M&G Feeder of Property Portfolio

Interim Long Report and unaudited Financial Statements
for the six months ended 31 March 2020

M&G INVESTMENTS

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M&G Feeder of Property Portfolio

Manager's Report

Manager

M&G Securities Limited
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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
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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 Investing and Saving Alliance (formerly Tax Incentivised Savings Association)).

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, Drummond House, 1 Redheughs Avenue, Edinburgh EH12 9RH, UK

(Authorised and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

Registrar

DST Financial Services Europe Ltd,
DST 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

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

* Resigned 17 October 2019.

Co-fund managers

Fiona Rowley and Justin Upton

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

Independent auditor

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

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.

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
15 May 2020

M&G Feeder of Property Portfolio

Manager's Report

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.

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.

M&G Feeder of Property Portfolio

Manager's Report

Investment review

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

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.

M&G Feeder of Property Portfolio

Manager's Report

Investment review

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.

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.

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

M&G Feeder of Property Portfolio

Manager's Report

Investment review

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.

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

M&G Feeder of Property Portfolio

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.

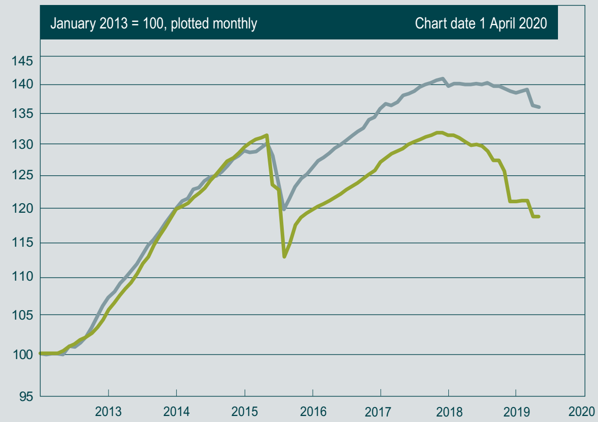
Trust level performance

Trust net asset value

as at	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.



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.

Long-term performance by unit class

	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]
Class 'D'	-6.5	+0.0	+0.2	+3.1 [c]
Class 'I'	-6.6	-0.1	+0.1	+3.0 [c]
Class 'R'	-6.7	-0.3	-0.1	+2.8 [c]
Class X'	-6.7	-0.4	-0.3	+2.5 [c]

[a] Absolute basis.

[b] Bid to bid with income reinvested.

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

Trust performance

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.

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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.

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

Sterling Class 'A' Income 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	75.13	80.41	78.23
Return before operating charges and after direct portfolio transaction costs	(4.65)	(0.74)	6.17
Operating charges	(0.38)	(1.61)	(1.69)
Return after operating charges	(5.03)	(2.35)	4.48
Distributions	(1.60)	(2.93)	(2.30)
Closing NAV	68.50	75.13	80.41
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	-6.70	-2.92	+5.73
Historic yield	4.48	3.85	3.37
Effect on yield of charges offset against capital	1.06	1.47	1.50
Other information			
Closing NAV (£'000)	111,853	126,948	220,938
Closing NAV percentage of total trust NAV (%)	7.63	7.42	9.79
Number of units	163,283,380	168,964,380	274,761,380
Highest unit price (UK p)	80.61	85.89	86.11
Lowest unit price (UK p)	73.86	81.06	82.90

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

Sterling Class 'D' Income 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	2,223.18	2,359.55	2,285.35
Return before operating charges and after direct portfolio transaction costs	(139.18)	(28.00)	175.58
Operating charges	(4.85)	(26.57)	(27.83)
Return after operating charges	(144.03)	(54.57)	147.75
Distributions	(46.02)	(81.80)	(73.55)
Closing NAV	2,033.13	2,223.18	2,359.55
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	0.46	0.75	0.79
Property expenses	0.59	0.48	0.37
Operating charges [c]	1.05	1.23	1.16
Return after operating charges	-6.48	-2.31	+6.47
Historic yield	4.30	3.64	3.16
Effect on yield of charges offset against capital	0.45	0.59	0.60
Other information			
Closing NAV (£'000)	18,000	19,932	32,429
Closing NAV percentage of total trust NAV (%)	1.23	1.16	1.44
Number of units	885,349	896,549	1,374,385
Highest unit price (UK p)	2,386.33	2,522.12	2,525.80
Lowest unit price (UK p)	2,191.67	2,396.74	2,421.67

M&G Feeder of Property Portfolio

Financial highlights

Specific unit class performance

Sterling Class 'D' 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	2,787.87	2,858.46	2,684.88
Return before operating charges and after direct portfolio transaction costs	(175.60)	(38.18)	206.52
Operating charges	(6.10)	(32.41)	(32.94)
Return after operating charges	(181.70)	(70.59)	173.58
Distributions	(51.90)	(84.29)	(78.75)
Retained distributions	51.90	84.29	78.75
Closing NAV	2,606.17	2,787.87	2,858.46
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	0.46	0.75	0.80
Property expenses	0.59	0.48	0.37
Operating charges [c]	1.05	1.23	1.17
Return after operating charges	-6.52	-2.47	+6.47
Historic yield	3.64	2.99	2.54
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	521	558	612
Closing NAV percentage of total trust NAV (%)	0.04	0.03	0.03
Number of units	20,000	20,000	21,400
Highest unit price (UK p)	2,992.19	3,058.69	3,033.89
Lowest unit price (UK p)	2,778.15	2,977.23	2,844.92

Sterling Class 'I' Income 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	79.89	84.96	82.34
Return before operating charges and after direct portfolio transaction costs	(4.98)	(0.99)	6.36
Operating charges	(0.25)	(1.09)	(1.13)
Return after operating charges	(5.23)	(2.08)	5.23
Distributions	(1.67)	(2.99)	(2.61)
Closing NAV	72.99	79.89	84.96
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	0.66	0.92	0.95
Property expenses	0.59	0.48	0.37
Operating charges [c]	1.25	1.40	1.32
Return after operating charges	-6.55	-2.45	+6.35
Historic yield	4.35	3.71	3.22
Effect on yield of charges offset against capital	0.65	0.76	0.75
Other information			
Closing NAV (£'000)	501,641	597,061	683,262
Closing NAV percentage of total trust NAV (%)	34.23	34.89	30.27
Number of units	687,281,030	747,334,030	804,181,744
Highest unit price (UK p)	85.74	90.77	90.95
Lowest unit price (UK p)	78.68	86.15	87.26

Sterling Class 'I' 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	1,387.93	1,424.97	1,340.09
Return before operating charges and after direct portfolio transaction costs	(87.08)	(18.50)	103.45
Operating charges	(4.40)	(18.54)	(18.57)
Return after operating charges	(91.48)	(37.04)	84.88
Distributions	(24.76)	(40.09)	(37.57)
Retained distributions	24.76	40.09	37.57
Closing NAV	1,296.45	1,387.93	1,424.97
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	0.66	0.92	0.95
Property expenses	0.59	0.48	0.37
Operating charges [c]	1.25	1.40	1.32
Return after operating charges	-6.59	-2.60	+6.33
Historic yield	3.48	2.86	2.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	693,442	808,347	1,115,072
Closing NAV percentage of total trust NAV (%)	47.32	47.23	49.40
Number of units	53,487,933	58,241,233	78,252,119
Highest unit price (UK p)	1,489.42	1,524.04	1,512.42
Lowest unit price (UK p)	1,381.99	1,482.47	1,419.95

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Financial highlights

Specific unit class performance

Sterling Class ‘R’ Income 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	76.02	81.03	78.62
Return before operating charges and after direct portfolio transaction costs	(4.73)	(0.87)	6.13
Operating charges	(0.31)	(1.25)	(1.29)
Return after operating charges	(5.04)	(2.12)	4.84
Distributions	(1.60)	(2.89)	(2.43)
Closing NAV	69.38	76.02	81.03
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	0.87	1.17	1.20
Property expenses	0.59	0.48	0.37
Operating charges [c]	1.46	1.65	1.57
Return after operating charges	-6.63	-2.62	+6.16
Historic yield	4.41	3.76	3.27
Effect on yield of charges offset against capital	0.86	1.01	1.00
Other information			
Closing NAV (£'000)	132	145	220
Closing NAV percentage of total trust NAV (%)	0.01	0.01	0.01
Number of units	190,886	190,886	270,886
Highest unit price (UK p)	81.57	86.56	86.75
Lowest unit price (UK p)	74.80	82.00	83.33

Sterling Class ‘R’ 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	136.88	140.81	132.70
Return before operating charges and after direct portfolio transaction costs	(8.56)	(1.74)	10.30
Operating charges	(0.57)	(2.19)	(2.19)
Return after operating charges	(9.13)	(3.93)	8.11
Distributions	(2.33)	(3.68)	(3.44)
Retained distributions	2.33	3.68	3.44
Closing NAV	127.75	136.88	140.81
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	0.87	1.17	1.20
Property expenses	0.59	0.48	0.37
Operating charges [c]	1.46	1.65	1.57
Return after operating charges	-6.67	-2.79	+6.11
Historic yield	3.29	2.66	2.22
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	428	527	842
Closing NAV percentage of total trust NAV (%)	0.03	0.03	0.04
Number of units	335,100	385,100	598,100
Highest unit price (UK p)	146.86	150.47	149.45
Lowest unit price (UK p)	136.17	146.22	140.60

Sterling Class ‘X’ Income 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	79.12	84.68	82.42
Return before operating charges and after direct portfolio transaction costs	(4.89)	(0.48)	6.45
Operating charges	(0.41)	(1.71)	(1.77)
Return after operating charges	(5.30)	(2.19)	4.68
Distributions	(1.68)	(3.37)	(2.42)
Closing NAV	72.14	79.12	84.68
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	1.64	1.69
Property expenses	0.59	0.48	0.37
Operating charges [c]	1.66	2.12	2.06
Return after operating charges	-6.70	-2.59	+5.68
Historic yield	4.48	4.22	3.31
Effect on yield of charges offset against capital	1.06	1.48	1.50
Other information			
Closing NAV (£'000)	520	708	1,630
Closing NAV percentage of total trust NAV (%)	0.04	0.04	0.07
Number of units	720,130	895,130	1,925,130
Highest unit price (UK p)	84.88	90.45	90.68
Lowest unit price (UK p)	77.78	85.37	87.29

[a] In respect of direct portfolio transaction costs.

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

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

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Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 March	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Income				
Net capital gains / (losses)		(135,789)		(41,596)
Revenue	40,337		43,662	
Expenses	(5,613)		(9,630)	
Net revenue / (expense) before taxation	34,724		34,032	
Taxation	(6,537)		(6,048)	
Net revenue / (expense) after taxation		28,187		27,984
Total return before distributions		**(107,602)**		**(13,612)**
Distributions		(30,636)		(31,946)
Change in net assets attributable to unitholders from investment activities		**(138,238)**		**(45,558)**

Statement of change in net assets attributable to unitholders

for the six months to 31 March	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Opening net assets attributable to unitholders		**1,711,419**		**2,257,001**
Amounts received on issue of units	42		68,165	
Amounts paid on cancellation of units	(124,999)		(285,022)	
		(124,957)		(216,857)
Dilution adjustments		1,389		3,477
Change in net assets attributable to unitholders from investment activities (see above)		(138,238)		(45,558)
Retained distributions on Accumulation units		15,679		16,287
Closing net assets attributable to unitholders		**1,465,292**		**2,014,350**

The opening net assets attributable to unitholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to unitholders for the second half of the comparative financial year.

Balance sheet

as at	31 March 2020 £'000	30 September 2019 £'000
Assets		
Fixed assets		
Investments	1,445,249 [a]	1,695,721
Current assets		
Debtors	20,492	30,032
Cash and bank balances	10,162	28
Total assets	**1,475,903**	**1,725,781**
Creditors		
Distribution payable	(7,189)	(7,201)
Other creditors	(3,422)	(7,161)
Total liabilities	**(10,611)**	**(14,362)**
Net assets attributable to unitholders	**1,465,292**	**1,711,419**

[a] There were no cash equivalents held at the current period end (30.09.19: same).

Notes to the financial statements

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 30 September 2019. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and as amended in June 2017.

The financial statements 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.

There are no material events that have been identified that may cast significant doubt on the Company's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The Manager believes that the Company has adequate resources to continue in operational existence for the foreseeable future and, following consideration of the impact of COVID-19 they continue to adopt the going concern basis in preparing the financial statements.

Distribution policies

The policy of the trust is to distribute all available income, excluding any items treated as capital in accordance with the above policies and after deduction of expenses properly chargeable against revenue.

Events after the balance sheet date

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

M&G Feeder of Property Portfolio

Other regulatory disclosures

Other information

Units may be sold at any time by giving your instructions to us either in writing or by calling our Dealing Line on 0800 328 3196. We are open for dealing each business day between 8.00am and 6.00pm Monday to Friday.

Copies of the Key Investor Information Document and Prospectus are available free of charge on request from M&G Customer Relations.

If you wish to complain about any aspect of the service you have received or to request a copy of M&G's Complaints Handling Procedures, please contact M&G Customer Relations, PO Box 9039, Chelmsford CM99 2XG. If your complaint is not dealt with to your satisfaction, you can then complain to: The Financial Ombudsman Service (FOS), South Quay Plaza, 183 Marsh Wall, London E14 9SR.

Authorised status

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

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Glossary

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ongoing Charge Figure: The Ongoing Charge figure represents the operating costs you 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.

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

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

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

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

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

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

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

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.

Glossary

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.

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

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

Treasuries: Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

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.

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