UK Property Fund

Information is correct as at the 28th February 2010 Volatility/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.

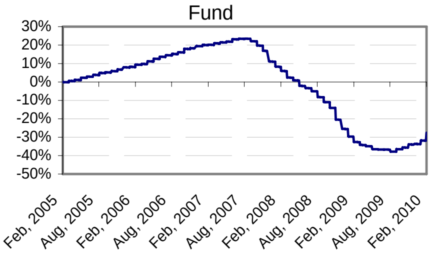
About 75% of the fund is directly invested in a mix of office, retail and industrial property. The remaining 25% is invested in indirect property structures. Investment in the fund will be in Euro and the properties will be valued in Sterling. Investors are fully protected against falls in the value of Sterling. The cost of this protection is charged to the fund.

The return of this fund since launch (13th January 2004) is -2.73%p.a.

Largest Stocks

Largest Stocks	Country
117 Piccadilly, London	UK
1 Golden Square, London	UK
25/27 Petty Cury, Cambridge	UK
ChALFORT SQUARE	UK
King St, London	UK

Performance



Year	UK Property Fund
2010 YTD	9.2%
1 Year	7.5%
3 Year %p.a.	-15.5%
5 Year %p.a.	-6.2%

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

Market Commentary

The benign recovery of the UK economy has been accompanied by a higher than expected inflation. In January CPI increased to 3.5% year on year, ahead of the Bank of England's target. However the Bank of England sees this as a temporary problem and has lowered its outlook for inflation and growth for 2010, in its February inflation report. As a result there have been indications that the central bank's quantitative easing programme may be reinstated at the next meeting. Elsewhere the January labour market data highlighted that the recovery could be derailed as the number of claimants spiked. As measured by the January Investment Property Databank the UK monthly property index rose by 1%, the seventh monthly rise in the capital value index. Since June '09 the index has risen by c.10%, a third of this increase coming in the month of December alone; this was the strongest monthly increase in capital values in the almost 25-year history of the index. The capital value rises have been driven entirely by a 'downward' shift in yields, as rental values and income continue to decline.

The current key driver for the acceleration of capital growth is the lack of stock on the market combined with a large weight of money. This large weight of money has been attracted back into the market as investors turn to property as a yield play given the very low returns on cash, low bond yields and the recovery in equity prices. While demand for assets is generally focused on prime, well let, secure assets there is evidence of investors taking on greater risk. While cash buyers are driving the market for now, the lack of commercial property credit, which is likely to remain restricted for some time, will act as a break on both liquidity and demand in the investment market. Another factor helping to cool the market this year may be overseas buyers turning their back on the UK. In '09 overseas buyers accounted for c.70% of UK investment turnover. We expect this category of buyer, given the weakening of the Euro and the decline in UK yields, to start focusing on European markets. Having said this we expect UK 'all property' equivalent yields to fall to c. 7% by mid '10. In terms of outlook we expect continuing capital value growth in 2010 and strong returns for the year, in the region of mid teens by year end.

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