

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 December 2011

| | 3 months | 1 year | 3 years | 5 years |
|-----------------------|----------|--------|---------|---------|
| Premium Growth Fund | 8.4 | -5.3 | 9.3 | -5.1 |
| Irish Managed Average | 7.5 | -3.5 | 9.2 | -3.9 |

Fund size as at 31 December 2011

€0.8m

Market commentary

Market review

Global equity markets staged a recovery in the fourth quarter after suffering a torrid August and September. An increasing conviction that a solution would eventually be found helped equities recover their poise as risk assets returned to favour. Investor sentiment was also boosted by encouraging signs from the US economy, particularly in respect of the improving jobs market. The major bond markets also posted gains as 'safe-haven' investments remained in demand given the uncertain economic backdrop. That said, markets were choppy as the sovereign debt crisis took its toll on the government bonds of peripheral eurozone countries. Even Germany experienced a challenging auction. Overall, however, bonds were supported by expectations of moderating inflation in the developed economies together with continued central bank support through asset repurchasing.

Activity

We took a cautious asset allocation stance given the considerable risks that still hung over the global economy. We maintained a neutral position in equities as we continued to question the policy-makers' ability to deliver a credible solution to the eurozone crisis. Despite the likelihood that bonds will continue to be in demand as a safe haven, we maintained our underweighting of fixed income. We felt that government bonds offered little value with yields at historic lows and are concerned that prices will reverse when investors look towards inflation and real interest rates rising again later in the year.

Performance

The fund outperformed the benchmark over the quarter. The fund holds more equities than managed funds and equities outperformed bonds, property and cash this quarter. Positive stock selection within the Irish Equity, Fixed Interest and Property Funds, all of which outperformed their respective benchmarks in Q4 also added to Fund performance. 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. Valuations within the Property Fund were positive during Q4. The outperformance of the Fixed Interest Fund was due to holding an underweight position in France over the quarter.

Asset allocation

| | As at 30/09/2011 | As at 31/12/2011 |
|-------------------------------|------------------|------------------|
| Allocation | % | % |
| Irish Equity | 4.8 | 5.1 |
| International Equities | 73.9 | 74.0 |
| Eurozone | 12.3 | 11.4 |
| Europe | 5.0 | 5.0 |
| U.K. | 12.6 | 12.4 |
| U.S. | 27.0 | 28.5 |
| Japan | 4.9 | 4.6 |
| Far East | 12.1 | 12.1 |
| Fixed Interest | 12.3 | 12.6 |
| Eurozone | 12.1 | 12.4 |
| Non Eurozone | 0.1 | 0.1 |
| Property | 6.0 | 5.8 |
| Cash | 3.1 | 2.6 |
| Total Fund | 100.0 | 100.0 |

Figures may not tally due to rounding

Premium Growth Fund



Multi-Asset Fund

4th Quarter 2011

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 December 2011. Calculations basis offer to offer, income re-invested at offer, net of fees.

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