

Pensions, Investments  
& Advisory Services



# Investment Update September 2011

A fresh approach to retirement planning



Thinking, **Years Ahead**

## Investment Update to 30<sup>th</sup> September 2011

### Group Pension Managed Funds Update to 30<sup>th</sup> September 2011

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

Irish pension managed funds declined further during September, with an average return of -2.0% for the month. Merrion Investment Managers took top spot with a return of -1.0% for the month, while Irish Life Investment Managers propped up the league table with a return of -2.8%. As a result of the recent falls, managed funds have suffered an 8.9% loss on average over the third quarter of the year. Returns over the quarter ranged from a high of -5.7% (Setanta Asset Management) to a low of -11.7% (Irish Life Investment Managers). On average over the first nine months of the year, managed funds have declined 10.3%. Returns over this period ranged from a high of -6.6% (Setanta Asset Management) to a low of -11.8% (Irish Life Investment Managers). Over the past twelve months the average fund returned -5.1%. Returns for the past year ranged from -3.0% (Setanta Asset Management) to -8.5% (Irish Life Investment Managers).

The average managed fund return has been a disappointing 0.6% per annum over the past three years. The five year returns to the end of September are all negative, with an average return of -4.0% 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, 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 30<sup>th</sup> September 2011

	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	-1.8	3=	-8.4	4	-9.4	3	-3.6	2	-1.6	11	-4.3	5	0.7	10
Aviva Investors	-1.9	6	-9.0	5=	-10.1	5	-5.0	6	-1.5	10	-5.6	10=	0.8	9
Canada Life/Setanta	-1.2	2	-5.7	1	-6.6	1	-3.0	1	2.4	2	-2.1	2	2.3	3
Friends First/F&C	-2.4	8=	-10.1	10	-11.6	10	-5.9	9	0.4	6	-4.9	8=	1.2	6=
Irish Life Investment Managers	-2.8	11	-11.7	11	-11.8	11	-8.5	11	0.1	7=	-4.8	6=	1.5	5
Kleinwort Benson Investors	-2.4	8=	-9.0	5=	-10.0	4	-4.8	5	-0.5	9	-5.6	10=	-0.2	11
Merrion Investment Managers	-1.0	1	-7.8	3	-11.3	9	-6.0	10	1.6	4	-2.7	3=	2.1	4
New Ireland	-1.8	3=	-9.7	9	-10.8	6	-5.7	8	0.8	5	-4.8	6=	1.2	6=
Standard Life Investments	-2.5	10	-9.6	8	-11.1	8	-4.5	4	3.0	1	-2.7	3=	2.5	2
State Street Global Advisors	-1.8	3=	-9.2	7	-10.9	7	-5.6	7	0.1	7=	-4.9	8=	1.2	6=
Zurich Life	-2.1	7	-7.6	2	-9.3	2	-3.9	3	2.0	3	-1.8	1	3.3	1
<b>Average</b>	<b>-2.0</b>		<b>-8.9</b>		<b>-10.3</b>		<b>-5.1</b>		<b>0.6</b>		<b>-4.0</b>		<b>1.5</b>	<b>-2.0</b>

### Consensus Fund Returns to 30<sup>th</sup> September 2011

	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	-2.1	4=	-8.5	4	-9.5	1=	-4.1	3=	0.9	5	-4.1	5		
Aviva Investors	-1.9	3	-8.3	3	-9.5	1=	-4.5	6	0.5	6	-4.5	6	1.1	4
Friends First/F&C	-1.2	2	-7.9	2	-9.6	3=	-3.9	2	2.6	1	-3.2	1	1.9	1=
Irish Life Investment Managers	-2.1	4=	-8.6	5	-9.6	3=	-4.1	3=	1.1	4	-3.9	4	1.9	1=
Standard Life Investments	-0.5	1	-7.6	1	-9.8	6	-3.6	1	2.0	2	-3.8	3		
State Street Global Advisors	-2.3	6	-8.8	6	-9.6	3=	-4.1	3=	1.5	3	-3.6	2	1.7	3
<b>Average</b>	<b>-1.7</b>		<b>-8.3</b>		<b>-9.6</b>		<b>-4.1</b>		<b>1.4</b>		<b>-3.9</b>		<b>1.7</b>	

### Multi-Manager Fund Returns to 30<sup>th</sup> September 2011

	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	-1.0	2	-7.8	1	-9.8	2	-3.4	2	1.9	2	-3.9	1		
Irish Life Investment Managers	-0.5	1	-8.4	2	-9.9	3	-4.7	3	1.0	3	-4.1	2	2.0	1
Standard Life Investments	-1.9	3	-8.6	3	-9.4	1	-3.0	1	2.3	1	-4.7	3		
<b>Average</b>	<b>-1.1</b>		<b>-8.3</b>		<b>-9.7</b>		<b>-3.7</b>		<b>1.7</b>		<b>-4.2</b>		<b>2.0</b>	



## Investment Update to 30<sup>th</sup> September 2011

### **Market Review**

September was another volatile month, which saw all of the main equity markets lose ground. Uncertainty over the Greek debt situation, as well as a deteriorating economic outlook, fuelled investor nervousness. Eurozone bonds returned 1.3% over the month, as German bond yields fell to record lows.

The Irish stock market delivered a return of -2.8% during September. The financial sector underperformed the rest of the market with a 12.4% decline. Inflation fell back to 2.2% in the year to August (from 2.7% in the year to July), as figures were released showing that the hourly cost of labour in Ireland declined at an annual rate of 3.5% during the second quarter. This was the second largest decline in this statistic in the EU – with only Greece's labour costs falling at a faster rate.

UK equities posted a 4.8% loss over the month in sterling terms (a 2.2% loss in euro terms). Yet again, the Bank of England's Monetary Policy Committee (MPC) voted to maintain the official Bank interest rate at 0.5%, and also to maintain the asset purchase programme at £200 billion. Figures were released showing that retail sales had declined by 0.2% in August, leading to expectations that further quantitative easing could be on the way; these expectations were further increased following the release of minutes of the MPC's meeting.

US equities returned -7.2% in dollar terms during September (-0.9% for Irish investors). The Federal Reserve launched "Operation Twist" in an effort to drive down long-term interest rates in order to stimulate the struggling US economy. By swapping \$400 billion of short-term debt with longer-term debt, the Fed hopes to "twist" the yield curve and reduce the spread between long and short-dated bond yields. Meanwhile, President Obama proposed a new jobs initiative which would cost nearly \$450 billion, to be funded by higher taxes on the rich.

The Eurozone region lost 6.2% over the month, while the rest of Europe recorded a 2.3% decline (-5.7% in euro terms). Investor concerns, during September, were once again focused on the outlook for Greek debt, as numerous meetings among political leaders failed to deliver a firm plan on resolving the issue of handling the now almost inevitable write-down (default) of Greek bonds. The contagion effect spread to European banks over concerns regarding their exposure to the bonds of the beleaguered nation. Meanwhile, Italy's credit rating was unexpectedly downgraded by Standard and Poor's. Elsewhere, the Swiss government intervened in the currency market to protect the Franc.

The Japanese stock market was the best performing major bourse during September with a 0.6% loss over the month in yen terms (a 5.8% gain in euro terms), while markets in the rest of the Pacific Basin delivered a return of -7.6% in local currency terms (-7.5% for Irish investors). In China, industrial production came in below expectations, rising just 13.5% in August compared with



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a 14% increase in July. Manufacturing data also disappointed. There was some good news however, as inflation showed signs of having peaked, falling to 6.2% in August from 6.5% in July. Elsewhere, Australian business confidence fell in August, while New Zealand lost its AAA status, following downgrades by Fitch and Standard and Poor's. Meanwhile, interest rates were raised in India for the twelfth time in eighteen months.

### Index Returns to 30<sup>th</sup> September 2011

Asset Class	1 Month %		3 Months %		9 Months %	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Equities						
- Ireland	-2.8	-2.8	-14.8	-14.8	-11.6	-11.6
- UK	-4.8	-2.2	-13.0	-8.8	-10.6	-11.0
- North America	-7.2	-0.9	-13.8	-7.5	-9.2	-9.5
- Eurozone	-6.2	-6.2	-22.9	-22.9	-19.0	-19.0
- Rest of Europe	-2.3	-5.7	-14.5	-15.3	-15.6	-15.4
- Japan	-0.6	5.8	-10.3	1.6	-14.6	-10.1
- Pacific Basin	-7.6	-7.5	-14.8	-14.0	-15.1	-17.9
Euro Bonds (> 5 Yrs)	1.3	1.3	5.2	5.2	5.3	5.3