

Charity Investment Update

31st March 2011

Further evidence of a slow improvement in world economic conditions resulted in good equity market returns in the first quarter of 2011. However, the rising value of the Euro against other world currencies meant that when foreign equity returns were translated into Euro terms, those gains became single-digit losses. Bond yields generally rose, sending prices down, resulting in a negative quarter for bond investors as the market anticipated rising interest rates and inflation.

Japanese Earthquake

- The earthquake which hit Japan in March caused horrific damage, with casualties from the tragedy estimated to reach tens of thousands, and six nuclear reactors damaged to an unknown extent.
- In the aftermath of the quake, Japanese equity markets fell by 16% in local currency terms as the outlook for Japanese growth tumbled, and investors reduced their exposures to risk. Close to half of those losses have since been recouped, as investors bet on a quick recovery.
- The Yen initially rose; reaching a post-war high against the dollar on the back of speculation that yen would be repatriated to pay for reconstruction. The G7 intervened, selling yen against the dollar to keep the exchange rate low.

Oil Prices Rise with Middle East Turmoil

- Protests swept the Middle East in the first quarter, spurring some leaders to leave office and others to announce a host of economic and political reforms.
- In Libya, protests escalated into armed conflict and ultimately caused the UN to intervene in mid-March.
- Libya provided 2% of the world's oil in 2010, including 23% of Ireland's total imports.
- Against this backdrop, oil prices rose by over 20% between January and March, creating a potential dampener on economic growth and adding to inflation concerns.

European Debt Crisis Continues

- During the quarter, yields on the bonds of the Eurozone peripheral economies rose to record highs, with the Irish 10 year bond hitting a high of over 10% ahead of the introduction of the European Stability Mechanism.
- The ESM is a rescue fund which will be available from 2013, with the ability to lend approximately €500 billion.
- Under the terms of the ESM, private investors in government bonds will potentially share the burden of any default, and this has crystallised in many minds the fear that default may occur.



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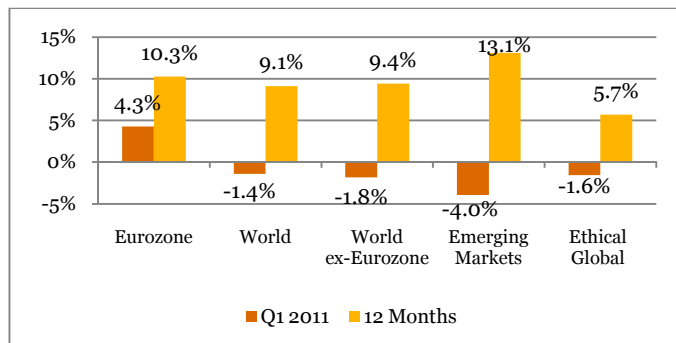
Asset Class Performance

Equities:

An improving economic backdrop saw equities add to local currency gains over the first quarter of 2011.

However, the Euro strengthened by 6% against the Dollar, by 3% against Sterling and by over 8% against the Japanese Yen.

This created a negative 'translation effect' on equity returns, so that Euro investors with foreign currency denominated assets saw a reduction in the value of their portfolios.

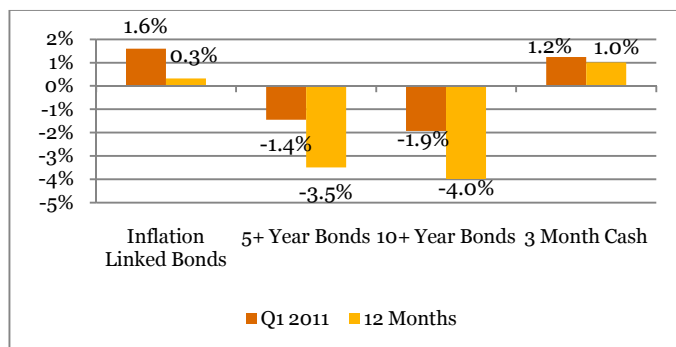


Bonds:

Eurozone Government bonds continued the price declines experienced in the last quarter of 2010, as concerns about the Eurozone debt crisis continued.

German 10-year yields increased to 3.3%, while the yields of the peripheral economies were significantly higher, with the comparable Irish bond trading at a yield close to 10%, and Portugal at 7.8%.

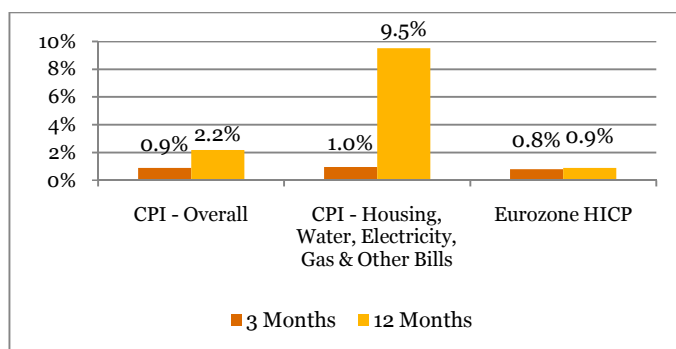
The higher yields reflect concerns about government debt in the periphery, and the likelihood that the European Central Bank will raise interest rates in April.



Inflation:

Worries about inflation continued to build, due to the increased money supply which has resulted from ECB money printing in order to stimulate the economy.

In Ireland, inflation remains at lower levels than during the Celtic Tiger years. However, inflation of healthcare costs continues to be quite high, while the impact of higher utility costs over the last year is plain to see.



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