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Friends First Quarterly Fund Update

Quarter 4 2011

Investments for everyone

At Friends First we are committed to offering a wide range of quality investments to every type of investor - from those just starting out to those with many years of experience behind them. Through careful fund selection and diversification, we aim to offer investors real opportunities for growth no matter what the prevailing economic climate, with degrees of risk and reward to match every investor's appetite.

Choice and performance

Building and managing a robust and strategically diverse investment portfolio is easy with Friends First. That's because of the range of investment options we offer, the pedigree of our multi-award-winning management teams that include F&C, Kleinwort Benson Investors and Alder Capital, and the comprehensive fund information and tools we provide to help you select and track the investments that are right for you.

This leaflet details our fund performance, asset allocation and also includes a market commentary.

 **Friends First**
Looking forward to your future

www.friendsfirst.ie

Fund Performance

	Fund	Launched	Bid Price (in €)	3 Month	6 Month	1 Yr	Annualised Percentage Movement in Bid Price					
							2 Yrs	3 Yrs	4 Yrs	5 Yrs	10 Yrs	15 Yrs
Mixed Funds	Magnet Stable	Mar '10	1.0054	3.30%	-0.82%	-1.70%	--	--	--	--	--	--
	Magnet Portfolio	Oct '07	0.7884	5.05%	-2.85%	-5.09%	1.09%	6.74%	-5.03%	--	--	--
	Magnet Adventurous	Mar '10	0.9986	7.91%	-1.21%	-6.56%	--	--	--	--	--	--
	F&C Managed	Mar '84	10.9816	7.80%	-3.14%	-4.88%	3.19%	8.19%	-5.08%	-4.98%	0.93%	4.46%
	Consensus	Jan '99	1.5783	7.70%	-0.87%	-2.82%	5.57%	10.47%	-3.02%	-3.22%	1.77%	--
	KBI Managed	Aug '97	1.97	8.38%	-2.16%	-2.91%	5.60%	7.37%	-5.54%	-5.50%	-0.46%	--
Protected Funds	Protected Equity + Fund Series 2	Sept '08	1.1286	1.38%	-4.58%	-7.36%	0.04%	3.95%	--	--	--	--
	<i>Protected Price</i>	1.0591										
	<i>Asset Split</i>	% Equity: 24.05 % Secure: 75.95										
	Protected Equity + Fund Series	Dec '10	0.9302	1.33%	-4.69%	-7.56%	--	--	--	--	--	--
<i>Protected Price</i>	0.9302											
<i>Asset Split</i>	% Equity: 24.05 % Secure: 75.95											
Equity	European Equity	Sept '02	1.2892	6.96%	-12.59%	-11.10%	-2.07%	5.73%	-8.85%	-6.52%	--	--
	Explorer (Emerging Markets)	Oct '07	0.8092	7.89%	-7.43%	-16.27%	1.39%	22.18%	-5.44%	--	--	--
	Irish Equity	Mar '84	10.8612	16.42%	-0.63%	3.33%	1.32%	8.64%	-15.85%	-18.05%	-3.14%	2.90%
	International Equity	Jan '89	3.5776	10.15%	-4.18%	-6.55%	4.68%	12.42%	-3.43%	-2.66%	0.23%	3.72%
	KBI Eurozone High Yield Equity	May '07	0.6192	4.38%	-15.85%	-12.86%	-4.61%	4.74%	-9.76%	--	--	--
	KBI Global High Yield Equity	May '07	0.888	11.18%	2.03%	0.42%	9.04%	12.98%	-0.42%	--	--	--
	Stewardship (Ethical)	Jan '97	2.2673	7.89%	-1.33%	-6.28%	5.25%	13.70%	-2.51%	-1.84%	1.02%	--
	Indexed Eurozone Equity	Mar '10	0.8719	4.53%	-18.57%	-14.59%	--	--	--	--	--	--
Indexed Global (ex-Eurozone)	Mar '10	1.0833	11.43%	2.16%	-0.92%	--	--	--	--	--	--	
Property Funds	Irish Commercial Property	Mar '84	8.3243	0.96%	-8.20%	-10.97%	-8.74%	-15.65%	-22.98%	-17.89%	-2.04%	5.06%
	UK Select Property (Life)	Jul '06	0.7211	0.95%	12.34%	5.03%	3.74%	3.69%	-6.04%	-8.19%	--	--
	UK Select Property (Pensions)	Jul '06	0.7298	1.14%	10.26%	3.47%	4.37%	4.10%	-5.76%	-7.97%	--	--
Absolute Return	Insight Currency	Mar '01	2.6404	3.73%	4.41%	-4.28%	1.63%	5.03%	4.39%	4.91%	6.19%	--
	Market Neutral Equity	Mar '10	1.0256	-0.04%	-0.25%	1.72%	--	--	--	--	--	--
Fixed Int/Bonds	European Long Bond	Sept '02	1.381	-0.22%	7.29%	6.62%	3.79%	4.03%	5.05%	3.06%	--	--
	European Corporate Bond	Dec '02	1.134	1.54%	-1.31%	0.17%	2.90%	7.39%	0.91%	-0.69%	--	--
	Fixed Interest	Mar '84	13.4058	0.04%	4.21%	4.04%	2.12%	3.22%	3.85%	2.56%	3.98%	5.32%
	Index Linked	Mar '84	5.503	-3.47%	-5.21%	-2.70%	-1.37%	1.14%	2.07%	1.86%	3.05%	4.64%
Cash	Cash	Mar '84	5.4442	0.05%	0.11%	0.31%	0.78%	0.92%	1.62%	1.95%	1.98%	2.63%
	Deposit	Sept '08	1.0757	0.78%	1.34%	2.15%	2.10%	2.12%	--	--	--	--

Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: Funds may be affected by changes in currency exchange rates.
Warning: If you invest in this product you may lose some or all of the money you invest.

Presented by: MoneyMate Limited, 1st Jan. 2012.
The figures shown are based on the following: Local Currency, Bid to Bid, Gross income re-invested on Ex-dividend date.
Past performance is not necessarily a guide to future performance; Unit prices may fall as well as rise Start Year/Month Dates are used in custom time periods.
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Market Commentary

International Equities

Global equity markets recovered in Q4. Markets remained volatile as Europe's policy makers struggled with the deepening eurozone financial crisis. However, an increasing conviction that a solution would eventually be found helped equities recover their poise as risk assets returned to favour. In the US several economic indicators turned positive, notably jobs and this was the best performing major market in euro terms. Euro markets were also up. Emerging markets underperformed. Japanese returns were flat. F&C's preference remained for emerging markets, the UK and Japan. North America is more attractive. Europe ex-UK was the principal underweight.

European Equities

European shares rose in October, fell in November and were mixed in December. The ongoing sovereign debt crisis (and the policy response to it) remained the key determinant of market direction. The prospect of tighter fiscal union, the two cuts in base rates and the issuance of nearly €500bn in three-year debt to over 500 of Europe's banks by the ECB prevented a liquidity crisis. Defensive sectors outperformed with tobacco, pharmaceuticals and food producers among the top performers. Software & computer services, Autos & parts and life insurance underperformed. The fund rose for the quarter overall outperforming its benchmark index. Being underweight utilities was again positive.

Irish Equities

A good quarter the ECB implemented some helpful monetary policy changes. It cut base rates back to 1.0% and offered unlimited secured funding to banks at for up to three years. Elsewhere, economic data in the US improved raising hopes that a recession can be averted.

The Fund outperformed the benchmark in Q4 thanks to effective sector strategy. Being underweight in support services and the food retail sector and positive exposure to mining company Kenmare helped while Aer Lingus disappointed.

Irish Property

Occupier market volumes transacted picked up last year, but the investment sector stalled in Q4. Capital values continued downwards and valuations were difficult due to the shortage of transactions. This negativity, coupled with the continued correction of rental levels across all sectors, saw the Commercial Property Benchmark record a year on year drop of -14.4% to the 30th September 2011. The reduction for the full year may be slightly less pronounced when the full year data is available. Overall, we expect an estimated capital correction from peak levels of circa -66% as measured by IPD.

Bonds

European government bond yields remained volatile as the debt crisis continued. Fears over Greece temporarily abated following the EU summit in October and an agreement on debt restructuring. Focus shifted to Italy with 10-year yields rising above 7% in November. Even Germany suffered an underperformance relative to UK gilts and US Treasuries in November. December saw tentative steps towards tighter fiscal union between member countries excluding the UK. The ECB also almost €500bn to over 500 banks ensuring a liquidity crisis is avoided for the time being.

The Fund slightly outperformed its benchmark index. Being underweight France was positive. Covered and government guaranteed bonds detracted from performance relative to the benchmark, due to worries surrounding the health of many financial institutions. Exposure to corporate bonds was negative for returns over the period.

UK Select

UK Property Market: All property total returns were 1.6% in the final quarter of 2011 according to the IPD Monthly Index. Total returns for 2011 were 8.1% reflecting an income return of 6.8% and a 1.2% increase in capital values. Capital values are 18% above the market trough but still 34% below the 2007 peak. Offices delivered a total return of 9.3% boosted by Central London with industrials recording 7.6% and retail 7.2%.

UK interest rates remain low, and the UK is one of the few nations to retain an AAA rating and its safe haven status has attracted investors particularly from overseas. But Eurozone difficulties have created a climate of uncertainty and deals are taking longer to close. The gap in performance between prime and secondary assets is expected to persist into 2012. F&C Reit is predicting total returns for the year to be slightly positive with Central London being the most resilient helped by tourism.

Within the fund: 2 Burston Road, an office property which was completely refurbished within the last two years is now nearly fully let. Lease renewal is due for some of the premises in Bromley.

Explorer Emerging Markets

Market Backdrop

The asset class has continued to show a high degree of volatility as a result of continuing concerns on the sovereign debt crisis in Euroland, despite supportive macro economic data from the US. China eased monetary policy as inflation has clearly and this helped.

Outlook

F&C continue to believe that from a strategic perspective the investment story for the GEM asset class looks strong with the forward 2012 PE multiple attractively valued. Until F&C become more convinced that European policymakers can implement strategies to restore investor confidence, the investment strategy in 2012 will focus on the key domestic demand economies, Brazil, China, India and Turkey.

Commentary by F&C Ireland.

Magnet Stable

Magnet Stable pursues a lower risk investment strategy than traditional managed funds by combining uncorrelated assets with the objective of achieving growth within the context of low volatility.

Equities recorded strong gains in the fourth quarter. The US and UK Equities fared well with the FTSE 100 rising 9%. More significant steps were taken towards resolution of the Eurozone debt crisis and lowering of the ECB base rates by 0.25% in November and December helped European equities post returns in the 5% range. Increased focus on dividend yield and dividend growth is likely in the coming quarters. Magnet Stable invests a large portion of their equity component in high yielding stocks.

Fixed Interest Bonds posted a slight gain over the quarter despite yield volatility due to the European debt crisis and the index linked component sold Italian bonds, preferring the relative sanctuary of German inflation-linked bunds but at some cost to performance.

The Insight Currency Fund (the "Fund") posted a gain of 3.7% for the fourth quarter of 2011. Market Neutral's low volatility characteristic maintained the stability of the fund in a volatile period.

Magnet Portfolio

The Magnet Portfolio Strategy is diversified across five asset classes and holds a weighting Friends First believes will deliver returns in the medium and long term. The fund has a lower annualised volatility compared to traditional medium risk Managed and Consensus Funds.

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In the Emerging Markets, Latin America benefited from an improvement in US prospects. Russia is holding up well due to demand for metals and oil. China received a boost with the easing of its tight monetary policy. Indian inflation remains high, causing concern. Increased importance is being paid to dividends in the coming quarters with Investors expected to pay a premium for companies with sustainable dividends.

In a mixed quarter for government bonds, there was high demand for AAA rated debt resulting in compression of yields in Fixed Interest.

Regarding UK Property, the UK retains an AAA rating, attracting investors from overseas. Eurozone difficulties have created uncertainty and deals are taking longer to close. Within the UK Select fund, office property completely refurbished within the last two years is now nearly fully let. Lease renewal is due for another property. Irish Property remains exceptionally quiet with only €185M in investments transacted in 2011 and continued correction of rental levels.

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Magnet Adventurous

Magnet Adventurous pursues a growth strategy with almost full exposure to growth assets which are at the higher end of the risk scale.

Equities recorded strong gains in the fourth quarter. The US and UK main indices rose 11% and 9% respectively. Significant steps were taken towards resolution of the Eurozone debt crisis with the issuance of nearly €500bn in 3 year debt by the ECB to over 500 banks to prevent a liquidity crisis as well as a lowering of the ECB base rates by 0.25% in November and December. This helped European equities post positive returns in the more modest 5% range.

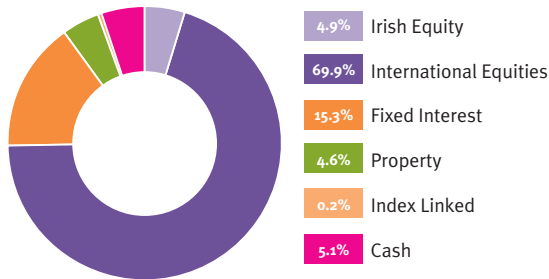
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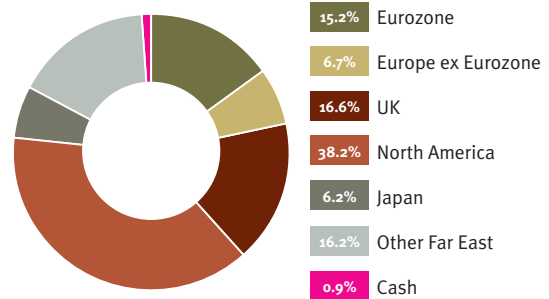
Commentary by Friends First.

Asset Allocations

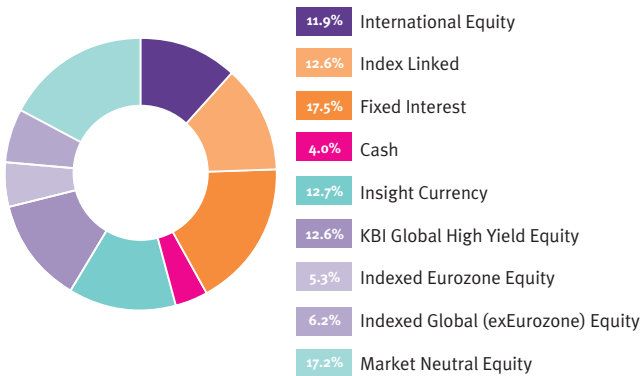
F&C Managed



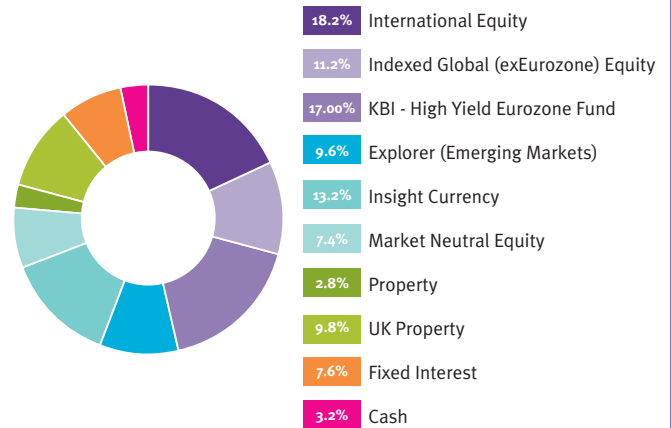
International Equity



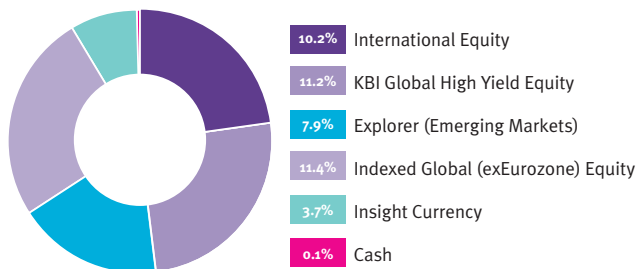
Magnet Stable



Magnet Portfolio



Magnet Adventurous



Explorer (Emerging Markets)

