



Geared Property Update – St. Stephen's Green Fund – H1 2013

This is for information purposes only and for existing customers only. This is not an advertisement.

1. About the St. Stephen's Green Property

The St Stephen's Green Shopping Centre is located at the junction of St Stephen's Green and the top of Grafton Street and comprises 90 shops, pubs and restaurants totalling c.28,000 m² with 1,127 car parking spaces between it and the adjoining Royal College of Surgeons car park. The St Stephen's green fund holds a partial interest in the Centre alongside other Irish Life client funds and a third party owner.

2. Performance of the St. Stephen's Green Fund

Property Valuation – June 2013

The value of the property has decreased by 4.95% in the six months to 30 June 2013 to 0.587. The value movement is a result of eroding rental values as retail market rents continue to ebb lower. The yield applied to the asset has remained steady over the half year.

3. Fund Maturity

The St Stephens Green fund matured in July 2011. At that time policyholders were given the option of encashment of their policy or retaining their holding in the fund for a further period of up to 3 years. The asset manager is progressing plans for a part disposal of the property in line with this strategy.

4. Factors impacting the performance of the fund

Source: Irish Life

Market Overview

The commercial property investment market has seen a significant pickup in activity this year driven by a weight of investor interest and an increase in the supply of property coming to the market. To date this has been focussed on the office sector but investor interest and deal activity is emerging in the retail sector.

In the retail sector it appears that the severe drop in rents in prime locations has bottomed out and there has been increased activity and interest displayed by retailers to take units. For example on Grafton Street the VANS and Only units have recently opened and the former HMV unit, one of the larger units on the street is the subject of advanced negotiations with a prominent international retailer. Another trend has been increased interest from licenced operators and restaurateurs for new units in the city centre.

However the fact is that many retailers are still in difficulty. Increased taxes and levies imposed on the nation's tax payers has inhibited retail growth in general, by greatly decreasing disposable income which will hamper significant growth in retail rents.

The problem of tenants becoming insolvent has not gone away (although activity has slowed to a degree). A fairly new development in the market is the tendency of large companies to implement company re-structures that benefit from the Irish insolvency laws. Companies like Atlantic Homecare

(a subsidiary of the Grafton Group) and Monsoon have used the examinership process to restructure the businesses and renegotiate rents in their portfolios, while closing unprofitable units.

The growth of sales on the internet continues apace, with retailers using units in prominent shopping centres and high streets as a means to drive branding and to operate as high-end showrooms. Larger international retailers will require fewer, but larger, well-located units, to increase and drive brand presence.

Property Update

ILIM is positioning the property through progressing short term asset management projects and longer term redevelopment plans to enhance its attractiveness to potential purchasers of the funds interest.

The landlords are in the process of re-structuring several leases to prepare the Centre for redevelopment. The restructuring of the Thorntons and Gamestop leases have completed and La Criosanterie is in the process of agreeing a lease restructure.

The plan to locate a cinema on the roof of the car park will add a leisure element to the Centre. It is expected that this will enhance footfall and also increase trading hours within the Centre. Full planning permission has been received for the project, the fire certificate has been secured and the landlord is in talks with an entity that may operate the proposed cinema.

Both Clarifa (trading as Twenty 1) and Sky have demonstrated their confidence in the scheme by extending their occupancy in the Centre. Several new tenants have been added to the tenant line-up in H1. Dress for Less, ALC Accessories and Loves Fashion on the ground floor line-up and Retro Nation and Cogs on first floor. We see these as good additions to tenant mix for the Centre. Also

Hughes and Hughes is in the process of re-branding to Easons, which we see as an improvement to the scheme. The possibility of replacing the large food operator on the first floor (Café Kylemore) is being considered. The proposed replacement tenant would offer a mix of domestic and international offers and it is proposed that trading hours would be extended in this unit.

The Landlords have at times secured replacement tenants on short-term tenancies to reduce the cost of overheads. These short-term lettings provide the landlord with the opportunity to negotiate with stronger tenants as opportunities arise. Furthermore it decreases vacancy in the centre. This asset management approach is typical in shopping centres at this time.

4. Keeping you up-to-date on your fund

This property update reflects the last property valuation as at June 30, 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.