



June 2024
in review
Performance Pulse



more **INVESTED**

OVERVIEW

Global stock markets rallied further in June to new all-time highs, supported by tech stocks and softer US inflation data. However, European stocks were weighed down by political risk as French President Macron unexpectedly called a snap general election. Global economic data was mixed in June, with US data showing further signs of moderating activity. Inflation slowed in the US, leaving the potential for the Federal Reserve (Fed) to cut rates in the coming months. Meanwhile, the European Central Bank (ECB) cut interest rates for the first time since 2019. Government bond prices were lower as central banks pared back expectations around interest rate cuts in 2024.

EQUITIES

Global stock markets rallied further in June to new all-time highs, again aided by strength in the technology sector, especially companies related to artificial intelligence (AI) like Nvidia. Somewhat softer inflation and activity data in the US also supported the case for interest rate cuts and bolstered equity-market sentiment. The MSCI All Country World index rose by 2.6% (3.6% in euros) over the month, with the MSCI USA rallying by 3.6% (4.9% in euros). However, European ex-UK equities fell by 1.5% (1.1% in euros) as political risk around the French elections weighed on sentiment, with French stocks declining by 6.3%.

Nvidia's share price rose 12.7% in June, and the company temporarily became the largest publicly listed company in the world, moving above Microsoft and Apple. The company is the poster child of AI and, for now at least, this reflects a changing in the guard of stock market drivers. Indeed, the 149% year-to-date rise in the share price of Nvidia, despite only having a weight of around 6% in the S&P 500, has driven almost a third of the 15.3% gain for the index over the period.

Markets



- > Inflation well down from the highs. An economic 'soft landing' is expected, whereby inflation continues to moderate while avoiding recession.
- > The European Central Bank (ECB) enacted its first rate cut in June. The Federal Reserve (Fed) is expected to follow suit later in the year.
- > Relatively robust US economic data and optimism over the application of AI.



- > Risk of inflation remaining more persistent, and therefore 'higher-for-longer' interest rates.
- > In this scenario, risk of recession / further bank sector issues.
- > High relative valuations of equities.

Stocks



- > Alnylam Pharmaceuticals, Inc **65.83%**
- > POSCO INTERNATIONAL Corporation **54.78%**
- > ALTEOGEN Inc. **53.73%**



- > Celsius Holdings, Inc. **-27.70%**
- > Yifeng Pharmacy Chain Co Ltd Class A **-33.19%**
- > Energy Absolute Public Co. Ltd. **-50.33%**

Performance (%) as at 30 June 2024

	1 month	6 months	YTD	1 year	3 years p.a.	5 years p.a.
MSCI ACWI (Global Equities)	2.55%	13.46%	13.46%	22.75%	7.71%	12.24%

Source: ILIM, Factset. Data is accurate as at 30 June 2024.

MSCI ACWI PERFORMANCE (GLOBAL EQUITIES)

One-year performance chart (in euros)



Source: ILIM, Factset. Data is accurate as at 30 June 2024.

BONDS

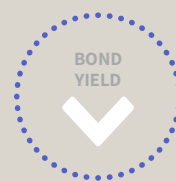


Eurozone government bond prices were lower in June as investors pared back expectations of further rate cuts in 2024. The ICE BofA 5+ Year Euro Government bond index returned 0.1% over the month as the income stream more than offset capital losses from rising yields.

In France, government bond yields spiked amid the potential for increased spending and uncertainty under a far-right National Rally government. The 10-year yield rose to as high as 3.35%, the highest level since November, and the spread over equivalent German bunds widened to 80 basis points (bps), above the extremes reached during Covid and in 2022.



- > 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	4.4	3.9	3.9	1.5	0.9	1.9
Germany	2.5	2.0	2.5	-0.2	-0.6	-0.3
UK	4.1	3.5	3.7	1.0	0.2	0.8
Japan	1.1	0.6	0.4	0.1	0.0	0.0

Source: ILIM, Factset. Data is accurate as at 30 June 2024.

PROPERTY – Q1 2024



Following a relatively quiet property investment market in 2023, when turnover equated to approximately half of the 10-year average, Q1 2024 continued in the same vein and recorded a transaction volume of only €162m across 20 investment transactions. At the end of Q1, there were 51 properties on the open market at an aggregate guide price of excess €500m. From a commercial property perspective, the most important ongoing sales process is the well-located, 40 Dawson Street office property. The formal sale process was underway in Q1 and it reportedly attracted four bidders, the highest of which was from Deka Immobilien. The agreed sale price has not yet been disclosed. However, the guide price of €40m would reflect an equivalent yield in the region of 5%. This depth of interest and positive yield pricing should deliver some confidence to the market, which has suffered from weak sentiment since the onset of the rise in interest rates.

On a wider scale, fund-raising for European real estate strategies attracted €19.6bn in 2023, which was the lowest annual quantum for over decade and compares to approximately €40bn to €50bn in the individual 10 years to 2022, according to data from PERE. There are currently 182 managers seeking €117bn of capital for European-focused funds, the majority of which (81%) is targeting debt, value-add, or opportunistic investments. While the denominator effect on real estate allocations has dissipated, global investors remain cautious of investing capital in the current market.

In Q1, the ECB chose to retain the prevailing policy rates. The main refinancing rate was 4.5%. The expectation for ECB interest rates to reduce in 2024 remains, however not until later in the year, with the possibly of a first rate reduction in June. ECB borrowing rates remain a fundamental component of pricing for real estate, as leverage

plays an important role in the total market. Expectations for interest rate movement materially impacted real estate investment over the past two years, and this has been particularly pronounced in the listed REIT market where performance has been highly correlated to expected and actual interest rate changes. The return of some stability to interest rates is therefore a positive development. In addition, the capital raised by debt strategies in 2023 could help deliver financing options to investors in the absence of normal levels of traditional bank lending.

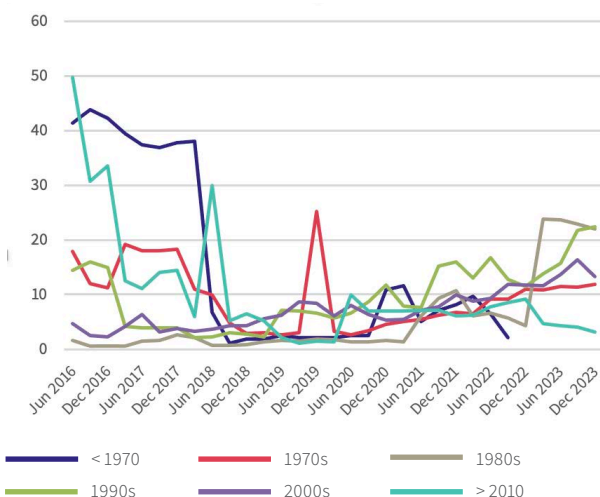
Office take-up in 2023 amounted to approximately 1.4m sq. ft. and ranked as the quietest year in terms of such activity since 2010. The impact of remote and hybrid working on office demand is reflected in this trend, and office occupiers continue to assess their requirements into 2024. Activity in Q1 was similarly low. However, these headline figures distract from much of the underlying activity that is taking place, which tells a very distinct story about the future of the office market.

Vacancy for the total Dublin market is quoted at rates between 14% and 16% across the agencies operating in the sector, while the MSCI Ireland Index had an office vacancy rate of 12.4% at Q4 2023. The graph below illustrates the vacancy trend across office space by age, as tracked in the MSCI Index, and shows a clear distinction between more modern stock (built post 2010) and the rest. Vacancy in the most modern office segment is a mere 3.2%.

Footfall in most retail locations dropped in Q1 2024, compared to 2023, although the value of retail sales has continued to increase, despite the impact of inflation on consumers. Footfall in retail parks, recorded by Bannon, has increased again into 2024, and they have enjoyed the highest levels of occupancy of excess 96% across the country. The highest profile retail letting in recent months was to Decathlon in the former Clery's development in O'Connell Street, who will join H&M to open for trade in 2024.

Two industrial property investment sales were recorded in Q1, the largest of which was a relatively small lot sized deal for €7.5m. Demand at investment and occupational levels has helped stabilise yields following the increases in interest rates and maintained an upward trajectory in rents for all types of space across the industrial and logistics market. Prime rental values were reported at €13 per sq. ft. by CBRE at March 2024, following a 13% increase during 2023. The market is characterised by low levels of vacancy (~1.7%) and limited new supply, which is being met with consistent demand. Approximately 1.3m sq. ft. of new space is currently under construction in Dublin, which compares to an average annual take-up of 3.5m sq. ft. This is likely to deliver further growth into 2024 and maintain investment demand into the sector.

MSCI Index: Office Sector Vacancy (financial), by age



Source: MSCI

CASH

The ECB became the first of the “big three” central banks to cut interest rates this cycle, with a 0.25 percentage point cut in June, taking the deposit rate down to 3.75%. The next ECB meeting is due on 18 July, and no rate cut is seen as the most likely outcome.

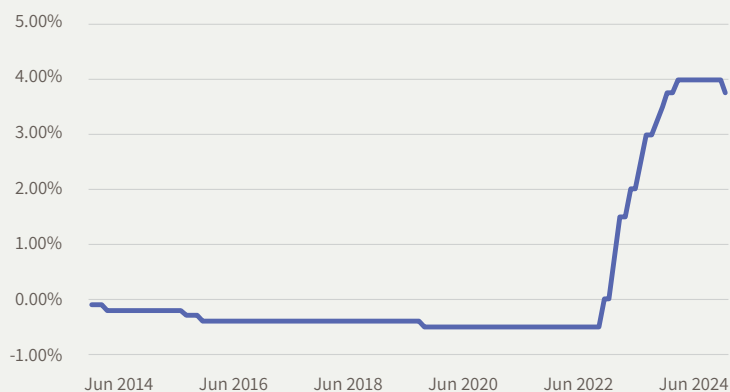
Central bank rates

	End 2022	End 2023	30 Jun 2024
ECB deposit rate	2.00	4.00	3.75
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 30 June 2024.

ECB Deposit Rate



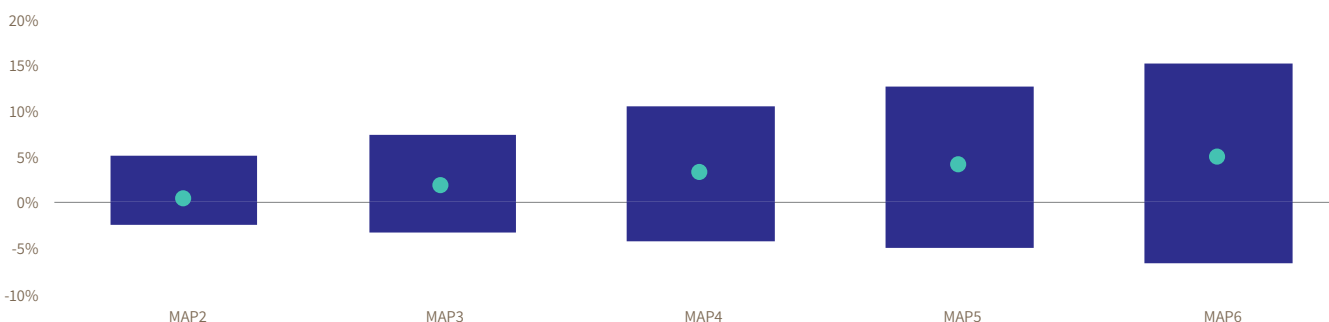
Source: ILIM, Factset. Data is accurate as at 30 June 2024.

Irish Life strategic MAPS asset allocation*

Asset class	MAP2	MAP3	MAP4	MAP5	MAP6
EQUITIES	20.0%	40.0%	60.0%	80.0%	95.0%
Developed Market (DM)	2.25%	6.2%	16.8%	29.0%	50.5%
Low Volatility (DM)	4.5%	9.0%	13.5%	10.0%	5.5%
Dynamic Shares to Cash (DM)	11.0%	20.0%	20.0%	20.0%	12.0%
Emerging Market (EM)	0.25%	0.8%	2.2%	12.0%	16.0%
Low Volatility (EM)	0.5%	1.0%	1.5%	1.0%	1.0%
EAFE (Europe, Australasia, Far East)	1.0%	2.0%	4.0%	5.0%	6.0%
Small Cap	0.5%	1.0%	2.0%	3.0%	4.0%
BONDS	48.5%	31.2%	17.6%	5.6%	0.4%
Government	8.5%	0.0%	0.0%	0.0%	0.0%
Corporate	29.0%	15.2%	4.6%	0.6%	0.4%
Global Aggregate	4.0%	3.0%	0.0%	0.0%	0.0%
Global High Yield	4.0%	5.0%	5.0%	2.0%	0.0%
Emerging Market (50% Hard 50% Local Currency)	3.0%	8.0%	8.0%	3.0%	0.0%
Alternatives	15.0%	15.0%	15.0%	7.0%	0.0%
Property	5.5%	6.8%	6.8%	6.8%	4.2%
Cash	11.0%	7.0%	0.6%	0.6%	0.4%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: ILIM, 30 June 2024. *DSC Global Shares use the Dynamic Share to Cash model. The table above shows the strategic asset mix before any Dynamic Share to Cash (DSC) or tactical movements (where applicable). ILIM rebalances the fund back to this mix on a quarterly basis. For the latest actual Irish Life MAPS fund mixes, which allow for any tactical or DSC changes, for example, see the relevant MAPS fund factsheet at www.irishlife.ie. ILIM will continue to monitor and review these assets and may change them over time.

Irish Life MAPS Performance v Expected Range of Returns



Source: ILIM – Data is accurate as at 30 June 2024. The expected range of returns and the actual performance are both net of a 1.15% fund management charge for MAP 2 to MAP 5 Funds inclusive and a 1.05% fund management charge for MAP 6.

- The 7-year range of expected returns (95% of the time) back in June 2017.
- The actual annualised performance of MAPS funds since June 2017.

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