

Pensions, Investments  
& Advisory Services



# Investment Update June 2011

A fresh approach to retirement planning



Thinking, **Years Ahead**

## Investment Update to 30<sup>th</sup> June 2011

### Group Pension Managed Funds Update to 30<sup>th</sup> June 2011

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

Irish pension managed funds lost ground during June, with an average return of -2.0% for the month. New Ireland took top spot with a return of -1.5% for the month, while Setanta Asset Management propped up the league table with a return of -2.5%. As a result of the falls in June, managed funds suffered a 0.6% loss on average over the second quarter of the year. New Ireland delivered the best performance over the three months to the end of June, with a 0.0% return, while the worst performing managed fund over the quarter was Merrion Investment Managers' with a decline of 1.7%. The average managed fund returned -1.5% over the first half of 2011; with returns ranging from a high of -0.1% (Irish Life Investment Managers) to a low of -3.8% (Merrion Investment Managers). Over the past twelve months the average fund returned 7.4%. Returns for the past year ranged from 10.5% (Standard Life Investments) to 3.9% (Merrion Investment Managers).

The average managed fund return has been a disappointing 0.7% per annum over the past three years. The five year returns to the end of June are mostly negative, with an average return of -1.2% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 0.9% per annum on average, well below the Irish inflation rate of 2.3% per annum over the same time horizon. Indeed, only one of the managed funds surveyed (that of Zurich Life) outperformed inflation over this period.



## Investment Update to 30<sup>th</sup> June 2011

### Active Managed Fund Returns to 30<sup>th</sup> June 2011

	1 Month %	Rank	3 Months %	Rank	6 Months %	Rank	1 Year % p.a.	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	-1.8	2	-0.5	5=	-1.1	3=	8.6	2	-1.7	10	-1.5	6	0.0	10
Aviva Investors	-2.2	8=	-0.5	5=	-1.2	5=	7.1	7=	-2.0	11	-2.9	11	0.3	
Canada Life/Setanta	-2.5	11	-1.3	10	-1.0	2	7.6	6	2.6	2	0.0	3	1.2	4=
Friends First/F&C	-2.2	8=	-0.3	2=	-1.7	8	7.7	4=	0.5	7=	-1.8	7	0.7	8
Irish Life Investment Managers	-2.0	5=	-0.4	4	-0.1	1	6.3	10	0.5	7=	-1.3	5	1.2	4=
Kleinwort Benson Investors	-2.0	5=	-0.5	5=	-1.1	3=	7.9	3	-0.9	9	-2.7	10	-1.0	11
Merrion Investment Managers	-2.0	5=	-1.7	11	-3.8	11	3.9	11	1.1	5	-0.2	4	1.7	3
New Ireland	-1.5	1	0.0	1	-1.2	5=	7.7	4=	1.5	4	-1.9	8	0.9	6
Standard Life Investments	-2.3	10	-0.8	9	-1.6	7	10.5	1	2.9	1	0.5	2	1.8	2
State Street Global Advisors	-1.9	3=	-0.5	5=	-1.8	9	7.1	7=	0.7	6	-2.1	9	0.8	7
Zurich Life	-1.9	3=	-0.3	2=	-1.9	10	6.9	9	2.3	3	0.9	1	2.7	1
<b>Average</b>	<b>-2.0</b>		<b>-0.6</b>		<b>-1.5</b>		<b>7.4</b>		<b>0.7</b>		<b>-1.2</b>		<b>0.9</b>	

### Consensus Fund Returns to 30<sup>th</sup> June 2011

	1 Month %	Rank	3 Months %	Rank	6 Months %	Rank	1 Year % p.a.	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	-1.9	2	-0.3	1=	-1.0	2	8.0	4	0.8	5	-1.3	5		
Aviva Investors	-1.8	1	-0.3	1=	-1.3	4	7.3	6	0.6	6	-1.6	6	0.4	4
Friends First/F&C	-2.0	3=	-0.4	4	-1.8	5	8.9	1	1.7	1	-0.5	1	1.2	1=
Irish Life Investment Managers	-2.0	3=	-0.5	5	-1.2	3	8.2	3	1.0	4	-1.0	3	1.2	1=
Standard Life Investments	-2.0	3=	-1.3	6	-2.4	6	7.9	5	1.2	3	-1.1	4		
State Street Global Advisors	-2.0	3=	-0.3	1=	-0.9	1	8.7	2	1.4	2	-0.7	2	1.1	3
<b>Average</b>	<b>-2.0</b>		<b>-0.5</b>		<b>-1.4</b>		<b>8.2</b>		<b>1.1</b>		<b>-1.0</b>		<b>1.0</b>	

### Multi-Manager Fund Returns to 30<sup>th</sup> June 2011

	1 Month %	Rank	3 Months %	Rank	6 Months %	Rank	1 Year % p.a.	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	-2.0	2	-0.5	1=	-2.2	3	6.7	3	0.8	2=	-1.4	1=		
Irish Life Investment	-1.8	1	-1.1	3	-1.6	2	7.1	2	0.8	2=	-1.4	1=	1.2	1
Standard Life Investments	-2.1	3	-0.5	1=	-0.8	1	9.4	1	1.0	1	-1.9	3		
<b>Average</b>	<b>-2.0</b>		<b>-0.7</b>		<b>-1.5</b>		<b>7.7</b>		<b>0.9</b>		<b>-1.6</b>		<b>1.2</b>	



## Investment Update to 30<sup>th</sup> June 2011

### **Market Review**

June was a volatile month which saw most equity markets lose ground. Uncertainty over the Greek debt situation, as well as disappointing economic data, fuelled investor nervousness. Eurozone bonds declined 0.7% in a month that saw the yields on the bonds of peripheral nations (including Ireland, Greece and Portugal) rise to new highs over core German bond yields.

The Irish stock market delivered a return of -0.5% during June. The financial sector underperformed the rest of the market with a 12.1% decline. Inflation fell back to 2.7% in the year to May, while the unemployment rate also declined (to 14.0% from 14.8%) in the first three months of 2011. Meanwhile, further figures released by the Central Statistics Office showed that the economy expanded by 1.3% in the first quarter of the year, as net exports grew by 20.6%. However, the news was not so positive on the domestic front, as consumer spending declined 1.9% and personal consumption fell 2.9% over the quarter.

UK equities posted a 0.4% loss over the month in sterling terms (a 3.7% loss in euro terms). Yet again, the Bank of England's Monetary Policy Committee voted to maintain the official Bank interest rate at 0.5%, and also to maintain the asset purchase programme at £200 billion. However, the minutes of the meeting, released later in the month, showed that 2 members of the Committee voted in favour of a rate rise, while others are in favour of further quantitative easing. In corporate news, Chancellor of the Exchequer, George Osborne, gave his support to proposals from the Independent Commission on Banking to ring-fence the retail businesses of UK banks from their investment banking activities. Meanwhile, retail sales declined 1.4% in May, having risen in April.

US equities returned -1.8% in dollar terms during June (-2.6% for Irish investors). The Federal Reserve downgraded its forecast for economic growth during 2011 and 2012, while reiterating its intention to keep interest rates at current low levels for an extended period. The Fed's second quantitative easing programme (QE2) drew to a close at the end of June, and a third programme is not planned at the moment. US economic growth slowed during May as a result of higher oil prices and supply chain problems caused by the Japanese earthquakes earlier in the year. On a more positive note, the trade deficit declined in April on the back of strong demand for American goods and services.

The Eurozone region lost 0.8% over the month, while the rest of Europe recorded a 4.9% decline (-5.4% in euro terms). Investor concerns, during June, were once again focused on the outlook for Greek debt, as the EU withheld further bailout funds until additional austerity measures were passed by the Greek parliament. Before this could happen, the Greek government had to survive a vote of confidence. Eventually, the austerity bill was passed and additional funding approved.



## Investment Update to 30<sup>th</sup> June 2011

The Japanese stock market was the best performing major bourse during June with a 1.0% gain over the month in yen terms (0.8% in euro terms), while markets in the rest of the Pacific Basin delivered a return of -2.8% in local currency terms (-3.2% for Irish investors). Japanese Prime Minister, Naoto Kan, survived a no-confidence vote early in the month. Chinese exports rose by 19.4% in the year to May, compared with a 30% rise in the year to April. Imports over the same period increased by 28%. Despite the government's attempts to curb rising food prices, inflation rose to 5.5% in the year to May. In response to this, the central bank increased the bank reserve ratio requirement for the sixth time this year. Elsewhere, as a result of the violent weather conditions experienced earlier in the year, the Australian economy contracted by 1.2% during the first quarter of 2011. Meanwhile, the Reserve Bank of India increased interest rates, as inflation rose to over 9% in May.

### Index Returns to 30<sup>th</sup> June 2011

Asset Class	1 Month %		3 Months %		6 Months %	
	Local Ccy	Euro	Local Ccy	Euro	Local Ccy	Euro
Equities						
- Ireland	-0.5	-0.5	3.1	3.1	3.7	3.7
- UK	-0.4	-3.7	1.5	-0.5	2.8	-2.5
- North America	-1.8	-2.6	-0.3	-2.4	5.4	-2.2
- Eurozone	-0.8	-0.8	1.0	1.0	5.1	5.1
- Rest of Europe	-4.9	-5.4	-1.7	1.4	-1.2	-0.1
- Japan	1.0	0.8	-2.2	-1.8	-4.8	-11.5
- Pacific Basin	-2.8	-3.2	-1.9	-1.6	-0.4	-4.6
Euro Bonds (> 5 Yrs)	-0.7	-0.7	1.6	1.6	0.1	0.1

