SUMMARY GUIDE TO FUND CHOICE

FOR UNIT LINKED INVESTORS,

JANUARY 2006

- Cash funds- returns likely to be in the region of 2% to 3% pa for some time, no real hedge against inflation in the long term
- Fixed interest funds – returns likely to be 3% to 4% on income but there is a real possibility of capital losses negating any income as interest rates increase in the coming years.
- With profit funds – not attractive presently due to the smoothing of prices which means you are not getting any price discount following market falls in recent years, this is fine for investors already in with profit funds but the outlook for new investors is not attractive in the short term. In addition, for pension investors the current annuity rate guarantees are a lot less than previous rates.
- Property funds – there is a danger of putting all eggs in one basket and property is particularly cyclical. The Irish Property market in particular seems highly priced at present, even for commercial property which is the main component for most property funds. Overseas property may be at a different point in the investment cycle. Euro zone interest rates are expected to continue increasing throughout 2006. This could have a negative effect on property prices.
- Equity funds- probably a little too volatile in price movement for investment terms of less than 10 years. Good value for investors making regular purchases where the investment term allows one stay invested for ten years or more. Euro cost averaging will have a beneficial / smoothing effect.
- Managed funds- the most popular fund choice, comprises a mix of all other assets but mainly equities typically between 60% and 70% of the fund. For most investors this seems a sensible choice going forward given the current low fund prices and the averaging effect of regular contributions.

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