



Group Pension Managed Funds Update to 31st October 2005

Group Pension Managed Funds fell back somewhat during October with the average fund returning -2.1%. In the first ten months of the year, the average fund return was still quite strong at 13.4%, while over the past twelve months managed funds have returned a healthy 18.2% on average. Over the three years to 31st October 2005 the average fund return has been 11.1% per annum. In the five-year period ended 31st October pension managed funds have, on average, returned a disappointing 0.5% p.a. However, the ten year period to the end of October saw an average return of 9.8% per annum. When considering these returns it should be borne in mind that the investment horizon of most pension schemes is substantially more than five, ten or even twenty years, and that historically equities have provided significantly higher returns than bonds, property or cash, although at a cost of greater volatility.

October was a poor month for both equity and bond markets. Negative sentiment surrounding the outlook for inflation was evident in statements made by representatives of both the US Federal Reserve and the European Central Bank. This has increased expectations that interest rates in both regions are likely to rise sooner rather than later. On a more positive note, the price of oil fell back to below \$60 a barrel.

Most markets experienced substantial losses during the first three weeks of October, although the month ended with something of a mini-rally. In Europe, the close result of the German election has left the country with a coalition government that investors fear will not be able to make significant progress on much needed economic reforms. Oil stocks fared poorly due to the falling price of oil and damage caused to oil-refineries by Hurricane's Rita and Katrina in the Gulf Coast. The telecoms sector saw a flurry of corporate activity during October; Denmark's largest telecoms company TDC and Ireland's Eircom have both been attracting interest from private equity houses, the majority of Marconi was sold to Ericsson (with the remainder of the company to be renamed Telnet), while Vodafone purchased a 10% stake in the Indian Bharti Tele-Ventures.

In the US, the falling oil price and a number of positive results from the technology sector saw a shift away from energy stocks into technology. The auto sector underperformed, however, as parts supplier Delphi filed for bankruptcy. As Delphi was formerly a subsidiary of General Motors, GM may find itself having to assume responsibility for Delphi's \$11bn pensions liability. Towards the end of the month, the SEC announced that they would be investigating accounting practices at GM.

Japan was once again the best performing market during October. A host of positive economic data supported the market despite concerns over a slowdown in the US. The rest of the Pacific Basin region did not fare so well, dependent as it is on the US economy.



Group Pension Managed Fund Returns to 31st October 2005

	Investment Returns to 31 st October 2005					
	1 Month %	10 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.
AIB Investment Managers	-2.1%	13.5%	18.8%	10.5%	-1.3%	8.5%
Bank of Ireland Asset Management	-1.6%	10.2%	15.1%	9.7%	2.6%	10.3%
Canada Life/Setanta	-2.2%	15.5%	19.4%	12.1%	-0.1%	8.8%
Eagle Star	-2.3%	14.8%	20.4%	11.9%	1.3%	10.4%
Friends First/F&C	-2.1%	13.5%	18.6%	11.4%	0.3%	10.0%
Hibernian Investment Managers	-1.8%	11.7%	15.9%	10.9%	0.4%	10.0%
Irish Life Investment Managers	-2.3%	14.2%	19.5%	12.8%	2.0%	9.8%
KBC Asset Management	-2.1%	13.0%	18.0%	9.8%	-2.4%	8.6%
Montgomery Oppenheim	-2.7%	13.0%	17.1%	10.8%	1.7%	12.4%
Standard Life Investments	-1.9%	14.6%	19.0%	11.6%	0.4%	8.7%
Average	-2.1%	13.4%	18.2%	11.1%	0.5%	9.8%

Equity Market Index Returns to 31st October 2005

Region	1 Months		10 Months	
	Local Ccy	Euro	Local Ccy	Euro
Ireland	-3.7%	-3.7%	8.3%	8.3%
UK	-2.9%	-2.2%	13.6%	18.9%
US	-1.8%	-1.2%	2.9%	16.9%
Euro	-3.2%	-3.2%	16.6%	16.6%
Rest of Europe	0.1%	0.0%	25.5%	24.3%
Japan	1.8%	-0.2%	26.2%	26.0%
Pacific Basin	-5.4%	-5.6%	12.1%	23.4%