Pensions, Investments
& Advisory Services

Investment Update December 2011

A fresh approach to retirement planning

Thinking, **Years Ahead**

Group Pension Managed Funds Update to 31st of December 2011

Fund Performance

Irish pension managed funds made solid gains during December, with an average return of 3.3% for the month. Friends First/F&C took top spot with a return of 3.7% for the month, while Merrion Investment Managers propped up the league table with a return of 2.2%. As a result of gains in 2 of the last 3 months, managed funds have enjoyed a 7.6% gain on average over the final quarter of the year. Returns over this period ranged from highs of 8.4% (Kleinwort Benson Investors and Standard Life Investments) to a low of 6.1% (Merrion Investment Managers). Over the whole of 2011, however, the average fund return was a disappointing -3.4%. Returns for the year ranged from 0.5% (Setanta Asset Management) to -5.9% (Merrion Investment Managers).

The average managed fund return has been a healthy 9.3% per annum over the past three years. The five year returns are all negative however, with an average return of -3.8% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 1.3% per annum on average, below the Irish inflation rate of 2.2% per annum over the same time horizon. Only two of the managed funds surveyed (those of Zurich Life and Standard Life Investments) outperformed inflation over this period.

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Active Managed Fund Returns to 31st December 2011

	1 Month %	Rank	Qtr 4 %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	3.3	5=	7.8	5	-2.2	3	7.5	11	-4.2	5	0.6	9
Aviva Investors	3.3	5=	6.7	10	-4.1	6=	7.8	10	-5.5	11	0.5	10
Canada Life/Setanta	3.5	2=	7.7	6=	0.5	1	10.6	2	-1.3	1	2.0	3=
Friends First/F&C	3.7	1	7.9	3=	-4.6	9	9.0	6=	-4.7	9	1.0	6=
Irish Life Investment Managers	3.0	10	7.7	6=	-5.0	10	9.1	5	-4.6	6=	1.4	5
Kleinwort Benson Investors	3.5	2=	8.4	1=	-2.4	4	8.7	8=	-5.2	10	-0.4	11
Merrion Investment Managers	2.2	11	6.1	11	-5.9	11	10.3	3	-2.8	4	2.0	3=
New Ireland	3.5	2=	7.5	8=	-4.2	8	9.0	6=	-4.6	6=	1.0	6=
Standard Life Investments	3.3	5=	8.4	1=	-3.6	5	11.7	1	-2.4	3	2.3	2
State Street Global Advisors	3.3	5=	7.5	8=	-4.1	6=	8.7	8=	-4.6	6=	1.0	6=
Zurich Life	3.2	9	7.9	3=	-2.1	2	9.8	4	-1.5	2	3.1	1
Average	***3.3***		***7.6***		***-3.4***		***9.3***		***-3.8***		***1.3***	

Consensus Fund Returns to 31st December 2011

	1 Month %	Rank	Qtr 4 %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	3.0	5	7.3	5=	-2.9	5=	9.3	5	-4.0	5		
Aviva Investors	2.5	6	7.3	5=	-2.9	5=	8.8	6	-4.1	6	0.9	4
Friends First/F&C	3.4	2	7.8	2	-2.6	2	11.1	1	-2.9	1	1.8	1
Irish Life Investment Managers	3.3	3=	7.7	3=	-2.7	3=	9.8	4	-3.6	4	1.7	2
Standard Life Investments	5.1	1	8.1	1	-2.5	1	10.3	2	-3.5	3		
State Street Global Advisors	3.3	3=	7.7	3=	-2.7	3=	10.1	3	-3.4	2	1.6	3
Average	***3.4***		***7.7***		***-2.7***		***9.9***		***-3.6***		***1.5***	

Multi-Manager Fund Returns to 31st December 2011

	1 Month %	Rank	Qtr 4 %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	4.7	2	7.4	1=	-3.2	2	10.3	2	-3.8	1		
Irish Life Investment Managers	5.0	1	6.8	3	-3.7	3	9.0	3	-4.1	2	1.5	1
Standard Life Investments	4.0	3	7.4	1=	-2.7	1	10.6	1	-4.5	3		
Average	***4.6***		***7.2***		***-3.2***		***10.0***		***-4.1***		***1.5***	

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Market Review

Equity markets were broadly flat during December, although some markets saw gains. Economic news was mixed, while investors closely followed developments in the European Union. Eurozone bonds returned 5.3% over the month, as the European Central Bank offered unlimited liquidity to the banking sector for three years, some of which is likely to be used to buy Eurozone bonds.

The Irish stock market returned 5.6% during December. However, the financial sector underperformed the rest of the market with a 9.9% decline. The Government announced measures aimed at achieving a fiscal adjustment of nearly €4 billion, with €1.6 billion coming from higher taxes and charges, in the two-day 2012 Budget at the beginning of the month. There was disappointing news from the Central Statistics Office as it was revealed that the economy had contracted during the third quarter of 2011, despite a rise in exports. If there is a further contraction in the fourth quarter, then the country will officially experience a double-dip recession.

UK equities made a 1.2% gain over the month in sterling terms (a 3.7% return in euro terms). The Bank of England's Monetary Policy Committee voted to maintain the official Bank interest rate at 0.5% and the size of the asset purchase programme at £275 billion. Meanwhile, data was released showing that industrial production in the UK had slowed.

US equities returned 0.7% in dollar terms over the month, returning 4.4% for Irish investors. The Federal Reserve pledged to keep interest rates low until the middle of 2013, but did not announce any additional stimulus measures much to the disappointment of the market. In economic news, jobless claims fell to the lowest level since May 2008, while two leading manufacturing indices surprised on the upside.

The Eurozone region lost 0.4% over the month, while the rest of Europe recorded a 2.4% return (3.4% in euro terms). Once again, investor concerns were focused on the outlook for Eurozone debt. The new governor of the European Central Bank, Mario Draghi, cut interest rates by 0.25% to 1%, and announced significant supports to be made available to the region's banks. A meeting of the leaders of the 27 European Union nations saw politicians move closer to fiscal union in the region, as 26 of these nations agreed to sign up to a new treaty that will set tighter budget rules for the 17 Eurozone countries - and any other EU country that wants to join. The UK was the only country to refuse to sign up to the new treaty.

The Japanese stock market was flat over the month in yen terms (returning 4.7% in euro terms), while markets in the rest of the Pacific Basin were also flat in local currency terms (delivering a 3.4% gain for Irish investors). The rate at which the Japanese economy expanded during the third quarter of 2011 was revised downwards to an annual rate of 5.6% (from the 6% previously announced). Meanwhile, the Bank of Japan released a survey which showed a deterioration in

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sentiment among the nation's largest manufacturers. In China, inflation fell to 4.2% in the year to November, from 5.5% in October.

Index Returns to 31st December 2011

Asset Class	1 Month %		Qtr 4 %		2011 %	
	Local Ccy	*Euro*	*Local Ccy*	*Euro*	*Local Ccy*	*Euro*
Equities						
- Ireland	5.6	5.6	16.2	16.2	2.6	2.6
- UK	1.2	3.7	9.3	12.7	-2.3	0.3
- North America	0.7	4.4	10.8	14.8	0.7	3.8
- Eurozone	-0.4	-0.4	5.6	5.6	-14.5	-14.5
- Rest of Europe	2.4	3.4	7.2	8.3	-9.5	-8.4
- Japan	0.0	4.7	-4.0	-0.6	-18.0	-10.7
- Pacific Basin	0.0	3.4	2.7	8.9	-12.8	-10.7
Euro Bonds (> 5 Yrs)	5.3	5.3	-1.3	-1.3	3.9	3.9