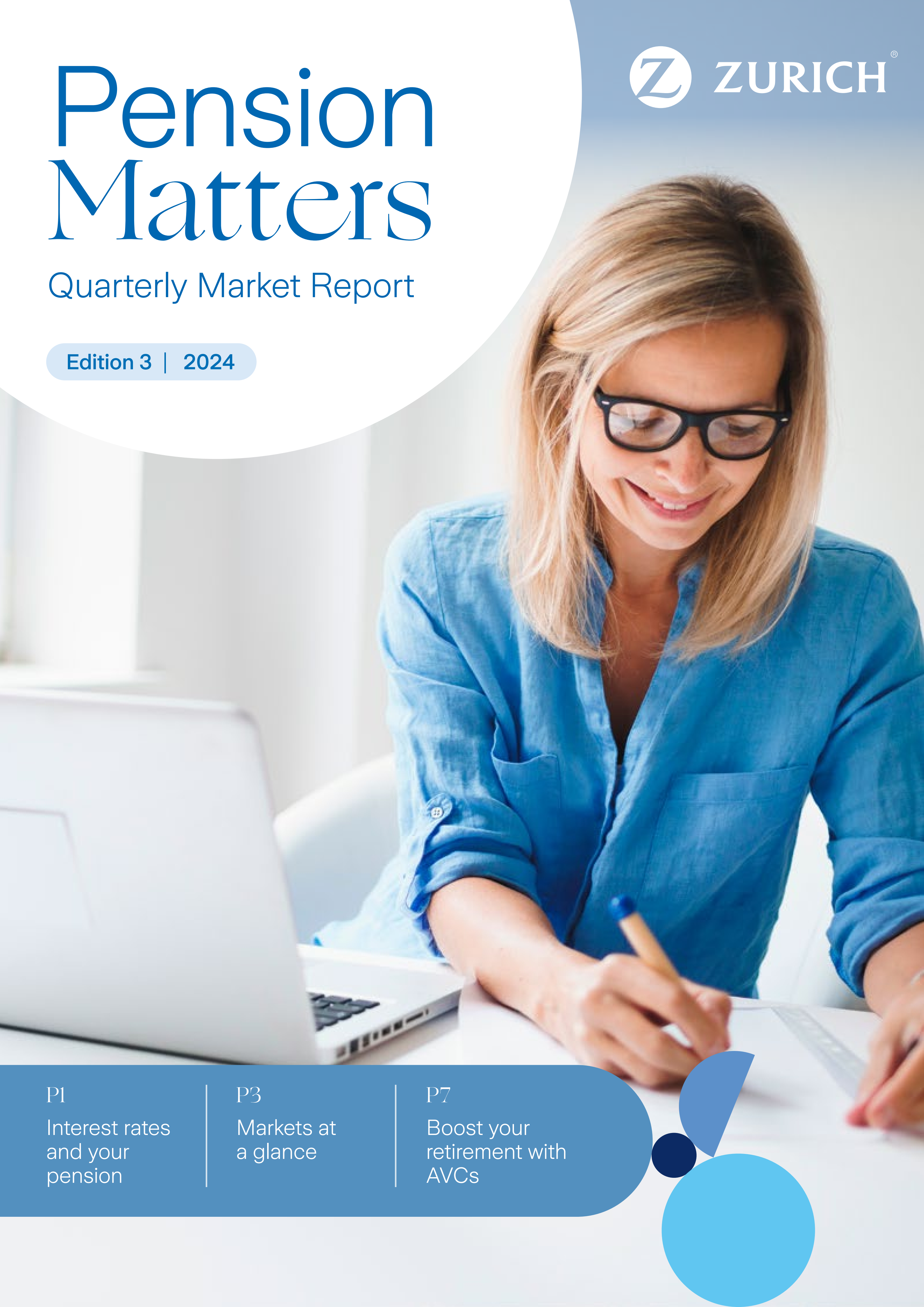
Pension Matters

Quarterly Market Report

Edition 3 | 2024



What do lower interest rates mean for your pension?

Navigating the intricate landscape of retirement savings can be daunting, especially with ever-fluctuating interest rates that directly impact pension outcomes. As interest rates rise and fall, the value of pension funds can experience volatility. However, investing in a multi-asset fund can present a robust solution for retirement planning, offering a diversified approach that insulates investments across all areas of the market cycle.

At Zurich, we recognise the importance of adaptability in managing your retirement savings. By actively managing our funds, our fund managers have the flexibility to make strategic decisions based on evolving market events, ensuring your pension remains resilient and well-positioned for growth amidst changing economic conditions.

Central Banks are now beginning to cut rates

In Autumn 2023, the European Central Bank (ECB) increased its benchmark deposit rate to 4% to address high inflation, marking the 10th consecutive hike since July 2022. The rate had risen from minus 0.5% to 4% in just over a year. In June 2024, the ECB made its first rate cut in nearly five years, reducing the deposit rate to 3.75%. At its September meeting, the ECB further lowered the deposit facility rate by 0.25% to 3.50% and followed this up with the third rate cut of the year in mid- October, with a quarter-point reduction bringing the rate on banks' deposits to 3.25%.

Similarly, in the US, after a year of the Federal Funds Rate being in the 5.25% - 5.50% range, the Federal Reserve implemented its first interest rate cut since the early stages of the Covid pandemic, lowering the federal funds rate to a range of 4.75% - 5.00% in September.

Whilst the future remains uncertain, it is anticipated that both the ECB and the Federal Reserve will continue their rate-cutting cycles into 2025, although this will depend on the broader economic environment. These sharp moves, from negative rates in the eurozone just over two years ago, to an all-time ECB high, to the recent turn downwards affects us all in many ways – including our pension investment.

Impact on asset classes

Central banks' decisions are reshaping the financial landscape, with lower interest rates typically stimulating economic growth and influencing consumer trends. In a lower interest rate environment, equities have traditionally benefitted. In the fixed income market, high-yield bonds may outperform as they attract investors seeking higher returns in a low-interest-rate setting. However, the journey to lower rates is as influential as the final rate that policymakers settle on.

In a low-interest-rate environment, consumers are more inclined to finance purchases such as homes and cars through borrowing. This increase in consumer demand boosts corporate sales, enhances manufacturing activity, and contributes to a positive economic cycle. For businesses, a lower rate environment reduces borrowing costs, improving debt profiles and encourages capital expenditure. Companies are more likely to increase borrowing for investments, further stimulating economic growth. Equity valuations also benefit from a lower rate environment.

The present value of future earnings is calculated using a discount rate, and lower interest rates reduce this discount rate. This reduction increases the present value of projected cash flows, thereby enhancing the theoretical value of shares, particularly for more 'growth' orientated companies.

Typically, as interest rates are cut, bond yields decrease because existing bonds, issued at a higher rate, become more valuable, therefore driving up their price. Once the lower interest rate environment settles, bond yields stabilise at lower levels. New bonds issued will offer lower yields, reflecting lower interest rates in the market, and the price will have increased on existing bonds, also reducing their yields. As a result, bonds overall become less attractive compared to other investment options.

To shield your pension from market fluctuations, multi-asset funds are advantageous in retirement as they provide protection throughout all phases of the market cycle. The Personalised Guide Path strategy from Zurich is based on our risk-targeted range of Prisma multi-asset funds, which diversify investments across multiple asset classes. This strategy is designed to perform well in all market conditions and at every stage of a client's retirement savings journey.

What are your options at or nearing retirement?

Defined Contribution participants who are near or in retirement are likely to feel significant impact from changes in interest rates. High interest rates tend to benefit those seeking income, as they offer higher returns on savings. Since most retirees aim to eliminate debt and increase their savings, usually investing in lower-risk funds with less equity exposure, lowering interest rates can be unwelcome news for those nearing or in retirement. Lower interest rates reduce the returns on risk-free assets, potentially forcing conservative investors to face higher-than-normal risks due to inflation.

In a low-interest-rate environment, retirement investing becomes more challenging because the reduced rates weaken returns on safer investments such as bonds or money-market funds, which retirees often rely on for stable income. When interest rates fall, these traditionally low-risk assets yield minimal returns, making it harder to grow savings through conservative investments.

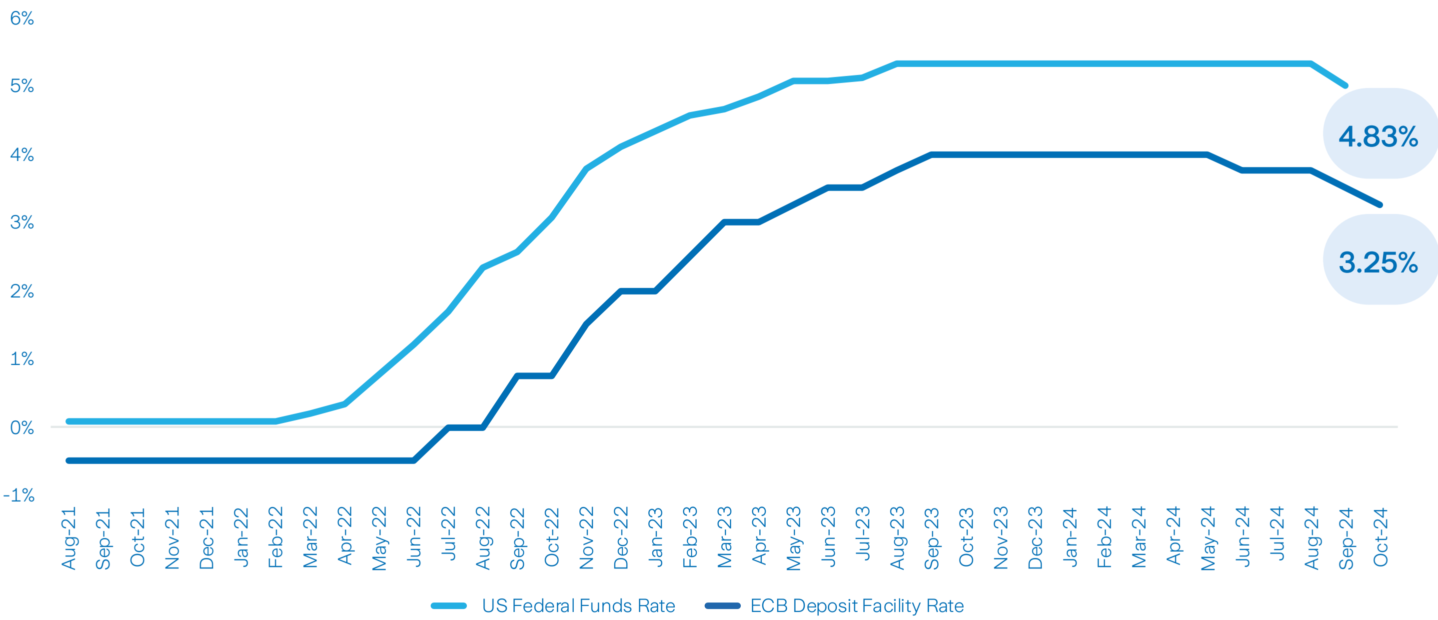
The guaranteed income from an annuity is likely to be lower in a low-rate environment, though annuities may still be suitable for risk-averse retirees who prioritise stable, predictable income, even if that income is lower than it would be in a high-rate period. Approved Retirement Funds (ARFs) offer more flexibility and potential for higher returns but come with the risks of market volatility and the possibility of depleting savings. In a low-interest-rate environment, the choice between an ARF and an annuity largely depends on an individual's risk tolerance and retirement goals.

Need help deciding?

Try our 'Annuity or ARF' tool to explore your options, or talk to one of our experts to find the best choice for your retirement needs.

The information contained herein is based on Zurich Life's understanding of current Revenue practice as at November 2024 and may change in the future.

Interest Rates: The cycle has turned



Source: St. Louis Fed *effective Federal Funds Rate ranges between 4.75%-5.00%, ECB Data Portal (rate reflects ECB deposit facility), October 2024

- Equity markets were positive despite volatility
- Utilities was the best performing sector globally
- Fixed Income markets delivered solid returns over the quarter
- Gold continued its rally in Q3

Risk assets build on momentum

Commodities & Currencies
Commodity investments in the second quarter of 2024 have delivered both returns and diversification benefits. Higher volatility also led to increased inflows into gold, which is traditionally viewed as a safe haven asset. Over the third quarter, Gold continued its rally. In Euro terms, gold returned 8.94% over the quarter. Copper, often considered a barometer of global economic health, fell, returning -1.39% in the third quarter. By the end of the quarter, 1 Euro purchased 1.11 US Dollars. The EUR/GBP exchange rate has traded in a fairly narrow range over the quarter shifting from 0.847 to 0.833 over the period.

Equity Markets
In the third quarter of 2024, global equities showed positive returns despite volatility on several occasions. Changing expectations for the path of US interest rates shaped the quarter. Inflation continued to moderate while a weaker jobs report sparked fears that the Fed may have left it too late to cut interest rates. Meanwhile, in the Eurozone, indicators pointed to a slowdown in the economy. Sector performances were mixed as some previous winners lagged. Utilities emerged as the best-performing sector globally for the quarter, achieving a return of 13.13% in euro terms. 8 out of the 11 MSCI Sectors were in positive territory for the third quarter of the year. However, Communication Services, Energy and Information Technology all posted negative returns. The Energy sector was the worst performer, with a return of -6.11%. Geographically, all major markets showed positive returns for the quarter, with Hong Kong's index showing impressive returns of 19.5% in Euro terms.

Bonds & Interest Rates

Interest rate cuts, and the prospect of more to come, helped fixed income markets to deliver solid returns over the quarter. The ECB cut interest rates twice in Q3, with the 25-basis point cut in October bringing the benchmark rate to 3.25%. The Bank believes inflation is on track as it is well below the 2% target. In September, the Federal Reserve cut interest rates for the first time since March 2020. They decided to cut the federal funds rate by 50 basis points bringing it down to a range of 4.75% - 5.00%. Economic data indicates that economic activity is expanding at a solid pace and inflation has made further progress, however, jobs gains have slowed, and unemployment is increasing, justifying the rate cut. Overall, US Treasury yields fell across the curve, with the benchmark 10-year Treasury yield falling from 4.40% to end the quarter at 3.78%. In Europe, 10-year yields also fell over the quarter, notably in Germany and in Spain.

Current Positioning

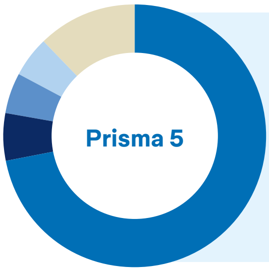
Asset Class	Country	Positive	Neutral	Negative
Equities	North America		✓	
	Europe	✓		
	Japan			✓
	Asia-Ex Japan	✓		
Fixed Income	Sovereign Eurozone		✓	
	Sovereign US		✓	
	Sovereign UK		✓	
	Credit		✓	
Currencies	USD			✓
	GBP		✓	
	YEN		✓	
Alternatives	Oil		✓	
	Gold	✓		
	Copper	✓		
	Global Property			✓
	Soft Commodities		✓	

Medium Risk
Default Investment Strategy
Personalised GuidePath

Asset splits* and performance

Early Growth Stage

- Performed well due to allocation and selection within equities.
- Returned 2.3% over the third quarter.
- Prisma 5 which has a higher allocation to alternatives benefited from the strong performance of Gold.

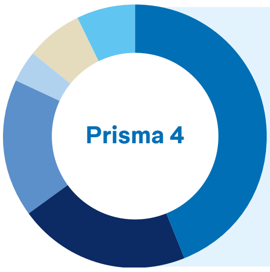


Equities 72% · Property 5% · Gov Bonds 6% · Alternatives 12% · Corp Bonds 5%

Year to date	Annualised 1 Year	3 Years	5 Years	10 Years
16.6%	24.6%	7.3%	10.7%	9.6%

Mid Growth Stage

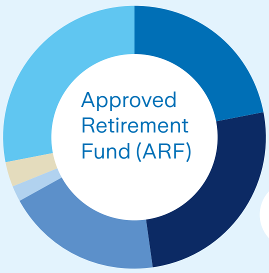
- Performed well due to allocation and selection within equities.
- Returned 2.5% over the third quarter.
- Gold performed positively in Q3, reaching new highs in September.



Equities 44% · Property 4% · Gov Bonds 21% · Alternatives 7% · Corp Bonds 17% · Cash 7%

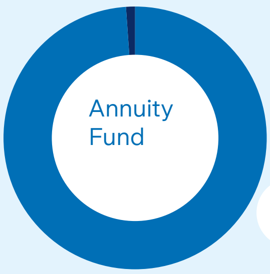
Year to date	Annualised 1 Year	3 Years	5 Years	10 Years
10.9%	17.7%	4.7%	7.1%	6.7%

Retirement Planning Stage



ARF fund is the Prisma 3 fund.

Equities 22% · Property 2% · Gov Bonds 26% · Alternatives 3% · Corp Bonds 19% · Cash 28%



Annuity fund is the Long Bond fund.

Bonds 99% · Cash 1%

Cash 100%

Performance data: FE fundinfo as at 01/10/2024.

Annual management charges (AMC) apply. The fund returns are based on an investment in the funds and do not represent the returns achieved by individual policies linked to the funds. These fund returns may be before the full AMC is applied to a policy. The actual returns on policies linked to the specified fund will be lower because of the effects of charges and in some cases a higher management charge.

*Source: Zurich Life as at 30/09/2024. Due to rounding some totals might not equal 100%.

Each stage is personalised. For further information please see individual fund pages on zurich.ie.

Personalised GuidePath

Personalised GuidePath is an innovative investment strategy that provides greater flexibility, catering for different risk profiles and retirement benefit plans.

Personalised GuidePath makes your investment choices clearer and smarter. It allows you to **personalise it in three ways** to suit your needs.

1 Personalised risk preference

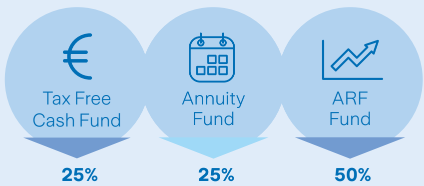
By answering some simple questions you can understand your preferred level of risk from Low to High.

Once you have your risk profile, you can then adjust your investment strategy to match. This can be done online in a few easy steps.

2 Personalised retirement planning stage

It is likely that many customers will want to use their accumulated pension fund in different ways depending on their personal preferences.

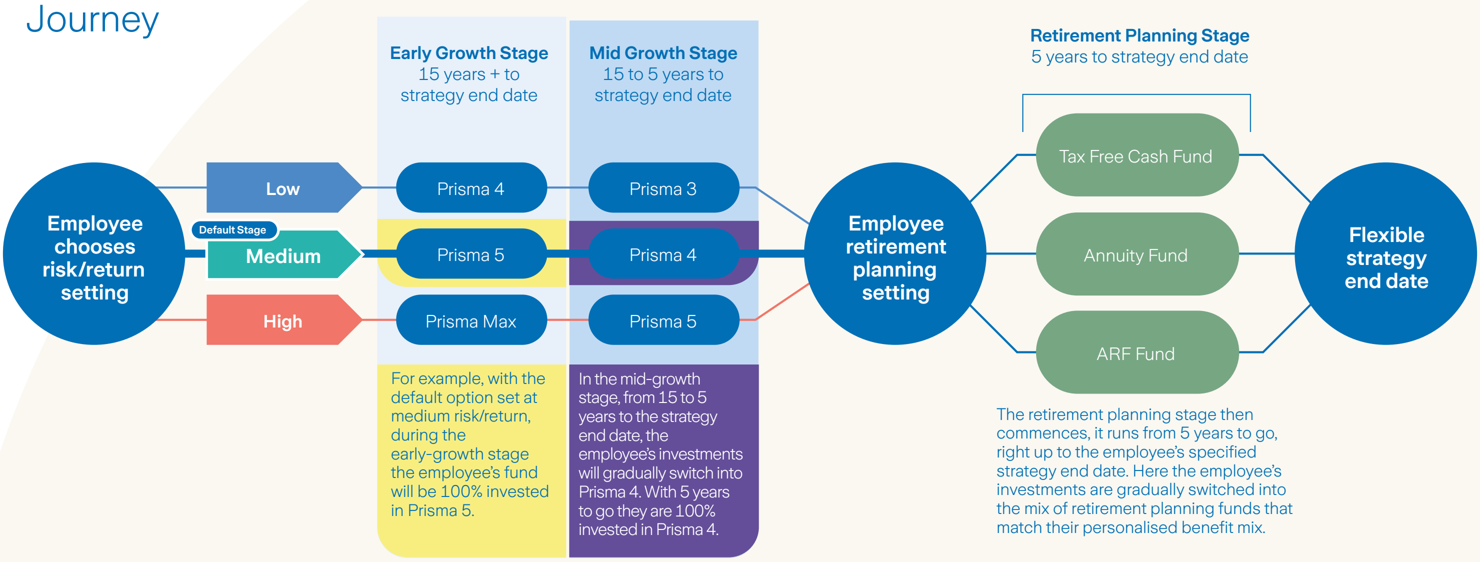
There is no formula to predict what benefit mix an individual will choose at retirement – but with the right education and tools at your disposal, Personalised GuidePath makes the decision easy for you.



3 Personalised strategy end date

If you are planning on retiring early or late, Personalised GuidePath gives you the flexibility to adjust your 'strategy end date' at any stage over the course of your working life. This means your pension will de-risk to the date you are actually planning to take your benefits, regardless of whether it's earlier or later than your normal retirement date.

The GuidePath Journey



Boost your retirement with Additional Voluntary Contributions (AVCs)

AVCs are a great way to enhance your retirement income. They are extra contributions you make alongside your existing company pension plan to help increase the value of your final pension fund.

You can make AVCs in two ways:

1. A monthly contribution

Decide a monthly amount, either a percentage of your salary or a set amount. Then simply inform your HR department how much of an AVC you wish to make. They will apply the deduction, give you tax relief at source and transfer the AVC to Zurich.

AVCs will be invested in your current fund selection unless you direct Zurich to invest in alternative funds. You can advise how you wish your AVC to be invested by sending an instruction to the dedicated admin team.

Email: escashiers@zurich.com

2. A once off payment

You can make a once off payment to Zurich directly and then apply to Revenue for your tax back. You should note that the granting of tax relief is at the discretion of your local Inspector of Taxes and is not guaranteed.

If you wish to make a once off AVC payment you can make the payment by electronic transfer. Please include your member reference number on the bank reference.

IBAN: IE76CITI99005100101141 and BIC: CITIIE2XXXX.

After you make the transfer, email your dedicated Zurich administration team and ecashiers@zurich.com, including the member reference, scheme details, and the amount paid. AVCs will be invested in your current fund selection unless you direct Zurich to invest in alternative funds.

On receipt of your AVC, Zurich will issue your documentation.

Please note: A tax return should be completed in order to receive tax relief – this is very easy and is all done online through your 'MyAccount' facility on revenue.ie.

What's the maximum amount you can personally contribute to your pension for tax relief purposes?

Try the Maximum Pension Contribution Calculator

To find out more speak to your Scheme Advisor or visit Zurich.ie for lots of useful information.

For more information

Name: Zurich Corporate Life and Pensions Team

Phone: 01 209 2299

Email: customerservices@zurich.com

Visit: zurichcorporate.ie

Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: Benefits may be affected by changes in currency exchange rates.
Warning: If you invest in this fund you may lose some or all of the money you invest.
Warning: The income you get from this investment may go down as well as up.

The information below applies to all graphs and the preceding pages:

Source: MSCI November 2024. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

Source: ICE Data Indices November 2024. ICE Data Indices, LLC ("ICE DATA"), is used with permission. ICE DATA, ITS AFFILIATES AND THEIR RESPECTIVE THIRD PARTY SUPPLIERS DISCLAIM ANY AND ALL WARRANTIES AND REPRESENTATIONS, EXPRESS AND/OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, INCLUDING THE INDICES, INDEX DATA AND ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM. NEITHER ICE DATA, ITS AFFILIATES NOR THEIR RESPECTIVE THIRD PARTY PROVIDERS SHALL BE SUBJECT TO ANY DAMAGES OR LIABILITY WITH RESPECT TO THE ADEQUACY, ACCURACY, TIMELINESS OR COMPLETENESS OF THE INDICES OR THE INDEX DATA OR ANY COMPONENT THEREOF, AND THE INDICES AND INDEX DATA AND ALL COMPONENTS THEREOF ARE PROVIDED ON AN "AS IS" BASIS AND YOUR USE IS AT YOUR OWN RISK. ICE DATA, ITS AFFILIATES AND THEIR RESPECTIVE THIRD PARTY SUPPLIERS DO NOT SPONSOR, ENDORSE, OR RECOMMEND ZURICH LIFE ASSURANCE PLC, OR ANY OF ITS PRODUCTS OR SERVICES.

This does not constitute an offer and should not be taken as a recommendation from Zurich Life. Advice should always be sought from an appropriately qualified professional.

Zurich Life Assurance plc
Zurich House, Frascati Road, Blackrock, Co. Dublin, A94 X9Y3, Ireland.
Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurich.ie

Zurich Life Assurance plc is regulated by the Central Bank of Ireland.

The information contained herein is based on Zurich Life's understanding of current Revenue practice as at November 2024 and may change in the future.

Intended for distribution within the Republic of Ireland.

GR: 9054 Print Ref: ZL ISA 8305 1124

ZURICH®