

# With profits investment report

## Quarter 3, 2009



### Our investment strategy

The investment strategy of the Irish With Profits Fund aims to provide good potential for growth over the long term.

### Asset mix summary

The following table shows the asset mix for policies invested in the Irish With Profits Fund at the end of June 2009 and at the end of the previous quarter:

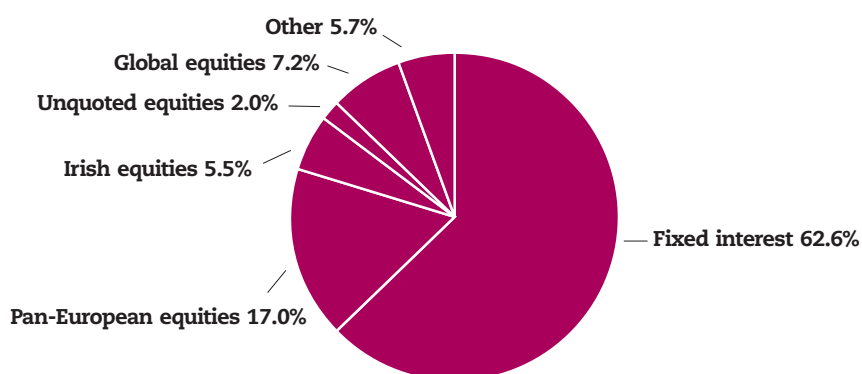
Asset class	30 June 2009	30 September 2009
Equities	29.7%	31.7%
Fixed interest	63.7%	62.6%
Other*	6.6%	5.7%

\* Includes cash deposits and money market instruments.

### Summary of market commentary

- There were continued rallies in world stock and credit markets in the third quarter
- Better than expected earnings on large scale cost cutting bolstered sentiment
- Investors' search for yield favoured corporate debt over government bonds

### Asset allocation



Top five equity holdings	Sector
CRH	Materials
Ryanair	Consumer
Roche	Pharmaceutical
Banco Bilbao V. A.	Financial
Telefonica	Telecommunications

Top five bond holdings	Rating
Italy (Rep of) 4.25% 2019	AA-
Spain (Government of) 5.4% 2011	AA+
Rep of Greece 4.3% 2012	A-
Rep of Greece 6% 2019	A-
Finland (Rep of) 3.125% 2014	AAA

## Market commentary

World stock markets extended the rally through the third quarter on the back of a revival of risk appetite. The aggressive actions of policymakers including fiscal stimulus packages and quantitative easing measures enticed investors into higher risk markets and assets. There was also a shift in emphasis towards economically sensitive stocks amid company newsflow suggesting that rigorous cost cutting had boosted earnings, at least temporarily.

The ISEQ index continued its strong rebound once again this quarter, rising more than the majors but less than the Emerging markets as investors continued to seek out the stocks and regions that had been sold down most aggressively a year ago. Other European equity markets also climbed sharply reaching new highs for the year to date. Share price performance was aided by a buoyant corporate earnings season. Economic data continued to be mixed. Against a backdrop of increasing unemployment and ongoing economic contraction, the European Central Bank kept interest rates steady at 1%.

The UK equity market continued its upward trend during the third quarter. The benchmark FTSE 100 Index broke through the 5,000 barrier during September and enjoyed its best quarterly performance in 25 years. The period started quietly, with the market drifting lower amid light trading in the holiday season. However, a reassuring corporate earnings season helped to improve investor sentiment. As confidence improved, there were tentative signs of an upturn in mergers and acquisitions.

US equities rallied aided by some signs of stabilisation in the housing market on the back of the government's tax credit scheme for first time buyers which runs until November. A coordinated program of fiscal stimulus and loose monetary policy added to the positive sentiment. However, gains were tempered by weak unemployment and consumer spending.

Japanese equities performed less well as investors waited for evidence that economic activity was improving. Companies with a strong export bias such as automobiles and precision machinery firms suffered as the yen strengthened. On the political front, the Democratic Party of Japan (DPJ) ended nearly 50 years of Liberal Democratic Party (LDP) rule with a landslide victory in the general election.

Pacific equity markets delivered robust returns as investors reacted positively to news of recovery in Chinese economic growth following the government's massive stimulus spending. Australia emerged as the one of the region's strongest performers, bolstered by its banks announcing better than expected results. Later in the period, Asian stocks displayed increased volatility amid increasing signs that China might rein in its expansionary policy.

Corporate bonds outperformed government debt as investor demand for high-yielding assets remained high. The theme of corporate self-help continued, with a keen focus on balance sheet repair. New money flows into corporate bonds supported the market. Government bonds underperformed as the vast issuance of new bonds by all the major world governments to finance economic and financial bailouts overshadowed the bond purchases by central banks as part of the various quantitative easing programmes.

## Asset mix for different categories of with profits policies

The proportion invested in equities for different categories of with profit policies varies according to the level of guarantee applying to those policies. (This came into effect in May 2004, as explained in the April 2004 edition of Update magazine issued to all members invested in with profits).

Category	Fund	Policy Type
1	Pension With Profits Fund*** (minimum growth rate of 4% per annum)	Personal Pension Plan* Personal Pension Plus*
	Pension With Profits 2 Fund*** (minimum growth rate of 4% per annum)	Tower Pension Series* Corporate Pension Series* Buy out Bond*
2	Life With Profits Fund	Capital Savings Plan* Flexible Life Plan* Mortgage Plan* Capital Savings Plan (MC100)* MoneyWorks Plan* MoneyWorks Plan* MoneyWorks SSIA*
	MoneyWorks With Profit Fund	Approved Retirement Funds* With Profits Retirement Annuity*
	Retirement With Profits Fund	Endowment Assurance With Profits Plan Early Maturity Plan Flexible Savings Plan MC Plan
	(Conventional) With Profits**	Whole of Life With Profits Plan Pure Endowment Personal Pension Plan PenPlan
3	Standard Life With Profits Fund (also known as the Pension With Profits Fund A)	PRSA* Synergy Investment Bond + Synergy Portfolio Bond + Synergy approved retirement funds + Synergy Portfolio approved retirement funds + Personal Pension Plan* Personal Pension Plus* Tower Pension Series* Corporate Pension Series* Executive Pension Plus* Buy out Bond*
	With Profits Bond Fund Pension With Profits Fund D	With Profits Bond* Tower Pension Series* (new members joining from 10 July 2006)

\* Policies are no longer available.

\*\* Actively managed for existing investors. Conventional with profits policies are no longer available.

\*\*\* Actively managed for existing investors, but closed to new investments. Please note this 4% minimum growth rate only applies on retirement or death. Since September 2004, new investments are allocated to Standard Life With Profits Fund (Category 3) which has no guarantees.

+ Actively managed for existing investors, but the With Profits option is not available on policies issued since June 2006.

### Category 1

Asset class	Asset mix at 30 September 2009
Equities	18.5%
Fixed interest	75.8%
Other	5.7%

### Category 2

Asset class	Asset mix at 30 September 2009
Equities	43.8%
Fixed interest	50.4%
Other	5.7%

### Category 3

Asset class	Asset mix at 30 September 2009
Equities	54.6%
Fixed interest	39.7%
Other	5.7%

## Important with profits investment information

Standard Life's aim is that payouts on a with profits policy should fairly reflect the experience of the Heritage With Profits Fund applicable to such a policy, after any adjustments for smoothing. This is subject to meeting all contractual obligations and maintaining an adequate financial position for the Heritage With Profits Fund.

With profits fair payouts take account of a policyholder's with profits investment, the returns we get on the assets we invest in, our deductions, and any discretionary adjustments we make. Any such adjustments are for smoothing and to ensure fair treatment between those policyholders who choose to leave with profits early and those who remain.

At demutualisation, all of the pre-demutualisation with profits sub-funds transferred to a new overall fund called the Heritage With Profits Fund.

For existing Tower Pension Series schemes where a new member joins after Standard Life demutualised, any with profits investments go into a new sub-fund called the Pension With Profits Fund D. The corresponding pre-demutualisation fund is called the Pension With Profits Fund A. Both the old and new sub-funds are in the Heritage With Profits Fund, which contains the majority of business sold by Standard Life before demutualisation.

At the launch of the new sub-fund, we maintained continuity in asset mixes and bonus growth rates. However, asset mixes and bonus growth rates may vary between the corresponding old and new sub-funds over time. Investments in new with profits sub-funds will not be entitled to any distribution from assets that existed before demutualisation.

All fund information, market commentary and performance data in this report is sourced from Standard life Investments.

**Warning: Past performance is not a reliable guide to future performance**  
**Warning: The value of investments may go down as well as up**  
**Warning: The income from this investment may go down as well as up**  
**Warning: This investment may be affected by changes in currency exchange rates**