

M&G INVESTMENTS ACQUIRES LANDMARK RESIDENTIAL DEVELOPMENT ON EDGE OF OLYMPIC PARK FOR £125 MILLION

First residential investment by the £1.2 billion¹ M&G Secured Property Income Fund

London, 9 January 2013 – M&G Investments, the leading investment manager, has struck an agreement to acquire a portfolio of 401 market rented units at Stratford Halo, a 43-floor residential development at the main entrance to the Olympic Park in East London.

Genesis, one of the UK's largest housing associations, is selling the properties (which form part of a residential development of more than 700 units) and Genesis will enter into a lease back of the units as an operating lease. The standard institutional lease will see Genesis making rental payments for 35 years that rise annually in line with inflation (RPI). Genesis will be responsible for sub letting the properties to residential tenants and on-going management of those tenancies, including all outgoings, maintenance and repairs during the lease term. M&G is paying £125 million for the property.

Stratford Halo becomes the latest addition to the M&G Secured Property Income Fund (SPIF), which offers institutional investors an innovative means of meeting their long term inflation-linked liabilities. Since launch in 2007, M&G has raised over £1.5 billion² of client money for investment by the Fund into properties with long term inflation-linked leases.

Ben Jones, manager of the M&G Secured Property Income Fund, says: "This is a high quality investment with a 35-year RPI linked lease that should help to deliver inflation-linked returns, with good security to our pension fund clients for a generation. The innovative transaction also provides our investors with much sought after exposure to the long term capital growth potential of London residential real estate but within an institutional investment framework.

“There is significant demand from pension funds for investment into housing and social infrastructure provided it is delivered on a transparent basis and directly assists with their desire for long term inflation linked cash flows to match their liabilities. With the addition of Stratford Halo, the M&G Secured Property Income Fund will have a £1.35 billion³ portfolio of 32 assets across the UK. Over the past three years, this portfolio has delivered an annualised return of 7% over inflation⁴. We have significant additional capital to invest and remain interested in acquiring similar assets on both a completed and development funding basis for the right assets.”

Jonathan Clarke, Genesis’ Director of Corporate Finance, comments: “This transaction is a strategic response providing Genesis with greater investment capacity in the future when the level of public subsidy for new affordable housing is expected to fall further. Genesis has a history of innovation in terms of providing housing in appropriate tenures to meet the needs of all communities and, unlike many housing associations, has extensive experience in managing market rent properties.”

Genesis is one of the country’s leading businesses focusing on the regeneration of communities. It currently has around 33,000 homes under management in London and the South East of England. Over the next three years Genesis will deliver over 3,000 new homes which will include affordable housing for rent or shared ownership.

The M&G Secured Property Income Fund was advised by PRUPIM, the real estate fund management arm of M&G Investments.

About M&G Secured Property Income Fund

- Portfolio comprises 31 properties, with total assets of £1.23 billion⁵ (as at November 2012, excluding the Genesis acquisition)
- The Fund invests in high quality UK commercial property with long term leases (weighted average maturity of over 25 years) with c. 90% of the income linked to inflation and the remainder having fixed uplifts

- The Fund's properties have high quality, predominantly investment grade tenants providing a broader exposure than most institutions can achieve by direct investment
- M&G combines fixed income/credit and property expertise to analyse tenant quality (income component of the Fund) and underlying value of the real estate (capital).

-ENDS-

If you require any further information, please contact:

David Butcher

Corporate Communications

M&G Press Office

Tel: 020 7548 2478

Mob: 07920 823701

David.butcher@mandg.co.uk

1. M&G as of 30 November 2012
2. M&G as of 08 January 2013
3. M&G as of 07 January 2013
4. M&G as of 30/11/12 – Please note that performance for the M&G Secured Property Income Fund is reported net of all fees and expenses. All comparison index returns are reported on a gross basis. Returns are calculated using NAV per unit and accrued monthly income. Annualised returns.
5. M&G as of 30 November 2013

Notes to Editors

Issued by M&G Securities Limited, which is authorised and regulated by the Financial Services Authority and provides investment products. The company's registered office is Laurence Pountney Hill, London EC4R 0HH. Registered in England No. 90776.