

Indexed European Equity Fund

Information is correct as at the 31st July 2010

Volatility/Risk

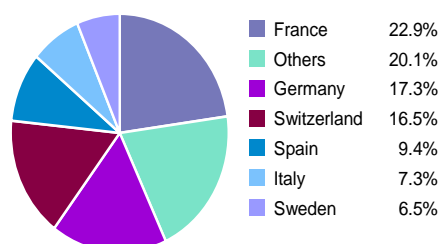


How the Fund Works

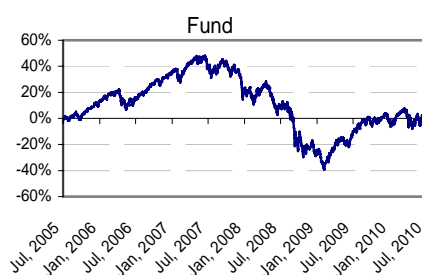
The aim of indexed European Equity funds is to consistently perform in line with the agreed benchmark index, in this case the **FTSE Europe ex UK** index. We achieve this by either investing in the same assets as those of the index or holding assets that will perform in line with the index. This will remove the risk of poor share choice. It is suitable for investors who will accept the ups and downs that come with investing completely in shares in order to improve potential return.

The return of this fund since launch (31st March 2003) is 8.13%p.a.

Country Distribution



Performance



Year	European Equity Fund	FT Europe Ex UK
2010 YTD	0.4%	1.4%
1 Year	13.3%	15.0%
3 Year %p.a.	-10.2%	-9.1%
5 Year %p.a.	0.4%	1.8%

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

Market Commentary

Sentiment towards the Eurozone improved in July. Sovereign debt concerns have eased somewhat as progress reports by some of the affected countries, such as Spain, Ireland and Greece, showed that the austerity measures taken by these countries are on track. Separately the results of the stress tests also help sentiment as the capital raising that has been completed by many of the Eurozone banks has been adequate as only seven of the ninety one banks tested require additional capital. The economic data was also robust during the month, particularly from Germany. Industrial production rose 2.7% in May, well ahead of expectations, while manufacturing production had the strongest annual gain in almost two decades. Germany has recorded a greater improvement in export orders, capacity utilization, labour market and consumer confidence than the average for the rest of the Eurozone. Nevertheless the domestic market is likely to be constrained in the coming quarters by the fiscal tightening that is taking place in the region. The external exports may also slow as the Euro recovers from the reversal in the negative sentiment caused by the sovereign debt crisis.

The ECB left interest rates unchanged and slowed the purchasing of peripheral government bonds in the market. Currently the ECB has bought €60bn worth of Government bonds in the market, a mere €5bn increase in July. The Central Bank also continued successfully removing liquidity through its sterilization programme. Inflation remained below the ECB's target as initial indications suggest that inflation was +1.7% YoY in July.

In Stock News

Societe Generale gained 29%. The announcement of the stress tests results conducted on European banks was positive for the sector, as the majority of banks successfully passed the test. The decision to ease some of the terms of the Basle 3 proposals in relation to the capital treatment of minorities and deferred tax assets and delay implementation of leverage ratio and liquidity requirements until 2017/18 was a further positive for the sector but particularly for the French banks which were impacted more than others by the original proposals.

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