January 2025

National Federation of Voluntary Service Providers Pension and Life Assurance Scheme
Investment Market and Funds Update – to 31 December 2024

Financial markets have remained volatile over the past 12 months, mainly caused by changing inflation expectations and central bank tightening, but resilient economic data, falling inflation and optimism around the implementation of artificial intelligence (AI) led to gains in asset prices. These gains were focused mainly within equity markets, and are reflected in positive performances for the funds your retirement savings are invested in the year to the end of December

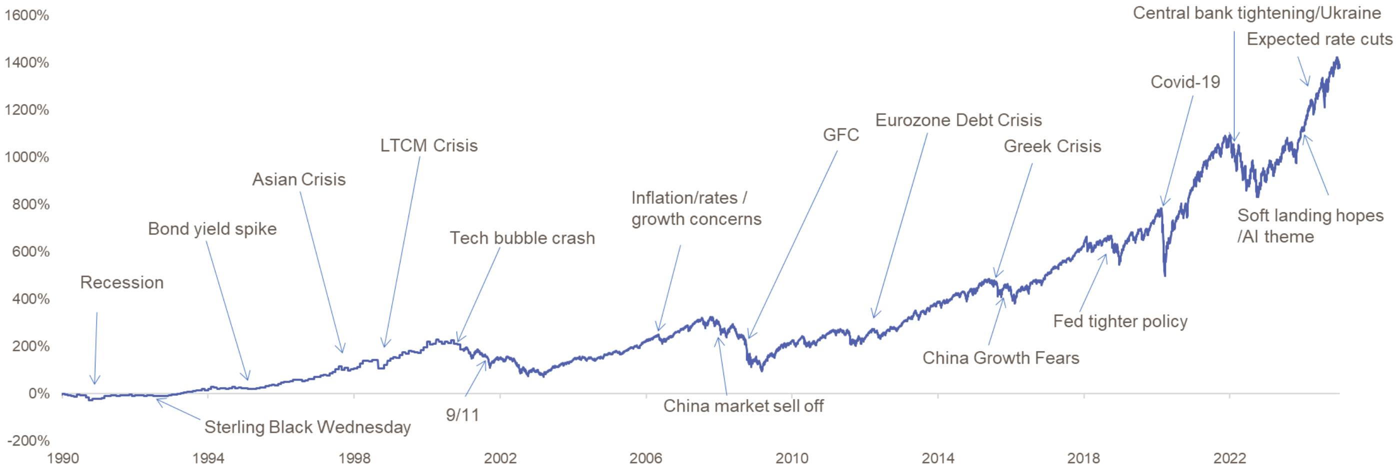
Global equity markets rose by 25.9% (in euro terms) in the year to 31 December, despite headwinds that caused volatility to remain a market feature. These headwinds were mainly centred around concerns over inflation persistence, economic growth and central banks increasing interest rates. However, economic data has been resilient and inflation levels have fallen over the past 12 months.

A key driver of equity markets has been the strong performance of technology stocks, which lifted the wider market. The development and implementation of AI supported these stocks over the past 12 months as investors believe the technology has the potential to boost productivity and company profit margins significantly in the medium term. More recently, the re-election of Donald Trump and the Republicans winning a clean sweep in the November election led to expectations of growth-friendly policies, which has supported a rally in US equities.

Over the past 12 months, inflation in major economies has come down significantly and to levels not far from central bank targets in some cases. This has led investors to expect interest rate cuts, with both the European Central Bank and the US Federal Reserve reducing their key rates in 2024. However, interest rates remain elevated compared to the past 15 years and, the longer they remain high, the more likely consumer activity, business activity and economic growth are to be negatively affected, thereby impacting financial markets. As a result, markets are likely to remain volatile in the near term.

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 it is time in the market, rather than timing the market, that is important for long-term returns. For most members, pensions savings are a long term investment and that is important to remember.

Long Term Investing



Source Bloomberg, January 2025, reflects the gross total return performance of the MSCI All Country World Index relative to a 1/1/1990 starting point.

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. The funds invest in a mix of equities, bonds, property and cash.

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 below table shows the performances of all the funds available in the National Federation of Voluntary Service Providers Pension & Life Assurance Scheme, against their long-term benchmarks over shorter- and longer-term periods to the end of December 2024. It shows positive returns were recorded for the majority of funds over most periods.

Performance of funds in the Scheme to 31 December 2024	3 Months	Year to Date	1 Year	3 Years per annum (p.a.)	5 Years per annum (p.a.)	7 Years per annum (p.a.)
***EMPOWER High Growth Fund**	**3.4%**	**17.2%**	**17.2%**	**4.5%**	**6.4%**	**6.1%**
Cash Deposit Rate + 4.5%	*1.9%*	*8.3%*	*8.3%*	*6.9%*	*5.7%*	*5.2%*
***EMPOWER Moderate Growth Fund**	**2.5%**	**14.3%**	**14.3%**	**3.9%**	**5.5%**	**5.3%**
Cash Deposit Rate + 4%	*1.8%*	*7.8%*	*7.8%*	*6.4%*	*5.2%*	*4.7%*
****EMPOWER ARF Matching Fund**	**2.0%**	**10.9%**	**10.9%**	**2.4%**	**3.7%**	**3.8%**
Cash Deposit Rate + 3%	*1.5%*	*6.8%*	*6.8%*	*5.3%*	*4.2%*	*3.7%*
***EMPOWER Stability Fund**	**1.3%**	**7.3%**	**7.3%**	**1.1%**	**2.0%**	**2.2%**
Cash Deposit Rate + 2%	*1.3%*	*5.7%*	*5.7%*	*4.3%*	*3.2%*	*2.7%*
****EMPOWER Cash Fund (Lifestyle)**	**0.8%**	**3.4%**	**3.4%**	**2.0%**	**0.9%**	**0.4%**
3-Month EURIBID Rate	*0.7%*	*3.5%*	*3.5%*	*2.3%*	*1.1%*	*0.7%*
****EMPOWER Annuity Objective Fund**	**-0.6%**	**-1.1%**	**-1.1%**	**-10.0%**	**-5.6%**	**-1.9%**
Composite Benchmark	*-0.9%*	*-1.0%*	*-1.0%*	*-9.9%*	*-5.4%*	*-1.7%*
EMPOWER Cautious Growth Fund	**2.0%**	**10.9%**	**10.9%**	**2.4%**	**3.7%**	**3.8%**
Cash Deposit Rate + 3%	*1.5%*	*6.8%*	*6.8%*	*5.3%*	*4.2%*	*3.7%*
Sustainable Equity (ESG) Fund***	**6.2%**	**24.8%**	**24.8%**	**8.0%**	♦	♦
ILIM Sustainable Global Market Index	*6.2%*	*24.9%*	*24.9%*	*8.1%*	♦	♦
****EMPOWER Cash Fund**	**0.9%**	**3.6%**	**3.6%**	**2.1%**	**1.0%**	**0.6%**
3-Month EURIBID Rate	*0.7%*	*3.5%*	*3.5%*	*2.3%*	*1.1%*	*0.7%*

*** Available individually and also used as part of the Personal Lifestyle Strategy**
**** Available only as part of the Personal Lifestyle Strategy**
***** This is a new fund so only short-term returns are available**
♦ Historic information unavailable

Source of information: Irish Life Investment Managers past performance is not a reliable guide to future performance. Fund returns are shown net of all fees and expenses as at 31.12.2024.

Irish Life

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.

Personal Lifestyle Strategy

Most members of the National Federation of Voluntary Service Providers Pension & Life Assurance Scheme are invested in the Irish Life EMPOWER Personal Lifestyle Strategy (PLS).

PLS puts you in funds designed to achieve investment growth while at the same time balancing investment risk. From 20 years to retirement your pension fund will switch on a gradual basis into funds with lower risk and return expectations than from the early growth stage. From 6 years from your retirement date, PLS moves your pension fund into investments that best match how you are most likely to draw down your pension benefits on retirement. It does all the work for you. Please go to http://www.fedvol.ie (pensions tab) for the flyer on PLS.

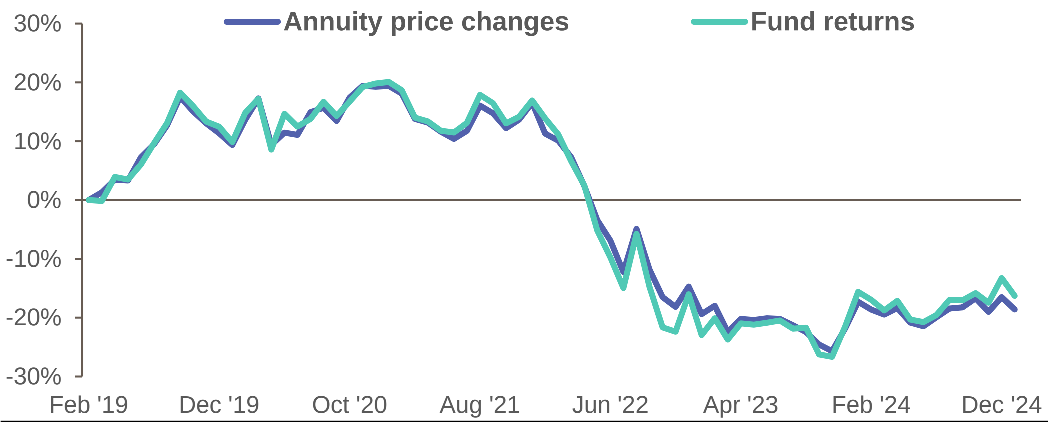
Self-Select funds

However, you don’t have to participate in PLS and can instead select a fund or mix of funds that suit you best from the six standalone funds available. We typically see people make selections based on how long they have to retirement or when they will need the money. When that period 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.

Close relationship between annuity prices and annuity fund returns

As illustrated below, returns of the EMPOWER Annuity Objective Fund were modestly negative over a 1-year period to 31 December 2024, reflecting the increase in bond yields and the decrease in bond fund values that occurred over this period. The fund returns tracked a modest decrease in annuity prices over the period, which are also linked to bond yields. This meant the purchasing power for members’ funds who are most likely to purchase an annuity was broadly maintained. A close relationship between annuity price changes and annuity fund returns has been shown to exist over time as illustrated in the chart below, which shows how changes in annuity prices have closely matched the returns from the EMPOWER Annuity Objective Fund since the start of 2019. This is why the EMPOWER Annuity Objective Fund is used in the Irish Life EMPOWER PLS.



Source: Irish Life Investment Managers. Period is January 2019 to 31 December 2024

Irish Life

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. Being invested and staying invested has been shown to be the most effective strategy over time.

Source: Irish life Investment Managers (ILIM)