

Market Overview

- * The final quarter of 2011 was a positive one for most equity markets across the globe, as governments in Europe worked to resolve the Eurozone debt crisis.
- * The Irish stock market returned 16.2% during the quarter. During a visit to Ireland in October, the IMF's Chief Economist commented that the government should be able to resume borrowing by early 2013. There was disappointing news from the CSO as it was revealed that the economy had contracted during the third quarter, despite a rise in exports. If there is a further contraction in the fourth quarter, the country will officially experience a double-dip recession.
- * UK equities gained 9.3% over the quarter in sterling terms (a 12.7% return in euro terms). There was good news for the economy when Standard & Poor's reconfirmed the UK's AAA credit rating, suggesting that the economy was well positioned to come through the current sluggish period. In contrast, the Chancellor of the Exchequer warned that economic growth would be lower than previously forecast and announced that the state pension retirement age would rise to 67 in 2026 – ten years ahead of schedule.
- * US equities returned 10.8% in dollar terms (or 14.8% for Irish investors). Investor confidence returned to the market in the wake of positive economic data and a strong third quarter

earnings season. The Federal Reserve pledged to keep interest rates low until the middle of 2013, but did not announce any additional stimulus measures much to the disappointment of the market. In economic news, jobless claims fell to the lowest level since May 2008.

- * The Eurozone region gained 5.6% over the quarter, while the rest of Europe recorded a 7.2% return (8.3% in euro terms). At an EU Council meeting in October, a revised stability plan was agreed, which involved increasing the size of the stability facility, recapitalising the banking sector and a 50% write-down on the value of Greek debt held by the private sector. In a December meeting of EU leaders, 26 of the 27 participants agreed to sign up to a treaty that will set tighter budget rules (the UK was the only country to refuse). Meanwhile, Mario Draghi replaced Jean-Claude Trichet as governor of the ECB and quickly reversed his predecessor's two most recent interest rate increases.
- * The Japanese stock market returned -4.0% over the quarter in yen terms (declining 0.6% in euro terms). Markets in the rest of the Pacific Basin delivered a return of 2.7% in local currency terms (8.9% for Irish investors). Data was released which showed that the Chinese economy had expanded at an annual rate of 9.1% in the third quarter, its slowest pace since 2009. In other news, Chinese inflation fell to 4.2% in the year to November, from a three-year high of 6.5% in July.

Active Managed Fund Highlights

Average return for Q4	7.6%
Best performer for Q4 <i>Standard Life Investments/Kleinwort Benson Investors</i>	8.4%
Average Return 1 year	-3.4%
Best Performer 1 year <i>Canada Life/Setanta</i>	0.5%
Best over 3 years <i>Standard Life Investments</i>	11.7% p.a.
Best over 5 years <i>Canada Life/Setanta</i>	-1.3% p.a.
Best over 10 years <i>Zurich Life/Eagle Star</i>	3.1% p.a.

Key Market Indices: Summary of Returns to 31st December 2011 (in Euro terms)

	Q4 %	YTD %	1yr %	3 yrs % p.a.	5 yrs % p.a.
FTSE World Index	11.0	-3.4	-3.4	14.9	-1.1
MSCI Emerging Markets Index	8.0	-15.4	-15.4	23.2	3.0
Commodities (50% GSCI + 50% GSCI Non-Energy)	7.8	-4.2	-4.2	10.5	-0.5

Jargon Buster (Topic: Investment Management)

Fund Manager – the company, or team of professionals, that have been appointed to run the fund. The fund manager is responsible for deciding which assets the fund should be invested in.

Market Index - A list of securities whose cumulative values and returns represent "the market". For example, the US stock market is typically represented by the S&P 500 which is an index of 500 US-based equities.

Benchmark - The standard against which the performance of a fund is measured. Typically, a fund is benchmarked against a market index that lists similar investments (for example an equity index for an equity fund), but sometimes peer groups, or target return benchmarks are used.

Active Investing - A style of investment management where a manager seeks to outperform a benchmark index through security selection and market timing.

Passive (or Indexed) Investing – A style of investment management where a manager holds all of the securities listed in the market index, in the same proportion. The securities are only bought or sold if they are added or removed from the target index or if the proportions need to be rebalanced. A passive (indexed) fund aims to deliver returns in line with its underlying index, not outperform it.

Summary of Managed Fund Returns

Active Managed Funds: Summary of Returns to 31st December 2011

Manager	Q4 %	Rank	YTD %	Rank	1 yr %	Rank	3 yrs % p.a.	Rank	5 yrs % p.a.	Rank	10 yrs % p.a.	Rank
AIB Investment Managers	7.8	5	-2.2	3	-2.2	3	7.5	11	-4.2	5	0.6	9
Aviva Investors	6.7	10	-4.1	6=	-4.1	6=	7.8	10	-5.5	11	0.5	10
Canada Life/Setanta	7.7	6=	0.5	1	0.5	1	10.6	2	-1.3	1	2.0	3=
Friends First/F&C	7.9	3=	-4.6	9	-4.6	9	9.0	6=	-4.7	9	1.0	6=
Irish Life Investment Managers	7.7	6=	-5.0	10	-5.0	10	9.1	5	-4.6	6=	1.4	5
Kleinwort Benson	8.4	1=	-2.4	4	-2.4	4	8.7	8=	-5.2	10	-0.4	11
Merrion Investment Managers	6.1	11	-5.9	11	-5.9	11	10.3	3	-2.8	4	2.0	3=
New Ireland	7.5	8=	-4.2	8	-4.2	8	9.0	6=	-4.6	6=	1.0	6=
Standard Life Investments	8.4	1=	-3.6	5	-3.6	5	11.7	1	-2.4	3	2.3	2
State Street Global Advisors	7.5	8=	-4.1	6=	-4.1	6=	8.7	8=	-4.6	6=	1.0	6=
Zurich Life/Eagle Star	7.9	3=	-2.1	2	-2.1	2	9.8	4	-1.5	2	3.1	1
Average	7.6		-3.4		-3.4		9.3		-3.8		1.3	

Active Managed Funds: Percentage Asset Distribution as at 31st December 2011

Manager	Irish	UK	Europe Ex ROI & UK	North America	Japan	Other	Total	Fixed Interest	Property	Cash	Alternative Assets	Total
AIBIM	4.2	12.2	18.1	27.9	3.5	10.2	76.0	15.3	3.9	4.8	0.0	100.0
Aviva Investors	4.8	12.4	17.6	26.1	3.7	11.1	75.7	15.9	5.0	3.4	0.0	100.0
Canada Life/Setanta	7.3	7.4	12.2	38.3	3.9	4.4	73.5	18.8	2.8	2.5	2.4	100.0
Friends First/F&C	4.9	11.7	15.4	26.9	4.4	11.4	74.7	15.6	4.6	5.1	0.0	100.0
Irish Life	5.5	13.2	17.4	26.7	2.6	6.0	71.3	15.8	5.7	1.4	5.9	100.0
Kleinwort Benson	5.9	10.4	17.0	27.6	2.3	11.2	74.4	12.9	4.2	6.2	2.5	100.0
Merrion	5.5	11.1	16.2	23.9	6.8	9.3	72.8	12.6	1.0	10.1	3.6	100.0
New Ireland	5.1	10.2	16.8	27.0	5.8	8.0	73.0	18.0	6.0	3.0	0.0	100.0
Standard Life	0.9	12.1	19.8	28.9	2.4	8.2	72.3	20.7	4.0	3.0	0.0	100.0
State Street Global Advisors	6.0	11.3	17.1	25.0	6.1	8.2	73.6	13.6	5.4	1.7	5.8	100.0
Zurich Life/Eagle Star	3.0	10.0	13.0	28.0	4.0	11.0	69.0	26.0	0.0	5.0	0.0	100.0
Average	4.8	11.1	16.4	27.8	4.1	9.0	73.3	16.8	3.9	4.2	1.8	100.0

Active Managed Funds: Yearly Performance Figures

	2011		2010		2009		2008		2007
Canada Life/Setanta	0.5%	Standard Life	16.4%	Merrion	29.6%	Canada Life/Setanta	-29.6%	AIBIM	1.3%
Zurich Life/ Eagle	-2.1%	Friends First/F&C	12.2%	ILIM	25.6%	Zurich Life/Eagle Star	-30.5%	Zurich Life/Eagle Star	0.6%
AIBIM	-2.2%	AIBIM	11.8%	Standard Life	24.3%	SSgA	-33.4%	Merrion	-1.6%
Kleinwort Benson	-2.4%	Kleinwort Benson	11.8%	Canada Life/Setanta	22.9%	New Ireland	-33.4%	Aviva Investors	-1.7%
Standard Life	-3.6%	Zurich Life/Eagle Star	10.9%	Zurich Life/Eagle Star	22.1%	Standard Life	-33.8%	Canada Life/Setanta	-1.8%
Aviva Investors	-4.1%	New Ireland	10.7%	New Ireland	22.0%	Merrion	-34.4%	ILIM	-2.9%
SSgA	-4.1%	SSgA	10.6%	Friends First/F&C	21.2%	AIBIM	-35.7%	Friends First/F&C	-3.3%
New Ireland	-4.2%	Merrion	10.2%	SSgA	21.0%	Kleinwort Benson	-37.1%	Standard Life	-3.9%
Friends First/F&C	-4.6%	Canada Life/Setanta	9.5%	Aviva Investors	20.1%	ILIM	-37.3%	Kleinwort Benson	-5.3%
ILIM	-5.0%	ILIM	9.0%	Kleinwort Benson	17.8%	Friends First/F&C	-37.3%	SSgA	-7.6%
Merrion	-5.9%	Aviva Investors	8.8%	AIBIM	13.7%	Aviva Investors	-38.8%	New Ireland	-8.2%
Average	-3.4%		11.1%		21.8%		-34.7%		-3.1%

Consensus Funds: Summary of Returns to 31st December 2011

	Q4 %	YTD %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.
AIB Investment Managers	7.3	-2.9	-2.9	9.3	-4.0	--
Aviva Investors	7.3	-2.9	-2.9	8.8	-4.1	0.9
Friends First/F&C	7.8	-2.6	-2.6	11.1	-2.9	1.8
Irish Life Investment Managers	7.7	-2.7	-2.7	9.8	-3.6	1.7
Standard Life Investments	8.1	-2.5	-2.5	10.3	-3.5	--
State Street Global Advisors	7.7	-2.7	2.7	10.1	-3.4	1.6
Average	7.7	-2.7	-2.7	9.9	-3.6	1.5

Summary of Returns to 31st December 2011

Fund Name	Type of Fund	Q4 %	YTD %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.
AIBIM Total Equity	Global Equity	10.5	-3.2	-3.2	11.0	-5.6	-1.3
Aviva Investors International Equity	Global Equity	13.3	-4.0	-4.0	12.8	-2.9	-0.1
Canada Life/Setanta Dividend	High Yield Equity	6.4	-2.3	-2.3	11.1	-2.7	--
Canada Life/Setanta Focus 15	Concentrated Global Equity	11.6	0.9	0.9	22.6	2.7	1.6
Friends First/F&C International Equity	Global Equity	10.2	-6.4	-6.4	13.5	-2.4	0.1
ILIM Dynamic Global Value	Global Equity (Traditional Value Style)	11.0	-7.3	-7.3	16.7	--	--
KBI Dividend Plus Global Equity	High Yield Global Equity	12.0	1.6	1.6	14.8	-0.6	--
KBI Innovator	Alternative Investment Themes/Trends	7.2	-13.8	-13.8	10.2	-4.1	--
Merrion Global Equity	Global Equity	9.4	-7.8	-7.8	13.2	-3.5	0.7
Merrion High Alpha	Concentrated Absolute Return Fund	0.1	-0.9	-0.9	18.8	--	--
New Ireland IRIS 2022 Series 6	Target Date Lifestyle Fund	8.9	-4.9	-4.9	10.9	-5.6	0.7
Standard Life GARS	Absolute Return Fund	4.1	3.8	3.8	11.0	--	--
Standard Life Global Equities	Global Equity	6.4	-9.1	-9.1	15.7	-2.8	-1.4
SSgA International Equity	Global Equity	9.7	-6.1	-6.1	11.2	-4.2	-1.6
Zurich Life/ Eagle Star 5*5 Global Equity	Concentrated Global Equity	9.5	-6.6	-6.6	7.3	-4.0	3.3
Zurich Life/ Eagle Star International Equity	Global Equity (Rotational Style)	10.7	-3.8	-3.8	12.2	-1.4	1.8

Past performance may not be a reliable guide to future performance. While every care has been taken in collecting this data from investment managers, it has not been audited or verified for accuracy.

Bond Markets & Yields

Eurozone bonds declined 1.3% over the quarter, as investors' risk appetites returned and bond yields rose across the region. Indeed, even Germany was not immune from difficulty, as a bond auction in the largest Eurozone economy failed to raise as much money as had been anticipated.

* *The return that an investor will earn on a bond is based on the price at which the bond is bought and sold and on the regular interest payments that are received. The "yield" is a calculation of the annualised return that an investor can expect to receive if they buy the bond today and hold it to maturity. If an investor sells the bond before its maturity date, the realised return will be different from the yield.*

Property Markets

Continued uncertainty in the Eurozone and budget pressures on tenants meant there was little movement in the Irish property market over the quarter. Property investments continue to be supported by their income return, which is currently sitting at c. 9%. Unfortunately, with capital values falling by c. 15% over the year, investors continue to see a negative total return on their funds. The average property fund declined by 1.6% over the quarter, or 4.7% over the past 12 months.

Bond Market Returns: Summary of Index Returns to 31st December 2011 (in Euro terms)

	Q4 %	YTD %	1 yr %	3 yrs % p.a.	5 yrs % p.a.
ML EMU Gov't > 5 Year Bond Index	-1.3	3.9	3.9	2.9	3.9
Long Bonds: ML EMU Gov't > 10 Year Bond Index	-1.5	4.2	4.2	2.9	3.4
Corporate Bonds: ML EMU Corporate Large Cap Bond Index	1.3	2.0	2.0	7.2	3.6
Cash: 3 Month Euro Bank Deposit	0.4	1.3	1.3	1.4	2.7

Key Government Bond Yields as at 31st December 2011 (expressed in local currency terms)

	10 Year %	30 Year %
Germany	1.8	2.4
Greece	34.0	--
Ireland	8.5	--
Italy	7.0	6.8
UK	2.0	3.1
US	1.9	2.9

Source: FTcom/Thomson Reuters

* Please contact us for further information:

Stephanie Condra (scondra@invesco.ie)
 Brian Sexton (bsexton@invesco.ie)
 Finian O'Driscoll (fodriscoll@invesco.ie)

Dublin 2 Sandyford Business Centre, Burtonhall Road, Sandyford, Dublin 18, Ireland.

tel +353 1 294 7600 fax +353 1 294 7633

Cork 7 Webworks, Eglinton Street, Cork, Ireland.

tel +353 21 480 8041 fax +353 21 431 0530

web www.invesco.ie email info@invesco.ie

Invesco Limited is regulated by the Central Bank of Ireland. An analysis of Invesco's activities between those that are regulated by the Central Bank of Ireland and those that are not is set out on the company's website www.invesco.ie.

invesco
 CELEBRATING
 20 YEARS