Pensions, Investments
& Advisory Services

Investment Update November 2010

A fresh approach to retirement planning

Thinking, **Years Ahead**

Group Pension Managed Funds Update to 30th November 2010

Fund Performance

Irish pension managed funds gained further ground during November, with an average return of 1.0% for the month. Standard Life Investments took top spot with a return of 2.0% for the month, while Irish Life Investment Managers propped up the league table with a return of -1.6%. The average managed fund has advanced 7.2% over the first eleven months of the year; with returns ranging from a high of 12.1% (Standard Life Investments) to a low of 4.7% (Irish Life Investment Managers). Over the past twelve months the average fund returned 12.2%. Returns for the past year ranged from 16.7% (Standard Life Investments) to 9.7% (Irish Life Investment Managers).

The average managed fund return has been a very disappointing -5.5% per annum over the past three years. The five year returns to the end of November are mostly negative, with an average return of -0.7% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 0.7% per annum on average, well below the Irish inflation rate of 2.3% per annum over the same time horizon. Indeed, none of the managed funds surveyed outperformed inflation over this period (although Eagle Star/Zurich Life performed in line with inflation), while two of the funds surveyed failed to deliver positive returns over 10 years.

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Active Managed Fund Returns to 30th November 2010

	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	1.4	4=	8.0	4	12.6	4	-7.8	10	-1.0	5	-0.2	10
Aviva Investors	1.3	6	5.7	10	10.9	9	-8.3	11	-2.1	10=	0.0	9
Bank of Ireland Asset	1.0	7=	6.3	7=	11.6	6=	-5.5	6	-2.0	9	0.9	6
Canada Life/Setanta	0.2	10	6.3	7=	10.8	10	-3.1	1=	0.2	4	0.7	7
Eagle Star/Zurich Life	1.8	2=	7.5	5	12.3	5	-3.3	3	1.7	1	2.3	1
Friends First/F&C	1.8	2=	8.1	3	12.9	3	-6.8	8	-1.3	6=	0.3	8
Irish Life Investment Managers	-1.6	11	4.7	11	9.7	11	-6.5	7	-1.3	6=	1.1	4
Kleinwort Benson Investors	1.0	7=	8.2	2	13.5	2	-7.6	9	-2.1	10=	-1.4	11
Merrion Investment Managers	1.4	4=	6.3	7=	11.4	8	-3.4	4	0.8	3	1.9	2
New Ireland	0.9	9	6.4	6	11.6	6=	-5.3	5	-1.9	8	1.0	5
Standard Life Investments	2.0	1	12.1	1	16.7	1	-3.1	1=	1.0	2	1.5	3
Average	***1.0***		***7.2***		***12.2***		***-5.5***		***-0.7***		***0.7***	

Consensus Fund Returns to 30th November 2010

	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	4	8.1	4=	12.9	5	-6.0	5	-0.9	5		
Aviva Investors	0.9	5	7.5	6	12.1	6	-6.4	6	-1.3	6	0.1	4
Bank of Ireland Asset	1.2	3	8.7	2	13.7	2	-5.4	3	-0.3	2	0.9	2=
Friends First/F&C	0.3	6	9.9	1	13.1	4	-4.9	1	-0.1	1	0.9	2=
Irish Life Investment Managers	1.3	2	8.1	4=	13.2	3	-5.6	4	-0.5	3	1.1	1
Standard Life Investments	1.5	1	8.3	3	14.0	1	-5.1	2	-0.6	4		
Average	***1.1***		***8.4***		***13.2***		***-5.6***		***-0.6***		***0.8***	

Multi-Manager Fund Returns to 30th November 2010

	1 Month %	Rank	11 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
AIB Investment Managers	2.3	1	10.2	1	15.5	1	-5.1	1	-0.5	1
Irish Life Investment Managers	1.6	3	8.5	3	13.1	3	-5.2	2	-0.9	2
Standard Life Investments	1.7	2	9.5	2	15.3	2	-5.9	3	-1.6	3
Average	***1.9***		***9.4***		***14.6***		***-5.4***		***-1.0***	

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Market Review

November was a difficult month for equity markets across the globe, with many markets experiencing local currency declines. However, the weakness of the euro led to gains in most overseas markets for Irish investors. The sovereign debt crisis in Europe dominated sentiment for much of the month. Eurozone bonds declined 3.9% during November, with bond yields rising over fears of contagion as the Irish government sought EU/IMF assistance.

The Irish stock market declined 1.3% during November. The spectre of an EU/IMF bailout loomed over the country for much of the month, with eventual confirmation of an €85 billion package. This is to be made up of €35 billion for the banking sector and €50 billion for the Exchequer. €17.5 billion of the funds (half of the money to be made available to the banks) is to be funded from the State's own resources, including the National Pensions Reserve Fund. The financial sector underperformed the rest of the market with a 32.1% decline. The spread of Irish 10-year bonds over German bund yields rose to 6.6% over the month.

UK equities lost 2.4% over the month in sterling terms (a 1.5% gain 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. The financial and mining sectors struggled; the former in the wake of the Irish debt crisis, to which many UK banks and insurers have considerable exposure, and the latter on the back of falling commodity prices. The energy sector was hit by news that the regulator was investigating profit margins following recent price hikes.

US equities returned 0.1% in dollar terms during November, returning 6.8% for Irish investors. The Federal Reserve extended its quantitative easing programme in an effort to boost economic growth, by a greater than expected $600 billion. Third quarter GDP growth was revised upwards, to 2.5%, with positive economic news continuing into the fourth quarter, with strong retail sales and improving employment data. However, core price inflation fell to just 0.6% in the year to October, the lowest level since records began in 1957, fuelling fears of deflation. In corporate news, the third quarter earnings season saw over 70% of companies deliver better-than-expected results.

The Eurozone region recorded a 4.9% decline over the month, while the rest of Europe lost 1.1% (a 2.3% gain in euro terms). The euro came under pressure as concerns re-emerged over the ability of member states to withstand the sovereign debt crisis on their own. These fears also weighed on the region's equity and bond markets. With the news that Ireland needed EU/IMF assistance, yields on Spanish and Portuguese bonds rose. German bund yields also rose, on concerns over the growing cost of bailing out struggling Eurozone economies.

The Japanese stock market gained 6.2% over the month in yen terms (9.0% in euro terms), while markets in the rest of the Pacific Basin delivered a return of 0.6% in local currency terms (5.7% for

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Irish investors). Japan's exporters fared well on the back of a weaker yen, while a strong end to the third quarter earnings season and a resurgence in interest from foreign buyers supported the market generally. Pacific Basin markets were unsettled towards month end by an attack on South Korea by its northern neighbor. In China, the bank reserve ratio requirement was increased for the fifth time this year following news that inflation had risen to 4.4%.

Index Returns to 30th November 2010

Asset Class	1 Month %		11 Months %	
	Local Ccy	*Euro*	*Local Ccy*	*Euro*
Equities				
- Ireland	-1.3	-1.3	-8.4	-8.4
- UK	-2.4	1.5	5.0	11.6
- North America	0.1	6.8	8.0	19.2
- Eurozone	-4.9	-4.9	-2.1	-2.1
- Rest of Europe	-1.1	2.3	7.5	19.3
- Japan	6.2	9.0	-3.7	18.0
- Pacific Basin	0.6	5.7	7.0	22.3
Euro Bonds (> 5 Yrs)	-3.9	-3.9	2.0	2.0