

INVESTMENT MANAGER

Willis

SURVEY

SEPTEMBER 2010

willis.com/ireland

GROUP PENSION MANAGED FUNDS PERFORMANCE STATISTICS AS AT SEPTEMBER 30, 2010

MANAGER	1 MTH		3 MTH		6 MTH		YTD		12 MTH		3 YRS PA		5 YRS PA		10 YRS PA	
	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK
ACORN LIFE	2.1	3	2.4	11	-0.6	4=	7.6	2	10.0	3	-6.3	5	-0.2	5	0.2	8
AIBIM	1.7	5=	3.2	4	-0.7	6	5.1	7	7.1	10	-9.3	10	-1.3	7	-0.9	11
AVIVA IRL	1.3	10=	2.5	9=	-1.5	10	2.9	13	7.0	11	-10.0	13	-2.3	11=	-0.6	10
BIAM	1.7	5=	3.0	6	-1.6	11	4.5	10	7.7	8	-7.3	7	-2.1	10	0.7	6
CANADA LIFE/SETANTA	2.6	1	4.5	1=	-0.5	3	5.4	4=	10.4	2	-4.1	1	0.1	4	0.5	7
DAVY	-0.2	13	0.3	13	-2.6	13	3.0	12	5.7	13	-9.4	11	-2.6	13	-1.5	12
F&C	1.6	8	2.9	7	-0.8	7	5.4	4=	8.8	5	-8.4	9	-1.5	8	-0.3	9
IRISH LIFE	1.3	10=	2.5	9=	-1.8	12	5.0	8	7.5	9	-7.5	8	-0.9	6	1.0	3
KBCAM	1.8	4	3.1	5	-0.4	2	5.6	3	9.2	4	-9.5	12	-2.3	11=	-2.0	13
MERRION	1.0	12	1.9	12	-1.0	8=	4.0	11	6.9	12	-4.8	2=	0.5	3	1.3	2
NEW IRELAND	1.7	5=	3.6	3	-1.0	8=	5.2	6	8.7	6	-7.0	6	-1.8	9	0.8	5
STANDARD LIFE	2.3	2	4.5	1=	1.8	1	8.4	1	12.8	1	-5.5	4	0.7	2	0.9	4
ZURICH	1.4	9	2.8	8	-0.6	4=	4.6	9	8.2	7	-4.8	2=	1.3	1	1.6	1
AVERAGE	1.6		2.9		-0.9		5.1		8.5		-7.2		-1.0		0.1	

AIBIM CONSENSUS	1.5	3.1	-0.4	5.7	8.2	-7.6	-1.1	N/A
AVIVA IRL CONSENSUS	1.3	3.0	-0.4	5.3	8.1	-7.7	-1.5	-0.3
BIAM CONSENSUS	1.7	3.4	-0.3	6.1	9.1	-6.9	-0.5	0.4
CANADA LIFE CONSENSUS	1.6	3.0	-0.6	5.4	8.3	-8.1	-1.8	-0.6
F&C CONSENSUS	2.6	4.4	1.8	8.2	12.4	-6.2	-0.3	0.5
IRISH LIFE CONSENSUS	1.6	3.1	-0.6	5.5	8.5	-7.3	-0.7	0.6
AVERAGE	1.7	3.3	-0.1	6.0	9.1	-7.3	-1.0	0.1

AVIVA IRL EURO MANAGED	2.8	4.5	-1.5	3.3	6.9	-6.9	0.3	0.0
BIAM EURO MANAGED	1.7	3.5	-0.7	4.9	9.4	-4.9	0.5	0.3
NEW IRELAND IRIS FUND	2.3	3.7	-2.0	4.9	9.1	-9.3	-3.0	-0.2

AIBIM MULTIMANAGER	1.6	1.9	-0.2	6.2	8.6	-7.3	-1.0	N/A
IRISH LIFE GLOBAL ACCESS	2.1	2.9	-0.7	5.9	8.4	-7.3	-1.0	N/A
SLI MULTIMANAGER	2.6	3.0	0.0	5.7	9.4	-8.4	-1.9	N/A

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INVESTMENT MARKET REVIEW Q3 2010

EQUITIES

REGION	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS (% P.A.)	5 YEARS (% P.A.)	10 YEARS (% P.A.)
MSCI World	3.6%	-3.8%	13.8%	-9.4%	-3.2%	-5.3%
MSCI Eurobloc	8.9%	-6.6%	-0.8%	-14.8%	-3.8%	-5.3%
MSCI North America	1.4%	-4.0%	18.3%	-7.9%	-3.3%	-6.1%
MSCI UK	10.2%	-0.9%	15.4%	-12.0%	-4.6%	-4.7%
MSCI Japan	-4.5%	-6.8%	6.4%	-10.3%	-6.4%	-7.1%
MSCI Asia Pacific ex Japan	11.6%	0.2%	17.8%	-5.7%	3.3%	2.9%
ISEQ Overall	-4.8%	-17.9%	-19.4%	-30.6%	-17.2%	-7.4%
MSCI World Growth	4.9%	-1.1%	20.0%	-5.3%	0.0%	-4.6%
MSCI World Value	3.4%	-3.7%	13.6%	-8.4%	-1.4%	-1.8%
MSCI World Small Cap	4.7%	-0.4%	22.2%	-4.8%	-1.3%	1.0%

NB: Returns are in Euro terms

Source: MoneyMate

- After a disappointing Q2 equity markets recovered well in Q3 with the MSCI World Index (in Euro terms) up by 3.6% for the quarter, primarily as a result of strong performance in September. The World equity market is now up 5.8% this year.
- The MSCI World equity index is now approximately 29% below the peaks reached in the summer of 2007 (and 50% above the March 2009 lows).
- Almost all developed regional equity markets recorded positive returns in Q3. Japan and Ireland were exceptions to this with both markets down more than 4%. The Japanese equity market was weaker as the stronger Yen negatively impacting their export driven economy. The Irish market was lower driven by a profit warning from the largest company in the Irish index, CRH. In addition, the cost of recapitalising the banking sector and uncertainties around fiscal austerity measures negatively impacted sentiment towards Irish shares that have a reliance on the domestic economy.
- Eurozone equity markets were one of the best performing regions, increasing by almost 9%. The Eurozone economy grew at a faster pace than expected predominantly as a result of the resilient German economy. Business confidence improved over the quarter, with German business confidence registering its highest level in over three years. The two tier economic recovery in the Eurozone widened during the quarter with Germany, Netherlands, Austria, Belgium and to a lesser extent France growing at a reasonable pace and Spain, Ireland, Portugal and Greece remaining in the doldrums.
- North American equities were from the perspective of Euro based investors one of the poorer performing regions. The US equity market was up over 11% in local currency terms, representing one of the strongest Septembers since 1939. However, when converted back in to Euro returns the US equity market was up just 1.4%. This illustrates again the impact that currency can have on investment returns. Within the US, equities performed well as fears of a double dip recession receded during September. However, the improving sentiment towards US equities was not backed up by any real improvement in the economic data. The unemployment data, housing data and sentiment data continued to remain mixed. In addition, the Federal Reserve indicated that another stimulus package remains a possibility as the underlying economic fundamentals may not be strong enough.
- In the UK, the market increased by 10.2%, offsetting the fall of 10.1% in the second quarter.

- Low inflation and the possibility of deflation remain a concern in Europe, the US and Japan. Central Banks in these economies continue to keep interest rates at historic lows and expectations are that interest rates will remain at these low levels for the majority of 2011. Interest rates have already started to increase in those economies that are experiencing renewed growth such as Australia, Canada, India and China.
- Equity market volatility is the only certainty between now and year end. Already this year we have seen four market falls of greater than 7% and three market rallies of 8%, 10% and 14%.

BONDS

REGION	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS (% P.A.)	5 YEARS (% P.A.)	10 YEARS (% P.A.)
Government Bonds						
■ ML Euro > 5 Year Index	3.6%	3.8%	6.9%	7.6%	4.0%	7.3%
Inflation Linked Bonds						
■ BarCap Eur Infl-Lkd All Maturities CPI	1.3%	1.0%	2.0%	3.7%	0.9%	3.7%
Corporate Bonds						
■ ML Euro Corporate AA Rated 10+ Years	4.4%	8.6%	15.4%	7.4%	3.3%	6.8%

NB: Returns are in Euro terms

Source: MoneyMate

- Bonds continue to be one of the most consistent performing asset classes. The prolonged economic uncertainty and safe haven status of bonds continued to attract investors in Q3. The Merrill Lynch greater than 5 year government bond index increased by 3.6% and is now up 7.2% year to date. Bonds have outperformed equities over the last 3, 5 and 10 years.
- Long term bond yields in France and Germany continued to hit new historic lows during the quarter. German and French government bonds continue to be regarded as the most secure government bonds in the Eurozone. The peripheral Eurozone economies of Greece, Ireland, Portugal and Spain continue to be regarded as the riskiest Eurozone Government bond investments. Both Spain and Ireland received credit rating downgrades during the quarter. Greece and Portugal received downgrades earlier in the year. As at 30th September 2010, the 10 year yields were as follows:
 - Germany 2.28%
 - France 2.66%
 - Greece 10.45%
 - Ireland 6.57%
 - Portugal 6.30%
 - Spain 4.12%
- In the US, bond yields fell to new lows with the Federal Reserve indicating that it is prepared to provide additional accommodation if needed to support the economic recovery. 10 year bonds in the US are yielding approximately 2.60%.
- In the near term, bonds continue to provide diversification benefits, a better match for pension scheme liabilities and protection against another deflationary shock. Over the medium term, however, these low yields do not seem sustainable.
- Eurozone corporate bonds continued to perform well, increasing 4.4% in Q3. Corporate bonds have now increased 14% this year, following a 16% increase in 2009.

ALTERNATIVE ASSETS

REGION	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS (% P.A.)	5 YEARS (% P.A.)	10 YEARS (% P.A.)
MSCI Emerging Market Equities	8.2%	4.1%	26.3%	-2.6%	7.6%	6.1%
Dow Jones/ AIG Commodity Index	1.1%	2.4%	17.5%	-6.8%	-7.3%	-1.8%
Credit Suisse/Tremont Hedge Fund Index	-1.9%	5.8%	21.5%	4.1%	4.0%	2.5%
€\$	9.4%	1.5%	-5.9%	-1.2%	2.6%	4.4%
€£	5.2%	-1.9%	-4.7%	7.1%	4.8%	3.7%

NB: Returns are in Euro terms

Source: MoneyMate

- Emerging equity markets continued to outperform developed market equities in Q3. The economic data from most emerging market economies continues to point to above trend growth. The Central Banks have responded by increasing interest rates. In addition, China was put under increased pressure from the US authorities to allow the Chinese Yuan to appreciate at a faster rate. The US are concerned that the Chinese are artificially keeping their currency undervalued to keep their export market competitive.
- The Euro strengthened significantly against the dollar during the quarter following the announcement that another stimulus package in the US was a possibility. Another stimulus package would increase the balance sheet of the Federal Reserve and this led to concerns surrounding the level of debt the US is accumulating. The Euro also strengthened against the British Pound. A strong Euro will negatively impact the economic growth prospects of the Eurozone.

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