

QUARTERLY UPDATE

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- > Dynamic Share to Cash (DSC) Model
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- > Rebalancing of MAPS funds

ECONOMIC LOOK-BACK & COMMENTARY

Investment markets were strong during the third quarter but remained volatile. Central banks in the US, Europe and the UK emphasised that interest rates would remain low and monetary policies would remain favourable for a considerable time. This news from the Central Banks was due to the US Federal Reserve indicating that the reduction of bond purchasing (also known as tapering of QE3) could begin before the end of the year.

The extension of current levels of monetary stimulus for longer than expected was positive for equities.

Core global bond yields moved higher in anticipation of the reduction in asset purchases by the US Federal Reserve and in response to the improving economic news flow.

In the middle of the quarter, tensions in Syria caused an increase in volatility but moves towards a diplomatic resolution of the crisis led to a recovery of the losses experienced in equity markets in August.

Political tensions rose towards quarter end as the US Congress failed to agree an annual budget which led to a partial shutdown of non-essential government activities and risks of the Italian government falling when Berlusconi pulled his ministers out of the cabinet also contributed to the falls in core global bond yields at quarter end.

Over the quarter, the FTSE World equity benchmark rose 6.4% in local currency (3.9% in €). Europe gained 9.7% while the Pacific Basin rose 6.7% (4.5% in €). The UK lagged, gaining 5.0% (7.7% in €). Eurozone bonds rose 1.0% despite German 10 year yields rising to 1.78% as peripheral yields fell and spreads continued to narrow as economic recovery spread to peripheral countries, improving their fiscal outlook. The Euro strengthened to 1.354 against the US\$ on the delay in reduction of monetary stimulus in the US and improving economic momentum in Europe. Commodity prices overall rose 4.8% as economic data improved. Brent oil gained 6.2%, supported by the rising tensions in the Middle East. Industrial metal prices rose 4.4% as the Chinese economy showed signs of stabilisation following slower momentum earlier in the year.

Source: David Haslam, Head of Retail, Irish Life Investment Managers (ILIM), October 2013.



MAPS ASSET SPLIT

There are five Multi-Asset Portfolios funds to suit different risk ratings. Each fund is invested in a wide range of assets as the table below shows.

FUND NAME	MULTI ASSET PORTFOLIO 2	MULTI ASSET PORTFOLIO 3	MULTI ASSET PORTFOLIO 4	MULTI ASSET PORTFOLIO 5	MULTI ASSET PORTFOLIO 6
RISK RATING	2 CAREFUL	3 CONSERVATIVE	4 BALANCED	5 EXPERIENCED	6 ADVENTUROUS
BONDS	42%	35%	15%	0%	0%
ALTERNATIVES EXTERNAL MANAGERS	25%	25%	25%	25%	10%
MINIMUM VOLATILITY SHARES	10%	15%	25%	15%	0%
EMERGING MARKET SHARES	0%	2%	5%	10%	50%
DEVELOPED MARKET SHARES RANGE	0-5%	0-13%	0-30%	0-50%	0-40%
CASH RANGE	18-23%	10-23%	0-30 %	0-50 %	0-40 %

DSC™

You can see from the table that the portion of each fund invested in Cash and Developed Market Shares can vary within a pre-defined range. The exact amount of Cash and Developed Market Shares is determined by our Dynamic Share to Cash (DSC) Model.

DYNAMIC SHARE TO CASH MODEL

DSC™

Each Multi-Asset Portfolio fund uses our innovative Dynamic Share to Cash (DSC) model. The DSC is a quantitative model that has been developed by ILIM and it uses a number of factors across three broad categories.

The DSC aims to reduce the amount invested in shares and increase the amount in cash when it identifies greater potential for stock market falls.

The factors include:

FACTOR CATEGORY	OBJECTIVE	INDIVIDUAL FACTORS
1 MARKET MOMENTUM	Take account of trends in shares	<ul style="list-style-type: none"> • 12 month share market momentum • 200 day moving average
2 VALUATIONS	Take account of the long-term valuation of shares	<ul style="list-style-type: none"> • Long-term share values • Earnings quality • Earnings yield
3 GLOBAL MACROECONOMICS	Take account of the influence of global economics on shares	<ul style="list-style-type: none"> • Real GDP growth rate • Bond yield curve slope • Energy price levels

Based on how these factors move over time, the DSC will decide how much of each MAP fund to invest in Developed Market Shares and how much to invest in cash, within the ranges shown in the table on the previous page. ILIM will regularly monitor and review these factors.

Warning: The value of your investment may go down as well as up.

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

Warning: This fund may be affected by changes in the currency rates.

DSC Signal explained

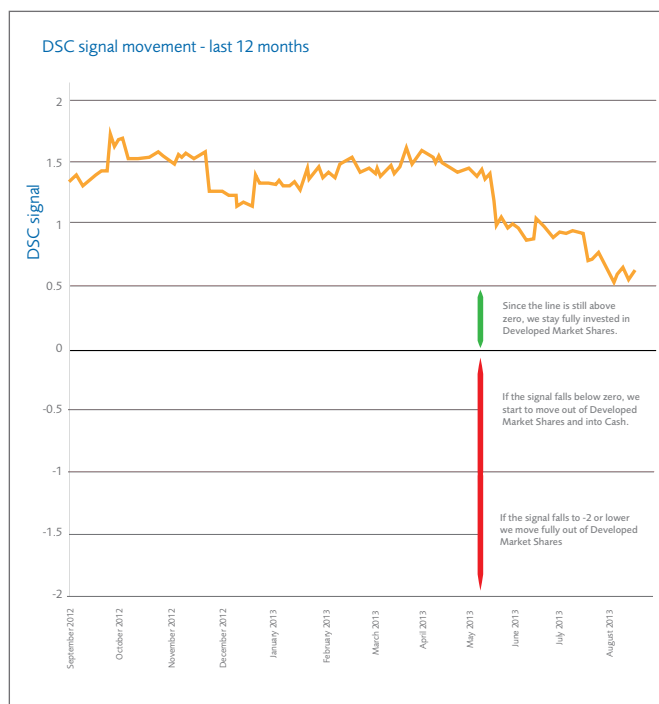
As mentioned we monitor 3 broad categories of market indicators (Momentum in markets, Valuations and Global Macroeconomics) which have 9 underlying inputs that generate a 'signal'. These signals are represented by a number in the graph.

When the signal number is above zero MAPS funds are fully invested in Developed Market Shares but in stressed markets that can reduce.

In stressed markets, if the signal number falls below zero this triggers a switch from Developed Market Shares to Cash in the MAPS funds. The more markets fall, the more negative the signal number becomes and the more we move out of Developed Market Shares.

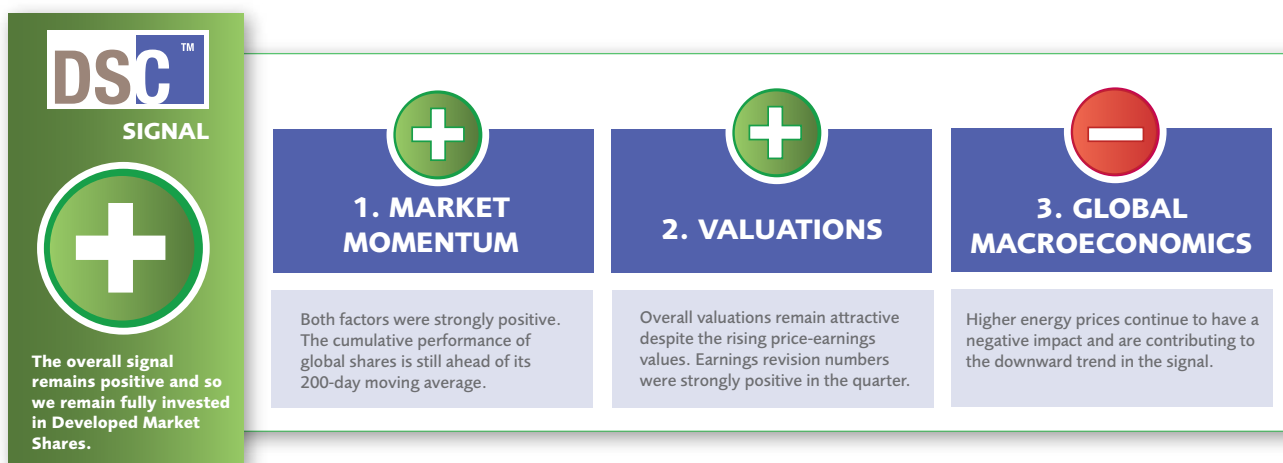
If the signal number reaches -2, the allocation to Developed Market Shares is zero.

The graph shows how the DSC signal has moved over the last 12 months. As the graph shows, although the signal has fallen steadily over the last few months, it is still above zero and, therefore, the MAPS allocation to Developed Market Shares remains at its maximum level (5% for MAP2, 13% for MAP3 and so on).



Warning: These figures are estimates only. They are not a reliable guide to future performance of this investment.

Update for Quarter 3 2013



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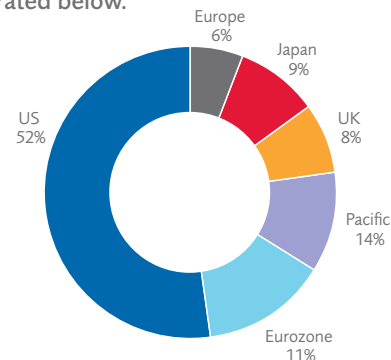
Warning: This fund may be affected by changes in the currency rates.

1 Shares

DEVELOPED MARKET SHARES

- ILIM track the performance of the FTSE® Developed Index to provide exposure to Developed Market Shares.
- The index consists of 2,037 individual companies which operate in 24 different sectors.
- Within MAPS, the allocation to Developed Market Shares ranges from 5%-50% depending on the risk rating of the fund.
- We use the DSC model (explained on page 2) on the Developed Market Shares to reduce exposure to risk assets when there is a potential for the stock markets to experience a significant fall.

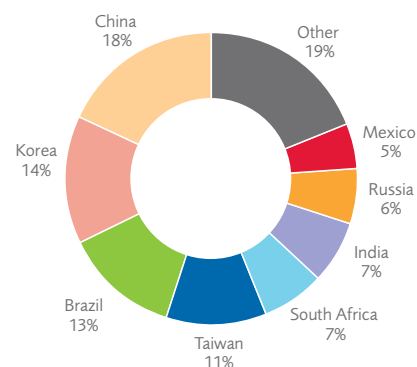
The geographic split of the index is illustrated below.



EMERGING MARKET SHARES

- ILIM track the performance of the MSCI Emerging Markets Index to provide exposure to Emerging Market Shares.
- The index consists of 2,700 individual companies which operate in 21 different markets.
- Within MAPS, the allocation to Emerging Market Shares ranges from 0%-50% depending on the risk rating of the fund.

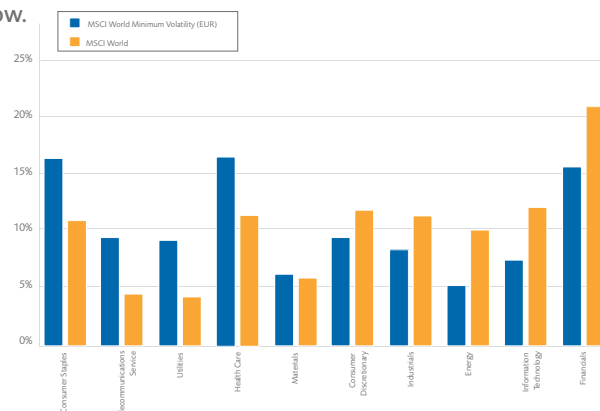
The geographic split of the index is illustrated below.



MINIMUM VOLATILITY SHARES

- ILIM track the performance of the MSCI Minimum Volatility Index to provide exposure to Minimum Volatility Shares.
- To qualify for the Minimum Volatility Index, shares are chosen from the MSCI World Index that exhibit volatility that is 25-30% less than that of the overall MSCI World Index. Hence, the MSCI Minimum Volatility Index is a subset of the larger MSCI World Index.
- Within MAPS, the allocation to Minimum Volatility Shares ranges from 0%-25% depending on the risk rating of the fund.

The difference in sector exposures between the MSCI World Index and the MSCI Minimum Volatility Index are illustrated below.



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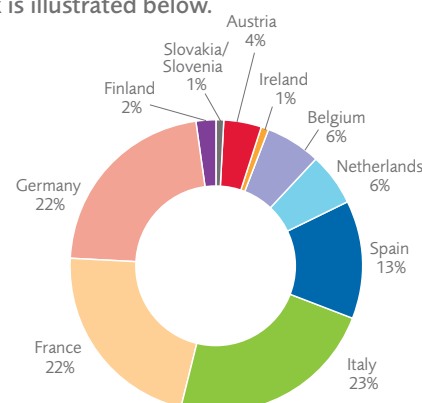
Warning: This fund may be affected by changes in the currency rates.

2 Bonds

GOVERNMENT BONDS

- ILIM currently track the performance of the Merrill Lynch 1-5yr Eurozone Index to provide exposure to government bonds.
- Although the allocation to government bonds is fixed in each MAP fund, the duration of the bonds chosen is at the discretion of ILIM.
- Within MAPS, the allocation to government bonds ranges from 0%-20% depending on the risk rating of the fund.

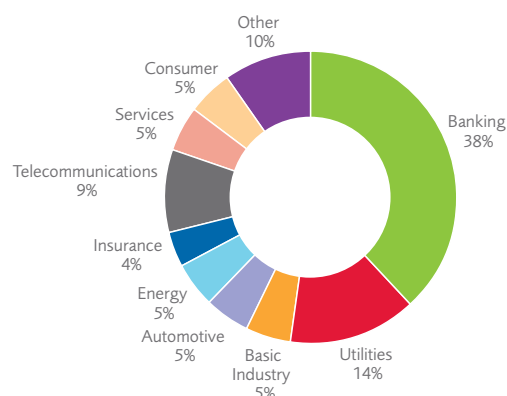
The geographic split of the Merrill Lynch 1-5yr Index is illustrated below.



CORPORATE BONDS

- ILIM currently track the performance of the Merrill Lynch EMU Large Cap Corporate Index to provide exposure to corporate bonds.
- Although the allocation to corporate bonds is fixed in each MAP fund, the particular index tracked is at the discretion of ILIM.
- Within MAPS, the allocation to corporate bonds ranges from 0%-20% depending on the risk rating of the fund.

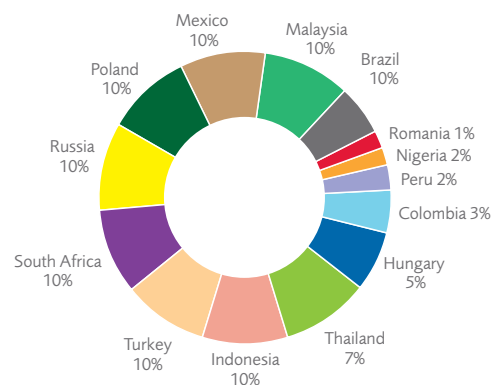
The sector split of the Merrill Lynch EMU Large Cap Corporate Index is illustrated below.



EMERGING MARKET DEBT

- ILIM currently track the performance of the JP Morgan GBI EM Global Diversified Bond Index to provide exposure to emerging market bonds.
- Although the allocation to emerging market bonds is fixed in each MAP fund, the particular index tracked is at the discretion of ILIM.
- Within MAPS, the allocation to emerging market bonds ranges from 0%-3.5% depending on the risk rating of the fund.

The geographic split of the JPM EM Global Diversified Bond Index is illustrated below.



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ASSET CLASSES EXPLAINED

3 External Managers/Alternatives

ILIM recognise the need to incorporate alternative strategies within the MAPS funds and have an active pipeline of external managers they monitor on an on-going basis. MAPS currently have four leading global real return managers making up its exposure to alternative strategies. Collectively they have a 25% allocation in MAP2, MAP3, MAP4 and MAP5. There is a 10% allocation to alternative managers in MAP6.

Details of the managers and the split between managers are listed below.

ILIM actively look for managers that can bring diverse performance at the right price.

Manager	Assets Managed	Fund Type	Split
GMO <small>Source: www.gmo.com</small>	\$108bn <ul style="list-style-type: none">• Morningstar award winning equity team	Global Real Return Fund	60%
HERMES <small>Source: www.hermes.co.uk</small>	€30.6bn <ul style="list-style-type: none">• Manager of the largest pension fund in the UK	Commodities	10%
PIMCO <small>Source: www.pimco.com</small>	\$2,000bn <ul style="list-style-type: none">• World's largest bond fund	Real Return Global Bond Fund	15%
AMUNDI ASSET MANAGEMENT <small>Source: www.amundi.com</small>	€750bn <ul style="list-style-type: none">• Number 1 European Asset Manager	Volatility Trading Fund	15%

Date: 30 June 2013



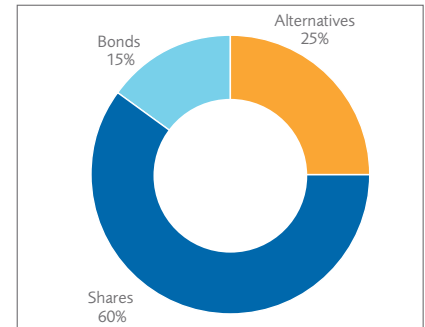
REBALANCING OF MAPS FUNDS

RISK RATING	2 CAREFUL	3 CONSERVATIVE	4 BALANCED	5 EXPERIENCED	6 ADVENTUROUS
FUND NAME	MULTI ASSET PORTFOLIO 2	MULTI ASSET PORTFOLIO 3	MULTI ASSET PORTFOLIO 4	MULTI ASSET PORTFOLIO 5	MULTI ASSET PORTFOLIO 6

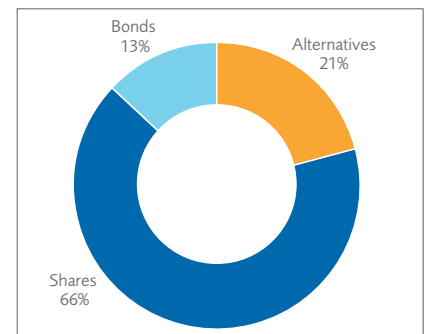
Each MAPS fund is managed to a specific risk level. In order to ensure this, ILIM will rebalance the funds every quarter back to the original asset split.

WHAT DOES THIS MEAN?

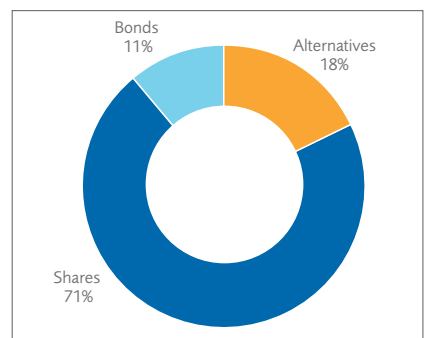
We start with the pie-chart on the right, which is the default fund split for MAP4, which is a risk rating 4 fund, suitable for "Balanced" investors. This has a total of 60% invested in shares (30% Developed Market Shares, 25% Minimum Volatility Shares and 5% Emerging Market Share).



If, over the course of a year, shares grew in value by 15%, while bonds and alternatives both fell in value by 10%, then, without any rebalancing, the second pie-chart shows the new split of the fund. Here it would have 66% invested in shares.



If the same thing happened for a second year, we would end up as shown in the third pie-chart, with 71% of the fund invested in shares. This fund would no longer fall into the risk rating 4 category and would no longer be suitable for a "Balanced" investor. If a client is a "Balanced" investor, they will not want their fund drifting up the risk scale like this.



This change in asset split can be avoided by regularly rebalancing the fund back to the original default split. ILIM rebalances the MAPS funds on a quarterly basis and this means that a risk rating 4 fund will not drift up the risk scale and will be suitable for a risk rating 4 investor and likewise for the other MAPS funds. This means a client doesn't have to worry about a fund suddenly being a higher risk rating than what they originally invested in.

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ILIM's Credentials

ILIM have designed the Multi Asset Portfolio Funds. They have also developed and tested the DSC model and will expertly manage it over time.

ILIM currently manage over €38 billion of assets. By investing in one of these funds through an Irish Life pension, savings or investment plan you will benefit from their experience and expertise.

Meet the team:

Colm O'Neill

Chief Investment Officer, FIA, 34 years in ILIM

Anthony MacGuinness

Head of Quantitative Strategies, 13 years Industry (9 in ILIM), CFA, CAIA, BA Economics (TCD)

Dr. Ronan Bradley

Quantitative Strategist, 10 years in ILIM, BSc Physics & Applied Mathematics (QUB); MSc Theoretical Physics (TCD), PhD Applied Electromagnetics (TCD)

Shane Murphy

Quantitative Strategist, 9 years Industry (6 in ILIM), BA Mathematics (TCD); MBS in Quantitative Finance (UCD), MSc Investment & Treasury (DCU)

Shane Cahill

Head of Indexed Fund Management, 10 years in ILIM, CFA, BAFS (UCD), MSc (DCU)

Neil Clifford

Head of Alternative Investments, 14 years Industry (7 in ILIM), BE (Elect), CAIA, MBA

MULTI-ASSET PORTFOLIOS:

- > 5 new portfolios - managed risk levels
- > Multi-asset - bonds, alternatives and shares
- > Market first - DSC our new dynamic share to cash model
- > Great value - competitive and transparent pricing
- > Available now - across our pension, investment and savings plans

For more details please see the MAPS flyer at www.irishlife.ie or contact your financial broker or financial adviser.