

April 2023

National Federation of Voluntary Service Providers Pension and Life Assurance Scheme
Investment Market and Funds Update – to 31 March 2023

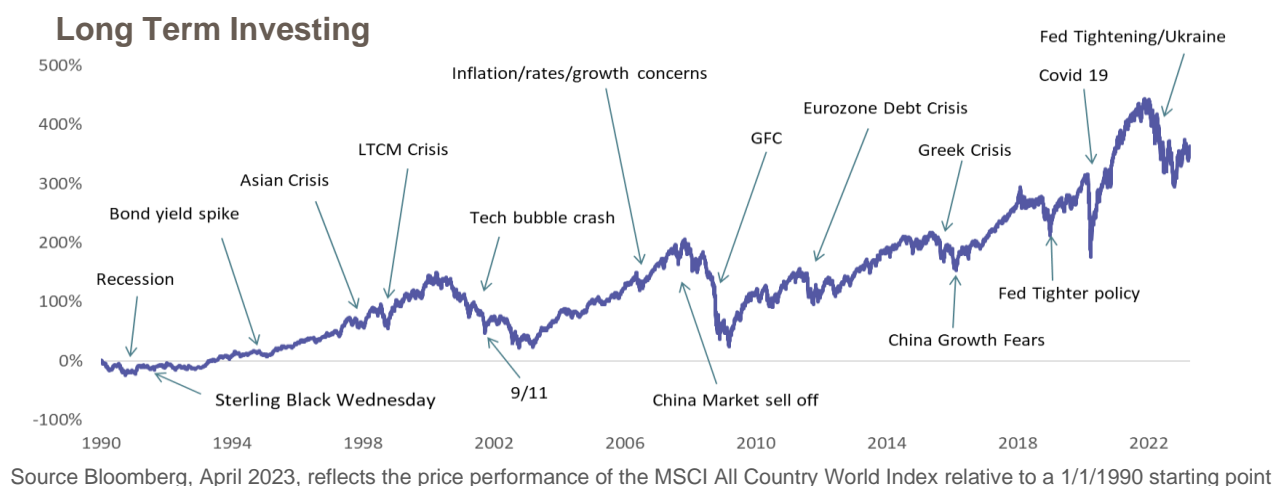
Over the course of 2022 the main assets the funds invested your retirement savings in declined in value, which is why the funds appeared to have performed negatively over the year. Although financial markets remain volatile a better start to 2023 has led to gains in asset prices, focused mainly within equity markets, that is reflected in positive performances for those funds year to date to the end of March.

The main reason for the decline in fund values in 2022 was that Central Banks across the developed world increased interest rates to try and reduce rates of inflation, that rose to levels unseen in forty years. In the UK, US and the Eurozone, interest rates increased at the fastest pace observed in decades. Typically, when interest rates rise at a fast pace, investment assets like equities and bonds perform poorly.

Global equity markets rose 5.5% year to date to 31 March, despite mounting headwinds that have caused volatility to remain a market feature. Investor optimism in January for better economic growth and for continued falling inflation from peak 2022 levels, gave way to concerns of more persistent inflation and expectations of higher interest rates. In March, concerns over the safety of customer deposits in a small number of mid-sized US banks caused further market stress, which spread to Europe and raised fears over reduced bank lending activity and potential economic recession. These fears subsided and markets calmed once the US authorities and central bank introduced confidence boosting measures such as deposit guarantees and an increased money supply available to banks.

The situation is evolving and while inflation levels have fallen, they remain elevated at levels far from central bank targets. This means interest rates, which are still rising albeit at a slower pace, could remain high for some time until inflation moves considerably lower. The longer interest rates remain high, the more likely consumer activity, business activity and economic growth could be negatively affected, thereby impacting financial markets. The situation is further complicated by the recent bank issues seen in March, that showed parts of the sector could be vulnerable as interest rates continue to rise. As a result, the increased market volatility observed in 2022 is likely to persist this year. However, while we are in uncertain times, they are not unprecedented.

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 over time there are more ups than downs, so it is important to stay invested to benefit from them. For most members, pensions savings are a long investment and that is important to remember.



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 March 2023. They show that despite the negative performances over a one-year period in particular, the longer-term fund performances remain positive for the majority of funds.

Performances year-to-date to the end of March has been positive for all the funds. This includes those with a larger equity component such as the EMPOWER High Growth and EMPOWER Growth Funds, but also those with a larger bond component such as the EMPOWER Stability and EMPOWER Annuity Objective Funds. Bond prices have risen year to date upon investor beliefs that interest rates are getting close to peak levels and potential interest rate cuts could occur in the second half of the year, that made the rate or yield that existing bonds were paying look more attractive.

Performance of funds in the Scheme to 31 March 2023	Year to Date	6 Months	1 Year	3 Years per annum (p.a.)	5 Years per annum (p.a.)	7 Years per annum (p.a.)
*EMPOWER High Growth Fund	3.2%	4.6%	-5.9%	8.4%	3.9%	5.7%
Cash Deposit Rate + 4.5%	1.6%	3.1%	5.2%	4.4%	4.3%	4.2%
*EMPOWER Moderate Growth Fund	2.8%	4.8%	-5.1%	7.0%	3.5%	4.8%
Cash Deposit Rate + 4%	1.5%	2.8%	4.7%	3.9%	3.8%	3.7%
**EMPOWER ARF Matching Fund	2.0%	3.5%	-5.2%	4.4%	2.2%	3.4%
Cash Deposit Rate + 3%	1.3%	2.3%	3.7%	2.9%	2.8%	2.7%
*EMPOWER Stability Fund	1.4%	2.6%	-5.1%	2.0%	0.9%	1.8%
Cash Deposit Rate + 2%	1.0%	1.8%	2.7%	1.9%	1.8%	1.7%
**EMPOWER Cash Fund (Lifestyle)	0.4%	0.6%	0.3%	-0.4%	-0.5%	-0.5%
3-Month EURIBID Rate	0.6%	1.0%	1.0%	-0.1%	-0.3%	-0.3%
**EMPOWER Annuity Objective Fund	2.6%	0.8%	-23.1%	-10.3%	-4.0%	-2.8%
Composite Benchmark	2.5%	0.7%	-23.1%	-10.2%	-3.8%	-2.6%
EMPOWER Cautious Growth Fund	2.0%	3.5%	-5.2%	4.4%	2.2%	3.4%
Cash Deposit Rate + 3%	1.3%	2.3%	3.7%	2.9%	2.8%	2.7%
Sustainable Equity (ESG) Fund***	5.6%	6.2%	-5.5%	♦	♦	♦
ILIM Sustainable Global Market Index	5.6%	6.2%	-5.5%	♦	♦	♦
**Empower Cash Fund	0.5%	0.6%	0.4%	-0.3%	-0.4%	-0.4%
3-Month EURIBID Rate	0.6%	1.0%	1.0%	-0.1%	-0.3%	-0.3%

* 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 31.03.2023.

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

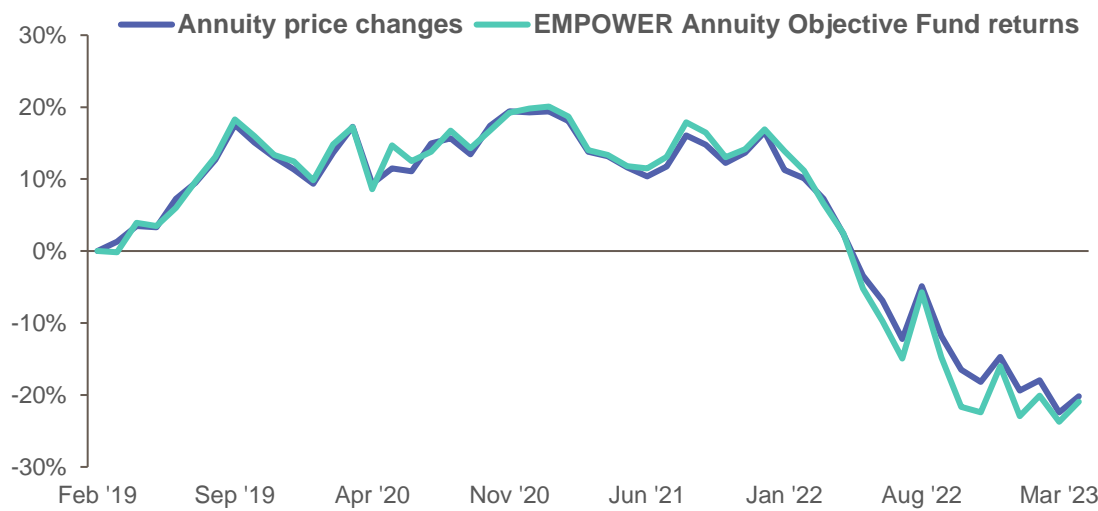
However, you don't have to participate in PLS and can instead select a fund or mix of funds that suit you best from the six standalone funds available. We typically see people make selections based on how long they have to retirement or when they will need the money. When that period is 10 years or more, 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 detailed below, returns of the Empower Annuity Objective Fund fell significantly over a 1-year period to 31 March 2023, reflecting the increase in bond yields and the falls in bond fund values that occurred particularly over 2022. However, the prices of annuities which are also linked to bond yields, also fell significantly. 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 PLS.



Source: Irish Life Investment Managers. Period is January 2019 to 31 March 2023

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)