Diversified Cautious Fund

Information is correct as at the 30th September 2010

Volatility/Risk: medium risk

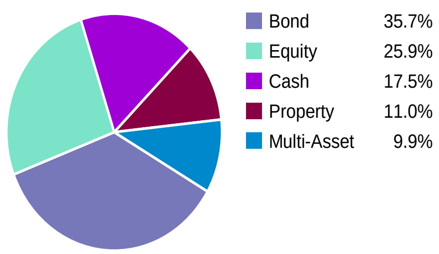
How the Fund Works

The Diversified Cautious Fund reduces risk by investing in a large range of assets including shares, property, bonds, cash, commodities and hedge funds.

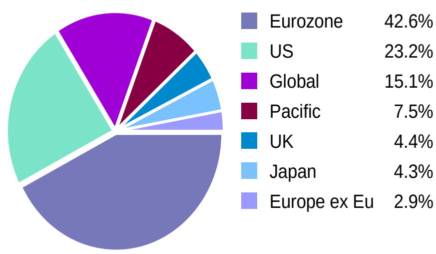
The Diversified Cautious Fund aims to achieve moderate returns with the possibility of limited ups and downs along the way. This is due to being less exposed to higher risk asset classes such as shares and hedge funds. This fund gives exposure to both index-linked and actively managed types of assets. The Diversified Cautious Fund is suitable for you if you want to keep a small amount invested in equity markets while reducing the possibility for ups and downs.

The return of this fund since launch (27th April 2009) is 7.66%p.a.

Asset Distribution



Equity Distribution



Performance

Period	Return
Last Mth	0.45%
Qtr to date	2.3%
YTD	3.25%
1 Year	4.91% p.a.

The figures quoted are before tax and after management charges. Source: Irish Life.

Market Commentary

September 2010 was one of the best months on record for equity investors. The FTSE world traded over 7% higher, while both corporate and government bonds in Europe traded slightly lower. Despite this solid performance for equity markets, risk aversion was still evident. AAA government bond yields have remained close to historical low levels reached in August and gold, the ultimate safe haven, is now trading at record levels. Other commodity sectors such as energy, metals and agriculture also made strong gains. The Euro also regained some of the recent losses that it made against the Dollar.

European bond markets continued to dominate in September as the peripheral markets continued to sell off. The health of the Eurozone banking system contributed to volatility in the bond markets as concerns that German Banks will need to raise an additional €105bln in new capital. However news that Deutsche Bank was successful in raising €9bln eased some of these concerns. Elsewhere, the capital needs of the Irish banking system pushed the cost of borrowing for Ireland higher, as the ten year Irish government bond yield increased to 6.6% from 5.8% at the start of the month. Some of the stresses in Irish bond markets eased after the government provided clarity on the capital requirements on each of the banks.

Equity markets were boosted by a notable improvement from economic data especially in the US. Despite this, the Federal Reserve has retained its cautious tone, noting weakness in several key economic indicators such as household wealth, residential construction, employment and retail sales. Chairman Bernanke outlined that groundwork for further quantitative easing if economic conditions.

In Stock News

Daimler shares rallied 21%, largely on the back of growing confidence about the company's growth prospects in Emerging Markets, particularly China, and several broker "Buy" recommendations.

Warning: The value of your investment may go down as well as up. This fund may be affected by changes in currency exchange rates. Past performance is not a reliable guide to future performance.

Irish Life Investment Managers