KBC Asset Management

UPDATE

July 2010

MARKET COMMENT

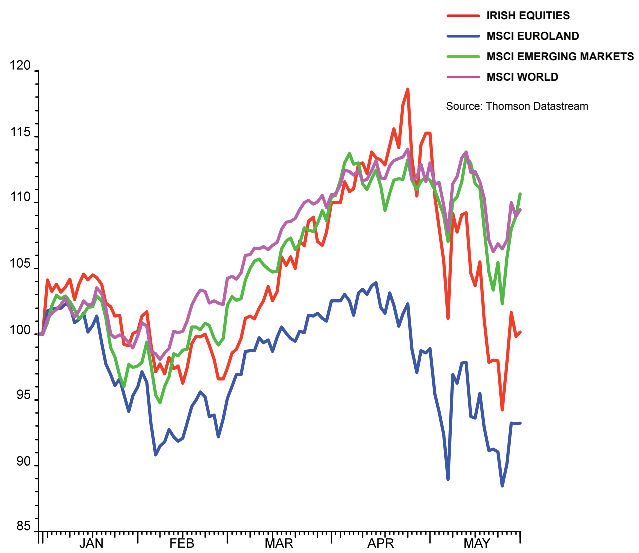
Over June 2010 world equities returned -3.2% (MSCI World Index) bringing the 2010 return to date to +5.9%. As has been the case for some months, daily volatility was high and media headlines often gave markets their short term direction.

At this juncture it is worth taking a look at what has driven markets for the first half of 2010. Equity markets remained caught in a tug- of-war between strong economic fundamentals and investor fears around potential external shocks. On the plus side the US economy is over a year into its recovery and heading for a 2010 growth rate of more than 3%. Corporate earnings have been extremely strong driven by increased revenues and lower costs post extensive cost cutting programs. Manufacturing and construction activity data trended upwards while consumer and business confidence remained resilient. Inflation pressures were absent in the US and Europe where economic data was also positive in larger Eurozone countries.

On the other side of the equation, uncertainty lingered which led to investor risk aversion at different stages. The sovereign debt crisis in Europe was and is a real problem, escalating geopolitical tensions in Korea and the Middle East rattled some nerves, Chinese policy tightening posed a possible disruption to global growth and the oil spill in the Gulf of Mexico threw more uncertainty into the mix. Further to this investors focused on interest rate policies and the inevitable claw back of fiscal stimulus packages in place since Lehman Brothers' bankruptcy 20 months ago. Forecasts for ECB rate rises have been pushed out to the spring of 2011 as the debt issues in peripheral Eurozone countries remained real threats. US interest rate increases may happen sooner, though, as its economy is in better shape. On the fiscal side, European governments have generally begun to tighten policy, believing that smaller government deficits will reassure consumers, ultimately helping the economy, while the US authorities are taking a different view, pushing fiscal tightening back until next year at the earliest.

Emerging market economies have powered ahead at a much faster pace than the developed world in 2010. Emerging markets were not constrained by the same excesses which the developed world has built up in the form of consumer and sovereign debt. However, equity market performance has been less distinctive with high volatility the mainstay in both areas.

Year to Date Returns to 30th June 2010 *(in Euro terms)*



KBCAM's Outlook versus Benchmark Positions - 6 Month Time Horizon

	Ireland	Euro land	UK	Rest of Europe	US	Japan	Pacific Basin
Equities	□	□	□	⇧	□	⇩	⇧
Bonds	⇩	⇩	⇩	⇩	⇩	⇩	N/A
Property	⇩	□	⇩	□	N/A	N/A	N/A

⇧ = overweight
□ = neutral
⇩ = underweight

VIEWPOINT

We are very pleased to announce that KBC Asset Management Ltd (Dublin) – KBCAM - is to be acquired by RHJ International (RHJI), subject to relevant regulatory approvals.

RHJI is an independent publicly traded holding company listed on the Euronext stock exchange in Brussels, which is migrating into a business with an exclusive focus on financial services. It has a management team with extensive experience in the sector and it recently announced the acquisition of Kleinwort Benson, the well-known UK-based financial services franchise. RHJI plans to adopt Kleinwort Benson as an overarching brand for its financial services businesses and KBCAM will use the Kleinwort Benson brand for our business once the acquisition is completed.

From a day-to-day perspective clients will see little difference in how we operate.

Our investment team and investment processes will remain unchanged. As always our primary focus will be on investment performance and protecting the interests of clients.

RHJI was attracted to our business primarily by the distinctive products and diversified, international client base and by the company's strong team of investment professionals. We have a shared view that dividend-oriented investment strategies and a focus on sustainability themes in investment portfolios will be a key feature in investment decision making. In Ireland KBCAM has a vibrant business built around a wide range of products such as alternatives, balanced and bond funds. Given KBCAM's reputation for introducing innovative products RHJI agree with us that market share can grow significantly.

We believe that our clients' best interests are well served by this transaction. Our management team was heavily involved in the sale process, had an input into the determination of the new owner and are delighted with the prospect of becoming part of the RHJI Group. We are excited about the clarity of intent, direction and support to our business that RHJI brings.

We would expect that the acquisition will close within a two to three month timeframe once regulatory approval comes through.

KBCAM FUND ACCESS

KBC Innovator, Alternative Energy and Water are available as fund choices through BOI Life savings, pensions and investment products. The KBC Managed Fund is available through the BOI Life Pensions products.

CONTACT

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