



Irish Life
Investment Managers

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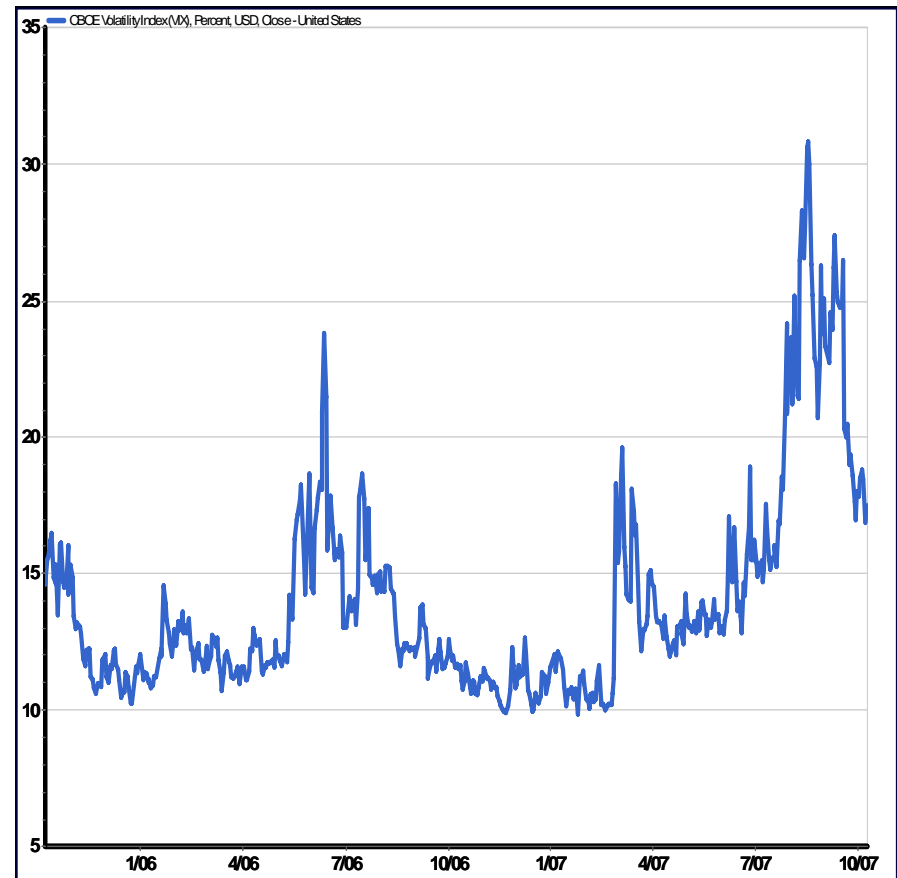
For Financial Advisers only



2007 so far - Recap

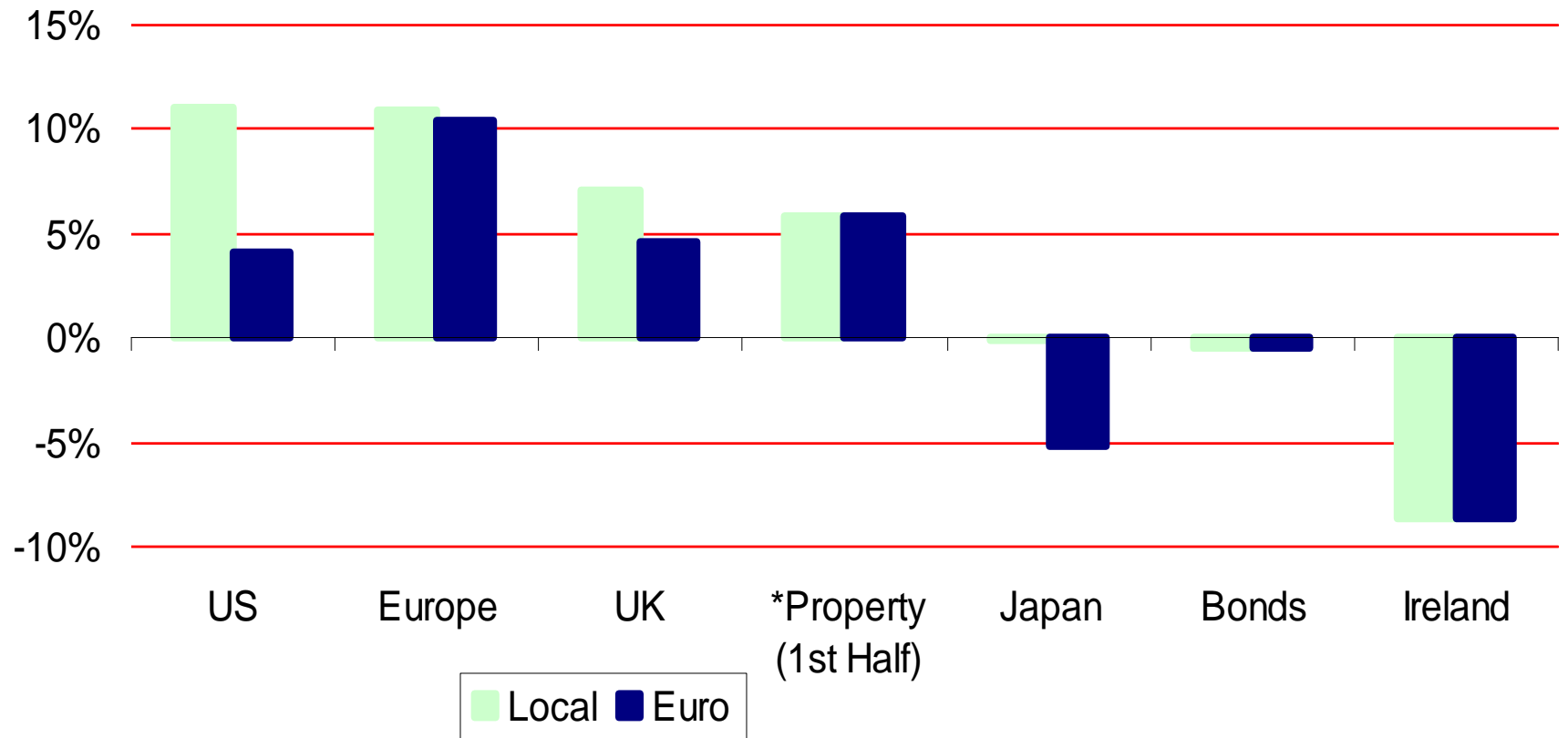
- Robust corporate profits.
- A record level of M&A activity in the first half.
- Higher volatility.
- Rising interest rates.
- Subprime mortgages crisis.

2007 – year of higher equity volatility



Credit market woes reverse solid start

Year to Date Asset Returns (as at October 8th 2007)

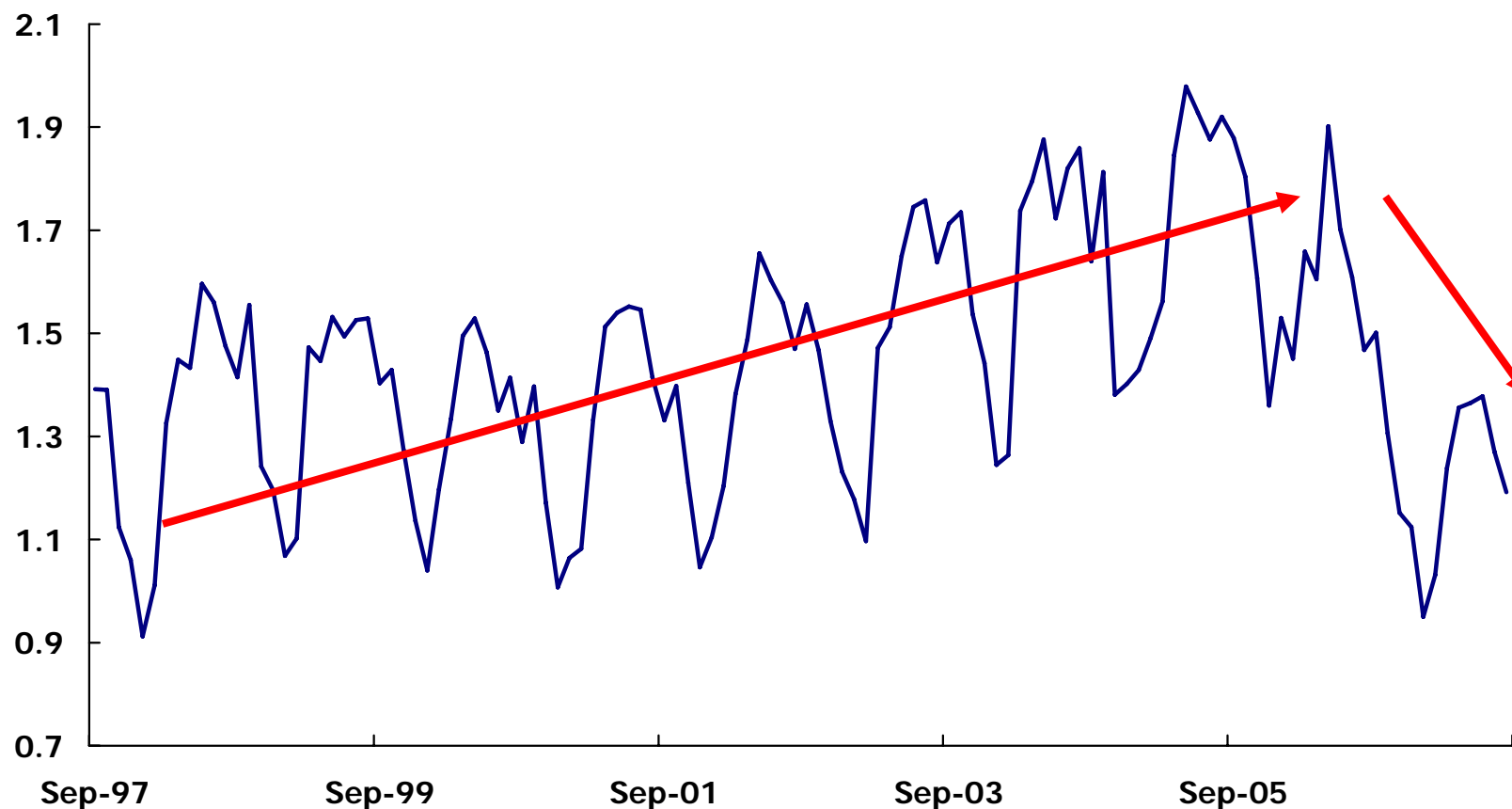


GDP growth(%) – Mid cycle slowdown

	2006	2007f	2008f
US	3.3	2.2	2.2
UK	2.7	2.8	2.1
Europe	2.8	2.6	2.3
Ireland	6.0	5.0	3.5

US housing market the “problem”

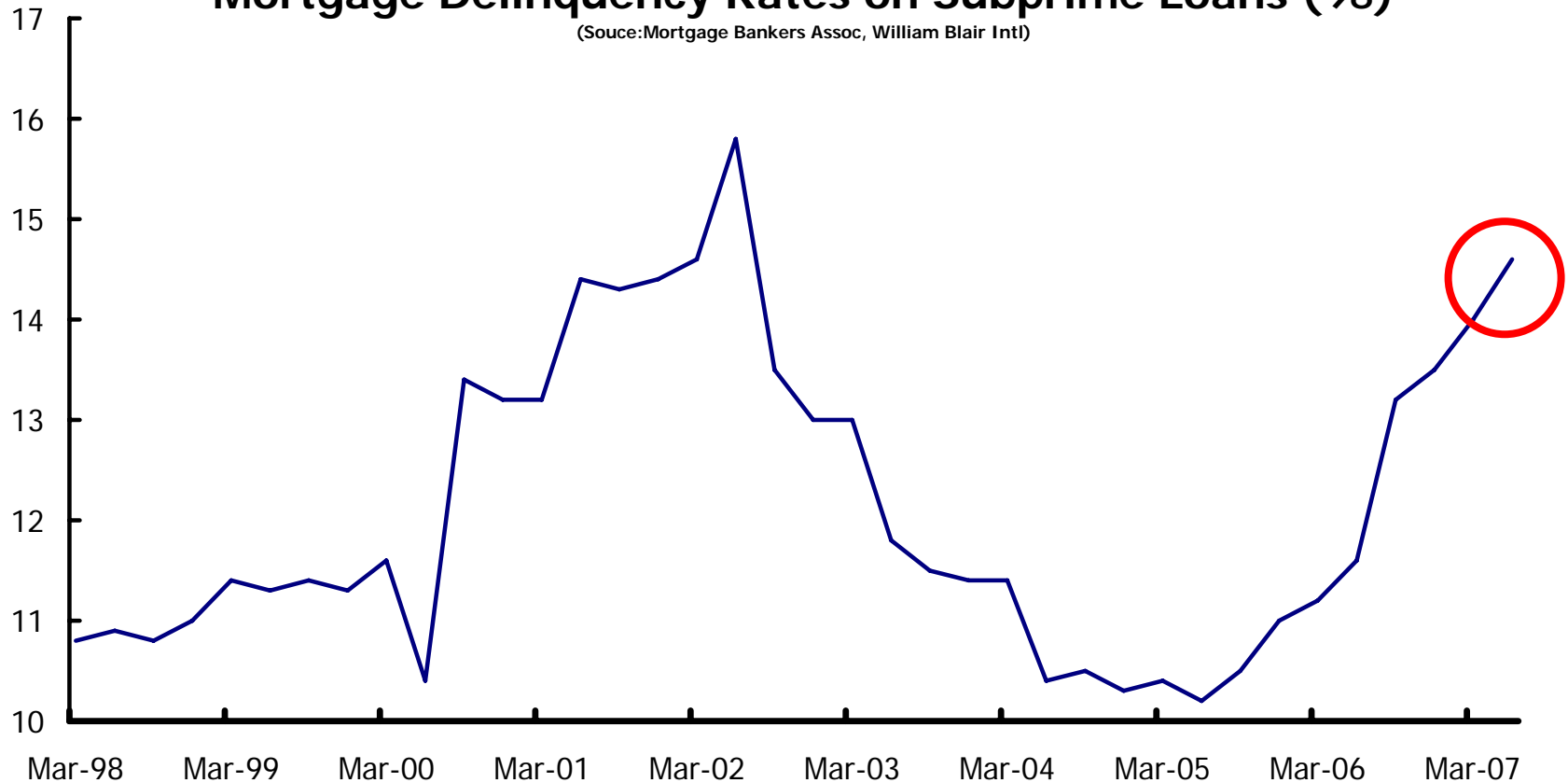
US Housing Starts (m)



US subprime crisis

Mortgage Delinquency Rates on Subprime Loans (%)

(Source: Mortgage Bankers Assoc, William Blair Intl)



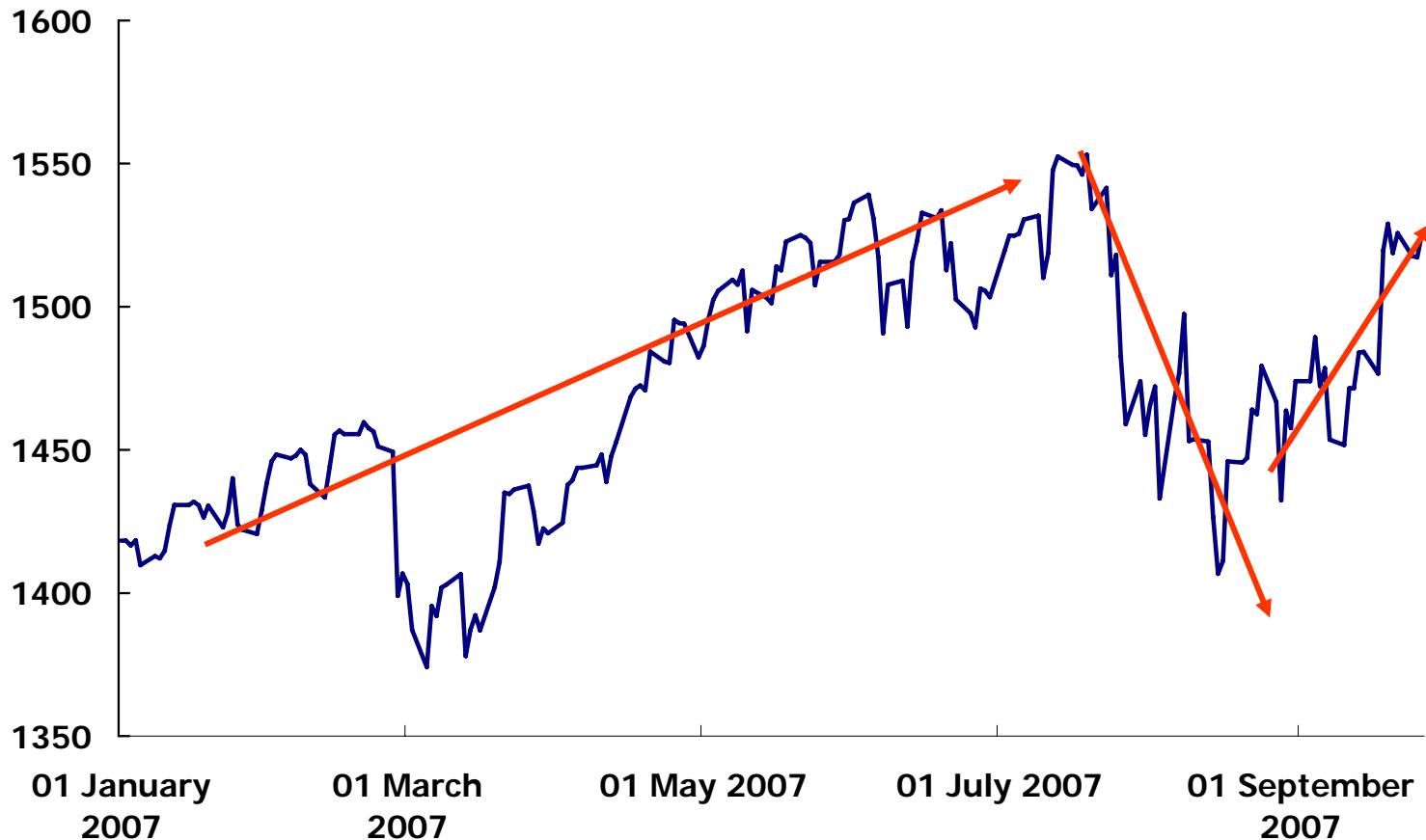
Contamination in credit markets

ITRAXX Series Spreads



And from credit... to equity markets

S&P 500 Year to Date

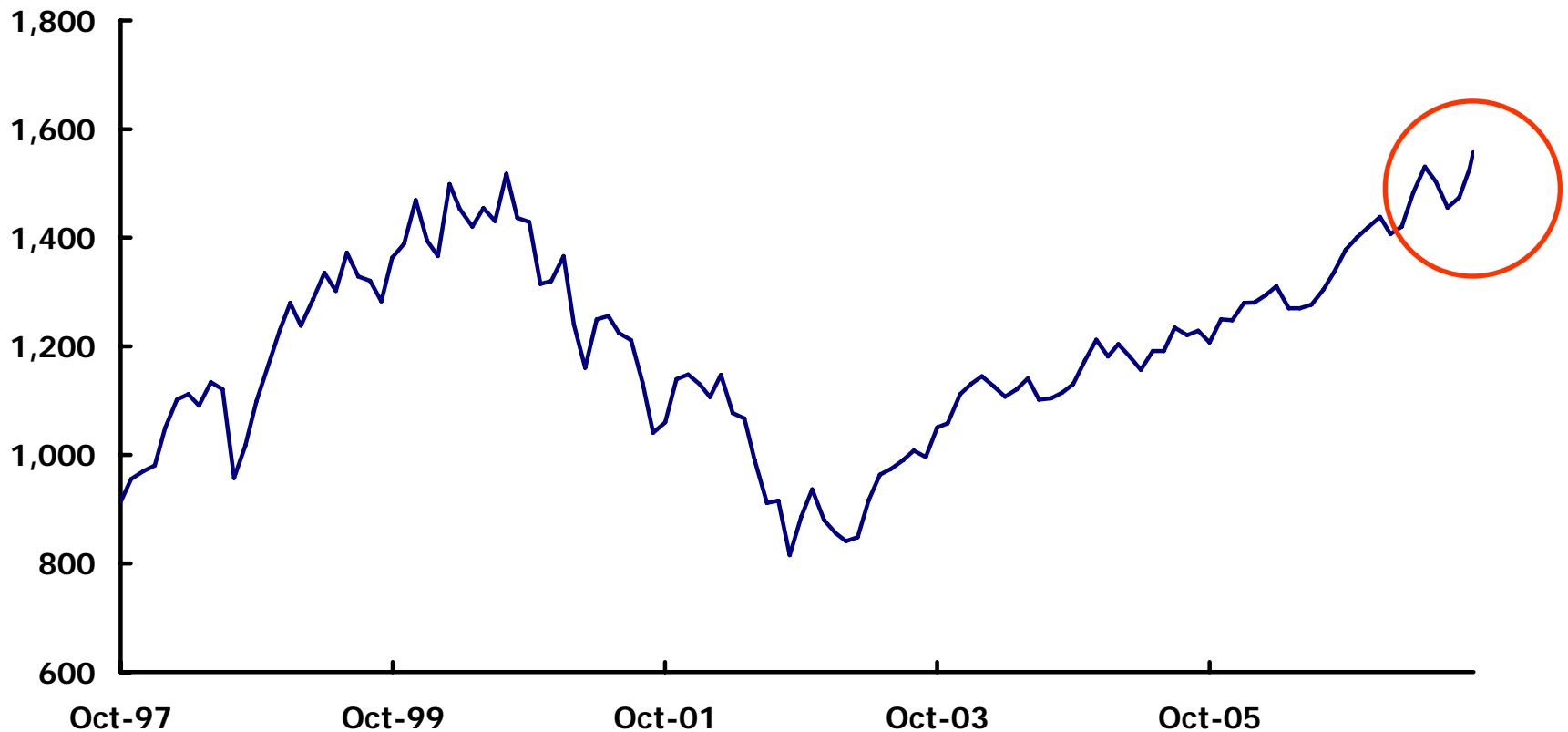


So where are we now?

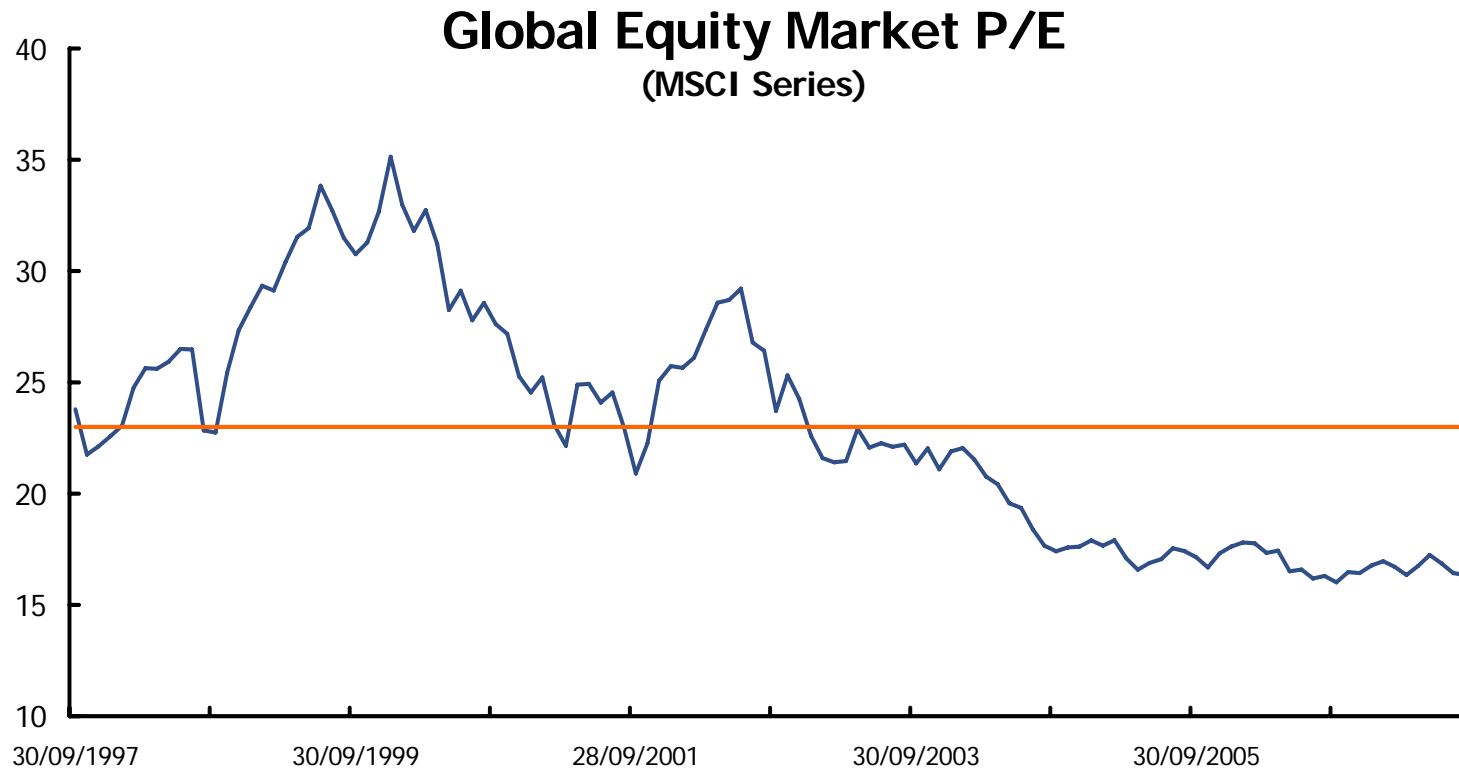
- Global growth moderating
- US housing market remains under pressure
- Fed cut interest rates by 0.5%
- UK banking sector nervous
- Government bond yields moving down
- Gold prices at 28 year highs
- Oil price above \$80

But the S&P 500 at an all time high

S&P 500



Equity valuations reasonable

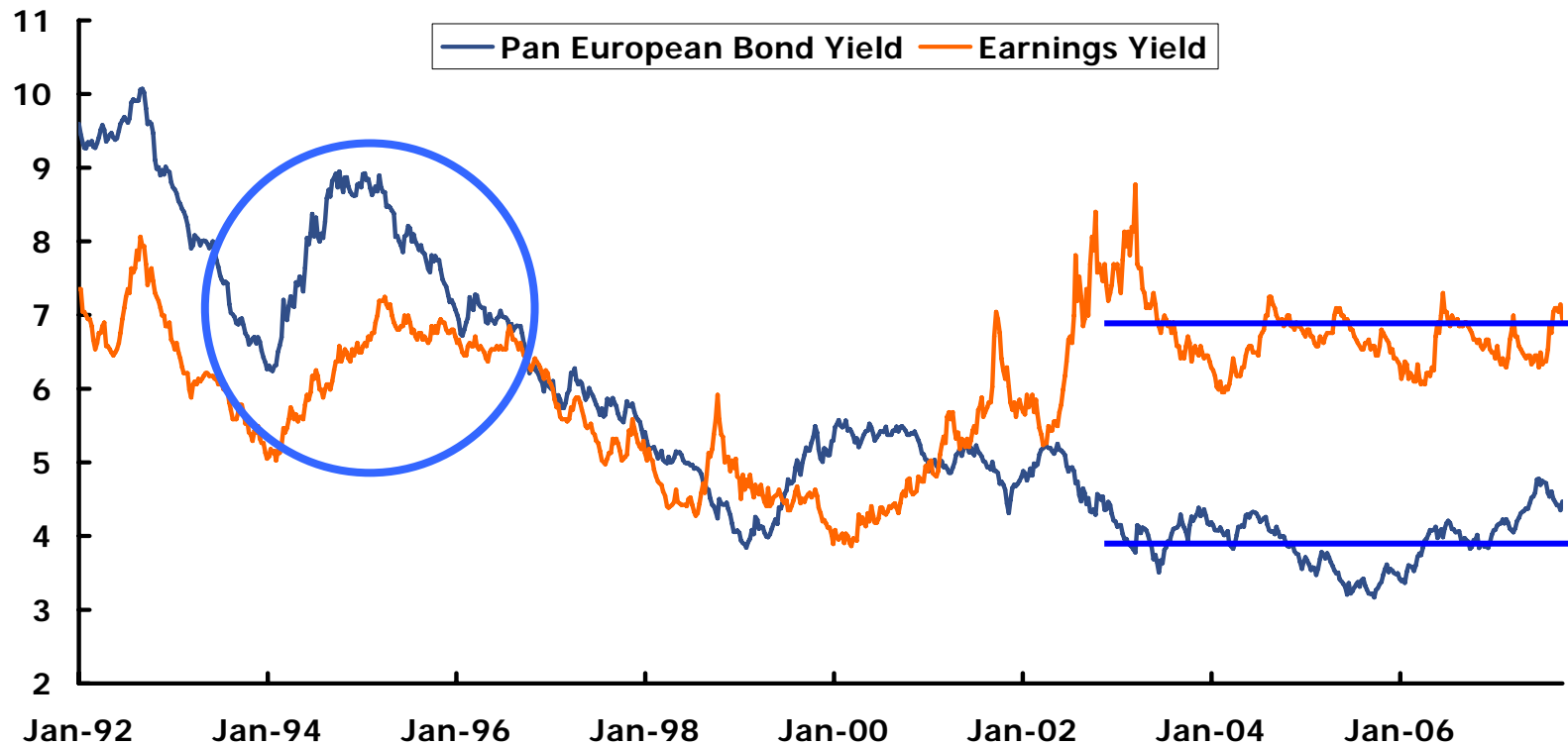


CRH – Earnings yield

- Market Cap of €14.9bn
- Forecast earnings of €1.4bn
- P/E of 10.6x
- Or an earnings yield of 9.4% ($\text{€1.4bn}/\text{€14.9bn}$)

Equity valuations supported by bonds

European Earnings Yields v Bond Yields (%)



But volatility likely to increase..

S&P 500

Days of plus or minus 1%

1997 - 2006
Average

2006

**Year to
date**

77

28

40

Conclusion

- Acknowledge that global growth is moderating
- Investors remain concerned
 - US housing market
 - Rising commodity prices
 - Confidence within banking
- But.....concerns “priced in” and valuations remain reasonable
- Equities remain our asset class of choice

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