



March 2024  
in review  
**Performance Pulse**

Helping people build  
better futures

# OVERVIEW

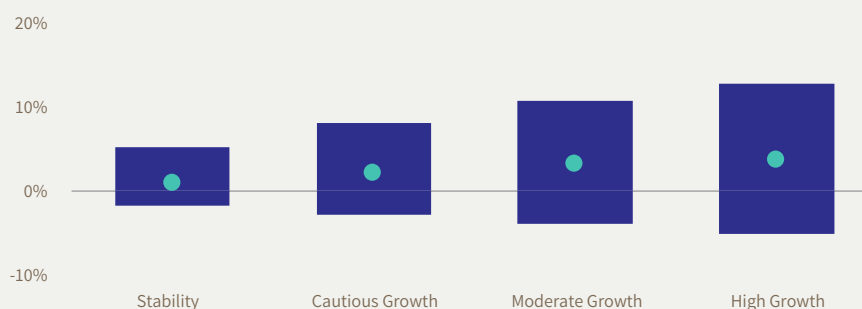
Global stock markets continued to rally in March, buoyed by a combination of prospective interest rate cuts later in 2024 and continued optimism around artificial intelligence (AI) and its potential to increase corporate profits. Bond prices also rose as both the Fed and the European Central Bank (ECB) suggested rate cuts would likely start in June. Global activity data was somewhat mixed, with signs of a slowdown in the US while data in the Eurozone showed tentative signs of improvement.

## IRISH LIFE EMPOWER FUNDS: STRATEGIC ASSET ALLOCATION

Fund Name	Stability	Cautious Growth	Moderate Growth	High Growth
New World Share (DSC)**	11.0%	18.0%	13.0%	13.0%
New World Shares*	2.5%	9.0%	29.0%	50.5%
Low Volatility Shares*	6.5%	11.5%	16.5%	11.5%
Thematic Equity*	0.0%	0.0%	0.0%	3.0%
Small Cap Equities	0.5%	1.0%	2.0%	3.0%
Global Infrastructure Equities	1.5%	2.5%	3.5%	2.5%
Equity Option Strategy	6.0%	6.0%	4.0%	3.0%
<b>SHARES/EQUITIES</b>	<b>28.0%</b>	<b>48.0%</b>	<b>68.0%</b>	<b>86.5%</b>
Government Bonds	12.5%	0.0%	0.0%	0.0%
Corporate Bonds*	35.1%	29.3%	14.3%	2.8%
Global Aggregate Bonds*	4.0%	3.0%	3.0%	0.0%
Emerging Market Debt*	3.0%	6.0%	8.0%	4.0%
<b>BONDS</b>	<b>54.6%</b>	<b>38.3%</b>	<b>25.3%</b>	<b>6.8%</b>
<b>PROPERTY*</b>	<b>6.4%</b>	<b>6.7%</b>	<b>6.7%</b>	<b>6.7%</b>
<b>CASH</b>	<b>11.0%</b>	<b>7.0%</b>	<b>0.0%</b>	<b>0.0%</b>

Source: ILIM, Data is accurate as at 31 March 2024. \*Features Sustainable characteristics \*\*New World Share contains Dynamic Share to Cash model (DSC) and Sustainable characteristics. The table above shows the strategic asset mix before any DSC or tactical movements (where applicable). ILIM rebalances the fund back to this mix on a quarterly basis. For the latest actual Irish Life Empower fund mixes, which allow for any tactical or DSC changes, for example, see the relevant Empower fund factsheet at <https://www.irishlifecorporatebusiness.ie/investment-documents>. ILIM will continue to monitor and review these assets and may change them over time.

## IRISH LIFE EMPOWER FUNDS: PERFORMANCE



Source: ILIM – Data is accurate as at 31 March 2024. The expected range of returns and the actual performance are both gross.

■ The 5-year range of expected returns (95% of the time) back in March 2019.  
● The actual annualised performance of Empower funds since March 2019.

# EQUITIES



- > 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.

Global stock markets continued to rally in March. The MSCI All Country World index rose by 3.4% (3.4% in euros) over the month. The MSCI USA rallied by 3.2% (3.4% in euros), while European ex-UK equities were up by 4.5% (3.9% in euros).

MSCI ACWI (GLOBAL EQUITIES)	
Performance, %	
1 month	3.4%
6 months	20.0%
YTD	9.6%
1 year	27.2%
3 years p.a.	9.1%
5 years p.a.	12.2%

Source: ILIM, Factset. Data is accurate as at 31 March 2024.

## MSCI ACWI PERFORMANCE (GLOBAL EQUITIES)

One-year performance chart (in euros)



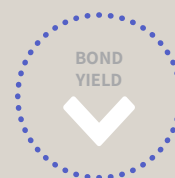
Source: ILIM, Factset. Data is accurate as at 31 March 2024.

# BONDS

Bond prices were higher in March as expectations remained for interest rate cuts in the first half of 2024. The ICE BofA 5+ Year Euro Government bond index returned 1.4% over the month.



- > 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	2.3	2.0	2.5	-0.2	-0.6	-0.3
UK	3.9	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 31 March 2024.



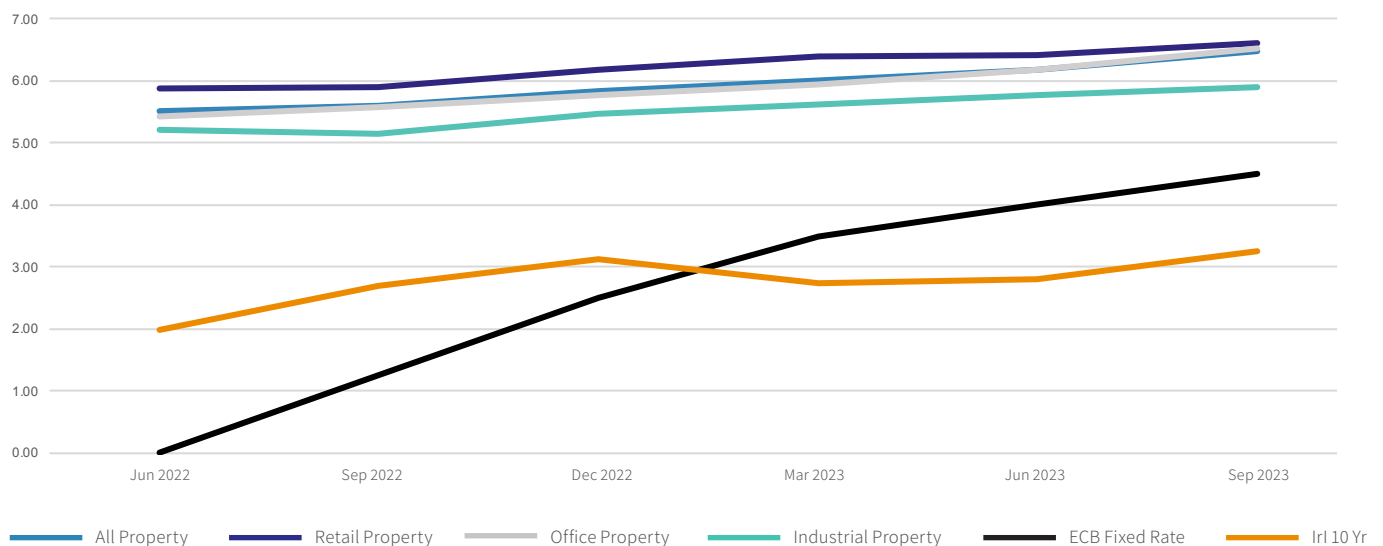
# PROPERTY – Q4 2023

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.

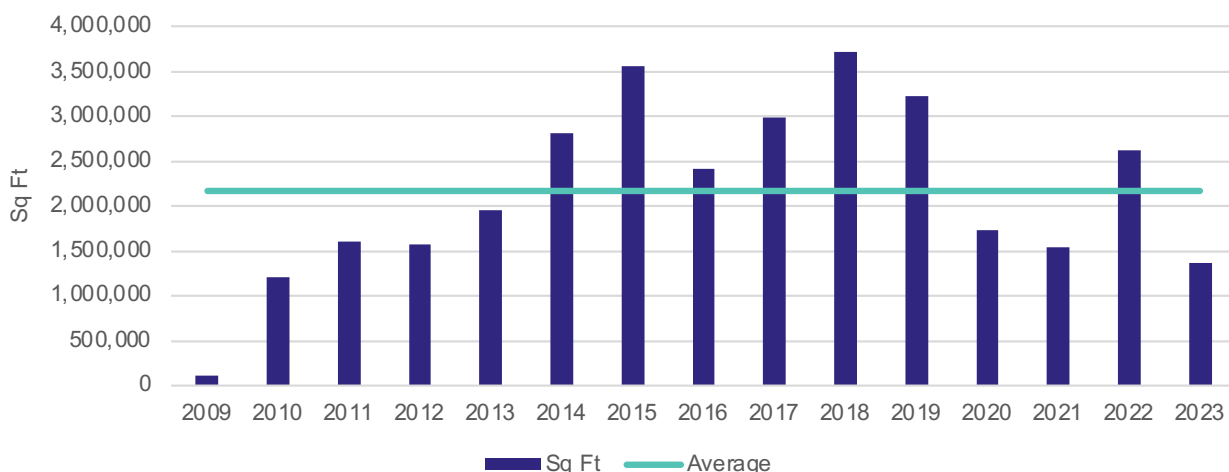
The main factors at play continue to be the corporate world's adaptation to hybrid working arrangements, staff amenity and welfare, a heightened focus on ESG, and a reaction to upcoming lease events (break options and lease expiries) in the context of greater availability and flexibility in the market. 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.



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



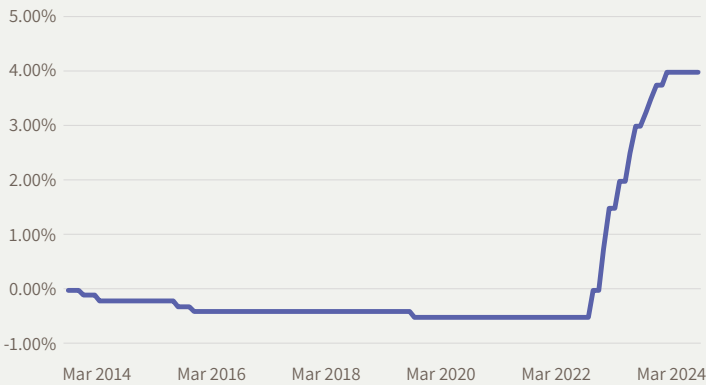
The next ECB meeting is due on 11 April, and no rate hike is seen as the most likely outcome.

## Central bank rates

	End 2022	End 2023	29 March 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 31 March 2024.

## ECB Deposit Rate



Source: ILIM, Factset. Data is accurate as at 31 March 2024.



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