

The LCP Monthly Brief

March 2026 Investment Update

Equities

Global equities fell by -6.3% (in local currency terms) in March, with Eurozone markets falling by -8.5% and North America falling by -2.6% (in EUR terms). The U.S. dollar strengthened against the Euro over the month.

European equities suffered sharp losses in March, marking their largest monthly decline since 2022. The main headwind was the Middle East conflict and disruption around the Strait of Hormuz, which drove up oil and gas prices and renewed inflation concerns. Meanwhile, Eurozone PMI continued to rise in March, rising to 51.6 up from 50.8 in February.

Similarly, US equity markets weakened in March, although sentiment improved towards month-end amid speculation that tensions in the Middle East could de-escalate. The conflict contributed to the largest one-month rise in Brent crude oil prices on record. Overall, the month was dominated by geopolitical risk, higher energy prices and renewed inflation concerns.

Bonds

Eurozone inflation has jumped to 2.5% in March, up from 1.9% in February. The increase is largely due to the rise in energy prices. ECB President Christine Lagarde stated that the central bank would respond with interest rate hikes if necessary.

Global government bonds delivered weak returns in March as yields increased. Returns for the core Euro AAA 15+ Year and Euro Broad 10+ Year Indices were down -2.6% and -4.1% respectively for the month.

Sample DB Scheme

The sample DB scheme's funding level declined to c.105% during the month, reflecting a decline in asset values (calculated using a Funding Standard proxy).

Sample DC Schemes

Our High Risk, Medium Risk & Pension Purchase DC strategies all experienced negative returns over the month with both equities and bonds down.

All returns are in € terms	Mar' 26	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% pa	% pa	% pa
Equities							
FTSE World	-4.9	-0.8	-0.8	14.4	15.5	11.3	12.2
FTSE World (€ Hedged)	-6.3	-2.4	-2.4	19.8	17.4	10.9	12.4
FTSE Eurozone	-8.5	-2.5	-2.5	13.4	13.0	9.9	9.6
FTSE World ex Eurozone	-4.5	-0.6	-0.6	14.5	15.8	11.4	12.5
FTSE North America	-2.6	-2.5	-2.5	10.9	16.2	12.1	13.9
FTSE Emerging Markets	-8.0	-0.9	-0.9	12.8	11.5	4.5	7.9
Bonds							
Euro Sovereign AAA (15+ yr)	-2.6	0.8	0.8	-2.8	-3.0	-9.4	-3.4
Euro Broad Sovereign (10+ yr)	-4.1	-0.5	-0.5	0.6	0.6	-6.7	-1.5
Euro Inflation Linked	-0.5	2.3	2.3	1.7	-0.2	-3.2	-0.8
Euro Corporate (5+ yr)	-3.1	-1.3	-1.3	1.9	4.5	-1.6	0.9
Other							
Commodities	24.5	40.0	40.0	43.0	18.2	19.6	10.0
Fund of Hedge Funds*	2.3	5.0	5.0	12.2	32.4	43.1	82.9
Euro Cash Fund	0.1	0.5	0.5	1.9	2.9	1.7	0.5
€/\$	-2.3	-1.7	-1.7	6.7	2.1	-0.4	0.1
€/£	-0.4	0.1	0.1	4.2	-0.2	0.5	1.0

Bond Index Yields	Feb' 26	Mar' 26	Change
	%	%	%
iBoxx Euro Sovereign AAA (15+ yr)	3.27	3.44	0.17
iBoxx Euro Broad Sovereign (10+ yr)	3.60	3.93	0.33
iBoxx Euro Corporates (5+ yr)	3.56	4.09	0.53

Sample Pension Schemes	Mar-26	3 Months	Year to Date	1 Year	3 Years	5 Years
	%	%	%	%	% pa	% pa
DB Schemes						
Assets	-3.7	0.0	0.0	6.3	6.4	1.5
Liabilities	-0.3	1.4	1.4	4.5	4.2	1.4
Change in Funding Level	-3.5	-1.4	-1.4	1.8	2.0	0.1
DC Schemes						
High Risk Strategy	-4.9	-0.4	-0.4	11.9	10.8	7.1
Medium Risk Strategy	-3.9	0.0	0.0	7.3	6.8	2.4
Pension Purchase Strategy	-2.0	0.7	0.7	-1.6	-1.6	-6.6

The LCP Quarterly Brief – Q1 2026

Investment Update

Background

In the first quarter of 2026, global equity markets have experienced negative returns, falling by -2.4% (in local currency terms). Non-hedged investors also experienced a fall of -0.8% over the quarter in Euro terms, as the US dollar strengthened.

Global markets experienced increased volatility in Q1 2026, as a strong start to the year gave way to a broader risk-off move in March. While resilient corporate earnings initially supported sentiment, this was later overshadowed by an escalation in the Middle East conflict and the associated surge in energy prices. Rising inflationary pressures, with euro area inflation rising to 2.5% in March, led investors to scale back expectations for near-term rate cuts.

European equities weakened as fiscal uncertainty weighed on sentiment, while higher yields pressured government bonds. Eurozone inflation-linked bonds outperformed nominal sovereigns over the quarter, as they benefit from rising inflation expectations.

Equity Performance

January: Global equities rose by 2.5% (in local currency terms) in January, with Eurozone markets rising by 2.9% over the month.

European equities began the year strongly, delivering positive returns supported by resilient GDP and PMI data alongside easing inflation. US equities lagged as the rotation away from mega-cap technology continued, with volatility rising amid renewed geopolitical tensions and tariff concerns over Greenland.

February: Global equities rose by 1.6% (in local currency terms) in February, with Eurozone markets rising by 3.5% over the month.

European equities posted strong gains supported by solid corporate earnings and signs of economic stabilisation. In contrast, US equity markets exhibited a more mixed performance. The big tech stocks lagged, while value and non-tech cyclicals advanced.

March: Global equities fell by -6.3% (in local currency terms) in March, with Eurozone markets falling by -8.5% over the month.

The main drag was the Middle East conflict and disruption around the Strait of Hormuz, which drove up oil and gas prices and renewed inflation concerns. European equities had their largest monthly decline since 2022. US equities also weakened, though sentiment improved late in the month on hopes of de-escalation in the Middle East.

Bond Performance

January: Eurozone inflation eased to 1.7% in January, falling below the ECB's 2% target. The ECB left Eurozone interest rates unchanged, aligning with market expectations. In the US, a key development came at the end of the month, when President Trump nominated former Fed Reserve Governor, Kevin Warsh, to succeed Jerome Powell as Fed Chair. Markets reacted swiftly, triggering risk-off positioning due to Warsh's hawkish stance.

Euro Sovereign bond prices rose in January with the core Euro AAA 15+ Year and Euro Broad 10+ Year Indices up 0.2% and 1.0% respectively.

February: Eurozone inflation in January remained at 1.7% year on year. The European Central Bank expects headline inflation to remain below target for 2026 and 2027. At its February policy meeting, the ECB kept interest rates unchanged, in line with market expectations.

Euro Sovereign bond prices rose in February with the core Euro AAA 15+ Year and Euro Broad 10+ Year Indices up 3.3% and 2.8% respectively.

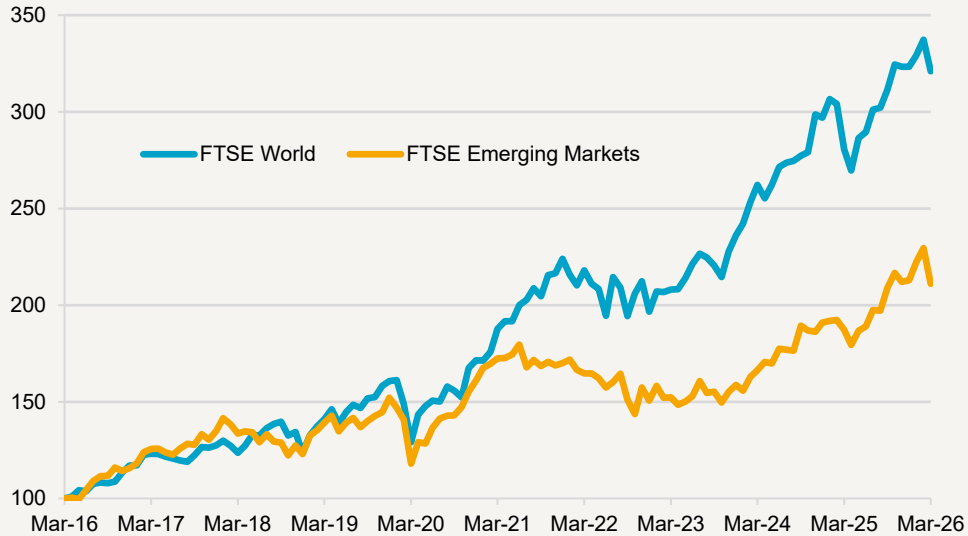
March: Eurozone inflation rose to 2.5% in March, up from 1.9% in February. The increase is largely due to the rise in energy prices. ECB President Christine Lagarde stated that the central bank would respond with interest rate hikes if necessary.

Euro Sovereign bond prices declined in March with the core Euro AAA 15+ Year and Euro Broad 10+ Year Indices down -2.6% and -4.1% respectively.

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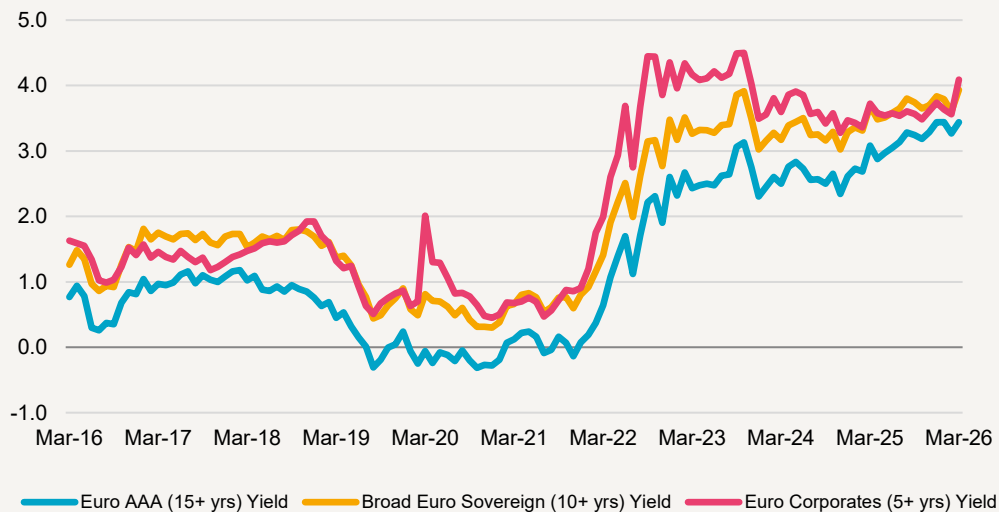
Equity Market Performance



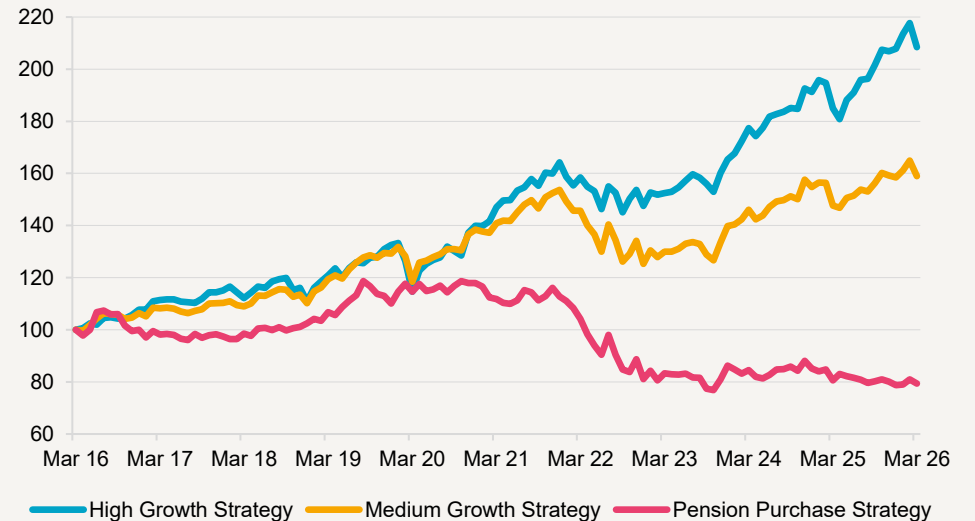
Sample DB Funding Level Progression (MFS Proxy Basis)



Historical Bond Yields



Sample DC Scheme Performance



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