PRIME Funds

The next generation of passive funds

Bank of Ireland Life

For small steps, for big steps, for life

Contents

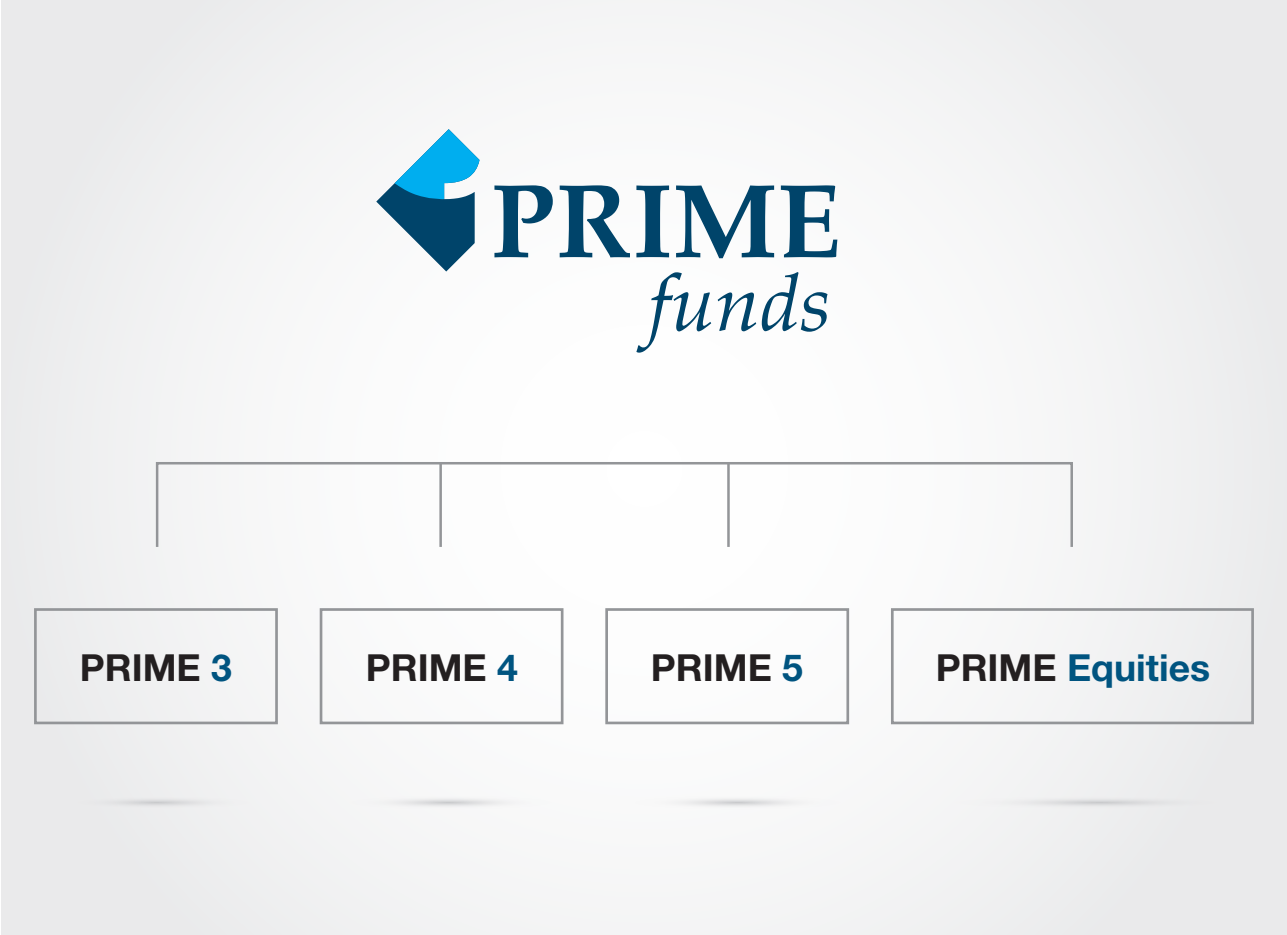
Introduction

Bank of Ireland Life is one of the leading providers of pension and investment solutions within the Irish market today. We offer a wide range of options because we understand that choice is vital to meeting the varying needs of customers.

Bank of Ireland Life's PRIME Funds (PRIME) range offers investors a unique solution to help them achieve their medium to long term goals.

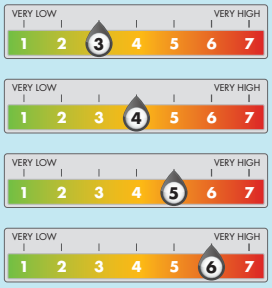
PRIME 3, **4** and **5** have been designed for investors who seek the type of returns that exposure to a range of asset classes can deliver. As the market value of assets can rise and fall over time, the funds aim to deliver a more stable investment journey for investors by managing risk through diversification and use of a dynamic risk adjustment mechanism.

PRIME Equities provides exposure to developed world, emerging market and small cap global equities. The fund seeks to deliver higher returns than the other PRIME Funds but there is also a higher risk for investors as exposure is to a single asset class and the value of equities can vary significantly.



PRIME Funds At a Glance

Aim	To generate a return reflective of the risk profile of the fund
Style	Passively managed
Asset Mix	Exposure to a range of asset classes. For PRIME 3,4 and 5 the asset mix includes equities, bonds, alternatives and cash. Property will be added as an asset with effect from Q3 2017. For PRIME Equities, developed world equities, emerging market equities and small-cap global equities are held.
Risk Management	• Diversification – adopts a multi-asset approach that aims to spread risk • Dynamic risk adjustment mechanism - a strategy that reduces exposure to equities when equity market volatility is high
Risk Rating	**PRIME 3** .....Low to Medium Risk **PRIME 4** .....Medium Risk **PRIME 5** .....Medium to High Risk **PRIME Equities**.....High Risk
Recommended Minimum Investment Period	Medium to long term (typically, 5–7 years)
Investment Partner	State Street Global Advisors



Warning: The value of your investment may go down as well as up.
Warning: These funds may be affected by changes in currency exchange rates.
Warning: If you invest in these funds you may lose some or all of the money you invest.

PRIME Funds

PRIME Funds is a range of funds available to invest through Bank of Ireland Life's pension and SmartFunds investment product. Each PRIME fund aims to generate returns reflective of the risk profile of the fund. Each fund gains exposure to asset classes by investing in a range of funds.

How the Funds Aim to Achieve Returns:

- Multi-asset approach – PRIME 3, 4 and 5 adopt a multi-asset approach and offer investors the potential returns that can come from investing in a range of asset classes. By investing in a range of asset classes and reducing exposure to equities when equity market volatility is high, it is hoped to reduce the risk of investment losses that can arise when the market value of assets fall.

  PRIME Equities aims to achieve returns by providing exposure to developed world, emerging market and small cap global equities. Exposure to the different types of equities offers the potential for the higher returns that equities can deliver. It is important to understand that exposure to a single asset class increases the risk of the investment. Any fall in the value of equities will impact on the value of your investment and as the value of equities can fall as well as rise significantly at times, the impact could be significant.

- Passive investment approach – this is an investment strategy that funds can adopt that tracks market-weighted indices or portfolios rather than relying on a fund manager to make investment decisions. While PRIME Funds are in general passively managed funds, it is important to note that any exposure in the funds to property will predominantly be actively managed.

A Risk Conscious Solution:

- Each PRIME Fund is designed for a specific risk profile:

  PRIME 3 – Low to Medium Risk

  PRIME 4 – Medium Risk

  PRIME 5 – Medium to High Risk

  PRIME Equities – High Risk

- Asset class exposure in each fund is reflective of the risk profile of the fund. For example, PRIME 3 is classified as a low to medium risk fund and will have lower exposure to higher risk assets such as equities than PRIME 4 or PRIME 5. PRIME 4 is classified as a medium risk fund and will have lower exposure to higher risk assets such as equities than PRIME 5, which is classified a medium to high risk fund.

- An adjustment process is in place to reduce risk during times of high market volatility – through a dynamic risk adjustment mechanism, exposure to equities is reduced in order to deliver a more stable investment journey (excludes PRIME Equities). Details of this mechanism are provided on page 7.

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How PRIME Funds Aim To Achieve Returns

How PRIME Funds Aim to Achieve Returns

PRIME Funds aim to generate returns through exposure to a range of asset classes. These include traditional asset classes that investors will be familiar with – equities, government bonds and corporate bonds; along with alternative assets such as commodities and infrastructure. From time to time, cash will also be held in the funds.

State Street Global Advisors (SSGA), a pioneer in passive investing, is our chosen partner for the PRIME Funds range. Each PRIME Fund's asset exposure is through investing in a range of SSGA funds (see below for more details).

Diversification - PRIME 3, 4 and 5 provide exposure to a range of asset classes. This is important from a return perspective, but it is also beneficial from a risk perspective. Risk is spread so the overall return is not dependent on any one asset class. If one asset class falls in value, another may rise and offset the loss to the overall portfolio. For diversification in PRIME Equities, equity exposure is spread across developed world, emerging markets and small cap equities.

Passive Investing

In general, PRIME Funds adopt a passive investment approach - passive investing aims to remove the risk that can come from:

- Choosing a single active fund manager
- Choosing individual stocks to invest in
- Managing what amount to allocate to different asset classes

In Q3 2017, PRIME 3, 4 and 5 will also have exposure to property. This exposure will be through investing in an actively managed property fund. We believe that some exposure to property has the potential to contribute to a better return for PRIME 3, 4 and 5. Investing in property widens the source of performance for each fund and provides another source of diversification.

PRIME's Building Blocks*	
Equity Exposure	PRIME Funds aim to share in the performance of global stock markets through exposure to global, emerging market and/or small cap equity passive funds.
Bond Exposure	PRIME Funds aim to capture performance from bonds through exposure to passive government and corporate bond funds. There may also be exposure to bonds via alternatives funds (see below).
Alternatives Exposure	PRIME Funds aim to capture the performance of alternatives through an alternatives fund. This fund invests passively in alternatives such as emerging market bonds, infrastructure and commodities such as oil and gas.
Cash Exposure	PRIME Funds will also aim to capture cash-like returns.

In Q3 2017, PRIME 3, 4 and 5 will also aim to capture the performance of commercial property. This will be through exposure to office, retail and industrial properties located in Ireland, the UK and Europe. PRIME 3, 4 and 5 will invest in the Bank of Ireland Life Property Fund. This fund aims to generate long term returns from a combination of rental and income growth by investing in a portfolio of prime commercial properties. Properties will be primarily located in Ireland, the UK and Europe.

The actual exposure of each PRIME Fund to the above is explained on the following pages. Details of the SSGA funds that form PRIME's building blocks are on page 12.

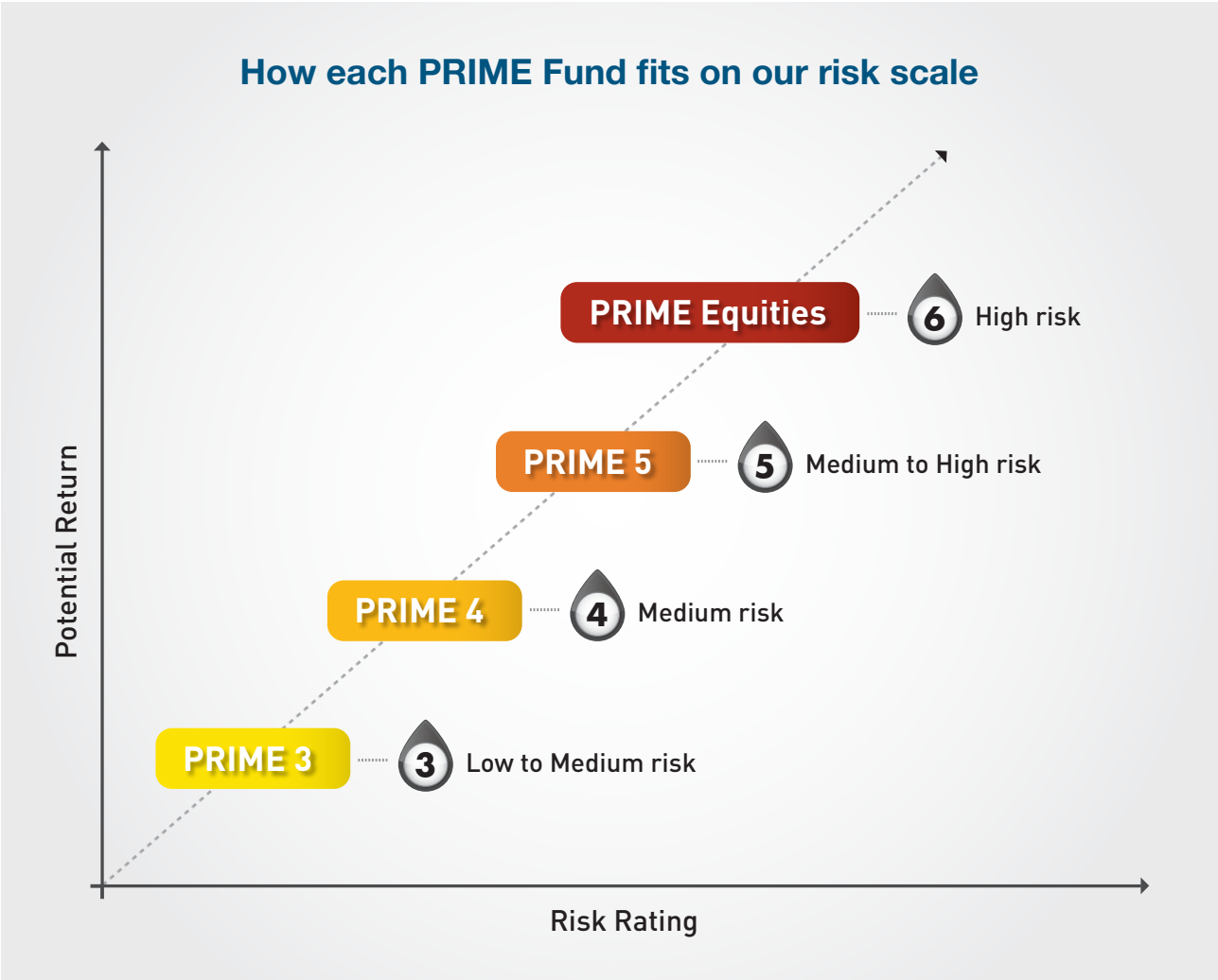
The PRIME Funds range has exposure to non-euro assets and this brings the additional risk of how changes in currency exchange rates can impact the value of the fund.

* The equity or bond assets that each **PRIME Fund** has exposure to may be used for the purpose of securities lending in order to earn an additional return for the fund. While securities lending increases the level of risk within a fund it provides an opportunity to increase the investment return.

PRIME Funds & Risk Categories

At Bank of Ireland Life, we classify our range of funds into seven different risk categories; from very low risk (1) to very high risk (7). This is to help you to better understand the risks to your investment.

Bank of Ireland Life Risk Rating Scale



Details of the characteristics of funds in each risk category can be found on page 10.

This graph is for illustration purposes only and is intended to demonstrate that when it comes to investing, to seek greater return, greater risk must be taken on. The actual performance of each PRIME fund will depend on the performance of the assets the fund is exposed to and actual returns may differ from the above. Along with your Advisor you will decide what level of risk is appropriate for you.

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A Risk Conscious Solution

Each PRIME Fund has been designed so only appropriate levels of risks are taken, risks that are in line with the fund's risk profile.

1. Asset Class Exposure – for each PRIME Fund, exposure to asset classes is in line with the risk profile of the fund.

For example, PRIME 3 (a low to medium risk fund) has a lower exposure to higher risk assets such as equities and a greater exposure to lower risk assets such as bonds. As you move up the risk scale, equity exposure in the fund range increases.

On page 8, we outline the asset class exposures of each PRIME Fund (as at April 2017).

PRIME Equities provides exposure to equities only. It is important to understand that investing in just one asset class increases the impact of any rise or fall of these on the value of the overall fund. While PRIME Equities reduces this risk by investing in a range of equities - developed world, emerging market equities and small cap equities - it is important to understand the additional risk that comes from investing in just one asset class.

2. Dynamic Risk Adjustment Mechanism – historically, equities have offered the greatest potential for long-term returns. These returns are typically not generated in a straight line – they can go up and down and sometimes dramatically. This rise and fall is referred to as market volatility. Herein lies the risk that comes from investing. The value of assets, and so too the value of customers' investments, can change over time. It is important to understand that to generate returns, some risk is necessary.

PRIME 3, 4 and 5 have been designed to reduce the potential impact of equity market volatility on investment returns – smoothing fluctuations and aiming to enhance the potential return to investors. This is achieved through a process that reduces equity exposure and increases the amount invested in cash in times of high equity market volatility.

How does this work?

1. To achieve their risk goals, **PRIME 3**, **4** and **5** can vary their exposure to developed world and emerging market equities
2. If market volatility is high, indicating short and sharp movements and an increased risk of investors losing money, exposure to these equities is reduced
3. If market volatility is low, indicating the market is steady, exposure to equities is increased

Fund

Asset Class Exposure - Before & After Property Addition

PRIME 3

A low to medium risk fund that aims to generate a return reflective of the risk profile of the fund.

Asset class	Split as at April 2017	Split after property is added in Q3 2017
Developed World Equities (Risk Adjusted)	32.0%	30.0%
Euro Government Bonds	30.0%	24.0%
Diversified Alternatives	15.0%	15.0%
Cash	15.0%	15.0%
Euro Corporate Bonds	8.0%	8.0%
Property	0.0%	8.0%

PRIME 4

A medium risk fund that aims to generate a return reflective of the risk profile of the fund.

Asset class	Split as at April 2017	Split after property is added in Q3 2017
Developed World Equities (Risk Adjusted)	60.0%	58.0%
Emerging Market Equities (Risk Adjusted)	6.0%	6.0%
Diversified Alternatives	14.0%	12.0%
Property	0.0%	8.0%
Euro Corporate Bonds	10.0%	8.0%
Euro Government Bonds	10.0%	8.0%

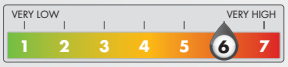
PRIME 5

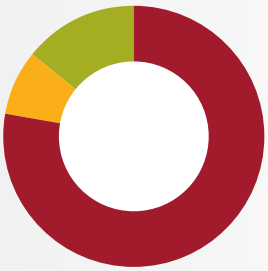
A medium to high risk fund that aims to generate a return reflective of the risk profile of the fund.

Asset class	Split as at April 2017	Split after property is added in Q3 2017
Developed World Equities (Risk Adjusted)	78.0%	72.0%
Emerging Market Equities (Risk Adjusted)	8.0%	7.0%
Small-cap Global Equities	14.0%	13.0%
Property	0.0%	8.0%

PRIME Equities

A high risk fund that aims to offer a generate a return reflective of the risk profile of the fund.





Split as at April 2017

- 78.0% Developed World Equities
- 8.0% Emerging Market Equities
- 14.0% Small-cap Global Equities

Source: Bank of Ireland Life. The splits shown are as at April 2017 and after property is added in Q3 2017 to PRIME 3, 4 and 5.
The asset class exposure levels shown above may change over time. Up to date information is available from your Advisor or from fundcentre.bankofireland.com

Each PRIME Fund Explained

- **PRIME 3** has exposure to developed world equities, property, alternative assets, euro government and corporate bonds and cash.
- The developed world equity percentage of 32.0% (30% after property is added in Q3 2017) is the target maximum exposure level for this equity exposure. This percentage can change over time in line with the dynamic risk adjustment mechanism.
- When the developed world equity exposure is reduced because of the adjustment mechanism, exposure to cash increases.[††]
- The percentages shown for property, diversified alternatives, euro corporate and government bonds and cash are set.
- Over time, as asset class exposures move in line with market movements, a process is in place to bring exposure levels back in line with the percentages shown.

- **PRIME 4** has exposure to developed world and emerging market equities, property, alternative assets, euro government and corporate bonds and cash.
- The developed world and emerging market equities percentages of 60.0% (58% after property is added in Q3 2017) and 6.0% respectively, are the target maximum exposure levels for these types of equity exposure. Both these percentages can change over time in line with the dynamic risk adjustment mechanism.
- When the developed world equity and emerging market exposures are reduced because of the risk adjustment mechanism, exposure to cash increases.[††]
- The percentages shown for property, diversified alternatives, euro corporate and government bonds and cash are set.
- Over time, as asset class exposures move in line with market movements, a process is in place to bring exposure levels back in line with the percentages shown.

- **PRIME 5** has exposure to developed world, emerging market and small cap global equities, property and cash.
- The developed world and emerging market equities percentages of 78.0% and 8.0% (72% and 7% respectively after property is added in Q3 2017) respectively are the target maximum exposure for these equity exposures. Both percentages can change over time in line with the dynamic risk adjustment mechanism.
- When the developed world and emerging market equity exposures are reduced because of the risk adjustment mechanism, exposure to cash increases.[††]
- The percentage shown for small cap global equities and property are set.
- Over time, as asset class exposures move in line with market movements, a process is in place to bring exposure levels back in line with the percentage shown.

- **PRIME Equities** has exposure to developed world, emerging market and small cap global equities and cash.
- The percentages shown of 78.0%, 8.0% and 14.0% are the target maximum exposure levels for developed world, emerging market and small cap global equities respectively. These percentages are set.
- Over time, as asset class exposures move in line with market movements, a process is in place to bring exposure levels back in line with the percentages shown.

[††] Details of the cash fund used when developed world and emerging market equities exposure is reduced is provided on page 12.

Risk Categories Explained

Low to Medium Risk

Funds categorised as low to medium risk have the following characteristics:

- They offer the potential for returns in excess of deposits but do not promise a minimum return at any time.
- They tend to invest in a range of assets, normally focusing on lower risk assets such as government bonds and investment grade corporate bonds.
- However, they also typically invest in higher risk assets such as equities, property and alternatives (e.g. commodities). At times these investments may be a significant proportion of the fund.
- Investors' capital is less exposed to market fluctuations than higher risk investments but investors may get back less than they originally invested.

Medium Risk

Funds categorised as medium risk have the following characteristics:

- They offer the potential for returns in excess of deposits, but do not promise a minimum return at any time.
- They tend to invest in a range of assets, including lower risk assets such as government bonds and investment grade corporate bonds, but are more focused on higher risk assets such as equities, property and alternatives (e.g. commodities).
- Investors' capital is less exposed to market fluctuations than higher risk investments but investors may get back less than they originally invested.

Medium to High Risk

Funds categorised as medium to high risk have the following characteristics:

- They aim to generate a return higher than deposits and inflation.
- They typically invest significant proportions in assets such as equities, property and alternatives (e.g. commodities). They usually hold smaller amounts in lower risk assets such as government bonds and investment grade corporate bonds.
- Within these asset classes risk can be reduced by investing across sectors and geographic regions.
- Investors' capital is not secure and can fluctuate, sometimes significantly, and investors may get back less than they originally invested.

High Risk

Funds categorised as high risk have the following characteristics:

- The potential return from high risk investments is much higher than deposits or inflation.
- The focus is on maximising the potential return to investors rather than minimising risks.
- Some high risk funds may consist almost entirely of one asset class or be concentrated in one geographic region or sector.
- Investors' capital is not secure and may fluctuate significantly. Investors may get back substantially less than they originally invested.

For details of other risk categories, please refer to your advisor.

Monitored and Reviewed

The asset class exposure in each PRIME Fund is regularly monitored and rebalanced:

- **Dynamic Risk Adjustment Mechanism** – a daily event.
- **Rebalancing** – asset class exposures will move over time in line with market movements. This may cause the exposure levels to deviate above the levels originally set for a period of time. Rebalancing will occur to bring the asset class exposure levels back into line.
- **Review of the Underlying Building Blocks** – regular reviews of the underlying SSGA funds are undertaken; funds may be added/removed over time in line with the aim of the funds.

SSGA – Our Investment Partner

STATE STREET GLOBAL ADVISORS

SSGA has a proud heritage of passive investing. With over three decade's experience, they have provided high quality passive funds that can help lower costs and allow investors to keep more of what their portfolios earn over time.

As one of the world's largest managers of passive assets, SSGA offer a huge selection of funds — covering a multitude of asset classes, markets, regions and underlying providers.

SSGA also manage the property fund that PRIME 3, 4 and 5 will have exposure to with effect from Q3, 2017.

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PRIME's Building Blocks

Building Blocks		SSGA Passive Fund
Equity Exposure	**PRIME funds** aim to share in the performance of global stock markets through exposure to global, emerging market and/or small cap equity passive funds.	**State Street World Index Equity Fund** – aims to provide investors with exposure to a diversified basket of global equities, diversified across regions, industry sectors and stocks. Bank of Ireland Life's World Indexed Fund (Unhedged) also invests in this fund. **State Street Global Emerging Markets Index Equity Fund** – aims to provide investors with exposure to a diversified portfolio of Emerging Market equities, diversified across regions, industry sectors and stocks. Bank of Ireland Life's Global Emerging Market Fund also invests in this fund. **SPDR® MSCI World Small Cap UCITS ETF** – aims to track the performance of small sized companies in developed equity markets globally.
Bond Exposure	**PRIME Funds** aim to capture performance from bonds through exposure to passive government and corporate bond funds. There may also be exposure to bonds via the alternatives exposure (see below).	**SSGA Euro Corporate Bond Index Fund** – aims to track the performance of the Barclays Euro Corporate Bond Index as closely as reasonably possible. **SSGA EMU Government Bond Fund** – aims to track the performance of the Citi EMU Government Bond Index. It includes investment grade (high quality) bonds issued in Euros by the governments of eurozone countries. **SPDR Barclays 1-3 Year Euro Government Bond UCITS ETF** – this fund aims to track the performance of short-term (1-3 years) government bonds issued by government bond issuers in the eurozone. Countries include Germany, Italy, France, Netherlands and Spain.
Alternatives Exposure	**PRIME Funds** aim to capture the performance of alternatives through an alternatives fund. The fund invests passively in alternatives including emerging market bonds, infrastructure and commodities such as oil and gas.	**SSGA Diversified Alternatives Fund** – provides exposure to a broad range of alternative asset classes to support diversification and reduce the overall volatility of returns within funds.
Cash Exposure	**PRIME Funds** will aim to capture cash-like returns.	**State Street IUT Euro Ultra Short Bond Fund** – provides exposure to a range of top quality short-term securities (PRIME 3 only). **State Street IUT Euro Liquidity Fund** – when exposure to developed and emerging market equities is reduced through the risk adjustment process, exposure to this cash fund rises. This fund aims to maintain a high level of liquidity, preserve capital and earn a return in line with money market rates. Bank of Ireland Life's Cash Fund also invests in this fund.

In Q3 2017, PRIME 3, 4 and 5 will also aim to capture the performance of commercial property. This will be through exposure to office, retail and industrial properties located in Ireland, the UK and Europe. PRIME 3, 4 and 5 will invest in the Bank of Ireland Life Property Fund. This fund aims to generate long term returns from a combination of rental and income growth by investing in a portfolio of prime commercial properties. Properties will be primarily located in Ireland, the UK and Europe.

The SSGA funds listed above are as at April 2017 but may be changed over time.

Other Information

Minimum Recommended Investment Period

Investing should always be considered over the medium to long-term (typically, 5-7 years or more) to reduce the risk of short-term market volatility. However, even long-term investing involves risk as values will fluctuate over time.

Product Availability

The PRIME Fund range is available to investors through the following Bank of Ireland Life products:

- SmartFunds
- Personal Retirement Bond
- Personal Pension
- Executive Pension
- Group Pensions
- Approved Retirement Fund (ARF)
- Approved Minimum Retirement Fund (AMRF)

Charges

Charges vary per product type. For details of charges that apply, please refer to the product brochure and talk to your Advisor.

Next Steps

To find out more about **PRIME Funds** please call into your local Bank of Ireland branch and talk to an Advisor.

Alternatively, phone

1890 309 309

www.bankofireland.com

To improve our service to you, calls may be recorded.

Terms and conditions apply. Exit tax (up to 41% currently) applies to gains on life assurance investment policies. A Government levy (currently 1% of the premium amount) applies to all premiums paid to a life assurance policy.

Bank of Ireland Life reserves the right to review the risk categorisation of its funds at any time.

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May 2017

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