



Irish Life MAPS

QUARTER 3 (Q3) 2015: JULY TO SEPTEMBER

IRISH LIFE MAPS FUND PERFORMANCE

Irish Life Multi Asset Portfolios (MAPS) continue to show 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 12 month and longer-term returns are extremely resilient.

The table below shows the returns over the last 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	12 months	24 months
MAP2	3.17%	8.88%
MAP3	4.41%	12.28%
MAP4	5.64%	18.11%
MAP5	6.10%	21.05%
MAP6	1.56%	16.41%

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

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

Warning: If you invest in this fund you may lose some or all of the money you invest.

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

The strategies underlying Irish Life MAPS, such as the Dynamic Share to Cash model (see page 3), Low Volatility Shares (see page 5) and the use of expert External Managers (see page 7), have proved so popular with retail and institutional investors, that ILIM now has over €4.5 billion invested in multi asset portfolio strategies.



SUMMER STORMS...

The period from June to the end of August turned out to be the worst quarter for global equities since, ironically, the same period in 2011. Markets were concerned with a potential slowdown in the Chinese economy and the potential impact on the wider global economy. These concerns ultimately led to a significant sell off in equity markets and drove market volatility significantly higher not just in equities but across most other asset classes.



CAUSE AND EFFECT...

No sooner had markets put the Greece situation behind them, than China started to wobble. Greece represents 2% of Eurozone GDP – China represents 15% of global GDP. It is easy to understand why markets were unnerved. This was made worse by the interventions by the Chinese government to ease concerns as they were interpreted by investors as trying to shore up an economy in freefall, which was not the case. Investors then looked to the global central banks for comfort but confusing and often mixed messages only served to heighten uncertainty. Hardly surprising then, that stock markets experienced such a torrid time.

NOT ALL BAD NEWS...

Such uncertainty is usually very positive for bonds and as the perceived threats to global growth grew, bond markets did indeed prosper. This was further helped by the falling oil price reducing inflation and lack lustre growth numbers from Emerging Markets. In fact, the Eurozone >5 Year index was up 4%, although experiencing higher than normal levels of volatility. German 10 Year bonds fell to a mere 0.59% while the gap between Germany and some of the peripheral countries like Spain and Italy fell to just 1.3% and 1.1% respectively. This signalled two things: a return to favour of more safe-haven assets and a renewed confidence in the recovery underway in the European peripheral economies. Supporting this was the belief and expectation that the ECB would expand and extend the QE (quantitative easing) programme if required.

CURRENCIES AND COMMODITIES...

The Euro was little changed against the US dollar over the quarter, rising marginally to \$1.11 as expectations of the first US interest rate increase were pushed out towards 2016. If, and when, US interest rates do increase market forecasters expect the dollar to strengthen and talk of parity with the Euro will be back on the table.

Commodities also had a very tough time, down 19.4% as Brent Oil fell almost 24%. This was largely driven by expanding oil inventories at a time when supply already exceeds demand. Other categories of commodities were impacted by the less favourable outlook for Chinese growth, which in turn impact on most of the Emerging Markets.

SHARE PERFORMANCES..

Over the quarter, the FTSE All World Equity index fell -9.5% (€), most of which was concentrated between 20th and 24th of August (-8.6%). Japan fell -11.6% (€) on disappointing economic data. The UK FTSE fell -9.8% while the US was down -6.9%. As expected, Emerging Markets took the greatest hit, down -17.9%.

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.

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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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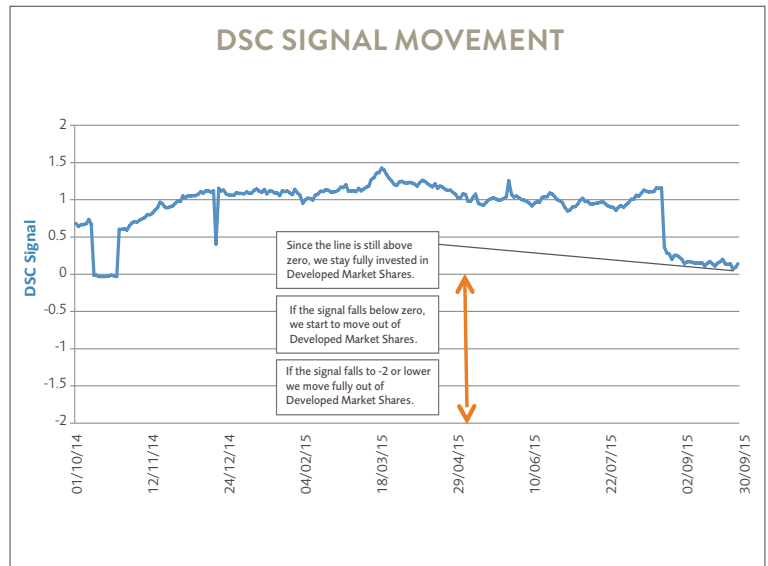
DSC SIGNAL EXPLAINED

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 3, 2015. Although the signal value has reduced over the last quarter from 0.82 at the end of June to 0.14 at the end of September, it still remains 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.

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UPDATE FOR QUARTER 3 2015

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

-
1. MARKET MOMENTUM

+
2. VALUATIONS

+
3. GLOBAL MACROECONOMICS

The momentum category turned negative over the quarter with concerns over the Chinese economic slowdown and question marks over the timing of a U.S. interest rate rise.

Valuations moved even more positive over the quarter with the improvement in share valuations.

The macroeconomic category is also still positive but it ended the quarter slightly lower with world GDP (Gross Domestic Product) slowing.

Q3-15

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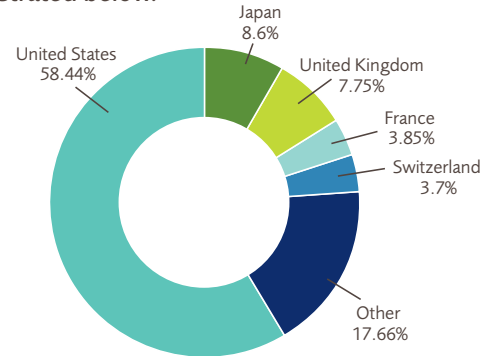
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1 Shares

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 1,643 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.

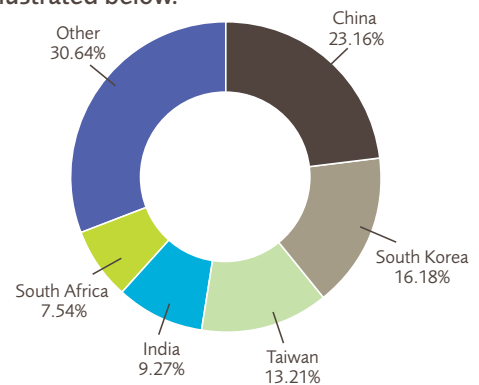
The geographic split of the index is illustrated below.



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 2,705 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.

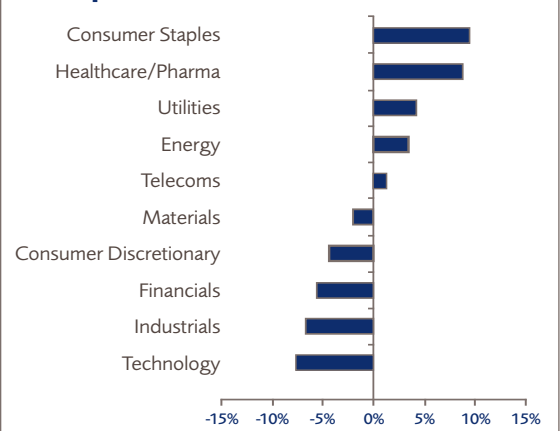
The geographic split of the index is illustrated below.



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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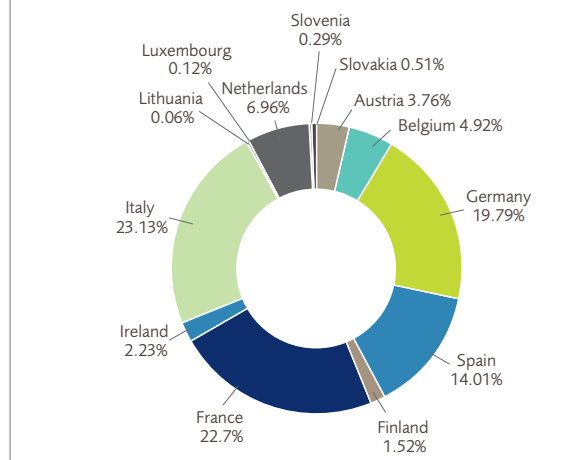
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2 Bonds

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.

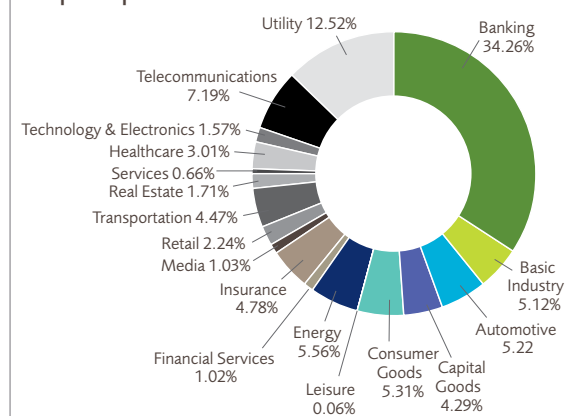
The geographic split of the Merrill Lynch 1-5yr Index is illustrated below.



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.

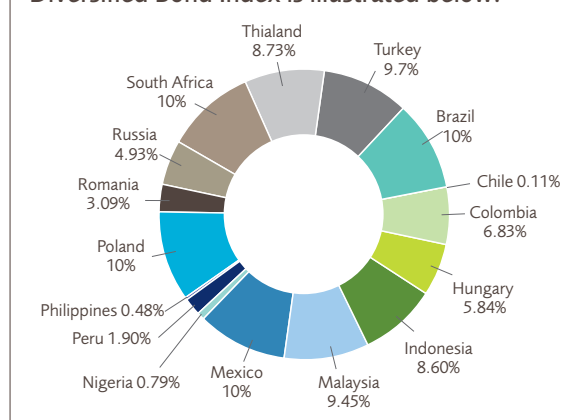
The sector split of the Merrill Lynch EMU Large Cap Corporate Index is illustrated below.



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. ILIM currently give access to 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	\$117 billion* Morningstar award winning equity team	GMO Real Return Fund	11%
Putnam Source www.putnam.com	\$147 billion 75 years of investment experience	Putnam Total Return Fund	8%
AQR Source www.aqr.com	\$135.3 billion Leading alternative strategy investors since 1998	AQR Global Risk Parity	11%
		AQR Style Premia	18%
Blackrock Source www.blackrock.com	\$4.5 trillion World's largest asset manager	Blackrock FIGO Fund	7%
PIMCO Source www.pimco.com	\$1.47 trillion One of the world's largest bond funds	PIMCO Income Fund	7%
JP Morgan Asset Management Source www.jpmorgan.com	€2.4 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 Investment Management Source www.morganstanley.com	\$404 billion	MS Diversified Alpha Plus	17%

* June 2015; All other data September 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 €40 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.