Diversified Assets Fund

Information is correct as at the 31st July 2010

Volatility/Risk: medium risk

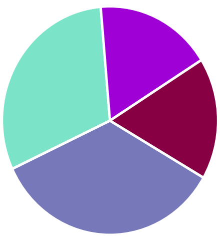
How the Fund Works

The Diversified Assets Fund aims over the long-term to give around three quarters of the return potential of a typical managed fund but with about half the level of potential risk. The fund could appeal to investors who are not comfortable with the higher equity content of many managed funds. By combining a balanced mix of commercial property, shares, bonds and commodities, the fund aims to give steady returns through different market conditions.

The fund invests in a combination of commercial property, shares, bonds and commodities. We will actively manage the mix of assets on an ongoing basis to take account of market conditions and the changing relative value of assets.

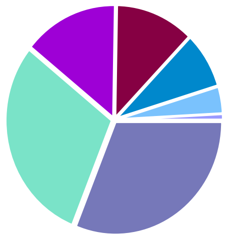
The return of this fund since launch (8th September 2006) is -4.00%p.a.

Asset Distribution



Equity	35.0%
Bond	30.7%
Commodities	17.2%
Property	17.1%

Equity Distribution



US	31.0%
Europe	29.9%
UK	14.4%
Pacific	12.0%
Ireland	7.9%
Japan	3.9%
Global	0.9%

Performance

Period	Return
YTD	7.3%
1 Year	12.38% p.a.
3 Year	-6.78% p.a.

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

Market Commentary

July saw a solid rebound in global **equity** markets with all major regions showing gains on the month. The second quarter earnings reporting season began in the US and proved to be stronger than expected despite some concerns due to the weaker economic data in recent months and some negative pre-announcements in June. In Europe, there was relief when the vast majority of European banks passed the stress test with the capital required by those that failed only €3.5bn, considerably less than some prior forecasts.

Bonds had a good month in July. Peripheral countries outperformed core as risk aversion diminished. With successful auctions for all peripheral countries, including rolling over of short-dated Greek bonds, markets gradually normalised and spreads tightened versus Germany.

The cyclical recovery was also evident in **commodity** markets as the base metal sector had a strong performance. However the more defensive agricultural sector also performed strongly as concerns that adverse weather conditions will hamper supply of wheat and corn. Elsewhere the precious metals, most notably gold underperformed and traded down from record high levels on the back of weaker investor demand. Gold ETFs had the largest outflows since December 2009. Energy prices increased albeit a more modest pace than seen in the base metal and agricultural sectors.

There has been some improvement in sentiment and investor interest in the Irish **property** investment market since the beginning of 2010 however the market is still suffering from illiquidity and rental investment. UK commercial property capital values continued to rise in Q2 '10. There is however increasing evidence that the market is now 'cooling' as evidenced by a slowdown in capital value growth over recent months. The outlook for the European property markets has been clouded by the sovereign debt crisis with some markets more exposed than others. Prime centres such as Paris and Frankfurt are set to continue to see good investors interest.

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