

Property Fund Update

August 2020



Key Decisions

Bank of Ireland Life made two decisions in relation to the Property Fund in March this year that aim to protect the interests of existing investors. Both decisions are intended to be temporary in nature and remain under constant review.

In this Property Fund update, we **explain these two key decisions and we encourage you to read this update thoroughly.**

1. Decision to change the pricing basis of the fund

- ▶ Funds like the Property Fund are priced on one of two bases – Acquisition or Disposal. Acquisition basis typically applies when the fund is expanding and purchasing assets. Disposal basis typically applies when the cash flow of the fund is negative (cash outflows are greater than cash inflows).
- ▶ On Friday 6th March 2020, based on cash flows out of the fund, Bank of Ireland Life took the decision to change the pricing basis of the Property Fund to a disposal basis.

What does this mean for investors?

- ▶ The change in pricing basis to disposal saw a reduction in the unit price of the fund of:
 - 7.9% (for those property funds where tax is deducted on a rolling 8 year basis) and
 - 6.5% (for those funds taxed under the old net regime where tax is deducted on a daily basis)
- ▶ This pricing basis change impacted all encashments, switches and investment or top up requests received by Bank of Ireland Life on or after Friday 6th March 2020.

How long will the disposal basis remain in place?

- ▶ There is no set timeframe for the change in pricing basis.
- ▶ Bank of Ireland Life continues to assess the pricing basis of the fund daily and will make the decision to change it when it is believed it is reasonable to do so for all existing investors.

Is this change because of recent stock market falls?

- ▶ No, this change arises due to the trend in outflows from the fund. It does not reflect a change in the value of the properties in the fund.
- ▶ The change is also consistent with market practice and with the approach recently adopted by a number of Bank of Ireland Life's competitors in the market place for their property funds.

WARNING: The value of your investment can go down as well as up.

WARNING: This fund may be affected by changes in currency exchange rates.

WARNING: If you invest in this fund you may lose some or all of the money you invest.

2. Decision to defer acting on instructions to invest in or out of the Property Funds

- ▶ From **Friday, 20 March 2020**, Bank of Ireland Life decided to defer acting on instructions to invest in or out of its **Property Fund** and **Pension Property Fund**. The deferral period will remain in place until further notice and will apply for a maximum period of 6 months to each transaction in or out of the fund. This means that any encashment requests or switches from the funds will be processed using the fund price at the end of the six-month notice period after the request and not the fund price on the date of the request.

Why has this decision been made?

- ▶ This action is being taken because of exceptional economic conditions arising from the Covid-19 pandemic and the prevailing market which has resulted in very few property transactions (i.e. properties being bought or sold) in the markets where the fund is invested. One of the key indicators used when valuing properties is the transaction activity in the market. The lack of transactions has resulted in some uncertainty as to the value of the properties in the fund.
- ▶ Bank of Ireland Life believes this course of action is in the best interests of existing investors as a whole and the decision to defer investment in and out of the funds has not been taken lightly.

How long will this last for?

- ▶ While Bank of Ireland Life hopes to be in a position to permit trading again shortly, at this time it is not possible to confirm how long the deferral period will last for.
- ▶ However, the deferral period will be removed from the Property Funds when market conditions allow. The deferral period will be for a maximum period of 6 months in the case of each transaction in or out of the Property Fund.

Can customers with units in the Property Fund or Pension Property Fund sell their existing units or buy more units during the deferral period?

- ▶ No. Those directly invested before the deferral period started cannot exit or acquire more units during the deferral period and will have to remain invested until trading restrictions are lifted.

Are there any exceptions that apply?

- ▶ The deferral period will not apply to:
 - Death claims;
 - Retirements (if aged over 60 or within 1 year of Normal Retirement Age); and
 - Customers who hold pre-established regular income from investment policies and Approved Retirement Funds

Conclusion

It is important to understand that these decisions have been taken in the interest of all investors and to protect their investment.

There is no doubt that the current Covid-19 crisis has had an impact on property markets but the long term outlook for the property fund has not changed. Over the long term, it is possible to achieve a return investing in property when you have a portfolio of well-diversified assets selected and overseen by an experienced Fund Manager. Should you have any questions in relation to the Property Fund please speak to your advisor.

Latest performance information is found on our Fund Centre:

fundcentre.bankofireland.com

Alternatively, email us at:

info@bankofirelandlife.ie

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