

Fund objective

The Property Fund invests in a range of Irish properties across the retail, office and industrial sectors. The Fund is designed for longer term investment with returns generated through capital growth and rental income. Property assets can be illiquid and can generate negative returns if capital prices fall. The Performance of the Fund is compared to the average return in the Pooled Fund Survey in the Property category. However, please note that the FFMPF Property Fund is Irish property only whilst other funds in the survey may have overseas property also.

Net Performance (%) period to 31 December 2011

	3 months	1 year	3 years	5 years
Property Fund	1.0	-10.8	-15.5	-17.7
Managed Fund Survey Property Average	-1.0	-5.4	-8.4	-12.8

Fund size as at 31 December 2011 €101.3m

Market commentary

Market review

Despite positivity from the occupier markets in terms of volumes transacted last year, the uncertainty surrounding the investment sector stalled activity with no significant investment transactions completing in quarter four 2011. With the market stalled over the course of 2011, it is estimated that only €185m of investments were transacted in the year. Capital values continued their downward trend as expected yields, which had showed early signs of stabilising towards the end of 2010, continued to increase with no ability for real time pricing comparables due to the shortage of transactions. This negativity, coupled with the continued correction of rental levels across all sectors, saw the Commercial Property Benchmark record a year on year drop in capital values of -14.4% to 30 September 2011. We would expect this fall to reduce slightly for the year 2011 when the figures are announced at the end of next month. Overall, we expect an estimated capital correction from peak levels of circa -66% as measured by IPD.

A number of positive developments emanated from the budget for the commercial property market in December. Stamp duty on commercial property transfers has been reduced from its current level of 6% to 2% and Capital Gains Tax (CGT) has been waived for commercial properties purchased in the two years to the end of 2013 and held for a minimum 7 year period. By far the most important announcement was the confirmation that the government would not be proceeding with its proposal regarding reform of rent review provisions in existing business leases.

2012 will remain challenging, especially with the continued dark cloud of Euro break up. However, with all things remaining equal at this point, we envisage, along with a number of commentators an end to the decline in capital values in the second half of 2012 as pricing of prime assets stabilises. Supply of investments in the market will increase and with yields on prime assets now at their highest level on record there could be the possibility of some prime values strengthening. It is expected a lot of secondary assets will be offered for sale in 2012 and while each asset needs to be examined on its own merits, given the severe lack of credit and the limited investor pool, it is expected that yields on such properties will continue to soften.

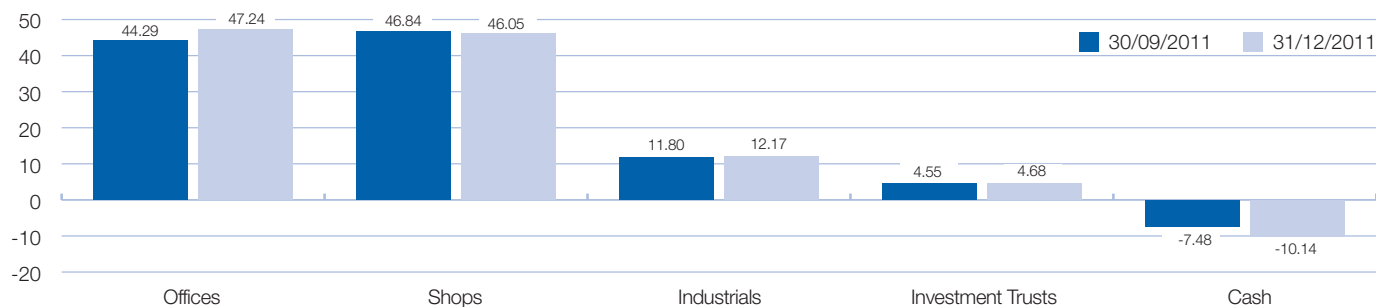
Income return is now the most critical component of performance and will remain so in the short term driving both capital value and total return.

Fund data

Currency:	Euro
Launch date:	January 1981
Management fee:	0.55%
Bid offer spread:	1.50%
Fund benchmark:	Industry Manager Average Return
F&C web address:	www.fandc.com
Friends First web address:	www.friendsfirst.ie
Useful links:	www.friendsfirst.ie/funds.shtml For monthly updates on fund prices and performance
Contact us:	Graham Brooks Client Services Director 00353 (0) 1 4364009 graham.brooks@fandc.com

Sector weighting

Sector allocation is absolute (%)



Source: F&C Management Limited to 31 December 2011. Calculations basis offer to offer, income re-invested at offer, net of fees.

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