

Diversified Cautious Fund

Information is correct as at the 31st July 2010

Volatility/Risk



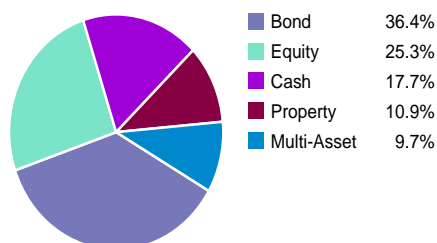
How the Fund Works

The Diversified Cautious Fund reduces risk by investing in a large range of assets including shares, property, bonds, cash, commodities and hedge funds.

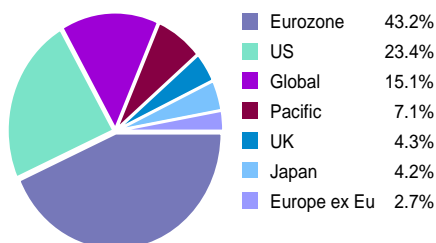
The Diversified Cautious Fund aims to achieve moderate returns with the possibility of limited ups and downs along the way. This is due to being less exposed to higher risk asset classes such as shares and hedge funds. This fund gives exposure to both index-linked and actively managed types of assets. The Diversified Cautious Fund is suitable for you if you want to keep a small amount invested in equity markets while reducing the possibility for ups and downs.

The return of this fund since launch (27th April 2009) is 8.02%p.a.

Asset Distribution



Equity Distribution



Performance

Period	Return
Last Mth	1.47%
Qtr to date	1.47%
YTD	2.42%
1 Year	5.35% p.a.

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

Market Commentary

The sell off in risky assets in the second quarter was somewhat reversed in July as equities, corporate bonds, peripheral government bonds, and commodities all made gains. Likewise asset classes such as the US Dollar and AAA government bonds that had benefited from the recent flight to quality reversed some of their gains. The earnings season as well as a flurry of news from the banking sector helped risk appetite to recover. Despite this, economic data remained mixed and continued to reinforce views that the recovery will be lacklustre. The second quarter earning season in the US was stronger than expected as companies' earnings and revenues surprised to the upside. The results continued to indicate that the economic recovery is in place as much of the cyclical sectors such as the material, industrials and consumer discretionary outperformed. As a result, expectations for earnings growth for the second half of 2010 are increasing. However the guidance for 2011 earnings was more cautious and was revised modestly lower.

The markets also responded to the results of the European banks stress tests, whereby it was announced that seven of the ninety one banks that were tested did not pass and will therefore require additional capital. Both Bank of Ireland and AIB passed the stress tests. This improved transparency for the banking sector in the region helped peripheral bond markets to outperform.

The economic picture remained mixed. The International Monetary Fund did raise its projection for global growth for 2010 and 2011 but also acknowledge the increased risks and uncertainties surrounding the sovereign and financial sectors in the Eurozone could spread widely and pose a threat to the economic outlook.

In Stock News

Microsoft, the worlds largest software company rose 13% after posting its biggest sales gains in several years due to strong product cycles.

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