



Geared Property Update Calder Park Pension Fund



Irish Life

1. About the Calder Park Property

Kestrel House, Calder Business Park, Wakefield is located at the heart of the UK's transport network close to the intersection of the M1 and M62 Motorways, providing good access to all parts of the UK. Unit C41 comprises a modern two storey B1 office building with a gross internal area of approximately 20,365 sq.ft. (1,892m²) with the benefit of 76 car parking spaces. Built in 2004/2005, the property has been finished to a high specification.

The entire property is let to the Secretary of State for The Transport Highways Agency (Government Tenant), on a lease for a 25-year term (break option in 2020 subject to a 6 month notice) from 2005 with 5-yearly upward only rent reviews.

2. Performance of the Calder Park Pension Fund

Property Valuation – June 2011

This property was purchased in 2006 for Stg£6.425m (plus costs). The value of the property has decreased by 3.19% to Stg£4.55m in the six months to June 2011.

See section 3 for further details on the valuation of the property.

Fund Return (unit price movements)

From 1st January 2011 to 30th June 2011

This valuation and all other factors contributing to the return on the fund such as the outstanding loan balance (Stg£4.4 million), loan interest expense, fund costs, rental income, exchange rate movements and fund management charge has resulted in the value of the units in the fund falling from 0.087 to 0.055 since the last valuation date i.e. 1st January to 30th June 2011.

From March 2006 (launch date) to 30th June 2011

The value of units in the fund have fallen 94.5% from launch in March 2006 to 30th June 2011.

Net Asset Value of Fund

As the net asset value of the fund is close to zero and could become negative, there may be a possibility that the current guide value of your Calder Park policy could move to zero in the future. An example of how this could happen would be a further reduction in the value of the property. As the debt is on a non-recourse basis, the fund would be valued at nil in this eventuality.

If this occurs, negative equity will need to be recovered before the net asset value of the fund increases to a positive value and before the policy will be valued at greater than €0.00. As you're aware, the Calder Park Fund is a closed fund and investors cannot exit until maturity. When the fund matures, investors will receive a maturity value based on the sale price achieved at the time.

The value of your plan is in your annual benefit statement and is the current guide value. This guide value also reflects any movements in the fund since the 30th June 2011.

3. Factors impacting the performance of the fund

Source: Irish Life

Market Overview

Office Markets in the UK continue to be split between Central London and the rest of the Country. Central London with its safe haven status continues to attract overseas and institutional investors. With limited opportunities available, investors are competing aggressively, keeping downward pressure on yields. Outside London and excluding major Cities investment market

conditions remain less buoyant overall.

Investor demand remains narrowly focused and the prime/non-prime yield spread remains almost three times higher than at the peak of the boom in 2007.

Key risks to the sector come from debt and a pickup in credit availability continues to look unlikely. Major UK Banks continue to reduce their exposure to the sector; recent reports suggest that Lloyds bank is due to bring a large portfolio of distressed assets to the market.

In terms of the office occupational market, a lack of development in London and rising demand has put upward pressure on rental levels. Regional occupier demand remains generally weak, due to elevated supply and concerns over the Governments austerity measures. Occupier markets outside of Central London are still generally subdued and rental growth does not appear likely in the immediate future.

Property Update

The entire property is let to the Secretary of State for the Transport Highways Agency (Government Tenant). The lease is for a 25 year term (break option in 2020 subject to a 6 month notice) from 2005 with 5 yearly upward only rent reviews. The internal building specification is of a particularly high quality as required by the tenant at the outset of the lease.

The 2010 rent review process commenced in early 2010 and an agent was appointed to act on behalf of the fund. Their advice indicates that in the absence of transactional evidence and given the general downward pressure on office and business park rental values no rental increase is likely at the review. However, our local agent continues to pursue this and seek evidence to justify an increase.

The current value of the property as at June 2011 is Stg£4.55m, a decrease of 3.19% over the December 2010 valuation. The valuer has increased the valuation yield by 0.25% to 7.65% reflecting weaker investor appetite for such locations.

With regard to the loan on the property, the rent paid by the government tenant exceeds the current interest repayments on the loan, with an interest cover ratio of 1.75 times. The loan amount outstanding in June 2011 has been reduced to Stg£4.4million. So far in 2011, capital repayments on the loan are Stg£77,000 in addition to interest repayments). However, the loan to value (LTV) of the property has increased to 97% as a result of the decrease in valuation.

4. Looking Ahead

The property does provide a very secure income stream up to the tenant's break option in mid 2020.

It will be challenging to negotiate out this break clause in the short term given the governments policy on public sector employment and likely occupational requirements. However, the asset manager will continue to engage with the tenant on this.

5. Keeping you up-to-date on your fund

Property valuations are completed in June and December each year. This property update reflects the last property valuation as at 30th June 2011. The accompanying benefit statement reflects an up-to-date value of your investment.

You can call your adviser or contact our Geared Property Services Team on 01 704 1831 to get an up-to-date value at any stage on your investment.

In the interest of customer service, we will record or monitor calls.

Warning: The value of investments may go down as well as up.

Past performance is not a reliable guide to future performance.

This product will be affected by changes in currency exchange rates.

The information provided is a guide only and may be subject to change.

The valuation details regarding the asset(s) in question are confidential and should be considered price sensitive information.

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