

Group Pension Managed Funds Update to 31st August 2009

Summary

For the sixth month in a row, Irish pension funds delivered a positive performance during August, returning 2.8% on average. The best performing managed fund in August was that of Irish Life Investment Managers, which returned 3.9%. Aviva Investors propped up the league table with a 2.0% return for the month.

Returns are also positive for the year to date, with the average fund having gained 15.0% over this period. In the eight months to the end of August, returns ranged from 22.9% (Merrion Investment Managers) to 8.8% (AIB Investment Managers), representing a difference of 14.1% between the best and worst performing managers so far this year. Over the past twelve months the average fund delivered -11.7%, with returns ranging from -7.4% (Eagle Star/Zurich Life) to -17.3% (AIB Investment Managers).

The average managed fund return has been a very disappointing -7.7% per annum over the past three years. The five year returns to the end of August are once again positive, with the average managed fund delivering a return of 1.2% per annum over this period. Irish group pension managed fund returns over the past ten years have been a disappointing 1.0% per annum on average, well below the Irish inflation rate of 3.1% per annum over the same time horizon. Indeed, only Merrion Investment Managers outperformed inflation over this period with a return of 3.6% per annum, while all of the other fund managers, except AIB Investment Managers and KBC Asset Management, delivered positive returns over 10 years.

Equities have historically provided significantly higher returns over the long-term than bonds, property or cash, although at the cost of greater volatility; trying to “time” the markets may lead to losses being crystallized, rather than recouped when equities rebound. It is interesting to note that over the past six months, since the end of February, funds have gained an average of 24.2%. Investors who may have moved out of equities at the end of 2008, in an attempt to avoid stock market turbulence, will have missed out on this “bounce”.

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.

Performance Table

	1 Month %	8 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.
AIB Investment Managers	2.6	8.8	-17.3	-8.3	1.1	-0.5
Aviva Investors	2.0	12.5	-17.1	-10.0	-0.5	0.1
Bank of Ireland Asset Management	2.9	14.5	-10.7	-8.9	-0.7	1.3
Canada Life/Setanta	2.7	14.7	-8.8	-5.9	2.0	1.5
Eagle Star/Zurich Life	2.3	14.8	-7.4	-4.5	3.9	2.1
Friends First/F&C	2.9	15.0	-12.2	-8.8	0.5	0.2
Irish Life Investment Managers	3.9	19.0	-10.1	-7.7	1.4	1.4
KBC Asset Management	2.4	10.9	-16.0	-10.6	-0.6	-1.2
Merrion Investment Managers	3.6	22.9	-7.7	-5.0	2.7	3.6
Standard Life Investments	3.0	16.3	-9.3	-7.0	2.1	0.9
Average	2.8	15.0	-11.7	-7.7	1.2	1.0

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