



# BCP LOCK-IN GROWTH BOND 2

INVESTMENT

SSAP/SIF

ARF/AMRF

## Investment Rationale

We believe that there are currently a number of compelling investment opportunities in selected shares and the **BCP Lock-In Growth Bond 2** is an attractive way to take advantage of these opportunities, whilst also enjoying 100% Capital Security.

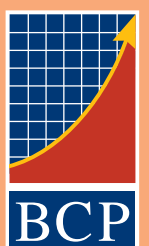
This innovative 4-year Lock-In Growth Bond 2 offers investors 100% capital security. The Bond will pay investors a return capped at 10% per annum gross (CAR 8.8%) depending on the performance of a basket of Blue Chip shares. At the end of each year, gains capped at 10% will be locked in and protected.

- Returns capped at 40%, equivalent to 10% per annum (CAR 8.8%).
- Growth locked in annually. Cannot be lost thereafter.
- 4 Year Investment Term.
- 100% capital security provided by Bank of Ireland.

BCP SERVING INVESTORS FOR OVER 40 YEARS

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CLOSING DATE 23<sup>RD</sup> JULY 2010



Asset Management  
Serving investors since 1969

RESEARCH NOTE

**ECONOMIC OVERVIEW**

Despite market concerns about the fiscal position of Eurozone countries, positive International Economic data trends remain in place, with the world economy expected to grow by 4.9% in 2010 (see Figure 2) and the US economy expected to grow by circa 2.9% in 2010. A steadying in unemployment figures in the US allied to more robust consumer spending data support these buoyant forecasts. The Eurozone has seen a pick-up in manufacturing data, while exports are now being supported by a weakening of the Euro. The US, Eurozone and UK economies will continue to be helped by a sustained low interest rate environment, whilst inflation remains unthreatening. The continued growth in emerging markets, particularly the BRIC (Brazil, Russia, India, China) economies, and the global demand created by this growth is another strong reason to believe the financial market outlook is bright. Economies and companies with exposure to these emerging markets are expected to perform particularly well for the foreseeable future.

**STOCK MARKET RECOVERY**

Since bottoming out in early 2009 following the international Credit Crisis, international stock markets have recovered strongly, as predicted by BCP in previous Research Notes. However, as Figure 1 on the right illustrates, markets still have a long way to recover before approaching previous highs, leaving scope for investors to benefit from further equity market gains over the next 4 years. Furthermore, we believe the recent correction in markets provides investors with an attractive entry opportunity.

Below is a selection of reasons as to why we continue to favour equity markets:

- Continued recovery and expansion of US and Global GDP.
- Stabilisation of US unemployment rates.
- Forward looking international economic indicators are increasingly positive.
- Current equity market valuations are appealing in the context of an improving economic environment and increasing market confidence.
- Improved corporate earnings should materialise throughout 2010/2011, as a result of better operating leverage and strong cost control.
- Strong Asian and Emerging economies should support corporate earnings.
- Central banks in developed economies are expected to hold interest rates at extremely low levels for an extended period of time.
- Low inflation environment should stimulate consumer demand.
- Continued stabilisation in financial market conditions and improving risk appetite.

**EQUITY BASKET**

The basket of shares provides investors with a readymade portfolio of 24 high quality companies that represent our investment team's 'best picks' today. The selection process focuses on large cap companies with strong cashflows, a history of producing enviable profits, and with sustainable long term growth prospects. The basket represents industry leading companies which we believe offer attractive investment opportunities.

BCP applies a very rigorous approach in assembling each basket of shares. Our own investment team's experience and expertise is combined with that of well respected external fund managers in producing share baskets, a formula which has produced consistent outperformance over Global Indices over the last 17 years (see chart below).

**INVESTMENT OPPORTUNITY**

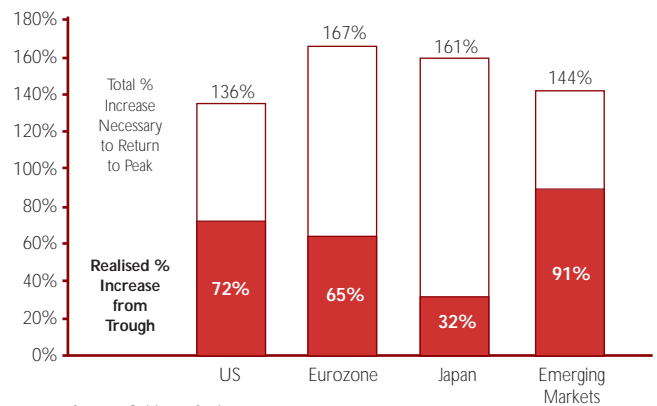
With a global economic recovery underway, continually improving corporate earnings (as seen throughout early 2010), allied to an increase in consumer sentiment and consumption, we believe that the 4 year prospects for equities from current levels are attractive. In line with this stance, we have constructed a well researched stock portfolio that:

1. Is diversified both geographically and sectorally.
2. Offers potential for returns significantly above deposit rates.
3. Is composed of global blue-chip shares that should perform well during this global economic recovery.
4. Limits absolute risk.

**EXCELLENT TRACK RECORD**

BCP Asset Management has specialised in Capital Secure Bonds for over 17 years and its track record in this field is excellent. In fact, the average annual return on all 67 matured BCP Bonds, since first launched in 1992 is 8.3% gross per annum. This performance compares very favourably with the performance of the MSCI World Equity Index which returned 6.2% per annum over the same period to December '09. Furthermore, the outperformance by BCP Bonds over the Global Benchmark Index was achieved with the reassurance of capital security. This success enjoyed by investors has been formally recognised. BCP were finalists in both the KPMG and the Moneymate Investment Awards for 2006, 2007 and 2008.

**Fig. 1. Global Equity Market % Price Return from Trough (in Local Prices) Through Early March 2010**



Source: Goldman Sachs

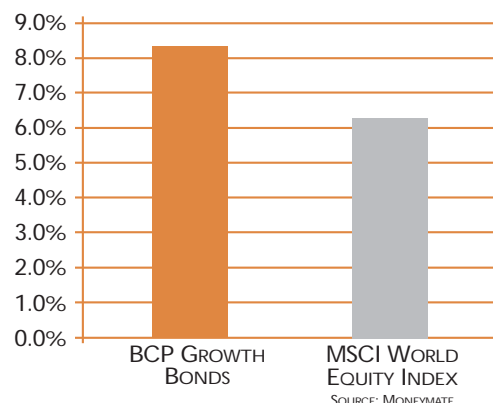
**Fig. 2. Real GDP Growth Forecasts<sup>1</sup>**

% yoy	2008	2009	2010	2011
			Forecast	Forecast
World	2.7	-0.7	4.9	4.8
USA	0.4	-2.4	2.9	2.5
Euroland	0.6	-4.0	1.4	2.2
UK	0.6	-5.0	1.7	3.3
BRICs	7.6	5.1	9.6	8.8

<sup>1</sup>Goldman Sachs Global ECS Research May 2010

**8.3% AVERAGE ANNUAL RETURNS SINCE 1992**

- BCP Growth Bonds: 8.3% per annum
- MSCI World Equity Index: 6.2% per annum



## BCP Lock-In Growth Bond 2 – Sectoral & Geographical Split

These geographic and sectoral weightings are the result of extensive research and we believe they provide investors with a well diversified portfolio of global companies. A brief outline of each of the individual companies is provided below.

	USA/Canada	Europe	Asia	South America	No of Stocks	%
Consumer	Staples	Tesco			2	8%
Energy	Cameco EOG Resources Schlumberger			Petrobras	4	17%
Financials	JP Morgan Chase	Societe Generale	Sumitomo Mitsui		3	12%
Healthcare	Medtronic Johnson & Johnson Pfizer	Roche Holding			4	17%
Industrials	Honeywell International Waste Management	Arcelormittal			3	13%
Utilities		Centrica			1	4%
Materials	Gold Corp	Rio Tinto Xstrata Vedanta Resources			4	17%
Telecoms		Vodafone			1	4%
Technology	Google		Samsung		2	8%
<b>No of Stocks</b>	12	9	2	1	24	100%
<b>% of Total</b>	50%	38%	8%	4%	100%	

### ARCELORMITTAL

ArcelorMittal was formed from the merger of Arcelor and Mittal Steel in 2006 and is the global industry leader operating in over 60 countries. It is a global leader in several major markets, including automotive, construction, household appliances and packaging. Its industrial presence in Europe, Asia, Africa and America gives the Group exposure to all the key steel markets, from emerging to mature. ArcelorMittal is the global leader in the steel industry with a market share of circa 9%. Global steel shipments have improved over the past year as destocking ended and real demand began its gradual recovery. We believe ArcelorMittal is well placed to benefit from this recovery given its cost advantage versus peers and its dominant market position.

### CAMECO

Cameco Corporation primarily engages in the development and production of uranium worldwide. It operates in four segments: Uranium, Services, Electricity, and Gold. It also operates as a fuel procurement manager for uranium, conversion services, and fuel fabrication. The segment engages in acquiring, exploring, and developing gold properties in Central Asia. It operates two gold mines, located in the Kyrgyz Republic and Mongolia. As alternatives to oil continue to gain favour from Governments and investors around the world, we believe that Cameco, through uranium mining activities, is well positioned to benefit.

### CENTRICA

Centrica PLC is an integrated utility company offering a wide range of home and business energy solutions. The Company sources, generates, processes, stores, trades, saves and supplies energy and provides a range of related services. Core brands include British Gas, Centrica Energy, Dyno Group and Direct Energy in the US. Centrica's recent purchase of a 20% stake in nuclear power generator British Energy and its joint venture with EDF should enable the company to benefit from the global momentum towards alternatives to carbon based power generation. Once the global economic recovery takes a firm hold we also expect improved energy prices will support profitability growth for Centrica.

### EOG RESOURCES

EOG Resources, Inc., together with its subsidiaries, engages in the exploration, development, production, and marketing of natural gas and crude oil primarily in the United States, Canada, offshore Trinidad, and the United Kingdom North Sea. The company was founded in 1985 and is based in Houston, Texas. The current recovery of the global economy and the consequent recovery in gas and oil prices should strengthen prospects for EOG's share price.

### GOLD CORP

The merger of Goldcorp and Glamis Gold in late 2006 vaulted Goldcorp to the forefront of global gold producers. The new Goldcorp has growing gold production, very low cash costs, solid earnings generating ability, large reserve/resource base, strong balance sheet and an entrepreneurial management team. Through the development of several new mines we expect Goldcorp's gold output to increase steadily. Goldcorp has the balance sheet and lines of credit to finance its growth projects and its challenge will be to complete its growth projects on schedule. This should lead to growth in earnings and cash flow over the next 4 years.

### GOOGLE

Google is a global technology company focussing on web search and advertising. The company matches advertising with the interests of consumers via its leading internet search engine. The company's dominant position permits it to reinvest in new applications and web services, which in turn creates increased consumer usage and opportunities. Google is a leader in Online advertising, and is gaining market share, which should drive a premium valuation. We see growth from opportunities afforded by its emerging display network business, YouTube monetization. We also see potential for a reacceleration of core growth in line with improvements in the macro-environment.

### HONEYWELL INTERNATIONAL

Honeywell International is a diversified, global technology and manufacturing company. It was formed by the merger of Honeywell and AlliedSignal in a pooling-of-interest transaction, at the end of 1999. Honeywell's operations are organized under four business segments: Aerospace, Automation and Control Solutions, Specialty Materials, and Transportation Services. The company is a premier supplier of avionics, power, and control systems for the aerospace industry. Honeywell management has accomplished much in only a few years, including selling weak businesses, reinvesting in product development, and expanding the global footprint. Today, Honeywell is positioned to meaningfully expand its margins and cash flow, in our view. Favourable tailwinds include aerospace aftermarket growth, global petroleum refining cycle, building manager demand for increasing energy efficiency and the rising penetration of turbo chargers.

### JOHNSON & JOHNSON

Johnson & Johnson is a leading global health care company that develops, manufactures and markets a diversified portfolio of products in pharmaceuticals, medical devices and consumer health. We expect top-line growth to accelerate in coming quarters as Johnson & Johnson's pharmaceutical pipeline should drive growth on top of the new products launched in 2009. Growth should also be helped by an improving economy and consumer growth returning to more normalised levels. Johnson and Johnson currently trades at a discount to the broader medtech group, but we expect this to reverse as investors become more comfortable with the long term growth outlook of the company.

### JP MORGAN CHASE

JP Morgan Chase provides global financial services and retail banking, with assets of \$2.1 trillion and operations worldwide. The firm should continue to benefit from its balance sheet strength and capital position. JP Morgan Chase bought Bear Stearns and Washington Mutual when those companies failed during the financial crisis. Having received funds from the TARP programme, the firm has since repaid these funds in full. JP Morgan Chase has emerged from the recent Credit Crisis with its reputation enhanced and we expect it to emerge from the downturn in a good competitive position with a strong balance sheet and key staff retained.

### MEDTRONIC

Medtronic is a global medical device company that develops therapeutic and diagnostic medical products, operating in seven business segments: Cardiac Rhythm Disease Management, Spinal, Cardiovascular, Neuromodulation, Diabetes, Surgical Technologies and Physio-Control. The company employs over 37,000 people worldwide with a market cap of nearly \$50bn. We believe an

increase in the share price will be driven by a strong product pipeline, robust sales growth (particularly from the Neuro and Diabetes divisions) and share buybacks. Medtronic's share price currently trades at a discount to its peers and we expect this discount will narrow providing additional support to the share price.

#### **PETROLEO BRASILEIRO**

Petroleo Brasileiro S.A. (Petrobras) explores for and produces oil and natural gas. The company refines, markets, and supplies oil products. Petrobras operates oil tankers, distribution pipelines, marine, river and lake terminals, thermal power plants, fertiliser plants, and petrochemical units. The company operates in South America and elsewhere around the world. Petrobras has one of the strongest fundamental investment cases among global oil companies, which should support strong price appreciation.

#### **PFIZER**

Pfizer Inc. is a research-based, global pharmaceutical company that discovers, develops, manufactures, and markets medicines for humans and animals. The Company's products include prescription pharmaceuticals, non-prescription self-medications, and animal health products such as anti-infective medicines and vaccines. We believe that Pfizer is attractively valued and its innovative and growing product line, combined with a strong brand and global footprint should enable the company to create shareholder value. We also believe that share price appreciation looks likely through M&A activity and share buybacks.

#### **RIO TINTO**

Rio Tinto is the world's second-largest mining company with operations in Australia, Africa, the Americas, Europe and Central/South East Asia. Rio Tinto is the world's largest producer of aluminium, second largest producer of iron ore and a top 5 producer of alumina, uranium, mined copper, export thermal & coking coal, and diamonds. Rio Tinto's earnings are a function of the price of its main commodities, and therefore we expect earnings to increase in line with the recovery of world trade and consequent recovery in commodity prices over the coming years.

#### **ROCHE HOLDING**

Roche Holding AG develops and manufactures pharmaceutical and diagnostic products. The Company produces prescription drugs in the areas of cardiovascular, infectious, autoimmune, and respiratory diseases, dermatology, metabolic disorders, oncology, transplantation, and the central nervous system. Roche has the lowest generic exposure, one of the strongest late-stage pipelines and the fastest earnings growth of the EU pharmaceutical majors, which makes it an attractive prospect in turbulent markets.

#### **SAMSUNG**

Samsung Electronics manufactures and exports a wide range of consumer and industrial electronic equipment and products such as memory chips, TFT-LCD, personal computers, peripherals, monitors, televisions, and home appliances. The company has four main business units: Semiconductor; TFT-LCD; Telecommunications; and Digital Media. Samsung should continue to lead the global Information Technology industry and we acknowledge the competitive advantages of Samsung in terms of cash flow, balance sheet, branding and technology leadership.

#### **SCHLUMBERGER**

Schlumberger Limited is an oil services company. The Company, through its subsidiaries, provides a wide range of services, including technology, project management and information solutions to the international petroleum industry as well as advanced acquisition and data processing surveys. Schlumberger is the largest integrated oil services company in the world with a leading position in crucial technology, products and services that enable producers to find, develop and extract oil and gas. Its global footprint, broad technology offering and locally based operations has the Company exposed to the entire geographic and operational spectrum of producer spending. It benefits directly from international spending with unmatched capabilities in deepwater and exploration, making it a very attractive proposition over the next 4 years.

#### **SOCIETE GENERALE**

Societe Generale is one of France's largest commercial banks with 2,600 domestic branches. The group has developed strong positions in wholesale and investment banking, with particular strength in Global equity derivatives, and is building up retail

operations in Eastern Europe and the Mediterranean basin. Societe Generale has a solid domestic banking operation, is attractively valued and is on course to return to good profitability primarily driven by its Corporate and Investment Banking franchise.

#### **STAPLES**

Staples, Inc. retails office supplies, furniture, and technology. The Company's customers include consumers and businesses in the United States, Canada, the United Kingdom, and Germany. Staples serves its customers through office superstores, mail order catalogues, the Internet, and a contract business. Over the next few years, Staples is poised to gain market share within the large office supply retail environment. Staples continues to gain market share with superior execution at retail, international expansion, copy and print services, and vendor relationships.

#### **SUMITOMO MITSUI**

Sumitomo Mitsui is a Japan based Banking and Financial Services Group. Sumitomo Mitsui and its group of companies offer a broad range of financial services centered on banking. They are also engaged in the leasing, securities, credit card, investment, mortgage securitization, venture capital and other credit related businesses. Sumitomo Mitsui offers a combination of a strong balance sheet, attractive valuation and favourable growth prospects as it builds out a higher-yielding retail banking services and reconfigures its balance sheet to maximize profitability.

#### **TESCO**

Tesco plc is a food retailer. The Group operates stores in the United Kingdom, Republic of Ireland, Czech Republic, Hungary, Poland, Slovakia, Turkey, Japan, Malaysia, South Korea, Taiwan, and Thailand. Tesco is held up as the best in class international food retailer that has pursued an organic expansion story that has driven impressive growth. It is a strong market leader in the UK and this provides stability, expertise and cash flows to export to its 11 emerging market businesses and its US start-up.

#### **VEDANTA RESOURCES**

Vedanta Resources Plc mines and processes metals. The Company mines copper, aluminium, and zinc in India and Australia and operates refineries and smelters. Vedanta is a mining company with above average volume growth driven by a wealth of green and brownfield projects. As Vedanta executes on its projects we believe that earnings growth will outperform that of sector peers. The company also gives unique exposure both to the Indian metals and mining industry and to the nascent Indian merchant power industry. Key commodities also include iron ore and coal / power.

#### **VODAFONE**

Vodafone Group provides an extensive range of telecommunications services, including mobile voice and data communications, and is one of the world's largest telecommunications companies, with operations in 26 countries worldwide. Partner agreements extend operations to another 41 countries. Vodafone continues to generate impressive earnings from its data and fixed wire revenues. Emerging market opportunities also look promising for Vodafone over the coming 4 years.

#### **WASTE MANAGEMENT**

Waste Management, Inc. provides waste management services including collection, transfer, recycling, resource recovery and disposal services, and operates waste-to-energy facilities. The Company serves municipal, commercial, industrial, and residential customers throughout North America. We continue to see the company maintain strong cash flow and consistent credit metrics. Continued share buybacks and the leadership position in a stable defensive industry will likely drive share price increases over the coming years.

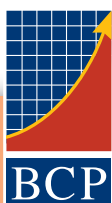
#### **XSTRATA**

Xstrata is a global mining and metal conversion company with operations in Australia, the Americas, South Africa and Europe. Its primary activities are copper, nickel and zinc mining and processing, coal mining and ferroalloy production. After completing its second transformational transaction with the acquisition of Falconbridge in 2006, the group has been more focused on organic growth and bolt on acquisitions. Over the past 5 years Xstrata transformed itself from a small coal producer to one of the top global diversified mining companies. We expect the company to be a key player in industry consolidation and to benefit strongly from a continued recovery in commodity process over the coming years.

### **DISCLOSURES**

The BCP Lock-In Growth Bond 2 has been prepared by BCP Asset Management Limited ("BCP") for information purposes only to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice, or encourage the purchase or sale of any particular security, option, future or other derivative related to such securities. Not all recommendations are necessarily suitable for all investors and BCP recommends that specific advice should always be sought prior to investment, based on the particular circumstances of the individual investor. While the information contained in this report has been taken from sources we believe to be reliable, we do not guarantee their accuracy or completeness and any such information may be incomplete or condensed. Neither BCP nor any of its employees shall be liable in respect of any errors or omissions or for any losses or consequential losses arising from such errors or omissions. All opinions and estimates constitute best judgement at the time of publication and are subject to change without notice. Changes to assumptions may have a material impact on any recommendations made.

Please refer to the Brochure and Key Features of the BCP Lock-In Growth Bond 2 for further information in relation to these bonds.



Asset Management  
Serving investors since 1969

**Warning: Past performance is not a reliable guide to future performance.  
The value of your investment may go down as well as up.**

BCP Asset Management Limited

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