

Essential Investing



ILIM Diversified Alternative Funds



Building Appropriate Investment
Solutions for Irish Pension Funds



Irish Life
Investment Managers



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Investment Managers

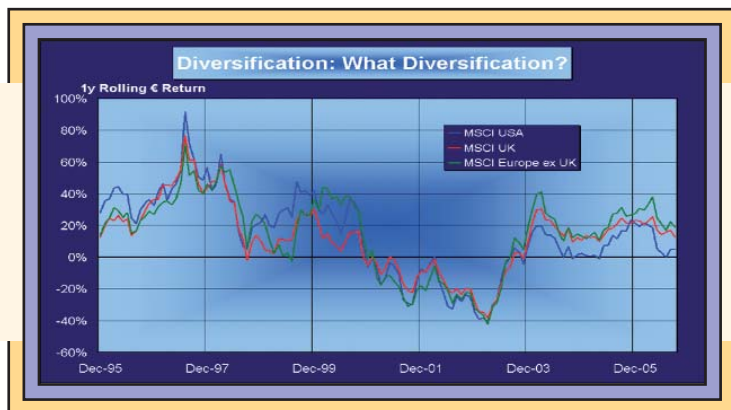
Introduction

Irish Life Investment Managers (ILIM), the multi-award winning investment arm of Irish Life & Permanent plc, manages assets in excess of €34 billion, on behalf of both domestic and international clients. Focusing on product innovation and consistently best in class performance, ILIM is the largest manager of Irish pension fund assets.

The rationale for further diversification

As traditional equity markets in the developed regions have matured (due to globalisation, more open economies, broader real time information flows and developments in analytical tools) Irish pension schemes have seen a much closer correlation in the performance of the regional equities typically held within their portfolios.

The graph below illustrates how closely regional equity markets have behaved since 1995.



Given that typical asset allocations towards equities extend beyond 70% (with regional allocations predominantly invested in developed markets) advanced trustees are now trending towards alternative asset classes due to their positive diversification and performance characteristics.

Accounting & Funding Standard Impact

The increased importance of contribution and solvency volatility on corporate balance sheets and profit & loss accounts (as determined by accounting and regulatory funding standards) is generally driving a diversification and de-risking agenda.

The tightening of correlations between regional equity markets has increased the volatility of pension fund returns thus threatening the objectives of trustees and sponsoring employers alike in satisfying these more rigorous accounting & regulatory funding standards and in improving the predictability of pension contribution demands.

ILIM Commitment

At ILIM we remain committed to continuing the innovative research necessary to develop new alternative funds for our clients and to incorporating these ideas in our diversified balanced funds.

Currently, we are assessing additional opportunities in Infrastructure, Private Equity, Forestry and Absolute Returns.

Ultimately ILIM is committed to market leadership through recognition of client needs and through the development and provision of the most appropriate investment solutions for all our customers.

Contact Details

For further details on any of the above funds or for assistance in building your own scheme specific mixture of alternative asset classes or investment solutions please contact:

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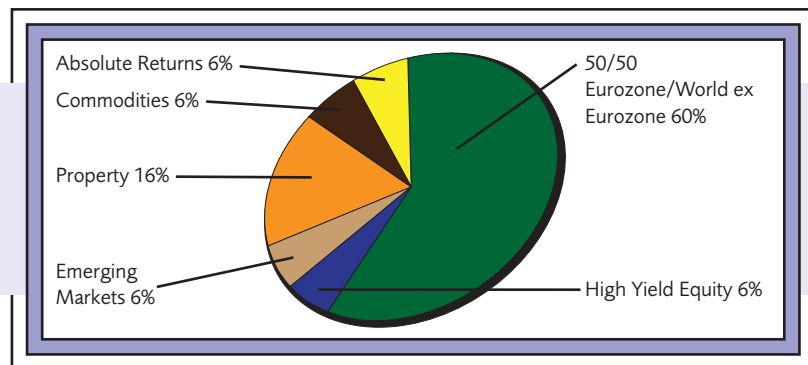
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Note: Calls may be recorded.

*Past performance may not be a reliable guide to future performance.
Investments may fall as well as rise.*

ILIM Balanced Alternative Funds

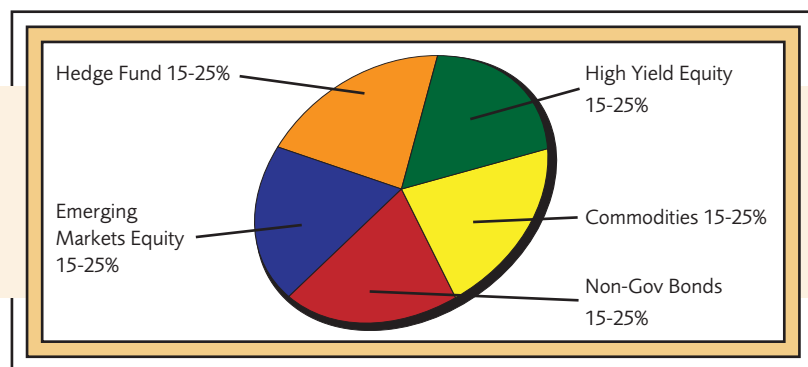
The **Irish Life Diversified Growth Fund** is a fund which combines a 60% allocation to indexed regional equities with a 40% allocation to alternative asset classes. The fund is designed to produce a higher level of expected return than a standard balanced fund but lower volatility relative to an all equity based fund.



The fund is particularly suited to defined contribution members targeting stronger long term returns and for defined benefit schemes with specific return objectives but seeking to manage volatility in returns.

The **Irish Life Diversified Alternatives Fund** is a fund which exclusively holds alternative asset classes with allocation between those asset classes undertaken in a balanced fashion.

The fund is designed to be placed alongside the traditional regional equity and balanced managed allocations of defined benefit schemes in order to reduce overall volatility.



The fund recognises the desire amongst sponsoring employers and trustees to reduce risk and volatility in their return profile consequent upon more onerous accounting and funding standards.

Reducing Volatility and Risk

Greater diversification across asset classes will reduce the increased volatility associated with a tightening of the correlations between concentrated regional equity allocations currently evident in typical pension portfolios.

Exposure to alternative asset classes such as Emerging Market Equities, Small Cap Equities, High Yield Equities, Private Equity, Commodities, Absolute Return and some hedge fund strategies can be targeted to satisfy specific long term return objectives.

Research indicates that a basket of alternative asset classes displays significantly lower volatility than a basket of developed regional equities due to the greater diversification within the basket of alternatives.

Based upon sample experience from January 1999 to June 2007 a typical regional equity basket illustrated > 50% excess volatility over a selected basket of alternatives.

Traditional Barriers to Entry

Historically, access to such alternative classes has been the restricted preserve of large investors with sufficient governance budgets and structures to manage their allocation on an ongoing basis.

At an individual scheme level this requires considerable time and skill in order to correctly identify and manage the selection of:

- the Alternative Asset classes of choice to allocate towards;
- the preferred manager(s) of choice within each class; and,
- the re-balancing and replacement of respective allocations and managers.

Active out-performance and skill in these areas is difficult to identify and those managers who are open to accepting contributions typically restrict access to > €20m allocations with complex legal and fee structures attaching.

ILIM Solutions

Irish Life Investment Managers has developed a range of indexed alternative funds in a variety of asset classes (unitised to facilitate liquidity and efficiency). We have made these available, together with bundled alternative funds, to meet the needs of our clients and satisfy the diversification agenda.

Our world class credentials in passive management assists trustees in avoiding manager and stock selection risk and ensures that trustees get full market return at an efficient cost without fear of disappointment.

Individual Alternative Funds

Indexed High Yield Equity Fund

The Irish Life Indexed High Yield Equity Fund is designed to give exposure to high yielding equities through the Dow Jones Stoxx Select (high yield) indices.

Indexed Emerging Markets Fund

The Irish Life Indexed Emerging Market Fund is benchmarked against the MSCI Emerging Markets Index. The fund is designed to give exposure to global Emerging Markets in an efficient and cost effective manner.

Indexed Commodities Fund

The Irish Life Commodity Fund is a fund whose assets are invested in Commodity related exchange traded funds. The Fund targets a return of 50% Goldman Sachs Commodity Total Return Index and 50% Goldman Sachs Non-Energy Total Return Index.

Indexed Corporate Bonds Fund

The Irish Life Indexed Corporate Bond Fund is designed to give exposure to European Corporate Bonds by tracking the Merrill Lynch EMU Large Cap Non-Sovereign Index. This index reflects large issue euro-denominated investment grade public debt of Corporate, Quasi-Government and Sovereign issuers (other than that of euro sovereign issuers).

Active Fund of Hedge Funds

RMF Top Twenty II EUR invests with 20 hedge fund managers across five different fund styles (managed futures, relative value, event driven, global macro and equity hedged). Consequently, the portfolio is well diversified and investment risks are carefully spread over 20 different organisations, asset classes and investment strategies. RMF Investment Management is a member of the Man Group of companies.

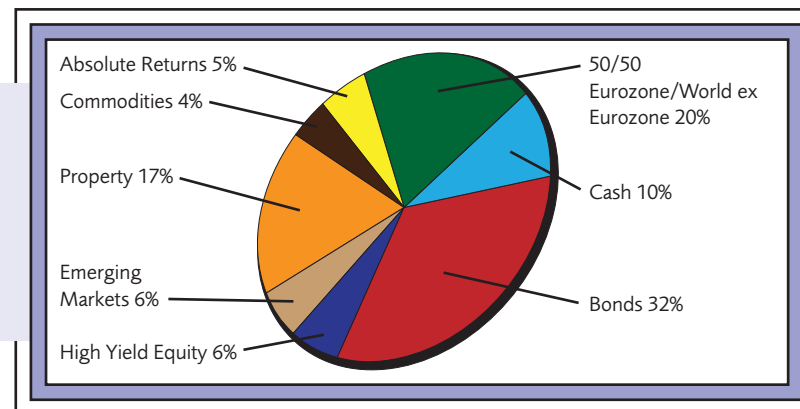
ILIM Balanced Alternative Funds

Constructing bundled solutions

Using the building blocks of the aforementioned alternative funds and our traditional indexed equity and bonds funds ILIM have developed a series of "new balanced" funds for our institutional clients.

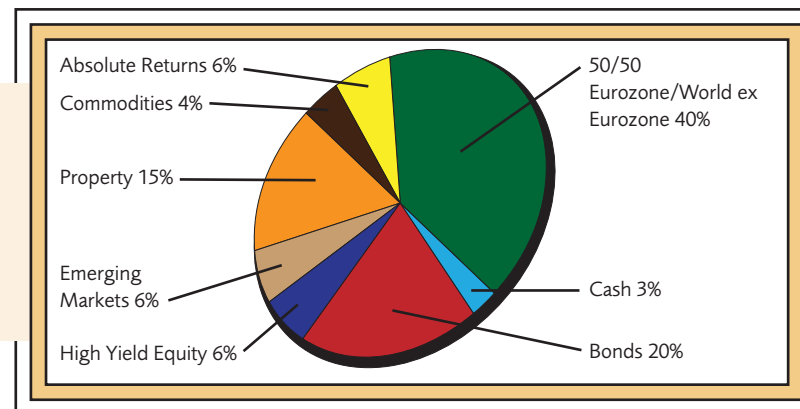
ILIM Balanced Alternative Funds

The Irish Life Diversified Cautious Fund is a fund which combines a 30% allocation to bonds, a 20% allocation to indexed regional equities, a 10% allocation to cash with a 40% allocation to alternative asset classes. The fund is a low risk portfolio of assets designed to produce a lower level of expected return relative to a standard balanced fund with low levels of volatility.



The fund is particularly suited to defined contribution members as they approach retirement age and trustees seeking to preserve capital while remaining exposed to market return.

The Irish Life Diversified Balanced Fund is a fund which combines a 40% allocation to indexed regional equities and 20% to indexed bonds with a 40% allocation to alternative asset classes. The fund is designed to produce a mid-range level of expected return with reduced levels of volatility.



The fund is particularly suited to defined contribution members with a moderate risk appetite and defined benefit schemes with specific return objectives but seeking to manage volatility in returns.