

Pensions, Investments
& Advisory Services



Investment Update May 2011

A fresh approach to retirement planning



Thinking, **Years Ahead**

Investment Update to 31st May 2011

Group Pension Managed Funds Update to 31st May 2011

Fund Performance

Most Irish pension managed funds made modest gains during May, with an average return of 0.6% for the month. Aviva Investors took top spot with a return of 1.3% for the month, while Merrion Investment Managers propped up the league table with a return of -0.1%. The average managed fund also returned 0.6% over the first five months of 2011; with returns ranging from a high of 1.9% (Irish Life Investment Managers) to a low of -1.8% (Merrion Investment Managers). Over the past twelve months the average fund returned 7.6%. Returns for the past year ranged from 11.4% (Standard Life Investments) to 4.0% (Merrion Investment Managers).

The average managed fund return has been a disappointing -1.3% per annum over the past three years. The five year returns to the end of May are mostly negative, with an average return of -0.8% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 1.0% per annum on average, well below the Irish inflation rate of 2.3% per annum over the same time horizon. Indeed, only one of the managed funds surveyed (that of Zurich Life) outperformed inflation over this period.



Investment Update to 31st May 2011

Active Managed Fund Returns to 31st May 2011

	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	0.7	5=	0.7	5=	8.3	2=	-3.8	10	-1.0	5=	0.0	10
Aviva Investors	1.3	1	1.0	3=	7.6	5	-4.3	11	-2.3	10=	0.3	9
Canada Life/Setanta	0.4	10	1.6	2	7.4	6=	0.7	2	0.5	3	1.3	4=
Friends First/F&C	0.8	3=	0.5	7	8.2	4	-1.7	7	-1.4	7	0.8	8
Irish Life Investment	0.5	7=	1.9	1	6.8	10	-1.8	8	-1.0	5=	1.3	4=
Kleinwort Benson Investors	0.7	5=	1.0	3=	8.3	2=	-3.1	9	-2.3	10=	-1.0	11
Merrion Investment	-0.1	11	-1.8	11	4.0	11	-0.5	4	0.2	4	1.9	3
New Ireland	0.5	7=	0.3	8	7.2	8	-0.8	5	-1.5	8	1.0	6
Standard Life Investments	0.9	2	0.7	5=	11.4	1	1.3	1	0.9	2	2.0	2
State Street Global	0.5	7=	0.1	9=	7.1	9	-1.4	6	-1.7	9	0.9	7
Zurich Life*	0.8	3=	0.1	9=	7.4	6=	0.6	3	1.2	1	2.8	1
Average	0.6		0.6		7.6		-1.3		-0.8		1.0	

Consensus Fund Returns to 31st May 2011

	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	0.7	2=	0.9	2=	8.3	3	-1.6	5=	-0.8	5		
Aviva Investors	1.0	1	0.5	4	7.5	6	-1.6	5=	-1.2	6	0.5	4
Friends First/F&C	-0.3	6	0.1	5	8.2	4	-0.5	1	0.0	1	1.3	1=
Irish Life Investment	0.6	4	0.9	2=	8.4	2	-1.2	4	-0.5	3	1.3	1=
Standard Life Investments	0.0	5	-0.4	6	7.9	5	-1.0	3	-0.7	4		
State Street Global	0.7	2=	1.1	1	9.0	1	-0.9	2	-0.3	2	1.2	3
Average	0.5		0.5		8.2		-1.1		-0.6		1.1	

Multi-Manager Fund Returns to 31st May 2011

	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	1.1	2	-0.2	3	7.3	3	-1.4	2=	-0.8	1		
Irish Life Investment	0.3	3	0.2	2	8.1	2	-1.4	2=	-1.0	2	1.2	1
Standard Life Investments	1.2	1	1.3	1	9.7	1	-1.3	1	-1.4	3		
Average	0.9		0.4		8.4		-1.4		-1.1		1.2	



Investment Update to 31st May 2011

Market Review

All of the main equity markets lost ground during May, as the economic recovery appeared to flounder. However, a weakening of the euro against other currencies resulted in gains for Irish investors from non-euro holdings for the month. Commodities, including oil, also declined over the month. Eurozone bonds gained 1.3%, with core government bonds in demand due to their safe-haven status.

The Irish stock market returned -1.0% during May. Financials significantly lagged the rest of the market, returning -35.3%. The Government launched a new jobs initiative and plans to impose a 0.6% levy on private pension funds as part of the measures to pay for it. The initiative was launched as the European Commission forecast that the Irish unemployment rate would rise to 14.6% in 2011. On a more positive note, the Central Bank released figures showing that household wealth had increased by 6% in the fourth quarter of 2010, as households moved to reduce their debt.

UK equities lost 0.9% over the month in sterling terms (but gained 0.9% in euro terms). Yet again, 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. Inflation picked up again in April, to 4.5%, increasing by the fastest rate since September 2008. Meanwhile, it was confirmed that the economy had expanded by 0.5% in the first quarter of 2011. In corporate news, commodities trading company Glencore floated on the London Stock Exchange, raising over £6 billion in London's largest ever IPO.

US equities declined 1.1% in dollar terms during May, returning 1.9% for Irish investors as the dollar strengthened against the single currency. The economy expanded by 1.8% (annualized) during the first quarter of 2011, down from 3.1% in the final quarter of 2010. There was some good news on the jobs front, as 244,000 new jobs were added during April; however, the unemployment rate actually increased (by 0.2% to 9%) as people returned to the workforce. In corporate news, Microsoft announced the acquisition of Skype for \$8.5 billion, biopharmaceutical company Cephalon was subject to a takeover by Israel-based rival Teva, while LinkedIn's initial public offering was oversubscribed.

The Eurozone region recorded a 1.8% loss over the month, while the rest of Europe declined 0.4% (a 2.5% return in euro terms). The European Central Bank held interest rates steady following last month's 0.25% increase, and indicated that the next rate hike would not, as originally expected, take place in June. The Eurozone economy expanded by 0.8% during the first three months of 2011, with Germany and France driving this growth. On the other hand, Portugal's GDP contracted for the second quarter in a row, leading the bailed-out economy back into recession.



Investment Update to 31st May 2011

The Japanese stock market lost 1.6% over the month in yen terms (a 1.5% return in euro terms), while markets in the rest of the Pacific Basin returned -1.4% in local currency terms (0.6% for Irish investors). The Japanese economy shrank by 0.9% over the first quarter of the year, thereby entering its third recession in a decade. A leading Japanese politician suggested that large banks may have to write-off some of Tokyo Electric Power's debt. China increased its bank reserve requirement ratio for the fifth time in 2011 in response to above target inflation data.

Index Returns to 31st May 2011

Asset Class	1 Month %		5 Months %	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Equities				
- Ireland	-1.0	-1.0	4.3	4.3
- UK	-0.9	0.9	3.2	1.3
- North America	-1.1	1.9	7.3	0.4
- Eurozone	-1.8	-1.8	5.9	5.9
- Rest of Europe	-0.4	2.5	3.8	5.5
- Japan	-1.6	1.5	-5.7	-12.2
- Pacific Basin	-1.4	0.6	2.4	-1.4
Euro Bonds (> 5 Yrs)	1.3	1.3	0.8	0.8