

All performance data relates to the Save & Prosper Property Pension Fund

Investment objective

To provide a portfolio directly invested in prime commercial and industrial property.

Fund statistics

Fund manager(s)	John Stuart
Fund launch date	10/72
Fund size (as at 30/06/10)	GBP 99.1m

Portfolio breakdown

(as at 30/06/10)

	%
Retail Warehouse	46.4
Industrial	27.5
Offices	7.5
Cash	18.6

Fund review

(as at 30/06/10)

There is now a widespread perception that the UK commercial property market has recovered to reach fair value. This view is supported by the total returns published by the Investment Property Databank, which fell from 2.17% in March to 1.44% in April, 1.12% in May and 1.04% in June. The volume of investment transactions has eased significantly during the second quarter and the market has entered a period of much quieter trading. Investor demand is concentrated on property generating a secure investment stream and is greatest for central London offices, supermarkets and first grade retail parks.

The modest improvement in occupational demand manifest in the first three months of the year has been sustained, particularly so in the office and shop markets of central London where reduced supply and tourist demand have, respectively, stimulated an appreciation in rental value. The weak pound and upturn in world trade have similarly stimulated a modest recovery in the manufacturing sector and a commensurately modest improvement in tenant demand for industrial space. There is, however, an abundance of modern accommodation available and oversupply is prevalent in geographies beyond the South East of England. Regional stock not considered to be in a core distribution (motorway related) location is therefore unlikely to be quickly absorbed.

Fund outlook

(as at 30/06/10)

Yields have stabilised, but any ongoing capital appreciation will be driven for the foreseeable future by tenant demand and growth in rental value. In the context of this reversion to fundamental principle the prognosis for central London offices is positive, as is evident in the recent emergence of speculative development in this sub-sector.

The fiscal measures introduced in the recent emergency budget, not least the impending increase in VAT, will inevitably have most impact on the retail sector. This is perceived as likely to be greatest from a geographic perspective in the regions and, in a stock specific context, on the lease efficient space. A widening divergence in ongoing performance between high street shops (where 13% of stock now stands vacant) and modern easily accessible retail parks (with open-fashion-use) is therefore expected to emerge. Occupier demand for industrial space is likely to remain muted and recovery in rents, beyond premier distribution locations closely associated with motorway or airport infrastructure, seems unlikely in the short term. Having regard to the high percentage exposure to modern retail accommodation and the geographic concentration of the portfolio in London and the South East of England, the fund is considered to be appropriately invested to sustain the established record of strong performance.

Returns calculated on an offer to offer, pension fund tax basis.

Source: J.P. Morgan.

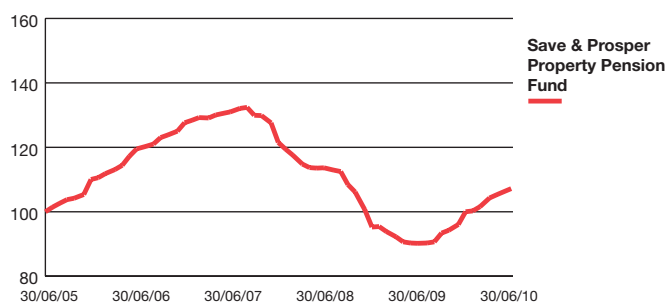
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You should remember that past performance is not a guide to the future. The price of investments and the income from them may go down as well as up and you may not get back the full amount invested. Investment in emerging markets may involve a higher element of risk due to political and economic instability and underdeveloped markets and systems. Investments in smaller companies may involve a higher degree of risk as markets are usually more sensitive to price movements. Exchange rate changes may cause the value of underlying overseas investments to go down or up. The value of property assets is a matter of valuer's opinion, not fact. These assets may be more difficult to realise and may not be realisable at all. The level of tax benefits and liabilities will depend on individual circumstances and may change in the future.

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Cumulative performance

(as at 30/06/10)

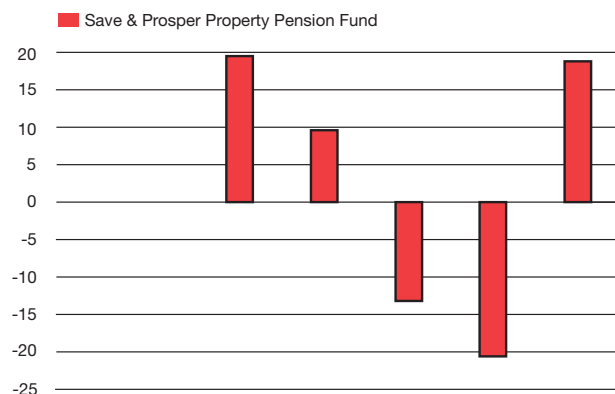


% 3M 1 Y 3 Y 5 Y 10 Y

Save & Prosper Property Pension Fund 2.8 18.8 -18.2 7.2 62.5

Rolling 12 month performance

(as at 30/06)



% 2006/2005 2007/2006 2008/2007 2009/2008 2010/2009

Save & Prosper Property Pension Fund 19.5 9.6 -13.2 -20.6 18.8