

## Equities

Global equity markets rose by 2.8% (in € terms) in May as markets continue to rebound year to date (YTD). The Euro fell 3.5% against the dollar over the month. As a result, hedged Euro investors experienced negative returns relative to their unhedged counterparts of -0.2%.

Equity returns by region were mixed over the month. The European market struggled, contracting 2.1% as news emerged that Germany had fallen into recession in Q1. In contrast, the US equity market grew by 3.9% during May. Tech stocks were the primary driver of this surge, as investors placed their bets on the further integration of AI technology. However, concerns still loom among US investors due to the tentative nature of the Biden – McCarthy debt ceiling agreement.

## Bonds

News outlets may have shifted their attention away from the stress of the banking sector; however, there has been growing contagion in the industry, particularly US regional banks which have lighter regulation. Over the month, First Republic added its name to the list of institutions that have collapsed. Yet, interest rates – the underlying issue – continue to rise as inflation remains stickier than envisioned.

Long-dated core Eurozone bond prices fell by 0.2% over the month, with the yield on the AAA Eurozone 15+ Year Index rising to 2.5% by month-end. Prices rose by 0.4% on the Euro Broad Sovereign 10+ Year Index, with its yield remaining around 3.3% by the end of May.

## Annuity Prices

Annuity prices increased slightly over the month of May, across all sample annuity costs.

## Sample DB Scheme

The funding level of our sample DB scheme increased by 0.8% to 99.1% as its assets increased by a greater degree than liabilities (calculated using an MFS proxy) over May.

## Sample DC Schemes

Our three sample DC strategies experienced varying returns. The pension purchase strategy produced a slight negative return in contrast to its peers due to the higher allocation to bonds.

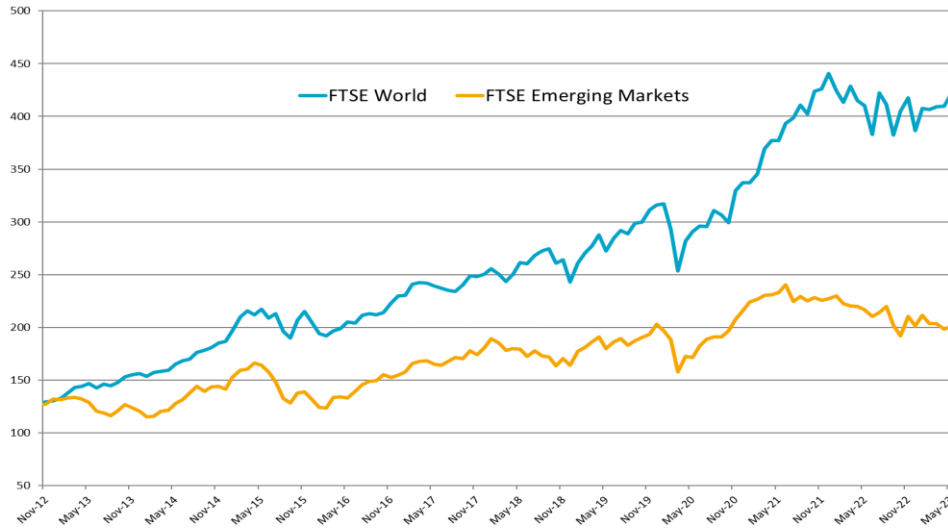
All returns are in € terms	May' 23	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% pa	% pa	% pa
<b>Equities</b>							
FTSE World	2.8	3.5	8.8	2.7	13.0	9.9	10.9
FTSE World (€ Hedged)	-0.2	3.7	8.3	2.9	11.5	8.2	9.5
FTSE Eurozone	-2.1	-0.1	11.5	8.7	12.8	5.8	8.7
FTSE World ex Eurozone	3.2	3.9	8.6	2.1	13.0	10.4	11.3
FTSE North America	3.9	4.7	9.6	2.9	14.1	12.7	13.7
FTSE Emerging Markets	1.2	-1.3	-0.2	-7.4	6.1	2.5	4.6
<b>Bonds</b>							
Euro Sovereign AAA (15+ yr)	-0.2	3.7	2.8	-16.3	-13.8	-5.2	0.6
Euro Broad Sovereign (10+ yr)	0.4	3.7	3.9	-12.3	-10.9	-3.2	1.8
Euro Inflation Linked	0.0	0.9	3.2	-8.9	-2.6	-1.4	0.4
Euro Corporate (5+ yr)	0.2	2.7	3.6	-4.6	-4.6	-1.7	1.1
<b>Other</b>							
Commodities	-6.1	-7.8	-11.4	-24.1	25.4	2.2	-3.9
Fund of Hedge Funds	0.0	-0.4	0.5	-0.3	7.0	4.2	3.7
€/£	-3.5	0.3	-0.6	-0.9	-1.4	-1.8	-2.0
€/£	-2.0	-2.0	-3.0	1.0	-1.5	-0.4	0.0

Bond Index Yields	Apr' 23	May' 23	Change
	%	%	%
iBoxx Euro Sovereign AAA (15+ yr)	2.47	2.50	0.03
iBoxx Euro Broad Sovereign (10+ yr)	3.32	3.32	0.00
iBoxx Euro Corporates (5+ yr)	4.09	4.11	0.02

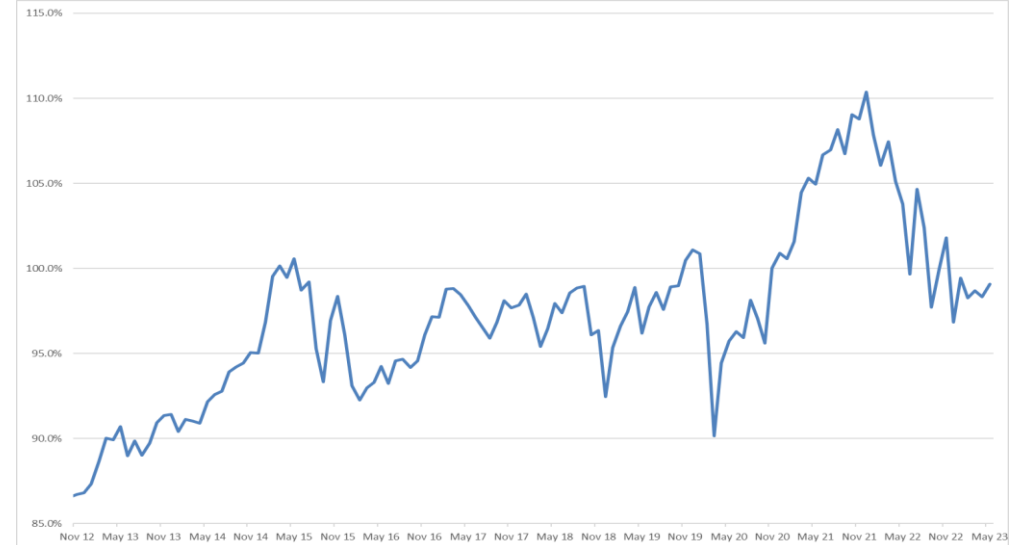
Annuity cost – 65 year old – single life	Cost of a €10k Pension	Change in annuity prices						
		May-23	3 months	YTD	1 year	3 year	5 year	10 Year
		%	%	%	%	% pa	% pa	% pa
No increases	€181k	0.3%	3.0%	-0.9%	-14.1%	-10.4%	-4.8%	-0.7%
2% increases	€230k	0.4%	3.4%	-1.0%	-15.8%	-11.7%	-5.5%	-0.8%
CPI max 4%	€256k	0.4%	3.5%	-1.0%	-16.4%	-11.3%	-5.7%	-0.8%

Sample Pension Schemes	May-23	3 Months	Year to Date	1 Year	3 Years	5 Years
	%	%	%	%	% pa	% pa
<b>DB Schemes</b>						
Assets	1.1	3.1	5.2	-5.5	0.1	2.7
Liabilities	0.3	2.3	2.8	-1.0	-1.0	2.5
Change in Funding Level	0.8	0.8	2.3	-4.5	1.2	0.2
<b>DC Schemes</b>						
High Risk Strategy	1.1	1.8	4.8	0.9	7.3	5.8
Medium Risk Strategy	0.9	2.6	4.6	-4.0	1.2	3.0
Pension Purchase Strategy	-0.2	2.8	2.2	-12.0	-10.4	-3.8

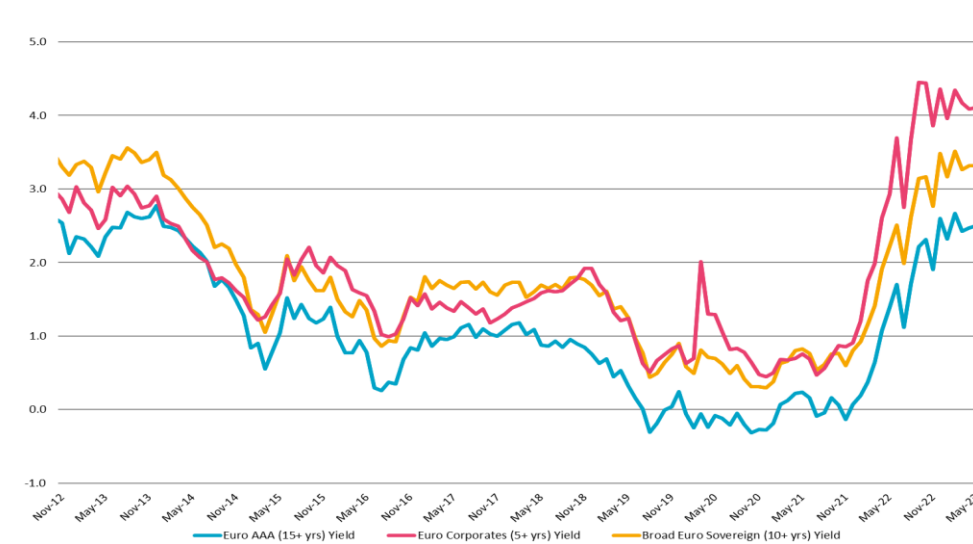
## Equity Market Performance



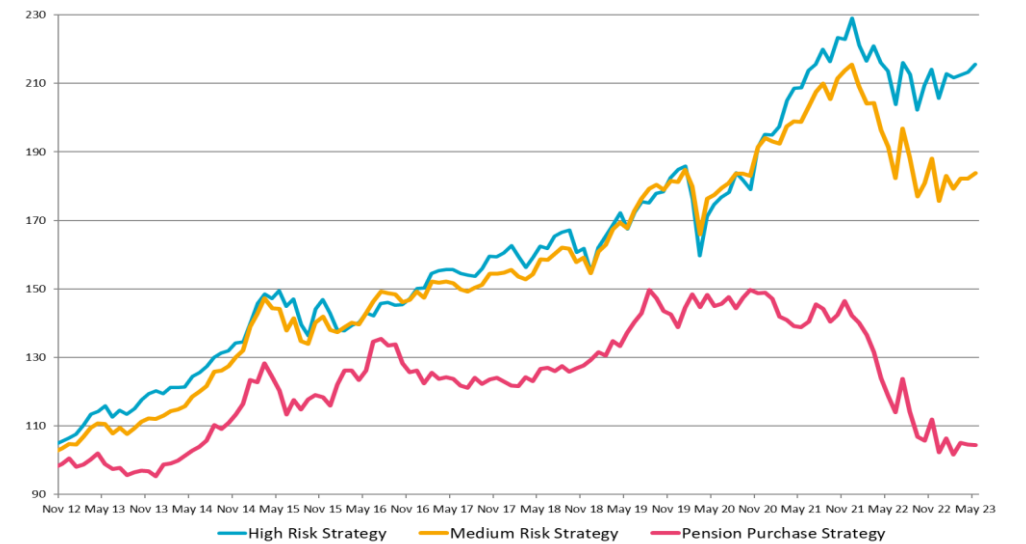
## Sample DB Funding Level Progression (MFS Proxy Basis)



## Historical Bond Yields



## Sample DC Scheme Performance



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