

Indexed European Gilts Fund

Information is correct as at the 31st December 2011

Volatility/Risk

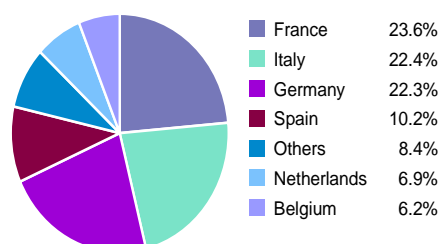


How the Fund Works

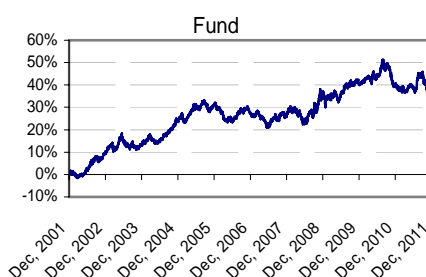
The idea behind indexed fund management is to consistently perform in line with the agreed benchmark index, in this case the **Merrill Lynch EMU Government >5 years**. We do this by either investing in the same bonds as that of the index or holding bonds that will perform in line with the index. This strategy allows investors to remove the risk of poor manager selection risk.

The return of this fund since launch (22nd June 2001) is 3.76%p.a.

Country Distribution



Performance



Year	European Gilts Fund	ML EuroZone > 5Yr
2011	2.5%	3.9%
3 Year %p.a.	1.5%	2.9%
5 Year %p.a.	2.4%	3.9%
10 Year %p.a.	3.6%	5.2%

The figures quoted are before tax and after management charges. Source: Irish Life.

Market Commentary

Eurozone Government bonds had another volatile month. Overall 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 the bulk of this money into Government bonds the market received a welcome boost. The Merrill Lynch Eurozone >5 year index recovered 5.29% in December which helped the full year return to a respectable 3.9%.

As the month progressed liquidity in the bond markets started to decline. Daily turnovers in the futures markets declined by 50% and liquidity in the peripheral bond markets reduced strongly. Irish bond volumes collapsed from about €400m per day to as low as €20m. Most liquidity came in the primary issuance where Italy managed to issue about €7bn in new bonds on the second last trading day of the year. With strong new issuance starting in January bond markets will be put to the test early in the new year.

Warning: The value of your investment may go down as well as up. This fund may be affected by changes in currency exchange rates. Past performance is not a reliable guide to future performance.



Irish Life
Investment Managers