



February 2024
in review
Performance Pulse



more **INVESTED**

OVERVIEW

Numerous global stock markets rallied to new all-time highs in February. Markets were buoyed by several factors, including the expectation of interest rate cuts later in 2024, strong labour markets, a better-than-expected earnings reporting season and the potential for increased profits from the application of artificial intelligence (AI). Global activity data was mixed, with US data generally remaining strong, although there were some indications of slowing household consumption and reaccelerating inflation. Activity in Europe remained subdued, although sentiment surveys mainly showed continued improvement. Major central banks pushed against the notion of interest rate cuts in Q1, suggesting that rate cuts for the US Federal Reserve (Fed) and the European Central Bank (ECB) would start around mid-year or even later. Bond markets fell in response to the central bank commentary. Meanwhile, commodities continued to rise amid ongoing Middle East tensions.

EQUITIES

Several global stock markets rallied to new all-time highs in February, with the MSCI All Country World index up by 4.7% (4.7% in euros) over the month. The MSCI USA rallied by 5.4% (5.8% in euros), while European ex-UK equities were up by 2.8% (2.4% in euros).

Equities were buoyed by likely rate cuts later in 2024, still-strong labour markets and the potential for increased profits from the application of AI. In terms of the latter, Nvidia's Q4 earnings were a

key market focus, and the company posted another blockbuster set of figures. Revenue rose by 265% year-on-year in Q4 to \$22.1bn, compared to market expectations of \$20.4bn. CEO Jensen Huang stated: "Accelerated computing and generative AI have hit the tipping point... Demand is surging worldwide across companies, industries and nations." Nvidia is now the third largest US company by market cap, moving above Amazon and Google and only behind Apple and Microsoft.

Markets



- > Inflation numbers moderating. An economic 'soft landing' is expected, whereby inflation comes down while avoiding recession.
- > The US Federal Reserve (Fed) and European Central Bank (ECB) are expected to cut interest rates in 2024.
- > Strong US economic data and optimism over the application of AI.



- > Risk of inflation remaining more persistent.
- > Risk of recession / further bank sector issues.
- > Higher borrowing costs remain a threat to corporate earnings.

Stocks



- > Super Micro Computer, Inc. **64.16%**
- > Celsius Holdings, Inc. **64.19%**
- > Li Auto, Inc. Class A **67.65%**



- > One 97 Communications Ltd. **-46.74%**
- > Snap, Inc. Class A **-30.39%**
- > Sodexo SA **-29.54%**

Performance (%) as at 29 February 2024

	1 month	6 months	YTD	1 year	3 years p.a.	5 years p.a.
MSCI ACWI (Global Equities)	4.7%	12.1%	6.0%	24.0%	8.3%	11.7%

Source: ILIM, Factset. Data is accurate as at 29 February 2024.

MSCI ACWI PERFORMANCE (GLOBAL EQUITIES)

One-year performance chart
(in euros)



Source: ILIM, Factset.

Data is accurate as at 29 February 2024.

BONDS

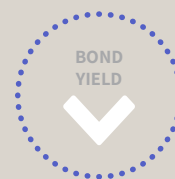


Global bond markets fell in February, and so yields rose, as the timing of interest rate cuts for 2024 was pushed out and the magnitude of expected cuts was reduced. The ICE BofA 5+ Year Euro Government Bond Index was down by 1.4% over the month.

European investment-grade corporate bonds fell by 0.9% as yields rose by 29 basis points (bps) to 3.94%. Global high-yield bonds eked out a 0.1% gain as the income yield offset the modest capital loss, with yields up by 7bps to 7.03%.



- > More persistent inflation, combined with reasonably strong economic data, could cause interest rates to stay higher for longer than expected.
- > Increased government borrowing to fund deficits could exert some upward pressure on yields.



- > Declining inflation and/or worsening economic data could result in increased expectations of interest rate cuts, and falling bond yields.

10-Year Bond Yields	2024	2023	2022	2021	2020	2019
US	4.2	3.9	3.9	1.5	0.9	1.9
Germany	2.4	2.0	2.5	-0.2	-0.6	-0.3
UK	4.2	3.5	3.7	1.0	0.2	0.8
Japan	0.7	0.6	0.4	0.1	0.0	0.0

Source: ILIM, Factset. Data is accurate as at 29 February 2024

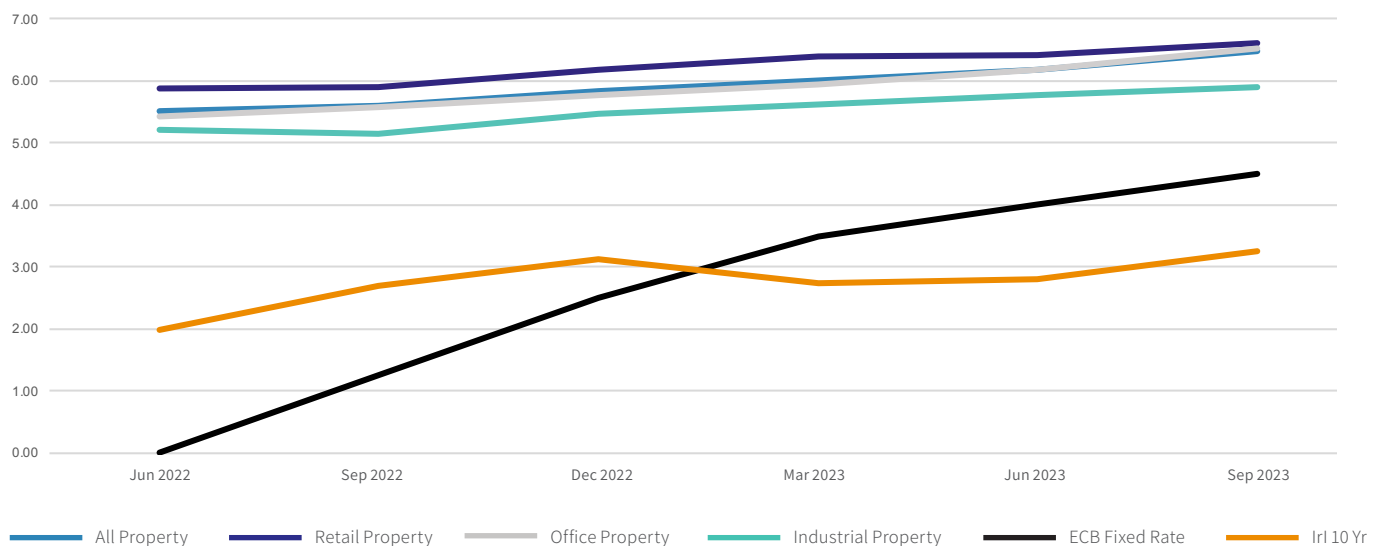
PROPERTY – Q4 2023

The steady rise in ECB interest rates from July 2022 (0.0%) to September 2023 (4.50%) led to a contraction in investment activity into property, which is heavily reliant on debt financing and investor sentiment. This perpetuated a rise in valuation yields across all property sectors, having a negative impact on values. The MSCI All Property Ireland Index equivalent yield moved out 1.0% in the same period from 5.5% to 6.5%. The spread of property yields to government bonds therefore improved by 0.73% to 3.24%, thereby increasing the relative attractiveness of property yields.

Investment turnover in Ireland reached approximately €440m in Q4, boosted by the off-market sale of an Amazon logistics centre in Baldonnell Business Park for €225m. This brings the annual tally to close to €2bn, roughly half the annual level of trade over the previous decade. Only 28 deals completed in Q4. Private investors continued to be the most active, focused on small lot sizes. The largest office transaction of the period was the OPW's acquisition of Trinity Point in Leinster Street for a reported €40m, which breaks back to in excess of €900 per square foot (sq. ft.). The OPW had leased four of the six floors in the property at a total rent of €2.59m p.a. The two remaining floors are currently vacant and account for 41% of the building. Chancery Court, a mixed-use property, comprising over 34,000 sq. ft. of office accommodation and four two-bedroom apartments, is also believed to have sold in Q4, for a price in the region of €15m, which would represent a net income yield of 9%. The property last traded to Credit Suisse in 2017 for €23.8m.



Property Equivalent Yields vs. ECB Fixed Rate



Source: MSCI, ILIM

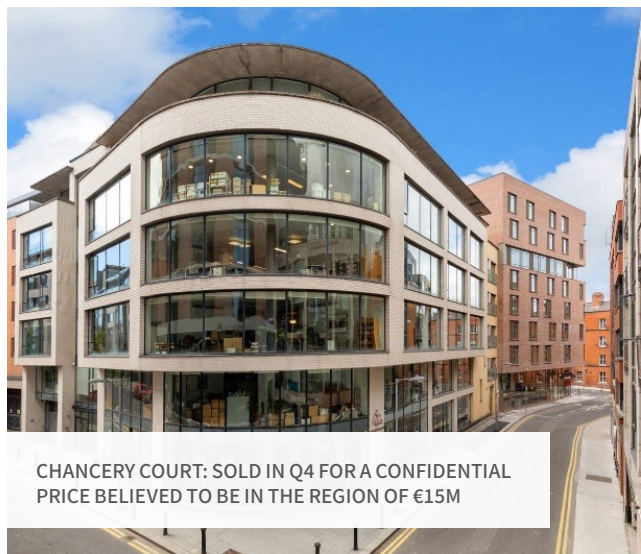
PROPERTY (CONTINUED)

Increased income yields, which now stand at close to 5.75% across the Irish commercial market according to the MSCI Index, have not been sufficient to offset the capital decline caused by yield expansion, which dictated property performance in 2023. In addition, net income declined due to rising vacancy and associated costs, particularly in the office sector.

Office take-up in Q4 amounted to approximately 367,000 sq. ft., according to CBRE. This brings the 2023 total to just shy of 1.4m sq. ft., representing a significant retraction from the average over the past 15 years (2.2m sq. ft.) and the lowest annual take-up of office space since 2010.

The main factors at play continue to be the corporate world's adaptation to hybrid working arrangements, staff amenity and welfare, a heightened focus on ESG, and a reaction to upcoming lease events (break options and lease expiries) in the context of greater availability and flexibility in the market. Vacancy across Dublin offices now lies above 16% and a significant amount of grey space is available for sub-lease – with fully fitted accommodation making up a sizable proportion of this segment. This has created a two-tier market at investment and occupational level for office property, with older, lower specification property suffering greater valuation decline and appeal.

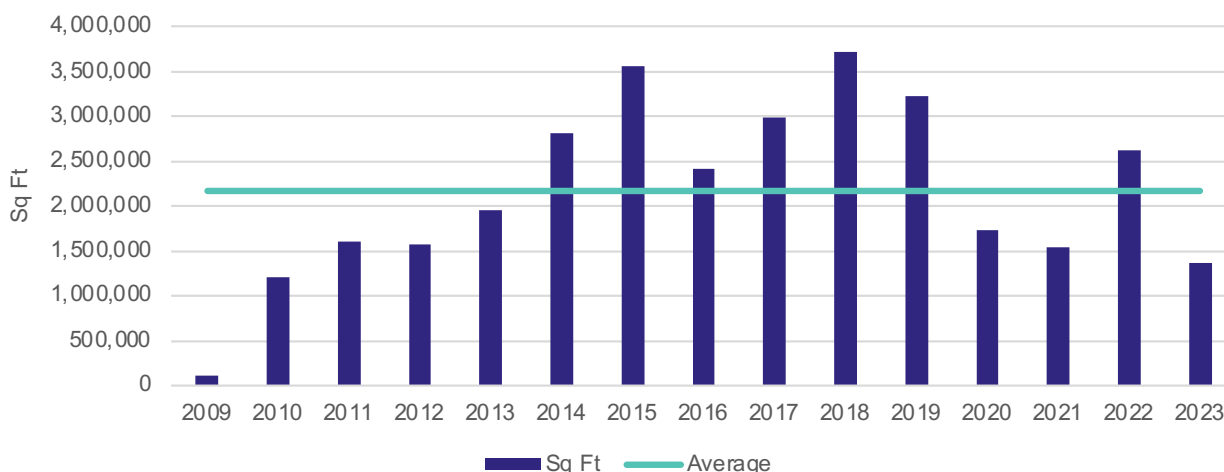
2023 was a positive year for the occupational retail market. Retail sales growth, in terms of both volume (+0.8% YoY to Nov 2023) and value (+3.9% YoY to Nov 2023), remained positive for the duration of 2023, despite the impact of rising inflation and the cost of living on consumers. This is supported by close to full employment and population growth, which is augmented by net inward migration. The ratio of retail sales versus footfall is at an all-time high, according to Bannon, a property consultancy. Occupancy across retail property increased in 2023, most notably in retail schemes outside of Dublin, where greater availability offered retail more opportunities to grow during the year.



CHANCERY COURT: SOLD IN Q4 FOR A CONFIDENTIAL PRICE BELIEVED TO BE IN THE REGION OF €15M

The industrial sector accounted for its largest proportion of investment activity in 2023. Its attractiveness is anchored by the dramatic growth in occupational demand (particularly from logistics operators), the long-term profile of income streams, and low baseline allocations to the sector. Vacancy across industrial and logistics stock in Dublin is currently <2%, making new space difficult to source and putting continued upward pressure on rents. Prime rents are now comfortably in excess of €11 per sq. ft. for modern or well-located buildings. Take-up of space is somewhat hampered by a dearth of supply, amounting to 1.04m sq. ft in Q4 and 3.26m sq. ft. for 2023 in total.

Long-term Office Occupational Annual Take-up



CASH

The next ECB meeting is due on 11 April, and no rate hike is seen as the most likely outcome.

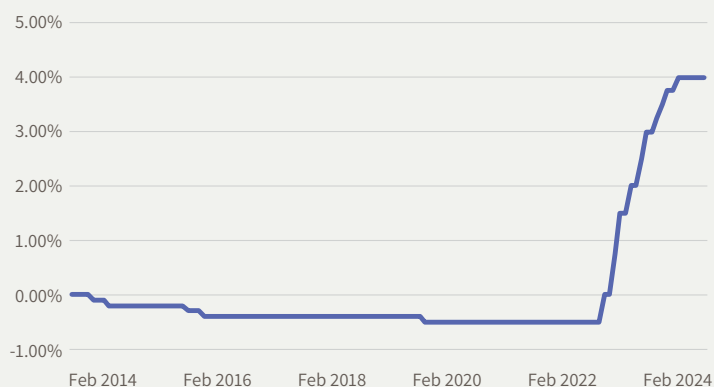
Central bank rates

	End 2022	End 2023	29 February 2024
ECB deposit rate	2.00	4.00	4.00
Bank of England*	3.50	5.25	5.25
US Federal Reserve**	4.50	5.50	5.50

* Official Bank Rate **Federal Funds Target Rate

Source: ILIM, Factset and Bloomberg. Data is accurate as at 29 February 2024.

ECB Deposit Rate



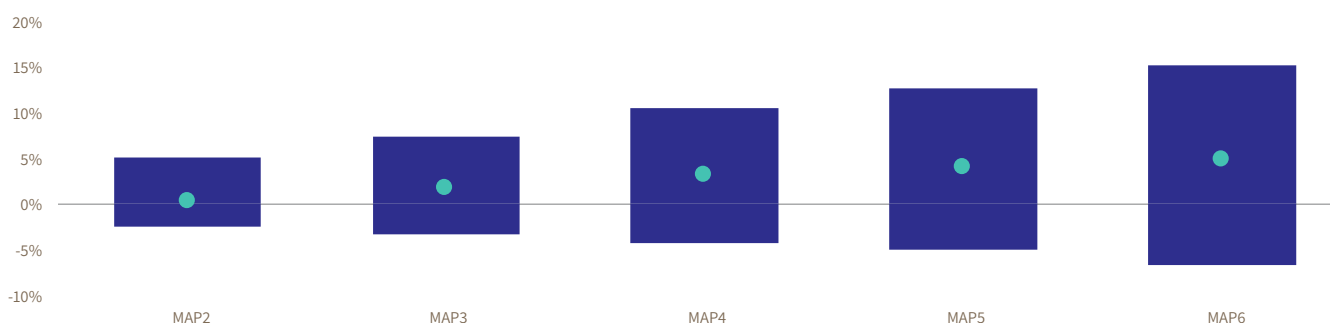
Source: ILIM, Factset. Data is accurate as at 29 February 2024.

Irish Life strategic MAPS asset allocation*

Asset class	MAP2	MAP3	MAP4	MAP5	MAP6
EQUITIES	20.0%	40.0%	60.0%	80.0%	95.0%
Developed Market (DM)	2.25%	6.2%	16.8%	29.0%	50.5%
Low Volatility (DM)	4.5%	9.0%	13.5%	10.0%	5.5%
Dynamic Shares to Cash (DM)	11.0%	20.0%	20.0%	20.0%	12.0%
Emerging Market (EM)	0.25%	0.8%	2.2%	12.0%	16.0%
Low Volatility (EM)	0.5%	1.0%	1.5%	1.0%	1.0%
EAFE (Europe, Australasia, Far East)	1.0%	2.0%	4.0%	5.0%	6.0%
Small Cap	0.5%	1.0%	2.0%	3.0%	4.0%
BONDS	48.5%	31.2%	17.6%	5.6%	0.4%
Government	8.5%	0.0%	0.0%	0.0%	0.0%
Corporate	29.0%	15.2%	4.6%	0.6%	0.4%
Global Aggregate	4.0%	3.0%	0.0%	0.0%	0.0%
Global High Yield	4.0%	5.0%	5.0%	2.0%	0.0%
Emerging Market (50% Hard 50% Local Currency)	3.0%	8.0%	8.0%	3.0%	0.0%
Alternatives	15.0%	15.0%	15.0%	7.0%	0.0%
Property	5.5%	6.8%	6.8%	6.8%	4.2%
Cash	11.0%	7.0%	0.6%	0.6%	0.4%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: ILIM, 29 February 2024. *DSC Global Shares use the Dynamic Share to Cash model. The table above shows the strategic asset mix before any Dynamic Share to Cash (DSC) or tactical movements (where applicable). ILIM rebalances the fund back to this mix on a quarterly basis. For the latest actual Irish Life MAPS fund mixes, which allow for any tactical or DSC changes, for example, see the relevant MAPS fund factsheet at www.irishlife.ie. ILIM will continue to monitor and review these assets and may change them over time.

Irish Life MAPS Performance v Expected Range of Returns



Source: ILIM – Data is accurate as at 29 February 2024. The expected range of returns and the actual performance are both net of a 1.15% fund management charge for MAP 2 to MAP 5 Funds inclusive and a 1.05% fund management charge for MAP 6.

- The 7-year range of expected returns (95% of the time) back in February 2017.
- The actual annualised performance of MAPS funds since February 2017.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied upon as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.
(www.msci.com)

This document is intended as a general review of investment market conditions. It does not constitute investment advice and has not been prepared based on the financial needs or objectives of any particular person, and does not take account of the specific needs or circumstances of any person.

The author cannot make a personal recommendation for any person and you should seek personal investment advice as to the suitability of any investment decision or strategy to your own needs and circumstances. Any comments on specific stocks are intended as an objective, independent view in relation to that stock generally, and not in relation to its suitability to any specific person.

ILIM may manage investment funds which may have holdings in stocks commented on in this document. Past performance may not be a reliable guide to future performance. Investments may go down as well as up. Funds may be affected by changes in currency exchange rates.