

Equities

Global equity markets rose by 3.4% (in € terms) in June as markets continue to rebound year to date (YTD). The Euro rose 2.5% against the dollar over the month.

Equity returns were positive across all key regions over the month. In the U.S., consumer confidence climbed to its highest level since the start of 2022 as the economy appeared steadfast regardless of fears of a looming recession later this year. European growth has been fuelled by continued falls in energy prices – returning confidence to the region's industries. Further afield, the swift re-opening of the Chinese economy has added to Europe's rise – historically, a stronger Chinese economy is a key component of European export success.

Bonds

The ECB once again instituted further hikes in June as Eurozone interest rate rose to 3.5% - a 22 year high for the region. Further remarks by the ECB infer higher rates shall continue to ensure a “timely return” to the 2% inflation target. Across the water, the Federal Reserve didn't hike rates in June as Chair Powell noted “the conditions we need to see... to get inflation down are coming into place”, although, two more 25 basis point hikes are envisioned this year.

Long-dated core Eurozone bond prices rose by 0.6% over the month, with the yield on the AAA Eurozone 15+ Year Index falling slightly to 2.48% by month-end. Prices rose by 0.8% on the Euro Broad Sovereign 10+ Year Index, with its yield falling marginally by the end of June.

Annuity Prices

Annuity prices decreased slightly over the month of June.

Sample DB Scheme

The funding level of our sample DB scheme increased to 100.2% as its assets increased by more than liabilities (calculated using an MFS proxy) over June.

Sample DC Schemes

Our three sample DC strategies were all positive for the month with most asset classes giving a positive return

All returns are in € terms	Jun' 23	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% pa	% pa	% pa
Equities							
FTSE World	3.4	6.4	12.6	13.8	13.6	10.7	11.6
FTSE World (€ Hedged)	5.4	6.7	14.2	16.9	12.4	9.4	10.4
FTSE Eurozone	3.8	3.3	15.8	24.4	12.4	6.8	9.1
FTSE World ex Eurozone	3.4	6.7	12.3	12.9	13.7	11.2	12.0
FTSE North America	4.1	8.0	14.2	14.0	15.1	13.4	14.4
FTSE Emerging Markets	1.9	0.4	1.6	-2.9	4.6	3.7	5.5
Bonds							
Euro Sovereign AAA (15+ yr)	0.6	-0.2	3.4	-11.2	-13.8	-5.1	0.9
Euro Broad Sovereign (10+ yr)	0.8	0.6	4.7	-7.9	-11.2	-3.2	2.2
Euro Inflation Linked	-0.8	-1.6	2.4	-6.2	-3.5	-1.8	0.7
Euro Corporate (5+ yr)	-0.4	0.7	3.2	0.3	-5.3	-1.7	1.4
Other							
Commodities	4.4	-2.7	-7.5	-14.2	25.1	2.8	-3.5
Fund of Hedge Funds	0.0	0.1	0.3	1.6	6.5	4.2	3.9
€/£	2.5	0.6	1.9	4.1	-1.0	-1.4	-1.7
€/¥	0.1	-2.2	-2.9	-0.2	-1.8	-0.6	0.0

Bond Index Yields	May' 23	Jun' 23	Change
	%	%	%
iBoxx Euro Sovereign AAA (15+ yr)	2.50	2.48	-0.02
iBoxx Euro Broad Sovereign (10+ yr)	3.32	3.28	-0.04
iBoxx Euro Corporates (5+ yr)	4.11	4.22	0.11

	Cost of a €10k Pension	Jun-23	3 months	YTD	1 year	3 year	5 year	10 Year
		%	%	%	%	% pa	% pa	% pa
Annuity cost - 65 year old; no increases	€181k	-0.1%	0.0%	-1.0%	-9.0%	-11.3%	-5.0%	-0.7%
Annuity cost - 65 year old; 2% increases	€229k	-0.1%	0.0%	-1.2%	-10.2%	-12.8%	-5.7%	-0.8%
Annuity cost - 65 year old; CPI max 4%	€256k	-0.2%	0.0%	-1.2%	-10.5%	-12.4%	-5.9%	-0.8%

Sample Pension Schemes	Jun-23	3 Months	Year to Date	1 Year	3 Years	5 Years
	%	%	%	%	% pa	% pa
DB Schemes						
Assets	1.8	2.8	7.1	1.6	0.3	3.1
Liabilities	0.6	1.2	3.4	1.0	-1.0	2.5
Change in Funding Level	1.2	1.6	3.5	0.6	1.4	0.6
DC Schemes						
High Risk Strategy	1.6	2.3	5.7	6.7	7.2	6.1
Medium Risk Strategy	1.5	1.6	5.3	1.5	1.0	3.2
Pension Purchase Strategy	0.4	-0.3	2.4	-8.2	-10.4	-3.8

Sources: LCP, Bloomberg, Reuters, MarketWatch, FT, Markit, Irish Life and iBoxx

Background

Global equity markets rose 6.4% (in € terms) in Q2 2023 as markets continue their resurgence year to date.

In Europe, falling energy prices prompted further confidence in the EU industrial sector. However, the region remains overly reliant on the re-emergence of the Chinese economy to fuel exports. Across the water, the U.S. equity markets witnessed significant growth thanks to climbing technology stocks. Central to their success was the emergence of AI technology as a viable tool for businesses and individuals going forward. The region closed out the quarter with consumer confidence returning to levels not seen since January 2022.

Longer-dated Eurozone government AAA-rated bond prices fell by 0.2% (as yields rose slightly) over the quarter. Central banks continued to implement interest rate rises to combat high levels of inflation, however, inflation remains stickier than first envisioned. Therefore, further hikes are expected across the Eurozone and other key regions.

Equity Performance

April: Global equity markets rose by 0.1% (in € terms) in April after rising significantly in March. The Euro continued to climb against the dollar – recording a return of 1.7% over the month. Hedged Euro investors benefited from this rise, experiencing returns of 1.5%.

Emerging Markets fell by 2.6% (in Euro terms), fuelled by concerns over China's ever-increasing military confrontations in the Taiwan Strait.

May: Global equity markets rose by 2.8% (in € terms) in May as markets continued their rebound YTD. This was largely driven by currency movements, as the Euro weakened 3.5% against the dollar over the month. Hedged Euro investors experienced negative returns 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.

June: Global equity markets rose by 3.4% (in € terms) in June as markets continue to rally YTD. The Euro rose 2.5% against the dollar over the month.

Equity returns were positive across all key regions over the month. In the U.S., consumer confidence climbed to its highest level since the start of 2022 as the economy appeared steadfast regardless of fears of a looming recession later this year.

European growth has been fuelled by continued falls in energy prices – returning confidence to the region's industries. Further afield, the swift re-opening of the Chinese economy has added to Europe's rise – historically, a stronger Chinese economy is a key component of European export success.

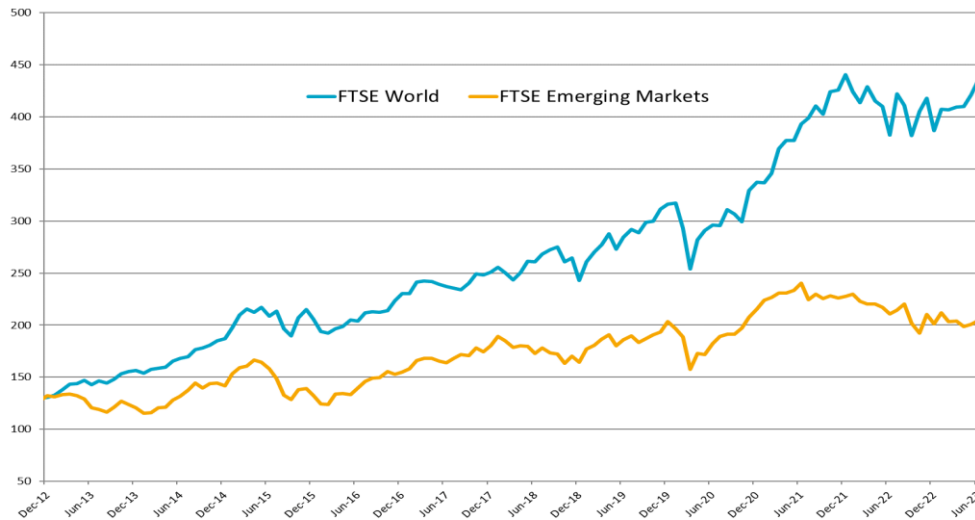
Bond Performance

Inflation remained a persistent issue across the Eurozone during **April**. As a result, investors priced in a further hike in interest rates by the ECB leading to a fall in Eurozone bond market values.

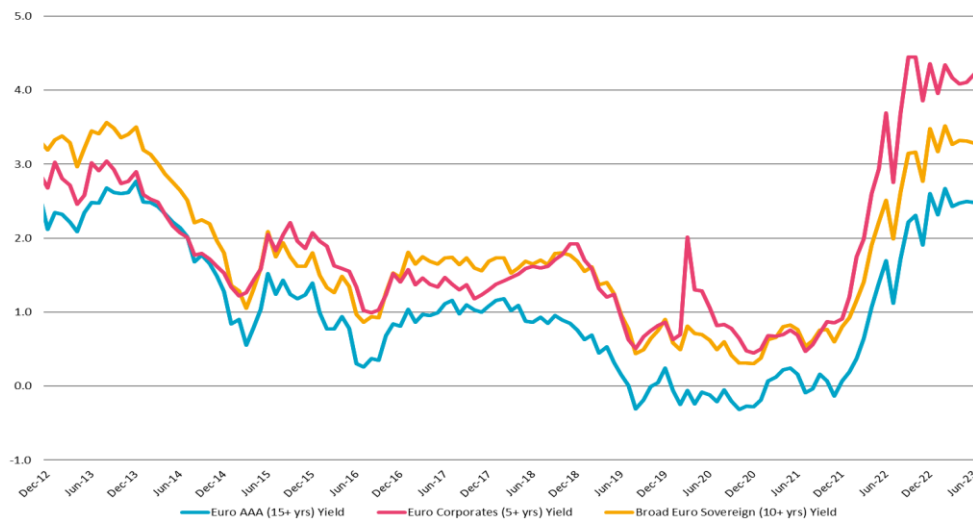
In **May** news outlets shifted their attention away from the stress of the banking sector; however, there was growing contagion in the industry, particularly US regional banks which have lighter regulation. Over the month, First Republic added its name to the list of institutions that have recently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

The ECB once again instituted further hikes in **June** as Eurozone interest rate rose to 3.5% - a 22 year high for the region. Further remarks by the ECB infer higher rates shall continue to ensure a "timely return" to the 2% inflation target. Across the water, the Federal Reserve didn't hike rates in June as Chair Powell noted "the conditions we need to see... to get inflation down are coming into place", although, two more 25 basis point hikes are envisioned this year.

Equity Market Performance



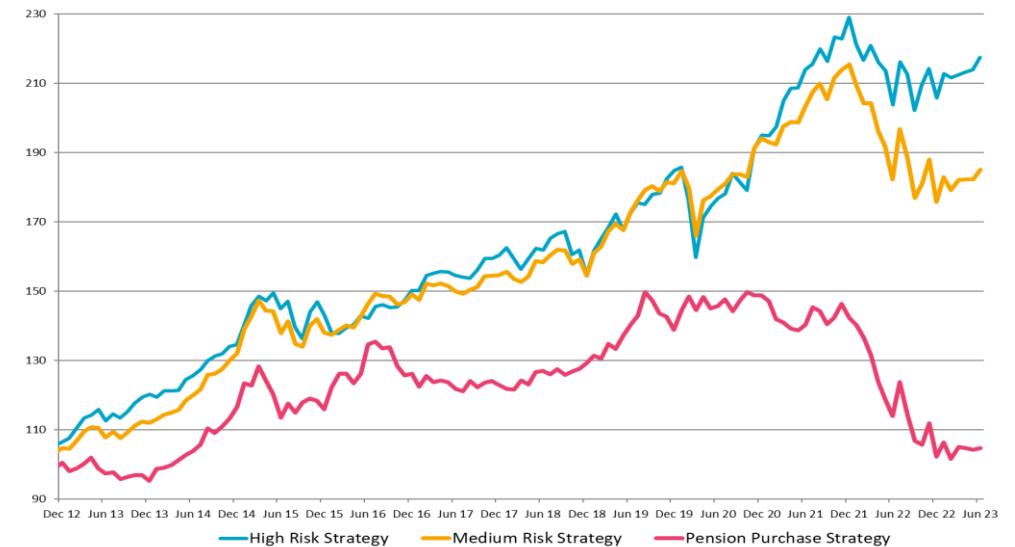
Historical Bond Yields



Sample DB Funding Level Progression (MFS Proxy Basis)



Sample DC Scheme Performance



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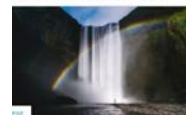


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