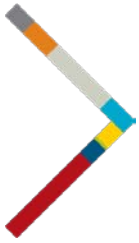
Pensions, Investments
& Advisory Services



Investment Update June 2012

A fresh approach to retirement planning

Thinking, **Years Ahead**

Group Pension Managed Funds Update to 30th June 2012

Fund Performance

Irish pension managed funds delivered positive returns during June, with an average return of 1.6% for the month. State Street Global Advisors took top spot with a return of 2.4% for the month, while Zurich Life propped up the league table with a return of 1.0%. However, as a result of negative returns during April and May, the second quarter of 2012 saw managed funds decline by 1.1% on average. Over the quarter, Zurich Life's fund delivered the top-ranking return of -0.4%, while Irish Life Investment Managers' was the lowest ranked fund with a return of -2.8%. Over the first half of 2012, managed funds have delivered a 6.6% return on average. Over this period, the top performing fund was that of Standard Life Investments, which returned 8.4%. The worst performing fund over the first six months of the year was that of Irish Life Investment Managers, which returned 4.2%. Over the past twelve months, the average fund return was 4.5%. Returns for the year ranged from 8.4% (Setanta Asset Management) to -0.9% (Irish Life Investment Managers).

The average managed fund return has been a healthy 9.7% per annum over the past three years. The five year returns are all negative however, with an average return of -3.4% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 2.9% per annum on average, just 0.9% above the Irish inflation rate of 2.0% per annum over the same time horizon. Ten of the eleven managed funds surveyed outperformed inflation over this period.

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Active Managed Fund Returns to 30th June 2012

	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
Aviva Investors	1.9	3=	-1.5	10	6.0	10	2.9	9=	8.4	10	-5.3	11	2.0	10
Canada Life/Setanta	1.2	8=	-0.5	2=	6.8	6	8.4	1	10.9	2	-0.7	1	3.8	3
Friends First/F&C	1.1	10	-0.9	5	6.1	9	2.9	9=	9.3	8	-4.3	8	2.7	5=
Irish Life Investment Managers	1.4	7	-2.8	11	4.2	11	-0.9	11	8.2	11	-4.9	9=	2.7	5=
Kleinwort Benson Investors	1.8	5	-0.8	4	6.2	8	4.7	6=	9.8	4=	-4.9	9=	1.7	11
Merrion Investment Managers	1.9	3=	-1.1	6=	7.0	5	4.7	6=	8.9	9	-2.4	4	3.5	4
New Ireland	2.1	2	-1.3	9	7.3	3	4.1	8	9.6	6	-3.8	5=	2.2	8
Prescient Investment Managers	1.7	6	-0.5	2=	7.2	4	6.0	3=	9.8	4=	-3.9	7	2.7	5=
Standard Life Investments	1.2	8=	-1.1	6=	8.4	1	6.2	2	12.2	1	-1.8	3	4.4	2
State Street Global Advisors	2.4	1	-1.1	6=	7.4	2	4.8	5	9.4	7	-3.8	5=	2.1	9
Zurich Life	1.0	11	-0.4	1	6.3	7	6.0	3=	10.3	3	-1.4	2	4.6	1
Average	*1.6*		*-1.1*		*6.6*		*4.5*		*9.7*		*-3.4*		*2.9*	

Consensus Fund Returns to 30th June 2012

	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
Aviva Investors	2.0	1=	-0.6	2=	7.1	1=	5.4	2	9.9	4=	-3.7	5	2.7	4
Friends First/F&C	2.0	1=	-0.7	4	7.0	3	6.2	1	11.5	1	-2.5	1	3.7	1
Irish Life Investment Managers	1.8	5	-0.8	5	6.8	4=	5.2	3=	10.2	3	-3.2	3	3.4	2=
Prescient Investment Managers	2.0	1=	0.1	1	6.8	4=	4.8	5	9.9	4=	-3.6	4		
State Street Global Advisors	1.9	4	-0.6	2=	7.1	1=	5.2	3=	10.5	2	-3.0	2	3.4	2=
Average	*1.9*		*-0.5*		*7.0*		*5.4*		*10.4*		*-3.2*		*3.3*	

Multi-Manager Fund Returns to 30th June 2012

	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
Irish Life Investment Managers	0.9	1	-1.4	1=	6.1	3	3.8	3	9.5	3	-3.7	2	3.1	1
Prescient Investment Managers	0.6	3	-1.4	1=	6.6	2	5.5	1	10.2	2	-3.4	1		
Standard Life Investments	0.7	2	-1.4	1=	6.9	1	4.9	2	11.0	1	-4.0	3		
Average	*0.7*		*-1.4*		*6.5*		*4.7*		*10.2*		*-3.7*		*3.1*	

Investment Update to 30th June 2012

Market Review

June was a volatile month, though most equity markets gained overall. Although economic data was generally disappointing, a conclusive Greek general election and an agreement on banking debt by European leaders supported stock markets. Eurozone bonds declined 2.0%, as a result of several factors; a rise in risk appetite among investors generally, and regulatory changes in Scandinavia and Holland affecting the investments that are held by pension funds and life offices, among them.

The Irish stock market delivered a return of 2.4% during June. The financial sector outperformed the rest of the market with a 10.4% rise, as European leaders announced a bailout mechanism for banks in the region on the last trading day of the month. There was disappointing news on the employment front, as the labour force fell to 1.79 million, the lowest level since 2003, while the unemployment rate rose to 14.8% in the first quarter of 2012. According to estimates released by the Economic and Social Research Institute, this can be expected to reach 14.9% by the end of the year. Meanwhile, activity in the building and construction sector declined over the first quarter, having risen the previous two quarters.

UK equities posted a 4.9% gain over the month in sterling terms (a 4.2% gain in euro terms). The Bank of England's Monetary Policy Committee voted to maintain the official Bank interest rate at 0.5%, and to maintain the asset purchase programme at £325 billion. The Bank, along with the government, announced plans for a £100 billion support package for the UK economy, which included providing cheap loans to banks in order to stimulate lending to businesses. Meanwhile, the British banking sector was damaged after Barclays were fined a record £290 million for attempting to manipulate the London Interbank Offered Rate (LIBOR), a benchmark interest rate which is used to set the price of lending globally.

US equities returned 3.8% in dollar terms during June (1.3% for Irish investors). The Federal Reserve announced that it was expanding “Operation Twist” by $267 billion and extending it until the end of the year. The programme, which facilitates monetary easing by swapping long-term bonds for short-term bonds, was originally due to cease at the end of June. Investors were disappointed by this news, as they had been hoping for further quantitative easing (QE). Expectations of a new round of QE had risen as data showed the economy becoming increasingly sluggish. Inflation fell to 1.7% annualised in May, the lowest level since January 2011 and below the Fed’s target of 2%, while retail sales, factory output, business confidence, consumer confidence, consumer spending and jobs data all disappointed. There was some good news on the housing front, however, as new home sales rose to a 2-year high in May while house prices fell at the slowest pace in over a year.

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The Eurozone region gained 6.5% over the month, while the rest of Europe recorded a 4.2% rise (5.0% in euro terms). The euro teetered on the brink of collapse, as fears grew over the Spanish banking sector, Spanish bond yields rose above 7% and the outcome of a second Greek general election in as many months looked uncertain. However, over the month these crises appeared to be resolved, and markets rallied. The Greek election was won by the pro-bailout New Democracy party who are committed to staying in the Euro. A €100 billion bailout package was agreed for the Spanish banks and, on the last trading day of the month, it was announced that agreement had been reached by European leaders to allow the European Stability Mechanism to bail banks out directly, without adding to the bank's home country's national debt burden.

The Japanese stock market was the best performing major bourse during June with a 7.0% gain over the month in yen terms (2.5% in euro terms), while markets in the rest of the Pacific Basin delivered a return of 1.2% in local currency terms (1.1% for Irish investors). Export-focused Japanese companies benefitted from the improved outlook for Europe and a weaker yen, while domestic stocks were boosted by better-than-expected retail sales data. Elsewhere, the People's Bank of China unexpectedly cut interest rates for the first time since 2008, by 0.25%, in an effort to support the weakening economy. Industrial output, manufacturing and retail sales disappointed, while inflation fell to 3% in May, well below the government's 4% target. Meanwhile, the Reserve Bank of Australia also cut its key interest rate by 0.25%, citing concerns over slowing economic growth. However, data released subsequently showed that the economy had grown by a more-than-expected 1.3% over the first quarter of the year.

Index Returns to 30th June 2012

Asset Class	1 Month %		3 Months %		6 Months %	
	Local Ccy	Euro	Local Ccy	Euro	Local Ccy	Euro
Equities						
- Ireland	2.4	2.4	-2.9	-2.9	9.9	9.9
- UK	4.9	4.2	-2.4	0.5	2.4	5.7
- North America	3.8	1.3	-3.0	1.6	8.8	11.3
- Eurozone	6.5	6.5	-5.5	-5.5	3.7	3.7
- Rest of Europe	4.2	5.0	-1.8	-1.4	7.4	9.0
- Japan	7.0	2.5	-10.0	-2.6	6.7	5.3
- Pacific Basin	1.2	1.1	-5.4	-1.8	5.0	8.0
Euro Bonds (> 5 Yrs)	-2.0	-2.0	0.3	0.3	5.3	5.3