RUBICON INVESTMENT CONSULTING

Group Pension Managed Funds Update to 30th November 2005

Summary

Group Pension Managed Funds rebounded strongly during November with the average fund returning 3.4%. In the first eleven months of the year, the average fund return was very strong at 17.3%, while over the past twelve months managed funds have returned a healthy 19.7% on average. Over the three years to 30th November 2005 the average fund return has been 11.2% per annum. In the five-year period ended 30th November pension managed funds have, on average, returned a less impressive 2.1% p.a. However, the ten year period to the end of November saw an average return of 9.7% 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.

Market Review

Equity markets rebounded strongly during November, while bond markets were flat. Once again, Merger & Acquisition activity and oil prices (which fell back to less than $55 per barrel) were significant factors behind the performance of equities.

The ISEQ index of Irish shares rose 4.5% over the month. Eircom had a tumultuous month. At the beginning of November, it was rumoured that Swisscom were planning to make a bid for the company. These rumours were later confirmed, but towards the end of the month the plans fell through after the Swiss government said it would veto the acquisition. CRH had a strong month, completing three transactions in the US worth a combined value of over $400 million. Elan also received a boost following an announcement that the FDA has granted priority status to its controversial multiple sclerosis drug, Tysabri. This could see the drug relaunched in 2006. Anglo Irish Bank also had a good month with a 36% increase in pre-tax profits.

The UK market was the weakest of the large bourses, rising 2.0% in euro terms. M&A activity was widespread, as MMO2 accepted a bid from the Spanish telecom firm Telefonica, Pilkington was approached by Nippon Sheet Glass, and it was announced that BPB would be taken over by Saint Gobain. Mining stocks fared well as commodity prices rose to new heights. However, tobacco giant BAT fell back following rumours of a profit warning, while GlaxoSmithKline lost ground in the wake of a ruling in the US that threatened sales of its top-selling asthma drug, Advair.

US equities rallied sharply in November, returning a healthy 5.6% to euro investors. Strong earnings and continued corporate activity offset weak domestic employment data and a record trade deficit. Although the Federal Reserve raised interest rates yet again (to 4%), it appears that the end of the interest rate cycle may be approaching. Media giant Time Warner and retailer WalMart announced increased third quarter profits. Georgia Pacific benefited from a bid from Koch Industries, while General Electric announced that it had agreed to sell most of its insurance division to Swiss Re. Intel announced a joint partnership with Micron Technology to manufacture memory chips for use in digital cameras and portable music players. Negative news during the month included weak earnings results from Dell and an announcement from General Motors that 2001 earnings were to be restated, with the subsequent revelation of a cost-cutting plan that would see the company cut 30,000 jobs and close plants in the US and Canada.

The Eurozone equity market rose 4% during November, while the rest of Europe returned 4.3%. Strong results from financial and oil stocks saw shares jump in UBS, UniCredito, Dutch Insurer ING, Zurich Financial Services, Austria's OMV and Finland's Nestle Oil. As mentioned earlier, Telefonica agreed to buy MMO2. Other corporate activity included the takeover of US vaccine maker Chiron by Novartis, speculation over buy-outs of Serano and TNT and Saint Gobain's buyout of BPB.

Japan continued its bull-run, rising 5.5% over the month in euro terms. In 2005 to date, the banking sector has risen 40%, while the real estate sector is up 50%. Sony's third quarter earnings were ahead of expectations, leading the stock higher.

The star performers of the month were the markets of the Pacific Basin, which rose 8.1% in November. Demand from China pushed commodity prices close to peak levels, which boosted the Australian market in particular. The Hong Kong market made gains on the back of a surge in property stocks.

Tables

1. Group Pension Managed Fund Returns to 30th November 2005

	Investment Returns to 30th November 2005					
	1 Month %	**11 Months %**	**1 Year %**	**3 Years % p.a.**	**5 Years % p.a.**	**10 Years % p.a.**
AIB Investment Managers	3.3%	17.3%	19.9%	10.5%	0.5%	8.5%
Bank of Ireland Asset Management	2.9%	14.2%	17.0%	10.2%	4.0%	10.3%
Canada Life/Setanta	2.8%	18.7%	20.6%	12.5%	1.2%	8.8%
Eagle Star	3.5%	18.8%	21.4%	12.1%	3.0%	10.4%
Friends First/F&C	3.6%	17.6%	20.1%	11.5%	1.9%	10.0%
Hibernian Investment Managers	3.4%	15.4%	17.6%	10.8%	2.1%	9.9%
Irish Life Investment Managers	3.7%	18.4%	21.1%	12.8%	3.5%	9.8%
KBC Asset Management	3.8%	17.3%	19.9%	9.7%	-0.6%	8.5%
Oppenheim Investment Managers	3.1%	16.5%	18.6%	10.9%	3.1%	12.4%
Standard Life Investments	4.0%	19.1%	21.1%	11.5%	2.0%	8.7%
Average	***3.4%***	***17.3%***	***19.7%***	***11.2%***	***2.1%***	***9.7%***

2. Equity Market Index Returns to 30th November 2005

Region	**1 Month %**		**11 Months %**	
	Local	***Euro***	***Local***	***Euro***
Ireland	4.5%	4.5%	13.2%	13.2%
UK	2.7%	2.0%	16.7%	21.2%
US	3.9%	5.6%	7.0%	23.5%
Euro	4.0%	4.0%	21.2%	21.2%
Rest of Europe	4.5%	4.3%	31.1%	29.6%
Japan	6.7%	5.5%	34.6%	32.9%
Pacific Basin	6.6%	8.1%	19.5%	33.4%