

The LCP Monthly Brief – November 2024

Investment Update

Equities

Global equity markets rose by 4.0% (in local currency terms) in November, while Eurozone markets rose by 0.1% over the month.

Equities in the Eurozone relatively underperformed compared to global markets due to concerns over potential future U.S. trade policies along with disappointing earnings in key sectors, partly driven by weakened consumer demand in domestic markets and China.

US equities markets outperformed the global index driven by optimism around expected de-regulation and tax reforms under the second Trump administration following the US election results. This strong performance was further supported by strong Q3 earnings and favourable macroeconomic data, with notable gains in the financial and energy sectors.

Bonds

Eurozone annual rate of headline inflation reached 2.3% in November 2024. Despite sticky inflation numbers, markets continue to anticipate further rate cuts from the ECB due to weak demand in both France and Germany. German bonds underperformed due to political uncertainty following the government collapse, while French bonds faced pressure from ongoing budget concerns.

Bond yields fell over November with long-dated core Eurozone bond prices rising by circa 5.9% over the month with the yield on the AAA Eurozone 15+ Year Index finishing the month at 2.3% p.a. Prices rose by 4.3% on the Euro Broad Sovereign 10+ Year Index, with its yield finishing lower at 3.0% by the end of November.

Annuity Prices

Annuity prices experienced a rise in November 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 rose to 109%, with assets rising more than its liabilities (calculated using a Funding Standard proxy) over November.

Sample DC Schemes

Our High Risk, Medium Risk and Pension Purchase DC strategies posted positive returns over the month.

All returns are in € terms	Nov' 24	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% pa	% pa	% pa
Equities							
FTSE World	7.0	8.7	26.5	31.1	11.3	13.5	12.1
FTSE World (€ Hedged)	4.0	4.8	22.4	27.3	9.6	12.6	10.7
FTSE Eurozone	0.1	-2.1	8.9	12.3	6.3	7.4	7.3
FTSE World ex Eurozone	7.5	9.7	28.1	32.9	11.7	14.1	12.6
FTSE North America	9.2	12.7	33.9	38.5	13.3	16.6	14.9
FTSE Emerging Markets	-0.3	5.5	17.3	20.0	3.3	5.6	5.9
Bonds							
Euro Sovereign AAA (15+ yr)	5.9	4.8	1.7	10.3	-12.3	-6.9	-0.5
Euro Broad Sovereign (10+ yr)	4.3	4.4	3.6	11.2	-9.1	-4.7	0.6
Euro Inflation Linked	2.0	2.5	0.3	3.0	-5.8	-2.2	-0.3
Euro Corporate (5+ yr)	2.4	3.2	5.2	9.7	-2.6	-1.1	1.2
Other							
Commodities	0.1	0.4	5.8	2.3	11.1	7.9	-0.6
Fund of Hedge Funds	-0.9	0.6	8.8	10.4	4.8	6.3	4.4
€/£	-2.6	-4.3	-4.2	-2.9	-2.2	-0.8	-1.6
€/£	-1.7	-1.3	-4.2	-3.7	-0.9	-0.5	0.4

Bond Index Yields	Oct' 24	Nov' 24	Change
	%	%	%
iBoxx Euro Sovereign AAA (15+ yr)	2.65	2.34	-0.31
iBoxx Euro Broad Sovereign (10+ yr)	3.29	3.02	-0.27
iBoxx Euro Corporates (5+ yr)	3.58	3.28	-0.30

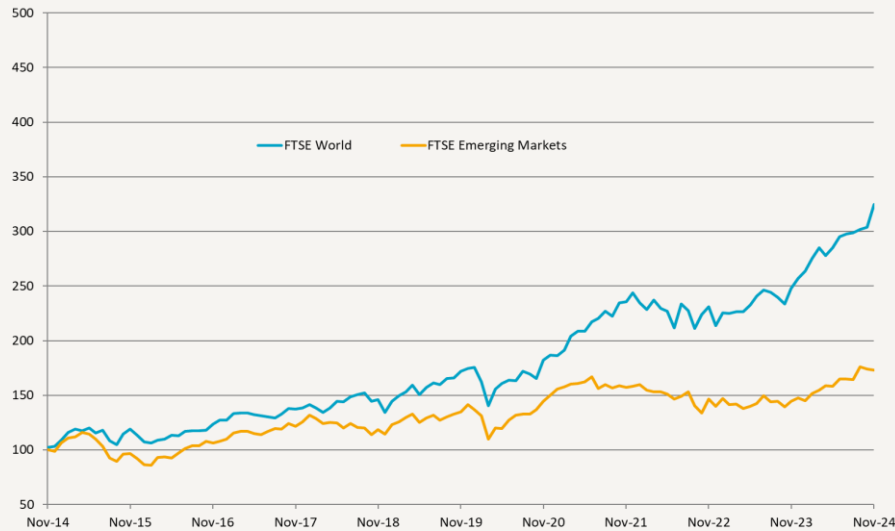
	Cost of a €10k Pension	Change in annuity prices						
		Nov-24	3 months	YTD	1 year	3 year	5 year	10 Year
		%	%	%	%	%	%	%
Annuity cost - 65 year old; no increases	€190k	3.0%	2.1%	0.9%	6.7%	-28.1%	-24.8%	-13.4%
Annuity cost - 65 year old; 2% increases	€241k	3.5%	2.4%	1.1%	7.7%	-31.3%	-27.6%	-15.0%
Annuity cost - 65 year old; CPI max 4%	€269k	3.6%	2.5%	1.1%	8.0%	-30.2%	-26.4%	-15.4%

Sample Pension Schemes	Nov-24	3 Months	Year to Date	1 Year	3 Years	5 Years
	%	%	%	%	% pa	% pa
DB Schemes						
Assets	5.7	6.0	12.7	19.1	0.1	3.6
Liabilities	2.0	2.5	5.3	7.9	-0.1	1.8
Change in Funding Level	3.6	3.3	7.0	10.3	0.2	1.7
DC Schemes						
High Risk Strategy	4.3	4.9	14.9	20.2	6.4	8.0
Medium Risk Strategy	4.9	5.2	12.2	18.0	1.1	4.0
Pension Purchase Strategy	4.5	3.8	4.0	8.8	-8.8	-4.9

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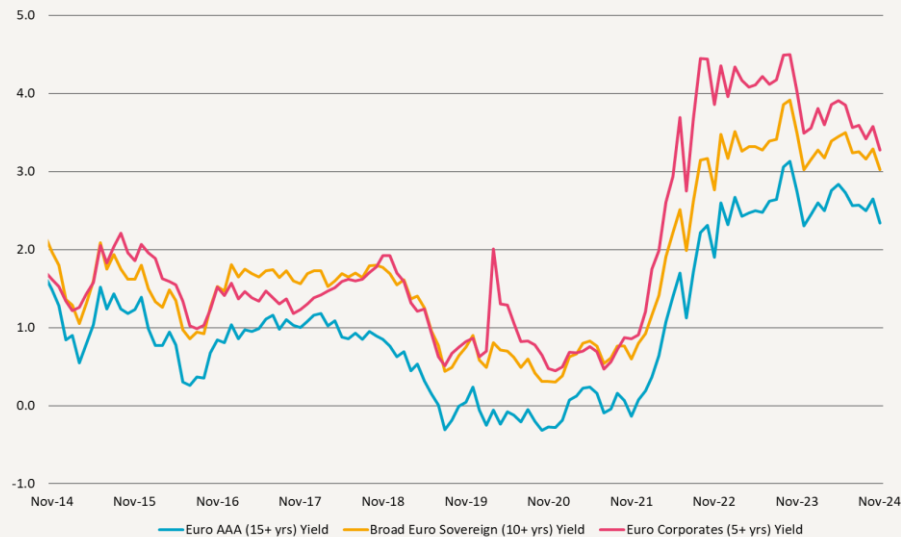
Equity Market Performance



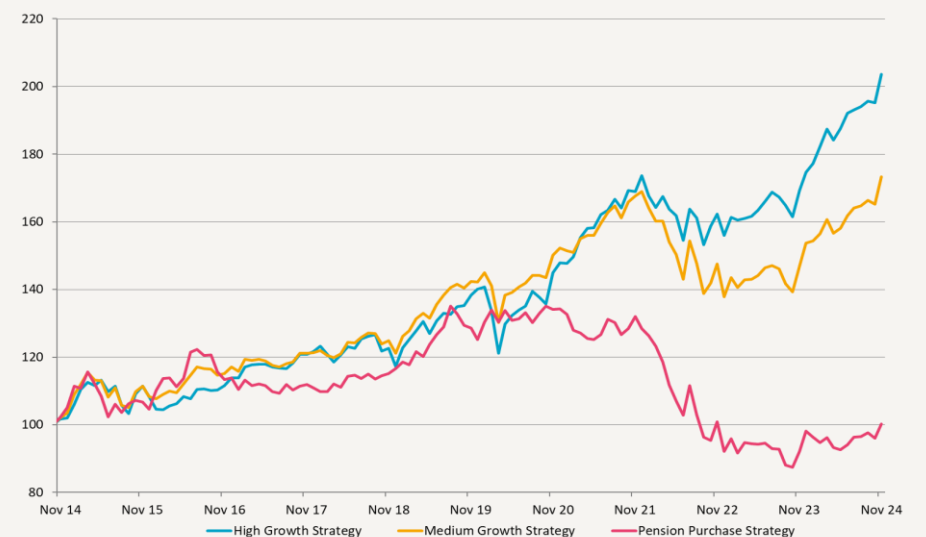
Sample DB Funding Level Progression (MFS Proxy Basis)



Historical Bond Yields



Sample DC Scheme Performance



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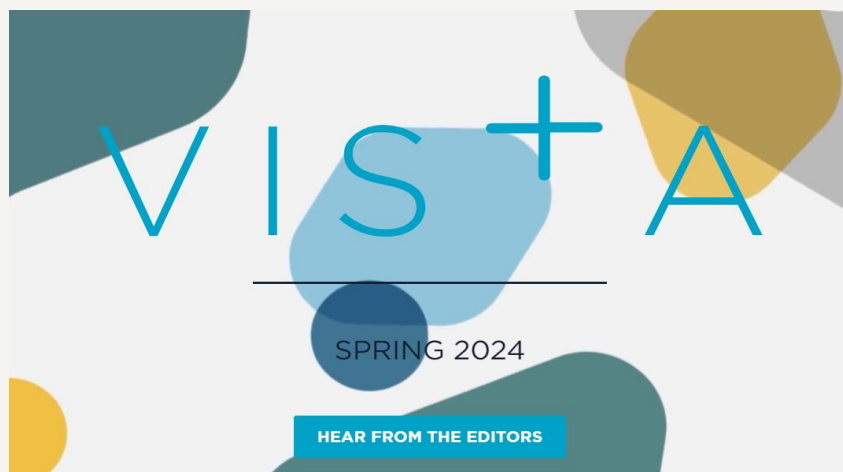
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