2023 Recap Webinar

06 December 2023

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Housekeeping

- **Questions** can be submitted during the Webinar by clicking on the Q&A Button and typing in your Question

- The Webinar will be **recorded** for anyone who would like to watch back after.

- The **slides** will also be made available after the Webinar

Disclaimer: None of the content in this Webinar constitutes financial advice

Agenda

- Economic Update.
- Investment Market Update.
- Asset Class Options.
- 2024 Outlook.
- Financial Planning Principles.
- Q&A.

Economic Update.

Macroeconomic Picture

- Global Inflation, which have had a knock-on impact on Central Bank Interest Rate policy, has dominated economic newsflow over the last 2 years
- The world experienced the perfect storm of the beginning of an inflationary cycle in early 2021:
  - Loose Monetary Policy since the Global Financial Crisis
  - Covid-19 and the financial support provided to businesses & consumers
  - Supply chain issues as a result of Covid and global conflicts
  - Loose cheap money for a decade
- Every Asset Class, Investor, Borrower and Business is impacted by Inflation
- Geopolitical Issues: The conflicts in Russian-Ukraine and Israel-Palestine have been a big concern for the global economy in recent times
- Budgets for Climate Change have been very relevant for larger countries in recent times
- Recessionary fears have been at the forefront of minds for some time….

Focus on Inflation (Ireland)

Monthly Irish CPI over the last year

Big drop off in October

Focus on Irish Inflation

10 Year Inflation:

Moving in the right direction….

Focus on European Inflation

10 Year Inflation:

Again, moving in the right direction….

Central Banks & Monetary Policy

Role of Central Banks:

- Price Stability: The Goldilocks scenario: Not too hot, not too cold
- Deposit rates, borrowing rates & price increases (inflation) should all be roughly the same

How Central Banks (aim to) achieve Price Stability

- Increasing interest rates…
  - Makes borrowing (and therefore speculating) more expensive and
  - Rewards Savers
- Decreasing interest rates, conversely, is designed to stimulate an economy

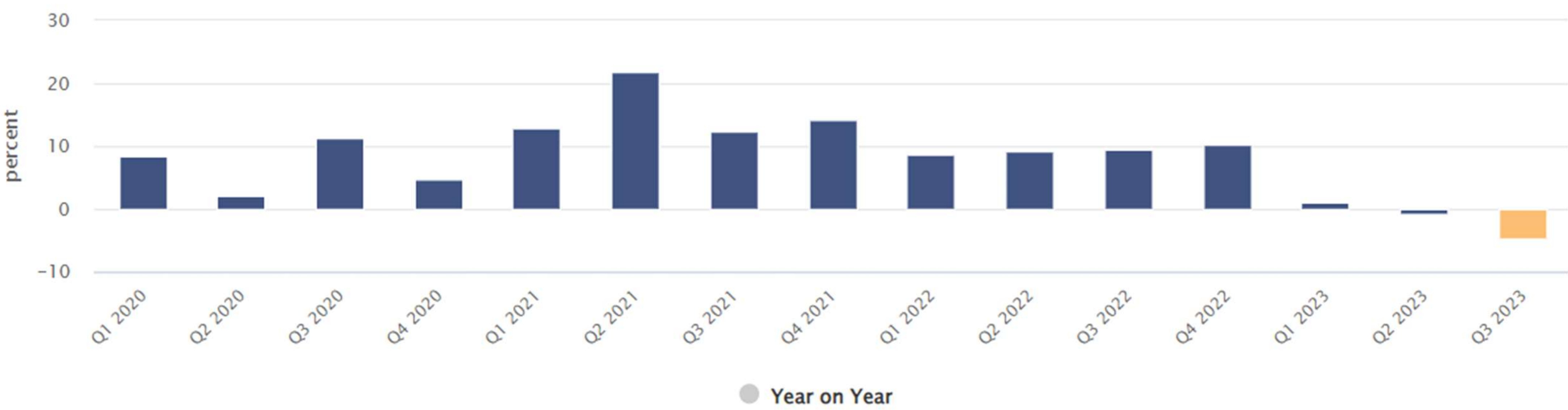
Irish GDP

Annual Quarterly Irish GDP, reporting on a 12-month basis

The contraction is driven mainly by decreases in the multinational dominated sectors in Q3 2023.

Using the early estimate for Q3 2023, GDP is estimated to have decreased by 4.7% when compared with the same quarter in 2022.

Figure 2 Non-Seasonally Adjusted year-on-year Growth Rate of GDP (% change over same quarter in previous year)

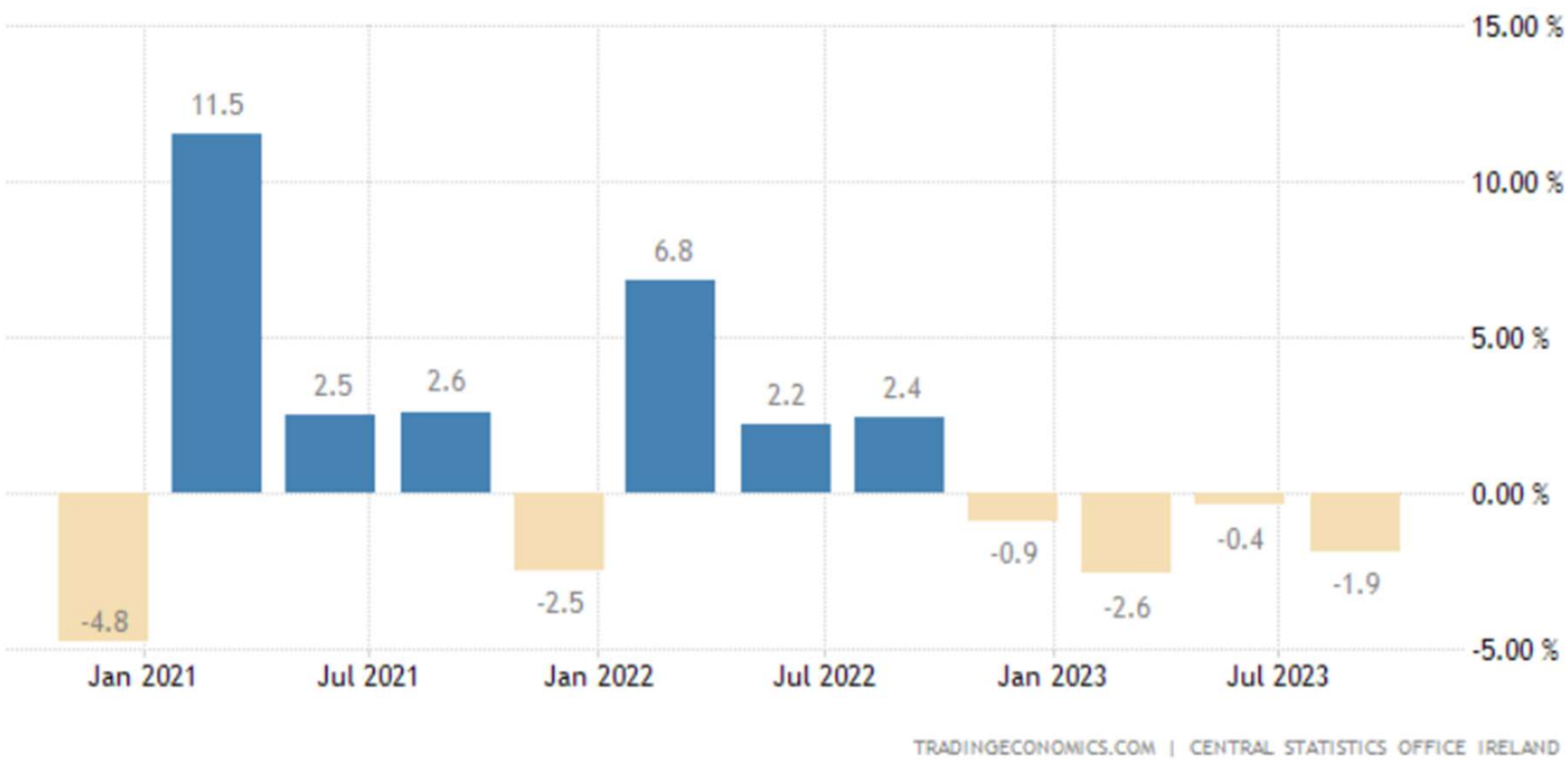


Source: CSO

Irish GDP

Quarter-on-Quarter Irish GDP

The Irish Economy is officially in recession

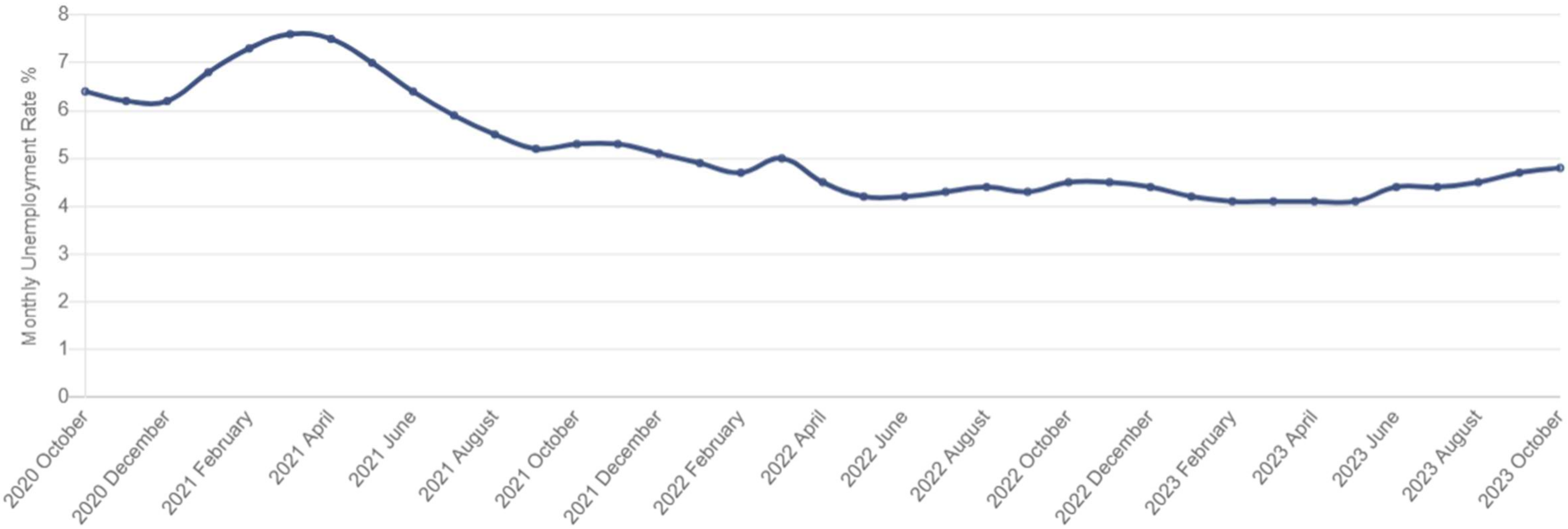


Source: CSO

Irish Unemployment

Monthly Unemployment for the last 3 years

Figure 1: Seasonally Adjusted Monthly Unemployment Rate (ILO), October 2020 to October 2023



Source: CSO

Economic Update

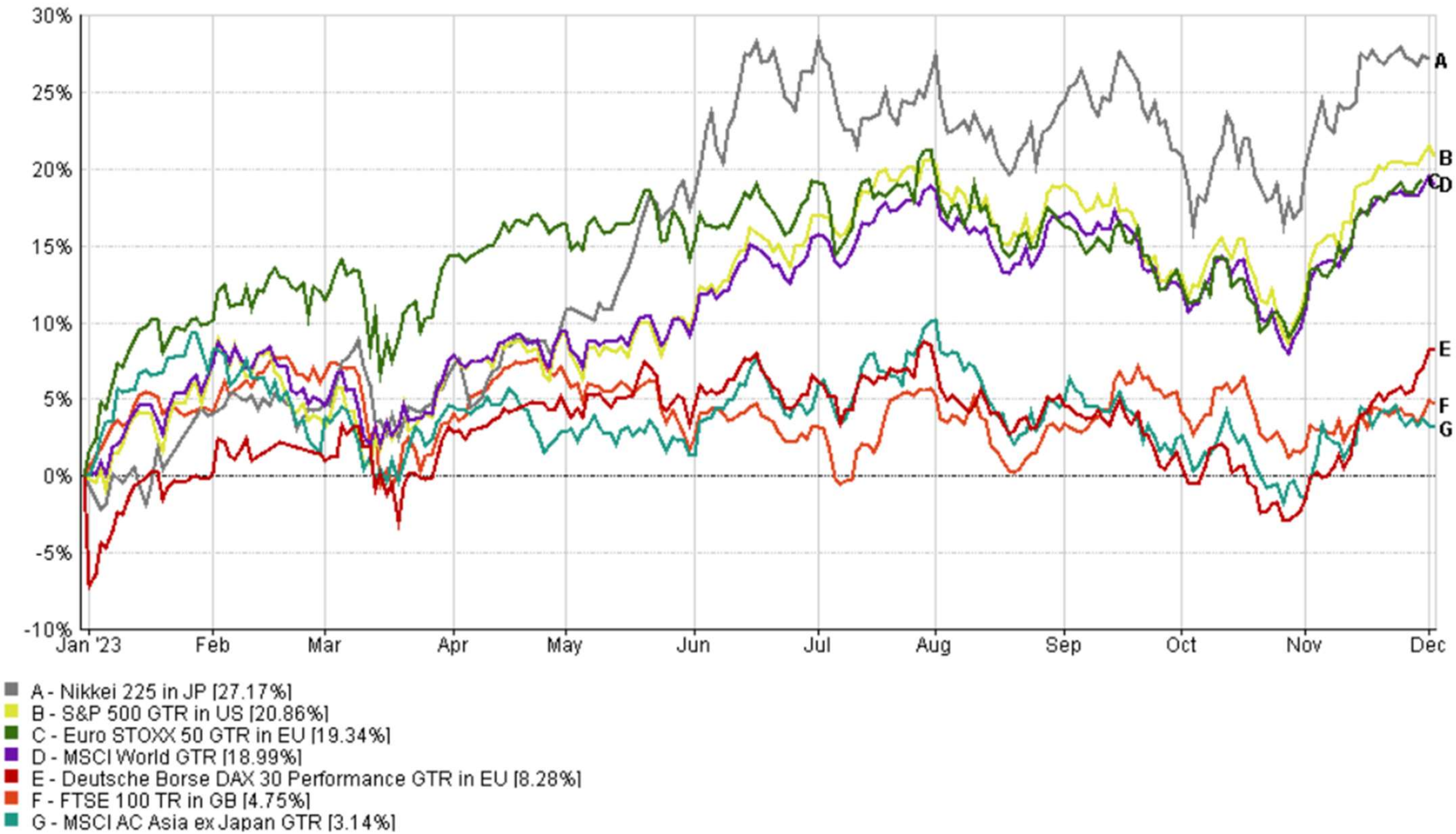
Global Growth	Economies Slowing
Employment Levels	Resilient
Interest Rates	Peaked Globally
Geopolitics	Conflicts & Uncertainty

Investment Market Update.

Equities - Commentary

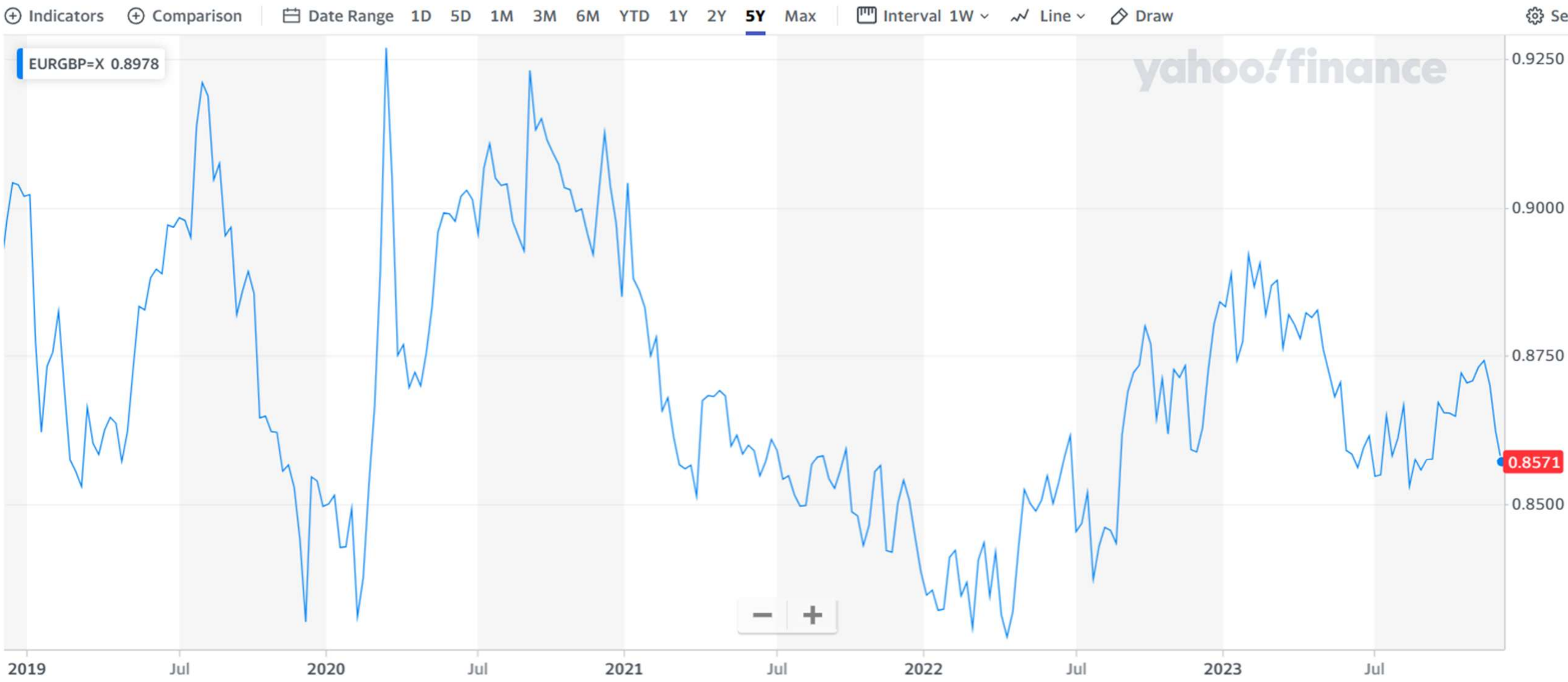
- The last few years have been very **volatile and uncertain** for global Equity Markets
- Share Prices, and by extension Equity Markets as a whole, are being **impacted more & more by unpredictable, external forces** e.g. inflation, interest rate policy, global conflicts etc.
- The **'Magnificent Seven'** (Amazon, Apple, Alphabet, Meta, Microsoft, NVIDIA, and Tesla) have been fuelling strong stock market performance in 2023 so far. *These companies make up almost 30% of the S&P 500 Index, meaning their performance can have a large effect on stock market performance as a whole.*
- The **Irish Stock exchange** continues to lose large-cap companies from it's primary listing, underlying the necessity to look globally
- **Currencies** have also had an impact on how non-Euro stockmarkets are reported for us as Irish Investors (see next 2 slides)

Equity Market Indices (Year to 04 December 2023)



Equity Market Indices (Since 01/01/2022)

Euro Sterling: 5 Year Chart



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Euro Dollar: 5 Year Chart

Fixed Income / Cash - Commentary

- **Bond Markets**, which are traditionally the inverse to Equity Markets & therefore should perform better in an Equity Market sell-off, have been **more correlated with Equity Markets than ever before.**
- **Losses in certain bond markets** in 2022 and much of 2023 were **greater than Equity markets**
- In the last 6 weeks or so, the US 10-year yield has reduced from a peak of c. 5% (October 2023) to 4.23% (as of today) Similar Yield reductions are evident in other jurisdictions

  - Bond Yields Increase = Capital Value of existing Bonds Falls
  - Bond Yields Decrease = Capital Value of existing Bonds increase

- Cash Deposit Rates in Ireland, as well as An Post State Savings, have finally started to increase and are now more in line with inflation

Bond Yields over the last 12 Months

US 10-Year

German 10-Year

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Bond Yields over last 5 years

US 10-Year

German 10-Year

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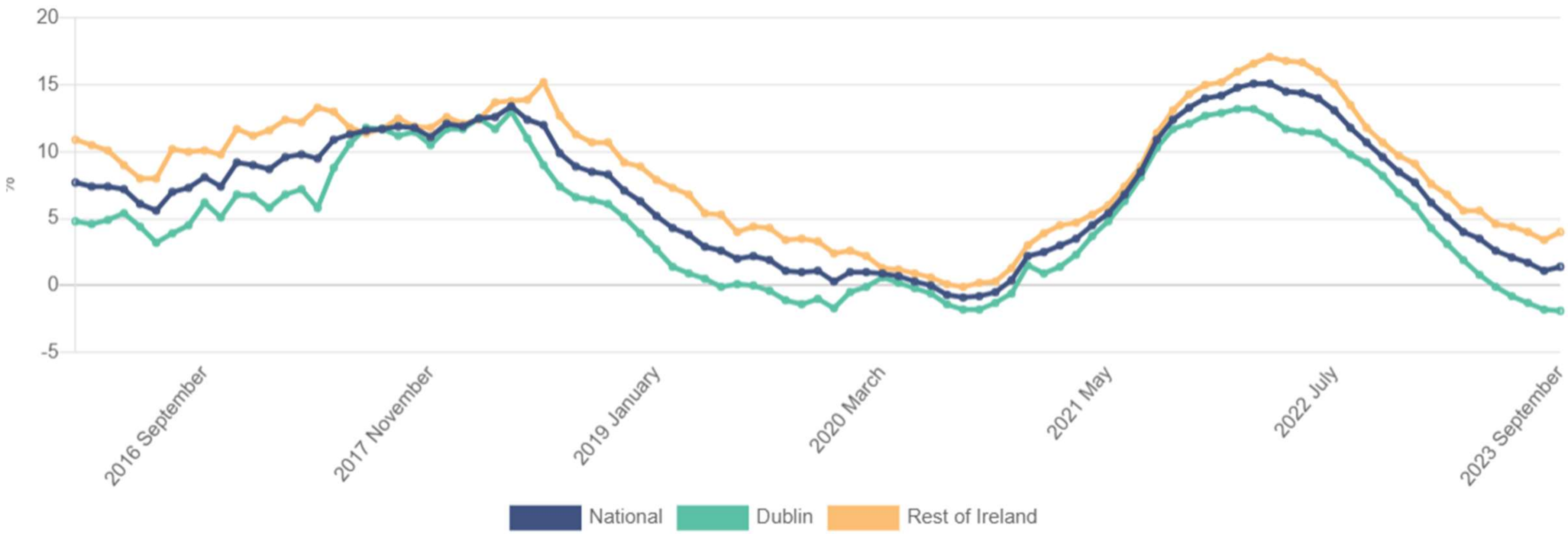
Domestic Property - Commentary

The consensus view is more that Irish Residential property has become more of an **institutional Asset Class**

- Rent Pressure Zones (majority of properties) are impacted by 2% annual rental increases, far lower than inflation
- Borrowing to invest is a lot more expensive with higher interest rates
- Increased compliance for landlords with the Residential Tenancies Board (RTB)
- Individual investors competing with Institutional Funds / REITs simply don't have the economies of scale
- Concerns over how future increased supply will impact on current market valuations

Irish House Prices

Residential Property Price Index 12 month % change



Source: CSO

Asset Class Options.

Asset Class Options

'Least Worst' Option ?

Capital has to be allocated into one Asset Class

Market Outlook: Focus on 4 Asset Classes

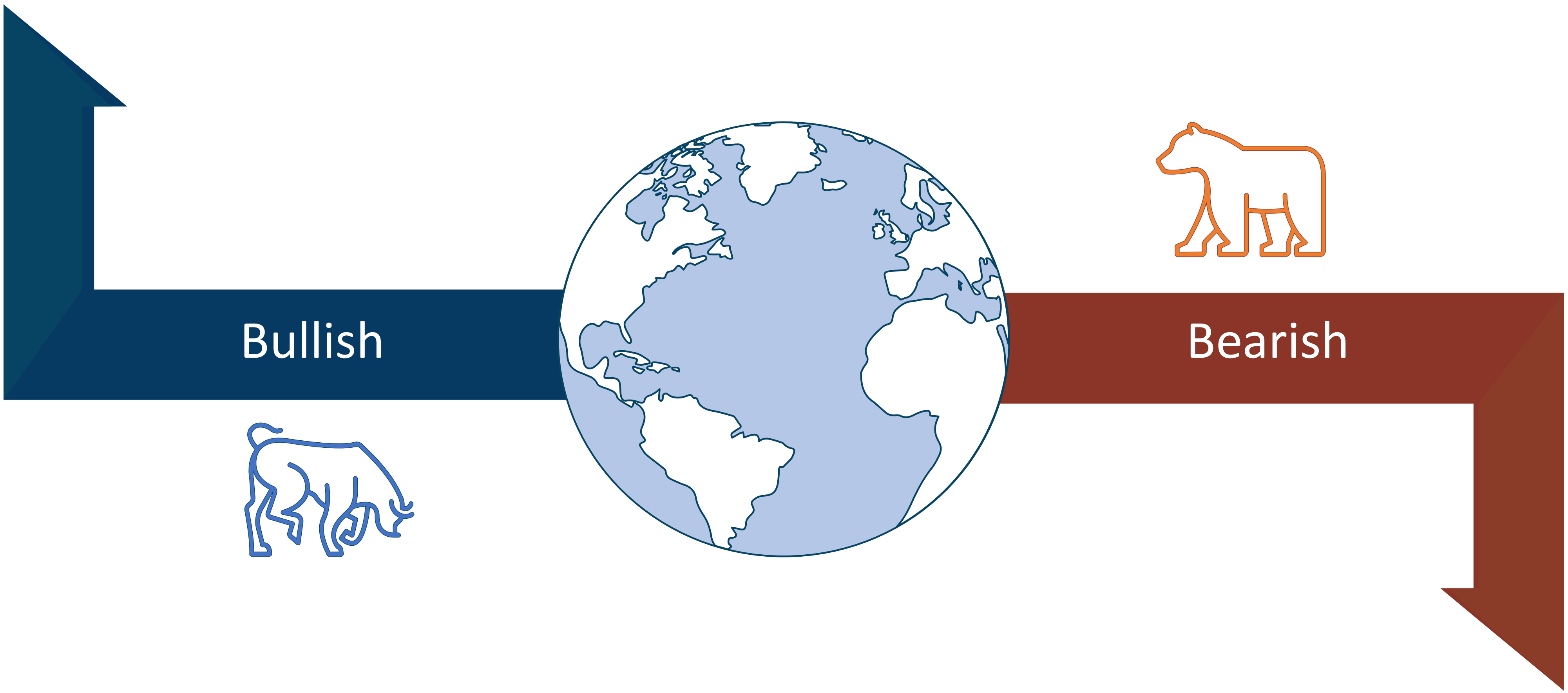
Cash	The consensus is that the European Central Bank has completed its interest rate hiking strategy. Irish Retail Banks have finally started to catch up with the European peers by slowly increasing deposit rates on a gradual basis.
Bonds	Bonds had sold off heavily in 2022 and for a large part of 2023, there hadn't been any real recovery in the prices of bonds, as yields were increasing. However, yields have started to fall and therefore prices have recovered. Bonds are now an investible asset class again with Sovereign and Corporate Bonds offering more traditional levels of return. There are some risks still there with bonds, but overall the outlook is far better.
Equities	Having had a very negative 2022 & a more positive 2023, it is impossible to predict the short-term performance of Equities, given that there are so many unknowns out there. However, over the long-term the outlook is always positive for Equities if one has the Risk tolerance and a diversified Equity portfolio.
Property	Investing fresh capital in bricks & mortar Irish Residential property looks hard to justify, given Rent Pressure Zones (RPZs), additional compliance requirements and values having levelled off. However, investing in property in a regulated collective vehicle with a geographical mix is still an important part of a diversified portfolio.

Asset Class Options: Risk v Return

In an efficient market, the level of Risk should be correlated with the level of Target Return

2024 Outlook.

Market Sentiment: Looking Forward?



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Bull & Bear Case for Q4 2023 & 2024

Bull Case

1. Interest Rates have peaked & begin to fall throughout 2024
2. A prolonged recession is avoided globally and economies remain resilient
3. Quarterly Corporate Earnings reports are strong

Bear Case

1. Inflation may reignite giving Central Banks no option but to keep interest rates high
2. Oil prices to move back towards the $100 / barrel, spiking inflation again
3. Global conflicts show no signs of abating and get worse

Financial Planning Principles.

Financial Planning & Economics

- **Diversify:** Spreading investment exposure across different assets classes, geographies, sectors and management styles will smooth out returns, reduce surprises and eliminate the chance of permanent loss of capital
- **By mindful of Inflation:** Though we may be entering into a 'disinflationary' environment, inflation is still at elevated levels. Households, businesses & Charities need to factor in these increases into their annual outgoings for the next couple of years at least
- **Interest Rates:** As interest rates continue to increase, albeit at a lower rate, the choice of term & rate for deposit rates (for Assets) and borrowing rates (for Liabilities) will be very important for 2024
- **Long-Term View beats volatility concerns:** Our belief is that one should only allocate capital to Equity markets when there is a long-term holding strategy. In this way, short-term market weaknesses will be less impactful

Our Asset Allocation Philosophies & Beliefs

1. **Holistic Overview:** Consider all assets across the board in all decisions
2. **Risk Appropriate**: Ensure your Portfolio has a risk profile consistent your objectives
3. **Diversification** across asset classes, geographies, sectors, management styles of types of investments
4. Ensure that you have full **transparency** of all assets
5. Have a **long-term focus** with any non-cash assets
6. Appropriate Selection of the **types of securities** that populate a Portfolio
7. Be mindful of **fees & taxes**

Investment Strategy: Role of Cash

CASH

is the default option for surplus cashflow & savings

Non-CASH

Any asset other than Cash is deemed “invested” & can be labelled as ‘Risk Assets’

PRIMARY FOCUS: Cash as a Building Block

- Cash is the first “layer” of any Portfolio. It forms 2 purposes:
  - A **Nest Egg / Emergency** Fund should you need funds at short notice
  - A natural **diversifier**, to enable you to take more risk with non-Cash funds
- The amount of Cash one should have is dependent on:

Security of your Income

Risk Profile & Age

Cashflow Surplus / Deficit

Other Invested Assets

Investment Options: Risk

Level of Risk depends on….

Age Profile

Longer the Investment Time horizon
= **More Capacity for Risk**

Personal Risk Profile

Personal Preferences : **Appetite to Risk** varies from person to person.

Leverage

Having debt on any investment magnifies the risk

View on Markets/ Assets

Some people view certain asset classes as riskier or safer than others.

What does more Risk mean?

- More exposure to ‘Risk Assets’ such as Equities, Property etc.
- Less exposure to ‘Low Risk’ Assets e.g. Cash

Investment Strategy: Diversification

Investment Strategies can be split (diversified) in terms of:

- Asset Class
- Geography
- Investment Type
- Custodian / Provider
- Sector
- Liquid v Illiquid
- Growth v Income focused

Why Diversify your exposure?

- Risk Reduction
- More Smoothed out returns

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Q&A.