

M&G UK Residential Property Fund Factsheet

A fund investing directly in UK Residential Property markets to optimise long-term total returns



Investment objective

The M&G UK Residential Property Fund is targeting a long term annual net return of 7%-9% with an annual 3-4% distribution yield. Returns are driven by net income and rental growth.

Key features

- 97% occupied £100m + seed portfolio
- Open-ended UK residential fund
- Investing in the private rented sector
- Mid-market positioning

Why UK residential?

- Strong demand from growing number of households
- Large demand / supply gap will drive growth
- High cost barriers to home-ownership will be positive for the private rented sector
- Landlord-friendly regulatory framework
- Government support for institutional investment into sector

Fund strategy

The Fund will seek to maximise total returns and achieve rental growth through strategic asset allocation, stock selection and efficient asset management. It has acquired an initial portfolio of recently built properties in London and South East England constructed by the Berkeley Group. The strategy is focused on investing in mid-market apartments and houses in areas with good transport links and proximity to centres of strong economic activity with good employment opportunities for our target demographic (25-35). Future acquisitions are expected to comprise a mixture of completed and let schemes and the forward funding of properties specifically designed for rental.

The Fund is managed by Alex Greaves who has over 15 years' experience and has worked in all aspects of the residential sector. He is supported by a team of highly regarded investment and asset management specialists, research, development, construction and sustainability teams.

Portfolio summary

- Portfolio of 534 apartments and houses in 13 schemes
- Good quality buildings with average property age of 2.3 years
- Majority are part of larger regeneration projects
- 80% London and remainder in South East/West

Fund Return

	Current Quarter	Previous Quarter
Total return	1.6%	6.7%
Distribution yield	0.6%	0.6%

Source: M&G Real Estate, as at 30 September 2014.

Fund Performance

	Income Return	Capital Return	Total Return
Current quarter	0.6%	1.0%	1.6%
Previous quarter	0.7%	6.0%	6.7%
1 year	2.9%	18.1%	21.0%

Source: M&G Real Estate, as at 30 September 2014.

Key facts

Target Total Return	Long term return of 7-9% per annum
Fund Structure	Open-Ended, FCP-FIS
Inception Date	05 June 2013
Currency	GBP
Valuation	Quarterly
Gearing	0% (max 20%)
No. of Assets	534
Fund NAV	£137.4m

Asset schemes	Region	Units	Value
London 83.60%			
Caspian Wharf	Bow	61	£20,400,000
Kidbrooke Village	Kidbrooke	50	£14,900,000
Royal Arsenal Riverside	Woolwich	50	£15,000,000
Parkwest	West Drayton	50	£12,150,000
Beaufort Park	Colindale	50	£11,500,000
Silkworks & Silvermill	Lewisham	40	£9,800,000
Bromyard Avenue	Acton	26	£8,250,000
Saffron Square	Croydon	27	£7,500,000
Woodberry Down	Finsbury Park	16	£5,500,000
South East 13.14%			
Victory Pier	Gillingham	50	£5,900,000
Royal Clarence Marina	Gosport	48	£5,300,000
Holborough Lakes	Snodland	30	£5,300,000
South West 3.26%			
Kingshill Meadow	Cirencester	36	£4,100,000

Source: M&G Real Estate, as at 30 September 2014.

Regional split by units



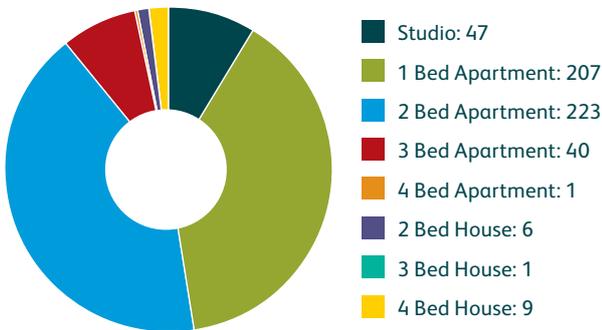
Source: M&G Real Estate, as at 30 September 2014.

Regional split by value



Source: M&G Real Estate, as at 30 September 2014.

Split by type



Source: M&G Real Estate, as at 30 September 2014.

Fund managers comments

The Fund annual performance now stands at 21.0% with the performance since inception in June 2013 at 22.1% (cumulative) including all transaction costs. Over the medium to long term we anticipate this to revert to around the 8% on an annualised basis. During the third quarter of 2014 the portfolio has had positive growth in the investment value (IV) of 1.0% and an uplift of 2.5% in passing rent over the previous quarter.

We have expanded the team with the arrival of Steven Hollands, an Investment Manager whose role is to help source and appraise opportunities. As the growth in the owner occupier market slows, developers and house builders are more receptive to treating with the PRS investors. As a result the team has appraised more opportunities this quarter than we have in the previous two. The immature institutional PRS market continues to slowly develop and the appearance of PRS specific opportunities from developers and house builders is a welcome arrival. Not all will fit our criteria but we remain optimistic about increasing the funds exposure in both the short and medium term.

“The M&G UK Residential Property Fund has seen excellent rental growth since Fund inception highlighting the excellent characteristics of our portfolio and the shortage of high quality rental stock in and around the commuter belts of London. This imbalance emphasizes the opportunity to derive long term stable income streams with rental growth from the sector. We continue the positive discussions for well designed ‘build to rent assets’ with house builders and developers on the basis of forward commitments or forward funding.”

Key contacts

Head of Client Relationships and Marketing

Chris Andrews
Tel: +65 6436 5331
chris.j.andrews@mandg.com

Director of Institutional Business Real Estate:

UK & Europe
Lucy Williams
Tel: +44 (0)20 7548 6585
lucy.williams@mandg.com

Director Institutional Business: Benelux and Nordics

Stefan Cornelissen
Tel: +31 (0)20 799 7680
stefan.cornelissen@mandg.com

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