

IAPF DEFINED CONTRIBUTION CONFERENCE 2008



The Future for DC Investment Options

Presentation by:
Kieran Bristow
CIO – Investment Solutions



May 2008

... Conclusion



Irish Life

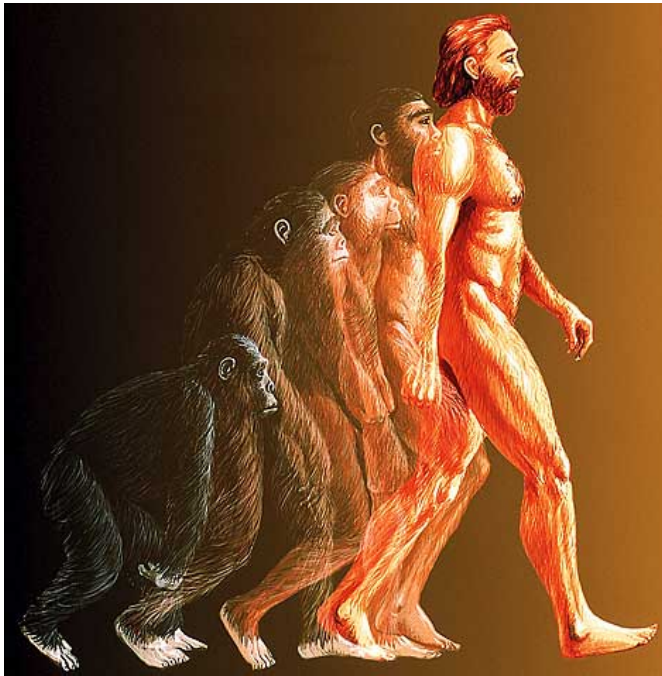
- New Asset Classes are now accessible
- Inclusion of these asset classes reduces risk while broadly maintaining existing return expectations
- Investment Guidelines require trustees to assess these opportunities
- Providers need to build a simple and effective range of funds incorporating these assets
- Communications and performance measurement need to evolve accordingly

Introduction ...



Irish Life

Evolution of DC Investment Strategies



Current stage:

Typically Passive Balanced Managed as the default fund

Satellite investment choices:

Equity, Bond & Cash fund options

Extended range including legacy funds

Greater focus on DC due to growth in membership and assets

... ongoing evolution

Evolution of Asset Classes



Irish Life

Conclusion 1. New Asset Classes are now accessible

Equities	Bonds	Property	Commodities	Collectibles
Irish Large-cap Global Small-cap Emerging markets High-yield Private Equity Venture Capital	Cash Government Quasi - Govt Corporate Capital Structure	Irish International Global Infrastructure Ground Rents Development Gearing	Metals Energy Food	Art Cars Wine Yachts

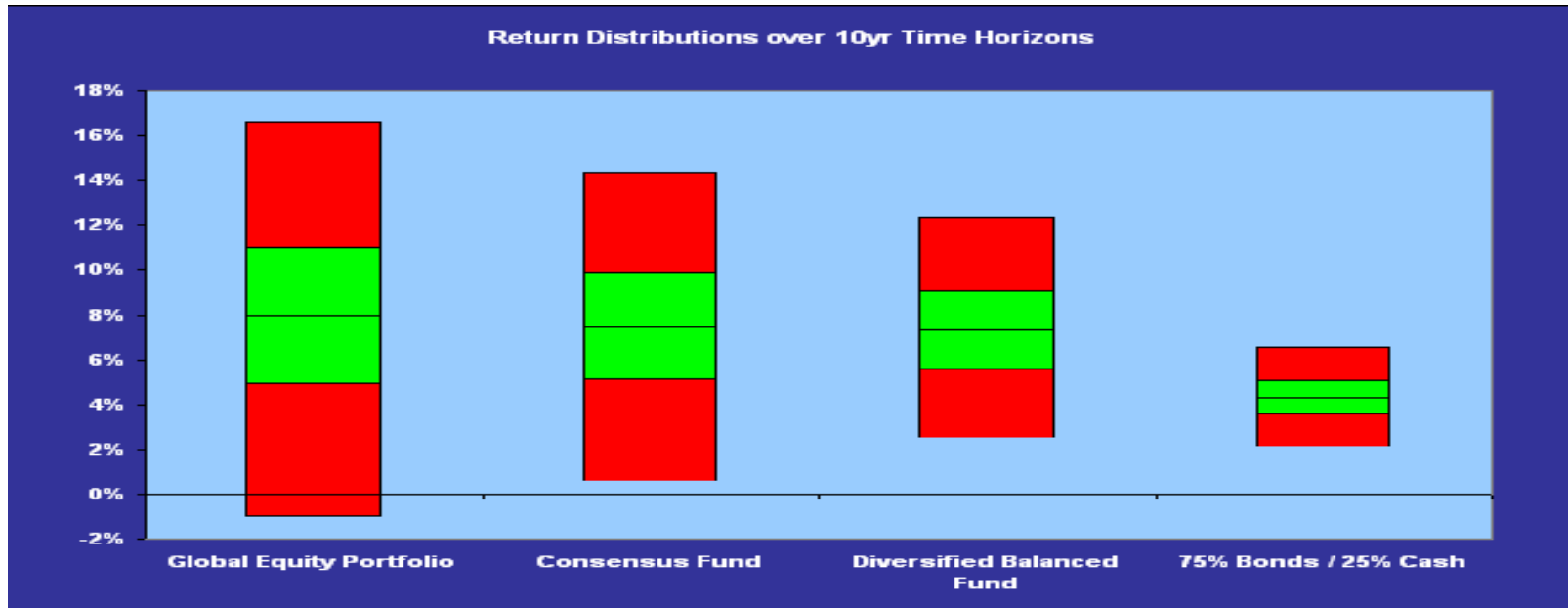
Some "Fashion" investing from time to time...Green, Renewable, China/India etc.

Scope Risk Reduction



Irish Life

Conclusion Point 2: These asset classes reduce risk



	Global Equity Portfolio	Consensus Fund	40% Equities 25% Alternatives 20% Bonds 15% Property	75% Bonds 25% Cash
Expected Return p.a.	8.0%	7.5%	7.3%	4.3%
Volatility	14.4%	11.0%	8.0%	3.6%
97.5% Confidence Level	-1.0%	0.6%	2.8%	2.1%

What is Diversification?



Irish Life

Conclusion Point 2: These asset classes reduce risk

Interaction between assets is the essence of diversity – the lower the correlations between the asset classes, the lower the portfolio volatility

	Equities	Commodities	High Yield	Corporate Bonds	Govt Bonds	Emerging Mkts	Hedge Funds	Property
Commodities	0.28							
High Yield	0.86	0.24						
Corporate Bonds	-0.18	-0.11	-0.06					
Govt Bonds	-0.30	-0.09	-0.20	0.94				
Emerging Mkts	0.79	0.39	0.68	-0.15	-0.26			
Hedge Funds	0.59	0.48	0.47	-0.18	-0.23	0.62		
Property	0.13	-0.02	0.16	-0.12	-0.10	0.11	0.12	
Forestry	-0.10	-0.08	-0.01	0.08	0.05	-0.12	-0.03	0.02

Needs and Desires



Irish Life

Conclusion Point 3: Requirement to assess opportunities

Trustee Needs

Choices for Risk Management

Consistency & Simplicity

Brand and Reputation

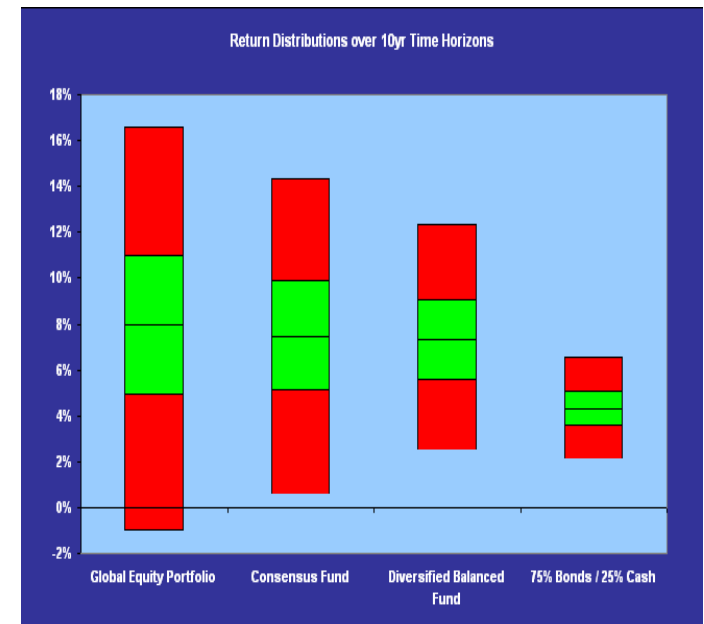
Member Needs

Efficient Growth

Confidence and Trust

Communication

Appropriate Funds



Provider Issues



Irish Life

Conclusion Point 4: Providers need to evolve offerings

- Implementation
 - What/who is the best
 - Ongoing governance
- Costs
 - Management fees
 - Total expense ratio
- Efficient design
 - Tax/legal
 - Accounting
 - Fund structure
 - Manage cash in (difficult) and out (very difficult)

Trustee Issues



Irish Life

Conclusion Point 5: Communications and Measurement must evolve

- Time/Governance Budget
- Communications
- Measuring Performance
- Transitioning
- Manager Selection

... Conclusion



- New Asset Classes are now accessible
- Inclusion of these asset classes reduces risk while broadly maintaining existing return expectations
- Investment Guidelines require trustees to assess these opportunities
- Providers need to build a simple and effective range of funds incorporating these characteristics
- Performance measurement needs to evolve

..your choice?



Irish Life

