

Pensions, Investments
& Advisory Services



Investment Update August 2009

A fresh approach to retirement planning



Thinking, **Years Ahead**

Investment Update to 31st August 2009

Group Pension Managed Funds Update to 31st August 2009

Fund Performance

For the sixth month in a row, Irish pension funds delivered a positive performance during August, returning 2.9% on average. The best performing managed fund in August was that of Irish Life Investment Managers, which returned 3.9%. Aviva Investors propped up the league table with a 2.0% return for the month.

Returns are also positive for the year to date, with the average fund having gained 15.0% over this period. In the eight months to the end of August, returns ranged from 22.9% (Merrion Investment Managers) to 8.8% (AIB Investment Managers), representing a difference of 14.1% between the best and worst performing managers so far this year. Over the past twelve months the average fund delivered -11.5%, with returns ranging from -7.4% (Eagle Star/Zurich Life) to -17.3% (AIB Investment Managers).

The average managed fund return has been a very disappointing -7.8% per annum over the past three years. The five year returns to the end of August are once again positive, with the average managed fund delivering a return of 1.0% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 1.0% per annum on average, well below the Irish inflation rate of 3.1% per annum over the same time horizon. Indeed, only Merrion Investment Managers outperformed inflation over this period with a return of 3.6% per annum, while all of the other fund managers, except AIB Investment Managers and KBC Asset Management, delivered positive returns over 10 years.



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Active Managed Fund Returns to 31st August 2009

	1 Month %	Rank	8 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	2.6	8	8.8	11	-17.3	11	-8.3	6	1.1	6	-0.5	10
Aviva Investors	2.0	11	12.5	9	-17.1	10	-10.0	10	-0.5	8	0.1	9
Bank of Ireland Asset	2.9	5=	14.5	8	-10.7	7	-8.9	9	-0.7	11	1.3	5=
Canada Life/Setanta	2.7	7	14.7	7	-8.8	3	-5.9	3	2.0	4	1.5	3
Eagle Star	2.3	10	14.8	6	-7.4	1	-4.5	1	3.9	1	2.1	2
Friends First/F&C	2.9	5=	15.0	5	-12.2	8	-8.8	7=	0.5	7	0.2	8
Irish Life Investment	3.9	1	19.0	2	-10.1	6	-7.7	5	1.4	5	1.4	4
KBC Asset Management	2.4	9	10.9	10	-16.0	9	-10.6	11	-0.6	9=	-1.2	11
Merrion Investment	3.6	2	22.9	1	-7.7	2	-5.0	2	2.7	2	3.6	1
New Ireland	3.1	3	15.1	4	-9.8	5	-8.8	7=	-0.6	9=	1.3	5=
Standard Life Investments	3.0	4	16.3	3	-9.3	4	-7.0	4	2.1	3	0.9	7
Average	2.9		15.0		-11.5		-7.8		1.0		1.0	

Consensus Fund Returns to 31st August 2009

	1 Month %	Rank	8 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	3.1	2	14.4	5	-11.5	4	-8.1	5	1.0	3		
Aviva Investors	2.2	6	13.2	6	-11.6	5	-8.6	6	0.1	5	0.2	4
Bank of Ireland Asset	3.0	3=	15.5	1	-10.7	2	-7.6	1	1.3	2	0.9	2
Friends First/F&C	3.0	3=	15.1	3	-12.0	6	-7.9	3=	0.9	4	0.6	3
Irish Life Investment	3.0	3=	15.0	4	-10.9	3	-7.8	2	1.4	1	1.0	1
Standard Life Investments	4.1	1	15.4	2	-10.5	1	-7.9	3=				
Average	3.1		14.8		-11.2		-8.0		0.9		0.7	

Multi-Manager Fund Returns to 31st August 2009

	1 Month %	Rank	8 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
AIB Investment Managers	3.6	2	16.5	1	-11.1	2	-8.1	1=	0.9	2
Irish Life Investment	3.8	1	14.4	3	-11.0	1	-8.1	1=	1.1	1
Standard Life Investments	3.5	3	15.2	2	-13.0	3	-9.8	3		
Average	3.6		15.4		-11.7		-8.7		1.0	



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Market Review

Economic data was mixed during August, but overall more positive than negative. Eurozone bonds returned 0.7% over the month, as the outlook for inflation and interest rates remains benign. Oil prices rose slightly as the dollar weakened over the month.

Irish equities continued to recover from the low levels reached in March, returning 10.9% during August, as several companies released better-than-expected results. Financial stocks continued to outperform the rest of the market, delivering 35.9% as plans for the National Assets Management Agency (NAMA) advanced. NAMA will buy “appropriate loans” from the banks, paying for these with bonds issued by either the Government or NAMA. This will allow the banks to replace non-performing loans with cash-like assets on their balance sheets.

UK equities posted a 7.3% gain over the month in sterling terms (4.2% in euro terms). The Bank of England kept interest rates at the historically low level of 0.5%, having cut interest rates by 4.5% between October 2008 and March 2009. As expected, the Bank expanded its quantitative easing programme, by allocating an additional £50 billion to the £125 billion already committed. Meanwhile, unemployment reached a 14-year high, of 7.8%, in June.

US equities returned 3.3% in dollar terms (1.9% for Irish investors) during August. The Federal Reserve kept interest rates on hold again at their August meeting, saying that it would hold the benchmark rate “exceptionally low for an extended period”. On the economic front, unemployment declined for the first time in over a year, from 9.5% in June to 9.4% in July, while the housing market showed further signs of recovery, as sales of new homes rose 9.6% in July with existing homes sales improving 7.2% over the same period.

The Eurozone region returned 6.0% over the month, while the rest of Europe recorded a 4.7% rise. The European Central Bank kept interest rates at the record low of 1.0%. ECB President, Jean-Claude Trichet, said that the economic outlook for the region was “less negative”. This view was supported by the release of second quarter GDP figures later in the month, which showed that the German and French economies had expanded while the region as a whole only contracted by 0.1%, compared with a 2.5% decline in the first quarter.

The Japanese stock market rose 1.4% over the month in yen terms (2.8% in euro terms), while markets in the rest of the Pacific Basin delivered a return of 0.7% in local currency terms (-0.4% for Irish investors). The Japanese economy expanded by 3.7% in the second quarter, compared with a contraction of 11.7% in the first three months of the year. Despite this, unemployment rose to a record level of 5.7% in July, while inflation for the twelve months to the end of July was a negative 2.2%. Markets in the Pacific Basin stalled somewhat during August, although this still remains the best performing region so far this year, as the Chinese government moved to curb lending in an effort to prevent asset price bubbles.



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Index Returns to 31st August 2009

Asset Class	1 Month %		8 Months %	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Equities				
- Ireland	10.9	10.9	34.4	34.4
- UK	7.3	4.2	15.2	26.5
- North America	3.3	1.9	16.1	13.5
- Eurozone	6.0	6.0	20.5	20.5
- Rest of Europe	4.7	5.4	25.2	26.2
- Japan	1.4	2.8	14.0	7.9
- Pacific Basin	0.7	-0.4	38.7	43.3
Euro Bonds (> 5 Yrs)	0.7	0.7	3.7	3.7