Geared Property Update – Syndicated Property Fund 1– H1 2013

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1. About Eastpoint P2

The property comprises a four-storey office building in the Eastpoint Business Park. It extends to 4,647 m^2 (approximately 50,000 ft^2) with parking for 71 cars. The entire property is let to UPC (European division of Liberty Global, Inc.) on a 25-year term from 2000 with a break option in December 2015.

2. Performance of the Syndicated Property Fund 1

As outlined in previous communications, the Syndicated Property Fund 1 reached its maturity date on the 31st July 2007. Under the terms and conditions of the investment, the property was required to be put up for sale in order to be in a position to pay the fund value to investors within six months of the maturity date. Unfortunately, the property did not attract a buyer during the required timeframe and Irish Life agreed to hold the property and give investors the option of either cashing in their investment (based on a current value of the property) or remaining in the fund until Irish Life disposed of the property in the future. This option is still available to investors. The property in the fund is being valued on a monthly basis to ensure that any investors wishing to exit the fund receive an up-to-date valuation.

Property Valuation – June 2013

The value of the property has decreased by 3.8% to €6.195m in the six months to June 2013 based on a yield of 8%. See section 4 for further details on the valuation of the property.

Fund Return (unit price movements)

30 June 2012 to 31 December 2012

This valuation and all other factors contributing to the return on the fund such as the outstanding loan balance (€5.46m), loan interest expense, fund costs, rental income and fund management charge has resulted in the value of the units in the fund rising from 0.115 to 0.136 since the last valuation date i.e. 31 December 2012 to 30 June 2013.

June 2000 (launch date) to 31 December 2012

The value of units in the fund have fallen 88.5% from launch in June 2000 to 31 December 2012.

Net Asset Value of Fund

As the net asset value of the fund (i.e. the value after deduction of the outstanding loan) is close to zero and could become negative in the near future, your policy would then have no remaining value.

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 Syndicated Property Fund 1 (Eastpoint P2) investors have the option of either cashing in their investment (based on a current value of the property) or remaining in the fund until Irish Life disposed of the property in the future. 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 2013.

3. Loan Maturity

The amount outstanding on the loan in June 2013 is €5.46m. The loan to value (LTV) ratio of the property is currently 88%.

The loan on this property is held with permanent tsb and matures in November 2013. As previously communicated, they have advised they are not likely to be in a position to extend the term of the existing loan. Given the impending loan maturity and the likely event of the loan not being extended, the property maybe required to be sold over the coming months.

Should Irish Life have to sell the property, the current value of your plan may be further impacted depending on the sale price achieved which could result in the loss of your investment in the fund.

As explained in the terms and conditions, when the geared pension property fund ceases, the value of the fund will be the amount received from the sale of the fund assets less any outstanding balance on the loan of the fund. Your accumulated fund at that time could be valued at zero.

4. Factors impacting the performance of the fund

Source: Irish Life

Market Overview

The Irish commercial property investment market has experienced a significant improvement in transactional activity over the first 6 months of the year. This has been driven by investor demand for prime Dublin city centre offices and an improvement in the supply of properties brought to the market, as the banks and NAMA have commenced unwinding their exposure to the sector. This has not extended to secondary properties, or suburban and regional office markets as concerns over high vacancy rates and rental prospects persist.

The overall Dublin office vacancy rate remains stubbornly high at 19% but the Dublin CBD has seen grade A office vacancy fall to c.5% driven by take up by foreign direct investment companies and the wider business services sector. Prospects for rental growth are good, however due to current levels of over-renting this will have limited impact on rents receivable for most leased investment properties. In relation to older/secondary and suburban offices, it is expected that these will continue to underperform in the short/medium term.

Property Update

The entire property is let to UPC on a 25-year term from 5th December 2000 with a break option in December 2015. The current value of the property has fallen to €6.195m in June 2013 due to a reduction in the valuer's opinion of rental value along with an increase in the yield. As the 2015 lease break option is getting closer this is also having a negative impact on the valuation. It is expected that this negative impact will continue the closer the gap to the 2015 break.

Discussions were previously held with UPC on their potential interest in either taking out the 2015 lease break and thereby extending the lease term and/or whether an outright purchase of the building would interest them. Unfortunately, the tenant was not interested in exploring either of these options.

In the event the property is required to be sold the asset managers would consider approaching the tenant once again for a discussion in advance of any sale were it felt that this could generate some value enhancement on the asset.

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 30 June 2013. 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.

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.