

M&G INVESTMENTS ACQUIRES A HEALTH CLUB REAL ESTATE PORTFOLIO IN £92M BANNATYNE REFINANCING

- ***M&G acquires 39 health clubs in sale and lease back deal***

London, 24 February 2014 – M&G Investments, the leading investment manager, has reached a £92 million deal with The Bannatyne Group involving the sale and lease back of the ground leases of 39 Bannatyne's Health Clubs.

Unlike many market rented sale and leaseback investments, this deal is a quasi ground lease arrangement where the initial rent is set at a low percentage of market rental value. This is important for an institutional investor such as M&G because a deal structured in this way minimises the risk of the rent becoming unaffordable for the tenant.

All the sites are leased to Bannatyne Fitness Ltd, the UK's largest independently owned health club operator, for 125 years on a full repairing and insuring basis with contracted annual reviews linked to inflation. The portfolio comprises 26 freehold and 13 long leasehold properties.

The capital is provided by the £1.8bn M&G Secured Property Income Fund, which invests in and develops a wide range of real estate, such as supermarkets, hotels, offices, student accommodation and residential. These properties are leased to tenants over the long-term to provide M&G's pension fund investors with returns linked to inflation.

Ben Jones, manager of the M&G Secured Property Income Fund, says: "This is another high quality deal that delivers exactly the sort of investment returns our many pension fund clients need. What makes this especially interesting is that it is an attractive and secure way to generate exposure to the leisure sector and provide very long term secure and index-linked cash flows. It is also notable for it being a bank replacement finance deal – an increasing number of the deals we do at M&G are attractive alternatives to bank finance."

The M&G Secured Property Income Fund is advised by M&G Real Estate which sourced this asset. **Kris McPhail, Investment Director, M&G Real Estate**, says: "This is a significant transaction in the key operating assets of an established and successful business. We have substantial funds available for inflation-linked investments and we expect to see more of

these structured, low-gearred rent deals done because it is an attractive way for companies with significant operational real estate to refinance.”

M&G Real Estate was advised on the deal by CBRE. **Patrick Grant, Director of CBRE’s Specialist Markets team**, says: “We are delighted to have worked with M&G Real Estate and Bannatyne Fitness to source and execute this transaction. The deal combined our Capital Markets platform with detailed knowledge and understanding of operational backed real estate.”

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About M&G Secured Property Income Fund

- 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).
- Portfolio comprises 62 properties with a total value of £1.8 billion (as at end of December 2013)
- The Fund invests in high quality UK real estate with long term leases (weighted average maturity of 26 years) with 80% of the income linked to inflation and the remainder having fixed uplifts

If you require any further information, please contact:

Irene Chambers
Corporate Communications
M&G Press Office
Tel: 020 7004 4132
irene.chambers@mandg.co.uk

Notes to Editors

About M&G

M&G is an international active asset manager, investing on behalf of individuals and institutions for over 80 years. At 30 September 2013 the firm manages over £242 billion of assets through a wide range of investment strategies across equities, bonds, property and multi asset.

Headquartered in London, M&G employs over 1,500 people worldwide operating from offices across Europe and Asia.

M&G’s history is a story of investment firsts, from the UK’s first mutual fund in 1931 to the Inflation Linked Corporate Bond Fund in 2010.

M&G is the investment arm of Prudential Plc in the UK and Europe.

About M&G Real Estate

M&G Real Estate is the real estate fund management arm of M&G and is one of the top 25 real estate fund managers in the world by assets under management, with over £17 billion* invested in a broad spread of properties across Europe, North America and the Asia Pacific region (as of 30 September 2013). For more information please visit www.mandg.com/realestate

*Total assets under management plus cash

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