

## **M&G FUNDS £4.9 BILLION OF PRIVATE FINANCING DEALS IN 2014**

- ***Pension funds investing for income and security bridging the gap in UK corporate financing***

**London, 15 December 2014** – M&G Investments, the international investment manager, has provided £4.9 billion of private financing to corporates and institutions in the past 12 months, as pension funds and institutional investors continue to seek the secure, and often inflation-linked, cash flows these investments provide.

“A desire by corporates and institutions to diversify their funding sources has been a driving force behind decisions to refinance and seek additional funding from different sources this year,” **says Mark Hutchinson, co-head of alternative credit, M&G Investments.** “Investments are now being made in a variety of structures. Whether it is a private loan to a company alongside the traditional banks by our Direct Lending team or the realisation of operating assets’ value through a sale and lease back deal, companies are working with M&G in order to create a bespoke solution for their financing needs.”

**William Nicoll, co-head of alternative credit, M&G Investments,** says: “A new financing landscape has emerged following the financial crisis in 2008, where pension funds and institutional investors, the natural owners of long-term capital, are providing finance over the long-term in areas where banks previously dominated the market.

“Pension funds are attracted to the contracted cash flows and often enhanced structures private investments can offer, providing greater stability for trustees and plan sponsors. Pension funds have continued to invest in areas such as social housing, which can provide both income and protection from future rises in inflation over the long-term.”

**Private company lending** – M&G has continued its programme of lending directly to medium-sized companies with the M&G UK Companies Financing Fund 2 lending over £130 million in the past 12 months. Hall & Woodhouse, the Dorset-based brewer, diversified its lending away from banks for the first time with a £20 million loan for ten years from M&G.

M&G has invested almost £500 million to larger corporates mainly through private placements which continue to be an important funding source. Drax, the UK’s largest power

station, borrowed a further £100 million from M&G in May as it continues moving towards biomass-fuelled generation.

**Long-lease real estate** – M&G's pension fund clients continue to seek long-term, bond-like returns available from long lease property that are linked to inflation. Working in conjunction with M&G Real Estate, the market-leading long lease proposition has now invested over £5 billion of which over £1 billion has been invested in the past year.

M&G completed the largest single office transaction outside of London in June. Two prime offices in Manchester, which are let to RBS for a further 23 years with annual uplifts, were acquired for over £300 million, on behalf of the Pensions Protection Fund and an internal client. The deal is testament to the strength of M&G's approach of combining the expertise of two business units in order to analyse both the real estate and fixed income/credit components.

The £2.5 billion M&G Secured Property Income Fund continues to invest in and develop a wide range of real estate, such as supermarkets, hotels, offices, student accommodation and residential property on behalf of pension fund clients. An increasing number of the deals completed for this strategy are attractive alternatives to bank finance for the companies involved as they realize the value of their operating assets.

**Social housing** – M&G has invested over £400 million in private loans to housing associations in the past 12 months. Until the financial crisis, housing associations generally relied on banks and The Housing Finance Corporation to meet their external funding requirements. M&G has now invested over £5 billion in UK social housing through property transactions, public bonds and private placements.

In February, M&G completed a pioneering deal with the Welsh Government providing over £150 million to 17 Welsh housing associations in order to finance the construction of 1,000 social and affordable homes. In addition to this, £45 million was provided to Link Group, the first financing of its type to a housing association in Scotland.

**Alternative credit** - over £500 million has been invested in long-term structured private debt during the past year. This has been driven by the changing financing landscape and includes a range of different investments that may emerge into standalone asset classes in the future.

**Real estate finance** – M&G has deployed almost £2 billion in Europe since the beginning of 2014, including a £238 million financing for Northern Trust Group, the UK property investment, development and land regeneration company. Activity has continued in continental Europe with the financing of two shopping centres in Ireland and Spain as well as the €110 million acquisition financing of the largest Dutch residential property since 2008. Borrowers are attracted to the M&G's ability to offer entire whole loan financing solutions.

Since the onset of the global financial crisis, M&G was among the first non-bank institutions to identify the investment opportunity in real estate finance, closing on its initial real estate debt fund in 2009. In March this year, M&G completed the fundraising for its two new junior commercial mortgage funds, reaching £1.35 billion of capital commitments from over 40 institutional investors from Europe and the US. M&G has also raised £1.5 billion in external funds to invest in senior commercial mortgages in addition to capital invested on behalf of Prudential.

**Infrastructure** – M&G's infrastructure equity arm, Infracapital, most notably completed fund raising for its latest fund with commitments of over £1 billion and has already invested £350 million of this. M&G continues to work closely with Prudential on the development of the Swansea Bay tidal lagoon and invests in infrastructure, across both debt and equity.

**-ENDS-**

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## **Notes to Editors**

The total figure refers to deals that have either exchanged or completed between 13<sup>th</sup> December 2013 and 12<sup>th</sup> December 2014.

### **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 2014 the firm manages over £257 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.

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