

19 October 2023

Dear Investor

Suspension and proposed closure of the M&G Property Portfolio and M&G Feeder of Property Portfolio

I am writing to inform you that, subject to regulatory approval from the Financial Conduct Authority (the “FCA”), we have decided to close the M&G Property Portfolio (the “Fund”) and its feeder M&G Feeder of Property Portfolio (the “Feeder”)¹. In order to uphold investors’ best interests while we’re seeking approval from the FCA, effective from 12:00 on Thursday 19 October 2023, we have suspended dealing in both funds (the “Funds”). This means that instructions to buy, sell or switch in or out of shares/units² in the Funds will no longer be accepted after 12:00 on that date.

The decision to suspend with a view to closing the Funds was taken in agreement with the Funds’ Depositary/Trustee and we have informed the FCA.

This letter provides you with the reasons why we have decided to close the Funds and why it was necessary to suspend dealing in them ahead of the closures. It also details how this affects your investment with M&G, the charges you pay, and where to obtain further updates and information.

Subject to receiving approval for the closures from the FCA, we will write to you again to provide you with further details on the closures, including the options available to you.

Please be reassured that the suspension of the Funds has no effect on any other investments you may have with M&G.

continued overleaf

¹ A ‘feeder’ fund invests solely in a ‘master’ fund. In this case, the Feeder invests exclusively in the M&G Property Portfolio, and only the latter is directly invested in property assets.

² M&G Property Portfolio is made up of shares, whilst the Feeder is made up of units. For the purpose of this letter, “Shares” will mean both shares in the M&G Property Portfolio and units in the Feeder.

Why does M&G intend to close the Funds?

The Funds aim to provide investors with a total return (the combination of capital growth and income) through investment in UK commercial property, whilst allowing them to manage their investment on a daily basis. Property funds have been less popular with investors over the last few years. Investors have sold their holdings, and the Funds are smaller. We believe withdrawals from the Funds are likely to continue, and there is a risk this may accelerate in the future. As the Funds reduce in size, it becomes necessary to sell some of the Fund's larger properties and buy smaller ones. Doing this will incur high transaction costs which will negatively impact the performance of the Funds.

As we believe that the Funds will continue to reduce in size, after considering a number of options, we have decided that it is in the best interests of investors to close the Funds as soon as practicable to allow for an orderly disposal of the Funds' assets and return the proceeds to investors.

Why has M&G suspended dealing in the Funds before the closures?

It is common for a fund closure announcement to trigger significant outflows. However the assets owned by the Fund, such as office buildings and warehouses, cannot be sold quickly to accommodate sudden large withdrawal requests. If we didn't suspend the Funds now, it's likely that only a limited number of investors would be able to sell their holdings before dealing in the Funds had to be suspended to allow the fund manager to sell more properties in order to meet further withdrawal requests. The immediate suspension will therefore protect investors in the Funds by allowing the proceeds to be paid out fairly and equitably.

It would also not be desirable to allow investors to invest in either Fund at this time. This is because under the Funds' pricing methodology, the purchase price for Shares can be in excess of 6% higher than the price at which Shares are being sold, and investing for a short period of time is more likely to result in a negative return on investment.

How long will the closures take and when will I get back the proceeds of my investment?

Properties typically take some time to sell. Once we have received permission to close the Funds, the fund manager will initiate an orderly sale of the Fund's portfolio of properties, seeking to achieve fair market prices for investors. Based on the current market environment, we expect this process to take approximately 18 months in total for the majority of the portfolio to be sold, although there is no guarantee that this can be achieved within this timeframe.

We intend to allocate the proceeds of the asset sales to investors as these are completed. The details of how your investment proceeds will be paid to you, and other options, will be communicated as soon as possible following approval of the closures from the FCA. We will keep you updated on the progress of the sale via the M&G website, and fund reports and updates will also continue to be produced until the Funds close.

Will I continue to pay the same charges?

The Funds will still be actively managed until their closures, but we understand that being unable to deal in the Funds at this time is very frustrating for our customers. In recognition, we are waiving 30% of each Fund's annual charge (which forms part of the Ongoing Charge figures) from the suspension date until they are closed. In addition, effective from the date of the suspension, no charges will be applied to any cash that is held within the Funds' portfolios.

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What will happen to my income payments?

If you hold Income Shares and the income is paid out to you, you will continue to receive income payments until the Funds close.

What if I have opted to reinvest my income into the Fund(s)?

As the Funds are suspended, it's not possible to use your income to purchase new Shares in either Fund, so the income will be paid out to you.

I invest by Direct Debit. What will happen to that?

We'll also stop collecting Direct Debits for investments into the Funds. If your Direct Debit Instruction covers other M&G funds, it will be reduced to only collect for your other funds. You can make amendments to your Direct Debit Instruction at any time by calling our **Customer Relations** team on **0800 390 390**.

Other information

We will continue to publish daily prices on www.mandg.co.uk/funds so you can value your portfolio, but no dealing will take place at these prices while the Funds are in suspension. We'll update our website with more information as soon as it's available.

For more information

If you have any questions about the changes please contact our **Customer Relations** team by calling **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



Laurence Mumford
Director
M&G Securities Limited