

Pensions, Investments  
& Advisory Services



# Investment Update March 2011

A fresh approach to retirement planning



Thinking, **Years Ahead**

## Investment Update to 31<sup>st</sup> March 2011

### Group Pension Managed Funds Update to 31<sup>st</sup> March 2011

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

Irish pension managed funds declined during March, with an average return of -2.5% for the month. Setanta Asset Management, Kleinwort Benson Investors and Standard Life Investments shared top spot with a return of -1.8% for the month, while Merrion Investment Managers propped up the league table with a return of -3.5%. As a result of the poor returns during March, the average managed fund lost 0.9% over the first quarter of 2011; with returns ranging from a high of 0.3% (Setanta Asset Management and Irish Life Investment Managers) to a low of -2.1% (Merrion Investment Managers). Over the past twelve months the average fund returned 4.0%. Returns for the past year ranged from 8.4% (Standard Life Investments) to 2.2% (Irish Life Investment Managers).

The average managed fund return has been a disappointing -0.4% per annum over the past three years. The five year returns to the end of March are mostly negative, with an average return of -1.9% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 1.5% per annum on average, well below the Irish inflation rate of 2.3% per annum over the same time horizon. Indeed, only two of the managed funds surveyed (those of Eagle Star/Zurich Life and Standard Life Investments) outperformed inflation over this period.



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### Active Managed Fund Returns to 31<sup>st</sup> March 2011

	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	-2.4	5=	-0.6	3=	4.9	2	-2.7	10	-2.2	6	0.6	10
Aviva Investors	-2.0	4	-0.7	5	3.4	7	-3.5	11	-3.4	10	0.8	9
Canada Life/Setanta	-1.8	1=	0.3	1=	3.7	5	1.7	2	-0.5	3	1.8	4=
Eagle Star/Zurich Life	-2.6	7=	-1.6	10	3.6	6	1.4	3	0.1	1	3.2	1
Friends First/F&C	-2.6	7=	-1.4	9	4.2	4	-0.8	7	-2.6	7	1.2	8
Irish Life Investment	-2.4	5=	0.3	1=	2.2	11	-1.0	8	-2.1	5	1.8	4=
Kleinwort Benson Investors	-1.8	1=	-0.6	3=	4.8	3	-2.1	9	-3.5	11	-0.4	11
Merrion Investment	-3.5	11	-2.1	11	2.6	10	0.7	4	-0.8	4	2.2	3
New Ireland	-3.1	9	-1.2	7	2.9	8	0.1	5	-2.8	8	1.5	6
Standard Life Investments	-1.8	1=	-0.8	6	8.4	1	2.5	1	-0.2	2	2.5	2
State Street Global	-3.2	10	-1.3	8	2.8	9	-0.5	6	-3.0	9	1.4	7
<b>Average</b>	<b>-2.5</b>		<b>-0.9</b>		<b>4.0</b>		<b>-0.4</b>		<b>-1.9</b>		<b>1.5</b>	

### Consensus Fund Returns to 31<sup>st</sup> March 2011

	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	-2.4	5=	-0.7	2=	4.7	5	-0.7	5	-2.0	5		
Aviva Investors	-2.3	2=	-1.0	4	4.2	6	-0.9	6	-2.4	6	1.0	4
Friends First/F&C	-2.3	2=	-1.5	6	6.5	1	0.4	1	-1.3	1	1.8	2
Irish Life Investment	-2.3	2=	-0.7	2=	4.9	4	-0.3	4	-1.6	3	1.9	1
Standard Life Investments	-2.2	1	-1.1	5	5.1	3	0.2	2	-1.8	4		
State Street Global	-2.4	5=	-0.6	1	5.2	2	0.1	3	-1.4	2	1.7	3
<b>Average</b>	<b>-2.3</b>		<b>-0.9</b>		<b>5.1</b>		<b>-0.2</b>		<b>-1.8</b>		<b>1.6</b>	

### Multi-Manager Fund Returns to 31<sup>st</sup> March 2011

	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	-2.4	3	-1.7	3	5.1	2	-0.3	2	-2.2	2		
Irish Life Investment	-1.5	1	-0.5	2	4.5	3	-0.4	3	-2.1	1	1.9	1
Standard Life Investments	-1.6	2	-0.4	1	6.7	1	-0.2	1	-2.8	3		
<b>Average</b>	<b>-1.8</b>		<b>-0.9</b>		<b>5.4</b>		<b>-0.3</b>		<b>-2.4</b>		<b>1.9</b>	



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### **Market Review**

March was a volatile month across global equity markets. Political unrest in the Middle East and the fallout from the Japanese earthquake led to investor nervousness; however this was somewhat offset by upbeat economic data. Eurozone bonds declined 0.9%, as demand for bonds due to their safe-haven status early in the month gave way to concern over rising inflation and interest rates.

The Irish stock market declined 2.6% during March. Financials significantly underperformed the rest of the market, returning -34.5%, in a month that saw the publication of the results of stress tests that showed the main Irish banks will need a further €24 billion of capital. A banking sector restructuring plan was announced in the wake of the results. In economic news, the unemployment rate remained at 13.5% in February despite the number of people on the Live Register declining for the second month in a row. Statistics released later in the month showed that the economy had contracted for the third year in a row during 2010 (by 1.0%).

UK equities returned -1.1% over the month in sterling terms (-5.1% in euro terms). 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. House prices declined at the fastest pace in sixteen months during February, potentially making it more difficult for the Bank to raise interest rates in an effort to curb inflation, which is currently at an annual rate of 4.4%. During March, Chancellor of the Exchequer George Osborne announced his annual budget, which focussed on "growth and jobs", while lowering the official economic growth forecast for 2011 to 1.7%.

US equities were flat in dollar terms during March, returning -2.6% for Irish investors. There was some good news on the employment front, as the unemployment rate fell to 8.9% in February. Despite record levels of exports, the US trade deficit grew by more than expected during January due to a surge in imports driven by higher oil prices. Meanwhile, it was confirmed that the economy had expanded at an annual rate of 3.1% in the fourth quarter of 2010.

The Eurozone region recorded a 2.6% decline over the month, while the rest of Europe lost 1.3% (a -2.6% return in euro terms). The European Central Bank once again held interest rates at the historic low of 1%. However, ECB president Jean-Claude Trichet said a rate increase next month was "possible, but not certain". Speculation further mounted that Portugal may be the next country to need a bailout from the EU, following the resignation of the country's Prime Minister after he failed to pass austerity measures through parliament. Portugal, Spain and Greece all had their credit ratings cut during the month.

The Japanese stock market lost 7.9% over the month in yen terms (a -11.4% return in euro terms), while markets in the rest of the Pacific Basin bucked the global trend to deliver a positive return of 2.8% in local currency terms (1.6% for Irish investors). On 11 March, Japan was struck by its



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largest ever earthquake, which in turn led to a tsunami, resulting in thousands of deaths and in the temporary closure of many businesses in the world's third largest economy. Subsequently, Japan declared a state of emergency following the failure of the cooling system at the Fukushima Nuclear Power Plant. Meanwhile, China increased the bank reserve ratio requirement for the third time this year, as concerns over inflation continued.

### **Index Returns to 31<sup>st</sup> March 2011**

Asset Class	1 Month %		3 Months %	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Equities				
- Ireland	-2.6	-2.6	0.6	0.6
- UK	-1.1	-5.1	1.2	-2.0
- North America	0.0	-2.6	5.7	0.2
- Eurozone	-2.6	-2.6	4.0	4.0
- Rest of Europe	-1.3	-2.6	0.4	-1.5
- Japan	-7.9	-11.4	-2.6	-9.9
- Pacific Basin	2.8	1.6	1.5	-3.1
Euro Bonds (> 5 Yrs)	-0.9	-0.9	-1.5	-1.5