

Diversified Cautious Fund

Information is correct as at the 31st December 2011

How the Fund Works

The Irish Life Diversified Cautious Fund is a fund which combines indexed equities with alternative asset classes and bonds to produce a fund with modest level of expected returns with low level volatility.

Fund Rationale

Traditionally, when seeking a lower risk fund than a managed fund members have invested in bond funds. The Diversified Cautious Fund seeks to limit volatility by including a 30% exposure to bonds, including indexed inflation-linked bonds, and an allocation to cash and an absolute return fund combined with alternative asset classes and indexed equities in order to produce a modest rate of return.

Investment Objective

The fund is designed to generate modest returns with very low levels of volatility. The fund is suitable for members who wish to maintain a small exposure to the equity markets while limiting volatility.

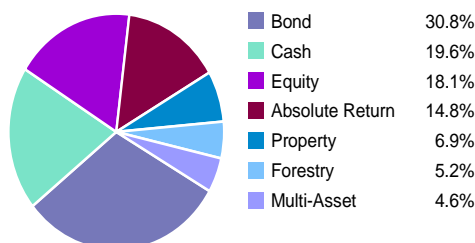
How the Fund Operates

The fund combines a traditional indexed equity fund with bonds and cash and the following alternative funds:

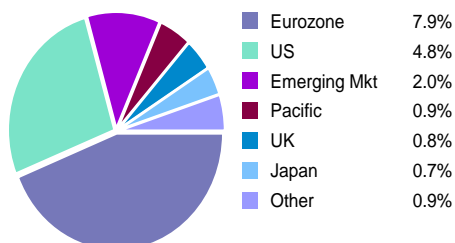
Corporate Bonds, Emerging Market Equities, Commodities, Property (UK and European), Forestry Fund, Absolute Return and Small Cap Equities.

Thus, investors get exposure to both traditional equities managed on an indexed basis and alternative funds. The fund combines a number of alternative asset classes, which have low correlations with each other. It is anticipated that the inclusion of the alternative asset classes and inflation linked bonds will produce consistent modest returns with low volatility.

Asset Distribution



Equity Distribution



Performance

| Period | Return | Benchmark |
|------------|--------|-----------|
| 1 Year | -1.77% | -1.62% |
| 3 Year p.a | 2.19% | 2.38% |

Returns are quoted net of fees. The annual management charge is 0.3%. 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.

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.



Irish Life
Investment Managers