DIVERSIFIED FUND RANGE

Quarter 3: 2021

Welcome

WELCOME TO THE DIVERSIFIED FUND RANGE QUARTERLY UPDATE FOR Q3 2021. THE DIVERSIFIED FUND RANGE IS 4 RISK-RATED FUNDS DESIGNED TO BE APPROPRIATE FOR “BE MY GUIDE” INVESTORS TO BUILD THEIR PENSION PORTFOLIO. IN THIS NOTE WE COVER:

> FUND PERFORMANCE

> QUARTERLY MARKET COMMENTARY

> ASSET SPLIT

> PERFORMANCE BREAKDOWN

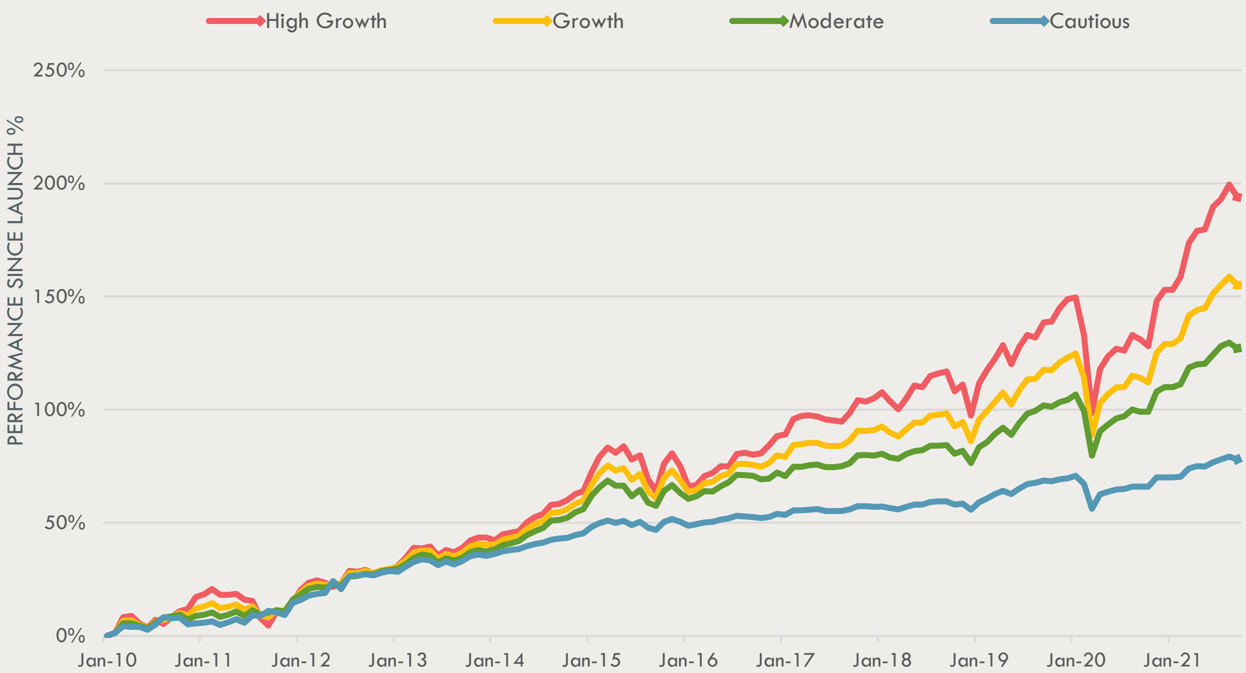
> MARKET OUTLOOK

> HOW WE WORK

> RISK MANAGEMENT

> ASSET CLASSES EXPLAINED

Fund Performance



The table shows the returns to 30 September 2021 before any fund management charges. The Diversified Fund range is a long-term investment strategy, and we would advise caution when looking at fund performances over time periods of less than five years.

	Cautious	Moderate	Growth	High Growth
10 years p.a.	4.8%	7.5%	8.9%	10.9%
5 years p.a.	3.1%	5.9%	7.7%	10.3%
3 years p.a.	3.7%	7.2%	8.7%	10.7%
1 year p.a.	7.1%	13.9%	19.3%	27.3%
Q3	0.7%	1.2%	1.4%	1.5%

Warning: Past performance is not a reliable guide to future performance.

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

Quarterly Market Commentary Q3: 2021

Chinese Dragon Catching Political Cough

Global markets continued to trend higher over the summer, however, the same couldn't be said for Chinese equities. Pierced earlier in the year by deteriorating political relations between the US and China, homegrown political influence ripped an already wheezing economy. Determined to stifle corporate entities' dominance, the Chinese communist party dialled up their efforts to break up their business operations. Whilst the businesses' reorganisations may take some time to align to the Party's policy, investors lost faith as Chinese equities measured by the MSCI China finished the quarter down -18% with the Hong Kong Hang Seng index down -14%.

A Year of Evers

The year has been pockmarked by Evers. Earlier this year the Ever Given, a cargo ship nearly 400m long, blocked the Suez Canal causing an international supply chain crisis. This has now been followed by another crisis in Evergrande, a Chinese real estate behemoth. With burgeoning debt obligations coupled with evaporating liquidity, financial papers and economists alike frantically discussed the potential default of the company and the potential for a seismic shock to not just the Chinese economy but the global economy itself.

The quarter ended with a view that the Chinese government could well manage the wind down of Evergrande, working silently in the background to protect those waiting on the company to build the 1.9 million houses due and propping up the wider economy by continuing to inject liquidity into the domestic financial system. The recourse for foreign investors on Evergrande debt, however, appears less favourable despite initial assertions that upcoming foreign owned debt obligations could be met.

Transitory Inflation not so Transitory

Central banks across the globe have been running two mandates since the Global Financial crisis, namely generate economic growth and encourage inflation to help manage the existing debt burden. Reaching both ambitions was never going to be a fluid path. Economic growth has stuttered not least following the covid pandemic whilst inflation remained stubbornly low.

Where central bank policy has failed, the covid pandemic appears to have succeeded. The reopening of the global economy has been the catalyst for inflation ramping up. Q3 2021 has seen US annual inflation rise in excess of 5%, well ahead of the US Federal Reserve's revised average target of 2%. The US Fed Chair Jerome Powell has alluded to prevailing inflation as being transitory rather than persistent, however, acute supply chain disruption, rising commodity prices and labour shortages all point to no immediate retrenchment in inflation. Central banks may face a hard choice over the coming months in staying the course on their respective interest rate paths versus the unpalatable possibility that stagflation, that is, a period of heightened inflation within a slower growth environment may force their hand to act on rising rates sooner rather than later.

Asset Split

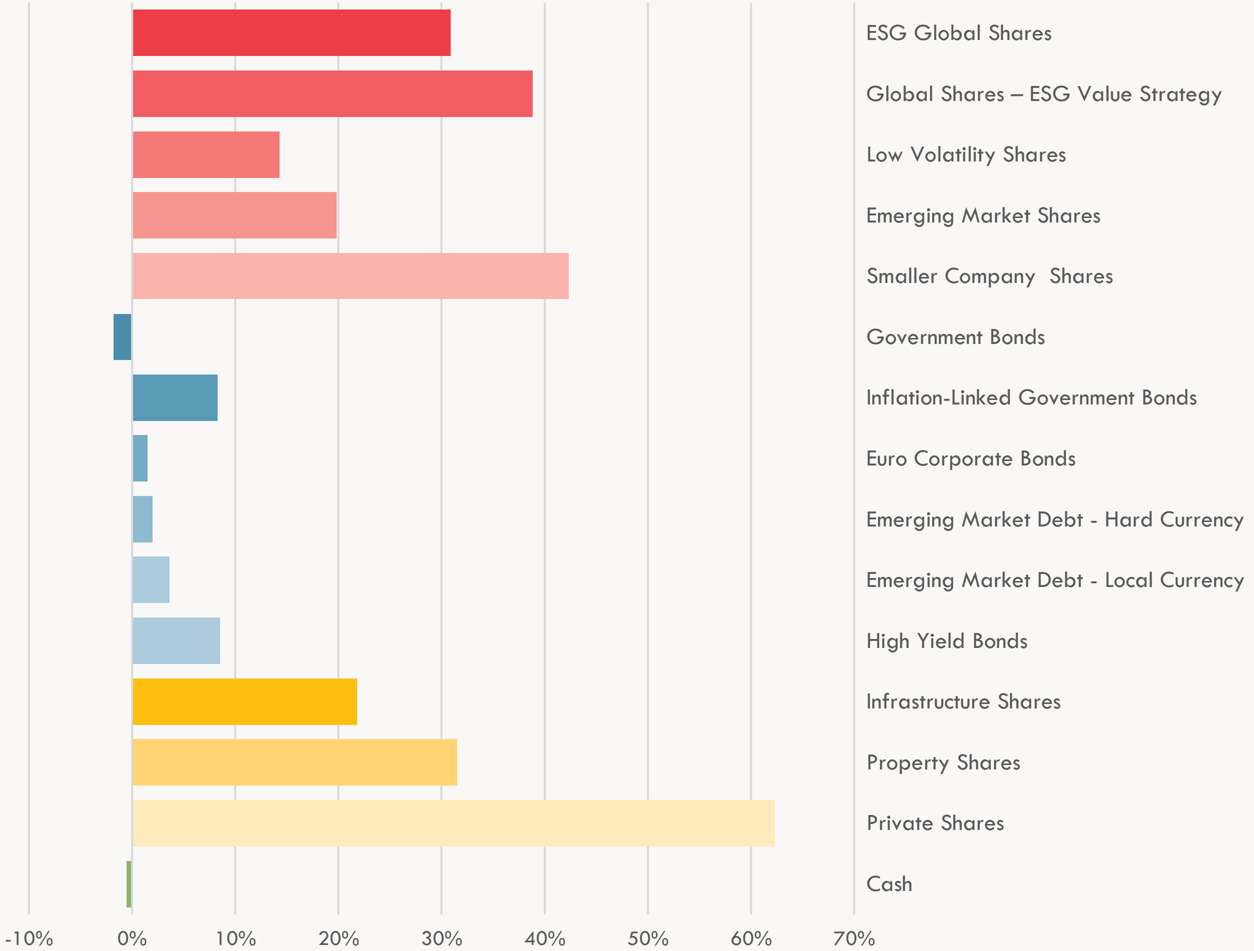
Asset Class		Cautious	Moderate	Growth	High Growth
1. Shares	ESG Global Shares	7.0%	16.0%	27.0%	38.0%
	Global Shares – ESG Value Strategy	6.0%	6.5%	6.0%	8.0%
	Low Volatility Shares	7.0%	6.5%	7.0%	8.0%
	Emerging Market Shares	-	2.5%	5.0%	8.0%
	Smaller Company Shares	-	2.5%	5.0%	8.0%
	Total Shares	**20.0%**	**34.0%**	**50.0%**	**70.0%**
2. Bonds	Government Bonds	-	17.5%	8.0%	-
	Inflation-Linked Government Bonds	7.0%	20.5%	15.0%	5.0%
	European Corporate Bonds	30.0%	17.5%	10.0%	-
	High Yield Bonds	2.0%	2.5%	3.5%	5.0%
	Emerging Market Debt (Local)	1.0%	1.5%	2.0%	2.5%
	Emerging Market Debt (Hard)	1.0%	1.5%	2.0%	2.5%
	Total Bonds	**41.0%**	**61.0%**	**40.5%**	**15.0%**
3. Alternatives	Infrastructure Shares	2.0%	2.5%	3.0%	5.0%
	Property Shares	2.0%	2.5%	3.5%	5.0%
	Private Shares	-	-	3.0%	5.0%
	Total Alternatives	**4.0%**	**5.0%**	**9.5%**	**15.0%**
4. Cash	**Total Cash**	**35.0%**	**-**	**-**	**-**

The asset splits shown above are the target allocations. The Diversified Funds use tolerance bands to rebalance back to the target asset allocation if the strategies drift too far from the intended allocations. The actual asset split could differ from the target allocations due to performance of the individual fund components however the tolerance bands ensure this will be within acceptable levels.

Performance Breakdown

The below chart illustrates the performance for each asset class included in the Diversified Fund Range for the previous 12 months. The 12- month performance of the growth components remains strong as economic activity rebounded from the Covid lows. The equity components (in red) were the greatest beneficiary of these benign conditions with alternatives in yellow also performing well.
Performance from the more defensive bond components in blue was the positive with more risk-on bond component of High Yield Bonds posting the highest return.

BREAKDOWN OF PERFORMANCE OVER PREVIOUS 12 MONTHS



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Market Outlook

Briefly outlined below are some key considerations with respect to the outlook for the economy for the final quarter of 2021 with a specific focus on the supply chain crisis along with emerging US political risk once again. Also included is a snippet from the latest edition of the Invesco Education Series.

Supply Chains Weighing Down Global Growth

The ongoing supply chain crisis has highlighted the perils of just-in-time delivery of goods and low inventory. The increased cost in logistics primarily via a multiplying of shipping costs, volatile raw material prices and shortages of labour have demonstrated the frailty of global trade and risks to elongated supply chains. Inflation remains a threat yet the persistency in this disruption to existing supply chains poses a significant risk to global growth. A pivot to shorter supply chains, increased inventory or locally sourced substitute goods may help but ultimately innovation will be required to overcome future logjams in the supply chain from damaging the economy. Quarter 4 2021 could well define the path for global growth for years to come.

Bye Then Searching for Bipartisan Support

US President Joe Biden has an uneasy final quarter of 2021. The much-touted Infrastructure Bill remains to be enacted as does the Social & Climate Change Bill. With infighting amongst the Democratic party not to mention the opposing views held by Republicans on pushing both costly projects through, Q4 promises to be a fiery quarter from a political perspective. Elsewhere, the US government needs bipartisan support once again to keep government offices up and running by raising the existing debt ceiling. With such polarising views across both parties, past acceptance of raising the debt ceiling may not be a good guide to future proposals.

Invesco Education Series - Inflation

As part of our Q3 2021 Invesco Education Series, we look at inflation, its recent history and how it can be mitigated as part of an investment portfolio. If you would like to learn more about this topic and some of the conclusions we came to, please contact your Investment Consultant. We would be happy to forward on the recently completed paper on the topic.

How We Work

OUR INVESTMENT PHILOSOPHY

While balancing risk and potential returns for a portfolio depends on several factors, we believe that asset allocation is the single most important factor influencing risk and return. Asset allocation is the cornerstone of our investment philosophy.

THE POWER OF DIVERSIFICATION

One of the most important principles of investing is ensuring that you have a diversified portfolio. This means spreading your capital across different investments so that you're not reliant upon any single one for all of your returns. The key benefit of diversification is that it helps to minimise the risk of capital loss to your investment portfolio.

By diversifying across a broad spectrum of asset classes, you can spread risk and potentially enhance returns, as strong performance in one market may offset weaker performance in others. Creating this balance in your portfolio, where the returns of one investment are independent of another, is paramount.

An effective diversified portfolio should include a mix of growth and defensive assets:

- Growth assets include investments such as equities (shares in a company) or property and generally provide longer term capital gains. However, they typically carry a higher level of risk than defensive assets.
- Defensive assets include investments such as cash or fixed-interest (bonds) and generally provide a lower return over the long term. They usually offer a lower level of volatility and risk than growth assets.

Within each asset class, we also seek to achieve diversification. For example, we use 5 strategies within the equity asset class. By implementing our strategy in this manner, we believe our funds can achieve smoother, more consistent investment returns over the medium to longer-term.

INVESTING, NOT SPECULATING

While risk plays an important role in investing, we never take unnecessary risks in the pursuit of a quick return. Our long-term view of investing allows us to ride out short-term market fluctuations so the benefits of long-term growth can be achieved.

CAPTURING VALUE

We believe that markets are broadly efficient, with share prices reflecting all available information. However, other factors such as human bias and some element of market inefficiency mean that quality investments can trade below their fair value.

We believe that we can best capture this value by investing passively. Passive investing involves purchasing investments in line with a reference benchmark (for example an index of low volatility shares). We have appointed Irish Life Investment Managers (ILIM) as the investment manager, given their expertise and experience in implementing passive strategies in a cost-effective manner.

REBALANCING USING TOLERANCE BANDS

Over time the relative movement of each of the assets in the Diversified Fund Range causes them to drift away from their target asset allocation. The funds are monitored each month and rebalanced if they move outside set parameters, bringing them back to their target asset allocation and ensuring that they remain within their defined risk profile to achieve your long-term objectives.

Risk Management

Each Diversified Fund matches a defined risk profile

- cautious
- moderate
- growth
- high growth

INVESTMENT STRATEGY TEAM	ASSET ALLOCATION
Our strategy team is responsible for conducting in depth fund and investment manager research as well as developing Invesco's strategic and tactical view on each asset class.	Each Model Portfolio operates within a robust risk structure, with a defined range for each asset class. This disciplined approach allows Invesco's investment strategy team the flexibility to make reallocations.
SELECTION CRITERIA	**QUANTITATIVE ANALYSIS**
Most of the individual funds held within the Diversified Fund Range are independently rated by Morningstar (or equivalent ratings agency). A careful review is conducted before inclusion of funds without this rating.	Quantitative analysis is undertaken to ascertain the asset allocation decisions made by the Invesco Investment Strategy Team are within defined risk parameters.

The Funds are diversified across a range of sectors, asset classes and geographic areas and we employ rigorous fund selection and monitoring processes as well as a rebalancing framework and regular meetings with investment managers. Our investment strategy team oversees this, applying its collective insight and experience to identify reallocations as appropriate.

We assess the likely range of returns, volatility and potential risks for our portfolios. We then use this to inform asset allocation, model funds and scenarios to evaluate alternative asset allocations and investment strategies. Both historical and forward-looking analysis is produced to demonstrate how the assets have performed in the past and are likely to do so in the future.

OVERSIGHT & MANAGEMENT

The Invesco investment strategy team meets formally every month. These meetings are core to our investment strategy and allow our investment team to exchange their insight and opinions about the economic environment, asset allocation, fund selection and portfolio construction. The outcomes of these discussions are used to potentially adjust asset allocations within the agreed ranges and add or remove funds as appropriate. Our investment strategy team is an open forum, encouraging debate and interaction as well as drawing on external expertise.

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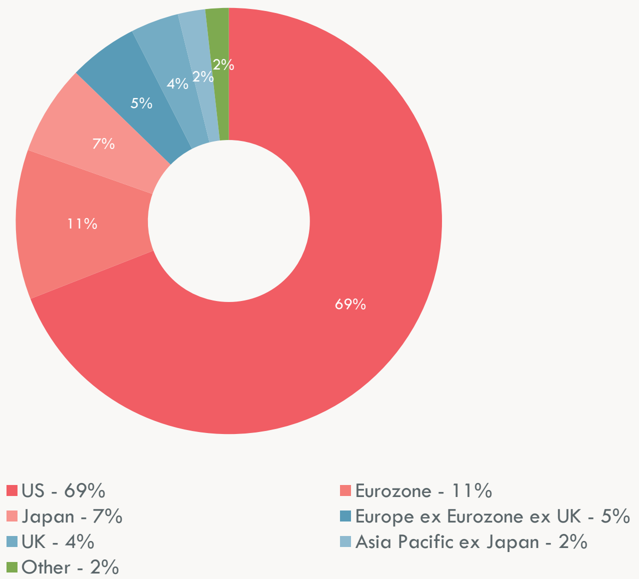
Asset Classes Explained

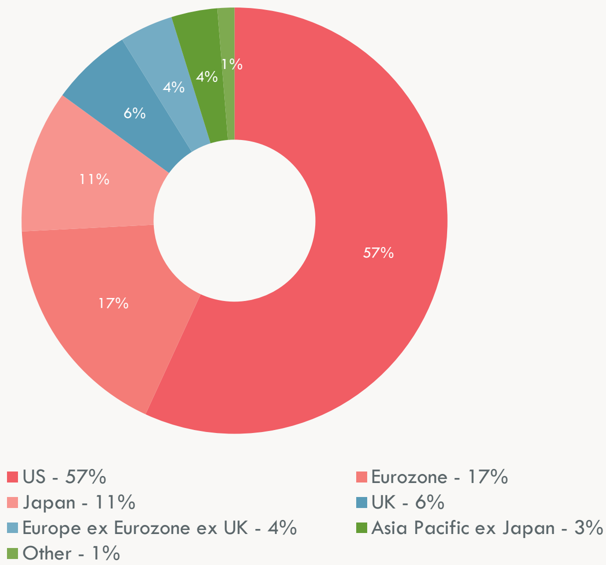
SHARES



ESG GLOBAL SHARES

Achieves diversification by investing across over 1,500 companies in predominately developed countries.

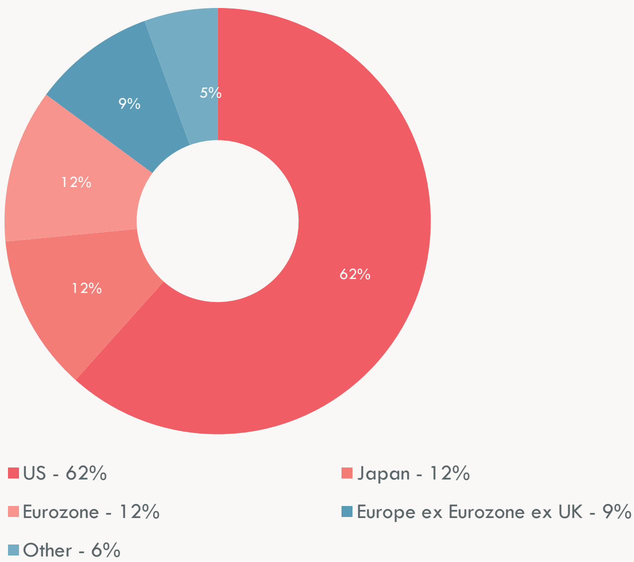
Tracks the performance of a large global share index.



GLOBAL SHARES – ESG VALUE STRATEGY

Invests in companies based on economic fundamentals such as sales and profitability.

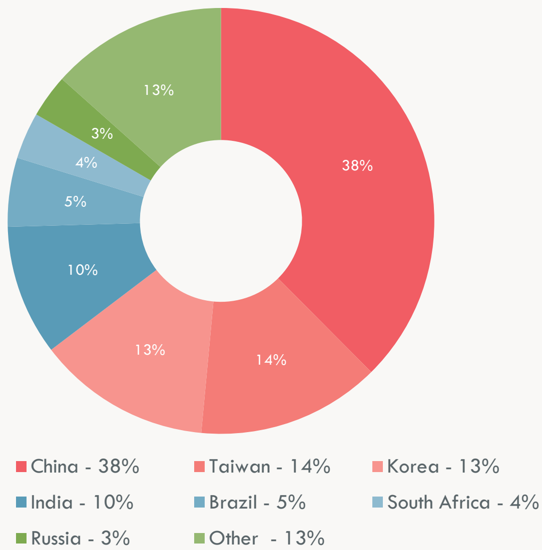
Tracks the performance of a large global fundamental share index which screens out ESG unfriendly stocks. The index consists of over 400 companies.



LOW VOLATILITY SHARES

Invests in companies that have gone up and down less than most of their peers over long periods of time.

Tracks the performance of a global lower volatility share index with around 340 companies.



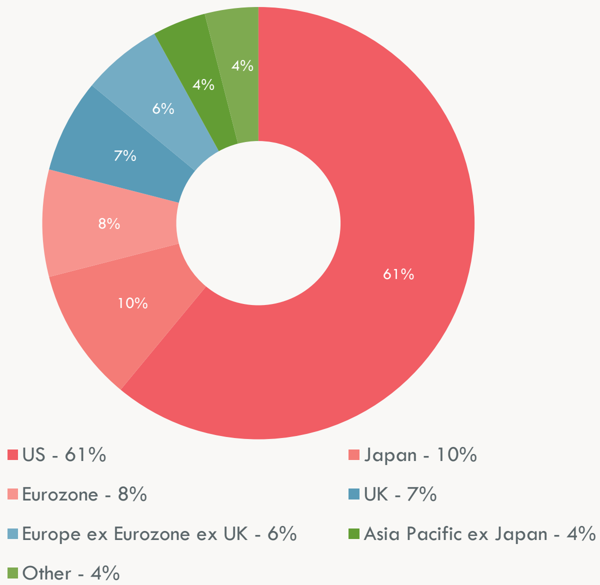
EMERGING MARKET SHARES

Invests in company shares in countries that have been deemed as “emerging” such as China and Brazil.

Tracks the performance of a large emerging market index which comprises of around 1,200 stocks in 26 countries.

Asset Classes Explained

SHARES CONTINUED



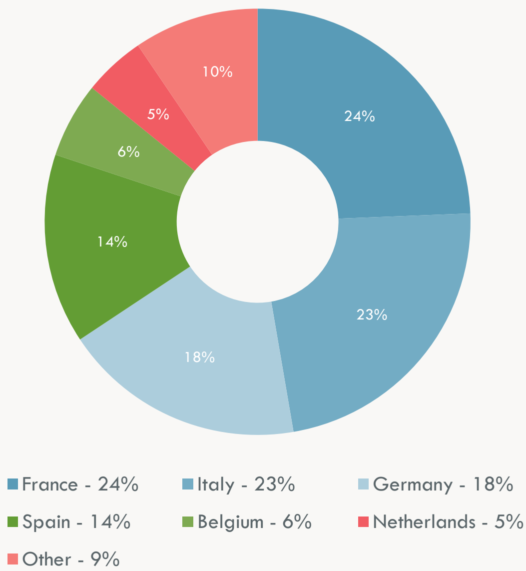
SMALLER COMPANY SHARES

Invests in "smaller" companies that would frequently be less well-known to the public.

By smaller companies, we mean companies whose total equity value is typically between €50m to €9bn.

Tracks the performance of an index of global smaller companies with around 4,000 companies.

BONDS



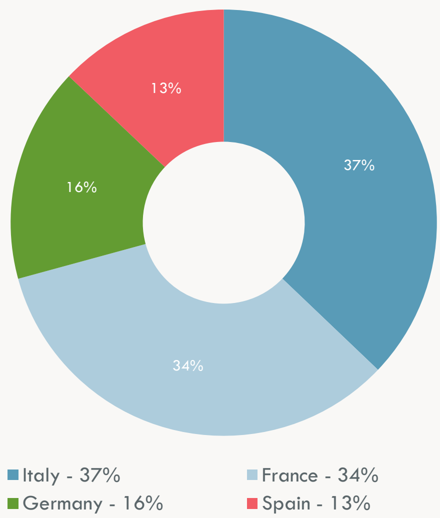
GOVERNMENT BONDS

Yield: **0.1% p.a.**
Duration: **9 years**

Invests in Eurozone government bonds.

A government bond is a loan to a government.

Invests in bonds with fixed repayments.



INFLATION-LINKED GOVERNMENT BONDS

Estimated Yield*: **+0.4% p.a.**
Duration: **9 years**

Invests in Eurozone government bonds.

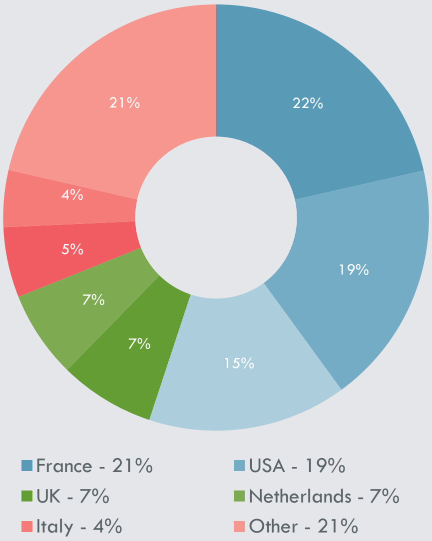
A government bond is a loan to a government.

Invests in bonds with repayments that are linked with the cost of living (inflation) in Europe.

*Estimated based on market inflation expectations.

Asset Classes Explained

BONDS CONTINUED

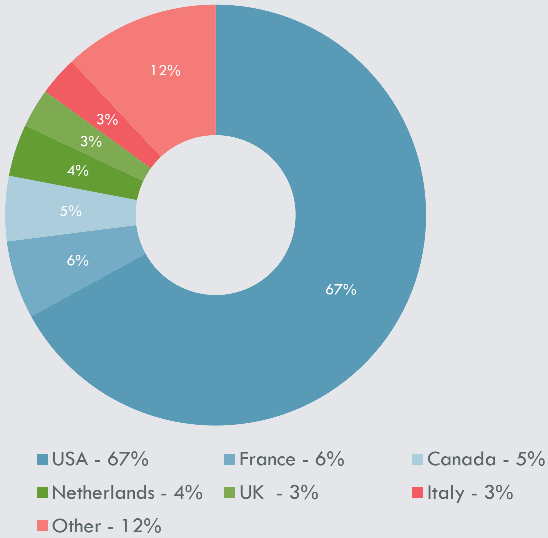


EUROPEAN CORPORATE BONDS

Yield: **+0.3% p.a.**
Duration: **5 years**

A Corporate bond is a loan to a company.
Invests in euro bonds issued by companies.

Tracks the performance of a recognised and leading corporate bond index.

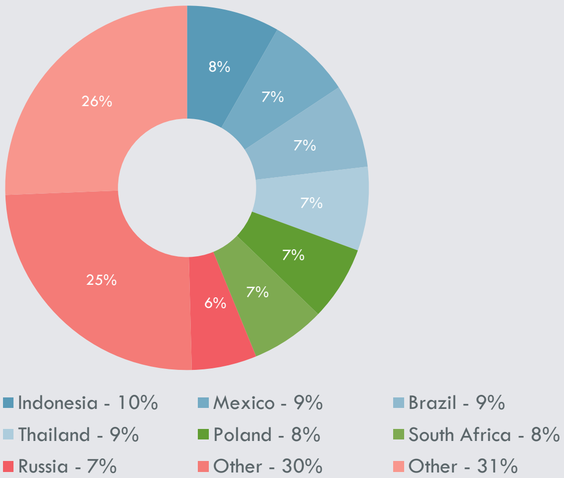


HIGH YIELD BONDS

Yield: **+2.7% p.a.**
Duration: **4 years**

Invests in bonds issued by companies globally that have higher interest rates together with a lower level of credit rating.

Tracks the performance of a recognised and leading high yield bond index.



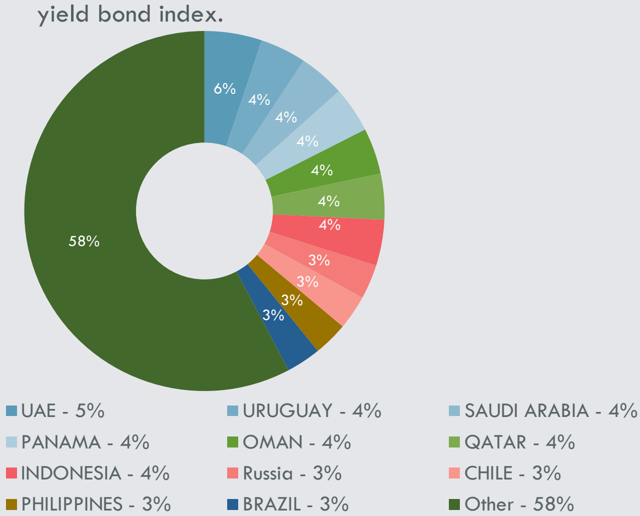
EMERGING MARKET DEBT

LOCAL CURRENCY

Yield: **+5.3% p.a.**
Duration: **5 years**

Within the Diversified Fund Range, we include a small allocation to the government bonds issued in their local currency by countries deemed as emerging such as Brazil and Mexico.

Tracks the performance of a recognised and leading emerging market bond index.



EMERGING MARKET DEBT

HARD CURRENCY

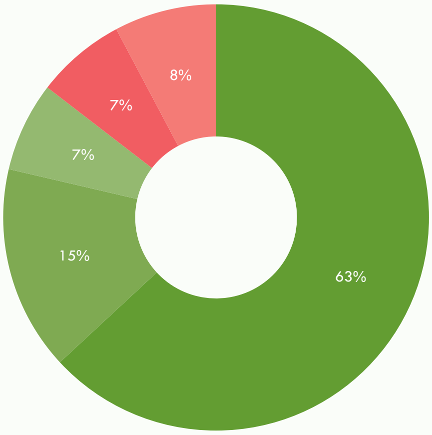
Yield: **+3.7% p.a.**
Duration: **8 years**

The government bonds are issued by countries deemed as emerging such as Russia and Chile. The bond repayments are in US dollars. Dollar currency risk is managed by hedging back to euro.

Tracks the performance of a recognised and leading emerging market bond index.

Asset Classes Explained

ALTERNATIVES

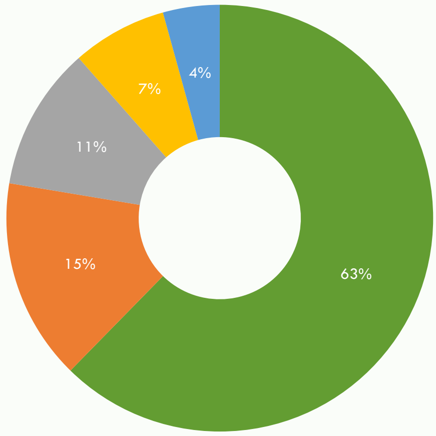


■ US - 65% ■ Eurozone - 16% ■ UK - 7%
■ Asia Pacific - 7% ■ Other - 8%

INFRASTRUCTURE SHARES

Invests in Infrastructure globally through purchasing companies that construct and manage infrastructure projects.

Tracks the performance of a recognised and leading infrastructure shares index.

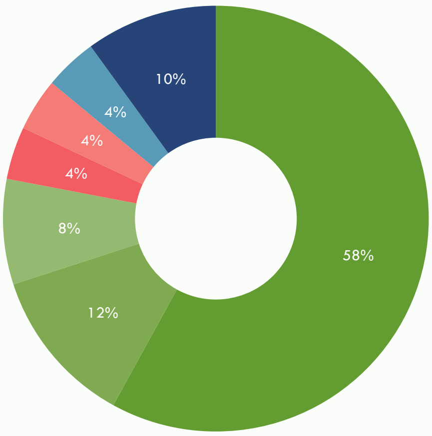


■ US - 62% ■ UK - 15%
■ Europe ex Eurozone ex UK - 11% ■ Eurozone - 7%
■ Other - 4%

PRIVATE SHARES

Invests in private companies that are active in the private space and are also publically listed.

Tracks the performance of a recognised and leading liquid private shares index.



■ US - 58% ■ Japan - 12%
■ Eurozone - 8% ■ UK - 4%
■ Europe ex Eurozone ex UK - 4% ■ Asia Pacific ex Japan - 4%
■ Other - 10%

PROPERTY SHARES

Invests in property globally through purchasing property companies.

Tracks the performance of a recognised and leading property shares index.

CASH

CASH

Invests in short term deposits and other cash instruments.

The component is managed actively with the objective of limiting investment risk.

This is the only component that is managed actively within the Diversified Fund Range. Unlike most active managers that take risk in the pursuit of higher returns, this fund looks to protect member's savings.

Note: We have Illustrated the split of each component by geography on 30th June 2021

Please note that this quarterly document provides information on the Diversified Fund Range which only represents part of the investment options available within your Scheme. Please refer to your investment guide for details on other investment options available to you.

If you have any questions about the information in this document, please contact your HR representative.

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