

Equities

Global equity markets fell by 3.3% (in local currency terms) in September, reflecting the expectation that interest rates will remain elevated for an extended period. The Euro weakening against the dollar over the month which has a positive impact for non-hedged investors. This resulted in a small fall of 1.8% in Euro terms for investors.

Negative equity returns were observed across most regions in September, primarily driven by slowing economic growth indicators and revised interest rate expectations. Some positive economic data was released for the Eurozone over the period, with a fall in Consumer Price Inflation (CPI).

Bonds

The ECB once again instituted a further hike in September as Eurozone interest rates rose to 4.0% - a new historic high for the region. Further remarks by the ECB infer higher rates will be maintained for longer to ensure a “timely return” to the 2% inflation target.

Long-dated core Eurozone bond prices fell by 6.8% over the month, with the yield on the AAA Eurozone 15+ Year Index rising notably to 3.1% by month-end. Prices declined by 6.0% on the Euro Broad Sovereign 10+ Year Index, with its yield rising to 3.9% by the end of September.

Annuity Prices

Annuity prices decreased substantially over the month of September.

Sample DB Scheme

The funding level of our sample DB scheme decreased to 97.7% as its assets fell by more than its liabilities (calculated using an MFS proxy) over September.

Sample DC Schemes

Our three sample DC strategies were negative for the month with negative returns across the main asset classes.

All returns are in € terms	Sep' 23	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% pa	% pa	% pa
Equities							
FTSE World	-1.8	-0.4	12.1	13.5	12.2	9.5	11.2
FTSE World (€ Hedged)	-3.3	-2.2	11.7	20.1	9.1	7.9	9.5
FTSE Eurozone	-3.0	-4.1	11.0	25.3	10.6	5.7	8.7
FTSE World ex Eurozone	-1.7	0.0	12.2	12.5	12.3	9.9	11.6
FTSE North America	-2.2	-0.1	14.0	12.2	13.3	11.7	14.2
FTSE Emerging Markets	0.5	1.5	3.1	2.8	3.5	4.1	5.7
Bonds							
Euro Sovereign AAA (15+ yr)	-6.8	-9.1	-6.1	-11.7	-16.9	-6.7	0.1
Euro Broad Sovereign (10+ yr)	-6.0	-7.2	-2.8	-6.6	-14.4	-4.3	1.3
Euro Inflation Linked	-3.5	-3.6	-1.3	-3.2	-5.3	-2.2	0.2
Euro Corporate (5+ yr)	-1.8	-0.9	2.3	4.2	-6.4	-1.9	1.1
Other							
Commodities	4.1	16.0	7.2	10.9	29.5	5.6	-2.5
Fund of Hedge Funds	0.0	1.5	3.4	4.3	6.3	4.7	4.0
€/£	-2.5	-3.1	-1.2	7.9	-3.4	-1.8	-2.4
€/€	1.2	0.9	-2.1	-1.2	-1.5	-0.5	0.4

Bond Index Yields	Aug' 23	Sep' 23	Change
	%	%	%
iBoxx Euro Sovereign AAA (15+ yr)	2.64	3.06	0.42
iBoxx Euro Broad Sovereign (10+ yr)	3.41	3.86	0.45
iBoxx Euro Corporates (5+ yr)	4.18	4.49	0.31

	Cost of a €10k Pension	Change in annuity prices						
		Sep-23	3 months	YTD	1 year	3 year	5 year	10 Year
		%	%	%	%	% pa	% pa	% pa
Annuity cost - 65 year old; no increases	€171k	-3.9%	-5.4%	-6.4%	-9.5%	-13.6%	-5.6%	-1.1%
Annuity cost - 65 year old; 2% increases	€215k	-4.4%	-6.1%	-7.2%	-10.8%	-15.3%	-6.4%	-1.2%
Annuity cost - 65 year old; CPI max 4%	€239k	-4.6%	-6.3%	-7.5%	-11.2%	-15.0%	-6.6%	-1.3%

Sample Pension Schemes	Sep-23	3 Months	Year to Date	1 Year	3 Years	5 Years
	%	%	%	%	% pa	% pa
DB Schemes						
Assets	-3.6	-4.0	2.8	1.2	-1.8	1.9
Liabilities	-1.5	-1.4	1.9	1.3	-2.0	2.1
Change in Funding Level	-2.2	-2.6	0.8	-0.1	0.2	-0.3
DC Schemes						
High Risk Strategy	-1.5	-0.7	4.3	6.1	5.7	5.1
Medium Risk Strategy	-3.1	-3.2	1.6	0.9	-0.9	2.0
Pension Purchase Strategy	-5.1	-6.9	-4.7	-8.8	-12.9	-5.0

Background

Following a very strong first half of 2023, global equity markets fell by 2.2% (in local currency terms) over Q3 2023. European shares experienced a drawdown primarily driven by concerns related to the extended duration of elevated interest rates which dampened investor sentiment.

In Q3, the U.S. equity markets experienced a slight dip over concerns around the Fed's 'higher for longer' stance with respect to interest rates. The S&P 500 remains notably positive for the year, largely sustained by a small number of heavily weighted tech stocks that surged earlier in the year, driven by developments within artificial intelligence.

Longer-dated Eurozone government AAA-rated bond prices fell by 9.1% (as yields rose significantly) over the quarter. Bond yields have risen again as the volatile macro regime brings uncertainty over central bank policy and risks ahead. Eurozone interest rates rose to 4.0% over the quarter - a new historic high for the region.

Equity Performance

July: Global equity markets rose by 3.2% (in local currency terms) in July as equity markets posted another strong monthly return. With the Euro strengthening against the dollar, this resulted in a smaller 2.4% gain in Euro terms for investors.

Improved GDP data and decreasing inflation rates throughout the month have boosted the confidence in the market, leading to anticipation of a "smooth landing". This optimism translated into favourable returns in the equity market.

August: Global equity markets declined by 1.9% in local currency terms due to mixed economic data from the US. The Euro weakened against the dollar over the month which had a positive impact for non-hedged investors. This resulted in a smaller fall of 0.9% in Euro terms for investors.

European markets experienced a 1.9% decline in August (in local currency terms). This was influenced by unfavourable economic data originating from China (one of Europe's significant trading partners), with fear growing around the country's economic growth stalling post pandemic.

September: Global equity markets fell by 3.3% (in local currency terms) in September, reflecting the expectation that interest rates will remain elevated for an extended period. The Euro weakening against the dollar over the month which has a positive impact for non-hedged investors. This resulted in a fall of 1.8% in Euro terms for investors.

Negative equity returns were observed across most regions in September, primarily driven by slowing economic growth indicators and revised interest rate expectations. Commodities were the outperformer over the period returning 4.1%. Positive economic data was released for the Eurozone with Consumer Price Inflation (CPI) reducing over the period.

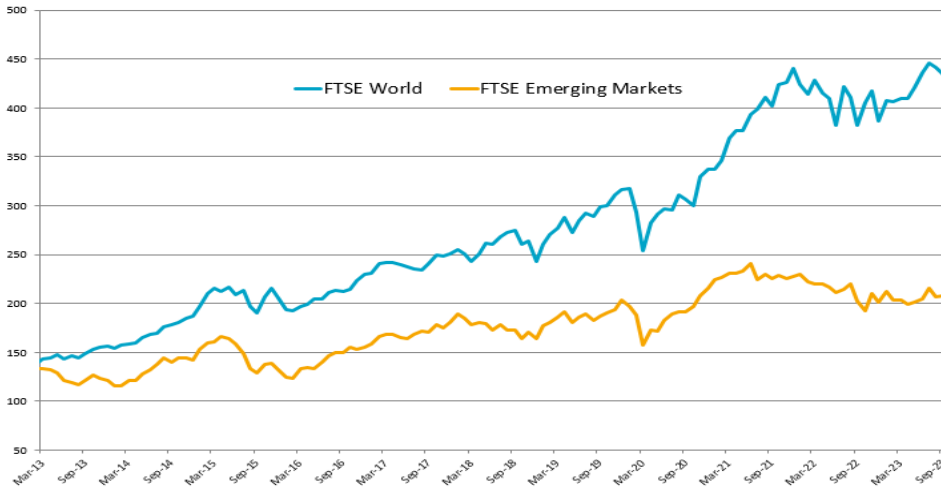
Bond Performance

July: The Federal Reserve and the ECB raised interest rates by 0.25% during the month. This marks the 11th increase in 12 meetings for the Fed, bringing rates to 5.5%. Meanwhile, the ECB's rate hike to 3.75% is the highest it has been in 22 years. Long-dated core Eurozone bond prices experienced a 2.4% decline during the month, causing the yield on the AAA Eurozone 15+ Year Index to rise to 2.6% by the end of the month. Additionally, prices fell by 1.4% on the Euro Broad Sovereign 10+ Year Index.

August: The lack of movement in bond markets was influenced by a growing sentiment that policy makers, such as the ECB and the Fed, were adopting a more hawkish stance, potentially signalling a halt to the regular interest rate hikes seen over the previous year. Long-dated core Eurozone bond prices finished the month near where they had started, dropping slightly by 0.1%, with the yield on the AAA Eurozone 15+ Year Index remaining broadly steady at 2.6%. Prices on the Euro Broad Sovereign 10+ Year Index also remained unchanged at month-end.

September: The ECB once again instituted a further hike in September as Eurozone interest rates rose to 4.0% - another new historic high for the region. Further remarks by the ECB infer higher rates will be maintained for a sufficiently long duration to ensure a "timely return" to the 2% inflation target. Long-dated core Eurozone bond prices fell by 6.8% over the month, with the yield on the AAA Eurozone 15+ Year Index rising significantly to 3.1% by month-end. Prices declined by 6.0% on the Euro Broad Sovereign 10+ Year Index, with its yield rising to 3.9% by the end of September.

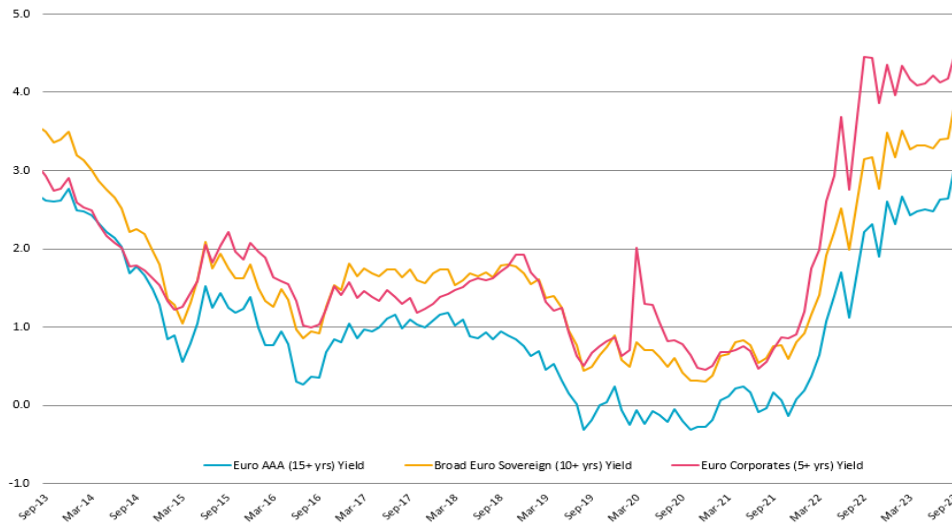
Equity Market Performance



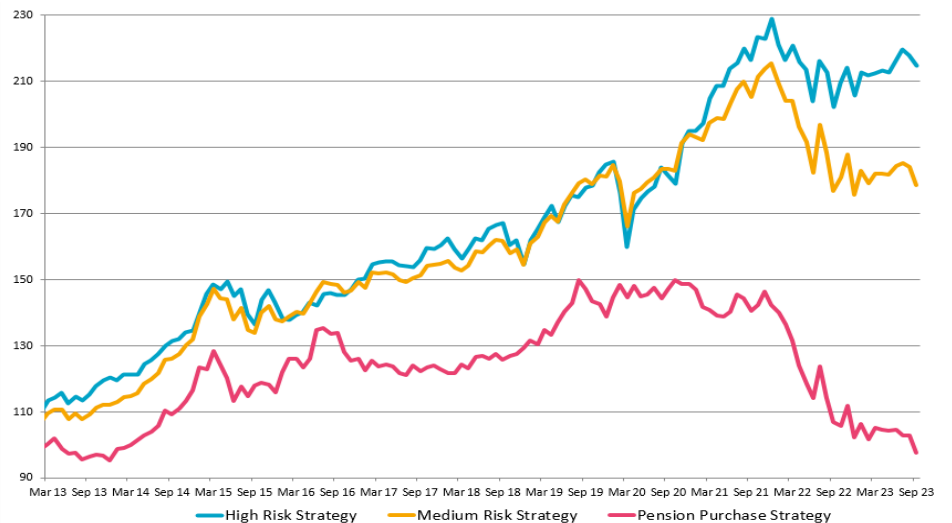
Sample DB Funding Level Progression (MFS Proxy Basis)



Historical Bond Yields



Sample DC Scheme Performance



Investment Update

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rates and inflation: expect the Fed to hike again. This article summarises where the central bank rate-hiking cycle has

is the new economic environment for investors?

rain takes a macro perspective on the current moment and gives us the big picture

not now, then when?

sh surveys the scene in the bond market

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