Pensions, Investments
& Advisory Services

Investment Update November 2011

A fresh approach to retirement planning

IFG

Thinking, **Years Ahead**

Group Pension Managed Funds Update to 30th November 2011

Fund Performance

Irish pension managed funds declined during November, with an average return of -0.7% for the month. Aviva Investors took top spot with a return of -0.2% for the month, while New Ireland propped up the league table with a return of -1.8%. As a result of recent falls, managed funds have suffered a 6.5% loss on average over the first eleven months of the year. Returns over this period ranged from a high of -2.8% (Setanta Asset Management) to a low of -8.0% (Friends First/F&C). Over the past twelve months the average fund returned -3.1%. Returns for the past year ranged from 0.1% (Setanta Asset Management) to -4.6% (Merrion Investment Managers).

The average managed fund return has been a healthy 7.0% per annum over the past three years. The five year returns are all negative however, with an average return of -3.7% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 1.2% per annum on average, below the Irish inflation rate of 2.2% per annum over the same time horizon. Only one of the managed funds surveyed (that of Zurich Life) outperformed inflation over this period.

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Active Managed Fund Returns to 30th November 2011

	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	-0.3	2=	-5.3	3	-2.0	2	5.2	10	-4.0	5	0.4	9
Aviva Investors	-0.2	1	-7.2	6=	-4.4	9	4.6	11	-5.5	11	0.3	10
Canada Life/Setanta	-0.3	2=	-2.8	1	0.1	1	8.8	2	-1.7	2	1.8	4
Friends First/F&C	-1.0	9	-8.0	11	-4.5	10	6.5	7	-4.7	9	0.8	7=
Irish Life Investment Managers	-0.7	6	-7.8	9	-4.0	8	7.5	5	-4.4	6	1.2	5
Kleinwort Benson Investors	-1.1	10	-5.7	4	-2.6	4	6.1	9	-5.1	10	-0.5	11
Merrion Investment Managers	-0.6	5	-7.9	10	-4.6	11	8.2	3	-2.6	4	1.9	3
New Ireland	-1.8	11	-7.4	8	-3.7	7	6.8	6	-4.6	7=	0.9	6
Standard Life Investments	-0.5	4	-6.7	5	-3.1	5	9.5	1	-2.3	3	2.2	2
State Street Global Advisors	-0.8	7	-7.2	6=	-3.5	6	6.4	8	-4.6	7=	0.8	7=
Zurich Life	-0.9	8	-5.2	2	-2.2	3	7.8	4	-1.5	1	2.9	1
Average	***-0.7***		***-6.5***		***-3.1***		***7.0***		***-3.7***		***1.2***	

Consensus Fund Returns to 30th November 2011

	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	-0.4	3=	-5.7	2=	-2.4	3=	6.9	5=	-3.9	4=		
Aviva Investors	0.1	1=	-5.3	1	-2.0	2	6.9	5=	-4.1	6	0.8	4
Friends First/F&C	0.1	1=	-5.7	2=	-1.4	1	8.6	1	-2.8	1	1.6	1
Irish Life Investment Managers	-0.4	3=	-5.8	4=	-2.4	3=	7.4	4	-3.6	3	1.5	2
Standard Life Investments	-2.8	6	-7.2	6	-3.6	6	7.9	2	-3.9	4=		
State Street Global Advisors	-0.5	5	-5.8	4=	-2.4	3=	7.8	3	-3.4	2	1.4	3
Average	***-0.7***		***-5.9***		***-2.4***		***7.6***		***-3.6***		***1.3***	

Multi-Manager Fund Returns to 30th November 2011

	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	-2.7	2	-7.5	2	-4.5	2	7.5	2	-4.1	1		
Irish Life Investment Managers	-3.4	3	-8.3	3	-5.4	3	6.9	3	-4.4	2	1.3	1
Standard Life Investments	-2.1	1	-6.4	1	-3.3	1	8.3	1	-4.7	3		
Average	***-2.7***		***-7.4***		***-4.4***		***7.6***		***-4.4***		***1.3***	

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Market Review

November was a volatile month in both equity and bond markets across the globe. Concerns over the level of Eurozone region debt dominated investor sentiment, as the debt crisis threatened to spread to non-peripheral nations. However, markets received a boost on the last day of the month after six of the world's leading central banks (the US Federal Reserve, the European Central Bank, the Bank of England and the central banks of Japan, Canada and Switzerland) announced measures to reduce the cost of borrowing for banks, in an attempt to ensure liquidity in financial markets. Eurozone bonds declined 3.5% over the month, as bond yields rose across the region. Indeed, even Germany was not immune from difficulty, as a bond auction in the largest Eurozone economy failed to raise as much money as had been anticipated.

The Irish stock market returned 1.0% during November, jumping nearly 5% on the 30th of November alone. The financial sector underperformed the rest of the market with a 10.7% decline. The Government published its mid-term economic review, which indicated that budget cuts would be in the region of €3.8 billion, up from the €3.6 billion previously estimated. The Central Statistics Office (CSO) released data showing that the rising cost of gas and electricity is leading to a higher cost of living, as the annual inflation rate rose to 2.8% in October (from 2.6% in September). Other statistics released by the CSO indicated that Ireland's trade surplus was 8% higher in September than a year earlier, at over €4 billion, while retail sales in October were 3.8% lower than the same time last year.

UK equities were broadly flat, with a return -0.2% over the month in sterling terms (a 0.8% return in euro terms). The Bank of England's Monetary Policy Committee voted to maintain the official Bank interest rate at 0.5% and the size of the asset purchase programme at £275 billion. In a stark Autumn Budget Statement, Chancellor of the Exchequer George Osborne warned that economic growth would be lower than previously forecast in 2011 and 2012. He also announced that the state pension retirement age would rise to 67 in 2026 – ten years ahead of schedule.

US equities returned -0.3% in dollar terms over the month, returning 3.1% for Irish investors. The Federal Reserve left interest rates unchanged at its November meeting, while remaining ready to step in to support the economy should intervention become necessary. "Significant downside risks" remain, Fed officials believe, despite an uptick in economic growth during the third quarter. There was some good news on the jobs front, as unemployment fell to 9%, a six-month low, while the number applying for unemployment benefit was at its lowest level in seven months. The improving employment situation fed through to a rise in consumer sentiment. Consumer spending, manufacturing and homebuilding also rose in October, while retail sales over the Thanksgiving weekend were 16% higher than the previous year.

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The Eurozone region lost 2.4% over the month, while the rest of Europe recorded a -0.8% return (-1.6% in euro terms). Once again, investor concerns were focused on the outlook for Eurozone debt, with efforts to resolve the crisis ongoing throughout the month. November saw the resignations of both the Greek and Italian Prime Ministers, with the new governments formed led by technocrats rather than politicians. Fears increased that the debt crisis in the region would suck liquidity from the international banking system, thus stifling global economic growth. This ultimately led to the announcement (on the last day of the month by six of the world largest central banks) of measures to reduce the cost of borrowing for banks, in an attempt to ensure sustainable liquidity in financial markets. Meanwhile, Mario Draghi replaced Jean-Claude Trichet as governor of the European Central Bank and immediately reversed his predecessor's most recent interest rate increase.

The Japanese stock market returned -4.8% over the month in yen terms (declining 0.9% in euro terms), while markets in the rest of the Pacific Basin also delivered a return of -4.8% in local currency terms (-3.7% for Irish investors). The Japanese economy expanded during the third quarter of the year, by 1.5%, after three consecutive quarterly contractions. In China, inflation fell back to 5.5% while the People's Bank of China surprised markets by reducing the bank reserve ratio requirement by 0.5%. Meanwhile, Hong Kong's economy expanded by 0.1% during the third quarter, compared with a 0.4% contraction in the previous three months.

Index Returns to 30th November 2011

Asset Class	1 Month %		11 Months %	
	Local Ccy	*Euro*	*Local Ccy*	*Euro*
Equities				
- Ireland	1.0	1.0	-2.8	-2.8
- UK	-0.2	0.8	-3.4	-3.3
- North America	-0.3	3.1	0.0	-0.5
- Eurozone	-2.4	-2.4	-14.1	-14.1
- Rest of Europe	-0.8	-1.6	-11.7	-11.5
- Japan	-4.8	-0.9	-18.0	-14.6
- Pacific Basin	-4.8	-3.7	-12.8	-13.6
Euro Bonds (> 5 Yrs)	-3.5	-3.5	-1.3	-1.3