

Market Review

September 2011



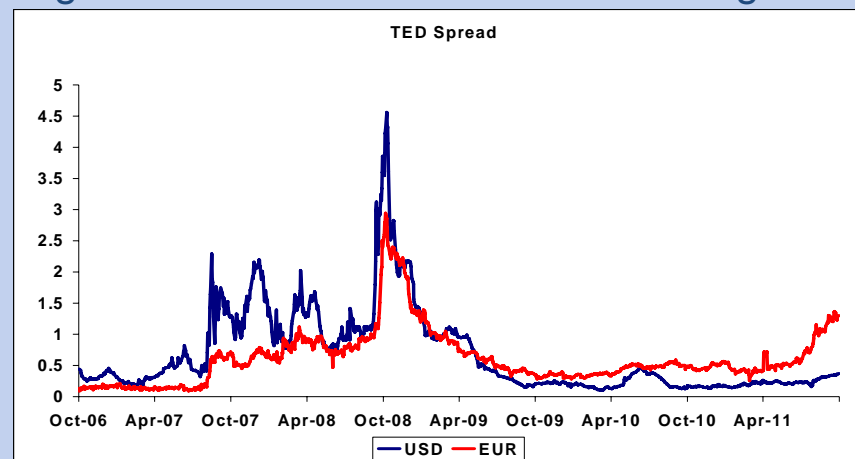
Market Signposts

Markets In September

	September	YTD 2011
Ireland	-2.9	-13.2
UK	-5.0	-10.9
US	-7.0	-8.7
NASDAQ	-6.4	-9.0
Europe	-4.9	-17.8
Japan	-0.6	-14.6
Pacific	-7.6	-15.1
World	-5.9	-12.3
Bonds	1.3	5.3

Oil	-10.9	-21.0
Gold	-11.4	14.0
Commodity	-13.7	3.4

Signs of stress in the Eurozone funding market



Commodities trade lower



Asset Watch

- Equities
 - Recent weakness in economic indicators will lead to a downward revision of earning forecasts and therefore markets will have low double digit negative returns in 2011.
- Bonds
 - A positive performance in German government bonds will be offset by continued weakness in the peripheral countries.
- Property
 - Irish commercial property market values continue to drift due to weakening rental values (yields remain broadly stable). IMF/ECB bail out has seen overseas investor interest cool, while NAMA delays remains a major constraint on liquidity. UK and core Continental European markets continue to see strong investor interest for prime secure properties but non prime property values are under pressure.
- Cash
 - ECB will be on hold. As a result cash is forecasted to return over 1.5% in 2011.



US Economic Review

- Economy

- Business confidence has stabilised in the US above 50.
- However new orders for the manufacturing sector remained weaker.
- Retail sales disappointed expectations as consumer confidence remained depressed.
- Obama has proposed a new jobs stimulus worth \$447bln to the economy.

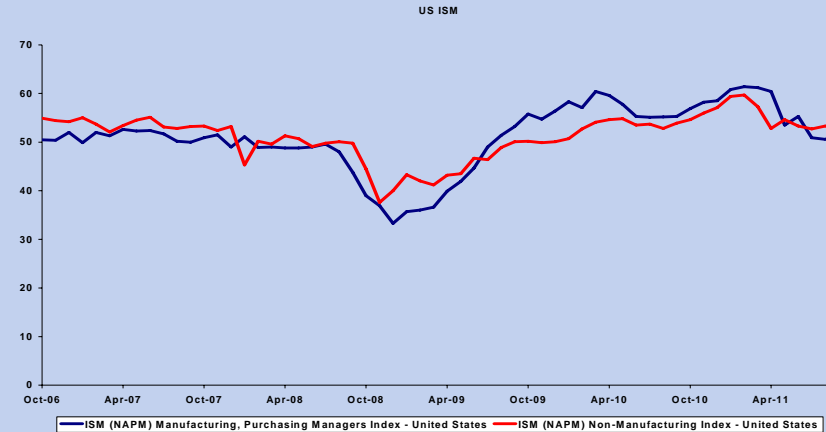
- Interest Rates

- The Fed has committed to a zero interest rate policy until 2013 and announced “operation twist to bring longer dated yields lower.
- Headline inflation is now running at +3.8% YoY, while core CPI stands at 2% YoY.

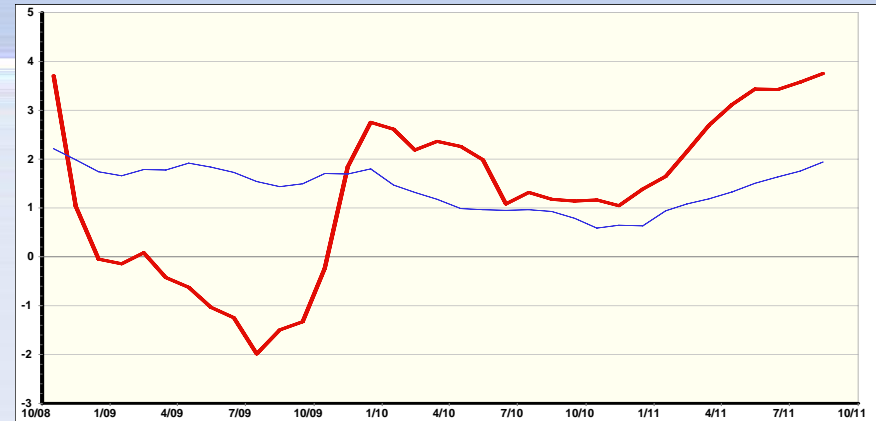
- Stock Stories

- **IBM (+2%)** shares rallied after the company reported sales that exceeded analyst estimates amid buoyant software demand and they raised full year earnings forecasts.

US Inflation



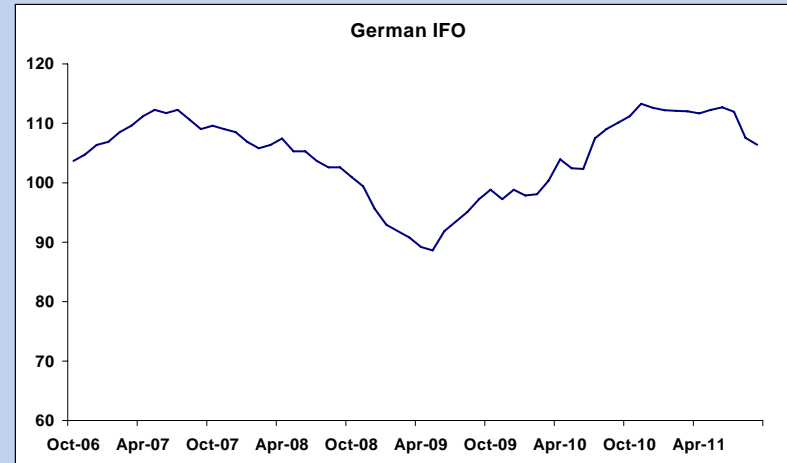
US business confidence stabilised



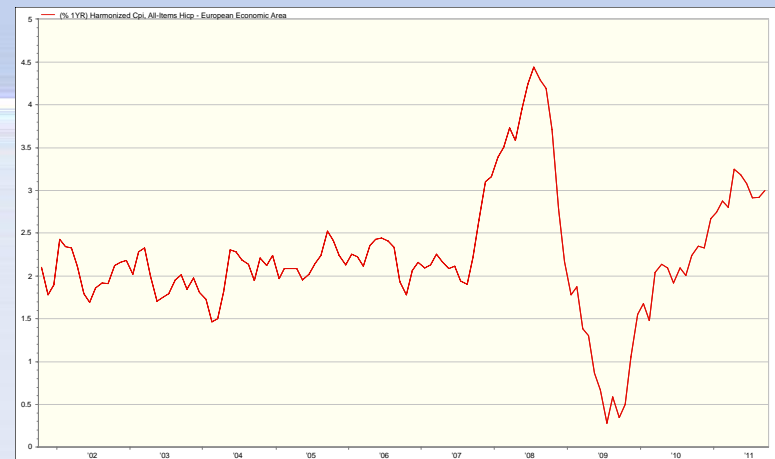
Eurozone Economic Review

Eurozone 2Q GDP

- Economy
 - All EU countries, bar Malta, Netherlands and Slovakia have passed the changes to the EFSF that were agreed in July.
 - Eurozone PMI dipped below 50, implying economic contraction, however German business confidence remains robust.
- Interest Rates
 - The ECB reinstated its bond purchasing programme and reopened its six month LTRO liquidity to the banking sector. Interest rates were left unchanged at 1.5%.
 - Eurozone HICP reading was 3% YoY in September.
- Stock Stories
 - **Credit Agricole (-23%)** French banks have some of the largest exposures among European banks to peripheral markets in general and were impacted by mounting concerns over write downs of sovereign bond holdings and lending portfolios in these markets. The increased stresses in the financial system contributed to tightening in bank funding markets and French banks suffered given their relatively high dependence on wholesale funding within the sector.



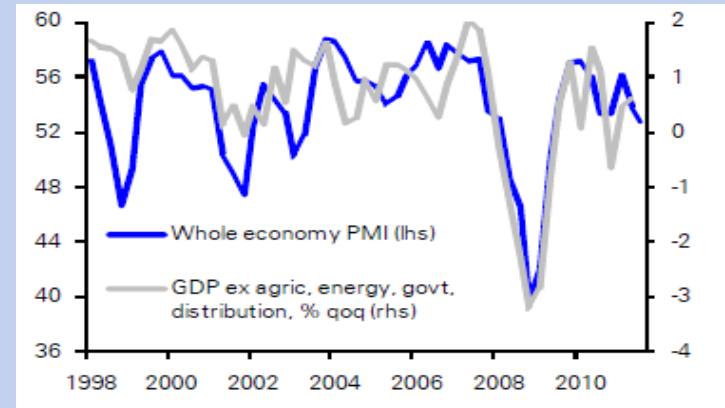
Eurozone HICP



UK Economic Review

- Economy
 - Business confidence showed signs of stabilizing in the UK in October.
- Interest Rates
 - The Bank of England left Interest Rates unchanged and announced an additional \$75bln worth of quantitative easing.
 - UK inflation remained unchanged at 4.5% while core inflation was 3.2%.
- Stock Stories
 - **Imperial Tobacco (+6%)** The company (and its competitors) successfully raised prices in the Spanish market in July and had a positive IMS (interim management statement) during September. Defensive characteristics of tobacco (cash generation, consumer addiction)
 - **Cairn Energy (-16%)** fell after announcing disappointing results from its drilling programme offshore Greenland.

UK PMI is consistent with slow growth



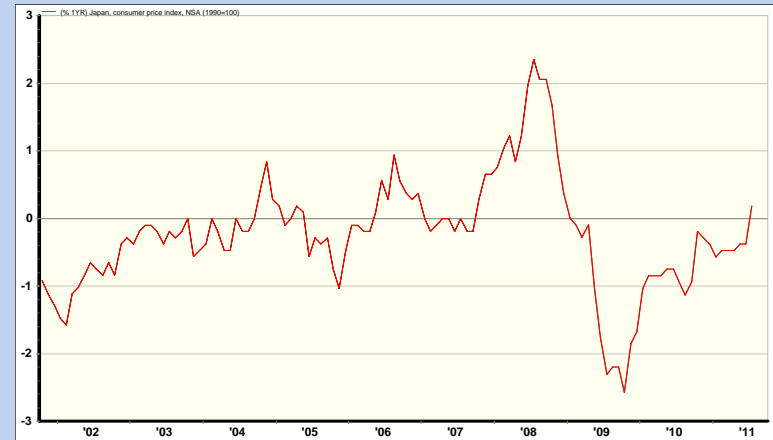
UK 10 Year Government bond yield



Asian Economic Review

- Japanese Economy
 - Lower global growth and the strong yen may hamper a recovery in Japan.
 - Government announced it will spend JPY19tn for reconstruction projects out to 2013.
- Chinese Economy
 - China PMI fell below 50 as new orders was particularly weak.

Japan Inflation



Chinese Equity performance



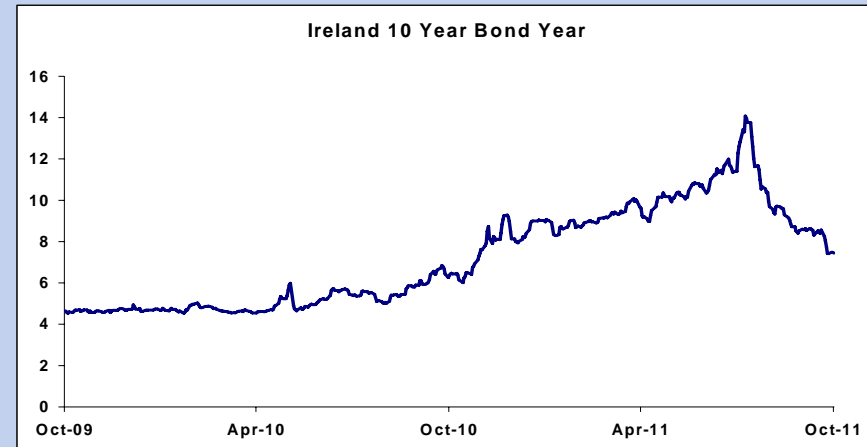
Asia Pacific Ex Japan	September
Hong Kong	-17.5
Taiwan	-5.7
Korea	-4.2
Singapore	-6.8
Australia	-6.0
New Zealand	2.9



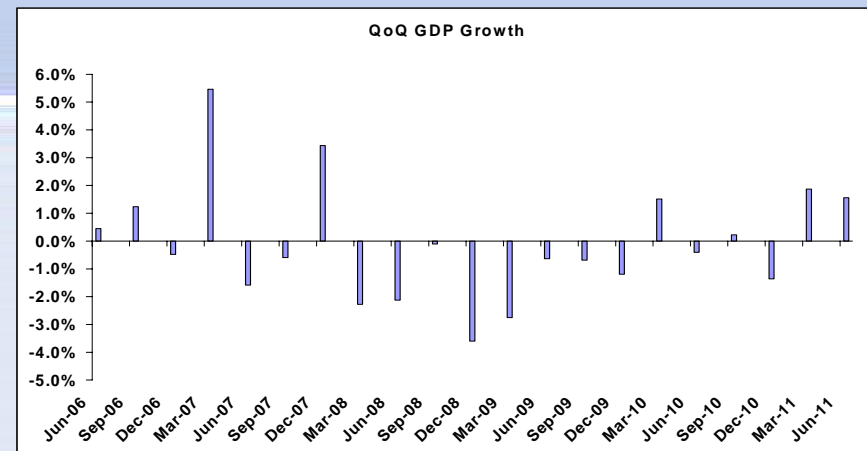
Ireland Economic Review

- Economy

- Irish government bonds continued to outperform other peripheral countries.
- The Irish GDP and GNP grew in the second quarter.
- The growth continued to come from the export sector.
- The pace of decline in employment growth declined as employment fell by the lowest amount since 2008.
- Retail sales remained weak and continued to fall from the previous year.



GDP Growth



Appendix



Country Positions

COUNTRY	New Months Weights
United Kingdom	4.00%
United States	2.60%
Italy	2.50%
Netherlands	2.50%
Spain	1.52%
Korea	1.29%
Hong Kong	0.44%
Germany	-0.10%
Canada	-0.58%
Singapore	-0.60%
Sweden	-0.95%
Taiwan As of 5 th of October 2011	-1.96%
Switzerland	-2.06%
Japan	-2.10%
France	-2.50%

Currency Positions

Currency	
Euro	-3.12%
Australia \$	-2.34%
Norway Kr	0.19%
Japan Yen	0.34%
Sweden Kr	0.35%
US \$	0.82%
UK £	3.76%

As of 3rd October 2011



Disclosure Statement

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