INVESTMENT MANAGER

Willis SURVEY

MARCH 2011

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

MANAGER	1 MTH %	1 MTH RANK	3 MTH %	3 MTH RANK	YTD %	YTD RANK	6 MTH %	6 MTH RANK	12 MTH %	12 MTH RANK	3 YRS PA %	3 YRS PA RANK	5 YRS PA %	5 YRS PA RANK	10 YRS PA %	10 YRS PA RANK
ACORN LIFE	- 0.4	1	0.2	3	0.2	3	7.9	1	7.3	2	0.8	4	- 0.6	4	2.0	4
AIBIM	- 2.4	6=	- 0.6	4=	- 0.6	4=	5.7	3	4.9	3	- 2.7	11	- 2.2	7	0.6	11
AVIVA IRL LIFE	- 2.0	5	- 0.7	6	- 0.7	6	5.0	5=	3.4	8	- 3.5	12	- 3.4	11	0.8	10
CANADA LIFE/SETANTA	- 1.8	2=	0.3	1=	0.3	1=	4.3	9=	3.7	6	1.7	2	- 0.5	3	1.8	5=
F&C	- 2.6	8=	- 1.4	10	- 1.4	10	5.0	5=	4.2	5	- 0.8	8	- 2.6	8	1.2	9
IRISH LIFE	- 2.4	6=	0.3	1=	0.3	1=	4.1	11	2.2	12	- 1.0	9	- 2.1	6	1.8	5=
KLEINWORT BENSON	- 1.8	2=	- 0.6	4=	- 0.6	4=	5.2	4	4.8	4	- 2.1	10	- 3.5	12	- 0.4	12
MERRION	- 3.5	12	- 2.1	12	- 2.1	12	3.7	12	2.6	11	0.7	5	- 0.8	5	2.2	3
NEW IRELAND	- 3.1	10	- 1.2	8	- 1.2	8	4.4	8	2.9	9	0.1	6	- 2.8	9	1.5	7
SSgA	- 3.2	11	- 1.3	9	- 1.3	9	4.5	7	2.8	10	- 0.5	7	- 3.0	10	1.4	8
STANDARD LIFE	- 1.8	2=	- 0.8	7	- 0.8	7	6.5	2	8.4	1	2.5	1	- 0.2	2	2.5	2
ZURICH	- 2.6	8=	- 1.6	11	- 1.6	11	4.3	9=	3.6	7	1.4	3	0.1	1	3.2	1
AVERAGE	- 2.3		- 0.8		- 0.8		5.1		4.2		- 0.3		- 1.8		1.6	
AIBIM CONSENSUS	- 2.4		- 0.7		- 0.7		5.2		4.7		- 0.7		- 2.0		N/A	
AVIVA IRL CONSENSUS	- 2.3		- 1.0		- 1.0		4.5		4.1		- 1.1		- 2.4		1.0	
CANADA LIFE CONSENSUS	- 2.3		- 0.8		- 0.8		5.0		4.5		- 0.8		- 2.6		0.7	
F&C CONSENSUS	- 2.3		- 1.5		- 1.5		4.7		6.5		0.4		- 1.3		1.8	
IRISH LIFE CONSENSUS	- 2.3		- 0.7		- 0.7		5.5		4.9		- 0.3		- 1.6		1.9	
SSgA CONSENSUS	- 2.4		- 0.6		- 0.6		5.5		5.2		0.1		- 1.3		1.8	
AVERAGE	- 2.3		- 0.9		- 0.9		5.1		5.0		- 0.4		- 1.9		1.4	
AVIVA IRL EURO MANAGED	- 1.4		- 0.2		- 0.2		5.1		3.5		- 0.8		- 0.8		1.7	
NEW IRELAND IRIS FUND	- 3.7		- 1.4		- 1.4		6.1		3.5		- 0.7		- 4.1		0.8	
SSgA EURO MANAGED	- 3.1		- 1.2		- 1.2		4.2		3.4		1.4		- 0.4		1.2	
AIBIM MULTIMANAGER	- 2.4		- 1.7		- 1.7		5.3		5.1		- 0.3		- 2.1		N/A	
IRISH LIFE GLOBAL ACCESS	- 1.5		- 0.5		- 0.5		5.2		4.5		- 0.4		- 2.1		N/A	
SLI MULTIMANAGER	- 1.6		- 0.4		- 0.4		5.9		6.7		- 0.2		- 2.8		N/A	

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GROUP PENSION ACTIVE EQUITY, BOND AND ALTERNATIVES FUNDS
PERFORMANCE STATISTICS AS AT MARCH 31, 2011

ACTIVE GLOBAL EQUITY FUNDS	1 MTH %	1 MTH RANK	3 MTH %	3 MTH RANK	YTD %	YTD RANK	6 MTH %	6 MTH RANK	12 MTH %	12 MTH RANK	3 YRS PA %	3 YRS PA RANK	5 YRS PA %	5 YRS PA RANK	10 YRS PA %	10 YRS PA RANK	VOLATILITY (%, 5 YRS PA)
AIBIM	-3.1	6	- 0.5	5	- 0.5	5	8.7	6=	6.6	7	- 3.3	7	- 3.6	7	N/A	-	16.4
CANADA LIFE/SETANTA	-2.5	4	0.0	4	0.0	4	7.8	8	5.8	9	3.4	3	0.0	2	N/A	-	14.4
F&C	-3.2	7	- 1.6	6	- 1.6	6	7.7	9	7.4	6	3.3	4	- 0.6	5=	0.1	-	16.1
IRISH LIFE	-3.4	8	0.8	2	0.8	2	11.0	2	8.7	4	N/A	-	N/A	-	N/A	-	17.5
KLEINWORT BENSON	-1.9	3	0.3	3	0.3	3	9.5	4	10.2	1	5.2	2	- 0.6	5=	N/A	-	14.5
MFS	-3.0	5	- 2.1	8	- 2.1	8	8.9	5	7.5	5	6.0	1	1.9	1	N/A	-	13.9
RCM*	0.1	1	1.0	1	1.0	1	12.8	1	8.8	3	N/A	-	N/A	-	N/A	-	12.3
STANDARD LIFE	-1.2	2	- 2.6	9	- 2.6	9	10.0	3	9.3	2	2.6	6	- 0.4	4	- 1.2	-	17.4
ZURICH	-3.5	9	- 1.8	7	- 1.8	7	8.7	6=	6.3	8	3.2	5	- 0.2	3	1.7	-	14.8
FTSE WORLD INDEX	-3.0		-1.1		-1.1		9.7		9.0		4.7		0.2		0.6		-
FTSE EUROZONE INDEX	-2.6		4.0		4.0		8.2		6.4		-2.7		-1.2		0.9		-
FTSE WORLD EX-EUROZONE INDEX	-3.1		-1.8		-1.8		10.0		9.4		6.1		0.4		0.6		-

ACTIVE BOND FUNDS	1 MTH %	1 MTH RANK	3 MTH %	3 MTH RANK	YTD %	YTD RANK	6 MTH %	6 MTH RANK	12 MTH %	12 MTH RANK	3 YRS PA %	3 YRS PA RANK	5 YRS PA %	5 YRS PA RANK	10 YRS PA %	10 YRS PA RANK	VOLATILITY (%, 5 YRS PA)
AIBIM	-0.8	2=	- 1.6	5	- 1.6	5	- 7.2	3	- 3.6	3	3.1	5	2.5	4=	2.2	4	5.8
CANADA LIFE/SETANTA	-0.5	1	- 0.6	1	- 0.6	1	- 5.9	1	- 5.8	7	2.8	7	2.4	6	4.1	3	5.4
F&C	-0.9	4=	- 1.9	6	- 1.9	6	- 9.1	6	- 3.7	4	3.5	4	2.0	7	N/A	-	7.6
IRISH LIFE	-0.8	2=	-1.4	3	-1.4	3	-8.1	5	-1.9	2	4.7	2	3.1	2	5.6	1	7.1
KLEINWORT BENSON	-0.9	4=	- 1.5	4	- 1.5	4	- 7.4	4	- 4.3	5	2.9	6	2.5	4=	N/A	-	6.1
STANDARD LIFE	-0.9	4=	- 1.3	2	- 1.3	2	- 6.7	2	- 1.7	1	5.4	1	4.0	1	5.0	2	6.0
ZURICH	-1.3	7	- 2.4	7	- 2.4	7	-10.5	7	- 4.5	6	3.7	3	2.6	3	N/A	-	7.8
MERRILL LYNCH > 5YEAR GOV INDEX	-0.9		-1.5		-1.5		-7.1		-3.5		3.7		3.1		5.0		-
MERRILL LYNCH > 10YEAR GOV INDEX	-1.0		-1.9		-1.9		-9.3		-4.0		3.6		2.5		5.4		-

ALTERNATIVES FUNDS	1 MTH %	1 MTH RANK	3 MTH %	3 MTH RANK	YTD %	YTD RANK	6 MTH %	6 MTH RANK	12 MTH %	12 MTH RANK	3 YRS PA %	3 YRS PA RANK	5 YRS PA %	5 YRS PA RANK	10 YRS PA %	10 YRS PA RANK	VOLATILITY (%, 5 YRS PA)**
ILIM DIVERSIFIED GROWTH	- 1.9	5	- 0.1	4	- 0.1	4	5.0	2	3.2	5	- 3.0	3	N/A	-	N/A	-	12.7
SSgA DIVERSIFIED GROWTH	-0.9	4	1.5	2	1.5	2	6.0	1	7.7	3	N/A	-	N/A	-	N/A	-	9.1
STANDARD LIFE GARS	0.6	1	0.1	3	0.1	3	- 0.7	5	6.0	4	9.2	1	N/A	-	N/A	-	6.1
BNY MELLON	0.1	2=	- 0.3	5	- 0.3	5	3.2	4	9.1	1	N/A	-	N/A	-	N/A	-	3.5
BLACKROCK DIVERSIFIED GROWTH	0.1	2=	1.7	1	1.7	1	3.8	3	7.8	2	5.8	2	5.4	-	N/A	-	6.6

* Returns in Sterling
** Where performance history is less than five years, volatility is annualised since inception

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INVESTMENT MARKET REVIEW Q1 2011

EQUITIES

REGION	3 MONTHS	6 MONTHS	1 YR	3 YRS (% P.A.)	5 YRS (% P.A.)	10 YRS (% P.A.)
MSCI WORLD	-1.4%	8.9%	6.0%	1.2%	-3.1%	-2.4%
MSCI EUROBLOC	3.6%	6.5%	1.6%	-6.9%	-5.0%	-2.9%
MSCI NORTH AMERICA	-0.1%	12.4%	9.0%	4.4%	-2.0%	-2.7%
MSCI UK	-2.8%	4.3%	4.7%	-2.5%	-5.0%	-3.1%
MSCI JAPAN	-11.0%	1.4%	-5.2%	-1.8%	-9.2%	-4.5%
MSCI ASIA PACIFIC EX JAPAN	-3.7%	5.4%	7.1%	5.6%	3.6%	5.0%
ISEQ OVERALL	0.1%	7.9%	-9.2%	-22.4%	-18.6%	-6.3%
MSCI WORLD GROWTH	-1.9%	10.0%	10.2%	4.9%	0.1%	-0.4%
MSCI WORLD VALUE	0.3%	10.1%	7.3%	3.2%	-1.4%	0.1%
MSCI WORLD SMALL CAP	0.1%	16.1%	17.1%	9.1%	-1.2%	3.8%

NB: Returns are in Euro terms Source: MoneyMate

- Despite two major earthquakes (one of which was the fifth largest ever on record), a devastating tsunami, the resignation of a European Prime Minister, major military intervention in North Africa, threats of rising interest rates (or indeed some actual hikes) in some major economies and a 15% rise in the price of oil, equity markets performed well over the quarter in local currency terms, with the MSCI World returning 3.1%.
- However, strong suggestions from the ECB that an interest rate hike is forthcoming strengthened the Euro significantly and this offset the regional gains experienced by most non-Euro developed markets. In Euro terms (i.e. from the point of view of a Euro denominated investor), the MSCI World returned -1.4%.
- In the U.S., unemployment fell and consumer sentiment and spending rose. The MSCI North America gained 5.4% in local terms but the gains in the €/$ rate led to a -0.1% return in Euro terms.
- Headlines over March were dominated by the 9.0 magnitude earthquake in Japan. While structurally, Tokyo was not damaged as severely as other areas in Japan, leaking radiation and contaminated water from the Fukushima nuclear plant caused serious concern about long term safety in the region. With Tokyo and Eastern Japan running off a different power system to Western Japan, the power surpluses in Osaka and other areas of the West are useless, hampering rebuilding efforts and repair work.
- In 2007, the GDP of Tokyo was higher than that of India and three times the size of Sweden. Now accounting for one third of the GDP of Japan (the third largest economy in the world), Tokyo is a key part of the world economy. While much of the industrial heartland of Japan was spared the worst of the earthquake, the infrastructure – roads, bridges and ports – were badly damaged. Japanese markets experienced high volatility and it remains to be seen what timeframe we can expect for a recovery.
- European markets lag behind the U.S. due to fears of interest rate increases. At an ECB conference in February, ECB president Jean Claude Trichet used the phrase 'strong vigilance' in reference to interest rates – a phrase which historically has nearly always preceded a rate hike. While events in Japan reduced the likelihood of a rate hike a small amount, Eurozone inflation of 2.6% in March (compared to the ECB target of 2%) means that an increase in April is still likely. The MSCI Eurobloc gained 3.6% in Q1 and European markets are approximately 4-5% off one year highs.
- With U.K. inflation running at 4% in January and 4.4% in February, there are strong indications that the Bank of England will also raise interest rates in the short term. However, policy makers in the Bank of England are split over the issue; some argue an interest rate hike will curb inflation and point to expected inflation of above 5% later this year – others argue that a hike will cause unnecessary short term volatility. U.K. markets were muted relative to European peers off the back of this fear and returned -2.8%.
- Irish markets were roughly static for most of the quarter amid speculation regarding the results of the bank stress tests released by the Central Bank on March 31. Designed to ensure banks have sufficient capital to cover the most extreme economic circumstances, the stress tests showed that a further €24 billion in capital was required by the Irish banking sector. Of this amount, €4 billion was required by Irish Life and Permanent – the only government guaranteed banking institution so far to not require government intervention. The markets responded reasonably well to the results and the ISEQ finished the quarter up 0.1%.

BONDS

REGION	3 MTH	6 MTH	1 YR	3 YRS (% P.A.)	5 YRS (% P.A.)	10 YRS (% P.A.)
GOVERNMENT BONDS						
ML EURO > 5 YEAR INDEX	-1.5%	-7.1%	-3.5%	3.7%	3.1%	5.0%
INFLATION LINKED BONDS						
BARCAP EUR INFL-LKD ALL MATURITIES CPI	0.6%	-2.6%	-1.5%	1.6%	1.4%	3.1%
CORPORATE BONDS						
ML EURO CORPORATE AA RATED 10+ YEARS	-1.2%	-7.5%	0.7%	5.4%	2.6%	5.3%

NB: Returns are in Euro terms. Source: MoneyMate

- Bonds continue to be one of the most consistent performing asset classes over the longer term. The prolonged economic uncertainty and safe haven status of core bonds continues to attract investors, even if the peripherals continue to lack stability. Bonds have outperformed equities by 8.3% pa over 10 years.
- In the shorter term, the Merrill Lynch greater than five year Government Bond Index had a poor quarter as investors demanded higher yields amidst the worsening sovereign debt crisis and returned -1.4% for the quarter.
- Long-term bond yields in France and Germany rose slightly during the quarter. German 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 with Italy not far behind. As at March 31, 2011, the 10 year yields (and spreads over German bonds) were as follows:
  - Germany 3.37%
  - France 3.71% (+0.34%)
  - Greece 13.02% (+9.65%)
  - Ireland 9.90% (+6.53%)
  - Italy 4.88% (+1.51%)
  - Portugal 8.64% (+5.27%)
  - Spain 5.37% (+2.00%)
- Portuguese bond yields rose to well over 8% during the quarter, amid rising concerns about their ability to repay a large amount of upcoming redemptions in April, a ratings downgrade to BBB- (the lowest rating above junk status and three notches below Ireland) and the political limbo the country finds itself in after Prime Minister José Sócrates resigned in March. By contrast, in October 2010 when Ireland was in negotiations for a bailout from the EU/IMF, bond yields were just under 7% and it is widely expected that a Portuguese bailout is forthcoming.
- With speculation surrounding the bank stress tests, a contraction in GDP for Q4 (compared to an expected rise) and further downgrading to BBB+ by S&P, Irish bond yields were above 10% at one point during the quarter. However, the S&P report notes that Ireland has 'stronger growth prospects' than Portugal and Greece and have placed Irish debt on stable outlook.
- In the near term, bonds continue to provide diversification benefits, a better match for pension scheme liabilities and protection against another deflationary shock. Increasing yields saw some investors move towards purchasing bonds.
- Eurozone corporate bonds returned -1.2% for the quarter.

ALTERNATIVE ASSETS

REGION	3 MTH	6 MTH	1 YR	3 YRS (% P.A.)	5 YRS (% P.A.)	10 YRS (% P.A.)
MSCI EMERGING MARKET EQUITIES	-3.9%	4.7%	10.5%	5.8%	4.9%	8.8%
DOW JONES/AIG COMMODITY INDEX	-1.3%	16.3%	22.3%	-2.1%	-2.6%	0.0%
CREDIT SUISSE/TREMONT HEDGE FUND INDEX	-0.9%	5.6%	7.6%	8.4%	3.0%	2.7%
€/$	5.5%	3.8%	4.7%	-3.7%	3.1%	4.6%
€/£	3.2%	2.1%	-0.8%	3.4%	4.7%	3.5%

NB: Returns are in Euro terms

Source: MoneyMate

- Emerging markets returned -3.9% in Q1 in Euro terms, underperforming developed market equities by 2.5%. China, India, Taiwan, Brazil and Korea all raised interest rates during the quarter and with high inflation forecast for the coming year, further rate increases may be forthcoming.
- The Euro significantly strengthened against the dollar during the quarter by 5.5% in Q1. The Euro also strengthened against the British Pound by 3.2%. A strong Euro will negatively impact the economic growth prospects of the Eurozone and reduce the value of non-Euro denominated investments to Euro based investors.

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