



Fact Sheet

Key Features

- ✓ Low-Risk Niche Property Fund
- ✓ Above-average returns
- ✓ Very low volatility
- ✓ Absolutely no correlation to stockmarkets
- ✓ Little or no correlation to mainstream property
- ✓ Diversified for even greater security of capital
- ✓ Ideal for income or secure growth

Back-tested Performance (£):

8.9% (5 years)

8.2% (3 years)

8.8% (1 year)

Anticipated Future Performance:

7-9% p.a. (£)

5-7% p.a. (€)

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PROPERTY MULTIFUND

What is the Property MultiFund?

The Property MultiFund is an exciting opportunity for investors to gain access to an unique low-risk fund that combines a variety of different niche property classes and managers. Using their Multi Adviser Performance System (MAPS), Irish Life International have put together what we believe are the best available property fund managers who specialise in non-mainstream property investment. These managers are blended into a portfolio designed to give you at all times above-average performance with below average risk in an extremely non-volatile manner.

Why "Niche" Property Funds?

Mainstream commercial and residential property can be susceptible to economic conditions and during times of economic downturn, unless the tenants are of the highest quality, may have vacant premises returning no rent. In addition, a lack of demand during these times may cause property values to be re-adjusted downwards to more accurately reflect the realisable value of the asset.

One way to avoid these potential pitfalls is to specialise in investing in property classes where there is a constant or increasing demand, where the market is a specialist one or where there is little or no correlation with generally prevailing economic conditions or mainstream property in general.

In addition, the current mainstream commercial/residential property market in the UK is probably at a relative "peak" and may, in the very near future, experience a slowing down making it an unattractive time to consider mainstream property. Property investment is, nevertheless, a much less volatile medium for investing than the stockmarkets of the world and is therefore still an attractive option. The Irish Life International Property MultiFund has all the attractions of investing in properties but with few of the pitfalls.

What's in the Property MultiFund?

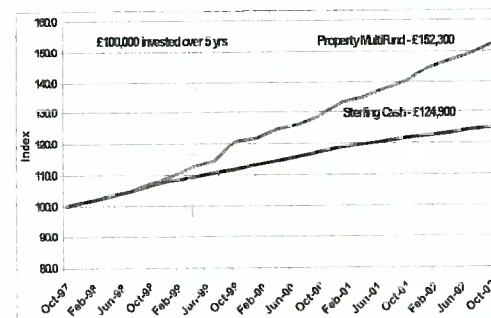
Irish Life International's MAPS programme has been used to identify five niche property funds initially from all the property funds available and back-tested them to ensure that they have produced above-average performance with below-average volatility over the last five years. These funds are:

- The Brandeaux Ground Rent Income Fund
- The Close Property Management Freehold Income Trust
- The Brandeaux University Residence Development Fund
- The Close Property Management Active Commercial Estates Trust
- The Glanmore Property Fund

A synopsis of each of these funds is given overleaf. A sixth fund - Close Property Management's **Capital Appreciation Trust**, which specialises in sheltered housing complexes in the UK, is currently under analysis by Irish Life International's investment team.

How Volatile is the Property MultiFund Likely to Be?

The Property MultiFund has been designed to offer the lowest possible level of volatility commensurate with obtaining overalls returns of at least 3% to 4% above prevailing bank deposit rates. A comparison with cash from Oct 1997 to



Oct 2002 shows a lack of peaks and troughs in the MultiFund indicating quite clearly an extremely low level of volatility very similar to that of cash but with an average return some 4.3% p.a. better.

Please turn over ➤

The Property MultiFund

The subfunds currently held in the Property MultiFund are:

Ground Rent Income Fund (15%)

Brandeaux Fund Managers

This sub-fund buys plots of land on which leasehold properties stand. The leaseholder must pay a rent each year for the use of the ground on which his property stands – hence the name Ground Rent. Failure to do so could result in the forfeit of the entire property to the landowner (i.e. the Fund). The Fund also makes gains from the buying and selling of ground rents, the charging of premiums for alterations to leases etc. and benefits from increased levels of Ground Rents as they are renewed or renegotiated. It has experienced a very low level of volatility but has produced an excellent performance record of over 10% p.a. since inception.

Freehold Income Trust (15%)

Close Property Management

This sub-fund is basically identical in concept and structure to the Ground Rent Income Fund - just run by a different fund management group. It has a longer track record and a slightly better average return of just over 11% p.a. since inception.

University Residence Development Fund (20%)

Brandeaux Fund Managers

This sub-fund buys Halls of Residence from provincial universities and then rents them back to the students at market rents. With the UK Government cutting university funding, the universities are glad to get the capital to use for educational purposes without losing the accommodation for their students.

There are no rent arrears, as all students have to pay in advance. During the 22 weeks when the students are not in college, the Fund rents out the accommodation for conference purposes. The demand for Halls of Residence accommodation exceeds the supply many times over and, with student numbers increasing year by year, the value/price of this type of property investment should continue to do well long into the future.

Active Commercial Estates Trust (20%)

Close Property Management

This fund buys commercial properties that are identified as having been poorly or badly managed, or where capital investment is needed to bring them up to standard. For example, lifts might be needed, or central heating installed. The facade may need replacing or a new access created. Once done, these improvements bring with them an increase in rent and hence an increase in property values. The Fund normally then sells the property on at a profit within a couple of years. This is not a mainstream commercial property fund that buys property and then holds onto it for the rental income but rather a highly focussed one with very definite parameters.

Glanmore Property Fund (30%)

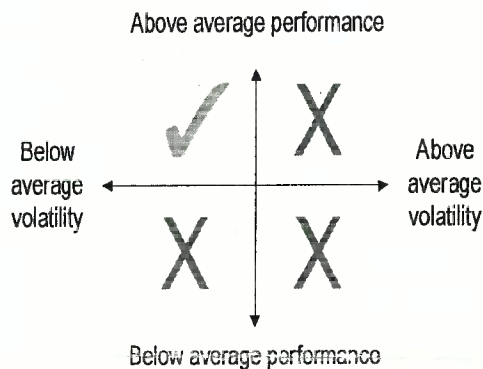
Thesis Fund Managers

Although a true commercial property fund, this fund, in the opinion of the fund managers, qualifies for the classification of "niche" or "specialist" because it restricts its property purchases to the value range of \$1m to \$5m. This is a range normally beyond the scope of private investors but too small to be of interest to the larger investors such as life assurance companies or pension funds. Within this range it is much easier to find good "bargains" and get attractive rental yields. The Fund goes for "blue chip" tenants such as government agencies, public limited companies, bank and building societies and professional firms. It restricts investment to the south east of England - but excludes central London - and goes for longer-term leases. This is definitely one of the best quality commercial property funds around.

Multi Adviser Performance System – MAPS

The Property MultiFund is run by Irish Life International's investment team using its unique MAPS system (Multi-Adviser Performance System). This system is based on the premise that no one fund management group can always be the best and therefore restricts its investments to a carefully chosen selection of fund managers based on consistent past performance, low volatility and above average returns. It then monitors the selected funds to ensure that they remain above average from the performance perspective and below average from the risk/volatility perspective.

The diagram below shows how, by eliminating all those funds with above-average volatility (to the right of the vertical axis) and all those funds with below average performance (under the horizontal axis), 75% of all funds can be eliminated immediately. The remaining funds are then analysed by Irish Life International's investment team to select only those funds from established fund management groups which are well capitalised, have excellent research facilities and have performed well compared with their peer group.



Irish Life International then monitor the selected funds to ensure that they always stay within the top 25%, i.e. the top left quadrant in the diagram below. Should performance dwindle or volatility increase so that they move out of this quadrant, Irish Life will immediately replace the particular fund with another which does satisfy the required parameters.

Back-Tested Results of the Property Multifund

Although the Property MultiFund was only launched on the 1st January 2003, it is possible to "piggyback" on the performance of the underlying subfunds to see what level of volatility and performance the Property MultiFund would have given in the past.

The results along with comparisons with cash deposits and the equity markets as measured by the FTSE 100 Index are illustrated graphically in the chart below.

