

UK COMMERCIAL PROPERTY INDEX SERIES



MARKET COMMENTARY

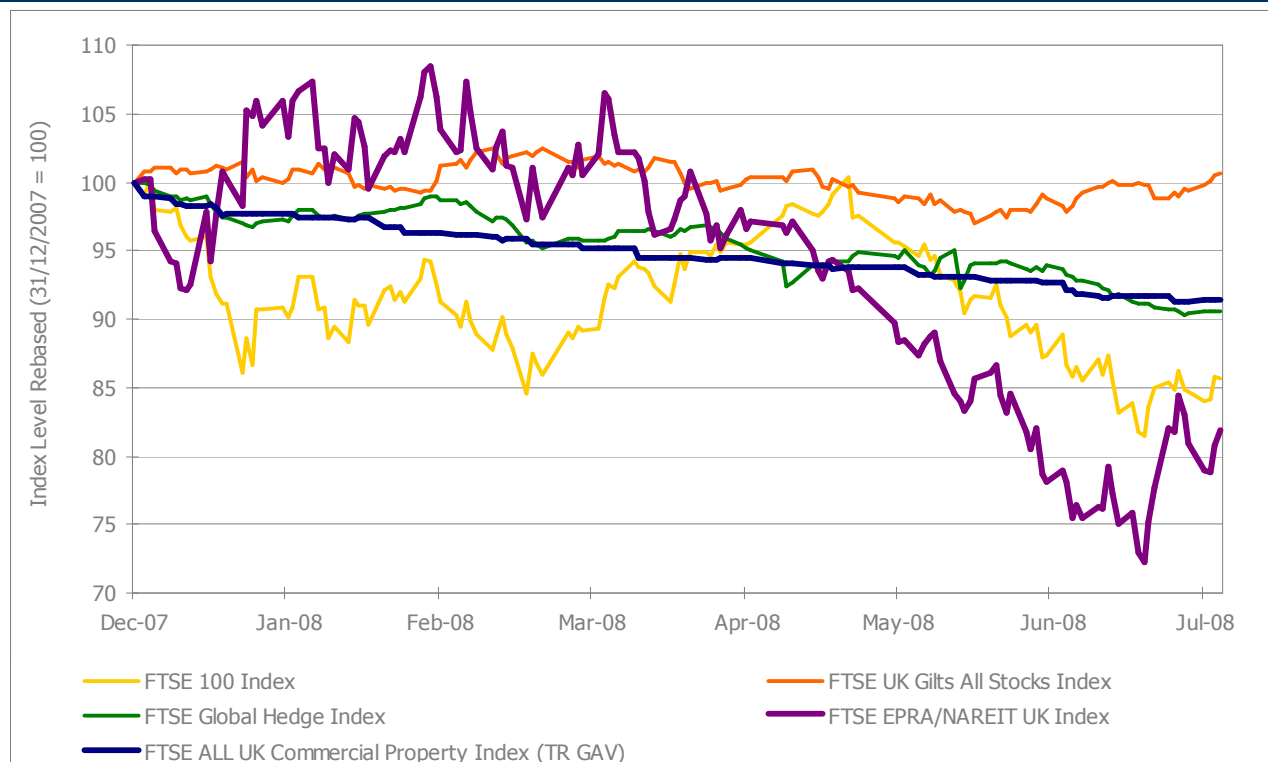
The FTSE UK Commercial Property Total Return Index fell 1.44% (TR GAV) in July 2008, down from -1.1% in June 2008, returning a total of -12.79% for the last 12 months. The FTSE UK Commercial Property Capital Index experienced a net return of -1.83% in July, compared with -1.5% in June, returning -16.73% year-on-year. The lack of debt-finance and a pessimistic outlook for rental values and economic growth are all putting significant downward pressure on sentiment in the UK commercial property market, which continues to deliver negative returns.

Latest data from the Bank of England's Agents' Survey indicates that employment is expected to fall whilst household spending on consumer services and durable goods continues to decline. Latest reports by Jones Lang LaSalle also show that vacancy rates across all commercial property sectors are increasing sharply, indicating further deterioration of the prospects for UK commercial property rental and capital values.

In the capital markets, UK large-cap equities (FTSE 100) delivered a fifth negative monthly total return in the year of -3.7%, bringing the YTD performance to -14.1% (TR). FTSE EPRA UK Index returned its second positive monthly contribution in the year, +3.7% month-on-month, arguably as a result of investors reining in stock lending to short-sellers, triggering a buy back wave. However, FTSE EPRA UK Index remains at -18.8% (TR) for the YTD.

Gilts recovered from last quarter's total returns of -3.6% (quarter-on-quarter), delivering a monthly total return of +2.4% in July 2008 and +0.1% from the beginning of the year, outperforming other asset classes in the UK. However, within riskier asset classes, commercial property outperformed other asset classes in the UK, with FTSE All UK Commercial Property Index delivering -8.90%, FTSE 100 Index returning -14.1%, FTSE EPRA/NAREIT Index (UK only) -18.8% and FTSE Hedge -9.6% (indicative).

YEAR-TO-DATE PERFORMANCE CHART (TR/GBP/%)



INDEX VALUES

Index Name	TRI	1M (%)	3M (%)	YTD (%)	12M (%)	3Y (%)	3Y (%pa)	12M volatility (%) [*]	Sharpe-Ratio ^{**}
FTSE All UK Property Index (NAV)	4914.97	-1.56	-3.66	-8.90	-14.10	20.47	6.40	2.92	1.06
FTSE All UK Property Index (GAV)	5073.62	-1.44	-3.29	-8.10	-12.79	26.03	8.01	2.92	1.62
FTSE UK Retail Property Index (NAV)	4739.30	-2.19	-4.42	-9.24	-15.81	14.76	4.69	3.29	0.43
FTSE UK Retail Property Index (GAV)	4892.29	-2.07	-4.05	-8.44	-14.54	20.07	6.28	3.28	0.91
FTSE UK Office Property Index (NAV)	5078.23	-0.64	-4.67	-9.83	-9.83	27.18	8.34	5.49	0.92
FTSE UK Office Property Index (GAV)	5242.16	-0.52	-4.31	-9.04	-12.58	33.05	9.98	5.47	1.22
FTSE UK Industrial Property Index (NAV)	5151.89	-2.17	-3.73	-10.39	-13.66	24.88	7.68	6.09	0.72
FTSE UK Industrial Property Index (GAV)	5318.19	-2.04	-3.36	-9.61	-12.35	30.65	9.31	6.09	0.99

SOURCE: FTSE Group, data as at 31 July 2008

COMPARATIVE PERFORMANCE (TOTAL RETURNS, GBP)

Index Name	1M (%)	3M (%)	6M (%)	12M (%)	3Y (%pa) ¹	5Y (%pa) ¹	Volatility ² (12M/%)	Sharpe-Ratio ³	Correlation with FTSE UK CP ⁴
FTSE All UK Com. Prop. Index (GAV)	-1.4	-3.3	-6.5	-12.8	8.0	11.4	2.96	1.60	1.00
FTSE EPRA/NAREIT UK Index	3.7	-15.7	-22.7	-32.7	-3.6	9.4	27.53	-0.25	0.08
FTSE Global Hedge Index	-3.3	-4.8	-7.3	-11.7	0.2	3.0	5.60	-0.56	0.04
FTSE 100 Index	-3.7	-10.4	-5.7	-11.6	4.4	9.1	18.43	0.06	0.07
FTSE UK Gilts All Stocks Index	2.4	0.3	-0.3	6.1	3.3	4.3	5.08	0.00	-0.11

Source: FTSE Group data as at 31 July 2008

1 Performance inclusive of backcast history

2 Volatility calculated daily from 22/06/2006, using sqrt(250) to annualise

3 Sharpe-ratio as historic [(3-year annualised return - risk free at 3.25%) / volatility]

4 Correlation calculated based on daily returns from 22/06/2006

VENDOR CODES

Index	Bloomberg	Reuters	Thomson
FTSE All UK Property Index	FTMSAGTR	.TFTP100S	FTUPALG
FTSE UK Retail Property Index	FTMSRGTR	.TFTP111S	FTUPRTG
FTSE UK Office Property Index	FTMSOGTR	.TFTP121S	FTUPOFG
FTSE UK Industrial Property Index	FTMSIGTR	.TFTP131S	FTUPIDG
All Indices Values	ALLXFTMS		

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