

22 April 2021

Dear Investor

Resumption of dealing and changes to the M&G Property Portfolio and M&G Feeder of Property Portfolio (the “Feeder”)

We are writing to inform you that M&G will resume dealing in the M&G Property Portfolio and its feeder fund, the M&G Feeder of Property Portfolio (the “Funds”) on Monday 10 May 2021. Full details of the resumption of dealing, including an outlook for commercial property from the fund manager, can be found in Section 1 below.

M&G is also taking the opportunity to make some changes to the Funds’ pricing methodology, investment objective and investment policy and is introducing a provision to allow the fund manager to raise cash quickly in exceptional circumstances. Full details of these changes and how they will benefit Shareholders can be found in Section 2 from page 3 onwards. You will also find detailed questions and answers on the pricing methodology in Appendix 1 from page 7.

Section 1 – Resumption of dealing

Dealings in the M&G Property Portfolio and its feeder fund were suspended on 4 December 2019 after a sustained period of withdrawals. The fund manager, Justin Upton, has used this time to sell properties in a controlled manner and increase the fund’s cash position.

Up to 19 April 2021, 33 properties have been sold and a further five have been exchanged. The M&G Property Portfolio’s Authorised Corporate Director (“ACD”) and Depositary are now satisfied that the fund has sufficient cash for customers who wish to sell their investment and for those who wish to remain, and can therefore reopen for dealing.

The decision to resume dealing was taken in agreement with the Depositary and Trustee, and the Financial Conduct Authority has been informed.

Please note:

- All buy, sell and switch instructions placed during the period of suspension have been rejected.

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- If you wish to place a buy, sell or switch instruction with us to be dealt at 12 noon on the first day of dealing, your instruction must get to us between 08:00 and 12 noon on Monday 10 May 2021. Any instructions to buy, sell or switch shares received before this date will be rejected.

If you hold any of your shares via a trading platform, please contact them for clarification of their dealing process.

A total of 38 carefully selected properties have been sold and exchanged by the fund's manager, Justin Upton, resulting in reduced portfolio risk, strengthening the Fund's income stream and decreasing the vacancy rate to 7.2%. All assets sold or exchanged during suspension were at a combined 0.1% discount to their Net Asset Value, of which 38.8% were disposals of retail properties. Cash now stands at 33.2%.

In recognition of the inconvenience caused to customers and clients, M&G has waived 30% of the Funds' annual charge during suspension. This will continue until the Funds resume dealing. M&G will also continue to waive the charge on cash held above 20% of the Funds' Net Asset Value until the end of 2021. As announced in our January 2021 suspension update, the fund manager is now targeting a new long term cash weighting of circa 20% to enhance liquidity management.

- **Outlook for UK commercial property**

Fund manager Justin Upton believes that the long-term investment case for UK commercial property remains intact. In a low interest rate environment, he believes the fund is well placed to generate a secure income underpinned by a diversified portfolio of quality assets.

In 2020, the M&G Property Portfolio collected over 90% of rental income that was due, demonstrating the importance of our properties for tenants despite the challenging climate many faced. This provided investors in the fund with income distributions that equated to an annual yield of 4.7%.

As assets have been sold, the fund manager has sought to preserve the structural integrity of the portfolio to deliver a strong, secure income, and to participate in the economic recovery by better aligning the portfolio to areas of the commercial property market that are forecast to perform well.

We deeply regret the inconvenience that suspension has caused our customers and clients. The decision to suspend was taken to protect the interests of all of our investors, enabling the fund manager to sell assets in an orderly fashion. We believe this has preserved value for customers, while also maintaining the integrity and future prospects of the fund. We thank you for your patience and for your investment with M&G.

The full reopening statement is available on our website at www.mandg.co.uk

For the latest information on fund price performance, please visit www.mandg.co.uk/prices

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Section 2 – Changes to the M&G Property Portfolio and the Feeder

The following is for information purposes only, but we recommend you give the letter careful consideration to fully understand the changes. The terms used in this letter share the same meaning as the Funds' Prospectus.

If you currently hold Income Shares in the M&G Property Portfolio and have chosen to reinvest your income, please refer to the “Important information on future reinvestments of income” for details on how the pricing methodology may impact future income reinvestments. The table below notes the timeline of the key changes and when they will be taking place with more detailed information following. You will also find a section with answers to any questions you may have on page 7.

Key changes	Change effective from	Where to find information
1. Pricing methodology change – moving from Shares/Units being bought and sold at the same price on any given day, to Shares/Units having different buying and selling prices	25 June 2021	Page 3 and Appendix 1 (page 7)
2. Investment objective clarification, and update of investment policy with more detail on the assets the fund can invest in, and more information on M&G’s responsible investment policy*	25 June 2021	Page 4 and Appendices 2 and 3 (page 10 and page 12)
3. Introduction of a tool allowing the fund manager to raise cash quickly in exceptional circumstances	10 May 2021	Page 5 and Appendix 4 (page 12)

*In the case of the Feeder, only the investment objective will be updated.

Details of the changes

1. Change to the Funds’ pricing methodology

We believe the change will increase dealing transparency for investors, reduce the potential for large price fluctuations and provides stronger alignment with the Fund’s long term investment horizon. It will also ensure the Funds’ performance better reflects that of their underlying assets.

What is changing?

Effective from Friday 25 June 2021, both Funds will start operating a dual priced methodology at a full spread. This means there will now be a difference between the buying and selling prices of the Funds’ Shares/Units:

- any sale of Shares/Units will be dealt at the bid price; and
- any purchase of Shares/Units will be dealt at the offer price.

The bid price is lower than the offer price, and the difference (or spread) can be in excess of 6% of the published bid price. Based on the prices published as of 31 March 2021 the offer price was approximately 4.9% higher than the bid price.

This differs from the current methodology where, on any given day, the price for buying and selling Shares/Units is generally the same.

Appendix 1 provides further information on the Funds’ current and updated pricing methodologies, including examples of the impact of the change.

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How will the pricing change benefit investors?

- **Increased transparency and stability**

Customers will be clearer about the price they are transacting on as they will always buy at the offer price and sell at the bid price. The new structure will also completely remove the possibility of large price movements caused solely by a change in investor flows, as explained in Q2 and Q3 in Appendix 1.

- **Long term investment objectives**

Full spread pricing is more aligned to, and reflective of, the pricing of property assets, where transaction costs restrain the prospect of investment returns in the short term. We therefore believe that the change will provide more stability in the Funds by encouraging investment over the long term – a key consideration when investing in a commercial property fund.

- **Measurability**

The change will allow the Funds' performance to be wholly reflective of performance of the M&G Property Portfolio's underlying assets, and not subject to any potential distortion by price swings. This will also enable our customers to compare the Funds' performance more easily against peer funds in the IA UK Direct Property Sector.

Important information on future reinvestments of income

You should note that a similar amount of income will purchase fewer Shares than it would have done under the current methodology in recent years. This is because the M&G Property Portfolio has been priced on a bid basis since June 2016, which means your income would have been used to purchase Shares at bid price. Under the new methodology, however, these Shares will always be purchased at the higher offer price.

2. Changes to the Funds' investment objective, investment policy and strategy to achieve the objective for the M&G Property Portfolio – and impact on the Feeder

The changes, listed in full in Appendices 2 and 3, will be effective from Friday 25 June 2021 and are intended to make it easier for investors to determine whether the M&G Property Portfolio has achieved its objective, and to provide greater clarity on how it sets out to achieve this.

- **Investment objective**

The new investment objective will make it easier for investors to determine whether the M&G Property Portfolio has achieved its objective by including the IA UK Direct Property Sector as a target against which to assess its performance over any five-year period. It will also clarify that the basis for measuring performance should be the fund's performance net of the Ongoing Charge Figure and Property Expense Ratio.

You should note that the IA UK Direct Property Sector, which is already used in fund documentation such as the Prospectus and Key Investor Information Documents (KIIDs), will be used solely to measure the M&G Property Portfolio's performance and will not constrain what assets/properties the Fund can invest in.

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- **Investment policy**

The investment policy will provide greater detail of the types of assets the M&G Property Portfolio is permitted to invest in. It will also replace the term “mainly” with “at least 70%” to describe more specifically the minimum amount of its portfolio to be directly invested in UK commercial property. Ordinarily the Fund will seek to be more than 70% in direct property, however the new investment policy allows the fund manager to reduce this to 60% in order to help manage liquidity, for example as a result of unusually high levels of investor redemptions.

- **Strategy to achieve the objective**

Revisions to the objective now provide a clearer description of the Funds’ management and portfolio construction and includes information on M&G’s Responsible Property Investment policy, which will be available on our website from Friday 25 June 2021.

Change to the Investment objective for the Feeder

The Feeder’s investment objective will change to align with the new investment objective of the M&G Property Portfolio. The Feeder’s Prospectus will also be updated to reflect the changes in the M&G Property Portfolio’s investment policy and strategy to achieve the objective.

A comparison of the current and updated investment objectives for the Feeder can be found in Appendix 3.

3. Rapid Sales provision

The Prospectus for the M&G Property Portfolio will be updated on 10 May 2021 to include a rapid sales provision. This new wording is included in Appendix 4. The rapid sales provision is a tool available to raise cash quickly in exceptional circumstances. Its inclusion is a choice available to managers of open-ended funds invested in inherently illiquid assets, such as property.

The provisions will allow the ACD of the M&G Property Portfolio to consult and agree with the Standing Independent Valuer a fair and reasonable price to reflect the rapid sale of a property. Although this may result in selling a property at a lower price than its market value, it is expected that the use of the Provision will solely be used under exceptional circumstances such as periods in which wider market uncertainty leads to sustained high levels of outflows.

Making changes to your investment

Once the Funds have reopened for dealing, you will be able to purchase additional Shares, switch to another M&G OEIC fund or sell your investment – at any point before or after the changes have taken place – subject to our Terms and Conditions.

Costs of the changes

M&G will bear all costs associated with implementing the changes, including legal and administrative costs.

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For more information

If you have any questions about the changes please contact our **Customer Relations** team on **0800 390 390**. The team is available from 08:00 to 18:00, Monday to Friday, and from 09:00 to 13:00 on Saturday. To help us deal with your enquiry as quickly as possible please have your M&G client reference when calling us. For your security and to improve the quality of our service, calls may be recorded.

Please be aware that we are not in a position to give you investment advice. If you are uncertain as to how the changes may affect you, you should consult a financial adviser.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jonathan Willcocks', with a long horizontal flourish extending to the right.

Jonathan Willcocks
Customer and Distribution Officer
On behalf of M&G Securities Limited

Enc. Appendices including questions and answers on new pricing methodology

Section 3 – Appendices

Appendix 1 – Questions and answers on the pricing methodology change

1. How are the Funds currently priced?

The Funds are ‘dual priced’ which means their Shares/Units (‘Shares’) may have different buying (offer) and selling (bid) prices. However, the published dealing prices are currently set depending on whether investors are generally buying or selling Shares and investors have typically bought and sold their Shares at the same price on any given day:

- When money flows into the Funds, the prices for their Shares are calculated on the higher 'offer' basis, reflecting the associated costs of buying property, such as Stamp Duty Land Tax.
- If the pattern of flows change and investors want to sell out of their investment causing the Funds’ size to shrink, the pricing is calculated on the lower 'bid' basis.
- When the pattern of investor flows change, the fund price will ‘swing’ from ‘bid’ to ‘offer’, or vice versa.

2. How will they be priced under the new methodology?

Under the new pricing methodology, irrespective of the pattern of investor flows:

- any sale of Shares will be dealt at the lower bid price; and
- any purchase of Shares will be dealt at the higher offer price.

The bid price is lower than the offer price, and the difference (or spread) can be in excess of 6% of the published bid price. See Q5 for more information on the spread.

The table below provides the different outcomes of buying and selling Shares in the Funds under both methodologies, based on the pricing of M&G Property Portfolio Sterling A Income Shares on 31 March 2021. On that day:

- the calculated bid price was 90.38p per share
- the calculated offer price was 94.82p per share

	Current methodology		New methodology
	Fund priced at bid (Fund experiencing more outflows)	Fund priced at offer (Fund experiencing more inflows)	
Number of shares acquired by - investing £100 in the Fund; or - reinvesting £100 of income	$\text{£}100 / 90.38\text{p}$ = 110.644 shares	$\text{£}100 / 94.82\text{p}$ = 105.463 shares	Shares are always purchased at offer price: $\text{£}100 / 94.82\text{p} = \mathbf{105.463}$ shares
Proceeds received from the sale of 100 Shares	100 shares @90.38p = £90.38	100 shares @94.82p = £94.82	Shares are always sold at bid price: 100 shares @ 90.38p = £90.38

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3. How many times have the prices of the Funds swung since launch? Will they swing in the future?

Since the Funds were launched in January 2013, the price has swung nine times, resulting in price moves ranging from 5% to 6%. The Funds have been consistently priced on a bid basis since June 2016.

The new price methodology will remove the possibility of a price swing caused by a change in investor flows.

4. When will the pricing changes become effective?

The change will become effective on Friday 25 June 2021.

5. What is the difference between the buying and selling prices? What is the spread, and what is its value?

The buying (offer) and selling (bid) prices reflect the costs associated with transactions in a fund's underlying assets. The difference between these two prices is referred to as the 'spread'.

The majority of these costs are related to Stamp Duty Land Tax (up to 5%) on property purchases, and legal fees incurred in the buying and selling of properties.

Based on the prices published as of 31 March 2021 the offer price was approximately 4.9% higher than the bid price.

Questions on your investment

6. Will the changes affect the value of my investment?

The value of holdings can currently be calculated on either a bid or offer basis depending on whether investors are generally buying Fund shares or selling them. However, both Funds have been priced on a bid basis since June 2016. We expect them to resume dealing on that basis.

From Friday 25 June 2021, the value of your holding will always be calculated based on the Funds' bid prices. Therefore, unless a price swing takes place before Friday 25 June 2021, the value of existing holdings will not be affected by the change.

7. What will the pricing basis be for Shares I sell?

The pricing basis for Shares sold before Friday 25 June 2021 will be either bid or offer; however note that, as explained in Q6, the Funds are expected to resume dealing on a bid basis.

Shares sold after Friday 25 June 2021 will always be dealt at bid price.

8. What will the pricing basis be for Shares I buy?

The pricing for Shares purchased before Friday 25 June 2021 will be either bid or offer; however note that, as explained in Q6, the Funds are expected to resume dealing on a bid basis. Shares purchased after Friday 25 June 2021 will always be dealt at offer price.

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9. How will the change impact investors who hold M&G Property Portfolio Income Shares and reinvest their income?

A similar amount of income will purchase fewer Shares than it would have done under the current methodology in recent years. This is because the M&G Property Portfolio has been priced on a bid basis since June 2016, and on that basis your income would have been used to purchase Shares at bid price. Under the new methodology, however, these Shares will be always be purchased at the higher offer price.

This is illustrated in the table included in Q2, which shows that, based on pricing on 31 March 2021, an income reinvestment of £100 would have purchased 110.644 additional Shares with the fund on a 'bid' basis – as it has been since June 2016. Under the new methodology, the additional shares would be purchased using the offer price and the reinvestment would have purchased 105.463 shares.

10. When will the last reinvestment of income under the current methodology take place?

The last reinvestment of income before the change takes place will be relate to the distribution with an XD date of 1 April 2021 and payment date on or before 31 May 2021.

11. Are Accumulation Shares affected in the same way?

No, income is reinvested automatically and is continually reflected in the price of accumulation shares rather than being used to purchase additional shares. As income is not paid out to accumulation shareholders before reinvestment, no further shares are purchased meaning accumulation investors' reinvestments are not subject to the fund's spread.

12. Can I convert my shares?

Yes, you can convert your Shares at any time, subject to our Terms and Conditions.

There is an equivalent Accumulation share class available for all classes of share. Please note that in the case of Sterling Class X Income Shares, the equivalent Accumulation class is Sterling Class A shares.

Please note that Accumulation Shares are not available in The M&G ISA or The M&G Junior ISA.

Converting Shares from one Share Class to another is not categorised as a sale and subsequent purchase. Consequently, the number of Shares received as a result of a conversion will be calculated on a bid basis, ensuring that the value of the Shares received is not reduced by the amount of the spread.

13. Will there be any changes in the way I give my instructions to deal in the Funds?

No.

14. Where will I be able to find out the Funds' bid and offer prices for my Shares?

Bid and offer prices for all Shares in the Funds are listed on our website www.mandg.co.uk/prices from Friday 25 June 2021.

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Appendix 2 – M&G Property Portfolio

Comparison of current and updated investment objective, investment policy and Strategy to achieve the objective

M&G Property Portfolio	
Current investment objective (as listed in the Prospectus until 24 June 2021)	Updated investment objective (to be listed in the Prospectus from 25 June 2021)
<p>The investment objective of the Fund is to carry on Property Investment Business and to manage cash raised from investors for investment in the Property Investment Business. In so doing, the Fund aims to maximise long term total return (the combination of income and growth of capital) through investment mainly in commercial property.</p>	<p>The investment objective of the Fund is to carry on Property Investment Business and to manage cash raised from investors for investment in the Property Investment Business. In doing so, the Fund aims to provide a higher total return (capital growth plus income), net of the Ongoing Charge Figure and Property Expense Ratio, than the average return of the IA UK Direct Property Sector over any five-year period.</p>
Current investment policy (as listed in the Prospectus until 24 June 2021)	Updated investment policy (to be listed in the Prospectus from 25 June 2021)
<p>The Fund invests in a diversified portfolio of commercial property mainly in the UK, seeking to add value through strategic asset allocation, stock selection and asset management. The Fund may also invest in other property related assets, including collective investment schemes, transferable securities, derivatives and debt instruments, as well as government debt, money market instruments and cash. Derivatives may be used for investment purposes as well as for efficient portfolio management.</p>	<p>At least 70% of the Fund is invested directly in a diversified portfolio of commercial property in the UK. This may be reduced to 60%, if it is considered prudent for liquidity management.</p> <p>The Fund may also invest in other property related assets such as:</p> <ul style="list-style-type: none"> • other types of property, including residential property; • property of any type outside the UK; • funds (including funds managed by M&G); and • transferable securities (such as shares and bonds); and money market instruments. <p>For liquidity management, the Fund may invest in cash; near cash; money market instruments; and government bonds, directly, or via funds (including funds managed by M&G).</p> <p>Derivatives may be used for investment purposes, efficient portfolio management and hedging.</p>

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Current strategy for achieving the objective (as listed in the Prospectus until 24 June 2021)	Updated strategy for achieving the objective (to be listed in the Prospectus from 25 June 2021)
<p>The M&G Property Portfolio aims to maximise long-term total return through direct investment in commercial property. The 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 fund and when acquiring new assets for the fund. In researching properties and therefore the associated risk, the manager considers location, property type, rent review and lease expiry pattern, tenant, industry sector, tenure, lease covenants and physical and environmental factors.</p>	<p>The Fund is actively managed, while controlling for risk factors, through diversified real estate exposure primarily in direct property sectors (such as retail, offices and industrial). The Fund's investment and disposals align the fund positioning toward those sectors forecast to outperform with regard for structural trends and property specific risk such as lease expiries and voids, tenant covenant strength and physical and environmental factors.</p> <p>The investment process is structured to deliver the Fund's Objective however, as a responsible property manager, M&G's Responsible Property Investment capabilities are drawn on to initiate projects that address ESG themes and risk factors relevant to the Fund, such as building suitability in light of regulation and addressing energy efficiency, water use and waste. Performance will take precedence over any ESG goals referenced within the Responsible Property Investment policy.</p> <p>*M&G's Responsible Property Investment policy is available on the M&G website.</p>
Current benchmark (as listed in the Prospectus until 24 June 2021)	Updated benchmark (to be listed in the Prospectus from 25 June 2021)
<p>Benchmark: IA UK Direct Property sector</p> <p>The Fund is actively managed. The benchmark is a comparator against which the Fund's performance can be measured. The sector has been chosen as the Fund's comparator benchmark as the Fund is a constituent of the sector. The comparator benchmark does not constrain the Fund's portfolio construction.</p> <p>For unhedged Share Classes, the benchmark is shown in the Share Class currency.</p>	<p>Benchmark: IA UK Direct Property Sector</p> <p>The benchmark is a target which the Fund seeks to outperform. The sector has been chosen as the Fund's benchmark as the Fund is a constituent of the sector. The benchmark is used solely to measure the Fund's performance and does not constrain the Fund's portfolio construction.</p> <p>The Fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the Fund.</p>

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Appendix 3
M&G Feeder of Property Portfolio
Comparison of current and updated investment objectives

M&G Feeder of Property Portfolio	
Current investment objective (as listed in the Prospectus until 24 June 2021)	Updated investment objective (to be listed in the Prospectus from 25 June 2021)
The Trust aims to maximise long term total return (the combination of income and growth of capital) solely through investment in the M&G Property Portfolio.	The Trust aims to provide a higher total return (capital growth plus income), net of the Ongoing Charge Figure and Property Expense Ratio, than the average return of the IA UK Direct Property Sector over any five-year period solely through investment in M&G Property Portfolio.

Appendix 4
M&G Property Portfolio
Rapid Sales Provision

The provision below will be added to the “Calculation of the Net Asset Value” section of the M&G Property Portfolio Prospectus on 10 May 2021:

“In the event that an immovable has to be sold quickly in order to meet redemption requests as they fall due, the ACD will consult and agree with the Standing Independent Valuer a fair and reasonable price for the immovable to reflect a rapid sale. In such instances, the need to sell assets promptly may dictate a sale price which is below market value. Where rapid sales take place, the value of the Company may be reduced accordingly. Please note, it is likely that the ACD will only rely on this power in exceptional circumstances such as periods in which wider market uncertainty leads to sustained high levels of outflows.”