

Fund objective

The Irish Equity Fund invests primarily in stocks which are listed on the Irish Stock Exchange. As an equity fund, this Fund has a potentially high return but also a high risk profile given the risks inherent in investing in equities. The Fund can be volatile and have negative outcomes over short to medium term periods. The underlying benchmark is the ISEQ Index and the Fund's net return is also compared to the average return achieved in the Pooled Fund Survey in the Irish Equity category.

Performance (%) period to 31 December 2011

	3 months	1 year	3 years	5 years
Irish Equity Fund (Net)	16.5	3.5	10.0	-17.8
Irish Equity Survey Managed Average (Net)	13.2	2.3	10.2	-17.7
ISEQ (Gross)	16.2	2.7	10.0	-18.9

Fund size as at 31 December 2011

€46.0m

Market commentary

Market review

Irish equities enjoyed a good quarter despite the ongoing sovereign debt problems in the eurozone. Equity markets took their lead from eurozone sovereign bonds as the ultimate representation of confidence in the eurozone and after a difficult October and November, Irish government bonds recovered towards the end of the year as another eurozone summit raised hopes and the ECB implemented some helpful monetary policy changes. It cut interest rates back to 1.0% (in a two-stage move trimming rates back by 25bps each time) and offered unlimited secured funding to banks at this rate for up to three years. This reduced fears about banks' ability to refinance in 2012. Elsewhere, economic data in the US improved raising hopes that a recession can be averted.

Activity

We continued to prefer non-financial companies, which benefit from strong balance sheets and valuations that we believe are attractive for long-term investors. As always, we remained focused on companies with quality business models, a low reliance on external funding and the ability to grow dividends. Purchases included the cheaply valued United Drug as well as IFG Group, a company with good long-term growth and dividend potential plus high cash generation. We sold the biotechnology company ICON and trimmed the holding in the building materials supplier CRH.

Performance

The Fund outperformed the benchmark in the fourth quarter thanks in the main to effective sector strategy. The key drivers were the underweight in support services, where Grafton fell back on concerns about builders' merchants' prospects in the UK and Ireland, and the lack of exposure to the out-of-favour food retail sector, which lagged the market average as investors favoured less defensive sectors. A good contribution was made by the mining company Kenmare as it was a beneficiary of its competitor Iluka raising prices for titanium minerals by far more than the market had expected. Aer Lingus continued to disappoint, however. While traffic statistics were actually positive, this was overwhelmed by negative newsflow from the government and Ryanair, as well as the general malaise affecting the network airlines.

Fund data

Currency:	Euro
Launch date:	January 1981
Management fee:	0.55%
Bid offer spread:	1.50%
Fund benchmark:	Industry Manager Average Return
F&C web address:	www.fandc.com
Friends First web address:	www.friendsfirst.ie
Useful links:	www.friendsfirst.ie/funds.shtml For monthly updates on fund prices and performance
Contact us:	Graham Brooks Client Services Director 00353 (0) 1 4364009 graham.brooks@fandc.com

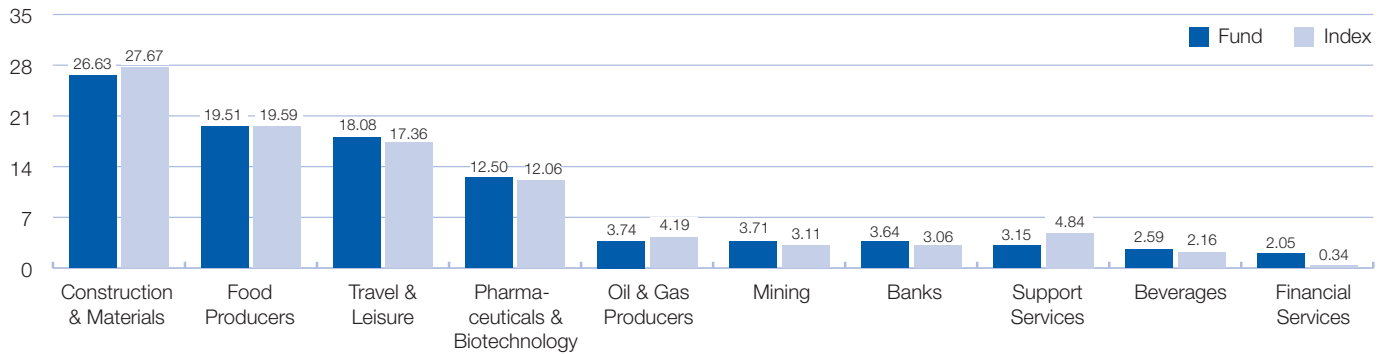
Asset allocation

	As at 30/09/2011	As at 31/12/2011
Allocation	%	%
Financials	3.8	4.9
Industrials	38.2	38.9
Consumer	20.4	19.0
Pharmaceutical	12.1	13.9
Food	23.5	21.8
Tech/Telcom	0.0	0.0
Others	1.9	1.6
Cash	0.2	-0.1
Total Fund	100.0	100.0

Figures may not tally due to rounding

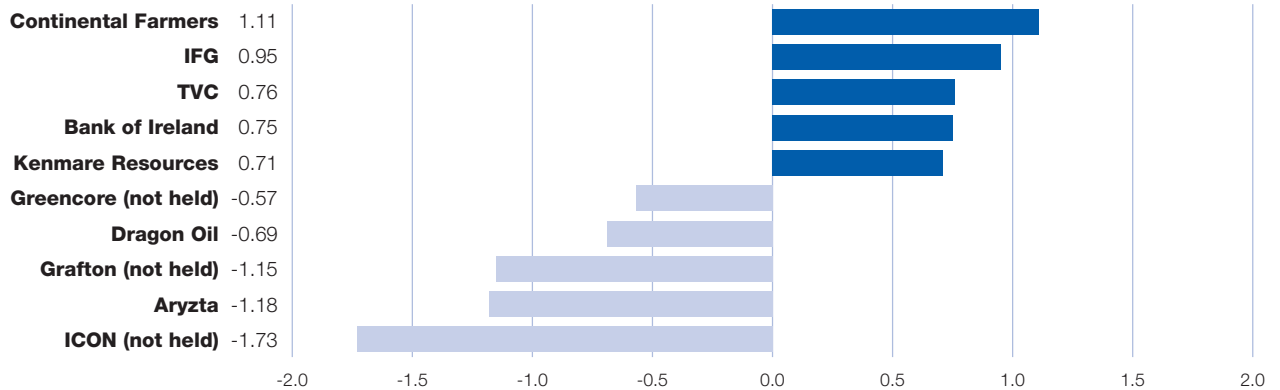
Stock weighting

Top 10 Sector Holdings (%)



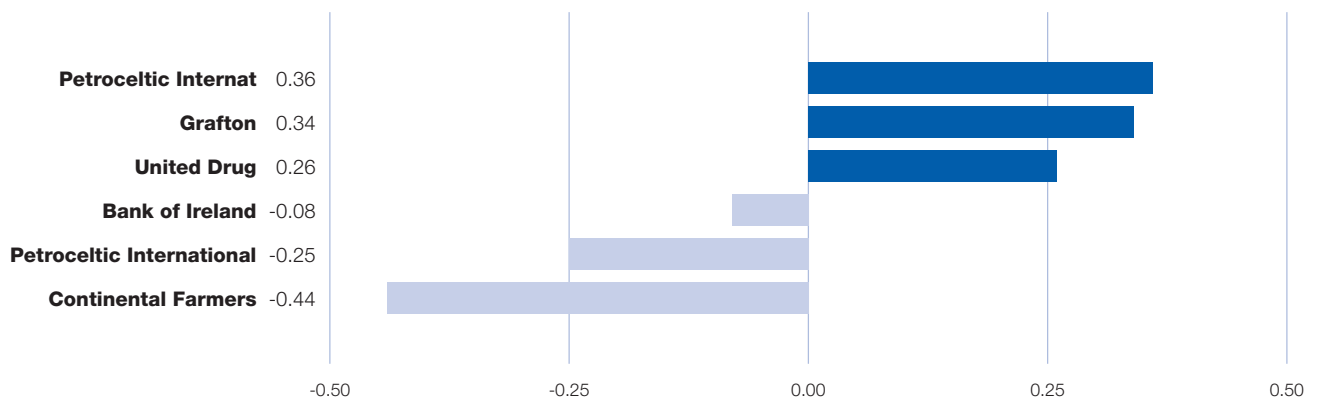
Top 5 overweights and underweights

Relative to benchmark (%)



Main contributors to performance

Relative to benchmark by Stock (%)



Source: F&C Management Limited to 31 December 2011. Calculations basis offer to offer, income re-invested at offer, net of fees.

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