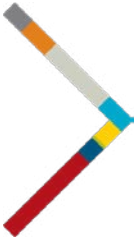


Pensions, Investments
& Advisory Services



Investment Update June 2009

A fresh approach to retirement planning



Thinking, **Years Ahead**

Investment Update to 30th June 2009

Group Pension Managed Funds Update to 30th June 2009

Fund Performance

Irish pension funds delivered a marginally positive performance during June, of 0.1% on average, the fourth month in a row that returns have been positive. However, returns over the month were mixed, with several managers delivering negative returns. The best performing managed fund in June was that of Standard Life Investments, which returned 0.7%. Irish Life Investment Managers propped up the league table with a disappointing -0.6% return for the month.

Over the second quarter of 2009, the average fund delivered a positive return of 11.3%. Merrion Investment Managers was the best performing manager over the quarter, with a return of 14.8%. AIB Investment Managers delivered the worst performance, of 8.6%, over the three months. Over the first half of 2009, returns are also positive with the average fund having gained 5.5% over this period. In the six months to the end of June, returns ranged from 11.3% (Merrion Investment Managers) to 0.7% (AIB Investment Managers), representing a difference of 10.6% between the best and worst performing managers so far this year. Over the past twelve months the average fund delivered -19.1%, with returns ranging from -13.9% (Canada Life/Setanta) to -23.9% (AIB Investment Managers). The average managed fund return has been an extremely disappointing -9.3% per annum over the past three years. The five year returns to the end of June are also negative, with the average managed fund delivering a return of -0.8% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 0.1% per annum on average, well below the Irish inflation rate of 3.2% per annum over the same time horizon. Indeed, none of the managers surveyed outperformed inflation over this period, with just over half of the fund managers delivering positive returns.



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Active Managed Fund Returns to 30th June 2009

	1 Month	Rank	3 Months	Rank	6 Months	Rank	1 Year	Rank	3 Years	Rank	5 Years	Rank	10 Years	Rank
			%		%		%		% p.a.		% p.a.		% p.a.	
AIB Investment Managers	-0.1	9=	8.6	11	0.7	11	-23.9	11	-9.5	5	-0.5	5	-1.2	10
Aviva Investors	0.2	5=	10.7	7=	4.4	9	-23.8	10	-11.3	10	-2.1	8	-0.6	8
Bank of Ireland Asset	0.1	7=	10.7	7=	5.1	7	-18.2	6	-10.3	7	-2.5	11	0.4	4=
Canada Life/Setanta	0.5	2	12.0	3	6.1	4	-13.9	1	-7.3	3	0.2	3=	0.6	3
Eagle Star	0.1	7=	10.4	9	5.0	8	-15.4	2	-6.2	1	2.0	1	1.2	2
Friends First/F&C	-0.1	9=	11.7	4	5.5	5	-19.9	7	-10.4	8=	-1.5	7	-0.7	9
Irish Life Investment Managers	-0.6	11	13.7	2	7.0	3	-20.7	8	-9.9	6	-0.8	6	0.4	4=
KBC Asset Management	0.3	3=	9.4	10	2.9	10	-23.1	9	-11.7	11	-2.4	9=	-2.0	11
Merrion Investment Managers	0.3	3=	14.8	1	11.3	1	-16.3	3	-7.1	2	0.5	2	2.9	1
New Ireland	0.2	5=	11.1	5	5.3	6	-17.5	4	-10.4	8=	-2.4	9=	0.4	4=
Standard Life Investments	0.7	1	11.0	6	7.1	2	-17.9	5	-8.2	4	0.2	3=	0.1	7
Average	0.1		11.3		5.5		-19.1		-9.3		-0.8		0.1	

Consensus Fund Returns to 30th June 2009

	1 Month	Rank	3 Months	Rank	6 Months	Rank	1 Year	Rank	3 Years	Rank	5 Years	Rank	10 Years	Rank
			%		%		%		% p.a.		% p.a.		% p.a.	
AIB Investment Managers	0.3	3	10.8	6	4.9	5	-19.3	5	-9.6	4=	-0.9	3=		
Aviva Investors	-1.3	6	11.0	5	4.1	6	-19.1	4	-9.8	6	-1.5	5	-0.5	3
Bank of Ireland Asset	0.4	2	11.9	3	5.8	2	-18.8	1	-9.1	1	-0.6	2		
Friends First/F&C	-0.7	5	12.8	2	5.9	1	-19.6	6	-9.3	2=	-0.9	3=	-0.3	2
Irish Life Investment Managers	0.2	4	11.3	4	5.4	3	-19.0	3	-9.3	2=	-0.5	1	0.2	1
Standard Life Investments	0.9	1	13.4	1	5.0	4	-18.9	2	-9.6	4=				
Average	0.0		11.9		5.2		-19.1		-9.5		-0.9		-0.2	



Investment Update to 30th June 2009

Multi-Manager Fund Returns to 30th June 2009

	1 Month	Rank	3 Months	Rank	6 Months	Rank	1 Year	Rank	3 Years	Rank	5 Years	Rank
			%		%		%		% p.a.		% p.a.	
AlB Investment Managers	0.8	1=	12.4	1	6.9	1	-19.2	2	-9.7	1=	-1.0	2
Irish Life Investment Managers	0.5	3	11.1	3	4.7	3	-19.1	1	-9.7	1=	-0.9	1
Standard Life Investments	0.8	1=	11.9	2	5.8	2	-20.9	3	-11.3	3		
Average	0.7		11.8		5.8		-19.7		-10.2		-1.0	

Market Review

The recent equity market rally stalled during June, as investors grew concerned that the recession was not as close to ending as had been hoped, following mixed economic releases. Despite concerns over the level of bond issuance expected over the coming months, bonds were strong on the back of weak equity markets, benign inflation figures and expectations that interest rates will remain low. Eurozone bonds returned 1.8% over the month.

Irish equities lost 0.6% during June, although strong gains in April and May meant that domestic equities were the best performing over the second quarter of the year, with a gain of 23.7%. Financials bucked the trend, gaining 9.4% during June and 192.5% over the quarter. Ratings agency Standard & Poor's reduced Ireland's credit rating for the second time in three months, from AA+ to AA, and assigned a "negative" outlook to the rating. Concerns over the cost of bailing out the banking system were cited as the main reason for the downgrade and outlook.

UK equities declined 3.3% in sterling terms over the month, although the strength of sterling improved this to -0.4% for Irish investors. The Bank of England left interest rates unchanged for the third month in a row. It was confirmed that the economy had contracted by 2.4% in the first quarter, which was a greater decline than had been originally estimated. In corporate news, Barclays Bank agreed to sell its asset management arm, Barclays Global Investors, to Blackrock for \$13.5 billion.

US equities delivered a marginally positive return in June, of 0.2% in dollar terms, with the strengthening of the dollar against the euro over the month bringing the return to 0.7% for Irish investors. The unemployment rate rose to a 25-year high of 9.4% in May, although there were indications that the pace of job cuts may be slowing. Investors reacted positively to the news that ten banks are now eligible to repay monies given to them under the Troubled Asset Relief Program



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(TARP), which will mean a \$68 billion boost for the Treasury. While financials rallied on the news, later in the month Standard & Poor's lowered its ratings and outlooks for 22 US banks.

Eurozone equities fell 1.7% during June, while the rest of Europe rose 0.8% over the month. The European Central Bank left interest rates unchanged at their June meeting, and lowered their forecast for the region's economy for 2009 and 2010. The ECB subsequently warned that banks in the region could face further write-downs, of up to \$283 billion, over the next two years. In an attempt to unlock credit markets by improving liquidity, the ECB issued €442 billion in one-year loans to Eurozone banks.

Japanese equities returned 3.0% over the month (2.8% in euro terms). The Bank of Japan upgraded its assessment of the economy, for the second month in a row, as exports and industrial production improved. Markets in the Pacific Basin rose 0.5% over the month in local currency terms. Australian equities rallied on the news that the economy had expanded by 0.4% during the first quarter of 2009, while consumer sentiment also improved. In China, lending doubled in the year to May, while investments in factories, property and roads increased by 33% in the first five months of the year and retail sales jumped by over 15% in May.

Index Returns to 30th June 2009

Asset Class	1 Month		3 Months		6 Months	
	%		%		%	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Equities						
- Ireland	-0.6	-0.6	23.7	23.7	17.5	17.5
- UK	-3.3	-0.4	10.1	19.7	-1.3	12.1
- North America	0.2	0.7	16.3	10.8	4.7	4.2
- Eurozone	-1.7	-1.7	20.3	20.3	3.8	3.8
- Rest of Europe	0.8	-0.2	17.4	17.1	8.8	7.4
- Japan	3.0	2.8	20.1	16.4	9.5	1.9
- Pacific Basin	0.5	1.3	21.0	23.5	24.1	28.8
Euro Bonds (> 5 Yrs)	1.8	1.8	0.4	0.4	0.2	0.2

