

Pensions, Investments  
& Advisory Services



# Investment Update 31<sup>st</sup> December 2009

A fresh approach to retirement planning



Thinking, **Years Ahead**

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## Group Pension Managed Funds Update to 31<sup>st</sup> December 2009

### Fund Performance

Irish pension funds consolidated the gains made through most of the year during December, rising 4.6% on average over the month. The best performing managed funds in December were those of Bank of Ireland Asset Management and KBC Asset Management, both of which returned 5.0%. Standard Life Investments propped up the league table with a 4.1% return for the month. As a result of the strong performance in December, Irish pension managed funds delivered positive returns, averaging 3.3%, over the final quarter of the year.

During 2009, all of the managed funds surveyed delivered double-digit growth, with the average fund returning 21.8% for the year. Returns over the twelve months ranged from 29.6% (Merrion Investment Managers) to 13.7% (AIB Investment Managers), representing a difference of 15.9% between the best and worst performing managers over the year.

The average managed fund return has been a very disappointing -8.3% per annum over the past three years. However, the five year returns to the end of December are positive on average, delivering a mean return of 1.0% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 0.4% per annum on average, well below the Irish inflation rate of 2.9% per annum over the same time horizon. Indeed, none of the managed funds surveyed outperformed inflation over this period, while four of the eleven funds failed to deliver positive returns over 10 years.

### Active Managed Fund Returns to 31<sup>st</sup> December 2009

	1 Month %	Rank	3 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	4.3	9=	1.9	11	13.7	11	-9.5	8	0.7	6	-1.0	10
Aviva Investors	4.9	3=	4.0	3	20.1	9	-10.3	10	-0.3	8	-0.4	8
Bank of Ireland Asset Management	5.0	1=	3.1	8	21.0	8	-9.4	7	-0.6	11	1.0	5
Canada Life/Setanta	4.3	9=	4.7	1	22.9	4	-5.3	2	2.4	3	1.2	3=
Eagle Star/Zurich Life	4.5	7	3.4	4=	22.1	5	-5.1	1	3.7	1	1.4	2
Friends First/F&C	4.4	8	3.2	7	21.2	7	-9.7	9	0.4	7	-0.5	9
Irish Life Investment Managers	4.8	5=	2.4	10	25.6	2	-8.5	5	1.2	5	1.2	3=
KBC Asset Management	5.0	1=	3.4	4=	17.8	10	-11.2	11	-0.5	10	-1.8	11
Merrion Investment Managers	4.8	5=	2.7	9	29.6	1	-5.8	3	2.7	2	2.0	1
New Ireland	4.9	3=	3.4	4=	22.0	6	-9.3	6	-0.4	9	0.9	6
Standard Life Investments	4.1	11	4.1	2	24.3	3	-7.6	4	2.2	4	0.2	7
<b>Average</b>	<b>4.6</b>		<b>3.3</b>		<b>21.8</b>		<b>-8.3</b>		<b>1.0</b>		<b>0.4</b>	



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### Consensus Fund Returns to 31<sup>st</sup> December 2009

	1 Month %	Rank	3 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	4.4	4	2.4	6	20.0	5	-9.1	5=	0.7	4		
Aviva Investors	4.3	5	2.7	5	19.3	6	-9.1	5=	0.1	5	-0.2	4
Bank of Ireland Asset Management	4.5	3	2.9	3	21.8	3	-8.4	2	1.2	1=	0.4	2
Friends First/F&C	2.9	6	3.9	1	22.5	1	-8.3	1	1.0	3	0.3	3
Irish Life Investment Managers	4.6	2	2.8	4	21.3	4	-8.5	3	1.2	1=	0.6	1
Standard Life Investments	5.2	1	3.1	2	22.2	2	-8.7	4				
<b>Average</b>	<b>4.3</b>		<b>3.0</b>		<b>21.2</b>		<b>-8.7</b>		<b>0.8</b>		<b>0.3</b>	

### Multi-Manager Fund Returns to 31<sup>st</sup> December 2009

	1 Month %	Rank	3 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
AIB Investment Managers	4.8	2	2.2	3	21.9	2	-9.3	2	0.7	2
Irish Life Investment Managers	4.3	3	2.4	2	20.3	3	-9.0	1	0.9	1
Standard Life Investments	5.3	1	3.5	1	22.8	1	-10.4	3	0.1	3
<b>Average</b>	<b>4.8</b>		<b>2.7</b>		<b>21.7</b>		<b>-9.6</b>		<b>0.6</b>	



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## Market Review

Equity markets across the globe finished the year on a high, as positive economic news was well received by investors. However, concerns over the credit rating of several countries led to some nervousness and volatility during December. The dollar, having reached a 15-month low in November, rallied strongly during December, gaining over 4% against the euro. As a result of the strengthening dollar, investors moved away from gold, which declined over 7%. Eurozone bonds fell back 1.4% over the month, as Greece's sovereign rating was downgraded to BBB+ by Fitch and Standard & Poor's.

The Irish stock market delivered a strong return of 6.1% during December. However, the banking sector continued to struggle; uncertainty over the discounts that will be applied to loans transferred to NAMA, concerns that the main banks may need further recapitalization from the State and a global decline in the banking sector, led to the Irish financials sector declining 13.6% over the month.

UK equities rose 4.4% in sterling terms over the month, while the strengthening of sterling against the euro improved this to 7.5% for Irish investors. 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. The Bank also maintained its quantitative easing programme at £200 billion.

US equities rose 2.1% in dollar terms (returning 6.8% in euro terms) over the month. The Federal Reserve kept interest rates unchanged, while reiterating their intention to keep rates at "extremely low levels for an extended period". However, the Fed also announced that its emergency lending programs would end from 1 February 2010 due to "improvements in the functioning of financial markets". Economic data released for November generally surprised on the upside, boosting investor sentiment. The unemployment rate unexpectedly fell back to 10.0% (from 10.2% a month earlier), while retail sales, consumer sentiment, industrial production and housing starts all showed improvement.

Eurozone equities returned 5.7% over the month, while the Rest of Europe gained 3.8% in local currency terms. The European Central Bank kept interest rates on hold at 1.0%, while announcing its intention to start withdrawing stimulus measures earlier than had been anticipated. On the economic front, the ECB revised upwards its estimate of GDP for 2010 and 2011, while business sentiment in the Eurozone increased to a 17-month high. However, the banking sector struggled across Europe, as Greece's sovereign debt rating was downgraded (by Fitch and Standard & Poor's) and Standard & Poor's cut their outlook for Spain.

The Japanese stock market rose 8.6% in yen terms during December (this worsened to 5.2% for Irish investors due to the weakening of the yen), while Pacific Basin markets returned 5.3% over the month (9.4% for Irish investors). The Bank of Japan responded to the return of deflation and the 14-year high of the yen against the dollar by pumping ¥10 trillion (approximately US\$114 billion) into the money market in an attempt to stimulate lending. The yen weakened as a result, which in turn provided support to export-oriented companies. Meanwhile, data was released showing that manufacturing activity in China is growing at the fastest pace in five years, while industrial output increased 19% in the year to November.



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### Index Returns to 31<sup>st</sup> December 2009

Asset Class	1 Month %		Quarter 4 %		2009 %	
	Local Ccy	Euro	Local Ccy	Euro	Local Ccy	Euro
Equities						
- Ireland	6.1	6.1	-10.9	-10.9	29.9	29.9
- UK	4.4	7.5	6.1	9.2	28.0	39.2
- North America	2.1	6.8	5.7	7.9	27.4	25.0
- Eurozone	5.7	5.7	2.4	2.4	28.8	28.8
- Rest of Europe	3.8	5.6	4.7	6.3	33.0	36.2
- Japan	8.6	5.2	0.8	-1.3	8.7	2.5
- Pacific Basin	5.3	9.4	4.5	7.6	54.8	67.4
Euro Bonds (> 5 Yrs)	-1.4	-1.4	-0.4	-0.4	4.0	4.0

