Passive Long Bond Fund

Information is correct as at the 31st December 2011

How the Fund Works

This is a passively managed unitised Fixed Interest Fund, which aims to allow the trustees of a fund with mature pensioner or deferred pensioner liabilities to better match fund liabilities.

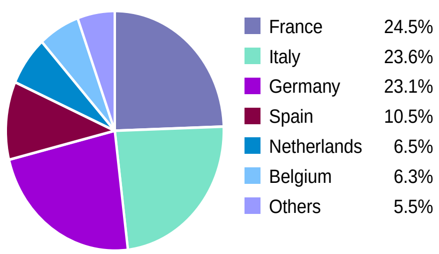
Investment Objective

Historically, pension funds with mature or deferred pension liabilities have tried to match these by allocating some of the fund assets into a general Fixed Interest Fund.

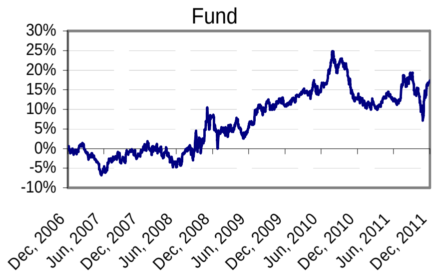
However, the duration of these funds are shorter than the liabilities faced by a typical pension fund. Given the long duration of the liabilities, it is more efficient to match them with longer dated assets and the Irish Life Passive Long Bond Fund fulfils this requirement. The yields on the Fund assets will better match the discount rates for the liabilities and as such provide protection against adverse market moves in the long-term.

The fund's objective is therefore to perform in line with the Merrill Lynch EMU Government >10 year index.

Country Distribution



Performance



Year	Passive Long Bond Fund	ML EuroZone > 10Yr
1 Year	4.3%	4.2%
3 Year %p.a.	2.8%	2.9%
5 Year %p.a.	3.3%	3.4%

Returns are quoted net of fees. The annual management charge is 0.2%.There is no Bid/Offer Spread.

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.

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 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.

Irish Life Investment Managers