Pensions, Investments
& Advisory Services

Investment Update September 2010

A fresh approach to retirement planning

Thinking, **Years Ahead**

Group Pension Managed Funds Update to 30th September 2010

Fund Performance

Irish pension managed funds delivered positive returns during September, with an average return of 1.7% for the month. Canada Life/Setanta took top spot with a return of 2.6% for the month, while Merrion Investment Managers propped up the league table with a 1.0% return. Over the third quarter of the year, the average fund returned 3.1% as managed funds gained ground in two of the three months. Canada Life/Setanta and Standard Life Investments had the best performing managed funds over the quarter, with returns of 4.5%, while Merrion Investment Managers had the worst performing fund over the quarter with a return of 1.9%.

The average managed fund has advanced 5.1% over the first nine months of the year; with returns ranging from a high of 8.4% (Standard Life Investments) to a low of 2.9% (Aviva Investors). Over the past twelve months the average fund returned 8.5%. Returns for the past year ranged from 12.8% (Standard Life Investments) to 6.9% (Merrion Investment Managers).

The average managed fund return has been a very disappointing -7.1% per annum over the past three years. The five year returns to the end of September are mostly negative, with an average return of -0.9% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 0.3% per annum on average, well below the Irish inflation rate of 2.4% per annum over the same time horizon. Indeed, none of the managed funds surveyed outperformed inflation over this period, while four of the funds failed to deliver positive returns over 10 years.

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Active Managed Fund Returns to 30th September 2010

	1 Month %	Rank	3 Months %	Rank	9 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	1.7	4=	3.2	3	5.1	5	7.1	9	-9.3	9	-1.3	6	-0.9	10
Aviva Investors	1.3	9=	2.5	9=	2.9	11	7.0	10	-10.0	11	-2.3	10=	-0.6	9
Bank of Ireland Asset	1.7	4=	3.0	6	4.5	9	7.7	7	-7.3	6	-2.1	9	0.7	6
Canada Life/Setanta	2.6	1	4.5	1=	5.4	3=	10.4	2	-4.1	1	0.1	4	0.5	7
Eagle Star/Zurich Life	1.4	8	2.8	8	4.6	8	8.2	5=	-4.8	2=	1.3	1	1.6	1
Friends First/F&C	1.6	6	2.9	7	5.4	3=	8.8	4	-8.4	8	-1.5	7	-0.3	8
Irish Life Investment Managers	1.3	9=	2.5	9=	5.0	6	7.5	8	-7.5	7	-0.9	5	1.0	3
KBC Asset Management	1.8	3	3.1	4=	5.6	2	9.2	3	-9.5	10	-2.3	10=	-2.0	11
Merrion Investment Managers	1.0	11	1.9	11	4.0	10	6.9	11	-4.8	2=	0.5	3	1.3	2
New Ireland	1.5	7	3.1	4=	4.7	7	8.2	5=	-7.1	5	-1.9	8	0.8	4=
Standard Life Investments	2.3	2	4.5	1=	8.4	1	12.8	1	-5.5	4	0.7	2	0.8	4=
Average	***1.7***		***3.1***		***5.1***		***8.5***		***-7.1***		***-0.9***		***0.3***	

Consensus Fund Returns to 30th September 2010

	1 Month %	Rank	3 Months %	Rank	9 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank	10 Years % p.a.	Rank
AIB Investment Managers	1.5	5	3.1	4=	5.7	3	8.2	5=	-7.6	5	-1.1	5		
Aviva Investors	1.4	6	3.0	6	5.3	6	8.2	5=	-7.8	6	-1.5	6	-0.3	4
Bank of Ireland Asset	1.7	3	3.4	3	6.1	2	9.1	2	-7.0	2	-0.6	2	0.4	3
Friends First/F&C	2.6	1	4.4	1	8.2	1	12.4	1	-6.2	1	-0.3	1	0.5	2
Irish Life Investment Managers	1.6	4	3.1	4=	5.5	4	8.5	4	-7.3	3=	-0.7	3	0.6	1
Standard Life Investments	2.5	2	3.5	2	5.4	5	8.7	3	-7.3	3=	-1.0	4		
Average	***1.9***		***3.4***		***6.0***		***9.2***		***-7.2***		***-0.9***		***0.3***	

Multi-Manager Fund Returns to 30th September 2010

	1 Month %	Rank	3 Months %	Rank	9 Months %	Rank	1 Year %	Rank	3 Years % p.a.	Rank	5 Years % p.a.	Rank
AIB Investment Managers	1.6	3	1.9	3	6.2	1	8.6	2	-7.3	1=	-1.0	1=
Irish Life Investment Managers	2.1	2	2.9	2	5.9	2	8.4	3	-7.3	1=	-1.0	1=
Standard Life Investments	2.6	1	3.0	1	5.7	3	9.4	1	-8.4	3	-1.9	3
Average	***2.1***		***2.6***		***5.9***		***8.8***		***-7.7***		***-1.3***	

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Market Review

September was a very good month for equity markets around the globe, as investors' risk appetites increased on the back of positive economic releases and encouraging corporate news flow. Eurozone bonds declined by 1.7% over the month. Once again the headline return camouflages a wide range of performances as the yield spread between German bunds and peripheral bonds (including Ireland) widened.

The Irish stock market was the worst performing of the major bourses in which Irish pension funds invest, with a return of 0.6%, during September. The financial sector underperformed the rest of the market with a 19.1% decline. A report from Barclays, which claimed that Ireland "may need to accept external assistance, if there are additional financial-sector losses or the economy worsens", sent financials tumbling. Uncertainty over the refinancing requirements of several major banks also affected the sector. On the last day of September, the government released details of the capital requirements for Anglo Irish Bank, Irish Nationwide and AIB. These requirements are expected to see the country's deficit rise to 32% of GDP in 2010. Figures were released showing that the economy contracted by 1.2% in the second quarter (compared with a 2.2% expansion in the first quarter). As a result of the banking sector woes and the GDP data, Irish bond yields reached record highs against German bund yields during the month.

UK equities posted a 6.3% return over the month in sterling terms (1.5% in euro terms). The Bank of England kept interest rates at the record low level of 0.5%. Despite this, lending to businesses fell for the fifth month in a row in July. In corporate news, Tesco announced its intention to bid for the Asian stores of Carrefour (valued at around $1 billion), while the BA/Iberia merger looks set to proceed following an agreement on how to deal with BA's pension deficit.

US equities returned 8.6% in dollar terms during September (1.4% for Irish investors). The Federal Reserve indicated that they would expand their quantitative easing programme if necessary "to support the economic recovery", and once again reiterated their intention to maintain the benchmark lending rate in a range of zero to 0.25% "for an extended period". Although mixed, economic news was broadly positive over the month, with improvements in unemployment, housing and durable goods data.

The Eurozone region gained 5.4% over the month, while the rest of Europe recorded a 4.3% rise (2.8% in euro terms). Banking stocks struggled on concerns over the adequacy of July's "stress tests" and the impact of the Basel III capital requirements. The European Commission increased its 2010 growth forecast for the Eurozone, from 0.9% to 1.7%, on the back of strong growth in the second quarter (most notably in Germany).

The Japanese stock market returned 3.9% over the month in yen terms (-2.8% in euro terms), while markets in the rest of the Pacific Basin delivered a return of 7.3% in local currency terms

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(4.8% for Irish investors). With the yen having recently reached, and maintained, a 15-year high against the dollar, the Japanese government intervened in the market to weaken the currency in an effort to support exporters. In China, factory output rose by 13.9% in the 12 months to August, while the Purchasing Managers' Index rose to a five-month high in September and is now firmly in expansion territory.

Index Returns to 30th September 2010

Asset Class	1 Month %		3 Months %		9 Months %	
	Local Ccy	*Euro*	*Local Ccy*	*Euro*	*Local Ccy*	*Euro*
Equities						
- Ireland	0.6	0.6	-5.5	-5.5	-7.5	-7.5
- UK	6.3	1.5	13.7	7.4	5.1	7.8
- North America	8.6	1.4	11.1	0.0	3.9	9.4
- Eurozone	5.4	5.4	7.9	7.9	-0.8	-0.8
- Rest of Europe	4.3	2.8	5.6	6.1	6.3	16.3
- Japan	3.9	-2.8	-0.5	-5.4	-7.6	8.2
- Pacific Basin	7.3	4.8	12.3	8.5	5.3	15.1
Euro Bonds (> 5 Yrs)	-1.7	-1.7	3.8	3.8	7.1	7.1