Pensions, Investments
& Advisory Services

Investment Update February 2011

A fresh approach to retirement planning

IFG

Thinking, **Years Ahead**

Group Pension Managed Funds Update to 28th February 2011

Fund Performance

Irish pension managed funds made strong gains during February, with an average return of 1.5% for the month. Setanta Asset Management and New Ireland shared top spot with returns of 1.8% for the month, while Aviva Investors propped up the league table with a return of 1.0%. The average managed fund has advanced 1.6% over the first two months of the year; with returns ranging from a high of 2.7% (Irish Life Investment Managers) to a low of 0.9% (Aviva Investors and Standard Life Investments). Over the past twelve months the average fund returned 12.7%. Returns for the past year ranged from 16.7% (Standard Life Investments) to 10.8% (Setanta Asset Management).

The average managed fund return has been a disappointing -0.9% per annum over the past three years. The five year returns to the end of February are mostly negative, with an average return of -1.2% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 1.4% per annum on average, well below the Irish inflation rate of 2.4% per annum over the same time horizon. Indeed, only one of the managed funds surveyed (that of Eagle Star/Zurich Life) outperformed inflation over this period.

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Active Managed Fund Returns to 28th February 2011

	1 Month %	Rank	2 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	1.7	3=	1.8	5	13.9	2	-3.2	10	-1.4	5	0.5	10
Aviva Investors	1.5	8	1.4	6=	11.6	8	-3.9	11	-2.7	10	0.7	9
Canada Life/Setanta	1.8	1=	2.2	2	10.8	11	0.9	3	0.1	4	1.5	5=
Eagle Star/Zurich Life	1.4	9	1.0	10	12.5	7	1.1	2	0.9	1	3.1	1
Friends First/F&C	1.6	7	1.3	8	13.5	3	-1.3	7	-1.8	7	1.2	8
Irish Life Investment	1.7	3=	2.7	1	11.5	9	-1.4	8	-1.5	6	1.8	4
Kleinwort Benson Investors	1.2	10=	1.2	9	13.1	4	-2.9	9	-2.8	11	-0.6	11
Merrion Investment	1.7	3=	1.4	6=	11.4	10	0.5	4	0.2	3	2.3	2=
New Ireland	1.8	1=	1.9	3=	12.6	5=	0.0	5	-2.1	8	1.5	5=
Standard Life Investments	1.2	10=	0.9	11	16.7	1	1.6	1	0.4	2	2.3	2=
State Street Global	1.7	3=	1.9	3=	12.6	5=	-0.7	6	-2.3	9	1.5	5=
Average	***1.6***		***1.6***		***12.7***		***-0.8***		***-1.2***		***1.4***	

Consensus Fund Returns to 28th February 2011

	1 Month %	Rank	2 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	1.5	3=	1.7	2=	13.5	5	-1.2	5	-1.3	4=		
Aviva Investors	1.7	1=	1.3	4	12.6	6	-1.4	6	-1.8	6	0.9	4
Friends First/F&C	0.8	6	0.9	6	15.6	1	-0.1	1	-0.5	1	1.7	2=
Irish Life Investment	1.5	3=	1.7	2=	13.7	4	-0.7	3=	-1.0	3	1.8	1
Standard Life Investments	1.4	5	1.1	5	15.1	2	-0.7	3=	-1.3	4=		
State Street Global	1.7	1=	1.9	1	14.3	3	-0.4	2	-0.7	2	1.7	2=
Average	***1.4***		***1.4***		***14.1***		***-0.8***		***-1.1***		***1.5***	

Multi-Manager Fund Returns to 28th February 2011

	1 Month %	Rank	2 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	1.3	2	0.7	3	14.5	2	-1.1	1	-1.4	1		
Irish Life Investment	1.1	3	1.1	2	13.3	3	-1.3	2	-1.6	2	1.7	1
Standard Life Investments	1.6	1	1.3	1	15.2	1	-1.4	3	-2.4	3		
Average	***1.3***		***1.0***		***14.3***		***-1.3***		***-1.8***		***1.7***	

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Market Review

Equity markets got off to a strong start in February, before falling back somewhat towards month end. Increased merger and acquisition activity, positive economic data and upbeat earnings reports supported markets. However, geopolitical instability in North Africa and the Middle East had a detrimental impact, as the oil price rose over concerns about supply. Eurozone bonds were virtually unchanged as initial losses were offset by a flight to safe-haven assets later in the month.

The Irish stock market gained 4.3% during February. Financials had a good month, returning 15.7%, despite Standard & Poor's cutting Ireland's credit rating and Moody's downgrading the unguaranteed senior unsecured debt of six Irish banks. In economic news, provisional figures released by the Central Statistics Office indicated that manufacturing production had increased by 8.4% in 2010, boosted by an almost 40% increase in production by the pharmaceutical sector, and that the value of exports had increased by 21% in the year to December. Meanwhile, the Dáil was dissolved and a general election was held on 25 February, which resulted in the near-wipeout of the two government parties.

UK equities returned 2.7% over the month in sterling terms (3.5% in euro terms). 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. However, inflation rose to 4.0% in the year to January, increasing speculation that interest rate increases may happen sooner rather than later. Meanwhile, fourth quarter GDP growth was revised downwards to -0.6%.

US equities rose 3.5% in dollar terms during February, returning 2.9% for Irish investors. In corporate news, the fourth quarter earnings season continued to support the market, with most companies delivering better than expected results. Furthermore, merger and acquisition activity continued to be a market feature, with newsflow involving companies such as General Electric, Chesapeake Energy and Genzyme. There was positive economic news as well, with consumer confidence and manufacturing data performing strongly, while jobs news was also generally upbeat.

The Eurozone region recorded a 2.0% rise over the month, while the rest of Europe gained 1.7% (a 2.3% return in euro terms). The European Central Bank once again held interest rates at the historic low of 1%, as inflation in the Eurozone rose to 2.4% in January. Speculation mounted that Portugal may be the next country to need a bailout from the EU, as yields on the nation's 10-year bonds spiked above 7%. There was some good news, however, as German business confidence rose unexpectedly.

The Japanese stock market gained 4.7% over the month in yen terms (a 3.9% return in euro terms), while markets in the rest of the Pacific Basin bucked the global trend to deliver a negative return of -2.6% in local currency terms (-3.1% for Irish investors). Ratings agency Moody's

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downgraded its outlook for Japan from “stable” to “negative”. In corporate news, two of Japan’s largest steelmakers (Nippon Steel and Sumitomo Metal) announced a $24.5 billion merger. Pacific Basin markets declined over fears that rising inflation will lead to a tightening of monetary policy across the region. China’s central bank raised interest rates as inflation rose to 4.9% in the year to January. The reserve ratio requirement for banks was also increased. During the month it was revealed that China had overtaken Japan to become the world’s second largest economy in 2010. Interest rates were also increased in Indonesia.

Index Returns to 28th February 2011

Asset Class	1 Month %		2 Months %	
	Local Ccy	*Euro*	*Local Ccy*	*Euro*
Equities				
- Ireland	4.3	4.3	3.2	3.2
- UK	2.7	3.5	2.3	3.2
- North America	3.5	2.9	5.7	2.9
- Eurozone	2.0	2.0	6.8	6.8
- Rest of Europe	1.7	2.3	1.8	1.2
- Japan	4.7	3.9	5.7	1.7
- Pacific Basin	-2.6	-3.1	-1.3	-4.5
Euro Bonds (> 5 Yrs)	-0.1	-0.1	-0.6	-0.6