Irish Life

National Federation *of* Voluntary Service Providers Pension & Life Assurance Scheme

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Investment Market and Funds Update - March 2022

Equity markets have been performing well over the last 5 years delivering average annual returns of 13% to the end of December 2021.

However, equity markets have experienced a weak start to 2022, due to the following factors:

> Higher interest rates are expected, particularly in the US, as inflation rates are rising more rapidly and for longer than expected.

> Equities declined further in February and into March given the invasion of Ukraine by Russia and concerns over the knock-on impact on growth and inflation.

Given the turbulent market conditions, the funds available for the pension scheme have been impacted, however not to the same extent as the wider equity market.

The table below shows fund performance year to date (to 11 March 2022). The majority of funds performed better than global shares. Over the same period equity markets are - 8.6%.

In the table below each fund is compared to this performance.

Year to Date performance to 11 March 2022

Risk Indicator	6	5	4	3	2	1
	Sustainable Equity (ESG) Fund	EMPOWER High Growth Fund	EMPOWER Moderate Growth Fund	EMPOWER Cautious Growth Fund	EMPOWER Stability Fund	EMPOWER Cash Fund
	-9.90%	-8.20%	-7.10%	-6.10%	-4.60%	-0.20%
Global Shares	-8.60%	-8.60%	-8.60%	-8.60%	-8.60%	-8.60%
Difference	**-1.30%**	**0.40%**	**1.50%**	**2.50%**	**4.00%**	**8.40%**

In addition to being lower risk than equity markets, this better performance is due to a number of factors including:

> **Investment diversification** – the funds invest in a mix of equities, bonds, property and cash.

> **Risk management strategies, for example Dynamic Share to Cash (DSC)** – which reduces the equity content of funds during periods of market stress in investment markets. So far this year the DSC strategy has switched a small portion of equities into cash.

Source: Irish Life Investment Managers

It is also important to consider market and fund performance in the context of where members are on their journey to retirement i.e., how far away and how close to retirement one might be.

> **Members further out to retirement, e.g., 15 years out**, can afford to take on more risk as they have more time to recover from any short-term market losses before retirement. As part of the transition to Irish Life these members will have been invested in similar funds to the funds they were invested when with New Ireland, they will still be invested in higher risk funds at this stage with Irish Life.

> **Members closer to retirement, e.g., within 6 years**, who are likely to take their pension fund in the form of a lump sum and purchase a pension with the balance, will have been invested in more conservative funds as part of the transition to Irish Life in order to better match how their retirement benefits are likely to be taken.

The outlook for equity markets over the next twelve months is dependent on several factors including central bank policy, growth, inflation and the evolution of the Russia/Ukraine crisis.

Given the risks facing markets, volatility is likely to remain a feature in the near term however we expect positive equity returns in the medium-long term. We encourage members to bear this in mind when thinking of long-term planning for retirement.

While it is important to regularly review your retirement savings, we do remind retirement savers to take a long-term view of investments. Remember, it's more about time in the market - not timing the market!

Now that the Pension Scheme move to Irish Life has been completed, members can choose from a number of investment funds available to them (no charge for switching). It is recommended that a member should seek advice either from their Irish Life Advice Team point of contact or seek their own independent advice, before making any switches.

Note: There was no loss to members funds as a result of the transfer of assets from New Ireland to Irish Life. This was achieved by the Trustees agreeing a process known as 'Pre-Funding' with Irish Life Investment Managers. Under the Pre-Funding Agreement, Irish Life invested the assets of the Scheme in Irish Life funds on the same day as New Ireland encashed the assets, rather than waiting a number of days until the actual money was received by Irish Life. Any decrease in a member's pension fund relates to market volatility.

Warning: The value of your investment may go down as well as up.

Warning: These funds may be affected by changes in currency exchange rates.

Warning: If you invest in this product you will not have any access to your money until you retire.

Warning: If you invest in this product you may lose some or all of the money you invest.

Securities Lending: The assets in these funds (except the EMPOWER Cash Fund) may be used for the purposes of securities lending in order to earn an additional return for the fund. While securities lending increases the level of risk within the fund it also provides an opportunity to increase the investment return.

Information correct as at March 2022.

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