

Pensions, Investments
& Advisory Services



Investment Update September 2009

A fresh approach to retirement planning



Thinking, **Years Ahead**

Investment Update to 30th September 2009

Group Pension Managed Funds Update to 31th September 2009

Fund Performance

For the seventh month in a row, Irish pension funds delivered a positive performance during September, returning 2.6% on average. The best performing managed fund in September was that of Irish Life Investment Managers, which returned 3.1%. Friends First/F&C propped up the league table with a 2.1% return for the month. The third quarter of 2009 was the best quarter for Irish pension funds since the fourth quarter of 1999, and saw an average return of 11.8%. Irish Life Investment Managers were the best performing manager over the quarter, as their managed fund returned 14.7%, while Aviva Investors were the worst, delivering a managed fund return of 10.6% for the three months.

Returns are also positive for the year to date, with the average fund having gained 17.9% over this period. In the nine months to the end of September, returns ranged from 26.1% (Merrion Investment Managers) to 11.6% (AIB Investment Managers), representing a difference of 14.5% between the best and worst performing managers so far this year. Over the past twelve months the average fund delivered -1.0%, with returns ranging from 4.3% (Merrion Investment Managers) to -7.7% (AIB Investment Managers).

The average managed fund return has been a very disappointing -7.5% per annum over the past three years. However, the five year returns to the end of September are once again positive on average, delivering a mean return of 1.4% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 1.5% per annum on average, well below the Irish inflation rate of 3.0% per annum over the same time horizon. Indeed, only Merrion Investment Managers outperformed inflation over this period with a return of 4.1% per annum, while all of the other fund managers, except KBC Asset Management, delivered positive returns over 10 years.



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Active Managed Fund Returns to 30th September 2009

	1 Month %	Ra3 Months nk %	Ra9 Months nk %	Ra1 Year nk %	Ra3 Years nk % p.a.	Ra5 Years nk % p.a.	Ra10 Years nk % p.a.	Ra nk
AIB Investment Managers	2.6	4= 10.9	8 11.6	11 -7.7	11 -8.1	6 1.4	6 0.0	10
Aviva Investors	2.6	4= 10.6	11 15.5	9 -6.1	10 -9.8	10 -0.2	9= 0.6	8=
Bank of Ireland Asset Management	2.5	8= 11.6	5 17.3	8 -1.3	8 -8.5	7= -0.3	11 1.8	5
Canada Life/Setanta	2.3	10 10.7	9= 17.4	6= 0.3	5= -5.7	3 2.3	4 1.9	4
Eagle Star/Zurich Life	2.8	2 12.4	3 18.1	4 2.0	2 -4.2	1 4.1	1 2.7	2
Friends First/F&C	2.1	11 11.3	7 17.4	6= -1.0	7 -8.8	9 0.7	7 0.6	8=
Irish Life Investment Managers	3.1	1 14.7	1 22.7	2 1.8	3 -7.3	5 1.8	5 2.0	3
KBC Asset Management	2.7	3 10.7	9= 13.9	10 -5.2	9 -10.4	11 -0.2	9= -0.8	11
Merrion Investment Managers	2.6	4= 13.3	2 26.1	1 4.3	1 -4.6	2 3.0	2 4.1	1
New Ireland	2.5	8= 12.1	4 18.0	5 0.3	5= -8.5	7= -0.1	8 1.7	6
Standard Life Investments	2.6	4= 11.5	6 19.4	3 1.6	4 -6.8	4 2.4	3 1.4	7
Average	2.6	11.8	17.9	-1.0	-7.5	1.4	1.5	

Consensus Fund Returns to 30th September 2009

	1 Month %	Ra3 Months nk %	Ra9 Months nk %	Ra1 Year nk %	Ra3 Years nk % p.a.	Ra5 Years nk % p.a.	Ra10 Years nk % p.a.	Ra nk
AIB Investment Managers	2.5	4= 11.8	4 17.2	5 -1.1	5 -7.9	5 1.3	3	
Aviva Investors	2.6	2= 11.6	5 16.1	6 -1.7	6 -8.4	6 0.4	5 0.7	4
Bank of Ireland Asset	2.5	4= 11.9	2= 18.4	2 -0.1	3 -7.4	1 1.6	2 1.3	2
Friends First/F&C	2.5	4= 11.4	6 18.0	3 0.2	2 -7.7	3= 1.2	4 1.1	3
Irish Life Investment Managers	2.6	2= 11.9	2= 17.9	4 -0.6	4 -7.6	2 1.7	1 1.5	1
Standard Life Investments	2.7	1 12.9	1 18.5	1 1.2	1 -7.7	3=		
Average	2.6	11.9	17.7	-0.4	-7.8	1.2	1.2	

Multi-Manager Fund Returns to 30th September 2009

	1 Month %	Ra3 Months nk %	Ra9 Months nk %	Ra1 Year nk %	Ra3 Years nk % p.a.	Ra5 Years nk % p.a.	Ra nk
AIB Investment Managers	2.4	3 11.5	3 19.3	1 0.8	1 -7.8	1= 1.2	2
Irish Life Investment Managers	2.7	2 12.2	1 17.5	3 -0.4	3 -7.8	1= 1.4	1
Standard Life Investments	3.0	1 12.1	2 18.7	2 0.7	2 -9.5	3 0.5	3
Average	2.7	11.9	18.5	0.4	-8.4	1.0	



Investment Update to 30th September 2009

Market Review

Equity markets experienced a volatile month during September, as economic data was mixed and investors feared that the market recovery was overdone ahead of the release of third quarter corporate earnings results in October. The International Monetary Fund raised its forecast for global growth in 2010, to 2.9%, while maintaining the view that the global economy would contract by 1.3% in 2009. Eurozone bonds returned 0.7% over the month, as the outlook for inflation and interest rates remains benign.

Irish equities continued to recover from the low levels reached in March, returning 8.5% during September. Financial stocks continued to outperform the rest of the market, delivering 25.8% as plans for the National Assets Management Agency (NAMA) advanced. NAMA will buy "appropriate loans" from the banks, paying for these with bonds issued by either the Government or NAMA. This will allow the banks to replace non-performing loans with cash-like assets on their balance sheets. During September, it was revealed that NAMA will buy approximately €77 billion of loans from the main banks, at a discount of around 30%.

UK equities posted a 4.6% gain over the month in sterling terms (0.8% 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. Although the Bank maintained the asset purchase programme at £175 billion, future increases to the programme were not ruled out. Merger and acquisition activity showed signs of returning to the market, as it was announced that Unilever had agreed to purchase the personal-care brands of US rival Sara Lee, and Cadbury rejected a \$16 billion takeover offer from Kraft Foods, believing the offer undervalued the company.

US equities returned 3.8% in dollar terms (2.1% for Irish investors) during September. The Federal Reserve kept interest rates on hold again at their September meeting, reiterating that it would hold the benchmark rate "exceptionally low for an extended period". At the G20 meeting, the Fed announced that it would commence scaling back its emergency liquidity programmes. Concerns arose that the recent rally in equity markets had overestimated the pace of recovery of corporate earnings, leading to some uncertainty in the market ahead of next month's results season. In economic news, although the pace of job losses slowed in August, the unemployment rate rose to 9.7%, while existing home sales fell for the first time in five months during August. On the upside, however, consumer sentiment rose more than expected and is now back at its September 2008 level, while housing starts, jobless claims, industrial production and business activity indices all surprised on the upside.

The Eurozone region returned 4.4% over the month, while the rest of Europe recorded a 1.5% rise. The European Central Bank kept interest rates at the record low of 1.0%. ECB President, Jean-Claude Trichet, said that "the Bank won't necessarily raise interest rates when the time comes for it to start withdrawing other emergency stimulus measures". The Bank also indicated that it would only scale back on its emergency lending to the banks when credit flows return to normal and inflation risks begin to emerge. Towards month-end, Trichet further commented that "it is too early to start withdrawing stimulus measures and declare the crisis over".

The Japanese stock market declined 5.4% over the month in yen terms (-3.8% in euro terms), while markets in the rest of the Pacific Basin delivered a return of 6.8% in local currency terms (8.5% for Irish investors). The Japanese market struggled on the back of a weaker dollar, which negatively affects exporters. The Bank of Japan upgraded its assessment of the economy, saying that it sees "signs of recovery". China's economy expanded further in August, as record lending of \$1.1 trillion in the first half of the year helped to offset the impact of falling exports.



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Index Returns to 30th September 2009

Asset Class	1 Month %		3 Months %		9 Months %	
	Local Ccy	Euro	Local Ccy	Euro	Local Ccy	Euro
Equities						
- Ireland	8.5	8.5	24.2	24.2	45.9	45.9
- UK	4.6	0.8	22.1	13.8	20.6	27.6
- North America	3.8	2.1	15.1	11.2	20.6	15.9
- Eurozone	4.4	4.4	21.2	21.2	25.7	25.7
- Rest of Europe	1.5	1.4	16.7	19.3	27.0	28.1
- Japan	-5.4	-3.8	-1.5	1.9	7.8	3.8
- Pacific Basin	6.8	8.5	19.4	20.7	48.1	55.5
Euro Bonds (> 5 Yrs)	0.7	0.7	4.1	4.1	4.4	4.4

