

Teleconference August 2011



**Well, here's another nice mess  
you've gotten me into! <sup>[1]</sup>**



**Pat O'Sullivan, *Head of Investment Strategy***

**Graham Fox, *Investment Development Manager***

<sup>[1]</sup> This famous phrase is often misquoted as "Well, here's another ***fine*** mess you've gotten me into." The misquoted version of the phrase was never used by Hardy on film; the misunderstanding stems from the title of their film *Another Fine Mess* (1930).

# Confidence in real numbers....

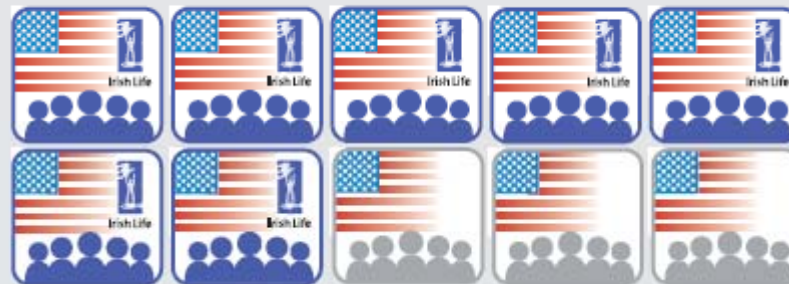
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## Chosen by Ireland's biggest

9 of the 10 biggest Irish companies (listed on the Irish stock exchange) have pension investments with us.



7 of the 10 biggest U.S. companies choose Irish Life to look after pension investments for their Irish employees.



(September 2010)

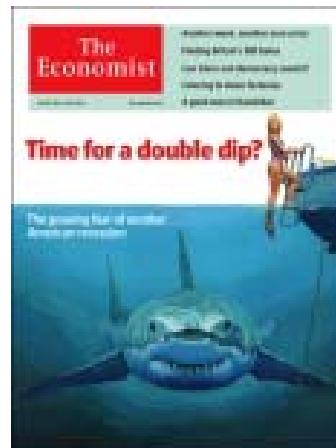


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# Summary of recent events

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- Lack of political leadership in Europe
- Acrimonious spat over U.S. debt ceiling
- S&P downgrade
- Growing anxiety over a double dip



# Who is AAA

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Australia

Luxembourg

Canada

Denmark

Finland

Sweden

France

Germany

Netherlands

Austria

New Zealand

Norway

Singapore

Switzerland

United Kingdom

Isle of Man



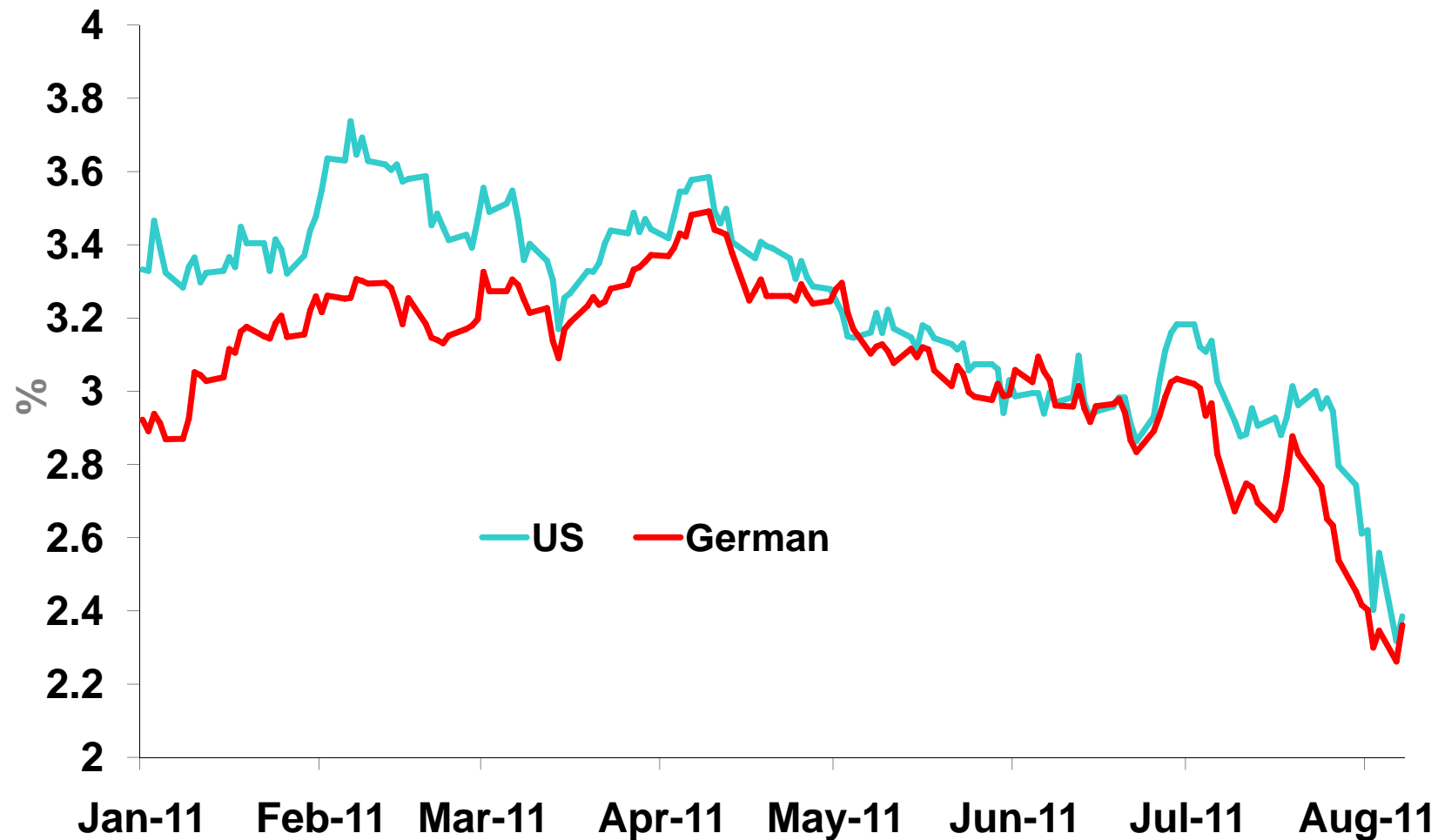
# Downgrade – So What!

# U.S. Downgrade – So What!

US and German 10 year bond yields



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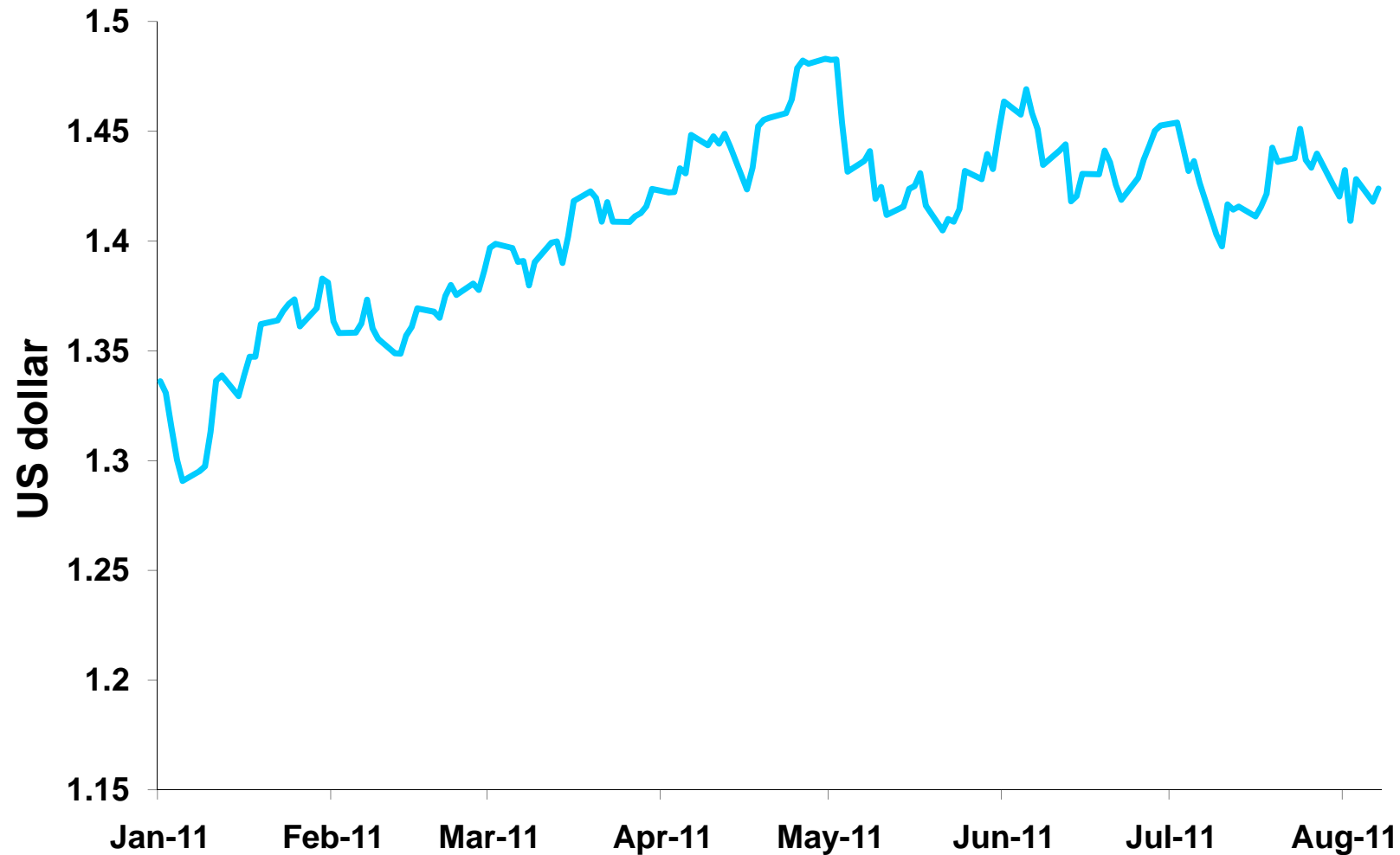
Source: Bloomberg

# The US Dollar versus the Euro

- downgrade; what downgrade? -



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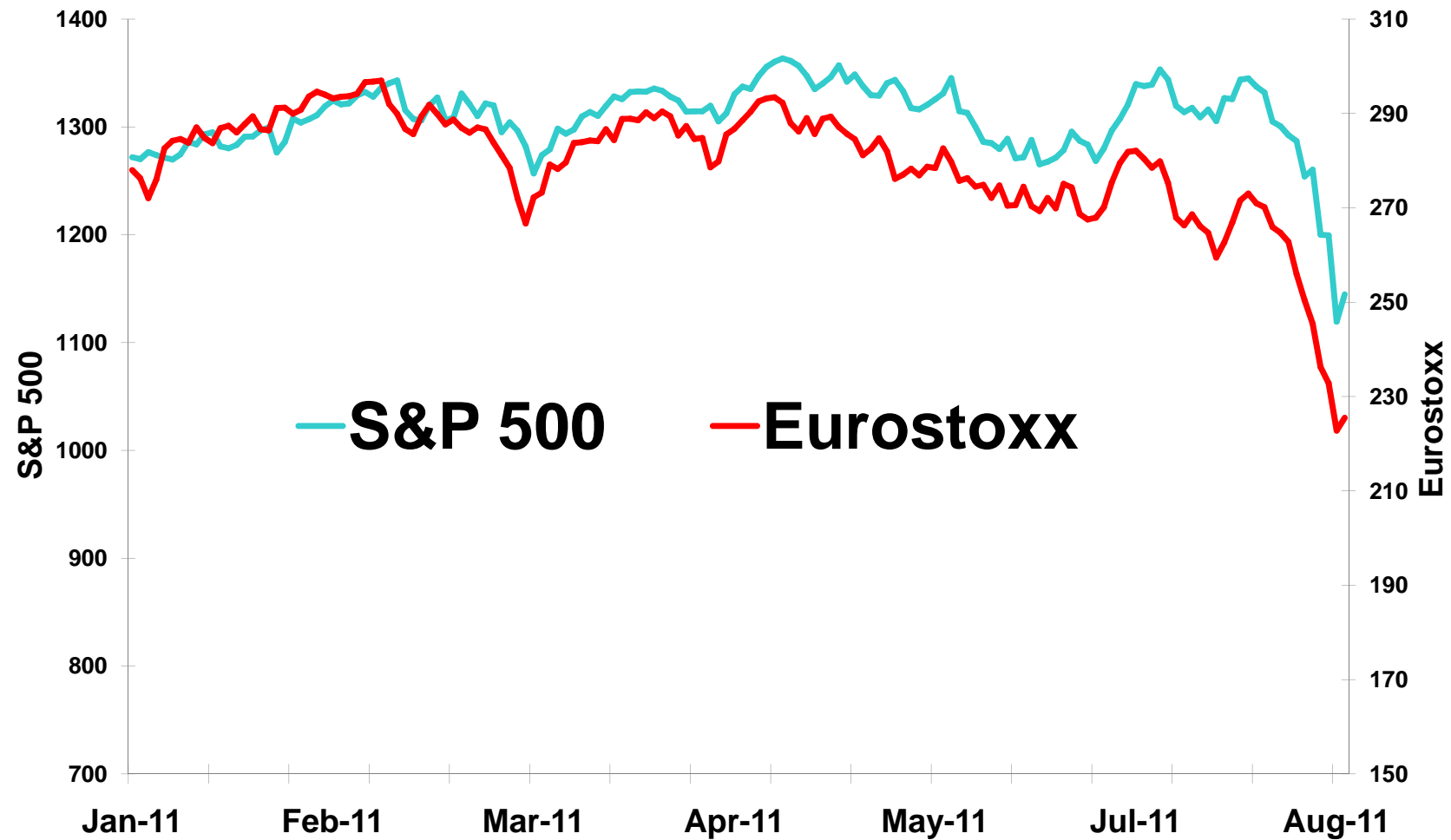
Source: Bloomberg

# US and Euroarea Stockmarkets

YTD Performance



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Source: Bloomberg

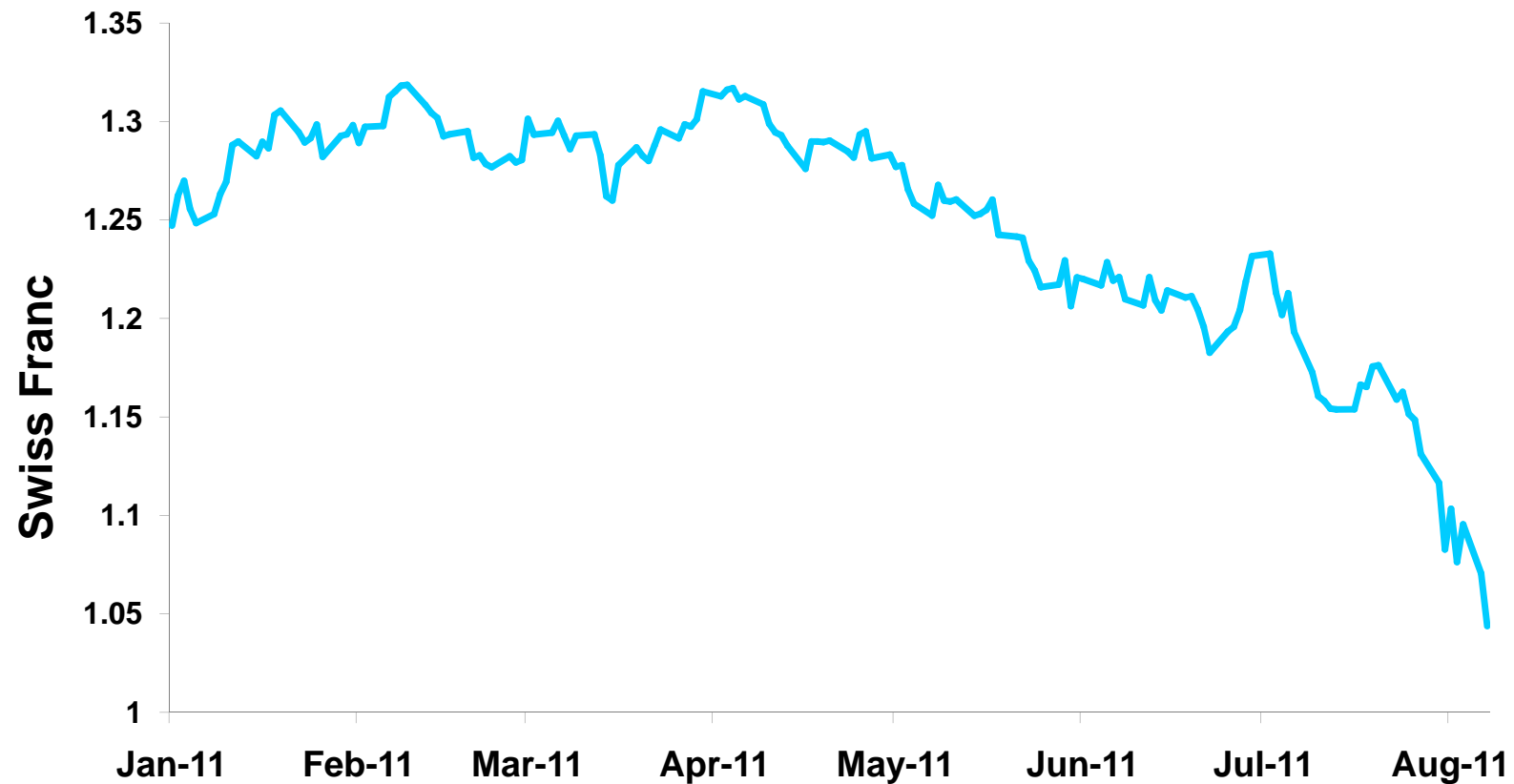


# The Safe Haven Currency

## Swiss Francs



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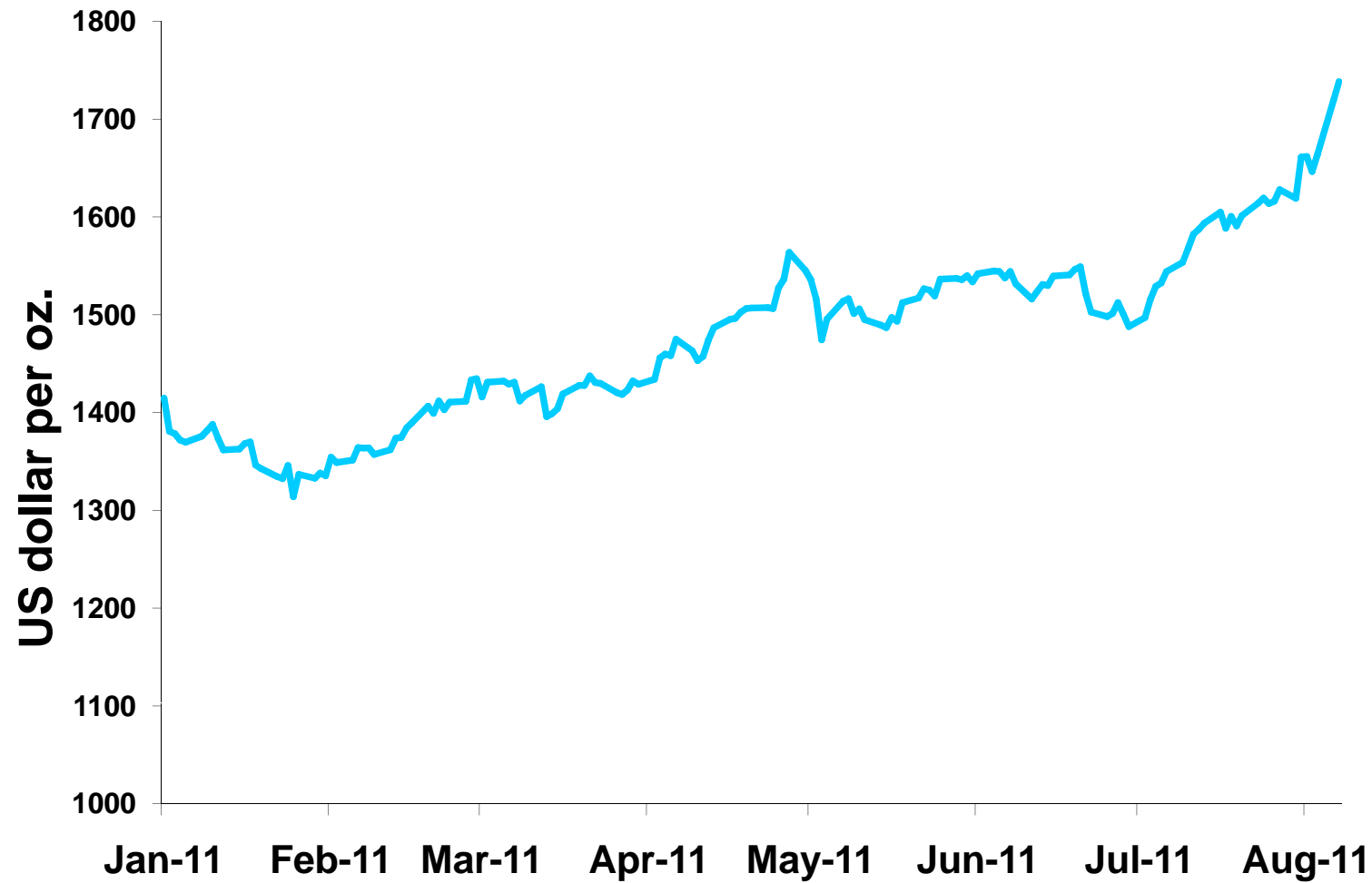
Source: Bloomberg

# The Safe Haven Commodity

GOLD



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Source: Bloomberg



# THE BIG RISKS

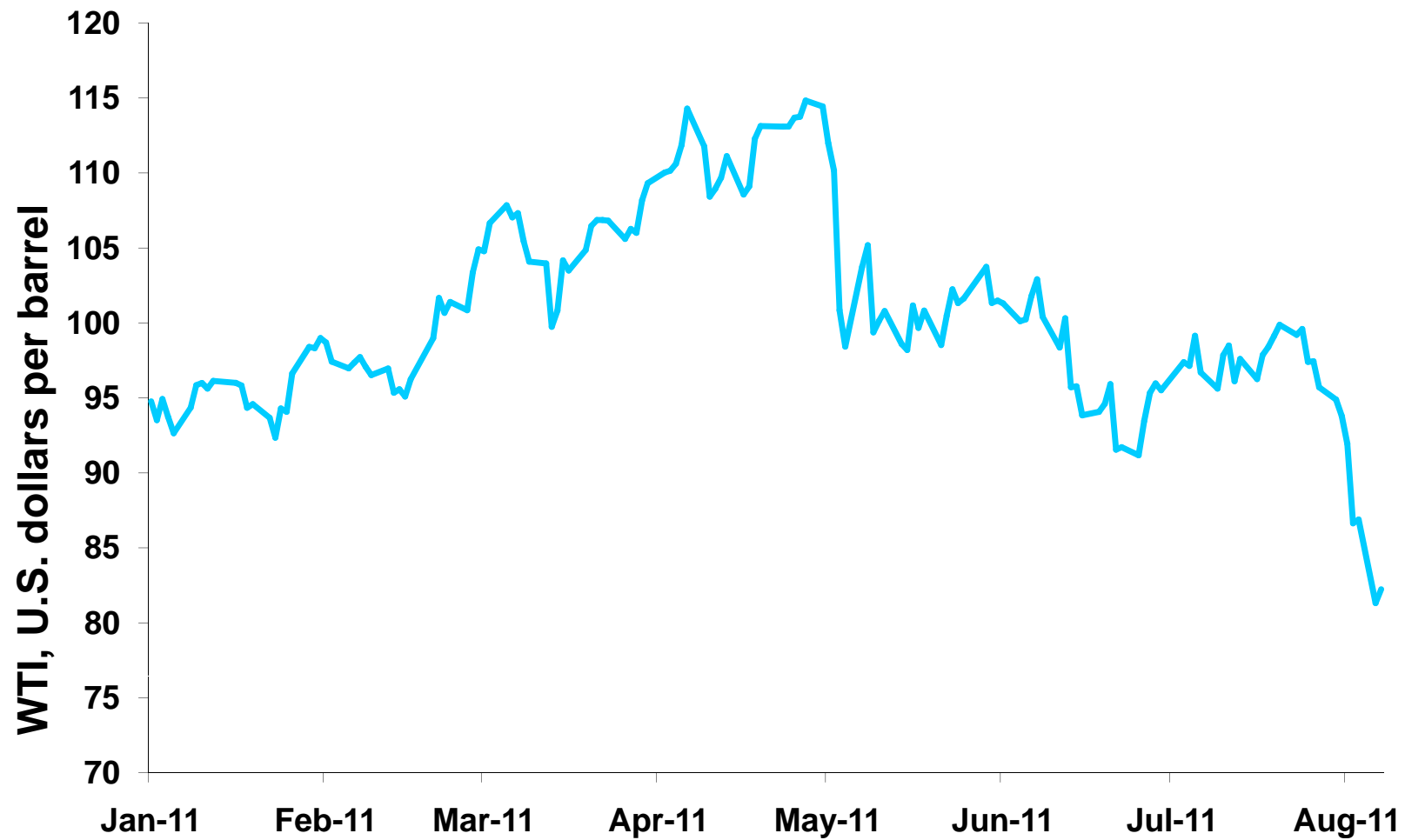
1. Double Dip
2. Multiple Sovereign Downgrades

# OIL

On a slippery slope



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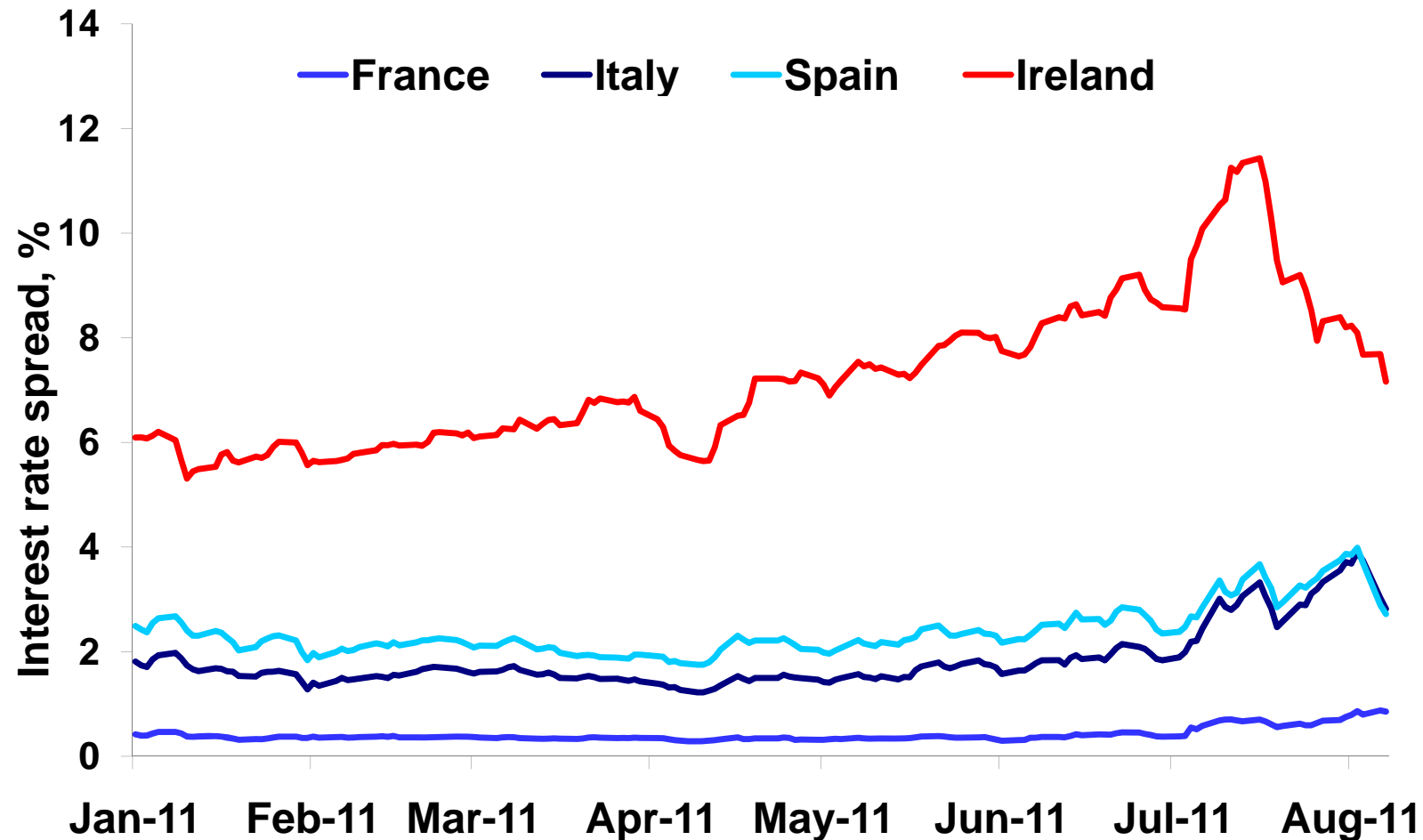
Source: Bloomberg

# The spreads are the thing....

10 Year interest rate spreads over Germany



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Source: Bloomberg



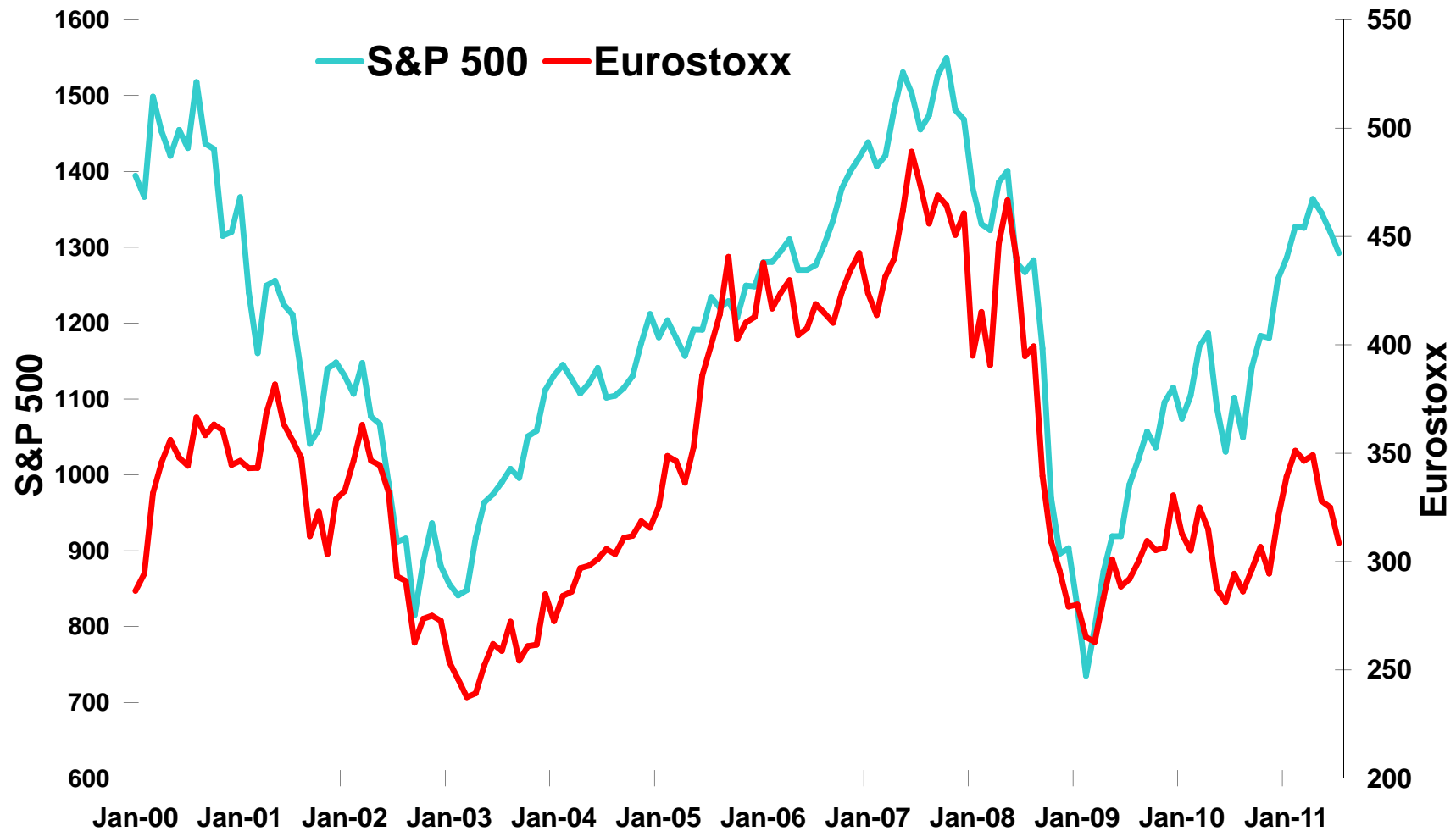
# Opportunity Knocks

# US equities more to go?

S & P 500 versus Eurostoxx 50 since 2000



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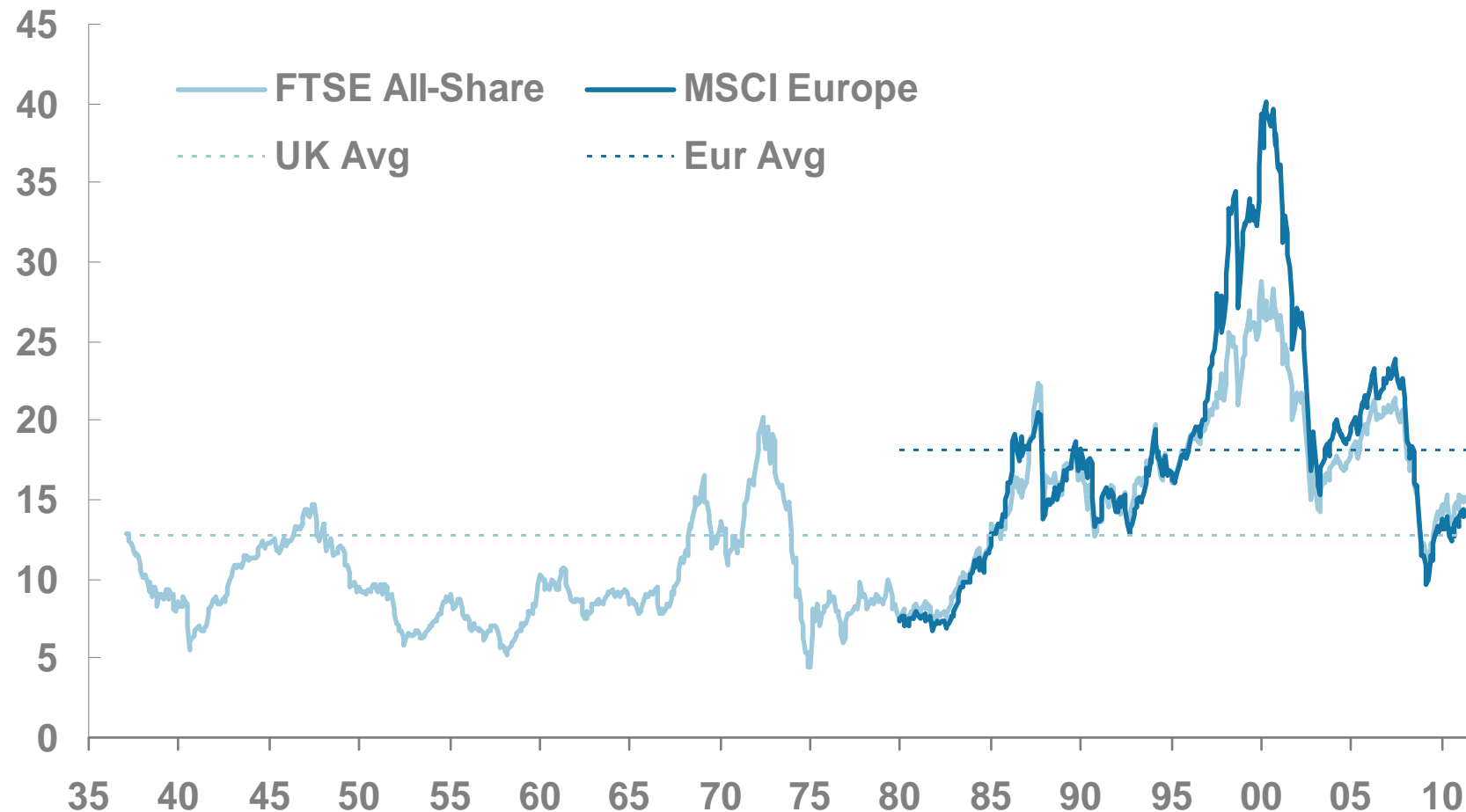
Source: Bloomberg

# S & P 500 - Shiller Price to Earnings

Latest = 19.4



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Source: FTSE, MSCI, Various National Sources, Global Financial Data, Morgan Stanley Research

Note: Shiller PE defined as inflation adjusted price to 10Y average EPS





# Implications – Forecasts – Guesses!?

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- Downgrade(s?) might just force the hands of the politicians
- U.S. will not default
- QE3?
- Fed to keep rates low until mid-2013 and ECB to keep rates on hold until next year
- Inflation
- More downside to come after initial relief rally, unless global economies exhibit renewed strength
- Safe havens to continue to benefit
- There is value out there

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