

Irish Life MAPS



QUARTER 2 (Q2) 2015: APRIL TO JUNE 2015

IRISH LIFE MAPS FUND PERFORMANCE

Irish Life Multi Asset Portfolios (MAPS) continue to show very strong returns since launch. While markets have experienced a high level of uncertainty over the last couple of months which has impacted on short-term returns, the year-to-date and longer-term returns are extremely positive.

The table below shows the returns over the last 6, 12 and 24 months on each of the 5 Irish Life MAPS funds.

While we would always urge caution when looking at fund performance over time periods shorter than 5 or more years, these numbers are still indicative of why Irish Life MAPS works and how it can benefit clients.

Fund	6 months	12 months	24 months
MAP2	2.85%	5.86%	11.54%
MAP3	5.45%	10.18%	17.99%
MAP4	8.79%	16.56%	28.92%
MAP5	10.68%	20.27%	35.80%
MAP6	11.08%	20.91%	35.97%

Source: Irish Life Investment Managers (ILIM). Returns shown to 30th June 2015, before any fund management charge.

Warning: Past performance is not a reliable guide to future performance.

NEW EXTERNAL MANAGERS ADDED TO MAPS

As part of their ongoing management of the Irish Life MAPS fund, Irish Life Investment Managers (ILIM) has made a number of additions to the External Manager / Alternative element of each of the funds. Part of each Irish Life MAPS fund (see page 3 for the Irish Life MAPS Asset Split) is managed by external managers whom ILIM appoint for their expertise in certain investment strategies and to provide access to alternative and diversified investments.

ILIM have added a number of exciting new external managers including Putnam Investments, AQR Capital Management, JP Morgan Asset Management, Dunn Capital Management and Morgan Stanley. See page 7 for more details on these external managers.

ILIM will monitor the performance of these investment managers on an ongoing basis and will continue to add, remove or replace external managers as opportunities arise and market conditions change.

Warning: The value of your investment may go down as well as up.

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ECONOMIC LOOK-BACK Q2 2015

A CHALLENGING QUARTER FOR INVESTMENTS

The second quarter of 2015 proved to be a difficult one for investment markets with Eurozone bond markets experiencing significant falls for the first time in a number of years while shares saw smaller losses in local currency terms. Volatility increased across most markets, driven in particular by developments in Greece but also global economic news flow and expectations regarding global central bank policy actions.



IT'S ALL GREEK TO US

Greek bailout negotiations dominated headlines through much of the quarter but particularly in the last weeks of June. Hopes were raised and dashed on several occasions that a compromise had been found for a new bailout package. Ultimately, talks collapsed by the last weekend in June with a surprise referendum being called for July 5th with Greek people voting on whether to accept or reject creditor bailout terms. The resultant uncertainty and perceived increasing risk of a Greek exit from the Euro led to falls in global shares (especially European shares) and falls in the bond values of peripheral Eurozone countries (Italy, Spain, Portugal and Ireland) in the last days of the quarter.

MIXED GLOBAL NEWS

Global economic news was mixed through the quarter. Early in the quarter, weak US data raised questions around the underlying strength in the US economy. However a recovery in May and June gave confidence and helped to push share prices higher. Elsewhere, economic news also improved in China after a weak start to the year while Japanese growth was better than expected. In Europe, sentiment surveys measuring investor confidence fell somewhat given developments in Greece but remained at relatively high levels. At the same time, positive economic updates supported companies upgrading their profit forecasts for the first time in four years.

Bond markets, particularly in the Eurozone, experienced significant losses through the quarter. Weaker demand and supply through April and May and suggestions from European Central Bank President Draghi that greater uncertainty could be expected in bond markets pushed yields higher (and thus bond prices lower).

SHARE PERFORMANCES

Over the quarter, the FTSE All World equity benchmark fell -0.2% (-3.0% in Euro terms). The US stock market rose 0.3% (-3.4% in Euro terms) on an improving economic backdrop and delayed expectations for interest rate rises. Europe fell -3.8% (-3.8% in Euro terms) given the Greek uncertainties while Japan (5.6%, 0.3% in Euro terms) and Emerging Markets (0.8%, 2.85 in Euro terms) also rose over the three months.

BONDS, CURRENCIES AND COMMODITIES

Eurozone bonds with terms longer than 5 years fell -8.5% in value. The movements in German bond yields show the uncertainty experienced. While 10-year bond yields fell to an all-time low of 0.05% in April, they moved back up to 1.06% by early June (the highest yield in 9 months). They finished the quarter back at 0.76%.

Despite uncertainties relating to Greece, the Euro rose to €1.114 against the US dollar. Commodities rose 8.7% (4.8% in Euro terms) with the price of Brent oil up 15.4% on expectations of reduced US oil production in the second half of the year

All in all, a difficult and bumpy Q2 for markets and investors. Until Greece is resolved and concerns around the Chinese stock markets recede, uncertainty in global markets is likely to persist. In both cases, however, that is likely to be sooner rather than later.

IRISH LIFE MAPS ASSET SPLIT

There are five Irish Life MAPS funds to suit different attitudes to risk. The table below shows the strategic asset mix for each of the funds. As you can see the lower risk fund Multi Asset Portfolio 2 (MAP2) has a very high percentage in bonds and cash, which are traditionally less volatile assets. The higher risk fund MAP6 is predominantly invested in shares, which are traditionally more volatile than bonds or cash but have, in the past, given better long-term returns.

FUND NAME	MAP2	MAP3	MAP4	MAP5	MAP6
Bonds	42%	30%	15%	0%	0%
External Managers / Alternatives	20%	20%	20%	15%	5%
Property	3%	5%	5%	7.5%	5%
Emerging Market Shares	0%	2.5%	5%	12.5%	35%
Low Volatility Shares	10%	15%	20%	15%	5%
Developed Market Shares	7%	17.5%	35%	50%	50%
Cash	18%	10%	0%	0%	0%

The table shows the strategic asset mix and ILIM rebalance back to this mix on a quarterly basis. For the latest Irish Life MAPS fund mixes, see the factsheet at www.irishlife.ie.

ILIM will continue to monitor and review these assets and may change them over time.

DYNAMIC SHARE TO CASH MODEL



Each Irish Life MAPS fund uses our innovative Dynamic Share to Cash (DSC) model. The DSC is a quantitative model that has been developed by ILIM and it uses a number of factors across three broad categories.

The DSC aims to reduce the amount invested in shares and increase the amount in cash when it identifies greater potential for stock market falls.

The factors include:

FACTOR CATEGORY	OBJECTIVE	INDIVIDUAL FACTORS
1 MARKET MOMENTUM	Take account of trends in shares	<ul style="list-style-type: none"> • 12 month share market momentum • 200 day moving average
2 VALUATIONS	Take account of the long-term valuation of shares	<ul style="list-style-type: none"> • Long-term share values • Earnings quality • Earnings yield • Earnings Revisions
3 GLOBAL MACROECONOMICS	Take account of the influence of global economics on shares	<ul style="list-style-type: none"> • Real GDP growth rate • Bond yield curve slope • Energy price levels

Based on how these factors move over time, the DSC will decide how much of each Irish Life MAPS fund to invest in Developed Market Shares and how much to invest in cash. ILIM will regularly monitor and review these factors.

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- Warning: These funds may be affected by changes in the currency exchange rates.**

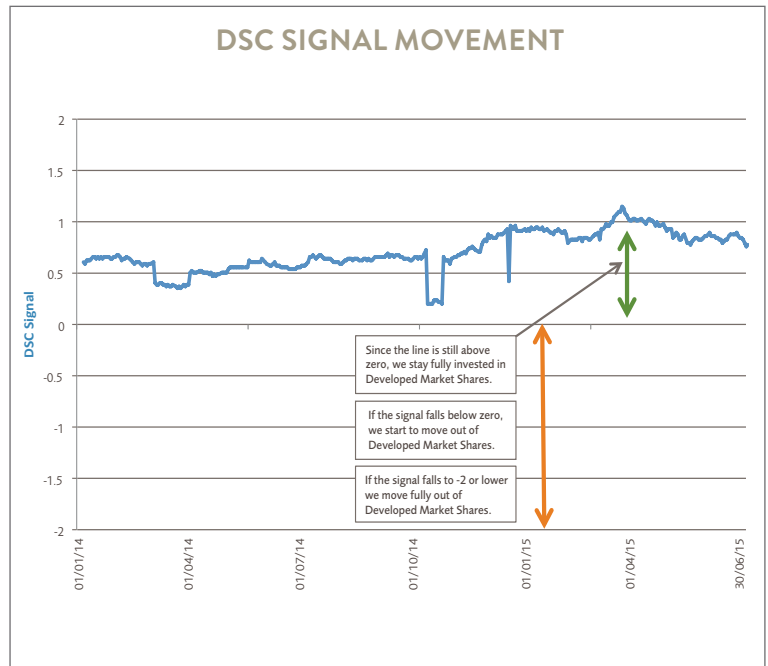
DSC SIGNAL EXPLAINED

As mentioned we monitor 3 broad categories of market indicators (Momentum in markets, Valuations and Global Macroeconomics) which have 9 underlying inputs that generate a 'signal'. These signals are represented by a number in the graph.

When the signal number is above zero Irish Life MAPS funds are fully invested in Developed Market Shares but in stressed markets that can reduce.

In stressed markets, if the signal number falls below zero this triggers a switch from Developed Market Shares to Cash in the Irish Life MAPS funds. The more negative the signal number becomes and the more we move out of Developed Market Shares.

If the signal number reaches -2, the allocation to Developed Market Shares is zero.



The graph shows how the DSC Signal has moved since January 2014 until the end of quarter 2, 2015. Although the signal value has reduced slightly over the last quarter, it finished the month of June at 0.82, so remaining comfortably above 0. This means that each of the Irish Life MAPS funds continues to hold their maximum allocation in Developed Market Shares. To see this allocation, see the latest fund factsheets on www.irishlife.ie.

Warning: Past performance is not a reliable guide to future performance.

UPDATE FOR QUARTER 2 2015

The overall signal remains strongly positive and so we remain fully invested in Developed Market Shares.

+

1. MARKET MOMENTUM

The momentum category is still positive, though the value reduced in Q2 as share sentiment weakened.

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2. VALUATIONS

Valuations remains the largest contributor of the three categories. It stayed strongly positive but did show a slight drop in the quarter as valuation measures fell slightly.

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3. GLOBAL MACROECONOMICS

The macroeconomic category is also still positive but, like the other factors, it too ended the quarter slightly lower as bond yields climbed.

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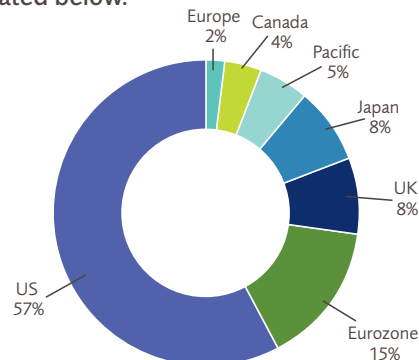
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1 Shares

DEVELOPED MARKET SHARES

- ILIM track the performance of the MSCI World Index created by Morgan Stanley Capital International to provide exposure to Developed Market Shares.
- The index consists of 1,615 individual companies which operate in 10 different sectors.
- We use the DSC model (explained on page 3) on the Developed Market Shares to reduce exposure to risk assets when there is a potential for the stock markets to experience a significant fall.
- For the percentage of Developed Market Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

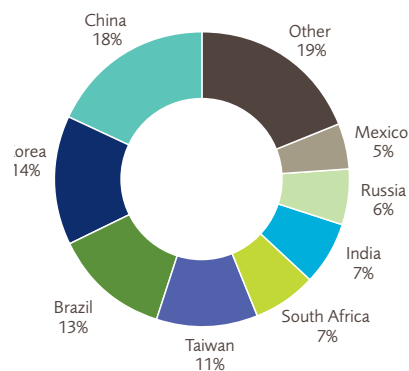
The geographic split of the index is illustrated below.



EMERGING MARKET SHARES

- ILIM track the performance of the MSCI Emerging Markets Index created by Morgan Stanley Capital International to provide exposure to Emerging Market Shares.
- The index consists of 2,700 individual companies which operate in 21 different markets.
- For the percentage of Emerging Market Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

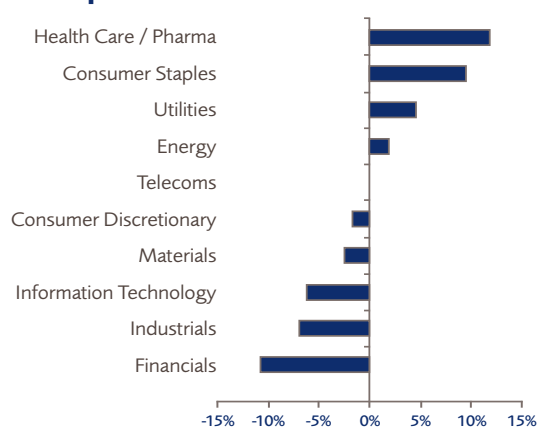
The geographic split of the index is illustrated below.



LOW VOLATILITY SHARES

- Using a detailed, quantitative strategy, ILIM choose stocks from the MSCI World Index which not only have shown lower volatility in the past but which are also screened for other indicators such as value, for example.
- ILIM choose around 150 stocks to make up their Low Volatility Shares fund.
- For the percentage of Low Volatility Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

Low Volatility Shares weight compared to MSCI World Index



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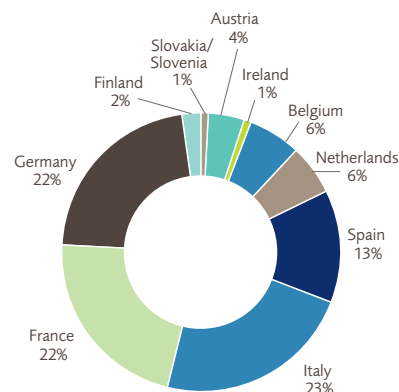
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2 Bonds

GOVERNMENT BONDS

- ILIM currently track the performance of the Merrill Lynch 1-5yr Eurozone Index to provide exposure to government bonds.
- Within the bond allocation, ILIM choose the proportion to invest in government bonds and have discretion in relation to the index which is tracked.

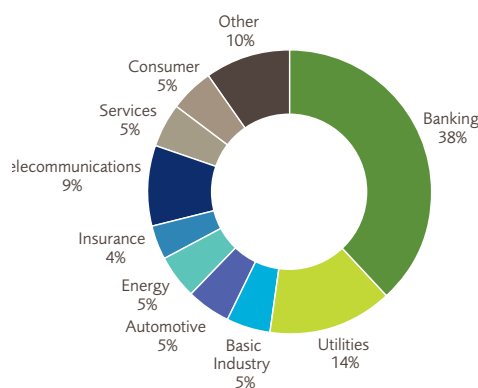
The geographic split of the Merrill Lynch 1-5yr Index is illustrated below.



CORPORATE BONDS

- ILIM currently track the performance of the Merrill Lynch EMU Large Cap Corporate Index to provide exposure to corporate bonds.
- Within the bond allocation, ILIM choose the proportion to invest in corporate bonds and have discretion in relation to the index which is tracked.

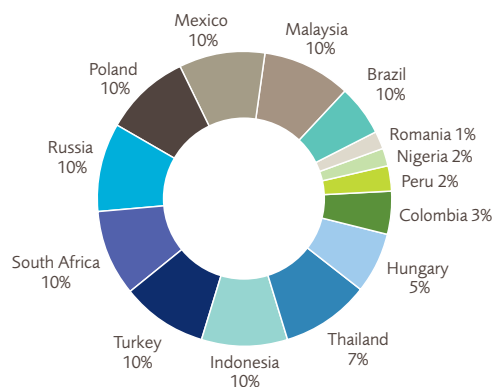
The sector split of the Merrill Lynch EMU Large Cap Corporate Index is illustrated below.



EMERGING MARKET DEBT

- ILIM currently track the performance of the JP Morgan Government Bond Index Emerging Markets (JP Morgan GBI EM) Global Diversified Bond Index to provide exposure to emerging market bonds.
- Within the bond allocation, ILIM choose the proportion to invest in emerging market bonds and have discretion in relation to the index which is tracked.

The geographic split of the JPM EM Global Diversified Bond Index is illustrated below.



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3 External Managers/Alternatives

ILIM recognise the need to incorporate alternative strategies within the Irish Life MAPS funds and have an active pipeline of external managers they monitor on an on-going basis. As outlined on page 1, ILIM have made a number of changes recently and there are now eight leading global real and absolute return managers making up each Irish Life MAPS fund's External Managers / Alternatives portion. The percentage allocated to External Managers / Alternatives varies for each Irish Life MAPS fund and the latest factsheet on www.irishlife.ie will show this percentage.

Within this percentage, the target split across the eight managers is shown below as well as details of the managers themselves and the fund we invest in.

ILIM actively look for managers that can bring diverse performance at the right price. They monitor this performance on an ongoing basis and may choose to change the allocation to external managers or the target allocation within the External Manager allocation. They may also choose to replace, add or remove External Managers as opportunities arise and market conditions change.

Manager	Assets Managed	Fund Name (and type)	Target Split
GMO Source www.gmo.com	\$118 billion Morningstar award winning equity team	GMO Real Return Fund	11%
Putnam Source www.putnam.com	\$156 billion 75 years of investment experience	Putnam Total Return Fund	8%
AQR Source www.aqr.com	\$136 billion Leading alternative strategy investors since 1998	AQR Global Risk Parity	11%
		AQR Style Premia	18%
Blackrock Source www.blackrock.com	\$4.77 trillion World's largest asset manager	Blackrock FIGO Fund	7%
PIMCO Source www.pimco.com	\$1.52 trillion One of the world's largest bond funds	PIMCO Income Fund	7%
JP Morgan Asset Management Source www.jpmorgan.com	€1.7 trillion* Over 200 years' experience in advising clients	JP Morgan Systematic Alpha	10%
Dunn Capital Management Source www.montlakeucits.com	\$1.1 billion Leading Managed Futures Fund manager for nearly 40 years	Montlake Dunn WMA	11%
Morgan Stanley Source www.morganstanley.com	\$2 trillion**	MS Diversified Alpha Plus	17%

* December 2014; ** July 2014; All other data June 2015.

4 Property

Each Irish Life MAPS fund now has an allocation to property. Currently this allocation consists of a mix of commercial, retail and industrial property in Ireland. For the percentage of each fund invested in property see the factsheet on www.irishlife.ie.

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ILIM'S CREDENTIALS

ILIM have designed the Irish Life MAPS funds. They have also developed and tested the DSC model and will expertly manage it over time.

ILIM currently take care of over €50 billion of assets for thousands of people across Ireland, including private investors and leading Irish and international companies. By investing in one of these funds through an Irish Life pension, savings or investment plan you will benefit from their experience and expertise.

IRISH LIFE MAPS:

- > Choice through a range of funds
- > Generating smoother, long-term returns
- > Managing risk to stay on track
- > Delivering peace of mind
- > Available across our pension, investment and savings plans.

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**For more details please see www.irishlife.ie/investments
or contact your financial broker or financial adviser.**

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Irish Life Assurance plc is regulated by the Central Bank of Ireland.