

Pensions, Investments
& Advisory Services



Investment Update August 2011

A fresh approach to retirement planning



Thinking, **Years Ahead**

Investment Update to 31st August 2011

Group Pension Managed Funds Update to 31st August 2011

Fund Performance

Irish pension managed funds declined dramatically during August, with an average return of -5.9% for the month. Setanta Asset Management took top spot with a return of -3.6% for the month, while Irish Life Investment Managers propped up the league table with a return of -7.8%. As a result of the recent falls, managed funds have suffered an 8.5% loss on average over the first eight months of the year. Returns over this period ranged from a high of -5.6% (Setanta Asset Management) to a low of -10.4% (Merrion Investment Managers). Over the past twelve months the average fund returned -1.6%. Returns for the past year ranged from 0.8% (Setanta Asset Management) to -4.6% (Irish Life Investment Managers).

The average managed fund return has been a disappointing -1.6% per annum over the past three years. The five year returns to the end of August are all negative, with an average return of -3.3% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 0.9% per annum on average, well below the Irish inflation rate of 2.2% per annum over the same time horizon. Indeed, only one of the managed funds surveyed (that of Zurich Life) outperformed inflation over this period.



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Active Managed Fund Returns to 31st August 2011

	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	-5.8	5=	-7.7	3	-0.2	3	-3.7	10	-3.6	5	0.1	10
Aviva Investors	-5.5	3	-8.3	5	-1.8	6	-4.1	11	-4.9	11	0.2	9
Canada Life/Setanta	-3.6	1	-5.6	1	0.8	1	0.4	2=	-1.6	2	1.4	4
Friends First/F&C	-6.9	10	-9.4	10	-2.0	7	-2.0	7	-4.1	7	0.6	7=
Irish Life Investment Managers	-7.8	11	-9.3	8=	-4.6	11	-2.1	8	-3.9	6	0.9	5
Kleinwort Benson Investors	-5.7	4	-7.8	4	-0.7	5	-2.8	9	-4.8	10	-0.7	11
Merrion Investment Managers	-5.8	5=	-10.4	11	-4.1	10	-1.3	4=	-2.2	4	1.5	3
New Ireland	-6.3	8	-9.2	7	-2.6	9	-1.3	4=	-4.2	8	0.7	6
Standard Life Investments	-6.4	9	-8.8	6	0.2	2	1.0	1	-1.8	3	1.9	2
State Street Global Advisors	-6.1	7	-9.3	8=	-2.3	8	-1.8	6	-4.3	9	0.6	7=
Zurich Life	-5.2	2	-7.3	2	-0.4	4	0.4	2=	-1.0	1	2.7	1
Average	-5.9		-8.5		-1.6		-1.6		-3.3		0.9	

Consensus Fund Returns to 31st August 2011

	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	-5.6	2=	-7.6	2	-0.6	4	-1.3	5	-3.4	5		
Aviva Investors	-5.5	1	-7.8	4	-1.3	6	-1.5	6	-3.8	6	0.5	4
Friends First/F&C	-6.9	5	-8.5	5	-0.2	1=	-0.5	1	-2.6	1	1.2	2=
Irish Life Investment Managers	-5.6	2=	-7.7	3	-0.4	3	-0.9	3	-3.1	3	1.3	1
Standard Life Investments	-7.3	6	-9.3	6	-0.7	5	-1.1	4	-3.3	4		
State Street Global Advisors	-5.6	2=	-7.5	1	-0.2	1=	-0.6	2	-2.8	2	1.2	2=
Average	-6.1		-8.1		-0.6		-1.0		-3.2		1.1	

Multi-Manager Fund Returns to 31st August 2011

	1 Month %	Rank	8 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
AIB Investment Managers	-6.4	1	-9.0	2	-0.9	2	-1.2	2	-3.4	1
Irish Life Investment Managers	-7.6	3	-9.4	3	-2.2	3	-1.7	3	-3.7	2
Standard Life Investments	-6.6	2	-7.7	1	1.4	1	-1.0	1	-3.9	3
Average	-6.9		-8.7		-0.6		-1.3		-3.7	



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Market Review

August was another volatile month in equity markets, as debt concerns once again impacted markets on both sides of the Atlantic. Eurozone bonds rose strongly over the month as investors sought a safe haven from the uncertainty of equity markets. During the month, German 10-year bond yields fell to the lowest level on record.

The Irish stock market delivered a return of -8.3% during August. Financials lagged the rest of the market with a -16.7% return. In response to the recent changes to the terms of Ireland's bail-out, and the ECB's decision to recommence its bond-buying programme, the yield on Irish 10-year bonds fell below 9% for the first time since February. Inflation stayed at an annual rate of 2.7% in July for the third month in a row, while the amount of tax taken in by the exchequer in the first seven months of the year was 1.4% ahead of target.

UK equities posted a 6.6% loss over the month in sterling terms (a 7.5% loss in euro terms). Yet again, the Bank of England's Monetary Policy Committee voted to maintain the official Bank interest rate at 0.5%, and also to maintain the asset purchase programme at £200 billion. The Bank's inflation report indicated that the economy would grow at a slower pace than had previously been anticipated, while inflation expectations were also lowered.

US equities returned -5.1% in dollar terms during August (-5.5% for Irish investors). Despite an agreement being reached that avoided a debt default at the 11th hour last month, US bonds lost their AAA credit rating for the first time in their history. The Federal Reserve announced that it would keep interest rates at current lows until at least the middle of 2013, and made a commitment to support the struggling economy should it become necessary. There was some good news on the jobs front, as 117,000 jobs were added in July. This, combined with a decline in the overall workforce, saw the unemployment rate fall back to 9.1%.

The Eurozone region lost 12.9% over the month, while the rest of Europe recorded a 7.6% decline (-9.2% in euro terms). The European Central Bank held interest rates at 1.5%. Markets in the region were focused again on the outlook for Eurozone debt, as well as the outlook for the global economy. There was some good news as the ECB recommenced its bond purchase programme as a way to support peripheral bond markets. In an attempt to reduce market volatility, several European governments introduced temporary bans on the short selling of financial stocks. In economic news, the German economy expanded by a lacklustre 0.1% during the second quarter of 2011.

The Japanese stock market declined 8.8% over the month in yen terms (a -8.2% return in euro terms), while markets in the rest of the Pacific Basin delivered a return of -7.1% in local currency terms (-8.3% for Irish investors). Japanese exporters were hurt by the strength of the yen, which rose to its highest level against the dollar since the Second World War. The Japanese economy



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shrank by 1.3% in the second quarter, which was better than the expected 2.7% contraction. Meanwhile, Moody's downgraded the country's debt rating. In China, inflation rose to 6.5%, with food prices still the main driver.

Index Returns to 31st August 2011

Asset Class	1 Month %		8 Months %	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Equities				
- Ireland	-8.3	-8.3	-9.1	-9.1
- UK	-6.6	-7.5	-6.1	-9.0
- North America	-5.1	-5.5	-2.1	-8.7
- Eurozone	-12.9	-12.9	-13.7	-13.7
- Rest of Europe	-7.6	-9.2	-13.6	-10.3
- Japan	-8.8	-8.2	-14.0	-15.1
- Pacific Basin	-7.1	-8.3	-8.2	-11.2
Euro Bonds (> 5 Yrs)	3.9	3.9	4.0	4.0

