

Irish Life Duration Buckets

How the Fund Works

In keeping with our ongoing commitment to innovation ILIM has launched a set of unit-linked bond funds that offer an ultra-long real or nominal yield hedge. Clients can choose an appropriate mix to match the duration of pension liabilities.

Investment Objective

To extend the duration of liability matching assets to better match liabilities and alleviate interest rate and inflation rate risk.

A small proportion of the assets in a typical Irish DB scheme actually hedge against the behaviour of liabilities. Accounting and funding standards are driving risk aversion to solvency and contribution rate volatility, particularly at corporate and trustee level.

Duration buckets hold zero coupon bonds of appropriate duration which enable client specific liability matching and risk management.

Availability of ultra-long duration bonds

ILIM have set up unit-linked funds to cover a nominal interest rate hedge to January 2012 (5y), 2017 (10y), 2022 (15y), 2027 (20y), 2032 (25y), 2037 (30y) and 2055 (48y).

For inflation linked hedge ILIM has set up 5 funds linked to Eurozone HICP ex Tobacco specifically targeting durations beyond what is available in the cash markets. Our current suite covers: January 2027 (20y), 2032 (25y), 2037 (30y), 2047 (40y) and 2057 (50y).

ILIM's Nominal Bond Buckets consist simply of "Principal Strips" of Eurozone Government & Agency bonds and bespoke bonds issued by super high-grade issuers, e.g. EIB, for ILIM.

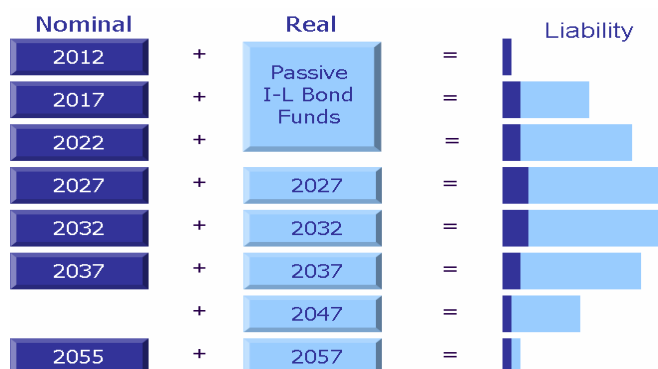
Each bond will be wrapped up as a separate Unit Fund, available to Pension clients. Client holds set of unit-linked funds that offer appropriate real or nominal duration.... mix chosen to match duration, reviewed regularly.

Buckets hold zero coupon bonds of appropriate duration

Advantages of the ILIM Long Duration Bond Buckets as your LDI solution

- Simplicity – Liquidity – Security - Avoids direct SWAP related concerns:

- Counterparty and swap spread risk
- Administrative and legal costs
- Collateral risk



Warning: Past performance may not be a reliable guide to future performance. Investments may fall as well as rise in value. The performance of contributions in any given year will depend on both the frequency and the duration of the contributions. Income may fluctuate in accordance with the market conditions and taxation arrangements. Changes in currency exchange rates may have an adverse effect on the value, price or income of the product.



Irish Life
Investment Managers