Investment Market Update.

Q4 2023

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Quarterly Investment Market Review

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Q4 2023 in Review:

The fourth quarter of 2023 saw a noticeable market increase for Equities and Bonds as Inflation data trended downwards globally.

The market consensus is that the higher interest rate environment imposed by Central Banks has worked to reduces prices, and this has led to investor optimism.

However, there are still key geopolitical and economic risks that will undoubtedly prove to be a challenge in 2024.

3 Key Economic Statistics	
Irish Unemployment (December 2023)	4.5%
Dublin House Prices in the 12months to November 2023	+2.0%
Euro Area Inflation (December 2023)	+2.9%

Markets in Focus

Equity Market Index	1.10.23 to 31.12.23	Currencies	Price as at 31.12.23
EuroStoxx 50	+8.31%	Euro / USD	$1.10
German DAX 30	+8.87%	Euro / GBP	£0.867
S&P 500 (in Euros)	+7.05%	**Bond Yields**	**As at 31.12.23**
FTSE 100 (in Euros)	+2.42%	German 10-Year	2.02%
MSCI World (Euros)	+6.90%	US 10-Year	3.87%

Things to Watch out for in 2024:

1. Will Interest rates lower in the short term?
2. How geopolitical issues and regional conflicts are either escalated are resolved in the coming months
3. Will US Equity markets be impacted by the US Presential race?

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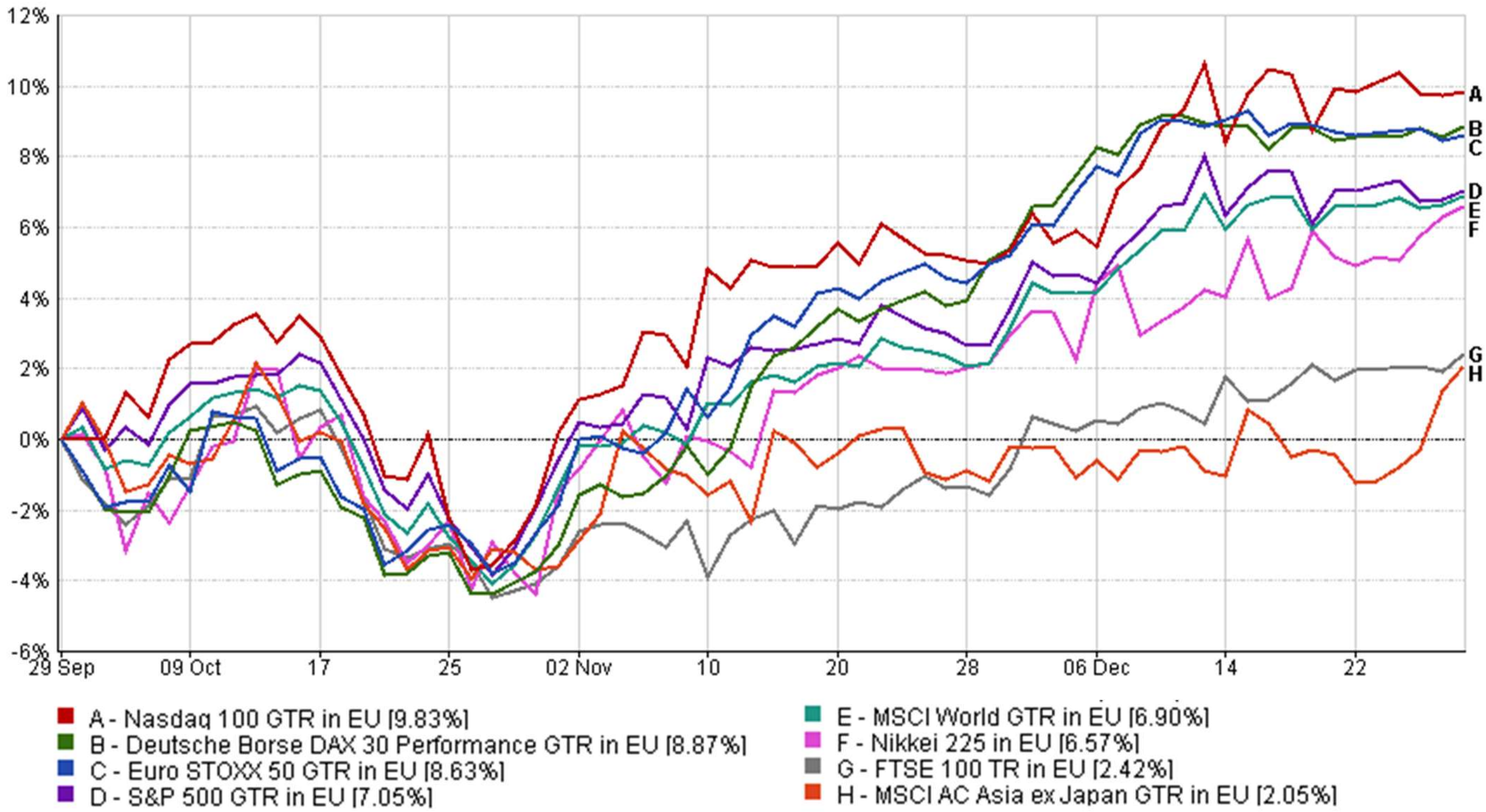
Headline Market Points

- Global Equity Markets rebounded strongly in Q4 after a weak third quarter.
- It is now widely expected in the first half of 2024 that Central banks globally will begin to lower interest rates from their 2023 highs.
- The US 10-Year bond yield fell from a 16-year high in Q4, as the expectation of lower inflation and the aforementioned interest rate cuts are factored into pricing. This bond yield reduction was positive momentum for the capital value of Bonds.
- The US Dollar finished Q4 2023 at $1.10 versus the Euro, which is a weaker level than the beginning of Q4 and the start of 2023.
- Bank Deposit Rates in Ireland are now finally competing with their European counterparts as retail deposit rates have become more competitive.
- The 2 main regional conflicts (Russia-Ukraine and Israel-Palestine) unfortunately continue with no clear path to resolution in sight, so one can continue to expect market volatility.

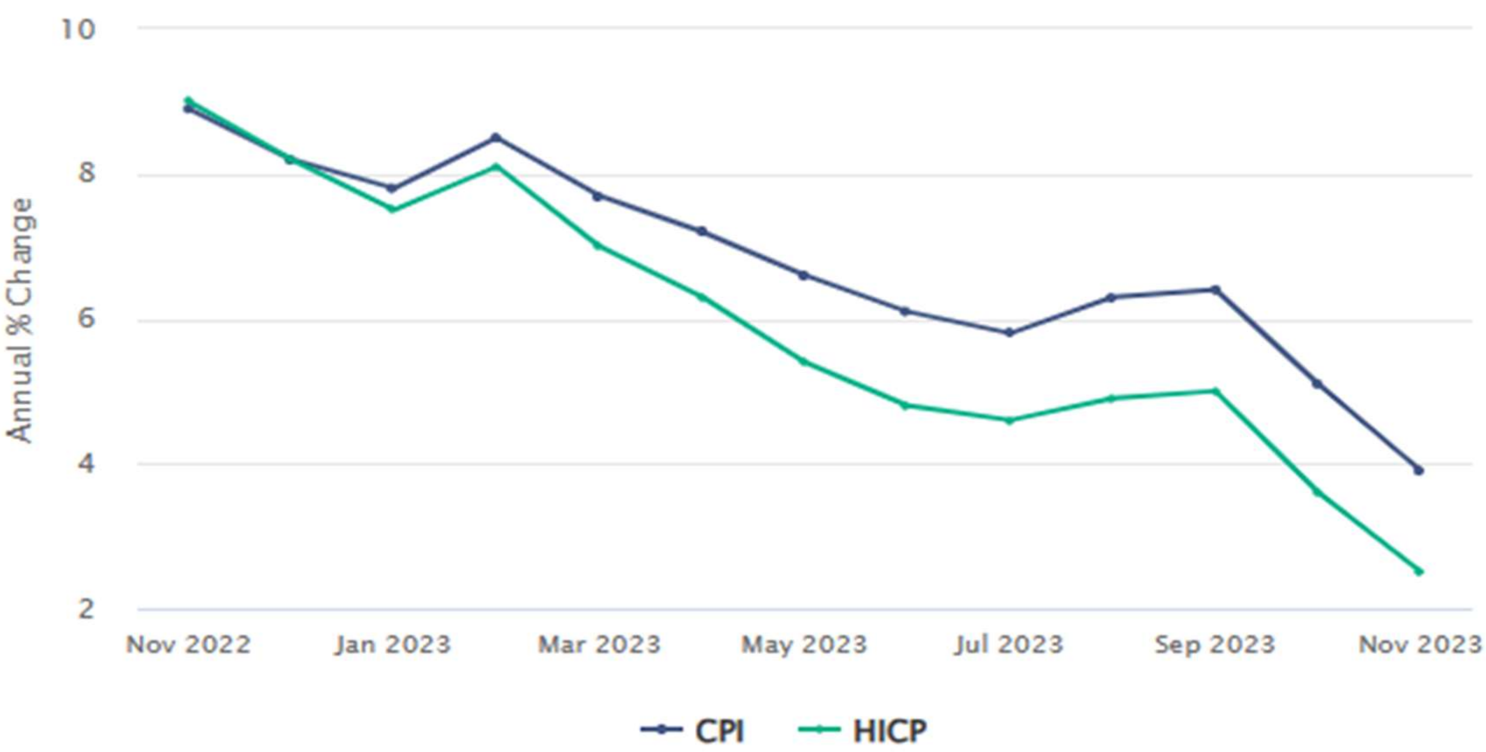
Equity Market Indices (01/10/2023 - 31/12/2023)



Focus on Inflation (Ireland)

The Annual rate of inflation had been reducing dramatically, due mainly to energy costs decreasing. This trend has continued through the month of November standing at 3.9%

Figure 1: CPI/HICP - ALL ITEMS Annual Percentage Change



Market Outlook: Focus on 4 Asset Classes

Cash	Irish Retail Banks in Q3 2023 finally started increasing deposit rates in line with their European peers, but still lag Eurozone rates marginally. As the consensus is that the European Central Bank has completed its interest rate hiking strategy, we can expect that deposit rates may not increase further from here.
Bonds	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 in the current environment.
Equities	Equities overall had a strong Q4 and a good calendar year in 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.

Bull & Bear Case for 2024

Bull Case

1. Interest Rates have peaked & will begin to fall throughout 2024

2. A recession is avoided entirely globally and economies remain resilient

3. Quarterly Corporate Earnings reports will remain strong

Bear Case

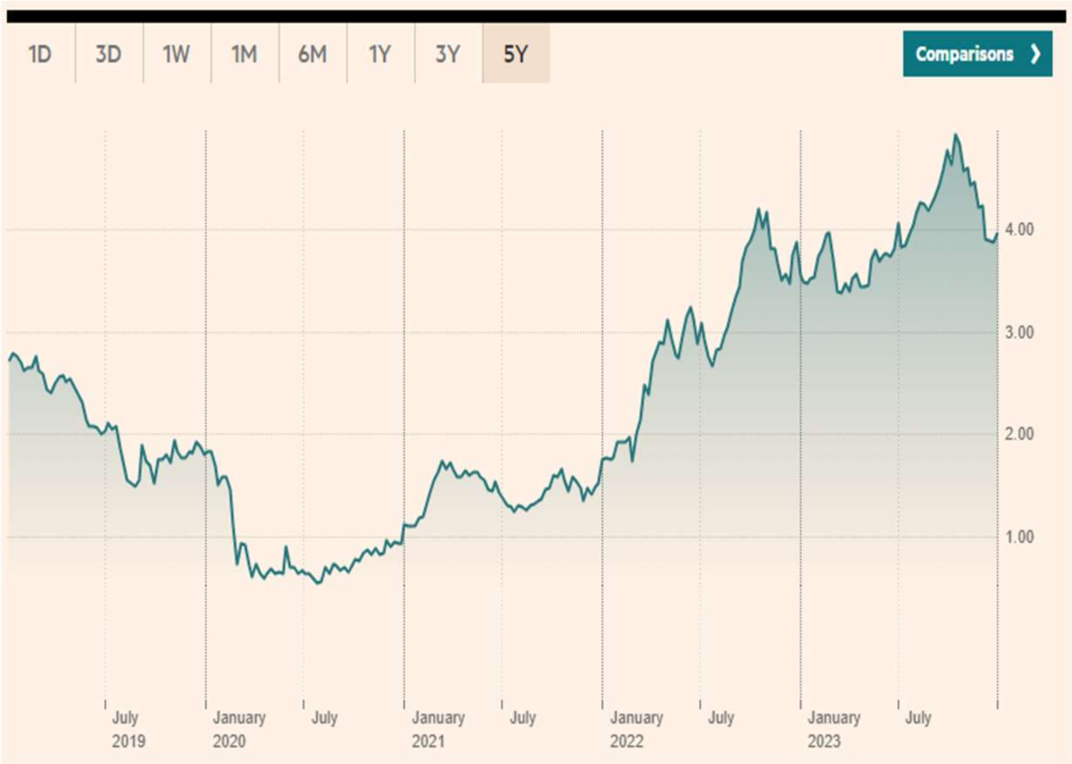
1. Consumer purchasing power has been eroded and a recession will ensue

2. Oil prices will continue to remain high in 2024

3. European manufacturing output has slowed and the US will follow

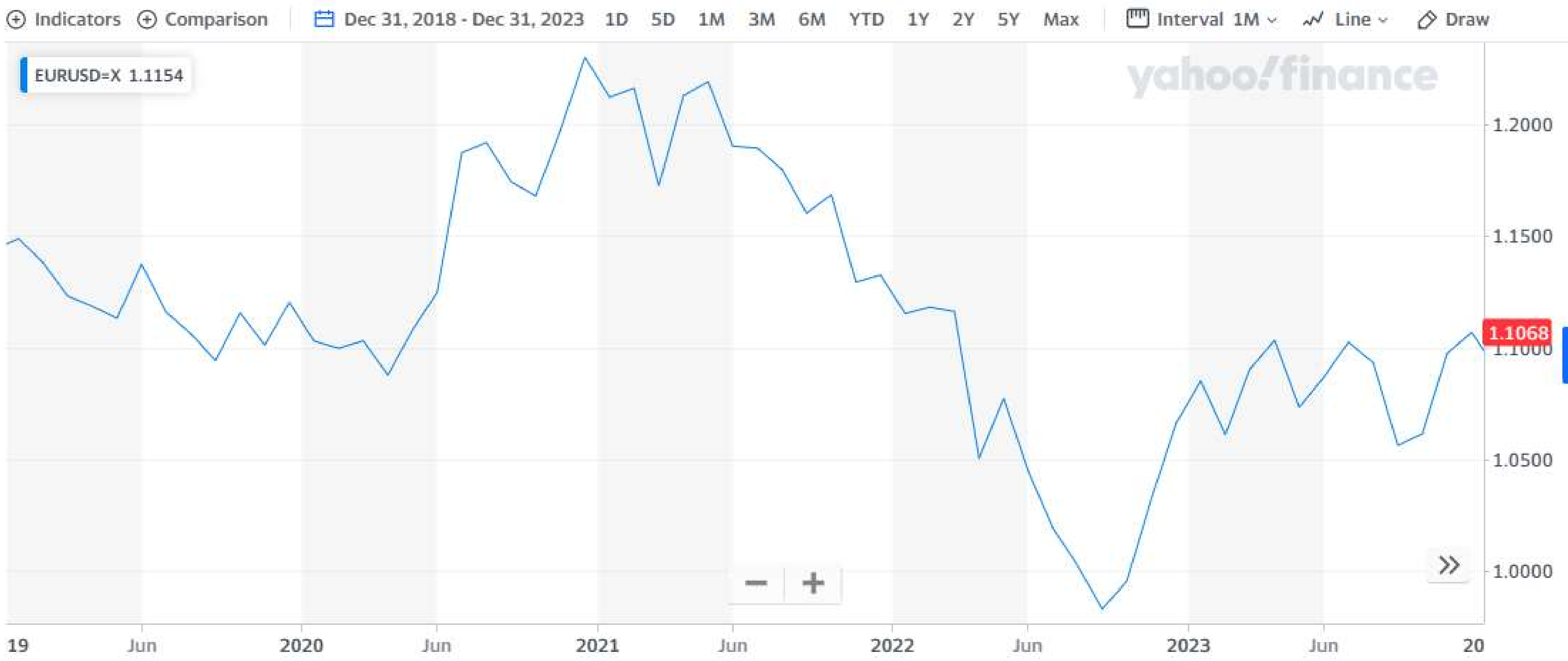
Bond Yield over last 5 years

US 10-Year



German 10-Year

Euro Dollar over the last 5 years



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Euro Sterling over the last 5 years

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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 have entered 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:** Interest rates are likely to lower in 2024 leading to a closing window of opportunity to lock in value (for Assets) and thankfully lowering borrowing rates (for Liabilities) which will be welcomed by Businesses
- **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

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