Appendices I & II

Investment Managers’ Report

Irish Life

Market Commentary 31st December 2017

Equity markets produced positive returns over the last year as a whole. Equity markets received support from an improving economic growth and earnings backdrop. Attractive relative valuation levels compared to other asset classes have also been supportive.

Hopes for additional global fiscal stimulus to boost growth also contributed to the positive returns from equities over the last twelve months. Immediately after the election of Donald Trump as US President, investors began to expect a fiscal stimulus programme would be implemented in the US in 2017/18 which was viewed as being potentially positive for growth. While progress on implementing any fiscal stimulus in the US has been slow it has recently borne fruit as President Trump signed the historic tax bill on the 22nd of December.

The Irish property market has generated positive returns with activity close to record levels, supported by increased interest from high quality buyers who have a long term focus. Yields have compressed, led by the office sector and have been supported by the yield gap against bonds. Rental growth has been strong in the office sector due to limited supply while rental growth has also stabilised and begun to improve in the retail and industrial sectors. The overall property sector has been supported by an attractive income yield of just under 5%.

Core Eurozone bond yields remained at lower levels during the first half of 2016 given relatively low levels of inflation, periodic concerns over the global growth outlook, uncertainties related to various global geo-political concerns and the accommodative monetary policy stances being adopted by global central banks. German 10 year yields fell to new all-time lows of -0.20% in July 2016 immediately after the Brexit referendum.

Yields however have risen from these lows with German 10 year yields moving back to a high of 0.60% in the first half of 2017. A rise in Eurozone inflation back into positive territory from the negative rates evident in early 2016 combined with speculation that the ECB would be forced to further reduce the level of policy accommodation both contributed to the rise in yields.

German 10 year yields have however been somewhat volatile in recent months, falling to a low of 0.19% in the first quarter of 2017 due to a flight to safety associated with concerns over the French Presidential election. With Emmanuel Macron winning the French election, the risk of France holding a referendum on EU and Euro membership was removed and German yields began to rebound again. Recently, yields have remained volatile, pulled higher by speculation about the ECB adopting a less accommodative monetary stance while the persistence of low inflation has driven them lower at times. At the end of December, German 10 year yields were 0.43%.

In the UK, 10 year yields also fell to new all-time lows of 0.52% in August 2016 but have risen to 1.19% by the end of December this year. As elsewhere, yields had fallen on the back of low inflation and growth concerns. In addition, UK gilt yields moved sharply lower post the UK vote to leave the EU on fears of slower UK growth following the Brexit referendum result and the renewal of sovereign bond purchases by the Bank of England to combat the expected economic weakness post Brexit. Yields however have risen from the August 2016 lows, pulled higher by the general rise in global bond yields. In line with their hawkish guidance prior to their November meeting, the Bank of England’s Monetary Policy Committee raised rates in the UK for the first time since 2007 but are not expected to raise rates again in the near term. Sterling weakness post Brexit has led to higher rates of UK inflation and the Bank of England believes modest interest rate rises over the next three years might be required to help bring inflation back towards its 2% target level.

In the case of the US, 10 year yields fell to new lows in this cycle of 1.36% in July 2016 for similar reasons as those experienced elsewhere. At the end of December, yields had risen to 2.41% on the back of additional official Fed interest rate rises over the course of 2017, the beginning of the reduction of the Feds balance sheet this year and the improvement in growth in the second half of 2017. Recent indications from the US Fed that it intends to raise interest rates at a faster pace than currently expected by investors has also led to a rise in yields in recent times. Yields rose significantly higher in November 2016 immediately after Donald Trump's election as US President given increasing speculation regarding a potential fiscal stimulus package and anticipated higher growth and inflation.

Eurozone peripheral bond spreads against Germany have been mixed over the last twelve months, reacting to economic, monetary policy and political news flow. Early in 2017 peripheral spreads widened on concerns over political risks associated with the large number of elections across the Eurozone in 2017 which it was feared could highlight anti EU sentiment across the region. In particular spreads widened ahead of the French Presidential election. Spreads narrowed again following the election of Emmanuel Macron as French President and the removal of the risk of a French exit from the EU and Euro which the Presidential candidate, Marine Le Pen, had been advocating.

Spanish 10 year spreads versus Germany are currently 111bps while Italian spreads are wider at 158bps due to political uncertainty ahead of the Italian general election which has been called for March 2018. While Spanish spreads initially widened on the Catalonian independence issue in early October they have since narrowed again as the Catalonia troubles have subsided. The extension of asset purchases by the ECB out to September 2018, albeit at a lower scale of €30bn per month, also contributed to the recent narrowing of peripheral spreads.

Overall, commodities have produced positive returns over the last year. Commodity prices in general rebounded from their lows in 2016 as global economic growth and supply/demand dynamics for commodities improved. Oil prices in particular rebounded from their early 2016 lows following the production cuts announced by OPEC in November 2016, lower shale oil production in the US as rig counts fell from peak levels and supply disruptions evident in various oil producing countries. Other commodity prices also recovered on the back of an improving global economic growth outlook and improving demand/supply dynamics. Commodity prices however have been more volatile in 2017 to date. Oil prices fell through most of the first half of 2017 as US shale oil production rose again following the 2016 rebound in the oil price. The oil price however has rebounded again over recent months as inventory levels have fallen amid a seasonal uplift in demand for oil. OPEC and Russia agreeing to prolong production cuts through to the end of 2018 also helped prices rebound back towards their recent highs after a volatile November. Similarly other commodity prices were softer through most of the early part of the year, negatively impacted by concerns over possible weaker demand from China following tightening of financial conditions. More recently commodity prices have recovered somewhat as Chinese economic data has generally surprised positively over the course of 2017.

Capital Protection Fund Series T

Returns

The return on the Capital Protection Fund for the year ending 31 December 2017 was 3.05%.

Fund Objective

The purpose of the Capital Protection Fund is to give the pension investor the benefits of equity participation while at the same time ensuring that the value of their fund won't fall. At the 1st of January each year, a minimum growth rate is declared in advance for the next twelve months. The Capital Protection Fund is heavily invested in Cash and Fixed Interest assets. The remainder of the fund is invested in a managed diversified range of equities.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Capital Protection Fund Series T for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Bond	58.40
Shares	32.30
Cash	9.30

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

Citibank have produced reports on their internal controls IN accordance with SOC 1.

PRSA Indexed UK Equity Fund

Returns

The return on the PRSA Indexed UK Equity Fund for the year ending 31 December 2017 was 6.46%.

Fund Objective

The UK Equity Indexed Fund is a passively managed fund which aims to track the FT All World UK Index. The aim is to eliminate manager selection risk, which is the risk of being with an investment manager who under performs. This fund is 100% invested in UK equities. The amount invested in each company is based on the weighting of that company within the market as a whole. If, for example, Vodafone is 10% of the market, this fund will be 10% invested in Vodafone.

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This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the PRSA Indexed UK Equity Fund for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

Citibank have produced reports on their internal controls IN accordance with SOC 1.

Irish Equity Indexed Fund S

Returns

The return on the Irish Equity Indexed Fund S for the year ending 31 December 2017 was 9.08%.

Fund Objective

The objective of the Indexed Irish Equity Fund is to give the pension investor exposure to the Irish equity market.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Irish Equity Indexed Fund S for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

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Indexed Fixed Interest Fund

Returns

The return on the Indexed Fixed Interest Fund for the year ending 31 December 2017 was 0.20%.

Fund Objective

The Fixed Interest Fund invests predominantly in very secure government gilts. The objective is to achieve a long-term return in excess of cash.

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This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Indexed Fixed Interest Fund for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Bond	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

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Irish Life MSCI Emerging Markets CB

Returns

The return on the Irish Life MSCI Emerging Markets CB for the year ending 31 December 2017 was 19.27%.

Fund Objective

The objective of the Indexed Emerging Market Equity Fund is to give the pension investor a balanced and diversified exposure to emerging market equities. Equities in particular are assets which best outperform inflation over the long term but over shorter time periods can be quite volatile. Nevertheless for long-term pension investments a concentration in equities is suitable.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Irish Life MSCI Emerging Markets CB for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

Citibank have produced reports on their internal controls IN accordance with SOC 1.

Active Managed Fund Series P

Returns

The return on the Active Managed Fund Series P for the year ending 31 December 2017 was 5.71%.

Fund Objective

The objective of pension investments is to achieve a long term return well in excess of inflation to ensure that a retired individual can maintain his standard of living. Simply putting monies on deposit does not achieve this objective as returns from deposits are usually in line with inflation in the long run. Equities in particular are assets which best outperform inflation over the long term but over shorter time periods can be quite volatile. Nevertheless for pension investments a concentration in equities is suitable with holdings of other assets to minimise poor performance in bad years. The portfolio may engage in securities lending to earn returns. This is the strategy followed for the Active Managed Fund. In the short term there will be periods when this fund may give low returns over the long term it will outperform less volatile investments by a considerable margin.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Active Managed Fund Series P for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	64.50
Bond	22.90
Property	8.80
Cash	3.00
Forestry	0.60
Alternatives	0.20

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

Citibank have produced reports on their internal controls IN accordance with SOC 1.

Cash Fund P

Returns

The return on the Cash Fund P for the year ending 31 December 2017 was -1.34%.

Fund Objective

The investment strategy for the Cash Fund is to obtain the best money market rates available on short-term cash deposits.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Cash Fund P for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Cash	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

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Consensus Fund

Returns

The return on the PRSA Consensus Fund for the year ending 31 December 2017 was 6.32%.

Fund Objective

The objective of pension investments is to achieve a long term return well in excess of inflation to ensure that a retired individual can maintain their standard of living. Simply putting monies on deposit does not achieve this objective as returns from deposits are usually in line with inflation in the long run. Equities in particular are assets which best outperform inflation over the long term but over shorter time periods can be quite volatile. Nevertheless for pension investments a concentration on equities is suitable with holdings of other assets to minimise poor performance in an unfavourable year. The Consensus Fund uses the collective industry wisdom to determine asset allocation tracking the average distribution of Irish pension funds. In addition the fund uses index funds for its investment which provide market index returns at a lower cost.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the PRSA Consensus Fund for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	75.00
Bond	16.20
Property	6.70
Cash	2.10

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

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Exempt Equity S2 Premium

Returns

The return on the Exempt Equity S2 Premium for the year ending 31 December 2017 was 7.84%.

Fund Objective

The objective of pension investments is to achieve a long term return well in excess of inflation to ensure that a retired individual can maintain his standard of living. Simply putting monies on deposit does not achieve this objective as returns from deposits are usually in line with inflation in the long run. Equities in particular are assets which best outperform inflation over the long term but over shorter time periods can be quite volatile. Nevertheless for long-term pension investments a concentration in equities is suitable. The objective of the Exempt Equity Fund is to give the pension investor a balanced and diversified exposure to the world equity market.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Exempt Equity S2 Premium for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

Citibank have produced reports on their internal controls IN accordance with SOC 1.

Indexed European Equity Fund

Returns

The return on the PRSA Indexed European Equity Fund for the year ending 31 December 2017 was 11.54%.

Fund Objective

The objective of pension investments is to achieve a long term return well in excess of inflation to ensure that a retired individual can maintain his standard of living. Simply putting monies on deposit does not achieve this objective as returns from deposits are usually in line with inflation in the long run. Equities in particular are assets which best outperform inflation over the long term but over shorter time periods can be quite volatile. Nevertheless for long-term pension investments a concentration in equities is suitable. The objective of the Exempt Indexed European Equity Fund is to give the pension investor a balanced and diversified exposure to the European equity market.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the PRSA Indexed European Equity Fund for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

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Indexed North American Equity Fund

Returns

The return on the PRSA Indexed North American Equity Fund for the year ending 31 December 2017 was 5.70%

Fund Objective

The objective of the Indexed North American Equity Fund is to give the pension investor a balanced and diversified exposure to the North American equity market.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the PRSA Indexed North American Equity Fund for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

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Property Fund S

Returns

The return on the Property Fund S for the year ending 31 December 2017 was 6.36%.

Fund Objective

The Property Fund invests predominantly in the Irish property market, investing in high quality office, retail and some industrial property.

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This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Property Fund S for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Property	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

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Global Cash Fund

Returns

The return on the Safe Deposit Fund CB S for the year ending 31 December 2017 was -1.43%.

Fund Objective

The Fund can be used to protect the value of member's funds against market movements. For members who are close to retirement it is particularly useful for that element of the fund that will be taken as a tax-free lump sum. The Global Cash Fund invests in bank deposits and short-term investments on international money markets. These funds are intended to be low risk investments but investors should be aware that the funds could fall in value. This could happen if, for example, a bank the fund has a deposit with cannot repay that deposit, or if the fund charges are greater than the growth rate of the assets in the fund. This is a very low risk fund. While there will be a very low level of volatility in the fund returns, there is also only a very low potential of gains. You should be aware that it can also fall in value. It is suitable for investors who are very close to retirement or have a very low appetite for risk.

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This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Safe Deposit Fund CB S for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Cash	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

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Indexed Global Equity Fund

Returns

The return on the PRSA Indexed Global Equity Fund for the year ending 31 December 2017 was 8.43%.

Fund Objective

The investment strategy for the Indexed Global Equity Fund is designed to achieve average equity fund returns on a consistent basis. This fund is completely invested in equities. The amount invested in each country is based on the average within all the managed funds. The stock selection within each market is index stock selection which means we replicate the weighting each stock represents within the index.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the PRSA Indexed Global Equity Fund for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

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Multi Manager Target Return Fund

Returns

The return on the Multi Manager Target Return Fund for the year ending 31 December 2017 was 5.22%

Fund Objective

The Multi Manager Target Return Fund is a medium risk fund and suitable for investors who want to earn investment returns that are modestly higher than inflation and can withstand the additional risk required to achieve this level of return. Allocations are rebalanced on a quarterly basis back to the target asset allocation.

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This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Multi Manager Target Return Fund for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Alternatives	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

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Pension Protection Fund

Returns

The return on the PRSA Pension Protection Fund for the year ending 31 December 2017 was -1.14%.

Fund Objective

The objective of the Pension Protection Fund is, in the event of an approaching liability, to protect the purchasing power of the part of the fund which will be used to purchase a pension annuity. It does this by investing only in very secure government gilts that provide the closest match to the pension annuity market.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the PRSA Pension Protection Fund for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Bond	100.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

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Pension Stability Fund

Returns

The return on the PRSA Pension Stability Fund for the year ending 31 December 2017 was 0.75%.

Fund Objective

The Pension Stability Fund is mainly invested in short and medium term bonds, with some investment in cash, equities and alternative assets such as emerging market equity and corporate bonds. The Pension Stability Fund is suitable for those who will accept some volatility in the investment performance and who are also looking for some potential for growth.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the PRSA Pension Stability Fund for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Bond	60.00
Cash	25.00
Shares	15.00

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

Citibank have produced reports on their internal controls IN accordance with SOC 1.

Public Sector Adventurous Fund (Series 2)

Returns

The return on the Public Sector Adventurous Fund (Series 2) for the year ending 31 December 2017 was 7.98%.

Fund Objective

The Cornmarket Public Sector Adventurous fund invests in a diverse range of assets where the allocation to the assets is actively managed. It targets good returns over the long term but the performance can experience significant fluctuations as it is a high risk fund. The fund invests in indexed equities spread across Global equities, Emerging Market equities and Minimum Volatility equities. The fund also invests in indexed bonds both Eurozone Government bonds and Euro Corporate bonds. In addition the fund invests in a diversified, actively managed, property portfolio which includes forestry.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Public Sector Adventurous Fund (Series 2) for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	75.90
Forestry	6.60
Bond	6.40
Alternatives	5.50
Property	5.40
Cash	0.20

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

Citibank have produced reports on their internal controls IN accordance with SOC 1.

Public Sector Balanced Fund (Series 2)

Returns

The return on the Public Sector Balanced Fund (Series 2) for the year ending 31 December 2017 was 5.88%.

Fund Objective

The Public Sector Balanced Fund is a mixed asset fund investing in a diverse range of assets where the allocation to the assets is actively managed. It targets reasonable returns over the long term but the performance can experience material fluctuations as it is a medium to high risk fund. The fund invests in indexed equities spread across Global equities, Emerging Market equities and Minimum Volatility equities. The fund also invests in indexed bonds both Eurozone Government bonds and Euro Corporate bonds. In addition the fund invests in a diversified, actively managed, property portfolio which includes forestry. The cash portion is actively managed and typically invests in cash deposits and can invest in money market instruments. To help manage volatility the fund invests in Absolute Return strategies which are actively managed by a range of investment companies.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Public Sector Balanced Fund (Series 2) for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	54.80
Bond	25.20
Property	7.50
Forestry	6.60
Alternatives	5.50
Cash	0.40

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

Citibank have produced reports on their internal controls IN accordance with SOC 1.

Public Sector Cautious Fund (Series 2)

Returns

The return on the Public Sector Cautious Fund (Series 2) for the year ending 31 December 2017 was 3.08%.

Fund Objective

The Cornmarket Public Sector Cautious fund is a mixed asset fund investing in a diverse range of assets where the allocation to the assets is actively managed. It targets moderest returns over the long term but the performance can experience moderate fluctuations as it is a low to medium risk fund. The fund invests in indexed equities spread across Global equities, Emerging Market equities and Minimum Volatility equities. The fund also invests in indexed bonds both Eurozone Government bonds and Euro Corporate bonds. In addition the fund invests in a diversified, actively managed, property portfolio which includes forestry.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Public Sector Cautious Fund (Series 2) for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Bond	34.20
Shares	32.70
Cash	14.40
Forestry	6.60
Property	6.60
Alternatives	5.50

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

Citibank have produced reports on their internal controls IN accordance with SOC 1.

Secured Performance Fund T

Returns

The return on the Secured Performance Fund T for the year ending 31 December 2017 was 5.23%.

Fund Objective

The objective of pension investments is to achieve a long term return well in excess of inflation to ensure that a retired individual can maintain their standard of living. Simply putting monies on deposit does not achieve this objective as returns from deposits are usually in line with inflation in the long run. Equities in particular are assets which best outperform inflation over the long term but over shorter time periods can be quite volatile. Nevertheless for pension investments a concentration on equities is suitable with holdings of other assets to minimise poor performance in unfavourable years. The Secured Performance Fund follows this strategy. However, it smooths the return from markets over time. A guaranteed return is declared annually at the start of each year and this is applied proportionatly throughout the year. The return can never be negative and is payable on all demographic exits.

Market conditions may sometimes require us to impose certain restrictions to switches or exits from your pension funds. These restrictions may include a delay in switching funds and/or applying a market value adjustment to the fund. The details of any such restrictions can be seen on website www.irishlifecorporatebusiness.ie.

This fund may engage in securities lending to earn returns. Securities lending is a low-risk, revenue gathering activity for Client portfolios that own large volumes of listed securities. The portfolios lend to highly-rated borrowers and obtain collateral to secure the loans. The majority of revenue earned from lending activity is paid to the portfolios that provide the loaned securities. The remainder is shared between Irish Life and its Agents.

Asset Allocation

The asset distribution of the Secured Performance Fund T for the year ending 31 December 2017 was as follows:

Asset Type	% Weight
Shares	75.00
Bond	16.20
Property	6.70
Cash	2.10

Custody

Citibank NA, London (Citibank) is custodian for securities. In addition to the records maintained by the custodians, Irish Life maintains its own records of securities held on behalf of clients. Both sets of records are reconciled regularly.

Citibank have produced reports on their internal controls IN accordance with SOC 1.

Investment Managers' Report

Friends First

Date: February 2018

Investment Details

Contributions to this scheme are invested in an exempt approved unit-linked contract designed to provide pensions for individual employees. This contract is underwritten by Friends First Life Assurance Company dac, and the assets can be managed by various fund managers.

Contributions were invested to purchase units in the funds listed below, as instructed by the trustees. This list includes any funds that the scheme may have been invested in for only a portion of the renewal year.

Selected Investment Funds for year ending 31 December 2017

Over the year to 31 December 2017, this scheme held units in the following funds:

Cash Fund

Fund Summary
This fund invests mainly in a range of Euro cash deposits with a diverse range of strongly rated banks rated A or higher and with a maturity of 6 months or less. With a focus on low volatility and liquidity this makes the fund a good temporary position whilst switching between funds in order to maximise returns from market opportunities, or if markets are unsettled. Investors should note that by investing in cash for an extended period of time, inflation may erode the real value of your returns. Therefore this fund should be considered as a short / medium term investment. Returns provided by this fund will be dependent on interest rates available in money markets.

This fund is managed by Friends First.

Market Commentary
In the current low interest rate environment the higher rated banks are offering very low or in some cases negative deposit rates. Until the eurozone inflation rate reaches its target level of 2% and interest rates gain upward momentum, higher rated banks are unlikely to pay more to hold onto deposits, and therefore the fund is likely to continue to yield a slightly negative performance over a full year.

During the year to 31 December 2017, the fund returned -1.14%.

Deposit Fund

Fund Summary
The objective of this fund is to maximise interest rate returns on cash deposits, whilst safeguarding the funds invested. The fund will hold deposits with a minimum of two banks all of whom must hold a credit rating of B (S&P) or higher.This fund invests in Deposit Accounts of 6 months duration or less. The deposit rates on offer are reviewed on a regular basis and other banks may be selected at the discretion of Friends First. Friends First will pass on the full value of the amounts it receives from the banks, less the fund management charge.

The fund is daily priced. Friends First pass on the full value of the interest which it receives from the deposit holding banks, less the fund management charge.

The fund holds deposits with three Banks currently - Permanent TSB, AIB Bank and also Close Brothers.

During the year to 31st December 2017, the fund returned -0.24%.

Date: February 2018

With Profit Funds

Fund Summary
The Friends First With-Profit Fund aims to provide a high level of return over the medium to long term. The fund invests through the Participating Fund of Friends First, which in turn invests in a wide range of assets including shares, property, corporate and government bonds. In light of the severe economic conditions experienced in 2008, the investment strategy in future will be heavily weighted towards government bonds. The fund will share in the profits we make in the form of bonuses. Annual bonuses are added over the life of the investment, in the form of daily increases in the unit price. Once added, these bonuses cannot be taken away so long as the units are held for the full life of the plan. This guarantee applies no matter what happens to investment conditions. In some circumstances you may also receive a 'Terminal bonus' depending on investment earnings for the period of continuous investment in the With Profit fund. Bonuses are only guaranteed at the end of the investment term. If you wish to withdraw early then the value you will receive will be based on the value of the underlying investments (unless the company decides otherwise). This is sometimes described as a Market Value Adjustment.

During the year to 31st December 2017, the funds:

With Profit 2: 2.5%
With Profit 5: 0.0%

Portfolio Funds

Fund Summary
Compass Cautious is a low to medium risk fund of funds. It aims for steady long term growth in excess of cash returns with a strong emphasis on minimising significant short term fluctuations in value. It mainly invests in defensive assets such as Government and Corporate bonds but will have some exposure to equity markets and other growth assets. There is strong emphasis on diversification within the fund. The fund will fluctuate in response to market events but effective diversification reduces over-exposure to any one asset class and the aim is that any losses will be recovered in a short period of time. The underlying assets of the fund may change.

Magnet Cautious is a low to medium risk fund of funds. It aims for steady long term growth in excess of cash returns with a strong emphasis on minimising significant short term fluctuations in value. It mainly invests in defensive assets such as Government and corporate bonds but will have some exposure to equity markets and other growth assets. There is strong emphasis on diversification within the fund. The underlying assets of the fund may change.

Magnet Stable could be described as a medium risk fund. It invests across a broad range of growth and defensive assets such as Government and corporate bonds, equities, commercial property, commodities as well as absolute return strategies. The fund has a significantly lower level of risk than that associated with equity investments. The underlying assets of the fund may change.

Magnet Portfolio is a medium risk fund of funds which invests across the range of Friends First investments. It has a high weighting in the traditional growth assets such as equities and property, but uses the low correlation of Absolute Return funds and Commodities, in addition to a small exposure to bonds, to help reduce overall volatility. The underlying assets of the fund may change.

During the year to 31 December 2017, the fund returns were:

Compass Cautious	2.31%
Magnet Cautious	2.46%
Magnet Stable	4.41%
Magnet Portfolio	5.95%

Date: February 2018

Fixed Interest Fund

Fund Summary

The Fixed Interest fund invests in primarily in AAA-AA rated Eurozone Government Bonds. This fund is suitable for the risk averse investor and will perform well if interest rates are falling. In a rising interest rate environment, this fund can produce negative results. The benchmark is 100% Barclay's Euro Aggregate Treasury AAA-AA 5+ years.

Market Commentary

Market

Core eurozone bond yields fell over the quarter as eurozone economic data remained strong but inflation disappointed forecasts. Survey data pointed to continued momentum in the core countries going into 2018, though eurozone inflation remained subdued, lagging forecasts as euro strength appeared to counteract the impact of higher oil prices. The European Central Bank decided to scale back its quantitative easing programme from the beginning of 2018, reducing monthly asset purchases to €30bn from €60bn, but was seen to be effectively maintaining a dovish outlook through its gradual approach to tapering. In the aftermath of September's German federal elections, Chancellor Angela Merkel was repeatedly frustrated in her attempts to form a new coalition government. German 10-year bund yields eased from 0.46% to 0.43% over the quarter.

Activity

The Fund Manager maintained an underweight duration position amid low volatility and weakening geopolitical tensions, with the expectation that strong growth and the unwinding of quantitative easing in the eurozone will drive bond yields higher. They reduced the underweight in the Netherlands and removed the underweight in Finland, while increasing the underweight in France, a market that they viewed as relatively expensive. They maintained overweight positions in Austria and government related bonds, but reduced the latter as they performed strongly versus Germany during December.

Performance

The fund underperformed its benchmark over the quarter (0.6% vs 0.9%). Short France positions and the underweight stance in the 10-year sector detracted from performance. This was only partially offset by gains in government related bonds.

METRICS: Modified Duration 10.58 years, Average yield 0.59%

During the year to 31 December 2017, the fund returned -0.29%.

Consensus Fund

Fund Summary

The Consensus Fund is a passively managed multi asset fund which, although predominately invested in equities, also invests in other assets. Up until 08/06/2015 the asset allocation reflected the collective views of the average balanced fund manager. As the universe of traditional managed funds has reduced substantially over the last few years this strategy is therefore less insulated from the calls of individual active managers than previously. Since 08/06/2015, the funds benchmark moved to a fixed asset allocation which was guided by, but not limited to, the long term managed fund allocations over a 26 year period. The Fund now has an allocation of 70% equities, 15% bonds, 10% alternatives (including property) and 5% cash. The allocations will be rebalanced to these proportions monthly. The investment objective accordingly changes to one of seeking to generate capital growth over the long term. This fund is managed by State Street Global Advisors.

During the year to 31 December 2017, the fund returned 9.91%.

Date: February 2018

Managed Fund

Fund Summary
The Managed Fund invests in a range of international and domestic equities, bonds, property and cash. The predominant asset is equities as the fund aims to achieve strong returns over the longer term. However, this can lead to volatility in the fund's performance shorter term and it is therefore suitable for the medium to longer term investor. The benchmark is a hybrid benchmark consisting of 70% MSCI All Countries World Index Total Return in EUR, 24% Barclays Global Aggregate (hedged to EUR) Total Return in EUR, 6% Barclays Euro Aggregate Treasury AAA-AA 5+ years TR. This fund is managed by BMO Global Asset Management.

During the year to 31 December 2017, the fund returned 7.54%.

New Ireland Managed Fund

Fund Summary
This fund has investments in a broad range of Irish and international company shares, government securities, top quality corporate debt and cash. The investment analysts research the major investment markets for stocks which meet this basic criteria. This fund is managed by State Street Global Advisors.

During the year to 31 December 2017, the fund returned 8.24%.

Property Fund

Fund Summary
The Property Fund invests in a range of Irish properties across the retail, office and industrial sectors. The Fund only invests in direct Irish property, and does not invest in the UK or in indirect investments such as REITs. The Fund is designed for longer term investment with returns generated through capital growth and rental income. Property assets can be illiquid and can generate negative returns if capital prices fall. The benchmark for this fund is the average return achieved in the IPD Quarterly Irish Property Index. This fund is managed by Friends First.

Market Commentary
The Market:
The Irish economy continues to perform very well, with GDP growth expected to come in close to 4.8% for 2017, and is forecast at c.4% for 2018, the fastest pace in Europe. Unemployment is at 6.1% much lower than the European average of 8.9%. Expanding employment, wage growth, tax cuts and weak CPI inflation are boosting real income, which is driving the domestic economy. These macro-economic indicators make Ireland an attractive destination for international investors' capital. However, the continuing housing crisis may pose a problem for companies looking to relocate staff to Ireland, and is impacting our international competitiveness.

Prime yields in Ireland continue to look attractive relative to our European counterparts. Prime yields remained stable across the retail (3.2%) and industrial (5.5%) sectors, whereas the office sector decreased slightly to 4% (Lisney). 2017 saw a new record being set in the Dublin office market with take-up exceeding all previous years, - more than a third higher than the volume achieved in Dublin at the peak in 2007 (CBRE).

The Fund:
The Fund's income profile continues to be very attractive, with a strong initial income yield at the property level of 5.1% and a weighted average lease term of 8 years. The top 10 tenants (by rental level) account for almost 60% of the rental income. These tenants are of exceptionally high standard and underpin the quality of the Fund's income stream.

Date: February 2018

In Q4 we acquired Cairn House, in the South County Business Park, Leopardstown, Dublin 18 adjacent to Central Park and Sandyford Industrial Estate. It was purchased at a strong equivalent yield of 6.33%. We received planning permission for the upgrade of Blackrock Shopping Centre, while also progressing plans for Trident House (in Blackrock) and the contractors are preparing for the redevelopment of Enterprise House (which is pre-let to Zurich). The anchor restaurant for Royal Hibernian Way is now pre-let to a very exciting restaurant offering by Press Up Group. In addition, we received planning permission for the upgrade of the mall area and the retail facades. Finally, we completed two new lettings in the Kilkenny Retail Park, and the park is now fully let.

The performance YTD has been somewhat muted. The main "drag" on the performance has been the three Blackrock Properties, which are at the beginning of their redevelopment cycles and preparatory costs (such as planning permission, design, architects fees etc) have been incurred. However we expect that the redevelopment of these properties will add value and enhance the income profile of the Fund over the coming months and years.

During the year to 31 December 2017, the fund returned 5.51%.

UK Select Property Fund

Fund Summary
It is the intention of this fund to invest into direct real estate assets however the fund is also permitted to invest in indirect property investments such as Public Securities, Government Securities, Derivatives, Units/Shares in Collective Investment Schemes and joint venture arrangements geared towards a specific real estate investment plan. Leveraging shall not exceed 40% of the funds Gross Asset Value at the time of drawdown. The fund can only invest in properties located within Great Britain or indirect property investments where the core underlying investment is GB real estate related. The fund will not invest in speculative development. When a fund is leveraged it means that gains and losses will be multiplied.

Market Commentary
The Market:
It is 18 months since the EU Referendum and we are no wiser as to what the impact will be. The economic fundamentals have remained robust, with unemployment at its lowest since 1975 and the economy is continuing to report growth (c.1.5% for 2017), albeit at a slower pace than Europe.

The Pound is down c.10% since its pre-referendum level. This has worked in favour of exporters, boosting overseas visitor spending, but is of concern to local UK residents. This devaluation coupled with reduced real spending power (where wage growth is less than inflation), has tempered retail sales volumes. There continues to be a strong inflow of equity from overseas, particularly in the capital. This foreign investment is being driven by the FX position and the relatively attractive yields, with prime London office trading at c.3.5%. Colliers believes that 2018 will see the UK market become less volatile, and could see some stable growth for investors. While total property returns are expected to be modest over the coming years, mainly driven by income, the industrial sector appears to be the standout winner in terms of both rental growth and investor demand. The gap between prime and secondary properties appears tight, with secondary values overstated. When investors in secondary assets come under pressure, this may lead to an opportunity to buy offices at lower levels with a view to asset management as the cycle develops.

The Fund:
The Fund returned 11.72% over 2017, during which time there was an FX loss of 3.8%. The initial yield is very strong at 6.8% (on property value), and the portfolio is fully let. The weighted average lease term is 6 years and 2 months, with 69% of income in place for over 5 years. The value of Victoria House, Belfast increased by 5.2% due to an improvement in market rents. The values of the other 3 properties remained stable, demonstrating how robust they are relative to the uncertainty in the UK. As noted in Q3, the fund now has a holding in a UK REIT. 4.8% of the Fund NAV is invested in the Assura PLC REIT. This REIT invests in primary healthcare centers in the UK, with over 90% of

the rental income backed by the National Health Service (NHS). We believe that the liquid nature of this investment, coupled with the quality of the underlying income, is an appropriate fit for the Fund at this time.The remaining direct properties in the Fund include both core and "core +" properties which are let on high quality leases. These include the B&Q warehouse in Scotland and the industrial unit let to Downhole in Aberdeen, with over 11 years left on the lease. The Fund also invests in value-add properties, where we aim to unlock embedded value through active management. An example of this is Victoria House in Belfast which is multi let and includes tenants such as Arthur Cox and AON.

During the year to 31 December 2017, the fund returned 12.23%.

International Equity

Fund Summary
The International Equity Fund invests in a wide range of Continental European, US, UK and Asian equities. The fund is expected to achieve strong returns in the longer term based on the performance of equity markets. This fund is also expected to be more volatile than a mixed asset fund given the higher equity content and is suited to a longer term investment horizon.

Market Commentary
Market
The MSCI ACWI NDR rose 4.1% in euro terms, with global stock markets reaching record highs. US equities advanced as domestic economic data continued its strong run and Donald Trump scored a key legislative victory with the passage of US tax cuts. Financials were one of the best performing sectors of the US equity market, with the Federal Reserve raising interest rates for the third time in 2017 at its December meeting. European equities lagged the global average as political risk re-emerged, particularly in peripheral countries such as Spain and Italy. Eurozone economic data, nonetheless, remained robust. Japanese exporters benefited from accelerating global growth, while the local market was also boosted by the resounding victory of Prime Minister Abe in the country's elections.

Activity
In terms of geographical positioning, the fund manager retained overweight positions in Europe, Japan and emerging markets. However, they increased the overweight position in Japan and slightly reduced our overweight position in emerging markets. Their position in the US moved from underweight to neutral. The manager reduced the position in the UK, from a neutral stance to underweight. Allocation in Pacific ex Japan remained underweight.

Performance
The fund outperformed its benchmark over the quarter (5.1% vs 4.1%). An overweight position in Europe detracted from returns as European equities underperformed several other markets and European companies have not experienced the same boost from US tax cuts. However, this was more than offset by an overweight position in Japan, with the aforementioned election win of Prime Minister Abe in October providing political stability and boosting confidence on the economic front. Furthermore, the overweight positon in emerging markets also contributed positively over the quarter. (31st Dec 2017)

During the year to 31 December 2017, the fund returned 10.66%.

Stewardship Ethical

Fund Summary
The Stewardship Fund is an international equity fund which aims to achieve growth through investing only in companies which meet certain ethical criteria. As an equity fund this fund has a potentially high return but also a very high risk profile given the risks inherent in inverting in equities. The fund can be volatile over short to medium term periods.

Date: February 2018

Market Commentary

F&C Responsible Global Equity strategy returned 4.4% during the fourth quarter of 2017, outperforming its benchmark the MSCI World NR (EUR) Index, which rose by 3.9%. The fund also outperformed over one year, registering a return of 14.0% compared to the benchmark return of 7.5%.

Attribution Summary

The fund outperformed the benchmark during the quarter due to positive stock selection. Kerry Group and SVB Financial, the two best performing individual stocks, were both helped by the release of strong quarterly statements. Overweights in Union Pacific Corp. and Tractor Supply Co. also contributed as both companies were beneficiaries of US tax reforms. Overall gains were held back by healthcare names Henry Schein and Cardinal Health, which were impacted by concerns about potential competition from Amazon. Overall, asset allocation was slightly negative for the fund's performance. The biggest overall positive contributions came from overweights in IT services and chemicals. However, being overweight healthcare providers and underweight food and staples retailing detracted. On a regional basis, an overweight in Europe contributed.

Key activity

During the quarter, the fund manager initiated a new position in HDFC Bank, an Indian private bank, attracted by its strong growth outlook. They also initiated a holding in Shimano, a Japanese manufacture of cycling components. They sold out of Toray Industries following a strong performance and used the proceeds to fund our purchase of Shimano. The manager also reduced our position in Cardinal Health due to the ongoing market concerns about a possible competitive threat from Amazon entering the healthcare market and because of the company's potential (albeit seemingly limited) exposure to the US opioid crisis. They cut their holding in Cognex following a very strong share price performance.

Positioning & outlook

The global macroeconomic backdrop remains supportive and equity markets have proved resilient to US rate rises, geopolitical tensions, and some valuation concerns. Earnings growth remains steady, if not spectacular, with M&A activity supporting the upbeat market sentiment. Overall, the favourable economic environment is positive for equity prices. The fund manager sees slightly better value in Europe than the US, and good potential in Japan. Portfolio positioning retains its bias towards higher quality, sustainable growth companies that can prosper despite any near-term economic and policy-driven volatility. Where valuations have begun to look elevated, they have reduced some of the fund's exposure to these highly rated names, reinvesting into more defensive stocks where there appears to be better valuation support. They still believe that higher quality companies should outperform over the long term, due to their robust cash flow, focus on improving total shareholder returns and increasing franchise value. (31st Dec 2017)

During the year to 31 December 2017, the fund returned 12.09%.

Eurozone Equity

Fund Summary

The Eurozone Equity Fund (formerly the European Equity Fund) invests in stocks listed in Eurozone markets. As an equity fund, this fund has a potentially high return but also a high risk profile given the risks inherent in investing in equities. The fund can be volatile over short to medium term periods. The underlying benchmark is the Dow Jones Eurostoxx index.

Market Commentary

Market review

As represented by the Euro Stoxx NR Index in euros, European ex-UK equity markets returned -0.7%. The eurozone economy continued to show positive momentum, with survey data suggesting economic activity in December had reached its highest level in seven years. There was some uncertainty on the political front as German Chancellor Angela Merkel failed to agree terms on forming a new coalition government. Spanish stocks, led by financials, sold off in December after pro-independence parties collectively won the most seats in Catalonia's regional election. In a similar vein, Italian stocks suffered from political worries as a general election was scheduled for early March 2018 with the country's populist Five Star movement leading in the polls. The European Central Bank scaled back its quantitative easing programme, reducing monthly asset purchases to €30bn from €60bn, from the beginning of 2018.

Activity
During the period, the main purchase was Paddy Power Betfair given the company's upside potential despite the regulatory environment. The fund manager sold CTT-Correios de Portugal after the transportation and logistics group delivered disappointing results. They also disposed of German packaging firm Gerresheimer over concerns about the quality of the business, and sold Grenke, an IT leasing group, following a strong performance in the stock.

Performance
The fund outperformed its benchmark (0.4% vs -0.7%) over the quarter mainly because of asset allocation. Overweights in beverages, media and food producers, and underweights in banks and general industrials, contributed to performance. Overall, stock selection was marginally negative for the fund most notably in the personal goods and the travel and leisure sectors. Italian asset manager Azimut was hurt by sluggish performance fees, while textile maker Lenzing was negatively impacted by the pricing environment, the two worst-performing stocks of the quarter. Kerry Group was the best performer, buoyed by a growing market share. (31st Dec 2017)

During the year to 31 December 2017, the fund returned 14.29%.

Irish Equity

Fund Summary
The Irish Equity Fund invests primarily in stocks which are listed on the Irish Stock Exchange. As an equity fund, this fund has a potentially high return but also a high risk profile given the risks inherent in investing in equities. The fund can be volatile over short to medium term periods. The underlying benchmark is the ISEQ Index.

Market Commentary
Market
Irish equities, as measured by the ISEQ index, advanced 2.4% in euro terms over the quarter. In the 12 months leading up to the start of this quarter Irish economic data surprised on the upside with the economy growing by an impressive 10.5%. A compromise agreement between the EU and UK on issues such as the Irish border, securing a green light for Brexit negotiations to progress to trade talks, was also generally positive for sentiment on Irish equities. The European Central Bank continued its accommodative stance as it decided to extend asset purchases in 2018, albeit at a reduced rate of €30bn per month versus €60bn previously. While the Federal Reserve raised interest rates in line with expectations at its December meeting, the legislative passage of US tax cuts provided additional support for risk appetite.

Activity
There were no significant purchases or disposals in the course of the quarter.

Performance
The fund outperformed its benchmark (3.0% vs 2.4%), helped by both good stock selection and asset allocation. Positions in Cairn Homes, which issued positive guidance, and financial services group IFG, helped by strong volumes, contributed to performance. A zero weight in Malin Corporation, an Irish life sciences company which is in the benchmark, was also positive. In terms of asset allocation, zero weights in beverages, mining, and oil and gas producers versus the benchmark bolstered the relative outperformance. (31st Dec 2017)

Date: February 2018

During the year to 31 December 2017, the fund returned 8.89%.

KBI High Yield Equity Funds

Fund Summary
KBI Global High Yield Equity
This is a global equity fund which invests in companies that pay higher dividends than their industry peers. In addition it adopts a rigorous stock selection process to eliminate regional and industry sector bias. As an equity fund, this fund has a potentially high return but also a high risk profile given the risks inherent in investing in equities. The fund can be volatile over short to medium term periods.

KBI Eurozone High Yield Equity
This is a Euro equity fund which invests in companies that pay higher dividends than their industry peers. In addition it adopts a quantitative stock selection process to eliminate industry sector bias. As an equity fund, this fund has a potentially high return but also a high risk profile given the risks inherent in investing in equities. The fund can be volatile over short to medium term periods.

Market Commentary
KBI Global High Yield Equity
Global stock markets were positive in the final quarter, adding to the strong gains of recent years. For example, the S&P 500 Index of US stocks recorded a higher close every month last year. This winning streak is the longest for 90 years, and the index is now over 300% higher than its post-financial crisis low in March 2009. The MSCI index of world equities was up 3.9% on the quarter.

The main style trend of note was the continuing underperformance of value relative to growth. Following its sharp underperformance in the first half of the year, value continued to lose ground to growth in the second half - to finish the year almost 10% behind. This outcome was largely driven by North America where the differential was over 11%. The only other style trend of note was the continuing underperformance of high yield - 2.0% in the fourth quarter.

The Fund outperformed the benchmark this quarter. Relative stock selection contributed positively to performance in energy, retailing and software. In energy, Valero made large gains as it continues to excel as a low-cost operator which generates sufficient free cashflow to cover its dividend, buy-back some of its stock, and invest for future growth. In retailing, the sharp rebound in traditional retailers was the main feature. Commentary from several retailers during the third quarter earnings season, pointed to well-positioned channel inventories and disciplined industry wide promotional activity. The industry group is also seen as a key beneficiary of tax reform particularly department stores such as Kohl's and speciality retailers such as L Brands and Gap. In software, Microsoft made good gains as the company delivered impressive quarterly results driven by broad based strength. In addition to the strong top line, gross and operating margins were also meaningfully better than expected.

Relative stock selection detracted from performance in healthcare equipment & services and consumer durables & apparel. In healthcare equipment & services, US Company Cardinal Health declined, continuing the sharp fall since September following the release of disappointing quarterly results, and accompanying reduced management guidance.

Dividend Yield of the Fund at end of the quarter was 3.4% (31st Dec 2017)

KBI Eurozone High Yield Equity
Eurozone equities endured a more difficult end to the year with the MSCI EMU Index finishing down on the quarter. Additional euro strength and a marginally less robust earnings season took the gloss off eurozone equities, while the highly accommodative monetary stance continues to pose problems for the banking sector. Technology hardware was the worst performing industry group while pharmaceuticals, retailers and banks endured a difficult quarter. Transportation, consumer services, real estate and commercial and professional services were among the best performers.

Date: February 2018

Growth outperformed value by a further 1.9% during the final quarter of 2017 bringing the full year outperformance to 5.9%. High yield modestly underperformed while quality characteristics were rewarded by investors. Small cap and medium cap stocks outperformed while their large cap counterparts struggled. The Fund registered a decline, slightly underperforming the benchmark on the quarter.

Relative stock selection contributed positively to performance in media, banks and transportation. In media, German company Prosiebensat Media hosted a capital markets day and unveiled new targets for 2022. They gave a good defence of television and presented new advertising tools and products. In banks, ABN Amro rose as it continues to offer a dividend yield which is 1.5% above the sector average. The bank is expected to payout 50% of reported earnings this year resulting in a 66% increase in dividend per share.

Relative stock selection detracted from performance in food and staples retailing, pharmaceuticals and in food, beverages and tobacco. In food and staples retailing, the Spanish food distribution company DIA declined as the company revealed disappointing quarterly results and cut full year guidance from mid-single digit sales growth to low single digit growth. In food, beverages and tobacco, Coca Cola European Partners was down as the company reported a decline in total volumes as it was negatively impacted by a decline in France, Germany and Spain.

Dividend Yield at end of the quarter was 4.0% (31st Dec 2017)

During the year to 31 December 2017, the funds returned:

KBI Global High Yield Equity	4.95%.
KBI Eurozone High Yield Equity	12.67%

Explorer (Emerging Markets)

Fund Summary
The objective of the Fund is to exploit opportunities for capital growth provided by investment in the world's less developed countries. The portfolio will comprise of ordinary shares of those countries and may include investment in funds and schemes which in turn invest in those countries or certificates representing securities in those countries. The Fund looks to provide access to our best investment ideas through a concentrated, aggressively managed portfolio of shares in emerging markets. As an equity fund, this fund has a potentially high return but also a very high risk profile given the risks inherent in investing in emerging market equities. This fund is managed by LGM Investments.

Market Commentary
Market
The MCSI Emerging Markets NR index advanced 5.8% in euro terms, supported by accelerating global economic growth and buoyant risk appetite. General strength across major developed economies such as the US, eurozone and Japan was matched by some further improvement in key commodity prices, which provided an additional boost for certain EM countries. While Chinese economic data released during the quarter was mixed, the world's second largest economy appeared on course to comfortably exceed its government's 6.5% growth target for 2017. EM markets were largely unfazed by the Federal Reserve's third rate hike of the year in December, a 0.25% increase, which was in line with expectations.

Activity
During the quarter, the fund invested in Magnit, the leading food retailer in Russia with roughly 10% market share. Magnit benefits from scale and thus negotiating power, backed by a highly efficient logistics network. The fund manager trimmed exposure to Titan, Pidilite Industries, Unilever Indonesia and Hindustan Unilever.

Performance

Date: February 2018

On a sector basis, the fund's overweights to the speciality retail and foods products sectors contributed the most. Meanwhile, the overweights to the hotels restaurants & leisure and banks sectors modestly detracted. In terms of individual contributors, the overweight to South African apparel retailer Mr Price was strongly positive, with the company reporting a solid set of interim results. The holding in dairy company Vietnam Dairy Products also outperformed amid news that Jardine Group had acquired 10% of the share capital, perhaps with a view to building a larger position over time. Detracting from performance was the zero exposure to internet names Tencent and Naspers, which performed strongly over the quarter. (31st Dec 2017)

During the year to 31 December 2017, the fund returned 17.3%.

General Market Commentary

The fourth quarter of 2017 rounded out a successful year for most stock markets. Solid economic data enabled some of the major central banks to raise interest rates and taper asset purchases. There were issues to overcome, including an uncertain outcome to the German federal elections, ongoing tensions between Spain and Catalonia and continuing Brexit negotiations (which culminated in a breakthrough in December when the UK and EU agreed a deal to move forward). However, markets largely shrugged off these concerns and, in general, risk assets pushed higher, with agreement on tax reform in the US in December adding to momentum in that region.

As measured by the FTSE World Index, global equities returned 5.5% in local currency terms for the final quarter; euro strength reduced this gain to 4.2%, although this pales in comparison to the full-year outcome where the local currency gain of 19.7% translated to a gain of 9% for euro-based investors. US equities were strong performers as economic growth in the hurricane-afflicted third quarter proved to be more resilient than expectations; indeed, GDP growth of 3.2% bettered the expansion of the prior quarter. Rising optimism that the Trump administration would get its tax reform legislation through Congress lifted sentiment as it drew closer, with corporate earnings expected to enjoy a direct bounce as a result. Although the S&P 500 Index came off its record high at the end of 2017, it still achieved a total return of 6.6% in Q4; and for the first time since 1958, the index recorded a positive return in every month of the calendar year. Sector leadership came from consumer discretionary, IT and financials, while defensive sectors such as utilities, health care and real estate were the poorest performers.

European equities were mixed; Spanish and Italian markets were each down more about 3% amid political uncertainty, while German and Irish markets advanced. Having struggled to make headway through most of the quarter, UK equities rallied amid improved confidence that a deal between the UK and EU can be struck. Japan's stock market performance was impressive, with the Nikkei 225 Index climbing 12% as Prime Minister Abe won the election, earnings grew strongly and the economy expanded for the seventh straight quarter. Emerging markets ended the year well, with the MSCI Emerging Markets Index up 5.8%in Q4.

Despite the healthy investor risk appetite and the trend away from loose monetary policy by central banks, fixed income markets held up relatively well. Longer-dated sovereign debt did best as the yield curve flattened in many regions. In the euro area, German 10-year yields were down a modest 0.04% to 0.43%, with similar-dated Irish bond yields down from 0.74% to 0.67%. The resilience of eurozone bonds came even as the ECB announced plans to reduce the scale of its asset purchase programme amid continuing strong economic data.

(31st Dec 2017)

Date: February 2018

Friends First funds are managed by various investment managers, and are constantly monitored to track market conditions. Where market conditions dictate, the investment manager will take whatever action they may deem appropriate to maximise investment returns. The variety of Friends First funds, details of which can be found on www.friendsfirst.ie/fund-centre/ allow trustees to select a risk profile appropriate to the assets and liabilities of the scheme.

Indxd Global exEurozone Equity Fund

The objective of this fund is to provide broad exposure to international equity markets outside of the Eurozone. It does so by aiming to track the performance of an underlying index of international shares rather than by active management. The fund is currently aiming to track the FTSE All World Developed ex Eurobloc Index through a SSgA Ireland managed fund but may elect to track other appropriate international indices. The FTSE All World Developed ex Eurobloc Index comprises of large and mid-cap stocks providing coverage of world developed markets outside of the Eurozone. As an equity fund, this fund has a potentially high return but also a high risk profile given the risks inherent in investing in equities. The fund can be volatile over short to medium term periods.

This fund is managed by State Street Global Advisors.

During the year to 31st December 2017, the fund returned 6.29%.

Multi Strategy Global Bond Fund

This is a Bond Fund that employs several strategies in its aim to provide a return of cash + 3% (gross of fees) at a low level of volatility (below 3% annualised) and preserve capital over a rolling 3 year period. As well as investing in bonds directly, the Multi Strategy Global Bond Fund uses derivatives to potentially earn positive returns regardless as to whether bond markets are rising or falling. The use of these instruments requires the support of a robust risk management process which is integral to the disciplined approach employed by the fund manager, Deutsche AM. A 3 year capital preservation objective indicates this fund would be held with a medium term outlook.

This fund is managed by Deutsche AM.

During the year to 31st December 2017, the fund returned 0.56%.

Concept K Fund

Concept K is an investment fund which aims to produce long term growth but with less of the volatility usually associated with stock market investing. The fund looks to produce a return for investors by investing across many different markets in whatever proportions the fund managers consider appropriate depending on market conditions. The fund primarily invests in company shares, government & corporate bonds, cash, gold and currencies. It can also use derivatives to implement investment ideas.

This fund is managed by Deutsche AM.

During the year to 31st December 2017, the fund returned 1.09%.

European Corporate Bond Fund

The European Corporate Bond Fund invests primarily in Euro denominated fixed interest securities issued by corporate entities with the aim of producing a better return outcome than government bonds. Corporate bond investments carry a higher degree of risk than Sovereign bonds. The index underlying this fund is the Barclays Euro Aggregate Credit Index.

This fund is managed by BMO Global Asset Management.

During the year to 31st December 2017, the fund returned 1.47%.

Indexed Emerging Mkts Equity Fund

The objective of this fund is to provide broad exposure to the Emerging markets. It does so by aiming to track the performance of underlying indices rather than by active management. The fund is currently aiming to track the MSCI Emerging Markets Index through an SSgA managed fund, but may elect to track other appropriate indices. The fund is expected to achieve strong returns in the longer term based on the performance of equity markets. This fund is also expected to be more volatile than a mixed asset fund or developed markets equity fund and is suited to a longer term investment horizon.

This fund is managed by State Street Global Advisors.

During the year to 31st December 2017, the fund returned 18.78%.

The distribution of this fund, as at the 29th December 2017, was as follows:

Asset	Distribution at 29th December 2017
North America	55.30
Emerging Markets	12.52
UK	3.27
Cash	0.35
Europe	16.46
Japan	9.49
Other Far East	2.61
Total	100.00

European Long Bond Fund

The objective of this fund is to provide broad exposure to long dated (at least 15 years until Maturity) Euro denominated debt of countries of the European Monetary Union. The underlying benchmark for the fund is the 100% Barclays Euro Aggregate Treasury AAA-AA > 10 yrs.

This fund is managed by BMO Global Asset Management.

During the year to 31st December 2017, the fund returned 0.19%.

Indexed Eurozone Corp Bonds Fund

The objective of this fund is to provide broad exposure to Euro Corporate Bonds. It does so by aiming to track as closely as reasonably possible the performance of underlying indices rather than by active management. The fund is currently aiming to track the Bloomberg Barclays Euro Aggregate Corporate Bond Index through an SSgA managed fund, but may elect to track other appropriate indices.

This fund is managed by State Street Global Advisors.

During the year to 31st December 2017, the fund returned 1.97%.