

Group Pension Managed Funds Update to 31st August 2008

Summary

Despite weak economic data and continued fallout from the sub-prime mortgage crisis, equity markets rallied during August as the oil price declined dramatically and the dollar strengthened against most major currencies. As a result, Irish pension managed funds rose by 2.0% on average. Setanta Asset Management were the best performing manager over the month with a return of 3.2%. Standard Life Investments delivered the worst performance over the month, with a return of 1.1%. Despite these positive returns, pension funds are still well in the red for 2008, by 15.2% on average. Irish pension funds have now lost 18.5% of their value over the past twelve months.

The average managed fund has shown a very disappointing return of 0.4% per annum over the past three years. The five year returns to the end of August are somewhat better, with the average managed fund delivering a return of 5.2% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 3.9% per annum on average, barely ahead of the Irish inflation rate of 3.8% per annum over the same time horizon. Indeed, only half of the funds surveyed outperformed inflation over this period.

Over the longer term, pension managed fund returns are considerably stronger. In the fifteen years to the end of August 2008, the average return was 7.2% per annum (based on 9 funds), while over the past twenty years the average fund has returned 8.0% per annum (based on 6 funds). Returns over these, and other, periods can be obtained by using the managed fund calculator tool on our website (www.rubiconic.ie/content/mfrcalculator.html).

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.

It is worth noting that members of defined benefit schemes and younger members of defined contribution schemes should not get overly worried about short or medium term declines in equity markets. However, older members of defined contribution schemes need to ensure that they adopt a lower risk investment strategy as they approach retirement age.

Tables

1. Group Pension Managed Fund Returns to 31st August 2008

	1 Month %	8 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.
AIB Investment Managers	2.1	-15.4	-17.0	2.4	6.2	3.4
Bank of Ireland Asset Management	1.6	-14.6	-19.9	-2.2	3.2	4.2
Canada Life/Setanta	3.2	-11.5	-14.3	0.3	5.7	4.1
Eagle Star	1.7	-13.8	-15.8	2.5	7.0	4.4
Friends First/F&C	2.1	-17.9	-21.3	-0.5	4.5	3.3
Hibernian Investment Managers	2.5	-16.9	-19.7	0.4	5.1	3.8
Irish Life Investment Managers	1.4	-16.9	-20.9	-0.2	5.4	4.2
KBC Asset Management	2.0	-16.9	-21.6	-0.7	3.7	2.5
Oppenheim Investment Managers	2.6	-12.6	-14.7	1.6	5.9	5.9
Standard Life Investments	1.1	-15.1	-19.4	0.8	5.6	3.2
Average	2.0	-15.2	-18.5	0.4	5.2	3.9

2. Equity Market Index Returns to 31st August 2008

Region	1 Month		8 Months	
	%		%	
	<i>Local Ccy</i>	<i>Euro</i>	<i>Local Ccy</i>	<i>Euro</i>
Ireland	3.3	3.3	-33.5	-33.5
UK	5.1	2.5	-10.0	-18.1
North America	1.5	7.3	-10.1	-11.2
Eurozone	1.2	1.2	-20.3	-20.3
Rest of Europe	1.4	2.2	-13.3	-12.0
Japan	-3.6	1.8	-14.4	-12.5
Pacific Basin	-1.7	-1.2	-19.5	-22.6

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