

The LCP Monthly Brief – December 2025

Investment Update

Equities

Global equities rose by 0.8% (in local currency terms) in December, with Eurozone markets rising by 2.5% and North America falling by -1.1% (in EUR terms). The U.S. dollar weakened against the Euro over the month.

European equities posted positive gains in December, supported by defensive sectors, with market indices closing the year close to record highs.

U.S. equity markets performance was muted in December, with stocks, marginally down over the final month. Geopolitical risks intensified after the U.S. imposed a blockade on Venezuelan oil tankers mid-month, sparking further volatility in commodities & energy stocks. The Federal Reserve implemented a 25-basis-point rate cut at its December meeting, albeit with a "hawkish cut" tone and signs of division among policymakers.

Bonds

The ECB confirmed market expectations by keeping rates unchanged at its December meeting, with the Governing Council affirming a "data-dependent, meeting-by-meeting" approach, amid persistent uncertainty surrounding inflation and geopolitical dynamics. ECB president, Christine Lagarde warned that the inflation outlook for 2026 was "more uncertain than usual" given the highly volatile global environment.

Core Euro government bond prices fell in December with the Euro Sovereign AAA 15+ year and Euro Broad Sovereign 10+ Year Indices down -2.3% and -1.5% respectively over the month.

Annuity Prices

Annuity prices fell in December as bond prices fell.

Sample DB Scheme

The sample DB scheme's funding level slipped to c.106% during the month, reflecting a decline in asset values (calculated using a Funding Standard proxy).

Sample DC Schemes

Our High Risk strategy posted positive gains over December. In contrast, our Medium Risk & Pension Purchase DC strategies experienced negative returns over the month.

All returns are in € terms	Dec' 25	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% pa	% pa	% pa
Equities							
FTSE World	0.0	3.8	8.9	8.9	18.0	13.4	11.8
FTSE World (€ Hedged)	0.8	3.8	20.5	20.5	21.0	12.8	12.5
FTSE Eurozone	2.5	5.2	25.4	25.4	18.4	12.4	9.1
FTSE World ex Eurozone	-0.2	3.7	7.5	7.5	18.0	13.6	12.1
FTSE North America	-1.1	2.6	4.6	4.6	19.4	14.9	13.8
FTSE Emerging Markets	0.4	1.9	11.5	11.5	12.2	6.2	8.1
Bonds							
Euro Sovereign AAA (15+ yr)	-2.3	-2.5	-10.7	-10.7	-2.1	-10.8	-2.4
Euro Broad Sovereign (10+ yr)	-1.5	-0.2	-3.7	-3.7	2.1	-7.7	-0.6
Euro Inflation Linked	-1.0	-0.1	-0.8	-0.8	0.3	-3.5	-0.7
Euro Corporate (5+ yr)	-0.5	-0.1	2.4	2.4	5.8	-1.6	1.4
Other							
Commodities	-0.3	1.0	7.1	7.1	3.9	14.6	6.1
Fund of Hedge Funds*	1.3	2.5	9.5	9.4	8.4	7.6	5.4
Euro Cash Fund	0.2	0.3	0.5	2.1	2.1	3.0	1.5
€/\$	1.2	-0.2	13.4	13.4	3.1	-0.8	0.8
€/£	-0.5	-0.1	5.5	5.5	-0.5	-0.5	1.7

Bond Index Yields	Nov' 25	Dec' 25	Change
	%	%	%
iBoxx Euro Sovereign AAA (15+ yr)	3.29	3.44	0.15
iBoxx Euro Broad Sovereign (10+ yr)	3.70	3.83	0.14
iBoxx Euro Corporates (5+ yr)	3.61	3.74	0.13

	Cost of a €10k Pension	Dec-25 %	3 months %	Change in annuity prices				
				YTD %	1 year %	3 year %	5 year %	10 Year %
Annuity cost - 65 year old; no increases	€171k	-1.4%	-2.1%	-7.1%	-7.1%	-6.6%	-36.6%	-20.9%
Annuity cost - 65 year old; 2% increases	€215k	-1.6%	-2.3%	-8.0%	-8.0%	-7.4%	-40.4%	-23.3%
Annuity cost - 65 year old; CPI max 4%	€239k	-1.7%	-2.4%	-8.3%	-8.3%	-7.7%	-39.8%	-24.1%

Sample Pension Schemes	Dec-25	3 Months	Year to Date	1 Year	3 Years	5 Years
	%	%	%	%	% pa	% pa
DB Schemes						
Assets	-0.8	1.0	-0.4	0.5	7.8	1.8
Liabilities	-0.1	0.7	2.3	2.2	4.5	0.7
Change in Funding Level	-0.7	0.3	-2.6	-1.7	3.2	1.0
DC Schemes						
High Risk Strategy	0.4	3.2	6.1	8.7	12.1	8.2
Medium Risk Strategy	-0.5	1.4	1.2	2.4	8.1	2.7
Pension Purchase Strategy	-1.7	-1.8	-6.3	-7.5	-0.9	-7.8

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

* Fund performance is 1-month in arrears

The LCP Quarterly Brief – Q4 2025

Investment Update

Background

In the fourth quarter of 2025, global equity markets extended their gains, rising by 3.8% (in local currency terms). Non-hedged investors also experienced a rise of 3.8% over the quarter in Euro terms.

Global markets remained resilient over the quarter through ongoing geopolitical risks and elevated fiscal uncertainty. While political tensions and trade uncertainty continued to weigh on sentiment at times, markets were supported by solid corporate earnings, contained volatility, and inflation continuing to trend closer to central bank targets.

Eurozone markets outperformed global peers, benefiting from resilient corporate earnings, growing investor confidence and expectations of steady ECB policy. US equities (in Euro terms) posted modest gains despite underperforming its global peers over the quarter. Gains were supported by strong performance from large-cap stocks over the period. European yields edged higher over the quarter.

Equity Performance

October: Global equities rose by 2.8% (in local currency terms) in October, with Eurozone markets rising by 2.3% over the month.

European equities advanced in October, supported by expectations of steady ECB policy and stronger business activity. Sentiment remained constrained by political uncertainty in France, fiscal challenges, and persistent global trade tensions. US equity markets extended their gains in October. The momentum was fuelled by the Federal Reserve's late-month rate cut and the one-year trade truce agreed between the US and China.

November: Global equities rose slightly by 0.1% (in local currency terms) in November, with Eurozone markets rising by 0.3% over the month.

European equities posted a modest gain in November, supported by attractive valuations relative to the U.S. market. Investor sentiment remained subdued amid mixed macro signals and expectations that the ECB would hold rates steady in December. U.S. equity markets were volatile in November, with early losses reversing after a late-month rally, due to optimism around resilient earnings.

December: Global equities rose by 0.8% (in local currency terms) in December, with Eurozone markets rising by 2.5% over the month.

European equities rose in December, with positive returns by defensive sectors, closing the year close to record highs. U.S. equity markets performance was muted in December, with stocks marginally down over the final month.

Bond Performance

October: The ECB kept rates steady in October, while the US Fed cut rates by 25 basis points to below 4%, with Chair Jerome Powell stating that there are "strongly different views about how to proceed in December" underscoring uncertainty about the next steps. Fitch downgraded France's credit rating in September, followed by S&P making an unscheduled announcement also downgrading France's rating amid concerns over public finances and political instability.

Core Euro government bond prices rose in October with the Euro Sovereign AAA 15+ year and Euro Broad Sovereign 10+ Year Indices up 1.3% and 1.7% respectively over the month.

November: The ECB maintained its pause, signalling policy was "in a good place" with inflation slightly above 2%, reinforcing expectations of no rate change in December. U.S. yields declined as markets priced in a strong likelihood of another Fed rate cut by year-end, prompted by softer labour market data. Eurozone government bonds came under pressure late in the month as yields rose sharply amid a global sell-off triggered by surging Japanese bond yields.

Core Euro government bond prices fell in November with the Euro Sovereign AAA 15+ year and Euro Broad Sovereign 10+ Year Indices down -1.5% and -0.4% respectively over the month.

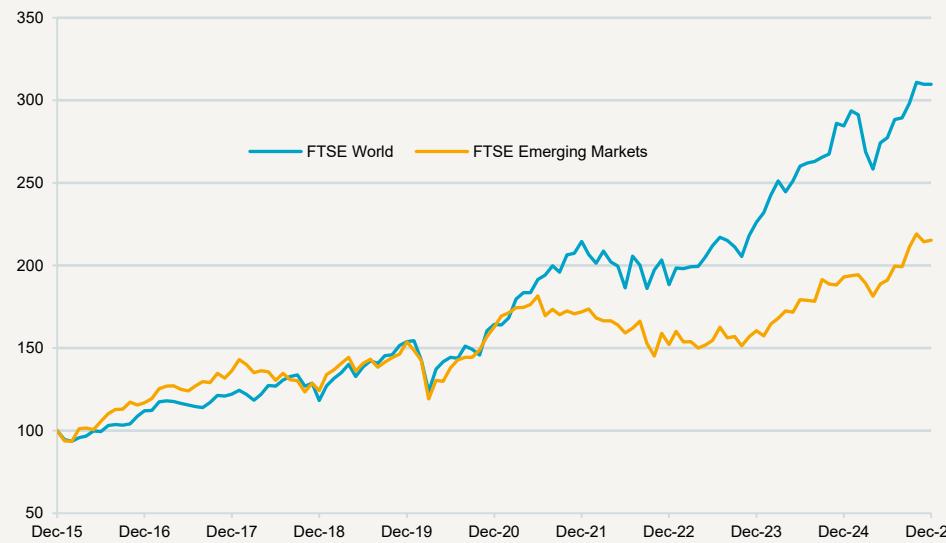
December: The ECB held interest rates steady for a fourth straight month, amid ongoing global economic uncertainty. In contrast, the Federal Reserve implemented a 25-basis-point rate cut at its December meeting.

Core Euro government bond prices fell in December with the Euro Sovereign AAA 15+ year and Euro Broad Sovereign 10+ Year Indices down -2.3% and -1.5% respectively over the month.

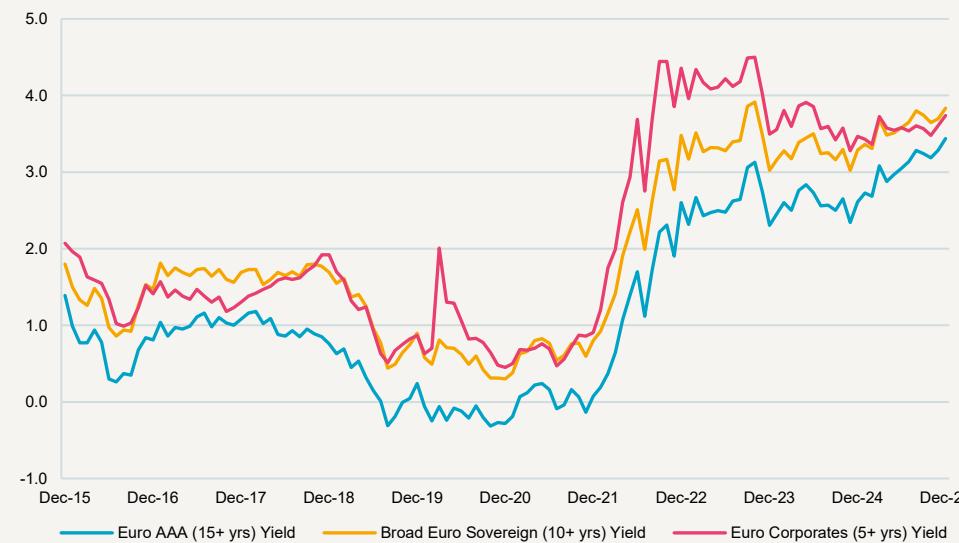
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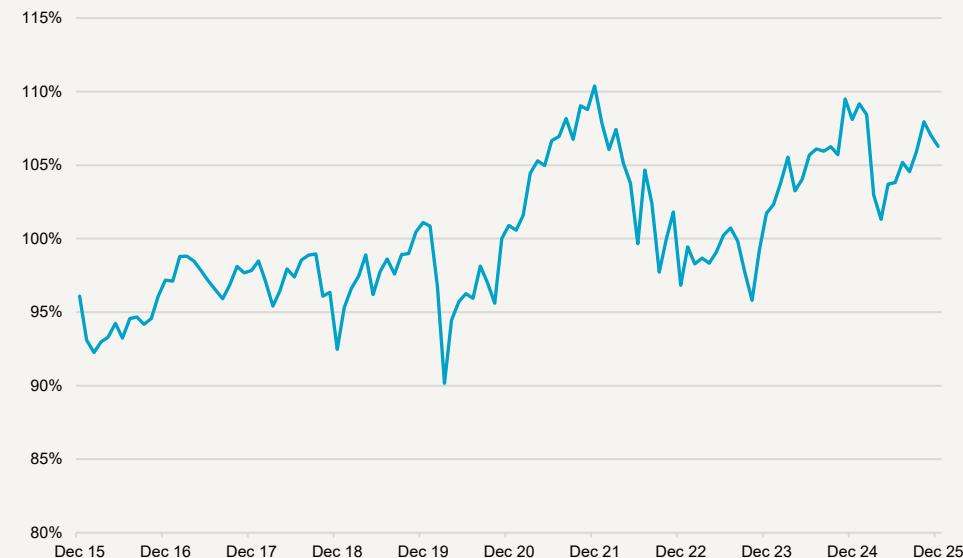
Equity Market Performance



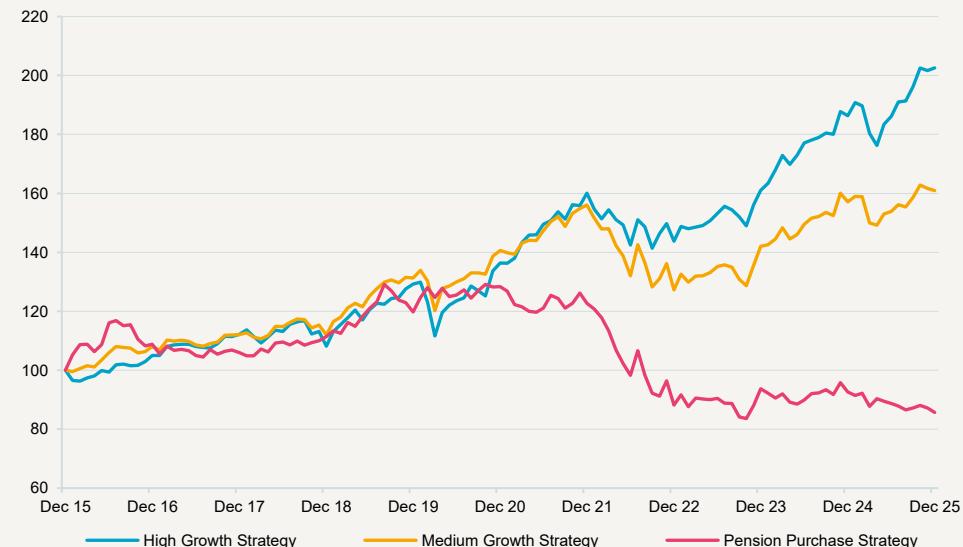
Historical Bond Yields



Sample DB Funding Level Progression (MFS Proxy Basis)



Sample DC Scheme Performance



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