

LCP Investment Summary - January 2012

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Market Commentary

The positive market momentum that started in the last week in November continued into January as most asset classes produced strong positive returns for the month. The new measures adopted by the ECB in December to help stabilise the Eurozone banking sector has helped stabilise banks' balance sheets. In addition, there is some evidence that the cheap capital available to banks has resulted in increased purchases of short dated Eurozone bonds which in turn has helped to keep Eurozone bond yields under control, particularly in Italy and Spain. Economic data in the US continues to be better than expected with unemployment starting to decrease and manufacturing data pointing to economic expansion. This resulted in the US economy growing at a rate of 2.8% in the final quarter of 2011. The economic data in the Eurozone remains weak and despite another Eurozone summit in January there remains no clear plan for resolving the debt crisis in the near term. This is likely to lead to continued volatility in the equity markets, particularly in the Eurozone. The FTSE World Index finished the month up 4.8%, with Eurozone equities up 5.6% and US equities up 4.0% (in Euro terms).

The AAA Eurozone bond market continued to perform well in January, returning 2.6%. This is despite the S&P downgrade of French and Austrian bonds to AA in early January. Both countries will remain in the AAA index until they receive a further downgrade by another credit rating agency. The downgrade had no negative impact on bond yields as the action by the ECB in December was regarded as a more important development and consequently bonds yields fell in most Eurozone countries. 10 year bonds in Ireland and Italy fell by over 1.0% while German yields remained relatively flat.

Defined Benefit Schemes

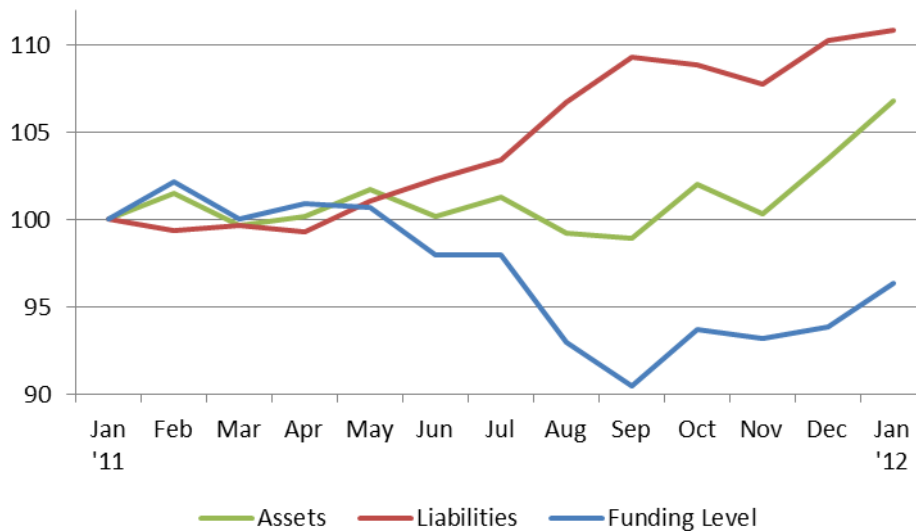
We have illustrated below the change in the estimated funding level for a typical defined benefit pension scheme over the last 12 months. The scheme is a reasonably mature defined benefit scheme with active, deferred and pensioner liabilities. The assets are invested in a mix of global equities, bonds, diversified growth funds and cash.

The estimated funding level of this sample defined benefit scheme increased by approximately 2.6% in January.

The assets of the sample scheme increased in value over the month by 3.2% as a result of the positive performance from both equities and bonds.

Liabilities (estimated using a minimum funding standard proxy) remained broadly steady during the month, mainly as a result of German bond yields remaining flat during the month.

Page 2 of 5 The graph below illustrates how the assets, liabilities and the funding level of our sample defined benefit scheme progressed over the last 12 months.



	January	Last 12 months
Assets	3.2%	6.8%
Liabilities	0.5%	10.8%
Funding Level	2.6%	-3.7%

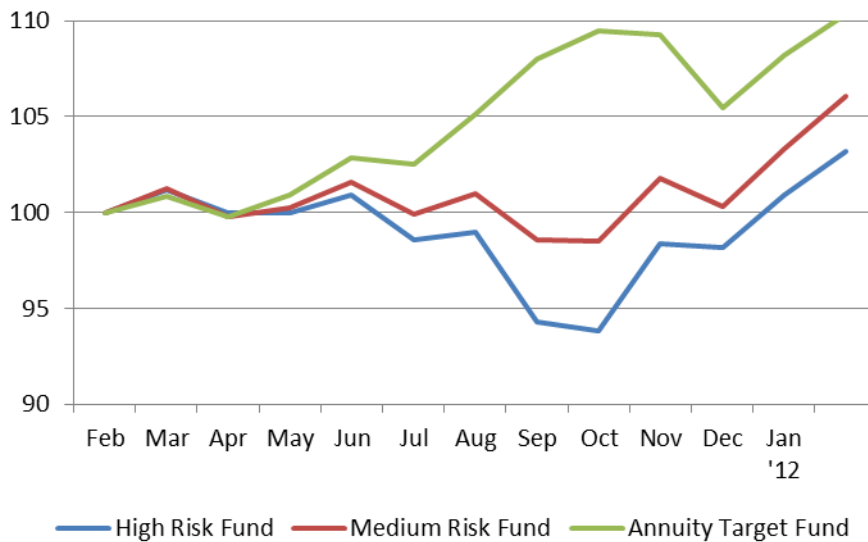
Over the last 12 months, the funding level (ratio of assets to liabilities) remained broadly stable until June when a combination of falling asset values and falling German bond yields resulted in a sharp fall in the funding level. However, the funding level has started to improve since the end of September.

Defined Contribution Schemes

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We have illustrated below how a range of sample defined contribution (DC) schemes with different risk and growth objectives performed over the last 12 months. All our sample DC schemes performed well during the month as both equities and bonds produced positive returns in January.

We have shown below the progression over the last 12 months of three sample DC pension schemes.



Returns	January	Last 12 months
High Risk Fund	2.3%	3.2%
Medium Risk Fund	2.6%	6.0%
Annuity Target Fund	2.0%	10.3%

A sample High Risk Fund increased by 2.3% in January, primarily due to the high equity exposure of the fund. This was partly offset by the flat performance of diversified growth funds during the month.

A sample Medium Risk Fund returned 2.6% as the equities and bonds performed well in January. This Fund outperformed the High Risk Fund as it had a lower allocation to diversified growth funds which had a neutral performance during the month.

A sample fund targeting DC member close to retirement returned 2.0% in January as the high exposure to AAA bonds produced positive returns.

Topical issues with LCP clients

Page 4 of 5 Currently, the most topical issues with our clients are:

- The impact of the French bond downgrade to AA
- Best matching bond funds for liabilities
- The impact of Approved Retirement Fund availability on the typical DC lifestyle strategy
- Sovereign bonds
- De-risking strategies and intelligent implementation for DB Schemes
- Emerging Market Equities and Emerging Market Bonds
- Diversified Growth Funds
- Emerging Market Growth Funds

For further information on any of the above (or our assumptions used) please contact:



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The information contained in this summary is provided as a source of general information to clients of LCP Ireland. Specific legal and actuarial advice should be sought on any particular proposed transaction. We take no responsibility for any action taken as a result of information contained in this guide.

Appendix

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Equity World Indices (to 31 January 2012)

	Jan 2012 %	3 months %	Year to Date	1 Year	3 years % pa	5 years % pa	10 years % pa
FTSE World	4.8	9.3	4.8	1.5	17.1	-0.7	1.3
FTSE Eurozone	5.6	2.7	5.6	-13.8	8.9	-6.5	0.6
FTSE World ex Eurozone	4.7	10.2	4.7	3.8	18.4	0.3	1.3
FTSE North America	4.0	11.9	4.0	8.0	18.6	0.6	-0.1
FTSE Emerging Markets	10.7	10.0	10.7	-1.6	27.4	5.5	10.6

Source: Bloomberg

Bond Indices (to 31 January 2012)

	Jan 2012 %	3 months %	Year to Date	1 Year	3 years % pa	5 years % pa	10 years % pa
AAA Bonds (>10 year)	2.6	1.3	2.6	13.7	8.0	5.0	5.8
Merrill Lynch (>5 year)	3.0	3.8	3.0	7.6	4.9	4.6	6.2
AA Corporate Bonds	1.7	0.7	1.7	9.9	12.0	4.2	5.7

Source: MoneyMate

Other Asset Classes (to 31 January 2012)

	Jan 2012 %	3 months %	Year to Date	1 Year	3 years % pa	5 years % pa	10 years % pa
Commodities	0.9	1.6	0.9	-8.4	8.1	-2.9	0.5
Fund of Hedge Funds	0.0	6.4	0.0	2.3	11.2	2.9	2.1
€/€	1.6	-3.6	1.6	-4.5	1.0	0.3	4.2
€/£	-0.4	-3.1	-0.4	-2.6	-2.2	4.5	3.1

Source: MoneyMate

Bond Yields

10 Year Government Bond Yields	31 Dec 2011 %	31 Jan 2012 %	Monthly Change (b.p.)
France	3.15	3.05	-0.10
Germany	1.83	1.79	-0.04
Italy	7.11	5.95	-1.16
Ireland	8.26	7.11	-1.15
Spain	5.09	4.97	-0.12

Source: Bloomberg