

Skandia Property Funds

fourth quarter 2009 review

This document provides you with commentary on the economic and market environment and performance of the Skandia Property Fund and Skandia Global Property Securities Fund during the fourth quarter of 2009.

Terms in italics are explained in the glossary of terms at the end of the document.

Skandia Property Fund (Unit Trust)

Conditions in the commercial property market continued to improve during the fourth quarter, helped by further signs of economic and corporate recovery. With capital values rising and income remaining resilient, total returns rose sharply and the Investment Property Databank (IPD) Monthly *Index* recorded a total return of 9.4%*. At sector level, retail properties significantly outperformed, led by retail warehouses. Industrials fared slightly better than offices, which suffered the largest decline in rental values.

The Skandia Property Fund benefited from the re-pricing of the market, experiencing a rise in capital values, notably in the retail holdings as this sector in particular is enjoying renewed interest from institutional investors.

In terms of activity, the purchase of a prime retail asset in Ipswich was completed in October. Leased to some of the stronger performers on the high street, the asset provides an above-average income return and the potential for capital growth for the Fund. In addition, the acquisition of a modern retail warehouse in the West Midlands, let to a major DIY retailer, was completed in November. Fully occupied and with 15 years remaining on the lease term, the property provides an attractive income return as well as potential for capital growth.

ING continued its strategy of undertaking early negotiations with tenants to minimise vacancy rates and reduce occupational risk for the Fund. A number of leases were renewed successfully and a new letting secured at the Fund's industrial estate in Basingstoke. Refurbishment works were completed on the Fund's office

building in Aston Cross Business Park, with the space now available to occupy on a business centre basis.

The Fund has a small allocation to property companies through their listed shares in the stock market (8.6% as at 31 December). This component also recorded a positive return over the quarter and performed well compared to the market in 2009 as a whole.

*In Sterling terms.



Skandia Global Property Securities Fund

After a very strong third quarter, global property securities recorded more modest gains over the final quarter of the year. While the economic and corporate backdrop showed further signs of improvement, investors paused to take profits across equity markets in general. Banking and credit markets continued to heal, but concerns over the level of debt in Greece and elsewhere highlighted that the financial crisis would continue to have an impact on confidence for some time to come. At country level, property companies in Singapore, the US and Hong Kong performed well, while Japan continued to underperform.

The Skandia Global Property Securities Fund recorded a positive return for the quarter. The Fund performed well compared to the market in October, benefiting from stock selection in Continental Europe and an *overweight* in Hong Kong. Performance in November was aided by good stock selection in the US.

In December, management of the Fund was transferred from LaSalle Investment Management to Cohen & Steers, whom we consider to be a superior manager and one that is very well suited to run this particular fund. Founded in 1986, Cohen & Steers were pioneers in global property securities investment and their almost exclusive focus on this asset class makes them very well placed to understand the nuances and drivers of this market. One of the firm's key strengths is undoubtedly its people. Over the past few years it has invested heavily in its investment resources, building a highly experienced team that is unrivalled in the breadth and depth of its industry knowledge.

- Cohen & Steers point to several reasons why the global property securities market currently presents some compelling opportunities:
- Real estate companies are raising new capital at a record pace to strengthen their balance sheets and buy properties from distressed private market sellers and lenders.
- Since capital raised by issuing stocks or bonds is readily

available and more attractively priced than bank loans, some private real estate companies may go public through an initial public offering (IPO). This will present new investment opportunities.

- Cohen & Steers expects to see the impact of improving occupancies and rents as we move towards 2011.
- Real estate securities have stock-exchange liquidity, a benefit that has been taken for granted for a very long time. Investors in direct real estate and other alternative strategies are discovering that the price of illiquidity is extremely high and may in future demand a much larger premium before they agree to be locked into direct investments.



fund performance

Fund	year ending				
	31/12/09	31/12/08	31/12/07	31/12/06	31/12/05
Skandia Property Fund	2.12%	-16.64%	-19.49%	17.82%	N/A
Skandia Global Property Securities Fund	20.69%	-49.91%	-19.29%	35.47%	N/A

fund performance over the quarter

Fund	30/09/09 to 31/12/09
Skandia Property Fund	6.91%
Skandia Global Property Securities Fund	3.21%

Source: Financial Express, Total return bid to bid with net income reinvested into the Funds. Performance is in Sterling terms. While Financial Express and Skandia Investment Group have used all reasonable endeavours to ensure the accuracy of the information contained in this document, neither accept any liability in respect of the investment decisions of investors nor any loss arising from such decisions.

Past performance does not indicate future performance.

about the Skandia Property Fund and the Global Property Securities Fund

	Property Fund	Global Property Securities Fund
Launch date	2 December 2005	3 October 2005
Sub-advisor/fund manager	ING Real Estate	Cohen & Steers
IMA sector	Property	
Benchmark	-	FTSE EPRA/NAREIT Developed Real Estate Index*
Initial charge	5%	
Annual Management Charge	1.35%	1.50%
Total Expense Ratio	1.77%	2.28%
Minimum investment	Lump sum £1000, regular saving £50 per month	
ISA eligibility	Yes	
Type of unit/share	Income	
XD dates	31 March & 30 September	30 June & 31 December
Payment dates	31 May & 30 November	28 February & 31 August
Historic yield as at 31 December 2009	4.5%	4.1%
SEDOL number	BONK8K2	BOL4QH9
ISIN	GB00BONK8K2	GB00BOL4QH90
MEXID	SNPRP	SNGPS
Fund size as at 31 December 2009	£354.9m	£186.7m
Number of properties	22	-
Average lease length as at 31 December 2009	10.8 years	-
Average vacancy rate as at 31 December 2009	6.9%	-

*with effect from 18 December 2009.

glossary

Benchmark - a standard against which the performance of a security or fund can be measured. The benchmark could be an *index* or the average for all similar funds, also known as the sector average.

Historic yield - reflects distributions declared over the past twelve months as a percentage of the mid-market unit price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distribution. (A portion) of the Fund's expenses are charged to capital. This has the effect of increasing the distributions for the year by (xx) percentage points and constraining the Fund's capital performance to an equivalent extent.

Index - an imaginary portfolio of securities representing a particular market or portion of it, often used as a *benchmark*. An index is usually expressed in terms of change from an arbitrary base value, so the percentage change is generally more useful than the numeric value.

Overweight - refers to an investment position that is larger than the generally accepted *benchmark*.

availability

The Skandia Global Property Securities Fund is a sub-fund of an Open-Ended Investment Company (OEIC) and the Skandia Property Fund is a Unit Trust. Both funds are available for ISA, ISA transfer or direct investment either from Skandia Investment Group or through Skandia Investment Solutions. They are also available as fund links from Skandia and Royal Skandia Life companies.

However, you should note that the performance of the life and pension funds will not be the same as for the OEIC/Unit Trust because of taxation adjustments and the life company fund charges and investment process. In addition, the life and pension versions of the Skandia Property Fund hold some assets in addition to the Unit Trust.

important information

- The opinions expressed in the Skandia Property Fund (Unit Trust) commentary are those of Skandia Investment Group and ING Real Estate Investment Management and are not a recommendation to buy or sell.
- The opinions expressed in the Skandia Global Property Securities Fund commentary are those of Skandia Investment Management and Cohen & Steers and are not a recommendation to buy or sell.
- The source for all performance figures, unless otherwise stated, is Skandia Investment Research and Financial Express. Fund performances are bid to bid, net income reinvested.
- Unless otherwise stated, performances are from 30/09/09 to 31/12/09 in Sterling terms. Past performance is not an indication of future performance.
- The level of any income may fluctuate and is not fixed or guaranteed.
- Past performance does not indicate future performance.
- The value of investments and any income from them can go down as well as up. What you get back will depend on investment performance and is therefore not guaranteed.
- Property valuations are determined by independent property valuers and are based on opinion rather than fact..
- Where the Fund invests in securities designated in a different currency to the Fund, the value of the Fund may rise and fall purely as a result of exchange rate fluctuations.
- Investments in land and buildings are relatively illiquid compared with investment in shares and fixed interest securities and may take longer to sell.
- There is no certainty that the actual price realised on a sale of an investment in land or a building will reflect the most recent valuation and it could be substantially lower.

for further information

If you would like further information about our property funds, please contact your Financial Adviser.

Skandia provides you with access to its investment platform, known as Skandia Investment Solutions. Within this platform you can open an ISA and Collective Investment Account provided by Skandia MultiFUNDS Limited, a Collective Retirement Account and Collective Investment Bond provided by Skandia MultiFUNDS Assurance Limited and an Offshore Collective Investment Bond, distributed by Skandia MultiFUNDS Limited but provided by Old Mutual International (Guernsey) Limited.

Skandia Life Assurance Company Limited, Skandia MultiFUNDS Limited and Skandia MultiFUNDS Assurance Limited are registered in England & Wales under numbers 1363932, 1680071, and 4163431 respectively. Registered Office at Skandia House, Portland Terrace, Southampton SO14 7EJ, United Kingdom. All companies are authorised and regulated by the Financial Services Authority with FSA register numbers 110462, 165359 and 207977.

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Old Mutual International (Guernsey) Limited is regulated by the Guernsey Financial Services Commission and is licensed to write long-term business under the Insurance Business (Bailiwick of Guernsey) Law 2002. Registered number 2424. Registered Office at The Beehive, PO Box 121, Collings Road, St Peter Port, Guernsey GY1 3HE, Channel Islands.

Royal Skandia Life Assurance Limited is registered in the Isle of Man under number 24916C. Registered and Head Office: Skandia House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles. Phone: +44 (0)1624 655 555 Fax: +44 (0)1624 611 715. Authorised by the Isle of Man Insurance & Pensions Authority. Authorised and regulated by the Financial Services Authority for business conducted in the UK. Some of the FSA's rules do not apply to non-UK based insurers. FSA register number 142309. www.fsa.gov.uk/register.

The Manager for the Skandia Property Fund and the Authorised Corporate Director for the Skandia Global Property Securities Fund is Skandia Investment Management Limited.