Investment Market Update

30 September 2023

COMPASS

Quarterly Investment Market Review

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Q3 2023 in Review:

The third quarter of 2023 has brought back a lot of market nervousness and volatility.

The expectation that Inflation had peaked, and the consensus forecasts that we were facing into interest rates reductions, have proven to be premature. Equities, in particular in Europe, had a very negative quarter and bond yields have surprised everybody by continuing to increase.

3 Key Economic Statistics	
Irish Unemployment (August 2023)	4.1%
Dublin House Prices in the 12months to September 2023	+1.40%
Euro Area Inflation (September 2023)	+4.3%

Markets in Focus

Equity Market Index	Q3 2023 Performance	Currencies	Price as at 30.09.2023
EuroStoxx 50	-4.83%	Euro / USD	$1.055
German DAX 30	-4.71%	Euro / GBP	£0.866
S&P 500	-0.33% (Euros)	**Bond Yields**	**As at 30.09.23**
FTSE 100 (UK)	+1.10% (Euros)	German 10-Year	2.84%
		US 10-Year	4.63%

Things to Watch for the remainder of 2023 & into 2024:

1. Has the disinflationary cycle ended and will inflation come back. Where will Government Bond Yields go?
2. Will the Dollar continue its recent strength against the Euro ?
3. Will the recent Equity market sell-off continue ?

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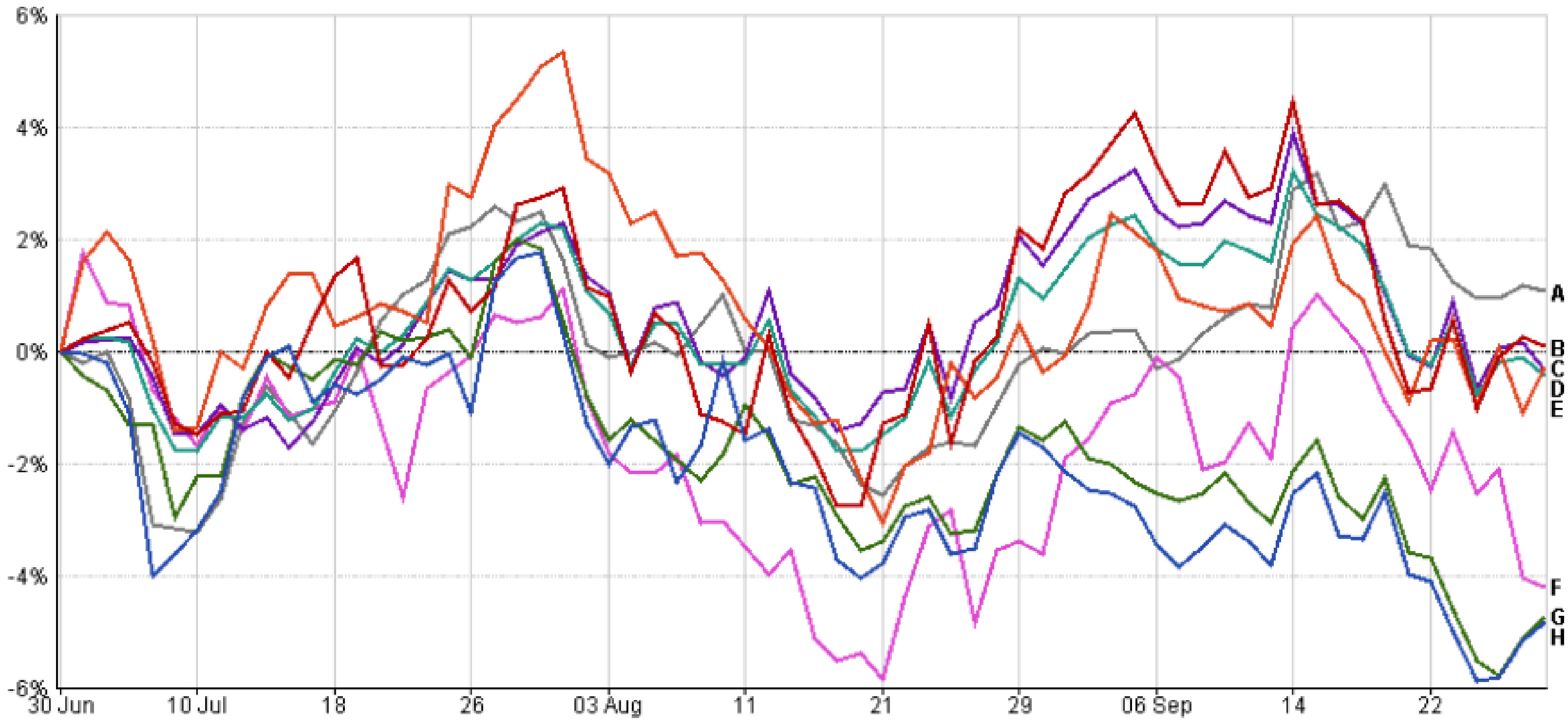
Headline Market Points for Q3 2023

- Equity Markets have begun to show the first signs of weakness in over a year in Q3 2023
- In early 2023, Interest Rates were thought to have peaked and rate reductions (in early 2024) were generally expected by the market. This is certainly no longer the case and Central Bankers will be closely watching inflation data in the months ahead.
- The US 10-Year bond yield is currently at a 16-year high because of a hawkish outlook on inflation and interest rates by the US Federal Reserve.
- The US Dollar has strengthened versus the Euro in recent months
- The Russian Ukraine conflict has continued to dominate and unfortunately there seems to be no signs of this abating
- An Post State Savings and bank deposit Rates in Ireland have increased significantly in recent months

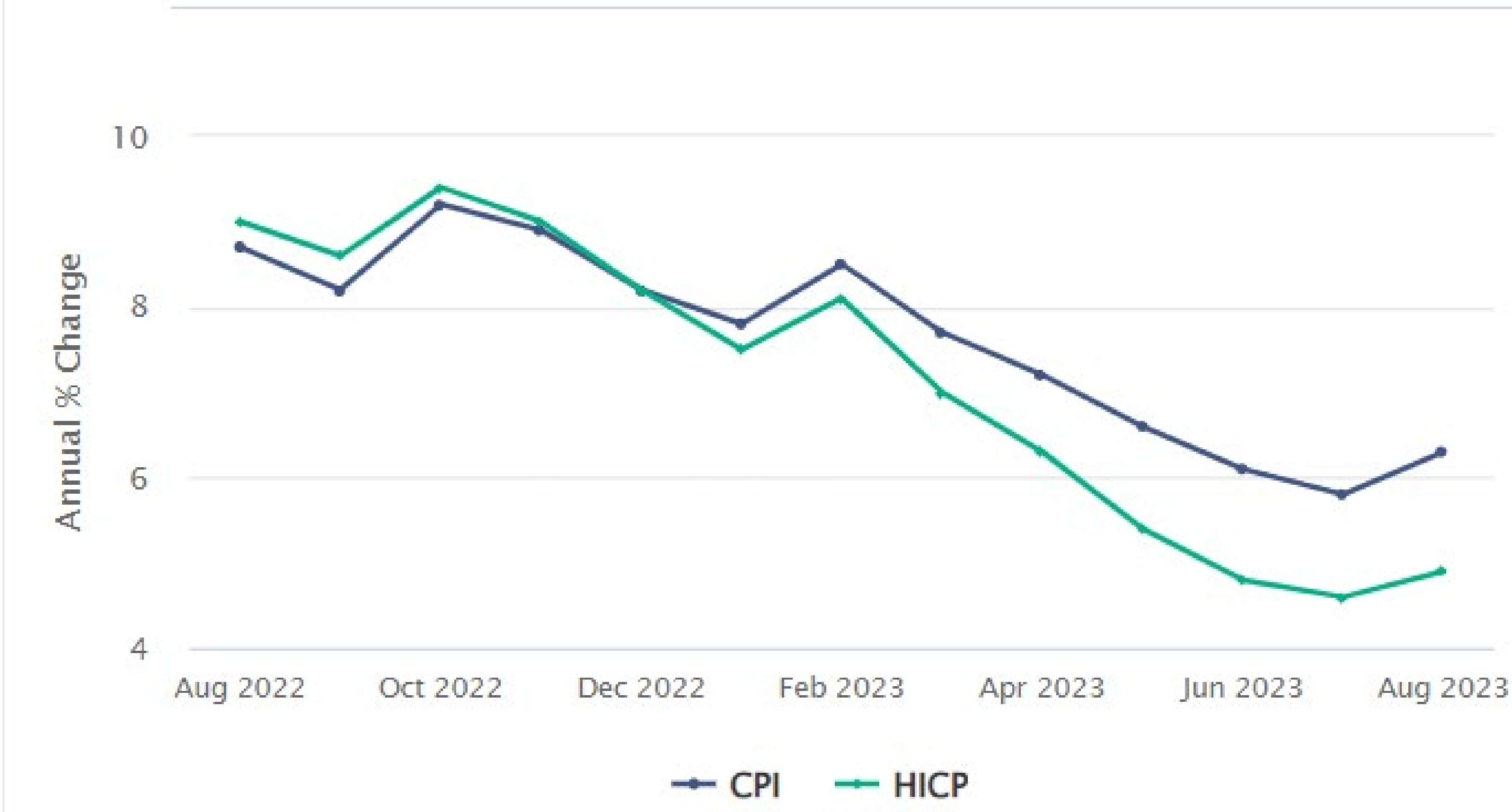
Equity Market Indices (3 months to 30/09/2023)



A - FTSE 100 TR in EU [1.10%]
B - Nasdaq 100 GTR in EU [0.10%]
C - MSCI AC Asia ex Japan GTR in EU [-0.27%]
D - S&P 500 GTR in EU [-0.33%]
E - MSCI World GTR in EU [-0.42%]
F - Nikkei 225 in EU [-4.20%]
G - Deutsche Borse DAX 30 Performance GTR in EU [-4.71%]
H - Euro STOXX 50 GTR in EU [-4.83%]

Focus on Inflation (Ireland)

The Annual rate of inflation had been reducing dramatically, due mainly to energy costs decreasing. However, we have seen a small spike in Inflation in August



Market Outlook: Focus on 4 Asset Classes

Cash

The consensus is that the European Central Banks is close to completing 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, so far in 2023, there hasn't been any real recovery in the prices of bonds, as yields have continued to increase. 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 start to 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

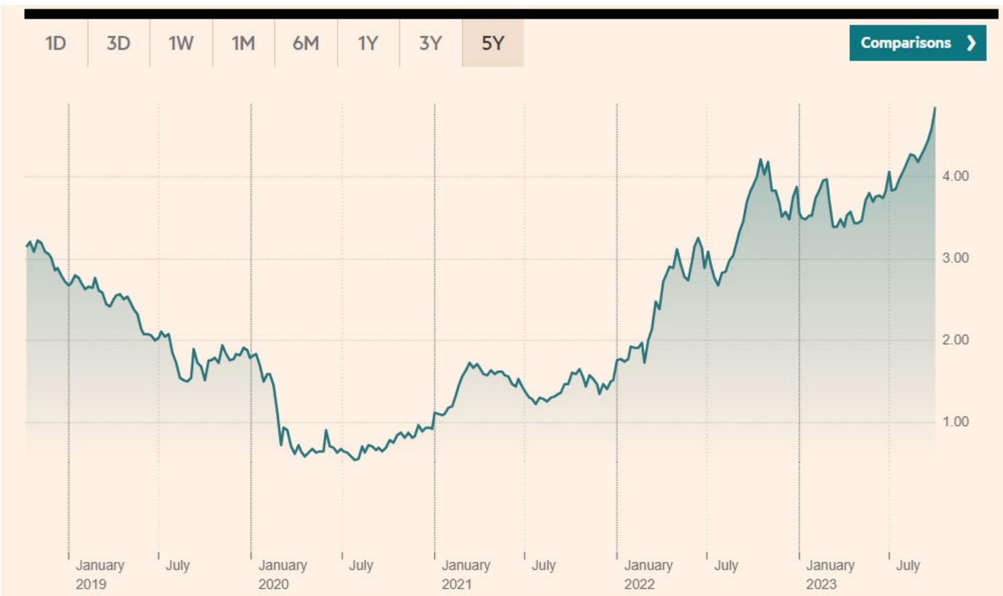
Investing fresh capital in bricks & mortar Irish Residential property looks hard to justify, given Rent Pressure Zones (RPZs), additional compliance requirements and values having levelled off. However, investing in property in a regulated collective vehicle with a geographical mix is still an important part of a diversified portfolio.

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 remains 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 the remainder of 2023 and into 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

Bond Yield over last 5 years

US 10-Year



German 10-Year

Bull & Bear Case for Q1 2023 & 2024

Bull Case

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

Bear Case

1. Inflation refuses to drop giving Central Banks no option but to keep interest rates high
2. Oil prices continue to remain close to (or above) the $100 / barrel
3. We enter a sustained slowdown in European manufacturing output

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