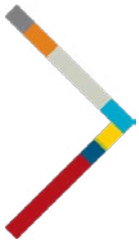


Pensions, Investments
& Advisory Services



Investment Update

May 2009

A fresh approach to retirement planning



Thinking, **Years Ahead**

Investment Update End May 2009

Group Pension Managed Funds Update to 31st May 2009

Fund Performance

Irish pension funds delivered another positive performance during May, for the third month in a row. Over the month, the average fund delivered a positive return of 2.2%. Merrion Investment Managers was the best performing manager during May, with a return of 3.5%. Bank of Ireland Asset Management, Eagle Star and Standard Life Investments all propped up the league table with returns of 1.6%. Over the first five months of 2009, returns are also positive with the average fund having returned 5.3% over this period. In the five months to the end of May, returns ranged from 11.0% (Merrion Investment Managers) to 0.8% (AIB Investment Managers), representing a difference of 10.2% between the best and worst performing managers so far this year. Over the past twelve months, the average fund returned -25.6%, with returns ranging from -21.3% (Eagle Star and Canada Life/Setanta) to -30.9% (Aviva Investors).

The average managed fund return has been an extremely disappointing -9.3% per annum over the past three years. The five year returns to the end of May are also negative, with the average managed fund delivering a return of -0.5% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 0.2% per annum on average, well below the Irish inflation rate of 3.3% per annum over the same time horizon. Indeed, none of the managers surveyed outperformed inflation over this period, with just over half of the fund managers delivering positive returns.

Active Managed Fund Returns to 31st May 2009

	1 month	Rank	5 Months	Rank	1 Year	Rank	3 Years	Rank	5 Years	Rank	10 Years	Rank
	%		%		%		% p.a.		% p.a.		% p.a.	
AIB Investment Managers	1.7	6=	0.8	11	-29.8	9=	-9.2	5	-0.1	5	-1.1	10
Aviva Investors	2.7	4	4.2	9	-30.9	11	-11.1	10	-1.8	8	-0.5	8=
Bank of Ireland Asset	1.6	9=	5.0	7	-24.8	6	-10.3	7=	-2.0	9=	0.5	4=
Canada Life/Setanta	3.1	2	5.5	5	-21.3	1=	-7.5	3	0.6	3	0.6	3
Eagle Star	1.6	9=	4.9	8	-21.3	1=	-6.3	1	2.3	1	1.2	2
Friends First/F&C	2.5	5	5.6	4	-26.5	7	-10.3	7=	-1.0	7	-0.5	8=
Irish Life Investment Managers	2.8	3	7.6	2	-26.9	8	-9.8	6	-0.3	6	0.5	4=
KBC Asset Management	1.7	6=	2.5	10	-29.8	9=	-11.8	11	-2.1	11	-1.8	11
Merrion Investment Managers	3.5	1	11.0	1	-21.9	3	-7.2	2	0.9	2	3.0	1
New Ireland	1.7	6=	5.1	6	-24.1	4=	-10.4	9	-2.0	9=	0.4	6
Standard Life Investments	1.6	9=	6.3	3	-24.1	4=	-8.6	4	0.5	4	0.0	7
Average	2.2		5.3		-25.6		-9.3		-0.5		0.2	



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Consensus Fund Returns to 31st May 2009

	1 Month	Rank	5 Months	Rank	1 Year	Rank	3 Years	Rank	5 Years	Rank	10 Years	Rank
	%		%		%		% p.a.		% p.a.		% p.a.	
AIB Investment Managers	1.7	6	4.5	5	-26.5	6	-9.5	5	-0.5	4		
Aviva Investors	2.8	1	5.5	2	-24.7	1	-9.4	4	-1.1	5	-0.3	3
Bank of Ireland Asset Management	2.1	3	5.3	3=	-26.0	4	-9.2	2=	-0.2	2		
Friends First/F&C	2.6	2	6.6	1	-25.5	2	-8.9	1	-0.4	3	-0.1	2
Irish Life Investment Managers	1.9	5	5.3	3=	-25.8	3	-9.2	2=	-0.1	1	0.3	1
Standard Life Investments	2.0	4	4.1	6	-26.3	5	-9.9	6				
Average	2.2		5.2		-25.8		-9.4		-0.5		0.0	

Multi-Manager Fund Returns to 31st May 2009

	1 Month	Rank	5 Months	Rank	1 Year	Rank	3 Years	Rank	5 Years	Rank
	%		%		%		% p.a.		% p.a.	
AIB Investment Managers	1.5	3	6.1	1	-26.5	2	-9.7	1	-0.6	1=
Irish Life Investment Managers	2.0	1	4.2	3	-25.9	1	-9.8	2	-0.6	1=
Standard Life Investments	1.8	2	5.0	2	-28.2	3	-11.4	3		
Average	1.8		5.1		-26.9		-10.3		-0.6	



Investment Update End May 2009

Market Review

Following on from the gains experienced by equity markets during March and April, all bourses made further gains during May. Despite mixed economic news and some disappointing corporate results, investor confidence that the global economy was on the road to recovery improved. Eurozone bonds declined 2.2% over the month, amid disappointment in the quantitative easing measures announced by the ECB and concerns over the level of bond issuance by governments attempting to spend their way out of the recession. Oil prices rallied strongly as demand rose in China and the dollar weakened.

Irish equities returned a healthy 4.0% during May. Financial stocks continued the rally that began in March with the news that the government intended to set up the National Asset Management Agency (NAMA), which would take up to €90 billion of toxic property loans off the balance sheets of the leading banks, in an attempt to strengthen the banks' balance sheets and stimulate lending. During May, financial stocks rose 74.2%, offsetting the dramatic losses experienced earlier in the year. Financials are now 29.3% higher than where they were at the start of the year.

UK equities posted a 4.4% gain over the month in sterling terms (6.4% in euro terms). The Bank of England kept interest rates at the historically low level of 0.5%, having cut interest rates by 4.5% between October 2008 and March 2009. The Bank announced plans to expand their quantitative easing programme, increasing from £75 billion to £125 billion the purchase of government and corporate bonds. There was a raft of negative corporate results, with Royal Bank of Scotland losing £44 million over the first quarter of 2009, British Telecom announcing a pre-tax loss of £134 million for 2008/9 compared with a profit of £2 billion in 2007/8, and British Airways reporting losses of £401 million for the twelve months to the end of March 2009, the largest loss since the company was privatized in 1987.

US equities returned 5.9% in dollar terms (-0.2% for Irish investors) during May. Investors welcomed the results of the government's stress tests of financial companies. Although retail sales fell unexpectedly in April, consumer confidence readings for May came in better than expected, while sales of both new and existing homes improved slightly. The economy contracted at an annual rate of 5.7% during the first quarter of 2009, and minutes from the last meeting of the Federal Reserve revealed that they had reduced the growth forecasts for the US economy over the next few years. The dollar fell to its lowest level this year, eroding the market's gains for Irish investors, amid investor concerns over the high level of US debt, rising equity markets and higher commodity prices.

The Eurozone region returned 5.2% over the month, while the rest of Europe recorded a 3.8% rise. The European Central Bank cut interest rates by 0.25% at their May meeting, to a new record low of 1.0%. The ECB also announced quantitative easing measures, involving the purchase of €60 billion of covered bonds. However, this move was not seen as being sufficiently aggressive by the market. Over the first quarter of 2009, the Eurozone economy contracted by 2.5%, with Germany's GDP declining by 3.8% over the same period, the largest contraction since reunification.



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The Japanese stock market rose 7.0% over the month in yen terms (3.3% in euro terms). First quarter GDP data showed that the economy shrank by 4.0%, the fastest pace on record, as exports declined dramatically. However, industrial output for April showed the largest monthly increase in 56 years, of 5.2%, indicating that exports may rebound during the second quarter.

Markets in the Pacific Basin delivered a return of 8.7% in local currency terms (5.6% for Irish investors). China's Manufacturing Purchasing Managers' Index rose sharply in April, moving into expansion territory for the first time in nine months. Meanwhile, the Indian stock market recorded its best week since 1992 during May, following a landslide victory for the Congress party, who are expected to bring about much-needed reform. India's economy expanded by 5.8% in the first quarter of 2009, driven by government expenditure and construction.



Investment Update End May 2009

Index Returns to 31st May 2009

Asset Class	1 Month %		5 Months %	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Equities				
- Ireland	4.0	4.0	18.2	18.2
- UK	4.4	6.4	2.1	12.5
- North America	5.9	-0.2	4.5	3.5
- Eurozone	5.2	5.2	5.6	5.6
- Rest of Europe	3.8	3.6	8.0	7.5
- Japan	7.0	3.3	6.3	-0.9
- Pacific Basin	8.7	5.6	23.5	27.2
Euro Bonds (> 5 Yrs)	-2.2	-2.2	-1.6	-1.6

