

The LCP Monthly Brief – October 2024

Investment Update

Equities

Global equity markets fell by 1.1% (in local currency terms) in October, while Eurozone markets fell by 3.3% over the month.

The ECB lowered official interest rates again in October by 0.25%. This reduction marked the first time in 13 years the ECB has cut rates at consecutive meetings. President Lagarde expressed confidence in the ongoing disinflation trend, suggesting the possibility of further rate cuts in December.

US equities have remained resilient, supported by strong earnings and economic confidence in the labour market and consumer spending, despite inflation concerns and bond market volatility driven by expectations of future rate adjustments.

Bonds

Eurozone annual rate of headline inflation was recorded at 2.0% in October, in line with the ECB's target. However, the slowing economic momentum in France and Germany could lead the ECB to consider a further interest rate cut at their next meeting.

Bond yields rose over October with long-dated core Eurozone bond prices falling by circa 2.4% over the month with the yield on the AAA Eurozone 15+ Year Index finishing the month at 2.7% p.a. Prices fell by 1.5% on the Euro Broad Sovereign 10+ Year Index, with its yield finishing at 3.3% by the end of October.

Annuity Prices

Annuity prices experienced a decline in October as bond yields rose. All annuity rates are 5-year guarantee and single life.

Sample DB Scheme

The funding level of our sample DB scheme declined to 106%, with assets falling more than its liabilities (calculated using a Funding Standard proxy) over October.

Sample DC Schemes

Our High Risk, Medium Risk and Pension Purchase DC strategies posted negative returns over the month, affected by declines across the main asset classes.

All returns are in € terms							
	Oct' 24	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% pa	% pa	% pa
Equities							
FTSE World	0.7	2.0	18.2	30.1	9.0	12.8	11.6
FTSE World (€ Hedged)	-1.1	2.6	17.7	32.3	7.5	12.3	10.6
FTSE Eurozone	-3.3	-0.7	8.8	21.3	5.1	7.9	7.8
FTSE World ex Eurozone	1.0	2.3	19.1	30.9	9.3	13.3	12.0
FTSE North America	2.0	3.5	22.6	34.4	10.6	15.6	14.2
FTSE Emerging Markets	-1.4	5.6	17.7	24.8	3.0	6.0	5.9
Bonds							
Euro Sovereign AAA (15+ yr)	-2.4	-0.9	-3.9	11.5	-12.8	-8.1	-0.8
Euro Broad Sovereign (10+ yr)	-1.5	0.2	-0.7	13.4	-9.5	-5.9	0.5
Euro Inflation Linked	-1.0	-0.2	-1.8	3.3	-6.1	-2.8	-0.4
Euro Corporate (5+ yr)	-0.7	0.9	2.8	11.0	-3.3	-1.6	1.0
Other							
Commodities	0.5	-1.4	5.7	-1.5	6.9	7.9	-1.7
Fund of Hedge Funds	1.8	2.0	9.8	11.2	5.6	6.6	4.4
€/£	-2.6	0.5	-1.6	2.7	-2.1	-0.5	-1.4
€/£	1.5	0.3	-2.6	-3.0	0.0	-0.4	0.8

	Sep' 24	Oct' 24	Change
	%	%	%
Bond Index Yields			
iBoxx Euro Sovereign AAA (15+ yr)	2.50	2.65	0.15
iBoxx Euro Broad Sovereign (10+ yr)	3.16	3.29	0.13
iBoxx Euro Corporates (5+ yr)	3.42	3.58	0.16

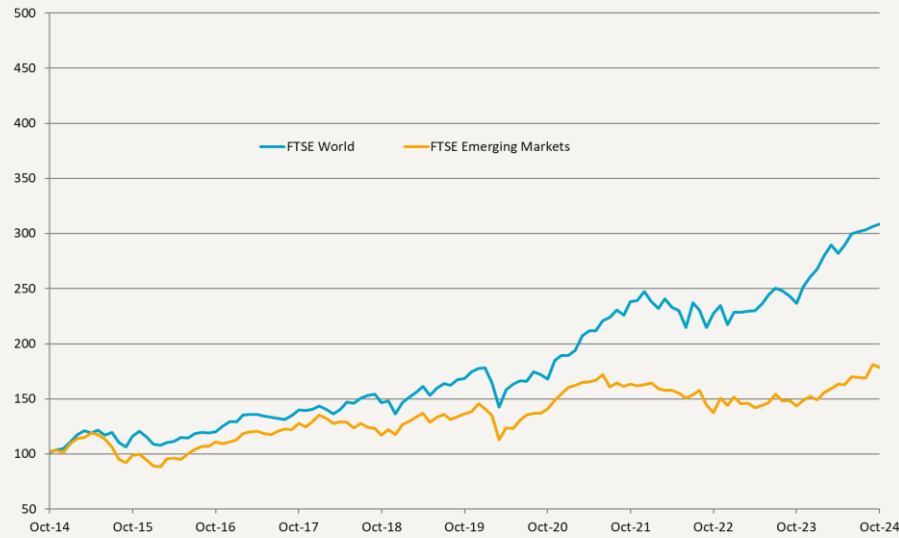
	Cost of a €10k Pension	Change in annuity prices						
		Oct-24	3 months	YTD	1 year	3 year	5 year	10 Year
		%	%	%	%	%	%	%
Annuity cost - 65 year old; no increases	€184k	-2.7%	-0.7%	-2.0%	8.9%	-28.5%	-28.0%	-14.4%
Annuity cost - 65 year old; 2% increases	€233k	-3.1%	-0.8%	-2.3%	10.2%	-31.7%	-31.1%	-16.0%
Annuity cost - 65 year old; CPI max 4%	€260k	-3.3%	-0.8%	-2.4%	12.6%	-30.7%	-30.1%	-16.6%

Sample Pension Schemes	Oct-24	3 Months	Year to Date	1 Year	3 Years	5 Years
	%	%	%	%	% pa	% pa
DB Schemes						
Assets	-0.8	0.6	7.0	19.4	-1.2	2.7
Liabilities	-0.3	1.0	3.0	8.2	-0.2	1.4
Change in Funding Level	-0.5	-0.4	3.9	10.3	-1.0	1.3
DC Schemes						
High Risk Strategy	-0.2	1.1	11.8	20.9	4.9	7.6
Medium Risk Strategy	-0.7	0.6	7.4	18.5	-0.2	3.3
Pension Purchase Strategy	-1.8	-0.4	-2.2	9.7	-9.3	-5.8

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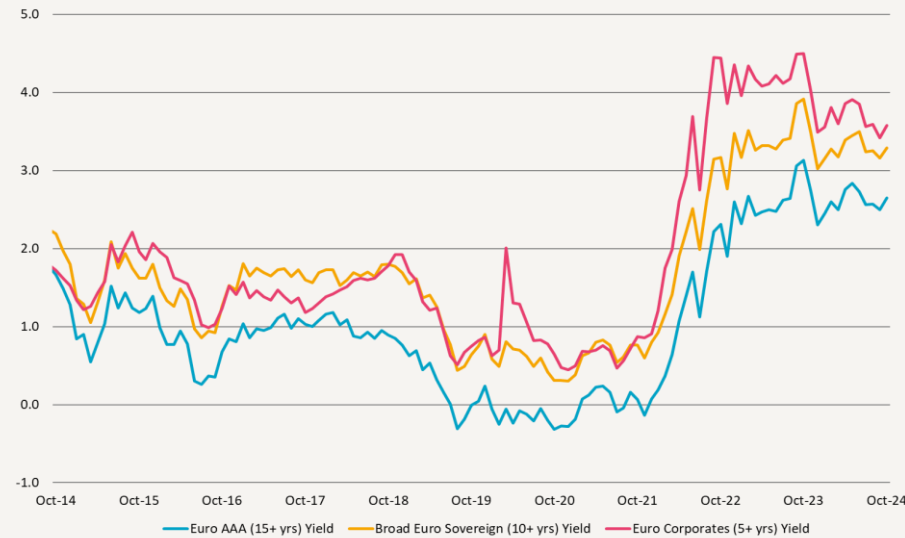
Equity Market Performance



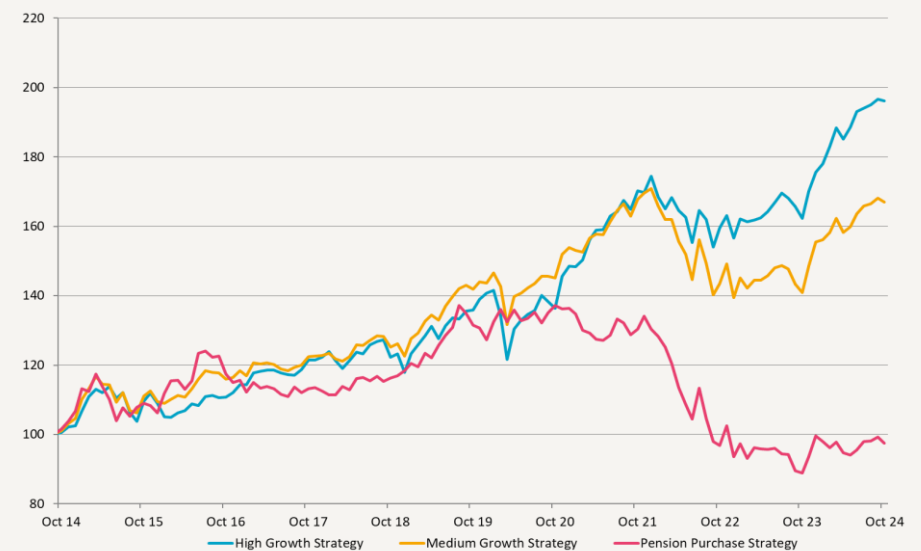
Sample DB Funding Level Progression (MFS Proxy Basis)



Historical Bond Yields



Sample DC Scheme Performance



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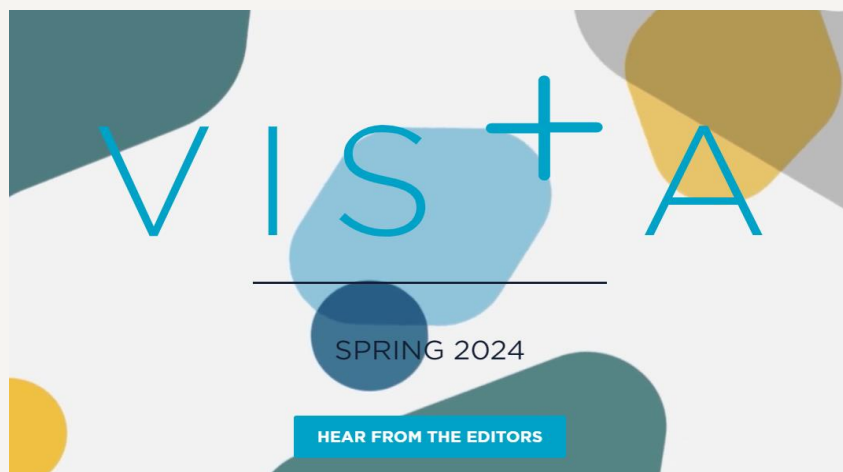
Investment Update



LCP Ireland Master Trust Survey 2024



LCP Investment Uncut Podcast



LCP Vista



LCP RI Survey 2024

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