



Society of Actuaries in Ireland

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# Finance & Investments Forum 2024: The Future of Defined Contribution Investment

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3 October 2024

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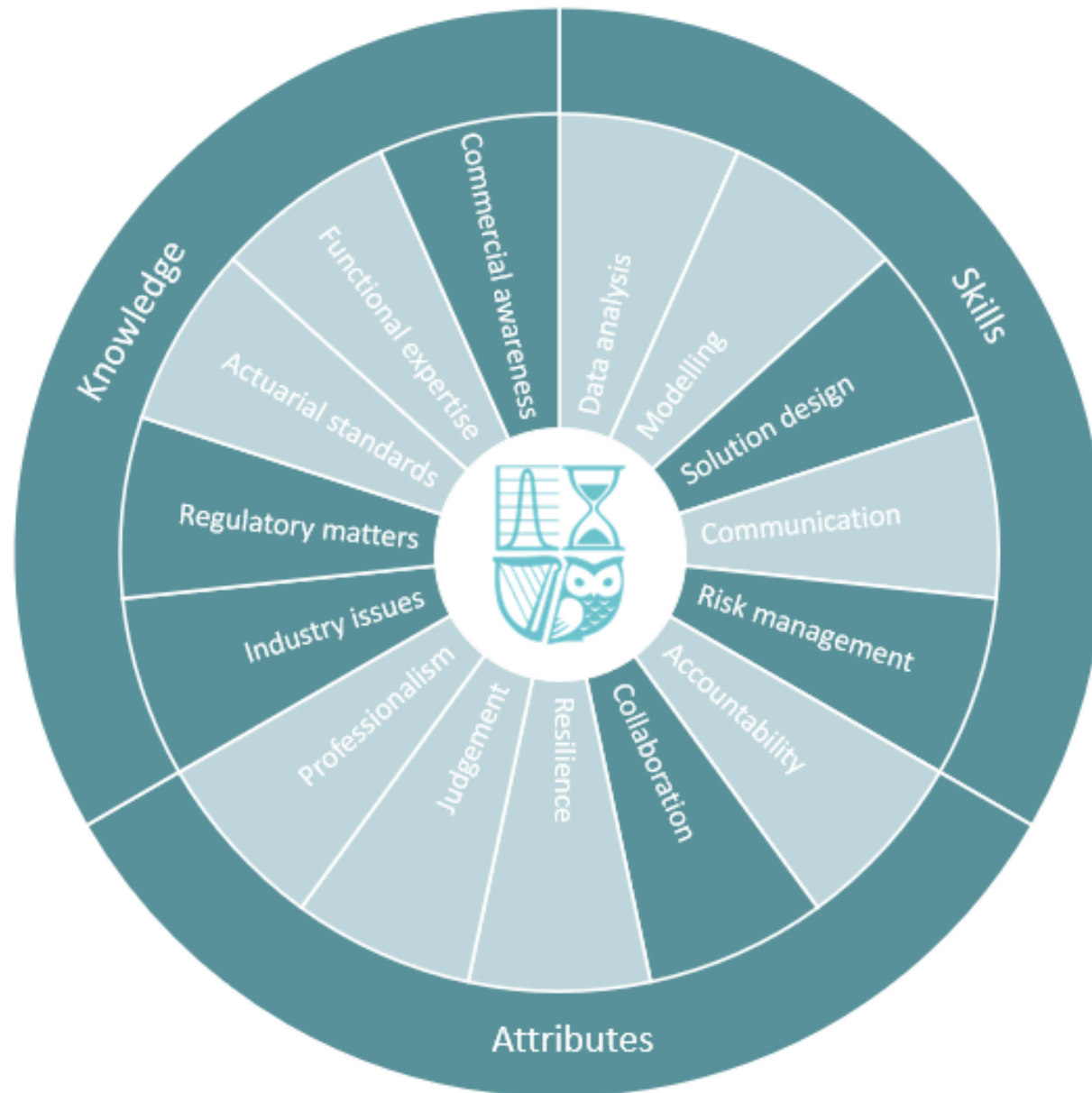
## Disclaimer

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**The views expressed in this presentation are those of the presenter(s) and not necessarily those of their employer(s) (if any) or the Society of Actuaries in Ireland.**



# Competency Framework Wheel





Society of Actuaries in Ireland

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Welcome and update on Finance and  
Investment Committee

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Aaron Kilboy, LCP

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## Introduction to the Finance & Investment Committee

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- Aaron Kilboy
- Orla Aherne
- James Hannigan
- Daragh Burns
- Thomas Donohue
- Suzanne Leydon
- Linda Travers
- John Hannon
- Cathal Coyle
- Frans Nutt
- Prash Khaire

**Committee members work across a wide range of areas including DB and DC pensions, (re)insurance, private markets, individual financial planning and investment management.**



# Highlights from the past 12 months

## Society Guidance

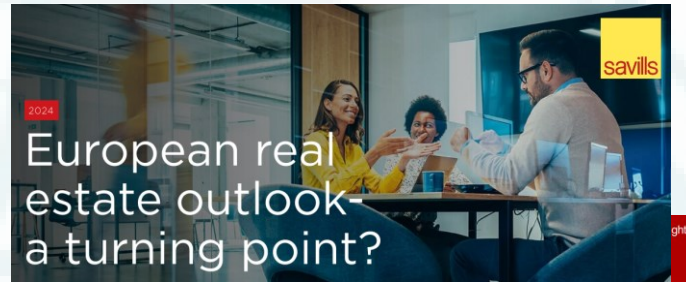


### Financial & Economic Assumptions and Principles

Finance & Investment Committee  
March 2024

*This paper was approved by the Finance & Investment Committee and Council of the Society of Actuaries in Ireland in March 2024.*

## Webinars and events



### Economics & Market Update

#### Challenges for the future power sector

The 37GW by 2050 offshore wind target will generate more electricity than the SEM needs, meaning some offshore wind energy will need to be used in a different way

- The Irish government have an extremely ambitious target to build at least 37GW offshore wind by 2050.

37GW  
16C  
Irel

#### Structured Credit offers attractive risk-adjusted returns

- Why still use by?
- The how?

Euro CLO single A vs. BB corporate spreads



Euro CLO vs. European corporate bond annualised loss rates\*



CLOs offer higher spreads than equivalently rated corporate bonds, despite comparable historical loss rates

## Advocacy / public interest



### Response to Department of Finance consultation on "Funds Sector 2030: A Framework for Open, Resilient & Developing Markets"

November 2023

#### Executive Summary of Responses to Questions 24 to 32

The key principle that underlies the response from the Society of Actuaries in Ireland is one of equality, simplicity and incentivising better investing behaviour:

- The Society believes that different forms of investment and savings income and gains should be subject to an equal level of taxation at a harmonised rate.
- The Society believes that Life Assurance policyholder investments and savings should be on a Final Liability taxation basis.
- The Society seeks a level playing field as between: (i) direct investment in securities and deposits; and (ii) investment in securities via a collective investment fund ("CIV") such as a unit-linked life fund or a UCITS-type CIV. This should be achieved by applying the harmonised tax rate from point 1 to CIVs. The rate should be linked to the DIRT tax rate. This would help reduce some of the advantages very wealthy individuals have under the current system.
- The rationale for investments made in single premium life assurance policies being subject to a 1% levy on the investment is not clear. Lump sum investments in IUTs do not incur such a levy. The Society proposes the levy is reviewed.



## Today's session

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- Financial markets update – Kevin Quinn, Bank of Ireland
- Private markets – Tim Horne, Schroders
- Post-retirement and in-Scheme drawdown – JP Crowley, Mercer
- Myth-busting “Article 9” funds – Alan Duffy, ILIM
- Panel discussion and Q&A – led by Orla Aherne



Society of Actuaries in Ireland

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# Update on Financial Markets and Economic Conditions

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Kevin Quinn, Chief Investment Strategist, BOI Investment Markets

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# Introduction Slide

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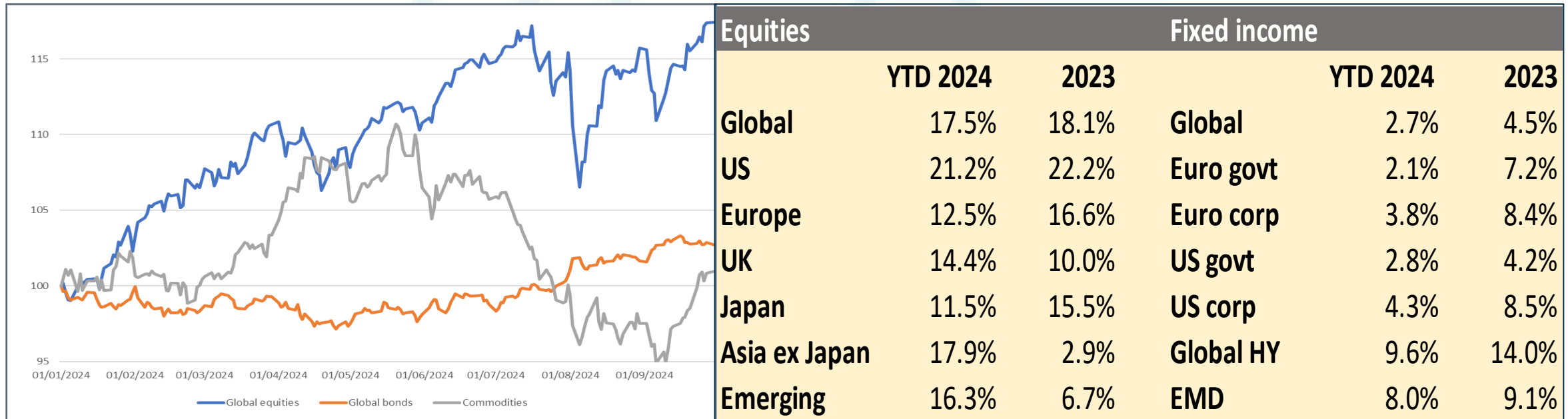
- **Looking back**
  - Major market performances
  - Drivers of markets this year
- **Looking forward**
  - What may be prominent for the coming 12 months



# Major market performances in 2024

**Figure 1: Asset class performances YTD to 30.09.24**

**Table 1: Major index performances YTD to 30.09.24**



Source: Bloomberg 01.10.24



## Market drivers so far in 2024

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- Inflation
- Economic growth
- Monetary policy
- Artificial intelligence
- Bond market dynamics
- Politics and geopolitics



# Drivers of performance this year

## (1) Inflation

Figure 2: Headline CPI to end Sept '24

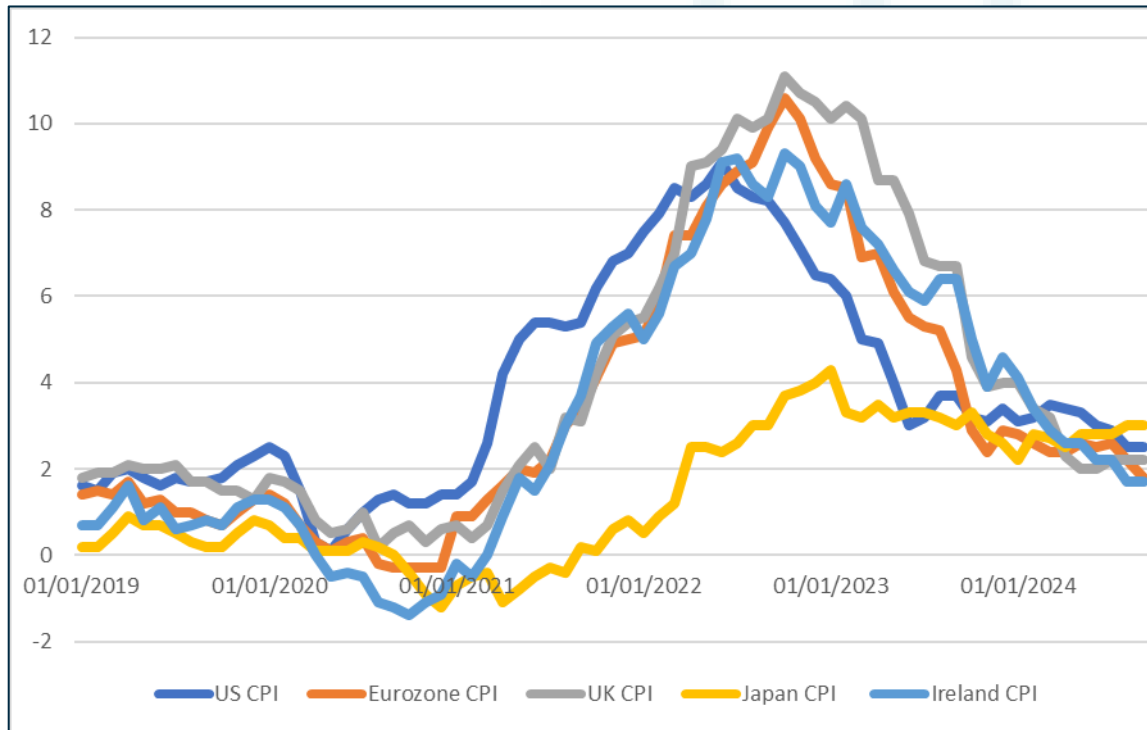
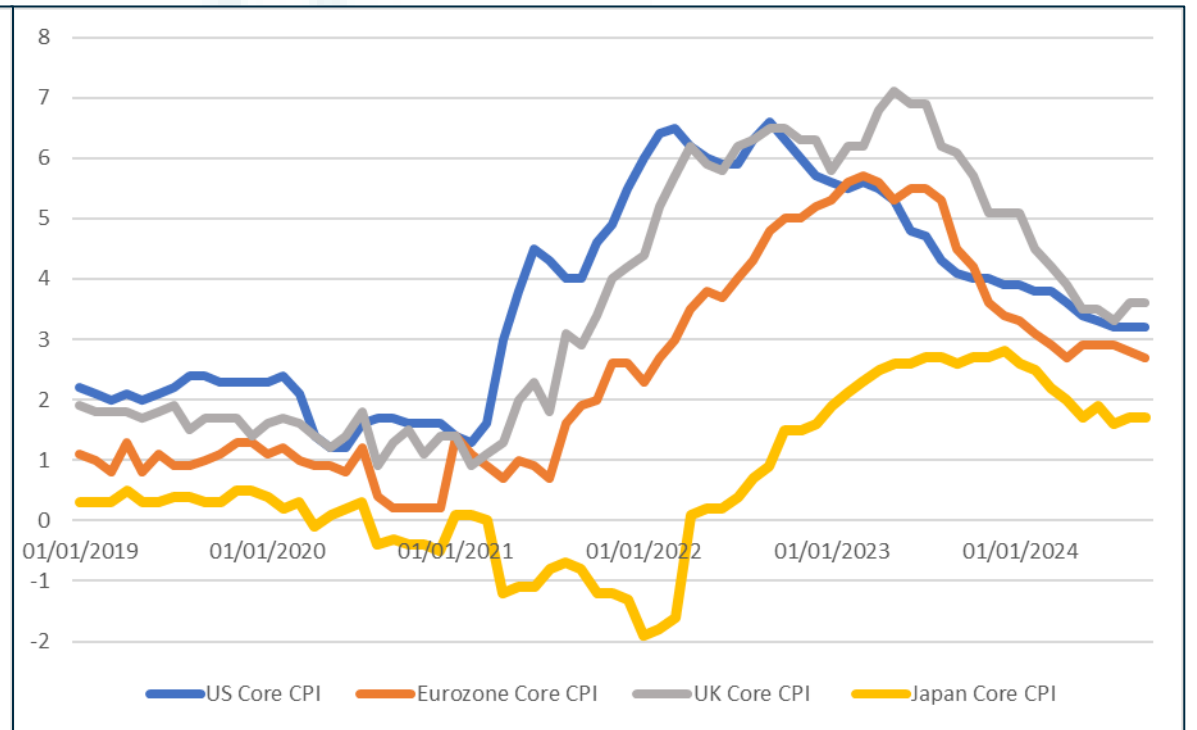


Figure 3: Core CPI to end Sept '24

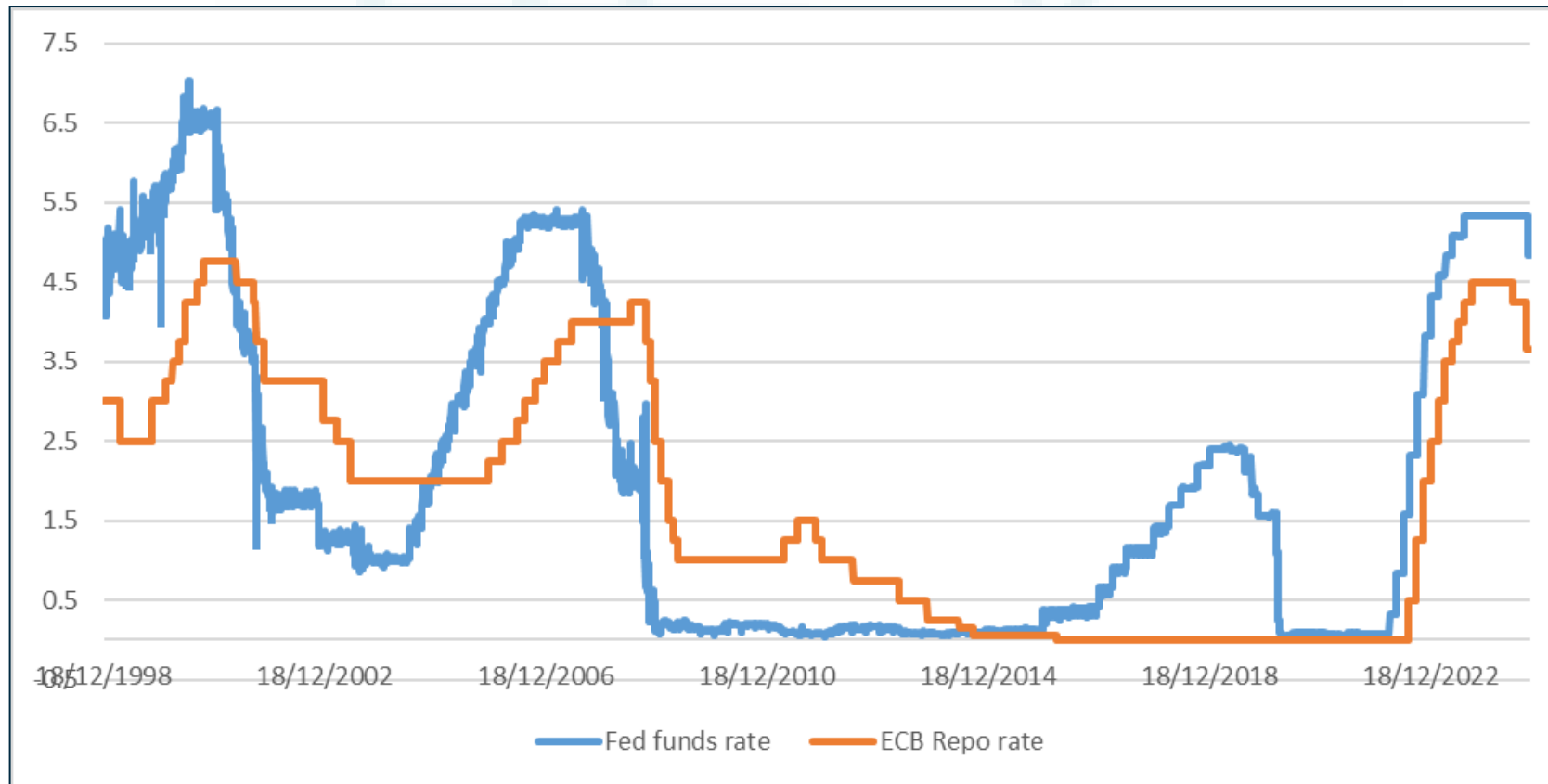




# Drivers of performance this year

## (2) Monetary policy in US and Eurozone

Figure 4: Fed & ECB policy rates since 1998



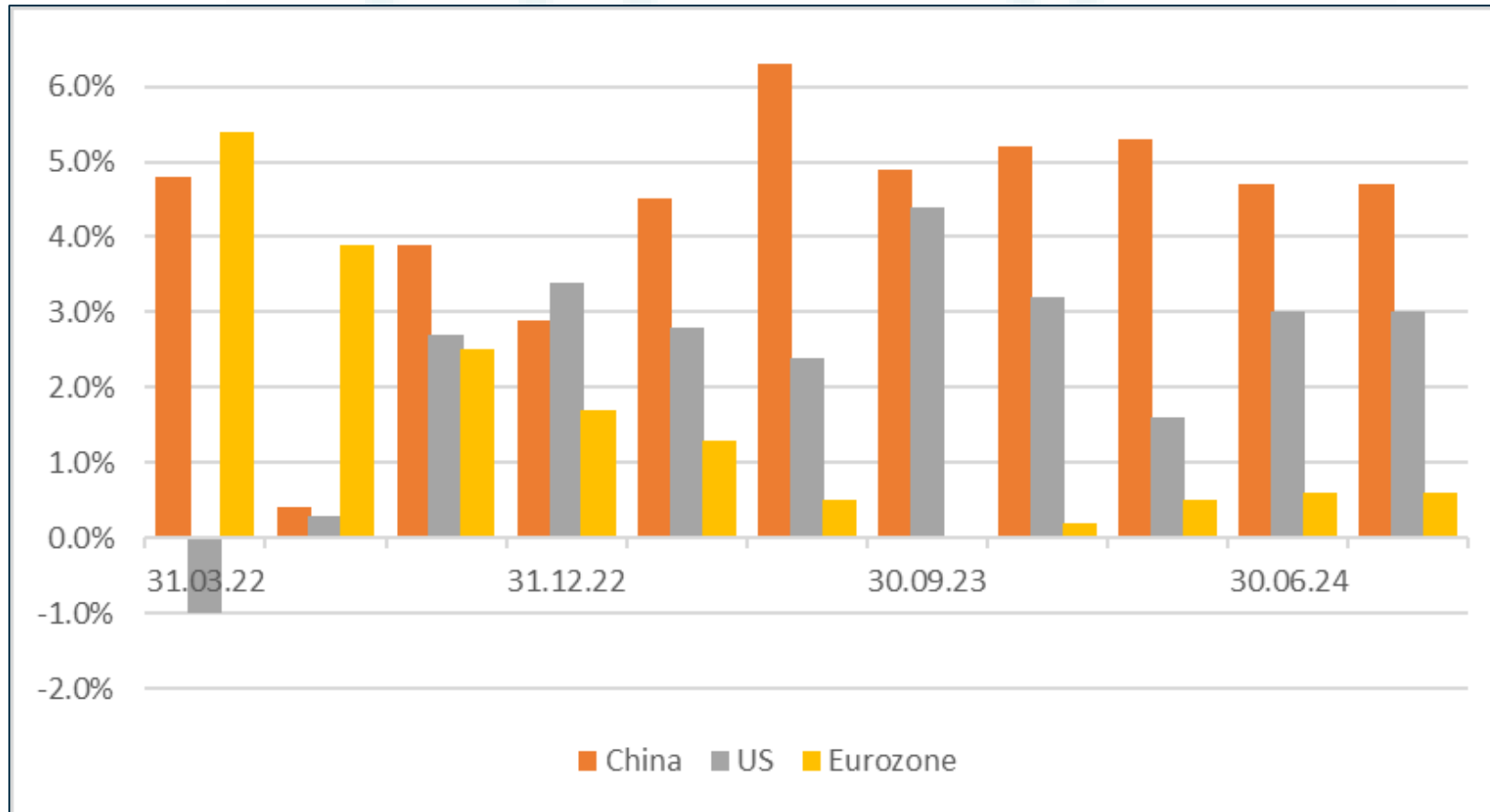
Source: Bloomberg 30.09.24



# Drivers of performance this year

## (3) Economic growth in the world's largest economies

Figure 5: Real GDP % p.a. by quarter since 2022

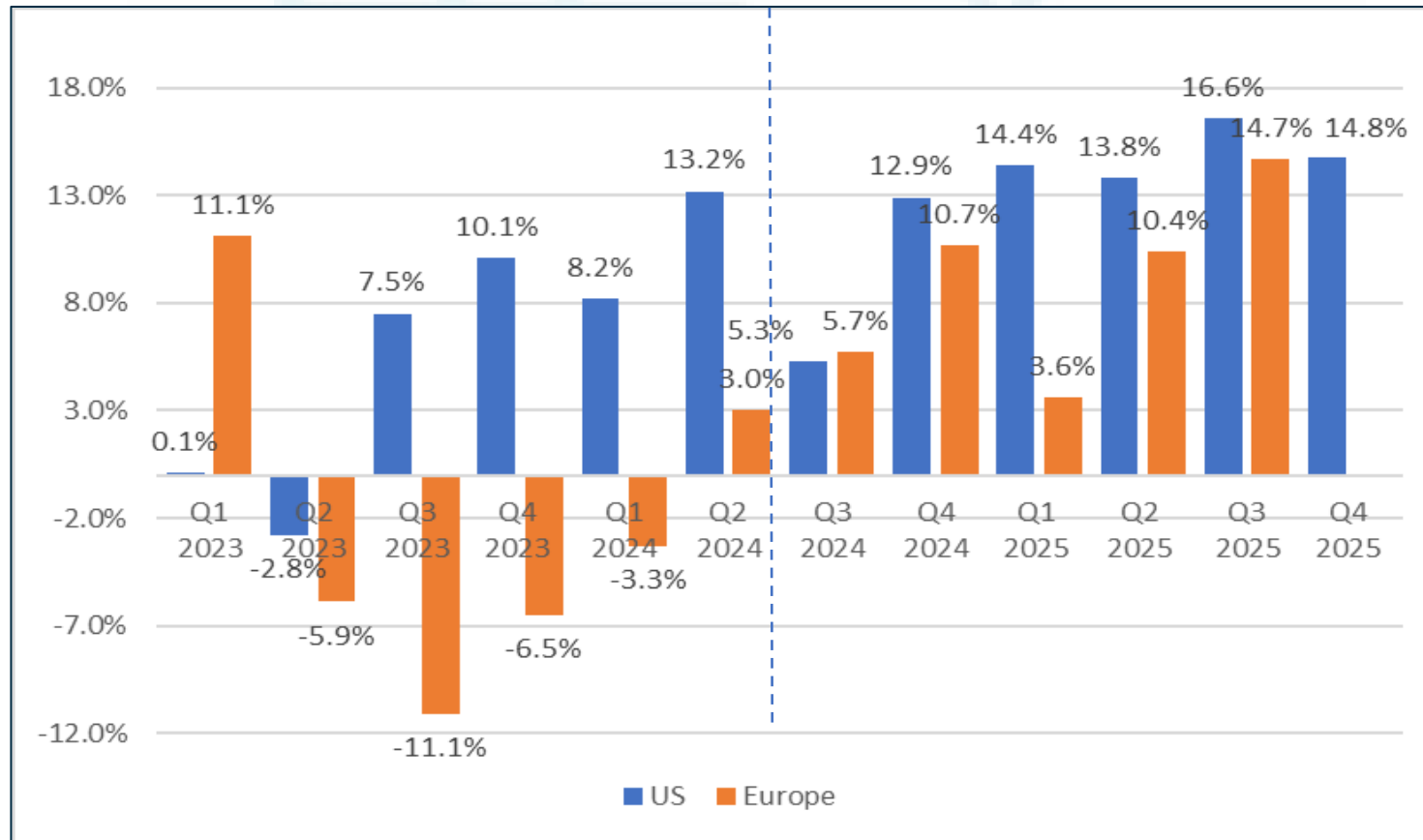




# Drivers of performance this year

## (4) Equity markets – strength in earnings

Figure 6: Corporate EPS in the US and Eurozone Q1 '23 to Forecast Q3/4 '25

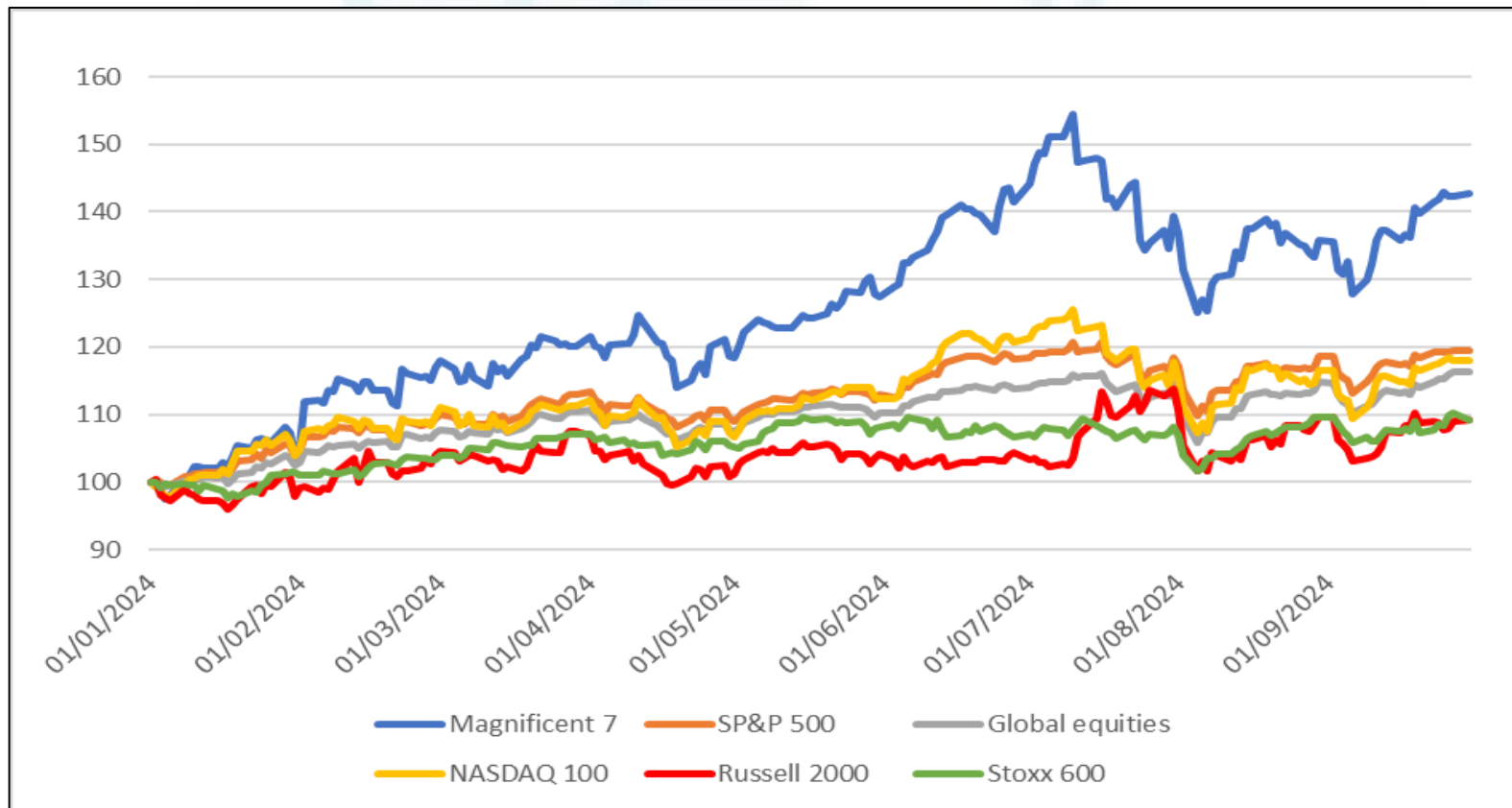




# Drivers of performance this year

## (4) Equity markets – artificial intelligence

**Figure 7: Magnificent 7 performance compared to major indices in 2024**







# Drivers of performance this year

## (5) Bond market dynamics

Figure 8: US yield curve shifts Oct '23-Sep '24

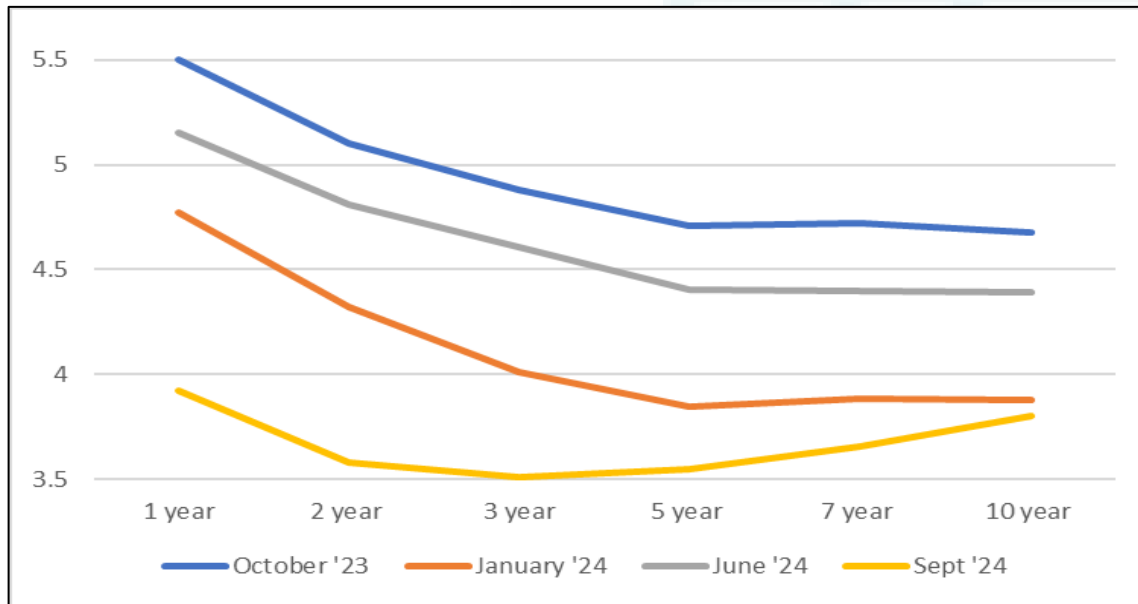
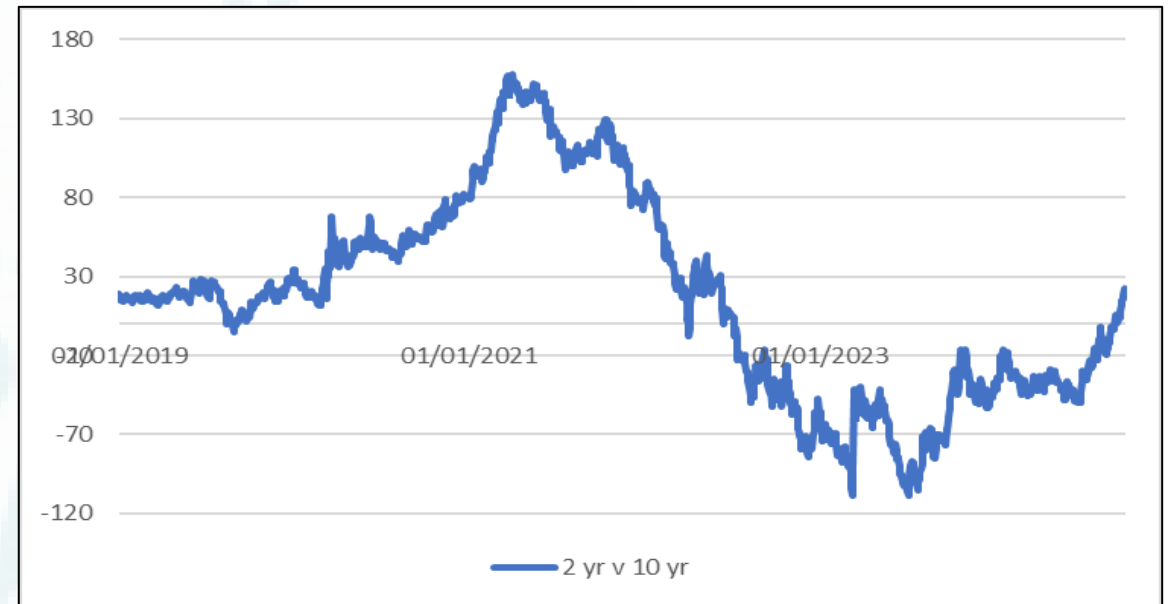


Figure 9: US Yield curve normalisation 2 v 10 year

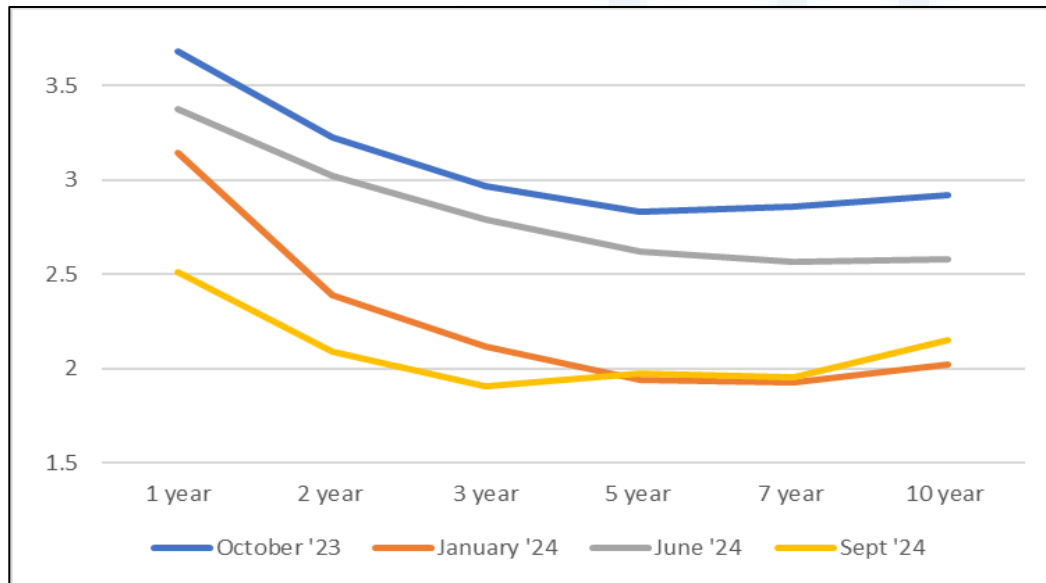




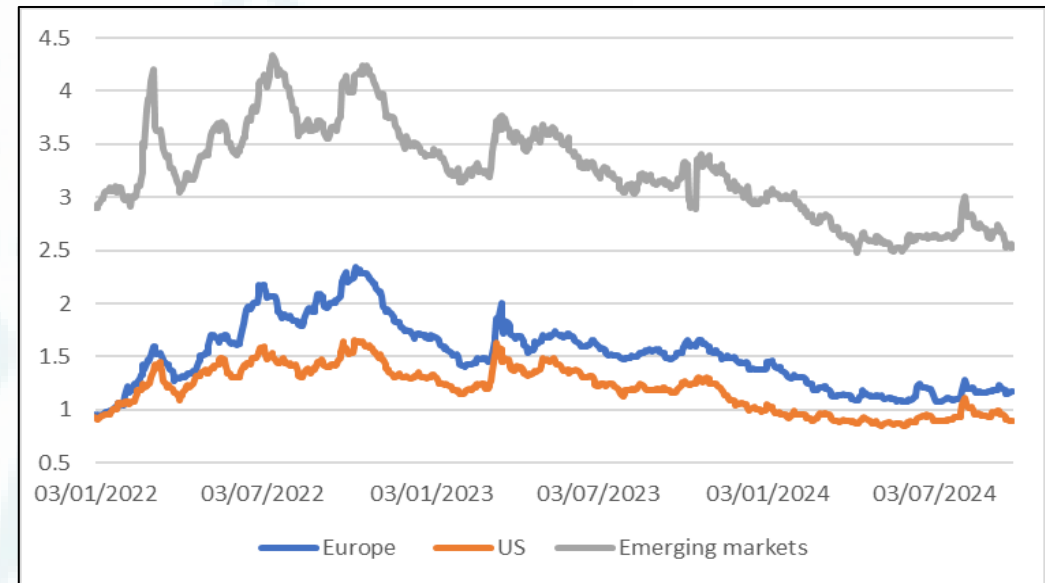
# Drivers of performance this year

## (5) Bond market dynamics

**Figure 10: German yield shifts Oct '23-Sep '24**



**Figure 11: Option adjusted credit spreads Jan '22 – Sep '24**





# Drivers of performance this year

## (6) Politics and geopolitics

Figure 12: GeoQuant political risk monitor '22-Sep '24

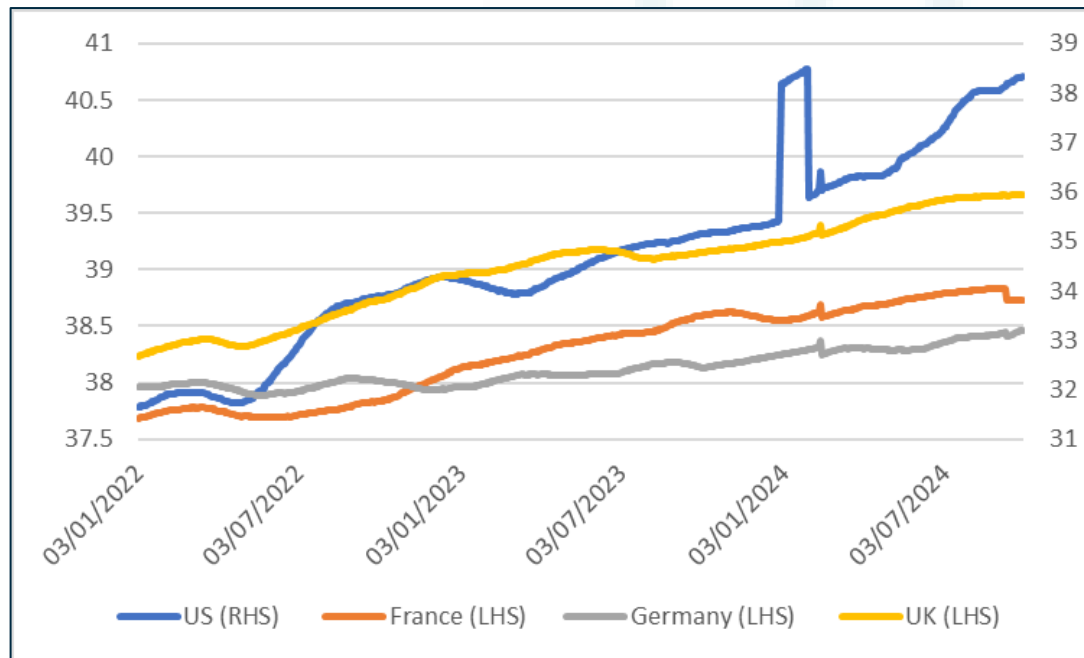
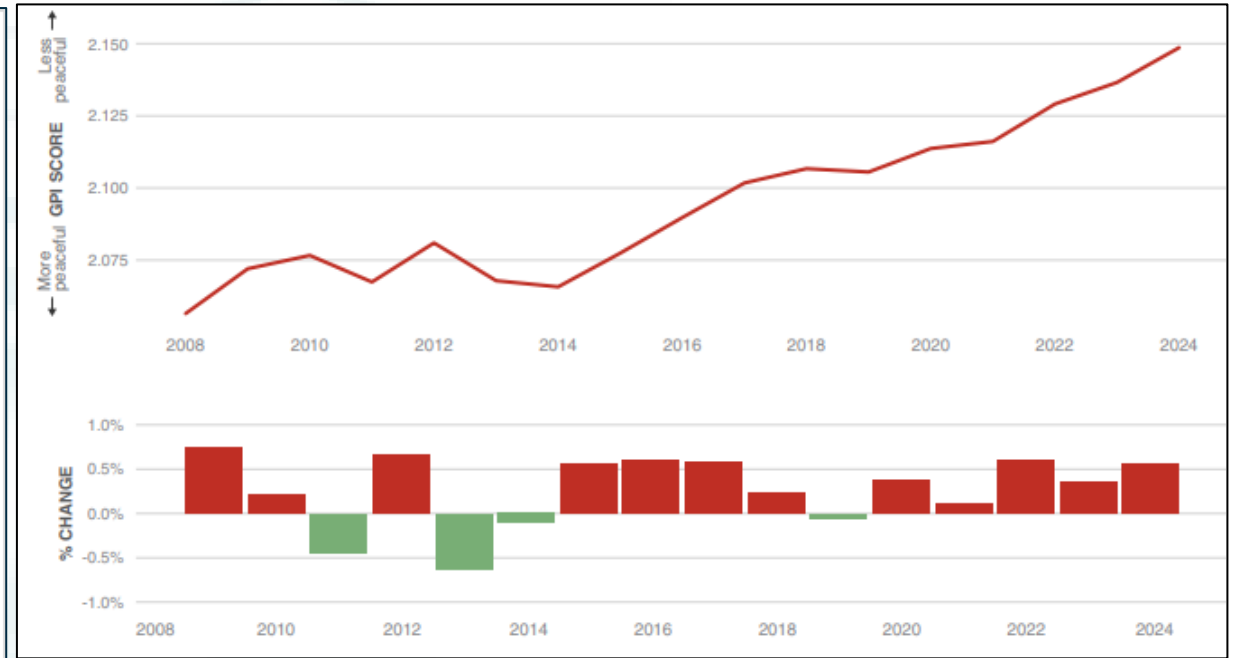


Figure 13: Global Peace index 2008-2024



Source: [GPI-2024-web.pdf \(economicsandpeace.org\)](https://www.economicsandpeace.org/gpi-2024-web.pdf)



# Looking forward

## (1) Uncertain growth path

**Table 2: Scenario analysis & probabilities based on the yield curve**

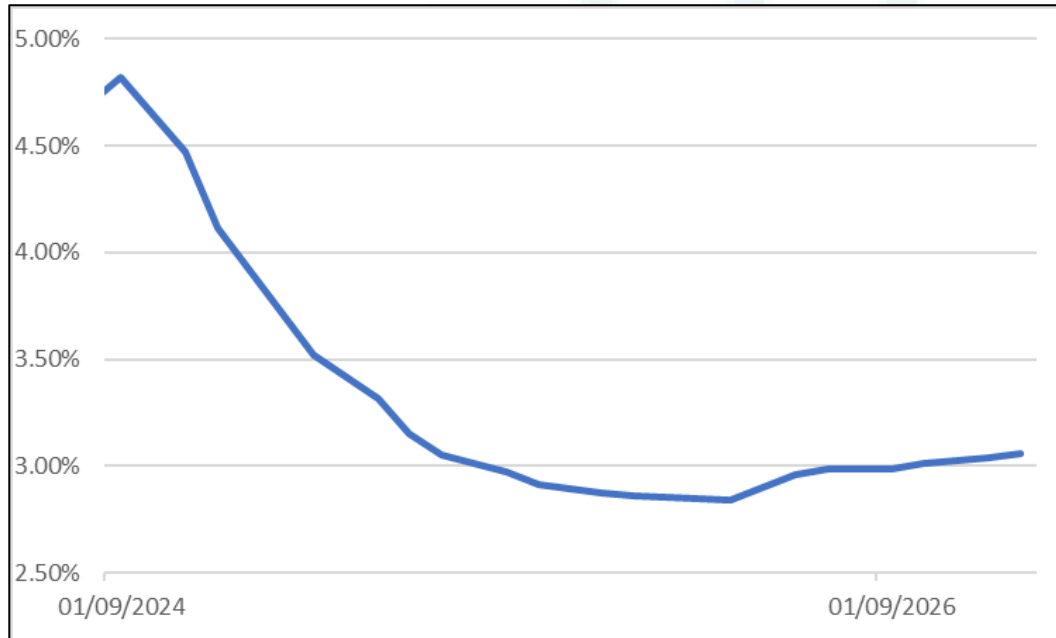
End of 2025 Outcomes	Economic Outcome	Market Weights	Fed Funds	2y Yield	10y Yield
Hard Landing	Neg. Real GDP, Slower Inflation, Urate 5%	40%	1.875%	2.25%	3.20%
Stagflation	~0%real GDP, ~3%inflation, Urate 5%	5%	2.875%	3.00%	4.00%
Soft Landing	2%real GDP, 2%inflation, Urate ~4.4%	20%	2.875%	3.30%	3.75%
Less Soft Landing	2-3%real GDP, 2.5%inflation, Urate <4.4%	30%	3.875%	4.30%	4.50%
Reacceleration	2.5-3%real GDP, 3+%inflation, Urate <4%	5%	5.375%	5.90%	6.00%
<b>Weighted Average</b>		<b>100%</b>	<b>2.90%</b>	<b>3.30%</b>	<b>3.88%</b>
End of 2025 Forward As of 9/ 24/ 24			2.84%	3.30%	3.87%



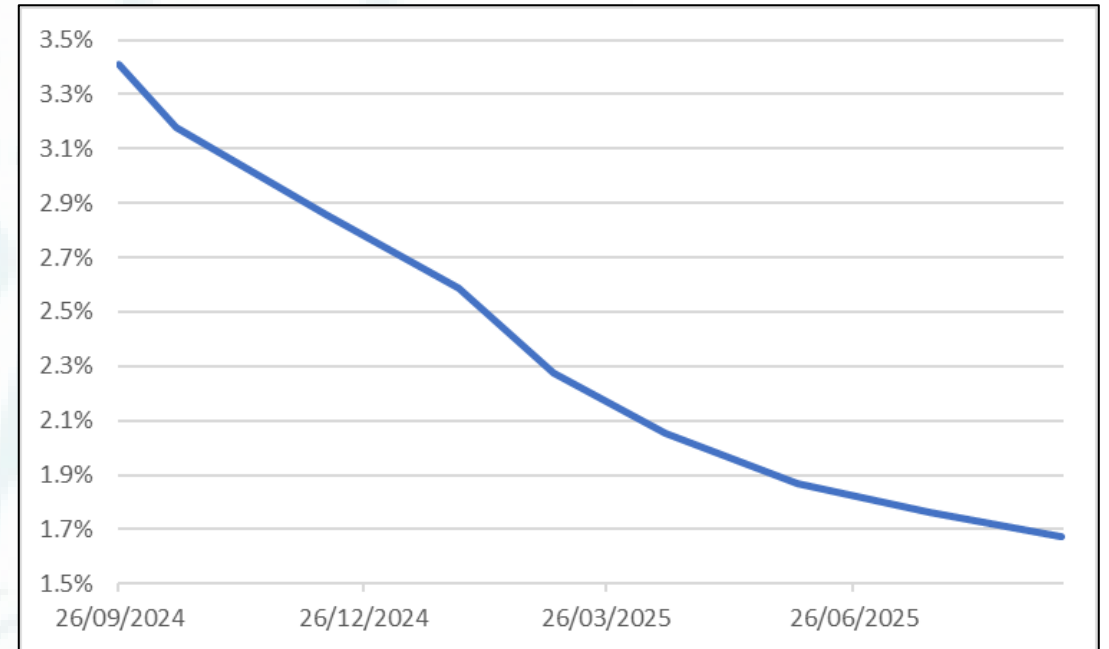
# Looking forward

## (2) Market expectations of central banks

**Figure 14: Market expectations of US policy rate 2024-2027 (on 1/10)**



**Figure 15: Market expectations of eurozone policy rate 2024-2025 (on 1/10)**

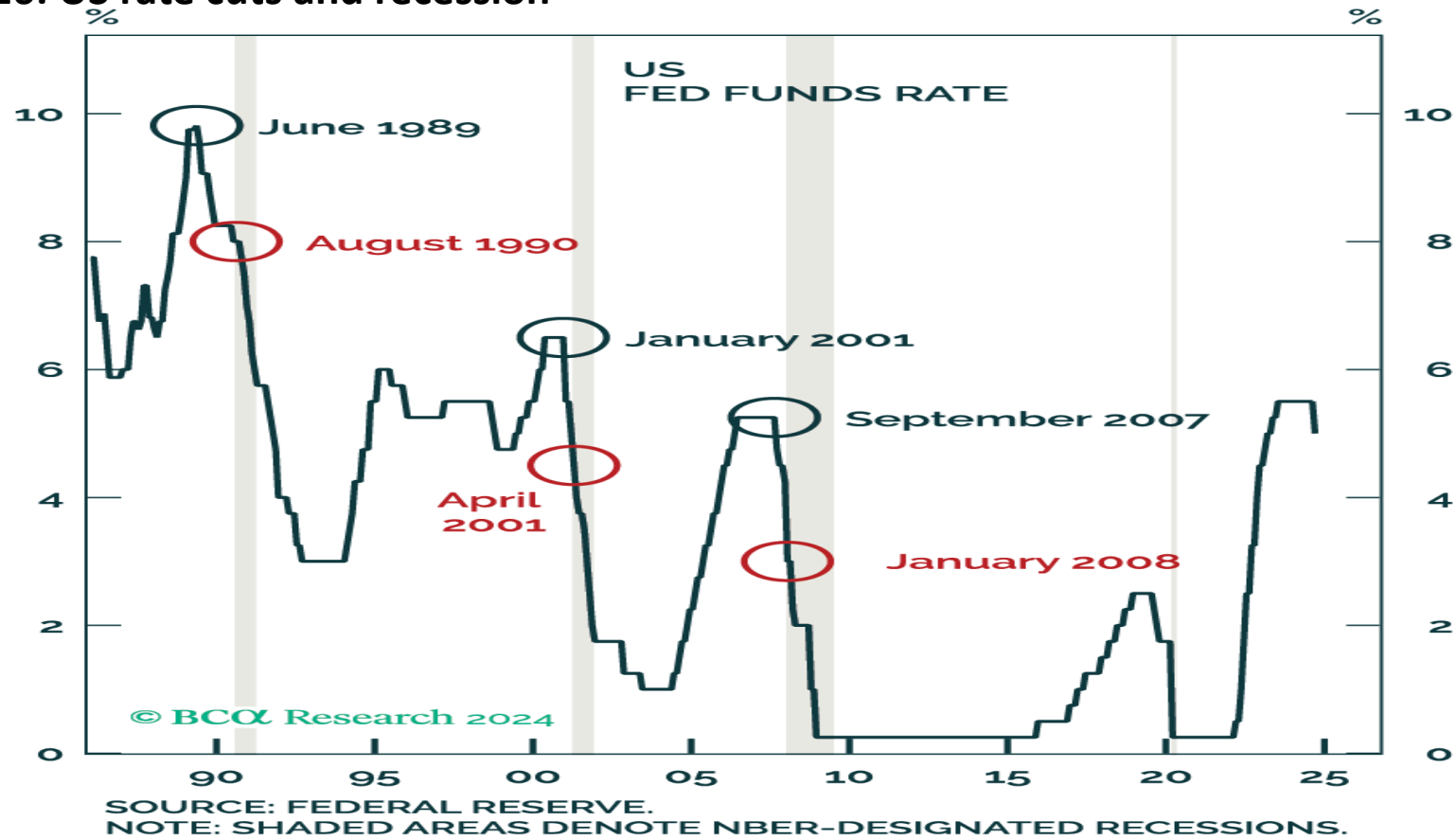




# Looking forward

## (3) Rate cuts and recessions

Figure 16: US rate cuts and recession

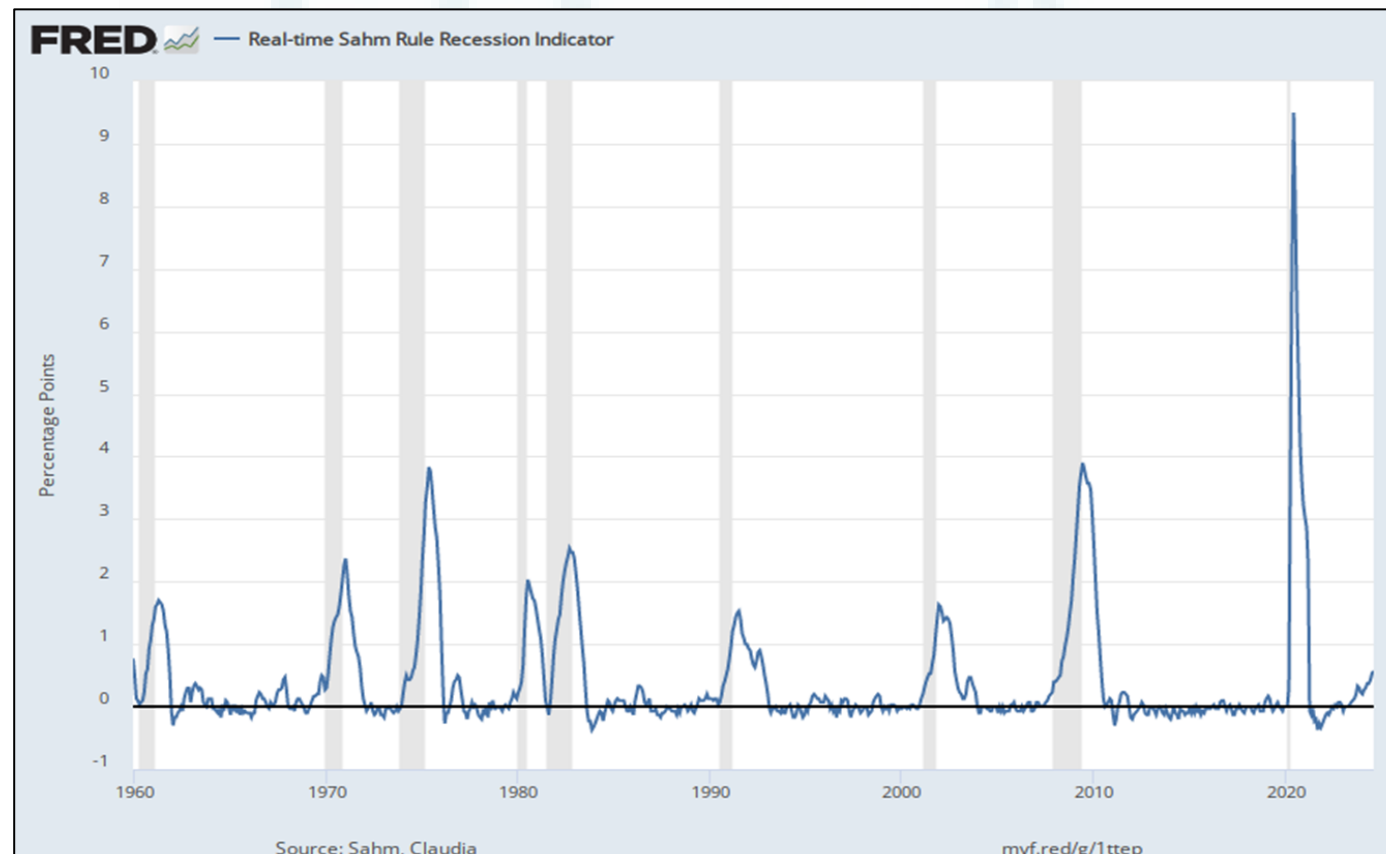




# Looking forward

## (4) Unemployment & recessions

**Figure 17: Sahm Rule indicator 1960-2024**

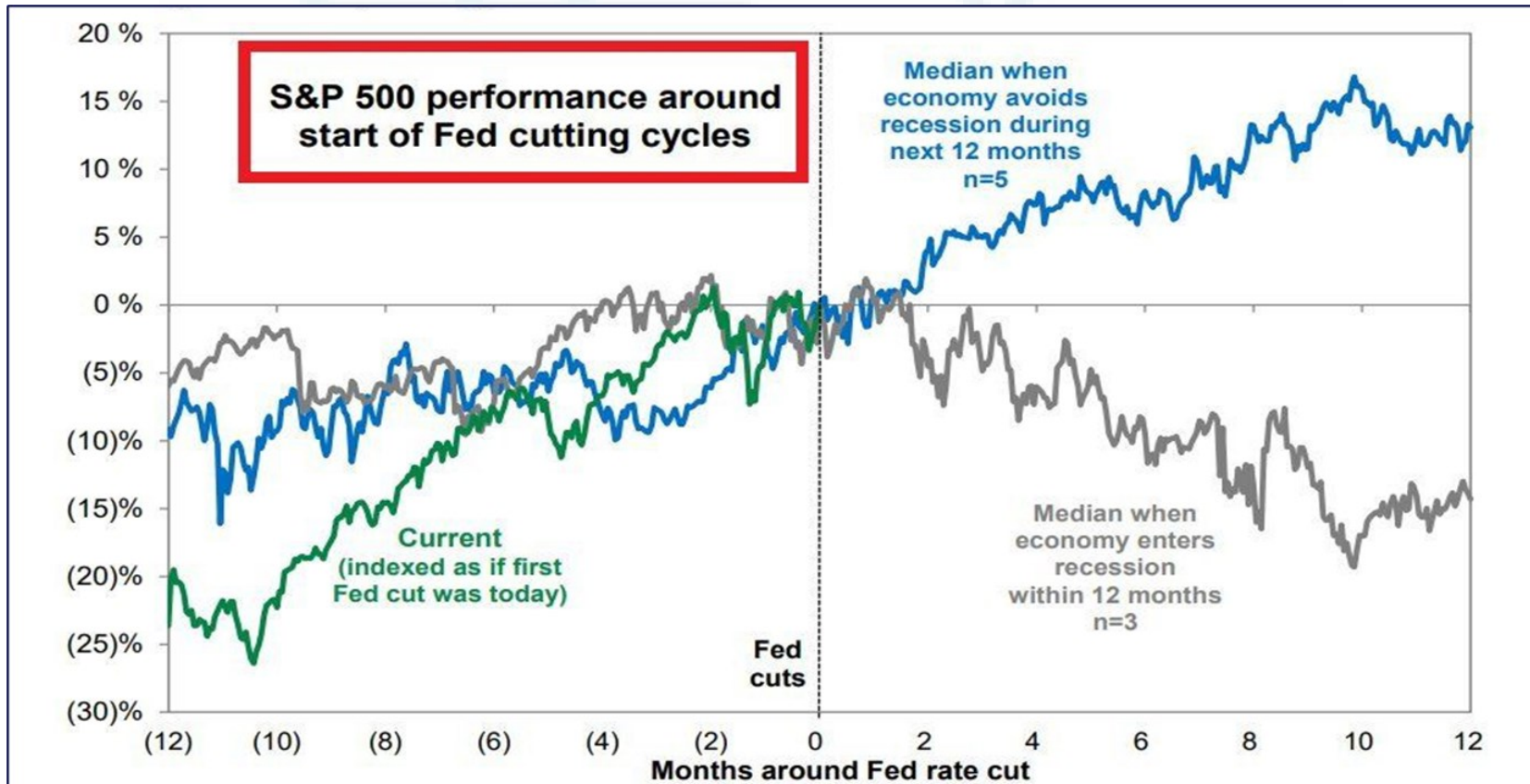




# Looking forward

## (5) Rate cuts and recessions

Figure 18: Median S&P 500 performance after rate cuts begin







# Looking forward

## (6) Elections and markets

### US election forecast impact compared

- Increase primary deficit by \$1.2 Trillion over 10 years
- Spending increases by \$2.3 TN while taxes increase by \$1.2 TN. Negative feedback from this adds \$0.8 TN
- Causes, cet par, GDP to drop by 1.3% by 2034



- Increase primary deficit by \$5.8 Trillion over 10 years
- Tax cuts of equivalent amount, Positive feedback reduces this by \$1.7 TN to \$4.1TN
- Causes, Cet par, GDP to drop by 0.4% by 2034

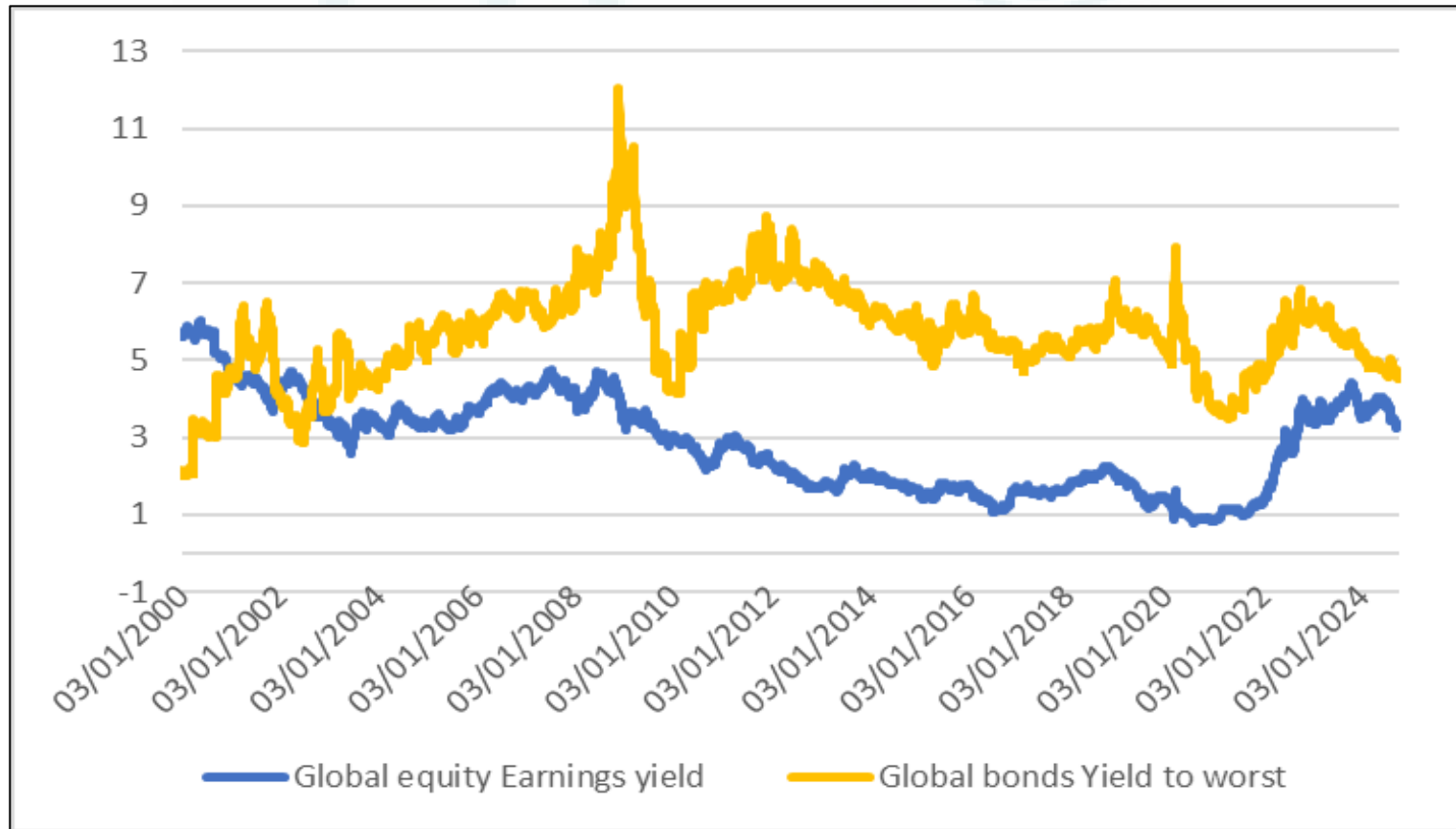




# Looking forward

## (6) Relative valuations

**Figure 19: Global bond yields and earnings yields since 2000**

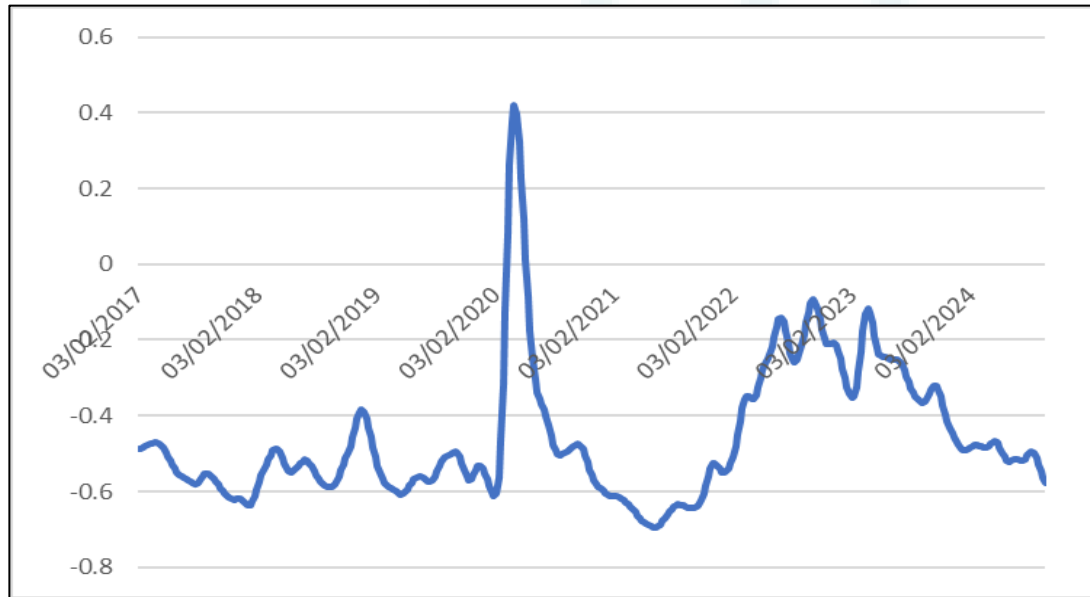




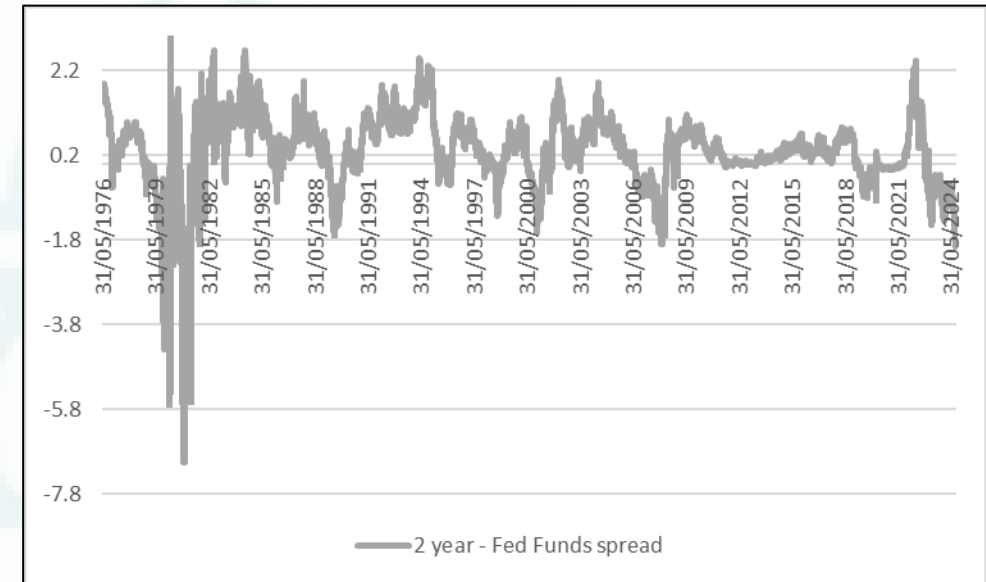
# Looking forward

## (7) Financial conditions

**Figure 20: US Financial conditions 2017 to 2024**



**Figure 21: 2 year – Fed funds rate since 1976**





# Looking forward

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## Crystal ball time...

- Economic growth will slow and be quite disparate. Eurozone will remain near recession while US will be lower but may avoid recession in 2025. China's dramatic policy shift will aid in the near term but fail longer term
- Inflation is mostly resolved but the path will be bumpy – US policy settings may be inflationary, money supply growth is back, middle east risks could impact supply chains/energy costs but deflationary drivers are likely to be in the ascendancy
- Equities to rotate towards less highly valued sectors but market is fragile at these valuation levels. Once liquidity and financial conditions remain supportive we will see quick recoveries from set-backs
- Bonds fully priced for rate cuts and expect some spread widening in credit as economy slows– bull steepening to be the dominant trend for the year ahead
- Animal spirits...aka investor confidence...buoyed in near term by raft of rate cuts globally, China stimulus and prospect of oil price falling suggests path of least resistance for now at least is up



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## Private Market Allocations within DC Schemes and Master Trusts

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Tim Horne, Head of UK DC, Schroders

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71%

19%

3%



# What is Driving Private Asset Allocations in UK DC?



## Improve Member Outcomes

- Contributions insufficient
- Investment strategies not using breath of investment universe
- Public markets are shrinking



## Consolidation

- Master trusts
- Asset growth and maturing market
- Commercial pressure to innovate



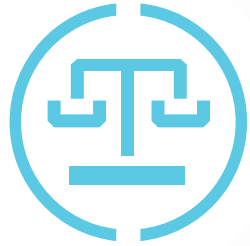
## Regulatory Pressure

- Pressure from government
- Regulator using private asset policy in consolidation story
- Mansion House compact



# Benefits of Using Semi-Liquid Fund Structures

Semi liquid funds can be utilised by all types of institutional investors



## Improved Access to Liquidity

Semi liquid funds provide liquidity within pre-agreed thresholds.

Exposure can be tailored over time and dealt at NAV.



## Immediate Exposure

Exposure to a diversified portfolio on day one.

Distributions can be automatically reinvested to compound growth.



## Simplified Operations

Lower minimum investments, no capital calls, and transparent fees.

Subscription approach simplifies cash management requirements.





# Long-Term Asset Funds (LTAFs)

Flexible, regulated UK semi-liquid structure



## Liquidity Transformation

Intended to align the liquidity of the investment vehicle with the liquidity of the underlying assets. Redemptions no more frequently than monthly, minimum 90-day redemption notice.



## Permitted Links

Solves the structural problems associated with the way in which many real asset investments are made and which make more established structures unworkable. The LTAF is a conditional permitted link.



## Regulated Structure (Consumer Protection)

LTAF can be offered only by an authorised manager under the FCA and is subject to its rules. The enhanced governance requirements ensure funds are managed in investors' best interests.

### Obligations of the authorised fund manager

1. Understand the risks involved in the assets held by the LTAF
2. Employ sufficient personnel with the skills, knowledge and expertise necessary for discharging the responsibilities allocated to them
3. Part of the FCA Assessment of Value regime.



# Managing Liquidity

## Semi-Liquid Portfolio Characteristics



### Portfolio diversification

- Asset class, investment type, region, sector and vintage diversification avoids concentration risks and ensures regular distributions from the portfolio



### Allocation to liquid investments

- A 5-10% allocation to liquid funds which offer daily or weekly liquidity
- Cash balance between 5-10% to serve redemptions and capital calls from underlying investments



### Regular cash flows

- Regular portfolio cashflows from a high allocation to income producing real assets

## Liquidity Risk Mitigation



### Ramp-up

- Three year lock up to efficiently ramp-up investments to get portfolio to steady state



### Notification periods and Redemption limits

- T-90 days notice for subscriptions and redemptions.
- Settlement T+27 days
- Redemptions limited to net 5% of fund per quarter



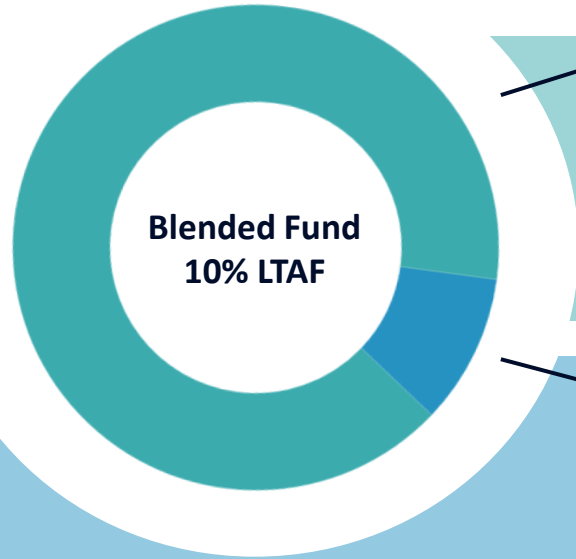
### Active liquidity management

- Bi-weekly reviews of expected cash flows
- Regular liquidity stress testing
- High degree of pipeline visibility and close proximity to investments



# Managing the Dealing Cycle

Example Blended Fund: 90% Liquid Growth Assets, 10% LTAF – Quarterly Rebalance

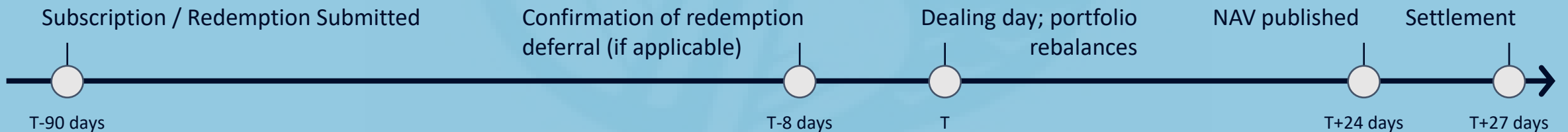


## 90% Liquid Growth Portfolio

- Monthly contributions are allocated to the liquid growth allocation
- Ad hoc fund switches and transfers out are provided from the liquid growth allocation
- Blended fund can rebalance quarterly in line with LTAF requirements

## 10% Long-Term Asset Fund

- Subscription/redemption request submitted by last business day of quarter.
- If redemptions are deferred, confirmation is provided 8 days prior to dealing. Net redemptions more than 5% are carried over/pro rata and dealt in next period as a new trade (no priority in queue).
- Gain exposure to the LTAF at T and rebalance assets. Settlement T+27.





# Case Study: Building a Pooled Multi-Private Asset Solution

## Multi-Private Asset Solutions

### Case Study:

- **Leading DC Master-trust** with a fast-growing asset base
- Building out their private markets investments; facing challenges in **integrating private equity** into their default given **cost and structuring constraints**

### Our Solution:

- Bespoke co-investment only mandate to provide **low-cost evergreen private equity exposure** in a DC compatible flat-fee structure
- Targeting small and mid buyout and growth, for a **tailored risk-return profile**
- Lower-mid market focus to meet the required scale and pace of deployment.
- **Alignment of S&I values**, utilising proprietary tools to produce and **report detailed GP and fund ESG assessments.**

### Working in Partnership:

- Providing **open access to senior investors** and pension experts within our business
- Giving the client sight of upcoming pipeline and deal-by-deal reporting for **education and transparency**



# Case Study: Leading UK Master Trust Incorporating Private Assets

## Structuring Bespoke Private Markets Vehicles

### Process Inputs:

**Establish Client Objectives:**  
Risk, Return & Sustainability

**Understand Constraints:**  
Costs, Exclusions, Liquidity

**Discuss Trade-Offs:**  
Few Independent Variables

### Characteristics:

- Global **multi-private asset portfolio** investing across private equity, infrastructure, real estate and natural capital
- **Evergreen, semi-liquid structure** offering quarterly subscriptions and redemptions
- **No performance fees / carry**



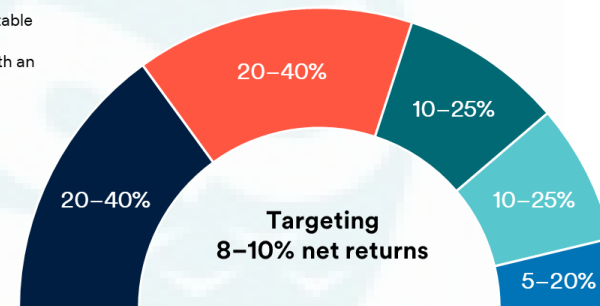
#### Infrastructure

Asset backed with strong, predictable cash flows  
**Geography** = Global exposure with an overweight to Europe  
**SDGs in scope** = 7, 12, 13, 15



#### Private Equity

Return engine of the portfolio  
**Geography** = Globally diversified exposure including Emerging and Frontier Markets  
**SDGs in scope** = 1, 2, 3, 5, 6, 8, 9, 12, 13



#### Real Estate

Long term return with distribution yield  
**Geography** = UK  
**SDGs in scope** = 3, 7, 8, 10, 11, 13, 17



#### Natural Capital

Diversifying return streams  
**Geography** = Overweight to US  
**SDGs in scope** = 13, 14, 15



#### Liquid Climate Impact

Flexibility for managing inflows and outflows  
**Geography** = Global



# Important Information

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# Post-retirement and in-Scheme Drawdown Investment Considerations

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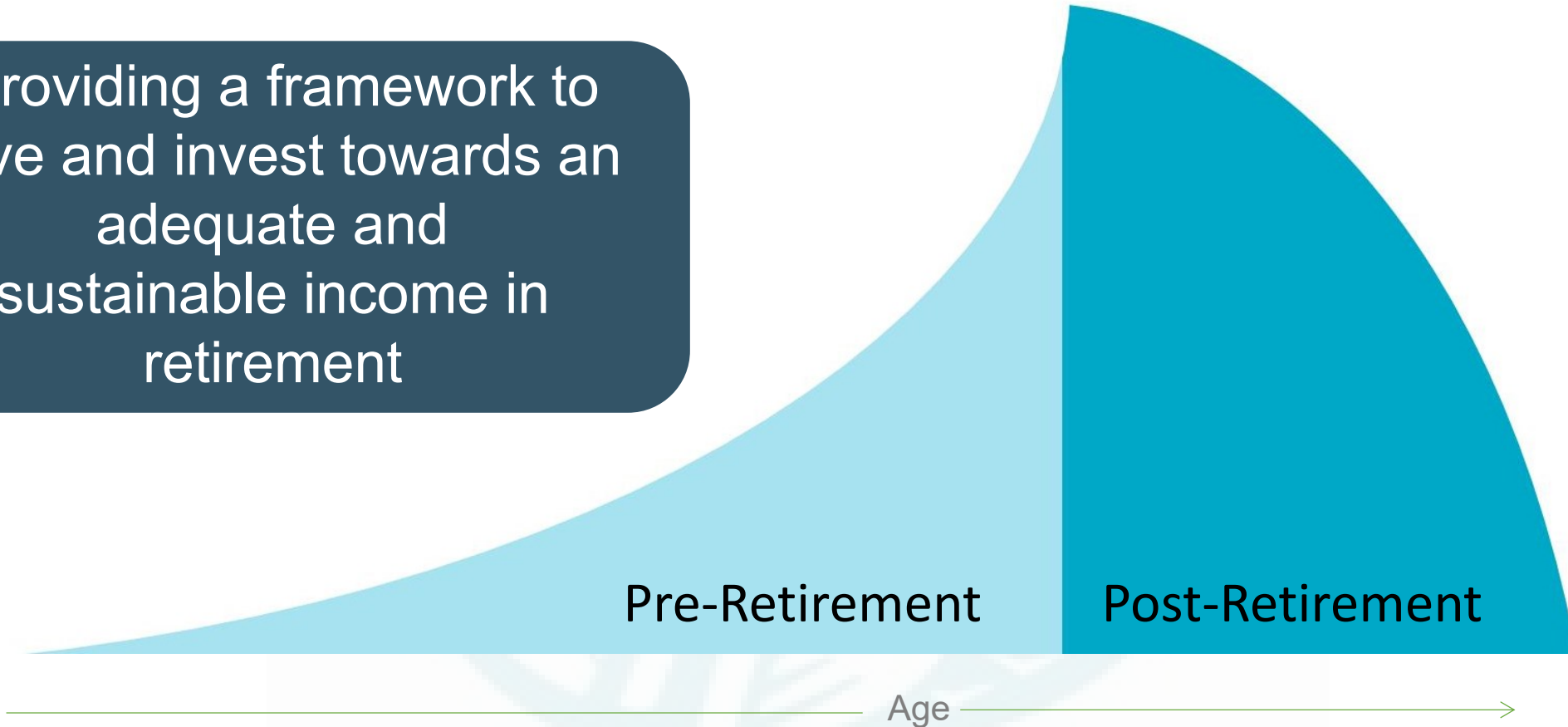
JP Crowley, Mercer

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# Overarching objective

Providing a framework to save and invest towards an adequate and sustainable income in retirement



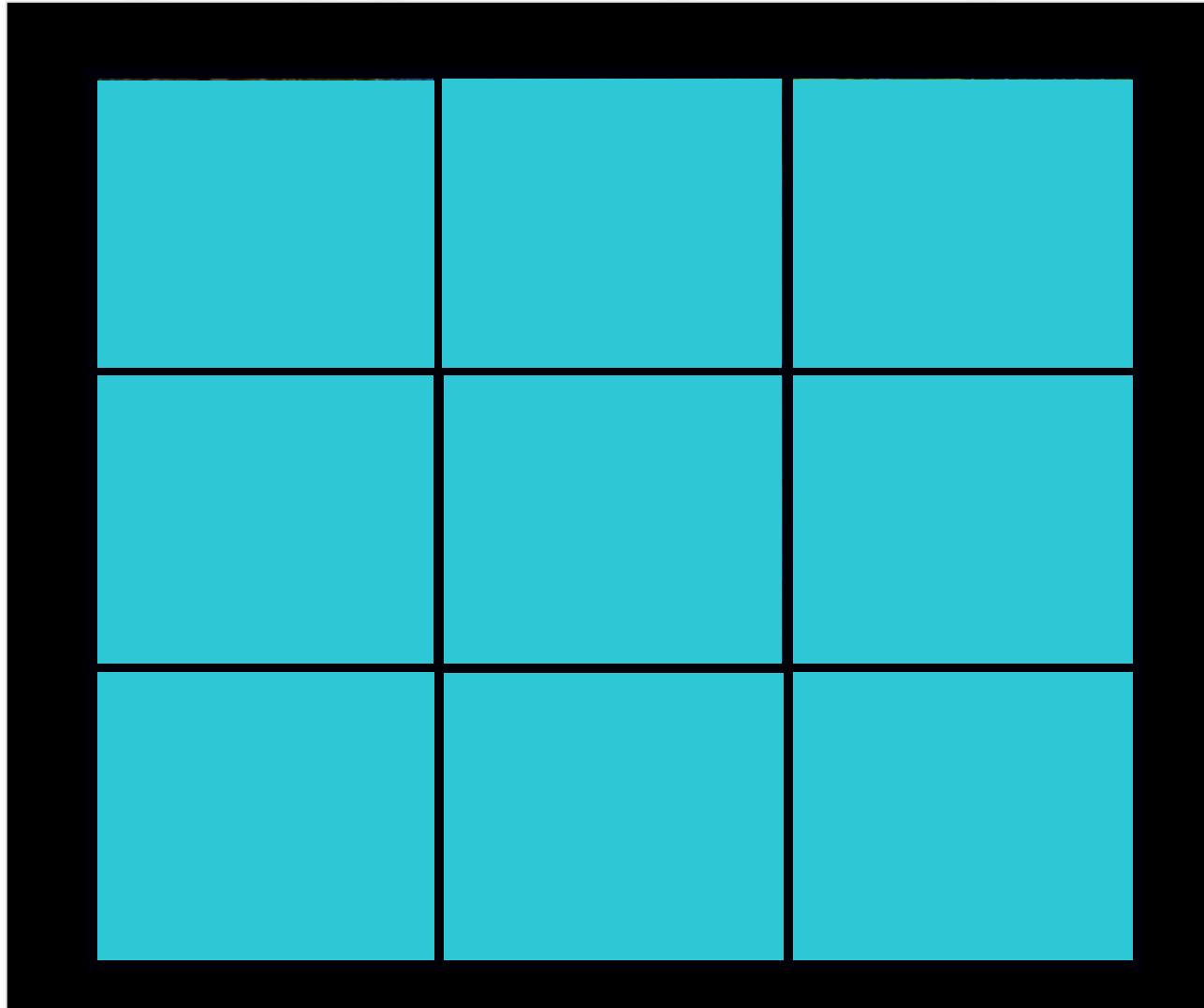




# Retirement income challenge

- a common one-dimensional perspective...

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# Retirement income challenge

## But there are many possible permutations...

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# Retirement income challenge

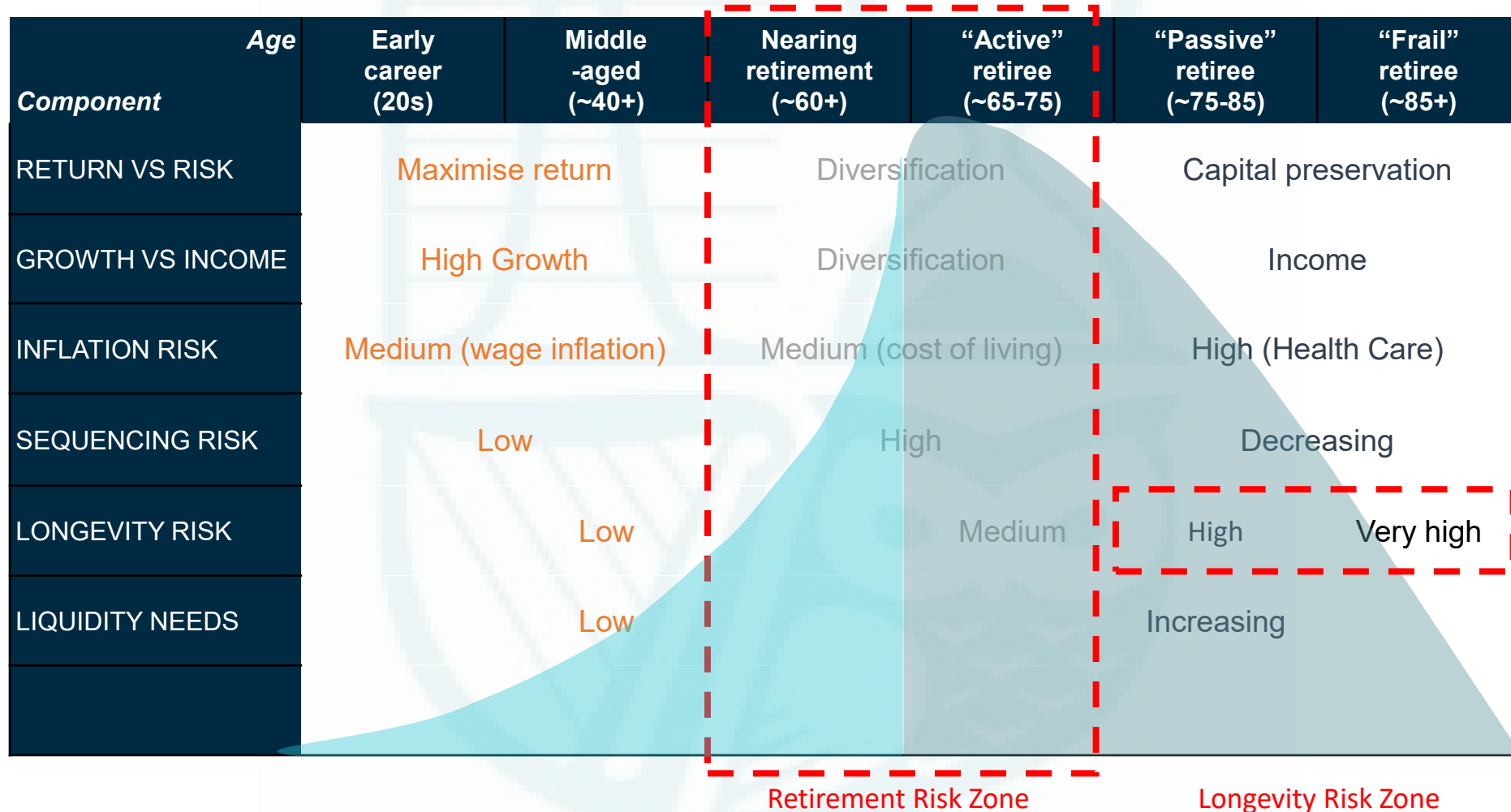
## Retirement is multi-dimensional

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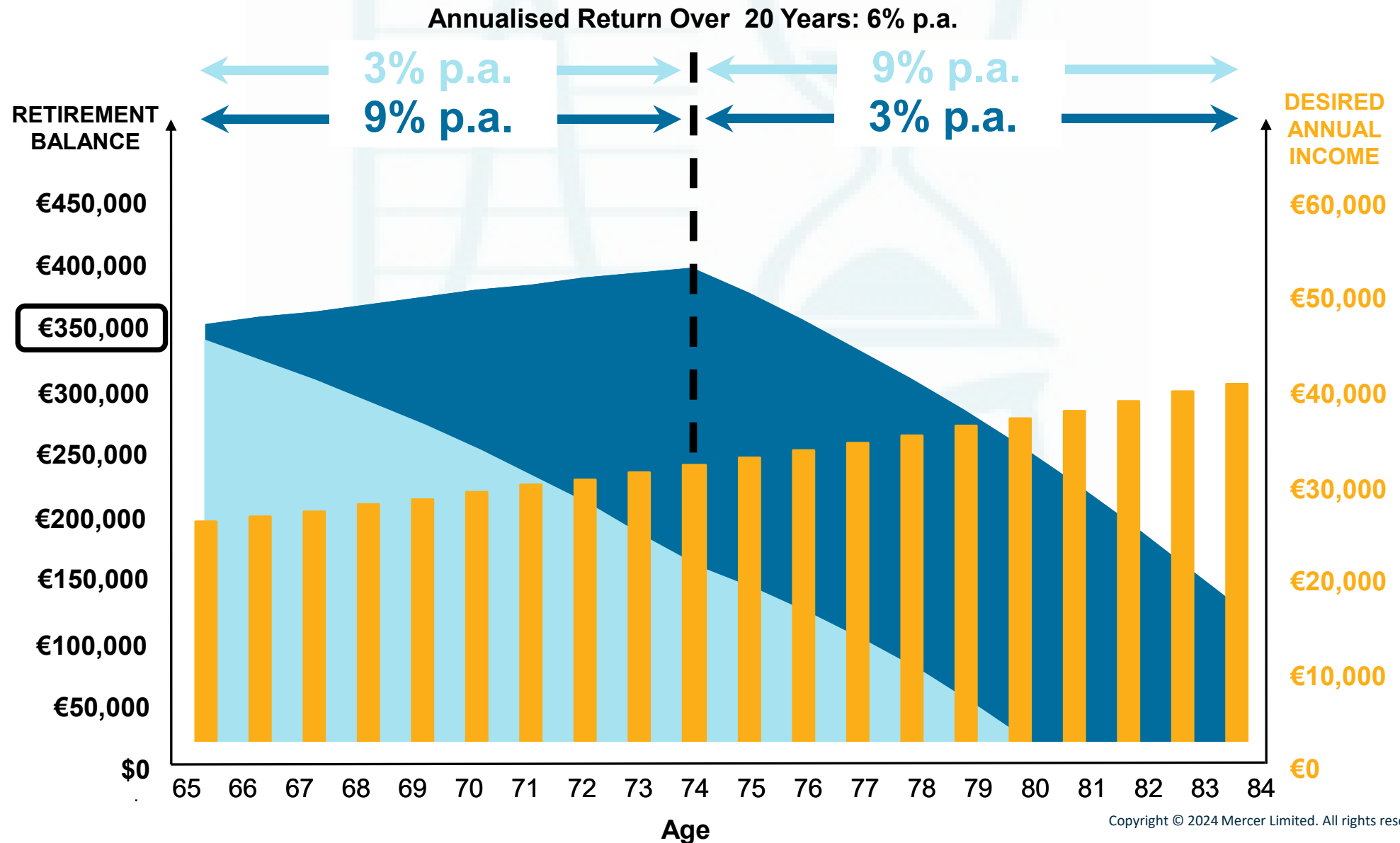


# Member Needs Change Over Time



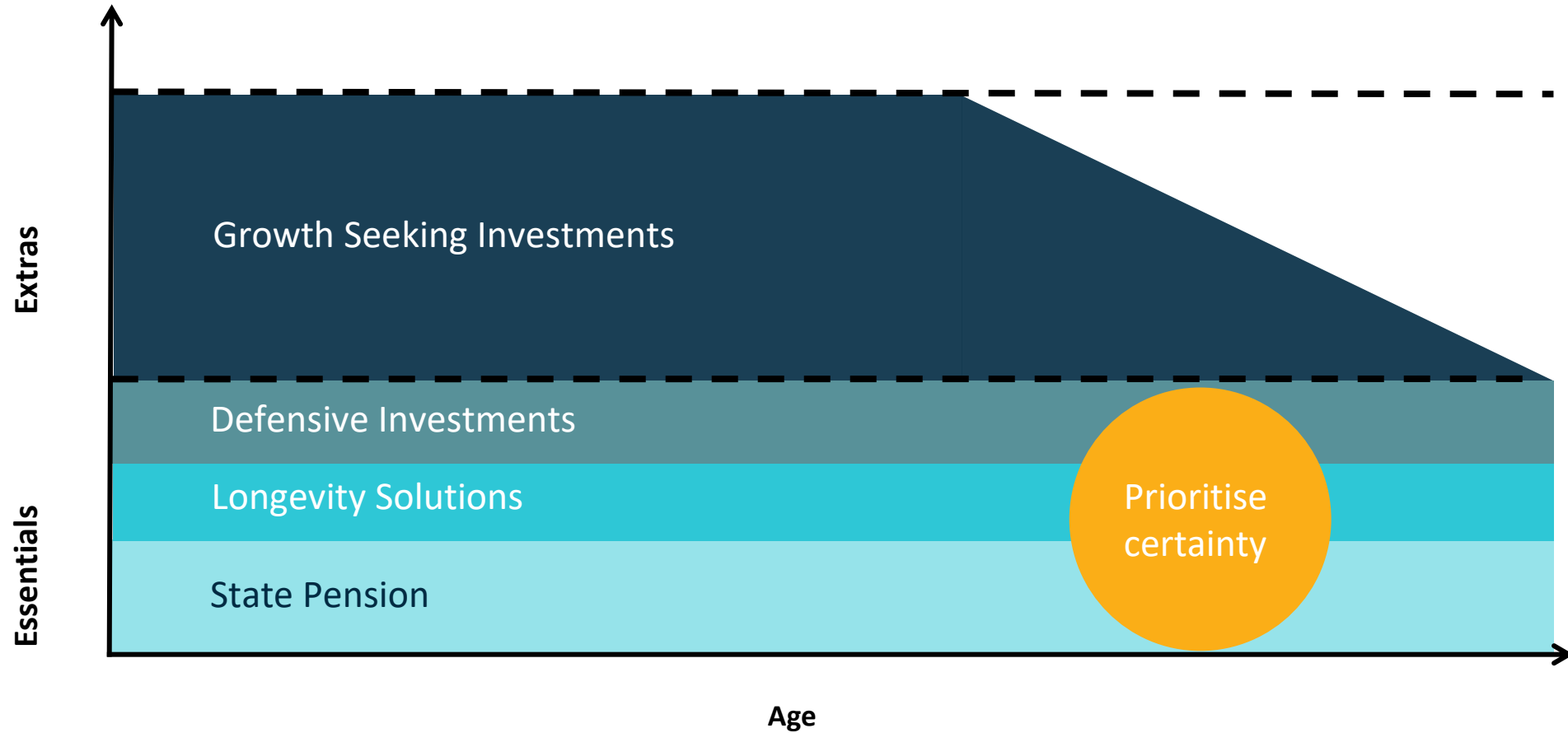


# Sequencing of investment returns is key





# Members' hierarchy of needs





# UK in Focus



# Evolution of UK DC Market – Then and Now...

	2012	2023
<b>Number of DC savers</b>	2.25m	23.4m
<b>Amount of assets in DC</b>	£22bn	£143bn
<b>Retirement target</b>	Compulsory annuitisation	Pension freedoms

Source: The Pensions Regulator – DC Trust: Scheme return data

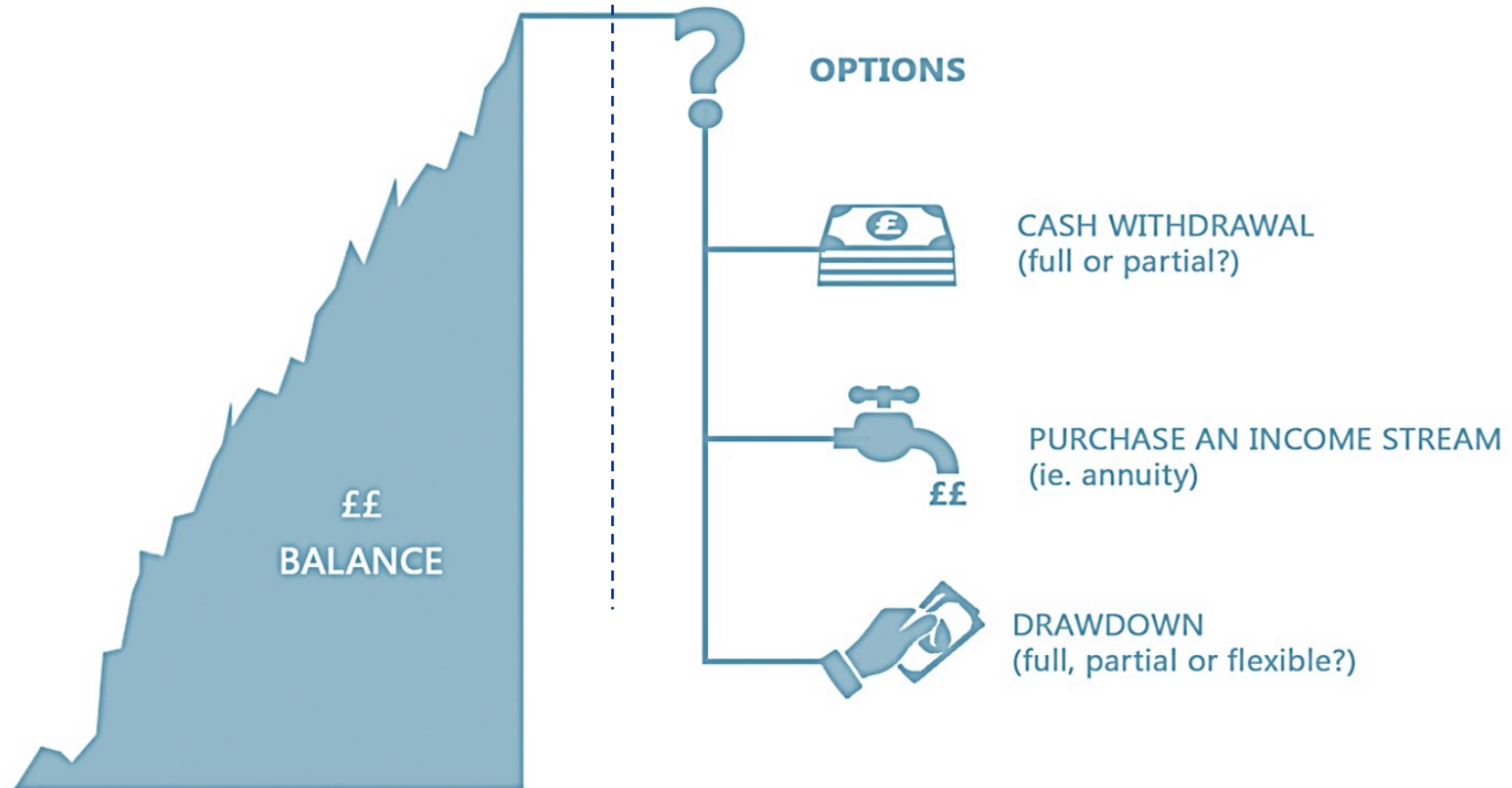




# Options at Retirement

Pre-Retirement phase

Post-Retirement phase





# The bigger picture on post-retirement



**People may be making poor decisions**

**57%**

Of all UK DC pension pots are cashed in entirely on first access, when leaving some funds in the pension might have led to better returns and a lower tax bill

**40%**

Proportion of UK members using an income drawdown solution that withdraw savings at an unsustainable rate (8% or more of the pot per annum)

**2/3rds**

Of UK DC pots accessed for the first time in 2021/22 were accessed by individuals who did not take any regulated financial advice

Reference: Figures based on last 12 months of experience from FCA Retirement Income Market Data 22/23 and ONS (Pension wealth: wealth in Great Britain)



# “In-Scheme” vs “Outsourcing” – key considerations

## IN-SCHEME

Drawdown in the UK could be offered via an existing Trust and using the current administrative framework (Provider and Administrator)

### Considerations:

1. Company and Trustees keep control
2. Trustees retain ongoing responsibility for retired members
3. Cognitive decline in older members can be problematic
4. Can the provider’s administration systems cope?
5. Members retain institutional charges and no transaction costs or out of market risk

## OUTSOURCING

Drawdown could be offered via a separate Master Trust (MT) with Provider

### Considerations:

1. Company can retain limited control over MT section (e.g. investment strategy, subject to external advice)
2. Reputational risk to Company if performance / service levels are poor
3. Independent governance structure in place
4. Members retain institutional charges and we are investigating the possibility of mitigating transaction costs and out of market risk



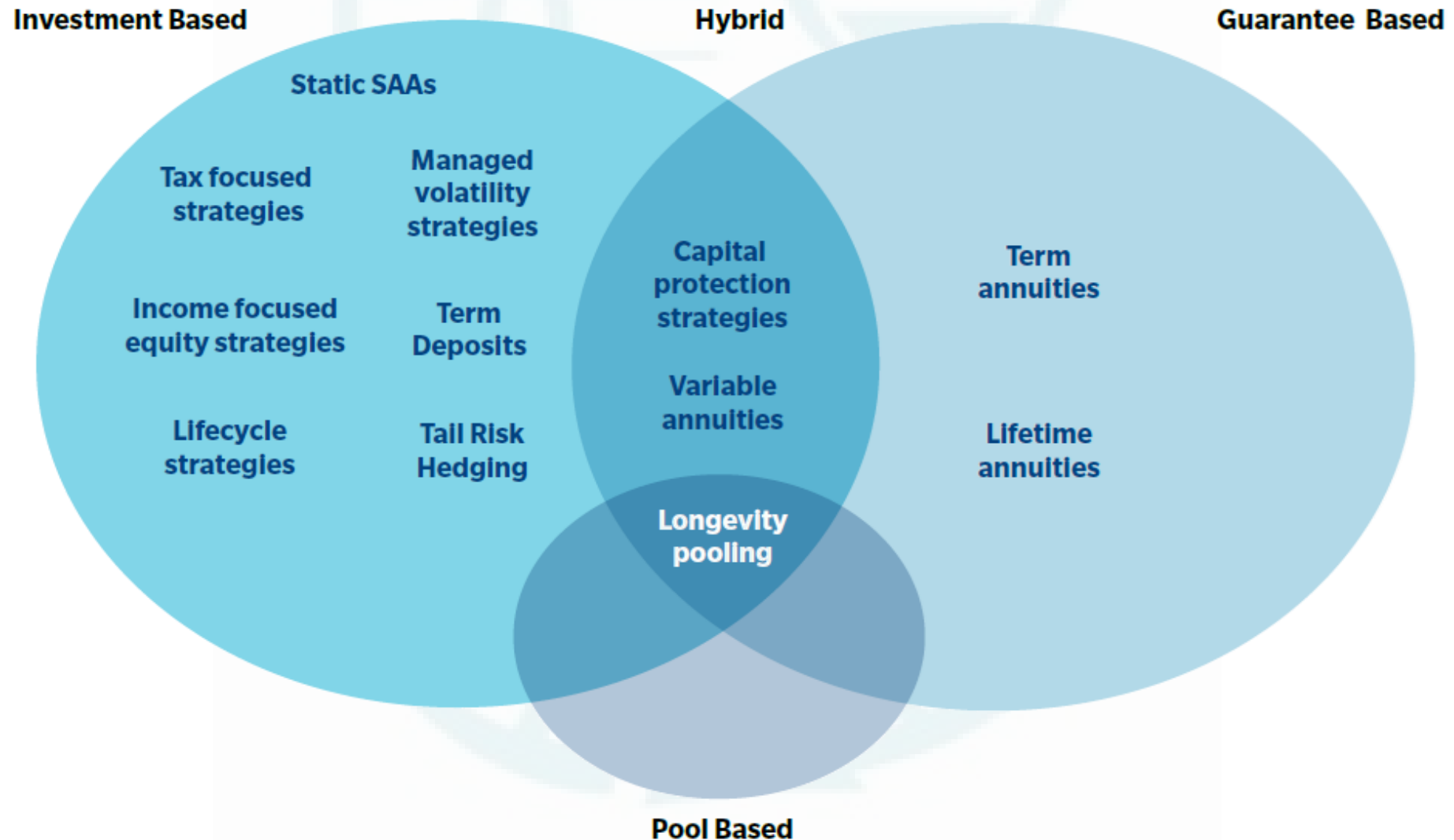
## Lessons learned from Australia

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- The **power of defaulting** is clear - supplementing defaults with prompts that nudge members in the right direction can be very effective
- Recognising the potential **long-term benefits of private markets** for DC savers
- Australian superannuation funds' multi-decade focus on **ESG factors** has been instructive
- Highlight the importance of shifting focus from simply growing a DC savings pot to an emphasis on **income generation throughout retirement.**
- **Breaking the employer link** – evolving distribution channels as the large multi-employer superannuation funds became the 'face' of Australian pensions.

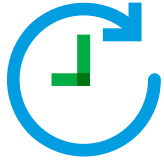


# Lessons learned from Australia – what's the optimal solution?





# Post retirement – where to from here?



No silver bullet solution exists – holistic approach required



Members should be given access to a range of services to suit their needs and wants



Cost-efficient advice can add value, particularly for members with larger pots



Outsourcing post-retirement solution likely to appeal to most over offering in-scheme



It is too early to say whether CDC will play a role, but we expect further product innovation that leverages the concept of pooling risk



Society of Actuaries in Ireland

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Tea & Coffee Break

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# Myth-busting “Article 9” Investment Funds

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Alan Duffy, ILIM

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# Myth busting Investment Products Categorized as Article 9

October 2024

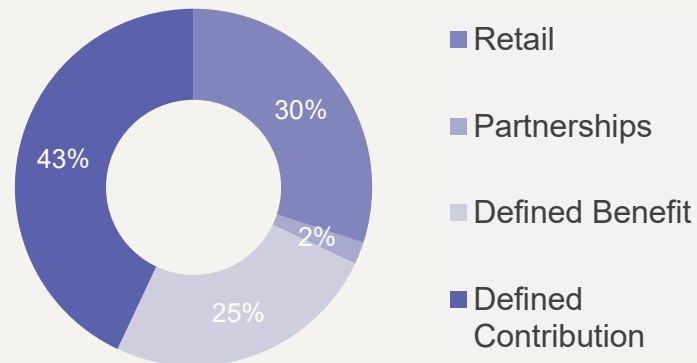
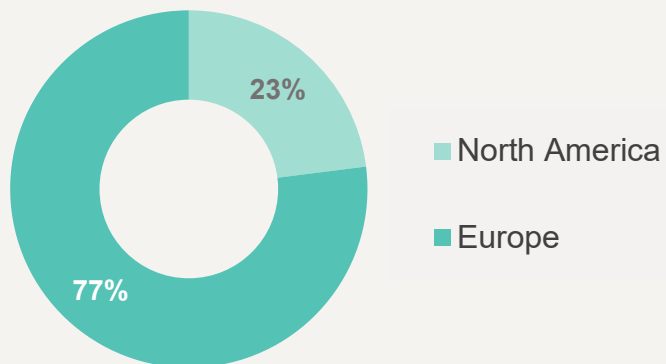
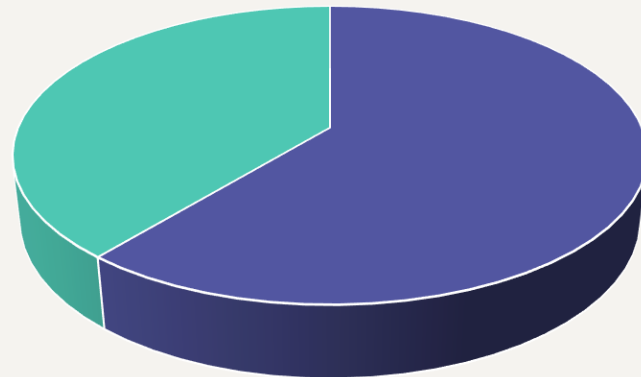


# ILIM's Business Overview<sup>1</sup>

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Total AUM €119billion as of 30<sup>th</sup> June 2024

■ Domestic  
■ International



## Our DC Business Snapshot

Full-Service Stand alone DC

Irish Life Master Trust

Investment Only DC

€7bn

€8bn

€11bn

- Full range of DC investment solutions
- SFDR Classification and Reporting

c.50% of assets managed for third parties<sup>2</sup> currently in Art 8/9

Bespoke ESG solutions for partners



1. Source ILIM (Sept 2024)

2. ILIM's research teams have developed proprietary ESG investment strategies and Multi-Asset Strategies integrating ESG factors to deliver Article 8 strategies

# Remember these guys?

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# Myth 1 - Article 9 funds only invest in renewable energy

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# Myth 1 - Article 9 funds only invest in renewable energy

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## Article 9 Products

Financial Products that have sustainable investment as their objective

2(17) The SFDR defines sustainable investment <sup>1</sup>:

**A**

an investment in an economic activity that contributes to an environmental or social objective;

**B**

the investment does not significantly harm any environmental or social objective; and

**C**

investee companies follow good governance practices



# Frameworks to Guide Sustainable Investing

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The 17 SDGs highlight the connections between the environmental, social and economic aspects of sustainable development.

The taxonomy is a classification system that defines criteria for<sup>2</sup> economic activities that are aligned with a net zero trajectory by 2050 and the broader environmental goals other than climate.

The six environmental objectives of the Taxonomy are:

- 1 Climate change mitigation
- 2 Climate change adaptation
- 3 Sustainable use and protection of water and marine resources
- 4 Transition to a circular economy
- 5 Pollution prevention and control
- 6 Protection and restoration of biodiversity and ecosystems<sup>1</sup>

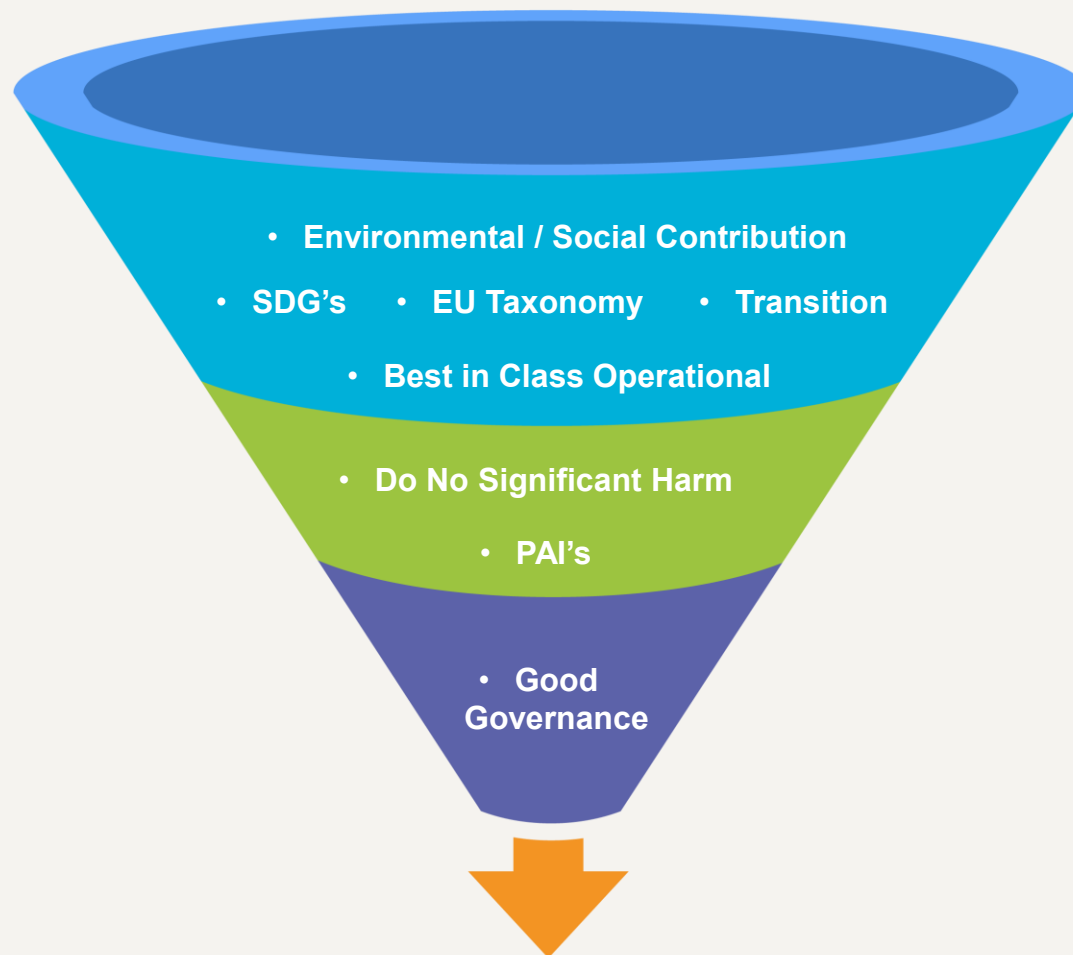
Source 1: [SDG Progress Report \(2016\)](#)

Source 2: Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment



# Common Asset Manager Approaches

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**Sustainable Investment**

# From SDG's to Investment Pillars

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## Investment Pillars





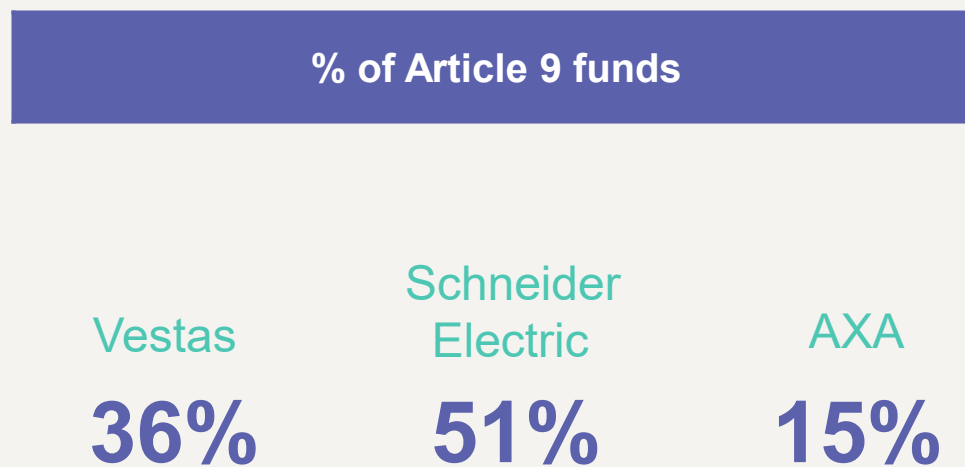
# Article 9 Products -Objectives and Holdings

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## Investment Strategies <sup>1</sup>

Objective	# Article 9
SRI/ESG	71
Impact	51
Climate	32
Biodiversity	26
Social	25
Thematic	24
Paris Aligned	18
<b>Clean Energy</b>	<b>17</b>
Transition	15
Food/Health	12

## Companies we find in Art. 9 strategies <sup>1</sup>



# Myth 2

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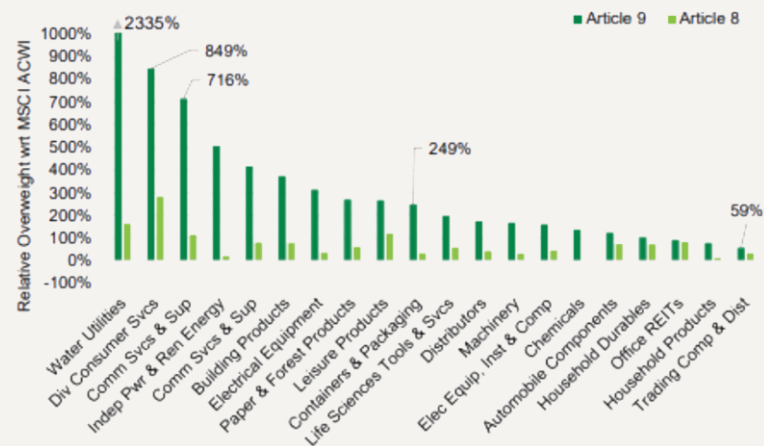
Article 9 funds are very risky

# Myth 2 - Article 9 financial products are very risky

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	Average Size	Beta	Vol
Article 9	1.6Bn	0.87	17%
Article 8	7.0Bn	0.87	16%
Article 6	9.4Bn	0.89	15%

**Exhibit 37: Article 9 funds are significantly overweight Water Utilities, Diversified Consumer Services and Consumer Services & Supplies**  
GICS 3 sub-industry overweights and underweights, percentage points relative to MSCI ACWI



Source: Refinitiv Eikon, Morningstar, Goldman Sachs Global Investment Research

## MSCI World Climate Paris Aligned Index (USD)

The MSCI World Climate Paris Aligned Index is based on the MSCI World Index, its parent index, and includes large and mid-cap securities across 23 Developed Markets (DM)\* countries. The index is designed to support investors seeking to reduce their exposure to transition and physical climate risks and who wish to pursue opportunities arising from the transition to a lower-carbon economy while aligning with the Paris Agreement requirements. The index incorporates the TCFD recommendations and are designed to exceed the minimum standards of the EU Paris-Aligned Benchmark.

For a complete description of the index methodology, please see [Index methodology - MSCI](#).

### CUMULATIVE INDEX PERFORMANCE – NET RETURNS (USD) (NOV 2013 – AUG 2024)



### ANNUAL PERFORMANCE (%)

Year	MSCI World Climate Paris Aligned	MSCI World
2023	25.32	23.79
2022	-21.57	-18.14
2021	21.86	21.82
2020	18.18	15.90
2019	29.37	27.67
2018	-7.50	-8.71
2017	-23.78	22.40
2016	8.14	7.51
2015	1.47	-0.87
2014	6.94	4.94

### INDEX PERFORMANCE – NET RETURNS (%) (AUG 30, 2024)

	ANNUALIZED							FUNDAMENTALS (AUG 30, 2024)				
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since Nov 26, 2013	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI World Climate Paris Aligned	3.31	7.98	25.23	16.63	5.79	13.01	10.34	10.54	1.62	25.38	20.95	3.76
MSCI World	2.64	6.58	24.43	16.72	6.90	13.11	9.57	9.78	1.78	22.33	18.77	3.43

### INDEX RISK AND RETURN CHARACTERISTICS (NOV 26, 2013 – AUG 30, 2024)

	Beta	ANNUALIZED TRACKING TURNOVER		ANNUALIZED STD DEV (%) <sup>2</sup>		SHARPE RATIO <sup>2,3</sup>		Since Nov 26, 2013 (%)	MAXIMUM DRAWDOWN			
		3 Yr	5 Yr	3 Yr	5 Yr	3 Yr	5 Yr					
MSCI World Climate Paris Aligned	1.00	1.54	10.17	18.21	18.48	15.25	0.22	0.64	0.62	0.65	33.25	2020-02-12–2020-03-23
MSCI World	1.00	0.00	2.25	17.24	17.76	15.01	0.28	0.66	0.58	0.61	34.03	2020-02-12–2020-03-23

<sup>1</sup> Last 12 months <sup>2</sup> Based on monthly net returns data <sup>3</sup> Based on NY FED Overnight SOFR from Sep 1 2021 & on ICE LIBOR 1M prior that date

\* DM countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US.

The MSCI World Climate Paris Aligned Index was launched on Oct 26, 2020. Data prior to the launch date is back-tested test (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results. Past performance – whether actual or back-tested – is no indication or guarantee of future performance.



MSCI World Climate Paris Aligned Index (USD) | msci.com



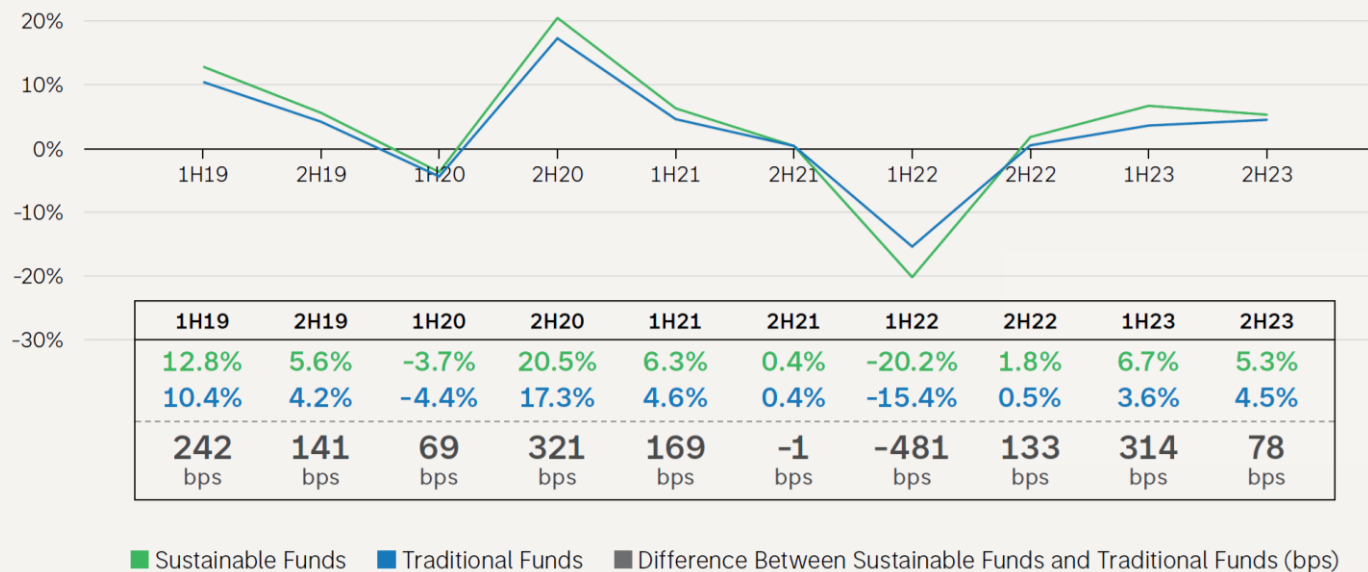
# Myth 3

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Poor Returns

# Myth 3 - Poor Returns

Median Return—Sustainable vs. Traditional Funds <sup>1</sup>

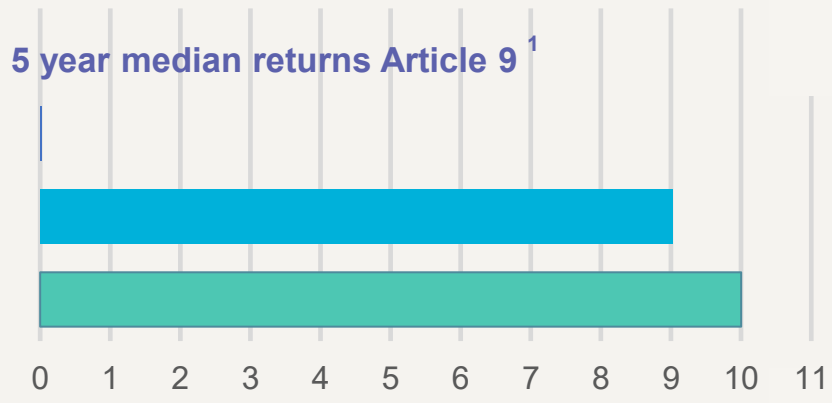


Source: Morgan Stanley Institute for Sustainable Investing analysis of Morningstar data as of February 9, 2024. Table shows data in basis points (bps), 10bps = 0.1%.

The half-year figures for 2023 do not sum to the 12.6% FY2023 median return as 1H and 2H figures represent the medians of each half-year datasets, whereas the 12.6% FY23 figure is the median of the full-year dataset.

# Myth 3 - Poor Returns

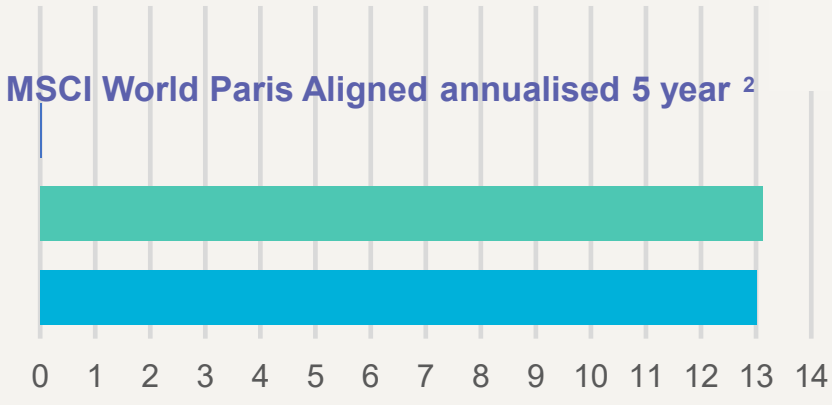
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Median Art  
6  
9.03%

**Vs**

Median Art  
9  
10.01%



MSCI World  
Paris Aligned  
annualised 5 year  
13.01

**Vs**

MSCI World  
@ 13.11



# Fixed Income

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A word on Green Bonds

# A word on Green Bonds

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**Green bonds are fixed income securities for which the proceeds should be applied entirely towards eligible green projects.**

## Key Observations

- Bonds generally certified as Green by a third party
- Investors typically need to monitor how proceeds are deployed in practice
- Generally on-going reporting requirements for issuers

## Index providers

- Some index providers will review & actively monitor green bond issuers to ensure alignment with Green Bond Principles which include monitoring:
  - Use of proceeds
  - Project selection process
  - Management of proceeds
  - Reporting
- For these index providers, if the issuers do not meet the criteria the bonds will fall out of the relevant green indices
- Oversight is a likely requirement to ensure risks of greenwashing are minimized





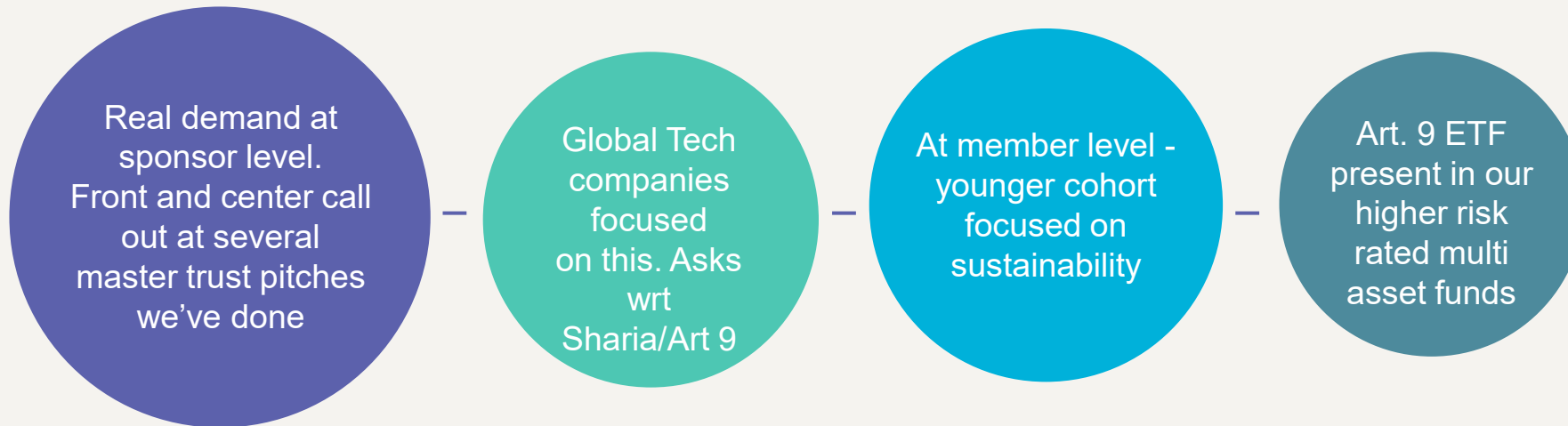
# DC

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## Article 9 financial products and DC

# Suitability for DC

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# Thank you

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Society of Actuaries in Ireland

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# Panel Discussion

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Tim Horne, Alan Duffy, JP Crowley and Orla Aherne

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