Pensions, Investments
& Advisory Services

Investment Update January 2012

A fresh approach to retirement planning

IFG

Thinking, **Years Ahead**

Group Pension Managed Funds Update to 31st January 2012

Fund Performance

Irish pension managed funds made solid gains during January, with an average return of 3.9% for the month. New Ireland, Standard Life Investments and State Street Global Advisors shared top spot with returns of 4.4% for the month, while Friends First/F&C propped up the league table with a return of 3.1%. Over the past twelve months, however, the average fund return was a disappointing 0.2%. Returns for the year ranged from 3.8% (Setanta Asset Management) to -2.0% (Irish Life Investment Managers).

The average managed fund return has been a healthy 11.4% per annum over the past three years. The five year returns are all negative however, with an average return of -3.1% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 1.8% per annum on average, below the Irish inflation rate of 2.1% per annum over the same time horizon. Four of the managed funds surveyed (those of Zurich Life, Standard Life Investments, Merrion Investment Managers and Setanta Asset Management) outperformed inflation over this period.

Investment Update to 31st January 2012

Active Managed Fund Returns to 31st January 2012

	1 Month %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	3.9	6	1.4	2	9.8	10=	-3.6	5	1.2	9
Aviva Investors	3.8	7	-0.4	8	9.8	10=	-4.9	11	0.9	10
Canada Life/Setanta	3.6	8	3.8	1	13.0	2	-0.8	1	2.4	4
Friends First/F&C	3.1	11	-1.4	9	10.8	8=	-4.2	9	1.4	6=
Irish Life Investment Managers	4.2	4	-2.0	11	11.7	4=	-3.9	7=	1.8	5
Kleinwort Benson Investors	3.5	9	1.0	4	10.8	8=	-4.7	10	0.2	11
Merrion Investment Managers	4.0	5	-1.9	10	12.3	3	-2.1	4	2.5	3
New Ireland	4.4	1=	-0.1	6=	11.2	6	-3.8	6	1.4	6=
Standard Life Investments	4.4	1=	0.8	5	13.5	1	-1.7	3	2.9	2
State Street Global Advisors*	4.4	1=	-0.1	6=	10.9	7	-3.9	7=	1.4	6=
Zurich Life	3.2	10	1.3	3	11.7	4=	-1.0	2	3.5	1
Average	***3.9***		***0.2***		***11.4***		***-3.1***		***1.8***	

(* Formerly Bank of Ireland Asset Management)

Consensus Fund Returns to 31st January 2012

	1 Month %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	3.9	1=	0.7	5	11.4	5	-3.4	5		
Aviva Investors	3.9	1=	1.3	1	11.1	6	-3.5	6	1.4	4
Friends First/F&C	3.2	5	0.4	6	12.7	1	-2.4	1	2.3	1
Irish Life Investment Managers	3.8	4	0.9	3	11.8	4	-3.0	3	2.1	2=
Standard Life Investments	3.1	6	0.8	4	12.2	2=	-3.1	4		
State Street Global Advisors	3.9	1=	1.0	2	12.2	2=	-2.8	2	2.1	2=
Average	***3.6***		***0.9***		***11.9***		***-3.0***		***2.0***	

Multi-Manager Fund Returns to 31st January 2012

	1 Month %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	3.8	1	1.2	1	11.9	2	-3.3	1		
Irish Life Investment Managers	3.4	3	-0.3	3	10.8	3	-3.6	2	2.0	1
Standard Life Investments	3.6	2	1.1	2	12.3	1	-4.1	3		
Average	***3.6***		***0.7***		***11.7***		***-3.7***		***2.0***	

Investment Update to 31st January 2012

Market Review

Both equity and bond markets rose during January, partly as a result of the liquidity injection from the European Central Bank. Eurozone bonds returned 2.2% over the month. Successful bond auctions were held in Spain, Italy and Ireland, easing fears of an imminent borrowing crisis in these markets.

The Irish stock market returned 3.7% during January. The financial sector significantly outperformed the rest of the market with a 33.0% rise. The Troika (the European Commission, European Central Bank and International Monetary Fund) reported that Ireland's bail-out programme is on track, with the 2011 budget deficit coming in well ahead of target. However, they noted that considerable challenges still face the economy. The Central Statistics Office released data showing that disposable income fell by 4% in 2011, although the savings ratio remained unchanged at 17.3%.

UK equities made a 2.1% gain over the month in sterling terms (a 2.8% 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. 10-year gilt yields fell below 2%, to levels not seen since the 1890's, despite the government's total debt breaching the £1 trillion level. The economy contracted by 0.2% during the final quarter of 2011, raising fears of a double-dip recession.

US equities returned 4.7% in dollar terms over the month, returning 4.0% for Irish investors. The Federal Reserve pledged to keep interest rates low until at least 2014. In economic news, a rise in payrolls along with a fall in jobless claims saw the unemployment rate fall to 8.5% in December. After ending 2011 on a five-month high, consumer confidence rose by more than had been expected in January. Consumer spending and increased production from businesses contributed to the economy expanding during the fourth quarter of 2011, at an annual rate of 2.8%.

The Eurozone region gained 5.6% over the month, while the rest of Europe recorded a 3.0% return (3.9% in euro terms). Once again, investor concerns were focused on the outlook for Eurozone debt. Standard & Poor's downgraded several Eurozone countries during the month, including France and Austria. Successful bond auctions in Spain, Italy and Ireland appear to indicate that the ECB's liquidity injection has reduced the risk of a funding crisis in these markets. However, the Greek government is still in negotiations with the private sector over the extent of "haircuts" to be applied to debt (and if the return on the restructured debt will be increased if the economy improves). Should these negotiations not lead to agreement, there remains a risk of a disorderly default on Greek debt. Meanwhile, at a summit of EU leaders, 24 nations agreed to tighter control on spending and borrowing.

Investment Update to 31st January 2012

The Japanese stock market returned 3.5% over the month in yen terms (returning 3.6% in euro terms), while markets in the rest of the Pacific Basin gained 6.6% in local currency terms (delivering an 8.5% gain for Irish investors). Japanese exporters remained under pressure due to the strength of the yen, which appreciated 15% against the euro during the second half of 2011. In China, expectations rose that there would be a continued easing of monetary policy, as inflation fell for the fifth month in a row and manufacturing activity declined for the third successive month. Meanwhile, the economy expanded at a rate of 8.9% in the final quarter of last year. The Indian market received a boost when the Reserve Bank of India unexpectedly reduced the cash reserve ratio (the amount lenders have to hold as reserves) and signaled it may cut interest rates further.

Index Returns to 31st January 2012

Asset Class	1 Month %	
	Local Ccy	Euro
Equities		
- Ireland	3.7	3.7
- UK	2.1	2.8
- North America	4.7	4.0
- Eurozone	5.6	5.6
- Rest of Europe	3.0	3.9
- Japan	3.5	3.6
- Pacific Basin	6.6	8.5
Euro Bonds (> 5 Yrs)	2.2	2.2