

Equities

Global equity markets fell by 2.7% (in local currency terms) in October, reflecting the market adjusting its view to the likelihood that interest rates will remain higher for longer. The market reaction to date has been muted to the conflict in Israel & Palestine. The Euro-dollar exchange rate was flat over the month, giving a similar investment experience for both hedged and un-hedged Euro investors.

Negative equity returns were observed across all regions in October, driven largely by rising global bond yields. There was a sharp decline in Eurozone inflation with a fall to 2.9% in October, suggesting higher interest rates are having an effect. There was a further slowdown in economic activity in the euro area, with economic output reportedly shrinking by 0.1% in Q3.

Bonds

The ECB paused their interest rate hiking campaign for the first time in 15 months in October leaving Eurozone interest rate unchanged at 4.0%. ECB president Christine Lagarde commented that discussions of rate cuts were premature, supporting the consensus that higher rates will be maintained for longer than previously expected in the region.

Long-dated core Eurozone bond prices fell by 1.0% over the month, with the yield on the AAA Eurozone 15+ Year Index remaining similar at 3.1% by month-end. Prices declined by 0.4% on the Euro Broad Sovereign 10+ Year Index, with its yield broadly unchanged at 3.9% by month-end.

Annuity Prices

Annuity prices decreased over the month of October. All annuity rates are 5-year guaranteed and single life.

Sample DB Scheme

The funding level of our sample DB scheme decreased to 95.8% as its assets fell by more than its liabilities (calculated using an MFS proxy) over October.

Sample DC Schemes

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

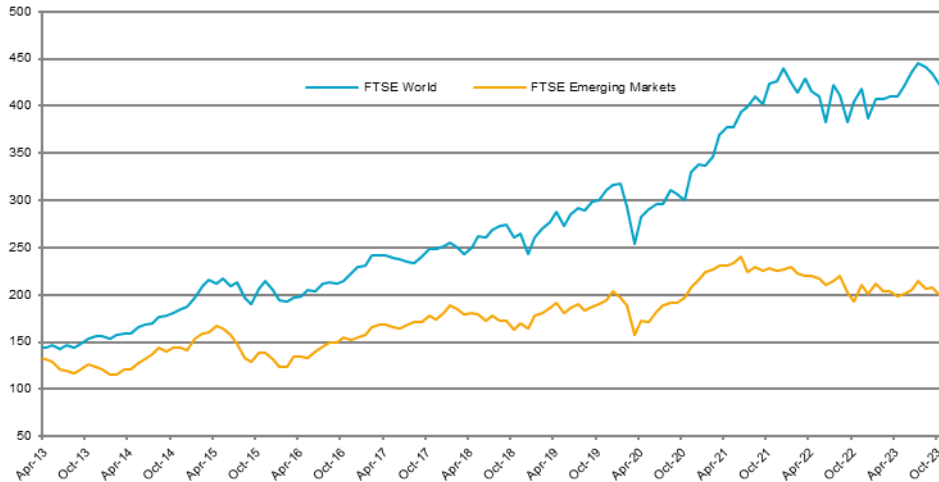
All returns are in € terms	Oct' 23 %	3 Months %	YTD %	1 Year %	3 Years % pa	5 Years % pa	10 Years % pa
Equities							
FTSE World	-2.7	-5.4	9.1	4.1	12.0	10.0	10.5
FTSE World (€ Hedged)	-2.7	-7.8	8.6	10.2	9.0	8.8	8.7
FTSE Eurozone	-3.2	-9.0	7.4	12.4	11.6	6.5	8.3
FTSE World ex Eurozone	-2.7	-5.0	9.2	3.4	12.0	10.4	11.0
FTSE North America	-2.2	-4.5	11.5	2.7	13.3	12.3	13.5
FTSE Emerging Markets	-3.6	-6.9	-0.6	4.1	1.2	4.4	4.8
Bonds							
Euro Sovereign AAA (15+ yr)	-1.0	-7.8	-7.0	-11.3	-17.8	-7.1	-0.1
Euro Broad Sovereign (10+ yr)	-0.4	-6.3	-3.2	-7.0	-15.0	-4.4	1.1
Euro Inflation Linked	-0.3	-4.4	-1.6	-5.8	-5.9	-2.1	0.0
Euro Corporate (5+ yr)	0.3	-1.6	2.6	4.2	-6.7	-1.8	1.0
Other							
Commodities	-4.2	0.4	2.8	-0.4	29.2	5.9	-2.8
Fund of Hedge Funds	0.0	0.5	3.7	4.1	6.6	5.3	3.9
€/\$	0.0	-3.9	-1.2	7.0	-3.2	-1.3	-2.5
€/£	0.4	1.7	-1.7	1.0	-1.1	-0.4	0.3

Bond Index Yields	Sep' 23 %	Oct' 23 %	Change %
iBoxx Euro Sovereign AAA (15+ yr)	3.06	3.13	0.07
iBoxx Euro Broad Sovereign (10+ yr)	3.86	3.91	0.05
iBoxx Euro Corporates (5+ yr)	4.49	4.50	0.01

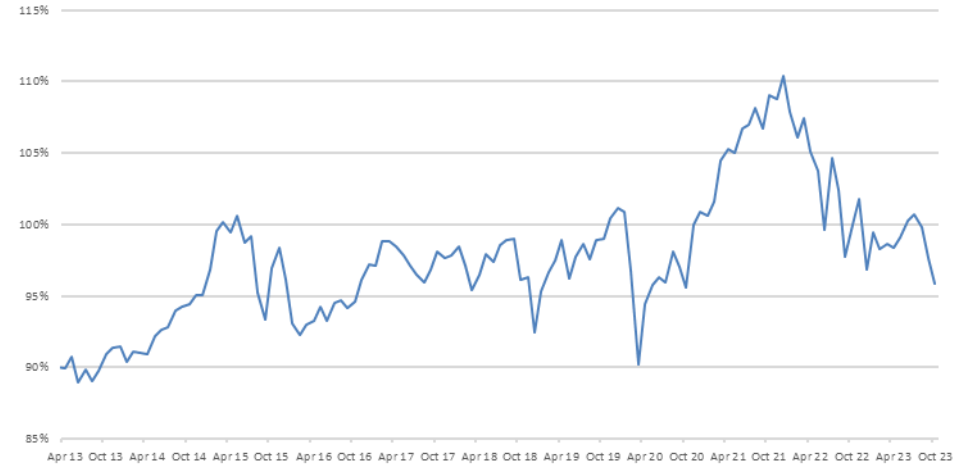
	Cost of a €10k Pension	Change in annuity prices						
		Oct-23 %	3 months %	YTD %	1 year %	3 year % pa	5 year % pa	10 Year % pa
Annuity cost - 65 year old; no increases	€169k	-1.5%	-5.6%	-7.8%	-9.1%	-14.4%	-5.5%	-1.3%
Annuity cost - 65 year old; 2% increases	€212k	-1.7%	-6.3%	-8.8%	-10.3%	-16.2%	-6.3%	-1.4%
Annuity cost - 65 year old; CPI max 4%	€235k	-1.8%	-6.6%	-9.1%	-10.7%	-16.0%	-6.5%	-1.5%

Sample Pension Schemes	Oct-23 %	3 Months %	Year to Date %	1 Year %	3 Years % pa	5 Years % pa
DB Schemes						
Assets	-1.7	-5.8	1.0	-2.7	-2.3	1.9
Liabilities	0.2	-1.0	2.1	1.5	-2.4	2.0
Change in Funding Level	-1.9	-4.9	-1.1	-4.1	0.1	-0.1
DC Schemes						
High Risk Strategy	-2.0	-4.2	2.3	0.4	5.5	5.5
Medium Risk Strategy	-1.7	-5.3	-0.1	-3.0	-1.4	2.1
Pension Purchase Strategy	-0.7	-5.9	-5.3	-8.5	-13.5	-5.3

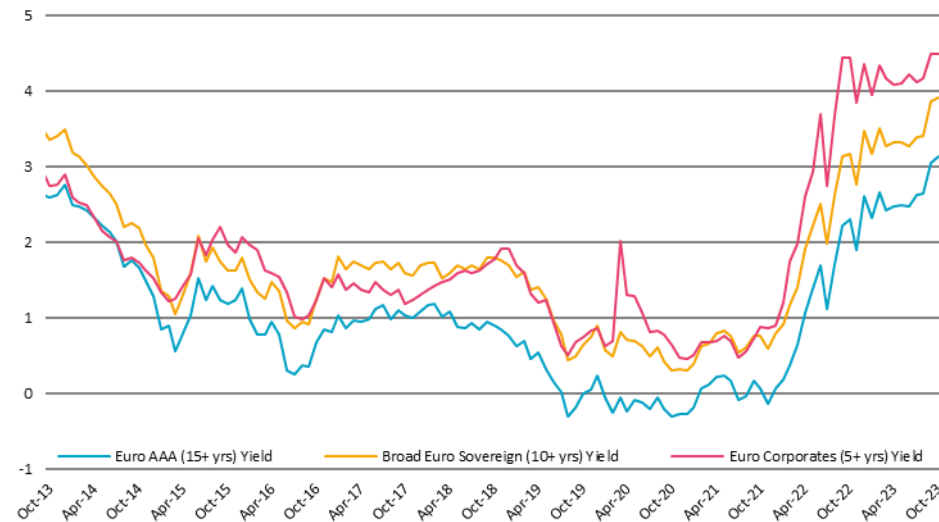
Equity Market Performance



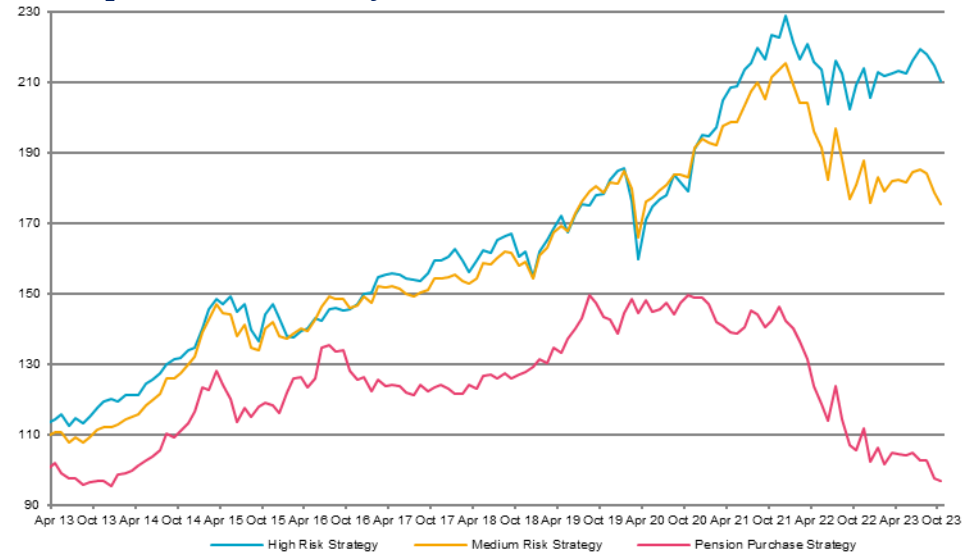
Sample DB Funding Level Progression (MFS Proxy Basis)



Historical Bond Yields



Sample DC Scheme Performance





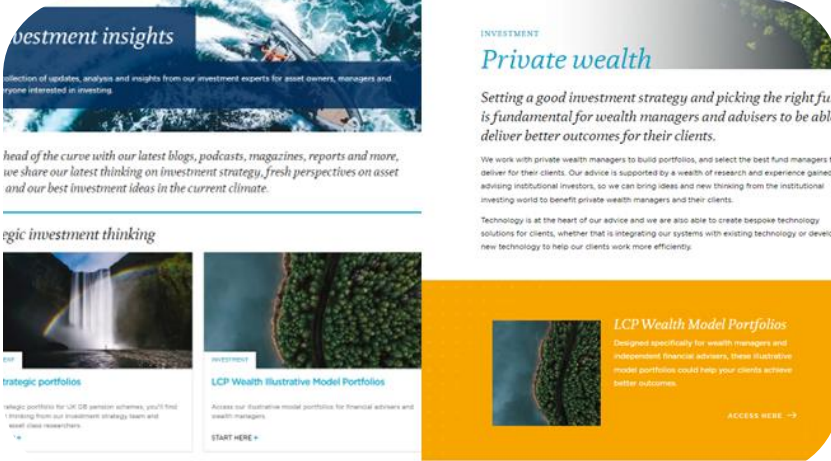
Investment Uncut

LCP'S PODCAST ABOUT INVESTING

Our hosts are joined by guests each week as they get beyond the jargon to try and bring sense to the world of investing and bring clarity to your investment decisions.

[LISTEN AND SUBSCRIBE →](#)

[LCP Investment Uncut Podcast](#)



Investment Insights

Setting a good investment strategy and picking the right fund is fundamental for wealth managers and advisers to be able to deliver better outcomes for their clients.


Private wealth

Setting a good investment strategy and picking the right fund is fundamental for wealth managers and advisers to be able to deliver better outcomes for their clients.

LCP Wealth Model Portfolios

Designed specifically for wealth managers and independent financial advisers, these illustrative model portfolios could help your clients achieve better outcomes.

[LCP Investment Insights](#)



VISTA

SPRING 2023

[HEAR FROM THE EDITORS](#)

[LCP Vista](#)



Raising the bar

Insights from our 2022 Responsible Investment survey

9 February 2022 11:00AM

Watch our on-demand webinar where our experts discuss the findings of our 2022 Responsible Investment survey.

Our sixth survey report is our largest yet, featuring responses from nearly 150 investment managers including all major institutional investment managers in the UK.

[Find an event](#)
e.g. conference or webinar

[CLEAR](#) [SEARCH](#)

[Share now](#)

[Twitter](#)

[LCP RI Survey](#)

This generic note should not be relied upon for detailed advice or taken as an authoritative statement of the law. If you would like any assistance or further information on the contents of this generic note, please contact the partner who normally advises you.

All rights to this document are reserved to Lane Clark & Peacock Ireland Limited ("LCP"). This document may be reproduced in whole or in part, provided prominent acknowledgement of the source is given.

We accept no liability to anyone to whom this document has been provided (with or without our consent). Lane Clark & Peacock Ireland Limited is registered in Ireland with registered number 337796 at Office 2, Grand Canal Wharf, South Dock Road, Dublin 4.