

M&G launches latest real estate debt funds with £350 million at first close

- *Investments from LGPS Central, Prudential With Profits Fund and one of the UK's largest insurers*

London, 11 March 2024 – M&G Investments today announces the first close of its latest vintage of Real Estate Debt Funds (“Funds”) including £350 million of capital from four clients. The capital will be deployed into real estate loans across Europe originated by M&G’s market leading Real Estate Finance team.

The latest funds have reached a first close with £200 million investment from LGPS Central Limited, £100 million from the Prudential With Profits Fund and £25 million from one of the UK’s largest insurers. M&G will be raising further capital for these funds and segregated mandates over the next 18 months from global institutional investors seeking potentially double-digit returns available from direct commercial real estate loans in Europe.

The €1.5 trillion¹ real estate finance market has changed considerably in the past 15 years. It was once dominated by the banks and has seen increasing participation from alternative lenders who now represent around 39 percent of the outstanding debt in the UK and 10-15 percent in Continental Europe. The expectation is that alternative lenders will continue to play a greater role as regulatory drivers means that banks retreat from some parts of the lending markets.

M&G’s real estate finance team is one of the largest alternative lenders in Europe with an international client base spanning the UK, Europe and Asia, and is part of the firm’s £74 billion Private Markets business². Established in 2008, the team provides senior, junior and whole loans secured against core assets through to speculative developments, while negotiating strong protections for pension funds, insurance and institutional clients.

Dan Riches, Real Estate Finance, M&G Investments, says: “We are pleased to reach the first close of our latest funds with strong support from a number of cornerstone investors. Rising interest rates have contributed to a reduction in property valuations, providing investors accessing this asset class now with lower debt bases and subsequently greater downside protection and preservation of capital.

“We continue to see very attractive risk adjusted returns in the sector. European and Asian investors have been increasing allocations to private market investments and debt that benefits from being secured against real assets and is currently offering compelling returns relative to other asset classes. Of growing importance to the sponsors we work with is our ability to provide bespoke financing solutions across the capital structure and our strong track record in executing deals.”

Nadeem Hussain, Head of Private Markets at LGPS Central Limited, comments: “LGPS Central is delighted to have invested in the latest vintage of M&G’s Real Estate Debt Funds. This investment plays an important role in fulfilling our long-term obligations and objectives and we very much look forward to working closely with M&G’s Real Estate Finance team in the future. Their approach to constructing portfolios and experience in managing this attractive asset class is a key driver of our partnership.”

Ciaran Mulligan, Chief Investment Officer of Investment Management and Oversight, Prudential With Profits Fund, adds: “Over a number of years, we have been increasing our allocation to private assets and real estate debt is an important part of this market as we see attractive risk / reward dynamics in the current environment. We have significant exposure to the real estate equity market and by increasing our exposure to debt, we are seeking to build a more diversified portfolio. We have invested in previous vintages of the Real Estate Finance team's funds and as they reach maturity, we want to retain our exposure.”

Grant Hadland, Head of UK Institutional Distribution, M&G Investments, says: “We are pleased to have been selected to manage this capital on behalf of LGPS Central Limited and through this strategic partnership, we will help to meet the objectives of their underlying Partner Funds and scheme members. This mandate builds upon our long experience of working with Local Government Pension Schemes and UK institutional investors. For those pension funds and institutional investors that can withstand reduced liquidity, certain parts of the private markets universe still offer the potential to lock-in higher returns that typically come with lower volatility.”

M&G’s Private Markets business dates back to 1848 having first invested in UK real estate. It comprises six core centres of excellence of which M&G Real Estate is one of the world’s largest property investors with more than £40 billion in assets under management covering both real estate equity and debt strategies. M&G Real Estate’s platform provides global market insight and the ability to deliver a variety of compelling strategies to clients. Since 2009, the Real Estate Finance team has deployed more than £13 billion across the UK and Europe, investing on behalf of more than 100 institutional investors in the UK, Europe and Asia both pooled strategies and segregated mandates.

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Notes to Editors

¹Bayes Business School Commercial Real Estate Lending Report YE 2022

²£74 billion of assets under management as at 30 June 2023.

About M&G Investments

M&G Investments is part of M&G plc, a savings and investment business which was formed in 2017 through the merger of Prudential plc's UK and Europe savings and insurance operation and M&G, its wholly owned international investment manager. M&G plc listed as an independent company on the London Stock Exchange in October 2019 and has over £332 billion of assets under management (as at 30 June 2023). M&G plc has customers in the UK, Europe, the Americas and Asia, including individual savers and investors, life insurance policy holders and pension scheme members.

For nearly nine decades M&G Investments has been helping its customers to prosper by putting investments to work, which in turn creates jobs, homes and vital infrastructure in the real economy. Its investment solutions span equities, fixed income, multi asset, cash, private debt, infrastructure and real estate.

M&G recognises the importance of responsible investing and is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and is a member of the Climate Bonds Initiative Partners Programme.

M&G plc has committed to achieve net zero carbon emissions on its total book of assets under management and administration by 2050 and committed to reduce operational carbon emissions as a corporate entity to net zero by 2030.

For more information, please visit: <https://global.mandg.com/>

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