

The LCP Monthly Brief – September 2025

Investment Update

Equities

Global equities rose by 3.6% (in local currency terms) in September, with Eurozone markets rising by 2.9% and North America rising by 3.3% (in EUR terms). The US dollar weakened further against the Euro over the month. This shift in exchange rates negatively impacts returns from unhedged US assets.

European equity gains in September were supported by easing trade tensions, softer inflation concerns, and expectations of further rate cuts. Business activity remained strong, with the Eurozone PMI rising from 51 to 51.2, marking a 16-month high in growth. Nevertheless, political uncertainty in France, including a vote of no confidence in the government, continued to weigh on market sentiment.

US equity markets maintained positive momentum in September. The rally was driven by strong corporate earnings, particularly in the tech sector. Optimism was further boosted by the Federal Reserve's decision to cut interest rates, with more cuts expected before the year-end.

Bonds

The ECB kept rates steady in September, while the US Fed cut rates by 25 basis points, with Chair Jerome Powell calling it a "risk management cut" amid a weakening labour market. European bond markets saw increased volatility, with Fitch's downgrade of France's sovereign debt. The downgrade reflected rising political instability and concerns over the country's increasing public debt.

Core Euro government bond prices rose in September with the Euro Sovereign AAA 15+ year and Euro Broad Sovereign 10+ Year Indices up 1.0% and 1.2% respectively over the month.

Annuity Prices

Annuity prices experienced a fall in September as bond prices fell.

Sample DB Scheme

The funding level of our sample DB scheme increased during the month to c.106% as assets outperformed liabilities. (calculated using a Funding Standard proxy).

Sample DC Schemes

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

All returns are in € terms	Sept' 25 %	3 Months %	YTD %	1 Year %	3 Years % pa	5 Years % pa	10 Years % pa
Equities							
FTSE World	3.1	7.6	4.8	12.3	17.0	14.8	12.3
FTSE World (€ Hedged)	3.6	8.1	16.1	17.6	22.5	14.7	12.7
FTSE Eurozone	2.9	4.4	19.2	17.1	21.2	14.0	9.2
FTSE World ex Eurozone	3.1	7.8	3.7	11.9	16.6	14.9	12.6
FTSE North America	3.3	8.0	1.9	12.7	17.7	16.2	14.5
FTSE Emerging Markets	6.0	10.5	9.4	10.3	11.4	8.3	8.2
Bonds							
Euro Sovereign AAA (15+ yr)	1.0	-2.4	-8.3	-9.6	-3.3	-10.1	-2.3
Euro Broad Sovereign (10+ yr)	1.2	-1.3	-3.5	-4.2	0.9	-7.2	-0.6
Euro Inflation Linked	0.5	-0.8	-0.7	-1.6	-0.3	-2.8	-0.6
Euro Corporate (5+ yr)	0.6	1.1	2.5	3.2	6.4	-1.0	1.6
Other							
Commodities	0.6	4.1	6.1	10.1	4.7	17.6	4.1
Fund of Hedge Funds*	1.9	3.7	6.8	9.5	7.6	7.4	5.0
Euro Cash Fund	0.1	0.3	0.4	1.7	2.5	2.9	1.4
€/£	0.6	-0.1	13.6	5.5	6.2	0.1	0.5
€/€	0.9	1.8	5.7	5.0	-0.2	-0.8	1.7

Bond Index Yields	Aug' 25 %	Sept' 25 %	Change %
iBoxx Euro Sovereign AAA (15+ yr)	3.28	3.24	-0.04
iBoxx Euro Broad Sovereign (10+ yr)	3.80	3.74	-0.06
iBoxx Euro Corporates (5+ yr)	3.60	3.56	-0.04

	Cost of a €10k Pension	Change in annuity prices						
		Sept-25 %	3 months %	YTD %	1 year %	3 year %	5 year %	10 Year %
Annuity cost - 65 year old; no increases	€175k	-1.4%	-2.4%	-5.1%	-7.6%	-7.8%	-34.2%	-19.9%
Annuity cost - 65 year old; 2% increases	€220k	-1.6%	-2.7%	-5.8%	-8.6%	-8.9%	-37.8%	-22.2%
Annuity cost - 65 year old; CPI max 4% increases	€245k	-1.7%	-2.8%	-6.0%	-9.0%	-9.2%	-37.1%	-22.9%

Sample Pension Schemes	Sept-25 %	3 Months %	Year to Date %	1 Year %	3 Years % pa	5 Years % pa
DB Schemes						
Assets	2.0	2.7	-1.4	2.1	6.9	2.7
Liabilities	0.7	0.7	1.6	2.4	4.1	0.9
Change in Funding Level	1.3	2.0	-3.0	-0.3	2.7	1.8
DC Schemes						
High Risk Strategy	2.6	5.4	2.8	8.7	11.5	9.1
Medium Risk Strategy	2.0	3.1	-0.3	3.3	7.4	3.6
Pension Purchase Strategy	0.8	-1.7	-4.6	-6.6	-1.8	-7.2

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

The LCP Monthly Brief – Q3 2025

Investment Update

Background

In the third quarter of 2025, global equity markets extended their gains, rising by 8.1% (in local currency terms). Non-hedged investors experienced a rise of 7.6% over the quarter in Euro terms as the US dollar weakened over the period.

Global markets remained volatile over the quarter, influenced by ongoing trade negotiations, geopolitical tensions in the Middle East, and shifting expectations around central bank policy. Despite these headwinds, investor sentiment was supported by strong corporate earnings and signs of easing inflation.

Emerging markets outperformed global peers, driven by improving growth prospects, supportive monetary policy and renewed investor interest in undervalued regions. US equities also posted solid gains, with major indices reaching new highs, led once again by the technology sector and expectations of future rate cuts. European yields edged higher over the quarter. Spreads widened – especially between French and German bonds – highlighting the growing fiscal and political risks leading to France's downgrade by Fitch.

Equity Performance

July: Global equity markets rose by 2.2% (in local currency terms) in July, while Eurozone markets rose by 1.0% over the month.

European equities experienced modest gains in July amid a new US-EU trade deal imposing a 15% tariff on most European exports to the US. The US equity market continued their strong run in July. Positive returns were driven by the tech sector, with the Nasdaq & S&P 500 posting new all-time highs over the month, despite ongoing geopolitical tensions and the 1 August deadline for unresolved US trade deals.

August: Global equity markets rose by 2.1% (in local currency terms) in August, while Eurozone markets rose by 0.5% over the month.

European gains were supported by favourable macroeconomic data, including a rebound in manufacturing activity and record-low unemployment. However, political uncertainty in France weighed on sentiment. US equities maintained positive momentum, led by strong tech earnings and expectations of a rate cut in September.

September: Global equities rose by 3.6% (in local currency terms) in September, with Eurozone markets gaining 2.9% over the month.

European equities moved higher in September, supported by stabilising inflation data and cautious optimism around ECB policy. Meanwhile, US equity markets also posted strong gains, driven by upbeat corporate earnings and hopes that more rate cuts will follow. Despite persistent global tensions, investor sentiment remained resilient.

Bond Performance

July: The ECB held its deposit rate at 2.0% at the July meeting amid economic uncertainty. The ECB has cut interest rates at each of its four meetings so far this year, however, President Christine Lagarde stated the bank was now in a “wait-and-watch situation”. The US Federal Reserve held its rate unchanged despite pressure from the Trump administration to lower it.

Euro bond prices fell in July with the Euro Sovereign AAA 15+ year and Euro Broad Sovereign 10+ Year Indices down 1.3% and 0.7% respectively over the month. The Euro 5+ year Corporates posted positive 0.7% returns as credit spreads tightened.

August: The ECB held rates steady in August. In the US, Fed Chair Jerome Powell signalled a possible rate cut at the September meeting, citing soft July inflation release and a weakening labour market. In Europe, French government bonds underperformed amid political instability, raising concerns about the country's ability to achieve fiscal consolidation.

Core Euro government bond prices fell in August with the Euro Sovereign AAA 15+ year and Euro Broad Sovereign 10+ Year Indices down 2.1% and 1.8% respectively over the month.

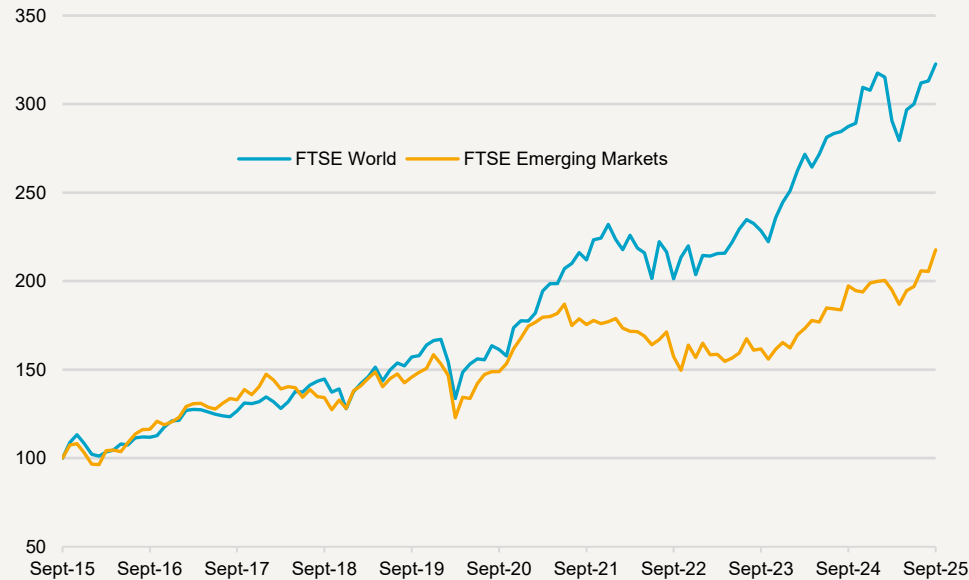
September: The ECB continued to hold its deposit rate steady at 2.0% in September. In contrast, the Federal Reserve lowered interest rates by 0.25%, prioritising weakening economic data over concerns about persistent inflation.

Core Euro bond prices rose over the month, with long-dated core Eurozone bonds up by around 1.0%. The yield on the AAA Eurozone 15+ Year Index ending the month at 3.2%. Prices rose by 1.2% on the Euro Broad Sovereign 10+ Year Index, with its yield finishing at 3.7% p.a.

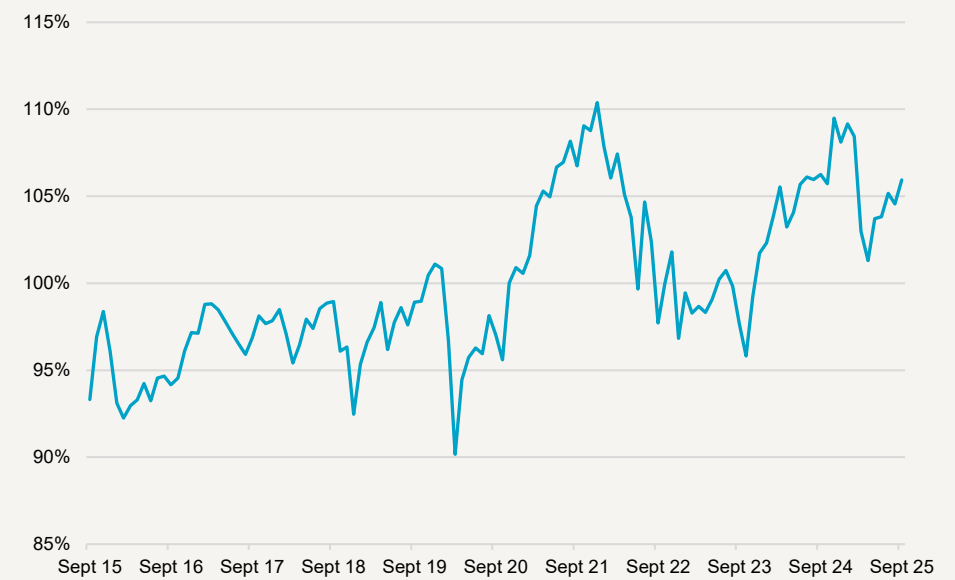
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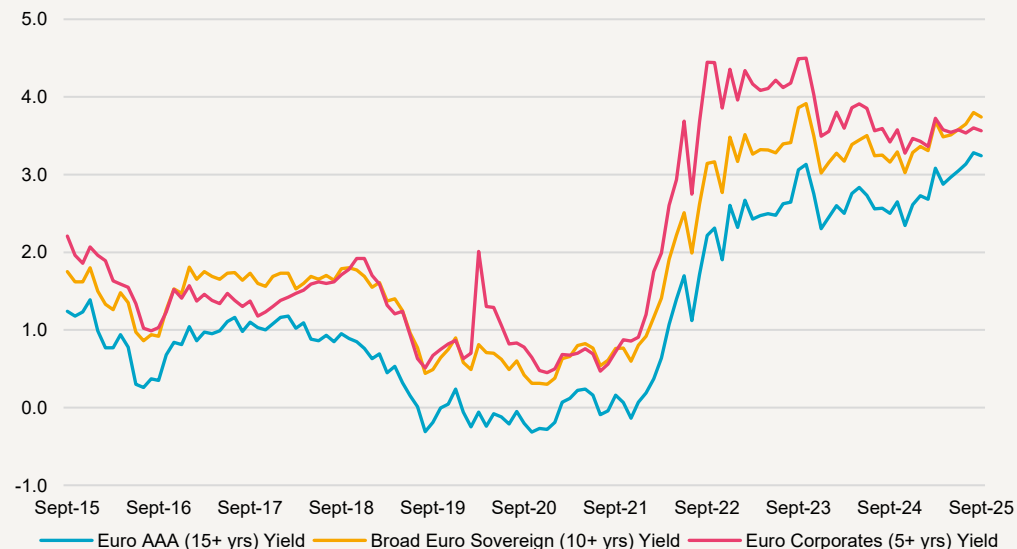
Equity Market Performance



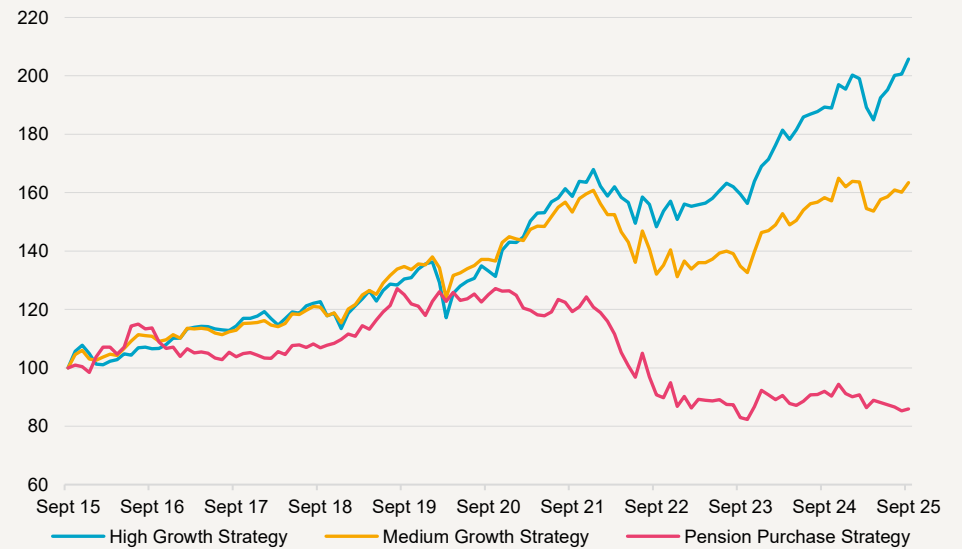
Sample DB Funding Level Progression (MFS Proxy Basis)



Historical Bond Yields



Sample DC Scheme Performance



Relevant News and Upcoming Events

LIVE WEBINARS

LCP Ireland Investment Essentials

Wed, 22 October @ 2pm

'Investment matters to consider for your DC Scheme'

Register here for free

Wed, 19 November @ 2pm

'How to make the most of your annual and critical investment manager reviews'

Register here for free



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