

Pensions, Investments
& Advisory Services



Investment Update March 2010

A fresh approach to retirement planning



Thinking, **Years Ahead**

Investment Update to 31st March 2010

Group Pension Managed Funds Update to 31st March 2010

Fund Performance

Irish pension funds consolidated the gains made in February with a strong performance over the month of March, resulting in an average managed fund return of 5.8%. Irish Life Investment Managers took top spot with a return of 6.5% for the month, while Merrion Investment Managers propped up the league table with a 4.7% return. The gains made during February and March mean that all of the funds surveyed delivered positive returns over the first three months of the year, with the average return for the quarter coming in at 5.9%.

Over the past twelve months all of the managed funds surveyed delivered double-digit growth, with the average fund returning 36.1%. Returns for the past year ranged from 42.9% (Irish Life Investment Managers) to 29.8% (AIB Investment Managers), representing a difference of 13.1% between the best and worst performing managers over the period.

The average managed fund return has been a very disappointing -6.9% per annum over the past three years. However, the five year returns to the end of March are positive, delivering an average return of 1.7% 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 2.7% 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 31st March 2010

	1 Month %	Rank	3 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	6.0	5=	5.8	8	29.8	11	-8.5	9	1.4	6	-0.8	10
Aviva Investors	5.7	8=	4.5	11	33.0	9	-9.4	10	0.1	9=	-0.5	9
Bank of Ireland Asset	6.1	2=	6.2	3=	35.3	7	-7.5	7	0.0	11	1.1	4
Canada Life/Setanta	4.9	10	6.0	6=	37.5	3	-3.7	1	2.7	4	0.9	6
Eagle Star/Zurich Life	5.8	7	5.3	9	35.2	8	-4.1	2	4.2	1	1.5	1=
Friends First/F&C	6.1	2=	6.2	3=	36.2	6	-8.2	8	1.1	7	-0.4	8
Irish Life Investment	6.5	1	7.0	1	42.9	1	-6.8	5	2.1	5	1.5	1=
KBC Asset Management	6.1	2=	6.0	6=	32.8	10	-9.6	11	0.1	9=	-1.8	11
Merrion Investment Managers	4.7	11	5.1	10	40.4	2	-4.5	3	3.3	2	1.0	5
New Ireland	6.0	5=	6.2	3=	36.6	5	-7.4	6	0.2	8	1.2	3
Standard Life Investments	5.7	8=	6.5	2	37.2	4	-6.3	4	3.0	3	0.5	7
Average	5.8		5.9		36.1		-6.9		1.7		0.4	

Consensus Fund Returns to 31st March 2010

	1 Month %	Rank	3 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	5.8	5	6.1	3=	34.5	5=	-7.7	5	1.5	4		
Aviva Investors	5.6	6	5.7	6	34.5	5=	-7.8	6	0.9	5	-0.2	4
Bank of Ireland Asset	6.0	2=	6.4	1	37.1	3	-7.0	2	2.0	1	0.5	2
Friends First/F&C	6.0	2=	6.3	2	38.8	2	-6.9	1	1.8	3	0.4	3
Irish Life Investment Managers	5.9	4	6.1	3=	35.8	4	-7.1	3	1.9	2	0.8	1
Standard Life Investments	7.2	1	6.0	5	39.9	1	-7.2	4				
Average	6.1		6.1		36.8		-7.3		1.6		0.4	

Multi-Manager Fund Returns to 31st March 2010

	1 Month %	Rank	3 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
AIB Investment Managers	6.3	2	6.4	2	36.3	2	-7.8	2	1.4	2
Irish Life Investment Managers	6.8	1	6.7	1	36.1	3	-7.5	1	1.7	1
Standard Life Investments	6.2	3	5.7	3	37.3	1	-9.1	3	0.7	3
Average	6.4		6.3		36.6		-8.1		1.3	



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Market Review

Equity markets across the globe performed strongly during March, on the back of positive economic data and a pick-up in merger and acquisition activity. Eurozone bonds had a mixed month, but made modest gains over March as a whole.

The Irish stock market was the best performing of the major bourses in which Irish pension funds invest, delivering a return of 11.5%, during March. The financial sector of the market led the rally, gaining 31.4% over the month. At the end of the month, Minister for Finance, Brian Lenihan, announced that the scale of the damage in the banking sector is now known and that the banks will need at least €22 billion in new capital, with this figure possibly rising by up to €10 billion. Moreover, the National Asset Management Agency (NAMA) finally began transferring impaired loans from the banks. Having completed its valuations, NAMA will apply an average discount of 47% to the loans it is buying from the banks, well ahead of the 30% discount anticipated by the Government last year.

UK equities posted a 6.5% gain over the month in sterling terms (7.0% in euro terms). Chancellor Alistair Darling delivered his budget on 24 March, ahead of the general election in May. In corporate news, life insurance company Prudential unexpectedly announced that it was to buy AIG's Asian life insurance arm, AIA, for US\$35 billion, in a deal which will make Prudential the largest foreign insurance company in Asia. Meanwhile, BG Group has agreed a US\$40 billion, 20-year deal to supply China with liquefied natural gas. Also, BP is to buy the offshore and international assets of Devon Energy Corporation for US\$7 billion and support service company VT Group accepted an offer, worth £1.3 billion, from rivals Babcock International Group.

US equities returned 5.9% in dollar terms during March, with the strength of the dollar increasing this to 7.1% for Irish investors. The Federal Reserve once again reiterated their intention to keep interest rates low for an extended period. It was a busy month on the corporate activity front; AIG is to sell its Asian life insurance arm to Prudential for \$35 billion and its American Life Insurance Co (Alico) to MetLife for \$15.5 billion, while Triumph Group agreed to buy Vought Aircraft Industries from the private equity firm Carlyle Group for \$984 million. There was also a plethora of merger and acquisitions news in the pharmaceutical sector, in a month that saw a landmark overhaul of the US healthcare system passed by the House of Representatives and signed into law by President Obama. In economic news, unemployment remained stable at 9.7%.

The Eurozone region gained 8.0% over the month, while the rest of Europe recorded a 6.0% rise. Once again, investor concerns during March were focused on the outlook for Greece as the country continued to struggle with massive budget deficits. There was some uncertainty regarding the level of support that the Greek government could expect from their Eurozone peers; however, towards month end an agreement was reached that would make a loan facility available to Greece, if needed, from the Euro member states and the International Monetary Fund. The European



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Central Bank also offered Greece a lifeline, by keeping the (currently temporarily relaxed) minimum credit threshold for loan collateral unchanged beyond the end of 2010.

The Japanese stock market returned 10.6% over the month in yen terms (6.1% in euro terms), while markets in the rest of the Pacific Basin delivered a return of 5.7% in local currency terms (8.4% for Irish investors). During the month, the Bank of Japan doubled its lending programme (to ¥20 trillion), in an attempt to stimulate growth; the Bank also kept interest rates on hold at 0.1% as expected. Signs of economic recovery in Asia continued as both the Reserve Bank of Australia and the Reserve Bank of India raised interest rates by 0.25%. In China, inflation rose to 2.7% in the year to February, while exports increased 46% over the same period. Meanwhile, Chinese auto manufacturer, Zhejiang Geely Holding Co. agreed to buy Volvo Cars from Ford Motor Company for US\$1.8 billion in the biggest overseas acquisition by a Chinese automaker.

Index Returns to 31st March 2010

Asset Class	1 Month %		8 Months %	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Equities				
- Ireland	11.5	11.5	7.7	7.7
- UK	6.5	7.0	6.0	5.6
- North America	5.9	7.1	5.3	12.0
- Eurozone	8.0	8.0	0.9	0.9
- Rest of Europe	6.0	7.8	7.0	11.2
- Japan	10.6	6.1	8.8	15.0
- Pacific Basin	5.7	8.4	0.6	8.3
Euro Bonds (> 5 Yrs)	0.9	0.9	3.1	3.1

