Empower Investment Update

November 2022

Since the start of 2022, the main assets in which the funds invest your retirement savings have fallen in price, which is why the funds have performed negatively over the shorter term periods.

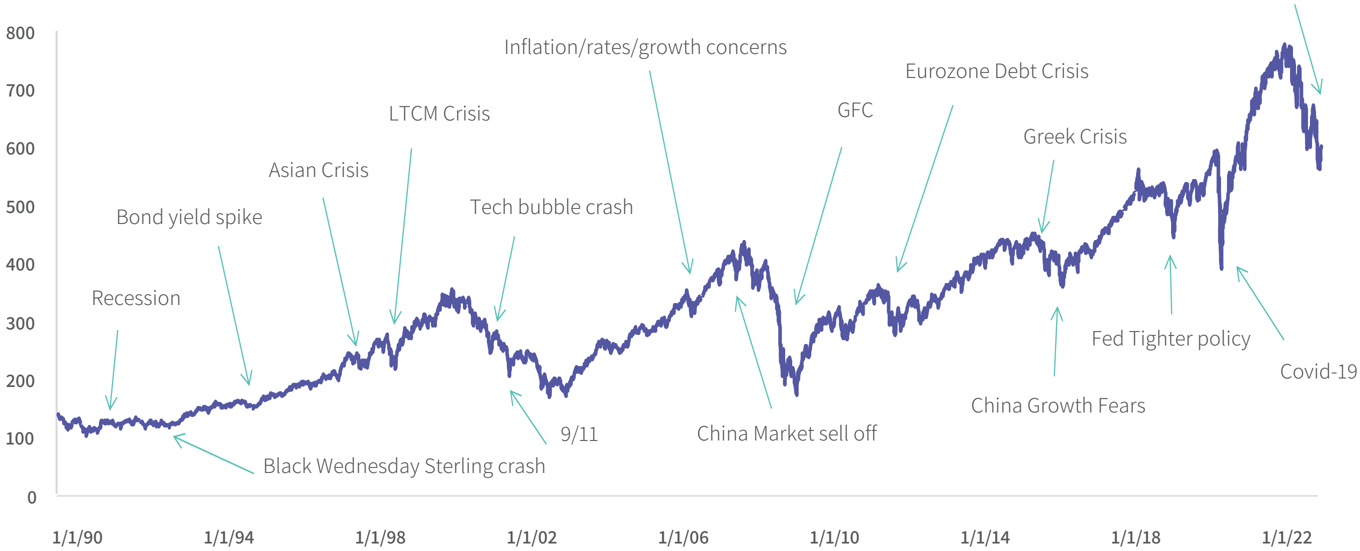
The main reason for this is that central banks across the developed world signaled they would increase interest rates to help reduce rates of inflation that are at levels unseen in forty years. In the UK, US and the Eurozone, interest rates have been increasing at the fastest pace observed in years, with further increases expected over the coming months. Typically, when interest rates are going up, investment assets like equities and bonds perform poorly.

In addition, Covid remains prevalent and a series of lockdowns in China have occurred due to its 'zero tolerance' Covid policy, which means a lower level of economic activity from one of the biggest nations in the world. Furthermore, the escalation of the Russia-Ukraine conflict has negatively impacted growth expectations, in particular in Europe, and weakened investor sentiment.

Global equity markets have fallen c.9.0% year to date to 31 October. Investor concerns are focused on high inflation and the impact rising interest rates will have on economic growth. The situation is evolving but it is likely that the global economy is in for an extended period of slower growth as bigger markets, like the US and Europe, are expected to experience further increases in interest rates that may stay elevated for some time, in order to combat inflation. As a result, the increased market volatility evident so far this year is likely to continue over the coming months. However, while we are in uncertain times, they are not unprecedented.

We can see from the period below that staying invested delivered very strong returns for longer-term investors despite the many temptations to sell. Equity markets will experience short-term ups and downs, but, over time, there are more ups than downs, so it is important to stay invested to benefit from them.

Global Equities – 1990-2022



Source: Bloomberg, November 2022, reflects the MSCI All Country World Index

Warning: Past performance is not a reliable guide to future performance.

We know that, when it comes to investing, uncertainty is uncomfortable for most people. Equity market highs and lows can often prompt short-term, emotional decision making and actions to buy or sell when perhaps the right thing to do is nothing.

That is why we have specifically designed our investment solutions to make the journey smoother. There are two ways we do this:

Diversification

This means spreading investments so the performance of your fund is not over-exposed to any one company, asset class, sector, geography, currency, manager or strategy. In practice it means that, if equities are falling for example, your fund can still benefit from other assets, like bonds, going up. This reduces the overall impact of any fall.

Risk Management

Growing retirement savings over time means investing in some higher growth but higher risk assets like equities. Our core competence is managing the risks associated with these assets in a variety of ways to reduce the peaks and troughs you might otherwise experience. These include specialist investment strategies like the Equity Option Strategy or science-based risk management like the Dynamic Share to Cash strategy.

So, whether you are choosing the lifestyle strategy where we do the thinking for you, or you are choosing your own funds, take comfort that we can support you with solutions to help you stay invested and get the pension you deserve.

The tables below shows both the total and annualised long-term performances of the Empower Multi Asset funds against their long-term benchmarks from February 2015, when they were established, to the end of October 2022. They show that, despite the negative performances since the start of the year, the longer term performances remain positive for the funds used the in the Personal Lifestyle Strategy.

Total Performances	Empower Stability fund	Empower Cautious Growth fund	Empower Growth fund	Empower High Growth fund
Empower Fund Performance	15.9%	27.9%	39.0%	45.4%
Long Term Benchmarks	13.3%	22.1%	31.5%	36.4%

Annualised Performances	Empower Stability fund	Empower Cautious Growth fund	Empower Growth fund	Empower High Growth fund
Empower Fund Performance	1.9%	3.3%	4.4%	5.0%
Long Term Benchmarks	1.6%	2.6%	3.6%	4.1%

Source: Irish Life Investment Managers, performance is gross of fees, charges and tax. Period is 28 February 2015 to 31 October 2022.

Warning: The value of your investment may go down as well as up.

Warning: If you invest in this fund you may lose some or all of the money you invest.

Warning: These funds may be affected by changes in currency exchange rates.

Warning: Past performance is not a reliable guide to future performance.

Lifestyle Strategy

Our retirement savings plans offer lifestyle strategies which manage the level of risk you are exposed to approaching retirement. It means you invest in more growth style funds when a long way from retirement and gradually switch to lower risk funds closer to retirement. Growth funds are better for returns but are more likely to experience short-term falls from which your fund needs time to recover. Following a lifestyle strategy means you don't have to worry about how and when to switch your savings to lower risk funds – we do it for you.

Self-Select Funds

However, you don't have to participate in the Lifestyle Strategy and can instead select the fund or mix of funds that suit you best. We typically see people make selections based on how long they have to retirement or when they will need the money. When that time frame is 10 years or more, it may be more appropriate to consider funds with higher long-term expected growth, although these funds also carry higher short-term risks. It is prudent to consider moving to lower risk funds as you get closer to needing the money.

When self-selecting funds, it is particularly important to understand and consider your appetite for risk and tolerance for loss i.e. how much negative performance will you or can you endure. It is also crucial to be aware of the impact that volatile stock markets can have on your decision making. Market highs and lows can often prompt investors to act when it is ultimately detrimental to their long-term interests, whether over-confidence when markets are strong or no confidence when they are weak.

Benefits of Monthly Contributions

Buying when prices are lower makes sense. With monthly contributions you continue to buy units during periods of equity market weakness when unit prices fall, which means you get more units for your contribution. The benefit is that your fund value will increase faster as equity markets recover.

Switching when equity markets are performing negatively

In times of uncertainty or equity market volatility, it can be tempting to switch some or all of your retirement savings to lower risk funds or even cash. While this is provided as a free option, it is worth remembering that even professional investors find it difficult, if not impossible, to consistently time when markets will rise or fall. More often, people are driven by sentiment and may exit funds when they have already fallen, only to buy them back later at a higher price when stock markets have recovered. This simply erodes the value of your savings over time. Getting invested and staying invested has been shown to be the most effective strategy over time.

Irish Life