RISK WARNINGS:

This document contains details of historic and forecast market and index performance.

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

Warning: These figures are estimates only they are not a reliable guide to future performance.

Warning: The value of investments may go down as well as up. You may get back less than you invest.

Warning: If you invest in a product you may lose some or all of the money you invest.

Warning: Investments may be impacted by changes in currency exchange rates.

Performance figures in the document are quoted gross of tax and charges. Fund management charges vary per product type. For further details of charges, please refer to the product literature or talk to your Financial Advisor.

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Investment Markets Review & Outlook 2020

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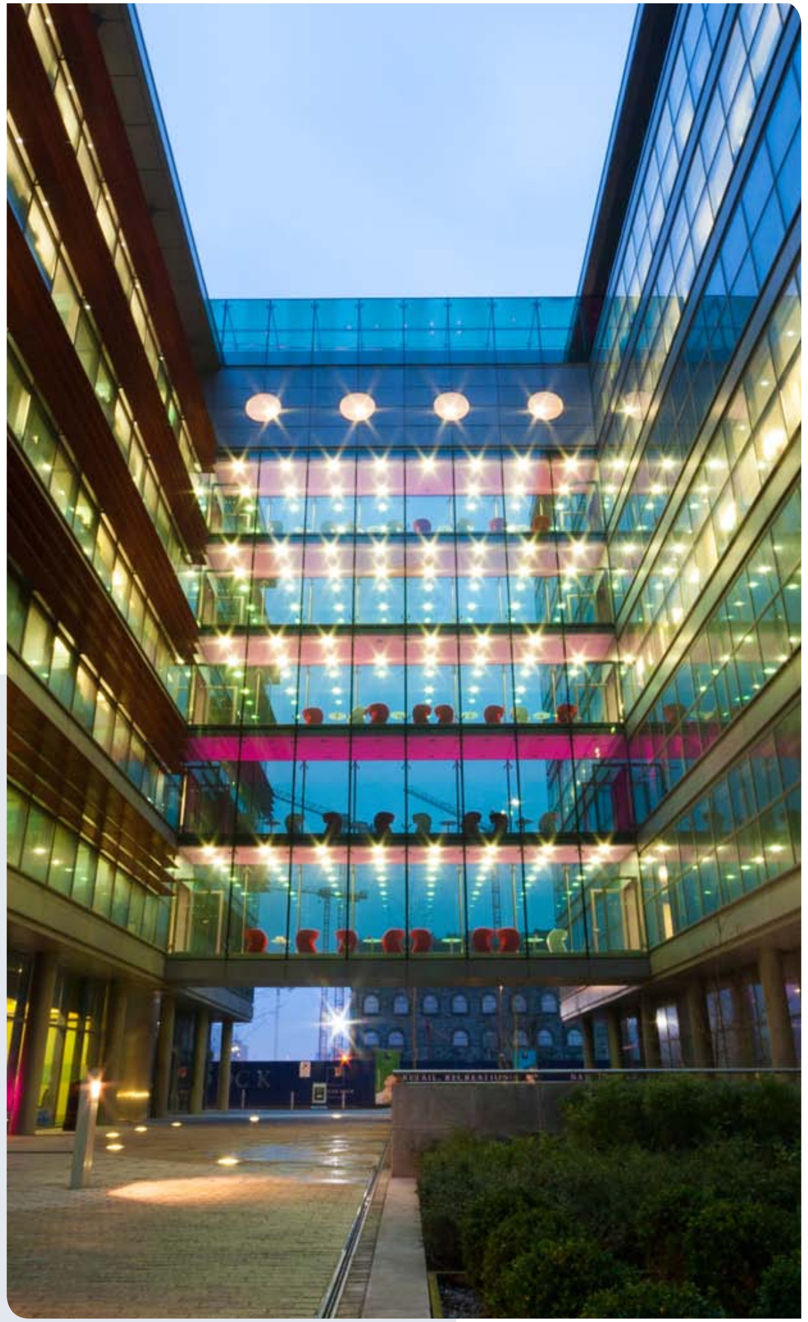


Welcome to **Investment Markets Review and Outlook 2020.** I hope you find it useful. I am delighted to report that 2019 proved to be a strong year across most portfolios, boosted by a bumper set of returns, particularly in equity markets.

As you will recall, 2018 was a challenging year, as a slowing in economic data at the end of 2018 and into the early part of 2019 signalled a sharp reversal in interest rate policy from Central Banks across the world. This significant change saw a re-rating in equity markets that has delivered strong gains in risk-oriented portfolios in 2019. It also proved supportive for fixed income markets, which translated into more modest gains for most of our cautious portfolios.

2019 was dominated by a slowing in the global economy, a resumption in Central Banks' supports for lower interest rates and by increases in global trade tensions.

In the near term, we think these challenges will continue to dominate thinking in the world's capital markets. Nonetheless, at time of writing, these concerns looked to be easing somewhat, and while 2020 presents an uncertain environment, we see it as one of slowing growth, continuing to be buffeted by historically low interest rates.

Many of these challenges are discussed in detail within these pages, as well as the opportunities that markets will present for the year ahead.

Our views on these and other issues facing investment markets are available on our website www.bankofireland.com/investments – a key source of information and views designed for you, our customers.

On behalf of all of us in Bank of Ireland, I thank you for your continued trust and placing your business with us. We look forward to serving you brilliantly as we work on your behalf in 2020.

Yours sincerely,

Kevin Quinn
Investment Director

Recovery or recession

will determine aging bull's diagnosis for 2020

Tom McCabe
Global Investment Strategist

If investors were in any doubt that Central Banks were still the main game in town, 2019 should have put those reservations to bed.

Through the year Central Banks cut interest rates and restarted Quantitative Easing and this worked a treat, powering all the major asset classes to strong gains. That the global economy and markets are still reliant on Central Banks ten years on from the Great Recession is the sharpest reminder that this remains far from a normal economic and market cycle for investors.

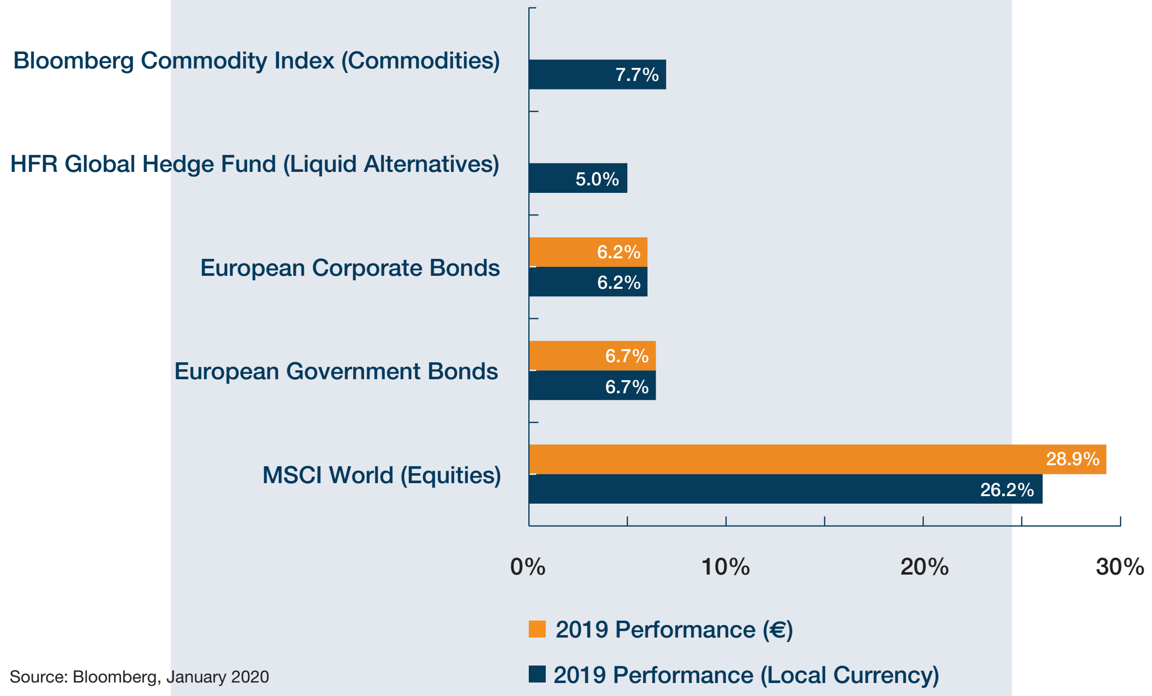
Through 2019, the global economy slowed to the point where recession became a regular talking point, but this owed little to Central Banks' stewardship of the economy. Instead, the US-China trade war was the main issue weighing on global growth. Although investors took heart from the 'progress' in US-China trade discussions, in reality the opposite was the case from an economic standpoint. The US heaped more tariffs on China through 2019, putting China's economy under greater pressure as the year wore on. Weaker Chinese growth rippled through the rest of the world, particularly in Asia and the Euro zone. Brexit related paralysis also meant that the UK economy slowed to almost stall speed last year.

Despite the weaker global economy most investors' portfolios performed well last year mainly due to central bankers. However, it may be asking too much to expect the same result this year if the global economy were to deteriorate again. Ultimately we feel investors need to see evidence of improvement in the global economy if markets are to make good progress this year.

A lasting thaw in the trade war is the first catalyst for recovery investors should look for in 2020. The Phase 1 deal between the

> "A thawing in the trade war is the first catalyst for recovery investors should look for in 2020. If the US and China can get an initial trade agreement across the line, investors can hope that the trade war between the two nations won't worsen."

2019 Asset Class Performances

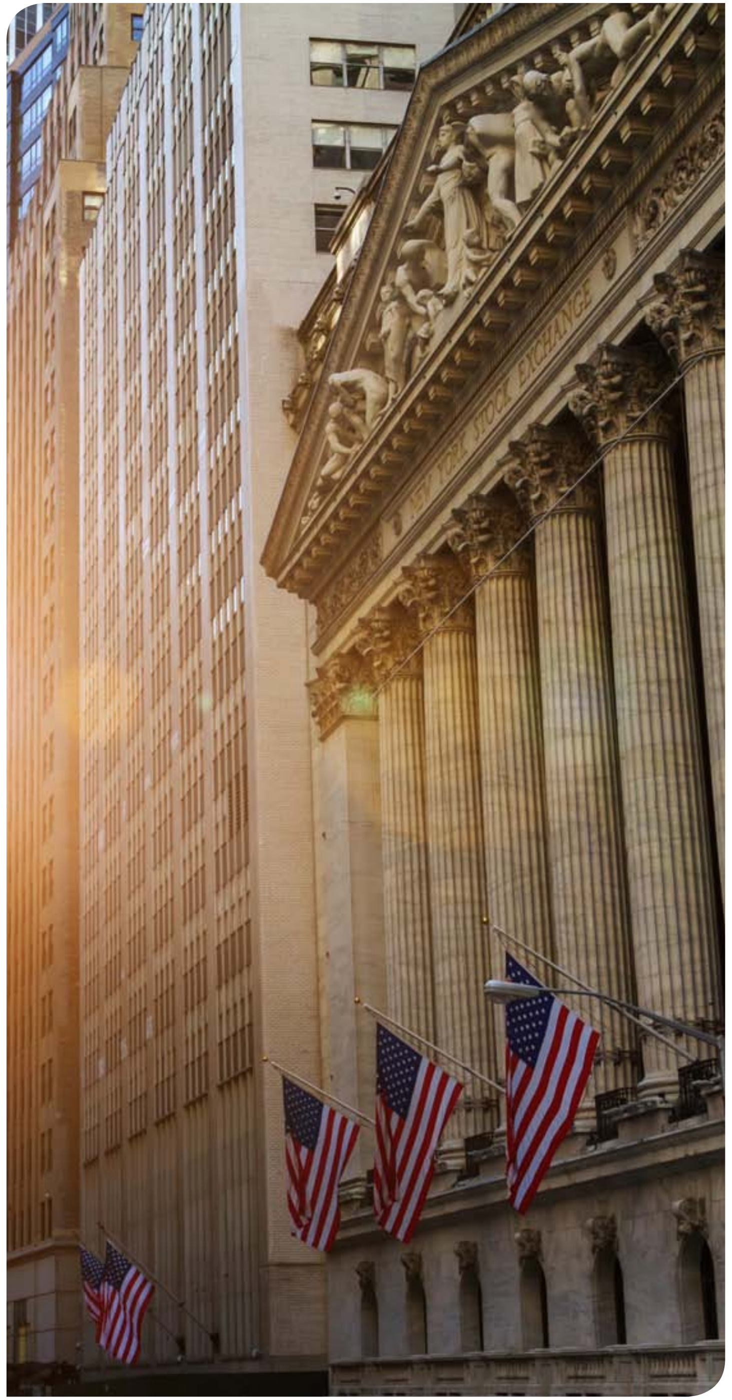


Source: Bloomberg, January 2020

US and China at least gives investors some hope that the trade war between the two nations won't get any worse. Were the agreement to be accompanied by tariff rollbacks however, this would be an added economic bonus. This remains to be seen though - since President Trump faces re-election in November, he may be reluctant to relinquish his tariff 'whip hand' over China just yet.

Other factors will also be important to the economic landscape in 2020. Despite slowing in 2019, the US economy performed solidly thanks to the resilience of consumer spending. If the US and world economies are to rebound this year, the US consumer will have to keep spending. Continued Central Bank support will also have to be a given if the economy is to improve globally. We have no doubt that this will again be forthcoming, although support is sorely needed in some regions more than others – China being a good example.

Finally, in recent months investors have speculated that we will see a big injection in government spending which could boost the economy in 2020. At this point however it is uncertain whether this will materialise, especially given the political backdrop. It is hard to imagine, for example, US Democrats signing off on a major stimulus bill in 2020, in doing so potentially helping Donald Trump's re-election prospects in November. Meanwhile in the Eurozone, comments from German government



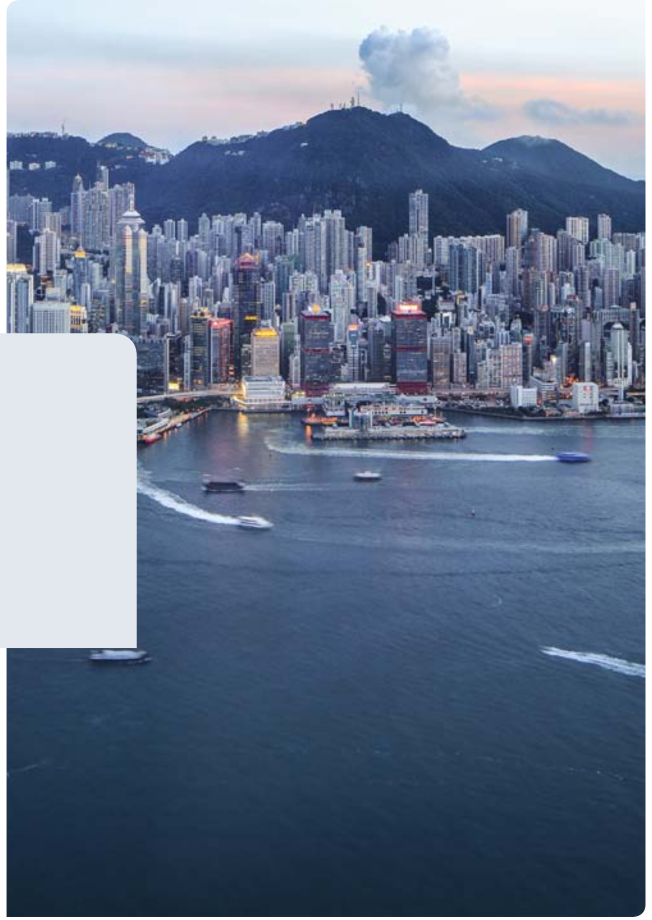
“If the US and world economies are to rebound this year, the US consumer will have to keep spending.”

circles suggest there is a real reluctance to open the budget purse strings unless the economy deteriorates further.

Politics will inevitably feature for investors again in 2020, but the US Presidential Election should stand out as the major geopolitical event. Historically, US stock markets tend to perform better in years where Republicans win the White House, perhaps prompting stock market bulls to favour a Trump re-election. However, it's very early days and investors' interest is more centred now on whether Elizabeth Warren could win the Democratic nomination, especially given many see a Warren presidency as a potential negative for markets.

On balance the riskier asset classes (such as equities and commercial property) still look capable of outperforming deposits and government bonds this year. The interest rate cuts and collapse in bond yields last year actually mean that riskier assets now have a very low bar to beat bonds and deposits. For example, the dividend yield alone on world stock markets now handsomely exceeds the income available from deposits or most developed market government bonds. More broadly, it is difficult to see a repeat of the huge equity returns earned in 2019 this year. Our sense is that the bull market can grind on but a stronger economic backdrop is crucial to give it the next leg up.

PRIME *funds* in 2019



The **PRIME Funds** range performed strongly over the course of 2019, ranging from 10.0%* for the lowest risk fund **(PRIME 3)** to 27.4%* for the **PRIME Equities Fund.** The dynamic risk management mechanism performed as expected, with the funds that target a lower risk achieving a smoother journey in 2019 compared to the funds in the higher risk categories. Components such as diversification and the risk adjustment mechanism helped these portfolios better navigate the more turbulent periods of the year, though with somewhat lower performance.

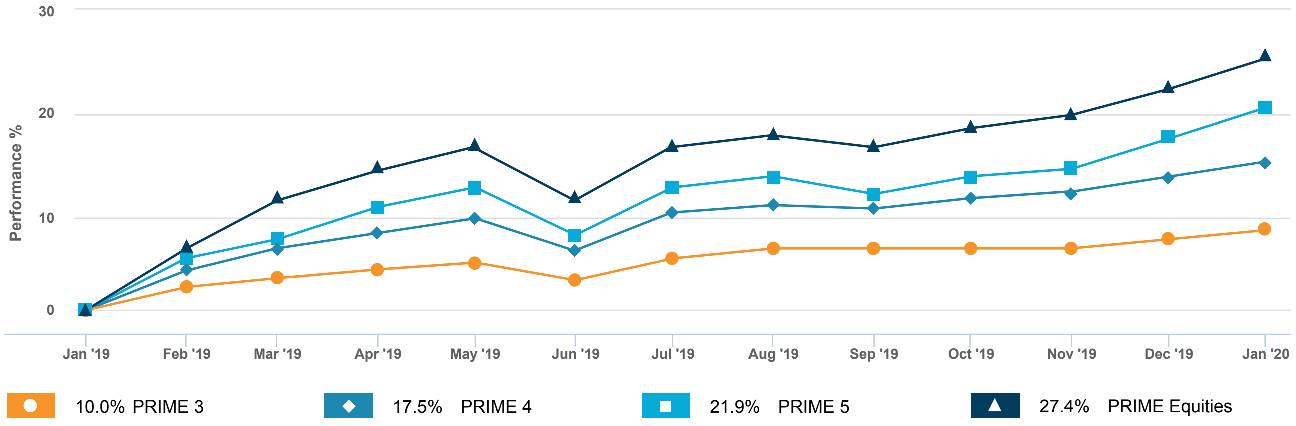
Many of the riskier asset classes, such as equities, continued to perform strongly over 2019, largely on account of investors willing to pay more for future earnings, rather than the earnings themselves materially increasing. Investors also broadly shrugged off political risks such as the ongoing China / US trade dispute. Multi-factor equity lagged more standard equity, with the valuation factor in particular being out of favour this year. Bonds also performed well across the board, as interest rates were pulled ever lower by Central Bank activity.

On the whole, in 2019 PRIME Funds has built on the solid performance of previous years, as the global economic cycle grinds forward.

Source: State Street Global Advisers.
*Performance of the PRIME Funds is quoted gross of charges.

Fund Performance

from 01-01-2019 to 01-01-2020



Source: New Ireland

	1 Year Annualised	3 Year Annualised
PRIME 3	10.0%	3.8%
PRIME 4	17.5%	6.7%
PRIME 5	21.9%	8.2%
PRIME Equities	27.4%	9.4%

Source: New Ireland. Performance is gross of annual management charges.

NOTE! All performance figures are cumulative except where those greater than a year quote p.a., when they are instead annualised. Please refer to the actual Factsheet for the particular Fund for details of the basis used for calculating the performance/price of that particular Fund. The date of the prices shown is the date on which the prices were calculated using close of market prices on the previous working day.

ifunds evolution

Kevin Quinn
Investment Director

Bank of Ireland Begin

Irish Pensions AWARDS 2019 WINNER Communication Award

We won an award for our customer communications on the multi-asset and iFunds evolution in the Irish Pension Awards 2019.

In 2019 Investment Markets celebrated a track record of 15 years in the management of multi-manager Funds. The year was also one of significant change in our multi-manager Funds including two additions to the iFunds range; iFunds 3 Alpha, and iFunds 4 Alpha.

What's new?

- We reduced fees by 0.10% per annum across the fund range.
- Bank of Ireland Investment Markets has taken on the role of investment manager to iFunds and iFunds Alpha
- We've added 5 new managers to iFunds, 1 of which has also been added to iFunds Alpha
- We now work with Fundhouse (a specialised investment consultancy) to support us in the further development of the funds, and ensure we continue to bring investors the very best in multi-manager Funds.

New manager introductions

Towards the end of 2019, five new funds were introduced to the iFunds suite with allocations to:

- Arrowstreet (a leading global equity manager),
- PIMCO (a global fixed income manager, already part of iFunds Alpha),
- Fulcrum (multi-asset alternative manager)
- Two new passive fund allocations, in global equity and global bonds

ifunds A platform to access the world's capital markets

Now comprising 26 fund managers and 32 funds, the full range of multi-manager funds provides investors with access to a wide range of asset classes and specialist strategies, many of which are simply not available in the Irish retail investment market.

ifunds

STATE STREET GLOBAL ADVISORS | DODGE & COX | MARTIN CURRIE | WALTER SCOTT SINCE 1983 | Schroders | BNY MELLON | Insight Investment | GMO | RAMIUS | Merian Global Investors | Kleinwort Benson Investors | ARROWSTREET CAPITAL | TISHMAN SPEYER | LAZARD ASSET MANAGEMENT | FULCRUM | HERMES INVESTMENT MANAGEMENT | M&G INVESTMENTS | T.RowePrice | PIMCO | UBS | KKR | NEWTON Investment Management | AVIVA | LOS ANGELES CAPITAL | CBRE GLOBAL INVESTORS

ifunds Review 2019

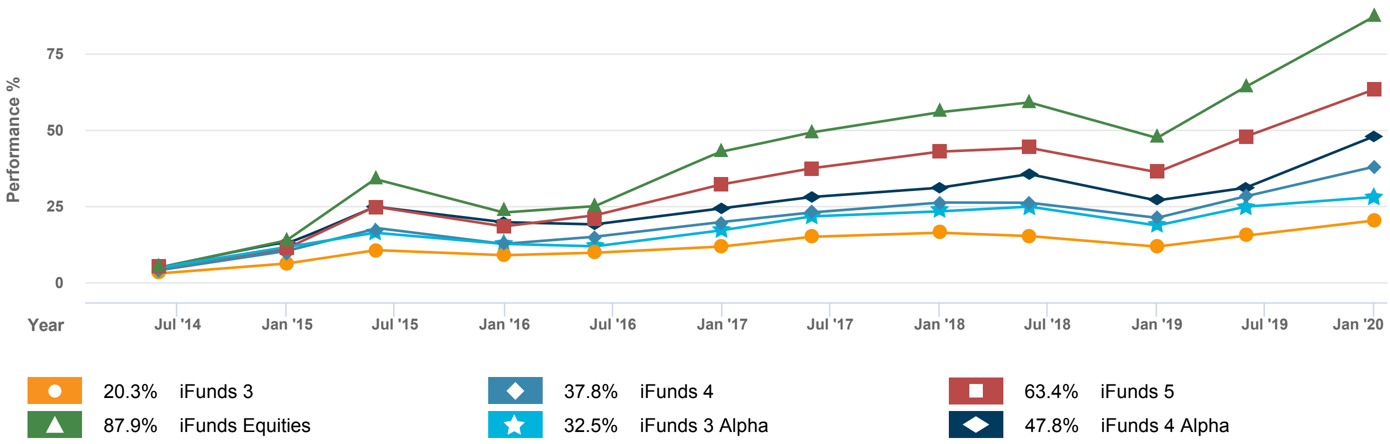
Tom Baragry
Lead Manager for iFunds Alpha

2019 was a year in which risk assets delivered the best returns and continued the trend since 2012 of our higher risk funds generating higher returns.

2019 in markets

2019 was one of the strongest years for markets since the end of the Global Financial Crisis a decade ago. The key driver was a return to looser monetary policy by Central Banks across the globe, to ensure the continuation of the global expansion. Rising US interest rates and the start of a US-China trade war, meant that there were real concerns entering 2019 that the global expansion could end. The US Federal Reserve cut interest rates three times in 2019 by a cumulative 0.75%, in what it termed an 'insurance policy' against ongoing risks. The European Central Bank cut interest rates by 0.10% and returned to its Quantitative Easing policy of buying bonds in the market, in order to keep borrowing costs down. As a result; equities, bonds, property and alternatives all saw positive returns. Euro denominated cash deposits continue to generate negative returns, forcing investors to search elsewhere.

ifunds and ifunds Alpha returns 2014 - 2019

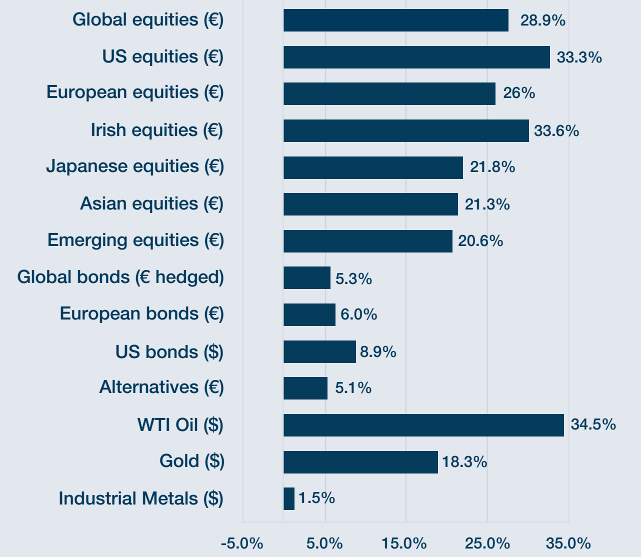


NOTE! Performance is shown from the launch of the 4 main iFunds, which is close of business 14/02/2014. Performance quoted to 02 January 2020 is gross of tax and charges. On 5 July 2019, the PBIS Conservative Fund was renamed iFunds 3 Alpha and the PBIS Balanced Fund was renamed iFunds 4 Alpha.

Fund performance in 2019

With all asset classes posting positive returns in 2019, and equity markets particularly strong, the iFunds Alpha funds had their best calendar year since 2009. This more than compensated for a disappointing fourth quarter in 2018.

Index performance (YTD to 31/12/2019)



Source: Bloomberg

iFunds and iFunds Alpha Returns (to 31/12/2019)

	2019	3 Years p.a.	5 Years p.a
iFunds 3	7.5%	7.5%	13.4%
iFunds 3 Alpha	10.9%	12.3%	21.4%
iFunds 4	13.5%	15.6%	26.2%
iFunds 4 Alpha	15.6%	19.3%	33.9%
iFunds 5	19.8%	23.6%	46.9%
iFunds Equities	20.6%	25.9%	64.4%

Note: Performance is shown from the launch of the 4 main iFunds, which is close of business 14/02/2014. Performance quoted to 02 January 2020 is gross of tax and charges. On 5 July 2019, the PBIS Conservative Fund was renamed iFunds 3 Alpha and the PBIS Balanced Fund was renamed iFunds 4 Alpha.

iFunds

2019 saw us introduce a series of new funds to the iFunds platform. The three most significant additions were:

- A global active bond fund, managed by PIMCO, which is also the main bond fund in the iFunds Alpha fund range. Headquartered in California, PIMCO are amongst the largest managers of fixed income globally, managing $1.9 trillion of assets on behalf of investors all over the world. The fund we have selected is a global active fund which allocates to government bonds, corporate debt, and also holds positions in areas such as emerging market debt and mortgage backed securities.
- A global active equity fund, managed by Arrowstreet, a new addition to the wider suite of funds. Headquarted in Boston, Arrowstreet manages $98 billion in equity portfolios on behalf of institutional investors around the world.
- A diversified alternatives fund, managed by London based firm Fulcrum Asset Management.

With the introduction of these funds we have reduced our holdings across a number of the multi-asset funds within iFunds. In doing so,we have broadened the range of managers and sources of returns with the iFunds suite.

iFunds Alpha

In 2019 we were content to allow equity exposure increase as that asset class outperformed. The Bond portfolio is a globally diversified mix of Governments, Investment Grade Corporates, Emerging Markets and Asset Backed bonds. We continued to incrementally add to the European Commercial Property position in 2019. For the last few years we have been increasing our allocation to US equities which we see as being more defensive due to the strength of the domestic economy. In 2019 we increased the US weight again, this time by reducing Japan and Asia. US equities now account for c.60% of the equity allocation.

iFunds Asset Allocations (to 31/12/2019)

	EQUITIES	PROPERTY	PRIVATE EQUITY	ALTERNATIVES	BONDS	CASH	OTHER
iFunds 3	23.4%	6.6%	—	11.8%	30.6%	26.5%	1.1%
iFunds 3 Alpha	31.3%	4.6%	2.9%	19.7%	32.9%	8.6%	—
iFunds 4	43.6%	7.5%	—	8.5%	22.4%	16.9%	1.1%
iFunds 4 Alpha	52.1%	5.1%	3.3%	13.6%	20.6%	5.3%	
iFunds 5	68.7%	7.2%	—	1.8%	8.9%	12.8%	0.6%
iFunds Equities	98.0%	—	—	—	—	2.0%	—

Source: Investment Markets and New Ireland.

Outlook

2019 appears to have been a mini cycle in the ongoing global expansion of the last ten years. While it appears that we have come through the trough, there is not yet enough evidence to say how strong the rebound will be. US interest rates are unlikely to be cut again, unless there is a significant slowdown in the economy.

Markets are hoping that potential to boost his re-election odds will motivate Trump to deliver a trade agreement with China in 2020. While markets have performed extremely well over the last year in anticipation of an economic recovery and a US-China trade deal, we continue to maintain diversified portfolios to insure against any disappointments.

The Sentinel Fund

Keith Jordan
Head of Structured Products

The **Sentinel Fund** is a diversified fund with a difference. It has the potential to deliver the performance of a well-diversified portfolio of global assets and also provides 85% protection of the highest fund value (before fees and charges are deducted). This fund is available on single premium products only.

Warning: This is not a simple fund, and may be difficult to understand. As a result, you should not invest if you are not sufficiently satisfied that you understand how the investment works.

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THE SENTINEL FUND

The Sentinel Fund is Built on Four Pillars

1. **Asset Diversification:** The fund's portfolio is split across three baskets of assets, high risk assets (equity and property), lower volatility assets (bonds and alternatives) and cash.
2. **Passive Building Blocks:** To gain exposure to the returns of these asset classes the fund uses passive building blocks. The fund tracks market-weighted indices or portfolios rather than relying on a fund manager to make active stock selection decisions. Initially the fund is linked to four mainstream global market indices.
3. **85% Protection:** The value of an investment in the Sentinel Fund (before fees and charges are deducted) will never fall below 85% of its highest value. Because the protection is based on the highest value of the fund, as the fund rises, so too does a client's protected value. The protection is provided by Bank of Ireland.
4. **Risk Management:**
   - **Step 1:** Short term asset allocation is driven by a volatility target mechanism. A target volatility level is set for the fund and if volatility exceeds this level exposure to high risk assets is reduced and where volatility is below the target level, exposure to high risk assets is increased.
   - **Step 2:** The investment manager decides the long term asset allocation of the fund in line with their investment philosophy and views of markets, today and tomorrow.

Warning: If you invest in this fund you could lose up to 15% of the money you invest before fees and charges are deducted.

Performance update of the Sentinel Fund (as at end of December 2019)

- Sentinel rose during December as equities finished the year strongly.
- Sentinel captured the strong performance of equity markets in the last quarter of 2019, ending the year up 1.7%.
- The allocation to the growth assets (equities and REITs) rose in the second half of the quarter as volatility fell and benefited from strong performance from these assets, finishing the year with 60% allocation. While bonds have marginally detracted in the low volatility portfolio, this was fully offset by the performance of the alternatives allocation, which produced positive returns.

A Protected Fund with a Difference...

1. **85% protection** is based on the highest fund value, it does not only apply on a specific date.
2. **Unlimited growth potential** - there is no limit on the potential upside fund growth
3. **Diversification** – the fund offers high levels of diversification amongst its multi asset portfolio
4. **Benefit of dividends** - the fund provides exposure to total return indices therefore providing investors with the full benefit of dividends
5. **Fund cannot get cash locked** - the fund has an innovative solution which prevents the fund from becoming cash locked.
6. **Familiar investment links** - The return of the fund is linked to a number of mainstream global stock market, bond and alternative indices.
7. **Product availability** - the fund is available to a wide range of New Ireland's pension and investment products.
8. **Daily access** - it is a daily priced fund; your clients can invest, switch or encash on any day (subject to policy conditions and policy fees may apply).