MAPS
MULTI-ASSET PORTFOLIOS

October to December 2013

Irish Life

QUARTERLY UPDATE

What's covered:

- > Economic look-back & commentary
- > MAPS asset split
- > Dynamic Share to Cash (DSC) Model
- > DSC update for quarter 4 2013
- > Asset classes explained
- > Rebalancing of MAPS funds

Q4 2013

ECONOMIC LOOK-BACK & COMMENTARY

Investment markets continued their strong run during 2013 to finish the year, in many cases, at or near all-time highs. A number of factors combined to deliver this performance, largely driven by the US. Firstly, concerns about reaching notional debt ceilings (that caused some government offices to close temporarily) were resolved by postponing decision making around end solutions until quarter 1 2014. Secondly, the initial reduction of bond purchases (also known as quantitative easing, QE3) by the Federal Reserve was well anticipated by markets and had minimal impact on bonds while equities markets rose. Thirdly, sustained levels of low inflation are facilitating the US Federal Reserve maintaining their stance on low interest rates for the foreseeable future. Lastly, the economic indicators that the US Federal Reserve have focussed on to make that initial reduction in QE3 have remained strong into the year end. They look at unemployment, Purchasing Managers Index's, business and consumer sentiment surveys and national housing statistics amongst others.

In Europe, the European Central Bank also cut interest rates to an all-time low of 0.25%, driven by an inflation reading in November of 0.7% over November 2012. They also suggested that further stimulus was potentially available. These signals were well received by equity markets in particular as a sign of continued support in the short term. Economic data in the periphery countries in Europe was stable and improving, especially notable in the case of Ireland, which also emerged from its bailout programme.

In the UK, unemployment fell below 7% ahead of projections, which is positive in the short term but may indicate a bias to increase interest rates should the pace of recovery, fuelled in part by low rates, continue.
So, equity markets performed very strongly once again into the year end. Yields on the highest grade sovereign bonds rose as prices for them fell – an indication that investors are rotating out of safe havens and into riskier assets. Commodities, which have had a very difficult 2013, saw their prices rebound on better economic data and rising oil prices. Currencies remain fairly stable as does the VIX index, which measures market volatility. This may be the one to watch in 2014 as markets brace themselves for European bank stress tests and the tapering of US QE3.

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

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	• 12 month share market momentum • 200 day moving average
2 VALUATIONS	Take account of the long- term valuation of shares	• Long-term share values • Earnings quality • Earnings yield • Earnings Revisions
3 GLOBAL MACROECONOMICS	Take account of the influence of global economics on shares	• Real GDP growth rate • Bond yield curve slope • Energy price levels

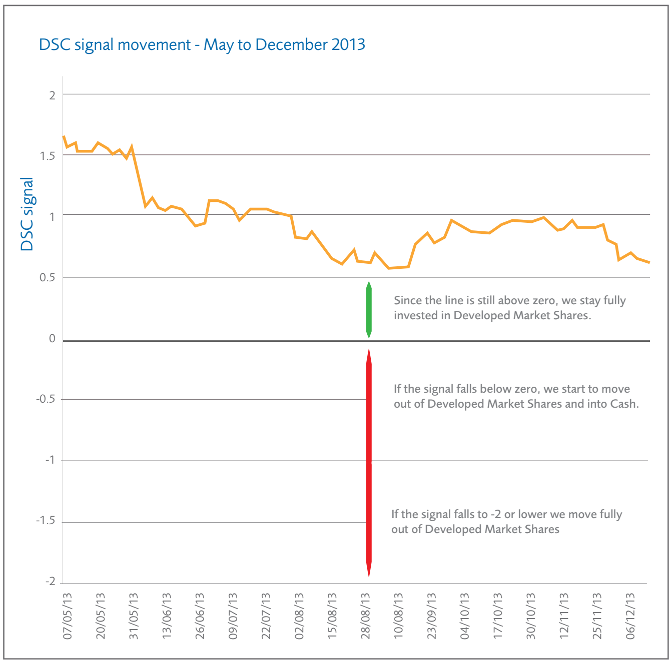
Based on how these factors move over time, the DSC will decide how much of each MAP fund to invest in Developed Market Shares and how much to invest in cash, within the ranges shown in the table on the previous page. ILIM will regularly monitor and review these factors.

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 since MAPS launched in May. 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: Past performance is not a reliable guide to future performance.

Update for Quarter 4 2013

DSC SIGNAL

The overall signal remains positive and so we remain fully invested in Developed Market Shares.

Q4-13

1. MARKET MOMENTUM

Both factors remain strong and positive as equity markets in particular closed the year at or near all-time highs.

2. VALUATIONS

Overall valuations remain attractive although the steady rise in equity markets has reduced the discount to long term averages. Earnings revisions not as positive as Q3 but overall the factor remains positive.

3. GLOBAL MACROECONOMICS

Rising energy and oil prices continue to weigh and are the driving force behind the negative contribution on the DSC signal.

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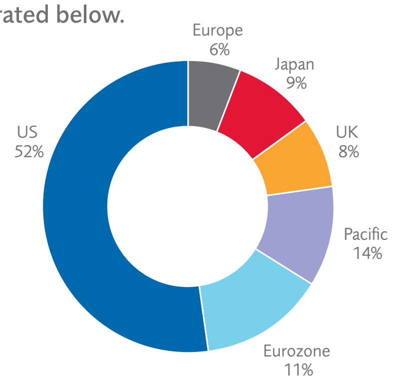
1 Shares

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.

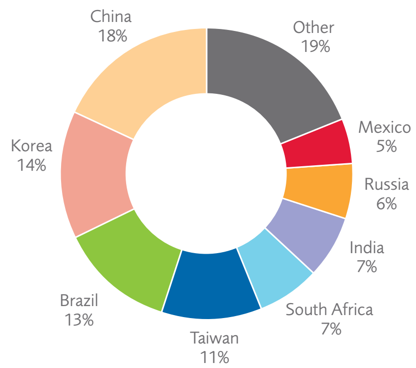
The geographic split of the index is illustrated below.



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.

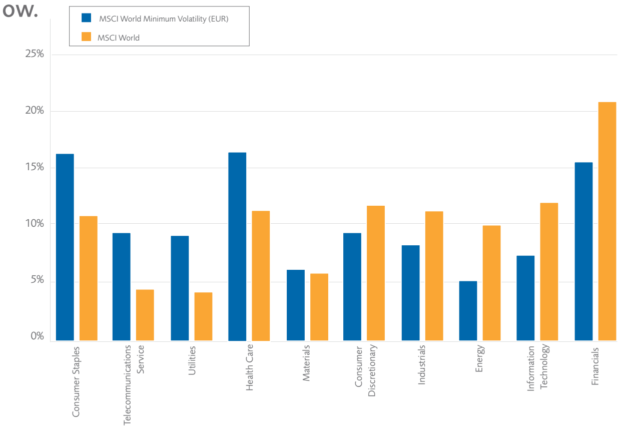
The geographic split of the index is illustrated below.



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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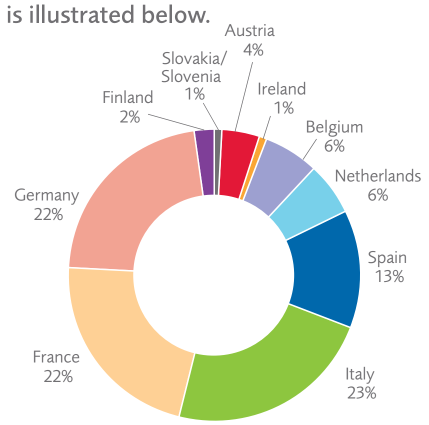
2 Bonds

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.

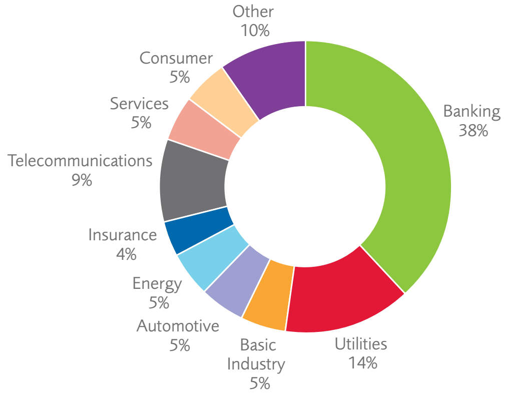
The geographic split of the Merrill Lynch 1-5yr Index is illustrated below.



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.

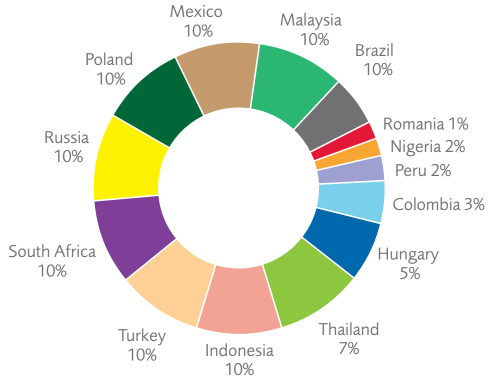
The sector split of the Merrill Lynch EMU Large Cap Corporate Index is illustrated below.



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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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 Source: www.gmo.com	$108bn • Morningstar award winning equity team	Global Real Return Fund	60%
HERMES Source: www.hermes.co.uk	€30.6bn • Manager of the largest pension fund in the UK	Commodities	10%
PIMCO Source: www.pimco.com	$2,000bn • World's largest bond fund	Real Return Global Bond Fund	15%
AMUNDI ASSET MANAGEMENT Source: www.amundi.com	€750bn • Number 1 European Asset Manager	Volatility Trading Fund	15%

Date: 30 June 2013

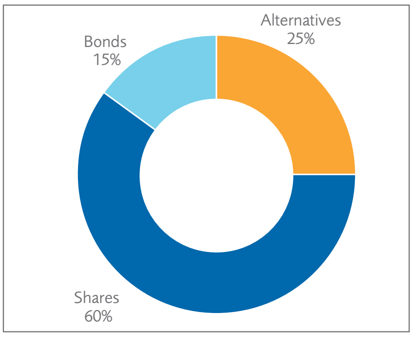
REBALANCING OF MAPS FUNDS

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**

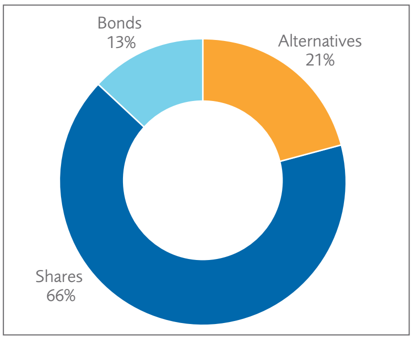
Each MAPS fund is managed to a specific risk level. In order to ensure this, ILIM will rebalance the funds every quarter back to the original asset split.

WHAT DOES THIS MEAN?

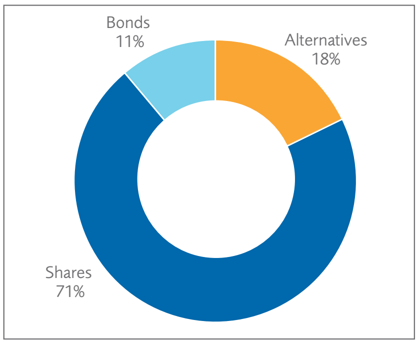
We start with the pie-chart on the right, which is the default fund split for MAP4, which is a risk rating 4 fund, suitable for "Balanced" investors. This has a total of 60% invested in shares (30% Developed Market Shares, 25% Minimum Volatility Shares and 5% Emerging Market Share).



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 that what they originally invested in.

MAPS
MULTI-ASSET PORTFOLIOS

Irish Life

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.

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