

INVESTMENT MARKET REVIEW

Willis

SURVEY

Q4 2011

willis.com/ireland

GROUP PENSION MANAGED FUNDS PERFORMANCE STATISTICS AS AT DECEMBER 31, 2011

MANAGED FUNDS	1 MTH		3 MTH		6 MTH		YTD		12 MTH		3 YRS (PA)		5 YRS (PA)		10 YRS (PA)		VOLATILITY (5 YRS PA)
	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	
AIBIM	3.3	5=	7.8	5	-1.2	3	-2.2	3	-2.2	3	7.5	11	-4.2	5	0.6	9	12.2
AVIVA IRL LIFE	3.3	5=	6.9	10	-2.5	8	-3.7	6	-3.7	6	8.1	10	-5.5	11	0.5	10	12.6
CANADA LIFE/SETANTA	3.5	2=	7.7	6=	1.5	1	0.5	1	0.5	1	10.6	2	-1.3	1	2.0	3=	11.3
F&C	3.7	1	7.9	3=	-3.0	10	-4.6	9	-4.6	9	9.0	6=	-4.7	9	1.0	6=	13.1
IRISH LIFE	3.0	10	7.7	6=	-4.9	11	-5.0	10	-5.0	10	9.1	5	-4.6	6=	1.4	5	14.0
KLEINWORT BENSON	3.5	2=	8.4	1=	-1.4	4	-2.4	4	-2.4	4	8.7	8=	-5.2	10	-0.4	11	12.6
MERRION	2.2	11	6.1	11	-2.2	6	-5.9	11	-5.9	11	10.3	3	-2.8	4	2.0	3=	12.5
NEW IRELAND	3.5	2=	7.5	8=	-2.6	9	-4.2	8	-4.2	8	9.0	6=	-4.6	6=	1.0	6=	12.5
SSgA	3.3	5=	7.5	8=	-2.4	7	-4.1	7	-4.1	7	8.7	8=	-4.6	6=	1.0	6=	12.2
STANDARD LIFE	3.3	5=	8.4	1=	-2.0	5	-3.6	5	-3.6	5	11.7	1	-2.4	3	2.3	2	12.3
ZURICH	3.2	9	7.9	3=	-0.3	2	-2.1	2	-2.1	2	9.8	4	-1.5	2	3.1	1	11.6
AVERAGE	3.3		7.6		-1.9		-3.4		-3.4		9.3		-3.8		1.3		12.4

CONSENSUS FUNDS	1 MTH		3 MTH		6 MTH		YTD		12 MTH		3 YRS (PA)		5 YRS (PA)		10 YRS (PA)		VOLATILITY (5 YRS PA)
	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	
AIBIM CONSENSUS	3.0		7.3		-1.9		-2.9		-2.9		9.3		-4.0		N/A		12.3
AVIVA IRL CONSENSUS	2.8		7.5		-1.4		-2.7		-2.7		8.9		-4.1		0.9		12.2
CANADA LIFE CONSENSUS	3.4		7.8		-1.5		-2.7		-2.7		9.4		-4.3		0.7		12.4
F&C CONSENSUS	3.4		7.8		-0.8		-2.6		-2.6		11.1		-2.9		1.8		12.9
IRISH LIFE CONSENSUS	3.3		7.7		-1.6		-2.7		-2.7		9.8		-3.6		1.7		12.3
SSgA CONSENSUS	2.9		7.3		-2.1		-3.0		-3.0		10.0		-3.4		1.6		12.5
AVERAGE	3.1		7.6		-1.6		-2.8		-2.8		9.8		-3.7		1.3		12.4

- Equity markets were volatile again this month. The FTSE World Index returned 3.5% in Euro terms while it returned 0.6% in local terms (the variation was due to the weakening of the Euro). The index has returned -3.4% in Euro terms, and -5.7% in local terms over the year.
- The Merrill Lynch > Five Year Government Bond Index returned 5.3% over the month and returned 3.9% over the year.
- On average, Managed funds returned 3.3% and Consensus funds returned 3.1% for the month. Positive equity and bond returns were the main contributors to this.
- In 2011, the average managed fund returned -3.4%, while the average consensus fund returned -2.8%.

Willis Risk Services (Ireland) Limited (trading as Willis)
Grand Mill Quay, Barrow Street, Dublin 4, Tel: +353 1 661 6211
89 South Mall, Cork, Tel: +353 21 427 7505
Crescent Court, St. Nessan's Road, Dooradoyle, Limerick, Tel: +353 61 218 900

Email: ebid@willis.ie
www.willis.com/ireland

The information contained in this summary is provided as a source of general information to clients of Willis. Specific legal and actuarial advice should be sought on any particular proposed transaction. We take no responsibility for any action taken as a result of information contained in this guide.

Willis Risk Services (Ireland) Limited (trading as Willis)
is regulated by the Financial Regulator.

10439/01/12

GROUP PENSION MANAGED FUNDS

PERFORMANCE STATISTICS AS AT DECEMBER 31, 2011

ACTIVE GLOBAL EQUITY FUNDS	1 MTH		3 MTH		6 MTH		YTD		12 MTH		3 YRS (PA)		5 YRS (PA)		10 YRS (PA)		VOLATILITY (% , 5 YRS PA)*
	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	
AIBIM	2.7	8=	10.5	7	-1.9	6	-3.1	4	-3.1	4	11.0	9	-5.6	8	-1.3	4	16.7
CANADA LIFE/SETANTA	3.8	5	12.1	2	3.1	2	0.5	2	0.5	2	14.8	3	-1.0	3	2.0	1	14.9
F&C	3.6	6	10.2	8	-4.1	7	-6.4	8	-6.4	8	13.5	6	-2.4	5	0.1	3	16.7
IRISH LIFE	2.7	8=	11.0	5	-6.7	10	-7.3	9	-7.3	9	16.7	1	N/A	-	N/A	-	17.8
KLEINWORT BENSON	6.9	1	11.7	4	3.2	1	1.9	1	1.9	1	14.6	4=	-0.9	2	N/A	-	15.2
MFS	2.1	10	12.0	3	-0.9	5	-1.3	3	-1.3	3	14.6	4=	0.8	1	N/A	-	14.6
RCM (RETURNS IN £)	4.3	3	8.1	9	-6.6	9	-4.8	7	-4.8	7	10.9	10	N/A	-	N/A	-	13.9
SSgA	3.9	4	12.7	1	0.6	3	-3.5	5	-3.5	5	12.9	7	-2.9	7	N/A	-	14.9
STANDARD LIFE	4.9	2	6.4	10	-4.9	8	-9.1	10	-9.1	10	15.7	2	-2.8	6	-1.4	5	18.7
ZURICH	3.5	7	10.7	6	-0.4	4	-3.8	6	-3.8	6	12.2	8	-1.4	4	1.8	2	15.2
FTSE WORLD INDEX	3.5		11.0		-0.7		-3.4		-3.4		14.9		-1.1		0.8		16.1
FTSE EUROZONE INDEX	-0.4		5.6		-18.6		-14.5		-14.5		4.4		-7.1		-0.1		21.1
FTSE WORLD EX-EUROZONE INDEX	4.0		11.7		2.1		-1.8		-1.8		16.6		-0.1		1.0		15.8

ACTIVE BOND FUNDS	1 MTH		3 MTH		6 MTH		YTD		12 MTH		3 YRS (PA)		5 YRS (PA)		10 YRS (PA)		VOLATILITY (% , 5 YRS PA)*
	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	
AIBIM	5.3	6	-1.4	8	3.8	6	3.8	6=	3.8	6=	2.6	6	3.3	6=	3.0	7	6.6
CANADA LIFE/SETANTA	4.9	8	-1.7	9	-0.9	9	-1.0	9	-1.0	9	0.5	9	2.1	9	3.7	6	6.1
F&C	6.5	4	-0.1	1=	7.5	1	7.0	1	7.0	1	4.6	2	3.6	5	N/A	-	8.4
IRISH LIFE	6.9	2=	-0.7	4	4.8	3	5.2	3=	5.2	3=	3.9	3	4.1	3	5.8	1	8.0
KLEINWORT BENSON	5.1	7	-1.1	7	3.4	8	3.7	8	3.7	8	2.0	8	3.3	6=	4.0	5	6.8
PIONEER	3.6	9	-0.3	3	3.5	7	5.2	3=	5.2	3=	5.3	1	5.0	1	5.2	3=	4.3
SSgA	6.9	2=	-1.0	6	4.5	4	3.8	6=	3.8	6=	2.3	7	3.1	8	5.4	2	8.5
STANDARD LIFE	5.8	5	-0.9	5	4.1	5	4.0	5	4.0	5	3.8	4	4.8	2	5.2	3=	6.9
ZURICH	7.0	1	-0.1	1=	6.9	2	6.3	2	6.3	2	3.6	5	4.0	4	N/A	-	8.6
MERRILL LYNCH > 5YR GOV INDEX	5.3		-1.3		3.8		3.9		3.9		2.9		3.9		5.2		6.7
MERRILL LYNCH > 10YR GOV INDEX	6.7		-1.3		4.5		4.2		4.2		2.9		3.4		5.6		8.5

ALTERNATIVES FUNDS	1 MTH		3 MTH		6 MTH		YTD		12 MTH		3 YRS (PA)		5 YRS (PA)		10 YRS (PA)		VOLATILITY (% , 5 YRS PA)*
	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	
ILIM DIVERSIFIED GROWTH	1.5	6	4.3	3	-3.1	6=	-5.2	7	-5.2	7	6.3	4	-4.4	3	N/A	-	12.6
SSgA DIVERSIFIED GROWTH	1.7	4=	8.0	1	-1.1	4	-0.1	4	-0.1	4	9.2	2	N/A	-	N/A	-	9.5
BNY MELLON	1.1	7	4.5	2	2.2	2	2.3	2	2.3	2	N/A	-	N/A	-	N/A	-	5.0
BLACKROCK DIVERSIFIED GROWTH	-0.2	9	0.3	7	-3.5	8	-1.3	5	-1.3	5	8.0	3	4.0	2	N/A	-	6.6
RCM DIVERSIFIED GROWTH	1.7	4=	2.2	5	-7.3	9	-5.6	8	-5.6	8	N/A	-	N/A	-	N/A	-	8.1
STANDARD LIFE GARS	2.2	2=	4.1	4	5.2	1	3.8	1	3.8	1	11.0	1	6.7	1	N/A	-	6.4
PIONEER MULTI STRATEGY GROWTH	2.6	1	-0.7	9	-3.1	6=	-6.4	9	-6.4	9	3.7	6	N/A	-	N/A	-	5.9
PIMCO UNCONSTRAINED BOND	0.4	8	0.6	6	-0.4	3	0.7	3	0.7	3	N/A	-	N/A	-	N/A	-	2.6
PIONEER MULTI STRATEGY	2.2	2=	-0.3	8	-2.2	5	-4.7	6	-4.7	6	4.1	5	N/A	-	N/A	-	4.2

* Where performance history is less than five years, volatility is annualised since inception.

EQUITIES

REGION	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS (% P.A.)	5 YEARS (% P.A.)	10 YEARS (% P.A.)
MSCI WORLD	10.7%	-1.8%	-4.5%	11.2%	-4.1%	-2.1%
MSCI EUROBLOC	5.8%	-18.8%	-16.5%	0.0%	-10.3%	-4.0%
MSCI NORTH AMERICA	14.2%	3.4%	1.7%	14.8%	-1.6%	-2.3%
MSCI UK	11.8%	0.5%	-3.0%	13.2%	-6.5%	-2.7%
MSCI JAPAN	-0.8%	-1.2%	-13.4%	2.0%	-7.9%	-2.2%
MSCI ASIA PACIFIC EX JAPAN	8.7%	-7.1%	-13.4%	18.8%	-0.7%	4.0%
ISEQ OVERALL	15.9%	-3.1%	0.6%	7.4%	-21.0%	-6.5%
MSCI WORLD GROWTH	11.3%	-0.2%	-2.0%	16.0%	0.2%	-0.1%
MSCI WORLD VALUE	11.4%	-1.1%	-1.7%	12.6%	-3.3%	0.6%
MSCI WORLD SMALL CAP	11.5%	-5.7%	-7.5%	19.1%	-1.9%	2.5%

NB: RETURNS ARE IN EURO TERMS

SOURCE: MONEYMATE

- World equities performed well over the quarter, despite persistent Eurozone worries. After a disappointing quarter 3, equity markets rallied in quarter 4, and provided positive double-digit returns. World equity markets finished the quarter up 10.7%, and nearly all regions posted positive returns. However, there was considerable volatility within the quarter, as fears over the future of the Euro made investors nervous. 2011 saw a lot of uncertainty in equity markets, and world equities returned -4.5% for the year.
- The strong rally early in the quarter was due to a relatively positive report on US employment in September, along with indications that Europe was near to an agreement on a recapitalisation plan for its struggling banks and an expansion of asset purchases at the Bank of England.
- On October 27, leaders of the Eurozone agreed a deal under which private banks and insurers would accept 50 percent losses on their Greek debt holdings. The deal also included an agreement to leverage up the European Financial Stability Facility (EFSF) to give it €1 trillion of funds, to be deployed in various ways. In addition to this, Eurozone leaders agreed the banking sector needed recapitalizing to the tune of around €106 billion. Following this, equities enjoyed a surge, however, fears that the agreement was just a temporary solution caused it to be a short-lived one.
- Greece, Spain and Italy saw changes in their Prime Minister over the quarter. Early in November, Greece's Papandreou stepped down to make way for a new coalition government in order to help Greece resolve its financial crisis. The nomination of Lucas Papademos, a pro-Euro Prime Minister for Greece restored some order in the markets. In Italy, following the approval of the budget, Berlusconi agreed to resign on condition that austerity measures were implemented. Mario Monti, an economist who served as a European Commissioner between 1995 and 2005 was appointed to lead a technocrat government until the next scheduled elections in 2013.
- The eighth gathering this year of European Union leaders took place on December 8/9 in Brussels, amid fears for the future of the currency. The U.K.'s Prime Minister David Cameron vetoed plans for Treaty change after failing to secure some concessions for the U.K. in relation to new financial regulations. However, the other 26 leaders agreed to an intergovernmental agreement on taxation and tighter control of spending by governments. They also pledged an earlier start to the €500 billion European Stability Mechanism (ESM), the successor to the EFSF. Following the agreement, Moody's said it will review the ratings of all European Union countries in the first quarter of 2012.

- At the end of December, the ECB introduced its first ever offering of three year funding, with the hope of providing credit to the market. Over 500 banks took up €489 billion euro at the offering, which was greater than expected. The ECB hopes that offering cheap, long-term funding will tempt banks to buy Italian and Spanish debt.
- In the U.S., positive economic indicators saw positive returns in equities. Faint signs of improvement were seen in the non-farm payroll and unemployment data, and consumer confidence figures were strong. However, fears for the future of the Euro, worries about the payroll tax cut extension, increasing geopolitical risk due to a possible oil embargo against Iran and the death of Kim Jong II all combined to cause minor upsets in the market.
- Over the quarter, the MSCI World returned 10.7%, while the MSCI Eurobloc returned 5.8%. Returns for 2011 however, finished negatively, with the MSCI World returning -4.5% and the MSCI Eurobloc -16.5%.

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	-1.3%	3.6%	3.9%	2.9%	3.9%	6.1%
INFLATION LINKED BONDS						
BARCAP EUR INFL-LKD ALL MATURITIES CPI	-2.6%	-4.7%	-2.8%	0.6%	0.7%	2.6%
CORPORATE BONDS						
ML EURO CORPORATE AA RATED 10+ YEARS	1.0%	5.5%	6.8%	9.9%	3.8%	5.7%

NB: RETURNS ARE IN EURO TERMS

SOURCE: MONEYMATE

- This quarter saw French bonds diverge further from those of similarly dated German bonds, with the spread between the two briefly reaching an historic level of 179 basis points. This was due to the perceived threat that France would succumb to the contagion of the Euro debt crisis. As speculation about the future of the Euro currency increased, peripherals also saw an increase in bond yields. As at December 31, 2011, the 10 year yields (and spreads over German bonds) were as follows:
- The European Central Bank again lowered official interest rates this quarter by 0.25%, down to 1%. Shorter-term bond yields declined as expected, while longer dated bond yields increased due to fear that increased fiscal union in the Eurozone would increase inflation in the future.
- An estimated €700 billion of Eurozone debt will need to be refinanced in 2012, with most of that falling in the first quarter of 2012. If the maturing debt cannot be refinanced by lenders, balance sheets will have to contract. An Italian bond auction at the end of December saw Italy's short-term debt costs half, as a new austerity package, and the introduction of three-year loads for banks gave some relief to the markets. Italy's longer-term borrowing costs also fell sharply, with the sale of ten-year bonds yielding 6.8%, compared with a yield of 7.56% at the end of November, which was a Euro lifetime record high, although this increased slightly to 7.0% by the end of the year.
- Eurozone corporate bonds continued to post positive returns, returning 1.0% for the quarter.

REGION	10 YEAR YIELD	SPREAD ABOVE GERMANY
GERMANY	1.8%	-
FRANCE	3.2%	1.4%
ITALY	7.0%	5.2%
SPAIN	5.1%	3.3%
PORTUGAL	13.6%	11.8%
IRELAND	8.5%	6.7%
GREECE	34.0%	32.2%

SOURCE: FINANCIAL TIMES

- In Q4, the Merrill Lynch greater than five year Government Bond Index returned -1.3% primarily due to the perceived threat to the Euro. Over 2011, bonds outperformed World equities by 8.4%.

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	7.6%	-11.6%	-17.7%	20.0%	0.4%	7.1%
DOW JONES/AIG COMMODITY INDEX	3.7%	0.1%	-10.5%	8.7%	-3.0%	0.8%
CREDIT SUISSE/TREMONT HEDGE FUND INDEX	0.6%	3.5%	-2.6%	9.9%	2.8%	2.2%
€//\$	-3.4%	-11.6%	-3.3%	-2.3%	-0.3%	3.7%
€/£	-3.1%	-8.1%	-2.6%	-5.0%	4.2%	3.1%

NB: RETURNS ARE IN EURO TERMS

SOURCE: MONEYMATE

- Emerging markets returned 7.6% in Q4 in Euro terms, underperforming many developed market equities yet again.
- Gold rose in value at the start of the quarter, before peaking in early November before it began to fall again. Over the quarter, 100oz of the precious metal sold for nearly \$1,800 in November, before retreating to under \$1,600 by the end of the quarter.
- The Euro weakened against the dollar during the quarter by 3.4%. The euro fell below \$1.30 in December, the first time in about a year. The Euro also weakened against the British Pound by 3.1%. A weak Euro will positively impact the economic growth prospects of the Eurozone and increase the value of non-Euro denominated investments to Euro based investors.

For further information on investment consulting issues contact:

Conor King

Tel: +353 1 639 6317

Email: conor.king@willis.ie

Sinéad Twohig

Tel: +353 1 639 6325

Email: sinead.twohig@willis.ie

or your local Willis Consultant.



Willis Risk Services (Ireland) Limited (trading as Willis)
Grand Mill Quay, Barrow Street, Dublin 4, Tel: +353 1 661 6211
89 South Mall, Cork, Tel: +353 21 427 7505
Crescent Court, St. Nessan's Road, Dooradoyle, Limerick, Tel: +353 61 218 900

Email: ebid@willis.ie
www.willis.com/ireland

The information contained in this summary is provided as a source of general information to clients of Willis. Specific legal and actuarial advice should be sought on any particular proposed transaction. We take no responsibility for any action taken as a result of information contained in this guide.

Willis Risk Services (Ireland) Limited (trading as Willis)
is regulated by the Financial Regulator.

10439/01/12