Pension

Group Pension Quarterly Report

Q4 2023

Bank of Ireland Life

Contents

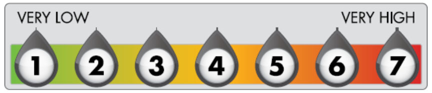
For the most up to date fund performance and fund information, please click on Fund Centre

Introduction

Our **Group Pensions with Investment Choice** offers a selection of funds to choose from across a range of different risk categories.

Below, and overleaf, you will find performance information about 13 of the funds available under our investment choice standard suite. Further information relating to the performance of our investment funds can be found on Fund Centre.

Bank of Ireland Life Risk Rating scale



Lifestyling Funds:

- IRIS
- Passive IRIS

Very Low Risk Funds:

- Pension Cash Fund

Low to Medium Risk Funds:

- iFunds 3
- PRIME 3

Medium Risk Funds:

- BNY Mellon Global Real Return Fund
- iFunds 4
- PRIME 4
- Pension Indexed Eurozone Long Bond Fund

Medium to High Risk Funds:

- iFunds 5
- PRIME 5

High Risk Funds:

- iFunds Equities
- PRIME Equities

Warning: The value of your investment may go down as well as up.
Warning: These funds may be affected by changes in currency exchange rates.
Warning: If you invest in these funds you may lose some or all of the money you invest.
Warning: Past performance is not a reliable guide to future performance.

2023 Commentary

Below, and in the following pages, you will find an overview of what happened in markets over the quarter, followed by specific fund commentary on each of the funds.

2023 Market Commentary – 'Higher for longer" hits home

Kevin Quinn, Chief Investment Strategist, Investment Markets

2023 proved to be a very strong year for investors, recovering much of the ground lost in 2022.

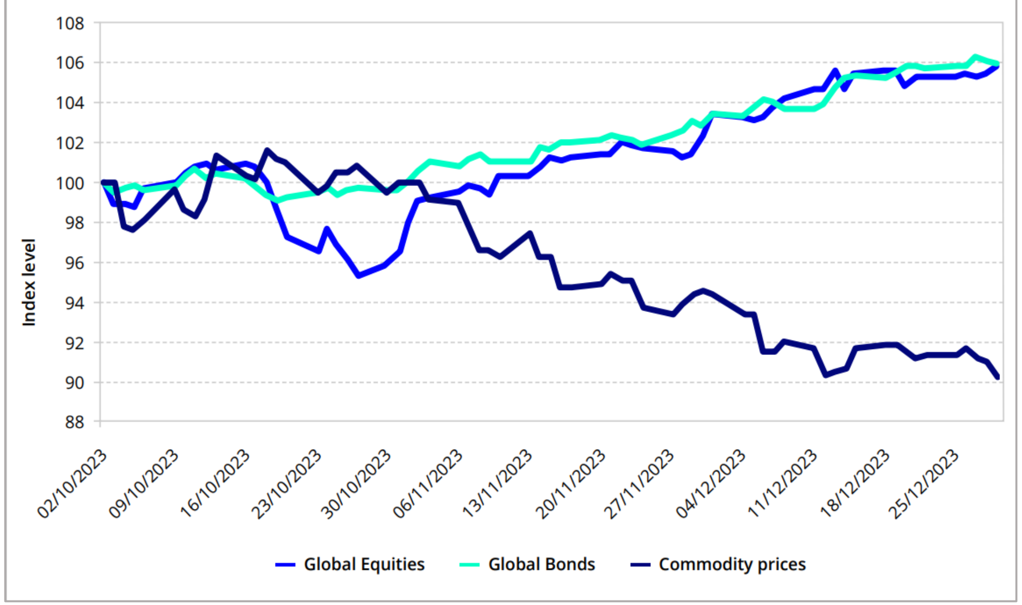
The year saw inflation fall from the previous year's peaks to much more modest levels by year-end, although to achieve this, interest rates had to be raised much higher than originally expected. Despite this, fears of a recession proved unfounded, particularly in the US economy, which continued to grow well above expectations.

Against this backdrop, equity market performance was impressive, with the global equity market generating returns of 18.1% in euro terms[1]. While impressive, it must be said that this performance was driven by a narrow group of large-cap technology stocks, triggered by the market's year-long re-pricing of those companies that stand to benefit most from the boom in all things artificial intelligence (AI).

The bond market also fared well over the full year, with global bonds generating 4.5% in gains[2]. However, it has been a bumpy ride for bond investors. As recently as early November 2023, the broad index had been flat as longer-dated bond yields moved higher for most of the year (yield refers to the earnings generated on an investment, expressed as a percentage of either the current value of the security (as is the case here) or the face value of the security); until October 2023, the consensus was that interest rates would be kept "higher for longer". It wasn't until the final months of 2023 that bond markets made big gains, as better-than-expected inflation data convinced the market that rate cuts were coming.

2023 wasn't a year without its challenges. March brought a crisis in the banking sector with the collapse of Silicon Valley Bank in the US, the second largest in US financial history, while Credit Suisse collapsed on this side of the Atlantic. However, a swift response from central banks saw the crisis resolved quickly. October saw the beginning of the tragedy that continues to unfold in the Middle East, and while its impact on markets has been fairly limited, it continues to show how challenging the geopolitical environment remains as we went into 2024.

Figure 1: Asset Class Performance for Quarter 4, 2023



Source: Bloomberg, 01.01.24

Looking back at 2023, we can see a number of peaks behind us:

- the peak in inflation,
- the peak in bond yields, and
- probably a peak in economic growth and in 1-year gains from AI-related stocks.

But as we went into 2024, new peaks were on the horizon.

[1]Source: Bloomberg, 01.01.24, measured by MSCI ACWI in euros.
[2]Source: Bloomberg, 01.01.24, measured by FTSE WorldBIG hedged in euros

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For the most up to date fund performance and fund information, please click on Fund Centre

2023 Commentary (cont'd)

2024 Outlook

First, the market's focus over the next few months will be on the peak in central bank policy. At the moment, the market believes that both the European Central Bank (ECB) and the US Federal Reserve (Fed) are likely to begin cutting rates in March 2024 and that there will be at least 5 cuts in the eurozone and at least 6 in the US by the end of the year. This perspective is far from aligned with what the ECB and Fed are saying, with the Fed hinting at perhaps 3 cuts to come. Interest rate cuts will obviously be a positive for risk assets and bonds, but both the timing and the magnitude of the cuts are likely to be a significant source of volatility for markets in the months ahead.

Second, the market will also be very focused on growth; peak growth may be behind us, but that doesn't mean a recession is imminent. We are seeing a very desynchronised global economy.

- The European economy has been close to recession for much of 2023, but it may start to recover during the year ahead.
- The US has been much more robust than expected but will start to slow down; whether it reaches a recession later in 2024 or further out will be a key point of debate.

My guess is that it will slow to a mild recession but then avoid it**. China, whose recovery has been much slower than expected, may also continue to grow, but at a slower pace, as its policymakers continue to grapple with a difficult property market backdrop. The Japanese economy, long a straggler in terms of growth, may finally be breaking out of its decades-long deflation and offering slightly better growth, which, coupled with a change in direction on interest rates, may create strength in the yen**.

The **third** area that will attract a lot of market attention is the political arena, both in terms of elections and wider geopolitics.

- The US presidential election is set for November of this year, with current polls showing an almost dead heat between President Biden and Trump, who is the likely challenger. It will undoubtedly be a major focus for markets later in the year.
- With conflict in both Ukraine and the Middle East unresolved, both will continue to create risks for markets, although they currently appear contained as far as the wider market impact is concerned.

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Equity markets could see further gains in the short-term as the prospect of interest rate cuts in the coming months dominates the debate. The same is true for the bond market, although the gains made at the end of 2023 were substantial, and in both cases, a lot of good news has been priced in. As the year progresses, the pace of economic cooling will be a key factor. If, as markets expect, the slowdown is modest and company earnings can continue to grow, risk assets should post reasonable gains for 2024. However, I believe that the gap between the extent to which markets expect central banks to act and the speed with which they do so is likely to be the main source of volatility in markets in the year ahead.

As for the equity market, the AI phenomenon will remain a theme, but it's hard to see a repeat of the Magnificent Seven's* performance last year. Instead, this year may see more of a broadening of the sources of return, including Japan, emerging markets, and small-cap equities, all of which seem poised for better performances.

The risks are that the slowdown deepens and/or we have another year of geopolitics rocking markets, or that the pace and depth of interest rate cuts are less than the market has priced in. The geopolitical backdrop is more unpredictable now than it has been for many years.

* Amazon, Apple, Alphabet, Meta (Facebook parent), Microsoft, NVIDIA and Tesla.

To keep up to date with the latest developments in markets, please visit our online Market Watch.

IRIS Q4 2023 Commentary

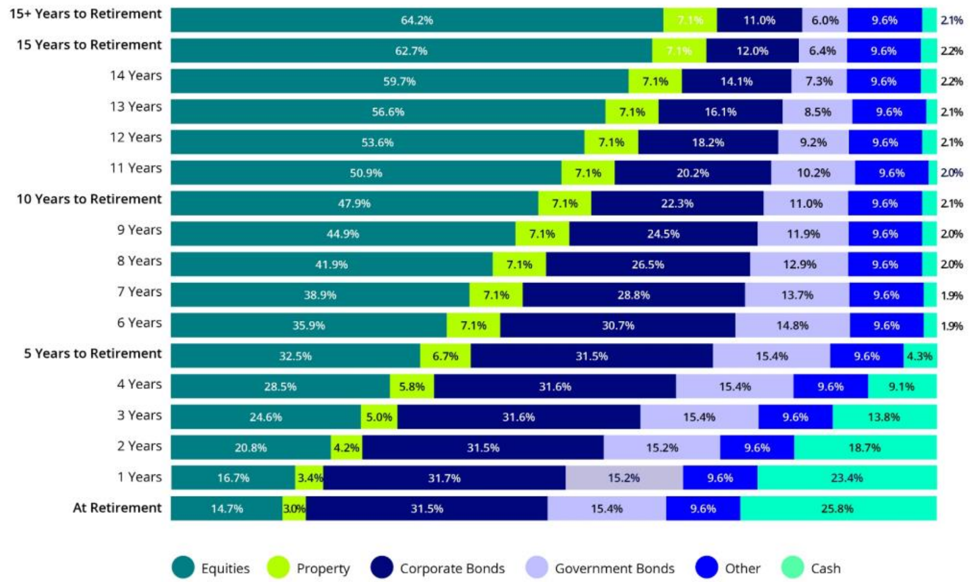
Bank of Ireland Life's lifestyling investment strategy **IRIS** (Individual Retirement Investment Strategy) invests based on your projected retirement year. There are two versions available – **IRIS,** which is actively managed, and **Passive IRIS,** which is passively managed (the default option in Investment Choice).

Kevin Quinn provides an update on how our lifestyling funds have performed over the quarter:

IRIS has exposure to two investment managers to manage your money - State Street Global Advisors (SSGA) and Legal & General Investment Management (LGIM). Both are ranked amongst the biggest investment managers in the world.

The chart below illustrates how the asset mix of **IRIS** automatically changes over the 15 years leading to retirement (as at December 2022).

Figure 2: IRIS Indicative Glide Path



Note: Other includes Alternatives, commodities, high yield bonds and infrastructure.

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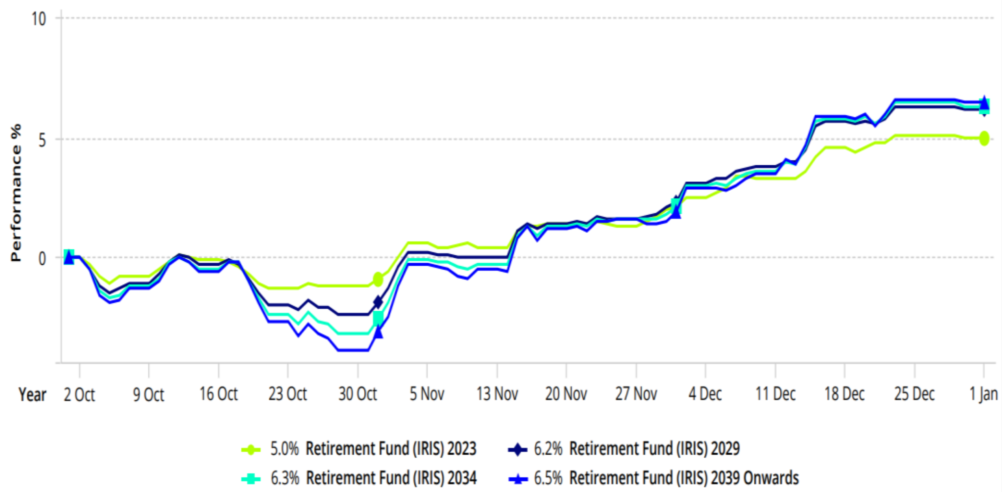
IRIS aims to maximise growth when you are younger by investing predominantly in shares and then de-risks into more cautious approaches as you get older. As you near retirement, your money moves to lower risk funds.

Figure 3: IRIS Performance 01.10.2023 - 01.01.2024



Source: Longboat Analytics. Performance as at 01.01.24 is quoted gross of tax and charges.

Performance review

2023 started off very well for investors, gave up some ground in late Q3 but rebounded strongly in Q4. Indications that global central banks would stop their interest rate rises and indeed, start to implement cuts earlier in 2024 and at a far greater speed than previously thought, drove investors' enthusiasm at the end of 2023. That said, central banks weren't singing off the same hymn sheet and provided a much more cautious outlook about their future plans. This led to a positive year end for investors in shares and bonds and saw all profiles of **IRIS** deliver positive Q4 (and 1 year) returns for investors. Those profiles with greater exposure to shares performed best over the full year, in line with their investment strategy and pension investors' risk profiles.

As you can see in Figure 4 overleaf, IRIS' equity and bond (government and corporate) exposures delivered positive gains for investors in Q4, with bond markets especially strong in the final two months. Property exposure was the only detractor from Q4 performance as the asset class continued to feel the impact of higher borrowing costs and lower demand. This is also reflected in the overall 2023 returns for each exposure.

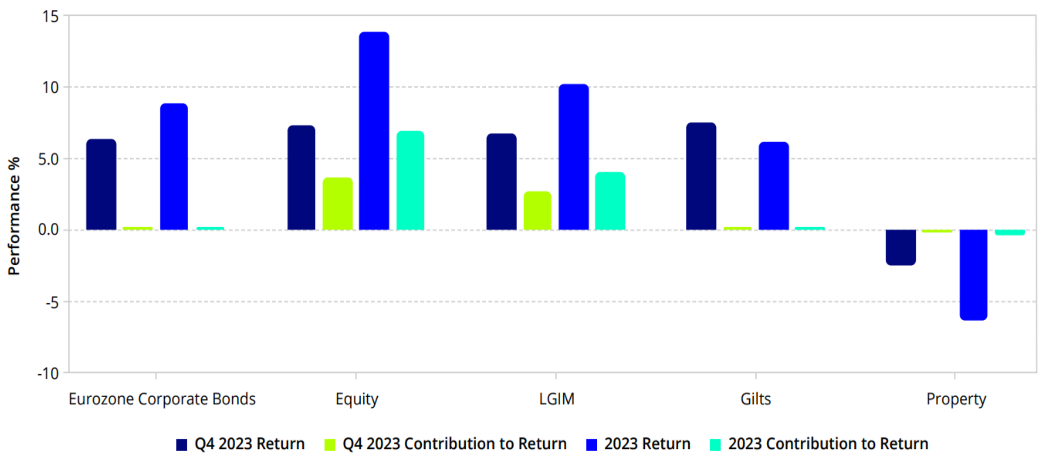
IRIS Q4 2023 Commentary (cont'd)

Performance review (cont'd)

Overall, in 2023, the stock market exposure of **IRIS**, managed by SSGA, has been the best performing of **IRIS**' underlying investments benefitting from the strong market performance. SSGA's focus on better quality, more conservative stocks was rewarded in 2023. This benefitted **IRIS** investors with longer to go to retirement as shares (or equities) make up a bigger part of their **IRIS** profiles. Those closer to retirement, where lower risk assets such as bonds make up a larger part of the investment, also fared well in 2023 as we saw the era of low interest rates close and bond values rise (see figure 4).

Within the multi-asset portfolio managed by LGIM, most risk assets rose over Q4 2023. The most significant contributors to positive returns in Q4 were global listed property, US bonds and European (ex-UK) equities. Exposure to commodities and frontier equities (from countries such as Nigeria, Vietnam, Panama, Costa Rica and Romania) performed poorly over the quarter and detracted from returns.

Figure 4: IRIS – Component Parts' Performance as at 01.01.2024



Source: Bank of Ireland Investment Markets. Performance as at 01.01.24 is quoted gross of tax and charges.

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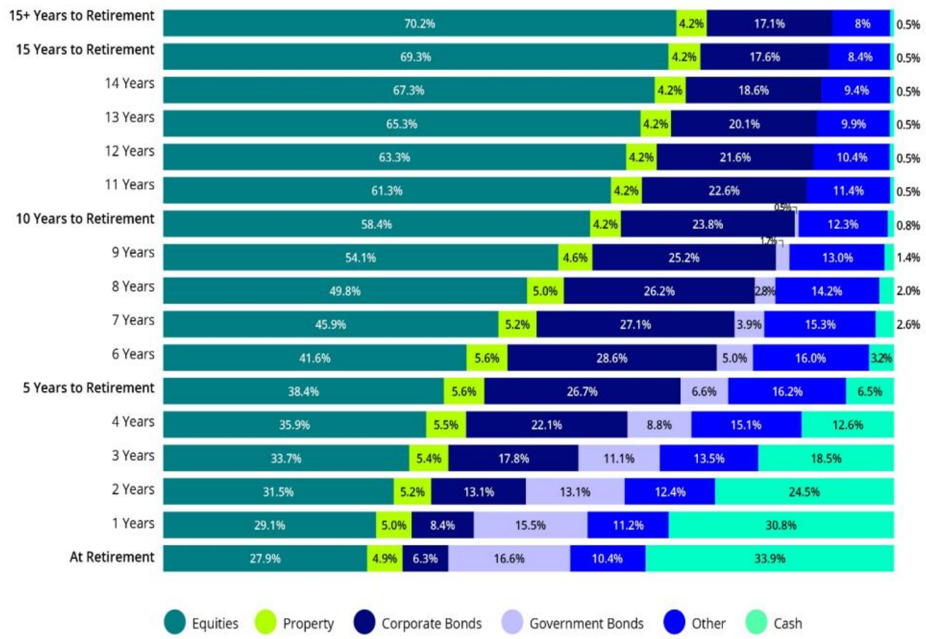
IRIS Q4 2023 Commentary (cont'd)

Passive IRIS aims to maximise growth when you are younger by investing predominantly in shares and then de-risks into more cautious approaches as you get older. As you near retirement, your money moves to lower risk strategies. In periods when stock markets do better, those with more invested in shares tend to outperform the more cautiously positioned approaches.

Figure 5 below illustrates how the asset mix of **Passive IRIS** automatically currently changes over the 15 years leading to retirement (as at December 2022).

Figure 5: Passive IRIS Indicative Glide Path



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2024 Passive IRIS enhancements

Global investment markets are constantly changing and evolving. This is why we regularly review our investment strategies to make sure they continue to deliver the best outcomes for our customers. With this in mind, we are making a number of changes to the Passive IRIS investment strategy which will come into effect from April 2024 onwards.

What are we changing?

- **When the move to a lower level of risk begins**
  Currently, the **Passive IRIS** investment strategy starts to move from higher risk assets to lower risk assets 15 years from your planned retirement date (see Figure 5). This move, which takes place gradually over time, will now start 10 years from your planned retirement date. This means your investment will be exposed to higher risk assets for longer, offering the potential for higher returns that higher risk assets can deliver.

- **The asset mix**
  We are adding a more diverse range of assets within **Passive IRIS**. After these changes are made, **Passive IRIS** will have:
  - **Broader exposure to different types of equities** – for example, emerging market equities.
  - **Exposure to new asset classes** – for example, infrastructure assets, including utilities, energy, transportation networks, communications and transportation infrastructure.
  - **Exposure to bonds (lower risk assets) adjusted** – reducing exposure to European government and European corporate bonds and adding new exposures to high yields bonds and emerging market bonds.

Why are we making these changes?

We cannot offer any assurances, but we believe being exposed to a greater range of assets and to higher risk assets for longer increases the potential for you to earn better returns. The changes are part of our ongoing commitment to manage and enhance your investment journey and to deliver the best outcomes for you. We are also committed to making our investment strategy as sustainable as possible. We understand that many of our investors have a preference for investing in companies that strive to make the world a better place. Changes to **Passive IRIS** have been made with this in mind.

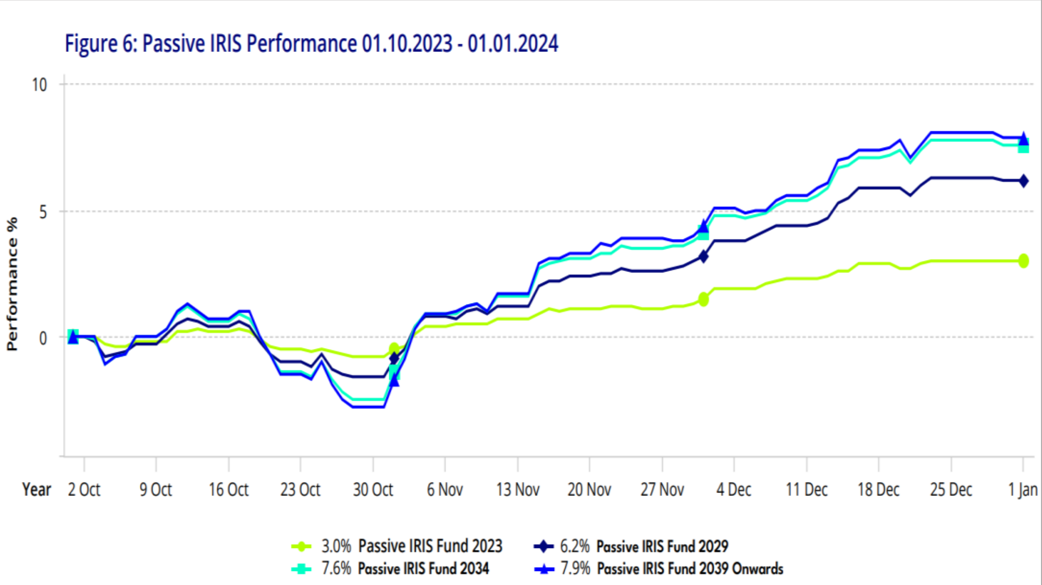
For the most up to date information on these changes, please visit

bankofireland.com/passiveirishub

IRIS Q4 2023 Commentary (cont'd)

Performance review

2023 started off very well for investors, gave up some ground in late Quarter 3 but rebounded strongly in Q4. Indications that global central banks would stop their interest rate rises and indeed, start to implement cuts earlier in 2024 and at a far greater speed than previously thought. This drove investors' enthusiasm at the end of 2023. That said, central banks weren't singing off the same hymn sheet and provided a much more cautious outlook about their future plans. This led to a positive year end for investors in shares and bonds and saw all profiles of **Passive IRIS** deliver positive Q4 (and 1 year) returns for investors. Those profiles with greater exposure to shares performed best over the full year, in line with their investment strategy and pension investors' risk profiles.



Source: Longboat Analytics. Performance as at 01.01.24 is quoted gross of tax and charges.

As you can see in Figure 7 overleaf, share and bond (government and corporate) exposures of Passive **IRIS** gained in Q4 (and in 2023 overall). Property exposure was the only detractor from Q4 performance (and 2023) as the asset class continued to feel the impact of higher borrowing costs and lower demand.

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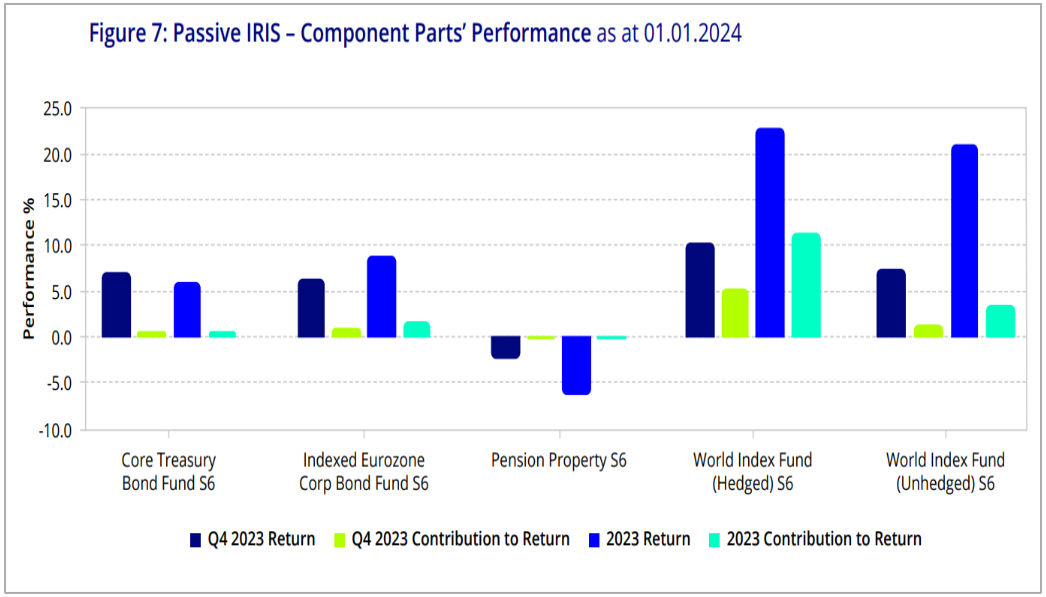
Performance review (cont'd)

Passive IRIS profiles for those with longer to retirement have greater exposure to riskier assets, such as shares. As a result of the strong market rebound in Q4, these **Passive IRIS** profiles enjoyed positive returns in Q4. As a passive equity investment, **Passive IRIS**' exposures to shares (or equities) is in line with an index of world stock markets. As technology-related shares currently make up a greater portion of this index, their continued strong performance in Q4 drove markets higher (and in 2023 overall). **Passive IRIS'** equity exposure without currency protection in place did not perform as strongly in Q4 as the equity element that has protection in place as a fall in value of the US dollar meant lower euro values after conversion.

Passive IRIS profiles for those closer to retirement hold more in lower risk assets such as bonds than those with longer to their retirement date. As we saw a reversal of fortunes for bond investors in 2023 (see figure 7), this benefited investors of these **Passive IRIS** profiles. Also, corporate bonds outperformed government bonds.



Source: Bank of Ireland Investment Markets. Performance as at 01.01.24 is quoted gross of tax and charges.

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Passive IRIS & IRIS – Q4 2023 Performance Update

Bank of Ireland Life's lifestyling investment strategy **IRIS** (Individual Retirement Investment Strategy) invests based on your projected retirement year. There are two versions available – **Passive IRIS,** which is passively managed (the default option in **Investment Choice**) and **IRIS,** which is actively managed.

Passive IRIS recognises that your investment needs will be different depending on your term to retirement. It is designed to match your changing investment needs by automatically selecting an appropriate level of risk depending on your retirement year – a higher level of risk when you are far from retirement and want your fund to potentially grow, and a lower level of risk as you near retirement and want to safeguard your fund against strong short-term market fluctuations.

Passive IRIS is passively managed (except for the direct property element and cash, which are actively managed). The equity element tracks the performance of a leading global index (with 75% currency hedging)**.

Gross Performance to 01 January 2024

Passive IRIS Funds Performance Update	1Mth	3Mth	1Yr	3Yrs p.a.	5Yrs p.a.	10Yrs p.a.
Passive IRIS 2038 onwards	3.4%	7.9%	16.8%	4.8%	8.5%	7.1%
Shorter dated Passive IRIS funds						
Passive IRIS 2025	1.9%	3.9%	7.8%	1.5%	4.3%	54.8%
Passive IRIS 2023	1.6%	3.0%	6.0%	1.8%	3.7%	4.3%

Source: Longboat Analytics. Performance as at 01.01.24 is quoted gross of tax and charges.

**With effect from 5th August 2020 the fund will access the investment through the MGI UCIT platform rather than the SSGA UCIT platform. State Street Global Advisors (SSGA) will continue to manage the underlying investments on behalf of Bank of Ireland Life and there will be no change to your investment. This is for operational and business efficiencies.

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Passive IRIS & IRIS – Q4 2023 Performance Update (cont'd)

IRIS can initially invest in a mix of equities (75% currency hedging), property, bonds, a diversified fund (managed by LGIM) and cash, depending on your term to retirement.

In the early years, the investment strategy of **IRIS** is tailored towards investing in higher risk assets such as equities, bonds and property, which have the potential for higher growth. When retirement is 15 years or less away, the asset allocation changes with the aim of reducing exposure to market fluctuations as you approach retirement.

IRIS is actively managed which means that the investment managers** select what they consider to be the most suitable assets for the fund (within the limits of the investment strategy). These investment decisions are based on analytical research and forecasting as well as the fund manager's skill, experience and expertise. The fund manager will exercise their discretion within the limits of the **IRIS** investment strategy.

Gross Performance to 01 January 2024

IRIS Funds Performance Update	1Mth	3Mth	1Yr	3Yrs p.a.	5Yrs p.a.	10Yrs p.a.
Retirement Fund 2038 onwards	4.5%	6.5%	11.1%	5.9%	7.8%	5.7%
Shorter dated IRIS funds						
Retirement Fund 2025	3.1%	5.4%	8.2%	1.2%	4.0%	3.7%
Retirement Fund 2023	2.9%	5.0%	7.5%	0.5%	3.3%	3.3%

Source: Longboat Analytics. Performance as at 01.01.24 is quoted gross of tax and charges.

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iFunds Q4 2023 Commentary

iFunds is our range of multi-asset, actively managed funds. There are 4 **iFunds** (and 2 **iFunds Alpha** funds which are not available here) to choose from - each fund varies by risk to cater for different types of investors. Each **iFunds** is based on the principle of diversification - investments are spread across assets, funds and fund managers (excluding **iFunds Equities**).

iFunds 3

In the second half of 2023, **iFunds 3** increased by +3.6% for a full year return of +6.2%. The return in the second six months of 2023 was mostly from equities and bond exposure. There were small positive contributions from cash and alternatives. Property was a small negative contribution.

Over the six months there were a number of asset allocation changes made by the iFunds team, including:

• The equity allocation was increased by 2% to 23%, cash increased by 2% to 16%, alternatives reduced by 3% to 9% and property reduced by 2% to 3%.

• The team added the **Fidelity Sustainable Emerging Markets Fund** and **SSGA Passive US Equity Fund** and sold out of the **Passive Global Equity Fund** as they sought to manage risk and further diversify the equity exposure within the fund.

• The aim is to have a consistent pool of equity managers across the **iFunds suite**. **iFunds 3** now invests in seven equity funds.

• The team also reduced the alternatives position by selling some of the exposure in the **Fulcrum Diversified Absolute Return Fund** and **Acadian Systematic Macro Fund**.

• The team continued with their ongoing reduction to the **Property Fund**.

There were some strong performances from the equity funds with the **Arrowstreet, LA Capital, Schroders** and **Dodge & Cox** equity funds all delivering returns in excess of 6%. Bond funds also did well with the **PIMCO Global Aggregate Bond Fund** and **M&G Short Dated Corporate Bond Fund** both delivering returns in excess of 4%. The **Cash Fund** delivered 2%. The **Property Fund** was down 5%. All returns are quoted gross of tax and charges.

iFunds 4

In the second half of 2023, **iFunds 4** increased by +3.9% for a full year return of +8.8%. The return in the second six months was mostly from equities and bond exposure. There were small positive contributions from cash and alternatives. Property was a small negative contribution.

Over the six months there were a number of asset allocation changes by the iFunds team, including:

• The equity allocation was increased by 3% to 45%, cash increased by 2% to 8%, alternatives reduced by 3% to 8% and property reduced by 2% to 4%.

• The team added the **Fidelity Sustainable Emerging Markets Fund** and **SSGA Passive US Equity Fund** and sold out of the **Passive Global Equity Fund** as they sought to manage risk and further diversify the equity holdings.

• The aim is to have a consistent pool of equity managers across the **iFunds suite**. **iFunds 4** now invests in seven equity funds.

• The team also added the **JP Morgan Aggregate Bond Fund** in December.

• The team also reduced the alternatives position by selling some the exposure in the **Fulcrum Diversified Absolute Return Fund** and **Acadian Systematic Macro Fund**.

• They continued with their ongoing reduction to the **Property Fund**.

There were some strong performances from the equity funds with the **Arrowstreet, LA Capital, Schroders** and **Dodge & Cox equity funds** all delivering returns in excess of 6%. Bond funds also did well with the **PIMCO Global Aggregate Bond Fund** and **M&G Short Dated Corporate Bond Fund** both delivering returns in excess of 4%. The **Cash Fund** delivered 2%. The **Property Fund** was down 5%. All returns are quoted gross of tax and charges

The ability of the iFunds range to generate returns from multiple sources, across funds and managers, as shown above, continues to be a key driver of performance.

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iFunds Q4 2023 Commentary (cont'd)

iFunds 5

In the second half of 2023, **iFunds 5** increased by +4.4% for a full year return of +12.0%. The return in the second six months was mostly from equities and bond exposure. There were small positive contributions from cash and alternatives. Property was a small negative contribution.

Over the six months there were a number of asset allocation changes made by the iFunds team, including:

• The equity allocation was increased 4% to 72%, cash increased by 3% to 5%, alternatives reduced by 4% to 7% and property reduced by 2% to 4%.

• We added the **SSGA Passive US Equity Fund** and sold out of the **SSGA Passive Global Equity Fund** and the **State Street Spotlight Fund** as the team sought manage risk and further diversify the equity holdings.

• The aim is to have a consistent pool of equity managers across the **iFunds suite**. **iFunds 5** now invests in seven equity funds.

• The team added the **JP Morgan Aggregate Bond Fund** in December.

• The team also reduced the alternatives exposure by selling some of the exposure in the **Fulcrum Diversified Absolute Return Fund** and **Acadian Systematic Macro Fund**.

• The team continued with their ongoing reduction to the **Property Fund**.

There were some strong performances from the equity funds with **the Arrowstreet, LA Capital, Schroders** and **Dodge & Cox equity funds** all delivering returns in excess of 6%. Bond funds also did well with the **PIMCO Global Aggregate Bond Fund** and **M&G Short Dated Corporate Bond Fund** both delivering returns in excess of 4%. The **Cash Fund** delivered 2%. The **Property Fund** was down 5%. All returns are quoted gross of tax and charges.

iFunds Equities

In the second half of 2023 **iFunds Equities** increased by +5.8% for a full year return of +17.5%. Over the six months there were a number of manager allocation changes, including:

• We added the **State Street Passive US Equity Fund**.

• We exited the **Spotlight Fund**.

• The aim is to have a consistent pool of equity managers across the **iFunds suite**. **iFunds Equities** now holds seven equity funds.

There were some strong performances from the equity funds with the **Arrowstreet, LA Capital, Schroders** and **Dodge & Cox** equity funds and **SSGA Passive Global Equity Fund** all delivering returns in excess of 6%. Emerging markets equities continued to disappoint as China's economy lost momentum as the year progressed. The **Fidelity Sustainable Emerging Markets Fund** was down -2%. All returns are quoted gross of tax and charges.

Tom Baragry, Senior Portfolio Manager, Bank of Ireland Investment Markets.

The ability of the iFunds range to generate returns from multiple sources, across funds and managers, as shown above, continues to be a key driver of performance.

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PRIME Q4 2023 Commentary

SFDR Classification Article 8 Funds

PRIME funds

PRIME Funds is our passive multi-asset range of funds. Instead of a fund manager making decisions about what individual assets are held, passive funds track market-weighted indices or portfolios. It is important to note that any exposure in the funds to property will be actively managed. There are 4 **PRIME Funds** to choose from - each fund varies by risk to cater for different types of investors. **PRIME 3**, **4** and **5** also benefit from a dynamic risk management mechanism – a strategy that reduces exposure to equities when equity market volatility is high.

Performance review

All **4 PRIME Funds** delivered positive returns in the fourth quarter. Developed market (DM) equities were the primary contributor to the funds' total performance. The quarter started poorly, with investor sentiment dampening by concerns about 'higher for longer' rates and geopolitical uncertainty. However, markets shifted in November, surging on fresh data indicating easing inflation pressures and positive statements from the US Federal Reserve (Fed). The momentum continued to build in December, when the US Fed hinted that interest rate cuts could be on the way for 2024.

- **Equities**: The final quarter of 2023 proved to be very positive for the **PRIME funds**. By region, US equities proved among the top performers, European returns were also healthy. Japanese market gains were limited by the yen's recovery against the US dollar on prospects that the policy rate differential may narrow in 2024. Despite a weak quarter for Chinese equities, it finished the quarter positively. Global sector returns were led by technology and real estate, while energy struggled as oil prices fell. Consumer staples underperformed in Q4.

- **Bonds**: Global bonds had one of their best quarters for many years, buoyed by increased confidence among investors that major central banks could look to cut interest rates sooner than previously forecast. The 'higher for longer' narrative that had seen 10-year yields hit multi-year highs as recently as October 2023 dissipated as bond prices were driven higher amid slowing inflation. For much of Q4, the Fed maintained a cautious stance (albeit without rate hikes), but the December release of members' rate expectations indicated up to three rate cuts could follow in 2024.

- **Alternatives: PRIME Funds'** alternative exposure recorded a positive return in Q4 2023. Both local currency and hard currency emerging market bonds delivered strong returns as a continued deceleration in inflation, retracing US Treasury yields and a reversal of US dollar strength in November brought a more positive macro backdrop for emerging market (EM) assets. Both investment grade and high yield corporate debt delivered strong returns despite the slowing economic growth outlook as investors were encouraged by the prospect of lower interest rates in 2024. Commodities overall posted a loss in the fourth quarter, with everything from oil and gas to base metals and grains recording declines. Precious metals was the sole sector that had a positive return, while the energy sector was the major detractor, followed by agriculture.

- **Property:** The past 18 months have represented a challenging period for real estate markets, as higher interest rates and a general tightening in the credit environment led to falls in values and a dramatic reduction in transaction activity. European real estate investment volumes in 2023 were roughly half that of the five-year average, while issues facing the office sector saw activity in this sector fall even more than the overall market. Rising interest rates, which have defined the investment landscape since mid-2022, have led to yield increases across sectors and markets. While individual sectors and locations have responded to higher borrowing costs and reduced availability of capital in different ways, the trend of outward yield adjustment has been largely consistent across markets. Declining inflation would suggest that we are approaching the end of a sustained period of interest rate increases however reductions in rates are unlikely in the near-term. On this basis overall returns are likely to be reliant on rental income in the coming year.

PRIME Funds' risk adjustment mechanism review

- Forecasted volatility for developed and emerging market equities remained well below their target level throughout the quarter as growing anticipation of a potential policy easing boosted investor sentiment.

- At the beginning of the fourth quarter, when viewed as a percentage of the DM equity allocation, the DM Target Volatility Trigger (TVT) strategy's equity exposure was approximately 100%. The DM TVT strategy remained fully invested during the quarter as forecasted volatility remained below the target volatility level of 12%.

- At the beginning of Q4, when viewed as a percentage of the emerging markets (EM) equity allocation, the EM TVT strategy's equity exposure was approximately 100%. The EM TVT strategy remained fully invested during the quarter as forecasted volatility remained below the target volatility level of 16%.

Barry O'Leary, Relationship Manager, State Street Global Advisors

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BNY Mellon Global Real Return Fund Q4 2023 Commentary

Managed by NEWTON The Power of Ideas

Bank of Ireland Life's fund invests in the **BNY Mellon Global Real Return Fund**. This fund offers investors the opportunity to benefit from the potential returns which come from investing in a wide range of assets. Through its focus on risk management, the fund aims to deliver returns with reduced short-term risk and a smoother investment journey for investors.

Performance review

- The final quarter of 2023 played out in two distinct phases. The first phase, comprising the majority of October, witnessed the continuation of previous equity market weakness, as stronger-than-expected US employment and growth data, coupled with persistent inflation, implied that the US economy was running too hot. This pushed yields on US Treasury bonds significantly higher.
- The tone changed markedly during the remaining period, which witnessed a major cross asset-class rally fuelled by a combination of downside surprises for inflation and a more dovish tone from central banks, culminating in a series of interest rate cuts being priced in by markets.
- Within equities, the 'Magnificent Seven*' group of technology stocks turbocharged performance, while bond yields retraced from their relentless climb higher. By contrast, most commodities saw significant price declines. However, gold made significant gains, reflecting the likelihood of interest rate cuts in 2024.
- During a strong fourth quarter, the fund's return-seeking core delivered a positive return, largely driven by global equities exposure.
- All areas of the core were helpful to the gradual increase to returns. Equity performance was dominated by those companies closely associated with excitement around AI, notably Microsoft, Amazon, NVIDIA and Lam Research. The fall in bond yields provided further impetus. Ryanair continued to forge a robust recovery path following the pandemic, while BAE Systems' fortunes reflected the increased focus on defence spending given the fiery geopolitical environment.
- Among the detractors, Rentokil Initial suffered from lacklustre results while Lonza, the contract development and manufacturing partner for the pharmaceutical and biotech industry, guided down expectations for 2024. Sanofi's share price fell as the pharmaceutical and healthcare company announced a significant increase in research and development spending, largely to fund the advancement of several of its most promising new compounds.
- Elsewhere within the core, while alternatives were a positive contributor, primarily owing to renewables and alternative risk premium positions, exposure to carbon was affected by more pronounced signs of a slowdown in the industrial parts of the European economy.
- The fund's stabilising layer was also positive. Government bonds, partly accessed through derivatives, benefitted from a cooling in inflation while gold's performance reflected an easing in monetary conditions.

Equity market protection represented a cost as markets rallied sharply.

Strategy & Outlook

- We expect elevated volatility in 2024, with the year set to be characterised by stubborn inflation, albeit lower than during the previous year, and fears of an economic slowdown. We expect these factors to influence markets, along with changing interest rate trends and geopolitics.
- Within equities, we expect to see continuing opportunities in growth compounders and quality cyclicals, while widening differences in yields in the credit market could also lead to opportunities in this area of the market. Flexibility and nimbleness remain key and have been a vital part of the fund's DNA since its inception.

Aron Pataki, Lead Portfolio Manager, Newton Investment Management.

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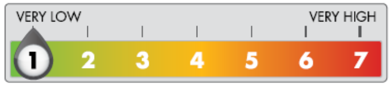
Performance Q4 2023 – Standard Suite of Funds

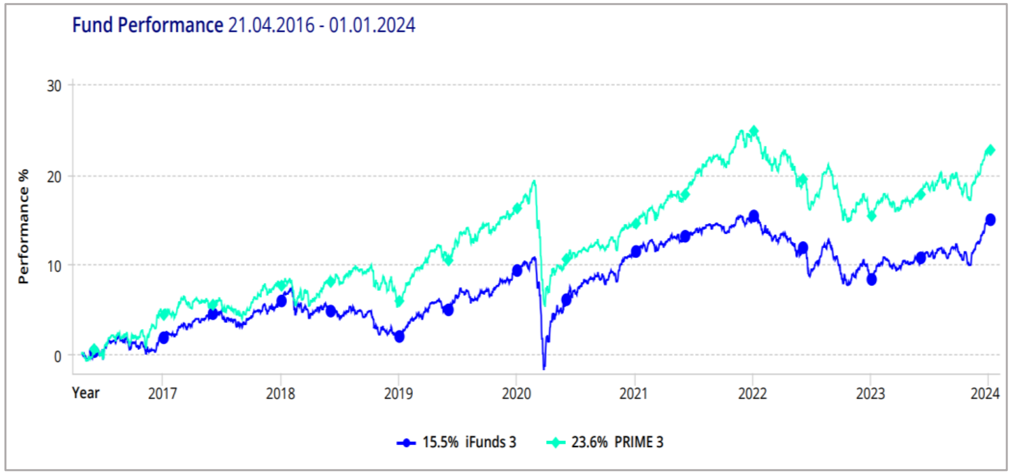
Very Low Risk Funds



	Gross Performance to 01 January 2024					
	1Mth	**3Mth**	**1Yr**	**3Yrs p.a.**	**5Yrs p.a.**	**10Yrs p.a.**
Pension Cash Fund	**0.3%**	**0.7%**	**3.1%**	**0.8%**	**0.3%**	**0.0%**

Source: Longboat Analytics. Performance as at 01.10.23 is quoted gross of tax and charges.

Low to Medium Risk Funds



Annualised	**1Mth**	**3Mth**	**1Yr**	**3Yrs p.a.**	**5Yrs p.a.**
iFunds 3	2.0%	3.6%	6.2%	1.1%	2.5%
PRIME 3	1.9%	3.8%	6.7%	2.4%	3.1%

Source: Longboat Analytics. Performance as at 01.01.24 is quoted gross of tax and charges.

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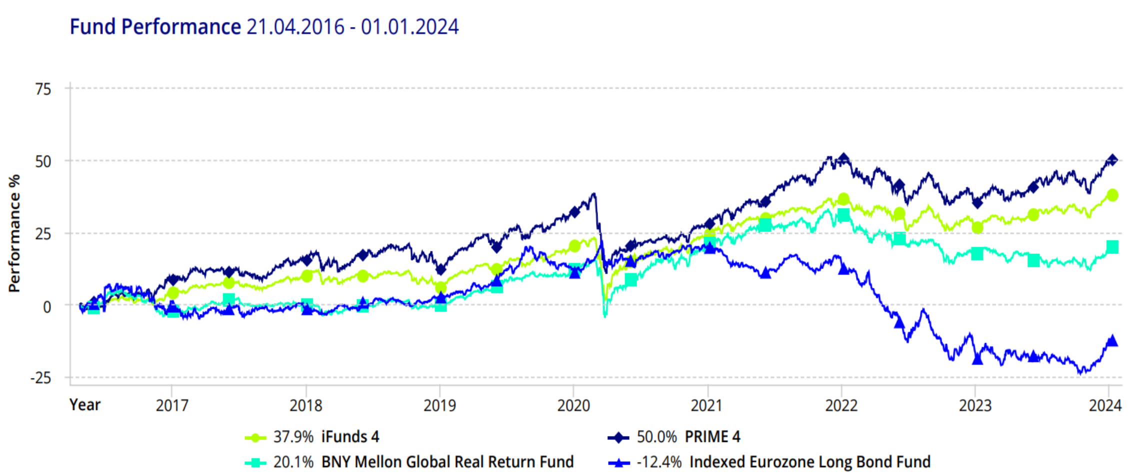
For the most up to date fund performance and fund information, please click Fund Centre

Performance Q4 2023 – Standard Suite of Funds

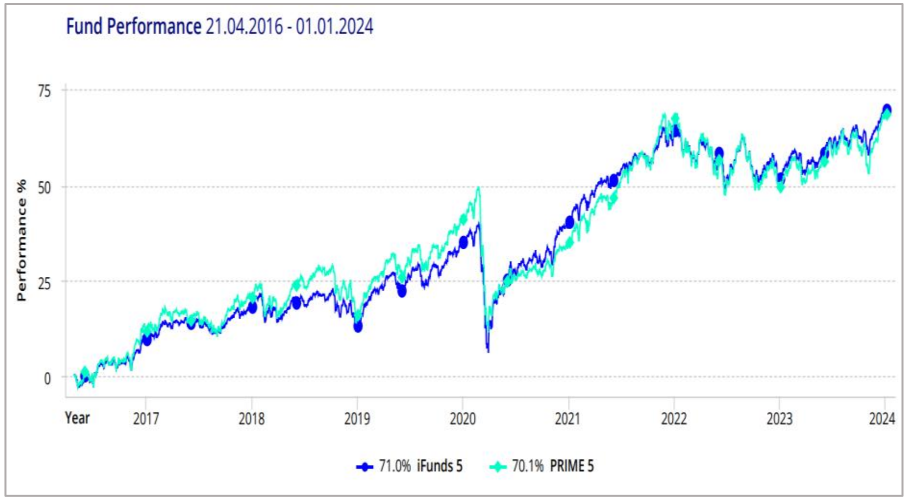
Medium Risk Funds



Annualised	1Mth	3Mth	1Yr	3Yrs p.a.	5Yrs p.a.	10Yrs p.a.
iFunds 4	2.2%	3.9%	8.8%	3.5%	5.4%	-
PRIME 4	3.0%	5.3%	10.9%	5.4%	6.0%	-
BNY Mellon Global Real Return Fund	3.3%	4.9%	1.9%	-0.3%	3.8%	3.1%
Indexed Eurozone Long Bond Fund	7.1%	13.5%	7.7%	-9.9%	-3.1%	1.4%

Source: Longboat Analytics. Performance as at 01.01.24 is quoted gross of tax and charges.

Medium to High Risk Funds



Annualised	1Mth	3Mth	1Yr	3Yrs p.a.	5Yrs p.a.
iFunds 5	2.6%	4.4%	12.0%	6.6%	8.6%
PRIME 5	3.6%	5.9%	13.1%	7.9%	7.9%

Source: Longboat Analytics. Performance as at 01.01.24 is quoted gross of tax and charges.

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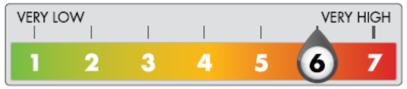
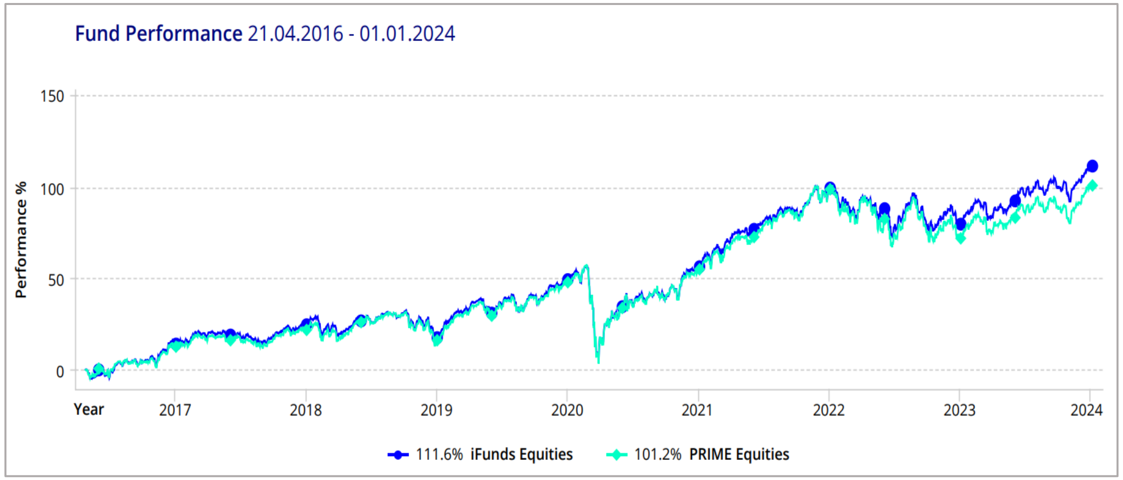
Performance Q4 2023 – Standard Suite of Funds

High Risk Funds





Annualised	1Mth	3Mth	1Yr	3Yrs p.a.	5Yrs p.a.
iFunds Equities	3.5%	5.8%	17.5%	10.5%	12.4%
PRIME Equities	4.1%	6.6%	16.6%	9.1%	11.6%

Source: Longboat Analytics. Performance as at 01.01.24 is quoted gross of tax and charges.

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Talk to us today

Fund Centre

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February 2024