

Pensions, Investments
& Advisory Services



Investment Update May 2010

A fresh approach to retirement planning



Thinking, **Years Ahead**

Investment Update to 31st May 2010

Group Pension Managed Funds Update to 31st May 2010

Fund Performance

Irish pension funds gave back some of the gains made over the past three months with negative performances over the month of May. The average managed fund returned -2.8% for the month. Standard Life Investments took top spot with a return of -1.9% for the month, while Irish Life Investment Managers propped up the league table with a -3.9% return. In spite of this, the average managed fund has advanced 3.8% over the first five months of the year; with returns ranging from a high of 5.3% (Standard Life Investments) to a low of 2.2% (Aviva Investors).

Over the past twelve months all of the managed funds surveyed delivered double-digit growth, with the average fund returning 20.1%. Returns for the past year ranged from 23.1% (Standard Life Investments) to 17.2% (AIB Investment Managers).

The average managed fund return has been a very disappointing -8.9% per annum over the past three years. The five year returns to the end of May are mostly positive, with an average return of 0.6% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 0.6% per annum on average, well below the Irish inflation rate of 2.5% 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 May 2010

	1 Month %	Rank	5 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	-2.7	5=	3.9	6	17.2	11	-10.4	9	0.4	6	-0.6	10
Aviva Investors	-2.6	4	2.2	11	17.8	10	-11.4	10=	-0.9	8=	-0.3	9
Bank of Ireland Asset	-3.1	9	3.4	9	19.2	9	-9.8	6=	-1.1	11	1.1	4=
Canada Life/Setanta	-3.4	10	3.6	7=	20.7	4	-5.6	1	1.5	4	0.9	7
Eagle Star/Zurich Life	-2.5	3	3.3	10	20.3	5	-6.1	2=	3.1	1	2.0	1
Friends First/F&C	-2.7	5=	4.3	2	19.7	7=	-10.2	8	0.1	7	-0.1	8
Irish Life Investment	-3.9	11	4.1	4	21.5	2	-9.2	5	0.8	5	1.4	3
KBC Asset Management	-2.9	7	4.2	3	19.7	7=	-11.4	10=	-0.9	8=	-1.5	11
Merrion Investment	-2.4	2	4.0	5	21.4	3	-6.1	2=	2.5	2	1.8	2
New Ireland	-3.0	8	3.6	7=	20.2	6	-9.8	6=	-0.9	8=	1.1	4=
Standard Life Investments	-1.9	1	5.3	1	23.1	1	-8.1	4	2.1	3	1.0	6
Average	-2.8		3.8		20.1		-8.9		0.6		0.6	

Consensus Fund Returns to 31st May 2010

	1 Month %	Rank	5 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	-2.9	3=	4.3	3	19.7	5	-9.6	5	0.4	4		
Aviva Investors	-2.6	2	4.0	5	17.7	6	-9.7	6	-0.1	5	0.2	4
Bank of Ireland Asset	-2.9	3=	4.5	2	20.8	3	-8.9	2	0.9	2	0.8	2=
Friends First/F&C	-1.0	1	6.4	1	22.3	1	-8.3	1	1.2	1	0.8	2=
Irish Life Investment	-2.9	3=	4.2	4	20.1	4	-9.1	3	0.8	3	1.0	1
Standard Life Investments	-3.2	6	3.9	6	22.0	2	-9.2	4				
Average	-2.6		4.6		20.4		-9.1		0.6		0.7	

Multi-Manager Fund Returns to 31st May 2010

	1 Month %	Rank	5 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
AIB Investment Managers	-2.3	1	5.8	1	21.6	2	-9.3	1	0.7	1
Irish Life Investment	-3.9	3	3.8	3	19.8	3	-9.5	2	0.4	2
Standard Life Investments	-3.0	2	4.5	2	22.2	1	-10.8	3	-0.3	3
Average	-3.1		4.7		21.2		-9.9		0.3	



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Market Review

May was a volatile month for equity and bond markets across the globe, as fears that the Eurozone debt crisis might lead to a double-dip recession in the region weighed on investor sentiment. The EU and the IMF announced a rescue package worth €750 billion to support countries in the region facing financial instability. Eurozone bonds returned 1.9% over the month, as German bond yields reached record low levels. Despite yields rising to a record margin over German bonds earlier in the month, the bonds issued by the peripheral countries in the region (Greece, Spain, Portugal) recovered lost ground towards month end as the German government approved its share (€148 billion) of the €750 billion rescue package, and the ECB purchased €16.5 billion of Greek bonds.

The Irish stock market was the worst performing of the major bourses in which Irish pension funds invest, delivering a return of -13.1%, during May. The financial sector underperformed the rest of the market with a 32.1% decline, as several banks announced plans to raise capital. The Financial Regulator released figures that showed an increase of 13%, during the first quarter, in the number of mortgage accounts that are more than 90 days in arrears. On a more positive note, there were some signs of an improvement in consumer confidence evident in a marginally higher than forecast level of VAT receipts.

UK equities posted a 6.2% loss over the month in sterling terms (a 3.5% loss in euro terms). The general election resulted in a coalition government being formed between the Conservatives and the Liberal Democrats, after no single party won an outright majority. The new Chancellor of the Exchequer, George Osborne, announced that an emergency budget would be held on 22 June and subsequently announced plans for £6.2 billion in “immediate” spending cuts. The stock market was somewhat supported by positive corporate earnings announcements. However, the value of shares in BP fell further, as the cost of cleaning-up the Gulf of Mexico oil spill are now expected to be in the tens of billions, while British Airways lost ground as cabin crew began strike action.

US equities returned -7.8% in dollar terms during May, with the weakness of the euro increasing this to -0.3% for Irish investors. Although mixed, economic news was broadly positive over the month. The number of people in employment rose by the largest amount in four years in April. The improvement in the jobs market fed through to other economic indicators, as retail sales, industrial production and consumer confidence beat expectations. Meanwhile, the Senate passed the Restoring American Financial Stability Act, which will reform financial regulation and poses the biggest shake-up Wall Street has seen in over fifty years.

The Eurozone region lost 5.6% over the month, while the rest of Europe recorded a 5.5% decline. Investor concerns, during May, were focused on the outlook for Eurozone debt, as countries in the region continued to struggle with massive budget deficits. Investors worried that Greece’s problems might spread to the rest of the region, and the risk of a Eurozone government defaulting on its debt weighed on sentiment. The announcement of the €750 billion rescue package only



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served to partially allay these fears. Meanwhile, Germany's financial regulator introduced a ban on naked short-selling of a range of financial securities.

The Japanese stock market returned -11.0% over the month in yen terms (-0.4% in euro terms), while markets in the rest of the Pacific Basin delivered a return of -7.1% in local currency terms (-5.4% for Irish investors). Japanese equities struggled, as the finance minister warned that ongoing deflation was affecting the economy. A slowdown in manufacturing growth, a jump in inflation and new measures to cool the property market all weighed on China's performance. The Reserve Bank of Australia raised key interest rates by 0.25% for the third month in a row.

Index Returns to 31st May 2010

Asset Class	1 Month %		5 Months %	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Equities				
- Ireland	-13.1	-13.1	0.2	0.2
- UK	-6.2	-3.5	-2.6	2.5
- North America	-7.8	-0.3	-1.4	15.3
- Eurozone	-5.6	-5.6	-7.0	-7.0
- Rest of Europe	-5.5	-5.0	2.1	6.6
- Japan	-11.0	-0.4	-2.6	16.4
- Pacific Basin	-7.1	-5.4	-6.2	6.0
Euro Bonds (> 5 Yrs)	1.9	1.9	4.3	4.3

