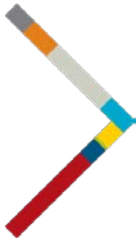
Pensions, Investments
& Advisory Services



Investment Update July 2012

A fresh approach to retirement planning

Thinking, **Years Ahead**

Group Pension Managed Funds Update to 31st July 2012

Fund Performance

Irish pension managed funds delivered positive returns during July, with an average return of 3.6% for the month. Friends First/F&C took top spot with a return of 4.2% for the month, while Merrion Investment Managers propped up the league table with a return of 2.6%. Over the first seven months of 2012, managed funds have delivered a 10.5% return on average. Over this period, the top performing fund was that of Standard Life Investments, which returned 12.9%. The worst performing fund over the first seven months of the year was that of Irish Life Investment Managers, which returned 8.2%. Over the past twelve months, the average fund return was 9.7%. Returns for the year ranged from 13.0% (Setanta Asset Management) to 4.5% (Irish Life Investment Managers).

The average managed fund return has been a healthy 8.9% per annum over the past three years. The five year returns are mostly negative however, with an average return of -2.1% per annum over this period. Irish group pension managed fund returns over the past ten years have been 3.9% per annum on average, compared with the Irish inflation rate of 1.9% per annum over the same time horizon. All of the managed funds surveyed outperformed inflation over this period.

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Active Managed Fund Returns to 31st July 2012

	1 Month %	Rank	7 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
Aviva Investors	3.4	8	9.6	10	8.3	10	7.6	9=	-4.1	11	3.0	9
Canada Life/Setanta	3.1	10	10.0	8	13.0	1	10.0	2	0.3	1	4.8	3
Friends First/F&C	4.2	1	10.6	5	8.4	9	8.7	7	-3.0	8	3.7	7
Irish Life Investment Managers	3.8	5=	8.2	11	4.5	11	7.1	11	-3.6	9=	3.8	5=
Kleinwort Benson Investors	3.8	5=	10.2	7	10.0	6=	9.3	3	-3.6	9=	2.9	10=
Merrion Investment Managers	2.6	11	9.8	9	8.7	8	7.6	9=	-1.3	4	4.3	4
New Ireland	3.9	3=	11.5	2	10.2	5	8.9	6	-2.4	5	3.1	8
Prescient Investment Managers	3.8	5=	11.3	3	11.0	3	9.2	4=	-2.7	7	3.8	5=
Standard Life Investments	4.1	2	12.9	1	11.7	2	11.7	1	-0.4	3	5.4	2
State Street Global Advisors	3.2	9	10.8	4	10.0	6=	8.5	8	-2.6	6	2.9	10=
Zurich Life	3.9	3=	10.4	6	10.6	4	9.2	4=	-0.2	2	5.5	1
Average	*3.6*		*10.5*		*9.7*		*8.9*		*-2.1*		*3.9*	

Consensus Fund Returns to 31st July 2012

	1 Month %	Rank	7 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
Aviva Investors	3.3	4	10.7	3=	10.1	3=	8.8	5	-2.4	4=	3.7	4
Friends First/F&C	3.8	2	11.1	2	10.1	3=	10.9	1	-1.1	1	4.7	1
Irish Life Investment Managers	3.6	3	10.7	3=	10.2	2	9.4	3	-2.0	3	4.4	3
Prescient Investment Managers	3.0	5	10.0	5	9.0	5	8.9	4	-2.4	4=		
State Street Global Advisors	3.9	1	11.2	1	10.4	1	9.8	2	-1.6	2	4.5	2
Average	*3.5*		*10.7*		*10.0*		*9.6*		*-1.9*		*4.3*	

Multi-Manager Fund Returns to 31st July 2012

	1 Month %	Rank	6 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
Irish Life Investment Managers	5.2	1	11.6	3	9.6	3	9.5	3	-2.1	2
Prescient Investment Managers	4.9	3	11.8	2	11.2	1	10.1	2	-2.0	1
Standard Life Investments	5.0	2	12.3	1	10.6	2	10.9	1	-2.5	3
Average	*5.0*		*11.9*		*10.5*		*10.2*		*-2.2*	

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Market Review

Stock markets remained volatile in July, as the apparent resolution to the Eurozone crisis lacked clarity and the global economic recovery floundered. Eurozone bonds returned 2.6% over the month, with German bond yields declining while Spanish yields soared.

The Irish stock market gained 0.7% during July. The government re-entered international capital markets, with the successful auction of €500 million of short-dated treasury bills – the first issue of new government debt since September 2010. The National Treasury Management Agency, which sells bonds on behalf of the government, subsequently announced their intention to hold further short-term bond auctions over the remainder of the year, as well as announcing plans to issue conventional medium-to-longer dated bonds, inflation-linked bonds and amortising bonds. Figures released by the Central Statistics Office ("CSO") showed that inflation fell back slightly during June, to 1.7%, down from 1.8% annualized in May. The CSO also revealed that the disposable income of Irish households increased by 3.6% in the year to the end of March.

UK equities returned 1.4% over the month in sterling terms (a 4.3% return in euro terms). The Bank of England's Monetary Policy Committee voted to maintain the official Bank interest rate at 0.5% and to increase the size of the asset purchase programme by £50 billion, to £375 billion. There was some gloomy economic news, as it was announced that UK GDP had contracted by 0.7% in the second quarter (having declined 0.3% in the first quarter). The International Monetary Fund cut its forecast for the UK's economic growth during 2012, to just 0.2%. The outlook for 2013 was also downgraded, to 1.4%. There was some good news, however, as unemployment fell by 65,000 in the three months to the end of May, while inflation fell to 2.4%.

US equities returned 1.3% in dollar terms over the month, returning 4.5% for Irish investors. The world's largest economy expanded at an annual rate of 1.5% during the second quarter of 2012, compared with a 2% growth rate in the first quarter. The unemployment rate remained unchanged at 8.2%, as non-farm payrolls increased by a lower than expected 80,000 jobs. However, new jobless claims fell to their lowest level since March 2008 during July. Other economic indicators were weak, including manufacturing activity, service sector activity and retail sales. In corporate news, the second quarter earnings season got off to a strong start during July.

The Eurozone region gained 2.8% during the month, while the rest of Europe recorded a 5.2% return (6.6% in euro terms). Once again, investor concerns were focused on the outlook for Eurozone debt. Despite agreement being reached at the end of June on bailing out European banks, without adding to their nation's sovereign debt, a lack of clarity over the details of how the proposal would be implemented, disagreements between leading parties to the agreement and other uncertainties meant that initial gains were quickly clawed back. However, European Central Bank ("ECB") President Mario Draghi offered comfort to investors, by promising to do "whatever it takes" to ensure the euro doesn't collapse. He added that addressing high yields on member state

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bonds fell within the remit of the ECB, as Spanish bond yields reached euro-era highs reigniting fears that Spain would need a full sovereign bailout. Meanwhile, the ECB lowered the benchmark interest rate by 0.25%, to 0.75%.

The Japanese stock market was the worst performing of the major stock markets during July, losing 4.4% over the month in yen terms (a 0.6% gain in euro terms), while markets in the rest of the Pacific Basin delivered a return of 3.2% in local currency terms (7.7% for Irish investors). Japan posted a record half-yearly trade deficit, as exports rose by just 1.5% compared with a 7.4% increase in imports. As most of the nation's nuclear reactors remain closed, demand for imported fuel has risen. Meanwhile, the rate of expansion of the Chinese economy slowed to 7.6% in the second quarter. The People's Bank of China surprised markets by announcing the second interest rate cut in a month, as inflation slowed to its lowest rate since the beginning of 2010.

Index Returns to 31st July 2012

Asset Class	1 Month %		7 Months %	
	Local Ccy	*Euro*	*Local Ccy*	*Euro*
Equities				
- Ireland	0.7	0.7	10.6	10.6
- UK	1.4	4.3	3.8	10.3
- North America	1.3	4.5	10.2	16.3
- Eurozone	2.8	2.8	6.7	6.7
- Rest of Europe	5.2	6.6	13.0	16.2
- Japan	-4.4	0.6	2.0	6.0
- Pacific Basin	3.2	7.7	8.4	16.3
Euro Bonds (> 5 Yrs)	2.6	2.6	8.0	8.0