

# Fixed Interest Fund

Information is correct as at the 31st December 2011

## How the Fund Works

This is an actively managed unitised fixed interest fund, designed to deliver above average fixed interest returns in a consistent fashion. Its objective is to provide reasonable long-term returns with low capital risk.

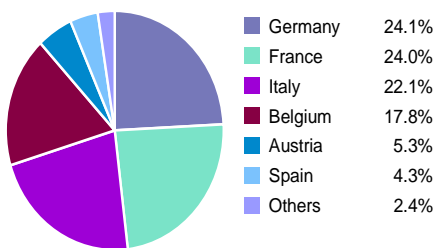
### Investment Objective

The objective of the Pension Fixed Interest Fund is to provide reasonable long-term returns with low capital risk. The fund is designed to achieve above average fixed interest returns on a consistent basis. Its objective is to outperform the Merrill Lynch EMU Government > 5 Year Index.

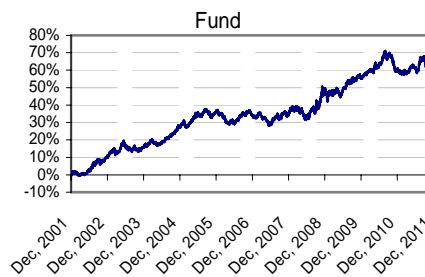
### How the Fund Operates

The assets of this fund are primarily invested in Government Bonds (gilts) and other fixed interest securities in the Eurozone and overseas. For Non - Government bonds the fund invests only in high quality issues with a minimum credit rating of AA. Non Euro bonds may at any time account for up to 20% of the fund.

## Country Distribution



## Performance



Year	Fixed Interest Fund	ML EuroZone > 5Yr
2011	3.4%	3.9%
1 Year	3.4%	3.9%
3 Year %p.a.	3.4%	2.9%
5 Year %p.a.	4.3%	3.9%
10 Year %p.a.	5.1%	5.2%

Returns are quoted net of fees. The annual management charge is 0.25%. The bid/offer spread is 1.5%.

## Market Commentary

Eurozone Government bonds had one of the most volatile quarters in their history. During the first half of the quarter bond markets became increasingly worried about the future of the Eurozone as the crisis spread from the smaller countries to the larger ones. 10 year Italian bond yields reached 7% a level seen as unsustainable, while French Government bond spreads over Germany widened substantially. Even Germany was not unaffected by the crisis as the auction of the new 10-year Bund was well undersubscribed. EU Governments tried to stem the crisis with a summit in November. However, the effect from this summit was short lived when the Greek Prime minister Papandreou called for a referendum on Greece's future in the Eurozone. Following further internal discussions in Greece he was replaced with former ECB vice president Papademos to restore European confidence in Greece's commitment to the Euro.

It took a second EU summit in December to restore some calm for markets. Eurozone Governments reaffirmed the €440bn EFSF fund and declared that €200bn would be made available for the IMF. However, the summit's success was overshadowed by the UK's veto, which will not allow for a new and stronger EU treaty, but instead the remaining countries had to resort to bilateral agreements. EU bond markets were also supported by the new 3 year ECB tender for banks, which received a take up of €489bn by Eurozone banks. With banks investing part of this money into Government bonds the market received a welcome boost. The uncertainty about the future of the Eurozone took its toll on the real economy with leading indicators moving into contraction territory over the quarter. As a result the ECB cut interest rates to 1% despite inflation remaining stubbornly high at 3% for most of the quarter.

**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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