Pension &
Investments

Group Pension Quarterly Performance Report

Quarter 2, 2020 Report

Bank of Ireland Life

Introduction

Our Group Pensions with **Investment Choice** offer a selection of funds to choose from across a range of different risk categories.

Below and overleaf you will find performance information about 13 of the funds available under our investment choice standard suite. Further information relating to the performance of our investment funds can be found on **Fund Centre**.

Bank of Ireland Life Risk Rating scale

Lifestyling Funds:

- IRIS
- Passive IRIS

Very Low Risk Funds: 1

- Pension Cash Fund

Low to Medium Risk Funds: 3

- iFunds 3
- PRIME 3

Medium Risk Funds: 4

- BNY Mellon Global Real Return Fund
- iFunds 4
- PRIME 4
- Pension Indexed Eurozone Long Bond Fund

Medium to High Risk Funds: 5

- iFunds 5
- PRIME 5

High Risk Funds: 6

- iFunds Equities
- PRIME Equities

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.
WARNING: If you invest in this product you will not have any access to your money until your retirement date.

Q2 2020 Market & Fund Commentary

Below you will find an overview of what happened in markets over the quarter along with specific fund commentary on each of the funds.

Market Commentary

2020 will be a year marked in our history books for evermore! Let's take a closer look at how 2020 has fared to date and how we are set to navigate through the second half of the year.

Kevin Quinn, Chief Investment Strategist, Bank of Ireland Investment Markets

- 2020 has certainly surprised in ways very few expected at the start of the year. With equity markets registering a mere 6.1% decline for the first half of 2020, if you had chosen to ignore markets for the past 6 months, you'd be forgiven for thinking that nothing too dramatic had happened.
- Yet it is a period that will feature prominently in the annals of investment history. Disease, debt and deficits are all themes that have featured in the three chapters that have unfolded thus far in this dramatic year.
- The start of 2020 was very much a continuation of 2019 , beginning on an optimistic note on the outlook for economies and, with hindsight, complacency in the face of the Covid-19 outbreak in China. Equity markets by the middle of February had advanced around 6% globally.
- Covid-19 soon became a global problem – in particular as we watched the devastation when the disease spread to Italy. With the unprecedented global shutdown that followed, we saw risk assets sell off at a speed that harked back to the Great Financial Crisis and even the Great Depression. From the peak in late February to the trough on March 23rd, global equities had shed a third of their value in euro terms making it amongst the fastest drops of that magnitude.
- For many countries both the pace and scale of responses has been many times greater than was made a decade ago and its impact on risk assets has perhaps been even more dramatic. By early June we had witnessed an emphatic v-shaped 34% recovery in markets. From the recent peak in markets that was reached on 8th June there has been somewhat more of a period of consolidation in markets. In the near term, the continued escalation in infections with Covid-19 around the world and the very real impact of secondary outbreaks has acted as a brake on optimism in markets. Expectations are that Q2 earnings and indeed earnings for the remainder of 2020 will be very weak as the real economic impact weighs heavily on reported earnings.

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

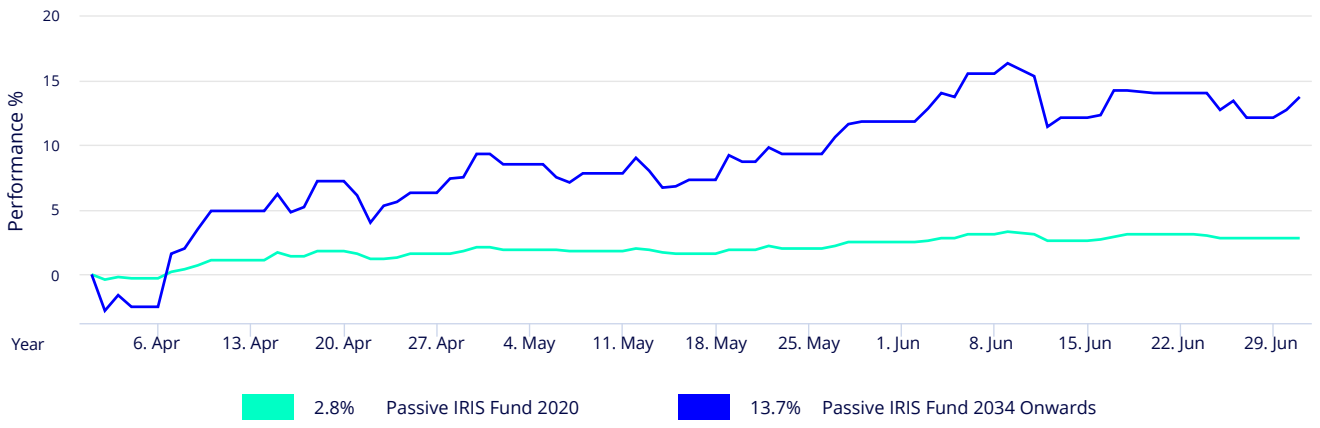
IRIS Commentary

Kevin Quinn provides an update on how Individual Retirement Investment Strategy (IRIS), our life styling strategy, has performed over the quarter:

- Your **IRIS** (both active and passive) fund invests in a manner that reflects your number of years to retirement.
- This means that those that have a long way to retirement are invested in long dated **IRIS** funds that focus on growing their money through allocating more to assets such as shares. Those nearer retirement, in short- dated **IRIS**, tend to seek a more cautious approach and tend to have more money in assets such as bonds.
- The Q2 Market & Fund Commentary on page 2 outlines the rollercoaster ride experienced by shares this year. This did have an immediate impact on the value of long-dated **IRIS** investors in particular which keeps approximately two thirds of its holdings in shares. They experienced a sharp fall in value during February and March and this continued into the early part of quarter 2. As central banks and governments announced major stimulus packages and new incidences of the COVID 19 disease declined, stock markets rebounded sharply in April and May. The fund holds a global stock market exposure and saw stronger performance from US shares and particularly those exposed to the technology and healthcare industries.
- Those in short-dated **IRIS** had a very different journey as they were predominantly invested in cash and bonds. Allocating to cash is not done with growth target, rather it aims to limit your exposure to more risky ways of investing for example, investing in equities. In fact cash deposit rates for corporate cash funds are marginally negative at present. Holding bonds delivered solid returns as the outlook for interest rates remained negative and demand for government and corporate bonds remained healthy. The stock market exposure was below 10% but did add to gains. This investment profile continued to deliver its goal of preserving the value of investor holdings as they approached their retirement date.

Fund Performance

01.04.2016 – 01.07.2020



Source: Longboat Analytics. Performance is shown is gross of tax and charges.

*For IRIS, we use data on Passive IRIS profiles that target drawing down tax free cash and allocating to an Approved Retirement Fund at retirement

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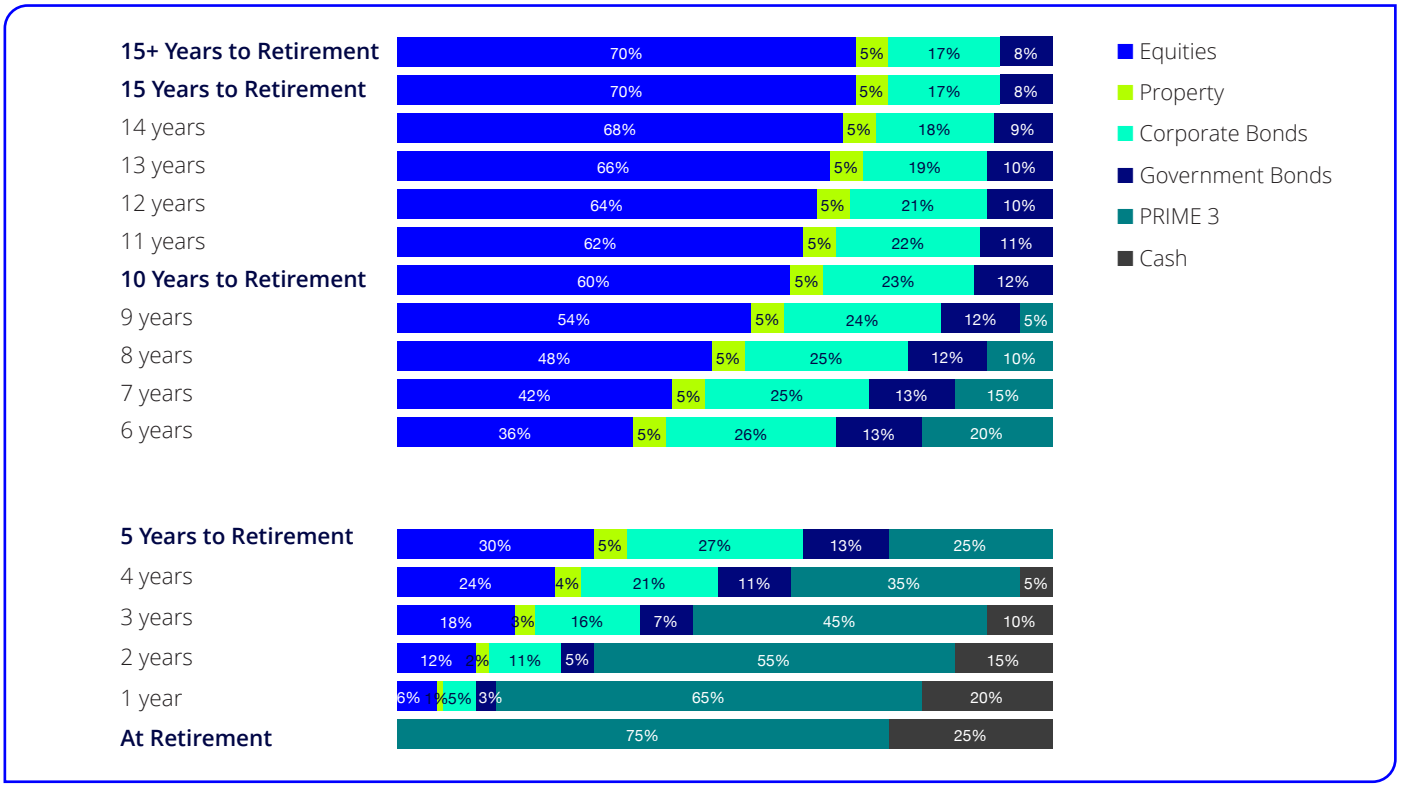
Q2 2020 Performance Update - Passive & Active IRIS

Bank of Ireland Life's lifestyling investment strategy **IRIS** (Individual Retirement Investment Strategy) invests based on your projected retirement year. There are two versions available – **Passive IRIS** which is passively managed (the default option in Investment Choice) and **IRIS** which is actively managed.

Passive IRIS recognises that your investment needs will be different depending on your term to retirement. It is designed to match your changing investment needs by automatically selecting an appropriate level of risk depending on your retirement year - a higher level of risk when you are far from retirement and want your fund to potentially grow, and a lower level of risk as you near retirement and want to safeguard your fund against strong short term market fluctuations.

Passive IRIS is passively managed (except for the direct property element and cash, which are actively managed). The equity element tracks the performance of a leading global index (with 75% currency hedging).*

The chart below illustrates how the asset mix of Passive IRIS automatically changes over the 15 years leading to retirement.



Passive IRIS Funds Performance Update	1Mth	3Mth	YTD	1Yr	3Yrs p.a.	5Yrs p.a.	10Yrs p.a.
Passive IRIS 2034 Onwards	1.7%	13.7%	-3.5%	2.5%	5.0%	5.3%	8.3%
Shorter dated Passive IRIS funds							
Passive IRIS 2025	1.1%	8.3%	-2.8%	1.1%	3.8%	4.2%	7.6%
Passive IRIS 2021	0.6%	4.0%	-3.3%	-0.4%	2.4%	2.8%	6.1%

Source: Longboat Analytics. Performance as at 1st July 2020 is quotd gross of tax and charges.

For more up to date fund performance, please click on Fund Centre

*With effect from 5th August the fund will access the investment through the MGI UCIT platform rather than the SSGA UCIT platform. State Street Global Advisors (SSGA) will continue to manage the underlying investments on behalf of Bank of Ireland Life and there will be no change to your investment. This is for operational and business efficiencies.

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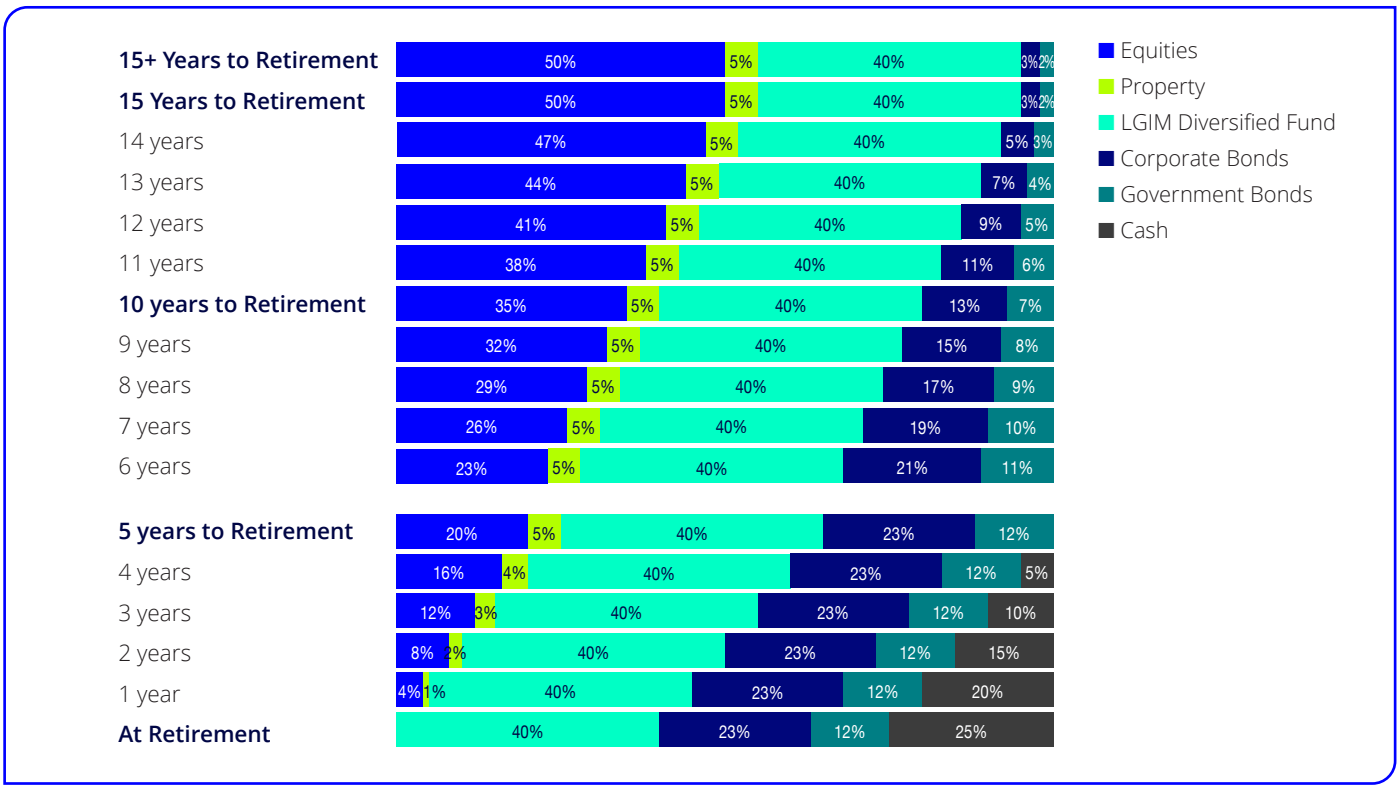
IRIS can initially invest in a mix of equities (75% currency hedging), property, bonds, a diversified fund (managed by LGIM) and cash depending on your term to retirement. In the early years the investment strategy of IRIS is tailored towards investing in higher risk assets such as equities, bonds and property which have the potential for higher growth. When retirement is 15 years or less away, the asset allocation changes with the aim of reducing exposure to market fluctuations as you approach retirement.

IRIS is actively managed which means that the investment managers select what they consider to be the most suitable assets for the fund (within the limits of the investment strategy). These investment decisions are based on analytical research and forecasting as well as the fund manager's skill, experience and expertise. The fund manager will exercise their discretion within the limits of the IRIS investment strategy.

The chart below illustrates how the asset mix of Active IRIS automatically changes over the 15 years leading to retirement.



Active IRIS Funds Performance Update	Gross Performance to 1 July 2020*						
	1Mth	3Mth	YTD	1Yr	3Yrs p.a.	5Yrs p.a.	10Yrs p.a.
Retirement Fund 2034 Onwards	1.4%	12.0%	-10.9%	-4.3%	1.6%	2.8%	6.2%
Shorter dated Active IRIS funds							
Retirement Fund 2025	1.3%	9.3%	-6.0%	-1.6%	2.4%	2.9%	6.1%
Retirement Fund 2021	1.0%	6.8%	-3.3%	-0.3%	2.4%	2.4%	5.2%

Source: Longboat Analytics. Performance as at 1st July 2020 is quotd gross of tax and charges.

For more up to date fund performance, please click on Fund Centre

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iFunds Commentary

iFunds is our leading range of multi-asset, actively managed, funds. There are 4 funds to choose from - each fund varies by risk to cater for different types of investors. Each iFunds is based on the principle of diversification - investments are spread across assets, funds and fund managers (excluding iFunds Equities).

- Against the positive background for risk assets, all iFunds rose over the quarter.
- Over Q2 2020, while managing market risk remained a priority for the investment manager the focus also turned to when to increase equity exposure once again. This allowed the fund to take advantage of the strong market uplift that materialised over the quarter.
- iFunds 3 - of iFunds 3 's 12 component funds, 10 delivered positive performance in Q2 with equity funds leading the way (the **Fulcrum Diversified Absolute Return Fund** and **Property Fund** marginally underperformed). The **Arrowstreet Global Equity Fund**, added in Q4 2019, was the strongest performing fund in Q2 and contributed the most to iFunds 3 's performance (see above chart). The **M&G Dynamic Allocation Fund** was the lead performing multi-asset fund for iFunds 3 over the quarter.
- iFunds 4 - of iFunds 4's 12 component funds, 10 delivered positive performance in Q2 with equity funds leading the way (the **Fulcrum Diversified Absolute Return Fund** and **Property Fund** marginally underperformed). The **LA Capital Global Equity Fund** and the **Arrowstreet Global Equity Fund**, added in Q4 2019, were the strongest performing funds in Q2. The **LA Capital Global Equity fund** contributed most significantly to the quarterly performance. The **M&G Dynamic Allocation Fund** was the lead performing multi-asset fund for iFunds 4 over the quarter
- iFunds 5 - of iFunds 5 's 14 component funds, 12 delivered positive performance in Q2 with equity funds leading the way (the **Fulcrum Diversified Absolute Return Fund** and **Property Fund** marginally underperformed). The **LA Capital Global Equity Fund**, the **Arrowstreet Global Equity Fund** and the **Mercer Passive Global Equity Fund**, the latter two were added in Q4 2019, were the strongest performing funds. The **LA Capital Global Equity fund** contributed most significantly to the quarterly performance (see above chart). The **M&G Dynamic Allocation Fund** was the lead performing multi-asset fund for iFunds 5 over the quarter
- iFunds Equities - all of iFunds Equities' component funds rose over the quarter. Strongest overall performance came from the **LA Capital Global Equity Fund,** the **Arrowstreet Global Equity Fund** and the **Dodge & Cox Global Stock Fund**. When we look at contributing funds, it is the **LA Capital Global Equity Fund** and **Walter Scott Fund** that led the way.

The ability of the iFunds range to generate returns from multiple sources, across multi-asset funds and single asset funds and managers, as shown above, continues to be a key driver of performance.

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PRIME funds Commentary

PRIME funds is our passive multi-asset range of funds. Instead of a fund manager making decisions about what individual assets are held, passive funds track market-weighted indices or portfolios. It is important to note that any exposure in the funds to property will predominantly be actively managed.There are 4 PRIME funds to choose from - each fund varies by risk to cater for different types of investors. **PRIME 3, 4** and **5** also benefit from a dynamic risk management mechanism - strategy that reduces exposure to equities when equity market volatility is high.

- In Q1, as a result of heightened market volatility, **PRIME 3, 4 and 5's** equity exposure was reduced significantly to protect investors' capital. Over Q2, this equity exposure remained low and subsequently, **PRIME 3, 4 and 5** did not share in the equity rally that occurred over the quarter. Below we explain why:
- Typically, when volatility is low equity markets tend to be favourable, while high market volatility regimes (such as that during the second quarter of 2020) generally produce lower risk adjusted returns.
- The trend during the second quarter of 2020 was broadly one of declining levels of market volatility, as unprecedented fiscal and monetary support, easing lockdown restrictions and news regarding potential COVID-19 treatments all provided structural support to markets.
- While market volatility reduced materially from its Q1 highs, it continued to remain high in a historical context over Q2.
- In addition, the equity rally since the depths of the crisis has far exceeded what, on a historical basis, would be expected.
- Key to these continued levels of heightened volatility has been the nature of the crisis, which has been driven by medical uncertainty with no known cure and unknown resistance. As such, the economic return to a modicum of normality is likely to be gradual and protracted.
- Entering the period, the developed market exposure of **PRIME 3, 4** and **5** was targeting 40% of its usual equity weight. Though forecasted volatility reduced significantly over the quarter, headlines regarding a potential second wave, and concerns regarding a re-escalation of tensions between China and the rest of the world, prevented forecasted volatility from returning to pre-virus levels. As a result, developed market equity exposure continued to target 40% of its usual exposure to the end of June.
- The emerging markets (EM) exposure of the funds followed a similar pattern, entering the quarter with 40% of its usual exposure to equities. However, unlike in developed markets, the forecasted volatility for emerging markets did move to levels low enough to trigger a re-risking of the portfolio. Late May saw the target exposure to EM equities move to around 48%, and the strategy ended June targeting approximately 53% of its usual equity exposure.

Barry O'Leary, Relationship Manager, State Street Global Advisors

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BNY Mellon Global Real Return Fund Commentary

Managed by NEWTON The Power of Ideas

Bank of Ireland Life's fund invests in the BNY Mellon Global Real Return Fund. This fund offers investors the opportunity to benefit from the potential returns which come from investing in a wide range of assets. Through its focus on risk management, the fund aims to deliver returns with reduced short-term risk and a smoother investment journey for investors.

Aron Pataki, Lead Portfolio Manager, Newton Investment Management provides an update on how the fund has performed over the quarter and the key factors driving performance:

- The most significant shift in the fund's asset allocation during the Q2 2020 was the decision to increase the size of the fund's return-seeking core following the correction in the first quarter of 2020.
- This was motivated by several factors:
  - Risk assets looked oversold at the end of March,
  - Likewise, many securities that were on the 'wish lists', or indeed already owned, offered more attractive expected returns in the wake of a relatively indiscriminate correction.
- Equity exposure was meaningfully increased over the quarter. This was done by a combination of stock purchases and also by reducing the protection level within the fund.
- Exposure to corporate debt was also increased with the fund taking advantage of the wider spread in yields over government bonds.
- Within the fund's stabilising layer, Newton dynamically managed the developed-world government bond duration (interest rate sensitivity) over the quarter. More recently, Newton has switched out of the long end of duration, and consolidated the position in bonds with 10-year maturity as we have become more concerned about potential yield curve steepening.

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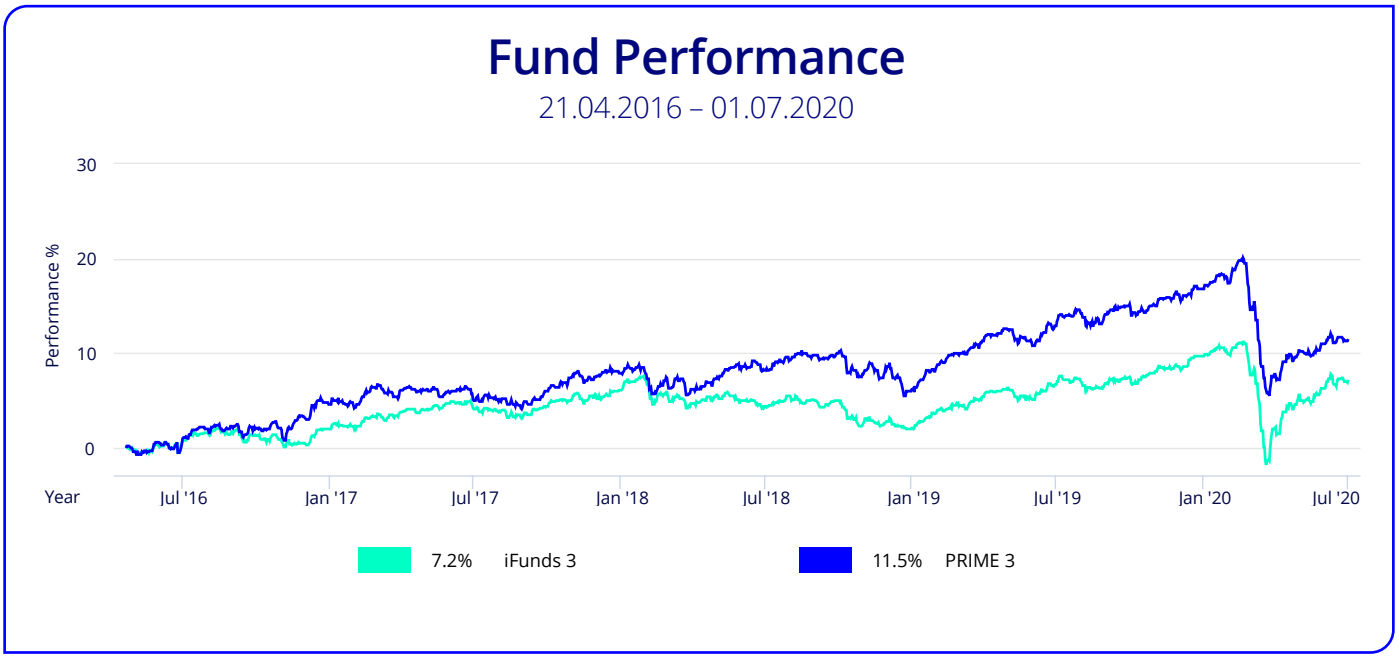
Performance Q2 2020 - Standard Suite of Funds

Very Low Risk Funds

	Gross Performance to 1 July 2020*						
	1Mth	3Mth	YTD	1Yr	3Yrs p.a.	5Yrs p.a.	10Yrs p.a.
Pension Cash Fund	-0.1%	-0.1%	-0.2%	-0.5%	-0.5%	-0.4%	-0.0%

Source: Longboat. Performance of the fund shown above as at 1st July 2020 is stated gross of tax and charges.

Low to Medium Risk Funds



Annualised	1 Mth	3Mth	YTD	1Yr	3Yrs (p.a.)	5Yrs (p.a.)
iFunds 3	0.8%	4.9%	-2.3%	0.5%	1.0%	1.5%
PRIME 3	0.4%	3.6%	-4.6%	-1.2%	2.0%	-

Source: Longboat. Performance of the funds shown (from the launch date of PRIME 3) is at 1st July 2020 and is stated gross of tax and charges

For more up to date fund performance, please click on Fund Centre

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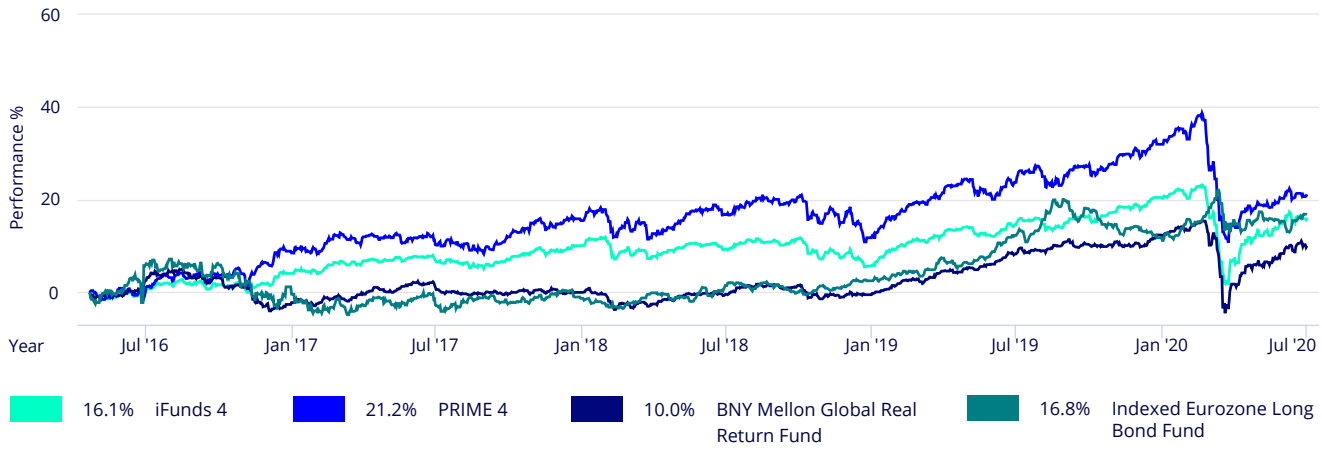
Medium Risk Funds

Fund Performance

21.04.2016 – 01.07.20



Annualised	1 Mth	3Mth	YTD	1Yr	3Yrs (p.a.)	5Yrs (p.a.)	10Yrs (p.a.)
iFunds 4	1.1%	8.2%	-3.5%	1.4%	2.9%	3.1%	-
PRIME 4	0.7%	5.4%	-8.2%	-2.2%	3.2%	-	-
BNY Mellon Global Real Return Fund	1.5%	8.1%	-1.8%	1.6%	3.0%	2.7%	4.1%
Indexed Eurozone Long Bond Fund	1.2%	1.4%	5.0%	4.0%	6.3%	5.2%	5.3%

Source: Longboat. Performance of the funds shown (since launch of PRIME 4) above is at 1st July 2020 and is stated gross of tax and charges

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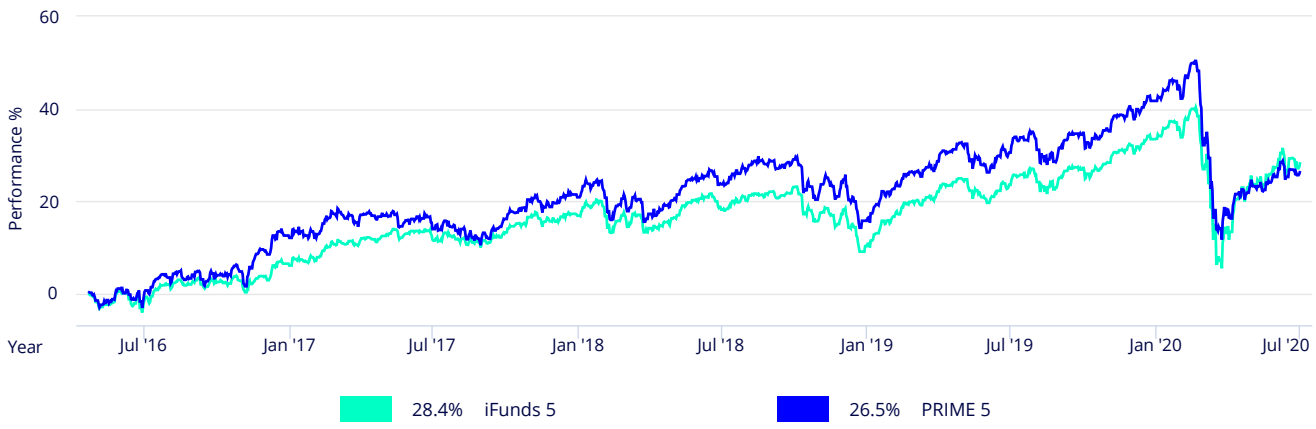
Medium to High Risk Funds

Fund Performance

21.04.2016 – 01.07.20



Annualised	1 Mth	3Mth	YTD	1Yr	3Yrs (p.a.)	5Yrs (p.a.)
iFunds 5	1.4%	11.1%	-6.0%	0.7%	4.1%	5.0%
PRIME 5	1.0%	7.1%	-10.8%	-3.1%	3.5%	-

Source: Longboat. Performance of the funds shown (since the launch of PRIME 5) above and is at 1st July 2020 is stated gross of tax and charges.

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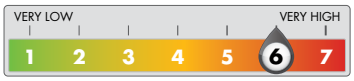
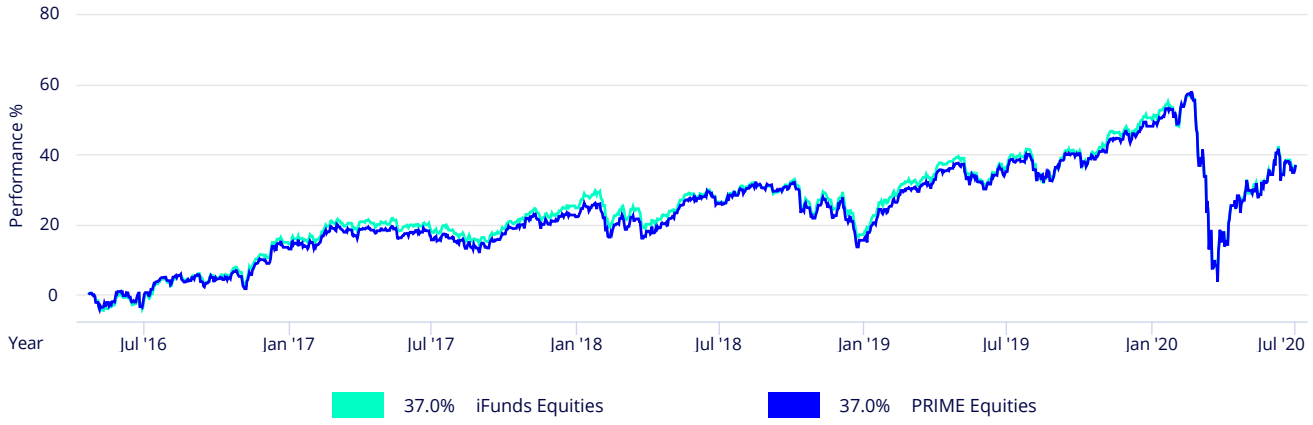
High Risk Funds



Fund Performance

21.04.2016 – 01.07.20



Annualised	1 Mth	3Mth	YTD	1Yr	3Yrs (p.a.)	5Yrs (p.a.)
iFunds Equities	1.8%	16.0%	-8.6%	0.4%	5.2%	6.0%
PRIME Equities	2.1%	16.4%	-7.4%	1.5%	5.8%	-

Source: Longboat. Performance of the funds shown (since PRIME Equities was launched) above and is at 1st July 2020 is stated gross of tax and charges.

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Bank of Ireland

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July 2020

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