

Pensions, Investments  
& Advisory Services



# Investment Update October 2011

A fresh approach to retirement planning



Thinking, **Years Ahead**

## Investment Update to 31<sup>st</sup> October 2011

### Group Pension Managed Funds Update to 31<sup>st</sup> October 2011

#### ***Fund Performance***

Irish pension managed funds recovered some of their recent losses during October, with an average return of 5.0% for the month. Kleinwort Benson Investors took top spot with a return of 6.0% for the month, while Aviva Investors propped up the league table with a return of just 3.5%. As a result of recent falls, managed funds have suffered a 5.8% loss on average over the first ten months of the year. Returns over this period ranged from a high of -2.6% (Setanta Asset Management) to a low of -7.4% (Merrion Investment Managers). Over the past twelve months the average fund returned -1.4%. Returns for the past year ranged from 0.6% (Setanta Asset Management) to -4.9% (Irish Life Investment Managers).

The average managed fund return has been a healthy 5.6% per annum over the past three years. The five year returns are all negative however, with an average return of -3.6% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 1.6% per annum on average, below the Irish inflation rate of 2.2% per annum over the same time horizon. Only three of the managed funds surveyed (those of Setanta Asset Management, Standard Life Investments and Zurich Life) outperformed inflation over this period.



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### Active Managed Fund Returns to 31<sup>st</sup> October 2011

	1 Month %	Rank	10 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	4.7	8	-5.1	4	-0.4	3	3.5	10	-4.0	5	0.8	9
Aviva Investors	3.5	11	-7.0	8	-3.0	10	2.7	11	-5.5	11	0.7	10
Canada Life/Setanta	4.4	9=	-2.6	1	0.6	1	7.2	2	-1.6	2	2.3	3
Friends First/F&C	5.1	6	-7.1	9	-1.8	8	5.5	7	-4.5	8=	1.3	7
Irish Life Investment Managers*	5.3	5	-7.2	10	-4.9	11	5.6	6	-4.3	6=	1.6	5
Kleinwort Benson Investors*	6.0	1	-4.6	3	-0.5	4	4.8	8=	-5.0	10	0.0	11
Merrion Investment Managers*	4.4	9=	-7.4	11	-2.7	9	6.7	4	-2.4	4	2.2	4
New Ireland*	5.7	2	-5.7	5	-1.1	6	5.8	5	-4.3	6=	1.4	6
Standard Life Investments	5.5	3=	-6.2	6	-0.6	5	8.3	1	-2.2	3	2.6	2
State Street Global Advisors	4.9	7	-6.5	7	-1.7	7	4.8	8=	-4.5	8=	1.2	8
Zurich Life*	5.5	3=	-4.3	2	0.4	2	6.9	3	-1.3	1	3.4	1
<b>Average</b>	<b>5.0</b>		<b>-5.8</b>		<b>-1.4</b>		<b>5.6</b>		<b>-3.6</b>		<b>1.6</b>	

### Consensus Fund Returns to 31<sup>st</sup> October 2011

	1 Month %	Rank	10 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	4.5	5	-5.4	4	-1.0	4	5.5	5	-3.8	5		
Aviva Investors	4.6	3=	-5.3	2=	-1.2	5=	5.2	6	-4.1	6	1.2	4
Friends First/F&C	4.2	6	-5.8	6	-1.2	5=	7.3	2	-2.9	1	2.0	1
Irish Life Investment Managers*	4.6	3=	-5.5	5	-0.8	3	5.9	4	-3.5	4	1.9	2
Standard Life Investments	5.8	1	-4.6	1	0.7	1	7.4	1	-3.3	2=		
State Street Global Advisors	4.8	2	-5.3	2=	-0.7	2	6.4	3	-3.3	2=	1.8	3
<b>Average</b>	<b>4.8</b>		<b>-5.3</b>		<b>-0.7</b>		<b>6.3</b>		<b>-3.5</b>		<b>1.7</b>	

### Multi-Manager Fund Returns to 31<sup>st</sup> October 2011

	1 Month %	Rank	10 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	5.5	1=	-4.9	2	0.4	2	7.1	2	-3.5	1		
Irish Life Investment Managers*	5.3	3	-5.1	3	-0.5	3	6.3	3	-3.8	2	2.0	1
Standard Life Investments	5.5	1=	-4.5	1	0.5	1	7.7	1	-4.2	3		
<b>Average</b>	<b>5.4</b>		<b>-4.8</b>		<b>0.1</b>		<b>7.0</b>		<b>-3.8</b>		<b>2.0</b>	

(\* Please note that these managers calculated their month-end prices based on market valuations as at close of business on Friday 28<sup>th</sup> October, due to Monday 31<sup>st</sup> October being a bank holiday in Ireland. All other managers calculated their month-end prices based on market valuations as at close of business on 31<sup>st</sup> October.)



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### **Market Review**

October was a positive month for equity markets across the globe, as governments in Europe worked to resolve the Eurozone debt crisis, economic data from the US improved and the third quarter earnings season got off to a strong start. Eurozone bonds declined 2.9% over the month, as investors' risk appetites returned.

The Irish stock market returned 8.9% during October. The financial sector outperformed the rest of the market with a 31.8% rise, in the wake of optimism regarding a solution being found to the Eurozone debt crisis. During a visit to Ireland, the International Monetary Fund's Chief Economist commented that the government should be able to resume borrowing by early 2013. Figures released by the Central Statistics Office showed that the country's trade surplus had increased to €3.7 billion in August. Meanwhile, an EU report suggested that Ireland was one of the most competitive and productive countries in the European Union.

UK equities gained 8.2% over the month in sterling terms (a 7.9% return in euro terms). The Bank of England's Monetary Policy Committee voted to maintain the official Bank interest rate at 0.5%, and to increase the asset purchase programme by £75 billion. Financial stocks took a hit when ratings agency Moody's downgraded the credit rating of twelve UK banks. There was good news for the economy as a whole, however, when Standard & Poor's reconfirmed the UK's AAA credit rating, suggesting that the economy was well positioned to come through the current sluggish period.

US equities returned 10.4% in dollar terms during October, returning 6.7% for Irish investors. Investor confidence returned to the market in the wake of positive economic data and a strong start to the third quarter earnings season. Figures were released which showed that the US economy had grown at an annualized rate of 2.5% in the third quarter (compared with 1.3% in the second quarter). Furthermore, the Federal Reserve hinted that a third round of quantitative easing would be considered, should the economy falter. Meanwhile, there was some good news on the jobs front too, as non-farm payrolls increased by more than had been expected in September, while the unemployment rate was unchanged at 9.1%. Retail sales also surprised on the upside, with a 1.1% rise in September. In corporate news, around 70% of companies that have already reported their third quarter earnings beat expectations.

The Eurozone region gained 8.6% over the month, while the rest of Europe recorded a 5.5% return (6.4% in euro terms). Once again, investor concerns were focused on the outlook for Eurozone debt, with efforts to resolve the crisis ongoing throughout October. These culminated with the EU Council Meeting at the end of the month, at which a revised stability plan was agreed. This plan involves increasing the size of the European Financial Stability Facility from €440 billion to €1 trillion, recapitalization of the banking sector and a 50% write-down on the value of Greek debt held by the private sector. The markets initially reacted positively to the plan; however, the Greek Prime



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Minister, George Papandreou, subsequently announced that he intended to hold a referendum on the portion of the plan applicable to his country.

The Japanese stock market returned just 0.9% over the month in yen terms (declining 4.1% in euro terms), while markets in the rest of the Pacific Basin delivered a return of 7.9% in local currency terms (9.3% for Irish investors). Data was released which showed that the Chinese economy had expanded at an annual rate of 9.1% in the third quarter, its slowest pace since 2009. In other news, Chinese inflation fell back to 6.1% in September, from a three-year high of 6.5% in July, while the Purchasing Managers' Index came in at a better-than-expected 51.1 in October. Elsewhere, Bank Indonesia cut interest rates by 0.25%, while the Reserve Bank of India increased rates for the thirteenth time since March 2010.

### **Index Returns to 31<sup>st</sup> October 2011**

Asset Class	1 Month %		10 Months %	
	Local Ccy	Euro	Local Ccy	Euro
Equities				
- Ireland	8.9	8.9	-3.7	-3.7
- UK	8.2	7.9	-3.2	-4.0
- North America	10.4	6.7	0.3	-3.5
- Eurozone	8.6	8.6	-12.0	-12.0
- Rest of Europe	5.5	6.4	-10.9	-10.1
- Japan	0.9	-4.1	-13.8	-13.8
- Pacific Basin	7.9	9.3	-8.4	-10.3
Euro Bonds (> 5 Yrs)	-2.9	-2.9	2.2	2.2

