

**March 2008**
**1. Unit Price 31/03/2008**

	Focus 15 (net version)	Focus 15 (gross version)*
Euro	1.040	0.764

**2. Fund Performance\* to 31/03/2008**

	Focus 15 (net version)	Focus 15 (gross version)
One Month %	-4.0%	-5.0%
12 Months %	-17.8%	-21.5%

*\*In January 2001 a new version of the Focus 15 fund was launched which is liable to tax at maturity ("gross version") rather than at source ("net version"). Both versions own the same assets and the difference in performance relates primarily to tax.*

**3. Investment Objective**

The Fund is focused on opportunity and will seek to own international (non Irish) stocks that satisfy the following criteria

- superior growth in earnings and cashflow over a multi-year period
- efficient use of capital
- strong balance sheet and
- leading market shares.

There is no attempt to diversify across sectors or geographic regions for the purpose of reducing risk. With around 15 holdings, each one can make a real difference to performance.

Clearly Focus 15 is likely to be more volatile than more broadly-based funds; it is therefore suitable for those investors with experience of the stock market.

**4. Asset Mix**

Sector	% of fund
Banks/ Other Financials	17.8
Consumer Cyclical	6.2
Consumer Staple	33.6
Industrials	13.5
Technology / Telecoms	16.5
Energy	8.8
Cash	3.8
<b>Total</b>	<b>100.0</b>

Credit market issues and concerns about the US economy were the main causes for another turbulent month in markets, and the MSCI World was down 5.1% in March (YTD: - 16.1%).

One of the most volatile sectors was the banking sector. The US Federal Reserve provided emergency funding to the investment bank, Bear Stearns, and supported its sale to JP Morgan. It also made further interest rate cuts (leaving rates at 2.25%), extended the duration of the liquidity it is providing to the US banking system, and for the first time, provided liquidity to investment (and not just commercial) banks. These actions led the market to believe that the Fed will do what it can to stave off a serious economic or financial crisis.

The European Central Bank stuck to its main brief of keeping inflation under control, and left rates on hold in March (at 4%), though investors expect cuts by the end of the year.

The euro strengthened 4% against the sterling and US dollar, and the exchange rates ended the month at 1.58 USD and 0.80 GBP.

The Healthcare sector suffered on the back of a poor outlook for the large cap pharmaceutical companies, and it fell 7.2%. Consumer Staples, though negative, was the best performing sector at -1.5%.

It was a volatile month for oil, which hit highs of \$111, though it ended the month at \$102.

## 5. Performance\*

	Proportion of fund %	1 month performance %
BNP Paribas <a href="http://www.bnpparibas.com">www.bnpparibas.com</a>	5.6	7.3
Comerica <a href="http://www.comerica.com">www.comerica.com</a>	5.5	-5.4
Computer Sciences <a href="http://www.csc.com">www.csc.com</a>	4.4	-9.9
Deutsche Postbank <a href="http://www.postbank.de">www.postbank.de</a>	6.7	-5.5
Glaxosmithkline Plc <a href="http://www.gsk.com">www.gsk.com</a>	6.5	-7.1
Home Retail Group <a href="http://www.homeretailgroup.com">www.homeretailgroup.com</a>	6.1	-3.1
Johnson & Johnson <a href="http://www.jnj.com">www.jnj.com</a>	10.2	0.5
Lanxess <a href="http://www.lanxess.com">www.lanxess.com</a>	8.5	0.8
Nokia <a href="http://www.nokia.com">www.nokia.com</a>	4.2	-16.8
Sigma-Aldrich <a href="http://www.sigma-aldrich.com">www.sigma-aldrich.com</a>	5.0	4.1
Synthes Inc <a href="http://www.synthes.com">www.synthes.com</a>	8.9	-3.8
Total <a href="http://www.totalfinaelf.com">www.totalfinaelf.com</a>	8.8	-5.9
Unilever <a href="http://www.unilever.co.uk">www.unilever.co.uk</a>	7.9	2.3
Wincor Nixdorf <a href="http://www.wincor-nixdorf.com">www.wincor-nixdorf.com</a>	7.9	-4.0
Cash Holding	3.8	

\*Performance is stated in euro.

## 6. Portfolio Information

The US tax preparation services company, **Jackson Hewitt**, released results during the month which were significantly worse than expected. Our assessment of the stock as an investment changed with this news, in particular with regard to the health of the balance sheet. Despite the potential for the new management team to turn around the decline in sales and profits, we felt the

balance sheet risk too great and the margin for error too small to warrant continuing holding the stock.

Another poor performer was US pharmaceutical company, **Merck**, where negative news on one of its more promising drugs hit the stock. Question marks over the effectiveness of its cholesterol drug, Vytorin, emerged. Alongside this there are some potential safety concerns emerging pertaining to its asthma drug, Singulair, which, if proven true, could have negative consequences. Despite all of this, Merck has been a highly successful investment since it was acquired in 2005. However given the new risks, the UK pharmaceutical **GlaxoSmithKline**, on a similar or lower valuation, represents a better investment prospect.

As a result of this news, and its impact on the warranted value of the company, we sold the stock from the fund.

Among the positive performers in March was French bank **BNP Paribas** after it told investors that it would not be bidding for Soc Gen. Solid performers, **Sigma Aldrich** (US – Industrials) and **Unilever** (UK – Consumer Staples), also had strong returns.

## 7. Purchases and Sales

As mentioned above, the fund sold out of Jackson Hewitt and Merck during the month. In their place came new stocks Nokia and GlaxoSmithKline. In both cases we believe they are quality businesses at attractive valuations.

Mobile phone manufacturer **Nokia** declined sharply in Q1, primarily the result of concerns over the impact of the apparent economic slowdown, and more recently as a result of a profit warning from Ericsson. We bought the stock after this decline on the view that on a P/E of only 11x, strong balance sheet, good cash flow, and good market position, the market was being overly harsh in assessing Nokia's long-term prospects.

**GlaxoSmithKline** also suffered badly in Q1, down c.15% due to concerns of a deteriorating profit outlook as fewer than expected new drugs have emerged and growth has slowed in some existing products. However, this poor

performance has taken the stock to a P/E of just 11. With its attractive valuation, strong balance sheet and strong cash flow and dividend yield of 5%, we feel the market is unfair in discounting such negative prospects for the firm.

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