

Property Portfolio Fund Update

The Property Portfolio Fund currently gives investors access to a mix of Irish, UK and European commercial property. The three parts of the fund are invested in:

- Ireland: this part of the fund is invested in the Irish Life Irish Property Fund
- UK: this part is invested in the Irish Life UK Property Fund which invests in a mix of direct and indirect property investments.
- The European part is invested in the Henderson European Property Fund. This fund is currently invested in over 20 underlying property funds spread across a wide range of European markets.



The Property Portfolio Fund reflects the performance of the underlying mix of its Irish Life Irish and UK Property Funds and its investment in the Henderson Property Fund. On the following pages we provide a summary of the key issues in the Irish and UK markets with a focus on European markets overall. Please see our Irish and UK Property updates for more detailed information on those markets. On the final page we provide a summary of the Property Portfolio Fund performance.



European Property Market Update

The second quarter of 2009 has seen some signs of an improvement in economic news across Europe. Most notable has been the rally in business and consumer confidence surveys albeit from historically low levels. These notable signs of economic improvement are as a result of the concerted efforts of the ECB and Central Banks across Europe.

Henderson's view is that the overall European market could see modest positive returns in 2010

Property transactions remain low across Europe and valuers have begun to acknowledge the realities of the market and are marking down capital values to reflect the new environment. The European office market has continued to deteriorate badly against a backdrop of rapidly rising unemployment. The continuing slowdown in the occupation markets has further depressed property values and dampened investor sentiment towards property.

With challenging economic conditions set to continue Henderson expect occupier demand to weaken further, with vacancy rates likely to rise across Europe.

Irish Property Market Update



We expect that we could see capital values in the overall Irish Commercial Property Market fall by up to 35% for 2009 over the full year. A property income return of over 7% per annum would reduce the negative capital value returns giving a total return fall of around 28% for 2009. Please note that these returns are based on overall market valuations and do not reflect any of the costs of buying or selling properties, taxes or management costs.

Current
Yield on the
Irish portion
of the
Property
Portfolio
Fund is 7%

Breaking property news in June: The Dáil passed the Land and Conveyancing Law Reform Bill 2006 which aims to remove "upwards only" rent reviews on new leases. The legislation **only** **applies to future leases and both existing leases and agreements for lease which are already in place are not affected.** The Act is expected to come into force in January 2010 and has potential implications for property valuations as it introduces uncertainty to the rental income stream. The Minister for Finance may consider introducing a further provision under which professionally advised tenants would be free to contract out of the Act if they wish, prior to the Act coming into force.

Our Irish Property Fund (Life) is on a "full disposals" pricing basis as a result of the large number of encashment and switch requests. **The full disposals pricing basis reflects two factors:**

- 1. the costs of selling the properties; and**
- 2. the valuers' opinion of the proceeds of a forced sale – the price the valuers believe we would get to ensure a sale to takes place in the current market.**

This pricing basis acknowledges the fact that properties would have to be sold to pay for the withdrawals from the fund, while at the same time we have to protect the remaining long term investors in the fund.



Airside Retail Park, Co Dublin – one of Ireland's most popular retail parks

UK Property Market Update



Capital values in the UK commercial property market as measured by the IPD index fell by 12.4% from May 2008 to May 2009. Since the peak of the market in June 2007 there has been a 43.6% fall in capital values. The encouraging news this month is that after a 2.8% decline in March and a 2.1% drop in April the pace of decline continues to ease in May with the market falling by 1.5%.

With the pace of decline slowing across certain sectors of the UK commercial property market, we are also seeing in the past number of weeks encouraging signs, with some recently released UK economic indicators turning positive. Although these indicators have been seen by many as an indication of the 'bottom' of the market, we do not believe the bottom is here just yet.

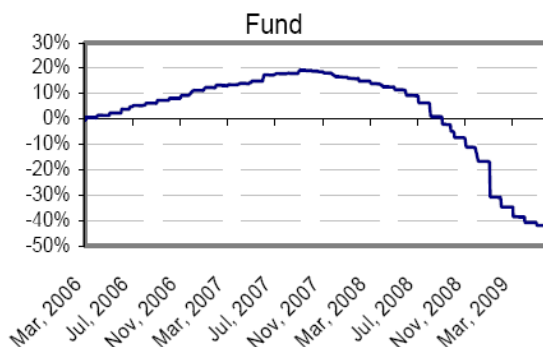
Overall, UK property now looks attractively valued on a long term basis. However, we believe there is still a risk of rents falling further than the market is currently pricing in. Accordingly, we believe for now a patient approach to re-entering the UK property market is justified.



25/27 Petty Cury is let to the Nationwide Building Society - located across from the Lion Plaza Shopping Centre, the biggest centre in the greater Cambridge area.

Property Portfolio Fund Update

The fund fell by 2.56% in May and has fallen by -32.29% since the start of the year.



Source : ILIM/MoneyMate. Returns above are after mgt charges

Period	Return
YTD	-32.29%
1 Year	-48.35% p.a.
3 Year	-18.4% p.a.

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

Warning : Past Performance is not a reliable guide to future performance

Property in focus

Local Expert on the ground in France: FOSCA



Address: 55 rue de Rivoli 75001 Paris, France

Location: The building is situated in the first arrondissement (District) of Paris. It is located in immediate proximity to the Châtelet Theatre, the Paris Town Hall, the Georges Pompidou centre, the Forum des Halles and the Louvre. The property comprises of both shops and offices and is built on the corner of three streets. The ground floor has commercial usage with two retail units and includes tenants such as BNP Paribas. The mezzanine floor has individual office units overlooking rue de Rivoli and rue des Lavandiers.



A closer look at our European partners



Founded in 1934 Henderson is a leading investment manager, providing a wide range of investment products and services to institutions and individuals in Asia, Europe and North America. Henderson Global Investors manages over £49.5 billion (as at 31 December 2008) in assets, with Property managing £9.7 billion of these assets and employs around 840 people worldwide.

Henderson has European offices in Amsterdam, Frankfurt, Paris, Milan, Zurich, Vienna, Madrid, Luxembourg and London, which is our principal place of business.

The Irish Life Property Portfolio Fund invests in the Henderson European Property Fund. The Henderson European Property Fund invests in a diversified range of best in class local managers who are focused on properties with high income and value enhancement potential. The Fund currently gives exposure to 20 underlying funds which hold over 900 properties.

Important Information:

Customers must currently give 6 months notice to withdraw, or switch, any investment in our Property Funds. Property investments will fall as well as rise in value. Past performance is not a reliable guide to future performance. The views expressed in this document in relation to the market outlook for property are not forecasts, projections or guarantees of the future returns from our Property Funds. The returns on these funds will depend on the actual fund growth achieved in the future. Irish Life Assurance plc is regulated by the Financial Regulator.



Irish Life