

Group Pension Managed Funds Update to 30th April 2007

Summary

During April, group pension managed funds consolidated their first quarter gains. Among the ten main managed fund providers, returns during April ranged from 1.1% (from Oppenheim Investment Managers) to 2.1% (achieved by Standard Life Investments). The average fund returned 1.6% over the month. As a result, over the first four months of the year the average fund has made a gain of 2.8%. Over this period, Standard Life Investments were the best performing managers with a return of 4.2%, while BIAM propped up the table with a disappointing 1.6%. Returns for the past twelve months were 10.3% on average, with individual returns ranging from 6.8% (Setanta Asset Management) to 13.2% (achieved by both AIB Investment Managers and Standard Life Investments). Over the past three years, the average managed fund has shown a gain of 14.5% per annum. For the five year period to the end of April, the average performance is a more modest, but still respectable, 7.6% per annum. Returns over the past ten years, which include all of the impact of the bursting of the technology bubble in 2000 and the subsequent bear market, have been a healthy 8.9% per annum on average. When considering these returns it is important to remember that the investment horizon of most pension schemes is generally over 25 years, and that equities have historically provided significantly higher returns over the long-term than bonds, property or cash, although at the cost of greater volatility.

Market Review

With the exception of Japan, all major equity markets posted gains during April. Positive earnings news and ongoing merger and acquisition activity supported markets. However, rising inflation caused concerns in the US and the UK. The euro reached record highs against the US dollar and the Japanese yen. While this eroded the returns earned on US and Asian stocks for Irish investors, it boosted the local currency performance of exporting stocks in these countries. Concerns over the Spanish housing market led European stocks downwards in the last week of the month.

Irish equities rose 1.2% during April. Financial stocks lagged the rest of the market, as rising inflation and falling house prices impacted on the outlook for the sector. Construction stocks were weak for similar reasons. Merger and acquisition activity supported several Irish stocks, notably C&C and United Drug.

UK equities returned 2.5% in sterling terms over the month, although the strength of the euro reduced this to 1.9% for Irish investors. On the economic front, first quarter GDP came in above expectations at 0.7% (2.8% year-on-year), while inflation remains well above the Bank of England's 2% target at 3.1%. The housing market remained buoyant. Merger and acquisition news supported the market at the stock level. Companies involved in such activities included Alliance Boots, BHP Billiton, Barclays Bank, Scottish & Newcastle and SurfControl.

US equity indices reached all time highs during April, with the market rising 4.1% overall in dollar terms. However, the dollar fell to its lowest ever level against the euro, eroding the return earned by Irish investors to just 1.8%. The market was driven by strong first quarter earnings results and corporate activity. Of the top 500 US companies, 434 had announced first quarter results by the end of the month. Of these, 67% delivered above expectation earnings, with an overall growth in earnings of 9% compared with the 4% that had been expected. Buyouts, spin-offs, mergers and restructuring deals were announced by Sallie Mae, Altria, Citigroup and Dow Jones.

European bourses were the best performing markets during April. The Eurobloc index returned 4.8%, while the index for the rest of Europe rose 6.5%. Positive economic news, strong earnings growth, and continued merger and acquisition activity supported markets. The European Central Bank kept interest rates on hold in April, but indicated that further increases are likely over the summer. The jobless rate fell to its lowest level on record, while the economy experienced its fastest rate of growth in six years. Consumer confidence remains high, while inflation is broadly in line with the ECB's target of 2%. Many companies delivered good first quarter earnings results, which pushed share prices higher. These included Nokia, ASML and Phillips Electronics. Mergers and acquisitions continued apace in the region. Notable deals included a bid for Puma from French luxury goods group PPR, a bidding war for ABN AMRO, and a proposed merger between property companies Unibail and Rodamco Europe. A shock 48% decline in the share price of Spanish property company Astroc caused panic in the sector. Construction and banking stocks were also affected.

Japan was the worst performing equity market during April, declining 0.7% in yen terms. The strength of the euro reduced this to a disappointing -4.3% for Irish investors. Economic news was not as good as had been expected. Price inflation fell 0.3% over the year to the end of March, while retail sales, industrial production and household spending were also poor. On a more positive note, interest rates were kept on hold, while the weak yen boosted exporters.

Pacific Basin markets experienced mixed fortunes over the month, with Korea rising 5.2% compared with a 0.1% decline in Taiwan. All of the other bourses in the region rose between 2.2% and 4.8%. Concerns that the Chinese government may introduce measures to cool the economy caused panic across the region, but this was short-lived. By month end, the index for the Pacific Basin excluding Japan had risen 2.9%.

Bond prices declined over the month in response to concerns over inflation and rising interest rates, which is good news for pension schemes as the cost of annuities moves in line with bond prices.

Tables

1. Group Pension Managed Fund Returns to 30th April 2007

	1 Month %	4 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.
AIB Investment Managers	1.7	4.0	13.2	16.0	7.2	8.2
Bank of Ireland Asset Management	1.7	1.6	8.2	11.9	6.7	9.0
Canada Life/Setanta	1.3	2.3	6.8	12.8	6.5	7.7
Eagle Star	1.8	3.6	11.3	15.9	8.8	9.4
Friends First/F&C	1.2	2.2	10.0	14.5	7.9	8.8
Hibernian Investment Managers	1.8	3.2	11.1	14.4	7.8	9.3
Irish Life Investment Managers	1.4	2.6	10.4	15.1	8.4	9.2
KBC Asset Management	1.6	2.4	10.0	14.3	6.2	8.0
Oppenheim Investment Managers	1.1	2.2	8.7	13.9	7.6	11.2
Standard Life Investments	2.1	4.2	13.2	16.0	8.9	8.3
Average	1.6	2.8	10.3	14.5	7.6	8.9

2. Equity Market Index Returns to 30th April 2007

Region	1 Month %		4 Months %	
	Local Ccy	Euro	Local Ccy	Euro
Ireland	1.2	1.2	1.5	1.5
UK	2.5	1.9	5.2	3.9
North America	4.1	1.8	5.1	1.8
Eurozone	4.8	4.8	8.5	8.5
Rest of Europe	6.5	6.2	10.9	9.1
Japan	-0.7	-4.3	1.3	-2.4
Pacific Basin	2.9	1.6	7.2	5.3

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