UK Property Fund

Information is correct as at the 31st August 2010

Volatility/Risk: high risk

How the Fund Works

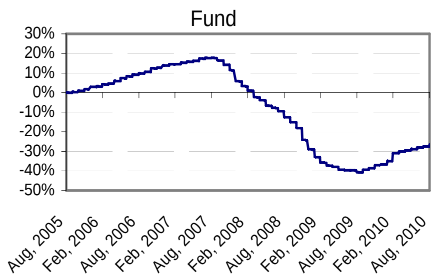
The fund gives investors access to the long-term growth potential of UK Commercial Property. The fund does not invest in residential property. We actively manage the directly owned part of the fund to achieve a blend of strong rental income and capital growth. It is suited to investors who want a higher growth potential over the long-term than deposit accounts can offer but with a lower risk profile than equities. About 75% of the fund is directly invested in a mix of office, retail and industrial property. The remaining 25% is invested in indirect property structures. Investment in the fund will be in Euro and the properties will be valued in Sterling. Investors are fully protected against falls in the value of Sterling. The cost of this protection is charged to the fund.

The return of this fund since launch (13th January 2004) is -1.63%p.a.

Property Holdings

Largest Stocks	Country
117 Piccadily, London	UK
1 Golden Square, London	UK
25/27 Petty Curry, Cambridge	UK
Chalfont Square, Reading	UK
144/155 King St. London	UK

Performance



Year	UK Property Fund
2010 YTD	16.1%
1 Year	23.8%
3 Year %p.a.	-14.5%
5 Year %p.a.	-6.0%

The figures quoted are before tax and after management charges. Source: Irish Life.

Market Commentary

Q2 saw a slow down in property yield compression in response to heightened financial and economic uncertainty. While the IPD capital value index rose by 1.9% in Q2 it was half the rise seen in Q1 (3.9%). Since July '09 capital values have recovered by 15% driven by yield movement rather than rental movements. The IPD all property equivalent yield index declined by 22 bps over Q2 – in total this measure declined by c175bps since June '09. Investors have increasingly favoured more risk adverse investments such as gilts in this economically challenging environment and thus require a greater yield 'risk premium' when considering property investments.

While we do believe yield compression is drawing to a close we do not expect yields to increase and values to fall dramatically in coming quarters. (Although small falls in value cannot be ruled out). One reason for this is the ongoing improvement in property financing conditions – the risk of a flood of distressed sales by major lenders has not materialized. Though the major banks are expected to increase the number of sales in the coming quarters the state asset protection scheme should allow the banks to conduct the sales in an orderly fashion. Availability and pricing of lending to property borrowers continued to improve albeit modestly during quarter 2. Another reason why values are unlikely to fall dramatically is that pooled property funds still have considerable amounts of money to place in the market and we understand that other UK institutions are also keen to buy but are struggling to find the stock for sale.

While pricing pressures eased over Q2, transaction levels held up. It is estimated 330 transactions worth over £7.4bn occurred over Q2 compared to 360 transactions worth over £6.4bn in the previous quarter. However, given UK pricing has rallied considerably more than most international markets, and with sterling strengthening, international investors are seeing the advantages of investing in UK property dissipate. We therefore expect to see fewer properties sold to overseas investors during the rest of the year. With yield compression looking unlikely and occupier markets still weak at this point; a short period of sub trend returns is likely for most parts of the market until occupier markets recover. For most sectors, with the exception of Central London offices, we do not expect a meaningful rental recovery before 2011.

Warning: The value of your investment may go down as well as up. This fund may be affected by changes in currency exchange rates. Past performance is not a reliable guide to future performance.

Irish Life Investment Managers