

## Equities

Global equity markets recovered in March by 0.6% (in € terms) after falling in February. The Euro continues to climb against the dollar – recording a return of 2.2% for the month. A rebounding Euro primarily benefitted hedged Euro investors, who experienced returns of 2.4%.

North America was the strongest performing region in March as the high allocation to tech stocks benefited from the publication of a further fall in inflation.

However, positive returns across equity markets in March obscure some concerns surrounding the stability of the banking sector, exemplified by the collapse of SVB in the US and buyout of Credit Suisse in Europe.

## Bonds

Eurozone bond markets rose in March as investors sought safe haven assets following the turmoil experienced in the banking sector, with the prospect that central banks would stop their interest rate cycle sooner than previously anticipated due to stability risk in the financial sector.

Long-dated core Eurozone bond prices increased by 4.5% over the month, with the yield on the AAA Eurozone 15+ Year Index falling to 2.4% by month-end. Prices climbed to 3.9% on the Euro Broad Sovereign 10+ Year Index, with its yield decreasing to 3.3% by the end of March.

## Annuity Prices

Annuity prices rose over the month of March, across all sample annuity costs.

## Sample DB Scheme

The funding level of our sample DB scheme increased by 0.4% to 98.7% as its assets increased by a greater margin than its liabilities (calculated using an MFS proxy) over March.

## Sample DC Schemes

Our three sample DC strategies all experienced positive returns with the pension purchase strategy outperforming its peers due to the higher allocation to bonds – the top performing asset class throughout March.

All returns are in € terms	Mar '23	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% pa	% pa	% pa
<b>Equities</b>							
FTSE World	0.6	5.8	5.8	-4.5	17.2	10.7	10.8
FTSE World (€ Hedged)	2.4	7.0	7.0	-5.0	16.3	8.6	9.8
FTSE Eurozone	0.4	12.0	12.0	8.0	17.4	6.7	n/a
FTSE World ex Eurozone	0.7	5.2	5.2	-5.6	17.1	11.2	11.1
FTSE North America	1.0	5.7	5.7	-6.3	18.8	13.7	13.6
FTSE Emerging Markets	0.1	1.2	1.2	-7.6	9.6	3.0	4.5
<b>Bonds</b>							
Euro Sovereign AAA (15+ yr)	4.5	3.6	3.6	-26.5	-13.5	-4.5	0.5
Euro Broad Sovereign (10+ yr)	3.9	4.1	4.1	-22.4	-10.4	-3.6	2.0
Euro Inflation Linked	1.7	4.1	4.1	-15.8	-2.0	-1.9	0.6
Euro Corporate (5+ yr)	1.5	2.4	2.4	-11.8	-3.2	-2.0	1.1
<b>Other</b>							
Commodities	-1.1	-4.9	-4.9	-10.0	30.5	4.9	-3.8
Fund of Hedge Funds	0.0	0.9	0.9	-0.2	8.8	4.3	4.0
€/\$	2.2	1.3	1.3	-2.2	-0.4	-2.5	-1.7
€/£	0.3	-0.7	-0.7	4.2	-0.2	0.0	0.4

Bond Index Yields	Feb '23	Mar '23	Change
	%	%	%
iBoxx Euro Sovereign AAA (15+ yr)	2.67	2.43	-0.24
iBoxx Euro Broad Sovereign (10+ yr)	3.51	3.27	-0.25
iBoxx Euro Corporates (5+ yr)	4.34	4.17	-0.17

	Cost of a €10k Pension	Change in annuity prices						
		Mar '23	3 months	YTD	1 year	3 year	5 year	10 Year
		%	%	%	%	% pa	% pa	% pa
Annuity cost - 65 year old; no increases	€181k	2.8%	-1.0%	-1.0%	-21.9%	-9.9%	-4.9%	-1.0%
Annuity cost - 65 year old; 2% increases	€229k	3.2%	-1.2%	-1.2%	-24.5%	-11.1%	-5.6%	-1.1%
Annuity cost - 65 year old; CPI max 4%	€256k	3.4%	-1.2%	-1.2%	-24.1%	-10.7%	-5.8%	-1.1%

Sample Pension Schemes	Mar '23	3 Months	Year to Date	1 Year	3 Years	5 Years
	%	%	%	%	% pa	% pa
<b>DB Schemes</b>						
Assets	2.1	4.2	4.2	-13.3	2.1	3.4
Liabilities	1.7	2.2	2.2	-5.6	-1.0	2.7
Change in Funding Level	0.4	1.9	1.9	-8.2	3.1	0.7
<b>DC Schemes</b>						
High Risk Strategy	0.4	3.3	3.3	-3.8	10.0	6.3
Medium Risk Strategy	1.6	3.7	3.7	-10.8	3.1	3.6
Pension Purchase Strategy	3.4	2.7	2.7	-20.1	-10.1	-3.3

## Background

Global equity markets rose 5.8% (in € terms) in Q1 2023 to mark a strong start to the New Year. Fears of a looming deep recession have subsided as energy prices have fallen and inflation concerns appear to receding.

However, market conditions remained highly volatile over the quarter thanks to the fragility on the global banking sector. Slower rates of growth, a “cost of living” crisis and, higher costs of borrowing have slowly eaten away opportunities for the industry. Significant government intervention across North America and Europe failed to stop the collapse of tech lender SVB, and the near collapse and eventual shotgun buyout of 167 year old Credit Suisse by its rival Swiss bank UBS.

Longer-dated Eurozone government AAA-rated bond price rose by 3.6% (as yields fell) over the quarter. Central banks continued to implement interest rate rises to combat high levels of inflation, however, the rate and scale of hikes has slowed as the actions of central banks seem to be taking effect across the market.

## Equity Performance

**January:** Global equity markets made a promising start to 2023, recording returns for January of 5.3% (in € terms). The Euro continued to strengthen against the US dollar, climbing a further 1.5% to close out the first month of the year. This provided further gains for hedged Euro investors, with returns of 6.4% for the month.

On the back of a strong January, the International Monetary Fund (IMF) raised their outlook for 2023, noting “surprisingly resilient” demand in Western markets, falling energy costs and the reopening of the Chinese economy.

The Eurozone led the way in January with returns of 9.6%, showing unexpected resilience over the month as reports emerged that the region once again avoided recession in the final quarter of 2022, with the economy expanding 0.1% despite the range of ongoing crises and challenges.

**February:** Global equity markets fell slightly in February by 0.2% (in € terms) after posting strong returns in January. The Euro reversed some of the gains against the US dollar, falling by 2.4%. This provided a more negative return for hedged Euro investors, with returns of -1.8% for the month.

Inflationary concerns remained persistent with central banks continuing to act with further interest rate hikes by the Fed (0.25%) and ECB (0.5%).

The Eurozone posted leading results in February with returns of 1.8% over the month, further contributing to the strong start this year.

**March:** Global equity markets recovered in March by 0.6% (in € terms) after falling slightly in February. The Euro rose against the dollar – recording a return of 2.2% for the month. A rebounding Euro benefitted hedged Euro investors, who experienced returns of 2.4%.

North America was the strongest performing region in March as the high allocation to tech stocks benefited from the publication of a further fall in inflation.

However, positive returns across equity markets in March obscured some concerns surrounding the stability of the banking sector, exemplified by the collapse of SVB in the US and buyout of Credit Suisse in Europe.

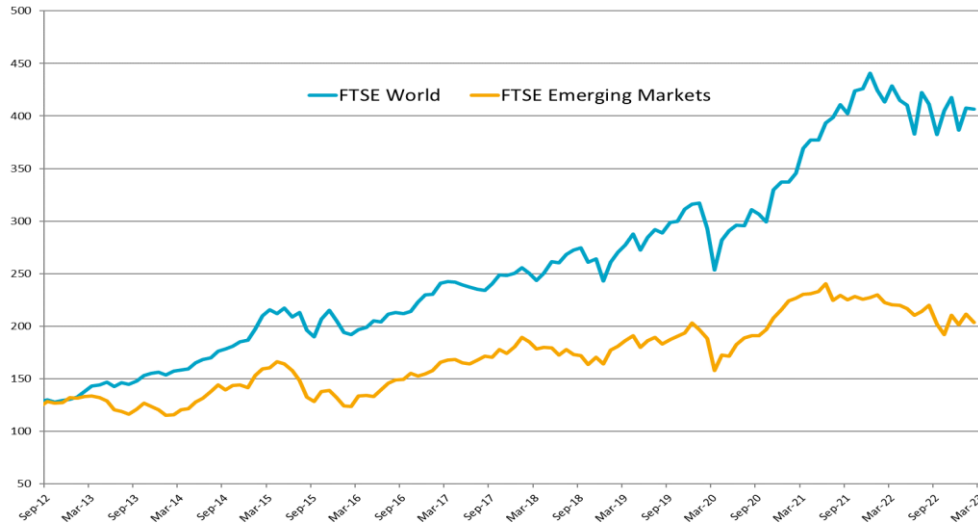
## Bond Performance

Bond markets began the year on a positive note, with markets climbing in **January**. The promising performance of bond markets arose on the back of an array of optimistic news; optimistic signs of inflation peaking, interest rate hikes subsiding, market movements pricing in falling borrowing costs and the near-miss avoidance of a global recession.

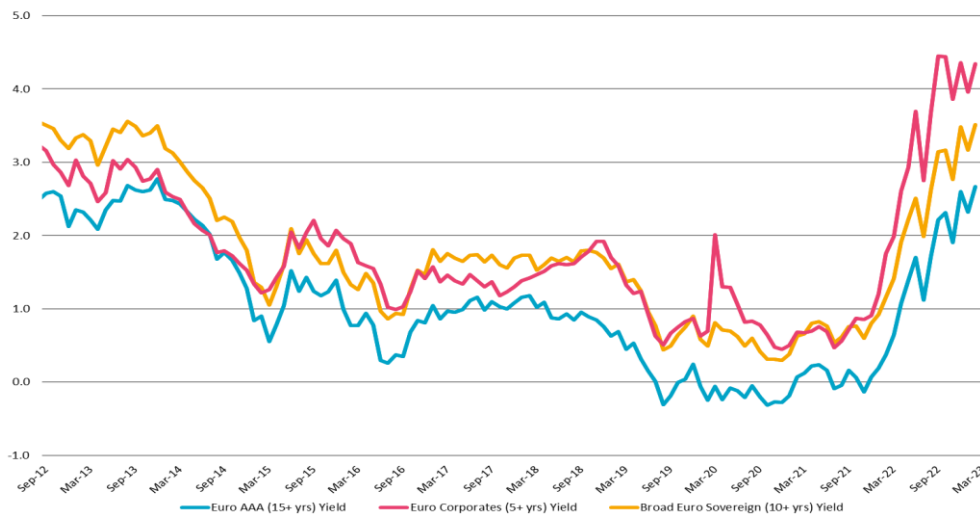
Bonds struggled over **February** as a result of continued interest rate hikes. Fed Chairman Jay Powell warned “we’ve got a long way to go”, with further interest rate hikes expected throughout 2023.

Eurozone bond markets rose in **March** as investors sought safe haven assets following the turmoil experienced in the banking sector, with the prospect that central banks would stop their interest rate cycle sooner than previously anticipated due to stability risk in the financial sector.

## Equity Market Performance



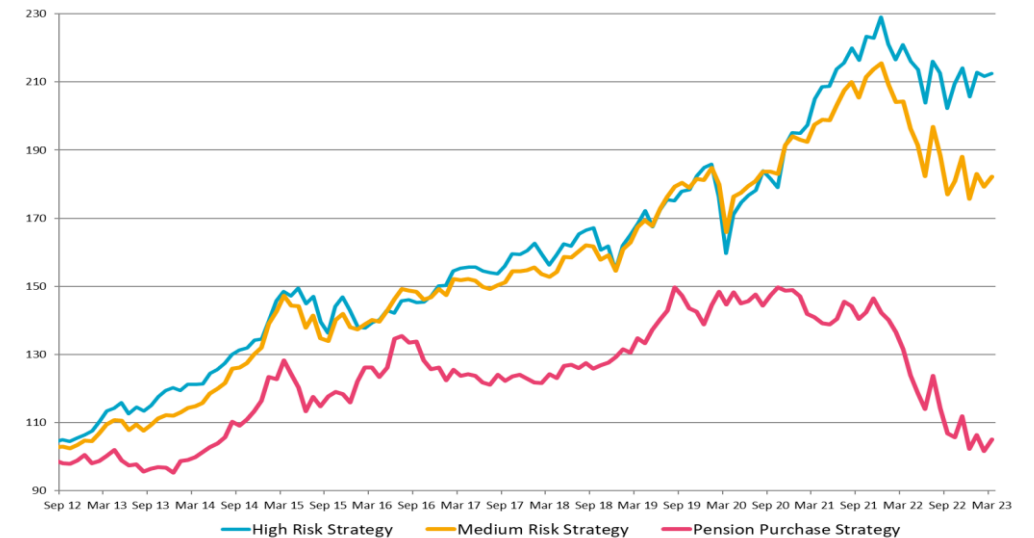
## Historical Bond Yields



## Sample DB Funding Level Progression (MFS Proxy Basis)



## Sample DC Scheme Performance





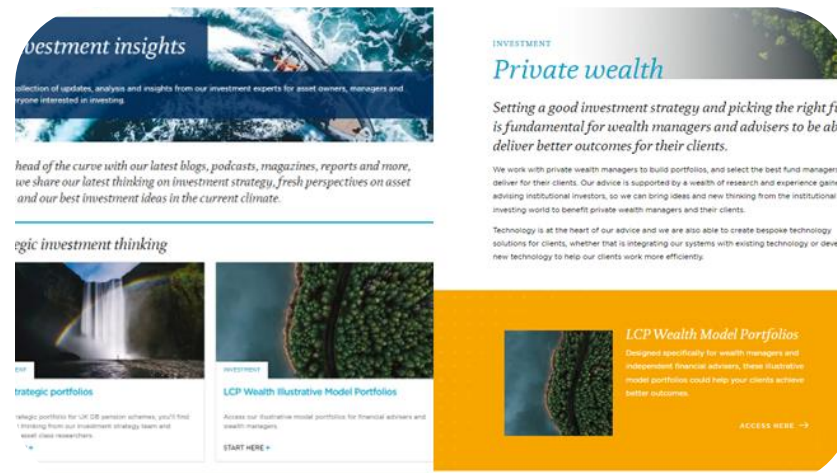
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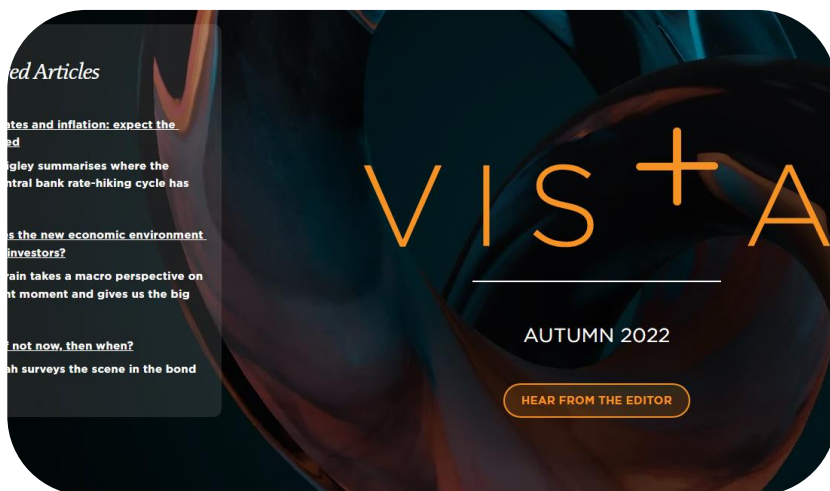
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