

Pensions, Investments
& Advisory Services



Investment Update June 2010

A fresh approach to retirement planning



Thinking, **Years Ahead**

Investment Update to 30th June 2010

Group Pension Managed Funds Update to 30th June 2010

Fund Performance

Irish pension funds lost further ground in June, as the average managed fund returned -1.8% for the month. Standard Life Investments and Eagle Star/Zurich Life shared top spot with a return of -1.5% for the month, while Setanta Asset Management propped up the league table with a -2.7% return. As a result of losses experienced during May and June, the average managed fund delivered a return of -3.8% over the second quarter of 2010. During the quarter, the best performing managed fund was that of Standard Life Investments, which lost 2.6%; while the worst performing managed fund over the three months to the end of June was that of Setanta Asset Management, which returned -4.9%.

In spite of this, the average managed fund has advanced 1.9% over the first half of the year; with returns ranging from a high of 3.7% (Standard Life Investments) to a low of 0.4% (Aviva Investors). Over the past twelve months all of the managed funds surveyed delivered double-digit growth, with the average fund returning 17.6%. Returns for the past year ranged from 20.3% (Standard Life Investments) to 15.0% (AIB Investment Managers).

The average managed fund return has been a very disappointing -9.2% per annum over the past three years. The five year returns to the end of June 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 0.4% 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 30th June 2010

	1 Month %	Rank	3 Months %	Rank	6 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	-2.0	9=	-3.8	6	1.8	6=	15.0	11	-10.8	9	-0.6	6	-0.9	10
Aviva Investors	-1.7	4=	-3.9	7	0.4	11	15.5	10	-11.6	10	-1.8	8=	-0.5	9
Bank of Ireland Asset	-2.0	9=	-4.5	10	1.4	9	16.7	9	-9.9	7	-2.0	11	0.9	5=
Canada Life/Setanta	-2.7	11	-4.9	11	0.8	10	16.8	8	-6.1	1	0.4	4	0.4	7
Eagle Star/Zurich Life	-1.5	1=	-3.3	3	1.8	6=	18.3	4	-6.3	2	2.1	1	1.8	1
Friends First/F&C	-1.8	6	-3.5	5	2.5	2	17.7	5	-10.3	8	-0.9	7	-0.2	8
Irish Life Investment Managers	-1.6	3	-4.3	8	2.4	3=	20.2	2	-9.6	5	-0.2	5	1.3	3
KBC Asset Management	-1.7	4=	-3.4	4	2.4	3=	17.2	7	-11.7	11	-1.9	10	-1.9	11
Merrion Investment Managers	-1.9	7=	-2.9	2	2.1	5	18.8	3	-6.7	3	1.4	2	1.4	2
New Ireland	-1.9	7=	-4.4	9	1.5	8	17.6	6	-9.8	6	-1.8	8=	1.0	4
Standard Life Investments	-1.5	1=	-2.6	1	3.7	1	20.3	1	-8.1	4	1.1	3	0.9	5=
Average	-1.8		-3.8		1.9		17.6		-9.2		-0.4		0.4	

Consensus Fund Returns to 30th June 2010

	1 Month %	Rank	3 Months %	Rank	6 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	-1.7	1=	-3.4	3	2.5	3	17.3	5	-9.7	5	-0.5	4=		
Aviva Investors	-1.7	1=	-3.3	2	2.3	5	17.2	6	-9.8	6	-1.0	6	-0.1	4
Bank of Ireland Asset	-1.8	3=	-3.5	4	2.6	2	18.1	3	-9.1	2	-0.1	1=	0.6	2=
Friends First/F&C	-2.6	6	-2.5	1	3.7	1	20.0	1	-8.6	1	-0.1	1=	0.6	2=
Irish Life Investment Managers	-1.8	3=	-3.6	5	2.4	4	17.7	4	-9.3	3=	-0.2	3	0.8	1
Standard Life Investments	-2.0	5	-3.9	6	1.9	6	18.5	2	-9.3	3=	-0.5	4=		
Average	-1.9		-3.4		2.6		18.1		-9.3		-0.4		0.5	

Multi-Manager Fund Returns to 30th June 2010

	1 Month %	Rank	3 Months %	Rank	6 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
AIB Investment Managers	-1.5	2	-2.0	1	4.2	1	18.9	2	-9.2	1	-0.2	1
Irish Life Investment Managers	-0.9	1	-3.5	3	2.9	2	18.2	3	-9.4	2	-0.4	2
Standard Life Investments	-1.7	3	-2.9	2	2.6	3	19.1	1	-10.7	3	-1.4	3
Average	-1.4		-2.8		3.2		18.7		-9.8		-0.7	



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Market Review

June was another volatile month for equity and bond markets across the globe, as fears that the Eurozone debt crisis might lead to a double-dip recession (or at least a slower recovery) continued to weigh on investor sentiment. Mixed economic data from major economies, including the US and China, added to uncertainty. Eurozone bonds declined 1.0% over the month; however, this headline return camouflages a significant divergence between the performance of “safe” Eurozone bonds (such as German bonds) and “risky” Eurozone bonds (such as Greek bonds). Greece’s debt was downgraded to “junk” status by Moody’s.

The Irish stock market delivered a return of -2.3%, during June. The financial sector underperformed the rest of the market with a 9.4% decline, in a month that saw the publication of a number of reports relating to the banking sector in Ireland. Two reports into the banking crisis cited the failings of regulators and government, as well as the failure of the banks themselves to maintain “safe and sound” practices, as the main contributors to the near collapse of the banking system, which in turn exacerbated the subsequent economic downturn. Later in the month, the Central Bank outlined its plans for sweeping reforms, including a more “intrusive” approach to its supervision of financial institutions. On a positive note, it was announced that Ireland had technically emerged from recession, with a 2.7% growth in GDP over the first three months of 2010.

UK equities posted a 5.1% loss over the month in sterling terms (a 2.1% loss in euro terms). The Chancellor of the Exchequer, George Osborne, announced plans to abolish the Financial Services Authority, while increasing the regulatory powers of the Bank of England. Meanwhile, the value of shares in BP fell further, as the cost of cleaning-up the Gulf of Mexico oil spill were estimated to be between \$3 and \$6 billion, while a \$20 billion fund has been established to deal with compensation claims. The company also suspended its dividends for the next three quarters. Elsewhere, Prudential lost ground following the collapse of their bid for AIG’s Asian arm, AIA.

US equities returned -5.2% in dollar terms during June (-5.1% for Irish investors). The Federal Reserve kept interest rates at historically low levels, and once again reiterated their intention to maintain these for an extended period. On the last day of the June, the House of Representatives approved the Dodd-Frank Wall Street Reform and Consumer Protection Act, which focuses mainly on reforming regulation of the financial services industry. Although mixed, economic news was broadly negative over the month, with disappointing news relating to the jobs and housing markets being released.

The Eurozone region lost 1.1% over the month, while the rest of Europe recorded a 1.4% decline. Investor concerns, during June, were once again focused on the outlook for Eurozone debt, as countries in the region continued to struggle with massive budget deficits. Investors continued to worry that Greece’s problems might spread to the rest of the region, and the risk of a Eurozone



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government defaulting on its debt weighed on sentiment. However, market sentiment improved on the news that the results of “stress tests” of European banks would be published in July.

The Japanese stock market returned -4.7% over the month in yen terms (-1.8% in euro terms), while markets in the rest of the Pacific Basin delivered a return of 0.0% in local currency terms (0.1% for Irish investors). The Prime Minister of Japan, Yukio Hatoyama, resigned at the beginning of June after just eight months in the position. He was succeeded by Deputy Prime Minister and Finance Minister, Naoto Kan. Meanwhile, China’s exports grew by almost 50% in the year to May. The Chinese government subsequently announced that it would relax the currency’s dollar-peg, which had been in place since 2008. In Australia, Deputy Prime Minister Julia Gillard challenged Prime Minister Kevin Rudd for leadership of the party and won. Australia’s first female Prime Minister indicated that she was open to discussion with industry on the proposed controversial mining-resources tax.

Index Returns to 30th June 2010

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	-2.3	-2.3	-9.2	-9.2	-2.1	-2.1
- UK	-5.1	-2.1	-12.8	-5.0	-7.5	0.3
- North America	-5.2	-5.1	-11.2	-2.3	-6.5	9.4
- Eurozone	-1.1	-1.1	-8.9	-8.9	-8.1	-8.1
- Rest of Europe	-1.4	2.8	-5.9	-1.5	0.7	9.6
- Japan	-4.7	-1.8	-14.7	-0.6	-7.2	14.3
- Pacific Basin	0.0	0.1	-6.8	-2.0	-6.2	6.1
Euro Bonds (> 5 Yrs)	-1.0	-1.0	0.1	0.1	3.2	3.2

