



**Irish Life**  
Investment Managers



Irish Life Investment Managers (ILIM) is the largest manager of Irish domiciled investment assets in Ireland. We are entrusted to manage over €38 billion on behalf of Irish and International clients who value our expertise, experience and professionalism. As we start into a new year, we would like to take the opportunity to thank you for your business and share with you some insights from our investment team and hope we can continue to help you with your clients investment decisions in 2013.

## **RETAIL INVESTMENT OUTLOOK 2013**

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It is impossible to look at investing in 2013 without first looking at 2012. It was a year of changes – policies, governments, views and expectations. Before we look at the journey ahead, let's take a brief look at how we got to where we are. The outlook for global markets at the start of 2012 was very uncertain and the sense of impending crisis loomed large within most markets, especially the Eurozone. Daily news was dominated with stories of breakups, breakdowns and countries leaving the once mighty Eurozone in droves, some voluntarily, some not. Ireland, Greece, Portugal, Italy, Spain and even France were under the hot lights. As a result of this, we eventually got the long awaited co-ordination of resources at the highest levels in Europe to put in place initiatives that would ensure a more stable market place and the long term sustainable future for the currency union.

It was over the summer months that we saw several of these initiatives implemented in an attempt to halt, and reverse, the decline in sentiment. More importantly, it addressed the drain in confidence that the investment community, both retail and institutional, had experienced. The first of these initiatives was the decision taken by the EU leaders to let the bailout mechanisms recapitalise the banks directly. The second was the introduction of the bond buying programme by the ECB. This meant that countries who struggled to raise money by selling bonds in the market had a buyer in the ECB. The head of the ECB, Mario Draghi was famously quoted as saying "the ECB will do whatever it takes to preserve the Euro...and believe me, it will be enough".

Europe was not alone in its concerns about Europe – further afield, some of its major trading partners - the US, Japan and the UK – all committed to doing what they could both domestically and internationally to ease market concerns. The US launched another round of quantitative easing (QE3) as the other central banks increased significantly the size of their asset repurchase programmes to help the banks fund their balance sheets and, ultimately, increase lending to businesses and consumers. There was also a co-ordinated effort to, at a minimum, maintain interest rates at the historically low levels already in place. The ECB, whose main function is as guardian against inflation, indicated to markets a medium term view around low rates, a commitment also made by the US Federal Reserve out to 2015.

The combination of these moves led markets higher over Q2/Q3 as confidence returned that Europe could extract itself from the situation it found itself in. However, two key challenges remained – the implementation of these initiatives (which has not always been a strong point) and the US Presidential elections to be held in November and the subsequent fiscal cliff that Obama or the new administration would have to address. The fiscal cliff refers to the \$600 billion that will come out of the US economy as tax benefits from the Bush era expire. The "cliff" looks to have been avoided or at least minimised and Europe looks to have steadied the ship with those initiatives as we set sail into 2013.

So all is well in 2012 that ends well? Not exactly. There can sometimes be unintended consequences of large scale actions such as the interventions by governments and European bodies in the markets. One such consequence has been the huge flow of money into the more conservative assets classes of government bonds, cash and corporate debt. Yields, or the annual return to an investor, on some AAA rated government debt or AAA corporate debt is now negative in real terms. In some instances, we are effectively paying certain institutions to look after our money. The rates on offer make it very difficult to generate a real return on money invested in the short term, even with inflation at the low current levels, at previous levels of risk. Conversely, there has been an outflow from equities causing their valuations to fall and look cheap in an historic context. Over the long term, however, equities have proven to be one of the few asset classes priced to deliver real returns.

As 2013 starts, the US appear to have finally addressed the fiscal cliff issue, Greece (and Europe) looks in better shape although not quite out of the woods while China appears to be returning to growth and Ireland's economy appears to have stabilised. Indeed, 2013 should be a very interesting year for investors everywhere.

**David Haslam**  
*Head of Retail, ILIM*

# Irish Economy 2013



Significant progress has been made over the last eighteen months in the Irish economy with tentative signs of a stabilisation. International confidence in Ireland's ability to come through the crisis has increased and put us in a position to soon exit the Troika (European Commission, European Central Bank, International Monetary Fund) support programme. Modest positive GDP (Gross Domestic Product) growth is forecast for the second year in a row at 0.3% in 2012, surpassing the Eurozone region which is forecast to experience negative growth of -0.6%. That growth for 2013 is based on a strong performance by the export sector, despite domestic demand remaining constrained by 14.8% unemployment and consumers facing debt piles and on-going fiscal austerity.

## Budget and Fiscal Position

The December budget was a continuation of the fiscal tightening which has been evident over the last four years. Over the next two budgets, savings of €3.1bn and €2bn respectively are also planned. The budget deficit (as a % of GDP) is forecast to fall from -8.3% in 2012 to -2.9% by 2015, below the -3.0% target set for members of the European Union. Our Debt to GDP is forecast to fall from 121% in 2013 to 117% in 2015 although moving the cost of bank recapitalisations from sovereign balance sheets to the European Stability Mechanism (ESM) could potentially reduce Ireland's Debt/GDP by up to 20%.

## Banks and the Eligible Liabilities Guarantee (ELG) Scheme

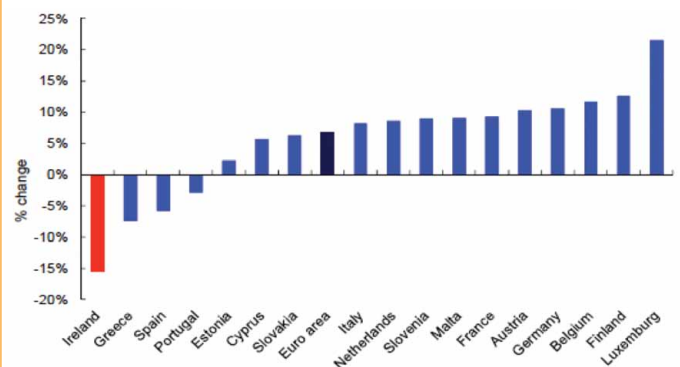
The Eligible Liabilities Guarantee Scheme (ELG) which was introduced in 2009 and offers a government guarantee on certain deposits and other funding options is expected to be phased out in 2013. An extension of the scheme to June 2013 has been announced but it is thought the government will attempt to wean banks off the guarantee sooner rather than later. Irish banks have become strong enough to fund themselves and raise deposits without the need for an attached government guarantee. As a result, and to improve profitability, banks have recently reduced the rates offered on deposits. This will continue even after the ELG scheme is ended.

## Strength in the export sector

As mentioned, the export sector has been the key to Ireland's recovery together with the adjustment to the cost base across the economy. Exports have remained strong, although volatile and have helped push Ireland's current account into surplus.

The strong export performance reflects the adjustment that has been made in Ireland's cost base in recent years with a significant fall in unit labour costs compared to other European countries which has significantly improved Ireland's competitive position.

### Change in unit labour costs 2009-2012

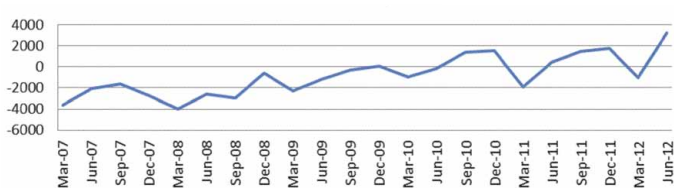


Source: EC/Goodbody Stockbrokers

## Domestic Demand

Domestic demand has shown some signs of stabilisation. Retail sales in recent months have improved while the housing market also appears to be finding a bottom. While numbers employed in the economy are still falling, the pace of decline is easing. The unemployment rate also stabilised well below a peak of 15%, with numbers out of work down 2,000 in Q3, down -1.1% year on year and the first annual drop since 2005. The unemployment rate has however been kept down by a move back towards net emigration from the country, which has averaged -29,800 per annum over the last three years, compared to a peak net immigration of +104,800 in 2007 alone.

### Irish Current A/c €mn



Source: CSO

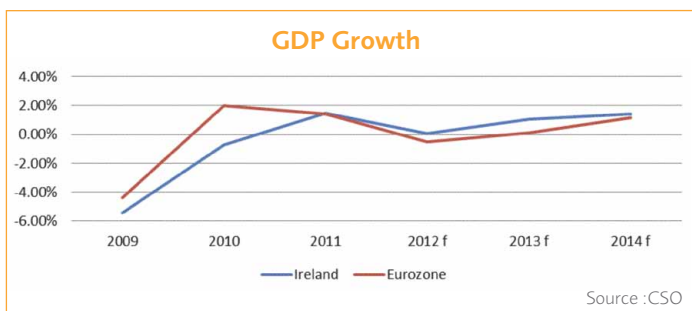
### Irish Retail Sales Volume (sa)



Source: CSO

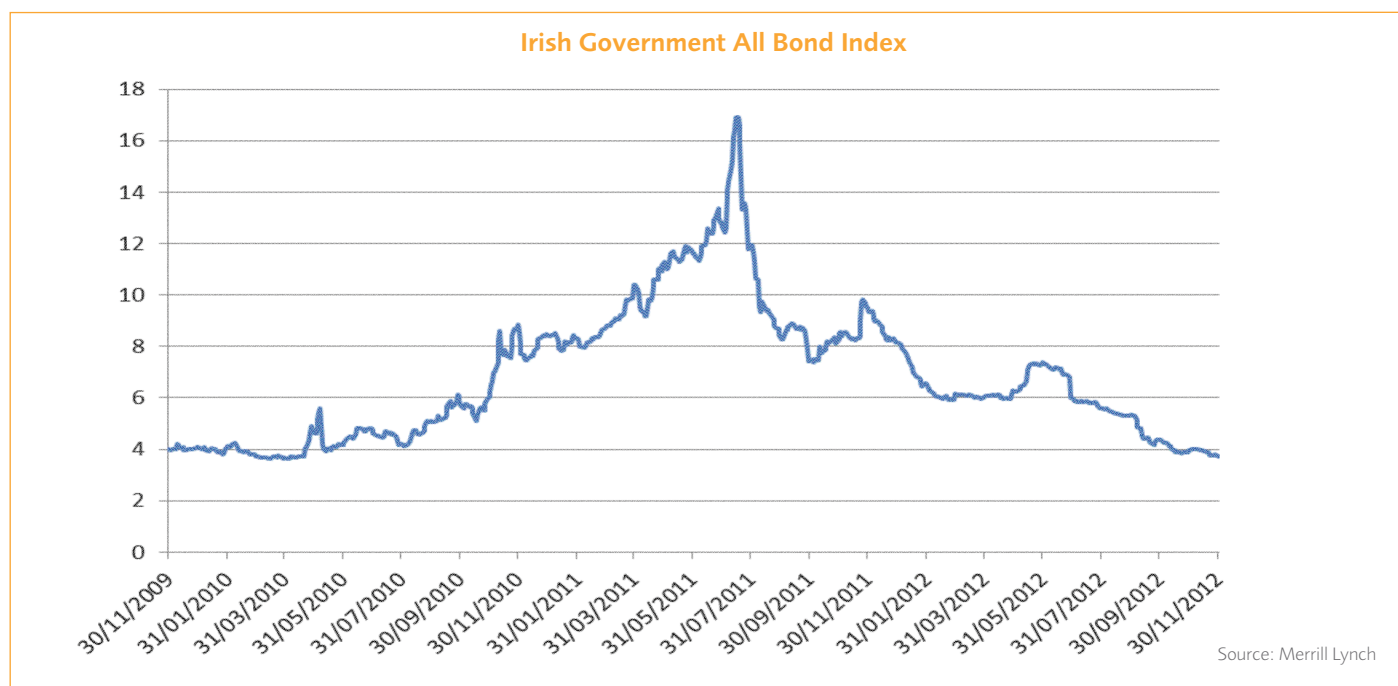
## Irish Economic Growth vs Europe

Ireland's economic performance in a European context has been relatively strong. Readings from the manufacturing Purchasing Managers Index (PMI) over the last fifteen months have consistently been above those of the Eurozone and over the last nine months have been above 50, indicating expansion in manufacturing activity. GDP growth levels have also exceeded those evident in the Eurozone in the last two years and are forecast to continue to exceed them in 2013 and 2014 based on consensus estimates.



## Increasing confidence in Ireland reflected in the bond market

The improvement in Ireland's economic performance has led to increasing international confidence as reflected in the sharp fall in Irish bonds yields. Having peaked at around 15%, Irish bond yields have fallen significantly to just over 4% led by buying from the large US investment house. As fears receded that Ireland would default on its sovereign debt, yields fell sharply and Ireland in fact regained access to debt markets ahead of the planned re-entry in 2014. Four separate tranches of €500m lots of 3 month Treasury bills have been sold while €4.2bn was raised through conventional bonds in July. An additional €1bn was also raised through the sale of sovereign annuities. The National Treasury Management Agency (NTMA) plans further longer term bond and inflation linked bond issuance in early 2013. Following raisings over the course of 2012, funding requirements for 2014, the official target date for full re-entry to funding markets, have been substantially reduced.



## Summary

Ireland has made great progress to redress the debt position and reposition the economy for growth again. Ireland has met all targets set by the Troika (European Commission, ECB, IMF) and economic performance has exceeded that of the Eurozone. While the economy has been driven by the export sector over the last number of years, there are tentative signs of a stabilisation emerging across the domestic economy. Overseas confidence in Ireland has significantly improved and the Irish bond market has been one of the best performing markets over the last eighteen months, facilitating the re-entry into funding markets ahead of expectations. Improvements in the outlook for Europe post policy initiatives by the European Central Bank (ECB) to address the sovereign crisis have also been helpful for Ireland and while circumstances will remain difficult, it appears a corner has been turned in terms of exiting the period of retrenchment and recession Ireland has endured since 2009.

**Lenny McLaughlin**  
Chief Economist, ILIM



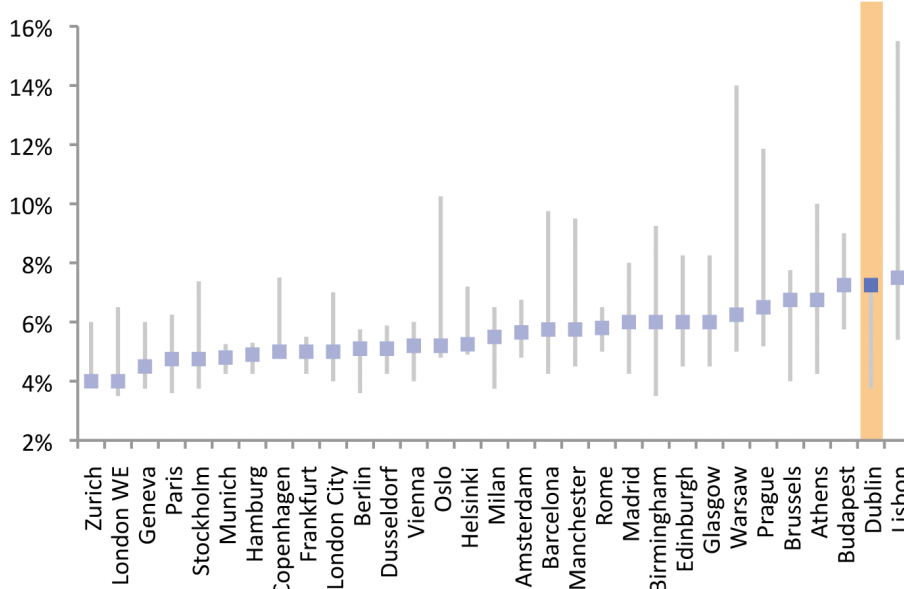
# Prospects for the Irish Commercial Property Market



The Irish commercial property investment market awoke from its deep slumber in 2012. While the difficulties of the past are still ingrained in our conscience, the repricing that has occurred now lies at the heart of the opportunity. Billions of Euro of overseas investor money, together with a growing number of domestic cash buyers, are targeting this opportunity. While this investor interest has been there for a number of years, 2012 saw this crystallise into actual deals, as sellers came to the market prompted by banks starting to implement their deleveraging strategies.

The opportunity for the long term investor is clearly demonstrated by comparing prime Dublin property yields over the past cycle with other European markets. The prime Dublin office yield, at over 7% is higher than all other markets (Lisbon aside). It is at the top end of its yield range, having been sub 4% at the peak of the market, and is above the long term average prime yield of 5.8%. As a result, the strong income return of close to 10% per annum for typical institutional portfolios is a key attraction for investors. This defensive quality has been the main contributor to positive market total returns over the last four quarters.

Present office prime yield relative to historical performance



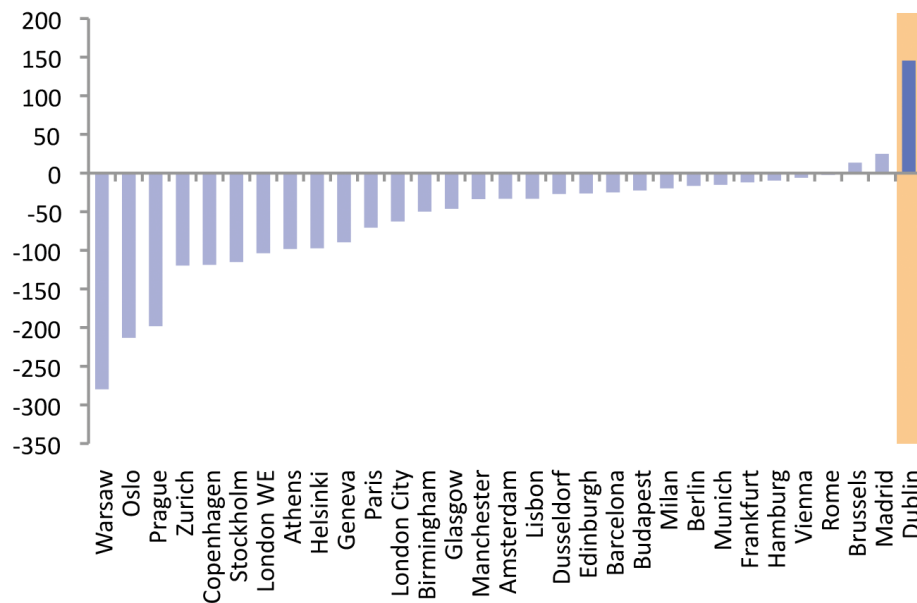
Source: CBRE Research

Investment activity was kick started early in 2012, following the positive initiatives by the Government in the budget (quelling fears over upward only rent reviews, significantly reducing stamp duty and providing an exemption from CGT for 2012 and 2013 acquisitions) by the sale of 1 Warrington Place Dublin to a US investor, after bids from over 30 parties. Activity over the second half of the year has gained real momentum with a range of significant deals being concluded, the largest being the sale of the State Street building on the South Docks, where an initial 15 bidders were reduced to 3 in a best bid process, with the ultimate buyer paying €108m. We expect to see investment transactional volume reach €650m for the year made up substantially of Central Dublin office deals. The transparency generated from these deals has led to valuation stability for similar quality properties but only in this category.

In parallel the market has seen investment activity in smaller lot sizes of up to €5m with domestic cash buyers, and one well known overseas debt buyer, focussed on strong tenant covenants and long lease opportunities. Market activity is being further enhanced by bank sales of commercial loan books. To date these have related to more secondary assets trading at large discounts.

The lack of investment activity in the retail sector is a notable feature of the market. The Central Dublin office market currently represents the best prospects for recovery. This subsector has seen a significant correction in rental values since 2008. Prime Dublin CBD (Central Business District) rents have fallen c.55%, from €62.50 per sq/ft to their current level of c.€28.50 per sq/ft. Figure 2 below illustrates the significant adjustment which the Dublin office rents have taken compared to other European cities.

Prime Rent: previous peak to current trough / current trough to present



Source: CBRE Research

Prime Dublin office rents are now at their cyclical low and have been stable for the past six months driven by the lack of new development in the Dublin CBD since 2008. In fact, while the overall vacancy level is now below 20%, the Dublin CBD grade A vacancy level is only 3.7%. With over a half million square feet of 'known' office space requirements and with Foreign Direct Investment (FDI) growing there is now an emerging shortage of grade A office accommodation in the City Centre. A natural conclusion from this shortfall in office space may be the commencement of development. This would only occur on foot of pre-lettings and at rental levels above current market levels. A significant portion of vacant offices do not meet current occupier requirements. The market should see a phase of selective refurbishment of this stock to provide good quality accommodation in advance of the return and delivery of new development.

We believe 2013 will be a busy year for the Irish commercial property market. While the market still faces many headwinds such as bank deleveraging, uncertainty about the Euro / world economy, the impact of the budget on the Irish economy and the absence of a debt financing, there is a clear sense that the market is turning a corner. Selective segments of the market appear set for recovery, with opportunistic overseas investors leading the chase to get exposure. While a wider market recovery has yet to emerge, the prudent long term counter cyclical investor should equally be open to the opportunity.

**Martin O'Reilly**

*Head of Property Fund Management, ILIM*

Retail rental growth prospects are aligned to the prospects for the domestic economy and the consumer. While retailers are broadly reporting a late but reasonable Christmas trade the continuing challenges for the domestic economy will continue to constrain retailer profitability and hence their appetite to expand and potential to pay rent. On a more positive note there have been a number of lettings in our prime retail streets and best shopping centres which would suggest that rents are at or near the floor in these locations, but rents remain challenged in other locations.



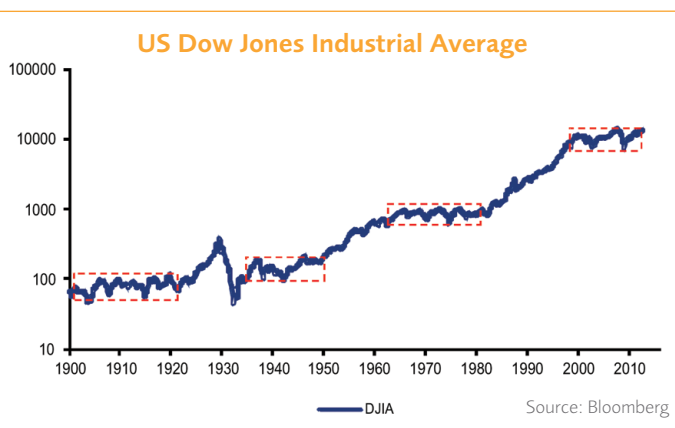
# Equity Market Outlook



## History of Equity Market Consolidation

The first thing to note is that although equities have been a difficult space for all investors recently, history is dotted with periods such as those we have seen over the last thirteen years. They underperform for a time and remained in a range before eventually breaking out and resuming their long term upward trajectory. From their peak in 2007, global equity markets fell approx. 55% over a period of eighteen months and are still down around 20% from those highs while going back almost thirteen years, equities are still approx. 10% below the peak levels reached in March 2000.

The chart below for the US Dow Jones Industrial Average shows this is the fourth time since 1900 in which the market has experienced a prolonged period of consolidation during which a number of falls and rallies are evident but it effectively trades sideways during that time. On each previous occasion the market has succeeded in breaking out of this range and there is no reason to believe this will not occur after the consolidation seen since 2000.



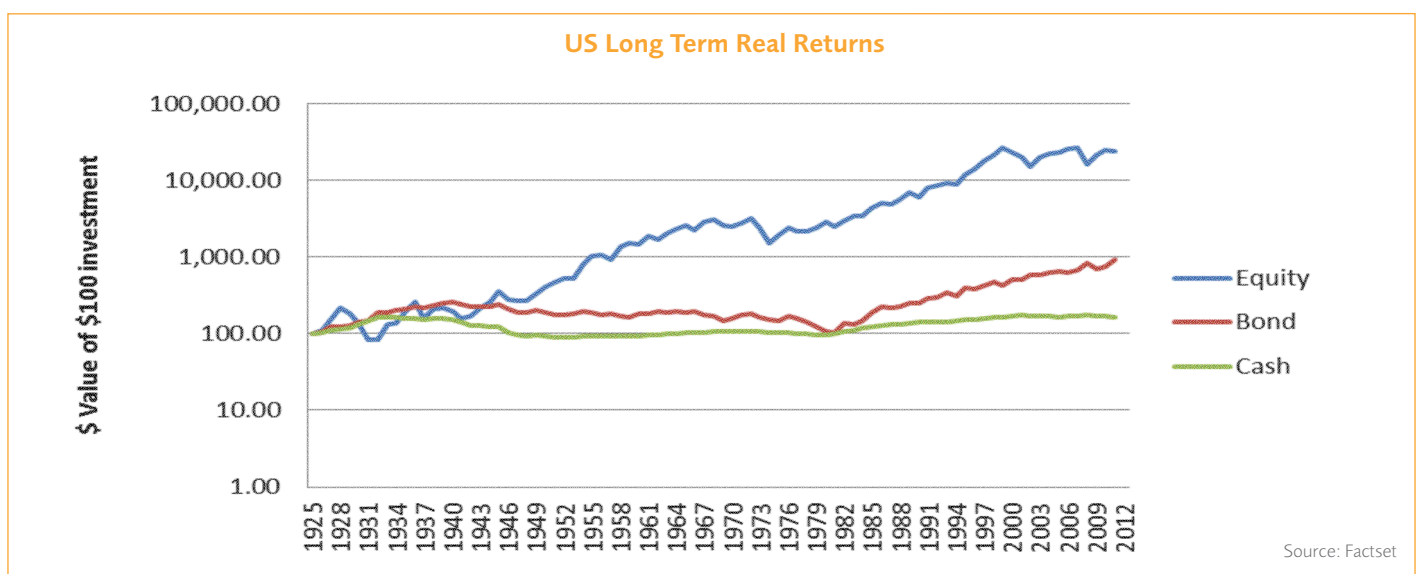
## Potential Equity Catalysts

So what will lead equities higher and out of their most recent trading range?

- A perception that the systemic risks which have been evident in recent years are receding
- Indications that the growth outlook, which has been very modest since the crisis, is improving
- Global central banks have unleashed an unprecedented amount of monetary stimulus to promote growth and lower interest rates to levels which incentivises investment
- Equity markets have responded positively to the provision of liquidity by central banks since 2009, rising on average 3% per month while the programmes are being implemented and falling by on average by 2% per month when they are not in operation.
- Equity market valuations look attractive in an historic context

## Long Term Outperformance of Equities

Equities historically have always outperformed other asset classes over the long run even though they are prone to periods of underperformance similar to the one we have experienced over the last decade or so. The productive nature of companies enables them to generate superior returns relative to other assets which do not produce anything. As shown below, real returns from equities have consistently exceeded those in alternative holdings and remain the asset to hold over any extended period of time.



### US Economic Outlook Improving

While economic growth is likely to be more modest than was the case prior to the financial crisis, there are hopeful signs of a pick up through 2013.

- The banking industry is now back on a more solid footing and has begun lending again which should help stimulate economic growth
- A resolution of the fiscal cliff should result in a pick-up in investment

Housing is a key element of any economy in terms of job creation and activity levels while also supporting consumer confidence and spending through the wealth effect as house prices improve.

- In the US housing market, which was at the centre of the financial crisis, signs of significant improvement are evident
- The number of houses for sale is now below pre-crisis levels and below long term trends
- House prices are recovering with the Case-Shiller price index survey for the top twenty cities in the US up 3.6% year on year
- Affordability levels are close to all-time highs with 30 year fixed mortgage rates at historic lows and the cost of renting versus buying a home also close to historic highs.
- The National Association of Home Builders sentiment index has risen to a six year high and suggests a doubling of the current level of house builds in 2013.

### ECB Policy Initiative

In Europe, following numerous failures to address the sovereign crisis, significant progress was made in the late summer.

- European Central Bank (ECB) announced a bond buying programme called Outright Monetary Transactions (OMT) which will buy sovereign bonds giving countries access to raising money
- Yields (cost of raising money) for peripheral countries have fallen following the announcement of the programme enabling them to fund themselves in debt markets
- Funding markets have re-opened for corporates

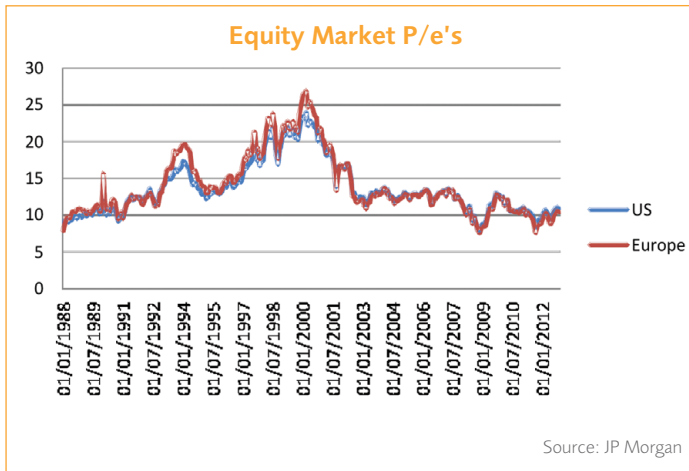
While recent economic data has been weak across Europe, business sentiment surveys have been improving, suggesting that the growth picture in 2013 should be better than that in 2012. The ECB actions have removed the risks of a Euro breakup and severe economic recession across Europe which could have spread across the globe. European equities, as a result, have become investable again as, prior to this, the perceived risks made investors reluctant to invest.

### China, Global Engine of Growth

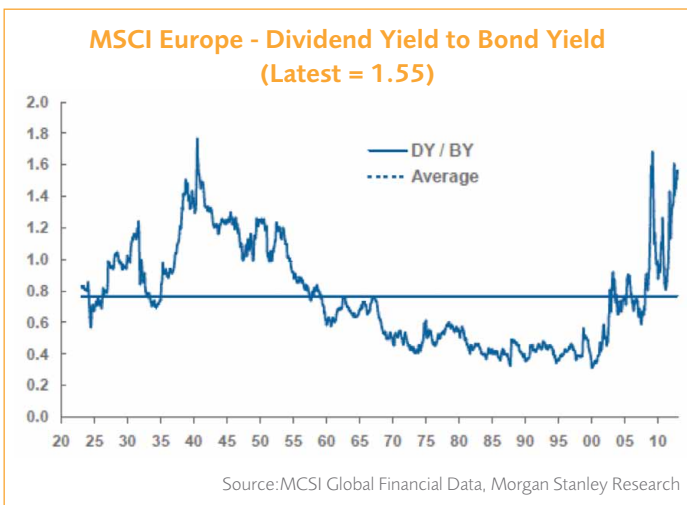
Through much of 2012, there had been concerns in relation to the level of economic slowdown being experienced in China. Over the course of the financial crisis, China had been the engine of global growth, offsetting the weakness evident in western economies. As growth slowed in China to a little over 7%, there were fears that further slowing would have negative implications for Asia and the global growth outlook. Following various stimulus measures, key economic releases such as manufacturing, industrial production, retail sales, fixed asset investment and exports have all recently shown signs of improvement, indicating the Chinese economy is stabilising and the outlook for 2013 is improving with the IMF forecasting growth of 8.2% in 2013.

## Equity Valuations

In valuation terms, equities are attractively valued relative to historic levels and compared to other assets. One of the most commonly used valuation metrics for equities is the price to earnings ratio or P/e. As shown in the chart below, P/e levels are close to their lows over the last twenty five years.



Equity valuations are also cheap compared to other assets. When comparing the dividend yield available on equities relative to government bonds, equity yields are close to the highest levels relative to the coupon available on government bonds.



## Positive Outlook for Equities

- As an asset class, equities have underperformed over the last thirteen years and have become under owned as investors have moved to other assets as a consequence
- Equities have gone through such periods of underperformance in the past but have always re-emerged to resume their upward trend and maintain their record of consistently outperforming alternative assets over the longer term
- While the conditions and circumstances through the period of the global financial crisis and sovereign debt crisis in Europe were clearly not supportive of equities, fundamentals have improved since that time
- In the US, the banking system has been recapitalised and is functioning again, providing credit to the economy. The housing market, the catalyst for the crisis, is showing signs of a recovery while debt levels have fallen substantially
- In Europe, recent moves by the ECB have finally provided a platform for progress in terms of addressing the sovereign debt crisis. Global central banks are providing unprecedented levels of stimulus to support economic recovery which has also been supportive of equity markets
- Economic conditions in China, the engine of global growth, are improving

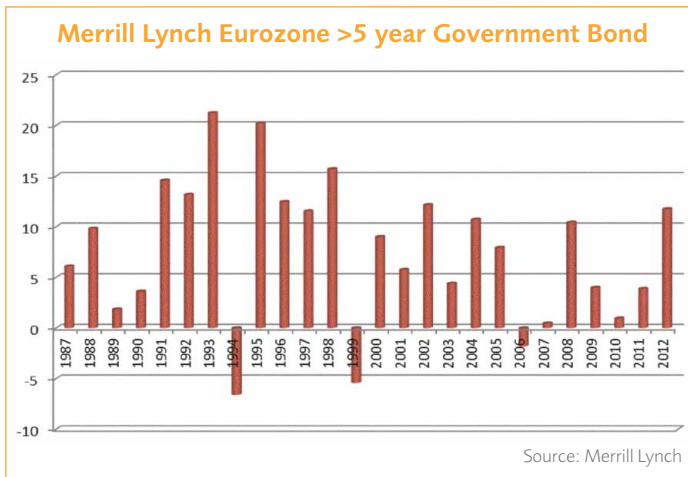
Given these factors and the attractive valuation levels at which equity markets are currently trading, the outlook for equity markets in 2013 remains positive with further gains expected through the year.

**Lenny McLaughlin,**  
*Chief Economist, ILIM*

# Bond Market Outlook

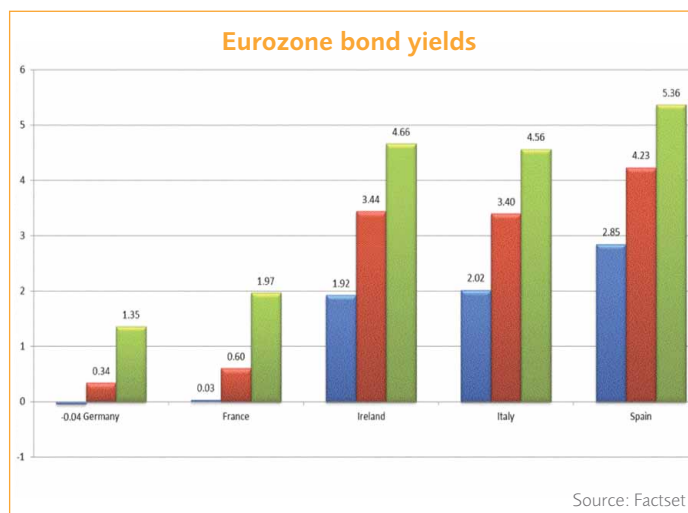


Bond investors have done very well in the last 10 years, getting a total return of close to 100%. The chart below shows the annual returns of the Merrill Lynch Eurozone >5 year Government bond index since 1987, an index used by the ILIM flagship funds:



Economists forecast that 2013 will be another year of low economic growth globally. The ECB predicts that the Eurozone will shrink by about 0.3% and that inflation will drop to below 1.5%. In such an environment central banks and politicians will try to provide as much stimulus for the economy as possible, especially by keeping interest rates low.

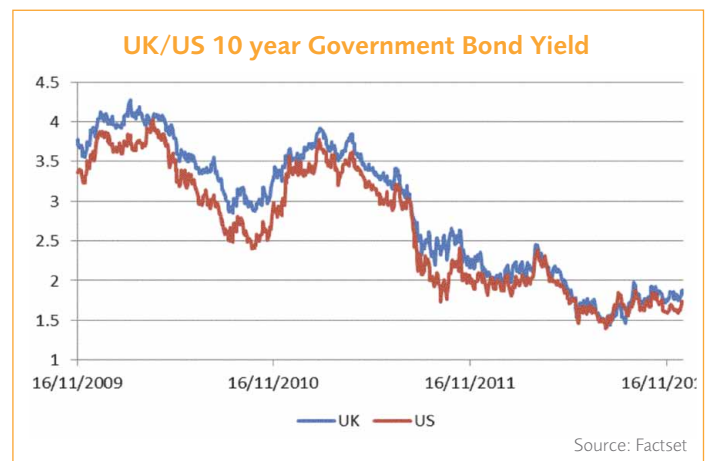
For European bond investors the available universe is currently split into two main camps. High quality core countries with top credit ratings offer very low returns, or as the example of short German bonds shows, even negative yields. Peripheral Eurozone countries such as Ireland, Italy and Spain on the other hand offer attractive yields with some credit risk attached to it. The chart below shows a sample of 2, 5 and 10 year bond yields for a number of Eurozone countries:



Over the course of 2012 the Eurozone as a whole and especially the ECB have put measures in place to mitigate some of these risks. As the example of one large US investor in Irish bonds shows, higher yields in combination with some progress in Europe offer good value for medium to long term investors. 5-year Irish and Italian yields above 3% and Spanish yields above 4% therefore offer value in an overall low return environment.

## US and UK Bond Markets

Both the US Federal Reserve and the Bank of England have been buying Government bonds as part of their quantitative easing programs and as a result yields in those bond markets have dropped significantly. The chart below shows the 10 year Government bond yield in both the US and the UK:



Given that inflation is above 2% in both countries, investors do not get compensated for any risks at these low yields. Eurozone retail investors also need to take into account the currency risk. Only speculation about a very weak Euro versus the US-Dollar or the British Pound would result in a reasonable return.

**Max Plapp**  
Head of Bonds, ILIM

# Investment options for 2013



Investment markets over the last number of years have been very difficult. International stock markets in 2008 cruelly exposed all investors, amateur and professional alike, to the grim reality that too much of a good thing really is a bad thing. That thing was debt. After nearly five years of budget austerity in Ireland with spending cuts, higher taxes and job losses, the worst appears to be behind us and international markets are looking to grow again. Although some individual countries have had budget difficulties in recent years, we have still seen large international companies able to grow their businesses and profits through the tough times.

Historically, in times of great fear or uncertainty, investors have turned to the same safe havens to protect themselves – bonds, cash funds, bank deposits or even gold. As a crisis deepens and governments come unstuck, large money-flows into these assets drives prices higher and returns lower despite falling credit ratings for the countries and banks backing these assets. That means investors are getting lower returns on their investments and taking higher risk to do it. The alternative, investing in the highest rated bank or government bonds, yields a negative return. Falling interest/deposit rates in the highest rated banks are also giving a negative return.

In 2012, there were concerted efforts from governments and international bodies across the globe to stabilise investment markets, lowering interest rates and injecting liquidity through programmes like Outright Monetary Transactions (OMT) in Europe and Quantitative Easing in the US and UK. That, however, does not mean that markets are without risk. Countries, like the US and France, have lost their triple AAA rating as concerns rise that they would not be able to pay back their debts. While that remains highly unlikely, investors should be paid more to compensate for that risk.

So, we need products that give a better risk adjusted return. We looked at the performance of higher risk/higher return equity funds managed by ILIM over 1 year and 3 years. For example, the Indexed World Equity Fund has returned 29.6% over the last year and 12.24% per annum for the last 3 years. Cash Funds have returned c.1% per annum for the last 3 years. Deposit accounts vary but don't offer significantly more. It is no longer about money being safe 'at any cost' and with markets recovering and

negative returns in traditional safe assets, we are likely to see a resurgence in equity based products. ILIM look at risk in terms of volatility and have 7 grades on our scale where 1 is the lowest (e.g. Cash Fund) and 7 the highest (e.g. Emerging Market Equity Fund). The next question is which equity products?

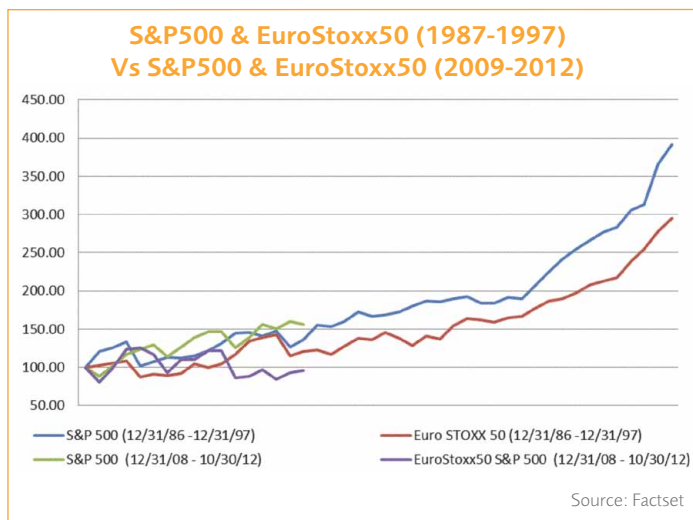
**a. Trackers:** are a stepping stone into other equity products and can offer attractive capital protection i.e. no matter how investment markets perform, you can get back some or all of your initial investment. In the current low interest rate environment, newer trackers are likely to feature lower capital protection but much higher equity stock market participation. We base the stock market portion of most of our trackers off the Eurostoxx 50, which is made up of the 50 largest companies in Europe. These are a popular and low risk exposure to equity based products and performance. Risk category 2.

**b. Equity Funds:** in risk category 3, for example, Irish Life has funds like The Protected Consensus Markets Fund (PCMF) and the Strategic Asset Return Fund (SARF). While the PCMF has an attractive 80% capital protection feature and SARF introduces exposure to alternative assets, both can offer higher returns than deposits over time. They seek to get near managed fund returns but with a smoother return profile than a typical equity managed fund. This is achieved by diversifying across a range of assets - equities, bonds, property and alternatives like commodities. In higher risk categories, products like Consensus (risk category 5) are more weighted towards equities to give greater returns over time but more volatile in the short term.

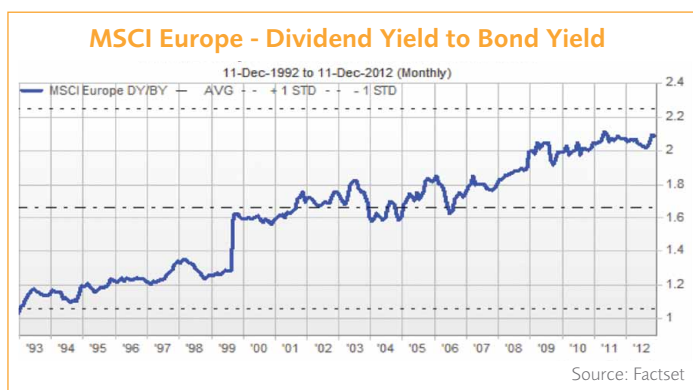


## So why look at these products now?

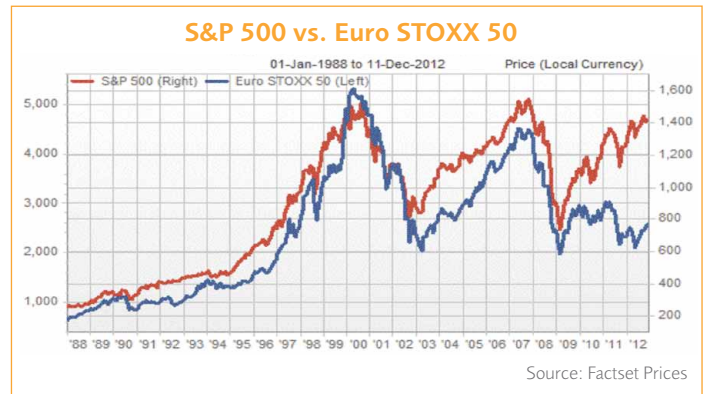
Most equity based products have suffered over the last decade, however, that underperformance has meant valuations are cheap and stocks look attractive if future earnings projections are accurate. We have looked at these valuations in an historic sense, a relative sense and an absolute sense. By way of illustration, below is a chart of the S&P 500 in the US and how it performed in the 10 years after the crash in 1987. It rose 292%. The chart also shows the S&P 500 from the low of the crisis in 2008. It is only up 74% so far. On this chart we have done the same for the Eurostoxx 50 to illustrate the power of recovery that equity markets have previously demonstrated over time.



Equities not only look good value in an historical context but also relative to other asset classes like bonds as shown below. The chart shows how equity dividends are increasing relative to bonds, which when you include the normally much higher price return available on equities, makes them look like much better value.



Within equities, we looked further to see where the relative value was and it is clear to see the discount the market has applied to European stocks, given the difficulties experienced by the peripheral economies and especially Greece. A lot has been done to return confidence and stability to Europe, which if successful, would make European equities look very good relative value now.



Investing in individual shares can be risky, so ILIM advocate investing in funds where you are exposed to potentially thousands of stocks to diversify your risk. Stock markets around the world are recovering from huge financial imbalances but they are recovering. The Irish Life Consensus Fund has been up 8.9% per annum over the last 3 years at a time when top rated deposit funds and cash funds are generating small or negative real returns – you are slowly losing money by leaving your wealth in cash. Government Bonds and Corporate bonds are expensive in an historical context and more importantly, relative to equities. Over time, as we have shown, equity based funds have the highest returns of any asset class and are a vital ingredient in any investment strategy designed to protect and grow your purchasing power over time.

**David Haslam**  
Head of Retail, ILIM



# Index Performances and Market Data



Equity Markets (%)	2008	2009	2010	2011	2012	YTD*
ISEQ	-66.2	27	-3	0.6	14.7	3.28
FTSE 100	-31.3	22.1	9	-5.6	6	2.87
DJ Euro Stoxx 50	-46.3	23.4	-0.1	-17.7	13.4	2.53
S&P 500	-38.5	23.5	12.8	0	12.4	2.82
Nasdaq	-40.5	43.9	16.9	-1.8	14.1	2.72
Nikkei	-42.1	19	-3	-17.3	16.24	1.96
MSCI Emerging Markets	-54.5	74.5	16.4	-20.4	13.8	2.15
MSCI World	-39.1	23	17.2	-7.62	12.1	2.36

Sovereign 10yr Bond Yields (%)	2008	2009	2010	2011	2012	YTD*
US	2.2	3.8	3.3	1.9	1.72	1.9
German	3	3.4	3	1.8	1.367	1.52
UK	3	4	3.4	2	1.88	2.09
Japan	1.2	1.3	1.1	1	0.729	0.82
Ireland	4.3	4.8	9.1	8.4	4.51	4.23
Italy	4.4	4.1	4.8	7.1	4.567	4.3
Greece	5.2	5.77	12.5	31.7	12.73	11
Portugal	4	4.1	6.6	13.4	6.917	6.13
Spain	3.8	4	5.5	5.1	5.35	5.04

Central Bank Rates (%)	2008	2009	2010	2011	2012	YTD*
ECB	2.5	1	1	1	0.75	0.75
Bank of England	2	0.5	0.5	0.5	0.5	0.5
US Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25

Foreign Exchange Rates	2008	2009	2010	2011	2012	YTD*
Dollar/Euro (\$/€)	1.4	1.43	1.34	1.3	1.3159	1.3
Sterling/Euro (£/€)	0.96	0.89	0.86	0.83	0.8129	0.8112
Dollar/Sterling (\$/£)	1.46	1.61	1.56	1.55	1.6184	1.6068

IPD All Property Return	2008	2009	2010	2011	2012	YTD*
Ireland	-34.5	-23.2	-2.4	-2.4	1.2	End q1
UK	-22.5	2.2	14.5	8.1	1.2	End q1
US	-7.9	-18.7	14.8	14.5	5.3	End q1

\* YTD is correct as of 7/1/2013.

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Investments may fall as well as rise.

Changes in currency exchange rates may have an adverse effect on the value, price or income of the product.

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