

Fund objective

The Premium Growth Fund invests in a range of international and domestic equities, bonds, property and cash. The mandate of this Fund states that it may invest up to 100% in equities with the indicative target 5% above the prevailing exposure in the Mixed Fund. Hence, this Fund has a more aggressive strategy than the Mixed Fund and is suited to a longer term investment horizon. The predominance of equities gives the Fund a higher risk rating given the volatility of this asset class. The benchmark is the average return achieved in the Pooled Fund Survey.

Net Performance (%) period to 31 March 2012

	3 months	1 year	3 years	5 years
Premium Growth Fund	7.5	3.4	14.3	-3.9
Irish Managed Average	7.9	5.1	14.0	-2.7

Fund size as at 31 March 2012

€0.9m

Market commentary

Market review

Global equities enjoyed a good performance as confidence continued to build on an encouraging fourth quarter. Sentiment was boosted primarily by the success of the European Central Bank's move to offer €1 trillion of cheap funding to banks through its Long-Term Refinancing Operation. There was also growing confidence that the recovery of the US economy was gaining traction. Government bonds were impacted by the rise in risk appetite during the quarter. The UK market traded lower as the growth outlook brightened and inflation continued its downward trend. In the US, yields rose as a third round of quantitative easing become less of a probability. European government bond prices moved higher overall, but this was a function of a rally in peripheral eurozone bonds triggered by the LTRO. Corporate bonds made gains on the back of the rally in confidence.

Activity

With the outlook for the global economy looking more stable as the monetary authorities worked proactively in its support, we adopted a pro-risk stance within the Fund. This was reflected by a modest preference for equities over bonds.

We retained our structural preference for Pacific Basin equities, with our view being underpinned by the likelihood that declining inflation in most countries will lead to easier monetary policy. We upgraded our view on the US from underweight to neutral as we felt that consumption would recover on the back of upwards revisions for income growth.

We remained underweight in Bonds during Q1. Bonds issued by AAA rated countries do not offer appealing valuations, although they retain their status as a safe-haven given the numerous geopolitical variables that lurk currently. Better opportunities are to be found in corporate bonds, where robust company balance sheets are lending support to valuations.

Performance

The Fund underperformed its benchmark over the quarter. The main contributors to this underperformance were Fixed Interest, US Equities and Property. The Fixed Interest element of the Mixed Fund is run on a 'AAA' mandate unlike our peers. Non AAA Eurozone markets such as Spain and Italy rallied strongly in the first quarter. Within US equities, an underweight position in Canada added value but a small overweighting of energy was largely responsible for negative performance at the sector level. Furthermore, our overweight position in the education provider Apollo Group detracted from returns as low student enrolment hurt earnings. Valuations within the Property Fund were negative during Q1.

Asset allocation

	As at 31/12/2011	As at 31/03/2012
Allocation	%	%
Irish Equity	5.1	5.4
International Equities	74.0	77.3
Eurozone	11.4	12.5
Europe	5.0	5.8
U.K.	12.4	12.4
U.S.	28.5	30.4
Japan	4.6	4.0
Far East	12.1	12.4
Fixed Interest	12.6	11.9
Eurozone	12.4	11.8
Non Eurozone	0.1	0.1
Property	5.8	3.0
Cash	2.6	2.3
Total Fund	100.0	100.0

Figures may not tally due to rounding

Premium Growth Fund



Multi-Asset Fund

1st Quarter 2012

Fund data

Currency:	Euro
Launch date:	January 1999
Management fee:	0.52%
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
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Source: F&C Management Limited to 31 March 2012. Calculations basis offer to offer, income re-invested at offer, net of fees.

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