



PERFORMANCE REPORT 30 JUNE 2011

Geared Property Update

Ocean Point Pension Fund



Irish Life

1. About the Ocean Point Property

Ocean Point is situated in Leith, Edinburgh. Leith is an out of town office location outside Edinburgh. The property comprises a Grade A open plan office arranged over eight floors and with a total floor area of 62,657ft² (5,821m²).

The property is leased to AWG Limited on a 20 year lease from February 2004. The next rent review on the property is due in 2014.

2. Performance of the Ocean Point Pension Fund

Property Valuation – June 2011

This property was purchased in 2006 for Stg£23.55m (plus costs) at a net initial yield of 5.4%. The value of the property has decreased by 1.98% to Stg£16.05m in the six months to June 2011. The net initial yield on this property has increased by 0.15% to 7.90%.

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

Negative Net Asset Value of Fund

The current guide value of your Ocean Point policy is €0.00 because the net asset value of the fund is negative. The loan for the Ocean Point property, (Stg£17.9 million) is in excess of the property value, (Stg£16.05 million) and all other contributing factors to the return of the fund such as previous valuations, loan interest expense, fund costs, rental income, exchange rate movements and fund management charge have resulted in the fund having negative equity. However, as the debt is on a non-recourse basis, the fund is valued at nil.

Please note that this 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 Ocean Point 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

The Market has been very subdued in the first 6 months in Edinburgh with very few investment transactions and very little occupier requirements to take space in office buildings. One significant transaction which recently took place saw Amazon take a lease of 60,000sq.ft. The headline rent is quoted at £17 /sq.ft which shows a significant reduction on the headline rents that were being achieved at the height of the market (at figures up to £30/sq.ft).

There is a view from local agents BNP Paribas & Ryden that over the next number of years the Grade A office stock that is available will be depleted enough to put upward pressure on rental levels but as the base level is low, rents are likely to remain below peak market levels for the foreseeable future.

There has however been positive news in the Edinburgh market where State Street, the US asset management firm, is developing a European 'centre of excellence' at its Edinburgh base which will see it add 90 jobs to its 750 strong Scottish workforce (The Scotsman 2 June 2011).

Property Update

The property at Ocean Point continues to be let to AWG who as a utility company is still showing strength in their business. AWG as previously noted is not in occupation but has been steadily sub-letting the office space within the building and as at June 2011 the building is fully occupied except for quarter of one floor which is vacant. Visit Scotland is now a major tenant in the building with their occupation extending to 4 floors.

The surrounding area has not seen any development in the last number of years but the Ocean Point terminal shopping centre which previously had a number of vacancies is now fully occupied.

The valuation of the property has decreased due to the rental value falling from Stg£1.22m to Stg£1.1m as comparable rents have fallen and also an increase in the yield. The rent received from the tenant remains unaffected.

The property is currently rented at a passing rent of Stg£21.42 per sq. ft. The valuers continue to be of the opinion at June 2011 that the property is over rented with the estimated rental value in the region of Stg£19 per sq. ft.

The full rent payable under the lease continues to be paid in a timely manner by the tenant. Loan interest payments continue to be paid with rental income exceeding debt cost by 1.25 times, that is the interest cover ratio.

There is an excess of rental income over debt costs due to the low interest rate environment. This has enabled reduction of the loan on this property by Stg£130,000 during the first half of 2011. It is expected that the loan will be reduced by a further amount of approximately Stg£130,000 during the second half of 2011 given the current property value and interest rates.

The loan on the property outstanding at June 2011 has been reduced to Stg£17.88m million. The Loan to value is 111%.

4. Looking Ahead

- The debt is being repaid quarterly. The capital repayments over the next 6 months are estimated to be in the region of Stg£130,000 given the current net asset value.
- The key focus is to continue to make repayments from the excess cash in order that the debt is reduced.

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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