

# The LCP Monthly Brief – February 2025

## Investment Update

### Equities

Global equity markets fell by 0.8% (in local currency terms) in February, while Eurozone markets rose by 3.4% over the month.

Eurozone equities outperformed global markets in February, with European stocks rallying on hopes that increased defence spending and an end to the war in Ukraine could stimulate growth.

In contrast, US markets experienced a notable downturn due to concerns over President Trump's new tariffs on imports, particularly from Canada and Mexico, creating uncertainty and heightened inflation concerns. Fears that the new tariffs could start a trade war between the US and its near neighbours contributed to the market decline.

### Bonds

The Eurozone annual inflation rate fell slightly to 2.4% in February, primarily driven by lower energy prices and a modest decline in service costs. ECB policymakers remain cautious with the pace and magnitude of further rate cuts, with ECB President Lagarde emphasizing that incoming data will continue to inform future rate cuts.

Bond yields fell slightly over February with long-dated core Eurozone bond prices rising by circa 0.9% over the month with the yield on the AAA Eurozone 15+ Year Index finishing the month at 2.7% p.a. Prices also rose by 0.9% on the Euro Broad Sovereign 10+ Year Index, with its yield finishing at 3.3% by the end of February.

### Annuity Prices

Annuity prices experienced a rise in February as bond yields fell. All annuity rates are 5-year guarantee and single life.

### Sample DB Scheme

The funding level of our sample DB scheme fell to 108%, with its liabilities rising by more than its assets (calculated using a Funding Standard proxy) over February.

### Sample DC Schemes

Our High Risk, Medium Risk DC strategies posted negative returns, while our Pension Purchase DC strategy experienced an increase over the month.

All returns are in € terms	Feb' 25 %	3 Months %	YTD %	1 Year %	3 Years % pa	5 Years % pa	10 Years % pa
<b>Equities</b>							
FTSE World	-0.8	1.9	2.4	20.7	13.1	15.3	10.9
FTSE World (€ Hedged)	-0.8	0.9	2.4	17.0	11.2	14.1	10.3
FTSE Eurozone	3.4	12.7	11.1	16.3	12.2	11.9	7.3
FTSE World ex Eurozone	-1.1	1.0	1.7	21.1	13.2	15.6	11.3
FTSE North America	-1.5	0.5	1.2	24.2	15.1	17.8	13.5
FTSE Emerging Markets	0.3	3.3	0.8	18.6	4.9	6.9	5.2
<b>Bonds</b>							
Euro Sovereign AAA (15+ yr)	0.9	-5.3	-0.9	2.2	-11.2	-8.9	-2.1
Euro Broad Sovereign (10+ yr)	0.9	-3.2	0.2	4.0	-7.3	-6.2	-0.8
Euro Inflation Linked	-0.1	-1.3	0.7	0.1	-5.4	-2.6	-0.9
Euro Corporate (5+ yr)	0.8	0.4	1.3	7.4	-0.3	-1.3	0.9
<b>Other</b>							
Commodities	-1.3	5.3	1.9	5.7	3.4	12.0	1.6
Fund of Hedge Funds	2.2	3.9	2.2	10.7	6.5	6.7	4.6
€/£	0.1	-1.9	0.3	-4.3	-2.5	-1.2	-0.8
€/€	-1.3	-0.7	-0.2	-3.6	-0.5	-0.8	1.3

Bond Index Yields	Jan' 25 %	Feb' 25 %	Change %
iBoxx Euro Sovereign AAA (15+ yr)	2.73	2.68	-0.04
iBoxx Euro Broad Sovereign (10+ yr)	3.36	3.31	-0.05
iBoxx Euro Corporates (5+ yr)	3.43	3.36	-0.07

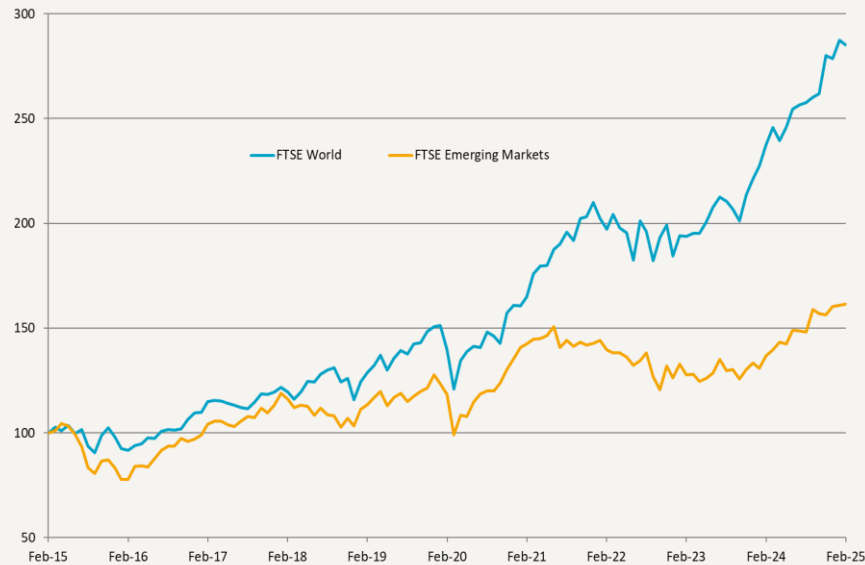
	Cost of a €10k Pension	Feb-25 %	3 months %	Change in annuity prices YTD %	1 year %	3 year %	5 year %	10 Year %
Annuity cost - 65 year old; no increases	€183k	1.8%	-3.3%	-0.4%	0.3%	-24.5%	-30.8%	-20.5%
Annuity cost - 65 year old; 2% increases	€232k	2.1%	-3.7%	-0.5%	0.3%	-27.4%	-34.2%	-22.8%
Annuity cost - 65 year old; CPI max 4%	€259k	2.2%	-3.9%	-0.5%	0.3%	-26.2%	-33.3%	-23.6%

Sample Pension Schemes	Feb-25 %	3 Months %	Year to Date %	1 Year %	3 Years % pa	5 Years % pa
<b>DB Schemes</b>						
Assets	0.0	-1.2	0.9	10.0	1.4	3.4
Liabilities	0.7	-0.3	0.6	5.4	0.7	1.1
Change in Funding Level	-0.7	-1.0	0.3	4.4	0.7	2.3
<b>DC Schemes</b>						
High Risk Strategy	-0.6	1.1	1.8	12.9	7.8	9.0
Medium Risk Strategy	-0.1	-0.8	1.0	9.9	2.4	4.0
Pension Purchase Strategy	0.8	-3.8	-0.5	1.8	-7.9	-6.4

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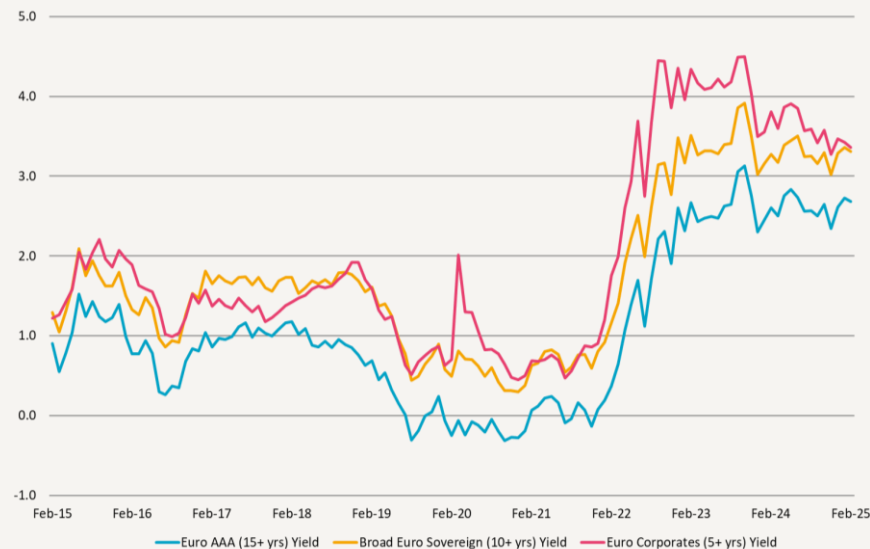
*Equity Market Performance*



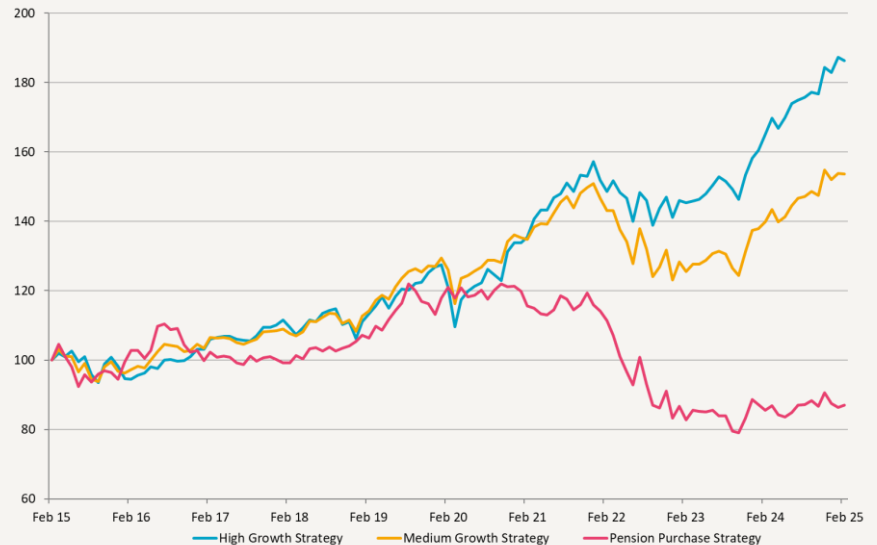
*Sample DB Funding Level Progression (MFS Proxy Basis)*



*Historical Bond Yields*



*Sample DC Scheme Performance*



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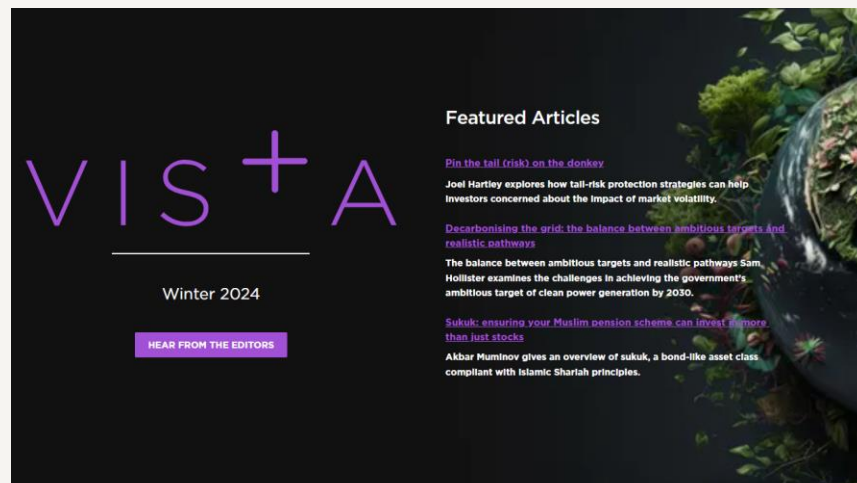
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