio – it was the largest holding in the underlying fund at the time of sale). As at end April 2021 it represented 2.7% of the underlying fund's voids and concerns that BP (the underlying fund's largest tenant) might exercise its break in June 2024, potentially raising the vacancy rate across the business park to 50%, contributed to the decision to sell.

We also sold Quantum Business Park, Maidenhead (due partly to the high level of vacancies) and Aurora, Bothwell Street, Glasgow. In the case of Aurora, the tenant's occupation ends in November 2021, at which point the building will require comprehensive refurbishment. As we have sold the asset, the cost of refurbishment, which is significant, will not be borne by the underlying fund. In addition, we have prevented a significant void for the underlying fund which would have diluted distributions. Finally, the value of the asset upon completion would have represented material stock specific risk given the underlying fund's size.

We also sold the underlying fund's holding Octopus Healthcare, a fund that is focused on two components of the UK healthcare real estate investment market: Elderly Care Homes; and Specialist Healthcare.

No direct properties were purchased during the review period, however the Tesco Distribution Unit disposal was sold for cash and equity in Tritax Big Box REIT, both raising liquidity while retaining exposure to the sector. We also invested in a Central London Office REIT during the review period, adding to a position which was first begun in June 2020, and established a new holding in a logistics REIT. Later on in the review period we sold some of the underlying fund's holdings in REITs and as at the end of September, REITs represented 1.8% of the underlying fund's NAV.

Asset management

Active asset management continued to enhance the performance of the underlying portfolio during the review period, by maintaining values through securing and strengthening rental income. Throughout the review period, much of the asset management work was focused on rent collection and tenant liaison. Specific asset management activity included the following examples.

Retail

At Riverside Retail Park, Northampton, we broke the lease with tenant Pizza Hut and simultaneously relet to Tim Hortons, an international coffee shop chain on a 15-year FRI lease. Also, at Riverside, we completed a rent review with McDonalds which resulted in a rental uplift of around 10% and we completed a lease renewal with Halfords for a new five-year FRI lease, which was in line with the ERV (estimated rental value). These were key asset initiatives that have helped secure the income at the scheme, aiding the ongoing progress of the asset disposal. (An FRI lease imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for the cost of insurance and repairs.)

At Parc Trostre, Llanelli we regeared a lease to M&S. We pushed out the tenant's break option from September 2022 to September 2028 and rebased the rent.

Offices

We completed an agreement for lease for a new letting to Samsonite on 5,000 sq ft on the first floor at 5, The Square, Stockley Park. (An agreement for lease is a binding agreement between a landlord and prospective tenant to grant and/or to accept a lease in the future. It does not grant possession to the proposed tenant at the time it is entered but binds the parties to enter the lease at some future date.) The lease is for 10 years, with a tenant option to break in year five and a 12-month rent-free period. A further 12-month rent-free period applies if the break in year five is not exercised. The passing rent is in excess of the Estimated Rental

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Value (the rental value of the property if the property was let at market rates).

We completed a new letting at Quantum, an office building in Maidenhead. The third floor (which was void) was let on a six-year straight lease. The space was let to Dynatrace (an existing tenant), who required further space as it is expanding. (A straight lease is a lease agreement which specifies an amount of rent that should be paid regularly during the complete term of the lease.)

Industrial

We completed a 20-year lease with Restore (a document management company) at Beach Ream 8B, Rainham, Essex. The lease has no breaks and rent reviews are every five years. The lease renewal follows the tenant completing an extension at the premises. We also completed a letting to 3D Kitchens on a 4,000 sq ft unit at Orbital Retail Park, Cannock. The 10-year lease has a tenant break after five years.

In addition, we completed a reversionary lease with Royal Mail at an industrial distribution unit in Omega Park, Warrington. (A reversionary lease is a lease that takes effect when an existing lease has expired.) As a result of this activity, the unexpired term of the lease has increased to 12 years, improving the capital value significantly.

Leisure

At Southwater Square Leisure Park, Telford we let the vacant former Chimichanga unit to Tip Top restaurants (Asian buffet style food) on a 10-year lease with no breaks. We collected a rent deposit and the tenant incentive was a short rent-free period only.

Outlook

As the performance of UK commercial property has had a relatively loose connection with inflation and a greater correlation with economic growth, a stronger economy provides a sound base for a cyclical recovery in property asset prices. This is indeed what we have seen, with the MSCI UK Monthly Property Index recording 14 consecutive months of positive total returns up until the end of September 2021.

Prices in the Industrial sector continue to boom amidst competition from occupiers and investors alike. A clear winner during the pandemic, the sector has delivered unprecedented performance from a combination of yield compression (falling yields) and rental growth. Now, after several years of growth and record valuations, some investors are starting to question whether the sector can continue to outperform. Nevertheless, the sector still benefits from several positives – supply has not kept pace with demand and vacancy rates of modern urban warehouses, at 3.4%, are at their lowest level ever. Arguably, the poorer-quality stock unsuitable for the changing occupier requirements, or "ESG stranded" assets, are unlikely to see rental growth and this is where we believe pricing may not be supported by fundamentals.

For Offices, occupier demand is slowly resuming as businesses and their employees return and hiring resumes. Where supply remains constrained and vacancy rates have stabilised, rental growth is likely. Nevertheless, occupiers are expected to remain selective in their requirements for space, prioritising high quality offices in good locations. Early evidence in the third quarter of 2021 points to just that, to record levels (since the onset of the pandemic) of take-up, active demand and a corresponding rental rebound, particularly in select London sub-markets. With this in mind, our outlook remains positive for rental growth at the prime end.

However, we do not believe all offices will remain relevant in the future. In less than a decade from now, the focus on sustainability from companies and investors will cast non-compliant office buildings in a new light, with larger discounts placed on sub-par space. Tangible evidence of an adverse impact on valuations has already started to emerge. At the same time, demand for "green" assets is set to become more dominant and command premium rents and pricing. London and other major UK cities already have several certified "green" buildings and the potential to create more via retrofitting and development, creates value-add opportunities.

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Turning to Retail, structural trends aside, it looks as if sector performance has reached a turning point, with signs of green shoots emerging. So far this year Retail Warehouses have seen rising capital values, as rental values have stabilised, and investor sentiment returned. Shops and shopping centres are however, lagging. Whilst any rental rebound is unlikely, we think a contrarian approach to pick up quality assets cheaply at this point of the cycle – underpinned by consumer-led economic revival - may reap rewards.

With inflation concerns at the forefront of investor minds, demand for real estate assets which offer the best inflation protection remains strong. Supermarkets let to resilient tenants on long inflation-linked leases should perform well.

Despite supply side challenges, which have resulted in dry petrol pumps and empty supermarket shelves recently, the UK remains on a solid upward trajectory, in our view. The global recovery and substantial policy stimulus measures add a major tailwind too. Whilst COVID-19 may not have been completely beaten, with the easing of government restrictions and a reopening of the economy, the UK is learning to live with it.

Consumers eager to spend accumulated savings are helping to drive the economy to the strongest growth levels seen in 70 years. Businesses are keen to invest and employ, with strong demand for new hires and so far, there is no apparent increase in redundancies despite the furlough scheme ending. With fewer unemployed people for each job vacancy than before the pandemic and wage growth back to pre-COVID-19 levels, Britain's labour market is at its tightest for more than four decades.

However, as wages are rising, so too are prices. Increasing energy prices and supply chain shortages are putting pressure on the cost of living. Whilst we still believe the pick-up in inflation to be largely transitory and the Bank of England is unlikely to hike interest rates too early or abruptly, higher and "stickier" inflation – meaning, price rises that are not temporary – would cloud our expectations for a speedy economic recovery and the outlook for interest rate rises.

Justin Upton

Fund manager

Employee of M&G FA Limited which is an associate of M&G Securities Limited. Fiona Rowley stepped down on 30 November 2020 and from 1 December 2020 Justin Upton is the sole fund manager.

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

Investments

Portfolio statement

Holding		as at 30.09.21 £'000	as at 30.09.21 %	as at 30.09.20 %
	Collective investment schemes	**752,289**	**99.37**	**97.87**
794,843,117	M&G Property Portfolio Sterling Class 'F' (Income)	752,289	99.37	
Portfolio of investments (notes 2c & 2d on page 29)		**752,289**	**99.37**	**97.87**
Net other assets / (liabilities)		**4,733**	**0.63**	**2.13**
Net assets attributable to unitholders		**757,022**	**100.00**	**100.00**

Financial highlights

Trust 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 trust price to fall as well as rise and you may not get back the original amount you invested.

The following chart and tables reflect the key financial information of a representative unit class, Sterling Class 'A' (Accumulation) units. As different unit classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different unit classes in this trust please refer to the Prospectus for M&G Feeder of Property Portfolio, which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

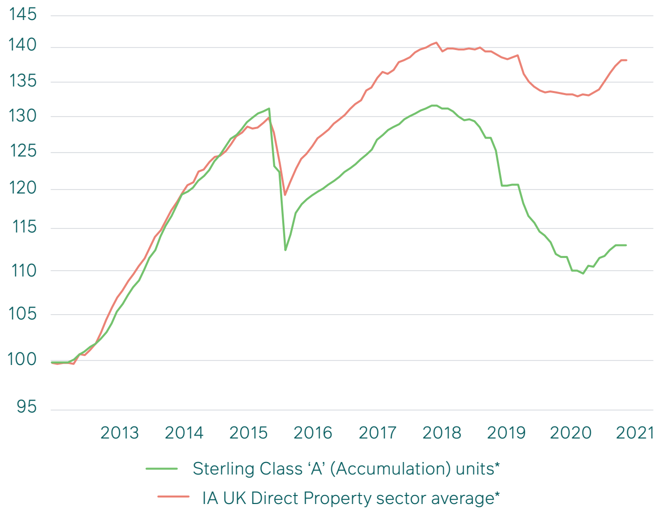
Trust level performance

Trust net asset value as at	30.09.21 £'000	30.09.20 £'000	30.09.19 £'000
Trust net asset value (NAV)	757,022	1,378,539	1,711,419

Performance since launch

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

January 2013 = 100, plotted monthly
Chart date 1 October 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

Long-term performance by unit class

To give an indication of the performance of the trust, the following table shows the compound rate of return, per annum, over the period. Calculated on a bid to bid basis with income reinvested. Please refer to the 'Specific unit class performance' tables for the launch dates.

Unit class	One year 01.10.20 %[a]	Three years 01.10.18 % pa	Five years 03.10.16 % pa	Since launch % pa
Sterling				
Class 'A'	+1.0	-4.8	-0.7	+1.5
Class 'D'	+1.5	-4.2	-0.1	+2.1
Class 'I'	+1.3	-4.4	-0.2	+2.0
Class 'R'	+1.1	-4.5	-0.4	+1.8
Class 'X'	+1.0	-4.6	-0.5	+1.5

[a] Not annualised.

Financial highlights

Operating charges and portfolio transaction costs

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

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 trust and the costs of third parties providing services to the trust.
  For every £1 billion of a trust's net asset value, a discount of 0.02% will be applied to that trust'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 trust, 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.

The operating charges paid by each unit class of the trust are shown in the following performance tables. 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 unit classes may differ, and therefore the operating charges may differ.

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.

Portfolio transaction costs

Portfolio transaction costs are incurred by trusts when buying and selling investments.

The trust does not incur direct portfolio transaction costs. The trust will incur indirect costs through its underlying investment in the M&G Property Portfolio.

Portfolio transaction costs

as at 30 September Indirect portfolio transaction costs	2021 %	2020 %	2019 %	Average[a] %
Average portfolio dealing spread	5.77	6.30	6.42	6.16

[a] Average of first three columns.

Financial highlights

Specific unit class performance

The following tables show the performance of each unit 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 unit (NAV). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

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

Historic yields for the current year are calculated as at 8 October 2021.

Sterling Class 'A' Income unit performance

The unit class was launched on 18 January 2013.

Change in NAV per unit	Year to 30.09.21 UK p	Year to 30.09.20 UK p	Year to 30.09.19 UK p
Opening NAV	63.73	75.13	80.41
Return before charges	1.89	(7.43)[d]	(0.67)[d]
Property expenses	(0.63)	(0.52)[d]	(0.38)[d]
Operating charges	(0.65)	(0.70)[d]	(1.30)[d]
Return after charges	0.61	(8.65)	(2.35)
Distributions	(1.81)	(2.75)	(2.93)
Closing NAV	62.53	63.73	75.13
Direct transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments[a]	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs[b]	0.00	0.00	0.00
Property expenses	1.00	0.74	0.48
Other operating charges[c]	1.03	1.00	1.63
Return after charges	+0.96	-11.51	-2.92
Historic yield	3.02	4.54	3.85
Other information			
Closing NAV (£'000)	61,670	104,053	126,948
Closing NAV (%)	8.15	7.55	7.42
Number of units	98,624,572	163,283,380	168,964,380
Highest unit price (UK p)	63.60	80.61	85.89
Lowest unit price (UK p)	62.82	68.38	81.06

Financial highlights

Sterling Class 'A' Accumulation unit performance

The unit class was launched on 18 January 2013.

Change in NAV per unit	Year to 30.09.21 UK p	Year to 30.09.20 UK p	Year to 30.09.19 UK p
Opening NAV	90.18	102.15	105.48
Return before charges	2.77	(10.30)[d]	(1.10)[d]
Property expenses	(0.90)	(0.71)[d]	(0.51)[d]
Operating charges	(0.92)	(0.96)[d]	(1.72)[d]
Return after charges	0.95	(11.97)	(3.33)
Distributions	(1.68)	(2.84)	(2.35)
Retained distributions	1.68	2.84	2.35
Closing NAV	91.13	90.18	102.15
Direct transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments[a]	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs[b]	0.00	0.00	0.00
Property expenses	1.00	0.74	0.48
Other operating charges[c]	1.03	1.00	1.63
Return after charges	+1.05	-11.72	-3.16
Historic yield	2.04	3.18	2.28
Other information			
Closing NAV (£'000)	117,696	131,350	157,193
Closing NAV (%)	15.55	9.53	9.19
Number of units	129,149,399	145,656,094	153,886,094
Highest unit price (UK p)	92.00	109.58	112.53
Lowest unit price (UK p)	90.84	95.92	109.13

Sterling Class 'D' Income unit performance

The unit class was launched on 18 January 2013.

Change in NAV per unit	Year to 30.09.21 UK p	Year to 30.09.20 UK p	Year to 30.09.19 UK p
Opening NAV	1,896.32	2,223.18	2,359.55
Return before charges	55.25	(223.48)[d]	(25.66)[d]
Property expenses	(18.69)	(15.35)[d]	(11.28)[d]
Operating charges	(8.97)	(8.92)[d]	(17.63)[d]
Return after charges	27.59	(247.75)	(54.57)
Distributions	(51.92)	(79.11)	(81.80)
Closing NAV	1,871.99	1,896.32	2,223.18
Direct transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments[a]	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs[b]	0.00	0.00	0.00
Property expenses	1.00	0.74	0.48
Other operating charges[c]	0.48	0.43	0.75
Return after charges	+1.45	-11.14	-2.31
Historic yield	2.91	4.38	3.64
Other information			
Closing NAV (£'000)	2,043	16,789	19,932
Closing NAV (%)	0.27	1.22	1.16
Number of units	109,142	885,349	896,549
Highest unit price (UK p)	1,903.33	2,386.33	2,522.12
Lowest unit price (UK p)	1,878.50	2,034.33	2,396.74

Financial highlights

Sterling Class 'D' Accumulation unit performance

The unit class was launched on 18 January 2013.

Change in NAV per unit	Year to 30.09.21 UK p	Year to 30.09.20 UK p	Year to 30.09.19 UK p
Opening NAV	2,472.23	2,787.87	2,858.46
Return before charges	73.70	(284.71)[d]	(35.20)[d]
Property expenses	(24.81)	(19.56)[d]	(13.81)[d]
Operating charges	(12.16)	(11.37)[d]	(21.58)[d]
Return after charges	36.73	(315.64)	(70.59)
Distributions	(57.09)	(89.45)	(84.29)
Retained distributions	57.09	89.45	84.29
Closing NAV	2,508.96	2,472.23	2,787.87
Direct transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments[a]	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs[b]	0.00	0.00	0.00
Property expenses	1.00	0.74	0.48
Other operating charges[c]	0.49	0.43	0.75
Return after charges	+1.49	-11.32	-2.47
Historic yield	2.43	3.73	2.99
Other information			
Closing NAV (£'000)	12,327	494	558
Closing NAV (%)	1.63	0.04	0.03
Number of units	491,304	20,000	20,000
Highest unit price (UK p)	2,533.19	2,992.19	3,058.69
Lowest unit price (UK p)	2,497.88	2,629.68	2,977.23

Sterling Class 'I' Income unit performance

The unit class was launched on 18 January 2013.

Change in NAV per unit	Year to 30.09.21 UK p	Year to 30.09.20 UK p	Year to 30.09.19 UK p
Opening NAV	68.02	79.89	84.96
Return before charges	2.00	(7.99)[d]	(0.89)[d]
Property expenses	(0.67)	(0.55)[d]	(0.41)[d]
Operating charges	(0.46)	(0.46)[d]	(0.78)[d]
Return after charges	0.87	(9.00)	(2.08)
Distributions	(1.88)	(2.87)	(2.99)
Closing NAV	67.01	68.02	79.89
Direct transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments[a]	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs[b]	0.00	0.00	0.00
Property expenses	1.00	0.74	0.48
Other operating charges[c]	0.68	0.62	0.92
Return after charges	+1.28	-11.27	-2.45
Historic yield	2.94	4.43	3.71
Other information			
Closing NAV (£'000)	288,733	467,486	597,061
Closing NAV (%)	38.13	33.91	34.89
Number of units	430,853,996	687,281,030	747,334,030
Highest unit price (UK p)	68.15	85.74	90.77
Lowest unit price (UK p)	67.26	72.97	86.15

M&G Feeder of Property Portfolio

Financial highlights

Sterling Class 'I' Accumulation unit performance

The unit class was launched on 18 January 2013.

Change in NAV per unit	Year to 30.09.21 UK p	Year to 30.09.20 UK p	Year to 30.09.19 UK p
Opening NAV	1,228.98	1,387.93	1,424.97
Return before charges	36.86	(141.20)[d]	(16.95)[d]
Property expenses	(12.27)	(9.66)[d]	(6.89)[d]
Operating charges	(8.34)	(8.09)[d]	(13.20)[d]
Return after charges	16.25	(158.95)	(37.04)
Distributions	(26.32)	(42.56)	(40.09)
Retained distributions	26.32	42.56	40.09
Closing NAV	1,245.23	1,228.98	1,387.93
Direct transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments[a]	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs[b]	0.00	0.00	0.00
Property expenses	1.00	0.74	0.48
Other operating charges[c]	0.68	0.62	0.92
Return after charges	+1.32	-11.45	-2.60
Historic yield	2.29	3.56	2.86
Other information			
Closing NAV (£'000)	274,077	657,355	808,347
Closing NAV (%)	36.20	47.68	47.23
Number of units	22,010,190	53,487,933	58,241,233
Highest unit price (UK p)	1,257.21	1,489.42	1,524.04
Lowest unit price (UK p)	1,240.31	1,307.25	1,482.47

Sterling Class 'R' Income unit performance

The unit class was launched on 18 January 2013.

Change in NAV per unit	Year to 30.09.21 UK p	Year to 30.09.20 UK p	Year to 30.09.19 UK p
Opening NAV	64.60	76.02	81.03
Return before charges	1.93	(7.58)[d]	(0.79)[d]
Property expenses	(0.64)	(0.52)[d]	(0.39)[d]
Operating charges	(0.57)	(0.57)[d]	(0.94)[d]
Return after charges	0.72	(8.67)	(2.12)
Distributions	(1.81)	(2.75)	(2.89)
Closing NAV	63.51	64.60	76.02
Direct transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments[a]	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs[b]	0.00	0.00	0.00
Property expenses	1.00	0.74	0.48
Other operating charges[c]	0.89	0.81	1.17
Return after charges	+1.11	-11.40	-2.62
Historic yield	2.97	4.48	3.76
Other information			
Closing NAV (£'000)	44	123	145
Closing NAV (%)	0.01	0.01	0.01
Number of units	70,005	190,886	190,886
Highest unit price (UK p)	64.59	81.57	86.56
Lowest unit price (UK p)	63.51	69.31	82.00

Financial highlights

Sterling Class 'R' Accumulation unit performance

The unit class was launched on 18 January 2013.

Change in NAV per unit	Year to 30.09.21 UK p	Year to 30.09.20 UK p	Year to 30.09.19 UK p
Opening NAV	121.01	136.88	140.81
Return before charges	3.68	(13.88)[d]	(1.59)[d]
Property expenses	(1.20)	(0.95)[d]	(0.68)[d]
Operating charges	(1.06)	(1.04)[d]	(1.66)[d]
Return after charges	1.42	(15.87)	(3.93)
Distributions	(2.40)	(3.99)	(3.68)
Retained distributions	2.40	3.99	3.68
Closing NAV	122.43	121.01	136.88
Direct transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments[a]	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs[b]	0.00	0.00	0.00
Property expenses	1.00	0.74	0.48
Other operating charges[c]	0.88	0.81	1.17
Return after charges	+1.17	-11.59	-2.79
Historic yield	2.15	3.38	2.66
Other information			
Closing NAV (£'000)	135	406	527
Closing NAV (%)	0.02	0.03	0.03
Number of units	110,239	335,100	385,100
Highest unit price (UK p)	123.61	146.86	150.47
Lowest unit price (UK p)	122.00	128.72	146.22

Sterling Class 'X' Income unit performance

The unit class was launched on 18 January 2013.

Change in NAV per unit	Year to 30.09.21 UK p	Year to 30.09.20 UK p	Year to 30.09.19 UK p
Opening NAV	67.11	79.12	84.68
Return before charges	2.02	(7.87)[d]	(0.41)[d]
Property expenses	(0.66)	(0.53)[d]	(0.40)[d]
Operating charges	(0.68)	(0.72)[d]	(1.38)[d]
Return after charges	0.68	(9.12)	(2.19)
Distributions	(1.90)	(2.89)	(3.37)
Closing NAV	65.89	67.11	79.12
Direct transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments[a]	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs[b]	0.00	0.00	0.00
Property expenses	1.00	0.74	0.48
Other operating charges[c]	1.03	1.00	1.64
Return after charges	+1.01	-11.53	-2.59
Historic yield	3.02	4.54	4.22
Other information			
Closing NAV (£'000)	297	483	708
Closing NAV (%)	0.04	0.03	0.04
Number of units	450,532	720,130	895,130
Highest unit price (UK p)	67.01	84.88	90.45
Lowest unit price (UK p)	66.16	72.01	85.37

a In respect of direct portfolio transaction costs.
b As a percentage of average net asset value.
c Where there is a change in the charging structure, you may see variances between the comparative and current year figures.
d Prior year figures have been restated to reflect the effect of the property expenses.

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Statement of total return

for the year to 30 September	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Income					
Net capital gains/(losses)	4		(21,646)		(231,868)
Revenue	6	38,730		69,237	
Expenses	7	(7,968)		(10,080)	
Net revenue/(expense) before taxation		30,762		59,157	
Taxation	8	(5,240)		(11,219)	
Net revenue/(expense) after taxation			25,522		47,938
Total return before distributions			**3,876**		**(183,930)**
Distributions	9		(28,988)		(52,309)
Change in net assets attributable to unitholders from investment activities			**(25,112)**		**(236,239)**

Statement of change in net assets attributable to unitholders

for the year to 30 September	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Opening net assets attributable to unitholders		**1,378,539**		**1,711,419**
Amounts received on issue of units	39,788		42	
Amounts paid on cancellation of units	(653,544)		(124,999)	
		(613,756)		(124,957)
Dilution adjustments		3,892		1,389
Change in net assets attributable to unitholders from investment activities (see above)		(25,112)		(236,239)
Retained distributions on Accumulation units		13,454		26,927
Unclaimed distributions		5		0
Closing net assets attributable to unitholders		**757,022**		**1,378,539**

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Balance sheet

as at 30 September	Note	2021 £'000	2020 £'000
Assets			
Fixed assets			
Investments		752,289[a]	1,349,169[a]
Current assets			
Debtors	10	33,398	31,304
Cash and bank balances	11	48	25,939
Total assets		**785,735**	**1,406,412**
Liabilities			
Creditors			
Distribution payable		(2,540)	(5,105)
Other creditors	12	(26,173)	(22,768)
Total liabilities		**(28,713)**	**(27,873)**
Net assets attributable to unitholders		**757,022**	**1,378,539**

[a] There were no cash equivalents held at the year end (2020: nil).

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Notes to the financial statements

1 Statement of compliance

The financial statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

2 Summary of significant accounting policies

a. Basis of preparation

The financial statements of the M&G Feeder of Property Portfolio are prepared on a going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss. The Manager has made an assessment of the fund's ability to continue as a going concern for the period to 30 November 2022. This assessment considers liquidity, market sentiment, fund performance and investor intentions, as well as the same factors for the M&G Property Portfolio Fund, and concludes that the use of the going concern basis is appropriate in preparing these Financial Statements.

b. Functional and presentational currency

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

c. Basis of valuation of investments

The investment is valued at its fair value as at 12 noon on 30 September 2021, being the last business day of the financial year, as this is not materially different from a valuation carried out at close of business on the balance sheet date. The fair value of M&G Property Portfolio is the cancellation price.

d. Investment gains and losses

Gains and losses on the realisation of investments and increases and decreases in the valuation of investments held at the balance sheet date are treated as capital.

e. Distribution and interest income

Income from the investment is recognised on an accruals basis, by reference to the amount of distributable income in the underlying investment and is treated as revenue. Income received in respect of purchases of the investment during the financial year will include an element of equalisation which represents the average amount of distributable income included in the price paid for the units. The equalisation is treated as a return of capital for taxation purposes and not included in the distributable income.

f. Expenses

For accounting purposes, all expenses are charged against revenue for the period on an accruals basis.

g. Allocation of returns to unit classes

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

All available net revenue accounted for in accordance with the above policies and distribution policy in note 2i, is distributed to holders of Income units or retained and reinvested for holders of Accumulation units.

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 unitholders for more than six years are credited to the capital property of capital property of the trust.

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h. Tax

Deferred tax is provided for in respect of timing differences that have originated but not reversed by the balance sheet date, with the exception of those regarded as permanent differences. Any liability to deferred tax is provided at the average rate of tax expected to apply. A deferred tax asset is recognised to the extent that it is expected to be utilised, based on the likelihood of taxable profits arising in the next twelve month period from which the future reversal of timing differences can be deducted. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

i. Distribution policy

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

The equalisation element of distributions from collective investment schemes will be included as distributable income.

3 Risk management policies

The trust has been established as a feeder fund which will invest solely in Sterling Class 'F' Income shares of the M&G Property Portfolio (the 'underlying fund') (an Open-Ended Investment Company) established under English law.

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

The trust has the same risks and risk management policies as the underlying fund, which are as follows:

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.

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 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.

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 unit 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, and 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.

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.

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 Manager may from time to time employ such instruments.

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 14.

4 Net capital gains / (losses)

for the year to 30 September	2021 £'000	2020 £'000
Non-derivative securities[a]	(21,646)	(231,868)

[a] Includes realised losses of £95,495,000 and unrealised gains of £73,849,000. (2020: realised gains of £2,217,000 and unrealised losses of £234,085,000.). Certain realised gains and losses in the current year were unrealised in the prior year.

5 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 21.

for the year to 30 September	2021 £'000	2020 £'000
a) Purchases		
Collective investment schemes	**42,678**	**9,825**
Total purchases after transaction costs	**42,678**	**9,825**
b) Sales		
Collective investment schemes	**619,744**	**124,018**
Total sales after transaction costs	**619,744**	**124,018**
c) Direct portfolio transaction costs		
For underlying transaction costs refer to the M&G Property Portfolio financial statements.		
d) Indirect portfolio transaction costs	**%**	**%**
Portfolio dealing spread[a]	5.77	6.30

a Average portfolio dealing spread at the balance sheet date.

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6 Revenue

for the year to 30 September	2021 £'000	2020 £'000
Bank interest	0	1
Distributions from collective investment schemes: non-taxable	2,663	3,464
Distributions from collective investment schemes: taxable	1,109	1,729
Distributions from collective investment schemes: property income dividends	34,941	64,023
HM Revenue & Customs interest	17	20
Total revenue	**38,730**	**69,237**

7 Expenses

for the year to 30 September	2021 £'000	2020 £'000
Payable to the Manager or associate		
Annual charge	7,968	10,080
Total expenses	**7,968**	**10,080**

Audit fees for the financial year ending 2021 were £6,000 (2020: £6,000) (including VAT), which are covered by the annual charge.

8 Taxation

for the year to 30 September	2021 £'000	2020 £'000
a) Analysis of charge in the year		
Corporation tax	6,715	12,198
Deferred tax (note 8c)	(1,475)	(979)
Total taxation	**5,240**	**11,219**
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	30,762	59,157
Corporation tax at 20%	6,152	11,831
Effects of:		
Distributions from collective investment schemes: non-taxable	(912)	(612)
Total tax charge (note 8a)	**5,240**	**11,219**
c) Provision for deferred taxation		
Provision at the start of the year	2,680	3,659
Deferred tax in profit and loss account (note 8a)	(1,475)	(979)
Provision at the end of the year	**1,205**	**2,680**

The trust has not recognised a deferred tax asset in the current financial year (2020: same).

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9 Distributions

for the year to 30 September Dividend distributions	2021 Inc[a] £'000	 Acc[b] £'000	2020 Inc[a] £'000	 Acc[b] £'000
First interim	5,101	5,601	7,309	7,632
Second interim	4,146	4,445	7,189	8,046
Third interim	2,068	1,466	5,320	5,728
Final	2,540	1,942	5,105	5,521
Total net distributions		27,309		51,850
Income deducted on cancellation of units		1,767		459
Income received on issue of units		(88)		0
Distributions		**28,988**		**52,309**
Net revenue/(expense) per statement of total return		25,522		47,938
Expenses offset against capital		3,465		4,371
Undistributed income brought forward		1		1
Undistributed income carried forward		0		(1)
Distributions		**28,988**		**52,309**

a Distributions payable on Income units.
b Retained distributions on Accumulation units.

10 Debtors

as at 30 September	2021 £'000	2020 £'000
Amounts receivable on issues of units	371	0
Distributions receivable	5,117	11,453
Sales awaiting settlement	4,756	0
Tax recoverable	23,154	19,851
Total debtors	**33,398**	**31,304**

11 Cash and bank balances

as at 30 September	2021 £'000	2020 £'000
Cash held as bank balances	48	25,939
Total cash and bank balances	**48**	**25,939**

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12 Other creditors

as at 30 September	2021 £'000	2020 £'000
Manager's annual management charge payable	0	56
Amounts payable on cancellation of units	4,757	0
Annual charge payable	927	7,831
Corporation tax payable	18,913	12,198
Deferred taxation	1,205	2,682
Expenses payable	0	1
Purchases awaiting settlement	371	0
Total other creditors	**26,173**	**22,768**

13 Investment property

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

as at 30 September 2021	Increase in equivalent yield 25bps £'000	Decrease in equivalent yield 25bps £'000
Retail	(11,514)	12,494
Office	(10,701)	11,884
Industrial	(15,602)	17,956
Leisure	(4,625)	5,010
Other	(1,464)	1,605
Total	**(43,906)**	**48,949**

as at 30 September 2020	Increase in equivalent yield 25bps £'000	Decrease in equivalent yield 25bps £'000
Retail	(22,104)	23,709
Office	(24,566)	26,589
Industrial	(25,803)	28,725
Leisure	(4,102)	4,417
Other	(1,334)	1,451
Total	**(77,909)**	**84,891**

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

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

as at 30 September	2021 £'000	2020 £'000
Not later than one year	40,126	96,539
Later than one year and not later than five years	129,178	307,080
Later than five years	321,445	506,089
Total	**490,749**	**909,708**

14 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: same).

15 Units in issue

The following table shows each class of unit in issue during the year. Each unit class has the same rights on winding up however they may have different charging structures as set out in note 16 below.

Unit class	Opening 01.10.20	Movements Issued	Cancelled	Closing 30.09.21
Sterling				
Class 'A' Income	163,283,380	1,368,712	(66,027,520)	98,624,572
Class 'A' Accumulation	145,656,094	17,373,171	(33,879,866)	129,149,399
Class 'D' Income	885,349	36,071	(812,278)	109,142
Class 'D' Accumulation	20,000	474,827	(3,523)	491,304
Class 'I' Income	687,281,030	10,285,360	(266,712,394)	430,853,996
Class 'I' Accumulation	53,487,933	231,968	(31,709,711)	22,010,190
Class 'R' Income	190,886	0	(120,881)	70,005
Class 'R' Accumulation	335,100	0	(224,861)	110,239
Class 'X' Income	720,130	625	(270,223)	450,532

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16 Charging structure

The table below sets out the charging structure for each class of unit in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation units of each class.

Unit class	Annual charge[a] to 14.02.21 %	Annual charge[a] from 15.02.2021 %
Sterling		
Class 'A'	1.35	1.25
Class 'D'	0.60	0.60
Class 'I'	0.85	0.85
Class 'R'	1.10	1.10
Class 'X'	1.35	1.25

[a] 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. M&G had waived 30% of the fund's annual charge during suspension. M&G will also continue to waive the charge on cash held above 20% of the fund's net asset value until the end of 2021.

17 Related parties

M&G Securities Limited, as Manager, is a related party and acts as principal on all the transactions of units in the trust 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 unitholders' and note 9. Amounts due to / from M&G Securities Limited in respect of unit transactions at the year end are disclosed in notes 10 and 12 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 7. Amounts due at the year end from the annual charge are disclosed in note 12.

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £662,422,000 (2020: £133,843,000).

At the balance sheet date, the trust held shares in related parties of M&G Securities Limited with a value of £752,289,000 (2020: £1,349,169,000).

At the balance sheet date, unitholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 45.78% (2020: 32.01%) of the trust's units.

18 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

19 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data
This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs
This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 30 September Basis of valuation	Assets 2021[a] £'000	Liabilities 2021 £'000	Assets 2020[a] £'000	Liabilities 2020 £'000
Level 1	0	0	0	0
Level 2	752,289	0	0	0
Level 3	0	0	1,349,169	0
	752,289	**0**	**1,349,169**	**0**

[a] Relates to the holding in M&G Property Portfolio Sterling Class 'F' (Income) units.

In accordance with FRS 102 (22.4a) the units in issue for each class meet the definition of a puttable instrument as the unitholders have the right to sell the units back to the issuer. The units in the trust may be issued and redeemed on any business day at the quoted price. These units are not traded on an exchange. The holdings in M&G Property Portfolio Sterling Class 'F' (Income) shares have been moved from Level 3 to Level 2 in the current year after the fund reopened for dealing.

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).

20 Risk management policies

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

21 Dividend distribution tables

This trust pays quarterly ordinary distributions and the following table sets out the distribution periods.

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.10.20	31.12.20	04.01.21	28.02.21
Second interim	01.01.21	31.03.21	01.04.21	31.05.21
Third interim	01.04.21	30.06.21	01.07.21	31.08.21
Final	01.07.21	30.09.21	01.10.21	30.11.21

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

Financial statements and notes

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

Group 2 units 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 units and is refunded to the holders of these units as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of units 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 units

Ordinary distributions for the year to 30 September	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
First interim	0.5612	0.0000	0.5612	0.8072
Second interim	0.4562	0.0000	0.4562	0.7897
Third interim	0.2101	0.1192	0.3293	0.5863
Final	0.2641	0.1968	0.4609	0.5624

Sterling Class 'A' Accumulation units

Ordinary distributions for the year to 30 September	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
First interim	0.5860	0.0000	0.5860	0.7966
Second interim	0.4617	0.0000	0.4617	0.8633
Third interim	0.1703	0.0826	0.2529	0.5995
Final	0.0148	0.3678	0.3826	0.5762

Sterling Class 'D' Income units

Ordinary distributions for the year to 30 September	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
First interim	16.2088	0.0000	16.2088	23.1485
Second interim	13.1603	0.0000	13.1603	22.8732
Third interim	4.3212	5.0788	9.4000	16.8819
Final	4.3358	8.8160	13.1518	16.2044

Financial statements and notes

Sterling Class 'D' Accumulation units

Ordinary distributions for the year to 30 September	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
First interim	18.6868	0.0000	18.6868	25.5159
Second interim	14.9804	0.0000	14.9804	26.3840
Third interim	9.6042	0.0000	9.6042	19.1044
Final	13.8151	0.0000	13.8151	18.4491

Sterling Class 'I' Income units

Ordinary distributions for the year to 30 September	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
First interim	0.5872	0.0000	0.5872	0.8408
Second interim	0.4773	0.0000	0.4773	0.8278
Third interim	0.1923	0.1471	0.3394	0.6122
Final	0.2618	0.2182	0.4800	0.5874

Sterling Class 'I' Accumulation units

Ordinary distributions for the year to 30 September	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
First interim	8.8633	0.0000	8.8633	12.0828
Second interim	7.0426	0.0000	7.0426	12.6753
Third interim	2.6812	1.4723	4.1535	9.0637
Final	2.1569	4.1085	6.2654	8.7402

Sterling Class 'R' Income units

Ordinary distributions for the year to 30 September	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
First interim	0.5636	0.0000	0.5636	0.8083
Second interim	0.4585	0.0000	0.4585	0.7936
Third interim	0.3196	0.0000	0.3196	0.5880
Final	0.4695	0.0000	0.4695	0.5641

Sterling Class ‘R’ Accumulation units

Ordinary distributions for the year to 30 September	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
First interim	0.8284	0.0000	0.8284	1.1295
Second interim	0.6513	0.0000	0.6513	1.2021
Third interim	0.3627	0.0000	0.3627	0.8472
Final	0.5600	0.0000	0.5600	0.8156

Sterling Class ‘X’ Income units

Ordinary distributions for the year to 30 September	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
First interim	0.5910	0.0000	0.5910	0.8507
Second interim	0.4805	0.0000	0.4805	0.8317
Third interim	0.2350	0.1116	0.3466	0.6174
Final	0.2165	0.2700	0.4865	0.5922

Other regulatory disclosures

Authorised status

The trust is an authorised unit trust, being a Non-UCITS retail scheme as defined in FCA rules.

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 trust'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 trust 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 trust (both positive and negative), but after netting off derivative and security positions as specified by AIFMD rules.

Therefore as at 30 September 2021 the total amount of leverage is as follows:

Gross method:

M&G Feeder of Property Portfolio	100%

Commitment method:

M&G Feeder of Property Portfolio	100%

The M&G Feeder of Property Portfolio did not use leverage to increase its exposure and this position was unchanged throughout the year ending 30 September 2021.

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 unit class.

The trust had no assets subject to special arrangements for the period ending 30 September 2021.

Remuneration

In line with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"), M&G Alternatives Investment Management 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 here: https://www.mandgplc.com/our-business/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 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 Alternative Investment Management Limited are those who could have a material impact on the risk profile of M&G Alternative Investment Management Limited or the AIFs it manages (including M&G Feeder of Property Portfolio) and generally includes senior management, risk takers and

Other regulatory disclosures

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 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 amounts shown below reflect payments made in respect of the financial year 1 January 2020 to 31 December 2020.

	Fixed Remuneration £000	Variable Remuneration £000	Total £000
Senior Management	666	9,218	9,884
Other Identified Staff	2,045	13,914	15,959

Glossary

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

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

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

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

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

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

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

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

Bunds Fixed income securities issued by the German government.

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

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

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

Cash equivalents Deposits or investments with similar characteristics to cash.

Charity Authorised Investment Fund (CAIF) An investment entity that is both a registered charity and an authorised investment fund. The CAIF must comply with charity law as well as financial services laws and regulations, and is usually treated as a registered charity for tax purposes.

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

Defaulted bond When a bond issuer does not maintain interest payments or repay the amount borrowed when due.

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

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

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

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

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

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

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

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

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

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

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

Equities Shares of ownership in a company.

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

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

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

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

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

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

Glossary

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

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

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

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

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

Gilts Fixed income securities issued by the UK government.

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

Hedging A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

Near cash Deposits or investments with similar characteristics to cash.

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

Ongoing Charge Figure The ongoing charge figure represents the operating costs investors can reasonably expect to pay under normal circumstances.

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Suspended Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

Swing pricing Swing pricing is a method of protecting long-term shareholders in the fund from bearing the costs of transactions carried out by shorter-term investors. When investors buy or sell shares in the fund, the fund manager has to buy or sell underlying securities to either invest the cash obtained from investors, or to provide them with cash in exchange for their shares. Swing pricing essentially adjusts the fund shares' daily price to take into account the costs of buying or selling the underlying securities held by the fund. This ensures that transaction costs such as brokerage fees and administrative charges are borne by those investors who trade shares in the fund, not by those who remain invested in the fund. (Also see dilution adjustment).

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

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

Treasuries Fixed income securities issued by the US government.

Glossary

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

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

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

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

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

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

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

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

Unlisted/unquoted stocks Shares of ownership in companies that are not listed on a public exchange, known as private companies.

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

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

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

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

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

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

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

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

Yield (property) This refers to the rental income received from a property and is usually expressed annually as a percentage based on the property's original cost or its current market value. Rental income from property is typically collected and distributed quarterly to investors.

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