Pensions, Investments
& Advisory Services

Investment Update July 2009

A fresh approach to retirement planning

Thinking, **Years Ahead**

Investment Update to 31st July 2009

Group Pension Managed Funds Update to 31st July 2009

Fund Performance

For the fifth month in a row, Irish pension funds delivered a positive performance during July, returning 6.0% on average. The best performing managed fund in July was that of Irish Life Investment Managers, which returned 7.1%. KBC Asset Management propped up the league table with a 5.3% return for the month.

Returns are also positive for the year to date, with the average fund having gained 11.8% over this period. In the seven months to the end of July, returns ranged from 18.6% (Merrion Investment Managers) to 6.1% (AIB Investment Managers), representing a difference of 12.5% between the best and worst performing managers so far this year. Over the past twelve months the average fund delivered -12.2%, with returns ranging from -8.0% (Eagle Star) to -17.6% (AIB Investment Managers).

The average managed fund return has been an extremely disappointing -7.8% per annum over the past three years. The five year returns to the end of July are marginally positive, with the average managed fund delivering a return of 0.5% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 0.8% per annum on average.

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Active Managed Fund Returns to 31st July 2009

	1 Month %	Rank	7 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	5.4	9=	6.1	11	-17.6	11	-8.2	6	0.7	5=	-0.6	10
Aviva Investors	5.7	7	10.4	9	-16.7	10	-9.8	10	-0.8	8	0.0	8=
Bank of Ireland Asset	5.9	5=	11.3	8	-11.9	6	-8.8	7=	-1.1	9=	1.1	4=
Canada Life/Setanta	5.4	9=	11.7	5=	-8.3	2	-6.1	3	1.4	4	1.3	3
Eagle Star	6.9	2	12.3	4	-8.0	1	-4.4	1	3.5	1	1.9	2
Friends First/F&C	5.9	5=	11.7	5=	-12.9	8	-8.8	7=	-0.1	7	0.0	8=
Irish Life Investment	7.1	1	14.5	2	-12.3	7	-8.0	5	0.7	5=	1.1	4=
KBC Asset Management	5.3	11	8.3	10	-16.4	9	-10.3	11	-1.1	9=	-1.3	11
Merrion Investment	6.5	3	18.6	1	-8.6	3	-5.4	2	2.0	2	3.4	1
New Ireland	6.0	4	11.6	7	-10.9	4=	-8.8	7=	-1.1	9=	1.1	4=
Standard Life Investments	5.5	8	13.0	3	-10.9	4=	-7.0	4	1.7	3	0.6	7
Average	***6.0***		***11.8***		***-12.2***		***-7.8***		***0.5***		***0.8***	

Consensus Fund Returns to 31st July 2009

	1 Month %	Rank	7 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	4	10.9	4=	-12.3	5	-8.2	4	0.5	3=		
Aviva Investors	6.3	1	10.7	6	-11.8	2=	-8.3	5	-0.3	5	0.1	3
Bank of Ireland Asset	5.9	2=	12.1	1	-11.5	1	-7.6	1	0.8	2		
Friends First/F&C	5.6	5=	11.7	2	-13.2	6	-7.9	3	0.5	3=	0.4	2
Irish Life Investment	5.9	2=	11.6	3	-11.8	2=	-7.8	2	0.9	1	0.8	1
Standard Life Investments	5.6	5=	10.9	4=	-12.1	4	-8.4	6				
Average	***5.9***		***11.3***		***-12.1***		***-8.0***		***0.5***		***0.4***	

Multi-Manager Fund Returns to 31st July 2009

	1 Month %	Rank	7 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
AIB Investment Managers	5.2	1=	12.5	1	-12.4	1	-8.3	1	0.4	1=
Irish Life Investment	5.2	1=	10.2	3	-12.8	2	-8.4	2	0.4	1=
Standard Life Investments	5.1	3	11.3	2	-14.1	3	-9.9	3		
Average	***5.2***		***11.3***		***-13.1***		***-8.9***		***0.4***	

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Market Review

Despite experiencing a four-week downturn between the end of June and the beginning of July, equity markets rallied strongly over the remainder of July to deliver another month of positive returns. Encouraging economic data, combined with a better-than-expected start to the second quarter earnings season, boosted investor sentiment worldwide. Eurozone bonds returned 2.7% over the month, as the outlook for inflation and interest rates remains benign. Oil prices rallied strongly as demand is expected to increase on the back of the improving global economy.

Irish equities continued to recover from the low levels reached in March, returning 3.1% during July. Financial stocks continued to outperform the rest of the market, delivering 7.0% as draft legislation for NAMA was published and contained no surprises. NAMA will buy “appropriate loans” from the banks, paying for these with bonds issued by either the Government or NAMA. This will allow the banks to replace non-performing loans with cash-like assets on their balance sheets.

UK equities posted an 8.8% gain over the month in sterling terms (8.4% in euro terms). 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 market was somewhat disappointed that the Bank did not expand their quantitative easing programme; it had been anticipated that £25 billion would be added to the £125 billion already committed. However, the Bank said they would review the scale of the programme at their August meeting.

US equities returned 7.4% in dollar terms (6.8% for Irish investors) during July. Stock markets in the US reached their highest levels since November 2008, on the back of improving economic data and positive earnings announcements. The economy contracted by 1% annualized during the second quarter of 2009, which was better than had been expected and follows a 6.4% decline in the first quarter. Minutes from the Federal Reserve’s June meeting indicated that the economy is on track for recovery by year-end. The housing market showed signs of strengthening, as both new housing starts and sales of existing homes rose by 3.6% in June.

The Eurozone region returned 9.6% over the month, while the rest of Europe recorded a 9.9% rise. The European Central Bank kept interest rates at the record low of 1.0%. ECB President, Jean-Claude Trichet said that he believed inflation will remain negative for the time being, before turning positive (but remaining well within the ECB’s 2% limit) by the end of the year. These comments followed the release of July’s inflation figures, which showed that consumer prices had fallen by the most in over 13 years as energy prices declined and unemployment reached its highest level in a decade.

The Japanese stock market rose 2.7% over the month in yen terms (3.0% in euro terms), while markets in the rest of the Pacific Basin delivered a return of 11.0% in local currency terms (11.6% for Irish investors), as the improvement in the US economy provided support to the export-focused region. China’s economy expanded by 7.9% in the second quarter, having seen GDP growth of

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6.1% in the first quarter, while industrial output increased by 10.7% in June, up from 8.9% in May, as the government's stimulus packages began taking effect.

Index Returns to 31st July 2009

Asset Class	1 Month %		7 Months %	
	Local Ccy	*Euro*	*Local Ccy*	*Euro*
Equities				
- Ireland	3.1	3.1	21.2	21.2
- UK	8.8	8.4	7.4	21.4
- North America	7.4	6.8	12.4	11.3
- Eurozone	9.6	9.6	13.7	13.7
- Rest of Europe	9.9	11.5	19.6	19.7
- Japan	2.7	3.0	12.4	5.0
- Pacific Basin	11.0	11.6	37.7	43.8
Euro Bonds (> 5 Yrs)	2.7	2.7	2.9	2.9