Agenda

- Why is the Pension Investor different?
- The journey, the destination or both?
- Saver or Investor?
- Tailored Solutions
- Managing the journey to the destination with confidence

Question

Rank in order of importance

What is the most important investment-related decision facing pension savers?

1.) Investment manager hired

2.) Asset allocation decision

3.) Understanding my risk appetite

4.) Timing the market

Why the Pension Investor is different

- Investment Manager – difference between best and worst over 20 years x% : (*Lipper Survey of UK managers)*
- Asset allocation decision – need for risk and the need for protection
- Understanding my risk appetite – a plan with conviction
- Timing the market – 10 Years to 16.09.2011

Annualised Return	4%*
Annualised Return if missed best 10 days	-3%
Annualised Return if missed worst 10 days	18%

**** 6 of the top 10 days over the last decade were in 2008***

Why the Pension Investor is different

The Pension Investor – the last of the long term investors

Behavioural Economics – greatest risk to adequacy of benefits

Risk must be taken when appropriate – investment time horizon – growth assets

Risk must be reduced when appropriate – benefit drawdown time horizon; orderly and strategically

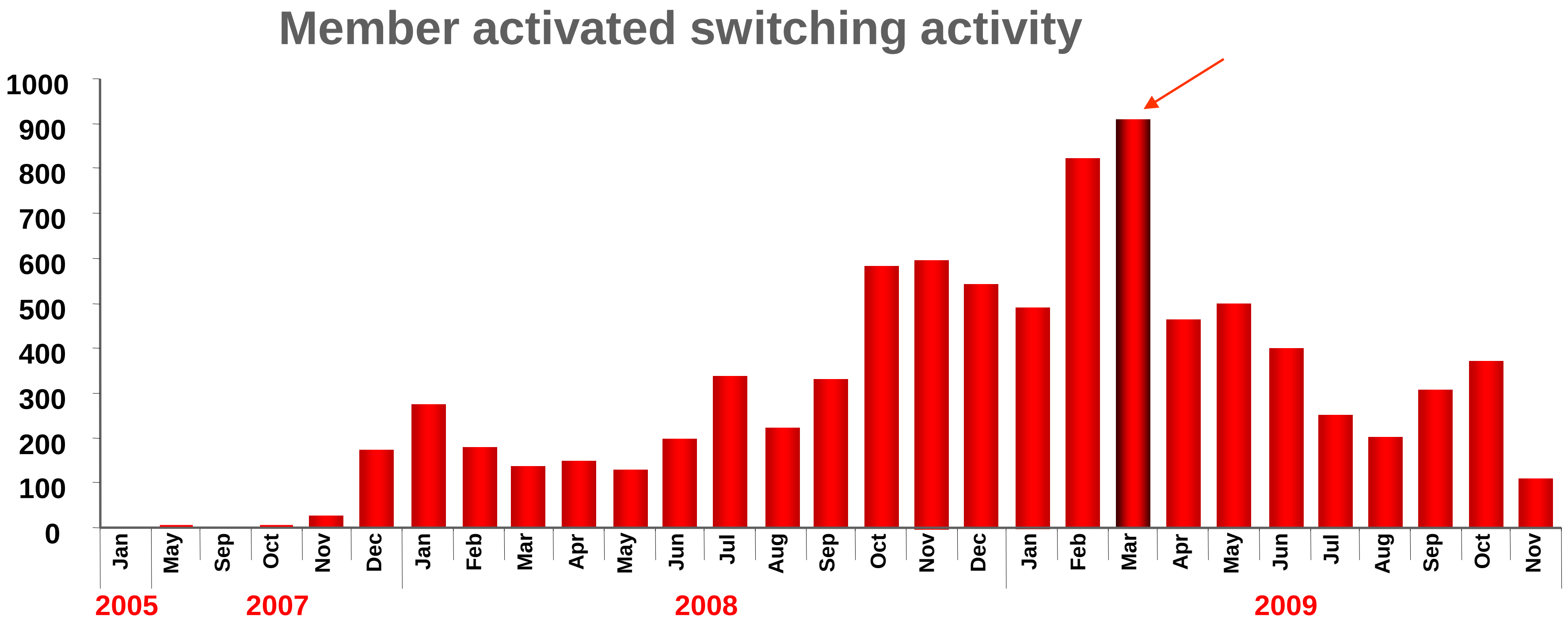
The Destination

- Time is a natural smoother of volatility
- But…… Pension investors must not step off the journey
- Risk reduction can be strategically scheduled – via lifestyling
- Typical fund mix in the accumulation phase with a strategic Lifestyling strategy will deliver

Example **75%** Growth Assets
25% Defensive Assets

Only if…….

Stepping Off The Journey



Source: Irish Life Corporate Business

Irish Life Investment Managers

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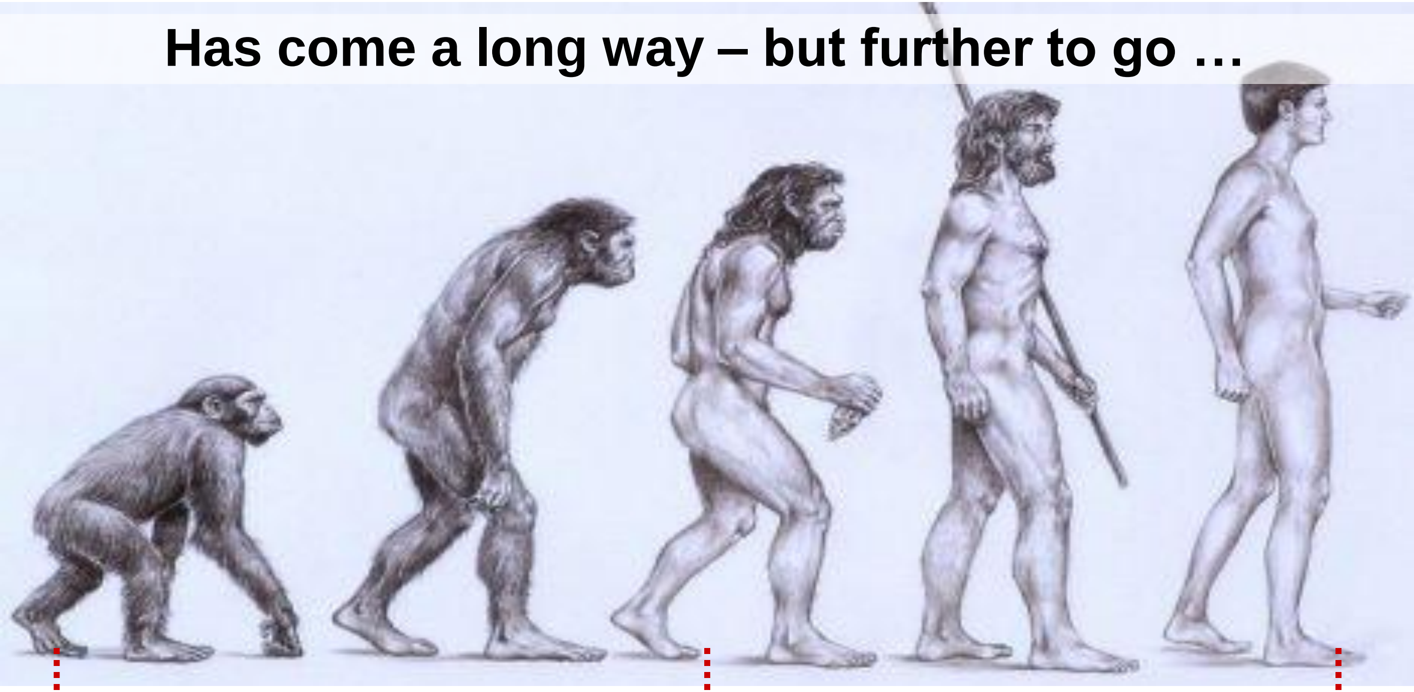
Both …

- Recognise that risk appetite and time horizon (age) are not necessarily linked
- Behavioural economics explores the difference between ‘savers’ and ‘investors’
- Research suggests that pension savers evolve from one to the other
- How do we:- Segment our client base
  Monitor the behaviour
  Ensure movement between segments
- Ultimately as part of the drive for retirement income adequacy:-

  Risk is required
  Risk must be desired and understood
  Risk must be appropriate

Is one starting point the solution…..

Pension Savings – The Evolution



Single Manager
Active Managed Fund

Consensus Funds that removed
- Single Manager Risk
- Asset Allocation Risk
- Stock Selection Risk

Tailored
Lifestyle Solutions

Types of Investment Risk for Pension Investors

Risk	Danger to Pension Investor	Investment strategy

Tailored Solutions

- Evolution of growth assets – diversification
- Evolution of volatility management
- Evolution of defensive assets – match the benefit drawdown
- Manage risk through diversification of
  - Asset Class
  - Investment Style ***(indexed & alpha)***
  - Investment Manager
- Building long term strategic growth asset allocations
- Managing the Destination via the Journey

Evolution of Growth Assets

- Access a wide range of asset classes - efficiently & effectively

Private Equities

Infrastructure Equities

Global Equities

Forestry

Corporate Bonds

Indexed Commodities

High Yield Equities

Hedge Fund

Emerging Markets

Currency

Small Cap Equities

European Property

Evolution of Volatility Management

- Access genuine sources of alpha generation by:-

  - Identify skilled managers

  - Select genuine alpha strategies

  - Monitor and understand performance drivers

  - Tactically allocate between strategies

  - Carry out due diligence on operational and investment process

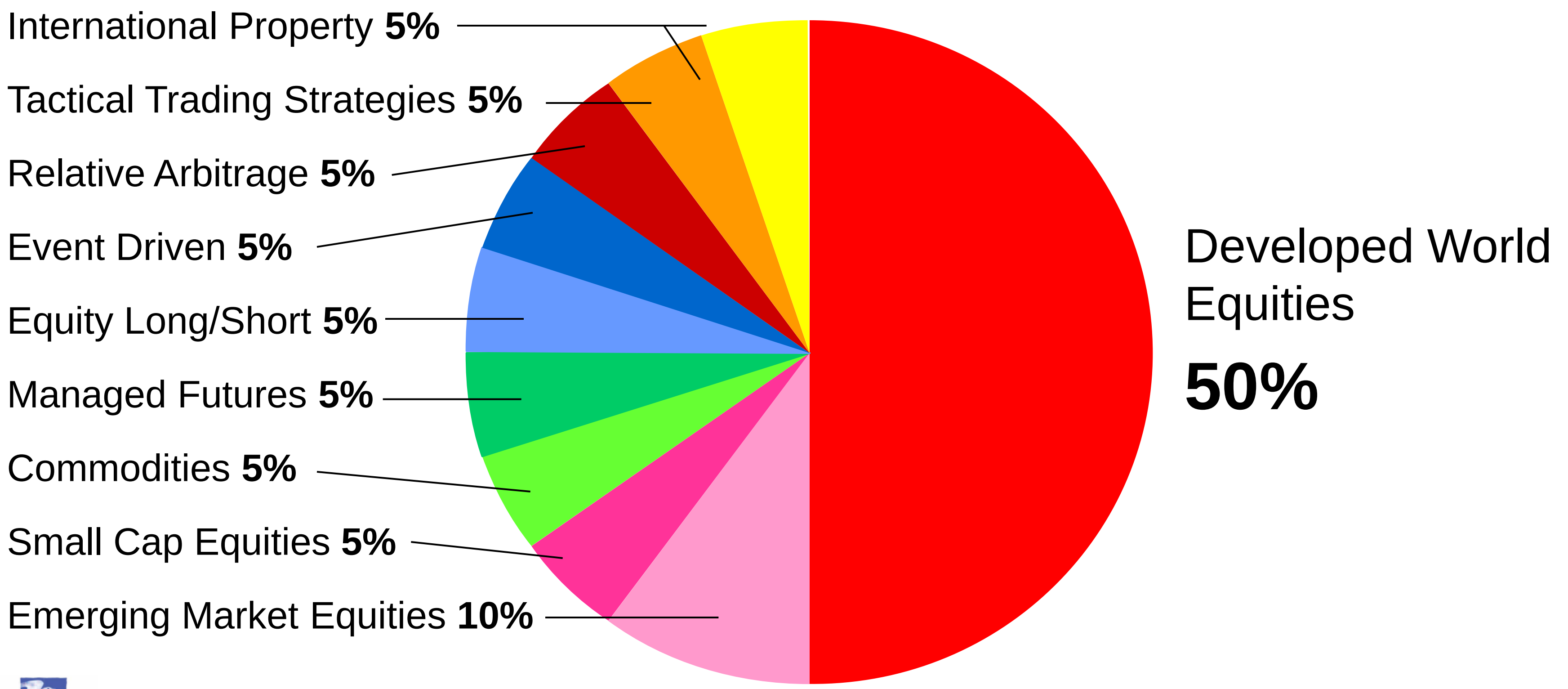
Evolution of Defensive Assets

- **Bond Fund**
  - Country
  - Credit
  - Duration exposure

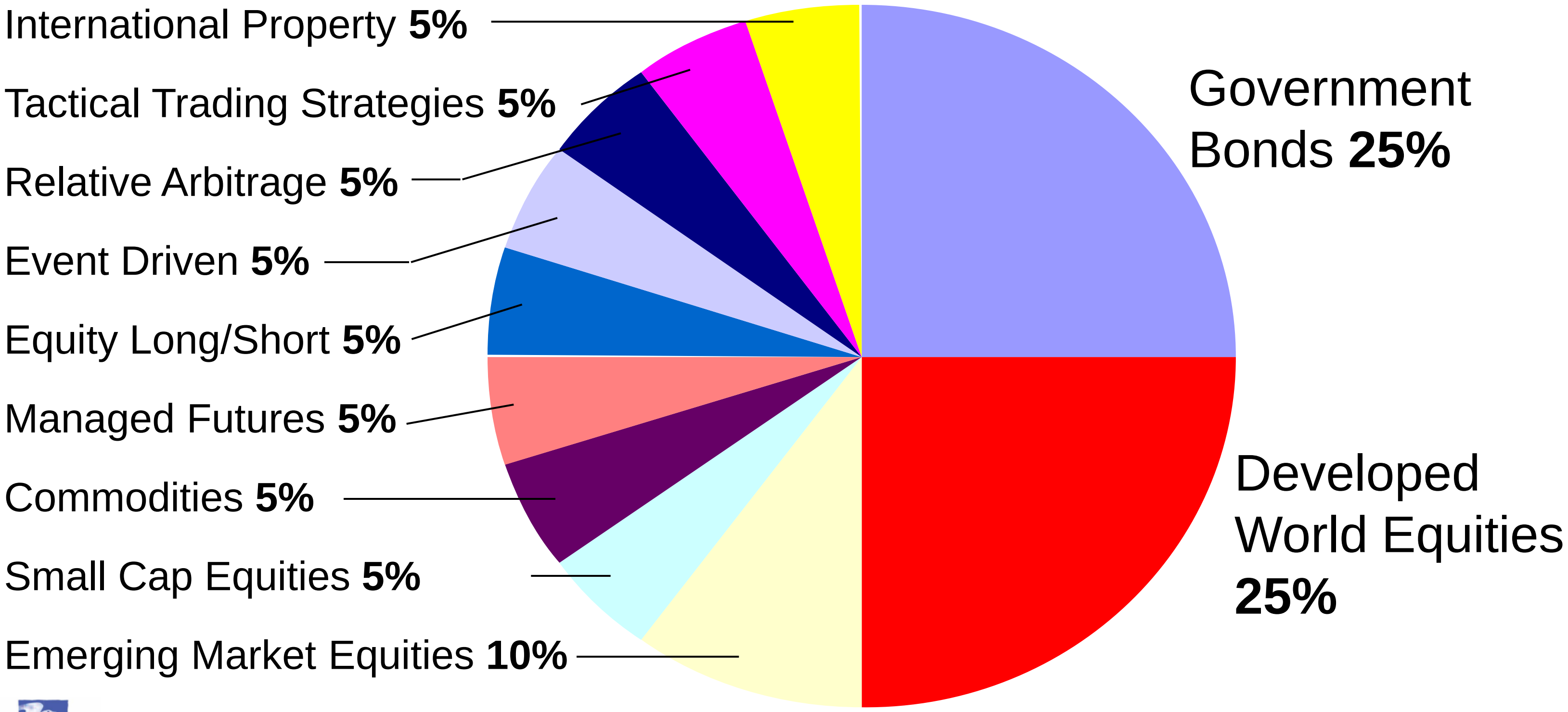
- **Cash Fund**
  - Counterparty risk

- **Structured Products**
  - Capital Guarantees
  - CPPI

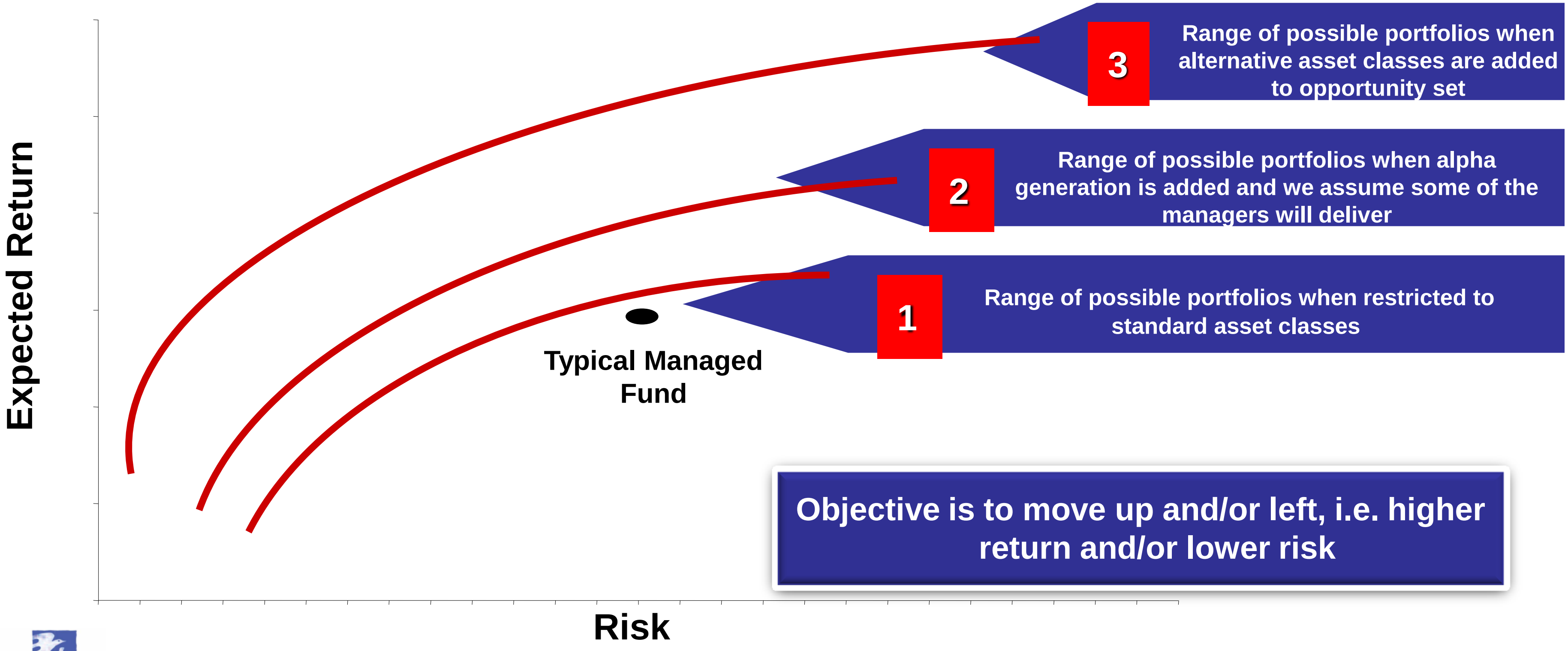
Long Term Strategic Growth Asset Allocation



Long Term Strategic Balanced Asset Allocation



Efficient Frontier:
Illustration of Expanding the Risk/Return Frontier



Objective is to move up and/or left, i.e. higher return and/or lower risk

Irish Life Investment Managers

PENSIONTENSION

Conclusion

Recognise that for some investors the ‘journey’ matters and dictates actions

Segment clients by risk appetite

Provide solutions to meet these segments

Facilitate satellite investment options outside their ‘core’ requirement

Question

What do you now think an appropriate allocation to growth (equities) assets is?

1.) 0%

2.) Up to 25%

3.) Up to 50%

4.) 50%+

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A Principled Framework for Investing !

- Investing intelligently is about controlling the controllable.
- You can't control whether the funds you invest in will outperform the market today, next week, month or next year; in the short run your returns will always be hostage to the market and its whims

But you can control:

➔ Your Expectations, by using realism, not fantasy, to forecast your returns

➔ Your Risk, by deciding how much of your assets to put at risk in the stock market, by diversifying and by rebalancing

➔ Your own behaviour