



Irish Life MAPS

QUARTER 4 (Q4 2014): OCTOBER TO DECEMBER 2014

IRISH LIFE MAPS PERFORMANCE 2014

Irish Life Multi Asset Portfolio (MAPS) enjoyed a very positive first full calendar year in 2014 as the table below shows:

FUND	MAP2	MAP3	MAP4	MAP5	MAP6
2014 PERFORMANCE	5.4%	7.8%	12.2%	14.0%	14.4%

Source MoneyMate. Net performance from 01/01/2014 to 31/12/2014. Net of fund management charge of 0.9% (0.8% for MAP6).

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

While we would always urge caution when looking at fund performance over a one-year period, these numbers are still indicative of why Irish Life MAPS works and how it can benefit clients.

HOW IRISH LIFE MAPS CAN BENEFIT CLIENTS

Irish Life Investment Managers (ILIM) have designed Irish Life MAPS with the aim of making sure that clients' pensions and investments meet their expectations.

This is done by:

- Giving choice through a range of funds available (see page 3 for more details).
- Generating smoother long-term returns by investing in a wide range of "real" assets such as shares, bonds and property (see pages 5-7).
- Managing risk to stay on track using quarterly rebalancing and ILIM's innovative Dynamic Share to Cash (DSC) model (see pages 3-4).
- Delivering peace of mind.

Warning: If you invest in this fund you may lose some or all of the money you invest.

Warning: The value of your investment may go down as well as up.

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

Irish Life MAPS and ILIM's multi asset strategies have already been successful:

- ILIM now manage over €3 billion in multi asset strategies for retail and institutional investors.
- ILIM's expertise was recognised as they were the only company to win two European Pension Awards in 2014 – with the DSC being key to one of them.
- Irish Life's staff pension scheme now uses the multi asset portfolio strategies.



ECONOMIC LOOK-BACK Q4 2014

POSITIVITY AMIDST THE VOLATILITY!

While share returns were positive over quarter 4, 2014, markets were more volatile than in previous quarters although bonds continued to generate steady gains over the three months.

By the middle of October, share markets had lost their gains for the year on fears over a possible global economic slowdown following weak industrial production figures, particularly in Europe and Germany. Markets rebounded quickly however as economic releases generally improved again from late October onwards.



LOW INTEREST RATES MAINTAINED

Central bank policies maintained the current low interest rates partly prompted by falling levels of global inflation. This was a result of the significant fall in oil prices which was driven by supply rather than demand related issues.

- European Central Bank (ECB) – moved closer to additional asset purchases, including sovereign bonds in response to falling inflation levels and those expected for 2015.
- The Bank of England suggested inflation could fall below 1% in 2015 and forecast inflation to be still below its 2% target by the end of 2017, delaying any interest rate increases until late 2015.
- The Bank of Japan (BoJ) increased its target asset buying from Y60-70 trillion a year to Y80 trillion a year.
- Despite expectations that the US Federal Reserve (Fed) will raise interest rates around the middle of 2015, they are still indicating a willingness to be patient regarding any rate decision and slightly reduced its forecasts for inflation and the pace of interest rate rises in coming years.

MARKET PERFORMANCES

Over the quarter, the FTSE World equity benchmark rose +3.0% (+5.0% in Euro terms).

Following stronger than expected economic data, the US rose +4.7% (+9.3% in Euro terms), and Japan performed well (+6.8% (+2.0% in Euro terms)) helped by the BoJ programme mentioned above and the announcement that the Japanese Government Pension Investment Fund, the world's largest pension fund, plans to double its share holdings.

On the other hand, the UK underperformed, falling -0.2% (+0.2% in Euro terms). It was impacted by the market's high weighting in energy and resource-related stocks and increasing political uncertainty ahead of May's UK General Election. Emerging markets also lagged, rising just +0.1% (-0.2% in Euro terms). A number of factors were at play here: slower Chinese economic data, weaker oil prices, a stronger US dollar and general downgrading of growth forecasts in emerging markets.

BONDS, CURRENCY AND COMMODITIES

Long-term (greater than 5 years) Eurozone bonds rose 4.5%, with German 10-year yields falling to all time historic lows of 0.53% as a result of the low inflation and the speculation over the ECB asset purchases in 2015.

These speculations and the ending of asset purchases by the US Fed caused the Euro to fall to 1.21 against the dollar, its lowest in nearly 5 years.

Commodities fell significantly over the quarter, down -27.7% (-24.5% in Euro terms), primarily as a result of falling oil prices as supply continued to exceed demand.

IRISH LIFE MAPS ASSET SPLIT

There are five Irish Life MAPS funds to suit different attitudes to risk. The table below shows the strategic asset mix for each of the funds. As you can see the lower risk fund Multi Asset Portfolio 2 (MAP2) has a very high percentage in bonds in cash, which are traditionally less volatile assets. The higher risk fund MAP6 is predominantly invested in shares, which are traditionally more volatile than bonds or cash but have, in the past, given better long-term returns.

FUND NAME	MAP2	MAP3	MAP4	MAP5	MAP6
Bonds	42%	30%	15%	0%	0%
External Managers / Alternatives	20%	20%	20%	15%	5%
Property	3%	5%	5%	7.5%	5%
Emerging Market Shares	0%	2.5%	5%	12.5%	35%
Low Volatility Shares	10%	15%	20%	15%	5%
Developed Market Shares	7%	17.5%	35%	50%	50%
Cash	18%	10%	0%	0%	0%

The table shows the strategic asset mix and ILIM rebalance back to this mix on a quarterly basis. For the latest Irish Life MAPS fund mixes, see the factsheet at www.irishlife.ie.

ILIM will continue to monitor and review these assets and may change them over time.

DYNAMIC SHARE TO CASH MODEL



Each Irish Life MAPS 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 Irish Life MAPS fund to invest in Developed Market Shares and how much to invest in cash. ILIM will regularly monitor and review these factors.

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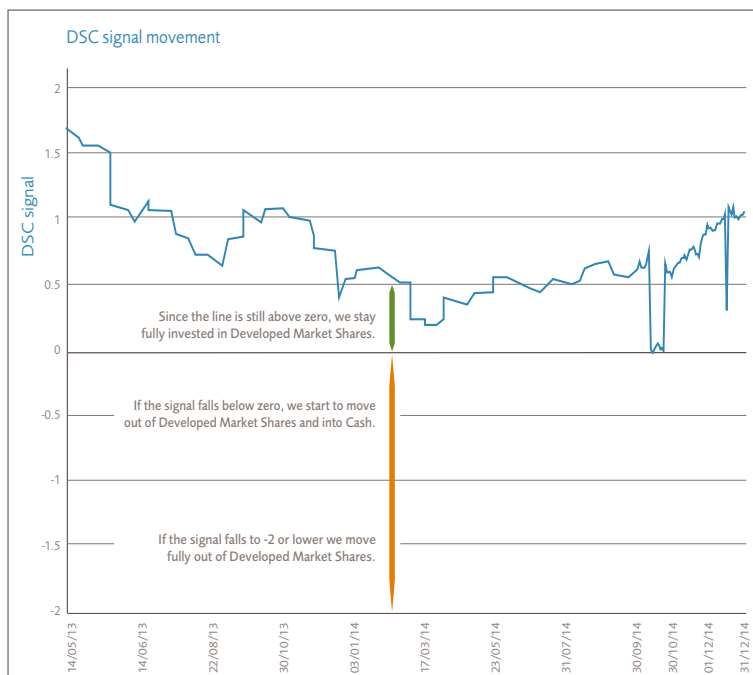
DSC SIGNAL EXPLAINED

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 Irish Life 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 Irish Life MAPS funds. The more markets fall, the more negative the signal number becomes and the more we move out of Developed Market Shares.

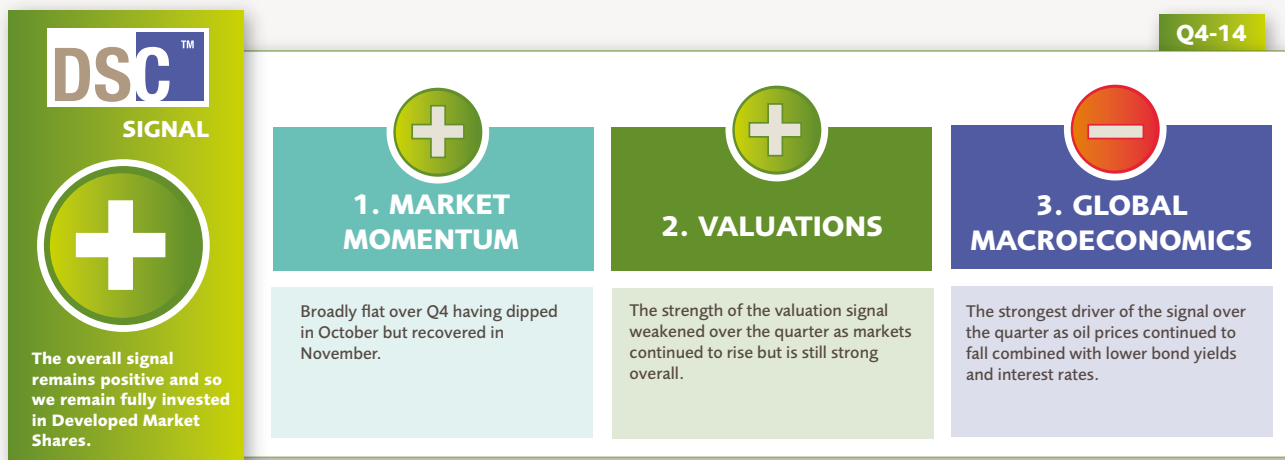
If the signal number reaches -2, the allocation to Developed Market Shares is zero.



The graph shows how the DSC signal has moved since Irish Life MAPS launched in May 2013. As the graph shows the signal remained fairly steady over 2014 until a sharp fall in October, due to market momentum factors. However, these factors corrected into November and the signal finished the quarter at its highest level since October 2013. This means that each of the Irish Life MAPS funds holds their maximum allocation in Developed Market Shares. To see this allocation, see the latest fund factsheets on www.irishlife.ie.

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UPDATE FOR QUARTER 4 2014



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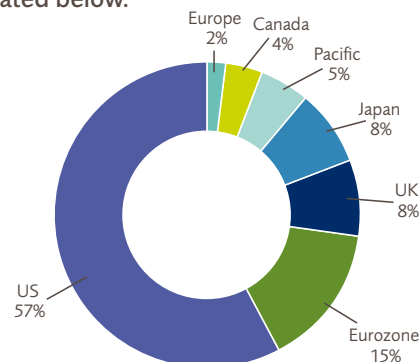
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1 Shares

DEVELOPED MARKET SHARES

- ILIM track the performance of the MSCI World Index created by Morgan Stanley Capital International to provide exposure to Developed Market Shares.
- The index consists of 1,615 individual companies which operate in 10 different sectors.
- We use the DSC model (explained on page 3) 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.
- For the percentage of Developed Market Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

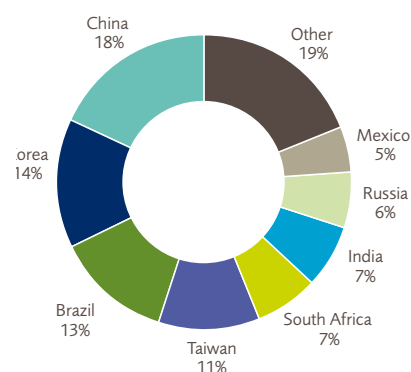
The geographic split of the index is illustrated below.



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.
- For the percentage of Emerging Market Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

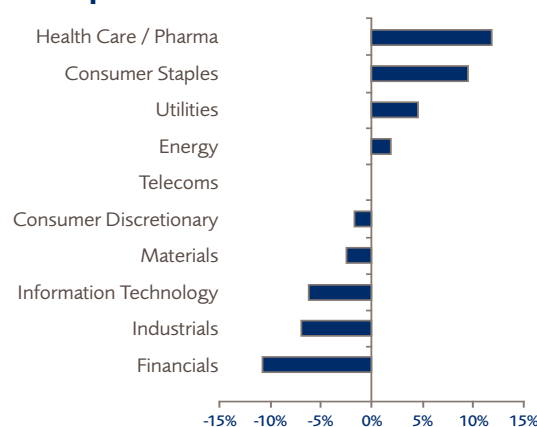
The geographic split of the index is illustrated below.



LOW VOLATILITY SHARES

- Using a detailed, quantitative strategy, ILIM choose stocks from the MSCI World Index which not only have shown lower volatility in the past but which are also screened for other indicators such as value, for example.
- ILIM choose around 150 stocks to make up their Low Volatility Shares fund.
- For the percentage of Low Volatility Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

Low Volatility Shares weight compared to MSCI World Index



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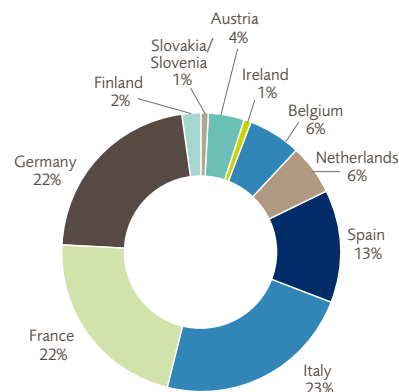
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2 Bonds

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 Irish Life MAPS fund, the duration of the bonds chosen is at the discretion of ILIM.

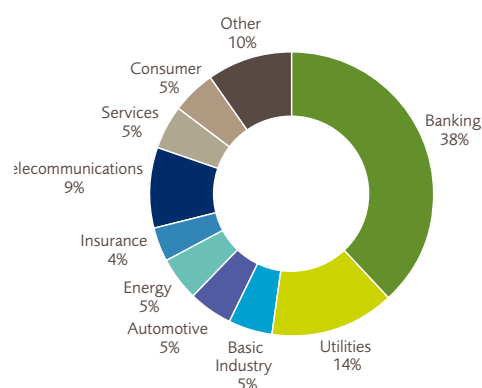
The geographic split of the Merrill Lynch 1-5yr Index is illustrated below.



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 Irish Life MAPS fund, the particular index tracked is at the discretion of ILIM.

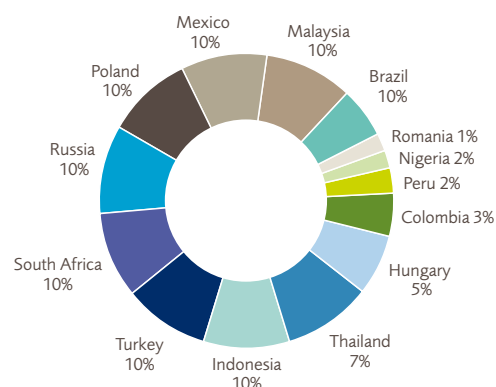
The sector split of the Merrill Lynch EMU Large Cap Corporate Index is illustrated below.



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 Irish Life MAPS fund, the particular index tracked is at the discretion of ILIM.

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 Irish Life MAPS funds and have an active pipeline of external managers they monitor on an on-going basis. Irish Life MAPS currently have four leading global real and absolute return managers making up its exposure to alternative strategies. The percentage allocated to External Managers / Alternatives varies for each Irish Life MAPS fund and the latest factsheet on www.irishlife.ie will show this percentage.

Within this percentage, the target split across the four managers is shown below as well as details of the managers themselves and the fund we invest in.

ILIM actively look for managers that can bring diverse performance at the right price. They monitor this performance on an ongoing basis and may choose to change the allocation to external managers or the target allocation within the External Manager allocation. They may also choose to replace, add or remove External Managers as opportunities arise and market conditions change.

Manager	Assets Managed	Fund Type	Target Split
GMO <small>Source: www.gmo.com</small>	\$120 billion <ul style="list-style-type: none"> • Morningstar award winning equity team 	Global Real Return Fund	60%
BLACKROCK <small>Source: www.blackrock.com</small>	€4.32 trillion <ul style="list-style-type: none"> • World's largest asset manager 	Absolute Return Bond Fund	15%
PIMCO <small>Source: www.pimco.com</small>	\$1.68 trillion <ul style="list-style-type: none"> • One of the world's largest bond funds 	Unconstrained Bond Fund	10%
AMUNDI <small>ASSET MANAGEMENT</small> <small>Source: www.amundi.com</small>	€844 billion <ul style="list-style-type: none"> • Number 1 European Asset Manager 	Volatility Trading Fund	15%

Date: January 2015

4 Property

Each Irish Life MAPS fund now has an allocation to property. Currently this allocation consists of a mix of commercial, retail and industrial property in Ireland. For the percentage of each fund invested in property see the factsheet on www.irishlife.ie.

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ILIM'S CREDENTIALS

ILIM have designed the Irish Life MAPS funds. They have also developed and tested the DSC model and will expertly manage it over time.

ILIM currently take care of over €40 billion of assets for thousands of people across Ireland, including private investors and leading Irish and international companies. By investing in one of these funds through an Irish Life pension, savings or investment plan you will benefit from their experience and expertise.

IRISH LIFE MAPS:

- > Choice through a range of funds
- > Generating smoother, long-term returns
- > Managing risk to stay on track
- > Delivering peace of mind
- > Available across our pension, investment and savings plans.

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**For more details please see www.irishlife.ie/investments
or contact your financial broker or financial adviser.**

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Irish Life Assurance plc is regulated by the Central Bank of Ireland.