

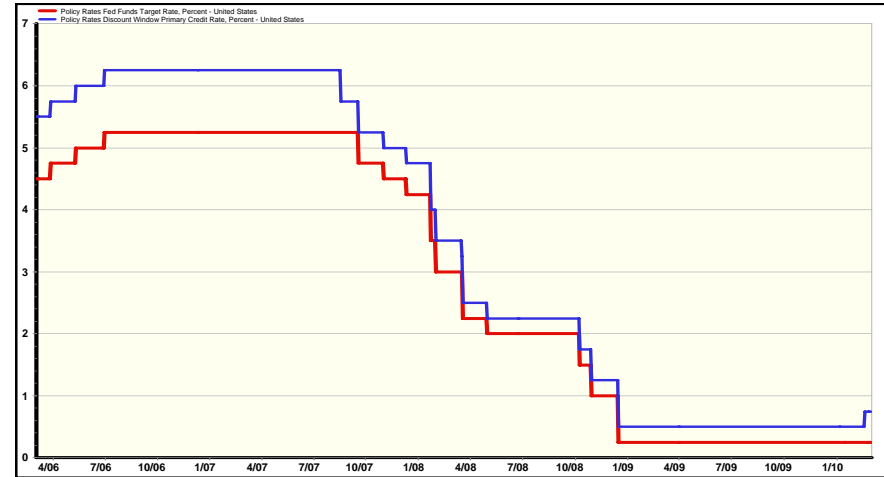
Market Review

February 2010



MARKET SIGNPOSTS

The Federal Reserve Raised the Discount Rate

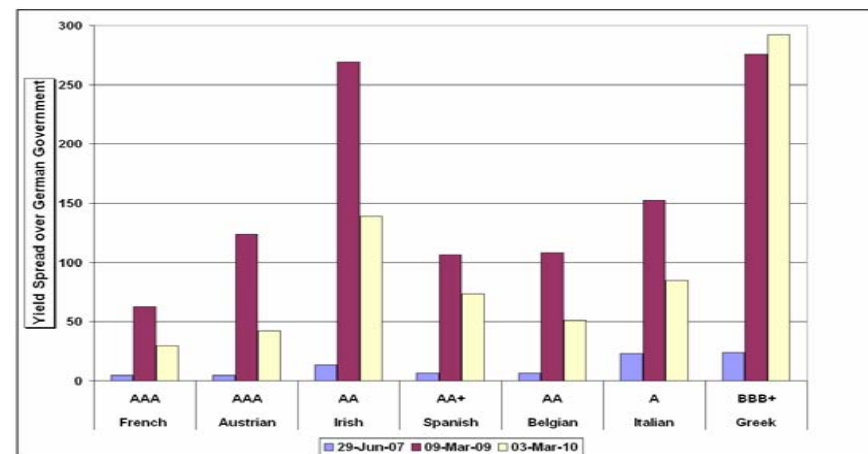


Markets In February

	February	Year to Date
Ireland	-3.4	-3.4
UK	3.4	-0.3
US	3.1	-0.6
NASDAQ	4.2	-1.4
Europe	-1.0	-4.6
Japan	-0.8	-1.6
Pacific	1.0	-4.9
World	1.8	-2.0
Bonds	1.4	2.2

Oil	8.7	-0.7
Gold	3.2	2.0
Commodity	4.0	-3.3

Eurozone Government Bond Spreads



ASSET WATCH

- **Equities**

- Equity markets continue to price in a recovery although lower returns are expected in 2010 than seen in 2009.

- **Bonds**

- The outlook for bonds for 2010 is mixed. In line with our house view of only one ECB rate hike in 4Q10. We expect that bonds would return 2% in 2010.

- **Property**

- Irish Commercial Property Market continues to suffer illiquidity, with uncertainty around NAMA a constraint in the short term. Strong value correction is attracting overseas investor interest. Economic weakness has and is set to continue to hit rental values. UK property markets are seeing price stability at the prime end but Continental European markets are generally behind the UK in the Cycle.

- **Cash**

- ECB is likely to remain on hold until the fourth quarter of 2010. As a result cash is forecasted to return circa 1.1% in 2010.



US ECONOMIC REVIEW

• Economy

- Mortgage delinquencies declined in the fourth quarter.
- The Fed's loan officer survey showed banks have stopped tightening credit conditions.
- Consumer credit continued to contract.
- Unemployment rate fell to 9.7% from 10%.

• Interest Rates

- The Fed left rates unchanged at a record low level of 0-0.25%, but raised the discount rate by 0.25%.
- Headline Inflation eased to 2.7% from 2.8% YoY, while core declined to 1.5% from 1.8%.

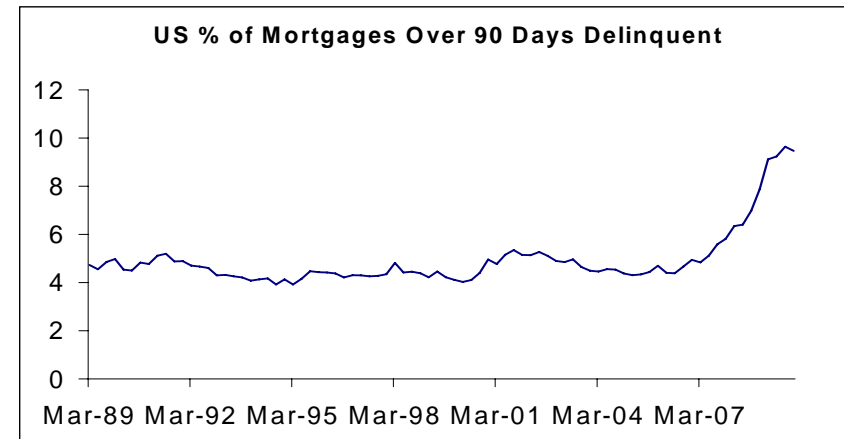
• Stock Stories

- Macy's (+20%) had strong results and issued guidance at the top end of forecasts.

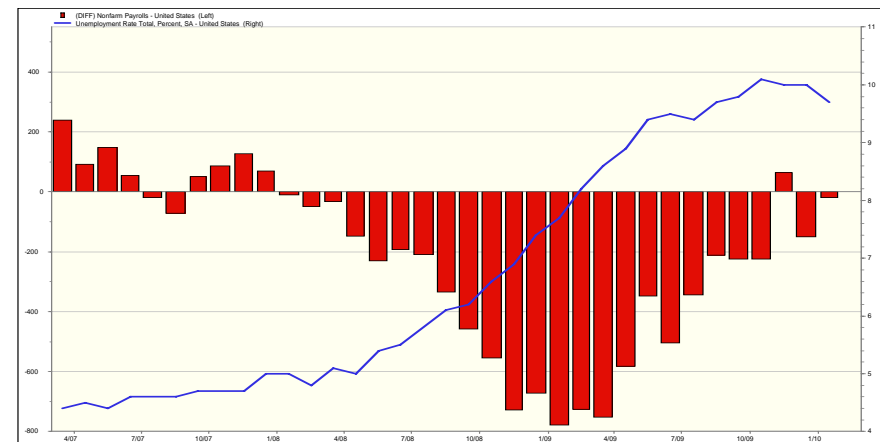
Dean Foods' (-17%) fourth quarter results missed expectations.



US Delinquency Rate



US Labour Market



EUROZONE ECONOMIC REVIEW

• Economy

- The Eurozone economy grew by 0.1% in the fourth quarter.
- Weaker growth in Germany and Italy was offset by stronger growth in France.
- The fiscal problems of the peripheral regions are likely to weigh on growth.
- The PMI indices are pointing to a continued recovery.

Interest Rates

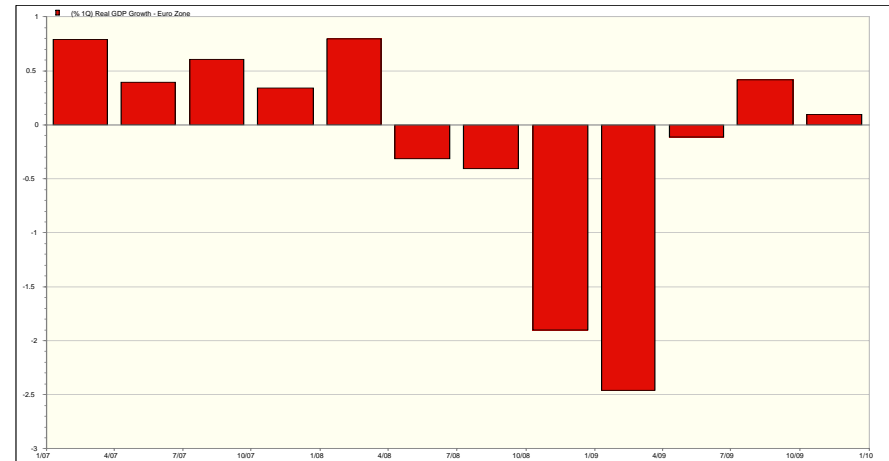
- ECB left interest rates unchanged at 1% and will provide an update its liquidity programmes in March.
- HICP headline inflation fell to 0.9% in February, while core prices eased to 0.9% in January.

• Stock Stories

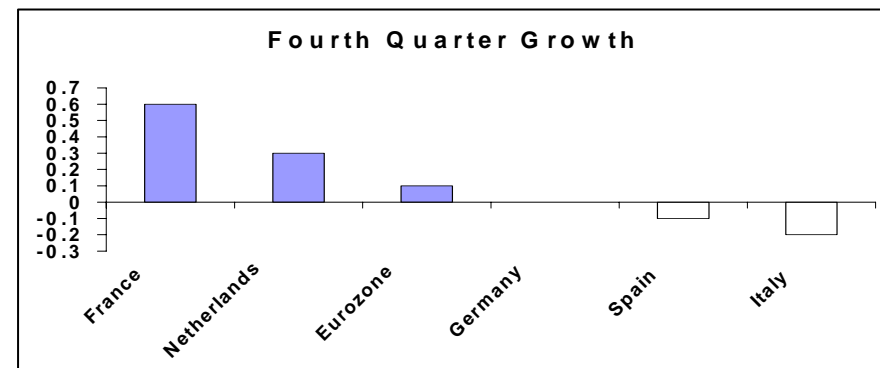
Kerry (+8.5%) had strong results and gave a positive outlook for 2010



Eurozone GDP Growth



Country breakdown of Eurozone Growth



UK ECONOMIC REVIEW

• Economy

- Sentiment towards the UK deteriorated in February as both bond and currency markets sold off.
- The opinion polls are indicating that there is an increased chance of hung parliament in the election in May.
- Unemployment claimants rose in January.
- The PMI indices are still pointing to a robust bounce in manufacturing output.

• Interest Rates

- The Bank of England left rates unchanged at 0.5%, although it became more dovish.
- Headline inflation increased to 3.5% YoY, ahead of the BoE's target.

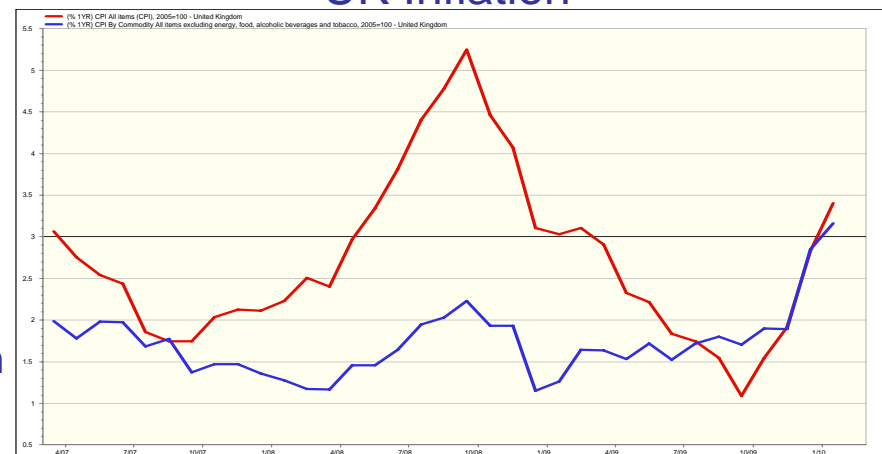
• Stock Stories

- Barclays (+16%) results were ahead of forecasts with revenue in capital markets exceeding expectations.
- Royal Bank of Scotland (+17%) had results that were better than expected with net interest margin above forecasts.

UK Government Bond Yield



UK Inflation



ASIAN ECONOMIC REVIEW

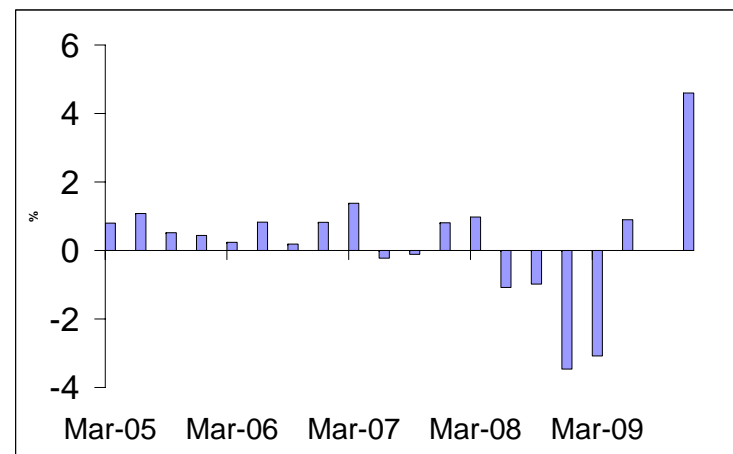
• Japanese Economy

- The Japanese economy grew by 4.6% QoQ, annualised in the fourth quarter.
- Inventory liquidation, EM exports recovering, and private sector cap ex boosted growth.
- Government stimulus also boosted consumption.

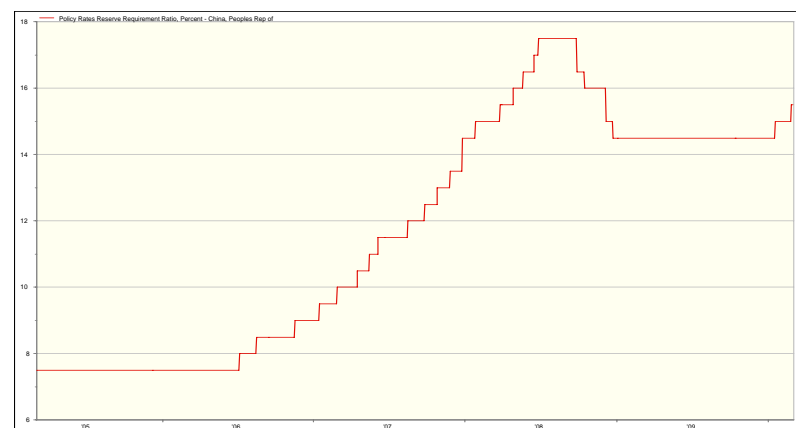
• Chinese Economy

- The Chinese Central Bank increased the required reserve ratio by 0.5% in February.

Japanese GDP Growth



Chinese Required Reserve Ratio



Asia Pacific Ex Japan	Return in February
Hong Kong	3.3
Taiwan	-3.1
Korea	-0.4
Singapore	1.2
Australia	2.5
New Zealand	-0.5



IRELAND ECONOMIC REVIEW

• Economy

- Deflationary pressures persist in the economy
- Retail sales were weak in January
- The live register increased by 2,300 in February.
- NTMA raised an additional €1.5bln in the bond market.

Stock Stories

- Ryanair (+4.5%) reported quarterly results and increased guidance for the year.
- Bank of Ireland (-24.5%) paid the government's 2010 preference dividend in ordinary shares. The government now holds a 15.73% stake in Bank of Ireland.
- AIB (-23.5%) and Irish Life & Permanent (-11.3%) were also weaker.



Retail Sales



Ireland Government Bond Spread



Appendix



Currency Positions

Euro	-8.66%
UK £	-0.57%
Norway Kr	0.32%
US \$	0.42%
Sweden Kr	0.58%
Japan Yen	1.50%
Australia \$	2.32%
Switz Fr	4.09%

As of 3rd March 2010

Country Positions

Italy	4.91%
France	2.74%
United Kingdom	2.50%
Singapore	0.81%
Hong Kong	0.58%
Sweden	0.47%
United States	0.32%

Belgium	-0.12%
Taiwan	-0.33%
Netherlands	-0.34%
Korea	-0.43%
Japan	-0.54%
Spain	-1.68%
Germany	-1.82%
Switzerland	-2.06%
Australia	-5.00%

As of 1st March 2010



Disclosure Statement

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