

# The LCP Monthly Brief – June 2025

## Investment Update

### Equities

Global equities rose by 3.9% (in local currency terms) in June, with Eurozone markets falling by 0.6% and North America rising by 1.6% (in EUR terms) over the month. The US dollar weakened against the Euro over the month, negatively impacting the returns on unhedged US assets.

European equities experienced a small pullback in June, driven by renewed U.S. trade tensions and the prospect of EU retaliatory tariffs. Softer German inflation data supported expectations of further ECB monetary easing, providing some relief.

U.S. equity markets posted strong gains in June, with major indices approaching record highs. The rally was fuelled by robust earnings from tech and AI-driven companies, easing inflation pressures, and growing optimism around potential Federal Reserve rate cuts. Markets were largely unphased by geopolitical tensions in the Middle East and uncertainty around U.S. trade policy.

### Bonds

The European Central Bank once again lowered its deposit rate by 0.25% to 2.0%. This was the eight consecutive cut over the past 12 months. In contrast, the Federal Reserve continued their cautious approach, holding interest rates steady as they assess the potential effects of tariffs on inflation.

Core Euro bond prices fell in June with long-dated core Eurozone bonds down by circa 1.1% over the month. The yield on the AAA Eurozone 15+ Year Index rose, finishing the month up at 3.1% p.a. Prices fell by 0.5% on the Euro Broad Sovereign 10+ Year Index, with its yield finishing up at 3.6% p.a. by the end of June.

### Annuity Prices

Annuity prices experienced a general fall in June as bond prices fell.

### Sample DB Scheme

The funding level of our sample DB scheme remained at c.104% in June (calculated using a Funding Standard proxy).

### Sample DC Schemes

Our High Risk and Medium Risk DC strategies posted positive returns over the month while the Pension Purchase DC strategy experienced a fall.

All returns are in € terms	Jun' 25 %	3 Months %	YTD %	1 Year %	3 Years % pa	5 Years % pa	10 Years % pa
<b>Equities</b>							
FTSE World	1.1	3.2	-2.5	6.7	14.2	13.9	10.4
FTSE World (€ Hedged)	3.9	9.4	7.4	14.3	17.4	14.4	10.9
FTSE Eurozone	-0.6	5.9	14.2	15.9	17.5	13.1	7.8
FTSE World ex Eurozone	1.3	3.0	-3.9	5.9	13.8	14.0	10.7
FTSE North America	1.6	2.6	-5.7	6.4	15.3	15.4	12.8
FTSE Emerging Markets	1.3	1.0	-1.0	6.6	6.3	7.2	4.9
<b>Bonds</b>							
Euro Sovereign AAA (15+ yr)	-1.1	1.3	-6.1	-2.8	-5.4	-9.4	-1.6
Euro Broad Sovereign (10+ yr)	-0.5	2.6	-2.2	2.8	-1.7	-6.3	0.0
Euro Inflation Linked	-0.1	0.4	0.1	1.9	-2.2	-2.2	-0.5
Euro Corporate (5+ yr)	0.2	2.2	1.3	6.1	4.4	-0.7	1.4
<b>Other</b>							
Commodities	4.5	-2.8	1.9	0.3	-0.4	17.7	1.5
Fund of Hedge Funds	1.4	0.6	3.0	6.5	5.9	7.8	4.4
€/£	3.7	8.8	13.7	9.8	3.9	0.9	0.5
£/€	1.7	2.4	3.8	1.2	-0.1	-1.1	1.9

Bond Index Yields	May' 25 %	Jun' 25 %	Change %
iBoxx Euro Sovereign AAA (15+ yr)	2.97	3.05	+0.08
iBoxx Euro Broad Sovereign (10+ yr)	3.51	3.58	+0.07
iBoxx Euro Corporates (5+ yr)	3.54	3.58	+0.03

	Cost of a €10k Pension	Jun-25 %	3 months %	Change in annuity prices				
				YTD %	1 year %	3 year %	5 year %	10 Year %
Annuity cost - 65 year old; no increases	€179k	-0.8%	0.2%	-2.8%	-1.6%	-10.1%	-31.2%	-16.4%
Annuity cost - 65 year old; 2% increases	€226k	-0.9%	0.2%	-3.2%	-1.8%	-11.4%	-34.6%	-18.2%
Annuity cost - 65 year old; CPI max 4%	€252k	-1.0%	0.3%	-3.3%	-1.9%	-11.8%	-33.7%	-18.8%

Sample Pension Schemes	Jun-25 %	3 Months %	Year to Date %	1 Year %	3 Years % pa	5 Years % pa
<b>DB Schemes</b>						
Assets	0.2	2.4	-4.0	2.5	4.7	2.6
Liabilities	0.1	1.6	0.9	4.3	3.2	1.1
Change in Funding Level	0.1	0.8	-4.9	-1.8	1.4	1.5
<b>DC Schemes</b>						
High Risk Strategy	1.5	3.2	-2.5	5.1	9.3	8.5
Medium Risk Strategy	0.6	2.6	-3.2	2.9	5.2	3.4
Pension Purchase Strategy	-0.8	1.2	-3.0	-1.3	-3.4	-6.7

# The LCP Monthly Brief – Q2 2025

## Investment Update

### Background

In the second quarter of 2025, global equity markets gained momentum, rising by 9.4% (in local currency terms). Non-hedged investors experienced a rise of 3.2% over the quarter in Euro terms as the U.S. dollar weakened over the period.

Global markets experienced significant volatility over the quarter, influenced by shifting trade dynamics, geopolitical risks and evolving monetary policy expectations.

European equities outperformed global peers, driven by steady economic growth, subdued inflation, easing trade tensions and a notable shift away from American assets amid rising fiscal concerns. U.S. equities posted strong gains with major indices reaching record highs driven by robust gains in the technology sector, easing trade tensions, and expectations of Federal Reserve rate cuts. U.S. Treasury yields fluctuated but ended the quarter modestly higher, with the curve steepening amid concerns over increased federal debt from recent legislation.

### Equity Performance

**April:** Global equity markets fell by 0.3% (in local currency terms) in April, while Eurozone markets rose by 0.4% over the month.

European markets outperformed global peers in April, supported by steady GDP growth and low inflation. However, economic recovery slowed as German manufacturing gains were offset by a services downturn, notably in France. In contrast, U.S. equities fell sharply amid renewed trade tensions and a 10% import tariff from the Trump administration that sparked fears of economic contraction. Despite rate cut expectations, the Fed held rates steady, citing inflation risks, while the dollar weakened, further denting investor sentiment.

**May:** Global equity markets rose by 5.7% (in local currency terms) in May, while Eurozone markets rose by 6.1% over the month.

Equity markets rebounded in May, recovering losses from the tariff-driven sell-off. European gains were supported by easing trade tensions and a shift away from U.S. assets amid fiscal concerns. U.S. equities also rose, led by strong tech earnings and improved investor confidence amid signs of policy moderation. The dollar stabilised, aiding overall market sentiment. A 90-day truce between the U.S. and China saw both sides significantly reduce tariffs.

**June:** Global equities rose by 3.9% (in local currency terms) in June, with Eurozone markets falling by 0.6% over the month.

European equities edged lower in June, driven by renewed U.S. trade tensions. Softer German inflation data reinforced expectations of further ECB monetary easing. Overall, muted returns reflected cautious investor positioning amid rising geopolitical and policy uncertainties. Meanwhile, U.S. equity markets posted strong gains. The rally was driven by robust corporate earnings, easing inflationary pressures, and growing optimism around potential Federal Reserve rate cuts. Despite ongoing geopolitical tensions and trade policy uncertainties, investor sentiment remained resilient, supported by improving market fundamentals.

### Bond Performance

**April:** The ECB cut interest rates by a further 0.25% this month to 2.25%, with President Lagarde warning of increased downside risks to economic growth, fuelling expectations of further future cuts. In the U.S., government bond yields rose as investors priced in geopolitical risks and inflation pressures from tariffs.

Euro bond prices rose over April with long-dated core Eurozone bonds up by circa 3.9% over the month with the yield on the AAA Eurozone 15+ Year Index finishing the month down at 2.9% p.a. Prices rose by 3.1% on the Euro Broad Sovereign 10+ Year Index, with its yield finishing the month down at 3.5% p.a..

**May:** President Lagarde reiterated the Central Bank's commitment to supporting growth as inflation continues to drift closer to target, increasing the likelihood of another rate cut at their next meeting from 2.25%. In the U.S., bond yields rose amid market concerns over the newly approved spending bill by the House.

Core Euro bond prices declined in May, with long-dated core Eurozone bonds falling by approximately 1.3% over the month. The yield on the AAA Eurozone 15+ Year Index rose, ending the month at 3.0% p.a. Prices remained broadly the same on the Euro Broad Sovereign 10+ Year Index, with its yield finishing the month at 3.5% p.a..

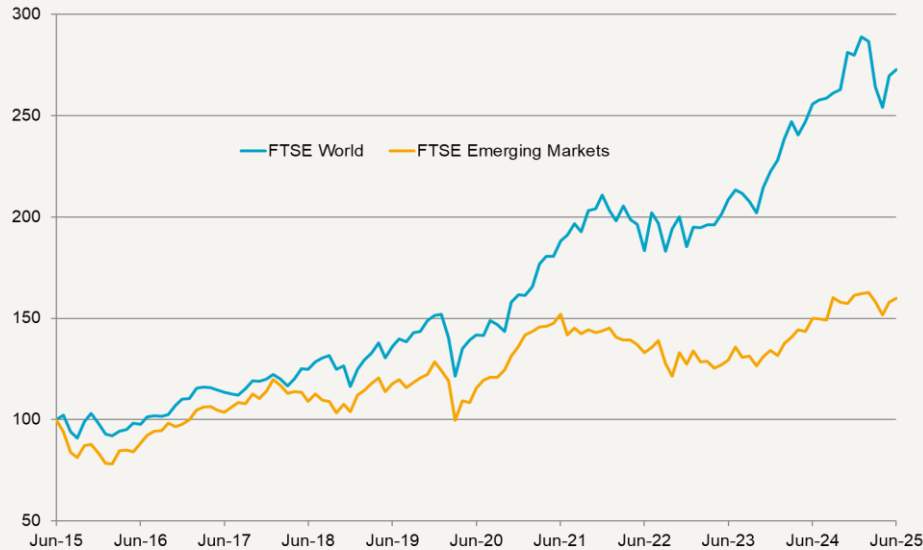
**June:** The European Central Bank once again lowered its deposit rate by 0.25% to 2.0%. This was the eighth consecutive cut over the past 12 months. In contrast, the Federal Reserve held interest rates steady amid tariff concerns.

Core Euro bond prices fell in June with long-dated core Eurozone bonds down by circa 1.1% over the month. The yield on the AAA Eurozone 15+ Year Index rose, finishing the month up at 3.1% p.a. Prices fell by 0.5% on the Euro Broad Sovereign 10+ Year Index, with its yield finishing up at 3.6% p.a.

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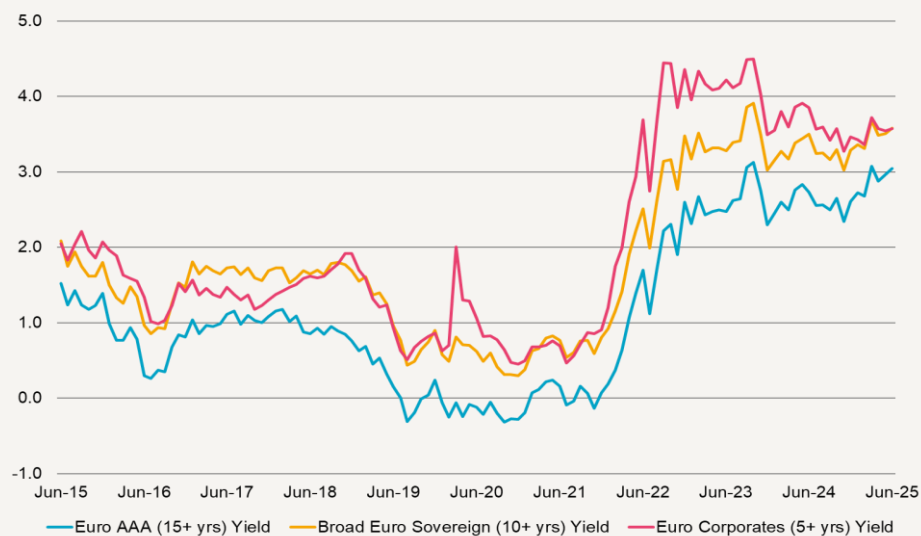
*Equity Market Performance*



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



*Historical Bond Yields*



*Sample DC Scheme Performance*



# The LCP Monthly Brief – June 2025

## Investment Update



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## Practical steps for implementing your DB Investment Strategy

### Event Details

📅 Date

16 July 2025

🕒 Time

2p.m.

📍 Location

Webinar

[Register here](#)



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