

### Market review

- Investor appetite for risk accelerated across asset markets in March 2010 with the S&P Toronto index, for example, returning 3.8% to hit a 14-month high. The VIX index (the implied volatility of the S&P 500 index), a widely following indicator of risk aversion, sank to 16.4% - its lowest level since May 2008. Signs that the global economic rebound is strengthening, more than offset continuing concerns about sovereign default among peripheral Eurozone countries.
- Bond returns were generally positive in March, as official interest rates remained unchanged in the U.S., Eurozone and U.K.
- Unsurprisingly against this general backdrop, the global sectors with the highest and lowest returns, year-to-date, were the Consumer Cyclical and Telecom/Utilities sectors respectively.

### Portfolio review

The MSCI Europe index was up 15% in 2009 and the market continued its upward trajectory in the initial weeks of 2010. However, stocks experienced a mild sell off in late January through early February, but since then European and EAFE markets have gone on to recoup all of those early losses.

#### Top contributing stocks year-to-date:

The top performing global sectors, year-to-date were the Technology and Consumer Discretionary sectors, and the top contributing stocks, over this period, were from these sectors.

Swatch, the luxury watch maker, has a stellar balance sheet, impeccable brand and continues to benefit from the increased desire for high-end watches from emerging markets. This has led to continued strong financial performance over the last several quarters. Swatch continues to manage its cost base, while increasing brand awareness in its fast growing emerging markets.

Nokia had a dismal 2009 as the market feared that Nokia would continue to hemorrhage market share to RIM and Apple; however, Nokia continues to stand tall and despite more intense competition, has only lost modest market share. The valuation continues to be attractive for the market leader in the mobile phone industry. Any positive developments in its networks business would also likely be rewarded by the market.

#### Bottom contributing stocks year-to-date:

On the negative side, we saw considerable under performance by BBVA, E.On and Bayer. BBVA is a Spanish bank, which also has operations in Latin America. It suffered in Q1, as fears grow that the Spanish economy is deteriorating rapidly. We share some of these concerns and we continue to evaluate the position. E.On is a German utility company. We have recently reduced our holding, based on some operational concerns and this is a position we continue to evaluate. Our position in Bayer was fully liquidated in February on valuation concerns. It no longer looks attractive, relative to its sector, and we took the decision to sell it from the Fund.

We purchased a new position in Kingspan, the Irish building products company in early March. Kingspan has a strong market position in insulation and insulation-related products, with the majority of revenues coming from the U.K. and Europe. As with all our investments, we believe the valuation to be attractive and acknowledge the superb job that this company has done in managing its cost base, through what is a difficult time for the construction sector. We believe this places Kingspan in a prime position to benefit from any uptick in construction spending.

*Any amount that is allocated to a segregated fund is invested at the risk of the contract holder and may increase or decrease in value.*

This report is published to provide additional information on economic conditions and investment performance. It was prepared by Setanta Asset Management Ltd.