



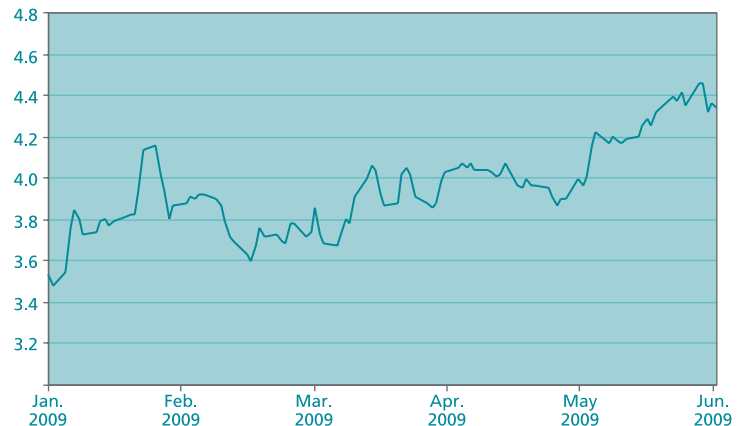
Investment Update

Mercer monthly update on investment issues in Ireland

Market Comment

There has been a substantial recovery in Global and European stock markets, which have rallied over 25% from the low levels earlier this year. Equity markets have been boosted by initial signs of the much talked about 'green shoots of recovery', and the decisive actions on interest rates and stimulus packages by governments and central banks. Sentiment has also been helped by the recent results of the banking stress tests in the US. However, bond yields have moved higher, because markets now see a possibility of inflation returning to the main economies over the next few years (*see graph*). This gives negative returns in bond funds. However, for DB pension funds, this does tend to mean that liability discount rates are higher, which tends to reduce liability values.

German Government 30 Year Bond Yield



Mercer launches new initiative to manager pension risks

Mercer has launched a major initiative to help clients manage the financial risks posed by their defined benefit pension schemes. The Dynamic De-risking Solution ("DDS") has been in development for over a year, and presents a unique offering to address concerns about the impact of volatile financial markets on pension scheme funding.

The new offering introduces an innovative governance framework that allows scheme trustees to manage their pension scheme along a path to full funding - enabling them to be more proactive in taking advantage of investment gains, and also limiting potential losses from market fluctuations. The key features include regular monitoring of the funding level (daily if appropriate), a rules-based approach to locking in market gains, an integrated liability-hedging strategy, and measures to mitigate downside equity risk.

Recent Publications

European Asset allocation Survey - The survey covers 1,000 schemes with assets totalling €400 billion from 11 countries. The survey shows trends in client allocations and intentions regarding future changes and new asset classes. This is our fourth pan-European pension fund asset allocation survey of our clients.

Q1 Hedge Fund Quarterly Review - The update covers performance in Q1 and examines the drivers behind performance for the various Hedge Fund categories. The update also covers operational issues for Hedge Funds (such as transaction costs, liquidity, short-selling restrictions) as well as wider industry matters such as investment trends and regulatory developments.

For further information on any of the above, please contact your usual Mercer consultant.

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Index Returns to 31 May 2009

| Market Indices | Index Returns | | | | | | Risk Indicators | | | | |
|--|---------------|-------|--------|--------------|--------------|---------------|-----------------------------|---------|----------------------------|---------|---|
| | 1 Mth % | YTD % | 1 Yr % | 3 Yrs % p.a. | 5 Yrs % p.a. | 10 Yrs % p.a. | Worst Qtr in last 5 Yrs Qtr | | Best Qtr in last 5 Yrs Qtr | | Indicative Volatility ³ % p.a. |
| Bonds & Cash | | | | | | | | | | | |
| Barclays Euro Govt Inflation Linked | 0.9 | 3.7 | 3.9 | 3.6 | 4.3 | | -3.5 | Q1 2006 | 4.6 | Q4 2004 | 5.4 |
| Merrill Lynch Euro Govt. Nominal >10 Yr | -3.4 | -3.9 | 7.4 | 2.8 | 4.8 | 5.4 | -4.8 | Q1 2006 | 8.7 | Q4 2008 | 7.2 |
| Merrill Lynch Euro Govt. Nominal >5 Yr | -2.2 | -1.6 | 8.8 | 3.9 | 4.7 | 5.1 | -4.2 | Q2 2008 | 7.5 | Q4 2008 | 5.3 |
| Merrill Lynch EMU Large Cap Invest. Grade | -0.2 | 1.4 | 7.5 | 3.7 | 3.9 | 4.5 | -2.6 | Q2 2008 | 4.6 | Q4 2008 | 3.0 |
| Cash - 3 Month Interbank Deposit | 0.1 | 0.7 | 3.5 | 3.9 | 3.3 | | 0.5 | Q1 2009 | 1.3 | Q3 2008 | 0.3 |
| Equities | | | | | | | | | | | |
| FTSE Eurobloc | 5.2 | 5.6 | -34.6 | -9.1 | 1.9 | -0.1 | -20.9 | Q4 2008 | 10.4 | Q1 2006 | 18.3 |
| FTSE World ex. Eurobloc | 2.2 | 7.7 | -26.1 | -9.4 | -1.4 | -2.4 | -21.2 | Q4 2008 | 8.8 | Q2 2005 | 14.5 |
| FTSE World (large cap, developed markets) | 2.7 | 7.3 | -27.5 | -9.4 | -0.9 | -2.1 | -21.1 | Q4 2008 | 8.5 | Q2 2005 | 14.8 |
| MSCI Global Emerging Markets | 9.7 | 35.6 | -27.7 | 0.4 | 12.1 | 7.0 | -26.8 | Q4 2008 | 18.6 | Q3 2005 | 23.6 |
| MSCI Global Small Cap | 1.8 | 11.6 | -26.5 | -12.9 | -1.3 | | -24.1 | Q4 2008 | 9.5 | Q2 2005 | 18.0 |
| Irish Equity - ISEQ | 4.0 | 18.2 | -54.0 | -26.9 | -9.8 | -3.5 | -33.7 | Q4 2008 | 14.9 | Q4 2006 | 23.9 |
| Other Asset Classes | | | | | | | | | | | |
| Property - Average Pooled Property Fund ^{1,2} | n/a | -9.5 | -40.2 | -11.4 | -0.6 | 6.0 | -19.0 | Q4 2008 | 7.8 | Q2 2006 | 9.9 |
| Global Listed Property - FTSE REITs | 1.7 | -11.2 | -50.8 | -19.6 | -6.2 | | -40.0 | Q4 2008 | 13.5 | Q1 2006 | 30.9 |
| Hedge Funds - Credit Suisse HF Index ¹ | 1.8 | 8.3 | -0.7 | -1.9 | 2.0 | | -9.6 | Q1 2008 | 7.7 | Q2 2005 | 9.9 |
| Commodities - GS Commodity Index | 12.0 | 4.7 | -51.8 | -17.7 | -7.2 | | -46.6 | Q4 2008 | 29.3 | Q2 2008 | 26.7 |

1 Returns to 30 April 2009 - May returns not available at time of release.

2 Returns exclude IPUT returns.

3 Annualised standard deviation of monthly returns over most recent 5-year period.

Group Pension Managed Fund Update at 31 May 2009

| Managed Funds | 1 Mth % | Rank | YTD % | Rank | 1 Yr % p.a. | Rank | 3 Yrs % p.a. | Rank | 5 Yrs % p.a. | Rank | 10 Yrs % p.a. | Rank |
|--|------------|------|------------|------|--------------|------|--------------|------|--------------|------|---------------|------|
| Acorn Life | 3.1 | =2 | 8.1 | 2 | -25.9 | =8 | -8.9 | 5 | -0.3 | =6 | 0.2 | 7 |
| AIBIM Managed | 1.7 | =9 | 0.8 | 15 | -29.8 | =14 | -9.2 | 6 | -0.1 | 5 | -1.1 | 11 |
| AIBIM (Multimanager) | 1.5 | 16 | 6.1 | 5 | -26.5 | =10 | -9.7 | =7 | -0.6 | =8 | | |
| BIAM Pensions Managed | 1.6 | =13 | 5.0 | =9 | -24.8 | 6 | -10.3 | =11 | -2.0 | =12 | 0.5 | =4 |
| Canada Life/Setanta | 3.1 | =2 | 5.5 | 7 | -21.3 | =1 | -7.5 | 3 | 0.6 | 3 | 0.6 | 3 |
| Davy Managed | 1.7 | =9 | -3.9 | 16 | -25.3 | 7 | -9.7 | =7 | | | | |
| Eagle Star (Balanced) | 1.6 | =13 | 4.9 | 11 | -21.3 | =1 | -6.3 | 1 | 2.3 | 1 | 1.2 | 2 |
| Friends First/F&C | 2.5 | 6 | 5.6 | 6 | -26.5 | =10 | -10.3 | =11 | -1.0 | 10 | -0.5 | =9 |
| Aviva Irl. | 2.7 | 5 | 4.2 | =12 | -30.9 | 16 | -11.1 | 14 | -1.8 | 11 | -0.5 | =9 |
| Irish Life | 2.8 | 4 | 7.6 | 3 | -26.9 | 12 | -9.8 | =9 | -0.3 | =6 | 0.5 | =4 |
| Irish Life Global Access (Multimanager) | 2.0 | 7 | 4.2 | =12 | -25.9 | =8 | -9.8 | =9 | -0.6 | =8 | | |
| KBCAM | 1.7 | =9 | 2.5 | 14 | -29.8 | =14 | -11.8 | 16 | -2.1 | 14 | -1.8 | 12 |
| Merrion | 3.5 | 1 | 11.0 | 1 | -21.9 | 3 | -7.2 | 2 | 0.9 | 2 | 3.0 | 1 |
| New Ireland | 1.7 | =9 | 5.1 | 8 | -24.1 | =4 | -10.4 | 13 | -2.0 | =12 | 0.4 | 6 |
| Standard Life Investments | 1.6 | =13 | 6.3 | 4 | -24.1 | =4 | -8.6 | 4 | 0.5 | 4 | 0.0 | 8 |
| Standard Life Investments (Multimanager) | 1.8 | 8 | 5.0 | =9 | -28.2 | 13 | -11.4 | 15 | | | | |
| Average | 2.2 | | 4.9 | | -25.9 | | -9.5 | | -0.7 | | 0.0 | |
| Median | 1.8 | | 5.1 | | -25.9 | | -9.7 | | -0.5 | | 0.3 | |
| AIBIM Consensus | 1.7 | | 4.5 | | -26.5 | | -9.5 | | | | | |
| BIAM Consensus | 2.1 | | 5.3 | | -26.0 | | -9.1 | | -0.2 | | | |
| Canada Life Consensus | 2.4 | | 4.6 | | -26.9 | | -10.6 | | -1.6 | | | |
| Aviva Irl. (NU) Consensus | 1.4 | | 3.9 | | -26.3 | | -9.7 | | -1.3 | | -0.4 | |
| Irish Life Consensus | 1.9 | | 5.3 | | -25.8 | | -9.2 | | -0.1 | | 0.3 | |

Source: Datastream, 3 June 2009

Unit prices are provided to Mercer by each Investment Manager and performance is calculated on the basis of these prices. Fund performance shown is net of fees.

Care has been taken in preparing this document however the information herein is intended as a general guide only. No responsibility is accepted for errors or omissions howsoever arising. Specific advice should be sought from your Mercer consultant when queries arise and professional legal advice should also be sought where necessary.