# Scope

**GROSS FUND PERFORMANCE**
**30th September 2013**

## Markets During The Month

September was a positive month for markets. The move towards a diplomatic resolution of tensions in Syria led to a rally early in the month and a recovery of the losses experienced in late August when there had been fears of a military intervention by the west. The continuation of generally positive global economic news flow provided further support.

The US Fed surprised markets by delaying the announcement of the beginning of QE3 tapering at its mid-month meeting. Equities rallied on the news as current levels of monetary stimulus remain in place for longer than previously expected while bonds also rallied as asset purchases will be maintained at $85bn in coming months.  Equities drifted towards month end giving up some of their gains as political uncertainty became a feature on both sides of the Atlantic while bonds benefited further from the political tensions.

In Germany, Angela Merkel won a greater share of the vote than expected in the general election but just failed to win a majority in the Bundestag and now has to negotiate with new potential coalition partners as her previous partner in government failed to gain enough votes to enter parliament. In Italy, Berlusconi pulled his ministers out of cabinet giving rise to fears that the government would fall. In the US, failure by the two main parties to agree on an annual budget has led to a temporary shutdown of some government activities while the issue of the budget ceiling has needs to be addressed by the middle of October.

During the month, cyclical sectors tended to outperform on the back of the generally better economic data with consumer discretionary and industrials both outperforming markets. Telecoms also outperformed due to actual and rumoured corporate activity and a potentially less onerous regulatory environment in Europe. In contrast, defensive sectors tended to underperform with consumer staples and healthcare both lagging. Energy stocks also lagged as oil prices fell.

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Irish Life

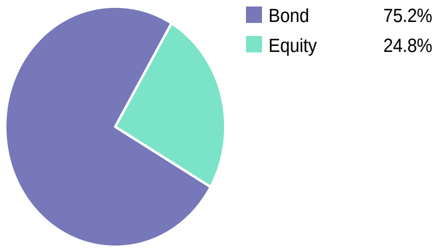
# SecureScope

Information is correct as at the 30th September 2013 Volatility/Risk low risk

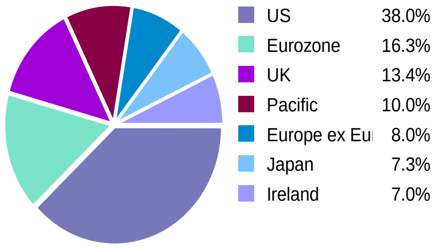
## How the Fund Works

About three quarters of the fund is invested in fixed interest securities (bonds) with the remainder invested in shares. The fund provides a capital guarantee after five years.

## Asset Distribution




## Equity Distribution




## Performance

| Period | Return |
|---|---|
| YTD | 2.84% |
| 1 Year | 3.39% p.a. |
| 3 Year | 3.08% p.a. |
| 5 Year | 2.75% p.a. |
| 10 Year | 2.52% p.a. |

The figures quoted are before tax and after management charges. Source: Irish Life.There is no Bid/Offer Spread.

## Market Commentary

The Merrill Lynch Eurozone Government bond index >5 years posted a gain of 0.87% as the volatility in yields seen this year continued. Total returns for the year are coming in at +0.94%. September proved to be a month of political developments and Federal Reserve communication problems.

Core yields dropped in September globally as the Federal Reserve surprised the markets by not reducing its quantitative easing program. Having clearly signaled their intention to reduce policy easing during a May briefing, they decided to maintain the levels of monetary easing. Separately, it is now very likely that Janet Yellen will replace Ben Bernanke as Chairman of the Fed next year. The market views this appointment as an indication that monetary policy will remain easier for longer. Ten year German bond yields ended the month at 1.78% down from an intra-month high of 2.05%.

In Italy, there was further political instability with Berlusconi's PdL party threatening to withdraw from government. This put some pressure on Italian spreads but the market generally reacted well to these developments with smaller sell-offs than in past periods of political uncertainty. Merkel nearly won an overall majority in the German elections but will now have to settle for coalition government. Economic data continued to be marginally positive with the composite PMI number coming in at 52.1 indicating an increased likelihood of economic growth in the region. The US government has gone into shutdown as Congress could not agree a budget for the new fiscal year. Markets have been reasonably sanguine about this development and expect it to be resolved before serious damage is done to the underlying economy.

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Irish Life

# Wisdom Scope

Information is correct as at the 30th September 2013

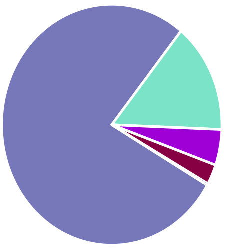
Volatility/Risk

medium risk

## How the Fund Works

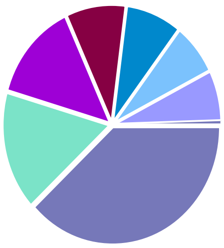
Approximately three quarters of Wisdomscope is invested in shares with the remainder invested in bonds, property and cash.

## Asset Distribution



| | |
|---|---|
| Equity | 77.5% |
| Bond | 14.8% |
| Cash | 4.8% |
| Property | 2.7% |
| Alternatives | 0.2% |

## Equity Distribution



| | |
|---|---|
| US | 38.1% |
| Eurozone | 16.4% |
| UK | 13.6% |
| Pacific | 9.0% |
| Europe ex Eu | 8.4% |
| Japan | 7.1% |
| Ireland | 6.9% |
| Emerging Mkt | 0.5% |

## Performance

| Year | Fund | Average Managed Fund |
|---|---|---|
| 1 year | 11.0% | 12.8% |
| 3 Years | 8.0% | 9.7% |
| 5 Years p.a. | 5.9% | 7.4% |
| 10 Years p.a. | 4.5% | 6.0% |

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## Market Commentary

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Irish Life

# Global Scope

Information is correct as at the 30th September 2013

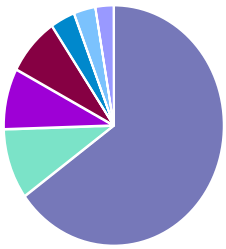
Volatility/Risk

high risk

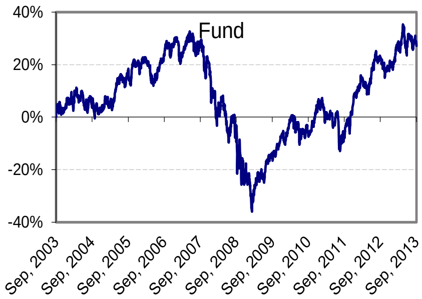
## How the Fund Works

Globalscope aims to track the Dow Jones Gobal Titans shares. This represents 50 of the biggest companies in the world. These companies will give you the chance to benefit from a very broad range of shares which are truly worldwide.

## Country Distribution




## Performance




| Year | Global Scope |
|---|---|
| 2013 YTD | 8.2% |
| 1 Year | 4.1% |
| 3 Year %p.a. | 11.0% |
| 5 Year %p.a. | 5.8% |
| 10 Year %p.a. | 2.4% |

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## Market Commentary

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Irish Life

# EuropaScope

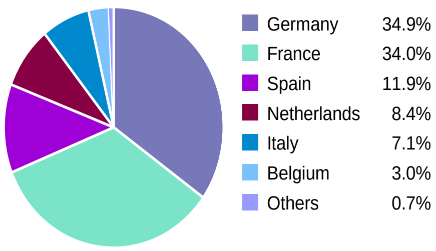
Information is correct as at the 30th September 2013

Volatility/Risk: high risk

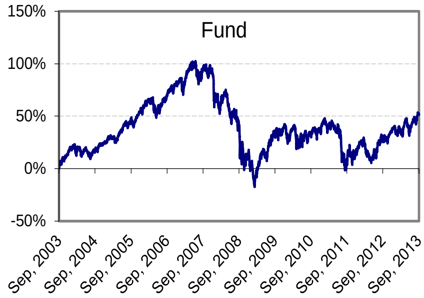
## How the Fund Works

The Europascope fund is designed to track the **Euro Stoxx 50 index.** The Euro Stoxx 50 index has gained 21.33% in euro terms over the last year.

## Country Distribution




## Performance




| Year | EuropaScope | DJ Euro Stoxx 50 |
|---|---|---|
| 2013 YTD | 12.4% | 12.7% |
| 1 Year | 20.7% | 21.3% |
| 3 Year %p.a. | 4.6% | 5.3% |
| 5 Year %p.a. | 1.8% | 2.5% |
| 10 Year %p.a. | 4.2% | 5.0% |

The figures quoted are before tax and after management charges. Source: Irish Life.There is no Bid/Offer Spread.

## Market Commentary

Overall, Eurozone economic data continued to surprise positively during the month. The composite PMI reached a twenty six month high, rising 0.6 to 52.1. Services PMI rose 0.4 to 52.1 although manufacturing PMI slipped 0.3 to 51.1 but remains in expansionary territory above 50. The Sentix business sentiment rose 11.4 to 6.5, the ZEW survey rose 14.6 to 58.0, economic confidence rose 1.7 to 96.9, services confidence rose 2.0 to -3.3 and industrial confidence rose 1.2 to -6.7. Retail sales rose 0.1% m/m but were down -1.3% y/y.

The ECB left interest rates unchanged. GDP forecasts for 2013 were revised up 0.2% to -0.4% while 2014 forecasts were revised down 0.1% to 1.0%. The inflation forecast for 2013 was revised up 0.1% to 1.5% while 2014 was left unchanged at 1.3%. The balance of risks was still viewed as being to the downside for growth and balanced for inflation. The overall tone of the post meeting press conference was dovish with additional monetary easing being presented as a policy option on a number of occasions during Q&A. President Draghi indicated that while some members felt the economic recovery no longer warranted discussion on interest rate cuts, several others saw the recovery as too ‘green’ and justified further debate on the issue. The ECB will remain attentive to money market rates and the impact reductions in excess liquidity through repayments of Long Term Refinancing Operations (LTRO) funds are having on rates and monetary policy. Draghi reiterated that if the ECB sees evidence of unwarranted increases in money market rates it would consider a further rate cut and stands ready to act in terms of further monetary actions if required, suggesting that additional LTRO funds might be considered.

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Irish Life

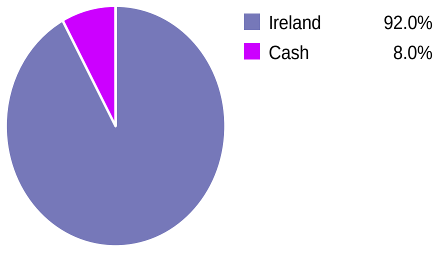
# CelticScope

Information is correct as at the 30th September 2013 Volatility/Risk high risk

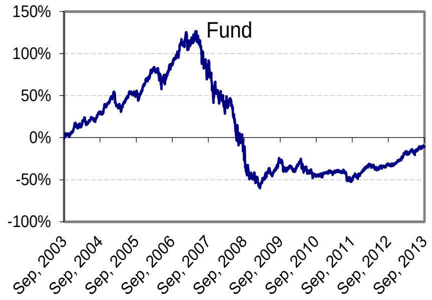
## How the Fund Works

The Celticscope fund is designed to track the **ISEQ Index** benchmark.

## Country Distribution




## Performance




| Year | CelticScope | Benchmark |
|---|---|---|
| 2013 YTD | 25.9% | 26.6% |
| 1 Year | 31.6% | 32.7% |
| 3 Year %p.a. | 17.9% | 19.1% |
| 5 Year %p.a. | 2.2% | 6.1% |
| 10 Year %p.a. | -1.1% | 2.0% |

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## Market Commentary

Economic releases were a little mixed through the month. Second quarter GDP was modestly positive at 0.4% q/q but was below expectations of +1.0% and was down -1.2% y/y. Domestic demand fell -1.1% y/y but excluding the volatile aircraft orders element, was up 0.2%. Total investments grew 1.0% y/y but ex aircraft were up 12%, the fastest rate of growth since Q1 2006. Construction grew 10% y/y. Consumption grew 0.7% q/q but was down -1.1% y/y. Exports grew 4.3% q/q and 1.0% y/y. The labour market showed further improvement as numbers on the seasonally adjusted Live Register fell 3,400 to 415,300, the lowest since July 2009 and the fourteenth consecutive monthly decline while unemployment fell 0.1% to 13.4%. Job creation has outgrown job losses on an annual basis for the first time since 2007, showing a net growth of 1%.

Residential property prices rose 0.9% m/m or 2.8% y/y. House prices in Dublin rose 2.1% m/m and are up 10.5% y/y. Prices outside Dublin rose 0.1% m/m but are down -2.6% y/y. Headline retail sales fell -1.6% m/m but were up 2.6% y/y. Sales ex autos fell -0.2% m/m but rose 1.2% y/y. Consumer confidence rose 6.3 to 73.1 although this tends to be a volatile figure. In terms of Exchequer returns, at the end of August, gross voted spending was down -3.4% y/y and was €531m below targets. On the revenue side, tax receipts were €57m below budget leaving the overall budget position broadly in line with expectations.

Moody's upgraded the outlook on Ireland's sovereign debt to stable from neutral, highlighting the progress in restoring solvency to the public finances and the reduced risk of losing access to financial markets due to an improvement in liquidity.

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Irish Life

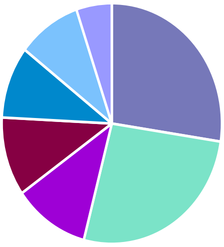
# Banc Scope

Information is correct as at the 30th September 2013 Volatility/Risk high risk

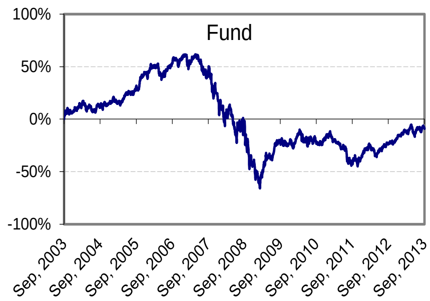
## How the Fund Works

The fund was launched in June 2002 and invests in the 50 largest global banks providing Irish investors with the opportunity to invest in a truly diversified portfolio banking stocks that have a global presence.

## Country Distribution




## Performance




| Year | Banc Scope |
|---|---|
| 2013 YTD | 11.8% |
| 1 Year | 19.6% |
| 3 Year %p.a. | 5.8% |
| 5 Year %p.a. | -0.6% |
| 10 Year %p.a. | -1.0% |

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## Market Commentary

**Top 5 Holdings**

| Largest Stocks | %Weight | Country |
|---|---|---|
| Wells Fargo | 6.40% | US |
| HSBC | 5.92% | US |
| J.P. Morgan | 5.83% | UK |
| Bank of America | 4.36% | US |
| Citigroup | 4.17% | US |

**In Stock News**

**Banco Santander**, the Spanish bank, rose 12.9% following a broker recommendation upgrade as return on tangible equity estimates were raised and cost of equity estimates lowered. Capital management measures are also being undertaken to protect its capital ratios.

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Irish Life

# Tele Scope

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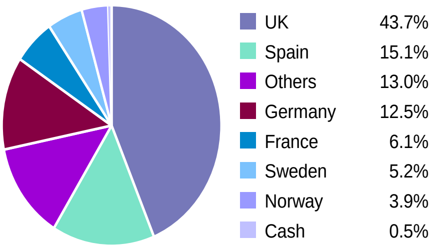
Volatility/Risk

high risk

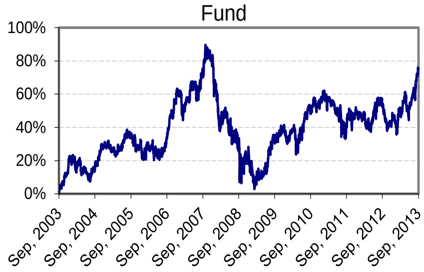
## How the Fund Works

Telescope tracks the performance of the Dow Jones European Telecoms Index.

## Country Distribution




## Performance




| Year | Tele Scope | DJ Stoxx Telecoms |
|---|---|---|
| 2013 YTD | 24.8% | 25.7% |
| 1 Year | 14.8% | 16.0% |
| 3 Year %p.a. | 5.7% | 6.6% |
| 5 Year %p.a. | 6.6% | 7.5% |
| 10 Year %p.a. | 5.8% | 6.8% |

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## Market Commentary

**Top 5 Holdings**

| Largest Stocks | %Weight | Country |
|---|---|---|
| Vodafone | 30.07 | UK |
| Telefonica | 15.00 | Spain |
| BT Group | 11.29 | UK |
| Deutsche Telekom | 11.06 | Germany |
| Orange | 6.06 | France |

**In Stock News**

During September Telecoms also outperformed due to actual and rumoured corporate activity and a potentially less onerous regulatory environment in Europe.

**Orange** gained 21% during September. Takeover speculation in the sector in Europe, a more benign regulatory backdrop, some early signs of domestic commercial resilience and a highly leveraged capital structure combined to push the shares ahead.

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## Investment Outlook

Investment markets have been supported by the unprecedented level of monetary stimulus being provided by global central banks in an effort to improve the growth outlook for global economies. This has been most notable in the US where the third Quantitative Easing (QE3) programme was launched by the Federal Reserve in September 2012. However, the Fed has indicated that the level of asset purchases under QE3 will begin to be reduced in the coming months. Such timing to be determined by progress in relation to the resolution of fiscal issues in the US. The outlook for the housing market and overall economy and conviction within the Fed that the economic recovery is sustainable. With tapering only beginning if and when the Fed is confident, the macro backdrop should be supportive of equities and offset the impact of reduced levels of asset purchases. The Fed also has sought to separate any decision on tapering from increases in interest rates with the latter unlikely to occur until 2015. As a result, monetary policy will remain accommodative for the foreseeable future, even as the economy recovers.

In Japan, the Bank of Japan has agreed to a doubling of its inflation target to 2% and announced a significant increase in the level of asset purchases, committing to buy more bonds, equities and property assets and double its monetary base by buying Y60/70trn of assets per year. In Europe, the ECB had been reluctant to provide additional stimulus as it saw policy as already being accommodative and financial market conditions having improved. Weaker economic data in the first quarter and reversals in business sentiment surveys has however led to a cut of 25bps in the ECB's main refinancing interest rate to 0.5%. The ECB also indicated that work is underway to try and develop a securitized SME loan market to encourage increased lending to European corporates although this is still at the early stages of development. Recent comments from both the ECB and Bank of England have indicated that interest rates in both these regions will remain low for extended periods of time. The Bank of England has set a threshold level of 7% unemployment before it will begin to consider raising interest rates.

Momentum in the global economy improved early in 2013. Athough there were indications at the beginning of the second quarter that that the pace of growth had eased and a temporary soft patch might be in the offing. This proved to be transitory, with a pick-up in growth becoming evident again in recent economic releases in developed markets. Consumer balance sheets are strong in the US and the housing market remains firm. Japan continues to show signs of stabilisation as industrial production are increasing modestly, bank lending continues to grow, consumer confidence is up and business sentiment surveys are improving. Recent data from the UK has also been stronger and growth rates have improved through the first two quarters and look set to improve further through the second half of the year. Industrial production, services and manufacturing readings are all steadily improving in the UK. In Europe, after weakness through March and April, sentiment surveys have again improved in recent months while the region exited recession in the second quarter as GDP grew 0.3% q/q and the recovery looks set to be maintained through the second half of the year. China had shown signs of slowing growth momentum through the first half of the year although recent economic data has shown signs of stabilisation. Some other emerging markets however have shown signs of slowing growth with countries which have large current account deficits experiencing currency weakness and forced to raise interest rates to address these deficits and rising inflation.

Overall, equity markets should continue to benefit from the supportive policies of global central banks and moves to reduce the tail risks across Europe. Economic momentum should continue to improve through the remainder of the year and into 2014 and would be supportive of equity markets which remain attractive on valuations terms both in absolute terms and relative to other asset classes, even after gains since the middle of 2012. However, markets will remain sensitive to political and economic news flow. Particularly in relation to monetary stimulus programmes which could cause some negative surprises from time to time but overall equity markets should continue to move higher. If the Fed does begin to reduce the level of asset purchases under QE3 later this year, this should only occur because growth is improving and is seen as sustainable. This improved growth outlook would be positive for equities and help offset the negative impact of reduced monetary support. Over the next twelve months, global equities could rise between 5 -10%.

## Disclosure



Irish Life