

QUARTERLY UPDATE

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- > Economic look-back & commentary
- > MAPS asset split
- > Dynamic Share to Cash (DSC) Model
- > DSC update for quarter 1 2014
- > Asset classes explained
- > Rebalancing of MAPS funds



ECONOMIC LOOK-BACK & COMMENTARY

After a very strong performance in 2013, it was not a huge surprise to see a pull back for equity markets early in 2014. Strong gains into the year end prompted some New Year profit taking, putting most major stock markets under pressure. In contrast, however, bond markets had a relatively good start to the year, especially government bonds. Despite a rebound in equity prices in mid-January, weaker than expected economic data in the US pushed global share prices lower again.



Markets were also concerned by renewed weakness in Emerging Markets which was driven largely by the onset of the US bond repurchase programme unwinding, made worse by the weaker than expected economic numbers from China. They are a key trading partner for many of the Emerging Market countries. Over the month the FTSE World equity index fell -3.3% and Emerging Markets -4.4%. Meanwhile Global bond prices rose with Eurozone bonds especially strong, rising +3.3%. Stock markets rebounded in February (FTSE World +4% , Emerging Markets +2.2%) with investor fears around China and Emerging Markets dissipating despite continued mixed economic data in the US. Eurozone bond markets continued to generate further gains (+1.1%) driven by positive sentiment towards the peripheral markets like Ireland, Spain, Italy and Portugal. This sent prices higher and narrowed the gap between their yields and those of the benchmark German 10 year bond. Elsewhere, commodities enjoyed a strong month (+4.4%) on the back of sustained cold weather in the US and gold prices remained firm. Economic data in Europe was mixed but broadly positive while China staged somewhat of a recovery but coincided with Chinese New Year which can temporarily distort the true underlying conditions.

The quarter closed with equity markets modestly up, recovering all of the losses made in a turbulent January. It is worth noting, following on from our previous MAPS quarterly commentary that more normal levels of volatility are returning. Indeed, the VIX index (Chicago Board Options Exchange Market Volatility Index) opened the year at 13.7, marginally up from its all-time low, but hit over 20 quickly as markets became unsettled before falling back again. We expect this trend to continue. In terms of economic data, the Eurozone proved resilient with consumer confidence hitting a 6 year high, despite some negative impact from developments in the Ukraine. The UK's strong recovery continues with the US picking up. All eyes in quarter 2 will be on China.

Source: David Haslam, Head of Retail, Irish Life Investment Managers (ILIM), March 2014

MAPS ASSET SPLIT QUARTER 1 2014

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 %

DSCTM

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. ILIM will review asset classes and asset splits on a regular basis.

DYNAMIC SHARE TO CASH MODEL

DSCTM

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 Earnings Revisions
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: These funds may be affected by changes in the currency exchange rates.

DSC Signal explained

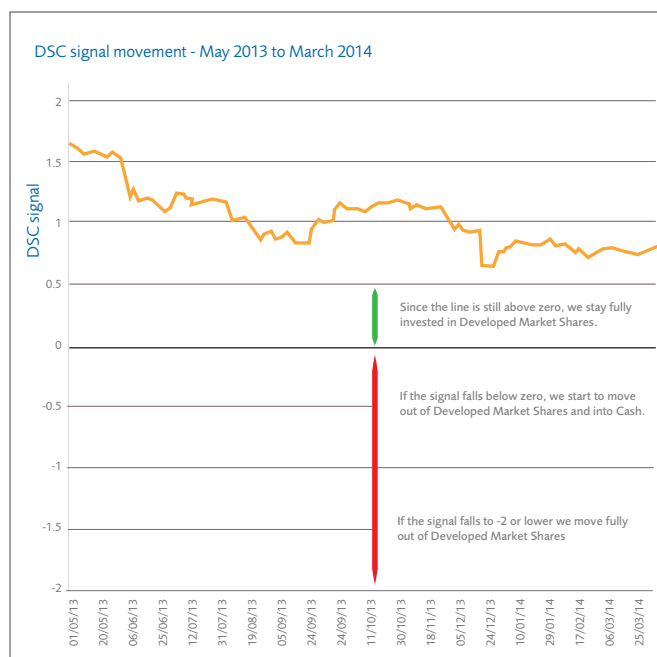
As mentioned we monitor 3 broad categories of market indicators (Momentum in markets, Valuations and Global Macroeconomics) which have 9 underlying inputs that generate a 'signal'. These signals are represented by a number in the graph.

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.

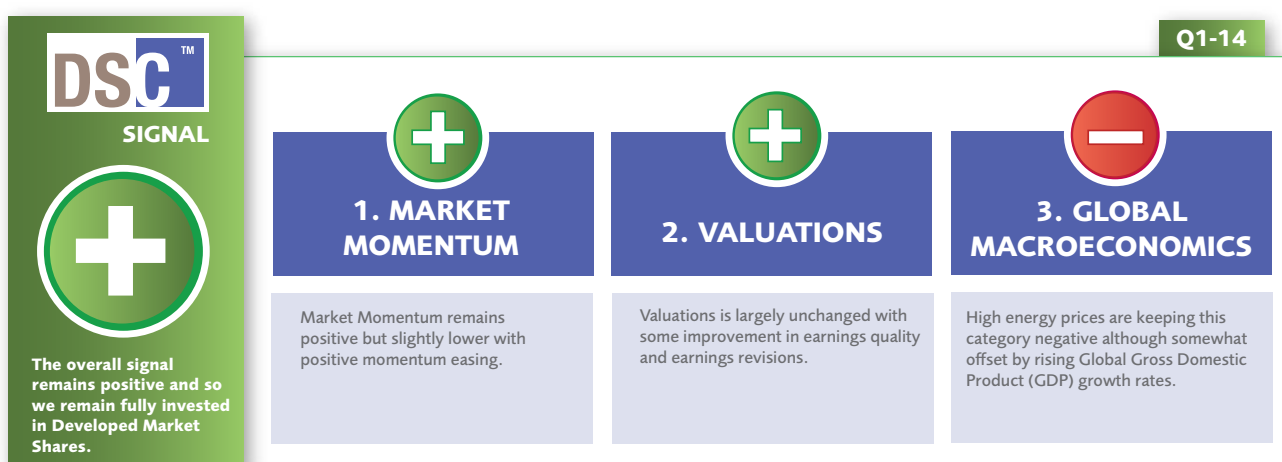
If the signal number reaches -2, the allocation to Developed Market Shares is zero.

The graph shows how the DSC signal has moved since MAPS launched in May. As the graph shows, after the fall seen in Q4 2013, the signal has remained fairly steady over Q1 and remains well above zero meaning, the MAPS allocation to Developed Market Shares remains at its maximum level (5% for MAP2, 13% for MAP3 and so on).



Warning: Past performance is not a reliable guide to future performance.

Update for Quarter 1 2014



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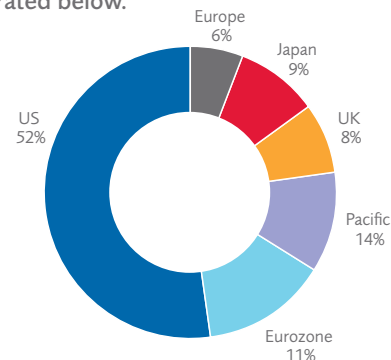
Warning: These funds may be affected by changes in the currency exchange rates.

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.

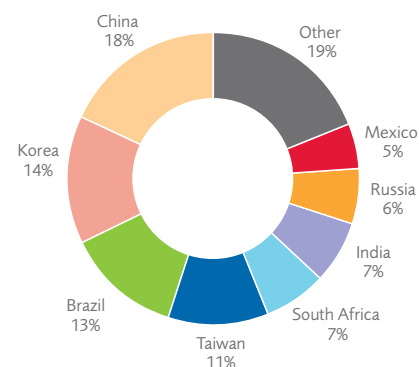
The geographic split of the index is illustrated below.



EMERGING MARKET SHARES

- ILIM track the performance of the MSCI Emerging Markets Index created by Morgan Stanley Capital International 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.

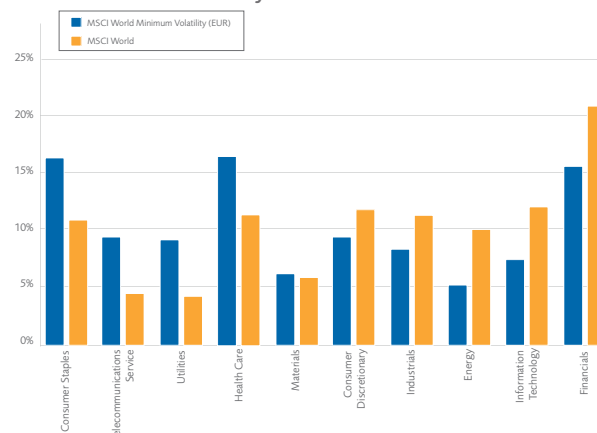
The geographic split of the index is illustrated below.



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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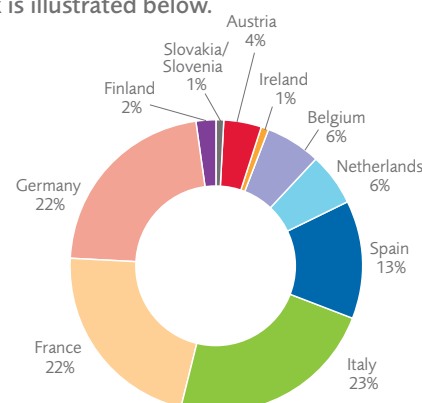
Warning: These funds may be affected by changes in the currency exchange rates.

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.

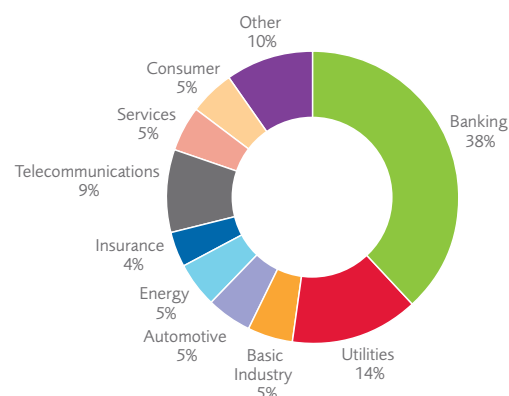
The geographic split of the Merrill Lynch 1-5yr Index is illustrated below.



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.

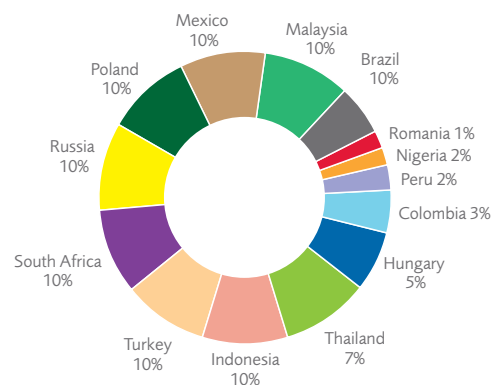
The sector split of the Merrill Lynch EMU Large Cap Corporate Index is illustrated below.



EMERGING MARKET DEBT

- ILIM currently track the performance of the JP Morgan Government Bond Index Emerging Markets (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 Q1 2014

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>	\$117bn <ul style="list-style-type: none">• Morningstar award winning equity team	Global Real Return Fund	60%
HERMES <small>Source: www.hermes.co.uk</small>	€26.3bn <ul style="list-style-type: none">• Manager of the largest pension fund in the UK	Commodities	10%
PIMCO <small>Source: www.pimco.com</small>	\$1.91trillion <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>	€780bn <ul style="list-style-type: none">• Number 1 European Asset Manager	Volatility Trading Fund	15%

Date: 31 December 2013

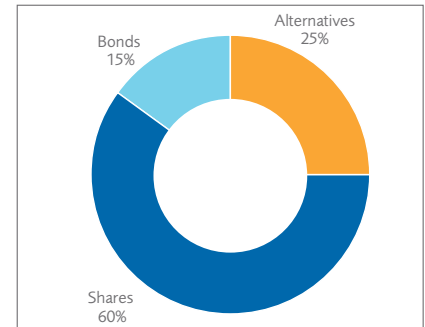
REBALANCING OF MAPS FUNDS

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

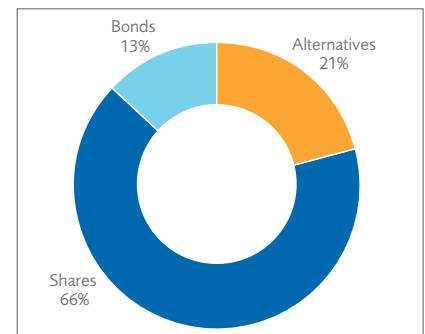
Each MAPS fund is managed to a specific risk level. In order to ensure this, ILIM will rebalance the funds every quarter back to the original asset split.

WHAT DOES THIS MEAN?

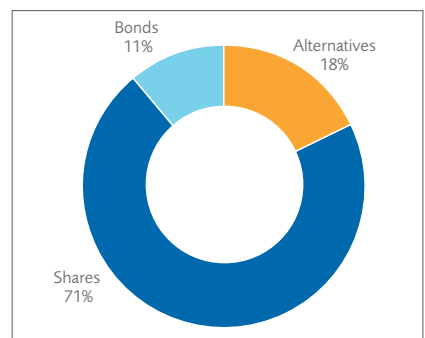
We start with the pie-chart on the right, which is the default fund split for MAP4, which is a risk rating 4 fund, suitable for "Balanced" investors. This has a total of 60% invested in shares (30% Developed Market Shares, 25% Minimum Volatility Shares and 5% Emerging Market Share).



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

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.