

Pensions, Investments
& Advisory Services



Investment Update 30th November 2009

A fresh approach to retirement planning



Thinking, **Years Ahead**

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Group Pension Managed Funds Update to 30th November 2009

Fund Performance

Having declined for the first time in eight months during October, Irish pension funds returned to positive territory during November, returning 1.3% on average. The best performing managed fund in November was that of Eagle Star/Zurich Life, which returned 1.7%. Irish Life Investment Managers propped up the league table with a 0.9% return for the month.

Returns are positive for the year to date, with the average fund having gained 16.4% over this period. In the eleven months to the end of November, returns ranged from 23.7% (Merrion Investment Managers) to 9.0% (AIB Investment Managers), representing a difference of 14.7% between the best and worst performing managers so far this year. Over the past twelve months the average fund delivered 12.9%, with returns ranging from 19.3% (Merrion Investment Managers) to 5.4% (AIB Investment Managers).

The average managed fund return has been a very disappointing -8.7% per annum over the past three years. However, the five year returns to the end of November are positive on average, delivering a mean return of 0.6% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 0.5% per annum on average, well below the Irish inflation rate of 2.9% 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.

Active Managed Fund Returns to 30th November 2009

	1 Month %	Rank	11 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	10	9.0	11	5.4	11	-9.6	6	0.3	6	-1.0	10
Aviva Investors	1.2	6=	14.5	9	7.9	10	-10.7	10	-0.9	8=	-0.3	8
Bank of Ireland Asset	1.2	6=	15.2	8	11.7	8	-9.8	8	-1.1	11	1.1	4=
Canada Life/Setanta	1.6	2=	17.9	4	16.1	4	-6.2	2=	1.9	3	1.3	3
Eagle Star/Zurich Life	1.7	1	16.9	5	14.1	5	-5.4	1	3.3	1	1.7	2
Friends First/F&C	1.6	2=	16.0	7	12.1	7	-10.0	9	0.0	7	-0.4	9
Irish Life Investment Managers	0.9	11	19.8	2	17.8	2	-8.9	5	0.7	5	1.1	4=
KBC Asset Management	1.2	6=	12.2	10	8.1	9	-11.5	11	-1.0	10	-1.7	11
Merrion Investment Managers	1.2	6=	23.7	1	19.3	1	-6.2	2=	2.1	2	2.4	1
New Ireland	1.4	4=	16.3	6	13.2	6	-9.7	7	-0.9	8=	0.9	6
Standard Life Investments	1.4	4=	19.4	3	16.3	3	-7.6	4	1.8	4	0.5	7
Average	1.3		16.4		12.9		-8.7		0.6		0.5	



Investment Update 30th November 2009

Consensus Fund Returns to 30th November 2009

	1 Month %	Rank	11 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	1.0	5	15.0	5	11.1	5	-9.3	4=	0.3	4		
Aviva Investors	1.1	3=	14.4	6	11.0	6	-9.6	6	-0.3	5	-0.1	4
Bank of Ireland Asset	1.2	2	16.5	2	12.9	3	-8.7	2	0.7	2=	0.5	2=
Friends First/F&C	2.9	1	19.1	1	14.8	1	-8.0	1	0.8	1	0.5	2=
Irish Life Investment Managers	1.1	3=	15.9	4	12.2	4	-8.9	3	0.7	2=	0.6	1
Standard Life Investments	0.3	6	16.1	3	14.4	2	-9.3	4=				
Average	1.3		16.2		12.7		-9.0		0.4		0.4	

Multi-Manager Fund Returns to 30th November 2009

	1 Month %	Rank	11 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
AIB Investment Managers	-0.1	3	16.4	2	12.7	3	-9.7	2	0.2	2
Irish Life Investment Managers	0.2	2	15.4	3	14.0	1=	-9.3	1	0.5	1
Standard Life Investments	0.3	1	16.6	1	14.0	1=	-11.0	3	-0.6	3
Average	0.1		16.1		13.6		-10.0		0.0	



Investment Update 30th November 2009

Market Review

With the exception of Ireland and Japan, most of the main equity markets posted gains during November. However, markets worldwide experienced a volatile month. Positive economic news, strong corporate earnings results, an agreement by the G20 to maintain stimulus policies, and an end to the recession in the Eurozone region, all supported markets. However, profit taking and worrying news from Dubai pushed bourses in the other direction. The dollar briefly reached a 15-month low during the month, before rebounding on comments from Fed Chairman, Ben Bernanke, that he would conduct measures to “help ensure the dollar is strong”.

The Irish stock market declined for the second month in a row, returning -2.0% in November, led by financials which fell 17.0%. Irish banks were hit by international issues (notably, poor results and forced asset sales at their international counterparts, and the Dubai crisis), as well as domestic troubles, including property write-downs and concerns over the impact of the National Asset Management Agency.

UK equities posted a 3.5% gain over the month in sterling terms (1.2% 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 also expanded its quantitative easing programme, by £25 billion to £200 billion, in an effort to stimulate economic growth by encouraging lending. Merger and acquisition activity returned to the market as a \$7 billion merger was agreed between British Airways and Iberia, while Ferrero and Hershey revealed that they were considering making an offer for Cadbury, who are subject to a hostile takeover bid from Kraft.

US equities returned 5.9% in dollar terms (4.2% for Irish investors) during November. The Federal Reserve kept interest rates unchanged, while reiterating their intention to keep rates at “extremely low levels for an extended period”. In jobs news, the unemployment rate rose to 10.2% in October; however, new jobless claims subsequently hit their lowest level since September 2008. Merger and acquisition activity also returned to the US market, with announcements regarding the purchase of railroad company Burlington Northern by Warren Buffet’s company, Berkshire Hathaway, and the acquisition of Black & Decker by Stanley Works.

The Eurozone region returned 1.7% over the month, while the rest of Europe recorded a 0.2% rise. The European Central Bank kept interest rates at the record low of 1.0%. Investors responded positively to the news that the recession in the Eurozone had come to an end, as the region’s economy expanded by 0.4% in the third quarter of the year. While most countries in the Eurozone saw GDP growth in the three months to the end of September, Ireland and Greece are two economies that remain in recession. Meanwhile, executive and consumer confidence in the region improved for the eighth month in a row.

The Japanese stock market declined 5.8% over the month in yen terms (-2.7% in euro terms), while markets in the rest of the Pacific Basin delivered a return of 1.3% in local currency terms (0.7% for Irish investors). Japan returned to deflation for the first time in three years, while the yen reached its highest level in almost 15 years against the US dollar, causing concern among investors over the prospect for exporters. In China, retail sales and industrial production data surprised on the upside. However, the news that Dubai World (a state-owned investment company) had asked its creditors for a “standstill” on repayment on its debt for six months sent a shockwave through markets across the globe, with the financial sector taking the biggest immediate hit.



Investment Update 30th November 2009

Index Returns to 30th November 2009

Asset Class	1 Month %		11 Months %	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Equities				
- Ireland	-2.0	-2.0	22.5	22.5
- UK	3.5	1.2	22.6	29.6
- North America	5.9	4.2	24.8	17.0
- Eurozone	1.7	1.7	21.9	21.9
- Rest of Europe	0.2	0.1	28.1	29.0
- Japan	-5.8	-2.7	0.0	-2.5
- Pacific Basin	1.3	0.7	47.0	52.9
Euro Bonds (> 5 Yrs)	0.9	0.9	5.4	5.4

