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Årsredovisning

för

Näringsparadiset (Holding) Company AB

556729-0084

Räkenskapsåret

2022–01–01 – 2022–12–31

Fastställelseintyg

Undertecknad styrelseledamot i Näringsparadiset (Holding) Company AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma den 30 June 2023. Årsstämman beslutade att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Stockholm den 3 juli 2023

Nina Tour

20230726050582

Årsredovisning

för

Näringsparadiset (Holding) Company AB

556729-0084

Räkenskapsåret

2022

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Styrelsen för Näringsparadiset (Holding) Company AB får härmed avge årsredovisning för räkenskapsåret 2022.

Årsredovisningen är upprättad i tusentals kronor, Tkr, där ej annat anges.

Förvaltningsberättelse

Verksamheten

Allmänt om verksamheten
Bolaget ska ha till föremål för sin verksamhet att äga och förvalta samt köpa och sälja aktier och fast egendom samt bedriva annan i samband därmed förenlig verksamhet. Bolaget innehar 100% av aktierna i Näringsparadiset II AB, org. nr 556655-2153.

Ägarförhållanden
Bolaget är sedan 11 juni 2007 ett helägt dotterbolag till M&G European Property Holding Company S.à.r.l, org. nr B0092191 med säte i Luxemburg.

Årsredovisning för koncernen i vilket bolaget ingår, M&G European Property Fund SICAV-FIS, finns att tillgå på registrerat kontor 16 boulevard Royal, L-2449 Luxemburg.

Företaget har sitt säte i Stockholm.

Väsentliga händelser under räkenskapsåret
Händelserna i Ukraina fortsätter att chockera och leda till omfattande fördömanden. Västländer svarade på Rysslands attack som inleddes den 24 februari 2022 med omfattande sanktioner: USA, Storbritannien och Europeiska unionen har infört sanktioner mot ryska banker, statsägda företag och personer med nära kopplingar till president Putin. Situationen fortsätter att övervakas noga, men det har för närvarande inte haft någon direkt inverkan på bolaget.

Flerårsöversikt (Tkr)	**2022**	**2021**	**2020** (5 mån)	**2019/20**
Nettoomsättning	0	0	0	0
Resultat efter fin. poster	77 708	4 165	10 364	10 058
Soliditet (%)	49,4	21,9	17,1	19,4

För definitioner av nyckeltal, se Not 1 Redovisningsprinciper.

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Förändringar i eget kapital (Tkr)

	Aktie-	Balanserat resultat	Årets resultat	Totalt
Belopp vid årets ingång	100	20 513	4 165	**24 778**
Disposition enligt beslut av årsstämman:		4 165	-4 165	**0**
Utdelning		-16 500		**-16 500**
Årets resultat			77 708	**77 708**
Belopp vid årets utgång	**100**	**8 178**	**77 708**	**85 986**

Resultatdisposition
Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	8 177 652
årets vinst	77 707 978
	85 885 630
disponeras så att	
till aktieägare utdelas	14 605 448
i ny räkning överföres	71 280 182
	85 885 630

Styrelsen föreslås bemyndigas att besluta om tidpunkt då utdelningen skall betalas.

Styrelsen anser att förslaget är förenligt med försiktighetsregeln i 17 kap. 3 § aktiebolagslagen enligt följande redogörelse: Styrelsens uppfattning är att vinstutdelningen är försvarlig med hänsyn till de krav verksamhetens art, omfattning och risk ställer på storleken på det egna kapitalet, bolagets konsolideringsbehov, likviditet och ställning i övrigt.

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning med noter.

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Resultaträkning
Tkr

	Not	2022-01-01 -2022-12-31	2021-01-01 -2021-12-31
Rörelsekostnader			
Övriga externa kostnader		-311	-268
Summa rörelsekostnader		**-311**	**-268**
Rörelseresultat		**-311**	**-268**
Finansiella poster			
Resultat från andelar i koncernföretag	2	79 403	6 859
Övriga ränteintäkter och liknande resultatposter		6	0
Räntekostnader och liknande resultatposter	3	-1 390	-2 426
Summa finansiella poster		**78 019**	**4 433**
Resultat efter finansiella poster		**77 708**	**4 165**
Resultat före skatt		**77 708**	**4 165**
Årets resultat		**77 708**	**4 165**

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Balansräkning

Tkr

	Not	2022-12-31	2021-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	4	173 790	109 167
Summa finansiella anläggningstillgångar		**173 790**	**109 167**
Summa anläggningstillgångar		**173 790**	**109 167**
Omsättningstillgångar			
Kortfristiga fordringar			
Övriga fordringar		8	8
Summa kortfristiga fordringar		**8**	**8**
Kassa och bank			
Kassa och bank		150	3 751
Summa kassa och bank		**150**	**3 751**
Summa omsättningstillgångar		**158**	**3 759**
SUMMA TILLGÅNGAR		**173 948**	**112 926**

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Balansräkning

Tkr

	Not	2022-12-31	2021-12-31
EGET KAPITAL OCH SKULDER			
Eget kapital			
Bundet eget kapital			
Aktiekapital		100	100
Summa bundet eget kapital		**100**	**100**
Fritt eget kapital			
Balanserat resultat		8 178	20 513
Årets resultat		77 708	4 165
Summa fritt eget kapital		**85 886**	**24 678**
Summa eget kapital		**85 986**	**24 778**
Långfristiga skulder	5		
Skulder till koncernföretag		87 894	87 894
Summa långfristiga skulder		**87 894**	**87 894**
Kortfristiga skulder			
Skulder till koncernföretag		0	205
Upplupna kostnader och förutbetalda intäkter		68	49
Summa kortfristiga skulder		**68**	**254**
SUMMA EGET KAPITAL OCH SKULDER		**173 948**	**112 926**

GS

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Noter
Tkr

Not 1 Redovisningsprinciper

Allmänna upplysningar

Bolaget har sitt säte i Stockholm, och bolagets adress är Strandvägen 7A, 114 56 STOCKHOLM

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och Bokföringsnämndens allmänna råd (BFNAR 2016:10) om årsredovisning i mindre företag.

Företaget är ett moderföretag men med hänvisning till undantagsreglerna i Årsredovisningslagen 7 kap 2§ upprättas ingen koncernredovisning.

Närmast överordnade moderföretag som upprättar koncernredovisning i vilket företaget ingår är M&G European Property Fund SICAV-FIS med säte i Luxemburg.

Fordringar och skulder i utländsk valuta
Monetära fordringar och skulder i utländsk valuta har räknats om till balansdagens kurs.

Personal
Bolaget har under året inte haft några anställda. Inga löner eller andra ersättningar har utbetalats.

Nyckeltalsdefinitioner
Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäktskorrigeringar.

Resultat efter fin. poster
Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter.

Soliditet (%)
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Not 2 Resultat från andelar i koncernföretag

	2022	2021
Erhållna utdelningar	14 779	6 859
Återföring av nedskrivningar	64 624	0
	79 403	**6 859**

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Not 3 Räntekostnader och liknande resultatposter

	2022	2021
Räntekostnader och liknande resultatposter som avser		
skulder till koncernföretag	-1 385	-2 417
Övriga räntekostnader	-5	-9
	-1 390	**-2 426**

Not 4 Andelar i koncernföretag

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	173 790	173 790
Utgående ackumulerade anskaffningsvärden	**173 790**	**173 790**
Ingående nedskrivningar	-64 624	-64 624
Återförda nedskrivningar	64 624	
Utgående ackumulerade nedskrivningar	**0**	**-64 624**
Utgående redovisat värde	**173 790**	**109 166**

Not 5 Långfristiga skulder

	2022-12-31	2021-12-31
Långfristiga skulder som förfaller till betalning mellan 1-5 år efter balansdagen		
Skulder till koncernföretag	-87 894	-87 894
	-87 894	**-87 894**

Skulden förfaller 24 Maj 2031. Ränta utgår med 2,02%.

Not 6 Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser efter räkenskapsårets slut.

20230725035900

Stockholm 29/6-2023

Nina Tour
Ordförande

Grant Stuart Broadway
Styrelseledamot

Robert Johan Mauritz Göthe
Styrelseledamot

Vår revisionsberättelse har lämnats 29/6-2023

Ernst & Young AB

Mikael Edman
Auktoriserad revisor

24 JULI 2023

Certified true copy

CITCO

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Building a better working world

Revisionsberättelse

Till bolagsstämman i Näringsparadiset (Holding) Company AB, org.nr 556729 - 0084

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Näringsparadiset (Holding) Company AB för räkenskapsåret 2022.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Näringsparadiset (Holding) Company ABs finansiella ställning per den 31 december 2022 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Näringsparadiset (Holding) Company AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som den bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. Den upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om beslut har fattats om att avveckla verksamheten.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

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Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning av Näringsparadiset (Holding) Company AB för räkenskapsåret 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Näringsparadiset (Holding) Company AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat styrelsens motiverade yttrande samt ett urval av underlagen för detta för att kunna bedöma om förslaget är förenligt med aktiebolagslagen.

Göteborg den 29/6-2023

Ernst & Young AB

Mikael Edman
Auktoriserad revisor

24 JULI 2023

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Annual Report and consolidated Financial Statements (audited) for the year ended 31 December 2022

M&G European Property fund SICAV-FIS

An open-ended investment fund incorporated in Luxembourg as a société d'investissement à capital

Variable-fonds d'investissement spécialisé (SICAV-FIS)

For Investment Professionals only

M&G Investments

M&G European Property Fund SICAV-FIS

Annual report and Consolidated Financial Statements (audited) for the year ended 31 December 2022

An open-ended investment fund incorporated in Luxembourg as a société d'investissement à capital variable–fonds d'investissement spécialisé (SICAV-FIS)

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Front cover: Centaurus Residential Portfolio, Helsinki

No subscription can be accepted on the basis of these Consolidated Financial Statements. Subscriptions are only valid if made on the basis of the latest published Prospectus accompanied by the latest Annual Report and Consolidated Financial Statements (audited).

Financial highlights

as at 31 December 2022 with comparatives as at the last reporting date 31 December 2021

Gross Asset Value

€5,090.7m

As at 31 December 2021, €5,158.6m

Net Asset Value

€4,330.5m

As at 31 December 2021, €3,980.8m

Fund total return 12 months to 31 December 2022

(3.5)%

12 months to December 2021, 8.3%

Dividend yield

2.4%

12 months to December 2021, 2.8%

Portfolio valuation

€4,401.6m

As at 31 December 2021, €4,392.4m

Occupancy rate

95.8%

As at 31 December 2021, 96.1%

WALE (excluding breaks)

5.8 years*

As at 31 December 2021, 6.0 years

Gearing at portfolio level

10.7%

As at 31 December 2021, 12.7%

Gearing as a percentage of GAV

9.5%

As at 31 December 2021, 11.1%

Unless otherwise stated, the statistics on this page are calculated at Fund level using Fund valuation principles.

Source: M&G Luxembourg S.A.

* excluding residential assets.

Board of Directors, management and operations

The Fund

This is the eighteenth report of M&G European Property Fund SICAV-FIS (the 'Fund'), a public limited company qualifying as a specialised investment fund with variable share capital (société d'investissement à capital variable – fonds d'investissement spécialisé). This report is for the year ended 31 December 2022.

Board of Directors

Keith Burman (Chairman)

Mr Burman is an independent non-executive director. Formerly, he was a partner of ManagementPlus, a corporate governance firm, was responsible for PERE Fund Administration and Depositary services at State Street and BBH, and was an investment surveyor with LIM/JLL, in London and Luxembourg. Mr. Burman co-chairs the ILA Alternative Funds Taskforce, and has been involved in ALFI's REIF Sub-Committee, AIFMD working group, the INREV Public Affairs Committee and the RICS Belux Board. He holds a Master's (PropVal & Law) from City University (London), and IPF (UK) and IOD (UK) diplomas. He is a Chartered Fellow of RICS and an Institut Luxembourgeois des Administrateurs (Institute of Directors) Certified Director.

Grant Broadway

Mr Broadway joined M&G Luxembourg S.A. in 2015 and is a Director responsible for overseeing European real estate transactions and corporate governance matters. He has been working in the Luxembourg funds space since 2011, having previously held a similar position with Invesco Real Estate. Mr Broadway holds an honours degree in Business Law from the University of Huddersfield in the UK.

Robert Orr

Mr Orr is a Chartered Surveyor with significant experience of the German and European real estate markets. He worked for Jones Lang LaSalle ('JLL') for over 29 years, during which time he was Country Manager for Germany, and later the Group's European CEO. In 2005 Robert founded the International Capital Group for JLL, establishing cross-border relationships with international investors seeking real estate investment opportunities. Mr Orr holds several non-executive director and advisory roles with other companies in the real estate and car parking sectors.

Tony Brown

Mr Brown became Head of M&G Real Estate in April 2018 after four years as Chief Investment Officer. He has 30 years' real estate investment experience across the UK, Continental Europe, North America, and Asia. Prior to joining M&G Real Estate in 2014, he was managing director of Lend Lease Investment Management, EMEA, where he oversaw a business managing £4.5bn of real estate and infrastructure funds. Prior to that, he also spend 14 years at Schroder Investment Management, latterly as fund director, where he managed the Schroder Exempt Property Unit Trust, with investment in circa £10bn of assets. Mr Brown started his career with Cushman and Wakefield as a graduate surveyor where he qualified as a Chartered Surveyor (MRICS).

Board of Directors, management and operations

Board of Directors (continued)

Forbes Fenton

Mr Fenton joined M&G in 1999 and is the CSSF authorised Conducting Officer for M&G Luxembourg, with responsibility for the oversight of all funds and mandates managed on a discretionary or delegated basis, across a range of asset classes for retail and institutional clients. Mr Fenton previously worked in the M&G Group Risk function for 20 years, where he was responsible for the investment oversight of fixed investment income and multi-asset funds, as well as segregated mandates, across a range of structures. Prior to this, he undertook the role of Head of Internal Audit at Prudential and N M Rothschild. He has also served on a number of industry panels including the International Organisation of Securities Commissions (OSCO), the European Securities and Markets Authority (ESMA) and the Financial Conduct Authority (FCA) through the European Fund and Asset Management Association (EFAMA) and the Investment Association, on topics such as fund liquidity and leverage. Mr Fenton is a qualified chartered accountant at the ICAEW and a graduate from the University of Edinburgh.

Portfolio management team

David Jackson – Head of Fund Management – Continental Europe, M&G Investment Management Ltd.

Mr Jackson has over 35 years' of experience in private equity real estate, of which the last 25 years has been focused on core international real estate across multiple markets in Europe, North America, and Asia Pacific.

Mr Jackson is the lead Fund Manager for the M&G European Property Fund and has been the Fund Manager since inception of the Fund in 2006, having led the set-up and launch of the Fund for M&G. Mr Jackson oversees the fund management team and has been responsible for the establishment and growth of the M&G Real Estate platform in continental Europe, extending to a network of 6 regional offices.

Prior to 2006 Mr Jackson held various investment, asset, and fund management roles in global real estate for Prudential Plc and was responsible for establishing and managing their USD 1.5bn North American separate account portfolio. He was also part of the team managing the initial investment programme into core APAC markets for Prudential plc.

Mr Jackson is a member of the Royal Institution of Chartered Surveyors (MRICS), the Investment Property Forum (IPF), the Urban Land Institute, (ULI) and of INREV.

Board of Directors, management and operations

Portfolio management team (continued)

Simon Ellis – Deputy Fund Manager, M&G Investment Management Ltd.

Mr Ellis is Deputy Fund Manager for the M&G European Property Fund and has strong experience in property investment and asset management across all key markets in Continental Europe having worked on the Fund since launch and has led the purchase of many of the assets held within the Fund. This has included office, retail and logistics assets as well as residential assets across the multi-family, student and senior living sectors. Mr Ellis has overseen the growth in the fund portfolio from 8 assets as at 31 December 2006 to 72 assets across 12 jurisdictions as at 31 December 2022.

Prior to joining M&G Real Estate in 2004, Mr Ellis worked in the investment field at CBRE and King Sturge (JLL), based in their Paris office. Mr Ellis is a member of the Royal Institution of Chartered Surveyors (MRICS), the Urban Land Institute (ULI) and has a BA in European Studies and a MSc in Land Management from the University of Reading.

Dimitri Doublet – Assistant Fund Manager, M&G Investment Management Ltd.

Mr Doublet has over 15 years' real estate experience and joined M&G Real Estate in January 2016 from Internos Global Investors, where he was a portfolio and transaction manager in charge of several separate accounts and sourcing investment opportunities. Within his current role in the Fund Management team at M&G Real Estate, Mr Doublet provides support from the Paris office in various areas ranging from; sourcing deals, overseeing acquisitions, liaising with local Asset Management team members on specific initiatives and project management. Prior to that he worked in London in the Asset Management team at Invista REIM in their pan-European team and at Akeler Property Developments Ltd as management accountant thus bringing a broad array of skills and experience to his current role. Mr Doublet holds a BSc honours degree in Business Administration from the University of Montpellier, France and speaks French and English. He became a member of the Royal Institution of Chartered Surveyors (MRICS) after completing a degree in valuation from ICH-CNAM in Paris in 2013.

Directory

Registered office of the Fund
16 boulevard Royal
L-2449 Luxembourg

Alternative Investment Fund Manager ('AIFM') and Distributor
M&G Luxembourg S.A.
16 boulevard Royal
L-2449 Luxembourg

Central Administration and Transfer Agent
Citco Fund Services (Luxembourg) S.A.
20, rue de la Poste
L-2346 Luxembourg

Depositary
Citco Bank Nederland N.V., Luxembourg branch
20, rue de la Poste
L-2346 Luxembourg

Portfolio Manager
M&G Investment Management Limited
10 Fenchurch Avenue
London EC3M 5AG

Asset Manager
M&G Real Estate Limited

London: 10 Fenchurch Avenue, EC3M 5AG

Amsterdam: Zuidplein 36, 1077 XV

Frankfurt am Main: Taunusanlage 19, 60325

Madrid: Calle Fortuny, 6–4° A, 28010

Milan: Via Santa Maria Segreta 6, 20122

Paris: 8 Rue Lamennais, 75008

Stockholm: Birger Jarlsgatan 14, 114 34

Auditor of the Fund
Ernst & Young S.A.
35E, Avenue J.F. Kennedy
L-1855 Luxembourg

Luxembourg Legal Advisers
Hogan Lovells (Luxembourg) LLP
52, Boulevard Marcel Cahen
L-1311 Luxembourg

Valuation Adviser
CB Richard Ellis Limited
Henrietta House, Henrietta Place,
London W1G 0NB

Directors' report

Summary of Fund performance

During the year ended 31 December 2022, the Fund's Net Asset Value ('NAV') increased from €3,980.77m (31 December 2021) to €4,330.49m. The Gross Asset Value ('GAV') decreased slightly from €5,158.57m (31 December 2021) to €5,090.74m. The Fund's total return was -3.5% for the 12 month period to 31 December 2022 and the blended net annualised dividend yield was 2.4% (calculated as the previous four quarters' distributions over the average NAV).

The Fund's negative performance for the year is mainly attributable to the decrease in property valuations during the second half of the year as a result of significant movements in interest rates and bond yields. Additionally, there was some adverse impact from the Swedish krona, which has weakened against the Euro in part due to current geo-political tensions affecting smaller currencies.

The value of the Fund's debt decreasing, alongside a reduction in deferred tax liability as a result of softening capital values, has shielded the NAV somewhat from the aforementioned valuation declines.

Overall, the Fund's NAV increased by €350m over the period due to the Fund seeing a net increase in investor subscriptions of €615m against the loss for the year.

The Fund is a target return fund and, therefore, has no formal benchmark. The Fund's total return for the period from 1 January 2022 to 31 December 2022 was -3.5%, compared to the MSCI Pan European Property Fund Index (Balanced Funds) return of -1.4% and the INREV Open End Diversified Core Equity Fund Index return of -1.3% for the same period.

As at 31 December 2022, the net initial yield was 4.34% at the portfolio level and the net equivalent yield was 4.50%.

Fund overview

Following strong momentum at the start of the year with the easing of COVID-19 restrictions, the European commercial property investment market fell nearly one fifth in overall investment in 2022 (€305bn) following a fall in investor confidence and pricing uncertainties in the third and fourth quarters. With rising interest rates, valuation impacts have been significant due to the current market conditions. That said, in the context of higher inflation, real estate in Europe is in a relatively strong position with the majority of commercial leases benefitting from annual rent reviews linked to the Consumer Price Index ('CPI') providing some rental income protection for investors. Long-term fundamentals and rental outlook, particularly for the residential and logistics sectors, remain healthy while prime locations and ESG are increasingly important factors in determining the future value of office real estate.

The Fund has remained broadly consistent in portfolio size over the 12-month period as a result of a selected number of targeted sales and purchases in line with Fund strategy. This was seen particularly in the office sector where we have continued to upgrade the office portfolio by focusing on prime office buildings in core locations and with high ESG credentials resulting in the sale of some of the smaller, weaker offices and subsequently re-investing those proceeds in to the living and logistics sectors.

During the period, the Fund completed four acquisitions and three disposals. This activity has further increased the Fund's diversification with a total of 72 assets including 8 portfolios of multiple properties – a total of 94 properties on an individual asset basis at 31 December 2022.

In addition, a number of forward-fundings reached completion during the period including Les Essentielles RSS Levallois, the senior living accommodation in Paris, and the first phase of Victoria Gärten, a Private Rented Sector (PRS)/Multi-family scheme in Bad Homburg, increasing the Fund's allocation to the broader living sectors and, thus, providing a more diversified and stable income stream.

The logistics market has seen the most significant repricing during the second half of the year, thus, providing opportunities for good quality and well located logistics assets to be bought at attractive price levels. In line with the Fund's strategy to selectively grow exposure to the logistics sector, the Fund completed the acquisition of a new logistics warehouse (currently under development) near Lille, France for a purchase

Directors' report

price of €47.3m* at a yield of approximately 4.90% compared to an estimated yield which would have been 3.25-3.50% at the beginning of 2022. Additionally, following a forward commitment made in December 2021, the Fund completed the acquisition of a freehold logistics asset located in 's-Heerenberg, the Netherlands for a purchase price of €43.3m*. The transactions support the Fund's strategy to acquire high quality logistics assets close to or within major urban conurbations, capitalising on the structural evolution of the sector driven by e-commerce.

The Living sector, whilst not immune to the wider economic effects, has remained more resilient throughout 2022 as a result of structural supply-demand imbalances and counter-cyclical performance qualities. The Fund continues to target a mix of the three main sub-markets of residential: PRS/Multi-family, Purpose Built Student Accommodation (PBSA) in targeted university cities and Senior Living which will allow the Fund to capture a broader mix of income potential across different demographics, age ranges and lease terms.

During the year, the Fund committed to forward-fund two new schemes within the residential sector: Clichy, a PBSA development in the outskirts of Paris, France and The Rock, a mixed-use PRS/Multi-family and PBSA development in The Hague, the Netherlands for a purchase price of €28.4m* and €59.8m, respectively. PBSA is an attractive growth sector and our key focus is on major cities and university towns with at least one high quality educational institution.

As a result of some challenges with the developer caused by supply delays and cost price inflation, the Fund made the decision to terminate a forward-funding project of the PBSA scheme in Turin agreed in 2021. Under the terms of the arrangement, the development loan (principal and interest) as well as all related sunk costs suffered by the Fund were duly repaid by the developer in Q3 2022.

With regard to the retail sector, we are mindful of the impact of high inflation which will likely be noticeable on discretionary retail. The most resilient forms of retail include food anchored retail assets and retail parks, thus, the focus for the retail exposure which are a central part of the Fund's retail strategy. During Q4 2022, the Fund successfully executed the sale of three Continente non-core food stores in Guarda, Cantanhede and Ponte de Lima, Portugal at a premium to valuation at the time of agreeing terms for a sale price of €27.0m. These food stores are three of the smallest assets within the portfolio, each with a gross lettable area of less than 5,000 sqm. The disposals were from a portfolio of seven Portuguese food stores acquired by the Fund in 2016 for a total purchase price of €114.2m.

We continue to see a divergence in the office market which has been accelerated by the pandemic and, therefore, have continued to gradually reduce exposure to older office assets with weaker ESG credentials. Sales were successfully completed for the Opera Trio asset in Brussels, for a sale price of €47.2m and Databankweg in Amersfoort, for a sale price of €17.1m, both in line with valuation. The assets were relatively small lot sizes for the Fund's portfolio and would have required significant additional capital expenditure to bring them in line with our future ESG expectations for the portfolio.

Supporting this strategy further, the Fund acquired a new office asset, Place Rio de Janeiro in Paris, in May 2022 for a purchase price of €271.5m*. With the drive to reach net zero carbon intensifying, assets such as this which provide the best ESG credentials, are likely to see the greatest demand from both tenants and investors, and the highest premiums on rents and values. As one of the highest ESG rated offices in the Paris CBD, this supports the Fund strategy of recycling the office portfolio into assets in Tier 1 cities and with a stronger ESG focus. This focus on high specification buildings will attract stronger tenants which, in turn, provides strong income streams and potential for rental growth.

Further details regarding all acquisitions and disposals can be found in the transaction activity section of the report.

During 2022, the portfolio remained well let, with a 95.8% occupancy rate as at 31 December 2022 and a portfolio of 1,355** individual tenants. We continue to remain deliberately and tactically conservative in our approach to debt with leverage at 10.7% and an average

Directors' report

cost of debt at 1.23%. The long-term strategy is to transition the Fund's debt from individual loans to a scalable financing structure such as an unsecured green bond, however, this has been temporarily paused as we continue to monitor the market as well as alternative debt options with a view to issuing in a more stable environment.

In light of the ongoing conflict in central Europe, the Fund maintains zero exposure to assets or counterparties in Russia, Belarus or Ukraine. M&G continue to remain in full compliance with applicable sanction regimes and programs including those ordered by the UK Office of Foreign Sanction Implementation (OFSI), United Nations resolutions, European Union regulations and Office of Foreign Assets Control (OFAC) as well as other prominent lists and sanction programs including sanctions applied to Russia in light of the invasion of the Ukraine. These sanctions are being monitored with regular screening taking place and M&G maintain robust controls, governance and screening systems around the fund management and new business relationships.

* Excluding VAT.

** Includes number of individual apartments for PRS/Multi-family assets.

Governance

The Board of Directors of the Fund (the 'Board') has overall responsibility for managing the Fund in accordance with the Articles of Incorporation, the Prospectus and Luxembourg law, including implementation of the Investment Objective and Policy. For the period under review, the Board received periodic reports from the AIFM, the Portfolio Manager and the Asset Manager detailing the Fund's liquidity profile, risk and compliance profile, and investment performance. The AIFM, the Portfolio Manager and the Asset Manager provide such other information as may from time to time be required by the Board. The Board meets at least quarterly, in Luxembourg, and often more frequently, to exercise its governance responsibilities.

The Board operates an Audit Committee which meets at least three times each year and reports to meetings of the Board on the oversight of the planning and delivery of the audit, and the compilation of the Report and Consolidated Financial Statements.

The Board applies the 'ALFI Code of Conduct for Luxembourg Investment Funds' as published on the ALFI website.

Investment objective and policy

The Investment Objective of the Fund is to invest in European markets to optimise long-term total return (the combination of income and growth of capital), through investment mainly in real estate investments.

The Investment Policy of the Fund is to invest in a diversified portfolio of commercial real estate in Europe, seeking to add value through strategic asset allocation, stock selection and asset management. The Fund may seek to hold assets in the following markets: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and Switzerland. The Fund may also enter into derivatives transactions to mitigate the risk of interest rate and currency movements and may hold money market instruments and cash for short-term liquidity purposes. Transactions in derivatives will not compromise the risk profile of the Fund nor contravene the Investment Objective, borrowing limits or investment restrictions.

The Fund aims to invest in buildings which either have high environmental standards or the Manager seeks to improve the environmental footprint of the building. Continuous improvement in environmental and social performance of the assets is driven through the Fund's ESG targets.

The Fund will not invest in the activities that are considered to be harmful to society or the environment. The ESG Investment Policy sets out how environmental and social characteristics are considered within the Fund's investment process. The ESG Investment Policy includes aspirational targets relating to reducing the impact of the Real Estate Assets on the environment, supporting the wellbeing of occupiers, and encouraging community engagement which are monitored using performance indicators, and external industry ESG benchmarks (such as GRESB). The Portfolio and Asset Manager reports regularly upon outcomes to the Board, and in turn the Directors report regularly to Shareholders.

Directors' report

Financial Statements and reporting requirements

The Consolidated Financial Statements accompanying this report are compliant with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Luxembourg law. The NAV, which forms the basis of the price at which Shares are issued and redeemed, is determined according to the provisions of the Prospectus. A reconciliation of the calculation (and explanation of the reconciling items) of the NAV according to IFRS, with the corresponding calculation according to the Prospectus, is contained within the notes to the Consolidated Financial Statements.

The Directors recognise the INREV Guidelines as the European industry standard for real estate funds as regards best practice and transparency for Shareholders and potential investors and have, in conjunction with the AIFM, assessed the degree to which the INREV Guidelines have been adopted. The results of the assessment are summarised overleaf.

Compliance of the Fund with the Sustainable Finance Disclosure Regulations ('SFDR') and the EU Taxonomy Regulations

Information related to environmental and social characteristics promoted by the Fund required to be disclosed under SFDR is available on page 142 in Annex 1.

Statement of INREV compliance

INREV Module	Guidelines	Level of Adoption or Compliance
1	Corporate Governance	Although not described in the Fund's Prospectus, the Directors consider that all requirements of the Corporate Governance module have been adopted in the Fund's corporate governance framework, except for the following: • No provision is made in the Fund Documents for the removal of the AIFM which is appointed by the Board of Directors of the Fund. • No provision is made in the constitutional terms of the vehicle enabling it to comply with INREV data collection requirements. The Directors have formally assessed that the Fund continues to comply with its intended corporate governance framework.
2.1	Reporting	The Fund complies with the requirements of the INREV Reporting module in this Annual Report.
2.2	Sustainability Reporting	The Fund complies with the requirements of the INREV Sustainability Reporting module.
3	Property Valuation	The Fund has adopted and applied the requirements of the INREV Property Valuation module.
4	Performance Measurement	The Fund has disclosed income, capital and total return performance information since inception, and applies a calculation methodology that the Board deems appropriate for an open-ended fund.
5	Net Asset Value	The Fund complies with the requirements of the INREV Net Asset Value module.
6	Fee and Expense Metrics	The Fund complies with the requirements of the INREV Fee and Expense Metrics module.
7	Liquidity	The Fund has adopted and applied the requirements of the liquidity framework as deemed relevant by the Board for an open-ended fund, with the exception that Shareholders may only withdraw redemption requests at the discretion of the AIFM.
8	INREV Data Delivery	The AIFM makes available the Fund data in a format consistent with the INREV Data Delivery module.
9	Code of Tax Conduct	M&G Funds adhere to the M&G Tax code of conduct. Management are currently performing a comparison with the INREV Code of Tax Conduct Guidelines and intend to assess compliance in future annual reports.

The INREV Guidelines have been recently updated in January 2023. Management are in the process of assessing the impact of these revisions. This assessment has not been completed at the time of this annual report but will be taken into account in subsequent annual reports.

Directors' report

Remuneration

This disclosure is made in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'), European Commission Delegated Regulation supplementing the AIFMD (the 'Delegated Regulation') and the Guidelines on sound remuneration policies under the AIFMD issued by the European Securities and Markets Authority ('ESMA Guidelines').

M&G Luxembourg S.A. (the 'AIFM') is subject to a remuneration policy which is consistent with the principles outlined in the ESMA Guidelines.

The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the alternative investment funds managed by the AIFM. Further details of the remuneration policy can be found here: mandgplc.com/our-business/mandg-investments/mandg-investments-business-policies. The remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee. The most recent review found no fundamental issues with no material changes made to the policy.

The AIFM is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated.

The 'Identified Staff' of M&G Luxembourg S.A. are those who could have a material impact on the risk profile of M&G Luxembourg S.A. or the AIFs it manages, including M&G European Property Fund SICAV-FIS, and generally includes senior management, risk takers and control functions. 'Identified Staff' typically provide both AIFMD and non-AIFMD related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to the AIFM is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration. The information needed to provide a further breakdown of remuneration is not readily available and would not be relevant or reliable.

The amounts shown below reflect payments made in respect of the financial year 1 January 2022 to 31 December 2022.

	Fixed Remuneration €'000	Variable Remuneration €'000	Total €'000	Beneficiaries
Senior Management	1,715	1,629	3,344	10
Other Identified Staff	3,023	8,018	11,041	31
Staff Member	16,810	9,897	26,707	172
Total	**21,548**	**19,544**	**41,092**	**213**

Risk management

The AIFM has retained responsibility for risk management in relation to the Fund. The Board has satisfied itself that the AIFM has a risk management framework which incorporates, inter alia, the following:

- an independent risk management function reporting directly to the AIFM's Board of Directors;
- an aggregated and systematic approach to risk management which ensures that risks are monitored at all levels of the Fund structure and at all life cycle stages of investments, including risks embedded in the operations of the AIFM, the Portfolio Manager and the Fund's key service providers;
- a written and regularly updated risk management policy describing methods to identify, measure, manage and monitor all relevant risks;

Directors' report

- a system of defined key risk indicators and respective risk limits subject to on-going monitoring by the AIFM's Risk Manager. Risk limits are consistent with the investment strategy and risk profile of the Fund;
- the carrying out of scenario and stress testing under the supervision of the Risk Manager, on at least an annual basis; and
- regular reporting to the AIFM's Board of Directors, the Board of Directors of the Fund, the Luxembourg regulator and other stakeholders.

The Consolidated Financial Statements as at 31 December 2022 contain disclosures on financial risks as required by IFRS, such as interest rate risk, currency risk, credit risk and liquidity risk.

Further details on risk management and risk factors pertaining to the Fund are contained in Section 2 of the Prospectus.

For the year under review, there have been no breaches of identified risk limits.

Leverage and borrowing

The below leverage definitions, and related maximum values quoted, relate specifically to the AIFMD and AIFMD Level 2 Regulation definitions of leverage for disclosure purposes.

Under the AIFM Law and AIFMD Level 2 Regulation, 'leverage' is defined as being any method by which the exposure of the Fund is increased whether through borrowing of cash or securities, leverage embedded in derivative positions or by any other means. Leverage increases the Fund's exposure to the market and such increased exposure may give rise to increased levels of risk. A leverage measure (as defined by the AIFMD) of 100% means a leverage-free portfolio.

The AIFM Law and AIFMD Level 2 Regulation use two distinct definitions of leverage, both of which are calculated on a regular basis by the AIFM:

Under the 'gross method' the leverage is calculated as the ratio between the Fund's investment exposure (calculated by adding the absolute values of all portfolio positions, including the sum of the notional values of any derivative instruments used but excluding cash and cash equivalents in the base currency of the Fund), and the Net Asset Value; and the 'commitment method' takes into account netting and hedging arrangements and is defined as the ratio between the Fund's net investment exposure (not excluding cash and cash equivalents), and the Net Asset Value.

The Fund's level of leverage is controlled by the AIFM on a regular basis and should not exceed 250% of the Net Asset Value based on both methods.

The total amount of leverage calculated in accordance with the AIFMD methodology as at 31 December 2022 is as follows:

Gross method 106.93%
Commitment method 108.91%

The Fund's subsidiaries utilise borrowing facilities secured against real estate assets from time-to-time, subject to a target level of 20-25% of the GAV of the Fund and a maximum permitted level of 40% of GAV. Lenders have no recourse to the Fund.

The Fund may, in addition, utilise unsecured short-term borrowing facilities from time to time to finance asset purchases in advance of drawing down capital commitments from investors, and/or to meet redemption requests, subject to an overall total borrowing limit (secured and unsecured) of 40% of GAV.

Directors' report

Prospectus changes

An Extraordinary General Meeting was held on 28 March 2022 in relation to changes to the current Prospectus. The principal change concerns the Fund's debt strategy and its intention to issue a debut listed Regulation S Eurobond in order to refinance existing debt facilities as appropriate across the Fund's portfolio, and/or to refinance any qualifying acquisition spend as well as any future qualifying acquisition spend and capital expenditure. The implementation of this debt strategy required an amendment to (i) the Prospectus and (ii) the Article. These changes were duly approved by the Fund's shareholders. The Fund has also introduced a number of measures in order to be compliant with SFDR Level 2 and the EU Taxonomy Regulation requirements. These changes became effective on 1 January 2023.

Keith Burman
Chairman

25 April 2023

Investment commentary

Portfolio performance

The total portfolio level return for the calendar year to 31 December 2022 was -3.4%, comprising an income return of 4.0% and a capital return of -7.1%.

On a like-for-like basis, excluding the impact of purchases and sales which completed during the year and major capex works, the portfolio valuation decreased by -7.0% in Euro terms*. At a high level, differing valuation decline by sector was noticeable with the lowest decline in retail warehousing which saw a marginal decrease of -0.3% (attribution 0.0%). Logistics saw the largest decrease of -10.2% (attribution -2.1%) followed by offices at -8.0% (attribution -3.8%). Residential saw a decrease of -5.1% (attribution -0.3%). The remaining retail saw decreases as follows, shopping centres of -9.6% (attribution -0.3%) and high street retail -6.7% (attribution -0.5%).

Following an increase in portfolio valuation in the first half of the year, values decreased in most assets during the second half of the year caused by yield increases driven by rising bond rates and the rising cost of debt as well as the current market circumstances. Additionally, there was some negative impact from the Swedish krona, which has declined in part due to current geo-political tensions affecting smaller currencies.

At an asset level, the biggest contributor to return was the office asset Badensche Strasse in Berlin. The asset has continued to be one of the strongest performers following a significant lease initiative resulting in the whole asset being leased to the German government at an increased rent and with a significant improvement in capital value – an example of continued occupier demand for prime office buildings in central locations with good specification and high ESG qualities.

A number of food-anchored retail warehouse assets performed well with seven of the top ten contributors in this sector, notably Nordpark in Dreiech, Vantaa Retail Park in Helsinki, the Casino Portfolio made up of three assets in Marseille, Montpellier and Albertville, and two Continente hypermarkets in Lisbon and Porto.

Two of the biggest detractors were Swedish assets Blekholmen and Myren 6&8, both in Stockholm. Partly due to large lot sizes and some negative impact from the Swedish krona.

Myren 6&8 is a large logistics warehouse, a sector which has been heavily impacted by downward pressure on values following a period of aggressive pricing causing significant outward yield shift.

The Blekholmen office asset has suffered from high vacancy throughout the period. The main strategy is to lease the current vacancy in the asset and increase rents in line with market. A large proportion of the vacancy (4,050 sqm) is made up from a residential area which had been let to a corporate occupier who terminated their lease in 2021 due to interruption to their business caused by Covid Pandemic. Since then, there have been technical challenges with re-letting this space, despite a strong residential occupational market in central Stockholm, due to an inability to recover VAT on individual lettings combined with the regulated nature of Swedish rents, meaning that letting on a block basis is the only way of preserving rental value. We currently have some strong leads on this basis and hope to find a solution early in 2023. Regarding the vacant office space we see an improvement in demand and continue to have negotiations with potential new tenants as well as existing tenants looking to expand in the building.

In addition, several of the other office assets were some of the larger contributors to the negative return due to outward yield shift in the sector combined with relatively larger lot sizes.

* also excludes French residential assets not yet stabilised as at 31 December 2022.

Investment commentary

Portfolio structure

The portfolio remains well positioned with a broad range of core assets across the 12 most liquid, transparent markets in continental Europe, with dominant positions in Germany and France. The Fund is defensively positioned with a high occupancy rate (95.8%), low leverage (10.7%), and no exposure to direct development.

Geographically, the Fund is well positioned with a total of 72 assets and a broadly diversified tenant base of 1,355* individual tenants as at 31 December 2022. This includes 8 portfolios with a total of 94 properties on an individual asset basis. The largest country exposure is currently France (22.4%), followed by Germany (19.9%).

Post pandemic, the portfolio had a slight tilt towards the Nordics, overweighting as we saw economies like the Swedish economy and the Nordics generally rebounding more quickly from Covid – due to somewhat less onerous lockdowns, however, we now maintain a level stance as the Nordic economies are experiencing some headwinds. The Fund has consistently maintained an underweight position to the Central and Eastern Europe markets with only a small exposure to logistics assets (2.4% including committed expenditure).

European real estate remains supported by favourable fundamentals, including low vacancy and supply levels. The majority of the commercial leases benefit from annual rent reviews linked to the Consumer Price Index ('CPI'), which can provide a hedge against inflation. Property revaluations will naturally take time to play out, but as yields reach stabilisation, we believe assets are likely to reflect an attractive long-term value opportunity, with improved performance prospects.

Despite current risk aversion, many parts of the real estate market continue to reflect compelling structural drivers. The Living sectors remain in favour as a result of structural supply-demand imbalances and counter-cyclical performance qualities. The Fund continues to focus on increasing the exposure to the residential sector where the demographics still support good sustainable growth. We continue to target the three main sub-markets of residential: PRS/Multi-family, PBSA in targeted university cities and Senior Living.

During 2022, the Fund increased its exposure to the Living sector from 6.6% as at 31 December 2021 to 8.5% as at 31 December 2022 (13.3% including committed expenditure). There are five assets within the current forward committed pipeline within the residential sector, supporting our investment strategy to acquire either high-quality sustainable standing investments or to build new schemes through forward-funded/forward-purchase developments. Over the medium-term we will look to increase this exposure towards 20-30%.

Due to significant repricing in the logistics sector, we have been patient and selective in acquiring assets. However, we continue to favour the long-term fundamentals of low vacancy, occupier demand and further rental growth opportunities to come within the sector, even though it has been impacted yield wise. For these reasons, exposure to the logistics sector remained broadly flat throughout 2022 (19.1% as at 31 December 2022) however, fund strategy is to continue to increase our exposure to the logistics sector to 20-30% over the medium-term, taking advantage of the positive structural benefits of e-commerce.

We see increasing opportunities in higher yielding, defensive sectors such as food stores and high-quality retail parks. Items such as food and drink, home furniture, electronic goods, or lifestyle products have proven more resilient to online pressures, while food anchored parks can also complement multi-channel shopping via click & collect and in-store returns, thereby driving higher footfall. As such, these sub-types of retail offer attractive long-term income potential, with typically inflation-linked, long duration leases. As at 31 December 2022, the Fund's exposure to the overall retail sector including committed exposure totalled 23.6%. Retail warehouses now represent over 60% of the total retail exposure as at 31 December 2022 (compared to 50% as at 31 December 2021).

We continue to underweight shopping centres, particularly those with a high fashion content given the structural headwinds faced by the sector, and will continue to maintain this position. Where we do have shopping centres, we are repositioning the assets to move towards home furnishing and more sustainable

* Includes number of individual apartments for PRS/Multi-family assets.

Investment commentary

uses. As at 31 December 2022, shopping centre exposure was less than 3% of the Fund's portfolio and high street retail around 7% – comprising predominantly high quality, urban high street retail in major tourist cities such as Milan, Madrid, Copenhagen and Paris.

Exposure to the office sector remained flat throughout the year owing to a combination of targeted sales of older, smaller assets which would be disproportionately expensive to upgrade to modern ESG standards and the acquisition of the Fund's largest, prime office building in the sought after Parisian CBD which has been fully refurbished to the highest ESG standards. We believe capitalising on trends that have been accelerated by the pandemic could further optimise performance. With flexible working now integrated in European corporate culture, businesses are increasingly focused on buildings that offer an inspiring work environment, with high ESG credentials, to help attract and retain talent. Best-in-class office buildings in major European cities are therefore positioned for resilience. Conversely, out-of-town offices and business parks face rising risks of obsolescence. The exposure to offices including committed expenditure as at 31 December 2022 totalled 47.4%. The short to medium-term target of the office sector is below 40%.

Despite continued inflationary pressures and downward pressure on valuations, the Fund is defensively positioned with a focus on generating stable income streams from a strong and diverse tenant base with high occupancy rates. We will continue to build exposure in the defensive sectors of living, logistics and food anchored retail assets to further strengthen the income profile of the Fund.

Transaction activity

During the review period, the Fund benefitted from net in-flows of €455m of capital from investors. We deliberately slowed deployment during the summer of 2022 in light of the rapidly changing financial and real estate markets. Therefore, there was an intentional delay in draw down of capital as we continued to monitor the evolution of market pricing. Fund strategy has been primarily focused on disposals of some of the smaller, lower grade office assets, the proceeds of which will be reinvested in the residential and logistics sectors. Towards the end of 2022, we began finding some interesting relative value in Europe resulting in select acquisitions.

The Fund completed four acquisitions over the period and three disposals. In addition, three of the developments previously forward-funded by the Fund reached practical completion during the year. These transactions are summarised as follows:

Purchase – Forward-funding
Clichy Rue du 8 Mars, Paris, France
In January 2022, the Fund committed to forward-fund a PBSA in Clichy, located to the northwest of Paris for a purchase price of €28.4m*. The acquisition is a follow-on deal with Codegim, the same developer, with whom the Fund has committed to forward-fund a Senior Living residence in Aix-en-Provence in the South of France agreed in Q4 2021. The PBSA property will benefit from excellent accessibility by public transport to Central Paris, which will improve further with the extension of the metro line 14 close to the asset. The 4,216 sqm building will be spread across 9 floors and 188 units with balconies and a green terrace on the roof and will be fully let to an established operator on a 10 year lease. The building will be NF HQE Habitat certified.

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Purchase – Forward-funding
The Rock, The Hague, the Netherlands
In April 2022, the Fund contractually committed to forward-fund a mixed use residential development in The Hague, the Netherlands for a purchase price of €59.8m. The asset will comprise 296 high quality, modern housing units made up of 99 Private Rented Sector units and 197 student accommodation units. The asset will have an on-site Thermal Energy Storage System for local renewable energy to be used for heating and cooling. The majority of apartments with have an A++ energy label with a small number of units with A+. The asset is due for practical completion in Q1 2025 and will benefit from excellent public transport connections to Amsterdam, Rotterdam and Utrecht.

Purchase
Place Rio de Janeiro, Paris, France
In May 2022, the Fund acquired Place Rio de Janeiro, a prime office building in the sought after Parisian CBD for a purchase price of €271.5m*. The building was fully refurbished in July 2021 to the highest ESG standards including BREEAM and HQE 'Excellent' certifications. It is centrally located with excellent connectivity and daily amenities all within walking distance. The asset is fully let to 5 well-regarded legal, investment and private equity firms, including Morgan Stanley and King & Spalding, and includes a high-end service offering for occupiers and accessible outdoor spaces including a rooftop terrace overlooking Paris. The location and prestige will offer tenants a powerful recruitment tool to capture and retain talent.

Purchase – Forward-funding
Lambres-Lez-Douai, France
In December 2022, the Fund agreed to fund a new logistics warehouse located in the French 'logistics corridor' within the established submarket of Lille at a purchase price of €47.3m. This was at a significant discount of around 150bps compared to market yields for prime logistics in France in Q1 2022. Due for completion in Q4 2023, the site will benefit from quick access to the A1 motorway, which connects Lille to Paris, and is one of the busiest roads in France and Europe in terms of freight traffic. The building will be fully occupied by Simastock, a local third party logistics operator established in 1963 and occupying over 35 logistics sites across France. The property will be BREEAM Excellent rated and will comprise 50,148 sqm with 220 parking spaces (5% equipped with electric vehicle chargers) and the potential for solar panels and water heat pumps.

Disposal – Completed
Opera Trio, Brussels, Belgium
In June 2022, the Fund successfully executed the sale of Opera Trio, the office building in Brussels, Belgium for a sale price of €47.2m, in line with valuation. The asset was a relatively small lot size for the Fund's existing portfolio with a high vacancy risk due to upcoming breaks in 2022 and required additional significant ESG capital expenditure. The disposal is in line with the Fund strategy to upgrade the office portfolio resulting in the sale of some of the smaller, weaker offices and subsequently re-invest those proceeds in to the living and logistics sectors.

Disposal – Completion
Databankweg, Amersfoort, the Netherlands
In September 2022, the Fund successfully executed the sale of the Databankweg office in Amersfoort, the Netherlands for a sale price of €17.1m in line with valuation. The asset was located in a business park in contrast to the Fund's strategy to focus on CBD locations in major cities, and had a relatively high vacancy rate with further risk due to upcoming lease expiries in the next few years. The disposal supports the Fund's strategy to dispose of business parks and also of assets with weaker ESG credentials and of a small lot size in comparison to the existing portfolio.

Disposal – Completion
Continente Portfolio, Portugal
Following the purchase of a portfolio of seven Portuguese food stores in 2016 for a purchase price of €114.2m, in December 2022, the Fund disposed of three of the smallest assets within the portfolio, each with a gross lettable area of less than 5,000 sqm. This was an opportunity to sell three non-core assets, grouped into a single SPV at a sale price of €27.0m, a premium

Investment commentary

to valuation at the time of agreeing terms. The assets are located in three small municipalities with less than 45,000 inhabitants – Guarda, Cantanhede and Ponte de Lima. The Fund will continue to retain 49,447 sqm gross lettable across the four remaining assets (Lisbon, Porto, Beja and Quarteira). All assets remain fully let to Sonae MC, the most dominant retailer in the Portuguese food sector, with a WALT of c.13.1 years and annual indexation.

Forward-funding – Completion
Les Essentielles RSS Levallois, Paris, France
The Senior Living accommodation asset in Paris which the Fund contractually committed to in 2019 reached practical completion during March 2022. The asset is located in Levallois-Perret, an affluent residential district which is one of the most densely populated areas in Europe and benefits from excellent transport links, including being within minutes' walk of the main train station. An experienced senior housing operator has taken full occupancy of the asset on a 12 year lease. A new senior housing concept has already been implemented by the tenant with a host family on-site, weekly entertainment, wellbeing facilities and a restaurant menu created by a Michelin starred chef.

Forward-funding – Completion
's-Heerenberg, the Netherlands
Following a forward commitment made in December 2021, the forward-funded logistics asset in the Netherlands reached practical completion in December 2022. The newly built, 34,513 sqm unit with BREEAM Construction 'Good' certification, is located in 's-Heerenberg, an established logistics cluster on the German border within close proximity to the Emmerich barge terminal and at the junction of the A12 and A18 motorways ensuring excellent connectivity. The warehouse is fully let to JCL logistics on a 10-year lease for unit 1 and a 5-year lease for unit 2. This supports the Fund's strategy to acquire high quality logistics assets close to or within major urban conurbations, capitalising on the structural evolution of the sector driven by e-commerce.

Forward-funding – Completion
Victoria Gärten, Bad Homburg, Frankfurt, Germany
The first phase of the forward-funded development located in central Bad Homburg, Germany and funded in August 2021, for a purchase price of €50.4m, reached practical completion during Q4 2022. Once complete, the development will provide 230 high-quality apartments, located in an affluent spa and commuter town close to Frankfurt with excellent transport links. In line with the Fund's strategy to further enhance its green credentials, the buildings are BREEAM 'Very Good' certification targeted and will meet the current German energy efficiency legislation with further enhancements planned by the developer. There are positive dynamics for the PRS/Multi-family market in major German cities, given the limited pipeline of developments and expected population growth.

* Excluding VAT.

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Asset Management Initiatives

Following is a summary of some of the key asset management initiatives undertaken over the period under review:

Blekholmen, Stockholm, Sweden – Lease Activity
Positive negotiations with existing tenants at the office asset resulted in the Fund extending a lease for 548 sqm with Implema who previously served notice. In addition a lease was agreed with existing health services tenant Avonova, who are relocating their head office and taking additional space on a 5 year term. Lease terms were also agreed with a food operator on the small retail unit on a 5 year term in line with ERV.

Rue de la Republique, Lyon, France – Lease Activity
During the first quarter of 2022, the asset management team agreed two new office leases achieving some of the highest rents in Lyon. One with an existing law firm tenant that regeared their lease and moved to the neighbouring floorplate in order to extend their leased area from 480 sqm to 606 sqm. The lease, which commenced in April 2022, is for a 9 year term (with a break at 6 years). A new tenant was secured to let the premises recently vacated by the law firm on a 9 year term with breaks. Both rent terms were agreed above ERV.

Following this, in the third quarter of 2022, a lease regear was signed to secure a tenant on a 9 year term (with a break at 6 years) for a 1,086 sqm office unit at 24% above market rent, the top rent in Lyon. The new lease commenced in September 2022 and the tenant carried out a substantial refurbishment to upgrade the space.

The building is now fully regeared and in September 2022 the Fund initiated a renovation of the common areas.

Asset Management – Lease activity
Market Central Da Vinci, Rome, Italy
Six leases which were due for expiry during the year have been renewed at the Retail Park in Rome securing over €850,000 of annual rental income.

Asset Management – New Lease
Da Vinci, Luxembourg
A new lease was agreed at the office asset, in Luxembourg, to take the vacant space as well as tenanted space which was due to become vacant in July 2022, at a rent above ERV. The 9 year lease (with breaks at 4 and 7 years) commenced in August 2022 resulting in the building being fully let.

Gran Via 68, Madrid, Spain – Lease Extension
An eight month lease extension was agreed in Q3 2022 on the restaurant unit in exchange for the removal of the landlord break option. The tenant, who continues to perform well post pandemic, is planning to undertake some light refurbishment to the asset.

Nordpark, Dreieich, Germany – New Lease
Following a significant asset management initiative to restructure and improve the tenant mix, the asset management team signed a contract with Woolworths in August to lease a retail unit comprising 1,492 sqm at 10.25 EUR/m²/p.m. The lease commenced in early 2023 for a 10 year period.

Rue de Rennes, Paris – Lease activity
Acquired in 2002, this 3,000 sqm retail building is located in one of Paris' major retail high streets and was formerly leased to H&M and Etam until November 2021. Immediately following the departure of H&M and Etam, the asset was fully let to Boulanger, a leading multimedia, consumer electronics and household appliances retailer in France. The asset has undergone a major restructure over a 12 month period resulting in completion and opening of the flagship store at the start of Q4 2022. Boulanger extends across four floors and aims to meet the most innovative standards and provide the best in-store experience possible to the customers.

Vimmelskaftet 32, Copenhagen, Denmark – Lease Extension
During the fourth quarter, the asset management team agreed to extend the current lease with clothing retailer Bestseller by a further five years at the High Street Retail asset thus securing over €460,000 of annual rental income.

Investment commentary

Greenwalk, Greater Paris, France – Lease Extension
During the fourth quarter, the asset management team negotiated a lease extension at the Greenwalk office asset to the LED Lighting provider 'SIGNIFY France', securing over €760,000 annual rent income. The lease has been extended for a 9 year term (with a break at 7 years).

Outlook

Economic outlook

The Eurozone saw positive overall GDP growth through 2022, but the outlook worsened through the year as downside risks emerged with Russia's invasion of Ukraine, cyclical-high inflation, and aggressive monetary tightening. Following cumulative GDP growth of 1.6% during the first 9 months of the year, Q4's GDP figures saw the Eurozone grow just 0.1% in the last three months of the year, but the region is forecast to experience a recession in H1 2023. While the overall situation has worsened over the last 12 months, more recent sentiment and business indicators point towards a shallower recession than previously forecast. February's PMI indicator came in at 52.0, the second successive month above the 50 no-change threshold and highest reading since June 2022.

The economic landscape in 2022 was defined by inflation. Eurozone inflation rose from 5.1% in January to a high of 10.6% in October. Cost pressures are, however, beginning to ease with headline inflation falling to 8.6% in January 2023, down from the October high. According to the ECB's Survey of Professional Forecasters for Q4 2022, inflation is set to only come closer to target by 2024 (2.4%), though the range of forecasts suggests continued uncertainty over macro developments.

The monetary tightening cycle continues, with the ECB raising its deposit rate 50bps to 3.0% at its March 2023 meeting, with pre-existing plans to shrink its €5 trillion government bond balance sheet. This followed two 75 basis point rises earlier in the autumn. Some further rate rises are possible in 2023 to continue tackling inflation, with an expected peak around the summer, but rates are likely to remain below both the US and UK.

The labour market remains a source of optimism for the region, albeit with a slightly softening outlook. Eurozone unemployment nudged up from a record low of 6.5% in November to 6.7% by January 2023, though still significantly lower level than the pandemic high of 8.6% in September 2020. Expectations are for a small rise into 2023. A relatively tight labour market, as a whole, could maintain wage growth and buffer consumer spending this year, but subsequently keep underlying inflation higher for longer.

After a number of months of rises through the middle of the year, bond markets appear to have stabilised. A 10-year German Bund has hovered around the 2.0-2.5% mark since October – a significant rise from its negative yields as recently as January 2022 – while S&P's Eurozone corporate bond index fluctuated around the 3.5-4.0% level in the same period – rising from around 0.5% at the start of 2022. Both government and corporate issued debt yields remain below US and UK equivalents.

Property outlook

After a strong first half of the year, buoyed by a perceptible post-pandemic recovery, the European investment market tailed off over the second half. Total volumes for 2022 were €305bn according to CBRE[1], of which only €63bn was in Q4, down 18% against 2021. The Q4 figure represents a 21% share, well below the long-term average of 35%. Deal making slowed considerably given rising interest rates, worsening economic outlooks, and uncertainty over property pricing through 2022. The investment market is likely to remain subdued in the first half of 2023, as buyers and sellers still showcase a material bid-ask spread, and limited distressed opportunities fail to significantly push market pricing.

Property valuations have already begun to feel the downward pressure through the year, with some market-sector combinations experiencing implied 20%+ negative impact on prices from yield rises since mid-2022, according to CBRE data. By contrast, there are some pockets of resilience where values have remained more stable. Across continental Europe, there are expectations of some further value falls in 2023, which presents a buying opportunity for well-capitalised investors. Our expectation is that most sectors should return to growth either by the end of this year or into 2024.

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Logistics

The logistics market has been one of the sectors quickest to reprice across Europe, following a number of years of strong yield compression. Logistics occupier demand followed a similar trajectory to the wider real estate market, with a marked slowdown in Q4 take-up as the economic outlook worsened and available supply squeezed further. That said, vacancy rates across Europe have reached record lows, with the Savills' European logistics average vacancy rate dropping to 3% in Q3 2022. Rental growth averaged 12.7% over the last year[2], with strong demand in particular from 3PLs (third-party-logistics), which is expected to moderate moving forward.

Long-term fundamentals of the logistics sector remain robust as e-commerce growth continues (often from low bases across Europe) and occupiers focus on strengthening their supply chains and near-shoring. Development activity is expected to curtail amid higher build costs and the rising cost of debt, further constraining the supply of prime logistics stock. As such, this supply and demand imbalance should continue to prove favourable to rental growth for prime assets.

Office

Given the weaker economic outlook and falling business sentiment, expansion plans for some businesses are being placed on hold, though take-up numbers by the end of 2022 remained relatively strong in most locations. There have also been a number of high profile corporates looking to sub-let some of their office footprint as they 'right size' for their future business needs. Further, the return to the office looks like it has stabilised at levels below pre-pandemic averages, according to PMA data, while JLL data demonstrated European office re-entry rates surpassing 70% (of pre-pandemic levels) in October 2022, following levels of 60-70% since the spring.

Occupier demand remains focused on prime, ESG compliant, high quality office space, particularly as occupiers look to retain staff whilst also aligning their corporate and property strategies towards net-zero and sustainability targets. The supply of prime office stock remains low, and any rental growth prospects in the sector are limited to best in class offices in supply constrained core markets. We expect increasing polarisation by quality, with vacancy rates rising gradually, particularly for poorer quality stock. The rise in operational costs for occupiers, particularly given higher energy costs, is also expected to place further downward pressure on rents for secondary offices.

Retail

Retail activity moderated in the second half of 2022, off the back of a strong post-pandemic bounce in H1. However, significant headwinds arising from the ongoing Ukraine-Russia war, record high inflation and rising interest rates has seen consumer sentiment weaken.

Eurozone retail sales were 2.8% down year-on-year in November, with consumer spending expected to moderate further over the coming months. Rental growth is likely to come under pressure, especially as mass market retailers operating on tight margins face higher costs. That said, supermarkets and grocery retailers, given the non-discretionary nature of the goods they sell, should prove defensive and more able to pass on higher inflation to consumers.

Living/Residential

The PRS and Living sector more broadly have remained resilient through 2022, though are not immune from wider economic effects and pricing challenges. Most European city markets are seeing significant rental growth above trend, with high rental demand and limited supply, resulting in record-low vacancy rates, a common factor unlikely to recede in the near-term. Data suggests vacancy rates of available stock in core gateway cities are often below 1%. Rising mortgage interest rates affecting buyers, coupled with higher construction costs affecting development viability for new schemes, are likely to fuel this continued imbalance alongside more long-term structural factors, such as urbanisation and changing lifestyle and housing preferences.

With rising rents, higher occupational costs – notably energy and service charges – and general cost of living pressures, affordability is becoming more stretched for tenants in many cities. However, with rent for accommodation being non-discretionary expenditure, residents (who generally are seeing strong nominal

Investment commentary

wage growth) are likely to prioritise spending on their homes over other discretionary spending, furthering the sector's resilient and countercyclical performance. Policymakers have implemented a number of new, and largely temporary, restrictions on private rental increases – including Denmark capping at 4% per year for 2022-3, France limiting annual rental revisions at 3.5% up to June 2023, Ireland capping at 2% in tense housing markets, and the Netherlands proposing to limit increases to a wage, not general inflation, index.

Alternative Living sectors, notably student housing and senior living, are also benefitting from cyclical and structural demand drivers coming up against low levels of appropriate stock. Student numbers have risen in almost all European countries in the last 2-3 years, and now travel restrictions on international students have eased, reported occupancies and rental growth within the PBSA sector are above trend.

Hotels

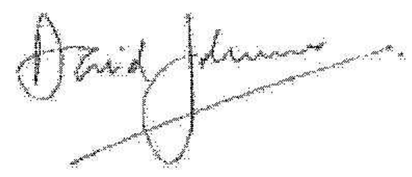
Following the end of local lockdowns and most international travel restrictions, hotel and hospitality demand rebounded strongly from early 2022 onwards. Over 475m overnight stays were recorded across the European Union in August (according to Eurostat data), driven in particular by international visitors, who were responsible for nearly half of all nights. This peak was the highest figure for a single month since August 2019 across the region. Total stays in Q3 (latest available data) were 4% above the 5-year pre-pandemic average, driving strong hotel performance across the continent as the sector continues to recover. In key cities, occupancies were around 25% below 2019 numbers from Q1-3, while RevPAR was down only 12%, according to PMA. Tourist hotspots such a Rome, Paris and Barcelona outperformed. Growth in new hotel supply is forecast to remain muted throughout the next few years, though cost pressures continue to grow for operators, particularly for full-service hotels, and margins still have some vulnerabilities from the pandemic period.

Outlook

Overall, European real estate performance is expected to weaken over the coming months given economic headwinds. This period of re-pricing will continue as interest rates increase further to combat inflation, though there is likely to be a turning point some time in 2023 or possibly 2024. While the office and logistics sectors have seen the most re-pricing so far, prime, best in class, ESG compliant assets in core locations should remain fairly resilient over the long term. Older, secondary assets with weak ESG credentials will likely see the most aggressive re-pricing and potential obsolescence risk. Over the coming 6-18 months, we expect opportunities will arise to acquire prime, high quality assets at discounted, attractive pricing.

[1] CBRE (January 2023) 'European Real Estate Investment Volumes Q4 2022'.

[2] Cushman and Wakefield 'The DNA of Real Estate Q4 2022'.



David Jackson
Fund Manager
M&G Investment Management Ltd.

25 April 2023

Environmental Social Governance

Environmental Social Governance (ESG) Strategy

Real estate investments can have wide-ranging social, environmental and economic impacts, both positive and negative. Environmental and social issues are already influencing real estate market fundamentals including obsolescence, rate of depreciation, voids, operational costs and liquidity. By being at the forefront of identifying and influencing the drivers of change, and shaping investment strategies accordingly, the Fund aims to deliver strong returns to Shareholders in the long term, while supporting the creation of positive environmental and social outcomes.

The Fund aims to invest in buildings which achieve high environmental standards, improve the environmental footprint of existing buildings, and drive continuous improvement in environmental and social performance of its assets through implementation of ESG targets.

Through its aspirational ESG strategy the Fund aims to deliver*:

Environmental Excellence	Social benefit	Good Governance
1 Aim for all operational carbon to be Paris-aligned by 2030, all carbon to be net zero by 2050[a]	1 Develop a strategy to create positive social change at targeted assets	1 All new leases to include green clauses to drive data sharing & cooperation on ESG
2 Evaluate and improve the energy efficiency of the portfolio, seek to increase use of renewable energy	2 Contribute to occupier and community health & wellbeing through asset initiatives, where feasible	2 Increase automatic collection of tenant utility data, aiming for 75% of annual tenant energy use to be based on actual data by 2025
3 100% direct assets to have green building certification, or plan in place to certify, by 2023[b]	3 Expand occupier engagement programme, aim to reach more customers and improve satisfaction	3 GRESB – target at least 4 star rating; top 20% (vs. peer group)
4 75% of certified direct assets rated at least BREEAM 'Very Good' or equivalent by 2025	4 Achieve exemplar Safety and Security through the consistent application of our 'Global Minimum Requirements' (GMRs)	4 Aim for all assets to have a sustainability asset plan
5 Ensure portfolio resilience, enhance climate-related risk assessment and management		5 Advocate for high ESG requirements in new construction and refurbishment through application of M&G Framework
		6 Streamline SFDR data, investigate EU Taxonomy alignment

* Key sustainability targets are shown – a wider set of targets are in place to support the delivery of the goals. Where year dates are listed the target deadline is considered to be the year end unless otherwise stated.

[a] Operational emissions refers to Scope 1, 2 and 3 emissions (energy used by tenants) associated with standing investment portfolio. 2050 target covers all Scope 1, 2 and material Scope 3 emissions (including embodied carbon), method for tracking to be finalised in 2023 and aligned to be Net Zero Asset Managers initiative approach.

[b] Minimum of 50% of AUM to be certified at all times. Measurement includes assets where certification is planned and underway. There is an exception process where certification is deemed infeasible (eg an asset cannot be certified, for example ground rents) or not in the interest of investors (eg planned disposal).

The ESG strategy and aspirational targets set are considerate of existing commitments, regulatory requirements, investment strategy and aspirations of the Fund's Portfolio and Asset Managers. The ESG strategy is reviewed at least annually by the Portfolio and Asset Managers, and approved by the Board of Directors of the Fund. Progress against aspirational targets is reviewed on at least a bi-annual basis.

In 2022, the Fund established a set of ESG targets to drive implementation of the strategy, these targets were published in the 2021 Annual Report and Consolidated Financial Statements. Progress against the targets has been monitored and benchmarked by the Asset Manager's in-house ESG team. Quarterly meetings have been held between the Portfolio Manager and Asset Manager teams to provide regular review of progress.

The table below provides a summary of performance in 2022, further discussion on each focus area is included in the following pages of the report.

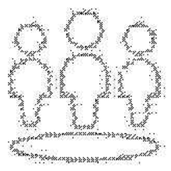
Environmental Social Governance

Performance against 2022 ESG targets for M&G European Property Fund SICAV-FIS

Impact area	Aspirational target	Performance assessment (as at ESG Data as at Year-End 2022)
Environmental excellence	Seek to meet Net zero by 2050 and Portfolio tracking net zero operational carbon targets by 2030	**In progress** Improvement in operational emission data coverage (78% of energy data by floor area). Smart metering deployed at 15 assets. Net zero carbon audits incorporated into acquisition processes for new investments. Additional 11 audits completed for existing portfolio. Development framework implemented to guide best-in-class operational carbon performance and manage embodied carbon impact. Steps taken to embed net zero thinking in wider investment processes.
	Ensure portfolio resilience to physical climate risk	**In progress** Third party provider specialist modelled exposure of all assets in the portfolio to a set of eight climate related physical risks including flooding. Implementing enhancements to due diligence processes for new investments.
	100% AUM certified or being certified using green building certification by end 2023* and 75% green building certification 'Very Good' (or equivalent) or better by 2025[#]	**In progress** 59% of direct real estate assets hold green building certification, 36% with certification underway. Remaining 5% of direct assets not certified: • assets (5%) which will be treated as exceptions due as certification is not in the interest of Shareholders. 42% of direct assets are rated Very Good or better (or equivalent).
Social benefit	Implement occupier engagement strategy. Undertake occupier satisfaction survey and action plans (end 2022)	**Achieved** Customer surveys completed in multi-let portfolio. Action plans implemented to drive improvements on both thematic and asset specific issues.
	Implement asset level health, wellbeing and community initiatives at all assets, where feasible (end 2022)	**In progress** Wellbeing and charitable events held at key assets (see examples under Social Benefit section). Introduced SIERA platform to support asset and property managers in planning initiatives in 2022.
	Exemplar safety and security is achieved through the application of our 'Global Minimum Requirements', effective oversight of suppliers and continual examination of legislation	**Achieved** Implementation of Global Minimum Requirements policy. Independent health, safety and environment audits completed in Germany, France and Belgium. The Asset Manager plans to arrange further audits across Spain and Portugal in 2023.

Environmental Social Governance

Performance against 2022 ESG targets for M&G European Property Fund SICAV-FIS (continued)

Impact area	Environmental target	Performance assessment (as at 31 December 2022)
Good Governance 	SFDR Article 8	**Achieved** The Fund has introduced a number of measures in order to be compliant with SFDR Level 2 regulation. Information related to environmental and social characteristics promoted by the Fund required to be disclosed under SFDR is available on page 142 in Annex 1.
	GRESB – target at least 4 star rating; top 20% (vs. peer group)	**Achieved** In 2022, the Fund achieved a GRESB 5 Star rating, putting it in the top 20% of participants. This is the highest rating and recognition for being an industry leader.
	100% of assets to have complete sustainability due diligence checklist (end 2022)	**In progress** Sustainability considerations and checklists are required for all new acquisitions and are a mandatory requirement of the Investment Committee. Funded developments are reviewed against M&G Real Estates Sustainable Development & Refurbishment Framework.
	100% assets to have a sustainability asset plan (end 2022)	**In progress** Although a large number of sustainability initiatives have been identified and planned at various assets across the portfolio not all assets had a Sustainability Asset Plan in place on 31 December 2022. Where initiatives have been identified, third party property managers were engaged to record ESG initiatives within the ESG data platform to support ongoing tracking. The Fund will continue to seek to expand sustainability asset plans to all assets.
	Apply occupier exclusions (Controversial weapons)	**In progress** No ESG exclusion principles breached in 2022. Fund prospectus updated on 1 January 2023 to expand exclusion principles to include global norms.

[a] A minimum of 50% of AUM to be certified at all times. This includes assets where certification is planned and underway. There will be an exception process where certification is deemed unfeasible (eg an asset cannot be certified, for example ground rents) or not in the interest of investors (eg planned disposal).

Environmental Social Governance

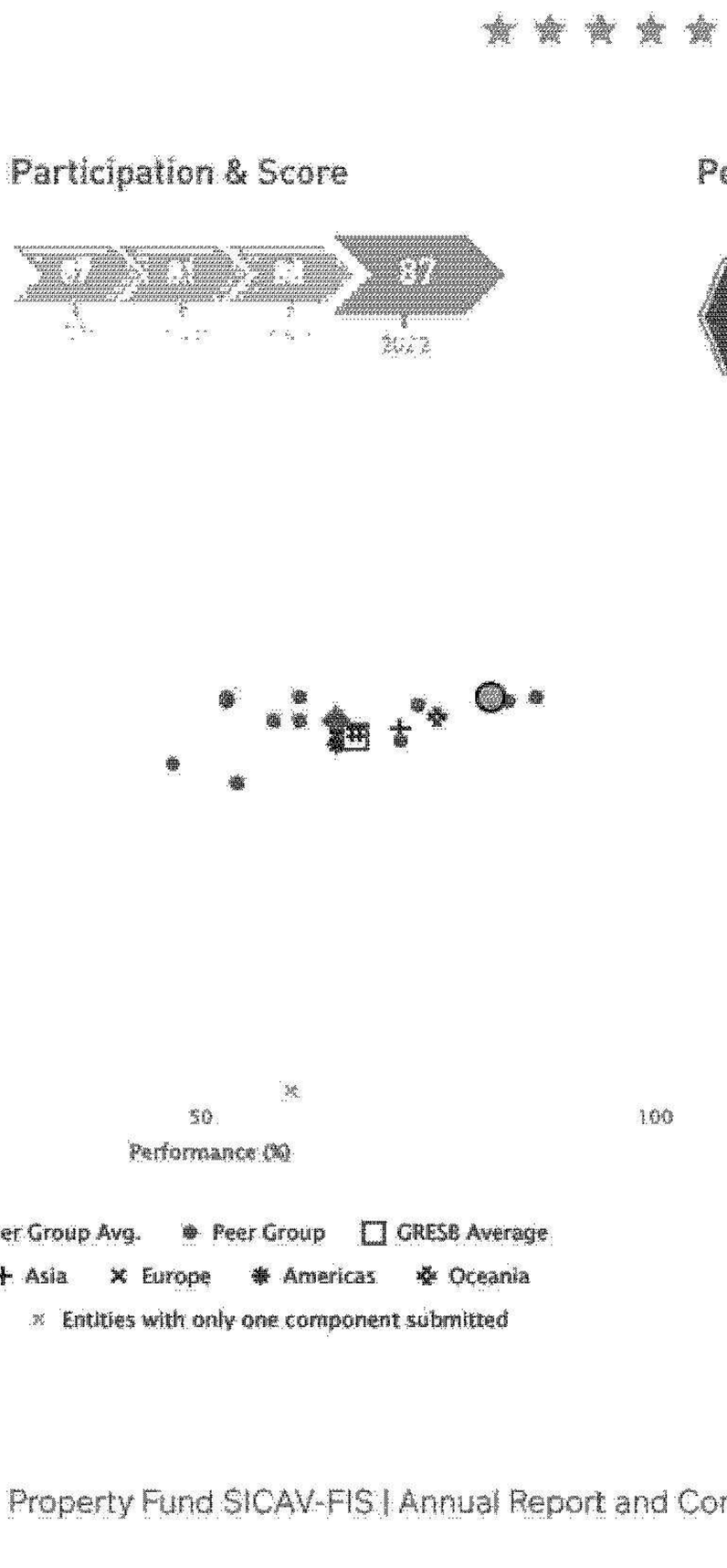
GRESB

Overall fund performance on environmental, social and governance issues is benchmarked through use of the annual GRESB Real Estate Assessment. The Fund has been a participant of GRESB since 2013. In the 2022 Real Estate Assessment the Fund obtained an overall GRESB score of 87 and achieved the coveted 5 star rating, placing it within the top 20% of all GRESB participants.

The Fund is ranked 3rd in its peer group of 12 (Peer Group: Europe/Diversified – Office/Retail – Core – tenant controlled). It continues to significantly outperform the peer average score of 74 and outperformed the benchmark in 13 out of 14 sections of the survey including Energy, Data Monitoring & Review and Building Certification. In the management component of the assessment which measures ESG in firm level policy, the Fund achieved a score of 100% (placing it and other M&G Real Estate funds in 1st place of 901 European participants).

For the performance component of the survey, the Fund made significant improvement in the Tenants & Community section. This is a result of efforts to work more closely with tenants to improve the collection of utility and waste data.

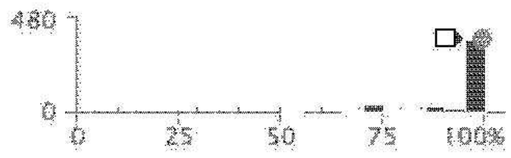
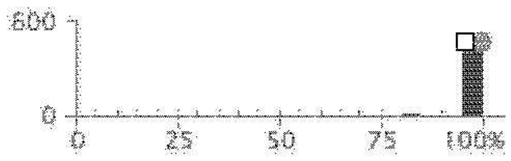
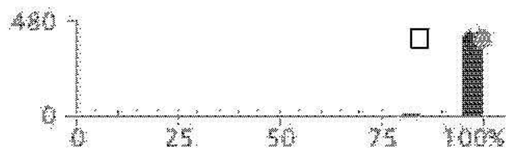
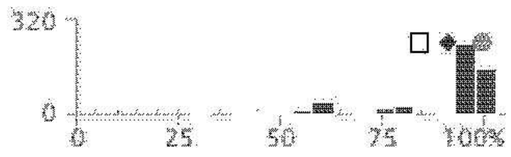
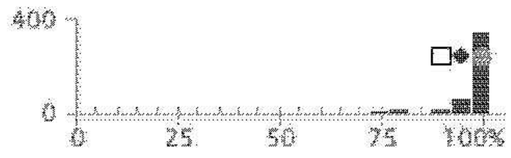
The achievement of the GRESB 5 star rating was in part enabled by the Fund's long-term investment in green building certification for assets, as well as the efforts of the Asset Manager to gather actual tenant environmental data to support performance monitoring. The Asset Manager continues to look at ways in which we can further enhance data collection through automation and engagement.



Environmental Social Governance

MANAGEMENT COMPONENT

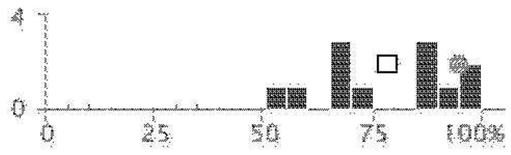
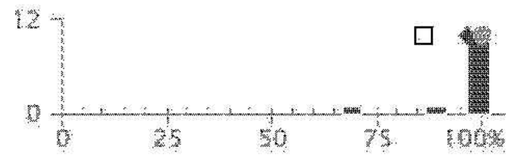
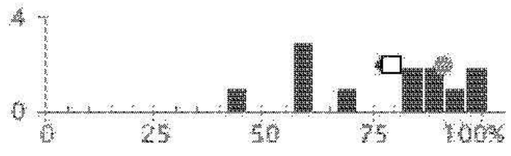
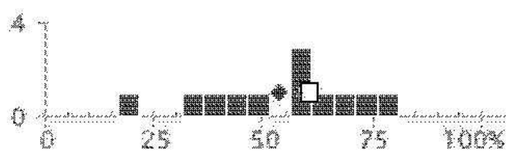
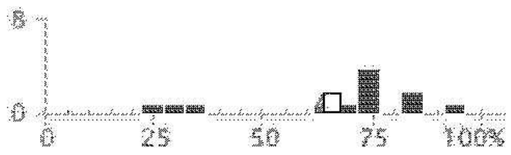
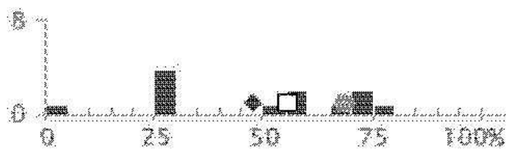
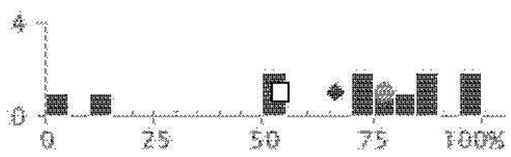
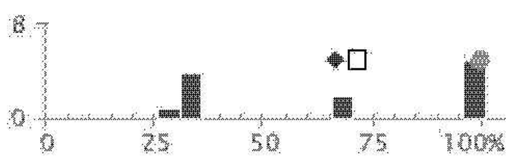
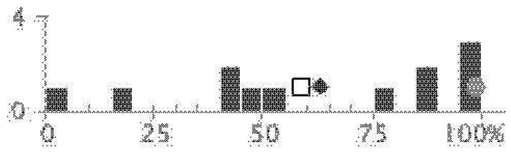
Europe | Core (554 entities)

ASPECT Number of points	Weight in Component	Weight in GRESB Score	Points Obtained	Benchmark Average	Benchmark Distribution
Leadership 7 points	23.3%	7%	7	6.5	
Policies 4.5 points	15%	4.5%	4.5	4.4	
Reporting 3.5 points	11.7%	3.5%	3.5	3.39	
Risk Management 5 points	16.7%	5%	5	4.57	
Stakeholder Engagement 10 points	33.3%	10%	10	9.48	

Environmental Social Governance

PERFORMANCE COMPONENT

Europe | Diversified - Office/Retail | Core | Tenant Controlled (12 entities)

ASPECT Number of points	Weight in Component	Weight in GRESB Score	Points Obtained	Benchmark Average	Benchmark Distribution
Risk Assessment 9 points	12.9%	9%	8.52	7.09	
Targets 2 points	2.9%	2%	2	1.93	
Tenants & Community 11 points	15.7%	11%	10.03	8.5	
Energy 14 points	20%	14%	8.38	7.52	
GHG 7 points	10%	7%	4.49	4.52	
Water 7 points	10%	7%	4.8	3.32	
Waste 4 points	5.7%	4%	3.12	2.65	
Data Monitoring & Review 5.5 points	7.9%	5.5%	5.5	3.66	
Building Certifications 10.5 points	15%	10.5%	10.37	6.59	

Environmental Social Governance

Environmental excellence

Net zero and climate resilience

We believe that climate change is the most important environmental issue facing the world today. The risks posed by climate change are multi-faceted and far reaching, and the implications on our environment and society profound. To limit the global average temperature rise to well below 2°C above pre-industrial levels, in line with the Paris Agreement, will require no further greenhouse gas (GHG) emissions, from 2050. Achieving this will only be possible with material changes in behaviour, as well as investment to transition to a low-carbon economy.

During the year, the Fund made good progress in moving to address climate related-risk through its two responsible property investment objectives: ensuring portfolio climate resilience, and achieving net zero carbon by 2050. Our approach incorporates the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, as is outlined in the following table.

Note this product level TCFD disclosure should be read in conjunction with the M&G plc 2022 Sustainability Report.

M&G European Property Fund SICAV-FIS's Approach to Climate-Related Risk and Opportunity

Governance	Disclose the organisation's governance around climate-related risks and opportunities
TCFD Recommendation	Recommended Disclosure
1 Describe the Board's oversight of climate-related risks and opportunities	The Board is ultimately responsible for ESG matters relating to the Fund including climate-related risk. Responsibility for the delivery of the ESG strategy for the Fund rests with the Fund's Portfolio and Asset Managers. The Portfolio and Asset Managers provide periodic reports to the Board on the plans for, and outcomes from, the implementation of the Fund's ESG strategy which incorporates climate-related risk objectives. The Board is updated regularly on the progress being made against the ESG strategy and policy, including climate targets.
2 Describe management's role in assessing and managing climate-related risks and opportunities	The Fund's Portfolio and Asset Managers are responsible for assessing and managing climate-related risk and opportunities. They are also responsible for the delivery of the ESG strategy and targets, including the climate specific objectives of net zero carbon by 2050 and ensuring portfolio climate resilience. The Asset Manager's dedicated ESG team also works closely with the respective teams involved on the portfolio to support their delivery of the Fund ESG Policy objectives and targets.
Strategy	**Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning**
TCFD Recommendation	Recommended Disclosure
3 Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	The Fund has identified the following climate-related risks and opportunities: **Short term to Medium term (1-10 years)** • Increasingly stringent Government regulation and market defined standards on building energy and carbon efficiency. We expect this will be reflected in asset valuation. This increases the potential for asset stranding risk. • Changing occupier requirements on building carbon and energy performance, increasing the potential for asset stranding risk and rate of asset depreciation. • Assets may be exposed to acute physical climate-related risks (eg flash flooding). This can impact on building operation and insurability, increasing the potential for financial risk. • Shareholder climate-related risk requirements are rapidly evolving. There is significant opportunity to demonstrate a leading approach to addressing climate-related risk, but equally failure to meet these requirements increases the potential for reputational and financial risk. **Long Term (10+ years)** • Assets may suffer increased physical damage as a result of acute and chronic physical climate-related risks. Some may become uninsurable as a result of repeat damage events. This increases the potential for asset stranding risk and rate of asset depreciation. • Assets may suffer premature obsolescence due to poor energy and carbon performance if they are unable to meet regulatory, market and occupier demands. This increases the potential for asset stranding risk and rate of asset depreciation.

M&G European Property Fund SICAV-FIS's Approach to Climate-Related Risk and Opportunity (continued)

Strategy (continued)	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
TCFD Recommendation	Recommendation Disclosure
4 Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	The Fund and M&G Real Estate have committed to achieving net zero greenhouse gas emissions by 2050 and ensuring portfolio climate resilience. Further details of the M&G plc commitments and organisational approach can be found within the M&G plc Annual Report and Sustainability Reporting. Significant steps have been taken to integrate the consideration of climate-related risk and opportunity into business strategy and financial planning: **Acquisition:** ESG due diligence requirements include consideration of physical, primarily in relation to flooding risk, and transition risks, primarily in relation to energy and carbon efficiency versus the local decarbonisation target. By evaluating these issues at the point of investment, the financial cost of maintaining climate resilience and achieving net zero carbon can be better understood, underwritten and managed through the holding period. Challenges do exist in integrating these requirements, for example, there is not an agreed market definition of net zero carbon. **Development funding:** The Fund has worked with Arup Partners to create a Sustainable Development & Refurbishment Framework. The Framework prescribes minimum standards and aspirational targets for a range of ESG issues, including operational carbon, embodied carbon performance and physical resilience in the development of new assets as well as for refurbishment to existing assets. The Fund will apply the Framework in all funded development activity. **Portfolio management** The Fund seeks to establish Sustainability Asset Plans for all asset which sets measures which are implemented to maintain energy and carbon efficiency. The Investment and Asset Manager are also reviewing the findings of climate related-risk scenario analysis and seeking input from consultants to determine asset level mitigation measures. These will be completed in the course of 2023 and findings incorporated into asset and financial planning.
Strategy (continued)	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
TCFD Recommendation	Recommendation Disclosure
5 Describe the resilience of the organisation's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario	**Transition Climate Risk Scenario Analysis** In 2021, the Fund developed an operational net zero carbon 'pathway model' to assess stranding risks within the portfolio, covering Scope 1, 2 and Scope 3 downstream leased assets emissions. This desk-based approach has mapped current operational carbon performance of underlying assets against the decarbonisation pathways provided by the Carbon Risk Real Estate Monitor (CRREM) tool. The use of the CRREM tool has incorporated both 1.5°C and 2°C climate future scenarios. The pathway is a critical first step in the Fund's commitment to achieving net zero carbon by 2050, it has provided an understanding of the energy and carbon performance of the assets within the Fund, and provided a modelled estimation of the potential reductions which can be achieved through use of traditional asset level decarbonisation measures (eg energy efficient building technology, on-site generation of renewable energy) as well as an estimation of the capital expenditure associated with achieving CRREM. In 2022, we used the report as the basis for selecting assets to audit in order to develop detailed asset specific net zero plans.

Strategy (continued)	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning
TCFD Recommendation	Recommended Disclosure
5 (continued)	As at end of December 2022, net zero audits have been completed at 10 assets (26% of direct real estate asset capital value). A further 9 have been instructed and 34 audits have been included in the 2023 budget. This means that 62% of direct real estate asset capital value is targeted for audit by end of 2023. The results of these assets level net zero audits will enable the Fund to better understand intervention measures and capital investment that may be required in the future to retrofit assets to achieve net zero carbon targets. The intention is to use these as a blueprint to roll out across the portfolio in due course. The Fund has also completed a full Scope 1, 2, and 3 carbon footprint (see page 36) which has identified that the most significant source of carbon emissions for the Fund is the embodied carbon associated with the Fund's development activities. The Portfolio and Asset Managers plan to manage this through the European Sustainable Development & Refurbishment Framework described in section 4 above. The Portfolio and Asset Manager undertake net zero carbon audits on all assets during the due diligence and acquisitions process and will engage with developers when considering forward funding to ensure the environmental performance of newly developed stock is of the highest standard. **Physical Climate Risk Scenario Analysis** The Fund has assessed the exposure of the assets within the portfolio to physical risk posed by eight climate-related perils (river flood, surface water flood, coastal flood, wind storm, wildfire, freeze-thaw, heat-stress and soil movement). The analysis was completed by the insurance and risk specialist, Marsh, and climate scenario modelers XDI. It assessed the portfolio against two future climate change warming scenarios: an Orderly scenario (RCP 2.6: ~1.5°C) and Hot House scenario (and RCP 8.5 ≥3°C). Present-day risk was initially assessed for each asset, this is considered to be based on the climate in year 2020 for the purpose of modelling as it is the nearest complete dataset. The model was then extended across the two climate warming scenarios out to the year 2100. For each scenario and time-step (2020, 2050, 2100), modelled damage severity outputs were generated to quantify the likelihood of a severe event and the expected financial impact this might have on a given asset. The calculated output was used to place assets into high, medium or low risk categories, the threshold for each category was defined by Marsh. At the end September 2022, the dataset was updated to remove assets which were sold as well as to account for assets acquired in the period. The scenario analysis has identified that climate-related flooding is the principle physical climate-related risk which may impact the portfolio in the longer term. It is acknowledged that all models have limitations and as part of our commitment to iteratively improving our scenario analysis, the Investment and Asset Managers will continue to explore additional or alternative models to best understand climate-related risks, and to find ways to account for local improvements in national defenses for example, and other resilience measures not accounted for within the current datasets. Where hot-spots have been identified, the Fund will undertake further analysis to evaluate an accurate picture of risk at the asset level in order to plan mitigation measures and build resilience. It should also be noted that the scenario modelling undertaken relates to direct impacts only and is not yet reached a level of sophistication to enabled quantification of indirect risks, such as those that may impact the operation of third parties (for examples tenants) or asset obsolescence (eg damage to local infrastructure). The results of the Physical Climate Scenario Analysis can be found on page 32.

M&G European Property Fund SICAV-FIS's Approach to Climate-Related Risk and Opportunity (continued)

Risk	Disclose how the organisation identifies, assesses and manages climate-related risks	
TCFD Recommendation		Recommendation Disclosure
6	Describe the organisation's processes for identifying and assessing climate-related risks	Assets within the portfolio have undergone a physical and transition risk scenario analysis, which has informed the Fund of current and emerging climate-related risk. We will continue to enhance our analysis to understand key drivers of risk to enable risk mitigation and resilience measures. The Fund is now in the process of using the net zero carbon pathway model, asset level net zero carbon audits, and physical climate-related risk review to inform the creation of milestone targets, supporting progress towards the 2050 net zero carbon ambition (aligned to a 1.5°C warming scenario) and ensuring portfolio climate resilience. Findings taken from the model and asset level assessment are used to inform integration of climate-related transition risk management into investment decision making processes, enhancing the steps we have already taken (see Recommendation 4). This will be supported by further asset level investigation of technical and financial feasibility in achieving CRREM aligned asset level performance. Additionally, the Fund is exploring additional data management tools to help the Fund management team with tracking of operational carbon performance. The ESG Risk Management approach is defined under the Fund's Investment and Asset Managers' Risk Management Framework and the 'Three Lines of Defence' (3LoD) model. Refer to the M&G plc 2022 Sustainability Report TCFD disclosure
7	Describe the organisation's processes for managing climate-related risks	
8	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	
Metrics & Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities	
TCFD Recommendation		Recommendation Disclosure
9	Disclose the metrics used by the organisation to assess climate-related risks and opportunities	For transition climate-related risk, we track the metrics identified in the Environmental Performance Data and accompanying GHG Disclosure section (pages 36 & 37). For physical climate-related risk exposure, we track 'total modelled cost of damage' (see section 10 below). This is a measure of potential average annualised loss which is calculated on the basis of modelled exposure to direct physical impacts and estimated cost of repair.
10	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks	A full greenhouse gas footprint for the portfolio has been calculated for the year 2022 (see page 36), this covers Scope 1 and 2, and all material Scope 3 emission activity and covers all direct investments in the Fund as at 31 December 2022. For full details on the 'carbon boundary' approach, please refer to page 16-18 of the M&G Investments Our Journey to Net Zero report. The below table records the results of the physical climate-related risk screening. This provides a view of both current and future predicted 'total modelled cost of damage' expressed as a proportion of total Assets Under Management (AUM), under each of the Orderly and Hot House scenarios. This is a helpful measure used to estimate the potential financial losses that the portfolio of assets could incur as a result of the direct physical impacts associated with climate change. Currently, these figures do not account for potential indirect losses such as business disruption, devaluations etc. They also do not account for asset and country level mitigation (for example national defence) and adaptation measures which may reduce the likelihood and or severity of physical impacts. For each scenario and time-step, modelled likelihood of exposure to impacts were generated to quantify expected financial impacts at the asset level (and unit level where data was available). Each asset was then assigned a hazard category: high, medium or low risk following pre-determined thresholds established by Marsh using the 'total modelled cost of damage' metric. High risk properties typically have substantial predicted exposure to severely damaging hazard events such as high flooding or coastal inundation, as opposed to heat stress, which may cause less damage or where probabilities of loss remain small. Low risk properties have lower predicted exposure to severely damaging hazards although some risk may still be present. The scenario analysis has identified that climate-related flooding is the principle physical climate-related risk which may impact the portfolio in the longer term.
Metrics & Targets (continued)	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities	

M&G European Property Fund SICAV-FIS's Approach to Climate-Related Risk and Opportunity (continued)

TCFD Recommendation	Recommendation Disclosure
10 (Continued)	Current exposure to 'total modelled cost of damage' is less than 0.08% of total Fund capital value. The data below should be read in context of the modelling limitations identified in TCFD Recommendation 5. It should also be noted that all real estate assets may exhibit some exposure to climate-related risks irrespective of the modelled output.

		Climate VaR – Physical risk as a proportion of total Fund AUM*		
Climate Scenario	Hazard Category	2030	2050	2100
~1.5°C (Orderly)	High Risk	0.03%	0.05%	0.18%
	Medium Risk	0.02%	0.03%	0.03%
	Low Risk	0.02%	0.01%	0.02%
3°C (Hothouse)	High Risk	0.03%	0.07%	0.39%
	Medium Risk	0.02%	0.04%	0.03%
	Low Risk	0.02%	0.01%	0.03%

* Modelled outputs for the portfolio as at 30th September 2022. Assets Under Management calculated as capital valuation as at 31 December 2022.

11	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	See 2023 and 2022 ESG Targets on Environmental Excellence (see page 23).

Environmental Social Governance

Proactively drive and evidence environmental improvements at assets

The Fund is committed to the independent measurement of asset environmental performance through the use of green building certifications schemes. Certification is a critical tool in influencing building design, construction and operation to achieve better sustainability outcomes. The Fund set a target to hold green building certification for (or be in the process of certifying) 100% of the Fund's assets under management (by capital value) by end 2023 and for a minimum of 50% of AUM to be certified at all times.

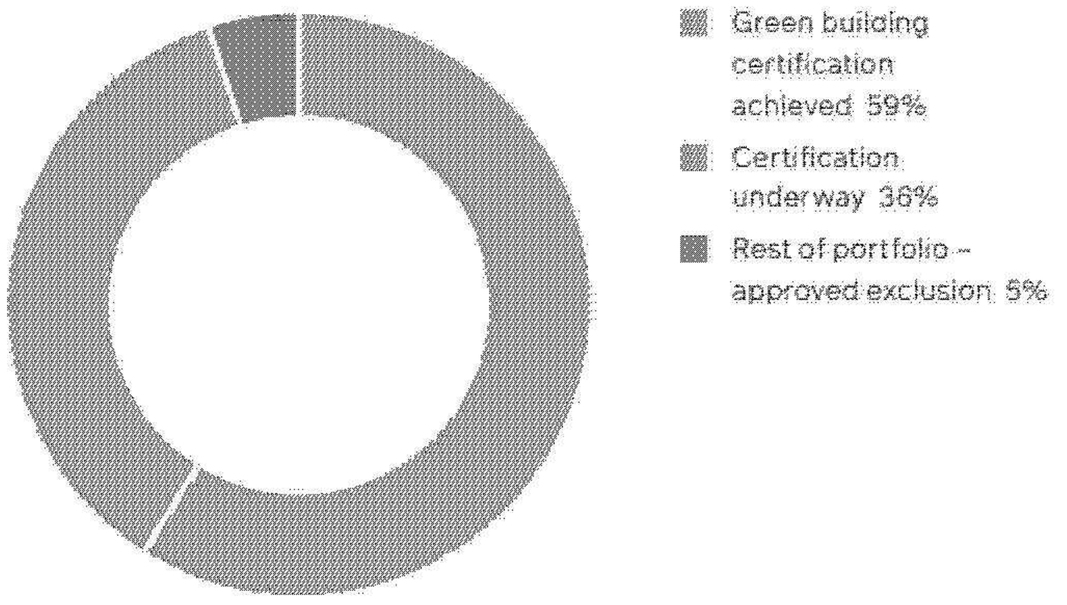
As at 31 December 2022, 59% of direct real estate assets held green building certification. A further 36% of assets had certification underway (either instructed or budgeted for completion in 2023). Although an increase on the previous year, it is recognized that significant effort will be required to achieve the target in 2023. The current delay in progress towards the certification target is a combination of two events:

- Acquisition of assets where time is required to complete operational certification (primarily using BREEAM In-Use)
- The capacity of vendors to provide green building certification on a pan-European basis which is compounded by delays in the issuance of BREEAM certificates by the scheme's operator

The remaining 5% of assets do not have certification planned due to planned disposal or pending refurbishment. The Fund has determined that it is not in the interest of Shareholders to proceed with certification in these cases. The Portfolio and Asset Manager remain focused on delivery of the 2023 certification target.

The Fund is also seeking to improve the ratings of existing green building certification, and is targeting 75% of direct real estate assets (by capital value) to be rated at least BREEAM 'Very Good' or better by 2025. The Asset Manager procures improvement plans to accompany certification so as to support local teams in implementing measures which improve ratings over time. As at the end of December 2022, 42% of assets (by capital value) had achieved certification equivalent to BREEAM 'Very Good' or better. For those assets certified using BREEAM In-Use, 65% of these achieved a 'Very Good' or 'Excellent' rating.

Green Building Certification Status
(% capital value of Direct real estate investments)



Source: M&G Real Estate as at 31 December 2022.

Breakdown of Ratings for BREEAM IN-Use Part 1
(% capital value of Direct real estate investments with BIU Certification)

Environmental Social Governance

Environment in action

In this section we highlight a few examples of the environmental achievements made at assets within the Fund during 2022.

- At the Market Central Da Vinci retail park in Rome, improvement works have commenced to upgrade areas of the building façades, canopies, parking, pedestrian access, green areas, and other value add initiatives for an overall costs of €5.3m. At the same asset, recent leasing activity has also allowed for the inclusion of green lease clauses in lease contracts which support the Fund in engaging with the affected tenants on ESG initiatives and information sharing.
- Completed acquisition of the Rio multi-tenant office building in Paris, in line with the Fund's focus on modern offices situated in well-connected major Central Business District (CBD) locations, and with excellent ESG credentials. The 8,676 sqm prime boutique office building in the sought after Parisian CBD, was fully refurbished in July 2021 to the highest ESG standards, achieving 'Excellent' ratings under both BREEAM International Refurbishment & Fit-out and HQE Bâtiment Durable certification schemes. Investigation completed at acquisition also shows that carbon emissions associated with operating this building are well below the Paris-aligned industry-targets in France, contributing to the fund's 2050 net zero pathway. ESG credentials are a major driver of our investment decisions, and this asset is one of the most sustainable of its kind in Paris, demonstrating our commitment to meet the highest ESG standards, which have become a key requirement for investors and occupiers alike.
- Achieved BREEAM In-Use 'Excellent' rating at the Via Pola office in Milan. This operational green building certification compliments the LEED 'Gold' rating which was achieved at the time of construction, and confirms that the building (including the tenant space) is being maintained to a high environmental standard.
- Commenced construction on 'The Rock', a residential development in Binckhorst areas of The Hague. Binckhorst, a former business park, is being revitalized and transformed into a lively green living and working area. Binck City Park consists of a total of approximately 896 homes, spread over 4 residential blocks. The four blocks will be connected by a roof park. Scheduled for delivery in spring 2025, The Rock will create 197 social student residences and 99 rental homes in the affordable and mid-rental segment. It is part of the Fund's strategy to acquire and realize buildings that meet the commitments of the Paris Climate Agreement. The scheme receives a score of 7.5 from the Dutch Green Building Council and meets all Dutch BENG requirements for Nearly Zero Energy Buildings (NZEB).
- Continued engagement with a smart metering technology specialist, Hello Energy, to assist in the automation of tenant environmental data collection. This is a crucial tool to support tracking of environmental performance across the whole portfolio. The system also enables tenants to view and analyse utility performance trends at the asset to support their own ESG strategies. The system is currently installed on 15 assets and rollout is planned on a further 29 assets in 2023. In the 2022 GRESB assessment the Fund achieved 78% data coverage by floor area for energy as a result of the Hello Energy initiative, combined with Asset Manager engagement with tenants in assets where smart metering was not yet installed.

Environmental Social Governance

Environmental performance data

Performance Metric			Absolute		Like-for-like		
			2021	2022	2021	2022	Change (%)
Energy	**Electricity (MWh)**	Landlord procured	35,865	25,172	19,434	20,185	4%
		Tenant procured	72,843	34,896	24,738	22,654	-8%
		Electricity from off-site renewable source (%)	21%	23%	24%	26%	11%
		Electricity from on-site renewable source (%)	0%	0%	–	–	–
	Fuels (MWh)	Landlord procured	4,909	3,345	1,547	1,212	-22%
		Tenant procured	22,988	7,754	4,464	2,882	-35%
		Fuels from off-site renewable source (%)	0%	0%	–	–	–
	District Heating/ Cooling (MWh)	Landlord procured	19,060	14,786	14,372	12,098	-16%
		Tenant procured	6,240	4,361	4,980	4,361	-12%
		District heating/cooling from off-s te renewable source (%)	0%	0%	–	–	–
	Total (MWh)	Landlord procured	59,834	43,303	35,354	33,494	-5%
		Tenant procured	102,070	47,012	34,182	29,897	-13%
	Estimated Data (%)	Landlord procured	2%	18%	0%	17%	
		Tenant procured	0%	28%	0%	24%	
	Data Coverage (% of Total GIA)	Total electricity	86%	57%	40%	40%	
		Total fuels	86%	71%	41%	41%	
		Total district heating/cooling	94%	71%	64%	64%	
Water	**Consumption (m³)**	Landlord procured	145,725	184,137	103,557	121,724	18%
		Tenant procured	125,423	29,237	10,595	11,528	9%
		Reused/Recycled (%)	0%	0%	0%	0%	–
	Estimated data (%)	Landlord procured	4%	23%	2%	20%	
		Tenant procured	–	29%	0%	25%	
	Data coverage (% of Total GIA)	Total	64%	48%	24%	24%	

Environmental performance data (continued)

Performance Metric			Absolute		Like-for-like		
			2021	2022	2021	2022	change (%)
Waste	**Waste produced (Tonnes)**	Landlord controlled	5,252	657	–	–	–
		Tenant controlled	–	–	–	–	–
		Recycled (%)	74%	63%	–	–	–
		Diverted from landfill (%)	94%	93%	–	–	–
	Data coverage (% of Total GIA)	Total	24%	13%	0%	0%	
	Estimated data (%)	Landlord procured	0%	0%	–	–	
		Tenant procured	0%	0%	–	–	

Greenhouse Gas (GHG) Footprint Information

GHG Protocol Scope	2021 (tCO2e)	2022 (tCO2e)
Scope 1	974	1,247
Scope 2	9,188	8,611
Scope 3	41,585	66,650
Total	51,746	76,509

Greenhouse Gas (GHG) Footprint Breakdown

GHG Protocol Scope	Source	Category	2021 (tCO2e)	2022 (tCO2e)	Variance (%)
Scope 1	Landlord-Procured Fuels	LL Fuels	974	1,021	5%
	Landlord-Procured Refrigerants	LL Ref	–	226	–
Scope 2	Landlord-Procured Energy	LL Energy	9,188	8,611	-6%
Scope 3 – Upstream	Purchased Goods & Services	Cat.1	5,131	5,026	-2%
	Capital Goods	Cat.2	386	928	140%
	Embodied Carbon	Cat.2	–	26,002	–
	Fuel & Energy Related Activities	Cat.3	882	730	-17%
	Waste Generated in Operations	Cat.5	25	20	-19%
	Water Supply & Waste Water	Wat.	37	54	47%
Scope 3 – Downstream	Downstream Leased Assets	Cat.13	35,124	33,888	-4%
	Indirect investments	Cat.15	n/a	n/a	–

Environmental Social Governance

Emissions Data Source 2022

GHG Protocol Emissions Scope	Source	% Actual	% Estimated
Scope 1 & 2	Landlord procured energy	49%	51%
Scope 3	Tenant procured energy	40%	60%

Environmental intensity metrics

Impact area	Intensity metric	Sector	Floor area determinant	Like-For-Like		
				2021	2022	% Change
Energy	Sector (kWh/m^2/yr)	Industrial: Distribution Warehouse	GIA	26	17	-36%
		Office: Corporate: Low-Rise Office	GIA	146	166	13%
		Office: Corporate: Mid-Rise Office	GIA	141	132	-6%
		Residential: Multi-Family: Mid-Rise Multi Family	NLA	118	111	-6%
		Retail: High Street	GIA	133	127	-4%
		Retail: Retail Centers: Shopping Center	GIA	151	163	8%
		Retail: Retail Centers: Strip Mall	GIA	28	24	-14%
GHG	Sector ($kgCO_2e/m^2$/yr)	Industrial: Distribution Warehouse	GIA	5	3	-41%
		Office: Corporate: Low-Rise Office	GIA	44	52	18%
		Office: Corporate: Mid-Rise Office	GIA	25	23	-7%
		Residential: Multi-Family: Mid-Rise Multi Family	NLA	25	24	-5%
		Retail: High Street	GIA	34	33	-3%
		Retail: Retail Centers: Shopping Center	GIA	47	58	22%
		Retail: Retail Centers: Strip Mall	GIA	4	3	-24%
Water	Sector (l^3/m^2/yr)	Industrial: Distribution Warehouse	GIA	64	57	-11%
		Office: Corporate: Low-Rise Office	GIA	104	220	112%
		Office: Corporate: Mid-Rise Office	GIA	148	189	28%
		Residential: Multi-Family: Mid-Rise Multi Family	GIA	859	1,022	19%
		Retail: High Street	GIA	1,129	230	-80%
		Retail: Retail Centers: Shopping Center	GIA	222	279	26%
		Retail: Retail Centers: Strip Mall	GIA	97	117	20%

Environmental Social Governance

Environmental Data Commentary

Data reported reflects the consumption and Fund composition for the period 1 January 2021 to 31 December 2022 inclusive. The Fund has engaged the services of a third party environmental data specialist, Evora Global Ltd, to undertake collection and checking of environmental data (energy, greenhouse gas, water, waste) from the assets as well as produce the reported data. Data collection and analysis have incorporated extensive correspondence with the data collectors (third party property managers) to review the accuracy of the information provided and to address data quality concerns. Full data commentary and notes can be provided on request.

Environmental Performance tables:
For environmental performance metrics, this report reflects the performance of all directly held assets where the Fund, acting as a landlord, is responsible for the procurement of energy and utilities. The proportion of estimated data is provided under each metric, and relates to estimation applied at the point of report composition. Appropriate estimation has been applied and is consistent with industry recognised methodologies. Intensities were calculated at the sector level where there was sufficient data for analysis. Note that data is prepared in accordance with the INREV 2016 Sustainability Reporting Guidelines. The Fund will look to update its method for reporting in accordance with the 2022 Guidelines for inclusion in the 2023 Annual Report.

Commentary on year-on-year trends:

- The 18% overall increase in like for like landlord procured like-for-like water consumption can be linked to increases in occupancy across the assets in the fund due to the return to 'business-as-usual' building operation following the effects of the Covid-19 restrictions experienced in 2019.
- Overall like for like landlord energy consumption reduced by 5%. This was driven by a 22% decrease in landlord fuel consumption and 16% reduction in district heating which was primarily the result of warmer weather experienced in Europe during 2022.
- Due to the timing of tenant data collection, the current reporting year's dataset does not contain a large amount of tenant data as these is currently being requested and aggregated for GRESB reporting.
- Waste data is currently under investigation to understand the drivers for the significant change in the proportion of waste that has been reported as landlord controlled.
- Note 2021 data is restated versus what was published in the 2021 Annual Report. This is due to improvements made in data coverage and data quality through the availability of actual data.
- It should be noted that estimated data has increased significantly across both absolute and like-for-like data in 2022 compared to 2021. This is due to a difference in methodology, whereby for 2021 data no uplifts have been applied, whereas GRESB/INREV aligned uplifts have been applied for 2022.

Greenhouse Gas Footprint tables:
For the GHG footprint, the analysis is extended to incorporate relevant Scope 3 emission sources, including those relating to tenant energy use (Scope 3 downstream leased assets), the Fund's purchase of goods and services (primarily relating to property and facilities management) as well as capital goods (development and refurbishment). The scope 3 footprint is reliant on the use of appropriate estimation, including industry benchmark data (GRESB) as well as use of financial data as a proxy.

The GHG footprint is stated in accordance with the GHG Protocol Corporate Accounting Standard, the emission boundary is established using the principle of operational control and is consistent with standard industry practice (GRESB).

- Scope 1: The Fund has improved reporting in relation to fugitive emissions associated with the loss of refrigerants from air conditioning systems in buildings.

Environmental Social Governance

- Scope 3 capital good and embodied carbon emissions have materially increased as a result of the completion of funded developments in 2022. The Fund is seeking to address the embodied carbon impact of developments through application of its Sustainable Development & Refurbishment Framework requirements.
- Scope 3 water supply and waste management has increased in line with the reason identified under the environmental performance table commentary
- Scope 3 tenant/downstream leased asset emissions remains an increasing and material impact area as an increased proportion of the portfolio is stabilised. Four build-to-rent assets completed in 2021 now contribute to the scope 3 tenant impact in 2022.

Social Benefit

Understanding and responding to the needs of tenant is critical to the success of the Fund. We take great pride in making sure our tenants feel secure and healthy while occupying our premises, and this has been reinforced as a result of the COVID-19 pandemic.

In 2022 the Fund began to resume its programme of health & wellbeing focused initiatives. These were focused at multi-let offices, shopping centres and other large retail assets where most impact could be achieved. Below are examples of some of the initiatives introduced throughout the year:

- The Asset Manager has installed six beehives across three assets in France with two beehives per site (with approximately 20,000 bees per beehive), working closely with a local company and beekeeper collective who are responsible for choosing the right installations and maintaining the hives. This action was the result of a biodiversity audit. Beehives contribute to the preservation of the local biodiversity and the ecosystem. It has also been of great interest to the building's users who have been invited to bi-annual events to learn about the lifecycle of bees.
- At Market Central Da Vinci in Rome, refurbishments completed at the asset have introduced a range of wellbeing focused features including: air quality sensors, renovated WC facilities which include accessibility enhancements, water stations and bird boxes installed in green areas.

Core to the strategy on occupier health, wellbeing and experience is the action to periodically review occupier satisfaction. The findings taken from these reviews is invaluable to the engagement programme as it enables M&G Real Estate to finetune its customer service approach, to respond to tenant needs while protecting asset financial performance.

The Fund commissioned an independent survey of tenant satisfaction across its multi-let portfolio in 2022. The outcomes of this survey identified a number of asset specific and thematic feedback points which the Asset Manager and its third-party Property Managers have taken forwards into action plans. The survey complemented that completed in the prior year which covered tenants in the Fund's triple-net-lease portfolio.

With an active presence in local communities across a range of property sectors, the Fund has an opportunity to make positive contribution to the people that live, work and visit its buildings or live within the vicinity.

During 2022, the Fund's shopping centres have continued to provide significant support to local communities, facilitating public services and charitable events. At Galerie Toison d'Or in Brussels, the centre has hosted a range of events for occupiers and the local community including:

- Movember action which aimed to raised awareness on Men's Health and encourage charitable donation.
- Toy collection for a local youth association which supports young people from disadvantaged areas of the city.
- Health awareness and community safety events including the 'Pop Up Police Store' which provides a meeting point between the community and police force.

Environmental Social Governance

The Fund is committed to expanding community engagement initiatives to the broader portfolio where there are site-based property managers to support implementation. The Portfolio and Asset Manager will review the approach to social benefit, in terms of measurement of outcomes and targets, in 2023.

The Asset Manager and its third party Property Managers are now using a third party software platform, SIERA, to support the planning and tracking of asset-level wellbeing and community focused initiatives, to allow easier assessment of what has been completed and the measured impacts (eg monies raised).

Environmental Social Governance

Strong foundations

There are ten strong foundations we believe must be in place to deliver our ESG objectives, alongside the 2023 objectives for the Fund.

Strong Foundations		
1	Investor Reporting & Engagement	The Fund provides investors with both quarterly and annual updates on the ESG performance of the fund. This annual report is produced in line with the INREV Sustainability Reporting Requirements. The Fund participates annually in the Global Real Estate Sustainability Benchmark survey and targets to improve year on year performance. M&G Real Estate also undertakes extensive engagement with industry working groups on ESG to support the development of best practice and standardization on key issues such as net zero. In this report, we have worked to improve disclosure on climate-related risk in accordance with TCFD recommendations.
2	Risk Management & Regulatory Compliance	The Fund seeks to minimise long-term exposure to material ESG risk by embedding consideration of these into investment decision making. We have embedded consideration of this risk into our acquisition and asset management processes. We comply with all local ESG regulation and have an external specialist consultant provide a regular review of current and upcoming legislative requirements across Europe which is circulated within the business. Across Europe we are preparing for a number of forthcoming regulations, for example we are implementing compliance with the Décret Tertiaire regulations in France which requires significant energy reduction targets to be achieved. We have embedded consideration of this risk into our acquisition and asset management processes. We are also preparing to respond to the EU Sustainable Finance Disclosure Regulations. To the best of our knowledge there were no legislative breaches during 2022.
3	Acquisitions	Material ESG issues are integrated into acquisition due diligence processes, which ensures risks and opportunities have been appraised and priced accordingly. The Fund has enhanced and continues to focus on the integration of ESG factors in due diligence processes.
4	Asset Planning & Prioritisation	Annual asset plans incorporate measures to manage and/or improve ESG performance, based on the risk, opportunities and initiatives planned for the asset. Asset plans are produced for all assets held. The SIERA data management platform is used by asset and property managers to track asset ESG initiatives.
5	Leasing	The Fund has green leases clauses in a number of assets, and we are in the process of integrating green lease clauses into all new leases across Europe. We have been working to provide greater information to our occupiers on how they can improve environmental, health and wellbeing performance of their space during any works and occupation, as detailed above.
6	Monitoring & Guidance	Management systems and processes provide clear guidance on how to implement the ESG approach. An external party, Evora Global, is engaged to support monitoring of environmental performance data using the SIERA data management system. Property managers input environmental performance data into Evora's online platform. Data quality and analysis checks performed by Evora and the platform ensures the highest levels of data coverage and accuracy. M&G Real Estate maintain an environmental management system for the UK which is independently certified to ISO 14001: 2015, the objective is to maintain certification in 2023.
7	Property Management	Third party property managers have sustainability requirements integrated into their contracts and Service Level Agreements. Annual KPIs are set and are monitored regularly to ensure that property managers and their supply chain are ensuring the delivery of ESG initiatives and targets. EVORA meet with and provide a quarterly report on ESG performance data report to the property manager to drive engagement.
8	Development & Refurbishment	All developments in the Fund have strong sustainability credentials. Minimum requirements and aspiration targets are set out in the European and Commercial Residential Sustainable Development and Refurbishment frameworks which is a key tool for the Fund's engagement with development partners.
9	Supply Chain Management	ESG standards and requirements are provided to suppliers as appropriate to their services. Monitoring is in place to ensure that contractual requirements are adhered to.
10	Employee Engagement	All employees understand their role in the delivery of our ESG Strategy through training and briefings, and receive regular updates on the ESG performance of portfolios and assets they work on. All employees across the M&G Investments business are set a personal objective in relation to ESG.

Fund statistics

Share class performance

Share class	1 year			3 year annualised			5 year annualised			Since inception (annualised)[a]		
	Income return	Capital return	Total return	Income return	Capital return	Total return	Income return	Capital return	Total return	Income return	Capital return	Total return
Class 'C'	2.07%	-5.94%	-3.87%	2.46%	-0.49%	1.97%	2.55%	1.10%	3.65%	3.67%	-0.68%	2.98%
Class 'E'[a]	2.37%	-5.98%	-3.60%	2.77%	-0.48%	2.28%	–	–	–	2.45%	-0.30%	2.14%
Class 'F'[b]	2.48%	-5.97%	-3.50%	2.87%	-0.49%	2.38%	–	–	–	2.92%	0.51%	3.43%
Class 'G'[c]	2.53%	-5.98%	-3.45%	–	–	–	–	–	–	2.83%	-0.43%	2.40%
Class 'X'	2.30%	-5.96%	-3.66%	2.69%	-0.49%	2.20%	2.79%	1.10%	3.88%	3.53%	1.36%	4.89%

[a] Class 'E' Shares were first issued on 1 January 2019 and fully converted to other share classes on 1 July 2019. The shares under this share class were re-issued on 1 January 2020 and subsequently on 1 July 2022 for Class 'E' Accumulated Shares.

[b] Class 'F' Shares were first issued on 1 January 2019.

[c] Class 'G' Shares were first issued on 1 October 2020.

The income return quoted is calculated on an earned basis, not a paid basis.

Capital returns include the fair value movement on the following: real estate assets, deferred tax liabilities, debt obligations and hedging instruments.

Past performance is no indication of current or future performance and the performance data does not take account of transaction costs incurred on the issue and redemption of Shares.

The price of Shares and the income from them may go down as well as up, and investors may get back less than they invested.

Dividends are paid quarterly on Income Shares two months after the relevant accounting reference date.

The accounting reference and payments dates of the dividends for the coming year will be as follows:

Income allocation dates

Distribution type	Accounting reference date	Payment date
First interim	31.03.23	31.05.23
Second interim	30.06.23	31.08.23
Third interim	30.09.23	30.11.23
Final interim	31.12.23	28.02.24

On 31 December 2022, the NAV per Share for each Class and type of Share in issue were as follows:

Net Asset Value per Share

Share Class	Income Shares €	Accumulation Shares €
Class 'C'	94.33	161.45
Class 'E'	94.28	171.48
Class 'F'	94.09	167.39
Class 'G'	94.09	167.57
Class 'X'	94.29	166.22

Fund statistics

Net Asset Value per Share (history)

Share class	Calendar year	Income Shares Highest €	Income Shares Lowest €	Accumulation Shares Highest €	Accumulation Shares Lowest €
Class 'C'[a]	2006[a]	101.40	100.00	101.40	100.00
	2007	108.31	100.60	110.79	100.60
	2008	107.27	90.09	110.94	95.42
	2009	88.63	79.14	94.87	86.94
	2010	80.07	77.83	93.37	87.66
	2011	81.10	79.96	98.22	94.17
	2012	81.25	79.75	101.05	98.63
	2013	79.51	77.52	102.30	101.07
	2014	78.75	77.02	107.77	102.41
	2015	82.90	78.63	117.70	108.65
	2016	85.78	82.83	125.65	118.44
	2017	89.68	85.91	135.02	126.81
	2018	92.56	88.98	143.39	135.56
	2019	96.01	91.97	152.29	143.50
	2020	96.17	94.85	155.75	152.56
	2021	100.19	95.29	167.94	157.03
	2022	102.59	94.33	173.17	161.45
Class 'E'[b]	2019	92.67	91.87	–	–
	2020	96.15	94.85	–	–
	2021	100.14	95.25	–	–
	2022	102.55	94.28	181.22	171.48
Class 'F'[c]	2019	95.84	91.87	156.01	146.47
	2020	95.97	94.67	160.19	156.60
	2021	99.94	95.06	173.41	161.67
	2022	102.34	94.09	179.16	167.39
Class 'G'[d]	2019	–	–	–	–
	2020	94.91	94.91	160.21	160.21
	2021	99.94	95.06	173.52	161.71
	2022	102.34	94.09	179.31	167.57
Class 'X'[e]	2011	81.13	79.96	98.48	94.17
	2012	81.26	79.75	101.52	98.91
	2013	79.52	77.51	103.01	101.61
	2014	78.76	76.99	108.86	103.21
	2015	82.91	78.61	119.18	109.77
	2016	85.76	82.81	127.55	119.96
	2017	89.66	85.86	137.43	128.75
	2018	92.55	88.92	146.31	138.06
	2019	96.00	91.98	155.73	146.45
	2020	96.14	94.84	159.63	156.18
	2021	100.15	95.25	172.51	161.03
	2022	102.56	94.29	178.07	166.22

[a] From 3 October 2006 (the launch date of the Fund) to 31 December 2006.

[b] Class 'E' Shares were first issued on 1 January 2019 and fully converted to other share classes on 1 July 2019. The shares under this share class were re-issued on 1 January 2020 and subsequently on 1 July 2022 for Class 'E' Accumulated Shares.

[c] Class 'F' Shares were first issued on 1 January 2019.

[d] Class 'G' Shares were first issued on 1 October 2020.

[e] Class 'X' Shares were first issued on 1 February 2011.

Fund statistics

The Net Distributable Income allocated to one Income Share in issue for each distribution in the last 12 months is set out below:

Income

Income Share Class	Accounting reference date	Payment date	Income per Share €
Class 'C'	31.03.22	31.05.22	0.4553
	30.06.22	31.08.22	0.2989
	30.09.22	30.11.22	0.8266
	31.12.22	28.02.23	0.5012
Class 'E'	31.03.22	31.05.22	0.5296
	30.06.22	31.08.22	0.3758
	30.09.22	30.11.22	0.9045
	31.12.22	28.02.23	0.5774
Class 'F'	31.03.22	31.05.22	0.5534
	30.06.22	31.08.22	0.4007
	30.09.22	30.11.22	0.9287
	31.12.22	28.02.23	0.6017
Class 'G'	31.03.22	31.05.22	0.5657
	30.06.22	31.08.22	0.4135
	30.09.22	02.12.22	0.9417
	31.12.22	28.02.23	0.6143
Class 'X'	31.03.22	31.05.22	0.5110
	30.06.22	31.08.22	0.3565
	30.09.22	02.12.22	0.8850
	31.12.22	28.02.23	0.5583

The Net Distributable Income allocated to one Income Share in issue for each of the last five financial years is set out below:

Income

Share Class	Financial year ended	Income €
Class 'C'	31.07.17	2.6572
	31.07.18	2.5229
	31.07.19	2.2544
	31.07.20	2.2080
	31.12.20[d]	1.3366
	31.12.21	2.3225
	31.12.22	2.0820
Class 'E'[a]	31.07.19	1.4597
	31.07.20	1.8715
	31.12.20[d]	1.4536
	31.12.21	2.6126
	31.12.22	2.3873
Class 'F'[b]	31.07.19	2.0903
	31.07.20	2.5803
	31.12.20[d]	1.4908
	31.12.21	2.7041
	31.12.22	2.4845
Class 'G'[c]	31.12.20	0.8669
	31.12.21	2.7525
	31.12.22	2.5352

Fund statistics

The Net Distributable Income allocated to one Income Share in issue for each of the last five financial years is set out below:

Income (continued)

Share Class	Financial year ended	Income £
Class 'X'	31.07.17	2.8717
	31.07.18	2.7276
	31.07.19	2.4665
	31.07.20	2.4186
	31.12.20[d]	1.4235
	31.12.21	2.5398
	31.12.22	2.3108

[a] Class 'E' Shares were first issued on 1 January 2019 and fully converted to other share classes on 1 July 2019. The shares under this share class were re-issued on 1 January 2020 and subsequently on 1 July 2022 for Class 'E' Accumulated Shares.

[b] Class 'F' Shares were first issued on 1 January 2019.

[c] Class 'G' Shares were first issued on 1 October 2020.

[d] The financial period which commenced on 1 August 2020 and ended on 31 December 2020.

The annualised dividend yield for the 12 months ending on the dates in the below table (total dividend per Income Share as a percentage of the average NAV per Share of Income Shares) were:

Yield (12 months annualised)

Income share class	31.12.22	31.12.21
Class 'C'	2.1%	2.4%
Class 'E'[a]	2.4%	2.7%
Class 'F'[b]	2.5%	2.8%
Class 'G'[c]	2.5%	2.9%
Class 'X'	2.3%	2.6%

[a] Class 'E' Shares were first issued on 1 January 2019 and fully converted to other share classes on 1 July 2019. The shares under this share class were re-issued on 1 January 2020 and subsequently on 1 July 2022 for Class 'E' Accumulated Shares.

[b] Class 'F' Shares were first issued on 1 January 2019.

[c] Class 'G' Shares were first issued on 1 October 2020.

Fund statistics

Net Asset Value per Share and number of Shares in issue as at 31 December 2022

	As at	NAV per Share		Number of Shares in Issue	
		Income Shares €	Accumulation Shares €	Income Shares	Accumulation Shares
Class 'C'	31.07.07	104.39	–	4,533,894.11	–
	31.07.08	101.83	107.08	4,699,025.95	235,260.30
	31.07.09	79.25	86.94	4,451,470.90	251,434.26
	31.07.10	78.47	90.47	4,452,175.44	416,386.35
	31.07.11	80.51	96.63	4,336,168.37	355,146.41
	31.07.12	80.42	100.66	5,406,209.31	317,582.86
	31.07.13	78.19	101.81	5,709,409.47	317,248.85
	31.07.14	77.27	104.73	5,802,402.85	365,590.20
	31.07.15	79.70	112.21	6,328,125.03	392,663.57
	31.07.16	83.83	121.68	457,591.47	2,173,198.59
	31.07.17	87.73	131.28	461,398.76	300,990.34
	31.07.18	90.03	138.57	644,490.96	350,446.30
	31.07.19	92.74	146.28	539,015.91	145,993.39
	31.07.20	94.90	153.20	497,875.17	174,129.65
	31.12.20	95.14	155.75	529,693.307	187,948.742
	31.12.21	100.19	167.94	320,737.806	257,907.624
	31.12.22	94.33	161.45	297,045.968	310,965.976
Class 'E'[a]	31.07.20	94.86	–	685,072.04	–
	31.12.20	95.10	–	896,462.652	–
	31.12.21	100.14	–	1,618,917.725	–
	31.12.22	94.28	171.48	3,330,824.181	13,642.631
Class 'F'[b]	31.07.19	92.51	149.60	14,587,799.55	4,476,809.49
	31.07.20	94.67	157.30	17,929,901.64	4,216,517.76
	31.12.20	94.91	160.19	9,059,991.208	1,865,072.919
	31.12.21	99.94	173.41	11,831,996.143	2,179,356.345
	31.12.22	94.09	167.39	12,697,900.311	2,296,929.943
Class 'G'[c]	31.12.20	94.91	160.21	10,660,759.266	1,663,622.585
	31.12.21	99.94	173.51	10,660,759.266	1,663,622.585
	31.12.22	94.09	167.57	11,754,060.939	1,935,744.217

Fund statistics

Net Asset Value per Share and number of Shares in issue as at 31 December 2022 (continued)

	As at	NAV per Share		Number of Shares in Issue	
		Income Shares £	Accumulation Shares £	Income Shares	Accumulation Shares
Class 'X'[d]	31.07.11	80.50	96.78	479,280.71	273,506.73
	31.07.12	80.39	101.07	1,542,820.97	271,724.03
	31.07.13	78.16	102.47	1,610,731.48	784,554.82
	31.07.14	77.25	105.68	1,750,639.25	869,983.56
	31.07.15	79.67	113.51	2,719,765.01	1,023,008.68
	31.07.16	83.78	123.39	4,065,928.55	5,332,002.02
	31.07.17	87.67	133.49	4,384,733.09	11,554,733.32
	31.07.18	89.99	141.25	5,439,742.33	12,886,301.06
	31.07.19	92.70	149.44	4,061,619.99	2,277,293.86
	31.07.20	94.86	156.86	5,323,563.04	1,370,864.13
	31.12.20	95.11	159.63	5,323,563.036	1,408,606.055
	31.12.21	100.15	172.51	5,631,764.675	1,533,916.340
	31.12.22	94.29	166.22	6,417,473.594	1,932,154.270

[a] Class 'E' Shares were first issued on 1 January 2019 and fully converted to other share classes on 1 July 2019. The shares under this share class were re-issued on 1 January 2020 and subsequently on 1 July 2022 for Class 'E' Accumulated Shares.

[b] Class 'F' Shares were first issued on 1 January 2019.

[c] Class 'G' Shares were first issued on 1 October 2020.

[d] Class 'X' Shares were first issued on 1 February 2011.

Fund statistics

Net Asset Value of the Fund

As at	€'000
31.07.07	514,489
31.07.08	542,429
31.07.09	399,816
31.07.10	390,665
31.07.11	451,935
31.07.12	621,108
31.07.13	687,579
31.07.14	713,827
31.07.15	881,214
31.07.16	1,301,365
31.07.17	2,006,816
31.07.18	2,416,315
31.07.19	2,807,501
31.07.20	3,219,694
31.12.20	3,333,138
31.12.21	3,980,773
31.12.22	4,330,490

Top 10 tenants

Tenant	% of Passing Rent of the Fund
WPP Jubilee Limited	3.9%
Distribution Casino France	3.3%
Continente	2.9%
BIMA	2.5%
REWE Markt GmbH	2.2%
Lemvigh-Møller A/S	1.9%
Nykredit Realkredit A/S	1.9%
Postnord	1.9%
Alma Media Oyj	1.7%
Teddy Spa Group	1.7%
Total	**23.9%**

Business Sector	% of Passing Rent of the Fund
Business Services	13.9%
Consumer Discretionary	21.0%
Consumer Staples	12.1%
Financials	8.3%
Government	4.9%
Healthcare	3.1%
Insurance	4.2%
Logistics	10.8%
Manufacturing and Mining	5.2%
Other	3.2%
Residential	7.3%
Technologies	3.8%
Unallocated	1.2%
Utilities	1.0%
Total	**100.0%**

Fund statistics

Senior debt summary as at 31 December 2022

Borrower	Lender	Principal (€)	Interest rate per annum (%)	Maturity date	Years to maturity	LTV (%)	ICR Covenant (%)	ICR (%)
Dreiech S.à r.l	Berlin Hyp	20,000,000	0.78	09/07/2025	2.5	33	350	1092
32-34 Vimmelskaftet K/S[b]	Danske Bank	16,808,983	0.53	01/04/2025	2.3	66	–	–
Republique 27/31 SCI	Berlin Hyp	19,000,000	0.60	16/07/2024	1.5	37	150	1660
Antibes 90/94 SCI	Berlin Hyp	20,000,000	1.99	16/07/2024	1.5	41	150	508
Rennes 135 SCI	Berlin Hyp	30,480,000	0.60	16/07/2024	1.5	60	150	871
30 Vimmelskaftet ApS[b]	Danske Bank	14,455,725	0.54	01/04/2026	3.2	62	–	–
Kalvebod Brygge 47 K/S[b]	Danske Bank	37,215,088	0.49	01/04/2025	2.3	48	–	–
MCF S.r.l[c]	ING/BayernLB	26,595,000	3.40	05/08/2026	3.6	26	–	–
Badensche S.à r.l[a]	ING	34,291,200	1.01	20/01/2023	0.1	22	–	–
Ridlerstraße S.à r.l[d]	ING	18,900,000	1.16	20/01/2023	0.1	33	–	–
Luisen Forum S.à r.l[e]	Bayern LB	43,680,000	1.06	30/01/2023	0.1	50	750	780
Greenwalk SCI[f]	Bayern LB	44,275,000	1.20	29/03/2023	0.2	38	200	1200
Radlkoferstrasse 2 S.à r.l	ING	33,560,000	0.67	30/03/2024	1.2	37	–	–
Kiinteiso Oy Alvar Aallonkatu 3	SEB	40,250,000	0.80	28/01/2025	2.1	34	350	1304
Rios Rosas	Caixabank	83,500,000	2.10	29/09/2026	3.7	36	130	496
Total/Average:		**483,010,996**	**1.23**		**1.8**	**40**	**174**	**561**

[a] Total debt in Badensche S.à r.l., in which the Fund holds a 94% interest, as at 31 December 2022 is €36.5m. Badensche S.à r.l loan was repaid in full on 19 January 2023.

[b] Principal amount converted at a rate of DKK 7.44: €1 as at 31.12.22.

[c] Total debt in MCF S.r.l. is €59.1 m, of which the Fund has a 45% joint venture interest.

[d] Ridlerstrasse S.à r.l loan was repaid in full on 19 January 2023.

[e] Luisen Forum S.à r.l loan was repaid in full on 27 January 2023.

[f] Greenwalk SCI loan was repaid in full on 29 March 2023.

Fund statistics

Fee Metrics

The Total Global Expense Ratio (TGER) expresses Fund level costs over the 12-month reporting period as a proportion of average INREV Net Asset value and average INREV Gross Asset Value. Fee metrics have been prepared on a look-through basis. Rebate arrangement exist within the Fund under the provisions of the vehicle documents.

Fund operating expenses	31.12.22 €'000	31.12.21 €'000
Annual management fees	21,465	16,991
Asset management fees	11,262	10,219
Domiciliation and administration fees	3,312	3,002
Audit fees	1,602	1,304
Depositary fees	311	311
Directors' fees	251	254
Professional fees[b]	4,095	2,529
Valuation fees	866	797
Other operating expenses	1,081	1,363
Total Fund operating expenses	**44,245**	**36,771**
Subscription tax	446	365
Income tax, including withholding tax and net wealth tax	9,132	14,209
Deferred tax	(30,740)	44,501
Total Fund operating expenses after tax	**23,083**	**95,846**
Average INREV Net Asset Value	4,427,940	3,650,113
Total Global Expense Ratio (Total Fund operating expenses/ Average INREV Net Asset Value)	**1.00%**	**1.01%**
Average INREV Gross Asset Value	5,374,473	4,604,136
Total Global Expense Ratio (Total Fund operating expenses/ Average Gross Asset Value)	**0.82%**	**0.80%**
Total Global Expense Ratio after tax (Total Fund operating expenses after tax/Average INREV Gross Asset Value)	**0.43%**	**2.08%**

The Real Estate Expense Ratio (REER) expresses property investment-level costs over a 12-month period as a proportion of average INREV Gross Asset Value and average INREV Net Asset Value.

Property operating expenses	31.12.22 €'000	31.12.21 €'000
Amortisation of acquisition costs	13,190	14,223
Property management fees	4,758	4,430
Professional fees	469	444
Property insurance	2,262	1,886
Non-recoverable costs	19,458	11,473
Total Property operating expenses[a]	**40,137**	**32,456**
Average INREV Net Asset Value	4,427,940	3,650,113
Real Estate Expense Ratio (Total Property operating expenses/ Closing INREV Net Asset Value)	**0.91%**	**0.89%**
Average INREV Gross Asset Value	5,374,473	4,604,136
Real Estate Expense Ratio (Total Property operating expenses/ Closing Gross Asset Value)	**0.75%**	**0.70%**

[a] Comprises property operating expenses per the Consolidated Income Statement less service charge recoveries.

[b] As of 31 December 2022, the increase of other professional fees were mainly linked to tax services fees €0.5m, fees for the Green Bond project €0.5m, and legal fees for the Fund €0.5m. The increase of tax services fees was triggered by a general increase across several entities mainly due to additional tax services (advisory, regulatory). Legal fees have mainly increased due to additional services provided by Hogan Lovells (Paris) LLP for the Green bond project €0.2m and Reed Smith LLP €0.1m.

Fund statistics

Forward looking Fee Metrics

Forward looking TGER computed as a percentage of the INREV Net Asset Value of the Fund attributable to Class 'C', Class 'E', Class 'F', Class 'G' and Class 'X' as at 31 December 2022:

Fund level costs	Class 'C' Shares	Class 'F' Shares	Class 'E' Shares	Class 'X' Shares	Class 'G' Shares
Management fees	0.85%	0.45%	0.55%	0.63%	0.40%
Asset management fees	0.25%	0.25%	0.25%	0.25%	0.25%
Domiciliation and administration fees	0.07%	0.07%	0.07%	0.07%	0.07%
Audit fees	0.04%	0.04%	0.04%	0.04%	0.04%
Depositary fees	0.01%	0.01%	0.01%	0.01%	0.01%
Directors' fees	0.01%	0.01%	0.01%	0.01%	0.01%
Professional fees	0.09%	0.09%	0.09%	0.09%	0.09%
Valuation fees	0.02%	0.02%	0.02%	0.02%	0.02%
Other operating expenses	0.02%	0.02%	0.02%	0.02%	0.02%
TGER	**1.36%**	**0.96%**	**1.06%**	**1.14%**	**0.91%**
Subscription tax	0.01%	0.01%	0.01%	0.01%	0.01%
Income tax, including withholding tax and net wealth tax	0.21%	0.21%	0.21%	0.21%	0.21%
TGER after Tax	**1.58%**	**1.18%**	**1.28%**	**1.36%**	**1.13%**

Fund statistics

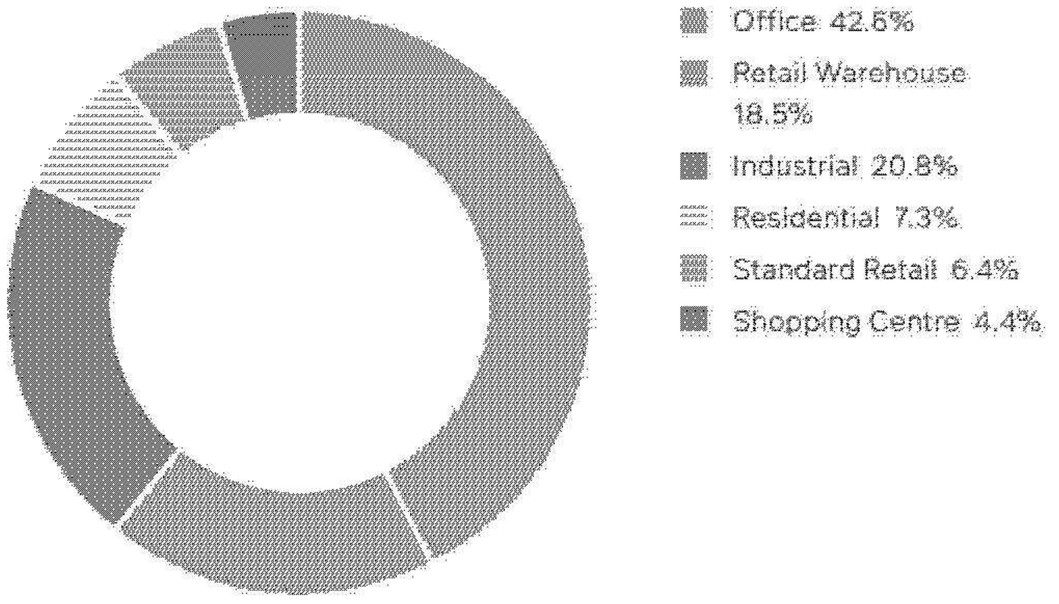
Forward looking REER computed as a percentage of the INREV Net Asset Value of the Fund as at 31 December 2022:

Property level costs	Amt
Amortisation of acquisition costs	0.30%
Property management fees	0.11%
Professional fees	0.01%
Property insurance	0.05%
Non-recoverable costs	0.44%
REER	**0.91%**

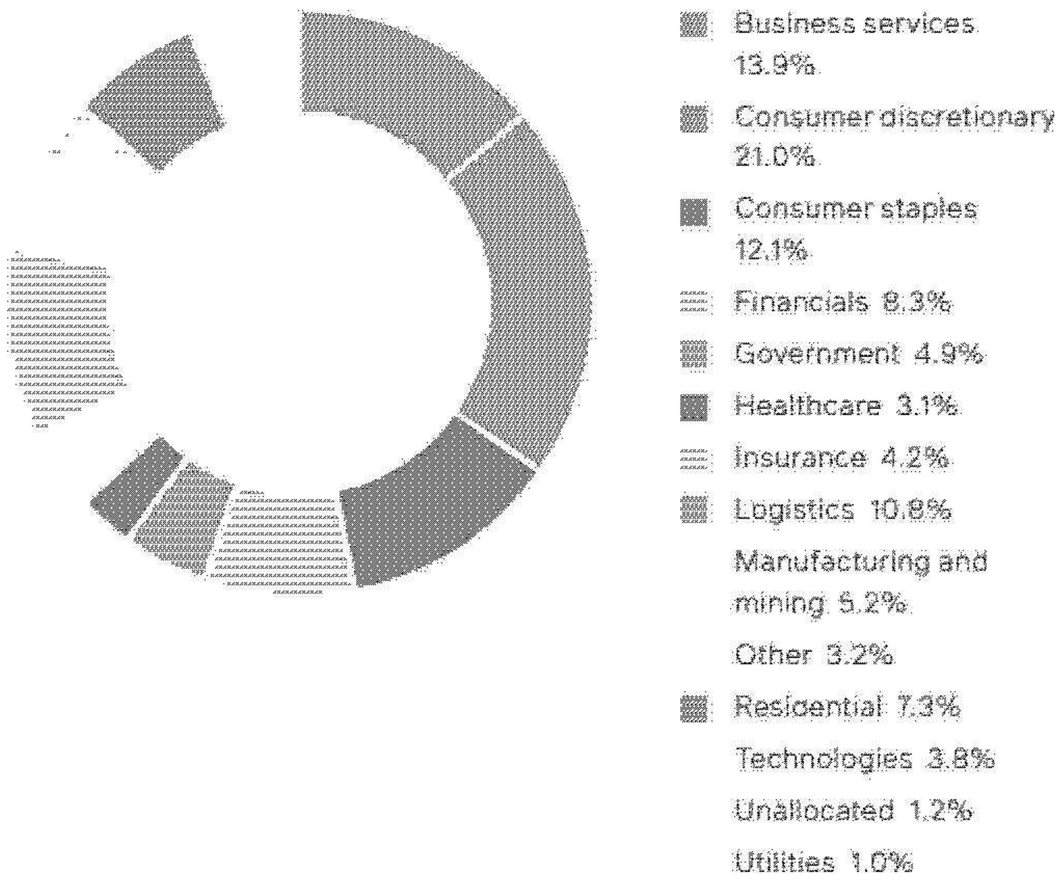
The projected expense ratios are estimated by the Fund's management based on the information available and the conditions existing as at the date of this report. Actual expenses can vary significantly from the projected estimates.

Rebate arrangement exist within the Fund under the provisions of the vehicle documents.

Rental Income by property sector



Rental Income by economic group



Fund statistics

Statistical data in relation to real estate assets

12 month returns as at 31 December 2022 – property returns measured in local currency for assets held for 12 months or longer.

Asset Name	Country	Capital Return (%)	Income Return (%)	Total Return (%)
Galerie Toison D'or	Belgium	-6.79%	4.83%	-2.27%
Guimard 1	Belgium	-0.38%	4.60%	4.21%
Opera Trio	Belgium	3.59%	0.96%	4.57%
Cortenbergh 71	Belgium	-11.58%	3.56%	-8.40%
Vimmelskaftet 32-34	Denmark	-15.69%	4.42%	-11.91%
Vimmelskaftet 30	Denmark	-19.16%	4.90%	-15.12%
Kalvebod Brygge 47	Denmark	-9.37%	4.98%	-4.81%
Ulisvej 5	Denmark	-11.10%	4.53%	-7.03%
Nordager 1-3	Denmark	-11.52%	4.42%	-7.56%
Blangstedgardsvej 11-25	Denmark	-3.32%	6.74%	3.21%
Klosterstraede 1	Denmark	-8.10%	-3.11%	-10.97%
Big Shopping	Denmark	-3.16%	5.72%	2.39%
Vantaa Retail Park	Finland	6.88%	7.40%	14.75%
Vilhonvuorenkatu 2-4	Finland	-9.73%	5.05%	-5.13%
Vilhonvuorenkatu 6	Finland	-10.17%	3.26%	-7.22%
Alvar Aalion Katu 3	Finland	-10.24%	3.51%	-7.07%
Espoon Centaurus	Finland	-6.94%	2.73%	-4.39%
Espoon Helavalkea	Finland	-3.37%	2.55%	-0.90%
Espoon Loru	Finland	-3.77%	1.98%	-1.86%
Kauniaisten Markiisi	Finland	-4.60%	2.08%	-2.60%
Vantaan Suitsu	Finland	-6.21%	2.90%	-3.47%
Kirkkonummen Tolsan Rinne 2	Finland	-3.74%	3.45%	-0.41%
Nurmijärven Kauranjyvä	Finland	2.00%	3.69%	5.75%
Sipoon Ruusunen	Finland	5.26%	4.06%	9.51%
Tampereen Rehtori	Finland	1.96%	3.58%	5.60%
Turun Beeta	Finland	-1.35%	3.12%	1.71%
Hämeenlinnan Vaihdepäällikkö	Finland	-1.79%	4.10%	2.24%
Rue De La Republique	France	-3.41%	3.82%	0.29%
Le Plessis Belleville	France	-9.23%	4.45%	-5.15%
Nauberg SCI	France	-11.38%	5.40%	-6.54%
Rue D'antibes	France	-3.98%	4.24%	0.11%

Fund statistics

Statistical data in relation to real estate assets (continued)

Asset Name	Country	Capital Return (%)	Income Return (%)	Total Return (%)
Rue De Rennes	France	-5.76%	2.26%	-3.62%
Fresenius Unit	France	-0.95%	4.37%	3.36%
Petit Bateau	France	-14.21%	4.84%	-10.00%
3 Avenue Hoche Sci	France	0.54%	4.48%	5.04%
Greenwalk	France	-13.61%	6.09%	-8.28%
Alphonse De Neuville	France	-11.56%	2.38%	-9.44%
Les Essentielles Rss Levallois	France	-1.53%	3.12%	1.56%
Les Boreales	France	-0.07%	0.00%	-0.07%
Casino Marseille	France	2.94%	5.68%	8.77%
Clichy Rue Du 8 Mars	France	-9.76%	0.00%	-9.76%
Aurientis Aix-En-Provence	France	-0.17%	0.00%	-0.17%
Géant Casino Albertville	France	4.85%	5.97%	11.09%
Géant Casino Montpellier	France	6.00%	5.45%	11.74%
Rio	France	-10.54%	0.69%	-9.91%
Lambres Lez Douai	France	2.80%	0.00%	2.80%
Ringstrasse	Germany	-9.90%	2.98%	-7.19%
Oval	Germany	-10.72%	1.74%	-9.15%
Marktkauf Hypermarket	Germany	-10.72%	4.41%	-6.74%
Toom Hypermarket	Germany	-5.80%	5.75%	-0.35%
Real Hypermarket	Germany	-3.72%	6.03%	2.10%
Dreieich Nordpark	Germany	4.35%	4.37%	8.89%
Ridlerstrasse 55	Germany	-17.24%	2.05%	-15.51%
Luisenforum	Germany	-11.89%	6.26%	-6.31%
Badensche Strasse 23-24	Germany	4.83%	2.21%	7.15%
Furst & Friedrich	Germany	-10.63%	3.15%	-7.79%
Otto Warehouse	Germany	-2.64%	4.05%	1.31%
Aurum	Germany	-13.43%	2.16%	-11.54%
Victoria Gärten	Germany	-2.94%	0.00%	-2.94%
Via Torino	Italy	-4.86%	4.70%	-0.36%
Market Central Da Vinci	Italy	-2.54%	6.28%	3.59%
L14	Italy	-1.26%	6.19%	4.86%
Vescovana Logistics	Italy	-6.35%	4.50%	-2.11%
Via Pola	Italy	-2.62%	4.12%	1.40%
Da Vinci	Luxembourg	-1.07%	5.89%	4.77%

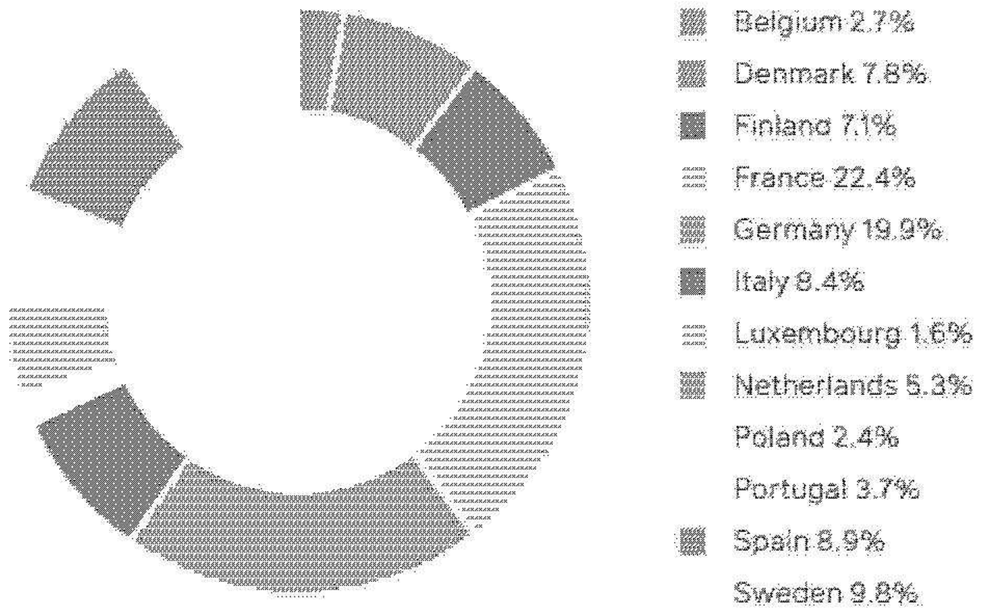
Fund statistics

Statistical data in relation to real estate assets (continued)

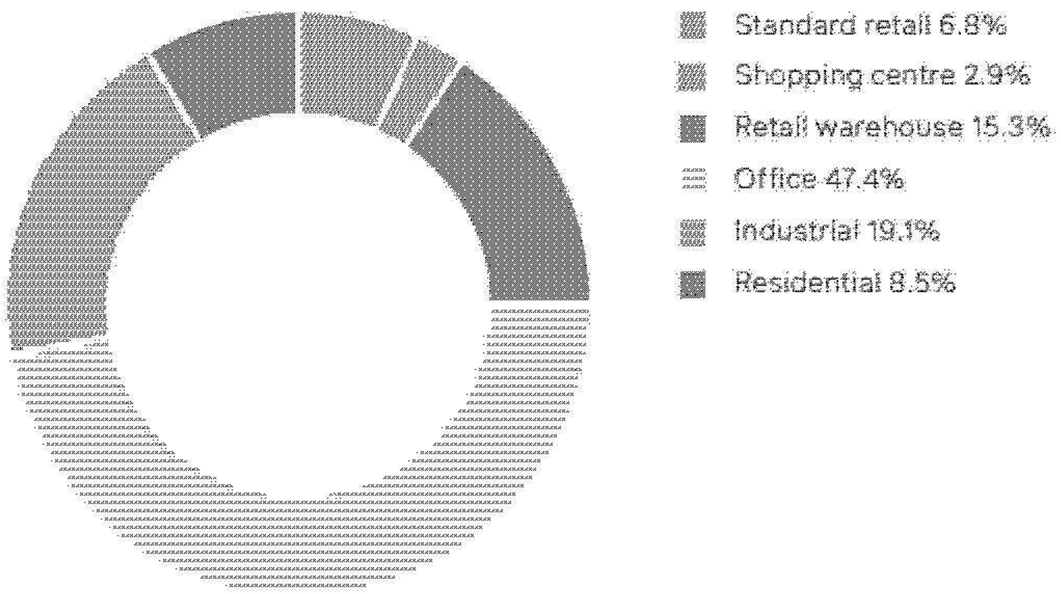
Asset Name	Country	Capital Return (%)	Income Return (%)	Total Return (%)
Databankweg	Netherlands	15.17%	4.12%	19.83%
Jupiter House	Netherlands	-14.62%	4.14%	-11.03%
Staalsteden	Netherlands	-3.18%	6.10%	2.76%
Frederiksplein 42	Netherlands	-14.90%	2.94%	-12.36%
Van Hilststraat 23	Netherlands	-8.52%	4.29%	-4.57%
7even	Netherlands	-10.86%	3.07%	-8.09%
Ape01	Netherlands	-8.47%	-0.01%	-8.48%
Toy Story Logistics Centre	Poland	-1.03%	6.06%	4.98%
Decathlon Logistics Centre	Poland	2.49%	5.69%	8.31%
Panattoni Park Poznan West II	Poland	-3.17%	3.08%	-0.18%
Panatonni Park	Poland	-5.90%	3.32%	-2.77%
Continente Telheiras	Portugal	4.87%	5.08%	10.18%
Continente Maia	Portugal	2.08%	5.40%	7.57%
Continente Beja	Portugal	-1.23%	6.44%	5.13%
Continente Modelo	Portugal	-1.08%	6.13%	4.99%
Continente Modelo	Portugal	1.45%	5.65%	7.17%
Continente Modelo	Portugal	2.49%	5.52%	8.13%
Continente Modelo	Portugal	0.63%	5.53%	6.19%
Alexandre Herculano 53	Portugal	-4.01%	6.14%	1.90%
Rios Rosas 26	Spain	-5.07%	3.62%	-1.58%
Gran Via 68	Spain	-2.12%	4.33%	2.13%
Teka Logistics	Spain	-9.34%	4.34%	-5.37%
Calle Reyes Catolicos 25-27	Spain	-17.10%	-0.94%	-17.89%
Flex Logistics	Spain	-14.11%	5.10%	-9.68%
Los Gavilanes Logistics Hub	Spain	-9.83%	4.24%	-5.97%
Madera 25	Spain	-3.52%	3.26%	-0.36%
Ontigola Logistics Platform	Spain	-2.16%	4.38%	2.14%
Paradiset	Sweden	-14.94%	4.53%	-11.03%
Burlov Centre	Sweden	-14.90%	1.34%	-13.75%
Arendal	Sweden	-15.03%	3.35%	-12.15%
Blekholmen	Sweden	-11.06%	3.53%	-7.90%
Lyckobrunnen	Sweden	-24.73%	3.28%	-22.20%
Myren 6 & 8	Sweden	-25.26%	3.84%	-22.31%
Postnord Logistics	Sweden	-21.12%	3.89%	-17.98%

Fund statistics

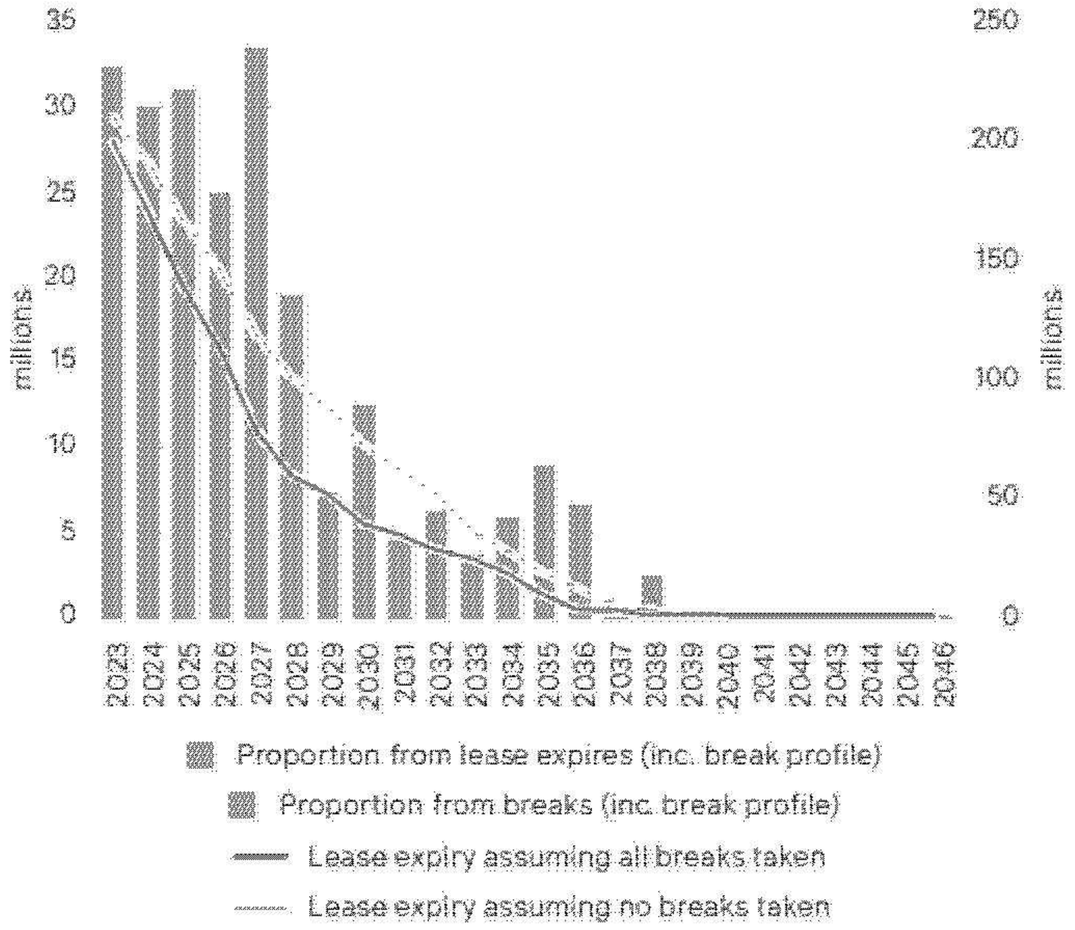
Portfolio geographic allocation



Portfolio sector allocation



Lease expiry (EUR)



Fund statistics

Statistical data in relation to real estate assets (continues on next page)

Asset name	Location	Country	Total Property Income[a][b] 12 months to 31 December 2022 (€'000s)	Total Property Income[a][b] 12 months to 31 December 2021 (€'000s)	Movement	Net Initial Yield as at 31.12.22	Net Reversionary Yield as at 31.12.22
Cortenbergh 71	Brussels	Belgium	1,792	2,148	(16.57%)	3.97%	5.21%
Galerie Toison d'Or	Brussels	Belgium	4,291	3,867	10.97%	6.68%	6.64%
Guimard 1	Brussels	Belgium	2,465	2,667	(7.57%)	4.81%	4.49%
Opera Trio	Brussels	Belgium	1,196	3,460	(65.44%)	0.00%	0.00%
BIG Shopping[e]	Copenhagen	Denmark	10,623	1,059	903.16%	6.00%	5.80%
Blangstedgardsvej 11-25	Odense	Denmark	1,443	1,384	4.31%	7.15%	6.61%
Kalvebod Brygge 47	Copenhagen	Denmark	4,745	6,145	(22.79%)	5.46%	4.16%
Klosterstraede 1	Copenhagen	Denmark	–	30	(100.00%)	(1.12%)	5.86%
Nordager 1-3	Kolding	Denmark	2,257	2,201	2.54%	5.04%	4.72%
Ulisvej 5	Koge	Denmark	938	887	5.79%	5.21%	4.85%
Vimmelskaftet 30	Copenhagen	Denmark	1,643	1,670	(1.60%)	5.81%	4.10%
Vimmelskaftet 32-34	Copenhagen	Denmark	1,541	1,698	(9.28%)	4.99%	4.58%
Alvar Aallon katu 3	Helsinki	Finland	5,016	4,042	24.09%	3.39%	3.87%
Espoon Centaurus	Espoo/Olari	Finland	782	794	(1.44%)	3.65%	3.65%
Espoon Helavaikea[e]	Espoo/ Pohjois-Tapiola	Finland	860	151	470.27%	3.50%	3.50%
Espoon Loru[e]	Espoo	Finland	715	162	342.19%	3.60%	3.60%
Hämeenlinnan Vaihdepäällikkö	Hämeenlinna	Finland	299	283	5.59%	4.25%	4.25%
Kauniaisten Markiisi[e]	Kauniaien	Finland	616	43	1,349.26%	3.50%	3.50%
Kirkkonummen Tolsan Rinne 2[e]	Kirkkonummi	Finland	485	232	108.95%	4.00%	4.00%
Nurmijärven Kauranjyvä	Nurmijärvi	Finland	269	260	3.27%	4.30%	4.30%
Sipoon Ruusunen[e]	Sipoo	Finland	418	295	41.94%	4.30%	4.30%
Tampereen Rehtori	Tampere	Finland	520	481	8.21%	3.80%	3.80%
Turun Beeta	Turku	Finland	396	331	19.62%	3.90%	3.90%
Vantaa Retail Park	Helsinki	Finland	2,093	2,021	3.57%	6.75%	6.29%
Vantaan Suitsu[e]	Vantaa	Finland	600	37	1,518.27%	3.75%	3.75%
Vilhonvuorenkatu 2-4	Helsinki	Finland	1,423	1,353	5.15%	4.93%	5.11%
Vilhonvuorenkatu 6	Helsinki	Finland	811	775	4.62%	4.90%	5.04%
Alphonse de Neuville	Paris	France	1,151	213	440.84%	3.49%	3.25%

Fund statistics

Statistical data in relation to real estate assets (continued)

Asset name	Capital value[c]			Annual Gross Income		
	as at 31.12.2022	as at 31.12.2021	Movement	as at 31.12.2022	as at 31.12.2021	Movement
Cortenbergh 71	33,600	38,000	(11.58%)	1,539	1,657	7.15%
Galerie Toison d'Or	45,800	48,600	(5.76%)	3,212	3,033	(5.91%)
Guimard 1	40,800	40,900	(0.24%)	2,046	1,839	(11.25%)
Opera Trio	–	45,300	(100.00%)	–	2,430	100.00%
BIG Shopping[e]	147,785	152,651	(3.19%)	69,798	65,668	(6.29%)
Blangstedgardsvej 11-25	19,498	20,168	(3.32%)	10,472	10,074	(3.95%)
Kalvebod Brygge 47	77,994	86,049	(9.36%)	31,842	31,036	(2.60%)
Klosterstraede 1	2,286	2,487	(8.09%)	–	–	–
Nordager 1-3	41,283	46,655	(11.51%)	15,783	15,183	(3.95%)
Ullsvej 5	16,675	18,756	(11.10%)	6,561	6,312	(3.95%)
Vimmelskaftet 30	20,978	25,949	(19.16%)	9,927	9,545	(4.01%)
Vimmelskaftet 32-34	25,281	29,983	(15.68%)	11,567	10,959	(5.55%)
Alvar Aallon katu 3	116,700	130,000	(10.23%)	4,809	4,667	(3.03%)
Espoon Centaurus	20,100	21,600	(6.94%)	870	883	1.46%
Espoon Helavalkea[e]	25,800	26,700	(3.37%)	1,020	1,019	(0.12%)
Espoon Loru[e]	25,500	26,500	(3.77%)	1,061	1,060	(0.05%)
Hämeenlinnan Vaihdepäällikkö	5,500	5,600	(1.79%)	286	278	(3.00%)
Kauniaisten Markiisi[e]	16,600	17,400	(4.60%)	681	686	0.71%
Kirkkonummen Tolsan Rinne 2[e]	10,300	10,700	(3.74%)	490	490	0.06%
Nurmijärven Kauranjyvä	5,100	5,000	2.00%	276	265	(3.90%)
Sipoon Ruusunen[e]	8,000	7,600	5.26%	407	384	(5.80%)
Tampereen Rehtori	10,400	10,200	1.96%	501	487	(2.89%)
Turun Beeta	7,300	7,400	(1.35%)	338	331	(2.22%)
Vantaa Retail Park	23,300	21,800	6.88%	1,758	1,666	(5.55%)
Vantaan Suitsu[e]	15,100	16,100	(6.21%)	659	664	0.80%
Vilhonvuorenkatu 2-4	18,600	20,600	(9.71%)	1,276	1,238	(3.13%)
Vilhonvuorenkatu 6	10,600	11,800	(10.17%)	748	725	(3.13%)
Alphonse de Neuville	37,000	41,800	(11.48%)	1,386	1,329	(4.27%)

Fund statistics

Statistical data in relation to real estate assets (continues on next page)

Asset name	Location	Country	Total Property Income[a][b] 12 months to 31 December 2022 €'000s	Total Property Income[a][b] 12 months to 31 December 2021 €'000s	Movement	Net Initial Yield as at 31.12.22	Net Reversionary Yield as at 31.12.22
Aurientis Aix-En-Provence[e]	Aix en Provence	France	–	–	–	3.85%	3.85%
Avenue Hoche 3	Paris	France	3,137	2,853	9.94%	3.28%	4.77%
Casino Albertville[e]	Albertville	France	2,694	–	–	5.40%	5.40%
Casino Marseille[e]	Marseille	France	6,269	2,045	206.61%	5.20%	5.04%
Casino Montpellier[e]	Montpellier	France	2,364	–	–	5.01%	5.01%
Ennery Complex	Metz	France	2,406	2,513	(4.26%)	5.58%	4.98%
Fresenius Unit	Heudebouville	France	1,111	1,200	(7.44%)	5.07%	4.99%
Greenwalk	Paris	France	9,820	11,426	(14.06%)	4.71%	6.26%
Le Plessis Belleville	Paris	France	1,590	1,957	(18.78%)	4.83%	4.53%
Les Boréales, Clichy la Garenne	Clichy sur Seine	France	–	–	–	3.52%	3.81%
Les Essentielles RSS Levallois	Paris	France	1,307	–	–	3.81%	3.73%
Petit Bateau	Troyes	France	1,710	1,958	(12.67%)	5.16%	4.82%
Rue d'Antibes	Cannes	France	2,066	1,924	7.38%	5.39%	4.17%
Rue de la Republique	Lyon	France	2,241	3,020	(25.78%)	4.04%	4.06%
Rue de Rennes	Paris	France	1,566	3,176	(50.70%)	3.81%	3.72%
Rue du 19 Mars 1962, Clichy	Clichy sur Seine	France	–	–	–	3.15%	3.42%
2 place Rio de Janeiro, Paris	Paris	France	5,313	–	–	3.18%	3.28%
Lambres-Lez-Douai	Lambres Lez Douai	France	–	–	–	3.61%	4.67%
Aurum	Munich	Germany	4,005	3,589	11.59%	3.40%	3.81%
Badensche Strasse 23-24	Berlin	Germany	3,858	7,268	(46.92%)	3.29%	3.46%
Fürst & Friedrich	Düsseldorf	Germany	6,082	5,729	6.15%	3.91%	3.42%
Luisen Forum	Wiesbaden	Germany	8,886	8,646	2.78%	6.02%	6.78%
Marktkauf Hypermarket	Rinteln	Germany	1,234	1,311	(5.88%)	4.40%	4.14%
Nordpark	Dreieich	Germany	4,486	4,937	(9.13%)	4.13%	5.16%
Otto Warehouse	Karlsruhe	Germany	1,792	2,136	(16.07%)	5.10%	4.97%
Oval	Frankfurt	Germany	3,422	3,552	(3.66%)	3.04%	3.93%

Fund statistics

Statistical data in relation to real estate assets (continued)

Asset name	Capital value[c]			Annual Gross Income		
	as at 31.12.2022	as at 31.12.2021	Movement	as at 31.12.2022	as at 31.12.2021	Movement
Aurientis Aix-En-Provence[e]	12,600	8,400	50.00%	1,103	1,103	0.00%
Avenue Hoche 3	56,000	55,700	0.54%	2,442	2,383	(2.50%)
Casino Albertville[e]	30,670	29,250	4.85%	1,816	1,739	(4.43%)
Casino Marseille[e]	70,000	68,000	2.94%	3,883	3,758	(3.32%)
Casino Montpellier[e]	33,020	31,150	6.00%	1,810	1,734	(4.41%)
Ennery Complex	40,500	45,700	(11.38%)	2,468	2,386	(3.42%)
Fresenius Unit	20,800	21,000	(0.95%)	1,156	1,100	(5.10%)
Greenwalk	117,600	134,700	(12.69%)	6,157	8,355	26.31%
Le Plessis Belleville	30,500	33,600	(9.23%)	1,557	1,493	(4.30%)
Les Boréales, Clichy la Garenne	59,710	29,855	100.00%	3,405	3,405	0.00%
Les Essentielles RSS Levallois	44,300	39,700	11.59%	1,717	1,717	0.00%
Petit Bateau	33,800	39,400	(14.21%)	1,870	1,816	(2.96%)
Rue d'Antibes	48,300	50,300	(3.98%)	2,709	2,062	(31.36%)
Rue de la République	51,000	52,800	(3.41%)	2,203	2,272	3.05%
Rue de Rennes	51,200	53,600	(4.48%)	2,050	2,005	(2.25%)
Rue du 19 Mars 1962, Clichy	12,780	–	–	982	–	–
2 place Rio de Janeiro, Paris	247,900	–	–	8,243	–	–
Lambres-Lez-Douai	15,890	–	–	–	–	–
Aurum	90,000	103,900	(13.38%)	3,306	2,985	(10.77%)
Badensche Strasse 23-24	157,500	150,200	4.86%	5,712	4,108	(39.05%)
Fürst & Friedrich	126,900	142,000	(10.63%)	5,401	4,509	(19.78%)
Luisen Forum	86,700	98,000	(11.53%)	6,711	6,427	(4.42%)
Marktkauf Hypermarket	26,700	29,900	(10.70%)	1,427	1,427	0.00%
Nordpark	61,000	57,000	7.02%	2,963	3,454	14.21%
Otto Warehouse	32,800	33,700	(2.67%)	1,955	1,885	(3.71%)
Oval	100,400	112,100	(10.44%)	3,605	3,323	(8.52%)

Fund statistics

Statistical data in relation to real estate assets (continues on next page)

Asset name	Location	Country	Total Property Income[a][b] 12 months to 31 December 2022 $'000[c]	Total Property Income[a][b] 12 months to 31 December 2021 $'000[c]	Movement	Net Initial Yield as at 31.12.22	Net Reversionary Yield as at 31.12.22
Real Hypermarket	Wuppertal	Germany	1,417	1,606	(11.79%)	5.93%	4.15%
Ridlerstrasse 55	Munich	Germany	2,703	2,584	4.60%	3.42%	3.92%
Ringstrasse	Berlin	Germany	3,890	2,224	74.94%	3.92%	3.84%
Toom Hypermarket	Neuwied	Germany	1,192	1,286	(7.28%)	5.63%	5.50%
Bad Homburg – Victoria Gärten – BF 1	Bad Homburg	Germany	–	–	–	(3.01%)	3.01%
Market Central Da Vinci[f]	Rome	Italy	17,183	16,038	7.14%	6.25%	6.26%
L14[ef]	Rome	Italy	5,649	748	654.92%	6.39%	6.75%
Vescovana Logistics	Padova	Italy	1,607	1,575	2.04%	4.86%	5.20%
Via Pola	Milan	Italy	6,299	5,970	5.50%	4.07%	4.30%
Via Torino	Milan	Italy	3,546	3,164	12.07%	4.18%	3.74%
Da Vinci	Luxembourg	Luxembourg	4,946	4,638	6.63%	6.21%	5.58%
Databankweg	Amersfoort	Netherlands	1,215	2,272	(46.52%)	0.00%	0.00%
Frederiksplein 42	Amsterdam	Netherlands	903	859	5.11%	3.23%	4.23%
Jupiter House	Amsterdam	Netherlands	2,227	2,855	(21.98%)	4.96%	5.42%
Staalsteden	Enschede	Netherlands	1,753	1,834	(4.42%)	5.47%	5.46%
Van Hilststraat 23	Waalwijk	Netherlands	3,341	3,165	5.57%	4.60%	4.25%
7even[e]	Amsterdam	Netherlands	1,824	523	248.89%	3.19%	3.25%
Transportweg, Netherlands	's-Heerenberg	Netherlands	–	–	–	4.60%	4.92%
Decathlon Logistics Centre	Łódź	Poland	1,698	1,607	5.63%	5.83%	5.86%
Panattoni Park	Warsaw	Poland	3,205	3,272	(2.07%)	3.29%	6.57%
Panattoni Park West II	Poznań	Poland	1,292	1,219	5.98%	6.11%	6.24%
Toy Story Logistics Centre	Sosnowiec	Poland	2,522	2,032	24.14%	6.44%	6.82%
Alexandre Herculano 53	Lisbon	Portugal	3,247	2,800	15.96%	4.83%	5.75%
Continente Beja	Beja	Portugal	1,577	1,571	0.41%	6.05%	4.85%
Continente Maia	Porto	Portugal	1,601	1,595	0.37%	5.33%	5.07%
Continente Modelo Cantanhede	Cantanhede	Portugal	456	499	(8.62%)	0.00%	0.00%
Continente Modelo Guarda	Guarda	Portugal	508	546	(6.91%)	0.00%	0.00%
Continente Modelo Ponte De Lima	Ponte De Lima	Portugal	508	550	(7.75%)	0.00%	0.00%

Fund statistics

Statistical data in relation to real estate assets (continued)

Asset name	Capital value[c]			Annual Gross Income		
	as at 31 December 2022	as at 31 December 2021	Movement	as at 31 December 2022	as at 31 December 2021	Movement
Real Hypermarket	20,700	21,500	(3.72%)	1,360	1,360	0.00%
Ridlerstrasse 55	57,800	69,700	(17.07%)	2,315	1,869	(23.85%)
Ringstrasse	74,000	81,900	(9.65%)	3,186	2,950	(7.99%)
Toom Hypermarket	18,200	19,300	(5.70%)	1,222	1,222	0.00%
Bad Homburg – Victoria Gärten – BF 1	46,200	–	–	359	–	–
Market Central Da Vinci[f]	100,400	103,000	(2.52%)	6,833	6,697	(2.02%)
L14[ef]	31,300	31,700	(1.26%)	2,312	2,222	(4.01%)
Vescovana Logistics	29,500	31,500	(6.35%)	1,555	1,500	(3.68%)
Via Pola	137,000	140,600	(2.56%)	6,306	4,940	(27.65%)
Via Torino	82,300	86,500	(4.86%)	3,783	3,510	(7.79%)
Da Vinci	74,200	75,000	(1.07%)	4,605	3,965	(16.12%)
Databankweg	–	14,500	(100.00%)	–	1,644	100.00%
Frederiksplein 42	21,700	25,500	(14.90%)	864	817	(5.71%)
Jupiter House	39,600	46,300	(14.47%)	2,411	2,079	(15.96%)
Staalsteden	26,200	26,700	(1.87%)	1,800	1,728	(4.19%)
Van Hilststraat 23	66,600	72,400	(8.01%)	3,730	3,436	(8.55%)
Teven[e]	46,265	51,900	(10.86%)	1,854	1,794	(3.35%)
Transportweg, Netherlands	36,400	–	–	1,782	–	–
Decathlon Logistics Centre	25,400	24,600	3.25%	1,482	1,397	(6.09%)
Panattoni Park	37,900	39,800	(4.77%)	1,505	1,245	(20.90%)
Panattoni Park West II	24,400	25,200	(3.17%)	1,554	1,429	(8.77%)
Toy Story Logistics Centre	19,300	19,500	(1.03%)	1,242	1,202	(3.27%)
Alexandre Herculano 53	50,300	52,400	(4.01%)	3,167	3,167	0.00%
Continente Beja	24,000	24,300	(1.23%)	1,570	1,563	(0.43%)
Continente Maia	29,500	28,900	2.08%	1,582	1,575	(0.43%)
Continente Modelo Cantanhede	–	8,100	(100.00%)	–	489	100.00%
Continente Modelo Guarda	–	8,800	(100.00%)	–	547	100.00%
Continente Modelo Ponte De Lima	–	8,900	(100.00%)	–	545	100.00%

Fund statistics

Statistical data in relation to real estate assets (continues on next page)

Asset name	Location	Country	Total Property Income[a][b] 12 months to 31 December 2022 €'000	Total Property Income[a][b] 12 months to 31 December 2021 €'000	Movement	Net Initial Yield as at 31.12.22	Net Reversionary Yield as at 31.12.22
Continente Modelo Quarteria	Quarteira	Portugal	1,152	1,147	0.39%	6.20%	4.51%
Continente Telheiras	Lisbon	Portugal	2,265	2,257	0.39%	4.90%	4.72%
Calle Reyes Catolicos 25-27	Granada	Spain	–	178	(100.00%)	(0.21%)	6.53%
Flex Logistics	Madrid	Spain	1,443	1,416	1.96%	(0.55%)	5.38%
Gran Via 68	Madrid	Spain	912	912	(0.01%)	4.86%	4.12%
Los Gavilanes Logistics Hub	Madrid	Spain	2,097	1,963	6.81%	4.71%	4.46%
Madera 25	Madrid	Spain	803	660	21.59%	4.27%	4.62%
Ontigola Logistics Platform[e]	Toledo	Spain	1,940	1,207	60.67%	4.90%	4.62%
Rios Rosas 26	Madrid	Spain	10,012	10,350	(3.27%)	3.60%	4.61%
Teka Logistics	Madrid	Spain	1,555	1,466	6.03%	4.84%	4.72%
Arendal	Gothenburg	Sweden	1,725	1,770	(2.52%)	4.19%	4.58%
Blekholmen	Stockholm	Sweden	12,617	12,556	0.48%	4.23%	4.37%
Burlov Centre	Malmo	Sweden	660	560	18.00%	6.30%	5.87%
Lyckobrunnen	Stockholm	Sweden	1,062	1,054	0.77%	4.60%	4.64%
Myren 6 & 8	Stockholm	Sweden	2,445	2,432	0.52%	4.87%	4.18%
Paradiset	Stockholm	Sweden	2,494	2,539	(1.77%)	4.50%	4.70%
Postnord Logistics	Stockholm	Sweden	=	=	=	5.07%	5.10%
			246,239	**217,428**	**13.3%**	**4.2%**	**4.5%**

[a] Rental income for Swedish assets converted at a rate of SEK 11.12 : €1 as at 31.12.22 (SEK 10.28 : €1 as at 31.12.21).

[b] Rental income for Danish assets converted at a rate of DKK 7.44 : €1 as at 31.12.22 (DKK 7.44 : €1 as at 31.12.21).

[c] Fund valuation principles.

[d] International Financial Reporting Standards (IFRS).

[e] Asset purchased during the year ended 31 December 2021.

[f] Held as part of the Fund's 45% joint venture interest in MCF S.r.l. and L14.

Fund statistics

Asset name	Capital value[c]			Annual Gross Income		
	as at 31.12.22	as at 31.12.21	Movement	as at 31.12.22	as at 31.12.21	Movement
Continente Modelo Quarteria	18,300	18,500	(1.08%)	1,143	1,138	(0.43%)
Continente Telheiras	45,200	43,100	4.87%	2,227	2,217	(0.43%)
Calle Reyes Catolicos 25-27	7,660	9,240	(17.10%)	–	–	–
Flex Logistics	21,300	24,800	(14.11%)	–	1,265	100.00%
Gran Via 68	18,500	18,900	(2.12%)	980	733	(33.78%)
Los Gavilanes Logistics Hub	37,600	41,700	(9.83%)	1,990	1,847	(7.77%)
Madera 25	13,700	14,200	(3.52%)	554	504	(10.00%)
Ontigola Logistics Platform[e]	40,700	41,600	(2.16%)	2,075	1,928	(7.60%)
Rios Rosas 26	234,200	246,700	(5.07%)	8,822	8,425	(4.72%)
Teka Logistics	30,100	33,200	(9.34%)	1,548	1,467	(5.51%)
Arendal	39,118	46,037	(15.03%)	19,173	16,823	(13.97%)
Blekholmen	241,002	270,979	(11.06%)	150,767	131,381	(14.76%)
Burlov Centre	10,332	12,141	(14.89%)	8,837	9,436	6.35%
Lyckobrunnen	20,323	27,001	(24.73%)	10,998	9,921	(10.85%)
Myren 6 & 8	47,841	64,005	(25.26%)	27,826	24,502	(13.56%)
Paradiset	50,808	59,732	(14.94%)	27,253	26,508	(2.81%)
Postnord Logistics	34,172	43,318	(21.11%)	20,380	17,882	(13.97%)
	4,516,470	**4,509,906**	**0.1%**	**598,913**	**550,221**	**8.8%**

Independent Auditor's report

To the Shareholders of
M&G European Property Fund SICAV-FIS
16 boulevard Royal
L-2449 Luxembourg
Grand Duchy of Luxembourg.

Opinion

We have audited the accompanying consolidated financial statements of M&G European Property Fund SICAV-FIS and its subsidiaries (the "Fund"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in number of shares issued, the consolidated statement of changes in equity, the consolidated statement of cash flows and the consolidated statement of investment properties for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report. We are also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Independent Auditor's report

Responsibilities of the Board of Directors of the Fund and those charged with governance for the consolidated financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of the Board of Directors of the Fund use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund to cease to continue as a going concern.

Independent Auditor's report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Fund audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Robert White
Luxembourg
25 April 2023

Consolidated Statement of Financial Position

As at 31 December 2022
Unless otherwise stated, amounts are expressed in thousands of EUR.

	Notes	As at 31 December 2022	As at 31 December 2021
Assets			
Non-current assets			
Investment properties	2.3, 6, 7	4,341,763	4,298,881
Lease incentives	2.17, 7	49,673	40,834
Investments in joint ventures	2.2, 8	76,726	74,917
Loans to joint ventures	9	38,343	37,031
Loans receivable	2.7, 13	17,063	22,864
Other non-current assets	14	–	24,645
Derivative financial instruments	2.16, 21	7,268	890
		4,530,836	**4,500,062**
Current assets			
Accounts receivable	2.6, 4	26,475	19,138
VAT receivable	11	10,537	35,370
Loans receivable	2.7, 13	61,588	43,344
Other current assets	12	81,100	82,337
Cash and cash equivalents	2.8, 15	372,694	423,014
		552,394	**603,203**
Non-current assets classified as held-for-sale	2.21, 32	–	40,400
Total assets		**5,083,230**	**5,143,665**
Equity			
Equity attributable to Shareholders of the Fund			
Share capital	2.9, 16	4,050,974	3,428,723
Cumulative foreign currency translation reserve	2.19, 18	(54,510)	(18,737)
Net retained earnings		907,882	633,409
(Loss)/profit for the year		(160,989)	274,473
Accumulated dividends	2.10, 17	(471,969)	(384,663)
Equity attributable to Shareholders of the Fund		**4,271,388**	**3,933,205**
Non-controlling interests in subsidiaries		**8,476**	**9,136**
Total equity		**4,279,864**	**3,942,341**
Liabilities			
Non-current liabilities			
Interest bearing bank loans and borrowings, net of current portion	2.11, 19	313,329	470,871
Lease liability, non-current portion	23	47,174	52,514
Deferred tax liabilities	2.20, 22	168,111	213,513
Payable to related parties	28	4,713	4,713
Security deposits due to tenants	2.12, 4	11,082	11,733
		544,409	**753,344**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2022
Unless otherwise stated, amounts are expressed in thousands of EUR.

	Notes	As at 31 December 2022	As at 31 December 2021
Current liabilities			
Current portion of interest bearing bank loans and borrowings	2.11, 19	143,445	75,432
Lease liability, current portion	23	2,015	2,174
Current portion of security deposits due to tenants	2.12, 4	3,542	1,194
Accounts payable	2.13	4,423	8,790
Current portion of payable to related parties	28	15,888	12,634
Derivative financial instruments	2.16, 21	–	13
Income and other taxes payable	2.20, 22	14,565	16,374
Subscriptions received in advance	33	12,846	270,437
Accrued expenses and other current liabilities	20	45,403	47,390
Deferred income	2.15	16,830	13,542
		258,957	**447,980**
Total liabilities		**803,366**	**1,201,324**
Total equity and liabilities		**5,083,230**	**5,143,665**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Income Statement

For the year ended 31 December 2022
Unless otherwise stated, amounts are expressed in thousands of EUR.

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Rental income	2.17	186,814	168,888
Other property income	2.17	37,386	37,715
Total revenue	6	**224,200**	**206,603**
Property management fees		(4,758)	(4,430)
Other property related expenses	24	(54,041)	(49,572)
Property operating expenses	2.18	**(58,799)**	**(54,002)**
Gross profit		**165,401**	**152,601**
Annual management fee	28	(21,465)	(16,823)
Asset management fees	28	(11,262)	(10,219)
Depositary fees		(311)	(313)
Other fund expenses	25	(12,242)	(8,313)
Fund operating expenses		**(45,280)**	**(35,668)**
(Loss)/gain from fair value adjustments on investment property	2.3,7	(323,178)	226,828
Gain from fair value adjustments on non-current asset held-for-sale	32	1,636	–
Gain from disposal of investment property	2.17, 10	3,702	157
Result from investment activity		**(317,840)**	**226,985**
Operating (loss)/profit		**(197,719)**	**343,918**
Finance income	2.17, 26	13,932	5,315
Finance costs	2.18, 26	(9,576)	(14,773)
Gain from fair value adjustments on loans	13	965	367
Share of profit of joint ventures	8	1,215	9,330
(Loss)/profit before tax		**(191,183)**	**344,157**
Current tax expense	2.20, 22	(9,252)	(10,782)
Deferred tax income/(expense)	2.20, 22	38,786	(57,473)
(Loss)/profit for the year		**(161,649)**	**275,902**
(Loss)/profit attributable to:			
Shareholders of the Fund		(160,989)	274,473
Non-controlling interests		(660)	1,429
		(161,649)	**275,902**

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
(Loss)/Earnings per Share (basic and diluted)	27		
Class 'C' Income Shares		(4.66)	7.13
Class 'C' Accumulation Shares		(4.66)	7.13
Class 'E' Income Shares		(4.06)	7.68
Class 'E' Accumulation Shares		(4.06)	–
Class 'F' Income Shares		(4.01)	7.73
Class 'F' Accumulation Shares		(4.01)	7.73
Class 'G' Income Shares		(3.95)	7.75
Class 'G' Accumulation Shares		(3.95)	7.75
Class 'X' Income Shares		(4.24)	7.52
Class 'X' Accumulation Shares		(4.24)	7.52

The Fund is not exposed to potentially dilutive effects and as such the diluted earnings per Share equal the basic earnings per Share.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022
Unless otherwise stated, amounts are expressed in thousands of EUR.

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
(Loss)/profit for the year		**(161,649)**	**275,902**
(Loss)/profit attributable to:			
Shareholders of the Fund		(160,989)	274,473
Non-controlling interests		(660)	1,429
		(161,649)	**275,902**
Other comprehensive (loss)/income that may be reclassified to income statement in subsequent periods			
Foreign currency translation	2.19, 18	(35,773)	(9,787)
Other comprehensive (loss)/income for the year		**(35,773)**	**(9,787)**
Total comprehensive (loss)/income for the year		**(197,422)**	**266,115**
Total comprehensive (loss)/income attributable to:			
Shareholders of the Fund		(196,762)	264,686
Non-controlling interests		(660)	1,429
		(197,422)	**266,115**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Statement of Changes in the Number of Shares Issued

For the year ended 31 December 2022

		Year ended 31 December 2022	Year ended 31 December 2021
Number of Shares outstanding at the beginning of the year			
Class 'C'	Income Shares	320,737.806	529,693.307
	Accumulation Shares	257,907.624	187,948.742
Class 'E'	Income Shares	1,618,917.725	896,462.652
	Accumulation Shares	–	–
Class 'F'	Income Shares	11,831,996.143	9,059,991.208
	Accumulation Shares	2,179,356.345	1,865,072.919
Class 'G'	Income Shares	10,660,759.266	10,660,759.266
	Accumulation Shares	1,663,622.585	1,663,622.585
Class 'X'	Income Shares	5,631,764.675	5,323,563.036
	Accumulation Shares	1,533,916.340	1,408,606.055
Number of Shares issued during the year			
Class 'C'	Income Shares	36,537.184	33,470.474
	Accumulation Shares	28,237.257	89,115.970
Class 'E'	Income Shares	1,883,383.924	194,600.178
	Accumulation Shares	13,642.631	–
Class 'F'	Income Shares	1,356,731.168	2,563,854.888
	Accumulation Shares	259,492.876	436,673.130
Class 'G'	Income Shares	–	–
	Accumulation Shares	272,121.632	–
Class 'X'	Income Shares	1,420,149.434	593,530.517
	Accumulation Shares	386,472.911	106,618.833
Number of Shares redeemed during the year			
Class 'C'	Income Shares	–	–
	Accumulation Shares	(4,153.317)	–
Class 'E'	Income Shares	–	–
	Accumulation Shares	–	–
Class 'F'	Income Shares	–	–
	Accumulation Shares	–	–
Class 'G'	Income Shares	–	–
	Accumulation Shares	–	–
Class 'X'	Income Shares	(440,895.508)	–
	Accumulation Shares	–	–
Number of Shares converted during the year			
Class 'C'	Income Shares	(60,229.022)	(242,425.975)
	Accumulation Shares	28,974.412	(19,157.088)
Class 'E'	Income Shares	(171,477.468)	527,854.895
	Accumulation Shares	–	–
Class 'F'	Income Shares	(490,827.000)	208,150.047
	Accumulation Shares	(141,919.278)	(122,389.704)
Class 'G'	Income Shares	1,093,301.673	–
	Accumulation Shares	–	–
Class 'X'	Income Shares	(193,545.007)	(285,328.878)
	Accumulation Shares	11,765.019	18,691.452

The accompanying notes are an integral part of these Consolidated Financial Statements.

Statement of Changes in the Number of Shares Issued

For the year ended 31 December 2022

		Year ended 31 December 2022	Year ended 31 December 2021
Number of Shares in issue at the end of the year			
Class 'C'	Income Shares	297,045.968	320,737.806
	Accumulation Shares	310,965.976	257,907.624
Class 'E'	Income Shares	3,330,824.181	1,618,917.725
	Accumulation Shares	13,642.631	–
Class 'F'	Income Shares	12,697,900.311	11,831,996.143
	Accumulation Shares	2,296,929.943	2,179,356.345
Class 'G'	Income Shares	11,754,060.939	10,660,759.266
	Accumulation Shares	1,935,744.217	1,663,622.585
Class 'X'	Income Shares	6,417,473.594	5,631,764.675
	Accumulation Shares	1,932,154.270	1,533,916.340

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022
Unless otherwise stated, amounts are expressed in thousands of EUR.

	Notes	Share capital	Retained earnings	Profit/(loss) for the year	Accumulated dividends	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
Balance as at 31 December 2020		**2,985,133**	**580,947**	**52,462**	**(310,268)**	**(8,950)**	**3,299,324**	**7,707**	**3,307,031**
Share subscription	16	443,590	–	–	–	–	443,590	–	443,590
Share redemption	16	–	–	–	–	–	–	–	–
Dividend	17	–	–	–	(74,395)	–	(74,395)	–	(74,395)
Allocation of prior year's profit		–	52,462	(52,462)	–	–	–	–	–
Profit for the year		–	–	274,473	–	–	274,473	1,429	275,902
Other comprehensive loss for the year		–	–	–	–	(9,787)	(9,787)	–	(9,787)
Total comprehensive income for the year		–	–	274,473	–	(9,787)	264,686	1,429	266,115
Balance as at 31 December 2021		**3,428,723**	**633,409**	**274,473**	**(384,663)**	**(18,737)**	**3,933,205**	**9,136**	**3,942,341**
Share subscription	16	666,582	–	–	–	–	666,582	–	666,582
Share redemption	16	(44,331)	–	–	–	–	(44,331)	–	(44,331)
Dividend	17	–	–	–	(87,306)	–	(87,306)	–	(87,306)
Allocation of prior year's profit		–	274,473	(274,473)	–	–	–	–	–
Loss for the year		–	–	(160,989)	–	–	(160,989)	(660)	(161,649)
Other comprehensive loss for the year		–	–	–	–	(35,773)	(35,773)	–	(35,773)
Total comprehensive loss for the year		–	–	(160,989)	–	(35,773)	(196,762)	(660)	(197,422)
Balance as at 31 December 2022		**4,050,974**	**907,882**	**(160,989)**	**(471,969)**	**(54,510)**	**4,271,388**	**8,476**	**4,279,864**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
Unless otherwise stated, amounts are expressed in thousands of EUR.

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Cash flows from operating activities			
(Loss)/profit before tax		(191,183)	344,157
Adjustments for non cash items			
Net loss/(gain) from fair value adjustments on investment properties	7	323,178	(226,828)
Gain from fair value adjustments on non-current asset held-for-sale	32	(1,636)	–
Gain from fair value adjustments on loans	13	(965)	(367)
Gain from disposal of investment property	7, 10	(3,702)	(157)
Unrealised gains on swaps	26	(6,391)	(901)
Share of profit of joint ventures	8	(1,215)	(9,330)
Interest income	26	(6,330)	(4,119)
Interest expense	26	6,858	10,724
Amortisation of debt costs	19, 26	853	793
Bad debt (reversal)/provision	24	(740)	1,468
Unrealised exchange (gains)/losses		(1,075)	3,492
Net cash flows before change in working capital		**117,652**	**118,932**
Decrease/(increase) in receivables and other assets		46,088	(20,322)
Increase in payables and other liabilities		(2,277)	2,925
Income taxes paid	22	(11,001)	(9,587)
Net cash provided by operating activities		**150,462**	**91,948**
Cash flows from investing activities			
Acquisitions of investment properties	7	(362,093)	(465,074)
Proceeds from disposal of investment properties	10	44,489	52,535
Proceeds from disposal of non-current assets held for sale	10	41,378	39,722
Capital expenditure	7	(51,424)	(33,302)
Payments on deposits	14	(41,551)	(24,701)
Acquisitions of investment in joint ventures	8	(726)	(8,231)
Dividend received from joint ventures	8	156	2,459
Interest received	9, 26	3,738	3,755
Issued loans	9, 13	(42,248)	(73,545)
Proceeds from loans collected	13	30,770	–
Net cash used in investing activities		**(377,511)**	**(506,382)**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
Unless otherwise stated, amounts are expressed in thousands of EUR.

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Cash flows from financing activities			
Loan transaction costs	19	–	(942)
Loans repaid during the current year	19	(89,786)	(96,682)
Proceeds of loans and borrowings	19	–	135,163
Lease payments	23	(2,193)	(2,296)
Proceeds from subscription of Shares	16	390,277	370,296
Monies received on subscription pending settlement	33	12,846	270,437
Payments on redemption of Shares	16	(44,331)	–
Dividend payment	17	(81,438)	(73,072)
Net interest paid	26	(6,328)	(8,966)
Net cash provided by financing activities		**179,047**	**593,938**
Net (decrease)/increase in cash and cash equivalents		**(48,002)**	**179,504**
Cash and cash equivalents at the beginning of the year		423,014	244,031
Exchange loss on cash and cash equivalents		(2,318)	(521)
Cash and cash equivalents at the end of the year	15	**372,694**	**423,014**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Investment Properties

For the year ended 31 December 2022
Unless otherwise stated, amounts are expressed in thousands of EUR.

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Historic cost			
Cost at the beginning of the year		3,789,972	3,358,131
Asset acquisitions by way of share deal acquisitions	7	43,040	329,147
Asset additions by way of direct property acquisitions	7	354,302	172,094
Capital expenditure	7	51,277	33,302
Asset disposal by way of share deal disposal	7	(78,895)	–
Asset disposal by way of direct property disposal	7	(260)	(49,799)
Transfer to assets held-for-sale	7	–	(39,143)
Effect of unrealised currency movements	7	(36,398)	(13,760)
Cost at the end of the year		**4,123,038**	**3,789,972**
Net unrealised gains related to property			
Net unrealised gains at the beginning of the year		454,381	230,887
Disposals	7	37,223	(2,190)
Transfer to assets held-for-sale	7	–	(1,144)
Net valuation (losses)/gains on investment property during the year	7	(322,068)	226,828
Net unrealised gains at the end of the year		**169,536**	**454,381**
Carrying value at the end of the year		**4,292,574**	**4,244,353**
Right of use asset	7	54,528	56,032
Addition	7	–	692
Net loss from fair value adjustments on right of use	7	(1,110)	(901)
Net currency movement on right of use	7	(4,229)	(1,295)
Total investment properties at the end of the year		**4,341,763**	**4,298,881**
Lease incentives	7	49,673	40,834
Fair value at the end of the year		**4,391,436**	**4,339,715**
Fair value at the beginning of the year		**4,339,715**	**3,677,143**
Appraised market value as a percentage of net assets		**103%**	**110%**
Appraised gross property value subject to security		**1,196,252**	**1,428,960**
Insured value of investment properties	7	**3,095,818**	**2,796,005**
Insured value of investment properties of joint ventures (on basis of a 45% share)		**65,023**	**56,737**
Insured value of investment properties held for sale		–	–

During the year ended 31 December 2022, there were four disposals of investment properties:

- On 24 June 2022, the Fund disposed of the entity Opera Trio Propco SPRL (Trio office asset in Brussels, Belgium) to SOFIIS 2 SA for €46.3m (excluding transaction costs);
- On 1 September 2022, the Fund disposed of the entity Databankweg 26/28/30 B.V. (Databankweg office asset in Amersfort, Netherlands) to Meerdervoort Group B.V. for €18.8m (excluding transaction costs);
- On 4 October 2022, the Fund disposed of seven parking spaces owned by Via Torino Due S.r.l. to Gemma SRL in the Italy for €0.5m (excluding transaction costs); and

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Investment Properties

For the year ended 31 December 2022
Unless otherwise stated, amounts are expressed in thousands of EUR.

- On 28 November 2022, the Fund disposed of the entity Investabroad 5, S.A. (Continente Modelo Guarda, Ponte de Lima and Cantanhede supermarket assets in Portugal) to Olimpo Real Estate Portugal and SIGI, S.A. for €28.1m (excluding transaction costs).

During the year ended 31 December 2021, there were four disposals of investment properties:

- disposal of an investment property related to the Calle Llull NAO asset for €47.2m;
- disposal of an investment property held for sale related to the Capucin Thionville SNC asset for €2.0m;
- disposal of an investment property held for sale related to the Mainzer Landstrasse 61 S.à r.l. asset for €39.7m; and
- disposal of an investment property related to the Le Val St Quentin building A and B asset for €6.25m.

For details related to disposals refer to Note 10.

The estimated equivalent yields used by the Valuation Adviser to value the investment properties as at 31 December 2022 and 31 December 2021 were as follows per country:

Country	31 December 2022	31 December 2021
Belgium	4.51% - 6.68%	4.26% - 6.12%
Denmark	4.00% - 6.80%	3.25% - 6.50%
Finland	3.50% - 6.35%	3.40% - 6.40%
France	3.20% - 5.87%	2.80% - 5.42%
Germany	2.90% - 6.75%	2.90% - 6.20%
Italy	3.80% - 6.65%	3.50% - 6.50%
Luxembourg	5.60%	5.45%
Netherlands	3.23% - 5.50%	2.81% - 8.72%
Poland	5.75% - 6.50%	5.15% - 5.85%
Portugal	4.80% - 5.50%	5.00% - 5.60%
Spain	4.20% - 5.75%	3.65% - 5.20%
Sweden	4.00% - 6.00%	3.50% - 5.50%

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

Unless otherwise stated, amounts are expressed in thousands of EUR.

1 General information

M&G European Property Fund SICAV-FIS (the 'Fund'), is a public limited company (société anonyme or SA) qualifying as a specialised investment fund with variable share capital (société d'investissement à capital variable – fonds d'investissement spécialisé). The Fund was initially established in 2006 under Part II of the 2002 Law, as an umbrella SICAV, Specialist Investment Funds (2), with a single compartment or sub-fund, being the M&G European Property sub-fund. At an extraordinary general meeting of Shareholders held on 28 May 2010, it was decided that, with effect from 2 June 2010:

- the regulatory regime be changed from Part II of the 2002 Law to the Specialised Investment Funds Law of 2007 (the 'SIF Regime'); and
- the umbrella SICAV and M&G European Property sub-fund be merged into a single fund SICAV structure, under the denomination M&G European Property Fund SICAV-FIS.

The investment objective of the Fund is to invest in European markets to optimise long-term total return (the combination of income and growth of capital), through investment mainly in real estate investments.

The Fund's financial year runs from January 1 to December 31 of each year. The reporting year presented in these Consolidated Financial Statements is from 1 January 2022 through 31 December 2022.

These Consolidated Financial Statements for the year ended 31 December 2022 have been authorised for issue by the Board of Directors of the Fund (the 'Board') on 25 April 2023.

2 Summary of significant accounting policies

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared on a historical cost basis, except for investment properties, loans receivable and derivative financial instruments which are stated at fair value.

The Consolidated Financial Statements are presented in Euro (EUR or €) and all values are rounded to the nearest thousand (EUR '000) except where otherwise indicated.

Prior year reclassifications

Reclassifications were made to prior period comparatives in order to ensure consistency with current year presentation. These reclassifications have no impact on the net asset value ('NAV') of the Fund or on the profit for the year in either of the current or prior year.

Statement of compliance

The Consolidated Financial Statements of the Fund have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS').

Going concern assessment

As at 31 December 2022, the Fund had an uncalled capital queue of €459.3m and the cash balance amounted to €372.7m, out of which €85.7m was held in the Fund's bank account and €287m was held in the bank accounts of the Fund's subsidiaries.

Rent collection has continued to hover around the previously reported rate of 96.9% as at 31 December 2021, it is now 95.8%, although still below the historic rate of ~100%. Historically, the volume of redemption requests has been small. The Fund paid €44.3m of redemptions in 2022. A further €153.5m have been confirmed and paid out in Q1 2023, these redemptions were a result of a rebalancing of portfolio of pension fund investors. There is one further redemption to be paid out in Q2 2023 for €22m. However, the Fund has since not had any further indications of any

further redemptions. If significant redemptions were to be received in the next 12 months, the sources of liquidity would (in order of priority) be existing accessible cash in the Fund, drawdowns from the capital queue and asset sales. In the event that asset sales were required to be completed to fund redemptions, it is possible that redemption requests would be deferred. Redemption requests may be deferred for up to 18 months.

Given the size of the Fund's NAV, adequate cash to meet short term requirements through use of the capital queue, combined with no outstanding redemption requests, and the deferral mechanism in place, together with low vacancy rates and a strong income base, we believe it is appropriate for the Fund's Consolidated Financial Statements for the year ended 31 December 2022 to be prepared on a going concern basis.

New and amended standards and interpretations issued and adopted by the Fund

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and International Financial Reporting Interpretations Committee ('IFRIC') interpretations effective as of 1 January 2022, these exclude standards which, in the opinion of the Board, are not relevant to the Fund.

Amendment to IFRS 3: Reference to the Conceptual Framework

In May 2020, the International Accounting Standard Board ('IASB') issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities that would be within the scope of International Accounting Standard ('IAS') 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires the Fund to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The adoption and interpretation of this standard did not have a significant impact on the Fund's Consolidated Financial Statements.

Amendment to IAS 37: Onerous contracts – Costs of Fulfilling a Contract

Issued in May 2020, the amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments must be applied prospectively to contracts for which the Fund has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The adoption and interpretation of this standard did not have a significant impact on the Fund's Consolidated Financial Statements.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits the Fund from deducting from the cost of an item of property, plant and equipment ('PP&E'), any proceeds of the sale of the items produced while bringing that asset to the location and condition necessary for it to be capable of operating in that manner intended by management. Instead, the Fund recognises the proceeds from selling such items, and the costs of producing those items, in the Consolidated Income Statement.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the Fund first applies the amendment.

The adoption and interpretation of this standard did not have a significant impact on the Fund's Consolidated Financial Statements.

Annual improvements cycle 2018-2020

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

Following is a summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 9, 'Financial Instruments' – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

The amendment clarifies the fees that the Fund includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Fund must apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Fund first applies the amendment.

The adoption and interpretation of this improvement did not have a significant impact on the Consolidated Financial Statements of the Fund.

New and amended standards and interpretations issued but not effective for the financial year beginning 1 January 2022 and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's Consolidated Financial Statements are disclosed below, except for those standards which, in the opinion of the Board, are not relevant to the Fund. The Fund intends to adopt these standards, if applicable, when they become effective. The Fund's assessment of the impact of these new standards and interpretations are set out below:

Amendments to IAS 1 – Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

The amendments are effective for annual periods beginning on or after 1 January 2024. Earlier application is permitted. These amendments have not been endorsed by the European Union ('EU'). The amendment is not expected to have a significant impact on the Fund's Consolidated Financial Statements.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Issued in May 2021, the amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – eg, leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest

comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. These amendments have been endorsed by the EU on 30 November 2021.

The amendments are not expected to have a significant impact on the Fund's Consolidated Financial Statements.

Amendments to IAS 8 – Definition of Accounting Estimates

Issued in February 2021, the amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique); and
- choosing the inputs to be used when applying the chosen measurement technique.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The amendments are not expected to have a significant impact on the Fund's Consolidated Financial Statements.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In October 2018, the IASB refined its definition of material to make it easier to understand and apply. The refined definition of material complements the non-mandatory IFRS Practice Statement 2 guidance the IASB issued in 2017, which outlines a four-step process that preparers can use to help them make materiality judgements and provides guidance and examples on how to make materiality judgements in preparing their financial statements.

The IASB recently issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures.

The IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material: 'Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements'.

The amendments are effective from 1 January 2023 but may be applied earlier. The amendments are not expected to have a significant impact on the Fund's Consolidated Financial Statements.

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application. The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16. The Partnership is currently assessing the impact the amendments will have on current practice.

There are no new standards, amendments to standards or interpretations issued but not effective for the financial year beginning on 1 January 2022 that are expected by the Board to have a material impact on the Fund's Consolidated Financial Statements.

2.2. Basis of consolidation

The financial statements are presented on a consolidated basis including all the activities of the Fund and of its direct and indirect subsidiaries as at 31 December 2022. The financial statements of the Fund and those of its subsidiaries are prepared for the same reporting period using consistent accounting policies.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Fund has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Fund. When the Fund loses control over a subsidiary, it derecognises the related assets (including any goodwill previously recognised), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss recognised in the Consolidated Income Statement.

A list of consolidated entities is included in Note 29.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Fund.

Transactions with non-controlling interests

The Fund treats transactions with non-controlling interests as transactions with equity owners of the Fund. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Business combinations and goodwill

The acquisition method of accounting is used to account for business combinations by the Fund. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Fund. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Fund recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The Fund will consider on a transaction-by-transaction basis the optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. This test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

The Fund measures goodwill at the acquisition date as the excess of:

- the consideration transferred, plus.
- the amount of any non-controlled interest in the acquiree, plus.
- the fair value at acquisition date of any previous equity interest in the acquiree, less.
- the fair value of the Fund's share of identifiable net assets acquired.

If this calculated balance is negative in the case of a bargain purchase, it is recognised directly in the Consolidated Statement of Comprehensive Income.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Fund's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Fund's share of the net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Consolidated Income Statement reflects the Fund's share of the results of operations of the joint ventures. Any change in other comprehensive income ('OCI') of those investees is presented as part of the Fund's OCI. In addition, when there has been a change recognised directly in the equity of the joint ventures, the Fund recognises its share of any changes, when applicable, in the Consolidated Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Fund and the joint ventures are eliminated to the extent of the interest in the joint ventures.

The share of profit of the joint ventures is shown on the face of the Consolidated Income Statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

After application of the equity method, the Fund determines whether it is necessary to recognise an additional impairment loss on the Fund's investment in the joint venture. The Fund determines at the end of each reporting

period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case the Fund calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the Consolidated Income Statement.

2.3 Investment properties

Investment properties mainly comprise investments in land and buildings in the form of offices, industrial, retail or residential properties which are not used in the operation of the Fund, nor for sale in the ordinary course of business, but are held primarily to earn rentals by leasing to third parties under long term operating leases or for capital appreciation or both. As at the reporting date the Fund held assets in Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Poland, Portugal, Luxembourg, Spain and Sweden.

Investment properties are initially recorded at cost including any costs directly attributable to the purchase, such as property transfer taxes and professional fees for legal services to bring the property to the condition necessary for it to operate in the manner intended by the Fund. Subsequent expenditure on renovation and development of investment properties is capitalised at cost. Day-to-day servicing cost of an investment property is expensed.

After initial recognition investment properties are revalued to fair value on an annual basis as determined by the independent valuer (the 'Valuation Adviser'). A full valuation is performed on an annual basis at year end. A desktop valuation is performed by the Valuation Adviser on a quarterly basis. CB Richard Ellis ('CBRE') has been appointed as the Valuation Adviser and has acquired significant experience in the real estate segment targeted by the Fund.

Any gains or losses arising from a change in the fair value of investment properties are included in the Consolidated Income Statement in the year in which they arise under 'Gain from fair value adjustments on investment properties'. For the purposes of these Consolidated Financial Statements, in order to avoid 'double counting', the assessed fair value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and leasing commissions and/or minimum lease payments.

Investment properties are derecognised, either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal or withdrawal from use. Any gains or losses from the discontinuation or disposal of an investment property are recognised in the Consolidated Income Statement in the year of retirement or disposal.

Realised gains and losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset and are included in the Consolidated Income Statement in the year in which they arise under 'Gain/(loss) from disposal of investment properties'.

A breakdown of the Fund's current investment properties is included under Note 7 and Note 30.

Leasehold assets

In accordance with IFRS 16, the Fund accounts for all leases under a single on-balance sheet model.

At the commencement date of a lease, the Fund as lessee, will recognise a liability to make lease payments (ie, the lease liability) and a corresponding asset representing the right to use the underlying asset during the lease term (ie, the right-of-use asset). The right-of-use asset is subsequently revalued in accordance with IAS 40, due to the right-of-use asset meeting the definition of Investment Property.

The fair value of investment property held by a lessee as a right-of-use asset reflects expected cash flows (including variable lease payments that are expected to become payable). Accordingly, if a valuation obtained for the underlying property is net of all payments expected to be made, it will be necessary to add back any recognised lease liability, to arrive at the consolidated carrying amount of the investment property using the fair value model. Changes in fair value

are recognised in the Consolidated Income Statement within Gain from fair value adjustment on investment properties.

The Fund will recognise a lease liability at the date of initial application measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The Fund will apply the available practical expedients wherein it will use a single discount rate to a portfolio of leases with reasonably similar characteristics.

The lease payments included in the measurement of the lease liability comprise of fixed payments through to the end of the lease and variable lease payments that depend on an increase in the fixed sum (ie, periodic doubling of the rent). After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The Fund will remeasure the lease liability upon the occurrence of certain events (eg, a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Fund will recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Right-of-use asset is presented as part of Investment properties in the Consolidated Statement of Financial Position. The lease liability is presented in the Consolidated Statement of Financial Position split between current and non current liability accordingly.

Leasing commissions
Leasing commissions incurred subsequent to the acquisition of a real estate asset in negotiating a new or renewed operating lease are capitalised and amortised over the leasing term.

Valuation methodologies
Market Value is estimated through application of valuation methods and procedures that reflect the nature of the property and the circumstances under which the given property would most likely trade in the market. The most common methods used to estimate Market Value include the sales/direct comparison approach and the income capitalisation approach, including discounted cash flow analysis. The most common method used to estimate the Market Value of investment properties under construction is the residual value method, combined with either the sales comparison approach, or the income capitalisation approach.

a. Sales/direct comparison approach
This comparative approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued (a subject property) is compared with sales of similar properties that have been transacted in the market. Listings and offerings may also be considered.

This approach establishes limits on the Market Value for real property by examining the prices commonly paid for properties that compete with the subject property for buyers. Sales are investigated to ensure that the parties to the transaction were typically motivated.

b. Income capitalisation approach
This approach considers income and expense data relating to the property being valued and estimates value through a capitalisation process. Capitalisation relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both.

The income capitalisation approach is particularly important for properties that are purchased and sold on the basis of their earnings capabilities and characteristics and in situations where there is market evidence to support the various elements incorporated into the analysis. The income capitalisation approach is based on the same principles that apply

to other valuation approaches. In particular, it perceives value as created by the expectation of future benefits (income streams). Income capitalisation employs processes that consider the present value of anticipated future income benefits.

c. Discounted cash flow analysis ('DCF')

DCF is a financial modelling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an accepted methodology within the income approach to valuation, DCF analysis involves the projection of a series of periodic cash flows either to an operating property, a development property, or a business. An appropriate, market-derived discount rate is applied to this projected cash flow series to establish an indication of the present value of the income stream associated with the property or business. In the case of operating real estate properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion/terminal value, anticipated at the end of the projection period, is then discounted. The most widely used applications of DCF analysis are the Internal Rate of Return (IRR) and Net Present Value ('NPV').

As with all other components of DCF analysis, the discount rate should also reflect market data, ie, other market derived discount rates. Discount rates should be selected from comparable properties or businesses in the market. In order for these properties to be comparable, the revenue, expenses, risk, inflation, real rates of return, and income projections for the properties must be similar to those of the subject property. Present value calculations of cash flows are most often calculated using appropriate discount rates for each class of cash flows. A reversion/terminal value is capitalised at a terminal capitalisation rate, or reversion yield, and discounted to present value at an appropriate discount rate. In many instances, a single discount rate is used for all cash flows.

d. Residual value method

For the investment properties under construction, market value has been determined using the residual value method. As part of this process the Valuation Adviser initially assess the gross development value of the respective property based on the estimated rental value ('ERV') that they assume for each asset upon completion and an equivalent yield that would be appropriate for the subject property. Various costs such as the estimates of capital outlay, construction costs and developer's profit then have to be deducted in order to arrive at the value of the property to the Fund. In determining such costs the Fund's contractual commitments are taken into account. In instances where the Board has determined that the Fund is exposed to development risk, the total gain or loss is apportioned with respect to the total percentage spend to date and added to the total spend to date to calculate the investment value at the valuation date.

The Fund's preferred valuation methodology used for completed investment properties is the income capitalisation approach, with reference to the sales/direct comparison approach to analyse the rate per square metre of similar properties transacted in the market. The residual value method is used for investment properties under construction. The timing and quantum of the Fund's contractually committed development payments are taken into account in the application of this method.

2.4 Financial assets and liabilities

Recognition of financial assets

Initial recognition and measurement

Financial assets within the scope of IFRS 9, are classified at initial recognition, and subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component, or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at

its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As the Fund's rent and other accounts receivable do not contain significant financing components, they are measured at the transaction price.

The Fund's financial assets include loans receivable, loans to joint ventures, derivative financial instruments, trade and other receivables and cash and short-term deposits.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' ('SPPI') on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortised cost

The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest, on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Since the Fund's financial assets (loans to joint ventures, rent and other accounts receivable, contract assets, cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost. These are non derivative financial instruments with fixed or determinable payments and are therefore subsequently measured at amortised cost and subject to impairment. IFRS 9 requires the Fund to record expected credit losses ('ECLs') on all of loans and accounts receivable not held at fair value through profit or loss.

Loans to joint venture are assessed on an annual basis to determine whether any allowance for ECLs is required. ECLs are based on the difference between the contractual cash flows due in accordance with the loan agreement and all the cash flows that the Fund expects to receive, discounted at the effective interest rate. Any impairment is recognised in the Consolidated Statement of Comprehensive Income.

Under IFRS 9 an impairment of a receivable measured at amortised cost is recognised using forward looking information incorporating an estimation of estimated lifetime future credit losses. The standard results in earlier recognition of losses than previously recognised under IAS 39 where an 'incurred loss' model was used. Practical expedients are available and the Fund has elected to use the 'simplified model' as most of the receivables are short term in nature without any significant financing component. For more information in relation to ECLs, refer to Note 3.

Accounts receivable are written off when there is no reasonable expectation of recovery, or when an insolvency event has been declared.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. The Board has assessed that the derivative financial instruments and loans receivable, have met the above criteria and are therefore held at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the Consolidated Statement of Financial Position at fair value, with changes in fair value recognised in the Consolidated Income Statement.

Recognition of financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

The Fund's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments. They are initially recognised at fair value and subsequently at amortised cost with gains and losses recognised through the Consolidated Income Statement, except for derivative financial instruments which are held at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Consolidated Statement of Comprehensive Income.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the Consolidated Income Statement in the year in which they are incurred.

2.6 Accounts receivable

Accounts receivable generally have 30-90 days payment terms. For accounts receivable recognition and measurement, refer to details disclosed in Note 2.4. Impaired debts are derecognised when they are assessed as uncollectible.

2.7 Loans receivable

The Fund has entered into development loan agreements with third party developers in relation to residential property development schemes. These are presented as loans receivable in the Consolidated Statement of Financial Position. This funding, where drawn down by the developer, is classified as loan receivable at fair value through profit or loss. Interest earned by the Fund on the funding provided is recognised in finance income. Financial assets at fair value through profit or loss are carried in the Consolidated Statement of Financial Position at fair value, with changes in fair value recognised in the Consolidated Income Statement.

Interest is charged under the terms detailed in the development agreement and taken to the Consolidated Income Statement in the year in which it relates.

2.8 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. For the purposes of the Consolidated Statement of Cash Flows, bank overdrafts that are repayable on demand form an integral part of the Fund's cash management and are included as a component of cash and cash equivalents.

2.9 Share capital

Ordinary shares are classified as equity and are stated at nominal value of cash received, or in the case of shares issued by way of contributions in kind at the agreed value for the assets received as part of the contribution.

2.10 Dividends

Dividends to be paid to Shareholders are recognised in the Consolidated Financial Statements as a liability in the year in which the Board approves the distribution and are carried at nominal value.

Dividends to be received are recognised when the Fund's right to receive the payments is established.

In line with the provisions of IAS 37, the Board has determined that the dividend approved subsequent to year end does not meet the definition of a liability as at year end. However, as this distribution is calculated and declared as part of the normal NAV calculation process, the Board has deemed it appropriate to provide for this in the 31 December NAV as illustrated in the NAV reconciliation in Note 35.

2.11 Interest bearing loans and borrowings

Interest bearing loans and borrowings are bank/external loans and are carried on the Consolidated Statement of Financial Position at the fair value of the initial proceeds less the unamortised portion of discounts and transaction costs incurred to acquire them. Discounts and transaction costs are amortised through interest expense using the effective interest method over the life of the related debt.

Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and transfer taxes and duties. Transaction costs do not include internal administrative or holding costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the Consolidated Income Statement when the liabilities are derecognised as well as through the amortisation process.

2.12 Security deposits due to tenants

These represent the nominal value of cash deposits paid by the tenant at the commencement of a lease and are held by way of a guarantee to ensure the satisfactory discharge of the responsibilities of the tenant under the lease. The deposit is due to be repaid upon the satisfactory discharge of those liabilities.

2.13 Accounts payable

Accounts payable represent the nominal value of amounts payable to third parties, who are not related parties.

2.14 Provisions and contingencies

A provision is recognised when, and only when, the Fund has a present obligation (legal or constructive) as a result of a past event and it is probable (ie, more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision will reflect the present value of the expenditures expected to be required to settle the obligation.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Fund has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

No provision is made for cyclical refurbishment costs.

Contingencies are not recognised in the Consolidated Financial Statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the Consolidated Financial Statements but disclosed when an inflow of economic benefit is possible.

2.15 Deferred income

Deferred income represents rental income which has been billed to tenants as at the end of the reporting period but which relates to future periods.

2.16 Derivative financial instruments and hedge accounting

Derivative financial instruments comprise instruments held for hedging purposes which are measured at fair value.

The Fund may use derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments will initially be recognised at fair value at the date at which a derivative contract is entered into and will be subsequently remeasured at fair value. Derivatives will be carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values of similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Fund will formally designate and document the hedge relationship to which the Fund wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Fund will assess whether the hedging relationship meets the hedge effectiveness requirements.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument would be recognised in the Consolidated Income Statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Consolidated Income Statement.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through the Consolidated Income Statement over the remaining term of the hedge. The amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the Consolidated Income Statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in the Consolidated Statement of Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Consolidated Income Statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in equity are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. For any other cash flow hedges, the amount taken to equity is reclassified to the Consolidated Income Statement as a reclassification adjustment in the same year or years during which the hedged cash flows affect the Consolidated Income Statement.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in equity must remain in equity if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the Consolidated Income Statement as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in equity must be accounted for depending on the nature of the underlying transaction as described above.

Economic hedging

The Fund also uses financial instruments that represent an economic hedge but for which no hedge accounting is applied, either because the criteria to qualify for hedge accounting defined in IFRS 9 are not met or because the Board has chosen not to apply hedge accounting. Any gains or losses arising from changes in fair value of derivatives for which no hedge accounting is applied will be taken directly to the Consolidated Income Statement.

2.17 Revenue recognition

Rental income

Rental income from investment properties leased out under operating leases represents rents charged to tenants and is recognised in the Consolidated Income Statement on a straight-line basis over the lease term of ongoing leases, net of sales taxes except where the sales tax incurred on a purchase of goods and services is not receivable from the taxation authority. Lease incentives, including rent-free periods and reimbursement of relocation or other costs are recognised as an integral part of the lease payments and are also recognised in the Consolidated Income Statement on a straight-line basis.

Other property income

This represents income derived from property from sources other than rental income from tenants, and is recognised on an accruals basis in the year to which it contractually relates, net of any sales taxes.

Property management fees and property operating expenses recharged to tenants are recognised as income on an accruals basis in the year to which the expense can be contractually recovered.

Property disposals

Revenue from the sale of investment properties is recognised in the Consolidated Income Statement on completion of the property transaction being when the significant risks and rewards of ownership have been transferred to the buyer.

Finance income

Income is recognised in the Consolidated Income Statement as interest accrues (using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the net carrying amount of the financial asset).

2.18 Expense recognition

General principle

Expenses are accounted for on an accrual basis. Expenses are charged to the Consolidated Income Statement, except for those which are related to the raising of equity, the raising of debt (see Note 2.11) or incurred in the acquisition of an investment which are capitalised as part of the cost of the investment. Expenses arising on the disposal of investments are deducted from the disposal proceeds.

Finance costs

Finance costs include:

- Interest costs related to secured notes and long term and short term debt, which are recognised on an accrual basis;
- The effect of the unrealised change in fair value of interest rate hedges related to the financing activities for the year;
- The effect of the foreign currency gains and losses on monetary assets and liabilities arising in the year; and
- The amortisation of loan transaction costs.

2.19 Foreign currency

Functional and presentation currency

The functional and presentation currency of the Fund and subsidiaries is the Euro ('EUR' or €). Each subsidiary of the Fund determines its own functional currency and items included in the Consolidated Financial Statements of each entity are measured using that functional currency. The functional currency of a subsidiary is determined as the currency of the primary economic environment in which the subsidiary generates and expends cash.

Transactions in foreign currencies

Transactions in currencies other than the functional currency of the Fund are recorded at the average exchange rate during the month in which the transaction took place. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. All differences are recognised in the income statement of the respective entity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rate at the date when the fair value was determined.

The cumulative exchange differences arising on the settlement of cash transactions are classified as realised gains and losses in the Consolidated Income Statement in the year in which they are settled. Exchange differences on transactions not yet settled in cash are recognised as unrealised gains and losses in the Consolidated Income Statement under 'Finance costs'.

Translation to the presentation currency

Where the functional currency of a subsidiary is different from the presentation currency of the Fund the assets and liabilities of the subsidiary are translated at the rate of exchange ruling at the end of the reporting year. The income statement of such subsidiaries is translated at the average exchange rate for the year. The foreign exchange differences arising on the currency translation are recorded as a separate component of reserves in equity, under the heading of 'Cumulative foreign currency translation reserve'. Exchange differences arising on monetary items, which in substance form part of the Fund's net investment in a foreign operation, are recorded as part of the 'Cumulative foreign currency translation reserve'. During the year, the Fund owned seventeen subsidiaries with a functional currency other than the Euro, that being nine in Swedish Krona and eight in Danish Krone.

The movement in the cumulative foreign currency translation reserve is recorded as 'Other comprehensive income' in the Consolidated Statement of Comprehensive Income.

On the disposal of such a subsidiary, accumulated foreign currency translation differences are recognised in the Consolidated Income Statement as a component of the 'Gain or loss on disposal of subsidiaries'.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired company and are recorded at the exchange rate at the date of the transaction.

2.20 Taxation

The Fund entities are subject to taxation in the countries in which they operate. Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity (in which case it is recognised in equity).

a) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates and tax laws that have been enacted or substantially enacted at the end of the reporting period. Current tax for current and prior period, to the extent unpaid, is recognised as a liability.

b) Deferred taxation

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor the taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which they are realised, based on tax rates and tax laws that have been enacted or substantially enacted at the end of the reporting period.

Deferred income tax assets and deferred income tax liabilit es are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

The Fund measures deferred tax liabilities for investment properties measured at fair value by applying the consequence of recovering the economic benefits of the investment properties entirely through sale, unless the presumption can be rebutted.

2.21 Non-current assets held-for-sale

Investment property is transferred to non-current assets held-for-sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable:

- The Board must be committed to plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated;
- The property is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

On re-classification, the property that is measured at fair value continues to be so measured.

Liabilities directly associated with non-current assets classified as held-for-sale are shown separately as current items on the Consolidated Statement of Financial Position.

2.22 Events after the reporting period

Events after the reporting period that provide additional information about the Fund's position at the end of the reporting period (adjusting events) are reflected in the Consolidated Financial Statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

3. Significant accounting judgements, estimates and assumptions

The preparation of Consolidated Financial Statements in conformity with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, revenues and expenses. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or the liability affected in future years.

In the process of applying the Fund's accounting policies, the Board has made the following significant judgements, estimates and assumptions:

a) Judgements

Determining whether the Fund meets the definition of an investment entity according to IFRS 10

To meet the definition of an investment entity, the following criteria must be met:

- An entity obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Fund reports its investments at fair value under 'IAS 40 Investment Properties' in the Consolidated Financial Statements. However, the entity's key management personnel do not rely solely on fair value of the properties as the primary attribute to evaluate the performance of substantially all its investments and to make investment decisions. Instead, other indicators are used to evaluate performance and make investment decisions which comprise of prospective leases, occupancy rate, lease term, future rents, property yield, property location, net property income, tenant quality/profile and many other variables and market conditions.

The Board has therefore concluded that the Fund does not meet the definition of an investment entity and therefore is not exempted from consolidating its controlled entities.

Business combinations

Significant judgement is required when determining the appropriate method of accounting for acquisitions of shares of a company owning property (ie, business combination versus asset deal). In the opinion of the Board, the special purpose vehicles which themselves own the investment property may not always qualify as businesses under the definition of IFRS 3 in case they do not represent 'an integrated set of activities and assets'. In the case where the acquisition of properties does not represent a business combination under the definition of IFRS 3, the purchase price of the assets and liabilities acquired is allocated based upon their relative fair values, and no goodwill is recognised.

Consolidation and joint arrangements

The Fund is a part owner of two investments in which it has a 45% ownership interest in each. The Fund has determined that it has joint control over the investees and the control is shared with the other 55% owners. These investments are a joint arrangement.

The Fund has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Fund's rights and obligations arising from the arrangement, classified its interests as a joint venture under IFRS 11 Joint arrangements. As a consequence it accounts for its investment using the equity method.

Lease modification

Management is required to assess whether or not rent concessions provided to the tenants meet the definition of a lease modification under the scope of IFRS 16. A lease modification is defined in IFRS 16 as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. In assessing whether there has been a change in the scope of a lease, the Fund considers whether there has been a change in the right of use conveyed to the lessee by the contract. In assessing whether there has been a change in the consideration for a lease, the Fund considers the overall effect of any change in the lease payments. When it is assessed the rent concession meets the definition of a lease modification, the Fund accounts for a modification to an operating lease as a new lease from the effective date of the modification considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Principal versus agent considerations – services to tenants

The Fund arranges for certain services provided to tenants of investment property included in the contract the Fund enters into as a lessor, to be provided by third parties. The Fund has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Fund has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Fund has discretion in establishing the price that it charges to the tenants for the specified services. Therefore, the Fund has concluded that it is the principal in these contracts. In addition, the Fund has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

Segment reporting

The Board has assessed that the sole operating segment is the Fund itself considering that all decisions and the assessment of the performance are made on the basis of the operating results of the Fund; a consolidated approach to assess performance and allocate resources (see Note 6).

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed by CBRE in its capacity as an accredited independent valuer, as at 31 December 2022. CBRE has acquired significant expertise in valuing these types of investment properties.

The Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Transaction costs normally borne by the seller are not deducted prior to arriving at Market Value.

Fair value is derived by deduction of those costs normally borne by the purchaser from the Market Value.

The Valuation Adviser derives the Market Value by applying the methodology and valuation guidelines as set out in the practice statements of the current Royal Institution of Chartered Surveyors' (RICS) 'Valuation – Professional Standards' (the 'Red Book'), and the requirements of IAS 40.

The determined Market Value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

The valuations of investment properties are based upon estimates and subjective judgements that may vary from the actual values and sales prices that may be realised by the Fund upon ultimate disposal.

As at 31 December 2022, the Fund's Valuation Adviser has provided a Market Conditions disclosure. The wording used by the external valuer is quoted below:

We would draw your attention to the fact that a combination of global inflationary pressures, higher interest rates, currency movements and the recent geopolitical events in Ukraine, has heightened the potential for greater volatility in property markets over the short-to-medium term. Past experience has shown that consumer and investor behaviour can quickly change during periods of such heightened volatility. You should note that the conclusions set out in this report are only valid as at the valuation date. Where appropriate, we would recommend that the valuation is closely monitored, as we continue to track how market participants respond to current market volatility.

In the case of development valuations, we would draw your attention to the fact that, even in normal market conditions, the residual method of valuation is very sensitive to changes in key inputs, with small changes in variables (such as the timing of the development, finance/construction costs and sales rates) having a disproportionate effect on land value. Consequently, in reference to the Market Conditions section above it is inevitable that there is even greater uncertainty, with site values being susceptible to much more variance than normal.

Recognition and measurement of income and deferred taxes

The Fund is subject to income and capital gains taxes in numerous jurisdictions. Significant judgement is required in determining the total provision for income and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain during the ordinary course of business. The Fund recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the year in which the determination is made.

Estimating the incremental borrowing rate

The Fund cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Fund would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Fund 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Fund estimates the IBR using observable inputs such as market interest rates when available and is required to make certain entity-specific estimates such as the subsidiary's stand-alone credit rating. The IBR used by the Fund as at 31 December 2022 were 2.005% for Klara Strand Property AB and 3.70% for Asunto Oy Tampereen Rehtori (31 December 2021 was 2.005% for Klara Strand Property AB and 3.70% for Asunto Oy Tampereen Rehtori).

Provision for expected credit losses of accounts receivables and contract assets

The Fund uses a provision matrix to calculate ECLs for accounts receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns such as by geography, property type, customer type and rating, and coverage by credit insurance.

The provision matrix is initially based on the Fund's historical observed default rates. The Fund will calibrate the matrix to adjust the historical credit loss experience with forward- ooking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Fund's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

4. Financial risk management

Objective and policies

The Fund's principal financial liabilities comprise bank loans. The main purpose of these financial liabilities is to raise finance for the Fund's operations. The Fund has various financial assets such as loan receivables, accounts receivable and cash and short term deposits, which arise directly from operations. The Fund may also enter into derivatives transactions, primarily interest rate swaps and forward currency contracts.

The main financial risks to which the Fund is exposed are real estate valuation risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. Apart from financial risk, the operational risks which arise in the course of business are risks related to investment property and Fund operations. The Board reviews and agrees policies for managing each of these risks which are summarised below.

Risks related to investment property

Real estate values can be affected by a number of factors including changes to global or local economic conditions, local market conditions, the financial conditions of tenants, the availability of debt financing, changes in interest rates, real estate tax rates and other operational expenses, environmental laws and regulations, planning laws and other governmental legislation, energy prices, the relative attractiveness of real estate types or locations and other factors which are beyond the control of the Board or the AIFM. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in values.

Although it is anticipated that rental growth will take place, this is not guaranteed. Rent default could have an adverse impact on the performance of the Fund. Real estate values are affected by the ability of the property and asset

managers to provide maintenance and to maintain the recoverability of service charge and other expenditure and to control these and other costs.

The nature of real estate acquisitions and disposals may mean that considerable costs are incurred without the completion of an acquisition, disposal, financing or leasing of real estate. These costs are not recoverable and the Fund will be liable for them, reducing potential investor returns as a consequence.

The value of the real estate assets is determined by the opinion of the Valuation Adviser and is therefore subjective. No assurance can be given that any given real estate asset could be sold at a price equal to the fair value ascribed to it.

Investors should be aware that the construction, redevelopment or repositioning of properties carries a number of attendant risks. Suitable tenants may not be found for the properties which could lead to the Fund owning vacant properties which do not produce sufficient income to meet expenses and provide a suitable return to the Fund. Other risks associated with construction, redevelopment or repositioning include the risk of delays in the construction timetable resulting in a property not reaching a stage where it is reasonably fit for occupancy or causing the project costs to exceed budgeted costs, and the risk of bad craftsmanship by contractors. Similarly, there may be planning risks arising from difficulties in obtaining planning consents and licences which delay the construction timetable.

The Fund has entered into forward funding developments whereby it makes available development funding from which the developer can request drawdowns based on the development costs incurred. The Fund's total commitment to the development is capped. The developer agrees to carry out and complete the development and as such takes on the associated development risks. The risks to the Fund, including failure of the developer, are mitigated by back-ending fee payments to the developer (with appropriate incentives), step-in rights for the Fund, and a guarantee from the developer's parent company, if required. Additionally, the Fund has clear controls over the release of its funds over the course of the development. Risk is also mitigated by the fact that the total cost of the development, including the land, at the time of building is forecast to be lower than the value of the completed development.

The Fund may be liable for the costs of removal or remediation of hazardous or toxic substances located on or in a property held by it. The presence of such substances may also adversely affect the ability of the Fund to sell or lease the property or to borrow using the property as collateral. Generally, the Asset Manager will perform market practice environmental due diligence of all of the properties that would be acquired. There can be no assurance, however, that such due diligence will reveal the environmental liabilities relating to such properties.

The Fund will maintain comprehensive insurance cover on its real estate assets in amounts sufficient to permit replacement in the event of loss, subject to availability of insurance on commercially reasonable terms and conditions. However, certain types of losses (generally of a catastrophic nature such as earthquakes, floods, hurricanes and terrorism) may be uninsurable or not economically insurable.

Risks related to the Fund

If the Fund suffers significant redemptions, the Portfolio Manager may be forced to recommend the disposal of real estate assets more quickly than would otherwise be advisable. Sales of this nature may result in a less than favourable price being obtained in the market.

The Fund depends significantly on the Portfolio Manager. The replacement of the Portfolio Manager would cause disruption to the Fund.

Although the Portfolio Manager will monitor the performance of each real estate asset, it will be primarily the responsibility of the Asset Manager and the local property managers to operate the Fund investments on a day-to-day basis.

In accordance with its Investment Policy, the Fund will seek to invest in a diversified portfolio of commercial real estate assets in Europe. However, there is no guarantee that the Fund will always be able to maintain a broadly diversified portfolio by sector and geographic area. The relative concentration of investments in one sector or geographic area could make the Fund more susceptible to a single economic, political, social or other event adversely affecting several investments than would be the case if the real estate assets were more diversified. It is possible that the Fund will make a limited number of investments and, as a consequence, the aggregate return of the Fund may be substantially affected by the unfavourable performance of a single investment.

If an investor fails (for whatever reason) to pay to the Fund sums requested following the issue of a drawdown notice, it may be difficult for the Fund to make up the shortfall from other sources. This may affect the Fund's ability to complete a planned investment and therefore affect the performance of the Fund.

Investors will not have an opportunity to evaluate the real estate investments made by the Fund. The investment discretion of the Fund will be managed by the Board and the relevant subsidiaries (acting on the advice of the Portfolio Manager) and accordingly the Fund and the relevant subsidiaries will have full discretion in managing the Fund's real estate investments. The rights and obligations of investors are set out in the Prospectus and, except for the rights reserved to them in the Prospectus and applicable law, investors will have no part in the management and control of the Fund.

The AIFM, the Portfolio Manager and the Asset Manager and their affiliates and employees may have various interests in (and may serve in different capacities as regards) the Fund, including the following: direct and indirect shareholdings in the Fund, and being a provider of certain Advisory services (for which a fee will be paid).

In particular, such persons may be a party to, or interested in, any transaction or arrangement with the Fund, including the contribution of the Seed Portfolio which was contributed to the Fund by The Prudential Assurance Company Limited, an affiliate of the AIFM and the Portfolio Manager.

There may be constraints when redeeming Shares in the Fund as real estate assets are relatively illiquid compared to bonds and equities. Liquidity is a measure of how easily an investment can be traded.

Although Shares are freely transferable, it is possible that no market in relation to the Shares will develop. The ability of Shareholders to find a buyer for their Shares in the market, and the price at which they trade, will depend on market sentiment. Shares may trade at a discount to NAV and it may be difficult for a Shareholder to dispose of all or part of his Shares at any particular time or at an appropriate price.

Currency risk

The value, in Euro terms, of any of the Fund's real estate assets that are not denominated in Euro may rise or fall purely on account of exchange rate fluctuations, which will have a related effect on the value of the Shares. During the year, the Fund owned assets and liabilities denominated in Swedish Krona (SEK), Danish Krone (DKK) and Polish Zloty (PLN). In the case of Poland, the rents are denominated in Euros, and the market practice for core assets is to price in Euros, so the currency risk is not deemed material. According to the nature of the asset or liability the result of the exposure to the Swedish Krona and the Danish Krone is recorded against the 'Cumulative foreign currency translation reserve' in the Consolidated Statement of Financial Position or in the Consolidated Statement of Comprehensive Income.

The Fund's exposure to foreign currency risk is illustrated, based on notional amounts, by the following table, which demonstrates the sensitivity to an estimated change in exchange rates, with all other variables held constant, of the Fund's equity.

	As at 31 December 2022		As at 31 December 2021	
	SEK (+15%)	**SEK (-15%)**	**SEK (+15%)**	**SEK (-15%)**
Investment properties	71,004	(71,004)	82,940	(82,940)
Cash and cash equivalents	3,126	(3,126)	2,908	(2,908)
Other assets	5,261	(5,261)	1,830	(1,830)
Borrowings	(304)	304	(11,584)	11,584
Lease liability	(7,291)	7,291	(7,874)	7,874
Other liabilities	(4,869)	4,869	(6,103)	6,103
Net effect on the Fund's equity	**66,927**	**(66,927)**	**62,117**	**(62,117)**

	As at 31 December 2022		As at 31 December 2021	
	DKK (+15%)	**DKK (-15%)**	**DKK (+15%)**	**DKK (-15%)**
Investment properties	52,504	(52,504)	57,046	(57,046)
Cash and cash equivalents	4,648	(4,648)	3,146	(3,146)
Other assets	2,788	(2,788)	1,277	(1,277)
Borrowings	(10,272)	10,272	(10,270)	10,270
Other liabilities	(2,692)	2,692	(3,075)	3,075
Net effect on the Fund's equity	**46,976**	**(46,976)**	**48,124**	**(48,124)**

The exposure to non-Euro currencies as at 31 December 2022 is 14.94% of GAV (31 December 2021: 14.28%). The Fund's current strategy in relation to currency exposure is that, whilst the exposure to non-Euro currencies (excluding those that are closely pegged to the Euro) remains below 15% of GAV, there is no intention to hedge. At exposures in excess of 15% of GAV the Board will consider putting hedging in place if economic to do so.

Credit risk

The Fund's earnings, distributable cash flow and NAV could be adversely affected if a significant number of its tenants are unable to meet their lease obligations.

To ensure that tenants continue to be able to meet their credit terms, their financial viability is kept under review.

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate the Fund obtains collateral in the form of bank deposits and/or bank guarantees.

The Fund applied ECLs to its lease receivables in accordance with IFRS 9. The Fund uses a provision matrix based on historical collection rates and accounts for forward looking information. At each reporting date the assumptions will be updated for observed default rates and estimates analysed. The percentage provisions applied to amounts outstanding is aligned with the Fund risk management system which is maintained in the day-to-day operations of the Fund.

Accounts receivable are stated net of any provisions, and without any set off of deposits or guarantees. The Fund's maximum exposure to credit risk is represented by the balance disclosed in the Consolidated Statement of Financial Position.

	As at 31 December 2022	As at 31 December 2021
Accounts receivable	27,627	21,241
Provision for expected credit losses	(3,982)	(5,060)
Other accounts receivable	2,830	2,957
Loans receivable	78,651	66,208
Other assets	81,100	106,982
Loans to joint ventures	38,343	37,031
Total	**224,569**	**229,359**

The ageing analysis of accounts receivable is as follows:

		Accounts receivable Past due					
31 December 2022	**Not yet due**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**	**Total**
Carrying amount	15,339	1,746	3,075	1,436	400	5,631	27,627
Expected credit loss	(336)	(66)	(253)	(284)	(113)	(2,930)	(3,982)
Net amount	**15,003**	**1,680**	**2,822**	**1,152**	**287**	**2,701**	**23,645**

		Accounts receivable Past due					
31 December 2021	**Not yet due**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**	**Total**
Carrying amount	7,719	3,844	1,942	830	553	6,353	21,241
Expected credit loss	–	–	–	–	(97)	(4,963)	(5,060)
Net amount	**7,719**	**3,844**	**1,942**	**830**	**456**	**1,390**	**16,181**

With respect to credit risk arising from other financial assets of the Fund, which comprise cash and cash equivalents and certain derivatives instruments, the Fund's exposure to credit risk arises from default of the counterparty, with the maximum exposure equal to the carrying amount of these instruments.

Cash balances are held and derivatives are entered into only with financial institutions with a high credit rating. The Fund has policies and controls in place to monitor the amount of credit exposure to any financial institution.

Cash balances are held with various banks in order to minimise the concentration of credit risk.

Interest rate risk

The Fund's exposure to the risk of changes in market interest rates relates primarily to the Fund's long-term debt obligations with floating interest rates. The Fund manages its exposure to interest rate risk mainly by borrowing long term fixed interest senior debt secured against investment properties. As at 31 December 2022 and 31 December 2021, the Fund was not exposed to any significant extent to interest rate fluctuations.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through appropriate and adequate credit lines and the ability of customers to settle obligations within normal terms of credit.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the date of the Consolidated Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

Unless otherwise stated, amounts are expressed in thousands of EUR.

			As at 31 December 2022			
Liabilities	**On demand**	**<3 mths**	**3-12 mths**	**1-5 years**	**>5 years**	**Total**
Interest bearing loans	–	144,100	1,699	318,228	–	464,027
Principal	–	143,335	–	315,270	–	458,605
Interest	–	765	1,699	2,958	–	5,422
Security deposits due to tenants	654	1,742	1,146	5,652	5,430	14,624
Lease liability	–	–	2,097	8,389	57,346	67,832
Accounts payable	–	4,423	–	–	–	4,423
Payable due to related parties	–	15,888	–	–	4,713	20,601
Income and other taxes payable	–	–	14,565	–	–	14,565
Subscriptions received in advance	–	12,846	–	–	–	12,846
Accrued expenses and other current liabilities	–	45,403	–	–	–	45,403
Total	**654**	**224,402**	**19,507**	**332,269**	**67,489**	**644,321**

			As at 31 December 2021			
Liabilities	**On demand**	**<3 mths**	**3-12 mths**	**1-5 years**	**>5 years**	**Total**
Interest bearing loans	–	75,782	2,779	478,595	–	557,156
Principal	–	74,786	–	473,595	–	548,381
Interest	–	996	2,779	5,000	–	8,775
Security deposits due to tenants	131	731	332	7,687	4,046	12,927
Lease liability	–	–	2,263	9,052	59,612	70,927
Accounts payable	–	8,790	–	–	–	8,790
Payable due to related parties	–	12,634	–	–	4,713	17,347
Income and other taxes payable	–	–	16,374	–	–	16,374
Subscriptions received in advance	–	270,437	–	–	–	270,437
Accrued expenses and other current liabilities	–	47,390	–	–	–	47,390
Total	**131**	**415,764**	**21,748**	**495,334**	**68,371**	**1,001,348**

Capital risk management

The Fund manages its capital to ensure that entities in the Fund will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Fund's overall strategy remains unchanged from last year.

According to the Prospectus, the total secured borrowing of the Fund is ordinarily limited to a maximum permitted level of 40% of the GAV. As at 31 December 2022, the Fund's secured borrowing was 8.99% (31 December 2021: 10.61%) of GAV.

Subject to the limits set out above, the Fund may utilise unsecured short term borrowing facilities from time to time to finance asset purchases in advance of drawing down capital commitments from investors, and/or to meet redemption requests, subject to an overall total borrowing limit (secured and unsecured) of 40% of GAV.

The capital structure of the Fund consists of net debt (borrowings as detailed in Note 19 offset by cash and cash equivalents) and equity of the Fund (comprising share capital, reserves, retained earnings and non-controlling interests).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

Unless otherwise stated, amounts are expressed in thousands of EUR.

The gearing ratios at the end of the reporting periods were as follows:

	As at 31 December 2022	As at 31 December 2021
Debt (net of transaction costs)	(456,774)	(546,303)
Cash and cash equivalent balance	372,694	423,014
Net debt	(84,080)	(123,289)
Equity	4,279,864	3,942,341
Net debt to equity ratio	(1.96%)	(3.13%)

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest input that is significant to the fair value measurement as a whole:

- Quoted (unadjusted) market prices in active markets for identical assets or liabilities (Level 1);
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (Level 2); and
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (Level 3).

For assets and liabilities that are recognised in the Consolidated Financial Statements on a recurring basis, the Fund determines whether transfers have occurred between the levels in the fair value hierarchy by reassessing categorisation at the end of each reporting period.

The following table analyses within the fair value hierarchy the Fund's assets and liabilities measured at fair value as at 31 December 2022 and 31 December 2021:

Assets measured at fair value as at 31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment properties:				
Retail	–	–	969,295	969,295
Logistics	–	–	846,702	846,702
Office	–	–	2,141,651	2,141,651
Residential	–	–	384,115	384,115
	–	**–**	**4,341,763**	**4,341,763**
Loans receivable	–	–	78,651	78,651
Derivative financial instruments	–	7,268	–	7,268

Assets measured at fair value as at 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment properties:				
Retail	–	–	1,029,639	1,029,639
Logistics	–	–	886,829	886,829
Office	–	–	2,083,554	2,083,554
Residential	–	–	298,859	298,859
	–	**–**	**4,298,881**	**4,298,881**
Non-current assets classified as held-for-sale	–	–	40,400	40,400
Loans receivable	–	–	66,208	66,208
Derivative financial instruments	–	890	–	890

Liabilities measured at fair value as at 31 December 2021	Level 1	Level 2	Level 3	Total
Derivative financial instruments	–	13	–	13

Investment properties are classified as level 3, as the valuation methods use inputs that are not based on observable market data. Market Value is estimated through the application of valuation methods and procedures that reflect the nature of the property and the circumstances under which the given property would most likely trade in the market, as further disclosed in Note 2.3.

5 Basis of Net Asset Value (NAV) calculation

The Board has concluded that whereas the Consolidated Financial Statements of the Fund have been prepared in accordance with IFRS, compliance with certain requirements of IFRS conflicts with the objective of balancing investors' interests over time.

The Board believes that the NAV of the Fund, which is used for calculating the subscription and redemption price of Shares, should balance investors' interests over time and represent the best estimate of fair value based on the latest available information and on a basis consistent with accepted industry best practice. The adjustments considered by the Board to adjust the equity attributable to Shareholders of the Fund derived from IFRS, are listed below.

Deferred tax

The Board has made a best estimate of an adjustment to reflect the fair value of deferred tax liabilities related to the difference between the fair value of investment property and its tax book value or acquisition cost as applicable. This adjustment is necessary to take account of the likely method and timing of disposals of investment property through share deals, or otherwise under market conditions, or the timing of income tax payments for properties held in the portfolio. Such fair value adjustments have not been taken into account in the calculation of deferred tax liabilities under IFRS. On an asset by asset basis an estimate is made, taking into account the advice of the Valuation Adviser, of the proportion of the latent capital gains tax liability that would be attributable to the seller in a share sale. As at 31 December 2022, the assumed proportion of the latent capital gains tax that the Fund is assumed to suffer ranges from 0% to 100% (31 December 2021: 0% to 100%), and the weighted average for the 61 assets in the portfolio with latent capital gains are 61.66% (31 December 2021: 62.85%).

Investment properties

The Board has estimated that a portion of real estate transfer taxes ('RETT') should be added back to the valuation as determined by the Valuation Adviser for those assets where it is considered that such RETT will not be suffered taking into account the likely method of disposal. The extent to which RETT should be added back will be determined by the Board in accordance with current market practice. As at 31 December 2022, the assumed proportions range from 0% to 100% (31 December 2021: 0% to 100%), and the weighted average for the portfolio is 73.70% (31 December 2021: 71.04%).

Adjustment of debt obligations and instruments to fair value

The Board has made a best estimate of an adjustment to reflect the fair value of debt obligations and instruments.

Adjustment to reflect year end dividend

The Board has made an adjustment to reflect the dividend payable to Shareholders as at 31 December 2022. Whilst this dividend has not been approved as at 31 December, and therefore does not constitute a liability as prescribed by IFRS, the Board is of the view that this should be provided for in the 31 December NAV as it is calculated as part of the normal NAV calculation process.

Timing differences and other reconciling items

These adjustments relate to the late receipt of information after the publication of the NAV at the financial year end but having an impact on the net asset position at the balance sheet date.

6. Segment information

The Board of Directors of the Fund has assessed that the sole operating segment is the Fund itself considering that all decisions and the assessment of the performance are made on the basis of the operating results of the Fund; a consolidated approach to assess performance and allocate resources.

Information on the revenue is disclosed attributing revenues from external customers to individual countries. Investment properties and investments in joint ventures are disclosed by the located country where the subsidiaries hold the investments.

i. Revenue from investment properties split by geographic area

Revenues from investment properties	Year ended 31 December 2022	Year ended 31 December 2021
France	44,494	33,797
Germany	42,414	46,842
Denmark	23,255	13,775
Sweden	22,714	22,541
Spain	18,761	19,424
Finland	15,356	12,044
Netherlands	11,333	11,775
Portugal	11,314	10,965
Italy	11,241	10,566
Belgium	9,727	12,140
Poland	8,645	8,096
Luxembourg	4,946	4,638
Total	**224,200**	**206,603**

The revenue referred to above is based on the location of the real estate asset.

Revenues are derived from a large number of tenants and no single tenant or group under common control contributes more than 10% of the Fund's revenues, for the year ended 31 December 2022 and 31 December 2021.

ii. Carrying amount of investment properties split by geographic area

Carrying amount of investment properties included in non-current assets	As at 31 December 2022	As at 31 December 2021
France	996,623	723,045
Germany	888,480	917,309
Sweden[a]	471,670	552,247
Spain	401,451	428,163
Denmark	350,028	380,304
Finland[b]	316,906	336,645
Italy	241,983	250,428
Netherlands	235,678	234,729
Portugal	161,000	186,900
Belgium	105,105	111,482
Poland	104,051	107,805
Luxembourg	68,788	69,824
Total	**4,341,763**	**4,298,881**

[a] The total of the Swedish property balance includes €48.5m related to the right-of-use asset in 2022 (31 December 2021: €53.8m).

[b] The total of the Finnish property balance includes €0.7m related to the right-of-use asset in 2022 (31 December 2021: €0.7m).

iii. Carrying amount of investments in joint ventures and loans to joint ventures

Carrying amount of investments in joint ventures and loans to joint ventures	As at 31 December 2022	As at 31 December 2021
Italy	115,069	111,948
Total	**115,069**	**111,948**

7 Investment properties

A breakdown of the portfolio of investment properties by sector is shown in the table below:

	Retail	Logistics	Office	Residential	Total
Carrying value as at 31 December 2020	**772,376**	**715,596**	**2,094,163**	**62,915**	**3,645,050**
Additions	285,319	40,011	430	175,481	501,241
Capital expenditure	581	1,194	5,028	26,499	33,302
Disposals	–	–	(51,989)	–	(51,989)
Net currency movement	(1,406)	(4,022)	(8,332)	–	(13,760)
Transfer to assets held-for-sale (Note 32)	–	–	(40,287)	–	(40,287)
Net (loss)/gain from fair value adjustments	(27,231)	134,050	86,734	33,275	226,828
Right-of-use (Note 23)					
Additions	–	–	–	692	692
Net loss from fair value adjustments on right-of-use	–	–	(898)	(3)	(901)
Net currency movement on right-of-use	–	–	(1,295)	–	(1,295)
Carrying value of investment properties as at 31 December 2021	**1,029,639**	**886,829**	**2,083,554**	**298,859**	**4,298,881**
Lease incentives and commissions	10,257	8,029	22,548	–	40,834
Fair value as at 31 December 2021	**1,039,896**	**894,858**	**2,106,102**	**298,859**	**4,339,715**
Cost as at 31 December 2021	1,083,580	679,167	1,738,561	288,664	3,789,972
Insured value as at 31 December 2021	**588,572**	**811,904**	**1,295,907**	**99,622**	**2,796,005**
Insured value of investment properties held for sale as at 31 December 2021	**–**	**–**	**–**	**–**	**–**

	Retail	Logistics	Office	Residential	Total
Carrying value as at 31 December 2021	**1,029,639**	**886,829**	**2,083,554**	**298,859**	**4,298,881**
Additions	(3,329)	54,836	275,115	70,720	397,342
Capital expenditure	3,330	1,180	2,538	44,229	51,277
Disposals	(27,422)	–	(14,479)	(31)	(41,932)
Net currency movement	(774)	(12,138)	(23,486)	–	(36,398)
Net loss from fair value adjustments	(32,149)	(84,005)	(176,256)	(29,658)	(322,068)
Right-of-use (Note 23)					
Net loss from fair value adjustments on right-of-use	–	–	(1,106)	(4)	(1,110)
Net currency movement on right-of-use	–	–	(4,229)	–	(4,229)
Carrying value of investment properties as at 31 December 2022	**969,295**	**846,702**	**2,141,651**	**384,115**	**4,341,763**
Lease incentives and commissions	11,604	7,402	29,527	1,140	49,673
Fair value as at 31 December 2022	**980,899**	**854,104**	**2,171,178**	**385,255**	**4,391,436**
Cost as at 31 December 2022	1,095,042	723,045	1,901,369	403,582	4,123,038
Insured value as at 31 December 2022	**655,141**	**823,403**	**1,411,382**	**205,892**	**3,095,818**

Included within the carrying value of the investment properties line is €99.8m of investment property under construction (31 December 2021: €78.0m).

For the year ended 31 December 2022, expenditure on the investment properties is related mainly to the Boreales Living SCI asset (property under construction) for €30.6m, 97 Jean Jaures SNC asset for €5.1m, Rue du Mars Clichy SCI asset for €4.2m and Aurientis Aix-en-Provence SCI asset for €4.2m (31 December 2021: 97 Jean Jaures SNC asset €22.9m).

Acquisitions of investment properties as per the Consolidated Statement of Cash Flows comprises investment property acquisitions reduced by the non-controlling interests contribution.

For information on disposals of investment properties refer to Note 10.

A quantitative sensitivity analysis showing the impact on the directly held properties of ERV moving by +/-10%, together with a +/-0.5% movement in equivalent yield on valuation is shown below:

	ERV -10%	ERV	ERV +10%
Equivalent yield -0.5%	4,478,469	4,894,614	5,309,037
Equivalent yield	4,068,812	4,442,621	4,815,195
Equivalent yield +0.5%	3,618,205	3,939,486	4,260,673

8 Investments in joint ventures

The Fund controls 45% of MCF S.r.l. and Elle 14 S.r.l. which own properties located at Fiumicino in Rome, Italy.

The Fund's interest in the joint ventures is accounted for using the equity method in the Consolidated Financial Statements.

Summarised financial information of the joint venture and a reconciliation with the carrying amount of the investments in the Consolidated Financial Statements are set out below:

	As at 31 December 2022	As at 31 December 2021
Historic cost		
At the beginning of the year	52,904	47,132
Dividend declared	(156)	(2,459)
Investment	750	8,231
At the end of the year	**53,498**	**52,904**
Net unrealised gains related to investments in joint ventures		
At the beginning of the year	22,013	12,683
Share of profit of joint ventures	1,215	9,330
At the end of the year	**23,228**	**22,013**
Share of equity at the end of the year	**76,726**	**74,917**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

Unless otherwise stated, amounts are expressed in thousands of EUR.

MCF S.r.l. revenues, profit, aggregated assets and liabilities are as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Revenue	17,183	16,038
Other operating expenses	(4,204)	(3,766)
Unrealised gain on derivatives	1,283	–
(Loss)/gain from fair value adjustments on investment property	(5,724)	5,857
Operating profit	**8,538**	**18,129**
Interest expense	(3,127)	(2,854)
Profit before tax	**5,411**	**15,275**
Current tax expense	(2,468)	(5,068)
Deferred tax income	–	10,223
Dividends paid *	(348)	(3,374)
Profit for the year	**2,595**	**17,056**

* The interim dividends were paid out of the profit of the joint venture during the years ended 31 December 2022 and 2021.

	As at 31 December 2022	As at 31 December 2021
Assets		
Non current assets	224,573	229,068
Current assets	26,249	16,427
	250,822	**245,495**
Liabilities		
Non current liabilities	95,612	95,254
Current liabilities	7,687	6,370
	103,299	**101,624**
Net assets	**147,523**	**143,871**

As at 31 July 2017, Natixis and ING granted a loan to MCF S.r.l. of €29.55m each (total €59.1m), which bears interest of 3 month EURIBOR plus a margin of 1.80%, and repayment date of 8 August 2021. The loan was renewed in 2021 for a period of 5 years, bearing interest of 6 month EURIBOR plus a margin of 2%, and repayment date of 5 August 2026. Bayerische Landesbank has replaced Natixis in the new bank syndication. The loan facility is 80% hedged via an interest rate cap, providing protection against EURIBOR fluctuations during the term of the facility.

The Fund's share (45%) of MCF S.r.l. revenue, profit and net assets are as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Revenues	7,732	7,217
Profit for the year	1,168	7,675
Net assets	66,386	64,742

Unless otherwise stated, amounts are expressed in thousands of EUR.

Elle 14 S.r.l. revenues, profit, aggregated assets and liabilities are as follows:

	Year ended 31 December 2022	Period ended 31 December 2021
Revenue	5,649	748
Other operating expenses	(2,007)	(256)
(Loss)/gain from fair value adjustments on investment property	(889)	4,544
Operating profit	**2,753**	**5,036**
Interest expense	(2,617)	(329)
Profit before tax	**136**	**4,707**
Current tax expense	(234)	(45)
Deferred tax expense	(145)	(983)
(Loss)/profit for the year/period	**(243)**	**3,679**

	As at 31 December 2022	As at 31 December 2021
Assets		
Non-current assets	69,556	70,444
Current assets	6,313	3,193
	75,869	**73,637**
Liabilities		
Non-current liabilities	47,421	45,825
Current liabilities	6,397	5,188
	53,818	**51,013**
Net assets	**22,051**	**22,624**

The Fund's share (45%) of Elle 14 S.r.l. revenue, profit and net assets are as follows:

	Year ended 31 December 2022	Period ended 31 December 2021
Revenues	2,542	337
(Loss)/profit for the year/period	(109)	1,655
Other reconciling items	417	–
Net assets	9,929	10,181

9 Loans to joint ventures

On 1 August 2016, the Fund granted a loan to MCF S.r.l., its joint venture investment, of €16,682,538 bearing interest of 4% per annum, and the repayment date of 1 August 2021. On 30 July 2021, the loan was renewed for the same amount and the repayment date extended until 5 September 2026, bearing an interest of 4.25%.

On 15 November 2021, the Fund has granted a loan to Elle 14 S.r.l., another joint venture investment, of €19,734,629 which bears interest of 5.95% and the repayment date of 5 September 2026.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
Unless otherwise stated, amounts are expressed in thousands of EUR.

A reconciliation with the carrying amount of the investment in the Consolidated Financial Statements is set out below:

	As at 31 December 2022	As at 31 December 2021
Balance at the beginning of the year	37,031	17,202
Additions	–	19,734
Interest repayments	(597)	(731)
Interest income	1,909	826
Balance at the end of the year	**38,343**	**37,031**

As at 31 December 2022, the carrying amount of the loans to joint ventures approximates the fair value (Level 3).

10 Disposal of subsidiaries and investment properties

During the year ended 31 December 2022, the following subsidiaries and investment properties were disposed:

On 24 June 2022, the Fund disposed of the entity Opera Trio Propco SPRL (Trio office asset in Brussels, Belgium) to SOFIIS 2 SA for €46.3m (excluding transaction costs);

On 1 September 2022, the Fund disposed of the entity Databankweg 26/28/30 B.V. (Databankweg office asset in Amersfort, Netherlands) to Meerdervoort Group B.V. for €18.8m (excluding transaction costs);

On 4 October 2022, the Fund disposed of seven parking spaces owned by Via Torino Due S.r.l. to Gemma SRL in the Italy for €0.5m (excluding transaction costs); and

On 28 November 2022, the Fund disposed of the entity Investabroad 5, S.A. (Continente Modelo Guarda, Ponte deLima and Cantanhede supermarket assets in Portugal) to Olimpo Real Estate Portugal and SIGI, S.A. for €26.2m (excluding transaction costs).

	Opera Trio Propco SPRL	Databankweg 26/28/30 B.V.	Investabroad 5 S.A.	Via Torino Due S.r.l.[a]	Capucins (Thionville) SNC[b]	Total
Assets						
Investment properties	–	17,100	27,000	498	–	44,598
Non-current assets classified as held-for-sale	42,100	–	–	–	–	42,100
Cash and cash equivalents	4,620	1,610	39	–	–	6,269
Other current assets	1,083	683	17	–	–	1,783
Total assets	**47,803**	**19,393**	**27,056**	**498**	**–**	**94,750**
Liabilities						
Current liabilities	(4,125)	(538)	(2,913)	–	–	(7,576)
Total liabilities	**(4,125)**	**(538)**	**(2,913)**	**–**	**–**	**(7,576)**
Net assets	**43,678**	**18,855**	**24,143**	**498**	**–**	**87,174**
Transaction costs	340	171	365	4	–	880
Disposal price excluding non-controlling interest	**46,338**	**18,758**	**26,223**	**510**	**–**	**91,829**
Gain/(loss) on disposal	**2,320**	**(268)**	**1,715**	**8**	**(73)**	**3,702**

[a] Seven car parking spaces of a total of 127m², owned by Via Torino Due S.r.l, were sold.

[b] Loss on disposal for Capucin (Thionville) SNC relates to purchase price adjustment. The entity was disposed in 2021.

Unless otherwise stated, amounts are expressed in thousands of EUR.

During the year ended 31 December 2021, the following investment properties were disposed:

On 28 January 2021, the Fund disposed of the asset related to Mainzer Landstrasse 61 S.à r.l. located in Germany for €39.7m (excluding transaction costs).

On 15 July 2021, the Fund disposed of NAO Building, located in Barcelona for €47.2m (excluding transaction costs).

On 23 April 2021, the Fund disposed of the asset related to Capucins Thionville SNC located in France for €2.0m (excluding transaction costs). The share deal was held for sale at €2.0m as at 31 December 2020.

On 19 June 2021, the Fund disposed of building A and B, Le Val St Quentin located in Paris for €6.25m (excluding transaction costs).

11 VAT receivable

	As at 31 December 2022	As at 31 December 2021
VAT receivable	10,537	35,370
Total	**10,537**	**35,370**

The decrease of VAT receivable mainly corresponds to the refunds received relating to Via Pola amounting to €11.2m, Padova S.à r.l. amounting to €4.5m, Marseille La Valentine SCI amounting to €12.3m and Aurentis Aix Provance amounting to €0.8m which was partially offset by LLD Logistics SNC amounting to €2.9m, due to the installment of 30% of the purchase price and the VAT thereon having been incurred during the year ended 31 December 2022.

12 Other current assets

	As at 31 December 2022	As at 31 December 2021
Accrued income	9,885	11,477
Other receivables[a]	13,026	17,227
Cash guarantees and deposits[b]	39,076	30,995
Pre-paid costs[c]	19,113	22,638
Total	**81,100**	**82,337**

[a] Consists mainly of net withholding tax amounting to €8.4m (31 December 2021: €8.3m) and other receivables amounting to €3m (31 December 2021: €3.2m).

[b] As at 31 December 2021, the balance consisted mainly of cash held in the escrow account related to the acquisition of Bologna amounting to €8m, Turin amounting to €8.6m, 97 Jean Jaures amounting to €7.6m and Casino Hypermarche Marseille amounting to €3.5m. As at 31 December 2022, the balance mainly consists of €34.1m deposits paid for Bad Homburg in relation to plot 3 and 4. The buildings are planned to be completed by Q2 2023 and will be formally acquired upon practical completion.

[c] Pre-paid costs mainly consist of tax expense prepayment of €11.3m and acquisition costs pending closure of €5.2m relating to Bad Homburg.

13 Loans receivable

	As at 31 December 2022	As at 31 December 2021
Forward funding	76,538	65,060
Net gain from fair value adjustments	2,113	1,148
Total	**78,651**	**66,208**
Less current portion of loan receivable	**(61,588)**	**(43,344)**
Net book value of non-current loan receivable	**17,063**	**22,864**

As at 31 December 2022 and 2021, the loans receivable consists of the following forward funding:

	As at 31 December 2022	As at 31 December 2021
Bologna	59,551	42,196
The Rock	16,987	–
Turin	–	22,864
Total forward funding	**76,538**	**65,060**

On 29 October 2020, the Fund committed to forward fund student accommodation development in Bologna for €62.1m ('Bologna'). In 2022, the forward funding commitment has been increased to €63.1m. The shares in the entity owning the asset will be acquired upon the practical completion of the development in Q2 2023. As at 31 December 2022, the Fund transferred €59.6m. The interest rate of the loan is 6.1%.

On 20 May 2021, the Fund committed to forward fund the acquisition of land and development of student accommodation development in Turin for €64.26m ('Turin'). The Fund has transferred €30.77m which has been fully repaid in August 2022 as the project was aborted in Q2 2022 with no remaining outstanding loan as at 31 December 2022. The interest rate of the loan was 6%.

On 13 April 2022, the Fund committed to forward fund student accommodation development in The Hague for €57.9m ('The Rock'). The shares in the entity owning the asset will be acquired upon practical completion of the development in March 2025. As at 31 December 2022, the Fund transferred €17m. The interest rate of the loan is 2%.

The fair value of the assets under the Forward Funding as at 31 December 2022 are classified as level 3. The fair value of the loan receivable as at 31 December 2022 is sensitive to movements in the value of the underlying real estate assets which these loans are utilised to develop. Equally, the fair value of the loans are sensitive to the credit quality of the borrowers. The valuation of the underlying investment properties under construction are most sensitive to the equivalent yield, ERV, stage of construction and total development spend.

14 Other non-current assets

On 13 August 2021, the Fund entered into a payment scheme to secure the acquisition of 3 residential developments in Bad Homburg for €114m in total. As at 31 December 2021, the Fund had transferred €24.7m as a deposit. As at 31 December 2022, the Fund had transferred a total of €66.2m as a deposit. Phase 1 of the residential development was completed in December 2022 (plot 1), and the deposits transferred for the remaining 2 residential developments (plot 3 and plot 4) amounted to €34.1m were reclassified to other current assets as these will be completed in Q2 2023 (see note 12).

15 Cash and cash equivalents

	As at 31 December 2022	As at 31 December 2021
Cash at bank	372,694	423,014
Total	**372,694**	**423,014**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is €372,694,034 (31 December 2021: €423,014,840).

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For the year ended 31 December 2022

Unless otherwise stated, amounts are expressed in thousands of EUR.

16 Ownership of the Fund

Share subscriptions during the year ended 31 December 2022 were €666,581,928 (31 December 2021: €443,590,110).

During the year ended 31 December 2022, the following shares were issued by reinvestment of dividends:

- Class 'C' Income Shares 229.022 (31 December 2021: Nil) issued by reinvestment of dividends totalling €24,241 (31 December 2021: €Nil);
- Class 'E' Income Shares 16,825.694 (31 December 2021: Nil) issued by reinvestment of dividends totalling €1,760,393 (31 December 2021: €Nil);
- Class 'F' Income Shares 39,148.162 (31 December 202' : 13,314.186) issued by reinvestment of dividends totalling €4,072,304 (31 December 2021: €1,322,658); and
- Class 'X' Income Shares 106.163 (31 December 2021: Nil) issued by reinvestment of dividends totalling €11,222 (31 December 2021: €Nil);

The holders of Income Shares receive a cash dividend on a quarterly basis; the Net Distributable Income attributable to Accumulation Shares is accumulated and reflected in the respective NAV per Share.

Share redemptions during the year ended 31 December 2022 were €44,331,019 (31 December 2021: €Nil).

Each Share, irrespective of Class and type, is entitled to one vote at meetings of Shareholders. Shares may be redeemed according to the provisions of the Prospectus.

17 Dividends

Accumulated dividends per Income Share since inception	**As at 31 December 2022**	**As at 31 December 2021**
Class 'A' Income Shares	2,605	2,605
Class 'B' Income Shares	157	157
Class 'C' Income Shares	150,915	150,201
Class 'E' Income Shares	14,266	7,270
Class 'F' Income Shares	131,192	97,938
Class 'G' Income Shares	60,546	29,762
Class 'X' Income Shares	112,288	96,730
	471,969	**384,663**

Weighted average dividend per Income Share issued	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Class 'A' Income Shares	–	–
Class 'C' Income Shares	2.32	3.63
Class 'E' Income Shares	2.24	2.05
Class 'F' Income Shares	2.65	2.27
Class 'G' Income Shares	2.68	2.79
Class 'X' Income Shares	2.48	2.36

18 Foreign currency translation reserve

	Year ended 31 December 2022	Year ended 31 December 2021
Balance at the beginning of the year	(18,737)	(8,950)
Arising during the year	(35,773)	(9,787)
Balance at the end of the year	**(54,510)**	**(18,737)**

The increased losses in the reserve during the year ended 31 December 2022 is due to change in the EUR to SEK exchange rate from 10.2960 at 31 December 2021 to 11.1203 at 31 December 2022 and the change in the EUR to DKK exchange rate from 7.4376 at 31 December 2021 to 7.4365 at 31 December 2022.

19 Interest bearing long-term bank loans

Convenant breach – Luisen Forum S.à r.l.

On 3 November 2022, a compliance certificate was issued by Luisen Forum S.à r.l. to Bayerische Landesbank for the loan agreement. According to the compliance certificate, the interest cover ratio covenant was above 750% while the Loan to Value did not exceed 55%. It was also confirmed that the Occupancy Ratio was below 85% which breached the soft covenant and triggered a cash trap event. Bayerische Landesbank agreed that Luisen Forum S.à r.l. can remain in a soft covenant breach so long as they provide information on the centre. The centre can run as normal as its operating income continues to be sufficient to cover operating expenses but Luisen Forum S.à r.l. cannot make any distributions by means of shareholder loan repayments or dividends. The facility was repaid on 27 January 2023.

	As at 31 December 2022	As at 31 December 2021
Balance at the beginning of the year	**548,381**	**511,688**
Long term bank loans repaid[a]	(89,786)	(96,682)
New borrowings during the year	–	135,163
Foreign exchange impact	10	(1,788)
Balance at the end of the year	**458,605**	**548,381**

[a] During the year ended 31 December 2022, the Fund paid loans for properties related to Luisen Forum S.à r.l. for €15.0m and Klara Strand Property AB for €74.79m (31 December 2021: Rennes 135 SCI for €0.5m, Avenue Hoche SCI for €14.5m, Vimmelskaftet 30 APS for €13.3m, Klosterstraese 1 for €1.2m, PFA Properties A/S for €37.2m and Via Torino Due S.r.l. for €30.0m).

	As at 31 December 2022	As at 31 December 2021
Loan transaction costs		
Balance at the beginning of the year	(6,727)	(5,787)
Additions during the year	–	(2,087)
Costs in relation to loan expired and repaid during the year	1,178	1,115
Foreign exchange impact	(68)	32
Balance at the end of the year	**(5,617)**	**(6,727)**
Amortisation		
Balance at the beginning of the year	4,003	4,270
Amortisation shown in interest expense	853	793
Amortisation in relation to loans expired and repaid during the year	(1,178)	(1,115)
Foreign exchange impact	(2)	55
Balance at the end of the year	**3,676**	**4,003**
Net book value of loan transaction costs	**(1,941)**	**(2,724)**
Net book value of proceeds from bank loans	**456,664**	**545,657**
Interest payable at the end of the year	110	646
Less current portion of bank loans	(143,445)	(75,432)
Net book value of non-current bank loans	**313,329**	**470,871**

Used and unused portions of these facilities are analysed as follows:

	As at 31 December 2022	As at 31 December 2021
Available facilities		
Secured loans	458,605	548,381
Unsecured loans	–	–
	458,605	**548,381**
Amounts drawn		
Secured loans	458,605	548,381
Unsecured loans	–	–
	458,605	**548,381**
Un-utilised loan facilities		
Secured loans	–	–
Unsecured loans	–	–
	–	**–**
Value of pledged assets		
Investment property	1,196,252	1,428,960
	1,196,252	**1,428,960**

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For the year ended 31 December 2022

Unless otherwise stated, amounts are expressed in thousands of EUR.

The breakdown of the bank loans by maturity is shown in the table below:

	As at 31 December 2022	As at 31 December 2021
Bank loans maturing within 1 year	143,335	74,786
Bank loans maturing between 1 and 5 years	315,270	473,595
Bank loans maturing beyond 5 years	–	–
	458,605	**548,381**

Summary of facilities

Lender: Berlin Hyp AG	
Principal borrowers:	Antibes 90/94 SCI
First drawdown	October 2019
Repayment date	July 2024
Gross interest margin	EURIBOR 3 month + 0.99%
Interest payment	Quarterly
Funding base	Floating with interest rate CAP
Lender: Berlin Hyp AG	
Principal borrowers:	Rennes 135 S.C.I.
First drawdown	October 2019
Repayment date	July 2024
Gross interest margin	0.60%
Interest payment	Quarterly
Funding base	Fixed
Lender: Berlin Hyp AG	
Principal borrowers:	République 27/31 SCI
First drawdown	July 2014
Repayment date	July 2024
Gross interest margin	0.60%
Interest payment	Quarterly
Funding base	Fixed
Lender: Berlin Hyp AG	
Principal borrower:	Drelech S.à r.l.
First drawdown	July 2020
Repayment date	July 2025
Gross interest margin	0.78%
Interest payment	Quarterly
Funding base	Fixed
Lender: Danske Bank	
Principal borrower:	Vimmelskaftet 32-34 K/S
First drawdown	April 2015
Repayment date	March 2045
Gross interest margin	0.53%[a]
Interest payment	Quarterly
Funding base	Fixed

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Unless otherwise stated, amounts are expressed in thousands of EUR.

Summary of facilities

Lender: Danske Bank	
Principal borrowers:	Vimmelskaftet 30 APS Klosterstræde 1 ApS
First drawdown	March 2016
Repayment date	March 2046
Gross interest margin	1.36%[b]
Interest payment	Quarterly
Funding base	Fixed
Lender: Danske Bank	
Principal borrower:	Kalvebod Brygge 47 K/S
First drawdown	March 2016
Repayment date	March 2046
Gross interest margin	0.49%[b]
Interest payment	Quarterly
Funding base	Fixed
Lender: Bayerische Landesbank	
Principal borrower:	Greenwalk SCI[c]
First drawdown	March 2018
Repayment date	March 2023
Gross interest margin	1.20%
Interest payment	Quarterly
Funding base	Fixed
Lender: ING Bank	
Principal borrower:	Badensche S.à r.l.[c]
First drawdown	January 2018
Repayment date	January 2023
Gross interest margin	1.007%-1.157%
Interest payment	Quarterly
Funding base	Fixed
Lender: ING Bank	
Principal borrower:	Ridlerstrasse S.à r.l.[c]
First drawdown	January 2018
Repayment date	January 2023
Gross interest margin	1.007%-1.157%
Interest payment	Quarterly
Funding base	Fixed
Lender: Bayerische Landesbank	
Principal borrower:	Luisen Forum S.à r.l.[c]
First drawdown	February 2018
Repayment date	January 2023
Gross interest margin	1.0645%
Interest payment	Semi-annual
Funding base	Fixed

Summary of facilities

Lender: ING Bank	
Principal borrower:	Radlkoferstrasse 2 S.à r.l.
First drawdown	March 2019
Repayment date	March 2024
Gross interest margin	0.666%
Interest payment	Quarterly
Funding base	Fixed
Lender: Skandinaviska Enskilda Banken AB	
Principal borrower:	Kiinteisto Oy Alvar Aallonkatu 3
First drawdown	January 2020
Repayment date	January 2025
Gross interest margin	0.80%
Interest payment	Semi-annual
Funding base	Fixed
Lender: Caixa Bank S.A.	
Principal borrower:	Rios Rosas S.à r.l.
First drawdown	September 2021
Repayment date	September 2026
Gross interest margin	3M EURIBOR+1.10%
Interest payment	Quarterly
Funding base	Floating with interest rate CAP

[a] As per the Agreement, the gross margin is 0.53% until 1 April 2026 when it will be re-set again.

[b] As per the Agreement, the gross interest rate is 0.49% until 1 April 2025 when it will be re-set again.

[c] The loans were repaid in Q1 2023.

The fair value of the interest bearing bank loans, together with the carrying amounts shown in the Consolidated Statement of Financial Position are as follows:

	As at 31 December 2022		As at 31 December 2021	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Interest bearing bank loans	456,774	437,213	546,303	549,119

The fair value of interest bearing loans is calculated using the comparable bond approach by reference to prevailing market data and the yield on comparable bonds. Interest bearing loans are classified as level 2 in the fair value hierarchy as the valuation method uses inputs that are based on observable market data.

20 Accrued expenses and other current liabilities

	As at 31 December 2022	As at 31 December 2021
Accrued acquisition costs[a]	5,658	8,591
Accrued property taxes	4,640	5,643
Tenant prepayments	8,055	7,870
Other operating activity	19,372	17,011
VAT payable	7,678	8,275
Total	**45,403**	**47,390**

[a] Decrease in accrued acquisition costs is mainly due to reversal of acquisition accrual of €3.8m at Marseille La Valentine SCI following payments made during the year.

21 Financial instruments

a) Interest rate swaps

Interest rate swap agreements are classified as level 2 in the fair value hierarchy (refer to Note 4), as the valuation method uses inputs that are based on observable market data.

	As at 31 December 2022	As at 31 December 2021
Derivative financial instruments assets fair value of the swap (economic hedge)		
Balance at the beginning of the year	890	8
Movement in fair value	6,378	882
Balance at the end of the year	**7,268**	**890**
Less current portion of derivative financial instruments	–	–
Derivative financial instruments, net of current portion	7,268	890

	As at 31 December 2022	As at 31 December 2021
Derivative financial instruments liabilities fair value of the swap (economic hedge)		
Balance at the beginning of the year	13	32
Movement in fair value	(13)	(19)
Balance at the end of the year	**–**	**13**
Less current portion of derivative financial instruments	–	**(13)**
Derivative financial instruments, net of current portion	–	–

The effect of changes in fair value has been included in 'Finance income and finance costs' (Note 26).

As at 31 December 2022, there were no swap agreements in place.

Cap agreement

Buyer:	Antibes 90/94 SCI
Effective date	31 October 2019
Termination date	16 July 2024
Notional amount	EUR 20,000,000
Seller:	Berlin Hyp AG
Cap-Rate	0.990% pa
Base-Rate	EURIBOR 3 month

Cap agreement

Buyer:	Rios Rosas S.à r.l.
Effective Date	29 September 2021
Termination Date	30 September 2026
Notional Amount	EUR 83,500,000
Seller:	Caixabank, S.A.
Cap-Rate	1.0% pa
Base-Rate	EURIBOR 3 month

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Unless otherwise stated, amounts are expressed in thousands of EUR.

b) Financial instruments by measurement categories (IFRS 9)

Financial assets as at 31 December 2022	Balance	Financial assets at fair value through profit or loss	Financial assets at amortised cost (including cash and cash equivalents)
Non-current assets			
Loans to joint ventures	38,343	–	38,343
Loans receivable	17,063	17,063	–
Derivative financial instruments	7,268	7,268	–
Current assets			
Accounts receivable	26,475	–	26,475
Loans receivable	61,588	61,588	–
Other current assets (Note 12)			
Other receivables	13,026	–	13,026
Cash guarantees and deposits	39,076	–	39,076
Cash and cash equivalents	372,694	–	372,694

Financial liabilities as at 31 December 2022	Balance	Financial liabilities at fair value through profit or loss	Other financial liabilities (measured at amortised cost)
Non-current liabilities			
Interest bearing bank loans	313,329	–	313,329
Payable to related parties	4,713	–	4,713
Security deposits due to tenants	11,082	–	11,082
Current liabilities			
Current portion of interest bearing bank loans and borrowings	143,445	–	143,445
Security deposits due to tenants	3,542	–	3,542
Accounts payable	4,423	–	4,423
Current portion of payable to related parties	15,888	–	15,888
Subscriptions received in advance	12,846	–	12,846
Accrued expenses and other current liabilities (Note 20)	37,725	–	37,725

Financial assets as at 31 December 2021	Balance	Financial assets at fair value through profit or loss	Financial assets at amortised cost (including cash and cash equivalents)
Non-current assets			
Loans to joint ventures	37,031	–	37,031
Loans receivable	22,864	22,864	–
Other non-current assets	24,645	–	24,645
Derivative financial instruments	890	890	–
Current assets			
Accounts receivable	19,138	–	19,138
Loans to joint ventures	43,344	43,344	–
Other current assets (Note 12)			
Other receivables	17,227	–	17,227
Cash guarantees and deposits	30,995	–	30,995
Cash and cash equivalents	423,014	–	423,014

Financial liabilities as at 31 December 2021	Balance	Financial liabilities at fair value through profit or loss	Other financial liabilities (measured at amortised cost)
Non-current liabilities			
Interest bearing bank loans	470,871	–	470,871
Payable to related parties	4,713	–	4,713
Security deposits due to tenants	11,733	–	11,733
Current liabilities			
Current portion of interest bearing bank loans and borrowings	75,432	–	75,432
Security deposits due to tenants	1,194	–	1,194
Accounts payable	8,790	–	8,790
Current portion of payable to related parties	12,634	–	12,634
Derivative financial instruments	13	13	–
Subscriptions received in advance	270,437	–	270,437
Accrued expenses and other current liabilities (Note 20)	39,115	–	39,115

22 Taxation

According to legislation presently in force, the Fund is not subject to corporate income or capital gains taxes in Luxembourg. It is, however, liable to an annual subscription tax based on the NAV of the Fund, payable quarterly, and assessed on the last day of each quarter. As the Fund is regulated under the SIF law, the rate is 0.01% per annum. This tax is reflected under 'Other Fund expenses' in the Consolidated Income Statement.

Real estate revenues, or capital gains derived thereon, may be subject to taxes by assessment, withholding or otherwise in the countries where the real estate is situated. This tax is reflected under 'Current tax expense' in the Consolidated Income Statement.

The Fund's subsidiaries amortise and depreciate their historical property cost according to applicable tax regulations. Such amortisation and depreciation is not reflected in the accompanying Consolidated Financial Statements, except to the extent that current taxable income has been reduced.

The taxation income/expense is shown in the following table and recognises that revenue and expense items may affect the Consolidated Financial Statements and tax returns in different years (timing differences).

	As at 31 December 2022	As at 31 December 2021
Deferred tax liability relating to the difference between the tax base and fair market value		
Opening balance	**213,513**	**156,652**
Effect of revaluation of properties to fair value post acquisition	(38,786)	57,473
Effect of foreign currency translation	(2,190)	(612)
Effect of disposal by way of share deal	(4,426)	–
Closing balance	**168,111**	**213,513**
Income and other current taxes payable		
Income tax payable	13,615	15,364
Other current taxes payable	950	1,010
Total income and other current taxes payable	**14,565**	**16,374**
Income tax payable		
Balance brought forward	15,364	14,169
Income tax expense	9,252	10,782
Tax paid	(11,001)	(9,587)
Closing balance	**13,615**	**15,364**

	Year ended 31 December 2022	Year ended 31 December 2021
Current tax expense		
Income taxes	9,252	10,782
Deferred tax (income)/expense		
Arising from assets	(38,786)	57,473
Total tax (income)/expense reported in the Consolidated Income Statement	**(29,534)**	**68,255**

A reconciliation between tax expense and the product of accounting profit multiplied by Luxembourg's tax rate for year ended 31 December 2022 and 31 December 2021 is as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Income tax reconciliation		
(Loss)/profit before tax	**(191,183)**	**344,157**
At Luxembourg's statutory tax rate of 24.94%	(47,681)	85,833
Tax impact of:		
Tax exempt income	(13,457)	(11,161)
Non-deductible expenses	4,051	8,285
Recognition of previously unrecognised deductable temporary differences	35,099	(17,919)
Losses for which deferred tax assets have not been recognised	(24,025)	19,738
Utilisation of previously unrecognised tax losses	(148)	(237)
Effect of different effective tax rates in other countries	16,582	(12,416)
Adjustments in respect of current income tax of previous years	348	(1,541)
Share of results of an associate and joint ventures	(303)	(2,327)
Total tax (income)/expense reported in the Consolidated Income Statement	**(29,534)**	**68,255**

At the year end, the Fund had tax losses of approximately €328,964,182 (31 December 2021: €246,349,431) that are available for set-off against future taxable profits of the subsidiaries in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

31 December 2022	**< 1 year**	**2 –5 years**	**> 5 years**	**Total**
Carry forward losses available to set-off against future taxable profits	7,082	5,155	316,727	328,964
31 December 2021	**< 1 year**	**2 –5 years**	**> 5 years**	**Total**
Carry forward losses available to set-off against future taxable profits	6,138	4,216	235,995	246,349

23 Rental leases

Fund as a lessor

The Fund leases out its investment property under operating leases. The terms of the leases are in line with normal practice in each market and are reviewed or subject to automatic inflationary increases as appropriate. Operating expenses, where applicable, are recharged to tenants either by way of direct charge or monthly service charges.

Future minimum rentals receivable under non-cancellable operating leases according to current rental agreements and market rates as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		**31 December 2021**	
	Amount receivable	**%**	**Amount receivable**	**%**
Within 1 year	203,025	19.34	192,716	17.79
Between 1 and 2 years	177,269	16.88	170,536	15.75
Between 2 and 3 years	154,067	14.67	145,795	13.46
Between 3 and 4 years	121,380	11.56	126,294	11.66
Between 4 and 5 years	95,360	9.08	98,234	9.07
5 years and more	298,825	28.47	349,408	32.27
Total undiscounted lease payments	**1,049,926**	**100.00**	**1,082,983**	**100.00**

Fund as a lessee

The Fund holds two leasehold properties that are classified as investment property. The property of Klara Strand Property AB has a remaining lease term of 32 years and the property of Asunto Oy Tampereen Rehtori has a remaining lease term of 57 years. The lease terms of both properties can be extended. The right-of-use asset has been classified within the same line as the underlying leasehold property in 'Investment Property'.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	As at 31 December 2022	**As at 31 December 2021**
Right-of-use asset		
At the beginning of the year	54,528	56,032
Addition	–	692
Net valuation loss on right-of-use asset during the year	(1,110)	(901)
Net currency movement	(4,229)	(1,295)
Carrying value at the end of the year	**49,189**	**54,528**

Unless otherwise stated, amounts are expressed in thousands of EUR.

The undiscounted lease maturity analysis of lease liabilities as at 31 December 2022 and 31 December 2021 are as follows:

	As at 31 December 2022	As at 31 December 2021
Less than one year	2,097	2,263
One to five years	8,389	9,052
More than five years	57,346	59,612
Total undiscounted lease liabilities at the end of the year	**67,832**	**70,927**
Lease liabilities included in the Statement of Financial Position		
At the beginning of the year	54,688	56,032
Addition	–	692
Interest expense on lease liability	1,066	1,555
Lease payment	(2,193)	(2,296)
Net currency movement	(4,372)	(1,295)
At the end of the year	**49,189**	**54,688**
Current	**2,015**	**2,174**
Non-current	**47,174**	**52,514**

24 Other property related expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Maintenance and utilities[a]	36,691	27,142
Insurance costs	2,383	1,968
Professional fees	500	511
Bad debts	(740)	1,468
Capital gains tax	–	3,296
Land tax	15,207	15,187
Total	**54,041**	**49,572**

[a] The increase in maintenance and utilities is mainly related to the increase in energy prices and maintenance works that were incurred for Marseille La Valentine SCI amounting to €3.4m.

25 Other Fund expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Directors' fees	251	254
Valuation fees	669	647
Other professional fees[a]	4,094	2,562
Audit fees[b]	1,602	1,304
Fund domiciliation and administration fees	3,525	3,181
Subscription tax	446	365
Other general and administrative expenses[c]	1,655	–
Total	**12,242**	**8,313**

[a] During the year ended 31 December 2022, the increase of other professional fees were mainly linked to tax services fees of €0.5m, fees for the Green Bond project of €0.5m and legal fees for the Fund of €0.5m. The increase of tax services fees was triggered by a general increase across several entities mainly due to additional tax services (advisory and regulatory). Legal fees have mainly increased due to additional services provided by Hogan Lovells (Paris) LLP for the Green bond project of €0.2m and Reed Smith LLP of €0.1m.

[b] These fees are exclusively for audit services performed.

[c] The other general and administrative expenses mainly consist of license fees, other abortive purchase costs, capital call compensations and other expenses.

26 Finance income and finance costs

	Year ended 31 December 2022	Year ended 31 December 2021
Interest income on loans to joint ventures	1,909	826
Interest income on loans	3,897	3,188
Other interest income	524	105
Realised exchange gains	–	55
Unrealised exchange gains	585	240
Unrealised gain on swaps	6,391	901
Other finance income[a]	626	–
Total finance income	**13,932**	**5,315**

[a] During the year ended 31 December 2022, Other finance income was mainly linked to a reversal of transaction costs in relation to the abortion of Turin for €1.2m, partially offset by transaction costs incurred for The Rock for €0.5m and Bologna for €0.04m forward funding deals.

	Year ended 31 December 2022	Year ended 31 December 2021
Interest payable brought forward	(646)	(443)
Interest paid	6,328	8,966
Lease liability interest expense	1,066	1,555
Payable carried forward	110	646
Interest expense	6,858	10,724
Other finance costs	87	2,824
Unrealised exchange loss	1,128	338
Amortisation of debt transaction costs (Note 19)	853	793
Realised exchange losses	650	94
Total finance costs	**9,576**	**14,773**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

Unless otherwise stated, amounts are expressed in thousands of EUR.

27 Earnings per Share

Basic earnings per Share are calculated by dividing net profit for the year attributable to each Class of Share in issue during the year, by the equivalent weighted average number of Shares issued during the year.

Diluted earnings per Share are calculated by dividing the net profit attributable to each Class of Share by the total number of each Class of Share as if fully issued during the year.

	Year ended 31 December 2022	Year ended 31 December 2021
Net (loss)/profit per Share Class		
Class 'C' Income Shares	(1,432,900)	2,278,645
Class 'C' Accumulation Shares	(1,382,620)	1,843,412
Class 'E' Income Shares	(12,679,204)	12,453,581
Class 'E' Accumulation Shares	(27,873)	–
Class 'F' Income Shares	(50,295,370)	91,565,829
Class 'F' Accumulation Shares	(8,837,556)	16,851,112
Class 'G' Income Shares	(45,344,694)	82,631,057
Class 'G' Accumulation Shares	(6,902,169)	12,894,662
Class 'X' Income Shares	(26,561,118)	42,407,789
Class 'X' Accumulation Shares	(7,525,495)	11,546,913

	Year ended 31 December 2022	Year ended 31 December 2021
Weighted average number of Shares in issue		
Class 'C' Income Shares	307,568	319,603
Class 'C' Accumulation Shares	296,776	258,557
Class 'E' Income Shares	3,119,973	1,621,009
Class 'E' Accumulation Shares	6,859	–
Class 'F' Income Shares	12,542,869	11,845,840
Class 'F' Accumulation Shares	2,203,947	2,180,023
Class 'G' Income Shares	11,483,739	10,660,759
Class 'G' Accumulation Shares	1,748,004	1,663,623
Class 'X' Income Shares	6,262,524	5,635,787
Class 'X' Accumulation Shares	1,774,345	1,534,528

	Year ended 31 December 2022	Year ended 31 December 2021
(Loss)/Earnings per Share net		
Class 'C' Income Shares	(4.66)	7.13
Class 'C' Accumulation Shares	(4.66)	7.13
Class 'E' Income Shares	(4.06)	7.68
Class 'E' Accumulation Shares	(4.06)	–
Class 'F' Income Shares	(4.01)	7.73
Class 'F' Accumulation Shares	(4.01)	7.73
Class 'G' Income Shares	(3.95)	7.75
Class 'G' Accumulation Shares	(3.95)	7.75
Class 'X' Income Shares	(4.24)	7.52
Class 'X' Accumulation Shares	(4.24)	7.52

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

Unless otherwise stated, amounts are expressed in thousands of EUR.

28 Transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

M&G plc is the ultimate parent company of the AIFM, the Portfolio Manager and the Asset Manager.

During the year, the Fund and its consolidated entities entered into several transactions with related parties. The related balances at 31 December and the transactions in the year then ended are presented below.

Annual Management Fee

The Annual Management fee is calculated as follows:

1.100% of the NAV attributable to Class 'C' Shares
0.800% of the NAV attributable to Class 'E' Shares
0.700% of the NAV attributable to Class 'F' Shares
0.650% of the NAV attributable to Class 'G' Shares
0.875% of the NAV attributable to Class 'X' Shares

and is reduced by the aggregate amount of fees paid directly by the local SPVs to the Asset Manager, including the Fund's share of fees paid to a third party asset manager in respect of services provided to a Co-Investment Entity.

	Year ended 31 December 2022	Year ended 31 December 2021
The AIFM	21,465	16,823

The Annual Management fee payable by the Fund as at 31 December 2022 amounts to €11,238,564 (31 December 2021: €8,839,255).

Domiciliation and administration fees

The Fund and its Luxembourg domiciled consolidated entities receive domiciliation and administration services from the AIFM, for which a fee is payable.

	Year ended 31 December 2022	Year ended 31 December 2021
The AIFM	535	517

The domiciliation and administration fees payable to the AIFM as at 31 December 2022 is €164,862 (31 December 2021: €769,912).

Portfolio management fees

Portfolio Management fees are borne by the AIFM.

Unless otherwise stated, amounts are expressed in thousands of EUR.

Asset management fees

Asset management activities were delegated to M&G Real Estate which is a related party. The Asset Management fees due to related parties of €11,261,553 (31 December 2021: €10,219,215) is broken down as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
M&G Real Estate	1,403	1,470
M&G Real Estate Paris branch	2,900	2,207
M&G Real Estate Stockholm branch	3,144	2,811
M&G Real Estate Frankfurt branch	2,339	2,634
M&G Real Estate Amsterdam branch	584	462
M&G Real Estate Polish branch	268	–
M&G Real Estate Milan branch	624	635

The Asset Management fee payable at 31 December 2022 and 31 December 2021 are as follows:

	As at 31 December 2022	As at 31 December 2021
M&G Real Estate	616	447
M&G Real Estate Paris branch	1,415	828
M&G Real Estate Stockholm branch	876	960
M&G Real Estate Frankfurt branch	678	607
M&G Real Estate Amsterdam branch	239	281
M&G Real Estate Milan branch	192	110

Other transactions with related parties

The loan payable balance to related parties relates to two loans: an amount of €389,584 (31 December 2021: €385,494) corresponding to a loan of the subsidiary Badensche S.à r.l., payable to the minority shareholder (including interest of €27,584 (31 December 2021: €23,494), the Prudential Assurance Company Limited with a maturity date of 24 January 2028. An amount of €4,834,931 (31 December 2021: €4,686,070) corresponding to a loan of the subsidiary Dusseldorf Friedrichstrasse 56 GmbH & Co. KG payable to the minority shareholder, Art-Invest Real Estate Funds GmbH, with a maturity date of 24 January 2028 (including interest of €483,556) (31 December 2021: €334,696).

29 List of consolidated entities

The list of consolidated entities under the control of the Fund which are fully integrated in the Consolidated Financial Statements as at 31 December 2022 is as follows:

Company Name	% Control	Country of Incorporation
Avenue des Arts 35 S.A.	100%	Belgium
Cortenbergh 71 S.A.	100%	Belgium
Opera Trio Propco SPRL[a]	–	Belgium
Toison d'Or S.A.	100%	Belgium
Big Shopping Holding ApS[b]	100%	Denmark
Herlev – Big Shopping Park ApS[b]	100%	Denmark
Herlev – Big Shopping PropCo ApS[b]	100%	Denmark
Kalvebod Brygge 47 K/S	100%	Denmark
Klosterstræde 1 ApS	100%	Denmark
MEP Industrial Centre K/S	100%	Denmark
Vimmelskaftet 30 ApS	100%	Denmark

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Unless otherwise stated, amounts are expressed in thousands of EUR.

Company Name	% Control	Country of Incorporation
Vimmelskaftet 30 Holding ApS	100%	Denmark
Vimmelskaftet 32-34 K/S	100%	Denmark
Kiinteistö Oy Alvar Aallonkatu 3	100%	Finland
Alvar Aallonkatu GP Oy	100%	Finland
Centaurus Finland Ky[b]	100%	Finland
Kiinteistö Oy Vantaan Valimotie 18	100%	Finland
Kiinteistö Oy Vilhonvuorenkatu 2-4	100%	Finland
Kiinteistö Oy Helsingin Vilhovourenkatu 6	100%	Finland
Kurvi Holding Oy	100%	Finland
Loistotoimistot KY	100%	Finland
Vilhonvuorenkatu 6 Holding Oy	100%	Finland
Asunto Oy Espoon Centaurus	100%	Finland
Asunto Oy Espoon Helavaikea[b]	100%	Finland
Asunto Oy Espoon Loru[b]	100%	Finland
Asunto Oy Kaunlaisten Markiisi[b]	100%	Finland
Asunto Oy Kirkkonummen Tolsan Rinne 2[b]	100%	Finland
Asunto Oy Sipoon Ruusunen[b]	100%	Finland
Asunto Oy Nurmijärven Kauranjyvä	100%	Finland
Asunto Oy Tampereen Rehtori	100%	Finland
Asunto Oy Turun Beeta	100%	Finland
Asunto Oy Hämeenlinnan Vaihdepäällikkö	100%	Finland
Asunto Oy Vantaan Suitsu[b]	100%	Finland
Greenwalk SCI	100%	France
ADN Monceau 13 SCI	100%	France
Antibes 90/94 (Holdings) S.à r.l.	100%	France
Antibes 90/94 SCI	100%	France
Aurientis Aix-en-Provence SCI[b]	100%	France
Boreales Living SCI[b]	100%	France
3 Avenue Hoche SCI	100%	France
Heudebouville SAS	100%	France
97 Jean Jaures SNC	100%	France
L'Aube Troyes SCI	100%	France
Rue du Mars Clichy SCI[c]	100%	France
Marseille La Valentine SCI[b]	100%	France
M&G European Property (France) SAS	100%	France
Nauberg (Holdings) S.à r.l.	100%	France
Nauberg SCI	100%	France
Republique 27/31 (Holdings) S.à r.l.	100%	France
Republique 27/31 SCI	100%	France
Rennes 135 (Holdings) S.à r.l.	100%	France
Rennes 135 S.à r.l.	100%	France
Rennes 135 SCI	100%	France
PB Le Grand Lievre (Holdings) S.à r.l.	100%	France
PB Le Grand Lievre SCI	100%	France
Place Rio de Janeiro Paris SCI[c]	100%	France
Val Saint Quentin 1 S.à r.l.	100%	France
Val Saint Quentin 2 S.à r.l.	100%	France

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Unless otherwise stated, amounts are expressed in thousands of EUR.

Company Name	% Control	Country of Incorporation
Val Saint Quentin 3 S.à r.l.	100%	France
LLD Logistics SNC[c]	100%	France
Düsseldorf Friedrichstraße 56 GmbH & Co. KG	94.90%	Germany
Baseler Strasse Oval GmbH & Co. KG	94.90%	Germany
Berlin Ringstrasse GmbH & Co. KG	94.90%	Germany
Objektgesellschaft Baseler Strasse Oval GmbH	99.74%	Germany
Objektgesellschaft Berlin Ringstrasse GmbH	99.69%	Germany
Verwaltungsgesellschaft Friedrichstrasse 56 GmbH	100%	Germany
Verwaltungsgesellschaft M&G European Property GmbH	100%	Germany
Padova S.r.l.	100%	Italy
9-11 Via Pola S.r.l.	100%	Italy
Via Torino Due S.r.l.	100%	Italy
Alvar Aallonkatu 3 S.à r.l.	100%	Luxembourg
Bad Homburg S.à r.l.	100%	Luxembourg
Badensche S.à r.l.	94%	Luxembourg
Bundesallee Berlin S.à r.l.[a]	100%	Luxembourg
Calle Llull S.à r.l.	100%	Luxembourg
Calle Reyes S.à r.l.	100%	Luxembourg
Capucins (Thionville) S.à r.l.	100%	Luxembourg
Capucins (Thionville) 2 S.à r.l.	100%	Luxembourg
Centaurus Finland LP S.à r.l.[b]	100%	Luxembourg
Dreieich S.à r.l.	100%	Luxembourg
Frederiksplein 42 S.à r.l.	100%	Luxembourg
Friedrichstrasse 56 S.à r.l.	100%	Luxembourg
Gran Via S.à r.l.	100%	Luxembourg
Hemmer S.à r.l.	100%	Luxembourg
Hemmer (Holding) S.à r.l.	100%	Luxembourg
Hilststraat 23 S.à r.l.	100%	Luxembourg
Kalvebod Brygge S.à r.l.	100%	Luxembourg
Luisen Forum S.à r.l.	100%	Luxembourg
M&G European Property Finance Company S.à r.l.	100%	Luxembourg
M&G European Property Holding Company S.à r.l.	100%	Luxembourg
M&G European Property GP 1 S.à r.l.	100%	Luxembourg
M&G European Property GP 2 S.à r.l.	100%	Luxembourg
M&G European Property GP 3 S.à r.l.	100%	Luxembourg
MEP Industrial Centre Denmark S.à r.l.	100%	Luxembourg
MEP Industrial Centre Getafe S.à r.l.	100%	Luxembourg
MEP Industrial Centre Kalsruhe S.à r.l.	100%	Luxembourg
MEP Industrial Centre Madrid S.à r.l.	100%	Luxembourg
Neuwied S.à r.l.	100%	Luxembourg
Radlkoferstrasse 2 S.à r.l.	100%	Luxembourg
Ridlerstrasse S.à r.l.	100%	Luxembourg
Rinteln S.à r.l.	100%	Luxembourg
Rios Rosas S.à r.l.	100%	Luxembourg
Vimmelskaftet S.à r.l.	100%	Luxembourg
Wuppertal S.à r.l.	100%	Luxembourg
Databankweg 26/28/30 B.V.[a]	–	Netherlands

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Unless otherwise stated, amounts are expressed in thousands of EUR.

Company Name	% Control	Country of Incorporation
Hondsrugweg 74/108 B.V.	100%	Netherlands
Monte Investments B.V.[c]	100%	Netherlands
's-Heerenberg Logistics B.V.[c]	100%	Netherlands
Staalsteden 25 B.V.	100%	Netherlands
Zuidblokken B.V.[b]	100%	Netherlands
MEP Industrial Centre Łódź sp. z o.o.	100%	Poland
MEP Industrial Centre Poznań sp. z o.o.	100%	Poland
MEP Industrial Centre Sosnowiec sp. z o.o.	100%	Poland
MEP Industrial Centre Warsaw sp. z o.o.	100%	Poland
Cleekshire Investments S.A.	100%	Portugal
Investabroad 1, S.A.	100%	Portugal
Investabroad 2, S.A.	100%	Portugal
Investabroad 3, S.A.	100%	Portugal
Investabroad 4, S.A.	100%	Portugal
Investabroad 5, S.A.[a]	–	Portugal
Arendalsvägen AB	100%	Sweden
Hantverkaregatan 32 Malmö (Holding) AB	100%	Sweden
Hantverkaregatan 32 Malmö AB	100%	Sweden
Herstaberg Logistikcenter AB[b]	100%	Sweden
Lyckobrunnen AB	100%	Sweden
Näringsparadiset (Holding) Company AB	100%	Sweden
Näringsparadiset II AB	100%	Sweden
Klara Strand Property AB	100%	Sweden
Stora Myrfast AB	100%	Sweden
MEP Industrial Centre Ontigola SLU[b]	100%	Spain

The list of joint ventures accounted for using the equity method is as follows:

Company Name	% Control	Country of Incorporation
MCF S.r.l.	45%	Italy
Elle 14 S.r.l.[b]	45%	Italy

[a] Disposed during the year 2022.

[b] Acquired during the year 2021.

[c] Acquired during the year 2022.

[d] Formerly Zaandam S.à r.l.

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Unless otherwise stated, amounts are expressed in thousands of EUR.

30 Portfolio analysis

	as at 31 December 2022				
Number of properties	**€m 0–19.9**	**€m 20–29.9**	**€m 30–39.9**	**€m 40+**	**Total**
Germany	1	2	1	9	13
France	3	1	5	10	19
Portugal	1	2	–	2	5
Spain	3	1	2	2	8
Denmark[a]	3	2	–	3	8
Sweden	2	–	2	3	7
Netherlands	–	2	2	2	6
Poland	1	2	1	–	4
Belgium	–	1	1	1	3
Finland	10	4	–	1	15
Italy	–	1	1	3	5
Luxembourg	–	–	–	1	1
Total	**24**	**18**	**15**	**37**	**94**

[a] Vimmelskaftet 30 and Klosterstræde 1 are recognised as separate assets.

	as at 31 December 2021				
Number of properties	**€m 0–19.9**	**€m 20–29.9**	**€m 30–39.9**	**€m 40+**	**Total**
Germany	1	2	1	8	12
France	1	3	4	8	16
Portugal	4	2	–	2	8
Spain	3	1	1	3	8
Denmark[a]	2	3	–	3	8
Sweden	1	1	–	5	7
Netherlands	1	2	–	3	6
Poland	1	2	1	–	4
Belgium	–	–	2	2	4
Finland	9	5	–	1	15
Italy	–	–	2	3	5
Luxembourg	–	–	–	1	1
Total	**23**	**21**	**11**	**39**	**94**

[a] Vimmelskaftet 30 and Klosterstræde 1 are recognised as separate assets.

31 Contingencies and Commitments

The Fund, through its direct and indirect subsidiaries, may be contingently liable with respect to lawsuits and other matters that arise in the normal course of business. The Board is not aware of any contingencies which would have a material effect on the Fund's financial position and operations.

Rios Rosas S.à r.l. paid property tax in relation to the period from 2008 to 2010 of €1.4m. Rios Rosas S.à r.l. launched an appeal with the Madrid Tax Authorities to recover the amount paid in relation to a period prior to the Fund's ownership. In April 2022, the High Court of Madrid issued a judgment that upholds the appeal of Rios Rosas S.à r.l. and accepted that the property tax of years 2008 to 2010 is time-barred and cannot be claimed by Rios Rosas S.à r.l. In June 2022, the Madrid Tax Authorities filed an appeal (recurso de casación) before the Spanish Supreme Court. Considering the complexity of the appeal, Rios Rosas S.à r.l. could face another period of 9 months to 2.5 years of legal tasks.

The French Tax Authority ("FTA") continues to challenge the validity of the valuation adjustments made in relation to the Capucins Thionville SNC asset in 2017. The Fund and the Fund's valuers do not agree with the FTA assessment and the Fund has challenged the FTA position. The value of the tax at risk is approximately €0.7m. The Fund is awaiting the view of the Commission in relation to its challenge.

On 29 October 2020, the Fund committed to forward fund student accommodation development in Bologna for €62.1m ('Bologna'). In 2022, the forward funding commitment has been increased to €63.1m. As at 31 December 2022, the Fund has transferred €59.6m.

In March 2021, the Fund committed to forward fund a new multi-family PRS residential development Clichy la Garenne in Paris for €85.3m. As at 31 December 2022, the Fund has transferred €59.7m.

On 13 August 2021, the Fund committed to forward fund a residential development in Bad Homburg for €114.8m. A total of €31.5m has been transferred for the first building (plot 1), for which the property has been completed and acquired in 2022. As at 31 December 2022, a total of €34.6m has been transferred for plot 3 and plot 4 with outstanding remaining commitment of €36.5m.

On 7 December 2021, the Fund committed to forward fund a senior living residence building in Aix-en-Provence, France for €28m. As at 31 December 2022, the Fund has transferred €12.6m.

On 7 January 2022, the Fund committed to forward fund another residential development in Clichy la Garenne, Paris for €28.4m. As at 31 December 2022, the Fund has transferred €12.8m. The Fund has a financial guarantee with the developer for a total amount of €23.9m.

On 13 April 2022, the Fund committed to forward fund student accommodation development in The Hague for €57.9m ('The Rock'). As at 31 December 2022, the Fund has transferred €17m.

On 2 November 2022, the Company has filed a contentious-administrative appeal against the implied dismissal (desestimación presunta) of the refund request (solicitud de ingresos indebidos) filed by the Company on 1 November 2021 before the Town Hall of Barcelona against the Land Tax self-assessment (autoliquidación del Impuesto sobre el Incremento de Valor de los Terrenos de Naturaleza Urbana) amounting to €0.3m, which was paid by the Company after the sale of the NAO property. On 7 March 2023, the Company has received the resolution issued by the Town Hall of Barcelona dated on 13 February 2023 which rejects the refund request (solicitud de ingresos indebidos), where the Town Hall states that the Company must submit an appeal to higher instance (recurso de alzada).

On 23 December 2022, the Fund committed to forward fund a logistic site in Lambres-Lez-Douai for €56.7m. As at 31 December 2022, the Fund has transferred €14.1m.

32 Non-current assets classified as held for sale

As at 31 December 2021, the asset related to the entity Opera Trio Propco SPRL was presented as 'non-current asset classified as held-for-sale' following the Fund's intention to sell. The sale was completed on 24 June 2022.

As at 31 December 2020, the asset related to the entity Mainzer Landstrasse 61 S.à r.l. was presented as 'non-current asset classified as held-for-sale' following the Fund entering into a sales purchase agreement signed on 3 December 2020. The sale was completed on 28 January 2021. Proceeds from the sale amounted to €38.9m.

As at 31 December 2020, the asset related to the entity Capucins Thionville SNC was presented as 'non-current asset classified as held-for-sale', furthermore the Fund has entered into a sales purchase agreement signed on 21 January 2021. The sale was completed on 10 June 2021. Proceeds from the sale amounted to €2.0m.

	Retail	Office	Total
Carrying value as at 31 December 2020	**2,000**	**39,700**	**41,700**
Additions	–	40,287	40,287
Disposals	(2,000)	(39,700)	(41,700)
Carrying value of investment properties as at 31 December 2021	**–**	**40,287**	**40,287**
Lease incentives and commissions	–	113	113
Fair value as at 31 December 2021	**–**	**40,400**	**40,400**
Carrying value as at 31 December 2021	**–**	**40,400**	**40,400**
Lease incentives	–	64	64
Revaluation	–	1,636	1,636
Disposals	–	(42,100)	(42,100)
Carrying value of investment properties as at 31 December 2022	**–**	**–**	**–**
Fair value as at 31 December 2022	**–**	**–**	**–**

As at 31 December 2021	**Opera Trio Propco SPRL**
Investment properties classified as held-for-sale	40,287
Lease incentives	113
Non-current assets classified as held-for-sale	**40,400**

33 Subscriptions received in advance

	As at 31 December 2022	As at 31 December 2021
Subscriptions received in advance	12,846	270,437
Total	**12,846**	**270,437**

These are cash received prior to the year end but awaiting settlement on the following dealing day 3 January 2023.

34 Events after the end of the reporting period

The Board has evaluated post balance sheet events up to 25 April 2023, which is the date the Consolidated Financial Statements were authorised for issue, and have concluded that there are no material events that require disclosure or adjustments other than those listed below.

On 19 January 2023, Badensche S.à r.l. repaid the loan in respect to the Badensche Strasse, Berlin asset with ING bank amounting to €36.5m.

On 19 January 2023, Ridlerstrasse S.à r.l. repaid the loan in respect to the Ridlerstrasse 55, Munich asset with ING bank amounting to €18.9m.

On 19 January 2023, Big Shopping Holding ApS contracted a loan in respect to the Herlev Shopping Centre, Copenhagen asset with Danske bank amounting to equivalent of €58.4m (DKK 435m). The loan has a maturity date of 19 January 2026 with an interest rate of 3.78%.

On 27 January 2023, Luisenforum S.à r.l. repaid the loan in respect to the Luisen Forum, Wiesbaden asset with Bayern LB bank amounting to €43.7m.

On 29 March 2023, Greenwalk SCI repaid the loan in respect to the Greenwalk, Rue de Verdun 31-35, Paris asset with HSBC bank amounting to €44.3m.

Unless otherwise stated, amounts are expressed in thousands of EUR.

On 28 February 2023, the following dividends were paid by the Fund:

		per Share
	(EUR)	(EUR)
Class 'C' Income Shares	149	0.5012
Class 'E' Income Shares	1,355	0.5774
Class 'F' Income Shares	6,149	0.6017
Class 'G' Income Shares	7,221	0.6143
Class 'X' Income Shares	3,583	0.5583

An amount of €568,346 and €1,491,472 was reinvested in Class 'E' and Class 'F' Income Shares at the Subscription Price on 3 January 2023.

Subscriptions and redemptions on the Dealing Days falling on 3 January and 3 April 2023 were as follows:

	Subscriptions	Redemptions
3 January 2023	195,000	(153,575)
3 April 2023	105,000	(22,593)

As at 25 April 2023, the undrawn capital vintage was €172,647,404.

35 Statement of published Net Asset Value

	As at 31 December 2022	As at 31 December 2021
Equity attributable to Shareholders of the Fund in accordance with IFRS	4,271,388	3,933,205
Adjustment to reflect fair value of purchaser costs deducted in determining the fair value of investment property	58,991	66,705
Adjustment to reflect deferred tax liability at fair value	(1,506)	7,981
Adjustment to reflect fair value of fixed rate debt	19,580	(2,780)
Adjustment to reflect unapproved dividends	(20,516)	(24,338)
Other reconciling differences[a]	2,553	(180)
Net Asset Value	**4,330,490**	**3,980,593**

[a] At the date the 31 December 2022 NAV was published, after the reporting period, but prior to the issuance of the annual report, there were some adjustments made for the purposes of the IFRS Consolidated Financial Statements of the Fund to bring it in line with the correct balances. These adjustments include an increase of lease incentives by €537,758; increase of investment in associate by €416,793; increase of accounts receivable by €46,878; decrease of current portion of payable to related parties by €1,237,259; decrease of accrued expenses by €495,961; decrease of other current assets by €3,115,349, decrease of investment properties by €1,727,758 and decrease of loans receivable by €443,453.
At the date the 31 December 2021 NAV was published, the asset Opera Trio Propco SPRL was valued at €40.4m. After the reporting period, but prior to the issuance of the annual report, the Fund estimated €180,000 as disposal costs.

Unless otherwise stated, amounts are expressed in thousands of EUR.

36 Supplementary statement of INREV compliant Net Asset Value

	As at 31 December 2022	As at 31 December 2021
Published Net Asset Value	4,330,490	3,980,593
Capitalisation and amortisation of acquisition expenses	35,547	37,089
Adjustment to reflect unpaid dividends	20,516	24,338
Other reconciling differences[a]	(2,553)	180
INREV Net Asset Value	**4,384,000**	**4,042,200**

[a] Refer to Footnote 'a' in Note 35.

The Fund publishes a Redemption Price on a monthly basis. This is estimated based on the expected method of sale and selling costs of the assets in the portfolio. The redemption margin was 1.36% of the published NAV as at 3 January 2023 (4 January 2022: 1.25%). Share redemptions during the period ended 31 December 2022 were €44,331,019 (31 December 2021: €Nil).

37 Supplementary statement of net distributable income (unaudited)

For the year ended 31 December	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Net (loss)/profit for the year per IFRS		**(160,989)**	**274,473**
Add back/(deduct):			
Valuation losses/(gains) on property	7	323,178	(226,828)
Deferred tax (income)/expense	22	(38,786)	57,473
Unrealised losses/(gains) of joint ventures		3,041	(8,983)
Gain on swaps	26	(6,391)	(901)
Exchange losses/(gains)		1,193	137
Total		**282,235**	**(179,102)**
Net distributable income for the year per IFRS		121,246	95,371
Reserve variation[a]		(33,940)	(20,976)
Dividends for the year	**17**	**87,306**	**74,395**
Net distributable income since inception		813,259	692,013
Cumulative reserve since inception		(341,290)	(307,350)
Accumulated dividends since inception		**471,969**	**384,663**

[a] Represents mainly the distributable income on Accumulation shares and dividend timing difference between IFRS and the published NAV.

Report of the Independent Auditor

To the Shareholders of M&G European Property Fund SICAV-FIS

Scope

We have been engaged by Board of Directors of M&G European Property Fund SICAV-FIS ("the Board of Directors") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements ("ISAE 3000"), here after referred to as the engagement, on the SFDR Periodic Report of M&G European Property Fund SICAV-FIS ("the Fund") as of 31 December 2022 (the "Subject Matter") prepared in accordance with the provisions of the Regulatory Technical Standards ("RTS") criteria of the Sustainable Finance Disclosure Regulation ("SFDR"), Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, specifically with Annex IV - Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Annual Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by the Board of Directors

The Board of Directors of M&G European Property Fund SICAV-FIS ("the Board of Directors") applied the Regulatory Technical Standards criteria of the Sustainable Finance Disclosure Regulation, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, specifically with Annex IV - Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852 (the "Criteria") to prepare the SFDR disclosures of the Fund's SFDR Periodic Report as of 31 December 2022.

Responsibilities of the Board of Directors

The Board of Directors is responsible for selecting the Criteria, and for presenting the SFDR Periodic Report of the Fund as of 31 December 2022 in accordance with those Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the ISAE 3000 and the Criteria, and the terms of reference for this engagement as agreed with the Company on 10 February 2023. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Report of the Independent Auditor

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Although we considered the effectiveness of the Fund's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Our procedures included:

- Assessment of the consistent application of the Criteria;
- Interviews with relevant staff to gain an understanding of the sustainable investment strategy and policies in place, as well as the implementation of the latter;
- Interviews with the relevant staff to gain an understanding of the processes in place to monitor, manage and report the required information;
- Interviews with relevant staff responsible for data capture and preparation of SFDR-related information for the Subject Matter;
- Review of the processes for gathering and consolidating SFDR-related information in the Subject Matter;
- Review of the SFDR-related information of the Subject Matter against the Criteria;
- Review of material qualitative statements in the Subject Matter with regard to consistency and plausibility;
- We also performed such other procedures as we considered necessary in the circumstances.

Report of the Independent Auditor

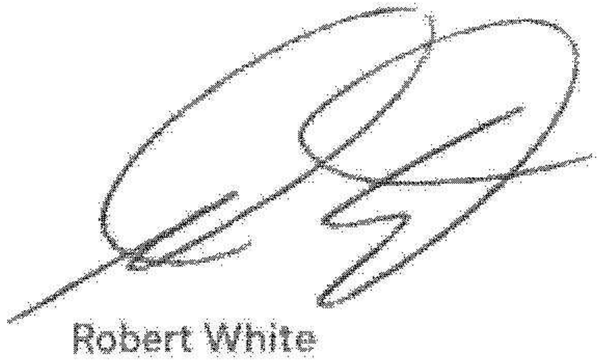
Limited Assurance Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the SFDR-related information disclosed in the Periodic Report of the Fund as of 31 December 2022, as prepared by the Board of Directors.

Restricted Use

This report is intended solely for the information and use of the Shareholders of M&G European Property Fund SICAV-FIS for providing limited assurance over SFDR-related information disclosed in the Periodic Report of M&G European Property Fund SICAV-FIS as of 31 December 2022, as per the scope described above, and is not intended to be and should not be used by anyone other than those specified parties.

Ernst & Young
Société Anonyme
Cabinet de Révision Agréé



Robert White
Partner
Luxembourg

25 April 2023

Annex 1: Sustainable Finance Disclosure Regulation

Periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product Name: M&G European Property Fund SICAV-FIS
Legal Entity Identifier: 549300FLN5QWVQGRGQ35

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

● ● ☐ Yes ● ○ ☒ No

It made **sustainable investments with an environmental objective**:

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It made **sustainable investments with a social objective**:

☒ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 20.15% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent were the environmental and/or social characteristics promoted by this financial product met?

As per the SFDR Level 2 Pre-Contractual Disclosure commitment, the Fund aims to invest in buildings which either have high environmental standards or the Manager seeks to improve the environmental footprint of the building. Continuous improvement in environmental and social performance of the assets is driven through the Fund's ESG targets.

The Fund will not invest in activities that are considered to be harmful to the society or the environment. It will not invest in real estate assets that have significant tenants that are listed companies assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption, or any tenants that are listed companies involved in the controversial weapons. Those exclusions are applied at the time of investment and upon new lettings where the AIFM or its delegate has control. Significant tenants are defined as tenants whose rent constitutes 20% or more of overall rental income of the real estate asset.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics.

Note that the SFDR Level 2 Pre-Contractual Disclosure commitments came into effect on 1st January 2023 in alignment with the SFDR Level 2 regulatory deadline. This means the commitments fell after the reference period (1st January 2022 to 31 December 2022) which is covered in this SFDR Level 2 Periodic Report. Therefore, the commitments were not in effect at the time of investment management. However, review of sustainability indicators demonstrates that within the reference period the environmental and/or social characteristics promoted by this financial product have been met.

Please refer to the sustainability indicator data table which is included as the answer to the question "How did the sustainability indicators perform." Based on the sustainability indicators the following attainment outcomes have been determined.

In regard to the promotion of environmental and social characteristics which relate to the investments in buildings which either have high environmental standards or which the Manager seeks to improve the environmental footprint of the buildings, this has been met and is demonstrated through:

- Indicators 1 and 2 demonstrate that 85% of direct real estate assets (>50% of assets) at the end of the reference period had Green Building Certification or plan to achieve it within three years (from 1st January 2023 for assets already in the Fund at the end of the reference period). This confirms that the binding elements of the investment strategy used to attain the environmental characteristic being promoted by the Fund has been met.
- Indicator 3 shows that 42% of direct asset held at the end of the reference period had a Green Building Certification level, BREEAM Very Good or equivalent, which reflects good to best practice in the market and therefore positively contributed to environmental characteristics promoted by the Fund. The proportion of assets that have achieved this level are considered to be appropriate to the investment strategy and have been independently benchmarked through submission to the GRESB Real Estate Assessment.
- Indicator 4 has recorded that 32% of direct assets have met the definition of energy-efficient real estate assets. The Fund sets annual ESG targets for its assets that it is measured against and drives progress against these targets through asset plans, including improvements to energy-efficiency with a view to raise energy performance ratings over time. Through this strategy the Fund has commissioned technical review of assets to understand what measures are available to improve energy-efficiency. The Fund also seeks to comply with NZEB requirements in new builds through application of the M&G Sustainable Development & Refurbishment Framework.

Note the measurement of energy-efficient real estate has been based on the Principle Adverse Indicator (PAI) formula for energy-inefficient real estate as defined in the Annex I of European Union (EU) Commission Delegated Regulation 2022/1288.

The PAI definition for energy-inefficient real estate relies on the Energy Performance of Buildings Directive which set requirements on EU member states to improve the energy-efficiency of new and existing buildings. In practice, implementation of the Directive's requirements for EPCs and NZEB differ significantly at local legislation level. Both the EPC letter rating system and NZEB targets are not directly comparable between countries. For EPCs, letter ratings are not relevant in all countries, for example in Germany where performance is reported on the basis of energy intensity over floor area. In some countries such as France it is also not possible to secure an EPC letter rating until an asset has been occupied for a period of 12 months. For NZEB, there is ambiguity around how an asset compliance should be evidenced, as well as what is deemed to be 'built' after December 2020. Due to these challenges, the Fund's current PAI calculation (and that of sustainability indicators and sustainable investment) cannot offer a complete representation of building energy-efficiency. The Manager believes there may be additional assets in the portfolio that could be considered as energy-efficient, but it is not currently possible to prove this against the available methodology. This should be recognised as a limitation in the SFDR and EU Taxonomy regulations.

In regard to promotion of environmental and social characteristics through the Manager's evaluation of each potential investment against the relevant ESG criteria, as well as annual ESG targets the Fund has set for its assets that it is measured against and progress driven through asset plans, this has been met and is demonstrated through:

- Indicator 5 demonstrates that a high proportion, 100%, of the Fund's ESG targets set out in the 2022 ESG Investment Policy were on track or achieved at the end of the reference period. This includes the Fund's aspirational targets in relation to net zero carbon by 2050 and climate resilience, where progress has been made in establishing internal standards and governance processes to support delivery of the targets and further asset level investigation is planned for completion in 2023. In summary the aspirational ESG targets were:
  - Environmental Excellence: 1) Net zero by 2050; 2) Portfolio tracking net zero operational carbon targets by 2030; 3) Ensure portfolio resilience to physical climate risk; 4) 100% AUM certified using green building

certification by 2023; 5) 75% of AUM green certification rated at least BREEAM 'Very Good' or equivalent by 2025

- Social Benefit: 6) Implement occupier engagement strategy. Undertake occupier satisfaction survey and action plans; 7) Implement asset level health, wellbeing and community initiatives at all assets, where feasible; 8) Exemplar safety and security is achieved through the application of our "Global Minimum Requirements", effective oversight of suppliers and continual examination of legislation
- Good Governance: 9) SFDR Article 8; 10) GRESB – target at least 4 star rating, top 20% (vs. peer group); 11) 100% of assets to have complete sustainability due diligence checklist; 12) 100% assets to have a sustainability asset plan; 13) Apply occupier exclusions (Controversial weapons)

Further detail on progress against targets is incorporated into the ESG section of the 2022 Annual Report & Consolidated Financial Statements.

In regard to promotion of environmental and social characteristics through the achievement of the GRESB Real Estate Assessment Rating:

- Indicator 6 records that the Fund has completed independent review of ESG criteria via use of the GRESB Real Estate Assessment. The Fund exceeded its aspirational target to hold at least a 4 GRESB Star rating and be in the top 20% of its peer group.

The Fund has achieved a 5 GRESB Star Rating with an overall score of 87, placing it 3rd in its peer group of 12 (Peer Group: Europe/Diversified – Office/Retail – Core – tenant controlled). The Fund continues to significantly outperform the peer average score of 74.

Overall, the Fund outperformed the benchmark in 13 out of 14 sections of the survey and scoring 100% score on the management component (M&G Real Estate being ranked as 1st out of 901 European participants) of the survey, which comprises the following sections Leadership, Policies Reporting, Risk management and Stakeholder Engagement.

In regard to promotion of environmental and social characteristics which relates to the Manager's exclusion of harmful activities, this has been met and is demonstrated through:

- Indicators 7 and 8 which demonstrates that at the end of the reference period the Fund has 0.01% exposure to fossil fuel related activities, this related to a petrol station at a retail park asset. The Manager considers this to be an incidental activity in the context of the wider purpose of the asset. In addition, all tenants were compliant with the Fund's exclusion principles.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

How did the sustainability indicators perform?

Sustainability indicators as at end of reference period (31 December 2022). Direct assets measured on basis of capital value.

1. % of investments with Green Building Certification achieved	59% of direct real estate assets (52% on gross asset value basis)
2. % of investments with Green Building Certification achieved or planned and underway	95% of direct real estate assets (85% on gross asset value basis)
3. % of investments with Green Building Certification BREEAM Very Good or above (or equivalent)	42% of direct real estate assets (38% on gross asset value basis)
4. % of investments in energy-efficient real estate assets (Energy Performance Certificate B or above, or met Nearly Zero-Energy Building requirements if built after 2020)	36% of direct real estate assets in scope of EPC or NZEB requirements met the definition of energy-efficient real estate assets
5. % of all ESG targets (as set out in the Fund's ESG Investment Policy) achieved or on track	100% of all ESG targets (as set out in the Fund's ESG Investment Policy) achieved or on track
6. GRESB Real Estate Assessment star rating	The Fund received a GRESB five-star rating in the 2022 Real Estate Assessment, placing it in the top 20% of global participants.
7. % of investments in real estate assets that are not involved in the extraction, storage, transport, or manufacture of fossil fuels	99.99% of direct real estate assets (89% on gross asset value basis)
8. % of Estimated Rental Value with tenants compliant with fund exclusion principles	100% Estimated Rental Value was compliant with the exclusion principles

- **...and compared to previous periods?**
  The Fund is not yet able to provide comparison to a previous reporting period as this is the Fund's first SFDR Level 2 Periodic Report disclosure. The Fund will provide historic comparison in the next Periodic Report.

- **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**
  The objective was to invest in economic activities that are environmentally sustainable. Sustainable investments that the Fund makes is comprised of real estate assets which meet high environmental standards and thus contribute to the environmental objective. Assets that are considered to be sustainable investments must also pass the following Do No Significant Harm test defined by the Manager, these are detailed further in the following question and answer responses in this disclosure.

  The Manager has defined that high environmental standards which contribute to the Fund's environmental objective is demonstrated by attainment of a given level of Green Building Certification. The minimum level has been set as Green Building Certification which is equivalent to BREEAM 'Very Good' rating or above. Green Building Certification is a consistent and comparable way to verify environmental performance for real estate assets and therefore considered to be an appropriate metric for environmental and or social contribution measurement.

  The level of certification required to pass the test has been determined based on professional judgement of the Manager's ESG subject matter experts, taking into account the following factors:

  - That the certification level reflects good to best practice in the market, thus reflecting the intention that the building positively contributes to the environmental objective.
  - That the certification scheme provides comprehensive coverage of multiple environmental issues, thereby providing a sufficiently holistic picture of asset impact on the environment.

  As at 31 December 2022, 21 assets representing 42% of direct of real estate assets (38% of Gross Asset Value, GAV), had achieved the required level primarily through BREEAM New Construction or In-Use. A portion of these assets did not pass the Do No Significant Harm test for sustainable investment defined by the Manager either due to exposure to fossil fuel activity or energy-inefficiency. Therefore, the actual portion of sustainable investments at the end of the reference period was 20.15% GAV. This is above the Fund's minimum commitment to maintain 10% sustainable investments.

  Note that the SFDR Level 2 Pre-Contractual Disclosure commitment on partial investment in sustainable investments came into effect on 1st January 2023 in alignment with the SFDR Level 2 regulatory deadline. This means the commitment fell after the reference period of this SFDR Level 2 Periodic Report and therefore were not in effect at the time of investment management.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Before investment and over the life of the asset, Principle Adverse Impact (PAI) indicators are assessed and monitored for each sustainable investment to ascertain that it does not cause significant harm. Four PAI indicators described below applicable to real estate assets, as defined in the Annex I of EU Commission Delegated Regulation 2022/1288, are considered as part of the Manager's Do No Significant Harm test for sustainable investment.

Note the SFDR Level 2 Pre-Contractual Disclosure commitments on partial investment in sustainable investments came into effect on 1st January 2023 in alignment with the SFDR Level 2 regulatory deadline. This means the commitments fell after the reference period of this SFDR Level 2 Periodic Report and therefore were not in effect at the time of investment management.

As at 31 December 2022 ten asset, 20.15% of Gross Asset Value (GAV), achieved the Do No Significant Harm test for sustainable investment def ned by the Manager. Therefore, actual % sustainable investments at year-end is 20.15% GAV. This is above Fund's minimum commitment of 10% sustainable investments.

The Manager's definition of Do No Significant Harm covered the following:

Adverse sustainability indicator 17: Exposure to fossil fuels through real estate assets

The Portfolio Manager and Asset Manager has conducted a retrospective investigation to determine where petrol/refuelling stations were present within the direct real estate asset portfolio as at the end of the reference period. The Portfolio Manager and Asset Manager considers these activities to be the most relevant and likely exposure to fossil fuel-related activities in the Fund's real estate assets. Where such activities were identified, the associated proportion of capital value has been removed from the eligible pool of direct assets which could be measured as sustainable investment.

In cases where fossil fuel is a minor or incidental activity (for example, a petrol station that is part of a much larger real estate asset that otherwise meets the sustainable investment definition), the proportion of the capital value of the asset associated with fossil fuel activity was excluded from the eligible pool of direct assets which can be measured as sustainable investment. Where the assets capital valuation did not provide separate valuation for the relevant part containing the fossil fuel activity, an estimation of the value was calculated based on the proportion of estimated rental value attributed to the relevant tenant.

One such case was identified in the portfolio relating to a petrol station at a retail asset. The proxy method described above was used to determine the portion of capital value associated with the petrol station. This portion of value was excluded from the pool of direct assets which could be measured as sustainable investment.

Adverse sustainability indicator 18: Exposure to energy-inefficient real estate assets

The Portfolio Manager and Asset Manager has conducted a retrospective review of Energy Performance Certificate (EPC) and Nearly Zero Energy Building (NZEB) information for the portfolio where it was available in a format which allows it to be assessed against the energy-inefficient definition (as per Annex I of EU Commission Delegated Regulation 2022/1288). Where direct assets were identified as energy-inefficient based on the definition, the associated proportion of capital value has been removed from the eligible pool of direct assets which could be measured as sustainable investment.

The pool of energy-inefficient direct assets includes those assets where it is not yet possible to determine whether the required EPC level or NZEB level has been met, either due to lack of information (e.g. where there is no legal requirement to have an EPC) or because the local rating system does not allow comparison against the regulatory definition (e.g. no letter rating on the EPC). This is true of a number of assets in the Fund which would otherwise have met the test of being sustainable investment. The Manager will seek to improve the availability of this data, as well as develop its methodology for assessing exposure to energy-inefficient real estate in preparation for future disclosure.

Climate And Other Environment-Related Indicators 18: Greenhouse gas emissions

High environmental standards in sustainable investments are demonstrated by attaining a given level of Green Building Certification defined by the Manager, BREEAM 'Very Good' being most relevant to direct assets held by the Fund. The Green Building Certification level being sought for sustainable investments incorporates minimum and aspirational requirements in regard to greenhouse gas emission reduction for real estate assets. Where direct real estate assets did not achieve the required level of Green Building Certification, the associated proportion of capital value would have been removed from the eligible pool of direct real estate assets which

could be measured as sustainable investment. All assets identified as sustainable investments are deemed to have passed this test.

Climate And Other Environment-Related Indicators 19: Energy consumption intensity
High environmental standards in sustainable investments are demonstrated by attaining a given level of Green Building Certification defined by the Manager, BREEAM 'Very Good' being most relevant to direct assets held by the Fund. The Green Building Certification level being sought for sustainable investments incorporates minimum and aspirational requirements in regard to asset energy-efficiency and energy intensity improvements for real estate assets. Where direct real estate assets did not achieve the required level of Green Building Certification, the associated proportion of capital value would have been removed from the eligible pool of direct real estate assets which could be measured as sustainable investment. The asset held by the Fund achieved the required level. All assets identified as sustainable investments are deemed to have passed this test.

- **How were the indicators for adverse impacts on sustainability factors taken into account?**
  Note the SFDR Level 2 Pre-Contractual Disclosure commitments to consider Principle Adverse Impacts (PAIs) indicators came into effect on 1st January 2023 in alignment with the SFDR Level 2 regulatory deadline. This means the commitments fell after the reference period of this SFDR Level 2 Periodic Report and therefore were not in effect at the time of investment management.

  Thresholds are established for PAI indicators related to fossil fuel exposure and energy-inefficient real estate (as per Annex I of EU Commission Delegated Regulation 2022/1288).

  PAI indicators related to greenhouse gas emissions and energy consumption intensity have been considered through the requirements of the Green Building Certification. All sustainable investments have been retrospectively evaluated against these PAIs for the purpose of this Periodic Report, and from 1st January 2023, as part of due diligence and periodically thereafter. Assets that breach established PAI thresholds have not been recorded as sustainable investments.

- **Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**
  All real estate assets qualified as sustainable investments have been retrospectively screened for significant tenants against a list of listed companies that were assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption. Investments were not qualified as sustainable if they were assessed to be in breach of the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises. No such breaches were recorded in the portfolio during the reference period and therefore no investments have needed to be excluded from sustainability investments on this basis.

  Note the SFDR Level 2 Pre-Contractual Disclosure commitments on exclusions came into effect on 1st January 2023 in alignment with the SFDR Level 2 regulatory deadline. This means the commitments fell after the reference period of this SFDR Level 2 Periodic Report and therefore were not in effect at the time of investment management. At launch, the Fund applied exclusions in relation to controversial weapons only. From 1st January 2023, after the end of the reference period, the policy was expanded to cover significant tenants that are listed companies assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption, as well as any tenants that are listed companies involved in controversial weapon activities.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

At the product level, the Fund considered Principal Adverse Impacts (PAIs) through retrospectively assessing and monitoring the four PAIs indicators applicable to the Fund. The following has been identified through the retrospective review:

Adverse sustainability indicator 17: Exposure to fossil fuels through real estate assets

Review of the portfolio has identified one case of exposure to fossil fuel activities in direct real estate assets. This relates to a petrol station at a retail park asset and represents less than 0.01% of the direct real estate asset portfolio. The Manager considers this to be an incidental activity in the context of the wider purpose of the asset. The Fund will consider fossil fuel exposure as part of the due diligence process when acquiring new assets in the future in order to manage potential changes in the level of exposure.

Adverse sustainability indicator 18: Exposure to energy-inefficient real estate assets

The Portfolio Manager and Asset Manager has conducted a retrospective review of Energy Performance Certificate (EPC) and Nearly Zero Energy Building (NZEB) information for the portfolio where it was available in a format which allows it to be assessed against the energy-inefficient definition (as per Annex I of EU Commission Delegated Regulation 2022/1288).

Review of the portfolio has identified that 64% of direct assets may be considered to be energy-inefficient according to the definition. Within this portion of the portfolio there are a number of cases where assets cannot be assessed as they do not hold EPC ratings which record a letter rating (assets in Germany) or are not legally required to hold an EPC (for example ground rent assets). In these instances, the relevant assets have been recorded as energy-inefficient as it is not possible to evidence otherwise according to the regulatory definition. This is also true of the Fund's development pipeline which represents a significant portion of capital value. These assets are known to be targeting high levels of energy-efficiency but cannot yet be proven to comply with NZEB requirements. The Fund is currently seeking the advice of an external advisor to identify an appropriate method by which these assets might be properly assessed for energy-efficiency.

Through the Fund's ESG strategy it is also seeking to improve the environmental footprint of existing buildings, particularly where EPC and NZEB ratings are known to be below the defined thresholds.

Climate And Other Environment-Related Indicators 18 & 19: Greenhouse gas emissions and energy consumption intensity

The Fund has engaged with a third-party specialist consultant to support in the monitoring and reporting of the Fund's greenhouse gas emissions and energy consumption intensity. The programme includes annual gathering of asset level greenhouse gas activity and energy usage data from the occupying tenants through automatic meter reading as well as direct tenant engagement. The Portfolio Manager and Asset Manager undertake annual review of performance to help inform the development of the Fund's ESG strategy. Through the Fund's ESG strategy it is seeking to improve the environmental footprint of buildings which have high levels of greenhouse gas emissions as well as energy intensity.

Note that the SFDR Level 2 Pre-Contractual Disclosure commitments on PAIs came into effect on 1st January 2023 in alignment with the SFDR Level 2 regulatory deadline. This means the commitments fell after the reference period of this SFDR Level 2 Periodic Report and therefore were not in effect at the time of investment management.

Processes for monitoring aspects of energy-inefficient assets (specifically EPC ratings), greenhouse gas emissions and energy consumption intensity (measured through green building certification) were established during the reference period as part of the Fund's ESG due diligence and portfolio monitoring requirements.

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: to

Largest investments	Sector	% Assets	Country
Rio	Office	5.49%	France
Blekholmen	Office	5.34%	Sweden
Rios Rosas 26	Office	5.19%	Spain
Badensche Strasse 23-24	Office	3.49%	Germany
BIG Shopping	Retail Warehouse	3.27%	Denmark
Via Pola	Office	3.03%	Italy
Furst & Friedrich	Office	2.81%	Germany
Greenwalk	Office	2.60%	France
Alvar Aallon katu 3	Office	2.58%	Finland
Oval	Office	2.22%	Germany
Market Central Da Vinci	Retail Warehouse	2.22%	Italy
Aurum	Office	1.99%	Germany
LuisenForum	Shopping Centre	1.92%	Germany
Via Torino	Standard Retail	1.82%	Italy
Kalvebod Brygge 47	Office	1.73%	Denmark

What was the proportion of sustainability-related investments?

In the SFDR Level 2 Pre-Contractual Disclosure (annex to the Fund Prospectus) the Fund has committed to a minimum of 70% of the Fund's assets to be aligned to the environmental or social characteristics promoted. This includes a minimum 10% of the assets that are qualified as sustainable investments with an environmental objective. A minimum of 0% of the Fund's assets are other investments not aligned to the environmental or social characteristics.

Note that the SFDR Level 2 Pre-Contractual Disclosure commitments on asset allocation came into effect on 1st January 2023 in alignment with the SFDR Level 2 regulatory deadline. This means the commitments fell after the reference period of this SFDR Level 2 Periodic Report and therefore were not in effect at the time of investment management.

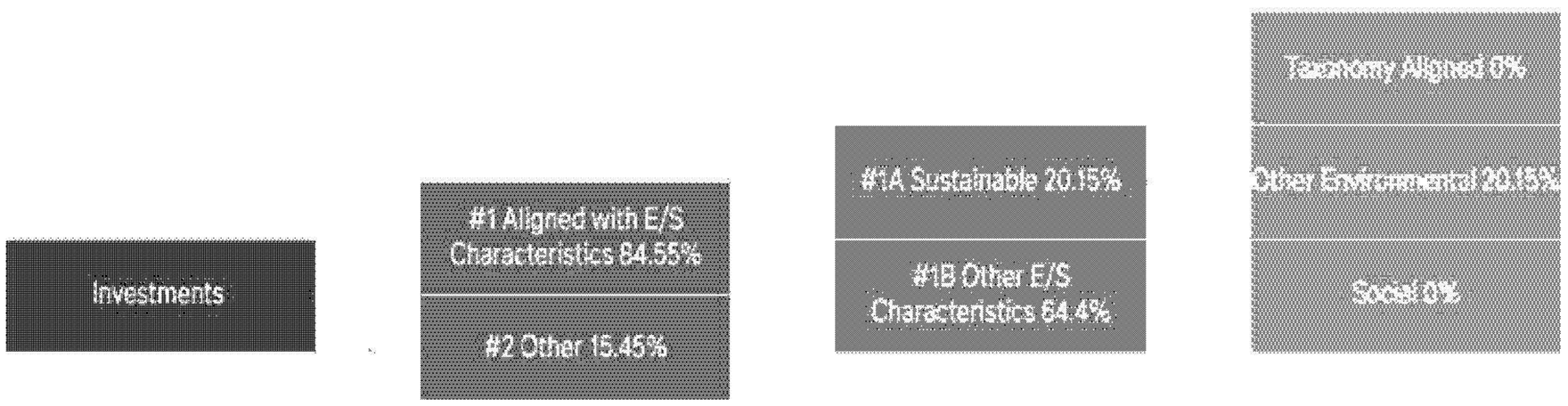
Asset allocations below are expressed as a percentage of Gross Asset Value (GAV). The Actual proportion of investments that were aligned to the environmental or social characteristic promoted was 84.55% GAV as at 31 December 2022, this is above the 70% minimum commitment.

This was composed of 20.15% GAV relating to sustainable investments which was above the 10% minimum threshold, and the remaining 64.40% GAV related to investments with other environmental and or social characteristics. None of the sustainable investments were expected to be aligned to EU Taxonomy because the Fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy regulation. They are therefore recorded as other environmentally sustainable investments.

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

The graphic below provides an overview of the asset allocation versus the established minimum thresholds.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

The investment breakdown is expressed as a % of Gross Asset Value (GAV) as at 31 December 2022.

Economic Sector	% Assets
Direct Real Estate Assets	86.46%
Cash	7.23%
Cost/Other Investments	2.28%
Current Assets	1.78%
Forward Funding Loans	2.25%

To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund did not take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy Regulation. The Fund did not target investment in taxonomy-aligned assets as part of its investment policy and therefore recorded that 0% of the Fund's investments were aligned with the environmental objectives under the Taxonomy Regulation during the reference period.

The Fund intends to develop its approach to the EU Taxonomy Regulation during 2023, any amendments to strategy will be disclosed by way of update to the SFDR Level 2 Pre-Contractual Disclosure.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

Yes:

In fossil gas In nuclear energy

x No

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

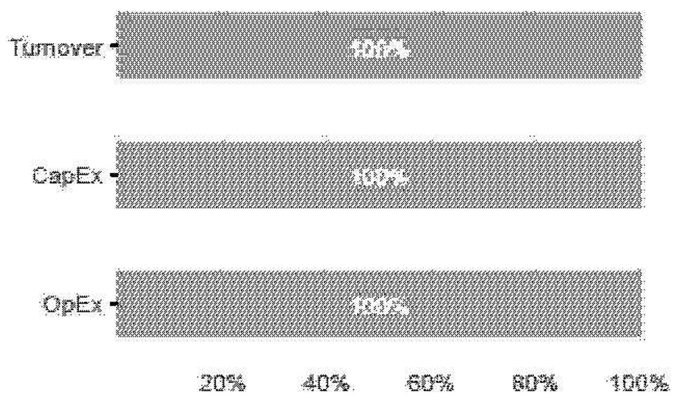
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

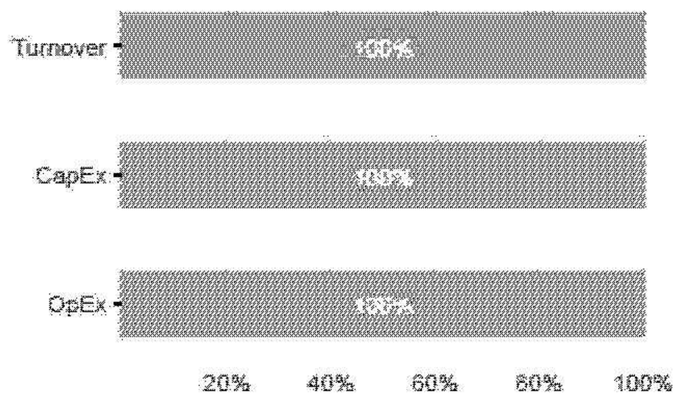
Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

The graphs below show the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments **including sovereign bonds***



2. Taxonomy-alignment of investments **excluding sovereign bonds***



This graph represents 100% of the total investments.

For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

- **What was the share of investments made in transitional and enabling activities?**
  The Fund did not set a minimum share of investments in transitional and enabling activities and therefore has not recorded any such activities in the reference period. Therefore 0% of the Fund's investments were in transitional and enabling activities.

- **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**
  The Fund is not yet able to provide comparison to a previous reporting period as this is the Fund's first SFDR Level 2 Periodic Report disclosure. The Fund will provide historic comparison in the next Periodic Report.

are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?
20.15% of Gross Asset Value (GAV) as at 31 December 2022. This is above the minimum commitment of 10% of sustainable investments with an environmental objective not aligned with the EU Taxonomy. None of those assets were expected to be aligned to EU Taxonomy because the Fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy regulation.

What was the share of socially sustainable investments?
The Fund did not make sustainable investments with a social objective.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?
Investments included in "#2 Other" consisted of cash and cash equivalents, investments held for hedging purposes, investments for diversification purposes, and direct real estate assets which did not align to the promoted environmental and or social characteristics including those for which there is insufficient data.

For non-aligned investments including those for which there was insufficient data and investments for diversification purposes, minimum safeguards include exclusion of any real estate assets that have significant tenants that are listed companies assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption. For the other ancillary assets, including cash, cash equivalents and hedging instruments, no minimum environmental or social safeguards have been put in place.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

Actions to meet the environmental characteristic were driven through the Fund's ESG policy which includes short- and long-term aspirational targets and objectives. Examples of relevant activities have included:

- The Fund aspires for all direct real estate assets to be certified using Green Building Certification or plan to achieve within three years from acquisition/completion. As at 31 December 2022 59% of direct real estate assets (by capital value) had achieved certification.
- The Fund aspires for 75% green building certification to 'Very Good' (or equivalent) or better. As at 31 December 2022 42% of direct real estate assets (by capital value) had achieved certification above equivalent to Very Good or above.
- The Fund has sought to include environmental initiatives in investment due diligence through application of the Asset Manager's sustainable development & refurbishment framework. The framework is used to engage property developers and influence building environmental design and performance.
- The Fund's Asset Manager seeks to include ESG related item in asset business plans, including Green Building Certification, environmental performance monitoring, occupier engagement, as well as investment in asset environmental improvements.

How did this financial product perform compared to the reference benchmark?

No reference benchmark was designated to determine whether this fund is aligned with the environmental and social characteristics that it promotes.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

How did the reference benchmark differ from a broad market index?

No reference benchmark was designated to determine whether this fund is aligned with the environmental and social characteristics that it promotes.

How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?

No reference benchmark was designated to determine whether this fund is aligned with the environmental and social characteristics that it promotes.

How did this financial product perform compared with the reference benchmark?

No reference benchmark was designated to determine whether this fund is aligned with the environmental and social characteristics that it promotes.

How did this financial product perform compared with the broad market index?

No reference benchmark was designated to determine whether this fund is aligned with the environmental and social characteristics that it promotes.

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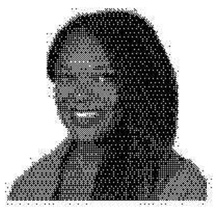

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