

# Irish Property Fund

Information is correct as at the 31st December 2011

Volatility/Risk



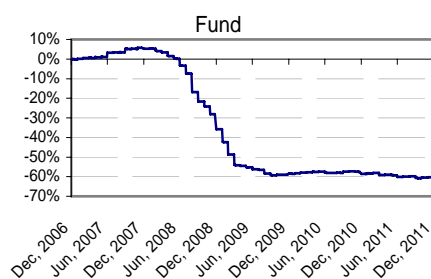
## How the Fund Works

The fund gives investors access to a diversified portfolio of over 50 Irish commercial investment properties, across the main sectors of office, retail and industrial. The properties are let on long term leases to a wide range of tenants and are actively managed to generate a blend of rental income and capital growth. The Fund is suited to investors who want higher growth potential than deposit accounts can offer over the long-term but with a lower risk profile than equities.

The fund is invested in commercial investment properties, across the main commercial sectors, office, retail and industrial. The properties are let on long-term leases to a wide range of tenants. This aims to give the fund a steady and secure source of income.

**The return of this fund since launch (13th January 2004) is -5.93%p.a.**

## Performance



Year	Property Fund	Irish Property
1 Year	-1.8%	-4.8%
3 Year %p.a.	-14.1%	-12.7%
5 Year %p.a.	-16.5%	-13.4%

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

## Stock List

Largest Stocks	Country
RIVERSIDE	Ireland
ILAC	Ireland
The Pavillions SC	Ireland
STEPHENS GRN SC	Ireland
AIRSIDE RP	Ireland

## Market Commentary

The property investment market in Ireland was on hold during 2011, substantially due to the risk of political interference in landlord and tenant contract law. With no liquidity in the market, capital values have fallen further. This is due to rental values across all sectors reducing in response to weakness in the wider economy, and yields increasing over the second half of the year as valuers reflected negative investor sentiment arising from wider domestic and Eurozone problems.

Underlying capital values on average fell by 15% over the year, however this was offset in part by the reduction in stamp duty of 4% in the budget, giving an effective fall in value of approximately 11%. With a high income return running at c.9%, the average total return for property is estimated at -2%.

The investment market has seen no significant transactions, other than a number of occupier deals, the most notable being Google's acquisition of their existing office premises and an adjoining vacant new office development of 200,000 sq ft.

There is active overseas investor interest in Irish property, however these investors have sat on the sidelines while uncertainty persisted over political will to introduce legislation to undo upward only rent reviews in existing leases. This risk has been formally removed following the announcement in the budget. While the market still faces strong headwinds including lack of debt finance, domestic economic and occupier challenges, and Eurozone risk, the removal of this technical impediment should herald a pick up in the level of investment activity in the market.

The office sector has seen a good level of take up; however the vacancy level remains very high, just dipping below 20%. We expect to see rental levels stabilise for good quality offices in 2012 however older poorer specification offices, which make up a significant proportion of the vacant stock, will require capital expenditure on refurbishment to make them fit for modern occupier standards.

**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