

FINANCE

Stockbroking in Ireland 2006-2007

Company	Price	52 Week High	52 Week Low	% Change	Market Cap	2003	2004	2005
Anglo Irish	10.00	12.00	8.00	25.0%	1.5B	1.2	1.5	1.8
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FINANCE

Special report: Stockbroking in Ireland 2006-2007

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INTRODUCTION

Boom year for brokers as international business grows

Ireland's stockbroking firms are continuing to benefit from buoyant economic conditions, which is leading to strong growth in institutional equities, wealth management and corporate finance. Moreover, the international proportion of their business continues to grow, as evidenced by the growing number of respondents to this year's FINANCE Stockbroking Survey.

One way of illustrating the growth in the number of international firms, and indeed boutique Irish operations, that Irish stockbrokers deal with, is through the number of participants in the survey. Representing the institutional clients of all the Irish brokerage firms, this list has continued to grow year-on-year, and this year's survey marks a new high, with 752 investment management professionals polled for their view on Irish stockbrokers.

Buoyant market

2006 is set to go down in history as one of the most profitable years for the Irish stockbroking sector, with all aspects of the business booming, and all firms expected to post higher profits than last year.

From an institutional equities

perspective, the IPO of Aer Lingus this year, combined with the exceptionally strong performance of ISEQ Index companies, meant that demand for Irish stocks remained very strong.

According to Conor O'Kelly, chief executive of NCB, 'As evidenced by higher volumes on the Irish exchange, institutional activity remains high and the overseas client list owning Irish equities continues to grow'.

The corporate finance side of the stockbroking firms also experienced a very strong year, with a number of high profile deals, such as Ryanair's takeover bid for Aer Lingus, garnering business for the firms.

Ireland's broking firms are also benefiting from entering new markets and delivering new products and services.

Property deals are now a major

source of revenue for Irish brokerages, with Goodbody's CEO Roy Barrett, writing on page 13, that in 2006, 'the firm funded a number of major property transactions, both in the Republic and Northern Ireland'.

Moreover, the firm also provided very substantial equity into other private investment vehicles, such as ISTC, a vehicle established by ex-Anglo Irish Bank director Tiarnan O'Mahony, to invest in bank capital products and other asset backed securities.

With Bank of Ireland's assertion that there are now more than 30,000 millionaires in Ireland, the wealth management side of stockbroking continues to boom, and now threatens to become the largest function in a typical broking firm.

Merrion's head of equities, Adrian O'Carroll, writes that,

'the private clients and institutional equities are neck and neck as the two largest divisions'.

Challenges

However, such growth brings with it challenges. In the CEO outlooks published throughout this issue, one key challenge emerges time and time again – recruitment. As NCB chief, Conor O'Kelly writes on page 17, 'the challenge in this business is always the same. People. Hiring, retaining and motivating talent is the key to success in this business'.

Davy's CEO Tony Garry adds that his firm is experiencing the, 'usual difficulties in recruiting sales and client relationship staff', but also that, 'we are finding that the recruitment of compliance professionals, financial accountants and IT staff is challenging'.

Beating the benchmark at BIAM

Following the end of Chris Reilly's tenure as chief investment officer of Bank of Ireland Asset Management (BIAM), the asset manager installed a new leadership team to take responsibility for its investment activities. As newly appointed managing director of global equities, Paul Boyne is responsible for ensuring that makes the very best use of the research available, and that ultimately the right stocks end up in the asset manager's portfolios.

1. How do you define success in fund management? I think success in fund management is based on a number of ingredients:

- Having a well defined investment approach that clients can relate to and that delivers value in the long term.
- Having the conviction to do what you believe is in the best long term interests of clients – even if that is different to the prevailing wisdom in markets
- Keeping close to clients so that you genuinely know and understand their needs and can respond proactively to changing demands.

2. What are your goals for the business? As you know, during the summer Bank of Ireland Asset Management (BIAM) appointed a new leadership team to take responsibility for its investment activities, following Chris Reilly's very successful 20 year tenure as CIO of BIAM. During this period the business grew from €1.2 billion in funds under management to €43 billion, notwithstanding the recent period of underperformance.

Taking over from Chris, the new team had a number of priorities. The first of these is to ensure that everyone recognises that as a team we remain steadfastly committed to our value discipline, and bottom-up stock picking approach to investing. This has not, nor will it change.

The new team structure also provided us with an opportunity to introduce a global research platform and under Chris Johns, who was appointed managing director of global research, we now have a very significant research capability that is available to each of our investment teams and covers all global



Paul Boyne

equity, fixed income and property research. This is a newly created position and one that we believe will add significantly to the investment performance we generate in the future.

As managing director of global equities, I am responsible for ensuring that we make the very best use of the research available to us and that ultimately the right stocks end up in our portfolios. We have also continued to add experienced resources to the team – the most recent addition being Jamie Wood, who has joined us as a senior equity manager. Jamie has more than 15 years experience in investment and finance – most recently with Newman Ragazzi Partners in London, where he was responsible for generating investment ideas for the firm's \$500m flagship hedge fund.

Sean Crowe, the former global head of trading and investment at Bank of Ireland Global Markets, was appointed managing director – global fixed income and specialist products. This is also a newly created role and Sean is responsible for growing our fixed income, credit and property portfolios and also has direct responsibility for the delivery

of any new products we develop. This element of Sean's role is very important to us, as it is the area where we will incubate new ideas and foster product innovation. Already Sean and his team have a number of new products in the early stages of R&D and we would be very hopeful that we will have a number of exciting new products to bring to customers in 2007.

As a team we are very confident that the new structure and the changes we have made will improve investment performance, will ensure we are positioned to meet our customers needs for more specialist and sophisticated products in the future and will also ensure that we are fully aligned and in tune with the broader trends in the global investment industry

3. What are the greatest challenges & opportunities facing the investment management industry at the moment from an institutional perspective?

Challenge: From an institutional perspective, one of the biggest challenges we face is to come up with solutions that will help clients deal with the deficits they face between their assets and liabilities. Institutional investors need strong absolute returns from the investment management industry today. Investment performance has always been crucial but now asset management companies need to concentrate on developing sources of alpha that complement their existing strengths and they are doing this by investing in their investment and research resources and capabilities.

Opportunity: The demand for investment management expertise globally has never been greater and thankfully shows

no signs of slowing down. This means that there are plenty of opportunities for those investment managers who can genuinely bridge the gap for investors. For me, this means having the ability to respond nimbly to the changing needs of investors and ensuring that we have resources and expertise to deliver over time.

4. The Irish market has performed exceptionally well over the past number of years – can this rate of growth continue? What is your prediction for the rate of return of the ISEQ in 2007?

As a house we continue to be optimistic about the Irish market. We believe the foundations and drivers of our recent economic success are still very much in place. The key point of differentiation versus our peers is a strong demographic position. Our population expanded 2.5 per cent in the year to April which puts us in stark contrast to mainland European economies. Irrespective of the SSIA effect, consumer incomes look to be in good shape. The most obvious risk remains the housing market. However, we are continually developing significant offsets to deal with a shock. For example the €2.5 billion savings habit developed on the back of SSIA is equivalent to a 2.5 per cent interest rate increase.

In terms of a forecast return for the ISEQ for 2007 – 12 per cent seems achievable taking the index to north of 9,500. Consensus estimates expect earnings in the Irish market to advance nearly 15 per cent in 2007. For this you pay 13.4 times and receive a yield of 2 per cent, which compares very favourably with what is available in other markets.


Ever noticed how some people
are in the right place
at the right time
more of the time?





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Maybe some people just have the right people behind them.

Some people just have it. That special knack of being in the right place at the right time.
More of the time.

At Davy we pride ourselves on our people's ability to define where and when the best opportunities are to be found. Informed by insights from Ireland's largest and most-awarded research team, our finance specialists have consistently delivered outstanding results for our clients. That's why we're Ireland's largest broker and securities trading house. And why we're advisors to over 70 percent of Irish corporates. And why we're rated as one of Ireland's most successful and trusted private clients services.

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Davy

FINANCE STOCKBROKING SURVEY 2006

Davy remains dominant as NCB re-emerges

A strong performance from Davy in this year's survey has seen the firm scoop 13 titles, including re-capturing the 'Best Irish Equity Research Overall' title it relinquished to Goodbody in last year's survey, and winning six of the bond category awards. Goodbody follows closely behind Davy in this year's survey, scooping 11 titles, including 'Best Overall Financials Research Service', and 'Best Economist'. After a number of years of mixed performances NCB has re-emerged as a contender once more, winning a slew of titles, while Merrion's Adrian O'Carroll and Robert Brisbane have another great year.

This year's survey marks a time of change, as new faces emerge, and old faces re-emerge. On the equity side, Goodbody has emerged as the overall victor, winning a total of 11 categories. In the firm ratings, the stockbroker took some key titles including, 'Best Overall Construction & Building Materials Research Service'.

As in recent years, the firm's analysts also put in a stellar performance, winning five individual titles. Stepping into Colin Hunt's shoes in the 'Best Economist' category is Dermot O'Leary, who won the award for the first time.

Davy and NCB tie for second place in this overall sec-

tion, with seven titles each. Davy will be pleased that it won back key award, 'Best Irish Equity Research Overall', after relinquishing its grip on this title to Goodbody in last year's survey. Elsewhere, Davy holds onto its 'Best Equity Sales Service', 'Best Back Office/Settlement Service', and 'Best For Execution Quality/Ability to Deal in Size' titles. Similarly, Davy's 'Weekly Book' once more wins the title of 'Best Equity Book', while Robbie Kelleher makes it three in a row for 'Best Equity Strategist'.

Annual
Stockbroking
Survey 2006
FINANCE

After an outstanding performance in the survey in 2002, when it swept the board winning the greatest number of categories, NCB has had a mixed experience in the survey over the past number of years. However, this survey shows that the firm is very much back on form, as it has won seven titles, and one of its most well known analysts, John Sheehan, has re-emerged as 'Analyst of the Year'.

As in last year's survey, both Adrian O'Carroll and Robert Brisbane of Merrion performed very strongly for the

firm, with O'Carroll winning the title of 'Best Equity Sales Person' for the third successive year won. Last year's 'Analyst of the Year', Brisbane, had another good year in the survey, winning both 'Best Food & Beverages/Agribusiness Analyst' and 'Best Pharmaceuticals & Biotechnology Analyst', as well as 'Research Report of the Year' for his report on C&C Magners.

On the international side, Irish based firms such as Collins Stewart and Citigroup performed well, but Merrill Lynch emerged as the overall winner of the 'International Firm Ratings' category in this year's survey, winning three out of five titles overall - 'Best Overall Equity Research UK',

'Best Overall Equity Research EUROPE (excluding UK)' and

'Best Overall Equity Research USA'.

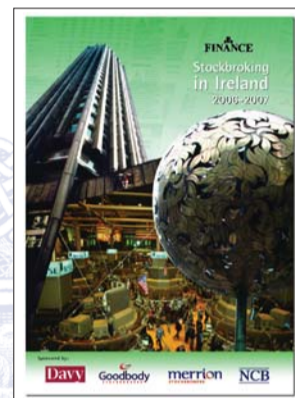
SURVEY METHODOLOGY

The survey was carried out amongst fund and asset managers both in Ireland and internationally who do significant business with Irish stockbroking firms. Stockbroking firms and corporates are not included. It was carried out on a web based questionnaire, during the month of October 2006.

A total of 752 individuals were nominated for inclusion in the poll.

The sample frame was derived by amalgamating lists of fund managers from various sources, both contemporary and historic. Individual stockbroking firms are invited to nominate clients for the survey, and these are automatically accepted for inclusion if those clients are shared with other participating firms. In addition, participating firms are allowed to nominate a fixed number of unique voting participants. The fixed number of nominations allowed are in strict proportion to the number of firms nominating.

A total of 92 institutions voted, of which 51 were based outside of Ireland and 41 in Ireland. This included virtually the entire universe of Irish based institutional funds management, as measured by assets under man-



agement. The total number of individual fund manager votes counted was 100, of which 49 were in Ireland and 51 elsewhere.

Each institution had one vote in the equity or bond surveys. The vote was cast either representing the institution, or in some cases votes cast by individual fund managers were amalgamated for the institution on an unweighted basis.

In the early years of the Survey, the results were weighted, and this year, the equity survey votes were weighted in accordance with the below proportions:

Irish funds under management:

- EUR 25 billion plus: x6
- EUR 10-25 billion: x3
- EUR 10 billion and less: x1

STOCKBROKING FIRM RATINGS

Davy and Goodbody share the spoils in this year's survey

By winning four titles each, Goodbody and Davy are tied in top position of the Stockbroking Firm Ratings 2006. Although Davy has lost its dominant hold on the ratings, which it had maintained for the past two years, the firm has managed to snatch back, in a very tight finish, one of the survey's biggest awards 'Best Irish Equity Research Overall' award for the 15th time from Goodbody, who won the award last year.

Davy has also won 'Best

Equity Sales Service' and 'Best Back Office/Settlement/Service', both titles affording Davy a three year winning streak from 2004-2006 inclusive.

The second half of this category has been renamed as 'Best Equity Sales Trading Service' and NCB emerged as a clear winner here, after coming fourth and third respectively in 2004 & 2005. In what was a strong performance for the firm in this year's survey, NCB also retained their lead from last year in the category 'Best Technical Analysis', as well as

winning the 'Best International Equity Research (Excluding Irish Equities)' category.

Goodbody has this year retained the 2005 inaugural title of 'Best Overall Construction & Building Materials Research Service', while also pipping Davy to the post for first place in not one, but three titles- 'Best Overall Financials Research Service', 'Best Overall Small & Mid-Cap Research Service' and 'Best Economic Research' (which was a new category last year).

Merrion retained its dominant position for the third successive year, at the top of the table in the category 'Best for Objectivity of Equity Research', while Collins Stewart built on its strong performance of last year to come in as runner-up in this year's category of 'Best Technical Analysis'. The company also put in a good performance, overtaking ABN AMRO and coming fifth in both 'Best for Objectivity of Equity Research' and 'Best Overall Small & Mid-Cap Research Service'.

STOCKBROKING FIRM RATINGS

Category	2006	2005	Category	2006	2005	Category	2006	2005
Best Irish Equity Research Overall			Best for Objectivity of Equity Research			Best Equity Sales Trading Service		
Davy	1	2	Merrion	1	1	NCB	1	-
Goodbody	2	1	Goodbody	2	3	Davy	2	-
Merrion	3	3	NCB	3	4	Goodbody	3	-
NCB	4	4	Davy	4	2	Merrion	4	-
ABN AMRO	5	5	Collins Stewart	5	5	ABN AMRO	5	-
Collins Stewart	6	6	ABN AMRO	6	6	Collins Stewart	6	-
Bloxham	7	7	Bloxham	7	7	Bloxham	7	-
Best For Execution Quality/Ability to Deal in Size			Best Overall Small & Mid-Cap Research Service			Best Overall Construction & Building Materials Research Service		
Davy	1	1	Goodbody	1	2		2006	2005
NCB	2	3	Davy	2	1	Goodbody	1	1
Goodbody	3	2	NCB	3	4	NCB	2	4
Merrion	4	4	Merrion	4	3	Merrion	3	3
ABN AMRO	5	5	Collins Stewart	5	6	Davy	4	2
Collins Stewart	6	6	ABN AMRO	6	5	ABN AMRO	5	5
Bloxham	7	7	Bloxham	7	7	Collins Stewart	6	6
Best Overall Financials Research Service			Best Back Office/Settlement Service			Bloxham	7	7
Goodbody	1	1	Davy	1	1	Best Technical Analysis		
Davy	2	2	Goodbody	2	2		2006	2005
NCB	3	4	NCB	3	4	NCB	1	1
Merrion	4	3	Merrion	4	3	Collins Stewart	2	2
ABN AMRO	5	5	ABN AMRO	5	5	Goodbody	3	5
Collins Stewart	6	6	Bloxham	6	6	Davy	4	4
Bloxham	7	7	Collins Stewart	7	7	Merrion	5	3
Best Equity Sales Service			Best Economic Research			Bloxham	6	7
Davy	1	1	Goodbody	1	2	ABN AMRO	7	6
Goodbody	2	2	Davy	2	1	Best International Equity Research (Excluding Irish Equities)		
NCB	3	4	NCB	3	3	NCB	1	1
Merrion	4	3	Merrion	4	4	Davy	2	3
ABN AMRO	5	5	ABN AMRO	5	5	Merrion	3	2
Collins Stewart	6	6	Bloxham	6	7			
Bloxham	7	7	Collins Stewart	7	6			

Goodbody returns to the fore in analyst rankings

With five titles in this year's awards, Goodbody has re-captured the dominance it gained in the 2004 survey when it won eight titles in total. NCB has also re-emerged as a strong contender winning three titles, while Merrion's Robert Brisbane continues to perform well for the firm, taking two titles.

It's all change in 2006 in this year's 'Best Equity Analyst' section of the *FINANCE Stockbroking in Ireland 2005-2006* survey. Goodbody has retained their 2005 tally of five titles, however Davy has not fared as well, winning just one title. NCB has made a great improvement on last year taking a total of three titles, while Merrion maintained its performance with two.



Joe Gill, 'Best Airlines Analyst', Goodbody

Equity Strategist

Davy's Robbie Kelleher has retained his crown of 'Best Equity Strategist' for the third successive year and adds an eighth title to his tally. Liam Igoe of Goodbody, has held on to his second place rating this year, while last year's number four Bernard McAlinden of NCB, has moved up the table to snatch the number three slot from Merrion's Adrian O'Carroll, who does not feature in this category, this year. Richard Crossley is a new-comer to the category, and makes it two for NCB, in fourth position. Bloxham maintains its 2005 position with Kevin McConnell remaining at number six in the table, while Merrion's Liam Boggan makes an appearance at number five.



Robbie Kelleher, 'Best Equity Strategist', Davy

Financials

Eamonn Hughes of Goodbody, has once again scooped the title here, making it the fifth time Hughes has been successful in this category, beating off stiff competition from both Davy and NCB. Scott Rankin of Davy, improved his position to number two (up one place from last year) while David Odium of NCB, jumped two places up the table to make it into the top three at number three. Davy's Emer Lang slipped two places to number four in this year's table while ABN AMRO's Ian Smilie slipped one place to number seven. Merrion put in a strong performance this year, with both Sebastian Orsi and John Bowe coming in at numbers five and six respectively.

EQUITY ANALYST RATINGS

Best Equity Strategist

	2006	2005
Robbie Kelleher, Davy	1	1
Liam Igoe, Goodbody	2	2
Bernard McAlinden, NCB	3	4
Richard Crossley, NCB	4	-
Liam Boggan, Merrion	5	-
Kevin McConnell, Bloxham	6	6

Financials

	2006	2005
Eamonn Hughes, Goodbody	1	1
Scott Rankin, Davy	2	3
David Odium, NCB	3	5
Emer Lang, Davy	4	2
Sebastian Orsi, Merrion	5	-
John Bowe, Merrion	6	4
Ian Smilie, ABN AMRO	7	6

Food & Beverages/Agribusiness

	2006	2005
Robert Brisbane, Merrion	1	1
Liam Igoe, Goodbody	2	2
John O'Reilly, Davy	3	3
Paul Meade, NCB	4	4

Small & Mid Cap Stocks

	2006	2005
John Sheehan, NCB	1	3
John Mattimoe, Merrion	2	1
Gavin Kelleher, Goodbody	3	-
Florence O'Donoghue, Davy	4	4

Pharmaceuticals & Biotechnology

	2006	2005
Robert Brisbane, Merrion	1	4
Ian Hunter, Goodbody	2	2
Jack Gorman, Davy	3	1
Orla Hartford, NCB	4	3
Peter Jackson, Bloxham	5	5

Technology

	2006	2005
Gerry Hennigan, Goodbody	1	2
Alan Daly, Davy	2	-
Tricia McEvoy, NCB	3	4
Liam Boggan, Merrion	4	-

Airlines

	2006	2005
Joe Gill, Goodbody	1	1
John Mattimoe, Merrion	2	3
John Sheehan, NCB	3	-
Stephen Furlong, Davy	4	2
Andrew Lobbenberg, ABN AMRO	5	4
Andrew Fitchie, Collins Stewart	6	-

Media

	2006	2005
Gavin Kelleher, Goodbody	1	-
Liam Boggan, Merrion	2	-
Tricia McEvoy, NCB	3	-
Barry Dixon, Davy	4	-
Paul Gooden, ABN AMRO	5	5

Construction & Building Materials

	2006	2005
John Sheehan, NCB	1	3
John Mattimoe, Merrion	2	2
Joe Gill, Goodbody	3	-
Barry Dixon, Davy	4	-
Florence O'Donoghue, Davy	5	5
Peter Gunn, Goodbody	6	-
Chris Grant, ABN AMRO	7	-
John Carnegie, ABN AMRO	8	-

Gaming

	2006	2005
Gavin Kelleher, Goodbody	1	-
David Jennings, Davy	2	-
David Odium, NCB	3	-
Liam Boggan, Merrion	4	-

Energy & Resources

	2006	2005
Peter Hutton, NCB	1	3
Gerry Hennigan, Goodbody	2	2
Job Langbroek, Davy	3	1
Sebastian Orsi, Merrion	4	4
Caren Crowley, Davy	5	-
Finlay Thompson, ABN AMRO	6	5

Food & Beverages /Agribusiness

Merrion's Robert Brisbane is on a roll this year, retaining the title of 'Best Food & Beverages/Agribusiness Analyst' which was as closely contested this year as in 2005. Brisbane also wins, for the first time, the title of 'Best Pharmaceutical & Biotechnology Analyst'. Positions two to four in the Food & Beverages/Agribusiness table were also retained by the same contestants as 2005, with Liam Igoe of Goodbody, in second (for the third year in a row), John O'Reilly of Davy in third and Paul Meade of NCB, in fourth.

Small & Mid-Cap Stocks

John Sheehan of NCB, has put in a strong performance this year, jumping up the table from third position last year to win the title of 'Best Small & Mid-Cap Stocks Analyst' for the fourth time. Merrion's John Mattimoe swaps first for second place and newcomer Gavin Kelleher of Goodbody, puts in a good show coming third. No change for Florence O'Donoghue of Davy, who retains fourth position this year.

Pharmaceuticals & Biotechnology

As mentioned previously, Robert Brisbane of Merrion, has won this title by making a huge leap from fourth to first place. This has knocked Davy's Jack Gorman back to third place, as Ian Hunter of Goodbody, retained his hold on second position. As a result Orla Hartford of NCB has slipped one place to fourth while Bloxham's Peter Jackson has maintained his position at fifth in the table, from 2005.

Technology

Analyst Gerry Hennigan has regained the title in this category for Goodbody after being forced from the top last year, and in a sweep towards the top, newcomer to the table Alan

Daly of Davy, snapped up second place. In the absence of Brid White, NCB's Tricia McEvoy moved up into third place while Merrion kept its presence in the table with Liam Boggan in fourth position.

Airlines

Goodbody's Joe Gill has retained his crown of 'Best Airlines Analyst' making this his fourth win in a row. There was some change, however, in the rest of the positions in the table. John Mattimoe of Merrion regained the second place position which he had previously held in 2004. John Sheehan made it into the top three for NCB while Stephen Furlong of Davy slipped two places on last year to number four this year. Andrew Lobbenberg of ABN AMRO took fifth place followed by Andrew Fitchie of Collins Stewart in sixth.

Media

The 'Media' category has many new names this year, not least of whom is Gavin Kelleher of Goodbody who stormed in to take first place. Merrion's Liam Boggan scooped the second spot and Tricia McEvoy of NCB took third. Barry Dixon of Davy's came fourth while Paul Gooden of ABN AMRO maintained his fifth place from last year.

Construction & Building Materials

This category has also seen much change. Robert Eason, formerly of Goodbody and last year's winner, no longer features in the survey having taken up a new position with Kingspan in Investor Relations. His replacement at Goodbody, Joe Gill, comes in third in this category. NCB's John Sheehan - a past winner in this category - has jumped up three places to win this year's title of 'Best Construction and Building Materials Analyst'. John Mattimoe of Merrion retained his

position of second place as did Florence O'Donoghue of Davy in fifth. ABN AMRO put in a good show this year with Chris Grant in seventh and John Carnegie in eighth place while newcomers Barry Dixon of Davy's and Peter Gunn of Goodbody's made good entries at fourth and sixth respectively.



Gavin Kelleher, 'Gaming Best Analyst', Goodbody

Gaming

The continued success of Paddy Power Bookmakers has prompted the inclusion of this new category. Gavin Kelleher of Goodbody came top of the table here, officially winning the title of 'Best Gaming Analyst'. Davy's David Jennings came close in second place while David Odium of NCB took third and Merrion's Liam Boggan rounded off the table in fourth position.

Energy & Resources

In a fiercely fought battle, Peter Hutton of NCB has knocked six-time winner Job Langbroek of Davy, off the top spot to third place, and taken the title of 'Best Energy & Resources Analyst'. Gerry Hennigan of Goodbody meanwhile, has retained his number two position from last year, as has Sebastian Orsi of Merrion at number four. Newcomer to the category, Davy's Caren Crowley, has slipped straight into fifth place, while Finlay Thompson of ABN AMRO, has moved down one place to sixth.

BEST EQUITY SALES PERSON

Three in a row for O'Carroll

Another good year for Merrion's Adrian O'Carroll has seen him scoop the award for the third year in a row.

Adrian O'Carroll of Merrion, has, for the third successive year won the title of 'Best Equity Sales Person'. This winner of this highly competitive category has been the subject of much anticipation, ever since it was introduced, and this year proved no different with no fewer than four changes in the Top Five. Goodbody's Eamon Finnegan made a grand entrance into second place on the table, while Peter Frawley made it two out of three for Merrion, in third place. NCB's Robert McMahon has built hugely on his success of last year by taking fourth place in the table - a massive jump of seven places from 2005.

Meanwhile, Davy's David Smith slipped to fifth place from second last year and Tom

BEST EQUITY SALES PERSON

	2006	2005
Adrian O'Carroll, Merrion	1	1
Eamon Finnegan, Goodbody	2	-
Peter Frawley, Merrion	3	-
Rob McMahon, NCB	4	10
David Smith, Davy	5	2
Rory Carton, Goodbody	6	=6
Seamus Murphy, Davy	7	-
Enrique Curran, Merrion	8	9
Ed Murray, NCB	9	-
Mannie Larchet, Davy	10	-
Ian Huggard, NCB	11	11
David Marshall, NCB	12	-
Tom Shaw, Goodbody	13	=6
Tommy Conway, NCB	14	8

Shaw of Goodbody also slipped from joint sixth last year to 13th place for 2006, giving up sixth place to his fellow Goodbody colleague and last year's winner, Rory Carton.

Merrion's Enrique Curran has edged another step up the table, from ninth position 2005 to eighth this year, hoping to regain his former position of fourth place in 2004.

RESEARCH PRODUCTS OF THE YEAR

Brisbourne wins award for C&C report

For the second year in a row Merrion's Robert Brisbourne has won 'Research Report of the Year' for his 'C&C Magners Survey'.

Robert Brisbourne of Merrion has been awarded the 'Research Report of the Year' for the second year in a row for his report on the food and drinks industry 'C&C Magners Survey'. He has also won best analyst in the categories of 'Food & Beverages/Agribusiness' and 'Pharmaceuticals & Biotechnology'.

He beat off some strong competition from NCB's Dermot O'Brien and Eunan King, whose report '2020 Vision' came in second. 'The Irish Economy - an assessment of risks and forecasts 2008-2010' comes close on the heels of O'Brien and King's report in third place. This report was written by Davy's Robbie Kelleher and Rossa White, and is the second entry for Davy, with another report by Scott Rankin and Emer Lang 'Irish Banks - 2008: Will the party end?' coming in at number five in this category.

Goodbody has put in a good performance in the research products section. Dermot O'Leary, winner of 'Best Research Economist' came fourth in the 'Research Report of the Year' table for his report entitled 'Constructive Thinking', while Goodbody has for the third successive year won the 'Best Morning Research Notes' for its 'Goodbody Irish Equity Morning Meeting Wrap'. This year the 'Best Morning Research Notes'



Robert Brisbourne, Merrion, winner of 'Research Report of the Year'

award was closely contested, with Merrion coming right behind Goodbody in second place, for their 'Merrion Morning Comment/Early Thoughts' while Davy has this year been relegated to fourth place (from second, 2005) with their notes 'Davy Starting Points: Morning Equity Briefing'. Davy shone, however, in two other categories - 'Best Equity Books (printed or online)' and 'Best Website'. Davy stole the march for the third year in a row, taking the crown in the 'Best Equity Books (printed or online)' for 'Davy Weekly Book', followed by 'Goodbody Rolling Agenda' in second place and 'NCB Investment Strategy and Stock Analysis' in third.

www.davy.ie achieved the top accolade in the electronic category of 'Best Website' and second spot went to Goodbody for their website www.goodbody.ie.

ANALYST OF THE YEAR

Sheehan is back on top

After his last victory in this category in 2002, NCB's John Sheehan has once again emerged as the winner.

A close battle was fought for this year's 'Analyst of the Year' award, with John Sheehan of NCB emerging victorious. Sheehan, who also won the title in 2002, snatched the crown from last year's winner Robert Brisbourne, and has had a strong run in this year's survey, winning the 'Best Construction & Building Materials Analyst' award by a comfortable margin, and the 'Best Small & Mid-Cap Stocks Analyst' award (for the fourth time).

Brisbourne, who won in this category last year, has also given a strong performance in this year's overall survey, winning the 'Research Report of the Year' for his work on the 'C&C Magners Survey' as well as both the 'Best Food & Beverages/Agribusiness Analyst' and 'Best Pharmaceuticals & Biotechnology'.

Third, fourth and fifth places in this category were also won by good performers from the overall survey: Robbie Kelleher of Davy, who also won 'Best Equity Strategist' came third;



John Sheehan, Analyst of the Year, NCB

Goodbody's Joe Gill came fourth in this category as well as winning the 'Best Airlines Analyst', and Eamon Hughes, also of Goodbody, came fifth in 'Analyst of the Year' ratings and first in the 'Best Financials Analyst' category.

Some new entrants to the top ten this year are Joe Gill and Liam Igoe of Goodbody, Jack Gorman of Davy and Dermot O'Brien of NCB. Making it into the top 12 are Scott Rankin (down from number nine last year), and Emer Lang, both of Davy.

ANALYST OF THE YEAR

	2006	2005
John Sheehan, NCB	1	4
Robert Brisbourne, Merrion	2	1
Robbie Kelleher, Davy	3	7
Joe Gill, Goodbody	4	-
Eamonn Hughes, Goodbody	5	3
Liam Igoe, Goodbody	6	-
John O'Reilly, Davy	7	8
Stephen Furlong, Davy	8	6
Jack Gorman, Davy	9	-
Dermot O'Brien, NCB	10	-
Scott Rankin, Davy	11	9
Emer Lang, Davy	12	-

BEST RESEARCH ECONOMIST

O'Leary wins back title

Dermot O'Leary has won back this title for Goodbody, following Colin Hunt's departure in 2004.

After losing out in 2005 to Davy's Robbie Kelleher, Dermot O'Leary of Goodbody has this year won the title of 'Best Research Economist'. Kelleher, who has won 'Best Equities Strategist' for the third year in a row, came second in this category this year. Prior to his win last year, he had been runner-up for a number of years.

This year, however, the prized first place was snapped up by O'Leary, who had come second last year, in his FINANCE Stockbroking Survey debut. Previous years had been dominated by O'Leary's predecessor in Goodbody Colin Hunt, who has recently (September 2006) taken up an appointment as special advisor



Dermot O'Leary

at the Department of Finance. He will continue in his role as special advisor to the Minister for Transport, with whom he has worked for the last two years.

BEST RESEARCH ECONOMIST: IRISH ECONOMY

	2006	2005
Dermot O'Leary, Goodbody	1	2
Robbie Kelleher, Davy	2	1
Dermot O'Brien, NCB	3	4
Eunan King, NCB	4	-
Rossa White, Davy	5	5
Sebastian Orsi, Merrion	6	-
Alan McQuaid, Bloxham	7	6

INTERNATIONAL FIRM RATINGS

Merrill Lynch emerges as winner

Merrill Lynch has emerged as the overall winner of the 'International Firm Ratings' category.

Merrill Lynch has emerged as the overall winner of the 'International Firm Ratings' category in this year's 'Finance Stockbroking Survey', winning three out of five titles overall - 'Best Overall Equity Research UK', 'Best Overall Equity Research EUROPE (excluding UK)' and 'Best Overall Equity Research USA'. This is the first time that Merrill Lynch has won these titles, although it put in a good performance last year coming third in 'Best Overall Equity Research UK'.

INTERNATIONAL FIRM RATINGS

Best Overall Equity Research UK

	2006	2005
Merrill Lynch	1	3
Collins Stewart	2	1
Morgan Stanley	3	-
UBS Warburg	=4	2
Smith Barney Citigroup	=4	5

Best Overall Equity Research EUROPE (excluding UK)

	2006	2005
Merrill Lynch	1	2
Collins Stewart	2	4
Credit Suisse First Boston (CSFB)	3	-
UBS Warburg	4	3
Smith Barney Citigroup	5	1

Best Overall Equity Research USA

	2006	2005
Merrill Lynch	1	-
Smith Barney Citigroup	2	2
UBS Warburg	3	1
Morgan Stanley	4	4
Sanford Bernstein	5	3

Best Overall Equity Research JAPAN

	2006	2005
Morgan Stanley	1	3
Smith Barney Citigroup	2	1
Merrill Lynch	=3	4
Collins Stewart	=3	5
Daiwa	5	2

Best Overall Equity Research SOUTH EAST ASIA

	2006	2005
Smith Barney Citigroup	1	1
Morgan Stanley	2	2
CLSA	3	5
HSBC	4	3
Deutsche Bank	5	4

PERFORMANCE CRITERIA

Priorities remain the same in 2006

Fund managers have voted on the same criteria for choosing a stockbroker in this year's survey, as in 2005.

The overwhelming consensus of fund managers seems to be that there are a number of key issues which they feel quite strongly about when choosing a stockbroking firm. This consensus is reflected in the results of this category 'Performance Criteria - Equities', where the key decision factors that come into play when choosing a broker/firm, have remained within the top ten for the past three years.

Indeed, the top four factors, following in order, are identical to those chosen last year: 'Quality of Equity Research' (this factor in particular has topped the table for the last 3 years running); 'Execution/Ability to Deal in Size'; 'Day-to-day Sales Service'; and 'Objectivity of Equity Research'. 'Ancillary Research Services' and 'Back Office Service/Settlement' have both slipped in the table to places seven and eight.

PERFORMANCE CRITERIA - EQUITIES

	2006	2005
Quality of Equity Research	1	1
Execution/Ability to Deal in Size	2	2
Day-to-day Sales Service	3	3
Objectivity of Equity Research	4	4
Capacity for Delivering Strategic Investment Advice	5	7
Knowledge of International Markets	6	8
Ancillary Research Services (e.g. website, seminars)	7	6
Back Office Service/Settlement	8	5
Commission Charges	9	9
Strength of Quantitative and Technical analysis	10	10

RESEARCH PRODUCTS

Best Morning Research Notes

	2006	2005
Goodbody Irish Equity Morning Meeting Wrap	1	1
Merrion Morning Comment/Early Thoughts	2	3
NCB Morning News and Views	3	4
Davy Starting Points: Morning Equity Briefing	4	2
Richard Crossley's Technical Analysis Daily Comment	5	-
Collins Stewart Thoughts for Today...	6	6
Bloxham	7	7

Best Equity Books (printed or online)

	2006	2005
Davy Weekly Book	1	1
Goodbody Rolling Agenda	2	2
NCB Investment Strategy and Stock Analysis	3	3
Merrion Online Equity Book	4	4
ESN/NCB European Small & Mid Cap Book	5	5
ESN/NCB European Blue Chip Stock Guide	6	6

Best Website

	2006	2005
Davy	1	2
Goodbody	2	3
NCB	3	5
Merrion	4	1
Collins Stewart	5	4
ABN AMRO	6	6
Bloxham	7	7

Research Report of the Year

	2006
C&C Magners Survey, Robert Brisbourne, Merrion	1
2020 Vision, Dermot O'Brien/Eunan King, NCB	2
The Irish Economy - an assessment of risks and forecasts 2008-2010, Robbie Kelleher/Rossa White, Davy	3
Constructive Thinking, Dermot O'Leary, Goodbody	4
Irish Banks - 2008: Will the party end?, Scott Rankin/Emer Lang, Davy	5

merrion

STOCKBROKERS



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THANK YOU FOR YOUR SUPPORT
DURING 2006

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BONDS

Davy dominates in absence of other big firm

Davy dominates the bonds section of this year's survey, winning a total of six titles. However, Bloxham has edged closer to the firm, winning two titles for the first time 'Best Back Office/Settlement' and 'Best Overall High Yield Service'.

With Goodbody, NCB and AIB Primary Dealing Unit (PDU) no longer providing bonds services, the number of firms competing in this section has declined significantly, clearing the field for Davy to win most awards. As a result, in the domestic section, Davy has won six titles, with Bloxham picking up two.

Domestic firms

Fixed income fund managers have voted Davy as the firm offering the 'Best Overall Bond/Fixed Income Research', a title the firm also won in 2003. In the absence of Goodbody, NCB and AIB PDU, Bloxham moves into second place, followed by Dolmen Butler Briscoe in third.

'Best for Ability to Deal in Size/Execution Service' also goes to Davy, with Bloxham again runner-up, followed by Dolmen Butler Briscoe again in third. In last year's survey Bloxham beat out the likes of AIB PDU and NCB in this category to come third.

'Best Research Economist/Analyst' goes to Davy's Donal O'Mahony, who last won the award in 2004. Alan McQuaid, a regular competitor in this section, is runner-up.

Davy is also regarded as offering the 'Best Sales Service - Irish Bonds (Government & Corporate)', a title it has won for the past two years. In third place in last year's survey, Bloxham moves into second place this year, followed by Dolmen.

Bloxham pips Davy at the



Donal O'Mahony, Best bond economist

post to win the 'Best Back Office/Settlement' award, marking the first time that the mostly retail stockbroking firm has won a title in the stockbroking survey. Davy follows closely behind, followed by Dolmen again in third.

Having won the 'Best Research Economist' award, it is no surprise that 'Best Research Products' also goes to Davy, who beats out the advances of both Bloxham and Dolmen.

Within the niche bond sectors, Davy rises to the top for providing the 'Best Overall Asset Backed Securities (ABS) Service', but Bloxham makes it two titles this year, by winning the 'Best Overall/High Yield Service' category.

Performance criteria

As in last year's survey, 'Quality of Bond Research' remains the number one factor fixed income investment managers consider when choosing a stockbroker. This is followed by 'Day-to-Day Sales Service', which moves up one place

from last year, and 'Capacity for Delivering Strategic Investment Advice' follows in third. 'Back Office Service/Settlement' moves up one place from fifth to fourth this year.

International firms

Smith Barney Citigroup and Merrill Lynch dominate the international bond rankings.

Merrill Lynch jumps into joint first place for providing 'Best Overall Bond/Fixed Income Research' amongst the international brokerages servicing the Irish market, tying with last year's winner Deutsche Bank. Morgan Stanley moves up into third place, followed by Goldman Sachs and Barclays Capital.

The award for 'Best for Ability to Deal in Size/Execution Service' also goes to Merrill Lynch, followed by Deutsche Bank and Dresdner Kleinwort Wasserstein.

Elsewhere in the international rankings, Deutsche Bank is recognised for 'Best Sales Ser-

vice - Global Bonds (Government and Corporate)', followed by UBS and Dresdner Kleinwort Wasserstein.

'Best Back Office/Settlement' is shared between Morgan Stanley and Smith Barney Citigroup, with UBS and Merrill Lynch slipping into third and fourth place respectively.

Barclays Capital jumps up from fifth place last year to take the title of 'Best Research Products' in this year's survey, with Morgan Stanley as runner-up, and Credit Suisse First Boston and Merrill Lynch tying in third place.

Within specific bond sectors, 'Best Overall Asset Backed Securities (ABS) Service' goes to Smith Barney Citigroup, with Merrill Lynch runner-up, and ABN AMRO in third place. For high yield bonds, the 'Best Overall High Yield Service' award again goes to Smith Barney Citigroup with Merrill Lynch runner-up, and ABN AMRO in third place once more.

BOND RATINGS

Performance Criteria

	2006	2005
Quality of Bond Research	1	1
Day-to-day Sales Service	2	3
Capacity for Delivering Strategic Investment Advice	32	
Back Office Service/Settlement	4	5
Ancillary Research Services	5	6
Execution/Ability to Deal in Size	6	4

Best Overall Bond/Fixed Income Research (Irish Firms)

	2006	2005
Davy	1	1
Bloxham	2	4
Dolmen Butler Briscoe	3	6

Best Overall Bond/Fixed Income Research (Non-Irish)

	2006	2005
Merrill Lynch International	=1	-
Deutsche Bank	=1	1
Morgan Stanley	3	-
Goldman Sachs	4	-
Barclays Capital	5	4
Smith Barney Citicorp	=6	-
Credit Suisse First Boston	=6	-
ABN AMRO	8	2
Dresdner Kleinwort Wasserstein	=10	5
UBS	=10	3

Best for Ability to Deal in Size/Execution Service

	2006	2005
Davy	1	1
Bloxham	2	3
Dolmen Butler Briscoe	3	6

Best for Ability to Deal in Size/Execution Service

	2006	2005
Merrill Lynch International	1	-
Deutsche Bank	2	3
Dresdner Kleinwort Wasserstein	3	4
Goldman Sachs	4	-
Credit Suisse First Boston	5	-
Barclays Capital	6	-
Smith Barney Citicorp	7	-
UBS	=8	1
ABN AMRO	=8	2
Credit Agricole SA	=10	-

Best Sales Service - Irish Bonds (Government & Corporate)

	2006	2005
Davy	1	1
Bloxham	2	3
Dolmen Butler Briscoe	3	6

Best Sales Service - Global Bonds (Government and Corporate)

	2006	2005
Deutsche Bank	1	
UBS	2	

BOND RATINGS

Dresdner Kleinwort Wasserstein	3
Merrill Lynch International	4
Barclays Capital	5
ABN AMRO	=6
Goldman Sachs	=6
Credit Suisse First Boston	=6
Credit Agricole SA	=9
Smith Barney Citicorp	=9

Best Back Office/Settlement

	2006
Bloxham	1
Davy	2
Dolmen Butler Briscoe	3

Best Back Office/Settlement

	2006
Morgan Stanley	=1
Smith Barney Citicorp	=1
UBS	3
Merrill Lynch International	4
ABN AMRO	5
Deutsche Bank	=6
Dresdner Kleinwort Wasserstein	=6
Credit Agricole SA	8
Goldman Sachs	=9
Credit Suisse First Boston	=9

Best Research Products (Non-Irish)

	2006	2005
Barclays Capital	1	5
Morgan Stanley	2	-
Credit Suisse First Boston	=3	-
Merrill Lynch International	=3	-
Deutsche Bank	5	1
Dresdner Kleinwort Wasserstein	6	4
Smith Barney Citicorp	7	-
ABN AMRO	8	2
UBS	9	3
Commerzbank	10	-

Best Research Products

	2006	2005
Davy	1	2
Bloxham	2	3
Dolmen Butler Briscoe	3	6

Best Overall Asset Backed Securities (ABS) Service

	2006
Davy	1
Bloxham	2
Dolmen Butler Briscoe	3

Best Overall Asset Backed Securities (ABS) Service (Non-Irish)

	2006
Smith Barney Citicorp	1
Merrill Lynch International	2
ABN AMRO	3
Morgan Stanley	4
Credit Suisse First Boston	5
UBS	6
Goldman Sachs	7
Deutsche Bank	8
Commerzbank	=9
Credit Agricole SA	=9

Best Overall High Yield Service

	2006
Bloxham	1
Davy	2
Dolmen Butler Briscoe	3

Best Overall High Yield Service

	2006
Smith Barney Citicorp	1
Merrill Lynch International	2
ABN AMRO	3
Deutsche Bank	4
Goldman Sachs	5
UBS	6
Morgan Stanley	7
Credit Agricole SA	8
Credit Suisse First Boston	=9
Barclays Capital	=9

Best Research Economist/Analyst - Bond Markets

	2006	2005
Donal O'Mahony, Davy	1	2
Alan McQuaid, Bloxhams	2	6

EQUITY SALES TRADER

Duff wins title for first time

NCB is tops for sales traders with three employees in the top five.

Alan Duff of NCB has won the 'Equity Sales Trader' award for the first time, in this category which was just introduced this year. In last year's survey, Duff came in third position for the 'Best Equity Sales' title behind Merrion's Adrian O'Carroll and Davy's David Smith. However, in this year's survey, the category was

divided in two, with Duff winning the sales trader award, and O'Carroll the sales person award.

In this category, Duff is followed by his fellow NCB colleague Paul Chew, while Cathal O'Leary, also of NCB, comes in fourth place.

In third place is Goodbody's Garret Ward, with Turlough Carolan of Davy in fifth place.

BEST EQUITY SALES TRADER

	2006
Alan Duff, NCB	1
Paul Chew, NCB	2
Garret Ward, Goodbody	3
Cathal O'Leary, NCB	4
Turlough Carolan, Davy	5
Justin Flaherty, Goodbody	6
Laura Fitzpatrick, Merrion	7
Dermot Farrelly, Davy	8
Aidan McSweeney, Davy	9
Gerry Walsh, NCB	10
Hannah Meyer, Merrion	11
Stephen O'Donohue, Goodbody	12
Ronan Hurley, Davy	13
Paul Lynch, NCB	14
Shane O'Kelly, NCB	15
Glenn Dalton, Goodbody	16

STOCKBROKING CEO OUTLOOK: GOODBODY

Meeting the demands of a growing market

Roy Barrett looks back on Goodbody's year so far, which looks set to be more profitable than 2005, and examines the challenges and opportunities ahead. Growth for the firm over the past year has come from a strong equities environment, a booming corporate finance division, and an expansion of the firm's range of services.

So far (and the stock market teaches us never to take anything for granted), 2006 has been an excellent year for us. All our business units have performed strongly and we expect profitability to be better than last year.

Growth

Our business is being driven forward by two complementary factors – a favourable market environment and growth driven by initiatives we have taken to develop our business.

The market environment is strong on all fronts – the personal investor has made money from both equities and property over the past few years, and in general, has the appetite to invest more. Our institutional investment clients, who are predominantly and increasingly based outside Ireland, have had great performance from their Irish equity holdings and this has encouraged them to invest further, and others to follow them. Our corporate finance business has benefited from the high levels of M&A activity and from growth in equity fundraisings for private and public companies. The IPO market has also been strong, with Aer Lingus the largest of the year, and others such as Norkom Technologies and AGI Therapeutics demonstrating the appetite of



Roy Barrett

investors for new stocks.

The second driver of growth has been our own initiatives to broaden the range of services to our clients. Our private clients are now offered services far beyond traditional management of a stock portfolio. Increasingly, we research and select international funds designed to meet specific investment needs for our clients. This year, we have funded a number of major property transactions, both in the Republic and Northern Ireland and have also provided

very substantial equity into other private investment vehicles, such as ISTC, a vehicle established to invest in bank capital products and other asset backed securities.

We are particularly pleased that the most recent survey of European M&A advisers by Mergermarkets International ranked Goodbody Corporate Finance as the leading adviser in Ireland for the year to September, and that strength continues with roles such as advice to Aer Lingus on the takeover bid from Ryanair and advice to the vendors in the sale of Pinewood Pharmaceuticals to Indian manufacturer Wockhardt.

Challenges

Going forward, put simply, there's only one key challenge – making sure we hire and retain the best people. Why? - because at its heart, our business is about matching capital with ideas, and the best people come up with the best ideas and have the better relation-

ships with clients. Whether it's one of our private client advisers recommending an individual to invest in a stock that our team has researched, our institutional equity sales and research people helping an international institution decide how to allocate a portion of its portfolio into Irish equities for the first time, our corporate finance team proposing an acquisition to a client company or an entrepreneur appointing us to raise money, there's always an idea one side and money the other.

'Our industry is demanding and highly competitive. People can move readily from firm to firm, and it is always the best people who find it easiest to move.'

Our industry is demanding and highly competitive. People can move readily from firm to firm, and it is always the best people who find it easiest to move. Being a relatively large scale and long-established stockbroking business in Dublin has helped us to grow much of our own talent internally. Because we have a track

record of promoting good people rapidly, many young people are keen to join us in a junior position in the expectation of advancement. We have also hired many Irish people who have gained experience in London or other financial centres and who have made a great contribution to our development and thinking.

Now we can't control the amount of money that's out there, and we can't control economic cycles, so the only way we can ensure that our business succeeds is to give that money access to good ideas. And the only way we can come up with good ideas is to have good people. And those people have to have strong knowledge of their sector or area of skill, so that their ideas are based on a firm foundation. So my role, as managing director, is to create an environment where the best people can thrive.

In terms of specific skills, we have done a great deal to streamline our business in recent years. Our back office, for example, has been outsourced, which does not expose us to shortages in this area which have been intensified by the success of the funds administration industry in the IFSC.

Market trends

The main trend this year has been the continued growth in

the hedge fund community playing in the Irish market. We have also seen a significant pick up in demand for Irish equities from European based investors.

While property remained a popular investment choice amongst our private clients, we have also seen increased demand for alternative investments such as hedge funds and private equity. Coupled with this, the growth trend in Contracts for Difference (CFD) has continued as our clients seek to use leverage to increase their exposure to the equity markets. CFDs are a growing proportion of our private client business, but it must be understood that their relevance to market liquidity is enormous. The reason for this is that hedge funds, which generate around 40 per cent of institutional activity in the Irish and UK market, use CFDs as their trading mechanism. So where we see an order in an Irish equity from a UK counterparty, it is very often the case that behind it, there will be an institutional client using a CFD to deal in the stock on the other side.

Demand for our pension products also remains high as clients look to tailor their investment portfolio according to their individual retirement needs.

STOCKBROKING CEO OUTLOOK: MERRION

From Dublin to Reykjavik - a busy year for Merrion

Adrian O'Carroll looks back on a buoyant year for Merrion, the first as a subsidiary of an Icelandic bank, and assesses the key challenges and opportunities that will face the firm over the coming year.

Q. From a profitability perspective, how does the year to date compare with previous years?

A. We had a great year last year and as we entered 2006 we were budgeting for a marginally better year off such a high base. Last years profit level was reached at mid-year so it has turned out a good deal better than we expected.

Q. What is driving growth in your business?

A. In institutional equities we are gaining significant market share on the back of the strength of our research. In corporate finance we worked on the two big deals of the year – Aer Lingus and Eircom. In retail we continue to grow very strongly due to the buoyancy of the economy and growing market share.

Q. What are the key challenges facing your business going forward?

A. One of the biggest constraints in Ireland is supply of labour. The growth described above means we need to hire good people in all departments – front office and back office. In a similar way to the trend in Ireland plc a growing proportion of the new recruits are new migrants to Ireland. Its great to



Adrian O'Carroll

'CFDs have provided a huge catalyst to growth in the industry over the last few years. With a sophisticated high net worth client base on the retail side, CFDs have taken a significant proportion of the retail business.'

be able to welcome talented staff from abroad in the way Irish graduates were welcomed internationally when the econ-

omy was less successful. I suspect we will continue to recruit more people overseas given the supply constraints in Ireland – however any interested ambitious, talented and entrepreneurial candidates in Ireland can apply - speak confidentially to Aoife Howe or Martha Hayes on 01 240 4100 or check out our advertisement on the new FINANCE magazine jobs website www.financejobs.ie.

Q. To what extent does your private client division contribute to overall company revenues?

A. The private clients and institutional equities are neck and neck as the two largest divisions.

Q. The Irish financial services sector is currently suffering from a skills shortage – is this also affecting the stock broking industry? if so, what type of positions are most difficult to fill?

A. As I referred to above, it is one of the major challenges affecting our business. In addition to the comments on external recruits made above in Merrion we also have a policy of building up a team of people internally with the required skill sets. A lot of our best people are people who joined us at

the start of their careers and have grown with the firm. We believe the organisational structure in Merrion is an ideal one for entrepreneurial people to join at an early stage and develop the skill sets to take them to the top of this industry.

'any interested ambitious, talented and entrepreneurial candidates in Ireland can apply - speak confidentially to Aoife Howe or Martha Hayes on 01 240 4100 or check out our advertisement on the new FINANCE magazine jobs website www.financejobs.ie.'

Q. What proportion of your broking business do CFDs now represent?

A. On the institutional side hedge funds are a growing proportion of the fund management internationally. Even traditional firms are launching in-house hedge funds more and more. Whether these firms use CFDs or not, they certainly use derivative instruments. Its hard to be exact as to the

proportion of business but its large and growing.

On the retail side, CFD's have provided a huge catalyst to growth in the industry over the last few years. With a sophisticated high net worth client base on the retail side, CFDs have taken a significant proportion of the retail business.

Q. The Association of Investment Trust Companies in the UK recently expressed concern over investors using CFD positions as a way of amassing large stakes in companies - should this issue be examined in Ireland?

A. There hasn't been any example of abuse of this to date - Ireland tends to be a good deal more transparent. No doubt whatever conclusions are reached in the UK will make their way to Ireland in due course as most of the CFD providers in Ireland are London based.

Q. What buying trends (i.e. products/type of companies/countries) are evident amongst a) institutional investors; b) private clients

A. Our clients come to us for investment advice so the companies that they buy are those companies we recommend. We choose companies on the basis

of good management, good track record, good cash flow, good returns on capital, good organic growth outlook and a good valuation – it the companies meet these criteria then other considerations tend to be secondary.

Q. What new products are your firm currently developing?

A. On product innovation our focus is always on helping our clients to achieve out performance. We believe we have achieved this as evidenced by the results since inception in January 2000 of our flagship 10 stock model fund which measures our top research recommendations in a fully accountable way. By January 1st we hope it will have a record of 7 years of out performance. We don't want to complicate things with too many products - if we can simply achieve this objective of delivering out performance to our clients then we will have achieved a lot. What we do constantly is reexamine how we choose the companies that are in the 10 stock fund to ensure continued out performance.

One thing we are currently working on is a number of innovative ways to distribute our product which we will be rolling out shortly.



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Since our foundation in 1877 we have been imitated by many, but few can match our reputation and experience. We are widely recognised for our excellent service in institutional broking and corporate research.

We are devoted to providing an exceptional stockbroking service to all our Clients, not just in Ireland but throughout the world.

When you deal with Goodbody Stockbrokers you'll have the knowledge and expertise of a team of over 300 people working for you. As a wholly owned subsidiary of AIB Group you'll also have the support of Ireland's largest retail bank.

Equity Sales & Trading

The Irish stock market has grown increasingly attractive to both domestic and international investors. In recent years it has outperformed many of its peers and this has been supported by a strong Irish economy. A key attraction is Irish companies themselves; applauded for their successful efforts to achieve overseas earnings,

the pedigree of management in these companies continues to be acknowledged worldwide.

With this high level of interest, institutions around the world are looking for an Irish broker who can provide excellent research, a comprehensive service, and rapid and effective order execution.

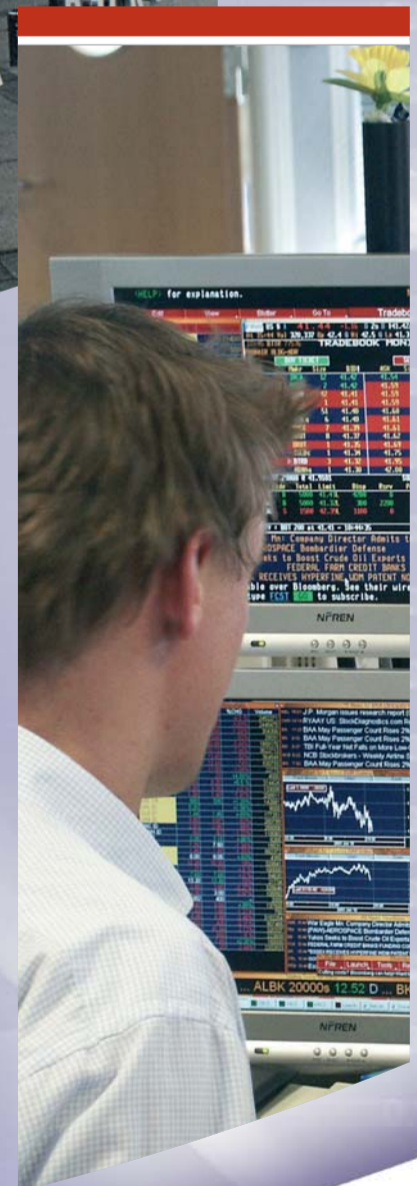
Research

An essential ingredient of any investment strategy is the research that drives it. Even with the wonders of the world wide web, the task of merely finding quality information is both arduous and time-consuming. But quality research involves much more than simple data collection. It requires highly developed analytical skills, market experience and an in-depth knowledge of the fundamentals of corporate Ireland. To make an informed decision an investor needs to assess the market place, the opportunities and threats posed by competitors, the factors which are driving the company, and the future economic environment.

Quality research is the foundation from which you can launch a successful investment strategy and our Research Department reviews all quoted Irish companies on an ongoing basis.

Our breadth of expertise covers the entire spectrum of business and we have sectoral specialists in:

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-  Financials
-  Construction and Building Materials
-  Food and Agribusiness
-  Airlines
-  Media
-  Energy
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-  Pharmaceuticals



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INTERNATIONAL STOCKBROKING FIRMS

Foreign firms find reasons for 'being on the ground'

Irish based institutional fund managers are benefiting from increased competition in the brokerage market-place, with international based firms now also servicing Ireland. Moreover, some international firms have established offices on the ground. Fiona Reddan profiles the Irish operations of international broking firms Collins Stewart, Citigroup and ABN AMRO.

Although Irish investment managers are serviced by a wide variety of international brokerages, as the international section of this year's survey attests to, a number of such firms have also put down roots in Ireland.

One such firm is Collins Stewart. The Irish subsidiary of UK stockbroking firm Collins Stewart Tullett plc, Collins Stewart opened its Irish office in 2003. According to managing director of the Irish operation, Gary McCarthy, the firm saw an opportunity for an independent player to operate in the Irish market, a firm who 'wasn't conflicted by corporate ties'.



Gary McCarthy

'A local presence is important', says McCarthy, who, before joining Collins Stewart, worked in international equities with ABN AMRO in

Dublin, adding, 'as it is important to build relationships with clients'.

'A local presence is important as it is important to build relationships with clients'.

...Gary McCarthy

The Dublin operation, which now employs four people, serves as a distribution operation for the group, with sales done out of Dublin, and research and execution services via the UK offices. The firm

focuses on institutional investors, and doesn't offer any private client services.

The Irish firm's parent, Collins Stewart Tullett plc, was founded in 1991 as a partnership with Singer & Friedlander, and was part of that group until a management buy-out in May 2000. Quoted on the London Stock Exchange, the firm employs some 400 staff operating in offices in London, Dublin, New York, the Channel Islands, Isle of Man, and Uxbridge, and its activities span institutional and private client stockbroking, market making, corporate finance, fund management and the

supply of on-line financial information.

The firm is in the process of de-merging from its inter-broker dealer business, Collins Stewart Tullett, and has recently announced it is to acquire Hawkpoint Partners Limited, a UK corporate advisory firm, operating from offices in London and Paris, with approximately 120 employees.

McCarthy sees this development as offering opportunities for the Irish operation to move into corporate finance.

'Citigroup Global Markets remains committed to providing a superior equity and bonds sales service to the Irish institutional investment community. Our global reach allows us to provide a broad, yet comprehensive service and we intend to continue leveraging this global knowledge for the benefit of our Dublin-based clients.'

...Sean Urie

research analysts.

Citigroup has a team of five sales staff in global equities, and two sales staff in pan-European bonds, working from the firm's offices on North Wall Quay.

Within the equities portion, two work in pan-European equity sales, one works in pan-European equity sales trading, one in Asian equity sales, one in US equity sales, and one as a global events co-ordinator.

'Citigroup Global Markets remains committed to providing a superior equity and bonds sales service to the Irish institutional investment community. Our global reach allows us to provide a broad, yet comprehensive service and we intend to continue leveraging this global knowledge for the benefit of our Dublin-based clients,' says Urie.

'Our local presence has helped us forge strong relationships across all geographic product lines.'

...Sean Urie.'

Collins Stewart



Collins Stewart is a leading international corporate finance, institutional and private client stockbroking house.

Independent equities research powered by QUEST™, an on-line proprietary cashflow analysis and valuation tool for 2,500 stocks globally.

The leading AIM equity fund raising firm with £1.4 billion of IPO funds raised in 2006.

Innovative funding solutions – Accelerated IPO (AIPO™) and Special Purpose Acquisition Corporation (SPAC).

The Collins Stewart Dublin office has been open since July 2003.

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www.collins-stewart.com
Phone: +353 1 635 0210

The firm is already an established player on London's Alternative Investment Market (AIM), and was involved in raising €1.3 billion in the first six months of 2006. However, McCarthy sees the Hawkpoint move as allowing the firm to become involved in M&A deals.

Citigroup

Citigroup has been in Ireland for over 40 years, but its stockbroking arm, Citigroup Global Markets, was established in 1999, to service the growing fund management industry in Dublin. Seamus Brady heads up the Dublin broking arm.

According to Sean Urie, vice president, equity sales trading with the firm, 'Our local presence has helped us forge strong relationships across all geographic product lines'. The Dublin office acts 'essentially as a distribution arm for the global product offering located in other research centres around the globe,' says Urie, and Citigroup's Dublin office provides access to senior management of global corporations, as well as to the banks'

ABN AMRO

ABN AMRO moved into the Irish stockbroking market through its acquisition of Riada Stockbrokers in the early 1990s. After sizeable expansion at the firm, which saw the firm perform exceptionally well in the 2000 FINANCE Stockbroking survey, winning nine categories, in 2001 the firm divested its private client and funds listings businesses, with the former team moving to Bloxhams, and the latter to Davy, as the firm focused on its core operations. Following this, the firm didn't replace key departures such as chief economist Dan McLaughlin, who moved onto Bank of Ireland, and head of corporate finance Hugh McCutcheon, who moved to Davy, leading to a scaling back in its operations. Its research division was disbanded soon after.

However, the firm is still committed to the Irish market, and still maintains a physical presence in the ABN AMRO building in Dublin's docklands. Furthermore, the firm also operates a sales and trading function in Dublin.

FINANCE

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STOCKBROKING CEO OUTLOOK: NCB

Sector is booming with wind at back

The stockbroking industry is currently playing with the wind firmly at its back, as macro economic conditions and market sentiment remains favourable, writes Conor O'Kelly. He says that NCB's continued focus on winning market share across the business has produced new highs in revenues and profitability for 2006.

All engines of NCB's business are experiencing strong growth. As evidenced by higher volumes on the Irish exchange, institutional activity remains high and the overseas client list owning Irish equities continues to grow. NCB, through our membership of the European Securities Network (ESN), has seen substantial growth in our international equity business at home and abroad. NCB's London office opened over one year ago now employs fourteen people and has been a significant contributor to our current and future growth plans. Corporate finance activity remains strong with our team completing a record number of deals including some of the marquee deals of the year such as BWG, Airtricity and Myhome.ie. Demand for wealth management services continues to outstrip even the most optimistic expectations and this is discussed in detail later.



Conor O'Kelly

'It's also important to remember that the only place success comes before work... is in the dictionary.'

Challenges

The challenge in this business is always the same. People. Hiring, retaining and motivating talent is the key to success in this business. In a business that attracts strong individual personalities and a wide variety of backgrounds it's challenging to

foster a team ethos and environment. Ultimately the firms that bring that additional team ethos create an X factor that is the key to long term success. It's also important to remember that the only place success

comes before work... is in the dictionary.

The market for high quality people is always tight and the current favourable market conditions are not making it any easier or cheaper to recruit the best candidates. We continue to source talent from very diverse backgrounds and despite the tighter market candidates I don't believe we have ever hired as much talent as we have over the past twenty four months. The firm is certainly in good hands if the quality of people recruited in the last couple of years is anything to go by.

Wealth management

The wealth management business has become a major component of all the stockbroking firms. A lot of wealth has been created in the past decade and while wealth creation is still top of most peoples list the focus is shifting to wealth preservation and passing wealth on to the next generation.

Many firms have an attitude that the best way to make money from financial advice is to give it! We disagree and believe that if the client is not making money we have no chance or right to survive.

NCB's wealth management offering is concentrated at the

top end of the market. The business is run by Greg Dilger, who is passionate about preserving the old fashioned but timeless advisor/client relationship. He puts our approach elegantly in our recent wealth management quarterly.

'Institutional and private investors both want the same thing... ideas that make money.'

'Clients want to be able to pick up the phone and talk to a human being who is competent, trustworthy and has their interests at heart. They want an independent sounding board not only for any individual product they might be considering but also on the overall investment strategy and rationale behind it... Developing relationships with sophisticated clients is a very subtle business. It requires patience and success has to be measured over an appropriate time frame. All staff performance management and remuneration policies must reflect this commitment and can not in any way incentivise short term financial gain

over and above what is good for the client'.

CFDs

Contracts For Difference (CFDs) are a small portion of our business. As an instrument it is a very efficient way for clients to make a leveraged bet on the market but of course leverage works both ways! CFDs are and will remain an important tool in the private client market but it is important for stockbroking firms to exercise discretion and judgement in relation to the appropriate levels of risk for different clients.

'Corporate finance activity remains strong with our team completing a record number of deals including some of the marquee deals of the year such as BWG, Airtricity and Myhome.ie.'

Trends

The stocks that have appealed to institutional and private

investors this year have been AIB, up 17.5 per cent in the year to date; C&C, which is up a staggering 140 per cent (our analyst continues to believe it can go substantially higher); and Kingspan has remained a firm favourite during 2006 with another superb performance, up 61 per cent in the year to date.

We have had a lot of interest in the recommendation of our No 1 rated technical analyst Richard Crossley who has made some great calls during the year. Institutional and private investors both want the same thing... ideas that make money.

New products

NCB is currently raising €60 million for our third venture capital fund. The investment strategy will be the same as for the first two very successful funds and will concentrate on early stage development companies on the island of Ireland. The investment range will be between €1 million and €5 million and will be a balanced portfolio by stage of development and sector. Our funds have outperformed other European VC funds of a similar vintage and we anticipate demand from institutional and private investors.

STOCKBROKING CEO OUTLOOK: DAVY

Increasing complexity of regulatory framework poses challenges for industry

Although strong market conditions are leading to times of prosperity at newly independent Davy, the complexity and workload associated with the flow of European Directives presents a serious challenge to the industry, writes Tony Garry.

Q. From a profitability perspective, how does the year to date compare with previous years? The company is performing strongly and the out-turn should be ahead of 2005.

Q. What is the driving growth in your business? Growth is strong across all parts of the business, particularly in private clients, institutional bonds and equities and corporate finance.

Q. What are the key challenges facing your business going forward? In a rapidly changing environment we need to be increasingly flexible and adaptable in meeting our customers' requirements. On the regulatory front, the relatively recent Prospectus and Market



Tony Garry

Abuse Directives are being

'The complexity and workload associated with these Directives presents a serious challenge to our industry.'

quickly followed by the introduction of MIFID, Basel II, The 3rd Money Laundering Directive and our own domestic Consumer Protection Code. The complexity and workload associated with these Directives presents a serious challenge to our industry.

Q. The Irish financial services sector is currently suffering from a skill shortage –

'Apart from the usual difficulties in recruiting sales and client relationship staff, we are also finding that the recruitment of compliance professionals, financial accountants and IT staff is challenging.'

is this also affecting the stockbroking industry? If so, what type of positions are most difficult to fill? The market for skilled staff in our business is very well bid right

across all departments. In the current environment this is hardly surprising. Apart from the usual difficulties in recruiting sales and client relationship staff, we are also finding that the recruitment of compliance professionals, financial accountants and IT staff is challenging.

Q. What buying trends (ie products/type of companies/countries) are evident amongst (a) institutional investors and (b) private clients? As far as institutional investors are concerned, there is still a healthy appetite for exposure to the rapidly growing Irish economy. On the private client side, investors are becoming increasingly sophis-

'On the private client side, investors are becoming increasingly sophisticated and conscious of their overall portfolio split by asset class and geography.'

ticated and conscious of their overall portfolio split by asset class and geography.

Q. What new products is your firm currently developing? We are continuously seeking to source the products which are best in class across all the various asset classes.



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We now have offices in Dublin and London and affiliate offices in Amsterdam, Athens, Brussels, Frankfurt, Helsinki, Lisbon, Madrid, Milan and Paris.

We work together with our affiliate partners across the main markets in Europe to provide clients with key local insights and pan-European trading in stocks. Our corporate clients benefit from the fact that we have corporate finance partners on the ground throughout Europe.

These local perspectives give us the edge.



Institutional Equities

A leader in Irish equities for over 25 years, NCB offers a multi-market local-broker service with expertise in European stocks and sectors. Our research is independent, thematic and supported by detailed financial analysis.

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A rounded investment boutique offering a wide range of products and services aimed primarily at the higher end of the private client market. We provide clients with access to innovative investment ideas as part of a comprehensive wealth creation and on-going management service.

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A leading independent corporate finance house, providing a range of advisory services to quoted companies, private firms, State-owned organisations and the Government. We have been involved in most of the major corporate transactions in recent years in Ireland.

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One of the leading sponsoring brokers for the listing of funds and structured products. We provide a complete and efficient service to applicants seeking a listing from initial advice to the continuing requirements post-listing.

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A successful private equity specialist which manages an investment portfolio focused on small and medium sized companies with growth potential. We take minority equity positions in investee companies and actively manage investments through board participation.

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FUND MANAGERS RATE THE INVESTOR RELATIONS FUNCTION

Building groups reign in inaugural IR survey

CRH, Kingspan and Paddy Power share the spoils in this, the inaugural FINANCE 'Investor Relations' survey. CRH comes out on top, winning three awards, followed by Kingspan with two, and the 'Best IR service (micro-cap)' for Paddy Power.

This year's survey marks the re-introduction, after a lapse of some years, of a section focused on corporates. FINANCE last conducted such a survey in 2001, when a separate 'plc' survey was completed. It was the seventh time such a survey was conducted, and in that year, CRH again dominated the survey, sweeping the board to collect six of the first place rankings in the survey.

In this year's survey, fund managers responding to the Stockbroking Survey were also asked to rate Ireland's plcs from an investor relations' perspective, and the results are as follows:

Trading statement

Building materials group CRH comfortably won the award for providing the most comprehensive and value-added pre-close trading statement to the stockmarket, ahead of financial institution Bank of Ireland. One of the top performers on the Irish Stock Exchange this year, building materials group Kingspan, came in third in this category. Other notable contestants were Ryanair in fourth place, and AIB in fifth.

Most improved IR function

Kingspan was awarded the title for 'most improved IR function' over the past year, assisted in this endeavour no doubt by its new appointee, former

Goodbody 'Analyst of the Year' Robert Eason, who is now head of IR with the firm. CRH brings up the rear in this category, taking second place, followed by Bank of Ireland in third. Aviation firm Ryanair and Anglo Irish Bank take fourth and fifth places respectively.

Best investor day/site visit

Kingspan also shine in this section, as they are voted as the company which 'hosted the most informative investor day/site visit in the past year. Bank of Ireland moves one step ahead of CRH in this category by coming in as runner-up, followed by CRH, while Ryanair, and food and agri-

business group IAWS are fourth and fifth.

Best IR website

Returning to the top in this category is CRH, who comfortably held off the advances of Bank of Ireland to receive the 'Best IR website' award. Following Bank of Ireland in third place is AIB, with Kingspan and Anglo Irish taking up the rear.

Post-results presentations

The company which was voted as adding the most value in their post-results presentations and conference calls is CRH, who just pipped Ryanair to the post, to win this category. Bank of Ireland follows behind in third, with Anglo Irish Bank

INTERNATIONAL FIRM RATINGS

Provider of the most comprehensive and value-added pre-close trading statement

	2006
CRH plc	1
Bank of Ireland	2
Kingspan Group plc	3
Ryanair Holdings plc	4
Allied Irish Banks plc	5
Anglo Irish Bank Corporation plc	6
Iaws Group plc	7
Kerry Group plc	8
Irish Life and Permanent plc	9
Greencore Group plc	10

Most improved IR function

	2006
Kingspan Group plc	1
CRH plc	2
Bank of Ireland	3
Ryanair Holdings plc	4
Anglo Irish Bank Corporation plc	5
Tullow Oil plc	6
Allied Irish Banks plc	7
Aer Lingus Group plc	=8
Kerry Group plc	=8
Iaws Group plc	10

Host of the most informative investor day/site visit

	2006
Kingspan Group plc	1
Bank of Ireland	2
CRH plc	3
Ryanair Holdings plc	4
Iaws Group plc	5
Allied Irish Banks plc	6
Anglo Irish Bank Corporation plc	7
Tullow Oil plc	8
Aer Lingus Group plc	9
Kerry Group plc	10

Best IR website

	2006
CRH plc	1
Bank of Ireland	2
Allied Irish Banks plc	3
Kingspan Group plc	3
Anglo Irish Bank Corporation plc	4
Ryanair Holdings plc	5
Iaws Group plc	6
Kerry Group plc	=7
DCC plc	=7
Greencore Group plc	9

Most value in post-results presentations and conference calls

	2006
CRH plc	1
Ryanair Holdings plc	2
Bank of Ireland	3
Anglo Irish Bank Corporation plc	4
Kingspan Group plc	5
Tullow Oil plc	6
Allied Irish Banks plc	7
Iaws Group plc	8
Kerry Group plc	9
FBD holdings plc	10

Best IR service to the market (Irish micro-cap plc)

	2006
Paddy Power plc	1
McInerney Holdings plc	2
United Drug plc	3
CPL resources plc	4
Horizon Technology Group plc	5
AGI Therapeutics plc	6
Fyffes plc	7
Newcourt Group plc	8
IFG Group plc	9
Iona Technologies plc	10

and Kingspan, who both have featured regularly in the awards, taking fourth and fifth place respectively.

Best micro-cap plc

Gaming company Paddy Power plc, beat off close competition from construction firm McInerney Holdings plc to win the title of 'Best IR service' for a micro-cap firm. With a market

capitalisation of €792 million (at time of going to print); and with 51 million shares in issue, Paddy Power's IR service is deemed to be the 'best in class' by voters in this year's survey. Pharmaceuticals firm United Drug, takes third place, followed by recruitment firm CPL Resources, and technology firm Horizon Technology Group in fifth.



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INVESTOR RELATIONS PROFESSIONALS SPEAK ON KEY ISSUES

The changing face of the IR professional

Ryanair's Howard Millar and AIB's Patricia Clarke speak to Fiona Reddan about the evolving role of today's investor relations (IR) professional.

The role of the investor relations (IR) professional continues to evolve from simple stock promotion, to a combination of public relations and financial knowledge.

With most plcs now having a dedicated investor relations unit, with several staff focusing on this area, the role IR professionals play in enhancing the company's share price performance has come under the spotlight.

For Patricia Clarke, assistant manager group investor relations in AIB Group, success in IR is, 'a combination of the understanding investors and analysts have of the company and equally the understanding AIB's board and management have of investor issues'.

For Ryanair's Howard Millar, chief financial officer, and deputy chief executive, success in IR is reflected in the share price. He says it's, 'about making people understand your story, and then making the decision to buy the stock'.



Patricia Clarke, assistant manager group investor relations in AIB Group

On the key challenges facing IR professionals today, Clarke says, 'As well as the ever increasing compliance and corporate governance issues, I think the biggest challenge facing IR professionals today is keeping track of the investor base and targets given the rapidly changing nature of institutional investors and the way they invest e.g. increased use of contracts for difference (CFDs)'.

Millar asserts that the increasing amount of information being produced is a key challenge for IR professionals, as it means that it has become more difficult, 'to communicate effectively to shareholders and analysts'.

Ryanair's recent bid for Aer Lingus posed an additional IR challenge, but Millar says that their focus was on, 'communication to the market and shareholders the rationale for the deal effectively and quickly'.

The methods of communicating with investors have changed significantly over the past 10 years or so, with the growth of the internet and new media. AIB's Clarke sees her role as, 'meeting the demands and expectations of the financial community. They expect constant, consistent, concise communication in a real time environment. The growth of the internet and multi media has

opened new doors to disseminating information to a wide audience at the same time'.

Millar says that the role has changed radically, pointing to the fact that Ryanair can now send documents and press releases via email. Similarly he highlights that investors can also be more pro-active themselves, by downloading relevant information from Ryanair's website. Another change he notes is the use of Bloomberg terminals by institutional investors, which greatly increases information transfer speeds. 'This puts pressure on IR professionals to re-act to breaking news,' he adds.

'Roadshows are not just held for existing shareholders. They are about generating interest in the company as well as fostering the loyalty of existing investors so roadshows still remain a primary role in our IR strategy'

...Patricia Clarke, AIB

Managing the expectations of investors is a key function of today's IR professionals. According to Clarke, 'investors want clear, factual and consistent messages from our company. They want to understand the links between financial performance, strategy and operations. We favour the direct approach – open two way interaction with the market to ensure a full understanding and re-enforcement of our company's strategy and performance. We proactively contact investors and the sell side community and issue formal trading comments four times per annum (results and trading updates)'.

Clarke says that AIB's main goal is to, 'ensure that shareholders and potential investors have a proper understanding of AIB Group's financial performance, market position, corporate strategy and future prospects and that this understanding is fully reflected in the valuation of the Group's equity stocks and debt instruments on Irish and international financial markets'. 'Equally,' she adds, 'we need to ensure that AIB management is aware of, and up to date on, investor issues and concerns'.

Getting out there and meeting both existing and new investors is a key function of today's IR professional.

'We view multi-media communication as a necessary part of investor relations but nothing replaces the value and importance of one to one personal contact. Investors and analysts want to speak directly with management in order to understand the corporate strategy better and to be in a position to evaluate managements' performance at first hand. Roadshows are not just held for

existing shareholders. They are about generating interest in the company as well as fostering the loyalty of existing investors so roadshows still remain a primary role in our IR strategy,' says Clarke.

Millar also sees roadshows as being a vital cog in the IR wheel. He says Ryanair use roadshows, 'to meet existing shareholders and keep them up-dated, and to meet potentially new investors'. The firm tries to visit as many shareholders as possible every six months.

Apart from roadshows, Ryanair also uses a variety of methods to keep in touch with shareholders, including financial results, investor presentations, annual general meetings, broker roadshows, and investor days.



Howard Millar, Ryanair, chief financial officer

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How brokers bridge company and investor IR objectives

Linda Hickey reviews the role corporate brokers play in helping firms achieve their investor relations needs.

‘There’s no glamour in it’. This is the glum conclusion reached by every new CEO or CFO after his first investor road show. Seven cities in eight days, - airport security queues, - sandwiches for every meal, - six meetings a day with inscrutable institutional investors.

And yet this grind is unavoidable. Irish companies are owned primarily by international institutional investors, often making up as much as 60 per cent of the total shareholder base. (This is typically reversed in UK or continental companies where as much as 60 per cent is often held by domestic fund managers). Twice a year key, shareholders have to be visited, and contact with a pipeline of non-holders needs to be constantly invigorated.

‘There’s no glamour in it.’ This is the equally glum conclusion reached by a portfolio manager sitting at her desk after a few weeks in the job, staring at an email inbox of several thousand unopened mails and a blinking telephone light telling her that she has 240 unheard voicemails. She needs to find less than a hundred good ideas from the thousands she is presented with, but the job of filtering is a very laborious one. The so-called information revolution has made the transmission of information a much easier process, however this has naturally led to a lack of discrimination on the part of senders, and many fund managers and analysts are bombarded all day with information which is not necessarily useful or screened for their purposes.

‘Just as PR advisors help a company to shape its message to the press, it is the job of the broker to help shape a company’s message to the market.’

Enter the broker. We can’t make either job glamorous, but we can make the process more efficient for each.

The first role is screening. For corporate executives, we provide a critical targeting service to ensure that they are put in front of investors with a real prospect of buying and holding stock. For example, within the hedge fund universe there are some funds that only invest in ‘event driven’ stocks, such as take-over candidates. Too many of these fellows on the register can unbalance a shareholding structure and pressure management to shift too much focus on the short term. However, some trading-oriented holders are always needed to create liquidity.

For investors, we provide an equally important screening service to only present them with ideas that meet their investment criteria. The job of the equity sales desk is to build detailed profiles of its clients

and to understand the investment triggers for each. Fund managers gain an edge by having a differentiated investment style from the pack. A good broker will understand the investment style of each investor and sift through myriad company information to find the ideas that will connect.

The second key role is communication. Just as PR advisors help a company to shape its message to the press, it is the job of the broker to help shape a company’s message to the market. Daily interaction with investors informs the broker as to what the key issues are for specific companies. Filtering this information into pre-results preparations can help to shape presentations in a way which address these issues up front.

Equally, while stock-market participants don’t have their own language, they certainly share a common understanding about meaning. Certain words and phrases which are neutral to the broader business community can be loaded with negative meaning for investors. Such miscommunication can be easily avoided by a timely review of presentation materials by the company’s broker. The senior members of the corporate broking team in Goodbody Stockbrokers have backgrounds in institutional sales and investor relations. This puts us in a good position to bridge any communication gap.

Communication obviously works both ways. It is vital for a chief executive or finance director to be fully briefed after a road show with feedback from investor meetings....particularly if that feedback is negative. During the results season, a busy fund manager will meet as many as 6 companies a day for up to three weeks. The broker’s role is to persist to the brink of annoyance in asking clients to deliver feedback. Brokers are the only participants in the process with an ‘open line’ to investors, and so despite the difficulties in chasing down feedback, we are nonetheless best placed to deliver this crucial service. This ‘open line’ also facilitates the gathering of market intelligence of all kinds.

Apart from the twice yearly formal periods of investor contact around results, it is important for executives to be kept apprised of changing views in the market throughout the year. The corporate broking team plays a role in filtering general market sentiment and informal feedback to company executives, not just about their own stock but also about sectoral information which may change investor thinking towards all stocks in the sector.

So, is there any glamour in it? None whatsoever, but a good broker can help to make the job of investor relations as painless as possible for all participants.

Linda Hickey is head of corporate broking at Goodbody Stockbrokers.

FUND MANAGEMENT Q&A

Gearing up for growth at ILIM

Gerry Keenan was appointed CEO of Irish Life Investment Managers (ILIM) in 2005, having previously spent 21 years with the firm, one of Ireland’s largest asset managers. Since assuming the role, Keenan is focusing on improving the firm’s performance in three key areas: i) performance, ii) service and iii) investment solutions; and is looking from an investment perspective to the coming year with ‘cautious optimism’.

Q. How do you define success in fund management? When clients work with investment managers they have outcome expectations. For us in Irish Life Investment Managers (ILIM) success is meeting or exceeding those expectations. We see three main aspects to those expectations, i) performance, ii) service and iii) investment solutions.



Gerry Keenan

Setting performance expectations correctly is very important. These expectations should be set relative to some client relevant benchmark. Somewhere in the performance assessment if an active manager has been hired they must be seen to have added value as the option of using an index fund or a consensus fund is always available. In ILIM we set the consensus fund as the benchmark. It is a tough hurdle rate and only the very best will beat it. Under-performing a consensus fund benchmark by two per cent per annum or six per cent over three years, as some of the leading managers have done, is a poor outcome. This is a serious cost to clients at a time when pension funding is rising. It is easy to forget that six per cent on a €10 million pension is €600,000. This is why our consensus fund assets under management have grown rapidly in the last five years.

The service agenda is evolving and we believe will become even more important as defined contribution (DC) type pension funds begin to dominate. Service here is giving timely information on funds and performance, but for me it is very important that we are available, and seen to be, to talk to individual members of company schemes on the work floor. Increasingly in our business many managers don’t want to do this. We do and we will continue to do so. It sets us apart not alone with the best product range, but being very accessible.

Investment solutions is our business. Investment products are a means to an end. It is important that in offering solutions to clients we recognise that our internally manufactured product may be only part of the solution and we will source quality product for our clients from other providers, e.g. Henderson run a European property for us as they have more expertise there than we have.

Q. What are your goals for your business? Investment product is very important to the business of the IL&P Group. Our bank PTSB, our life company ILAC, our corporate business division and ILIM direct business all set out to provide a rich supply of top quality investment offerings to their clients. ILIM is the ‘hub’ of this investment product production for the group. To help the group grow in the investment services

arena for each of its client segments is a key objective.

Secondly, we manage a large and increasing number of institutional/pension mandates for our clients and our goal is to only offer top quality product to them and grow our business by engaging with clients in determining appropriate investment solutions for them.

Q. The Irish Market has performed exceptionally well over the past number of years – can this rate of growth continue? What is your prediction for the rate of return of the ISEQ in 2007? Despite the rapid pace of change in technology I still can’t get a direct line to the spirit world to predict the future or tell me what the ISEQ will do in 2007. In predicting the coming year, consultants and investment managers always seem to say that they expect a 5-10 per cent return. They must be smarter than I am because I don’t know.

‘While there is a limited range of companies on the Irish market, very many of them are top class companies with great management and focused business strategy. Of course it has helped enormously that the Irish economy is a star in income growth but our local companies have performed brilliantly in it despite intense new competition. Many such as CRH and Kerry have taken the competition on not just here but on their doorstep.’

What I do know, however, is that you are right about the past. In the five years to the end of October, the ISEQ returned over 13 per cent per annum and the FT World markets returned just over four. Only the Pacific area excluding Japan has matched the Irish market.

While there is a limited range of companies on the Irish market, very many of them are top class companies with great management and focused business strategy. Of course it has helped enormously that the Irish economy is a star in income growth but our local companies have performed brilliantly in it despite intense new competition. Many such as CRH and Kerry have taken the competition on not just here but on their doorstep.

So I think that since the management is very good, business strategy very focused and the

domestic and international economy still sailing along in relatively calm waters, the background to expect continued good performance is evident. So what about valuations?

‘we manage a large and increasing number of institutional/pension mandates for our clients and our goal is to only offer top quality product to them and grow our business by engaging with clients in determining appropriate investment solutions for them.’

In the food sector companies like IAWS and Kerry are in many people’s European portfolio as well as Irish portfolios. They have to continue delivering on the high expectations for them. We have no reason to doubt that they will, at present.

In the construction sector there is no doubt that the sector locally is slowing significantly. However, companies like CRH, Grafton and Kingspan are overseas stories to a more or less degree. With any construction sector slowdown, Grafton’s business has the off-setting balance of a strong DIY business so we are not worried about this sector unless the US economy gets into trouble. The Fed has given itself firepower on the interest rate front if they need to help the economy, so this is not presently a major worry to us. The one area of concern is that the dollar, which forecasters are predicting to weaken against the euro, will hit US profit translations ultimately for Irish companies operating there.

On the banking/insurance side I will have to avoid saying anything about IL&P in case I am accused of conflict of interest. Elsewhere, these stocks are an Irish economy play with strong earnings momentum and are not expensive against their European peers. If you can get them at the right price you can probably put them in the safe deposit box and your siblings are unlikely to be disappointed when they gain access to your wealth generated in the Celtic Tiger.

Investment managers are paid to worry and keep a keen lookout for threats and opportunities. We are approaching markets in 2007 with a sense of cautious optimism.

Q. What is the greatest challenges and opportunities facing the investment management industry at the moment from a) an institutional perspective; and b) a retail perspective? In the institutional pensions market there are significant changes taking place. In the defined benefit market

for reasons which have been well aired c. 40 per cent of defined benefit pension plans have closed to new members and there is better risk management awareness in all plans whether open to members or not. This is a global phenomenon and parallel to this there is a growth in defined contribution pension plans. The investment solutions required are evolving with many different aspects to investment strategy than previously. There is a growing need for index linked government or quasi-government bonds with a duration of 20, 30 and 40 years. Many have suggested that this requires inflation linked swaps. However, while this market exists, they require significant collateral management and often changes in the legal documentation governing pension trust documents and investment management agreements. This is an unacceptable burden on pension fund trustees. There are ‘smarter’ ways and we have evolved smarter solutions for defined benefit clients.

Smarter diversification strategy in the real assets is also necessary. With globalisation the major international equity markets are now highly correlated so that pension funds do not get the same protection by diversifying into continental Europe, the UK, US and Far Eastern market that they did 20-30 years ago. For smart diversification, it is now necessary to look at emerging markets, global small caps, international property, venture capital, private equity, forestry, hedge funds, country and currency management and commodities. Allocations to some of these will increase and managers will have to provide alternative options like these to clients. It is key to ILIM that we lead the way and we have introduced alternative investment solutions for clients as well smarter index linked solutions on the fixed income side.

On defined contributions (DC) the range of products offered is also increasing bundled together alternative investment solutions are offered with the more traditional investments and new Lifestyle solutions. I firmly believe that trustees and members must be offered products from other managers also. So that now when trustees of DC plans talk to us, we will offer them access to other global managers of bond, equities and property. Unless a manager offers an open architecture they end up saying or implying that they ‘alone’ manufacture all or the best solutions. That simply cannot be true.

Investment managers must engage in open dialogue on investment solutions. Managers have great expertise which is of great value to trustees and they will be trusted more if they are offering products other than their own. That is our belief and this is how we are running our business. It is best for clients.

Strong market performance is the icing on the cake for Merrion

One year on from Merrion's acquisition by Icelandic bank Landsbanki, Liam Boggan examines the changes that have been undertaken at the broker, the impact of its new parent, and overall market performance.

Merrion Stockbrokers has, like all of the brokers in Ireland, enjoyed the benefits of a supportive environment in the past year and looking ahead to next year, we are setting our sights on positioning Merrion to meet the demands of an ever-increasing competitive environment.



Liam Boggan

It is a year now since I joined Merrion Stockbrokers as head of research and I am heartened that the growth opportunity that I saw at the time is starting to come to fruition. It is also a year now since the acquisition of Merrion by Landsbanki was announced. Merrion now finds itself part of an organisation which includes the continental European broker Kepler Equities and the UK based Teather and Greenwood. The combined equity business has a fine distribution platform with a sales force of one hundred and two salespeople who are located close to their clients in nine offices across Europe and a sales office in New York. We have forty sales traders, eighty five analysts and a combined

client base of eight hundred institutional investors.

This year there have been some initial steps taken to bring some cohesion to the totality of the group, though each entity will remain separately managed. We have launched a common look and feel for the group research product and have agreed a common recommen-

dation structure as well as common accounting definitions. On top of this we have created an as yet internal database of approximately five hundred companies. This number is expected to rise to eight hundred over time.

From a Merrion perspective, we should be able to benefit significantly in terms of adding a real and genuine pan European context to our research product which is best known for its concentration on a very structured bottom up approach. The fact that the research and sales are carried out multilocally across the group and that the three organisations now share a vision of what they are trying to achieve will, I believe, enable Merrion in par-

ticular to increase the value that we add to our clients.

This year has been stunning with regard to the performance of markets across the world despite the high levels of volatility and geo political uncertainty that were particularly pervasive during the first half of the year. In Ireland, the stocks which in the year to date have performed very well are notably the smaller stocks, particularly those with exposure to the continuing strength of the Irish economy such as Veris (formerly Irish Estates), CPL and Newcourt.

The stock which captured most of the imagination this year was C&C, a stock which Merrion has been closely associated with as one of our highest conviction BUY recommendations this year. C&C has rallied 113 per cent year to date at time of writing and we remain very bullish about the fundamental prospects looking into next year, although there is likely to be a dearth of newsflow on the stock until the new year.

A cornerstone of the Merrion philosophy is the accountability of our research product and the performance of the stocks that make up our key buy list. To this end Merrion continue to

run our flagship 'Merrion 10 Stock Model Fund' and the performance of the stocks within the fund in the year to date has reflected the strong performance of the leading stocks in the market. Apart from C&C, the top performing stocks which we have included within the Model fund are IAWS and Kingspan, followed by the likes of DCC, Grafton and Paddy Power. The performance of the fund and the performance of the individual constituent stocks is published everyday on the merrion-capital.com website.

Looking ahead to next year, the economic prospects remain bright, though there are fears about the level of exposure that the economy here has to the construction sector. The outlook for residential construction has become one of the crucial pieces of the jigsaw in determining the outlook for the overall economy and by implication the prospects for the financial and the construction stocks in particular. AIB senior management have however, come out with quite bullish statements suggesting that the outlook for 2007 is for the rate of housing units completions to be about 85,000 units next year. This is significantly higher

than the view which had become almost consensus about a slowdown towards 60,000 units or below.

Bank of Ireland in their results presentation was also supportive view about the prospects for continued strong performance by the Irish economy. In particular they pointed to the absence of any signs of stress in personal lending or credit card balances. Also their comments re the SSIA experience to date suggests that the behaviour of the typical SSIA account holder is to continue to save rather than having a giant splurge of spending. On the housing front, Bank of Ireland did mention that although first time buyer affordability ratios are now stretched, this is not an impediment to them growing their loan book. While this issue is unlikely to go away anytime soon, it does appear that there is room for the economic story to continue with strong growth for certainly one more year.

Merrion continues to be bullish about the prospects for a continuation of the strong earnings growth trend in Ireland in 2007. The last quarterly review of the 'Merrion 10 Stock Model Fund' showed the earnings

growth prospects for the portfolio of constituent stocks is 16.6 per cent for 2007, and since then we have had earnings upgrades from some of the stocks such as DCC, Bank of Ireland and Ryanair and C&C. The continued upward market momentum means that at least some of this upside is now discounted in current valuations.

Looking ahead to 2007, the quest is on to find the stocks to follow the success of Kingspan, Paddy Power and C&C to name but a few, which have helped to keep Ireland on the map as an attractive place for both domestic and international investors to come to trawl for growth and value. Merrion Stockbrokers also looks forward to the challenge of identifying the winners and the losers for next year and trying to continue to grow and build the Merrion business into the future.

Obviously without the continued support of our clients we would be nothing and so we would like to thank all of our clients for their support in 2006.

Liam Boggan is head of equity research at Merrion Stockbrokers.

ECONOMIC OVERVIEW

Ireland's structural advantage - corporates to continue to out-perform

Buoyed by a growing population and labour supply, Irish companies can look forward to continued prospects for out-performance, writes Dermot O'Brien, as these factors underpin the positive impulse both to the economy's supply-side capacity for growth, and to the structural expansion of the domestic market for goods and services.

Demographic change has been the key factor behind the Irish economic boom of the past ten years. Changes in the size and age structure of the population have had - and continue to have - a profoundly positive impact on the economy. This provides a solid basis for optimism about the performance of



Dermot O'Brien

Irish companies, especially those that derive a substantial proportion of their earnings from the domestic market. The strength of this domestic dynamic has substantially insulated the Irish economy from the vagaries of the global economic cycle. Thus, while the international economy was in recession in the early years of the current decade and while the continental European economy suffered through a prolonged period of slow growth, the Irish economy, and the companies that service it, continued to notch up impressive gains. The strength of the demographic dividend is nowhere more evident than in the Irish banking sector where annual earnings growth in the last ten years has averaged nearly 15.5 per cent, compared with about nine per cent in Germany and the UK, and just under 10 per cent in the US.

The essence of the demographic story is that rapid

growth in the population of working age has boosted both the supply of labour and the cohort of prime earners and spenders in the economy.

Part of the positive demographic shift reflects the maturing of the generation born during Ireland's baby boom in the 1970s and early 1980s. The impact of the baby boom generation, passing from the education system into the workplace, has been amplified by two other, linked developments. Falling fertility, leading to smaller families, has meant that the burden of dependency represented by the proportion of children in the population has been substantially reduced. This has had obvious beneficial effects on the discretionary income of the average family. Associated with these developments, the rate of female participation in the labour force has increased very substantially, adding to the available pool of labour and to the ranks of those with real purchasing power. One manifestation of this is that the two-income household has become the norm in Ireland whereas not much more than ten years ago the typical household had only one earner.

The most visible evidence of the strength of the demographic boost to the economy is in

housing market where the level of new house completions is currently running at close to five times what it was in the early-1990s. For the most part, this surge in house construction has reflected the housing needs of a growing adult population, as the baby boomers have moved out of home and set up their own households. More recently, rising net immigration has been an additional source of demand for residential accommodation. An elevated scale of activity is also evident in non-residential construction where the aggregate floor area of developments for which planning permission is being granted is currently running at three to four times what it was ten to fifteen years ago. While the magnitude of the increase in construction activity is unprecedented, it is consistent with an economy whose size has doubled in the last ten years. Total employment in Ireland currently stands more than 50 per cent above its level in 1995. It should not be a surprise, therefore, that a considerable programme of commercial development has been needed to accommodate the businesses that have generated such an increase in the workforce. Moreover, the pressure of population growth exposed the inadequacy in Ireland's transport infrastructure and public capital spending aimed at remedying the deficiency has been an additional source of support to

construction activity. Frequent comment on the extent to which growth in Ireland is 'dependent' on construction activity gives a false impression of vulnerability, as if the boom in construction in Ireland were artificially generated. The true position is that strong growth in building activity is simply one of the natural consequences of Ireland's demographically driven expansion.

A relatively fast rate of credit growth is also a corollary of the high rate of construction activity generated by changing demographics. Not surprisingly, the surge in demand for housing, as Ireland's baby boom generation seeks to satisfy its accommodation needs, has been accompanied by strong rates of increase in mortgage credit and the build up of a relatively high level of household debt. The fact that debt per household in Ireland is in the upper reaches of the EU league, however, is not necessarily a cause for concern. In part, it reflects the stronger preference for home ownership in Ireland than in the EU generally. So, a greater share of debt is shouldered by households rather than, for example, real estate companies providing accommodation for rent. It also reflects the fact that around 30 per cent of Ireland's housing stock has been built in the past ten years, so the debt is of recent vintage. Elsewhere in the EU, the post-war baby

boom generations are a good deal older and their housing needs were met, and the associated surge in debt incurred, twenty or more years ago. Moreover, strong rates of growth in non-residential construction, both commercial and infrastructural, have driven demand for credit by construction and real estate companies.

The scale and composition of employment growth in the last ten years are testimony both to the strength and to the domestically based nature of the economic boom. Around 700,000 net new jobs have been created since 1995, representing an average annual growth rate of over 4.5 per cent.

Multinational manufacturers employ less than 100,000 people and most of their material inputs are imported. As a result, they have only a tenuous connection with the rest of the economy. This has meant that the vast majority of the two million strong Irish workforce was not exposed to the periods of recession and slow growth experienced by many of Ireland's trading partners in recent years. The combination of this insulation and the powerful structural force derived from Ireland's changing demographics has, thus, provided an environment for domestically-focused companies that could hardly have been bettered.

The demographic forces that have boosted the Irish economy in the past ten years are far from

spent. Growth in the indigenous population of working age remains rapid and is now being enhanced by a relatively high rate of immigration. Migrants from the ten new EU countries, who have free access to the Irish labour market, have become especially important in this respect. The attractions for such migrants of an economy where employment is growing rapidly are not hard to fathom when compared with the scarcity of opportunities in other, slower growing EU countries. Moreover, such attractions are not likely to lessen in the years ahead as the population of working age in other EU countries begins to decline, reducing the capacity of other member state economies to grow.

Even on conservative migration assumptions, we believe the population of working age in Ireland can grow at a sustained 1.5 per cent to 2 per cent annually in the next ten years, and the labour supply can grow at a faster pace given the ongoing rise in female labour force participation. This development will underpin the positive impulse both to the economy's supply-side capacity for growth and to the structural expansion of the domestic market for goods and services. Irish companies can, therefore, look forward to continued prospects for out-performance.

Dermot O'Brien is chief economist at NCB Stockbrokers.



[Risk is foolish]

Chances are what people without proper guidance take. At Goodbody Stockbrokers, sound advice is just one of our strong points. In fact, we offer a wide spectrum of investment know-how and experience – in all sorts of areas.

Intelligence applied.

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