

19 July 2022

# M&G Secured Property Income Fund ('SPIF', 'the Fund')

## Investor Update: Change to the Dilution Adjustment

**From the 1 August 2022 Dealing Day, the Fund's Dealing Price will change from net creation mode (NAV +4.03% dilution adjustment) to net cancellation mode (NAV -1.21% dilution adjustment), due to increased redemptions.**

### Background

The M&G Secured Property Income Fund ('SPIF', 'the Fund') is single priced and monthly dealt. The monthly Dealing Price is based on the Net Asset Value ('NAV') of the underlying property holdings, with a dilution adjustment applied (either added or subtracted), to ensure investors are treated fairly.

The current Fund NAV is £5,208 million as at 30 June 2022, and the Dealing Price is £133.584 – reflecting a NAV per Unit of £128.409 *plus* 4.03% dilution adjustment – as at the 1 July 2022 Dealing Day.

### Dilution adjustment change

Since Fund inception in 2007, SPIF's Dealing Price has been NAV plus a dilution adjustment (c. +4%), as the prevailing trend was net creation of new units, with investors committing new capital to the Fund and the Fund investing in additional assets. The dilution adjustment of c. +4% represents the average cumulative acquisition costs of the SPIF portfolio and ensures new investors share the historic acquisition costs when being issued with Units in the Fund, and compares favourably to the standard acquisition costs for property in the UK.

The recent volatility of equity and bond valuations in the public markets has resulted in some investors becoming over-allocated to illiquid assets, or needing to raise liquidity, alongside the longer term trend of some UK defined-benefit pension schemes de-risking. SPIF's liquidity position for the past few years has been driven by new commitments continuing alongside limited redemptions, with its Dealing Price on a net creation mode basis.

For the upcoming 1 August 2022 Dealing Day, redemption notices have been received totalling £102 million, representing c. 2.0% of the Fund. These redemptions will be settled per the usual monthly process, utilising the undrawn capital queue and cash available in the Fund. To manage its future liquidity position, the Fund is undertaking targeted asset sales, with the additional aim of improving other key Fund metrics.

In line with the recent increase in redemptions, and following a review of the prevailing trend for capital flows for the Fund, M&G (Guernsey) Limited, the Manager of the Fund, has made the decision to 'swing' the price of the Fund. From the 1 August 2022 Dealing Day, the Dealing Price of the Fund will be NAV per Unit *less* 1.21%, representing the estimated average disposal costs of the portfolio. This dilution adjustment applied to the NAV is at the discretion of the Manager, per the Information Memorandum, whose priority it is to treat all investors fairly. The dilution adjustment will continue to be closely monitored by M&G Investments (the Investment Advisor) and the Manager.

### Contact

Please contact Mabel Chui ([Mabel.Chui@mandg.com](mailto:Mabel.Chui@mandg.com)) or Charlotte Clarke ([Charlotte.Clarke@mandg.com](mailto:Charlotte.Clarke@mandg.com)) if you would like to discuss further.

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