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CONSTRUCTION EXECUTIVE RETIREMENT SAVINGS

(Formerly Construction Federation Executive Pension Scheme)

INVESTMENT REVIEW FOR THE TWELVE MONTHS TO 31ST MAY 2012

The gross investment returns for the Construction Federation Executive Pension Scheme Funds for the year ended 31st May 2012 were 0.0% for the Main Fund, +13.29% for the Bond Fund and +0.85% for the Cash Fund. As you are aware the Government introduced a Levy on the assets of Pension Schemes at 30th June 2011 which had the net effect of reducing all the investment returns by 0.6%.

The economic and market background during the year was difficult, challenging and very volatile in response to developments in the crisis in the Euro zone. The key focus of the Trustees' investment strategy was on protecting and preserving the value of members' savings. Risk was managed and reduced through diversification and by carefully managing the Funds' exposure to third party risk.

Equity markets broadly reflected the economic background. Sharp weakness during the first six months was followed by a strong rally in the October 2011 to March 2012 period. However, the final months of the period saw renewed weakness. Over the period as a whole developed world markets made moderate progress, helped by the persistent weakness of the Euro which resulted in gains on the Funds' underlying non Euro investments. Emerging market equities disappointed, generating negative returns over the twelve months. Uncertainty over the future of the Euro dominated bond markets driving yields in "core" Europe, e.g. Germany, the Netherlands, Finland and France, to unprecedentedly low levels but putting upward pressure on yields in the "peripheral" countries, e.g. Italy, Spain, Portugal and Ireland. Greece defaulted on its sovereign bonds. Despite these difficulties returns on the Funds' investments in government bonds were strongly positive. Property returns were again negative, strong income returns were outweighed by further falls in capital values. The performance of the Funds' holdings of Alternative Investments during the period was mixed. Cash returns were low, reflecting the Funds' focus on placing deposits with only the strongest rated banks and financial institutions.



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The aim of the investment strategy for the Main Fund is to reduce the level of risk to the fund while still achieving an appropriate level of return, i.e. to generate the best possible returns subject to an appropriate level of risk. The Trustees believe that this objective is best achieved by building a balanced portfolio which is well diversified across asset types and which is heavily biased to liquid assets. This involves a substantial exposure to equity markets which over time have generated a higher return than the less risky alternatives of cash and bonds. The highly diversified nature of the Fund's portfolio is designed to protect it from this risk. Nevertheless, from time to time this strategy will lead to significant short term negative returns.

The Trustees continued to explore opportunities to improve the risk/return balance of the Fund. The Fund's exposure to Alternative Investments was rebalanced and increased through the introduction of two new funds. A full description of the long term strategic asset allocation determined by the Trustees is set out in the Statement of Investment Policy Principles (SIPP) which is available at www.cers.ie by clicking on investment choices and SIPP. The objective of the Cash Fund is to provide capital protection. To this end it invests in Euro denominated bank deposits and other cash-like instruments across a range of high quality banks and financial institutions.

The Bond Fund is diversified across medium to long-dated, Euro denominated, investment grade bonds with a strong bias to the bonds of highly rated countries. It may therefore be expected to exhibit a degree of volatility as it responds to fluctuations in long term interest rates. It is designed to be a suitable vehicle for members who, in the years approaching retirement, wish to align some or all of their investments with the cost of purchasing a pension in retirement. This is because the value of the Bond Fund may be expected to move broadly in line with the cost of buying a pension as interest rates change.

For further details on available fund options go to www.cers.ie/funds or contact the Administration on 01-4071430 or by email: info@cers.ie