

Diversified Alternative Fund

Information is correct as at the 31st December 2011

How the Fund Works

The ILIM Diversified Alternatives Fund invests in a diversified selection of alternative asset classes, in an indexed manner where possible. The Fund has been designed to provide clients with an efficient, cost effective, liquid exposure to a broad range of alternative asset classes with the aim of capturing both the return potential available from alternative asset classes and the diversification benefits inherent in a broad portfolio of alternative asset classes.

Investment Objective

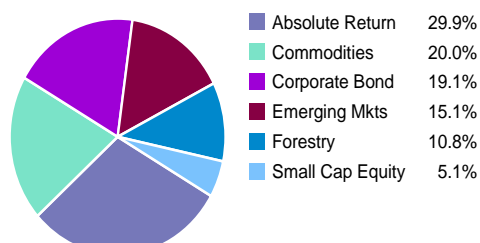
This Fund is designed to offer equity-like return characteristics from a diverse range of alternative asset classes over the long term at a lower volatility than traditional equity market investment by capturing the return potential available from a diversified portfolio of alternative asset classes. The Fund provides clients with access to the diversification benefits inherent in a disparate range of alternative asset classes to supplement a traditional investment strategy. Typically, clients invest in ILIM's Diversified Alternatives Fund to capture the return potential and diversification benefits of alternative asset classes alongside an existing exposure to traditional asset classes.

How the Fund Operates

The fund invests in a diverse range of alternative asset classes and currently includes; Absolute Return Funds, Emerging Market Equities, Forestry, Commodities, Corporate Bonds and Small Cap Equities.

- The Emerging Market Equities track the performance of the MSCI Emerging Markets Index
- The Commodity investment tracks the Goldman Sachs Commodity and Commodity Non Energy Index
- The Forestry Fund invests in the Irish Pension Forestry Unit Trust
- The Absolute Return Fund tracks the performance of the Irish Life Absolute Alpha Fund.
- The Corporate Bonds tracks the performance of the Merrill Lynch EMU Large Cap Non-Sovereign Index.

Asset Distribution



Performance

Period	Return	Benchmark
1 Year	-3.88%	-2.65%
3 Year p.a	6.84%	7.95%

Returns are quoted net of fees. The annual management charge is 0.55%. There is no Bid/Offer Spread.

Market Commentary

The fourth quarter of 2011 saw two critical EU Summits, the appointment of two technocratic governments in Italy and Greece, and the change of the leader in both the ECB and the Spanish government. Nevertheless the crisis continues to linger and the immediate problem of what the impact of Italy refinancing over €350bln of debt at a yield of close to 7% will have on its debt dynamics continues to weigh on sentiment. Risk appetite swung during the quarter with expectations as to whether EU leaders would deal with the crisis. Equity markets traded higher in October and December but gave back some of these gains in November. The EU summit at the end of October resulted in increased confidence that a final resolution to the crisis was agreed. However the optimism about this resolution soon waned particularly after markets soon digested that the 50% haircut that Greek private bondholders were asked to take put a credit risk on Eurozone government bonds. The ECB announced a number of unconventional methods of supporting the banking system, however markets were somewhat disappointed by President Draghi refraining from announcing a bond purchasing programme.

Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. The performance of contributions in any given year will depend on both the frequency and the duration of the contributions. This fund may be affected by changes in currency exchange rates. Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. If you invest in this fund you may lose some or all of the money you invest.



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