

## Q1. Is CORE an Absolute Return Fund?

- It's a good question but fundamentally CORE is not an absolute return fund and these are the reasons why:

**Asset allocation** – 84% of CORE is made up of traditional asset classes which are very familiar to the end investor, they are equities, bonds, property and cash. 16% of CORE uses alternative / absolute return type strategies. We feel this is the right balance for a medium risk fund. An absolute return fund is typically dominated by its alternative allocation. From an asset allocation perspective CORE sits in the middle of the traditional managed fund and an absolute return fund, taking the positive attributes from both strategies into one fund.

**Therefore comparing CORE to a fund which has a very high alternative weighting is not correct.**

**Anchor in a portfolio** – CORE has been designed as the anchor to a portfolio, allowing you to bolt on satellites. This allows you to make the risk of the overall portfolio you build for the client more specific to the clients risk profile.

**Performs very differently at different times** – If you look at the performance of CORE versus the typical managed fund since launch you can see the downside protection the alternative portion provides. However when markets rally the traditional component of CORE takes full advantage of this unlike the typical absolute return fund, please see stats below from MoneyMate. I appreciate this is very short term but it is more an illustration of what would happen during a bull market rally. There have been three short rallies since CORE's launch in May.

Performance Report - 07/05/2010 To: 13/05/2010		Performance Report - 21/05/2010 To: 21/06/2010	
Name	Perf	Name	Perf
Eagle Star Balanced G	2.95%	Irish Life Consensus Life 1 G	4.06%
<b>Irish Life Core Fund Life CRD</b>	<b>2.94%</b>	Eagle Star Balanced G	3.86%
Irish Life Consensus Life 1 G	2.70%	<b>Irish Life Core Fund Life CRD</b>	<b>2.35%</b>
New Ireland Elements S9	1.18%	New Ireland BNYM Global Real Return S9	1.47%
Friends First Magnet Portfolio	0.39%	New Ireland Elements S9	0.79%
SL Synergy GARS	0.17%	SL Synergy GARS	0.25%
New Ireland BNYM Global Real Return S9	0.10%	Friends First Market Neutral Equity	-0.37%
Friends First Market Neutral Equity	-0.04%	Aviva L&P BlackRock Euro Ab Ret Strat	-0.40%
Aviva L&P BlackRock Euro Ab Ret Strat	-0.20%	Friends First Magnet Portfolio	-1.98%

Source: MoneyMate Warning: Past performance is not a reliable guide to future performance



Performance Report - 02/07/2010 To: 13/07/2010	
Name	Perf
Irish Life Consensus Life 1 G	3.64%
Eagle Star Balanced G	3.00%
<b>Irish Life Core Fund Life CRD</b>	<b>2.39%</b>
New Ireland Elements S9	1.40%
SL Synergy GARS	0.91%
New Ireland BNYM Global Real Return S9	0.79%
Aviva L&P BlackRock Euro Ab Ret Strat	0.40%
Friends First Market Neutral Equity	0.04%
Friends First Magnet Portfolio	-0.86%

Source: MoneyMate Warning: Past performance is not a reliable guide to future performance

**Absolute Return Funds (Very much an umbrella term)** – This is really an umbrella term for a whole host of different strategies and funds and to be fair comparing different types of absolute return funds can be like comparing apples and oranges. If you look at the absolute return funds on the Irish market you can see this divide and it is not correct to compare very different strategies from a performance perspective as they do very different things within an investors portfolio. Within the alternative component of CORE we have two very different strategies, a market neutral strategy through our currency and country fund and a managed futures strategy.

**Transparency** – One of the key priorities for CORE was to make sure we keep it as transparent as possible. As the majority of CORE is made up of assets that an investor is familiar with we have really spent alot of time simplifying the alternative message. We have a catalogue of customer focused sales aids which aim to put in plain English what CORE is designed to do and what the alternative component brings to the table. Please see links attached

[http://www.bline.ie/uploadedFiles/bline/Core/core\\_client\\_flyer.pdf](http://www.bline.ie/uploadedFiles/bline/Core/core_client_flyer.pdf)

[http://www.bline.ie/uploadedFiles/bline/Core/core\\_fund\\_two\\_page\\_snapshot.pdf](http://www.bline.ie/uploadedFiles/bline/Core/core_fund_two_page_snapshot.pdf)

**Cost** – Absolute return funds tend to be costly, their management charges reflect the large weighting to the alternative component within the fund. This was another reason why CORE was designed as the anchor of an investors portfolio as it blends traditional and alternative strategies in a very cost effective manner for the investor. CORE is 20bps over the base ILIM fund AMC.



## **Q2. How were the asset allocations of the Core Fund decided on?**

We initially identified assets with low correlations in order to make up the “ingredients” of the Core Fund. These lowly correlated assets provide the diversification in the fund. We looked at global best practice in identifying what asset classes should be included and the use of managed futures by industry leaders bolstered our view that there should be an allocation to managed futures in the Core Fund.

We also took the view that an allocation to equities and bonds is desirable, as these are proven performers in long term portfolios. We then undertook rigorous back-testing of a large number of potential asset allocations in an attempt to identify the best possible risk and reward relationship. We were keen to provide a fund which provides returns similar to the average managed fund but with much lower volatility.

Irish Life Assurance plc is regulated by the Financial Regulator. Information is correct as of 6<sup>th</sup> August 2010

