M&G Investments

M&G Global Property Fund

Global Property USD-denominated

Q4 2024

Market overview

In the fourth quarter, global markets and sentiment were shaped by political shifts and central bank actions.

November was dominated by the US election, starting with the lead up to the election date and results announcement to the subsequent nominations for key office position appointments. The Trump victory led to a further increase in the US dollar accompanied by a strong rally in US equity markets.

Central banks globally continued to adjust their policies well into the latter part of December. Several rate cuts were announced in December, including the US Federal Reserve (Fed), European Central Bank (ECB), Canada, Switzerland, Mexico, and Turkey. The Bank of England (BOE) and Bank of Japan (BOJ) held rates steady. The Fed's rate cut, accompanied by a hawkish tone, suggested that it could be the last cut for a while, and the market reacted by selling off as expected. Meanwhile, China's stimulus package announcement in September resulted in volatility in equity markets continuing into the quarter.

Global equities experienced a slight decline of 1% in the fourth quarter, but showed a strong annual gain of 17.5%, as measured by the MCSI All Country World Index (ACWI). Both developed and emerging market equities saw negative returns in the fourth quarter, with developed markets down by 0.2% and emerging markets down by 8.0%.

Global property also faced losses, down 9.2% for the quarter but ended the year in positive territory with 1.6%.

Global bonds were one of the weakest asset classes, with the Bloomberg Global Aggregate Index showing a 5.1% decline for the quarter and a 1.7% decline for the year..

United States

Political developments played a significant role in shaping market sentiment during the fourth quarter. US equities rose in the quarter, driven by President Trump's election victory and Republican control of Congress, which fuelled optimism around expectations of tax cuts, deregulation, and pro-growth policies.

Meanwhile, US inflation rose to 2.7% y/y in November, slightly up from 2.6% y/y in October, in line with expectations. This didn't sway the Federal Reserve's decision to cut interest rates by 25 basis points in both November and December, bringing the target range to 4.25%-4.5%. US third quarter growth reached 3.1%, driven by strong consumer spending, and slightly better than the second quarter's 3.0% growth.

While US equities surged in November following the election results, the rally stalled in December after the Fed lowered its expectations for further rate cuts due to slower inflation progress and an uncertain policy outlook. Despite this, US equities still finished the quarter strong, with the Nasdaq leading at 6.3%, followed by the S&P 500 (2.4%) and the Dow Jones (0.9%).

Notably, US equities posted solid returns across all indices for the year led by the Nasdaq (29.6%), S&P 500 (25%), and the Dow Jones (15%), all in US dollar terms. Bonds, however, faced a more challenging quarter. Bond yields rose and the fed fund futures curve moving higher following the market expectations for fewer rate cuts in 2025 (due to persistent inflation) led to a sell-off in US Treasuries in December.

Eurozone

Eurozone faced another challenging quarter. Equities declined due to recession fears and political instability in France and Germany. Slightly improved third quarter growth of 0.4% q/q from 0.3% q/q in the second quarter was better than the 0.2% expected. Inflation rose by 2.2% y/y in November, driven by higher commodity prices, from 2.0% in October and slightly below the 2.3% forecast. Despite the slight uptick in inflation, the European Central Bank (ECB) unanimously decided to reduce interest rates by another 25 basis points in December, lowering its deposit rate to 3%. The ECB also signalled further cuts for 2025.

United Kingdom

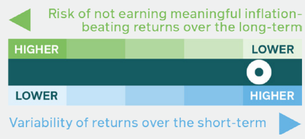
Inflation in the UK rose by 2.6% y/y in November, in line with forecasts but up from 2.3% in October. As a result, the Bank of England kept interest rates unchanged at 4.75% in December, as expected. Economic growth in the UK disappointed, with quarterly growth at 0% q/q, down from 0.5% in the previous quarter, and falling below the anticipated 0.2%, revised downward from initial estimates. In this environment, UK equities declined, affected by rising bond yields, inflation expectations, and concerns over government fiscal policies following the Autumn Budget. The FTSE 100 ended the quarter down 6.8% but posted a 7.7% gain for the year.

China

Deflationary pressure continues in China, with the CPI slowing to 0.2% y/y in November, down from 0.3% in October. The People's Bank of China (PBOC) kept its benchmark lending rates unchanged, maintaining the one-year loan prime rate at 3.1% and the five-year rate at 3.6%. China's third quarter GDP growth slowed to 4.6% from 4.7% in the second quarter, resulting in a 4.8% growth rate for the first three quarters of the year. In recent months, China has introduced several measures to stabilise its economy, including shifting to a looser monetary policy in December, providing tax incentives for the property market, and unveiling a 10 trillion yuan debt package. Markets were spurred early November following a stimulus package unveiled late in September to support the economy and ailing property market but retraced some of those gains by quarter end. The Hang Seng Index dropped 4.9% in the fourth quarter but posted a strong 23.7% gain for the year.

Annualised performance	B Class	Benchmark
1 year	-1.9%	1.6%
2 years	5.9%	5.5%
3 years	-6.0%	-5.6%
Since inception	-2.2%	-1.7%

Risk profile



Fund facts

Fund objective
The Fund's objective is to provide investors with capital growth over the long-term by investing in a diversified portfolio of global property securities.

Investor profile
Investors seeking long-term capital growth from a diversified portfolio of global property securities. The recommended investment horizon is 7 years or longer.

Investment mandate
The Fund aims to achieve its investment objective by investing across a diversified portfolio of global property securities. Quantitative analysis of individual companies, proprietary data analysis and machine learning are used to identify securities for potential inclusion by the fund managers. This includes real estate investment trusts and equity securities of companies engaged in real estate activities. The Fund may invest in other collective investment schemes, financial derivative instruments and debt securities.

Investment manager
M&G Investment Management Limited (UK)

Fund managers
Gautam Samarth
Michael Cook

Morningstar category
Property - Indirect Global

Benchmark
FTSE EPRA/NAREIT Global Property Index REIT Net

Inception date
8 June 2021

Fund size
USD 9.3 million

Currency
US Dollar

Share type
Accumulation

Domicile
Ireland

Sources: M&G Investments, Morningstar & Deutsche Securities

Japan

Japan's core consumer price inflation rose to 2.7% y/y in November, up from 2.3% in October, in line with expectations and remaining above the Bank of Japan's 2% target. The Bank of Japan kept its benchmark interest rate steady at 0.25% in December. Japan's third quarter GDP was revised upward to a 1.2% annualised growth rate, compared to the initial estimate of 0.9%, though it was lower than the 2.2% annualised growth in the third quarter. The Nikkei Index fell 4.1% in the fourth quarter due to a weak yen and strong US economic performance but finished the year with an 8.8% gain (in US$).

Performance

The M&G Global Property Fund produced a return of -11.3% (B class, net of fees, in US$) for the quarter, versus the -9.2% recorded by its benchmark the FTSE EPRA/NAREIT Global REITs Net Tax TR Index. For the 12 months to 31 December, the fund delivered -1.9% compared to the benchmark's 1.6% return.

Absolute returns were driven by the weak performance of real estate investment trusts, which fell as investors reined in expectations for rate cuts in 2025.

Overall, the portfolio's fourth quarter performance reflected the challenges of navigating a volatile macroeconomic environment, characterised by falling interest rates and political uncertainties. While the constrained country exposure strategy facilitated selective gains through effective stock selection, it also limited participation in outperforming regions, particularly within the Canadian market. In the style space, the consistency of performance across REITs industries manifested as positive sentiment returns for the sector.

Outlook

Looking forward to 2025, we expect continued turbulence caused by central bank policies. Thematically, we anticipate sustained demand for specialised REITs in the form of data centres and infrastructure supporting the expanding developments in artificial intelligence technology.

The quarter underscored the importance of rigorous stock selection and diversified positioning in mitigating risks and leveraging opportunities within the global REIT sector. These challenging market conditions make it essential to maintain a disciplined and flexible investment approach that naturally adapts to the evolving economic landscape throughout the first quarter of 2025.

Contact us

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Invest now

Application forms

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Disclaimer

Sources: M&G Investments, Morningstar & Deutsche Securities