

Pensions, Investments  
& Advisory Services



# Investment Update July 2010

A fresh approach to retirement planning



Thinking, **Years Ahead**

## Investment Update to 31<sup>st</sup> July 2010

### Group Pension Managed Funds Update to 31<sup>st</sup> July 2010

#### ***Fund Performance***

Having declined in May and June, Irish pension funds recovered some lost ground in July, as the average managed fund returned 2.3% for the month. Setanta Asset Management took top spot with a return of 3.2% for the month, while Eagle Star/Zurich Life propped up the league table with a 1.2% return. The average managed fund has advanced 4.2% over the first seven months of the year; with returns ranging from a high of 5.9% (Standard Life Investments) to a low of 2.8% (Aviva Investors). Over the past twelve months all of the managed funds surveyed delivered double-digit growth, with the average fund returning 13.6%. Returns for the past year ranged from 16.5% (Standard Life Investments) to 11.7% (AIB Investment Managers).

The average managed fund return has been a very disappointing -7.6% per annum over the past three years. The five year returns to the end of July are mostly negative, with an average return of -0.4% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 0.5% per annum on average, well below the Irish inflation rate of 2.5% 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.



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### Active Managed Fund Returns to 31<sup>st</sup> July 2010

	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	2.3	6=	4.2	5	11.7	11	-9.3	9	-0.7	6	-0.7	10
Aviva Investors	2.4	3=	2.8	11	11.9	10	-10.0	10	-1.7	8	-0.3	9
Bank of Ireland Asset	2.4	3=	3.8	8	12.9	8	-8.2	7	-2.0	10=	1.1	5
Canada Life/Setanta	3.2	1	4.0	6=	14.4	3	-4.5	1	0.6	4	0.6	7
Eagle Star/Zurich Life	1.2	11	3.0	10	12.0	9	-5.3	3	1.8	1	1.8	1
Friends First/F&C	2.3	6=	4.8	3	13.6	6	-8.8	8	-1.0	7	-0.1	8
Irish Life Investment Managers	2.7	2	5.2	2	15.3	2	-7.8	5	-0.3	5	1.4	2=
KBC Asset Management	2.1	9	4.6	4	13.8	4	-10.2	11	-2.0	10=	-1.7	11
Merrion Investment Managers	1.6	10	3.7	9	13.3	7	-5.1	2	1.2	2	1.4	2=
New Ireland	2.4	3=	4.0	6=	13.7	5	-7.9	6	-1.8	9	1.2	4
Standard Life Investments	2.2	8	5.9	1	16.5	1	-6.4	4	1.0	3	1.0	6
<b>Average</b>	<b>2.3</b>		<b>4.2</b>		<b>13.6</b>		<b>-7.6</b>		<b>-0.4</b>		<b>0.5</b>	

### Consensus Fund Returns to 31<sup>st</sup> July 2010

	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	2.2	5	4.8	3	13.4	5	-8.1	5	-0.6	4=		
Aviva Investors	1.7	6	4.0	6	12.2	6	-8.3	6	-1.2	6	0.0	4
Bank of Ireland Asset	2.3	2=	5.0	2	14.1	3	-7.4	2	-0.1	2	0.7	3
Friends First/F&C	3.2	1	7.0	1	17.4	1	-6.7	1	0.0	1	0.8	2
Irish Life Investment Managers	2.3	2=	4.7	4	13.7	4	-7.7	3=	-0.2	3	0.9	1
Standard Life Investments	2.3	2=	4.2	5	14.8	2	-7.7	3=	-0.6	4=		
<b>Average</b>	<b>2.3</b>		<b>5.0</b>		<b>14.3</b>		<b>-7.7</b>		<b>-0.5</b>		<b>0.6</b>	

### Multi-Manager Fund Returns to 31<sup>st</sup> July 2010

	1 Month %	Rank	6 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
AIB Investment Managers	1.2	2	5.5	1	14.4	2	-8.1	2	-0.5	1
Irish Life Investment Managers	1.4	1	4.3	2	13.9	3	-7.9	1	-0.7	2
Standard Life Investments	1.1	3	3.8	3	14.6	1	-9.6	3	-1.7	3
<b>Average</b>	<b>1.2</b>		<b>4.5</b>		<b>14.3</b>		<b>-8.5</b>		<b>-1.0</b>	



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### **Market Review**

July was a positive, albeit volatile, month for equity markets across the globe, as attention moved away from Europe's fiscal troubles to focus on the US economic outlook, the results of the EU's stress tests of European banks, and the second quarter earnings results season. The International Monetary Fund increased its global growth expectation for 2010 to 4.6%. Eurozone bonds returned 1.4% over the month, as several peripheral countries held successful auctions.

The Irish stock market delivered a return of 1.3% during July. The financial sector outperformed the rest of the market with a 19.9% return, as AIB and Bank of Ireland (the only two Irish banks examined) passed the EU's stress tests. This followed a downward revision of the expected lifetime earnings from the National Asset Management Agency, NAMA. Meanwhile, the Central Bank forecast that economic growth will be 0.8% for 2010, though unemployment levels are not expected to fall until 2011.

UK equities posted a 7.1% gain over the month in sterling terms (5.4% in euro terms). The Bank of England's Monetary Policy Committee voted to maintain the official Bank interest rate at 0.5%. The Committee also voted to maintain its quantitative easing programme at £200 billion. Meanwhile, BP finally managed to stem the flow of oil that had been leaking into the Gulf of Mexico since April.

US equities returned 6.7% in dollar terms during July, with the weakness of the dollar decreasing this to 0.5% for Irish investors. The Federal Reserve kept interest rates at historically low levels during the month. Fed Chairman, Ben Bernanke, subsequently commented that the outlook for the economy was "unusually uncertain" and that he was ready "to take further policy actions", if necessary in order to stimulate growth. The second quarter earnings season got underway, with more than three-quarters of companies reporting better than expected results. In economic news, the economy expanded by 2.4% in the second quarter, which was behind forecasts. Meanwhile, consumer sentiment fell to its lowest level in a year, while retail sales and durable goods orders slowed.

The Eurozone region gained 6.5% over the month, while the rest of Europe recorded a 3.1% return. The European Central Bank kept interest rates on hold at 1% in July. The market responded well to the news that only seven of the ninety-one banks that were examined failed the EU's stress tests, and that the recapitalization requirements of the seven that failed were only €3.5 billion. However, there was some criticism of the tests in light of the high pass rate.

The Japanese stock market returned 1.3% over the month in yen terms (-2.8% in euro terms), while markets in the rest of the Pacific Basin delivered a return of 5.5% in local currency terms (2.7% for Irish investors). In China, economic growth slowed to 10.3% in the second quarter as government measures to cool the property market began to take effect. Meanwhile, Agricultural Bank of China raised \$19.2 billion in an initial public offering (IPO) that valued the company at



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\$126 billion. Elsewhere, Singapore's economy expanded by 18.1% in the first half of 2010, while the Reserve Bank of India raised interest rates, by between 0.25% and 0.5%.

### **Index Returns to 31<sup>st</sup> July 2010**

Asset Class	1 Month %		7 Months %	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Equities				
- Ireland	1.3	1.3	-0.9	-0.9
- UK	7.1	5.4	-1.0	5.7
- North America	6.7	0.5	-0.2	10.0
- Eurozone	6.5	6.5	-2.1	-2.1
- Rest of Europe	3.1	1.7	3.8	11.4
- Japan	1.3	-2.8	-6.0	11.2
- Pacific Basin	5.5	2.7	-1.1	9.0
Euro Bonds (> 5 Yrs)	1.4	1.4	4.6	4.6

