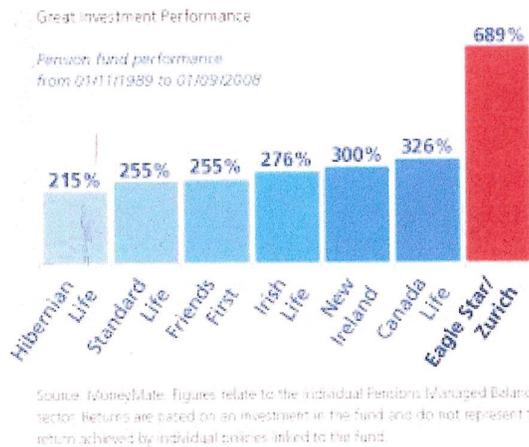




## PLAYING GAMES

Have you ever seen an advertisement like this one? (I took this from an edition of Business and Finance Magazine published in October 08)



Yes an advertisement like this is a marketing professionals dream.....it gives them the opportunity to brag about investment performance.

It sure is impressive to be able to show massive outperformance and boy has Eagle Star/Zurich done an incredible job over an almost twenty year period.

In the small print of this advertisement you will see (with a magnifying glass) that the performance numbers quoted come from a company called MoneyMate. Using a source like MoneyMate shows that an independent third party has calculated the numbers. This should prevent any accusations that Eagle Star/Zurich has in way misrepresented the numbers. Even if you are a doubting Thomas and decide to look for a second or third independent source to check the numbers you will find that Eagle Star/Zurich does in fact appear to have good numbers.

In the following table produced by a company called Invesco you will see that Eagle Star /Zurich are the number one performing manager over three and five years and the number two over one and ten years. In other words Eagle Star/Zurich have been the kingpins of Irish fund management.

## Annualised Managed Fund Returns to 30th June 2009

Manager	Q2 %	Rank	1 yr %	Rank	3 yrs %	Rank	5 yrs %	Rank	10 yrs %	Rank
AIBIM Managed	8.6	13	-23.9	13	-9.5	5	-0.5	5	-1.2	10
AIBIM Multimanager	12.4	3	-19.2	8	-9.7	6=	-1.0	8	--	--
BIAM Pensions Managed	10.7	9=	-18.2	6	-10.3	9	-2.5	13	0.4	4=
Canada Life/Setanta (Series D)	12.0	4	-13.9	1	-7.3	3	0.2	3=	0.6	3
Eagle Star (Balanced)	10.4	11	-15.4	2	-6.2	1	2.0	1	1.2	2
Friends First/F&C	11.7	5	-19.9	9	-10.4	10=	-1.5	9	-0.7	9
Hibernian Aviva	10.7	9=	-23.8	12	-11.3	12	-2.1	10	-0.6	8
Irish Life	13.7	2	-20.7	10	-9.9	8	-0.8	6	0.4	4=
Irish Life Global Access	11.1	6=	-19.1	7	-9.7	6=	-0.9	7	--	--
KBCAM	9.4	12	-23.1	11	-11.7	13	-2.4	11=	-2.0	11
Merrion	14.8	1	-16.3	3	-7.1	2	0.5	2	2.9	1
New Ireland	11.1	6=	-17.5	4	-10.4	10=	-2.4	11=	0.4	4=
Standard Life Investments	11.0	8	-17.9	5	-8.2	4	0.2	3=	0.1	7
Average	11.4		-19.1		-9.4		-0.9		0.1	

In all my years in the investment industry looking at advertisements and performance tables like the ones shown above I assumed that these were funds that the ordinary man in the street could buy. I assumed that if I opened an Eagle Star/Zurich pension that I would get the performance that was advertised. You can imagine my surprise when I was recently told by a very reliable source that in the majority of cases this is not the case. If you start an Eagle Star/Zurich pension you will not get the performance that is quoted in the media, you will end up with a higher management charge and naturally enough higher management charges come out of performance. The same source suggests that Eagle Star/Zurich may not be the only company that engages in this practice.

I do not know what the “real” numbers show for the majority of Eagle Star/Zurich clients but it is my guess that ironically they would still look good and yet they continue to “play games”.

Unfortunately my initial reaction of surprise at this discovery was quickly replaced by the realisation that I should not be surprised. In fact I should know by now that most organisations appear to work on the basis of what you can get away with. If the regulator does not set out specific rules preventing something well then you will find that somebody will exploit that fact. (It might be the case that even if the regulator bans something there will still be abuse if the rule is not well policed.)

It is also important to point out that I have not even mentioned other aspects of pension fund costs like allocation rates and policy fees. At least these have to be disclosed but I think that many people struggle to understand exactly how these things end up costing them money.

In conclusion I want to say that I am tempted to pack up my bags and move to Scandanavia or Canada where there appear to be the higher levels of ethics/integrity/honesty but I know that I would miss the “craic”.

Is there any way that we can remain a fun loving people have better ethics and not end up boring like the Swedes? (Apologies to any fun loving Swedish readers!)