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† Please note that information contained within an email cannot be guaranteed as secure. We advise that you do not include any sensitive information when corresponding with M&G in this way.

M&G Feeder of Property Portfolio

Interim Short Report March 2020
For the six months ended 31 March 2020

M&G Securities Limited is authorised and regulated by the Financial Conduct Authority and provides investment products. The company's registered office is 10 Fenchurch Avenue, London EC3M 5AG. Registered in England number 90776.

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Fund information

The Manager of M&G Feeder of Property Portfolio presents its Interim Short Report which contains a review of the trust's investment activities and investment performance during the period. The Manager's Interim Long Report and unaudited Financial Statements for M&G Feeder of Property Portfolio, incorporating a Glossary of terms is available free of charge either from our website at www.mandg.co.uk/reports or by calling M&G Customer Relations on 0800 390 390.

ACD

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

Important information

On 4 December 2019 a temporary suspension of dealing in the M&G Property Portfolio and the M&G Feeder of the Property Portfolio became effective at midday.

We are unable to say how long the suspension will last, but regular updates are provided on the M&G website and we will write to you when we are able to reopen the funds.

M&G continues to waive 30% of the fund's annual charge in recognition of the inconvenience caused to our clients and customers.

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

Global financial markets have been reacting to the outbreak. All markets have incurred increased volatility and uncertainty since the onset of the pandemic.

The Manager has also noted the operational risks that are posed to the Company and its service providers due to global and local movement restrictions that have been enacted by various governments.

The COVID-19 pandemic is an unprecedented event and the eventual impact on the global economy and markets will largely depends on the scale and duration of the outbreak. The ACD will continue to monitor this situation.

Investment objective

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 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.

Fund information

Benchmark

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.

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 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.

In addition to the risk outlined above, the price of shares in the underlying fund may be subject to significant 'swings' in value. As the price of units in the trust is largely based on the price of shares in the underlying fund, a swing in the price of shares in the underlying fund will therefore result in a similar swing in the price of units of the trust.

The underlying fund is valued daily on both an 'offer' basis (how much its assets would cost to buy) and a 'bid' basis (how much the underlying fund would receive if assets were sold). The difference between the two, known as the 'spread', is currently around 7.25%. The published dealing prices are based on either the offer or bid valuation, depending on whether investors are generally buying shares in the underlying fund (the fund is in 'net inflow') or selling shares (the underlying fund is in 'net outflow'). Should flows move from net inflow to net outflow, the dealing prices may 'swing' from an offer basis to a bid basis and fall by the extent of the spread. On the other hand, the dealing prices may rise by the same extent should flows move from net outflow to net inflow.

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

Investment review

As at 1 April 2020 for the six months ended 31 March 2020

On 4 December 2019, M&G Investments announced the temporary suspension of dealing in the M&G Property Portfolio and its feeder fund.

In the preceding months, unusually high and sustained outflows from the fund have coincided with a period where continued Brexit-related political uncertainty and ongoing structural shifts in the UK Retail sector have made it difficult for us to sell commercial property. Given these circumstances, we reached a point where M&G believed it would best protect the interests of the fund's customers by applying a temporary suspension in dealing.

The suspension allows the fund managers time to restore enough liquidity by selling non-core assets that do not fit with the fund's intended medium to long-term structure. Temporary suspension removes the immediate liquidity requirements of a daily dealt fund, so that assets can be sold in an orderly manner. By temporarily suspending dealing in the fund, we can avoid selling core assets at depressed prices, which removes the risk of skewing the portfolio and undermining investor value.

The fund is still actively managed whilst in suspension, but in recognition of customers' temporary inability to access their investment, M&G is waiving 30% of its annual charge, which will end when the fund resumes dealing. Suspension is formally reviewed on a monthly basis and we will inform investors if the level of discount changes. In all other aspects, the fund continues to operate as normal throughout the suspension and customers will continue to receive income payments.

The decision to suspend was made by M&G Securities Limited, the fund's Authorised Corporate Director, in agreement with the fund's Depositary, and the Financial Conduct Authority was informed.

We are currently unable to say how long we expect the suspension to last, but we monitor the situation daily and suspension is formally reviewed every 28 days. Suspension will only continue as long as it is in the best interests of our customers. Please refer to the M&G website for updates.

Performance against objective

Between 1 October 2019 (the start of the review period) and 1 April 2020, the M&G Feeder of Property Portfolio produced a negative total return (the combination of income and growth of capital) across all unit classes.

Over five years, the return on some of the M&G Property Portfolio's unit classes has been negative.* The M&G Property Portfolio therefore did not meet its current objective of providing a combination of capital growth and income by investing mainly in UK commercial property.

* For the performance of each share class, please refer to the 'Long-term performance by share class' table in the 'Fund performance' section of the Interim Long Report and unaudited Financial Statements for M&G Property Portfolio Fund.

To give an indication of the performance of the trust, the following table shows the compound rate of return, per annum, over the period for Sterling Class 'A' (Accumulation) units. Calculated on a bid to bid basis with income reinvested.

Long-term performance

	Six months 01.10.19 % [a]	Three years 03.04.17 % p.a.	Five years 01.04.15 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	-6.7	-0.6	-0.5	+2.4 [c]

[a] Absolute basis.

[b] Bid to bid with income reinvested.

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

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.

Market background

Over the six-month review period, the UK commercial property market recorded a negative total return of -1.8%, according to property consultant CBRE. Up until the end of February, all UK commercial property had recorded a small positive return. However, in March capital values fell by -3.0%, which was driven almost entirely by a rise in yields demanded by investors.

Over the review period, Offices and Industrials generated similar total returns of just under 2%. This positive return came from rental income (which grew over the six months) as capital values fell slightly in both sectors.

On the other hand, in Retail, capital values – which have been declining since early 2018 – fell sharply. Rental values also declined and the sector recorded a total return of -7.3% over the six months.

It is has been well documented that the 'bricks and mortar' Retail sector is suffering substantial headwinds. Increasing costs and the rise of e-commerce coupled with recent retailer failures is increasing uncertainty across the sector.

For some time, investors' sentiment towards the Retail sector has deteriorated. Capital values have fallen, driven by an increase in yields demanded by investors and a downward pressure on rents, as retailers' capacity to pay has deteriorated.

While the challenges have intensified for retailers recently following the outbreak of COVID-19, the impact of the pandemic is far reaching, and areas once in high demand and performing well, such as the alternative sectors, are also under near-term pressure.

In the review period, the volume of property transactions was below that seen against the five-year average, most notably in Retail where transaction volumes were markedly lower. Volumes were held back initially by uncertainty over Brexit negotiations, but recovered after the general election in December 2019. Activity remained buoyant at the start of 2020, before grinding to a halt in March as the UK was 'locked down' in the wake of COVID-19.

Against this background the trust produced a negative total return for the reporting period, which was due mainly to falls in the value of some of the underlying fund's Retail properties and assets with vacancy risk.

The underlying fund is usually valued at least once a month by Standing Independent Valuer Knight Frank (the Valuer). Knight Frank collects data from across the UK and applies evidence from the wider market of transaction prices and achievable rents to value the underlying fund's property assets. We also highlight to the Valuer our evidence of latest pricing and rental values. By using the most recent information, property valuations fully reflect current market conditions.

On 8 November 2019, Knight Frank carried out an intra-month valuation, which resulted in a 3.6% decrease in the underlying fund's net asset value. This adjustment stemmed primarily from investments in the Retail sector, whose values fell on aggregate by -7.7%, reducing the value of Retail sector assets in the underlying fund by £75.6 million.

The reason for the intra-month valuation was the growing number of available data points and transactional evidence pointing to a marked deterioration in the Retail sector since the summer of 2019. By making this adjustment, the Valuer acted on the most recent market information, ensuring the underlying fund was fully marked to the current market at that time, and that investors were transacting at the most up-to-date price.

Throughout, assets with vacancy risk have seen an increase in the risk premium associated with them, which has led to a fall in their value. However, the fall in value of Retail assets and assets with vacancy risk was partly offset by the stronger performance of the Office and Industrial sectors during the six-month period.

On 17 March, Knight Frank advised that effective immediately, all UK independent property valuers agree there is material uncertainty on commercial property valuations. Unsurprisingly, market activity is being significantly affected by the COVID-19 pandemic.

With buyers unable to inspect properties and subsequently not enough transactions on which to base accurate valuations, all valuers are faced with the same set of unprecedented circumstances. Consequently, less certainty – and a higher degree of caution – should be attached to valuations of all UK physical properties than usual.

Portfolio structure

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

We maintained the underlying fund's exposure towards what we consider to be prime, higher quality properties during the review period, at a time when we have seen a performance divergence in the traditional sectors, with quality outperforming. The value of, and crucially, the income from prime assets, tends to be more resilient in times of market stress, in our opinion.

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

In terms of positioning, the underlying fund's weighting in Offices is above that of the broader market (as measured by the MSCI IPD Quarterly Universe) as the significant underweight in Central London is offset by overweight positions in South East Offices and Rest of UK Offices.

In Retail, not all assets are facing the same challenges. Prime is outperforming secondary assets, dominant regional retail parks continue to draw customers out of town centres, and supermarkets are more defensive.

We therefore retain our material underweight position in the High Street and overweight exposure to dominant regional sites. We favour out-of-town retail parks, which benefit from the steady rise in online shopping, particularly the increasing demand for 'click & collect' shopping.

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

Within the sector, demand is strong from retailers for smaller warehouses close to towns, as online shoppers demand tighter delivery windows, while larger sheds are still required for regional and national distribution. Given the positive structural fundamentals that underpin this sector, we have invested a portion of the assets under management in industry-specific industrial real estate investment trusts (REITs), to gain exposure to this positive dynamic in the market. The REIT strategy on the portfolio is designed to be selective and tactical in nature.

The vacancy rate (excluding developments) of the underlying fund was 6.3% at the end of March, below that of the MSCI IPD Quarterly Universe, which was 7.1% at the end of December 2019, the latest date for which data is available. Importantly, the underlying fund's Retail vacancy rate (3.6%) was also below that of the Retail component of the MSCI IPD Quarterly Universe (4.8%), which is indicative of the attractiveness of the underlying fund's assets.

At the end of March, the underlying fund's cash position was 7.3%. At the start of the review period, the underlying fund's cash balance was 7.5%; at the time of the fund's temporary suspension, it had fallen to 4.8%.

Looking ahead, as we rebuild liquidity we will target a higher cash level than the previous 7.5% - 12.5% range. As part of this process, we want to ensure the cash position stabilises at this increased level, having met client redemptions once the fund reopens for dealing. Importantly, despite an increasing cash position, re-opening the fund for dealing will also be contingent on the Valuer removing the material uncertainty clause.

Investment activities [a]

During the period, the underlying fund was first in outflow, but then was temporarily suspended. All of the transactions during the review period were disposals; there were no purchases.

Sales were guided by portfolio positioning and with the aim of ensuring that going forward the underlying fund is aligned with those sectors forecast to outperform.

Assets are identified for sale based on our long-term strategic asset allocation objectives combined with an individual investment case for each property and its future return potential. Given the current environment, we are focused on selling areas of the market that we feel are likely to contribute negatively to performance, due to either their sector dynamics or the property-specific risk – shortening lease lengths and vacancy, for example.

There were 12 sales during the review period, six of which were Travelodge hotels in various parts of the UK. The aggregate consideration was £22.8 million.

We sold two retail parks – Ravenside Retail Park in Edmonton for £51.4 million and Wycombe Retail Park, High Wycombe for £38.7 million. We also sold a shop at 25-26 Commercial Street, Leeds for £2.3 million.

[a] The prices of these transactions exclude related costs.

Investment review

In Industrials, we sold Western Approach Distribution Park, an industrial unit in Bristol for £36.6 million and a unit at West Tullos Industrial Estate, Aberdeen for £4.7 million.

There was one sale in Offices, 20, Kingston Road, Staines for £19.0 million.

Our immediate priority is the sale of further properties with the objective of resuming dealing as soon as possible. As at 24 March 2020 (the latest date for which data is available) properties worth £296.8 million have exchanged or are under offer.

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.

Retail

We renewed a lease with Lush, a cosmetics retailer, at Unit 3, Coney Street, York. The lease was due to expire at the end of 2019. The new FRI lease* expires at the end of 2024.

We 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.

At Wycombe Retail Park, High Wycombe (which has now been sold) we renewed a 10-year FRI lease* with Currys.

* 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.

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

** 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.

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 rent review with Crown Records Management, a document storage company, at Unit 2, Heritage House, Enfield. The rent review resulted in a valuation uplift.

Leisure

We completed a lease on a vacant unit at the Peel Centre, Blackburn, to restaurant group Jimmy's Killer Prawns. As a result, The Peel Centre is now fully let, and this assisted with the marketing of the property as prospective buyers were able to view a fully occupied site.

Outlook

Unlike the Global Financial Crisis (GFC) in 2007-09, the challenge facing the global economy today is not yet financial in nature; rather, the pandemic is causing a crisis directly in the real economy. Government-imposed containment measures are affecting businesses, which in turn are affecting occupier markets. Indeed, operating tenants, particularly in the retail, leisure and hotel sectors, are facing the greatest short-term liquidity pressure.

This economic disruption is feeding through to the investment market as well, subduing market transactions. There is less market evidence than usual to inform valuations at present. This has prompted independent valuers to insert material uncertainty clauses into valuations. With banks better capitalised than before the GFC and with regulators typically encouraging a lenient approach to loan covenant breaches, currently we see no forced sellers. Naturally, this may change if the crisis persists. Therefore, valuations are yet to reflect significant movement.

Investment review

Stabilised income-producing assets are more resilient and, if let to tenants on a long lease and in a good location, the asset is more insulated, relatively speaking. On the other hand, commercial properties that are currently vacant, on a short lease or about to be marketed will likely take longer to let, with businesses delaying decision-making. Accordingly, investors will need to be compensated appropriately for the relevant cashflow security or risk.

Looking ahead, markets must adapt to the new 'normal'. In a matter of weeks, COVID-19 has affected populations and economies worldwide. There remains a high level of uncertainty, and the real estate sector will not escape unscathed. The crisis will affect tenants, though this will be partly offset by government intervention. The shape of the recovery is difficult to gauge, but normality will return at some point, in our opinion. At M&G Real Estate, we are engaged and in constant communication with our tenants as well as the wider community to help smooth the challenges we collectively face.

Fiona Rowley & Justin Upton
Co-fund managers

Employees of M&G FA Limited which is an associate of M&G Securities Limited.

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

Portfolio statement

as at Holding		31.03.20 £'000	31.03.20 %	30.09.19 %
	Collective investment schemes	**1,445,249**	**98.63**	**99.08**
1,412,899,012	M&G Property Portfolio Sterling Class 'F' (Income)	1,445,249	98.63	
Portfolio of investments		**1,445,249**	**98.63**	**99.08**
Net other assets / (liabilities)		**20,043**	**1.37**	**0.92**
Net assets attributable to unitholders		**1,465,292**	**100.00**	**100.00**

Portfolio transactions

for the six months to 31 March Portfolio transactions	2020 £'000	2019 £'000
Total purchases	9,825	36,722
Total sales	124,018	235,463

Financial highlights
Fund performance

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the 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.

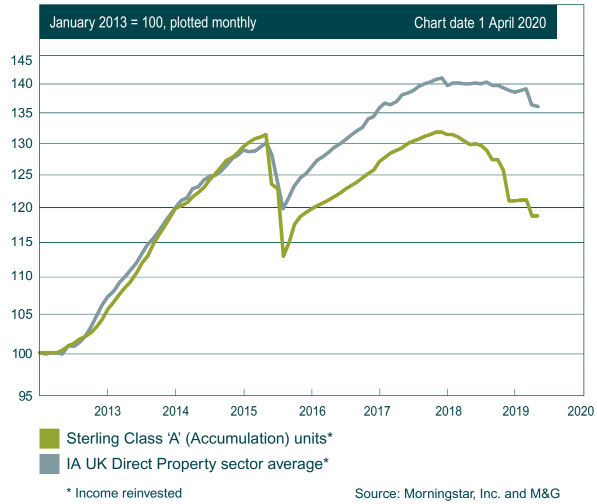
Trust level performance

Trust net asset value

as at	31.03.20 £'000	30.09.19 £'000	30.09.18 £'000
Trust net asset value (NAV)	1,465,292	1,711,419	2,257,001

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.



Financial highlights
Fund performance

To give an indication of how the fund has performed during the period the table below shows the performance of Sterling Class 'A' (Accumulation) units.

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.

Historic yields for the current period are calculated as at 9 April 2020.

Sterling Class 'A' Accumulation unit performance

The unit class was launched on 18 January 2013.

Change in NAV per unit	Six months to 31.03.20 UK p	Year to 30.09.19 UK p	Year to 30.09.18 UK p
Opening NAV	102.15	105.48	99.80
Return before operating charges and after direct portfolio transaction costs	(6.37)	(1.20)	7.86
Operating charges	(0.52)	(2.13)	(2.18)
Return after operating charges	(6.89)	(3.33)	5.68
Distributions	(1.66)	(2.35)	(2.15)
Retained distributions	1.66	2.35	2.15
Closing NAV	95.26	102.15	105.48
Direct portfolio 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 portfolio transaction costs	0.00	0.00	0.00
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.00	0.00	0.00
Operating charges excluding property expenses	1.07	1.63	1.70
Property expenses	0.59	0.48	0.37
Operating charges [c]	1.66	2.11	2.07
Return after operating charges	-6.74	-3.16	+5.69
Historic yield	3.03	2.28	1.83
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	138,755	157,193	201,996
Closing NAV percentage of total trust NAV (%)	9.47	9.19	8.95
Number of units	145,656,094	153,886,094	191,507,594
Highest unit price (UK p)	109.58	112.53	111.95
Lowest unit price (UK p)	101.54	109.13	105.74

[a] In respect of direct portfolio transaction costs.

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

[c] During the fund's suspension the annual charge will be reduced by 30%.

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. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

  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.

- **Investment management:** Charge paid to M&G for investment management of the trust. From 1 August 2019 this charge forms part of the annual charge.

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 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.

Once the annual charge has been operational for twelve months, operating charges will be 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 as described below.

The dealing prices of the M&G Property Portfolio, in which the M&G Feeder of Property Portfolio is invested, may 'swing' to the extent of the 'spread' reflecting the costs of buying and selling properties, currently around 7.25%. Each day we value the assets of the M&G Property Portfolio on both an 'offer' basis (how much they would cost to buy) and a 'bid' basis (how much the underlying fund would receive if they were sold). The difference between the two, known as the 'spread', is currently around 7.25%. This 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 dealing prices we publish are on either the offer basis or bid basis, depending on whether people are generally buying underlying fund shares (the underlying fund is in 'net inflow') or selling shares (the underlying fund is in 'net outflow'). Should underlying fund flows move from net inflow to net outflow, the dealing prices may 'swing' from an offer basis to a bid basis and fall by the extent of the spread. On the other hand, should flows move from net outflow to net inflow, the dealing prices may rise by the same extent. For large deals (regarded as deals in excess of £50,000) the dealing price may be different from the published price. Unit purchases may receive a price that is higher than the quoted offer price. Unit sales may receive a price that is lower than the quoted bid price.

Portfolio transaction costs

as at Indirect portfolio transaction costs	31.03.20 %	30.09.19 %	30.09.18 %	Average [a] %
Average portfolio dealing spread	6.30	6.42	5.80	6.17

[a] Average of first three columns.