DIVERSIFIED FUND RANGE

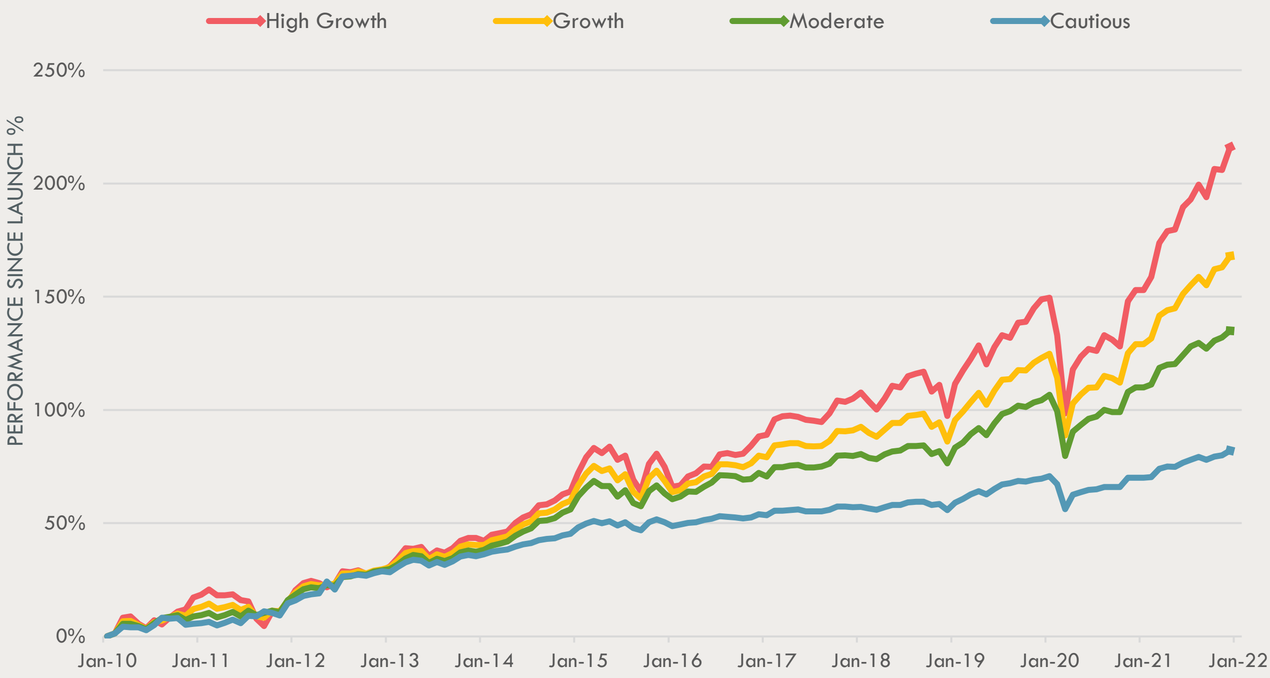
invesco

Quarter 4: 2021

Welcome

WELCOME TO THE DIVERSIFIED FUND RANGE QUARTERLY UPDATE FOR Q4 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



The table shows the returns to 31 December 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.	4.7%	7.3%	8.8%	10.6%
5 years p.a.	3.4%	6.5%	8.3%	10.9%
3 years p.a.	5.3%	10.1%	13.0%	16.9%
1 year p.a.	6.7%	11.8%	17.4%	25.0%
Q4	2.2%	3.7%	5.3%	7.4%

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

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

Prepared by: Niall Murphy, Investment Analyst, Invesco Limited.

Quarterly Market Commentary Q4: 2021

The rocky road to recovery

The road to pandemic recovery has been bumpy as was to be expected. Omicron created doubt around the monetary policy trajectory and may well have delayed the tapering of bond buying by governments and deferred interest rate rises, one of the levers to combat inflation. Recent surges in inflation was stoked by severe supply shortages, energy price spikes and skilled labour shortages. U.S. inflation rose to 6.8% year on year in November, a level not seen since the 1980s and weekly jobless numbers fell to the lowest since 1969. This prompted tapering of bond buying by the Federal Reserve to be sped up and the US could see 3 interest rate increases by the end of 2022. A more benign inflationary situation exists in the Eurozone with flash estimates of inflation at 5.0% year on year to December. The European Central Bank (ECB) has committed to phasing out the bond buying programme but ruled out eurozone interest rate rises in 2022.

A lively quarter for equity markets

Stocks regained momentum throughout October with many equity indices making new highs.. The Evergrande bankruptcy possibility shook financial services, real estate and related sectors but as the month progressed, a strong Q3 earnings season, with more than 80% of companies beating earnings expectations, helped to drive the S&P 500 to a new peak.

The UN Climate Change Conference (COP26) passed without great market impact in November. Approval in the U.S. of a one trillion-dollar infrastructure bill helped drive equity markets to new highs. Global developed markets also hit new highs while emerging markets hit a 4-month peak. In Ireland, the broad-based strength of the economy was reflected in surging tax receipts and growth forecasts for the economy were revised sharply upwards.

The traditional December “Santa Claus” rally was delayed by large market falls at the start of December when the Omicron variant was still very much an unknown. Despite this, markets did have a late bounce and the S&P index recorded its third best calendar year in the last 15 years.

Bonds facing into headwinds

The gradual scaling down of the pandemic emergency purchase programme (PEPP) and other monetary stimulus continued to be a headwind for fixed income but credit was more resilient, supported by strong corporate balance sheets and earnings and the prospect of rating upgrades.

Asset Split

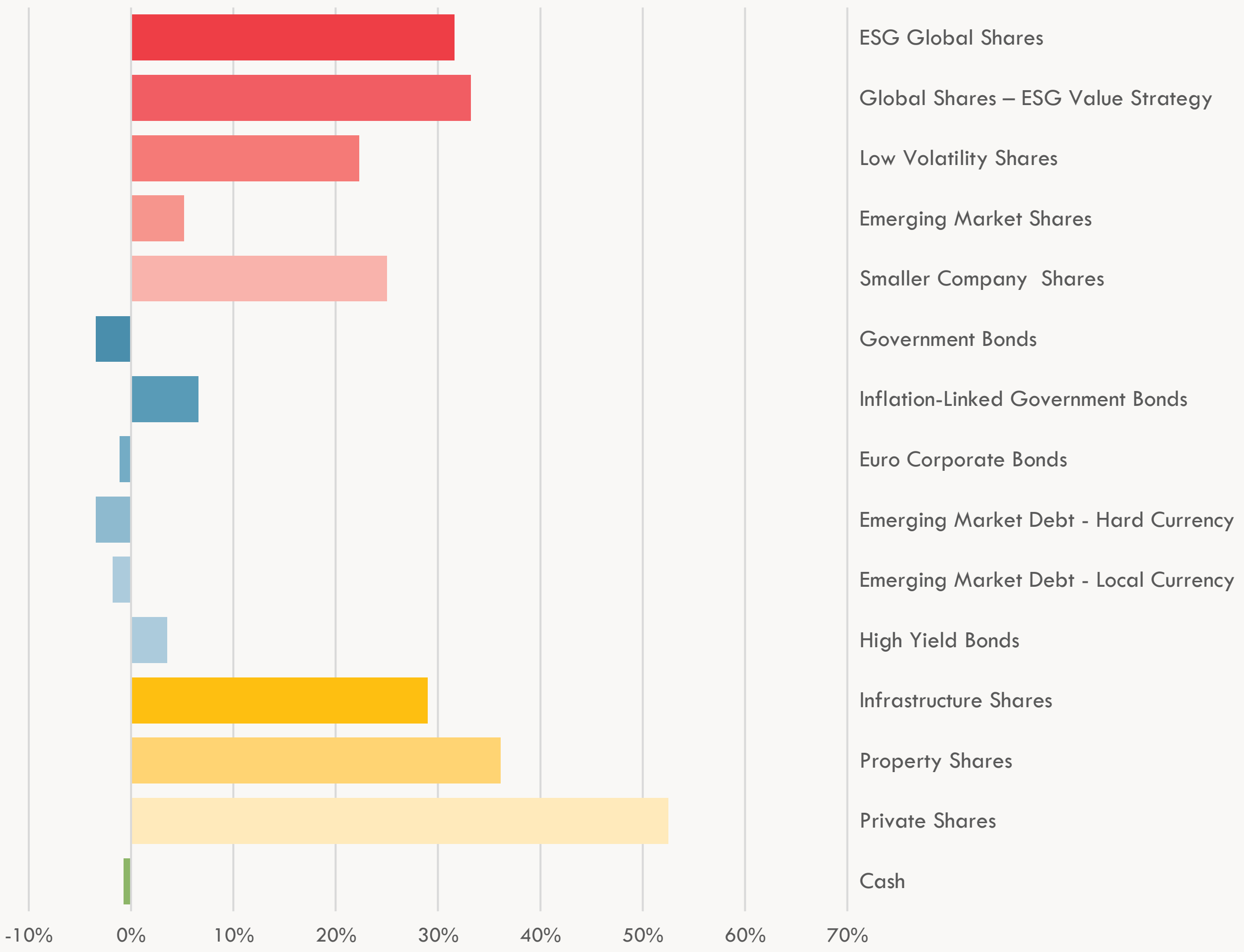
Asset Class		Cautious	Moderate	Growth	High Growth
1. Shares	ESG Global Shares	7.0%	16.0%	27.0%	38.0%
	Global Shares – ESG Value Strategy	6.0%	6.5%	6.0%	8.0%
	Low Volatility Shares	7.0%	6.5%	7.0%	8.0%
	Emerging Market Shares	-	2.5%	5.0%	8.0%
	Smaller Company Shares	-	2.5%	5.0%	8.0%
	Total Shares	**20.0%**	**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 conditions with alternatives in yellow also performing well.
Performance from the more defensive bond components in blue lagged with Inflation Linked Bonds being best positioned to benefit from the current inflationary environment.

BREAKDOWN OF PERFORMANCE OVER PREVIOUS 12 MONTHS



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Market Outlook

From the current viewpoint we envisage a year where asset prices will continue to rise, supported by interest rates which although rising, remain artificially lower than in “normal times”. Higher volatility will be apparent as behaviours change and monetary and fiscal policy begins to normalize.

We expect greater dispersion across geographical markets and different asset classes because the coronavirus has disrupted economies disparately and they are at different stages in their economic cycles.

Initially in late 2019, when Covid first came to public attention in the Emerging and Asia Pacific regions, these economies were able to implement quite strict restrictions very quickly. Thus, market falls in Asia were more muted than those in the developed regions. Lockdowns were also reversed earlier in the Asia Pacific regions and manufacturing and export markets recovered very quickly.

Interest rates globally were retained at artificially low levels and bond buying programmes were instigated by Governments across the world to support economies and bolster growth. With spikes in inflation, we could see the Fed raising rates in 2022.

In the developed economies work from home, shop from home, play from home stocks prospered favouring the so-called growth stocks in the US markets, the NASDAQ, although many of 2020’s winners have since retreated to their pre-pandemic levels. The US has been particularly affected by a sharp rise in asset values and a labour shortage leading to wage inflation. The market expects the brakes to be applied in the form of interest-rate hikes during 2022. While rates are below what would be expected given US inflation, rising rates may present some risk to growth stock valuations.

In Europe, restrictions lasted longer, and this activity is still catching up from depressed levels. Unemployment rates are now back to pre-covid lows. The Eurozone purchase program expires in March 2022, but we still expect a transition period before purchases are significantly scaled back and no interest-rate hikes in 2022. This will likely provide support to asset values.

Emerging market equities are likely to have disparate performances in 2022. Exporting countries are at acute risk from supply chain disruptions, commodity volatility and increased regulation; and some such as Turkey have substantial currency issues to deal with. Overall, when applying a technical analysis, emerging equities look attractively valued relative to stocks from developed markets.

Eurozone interest rates are likely to rise only marginally. Government bonds in industrialized countries are likely to show a negative total return for the most part, while corporate bonds with investment-grade ratings are likely to just make it into positive territory.

The International Energy Agency said at the start of December that the oil market has already returned to surplus and faces an even bigger supply overhang next year if Omicron hits international travel. European natural gas prices surged again amid the geopolitical crisis brewing at the border between Russia and Ukraine however as the Northern hemisphere moves towards summer and demand falls, we may have some respite and some Nuclear plants undergoing maintenance come back online.

A strong interest in Environmental, Social and Governance (ESG) issues intensified over the course of 2021 on systemic racial injustice, employee treatment, COVID-related worker safety, and pay equity. Further growth in ESG related assets is likely as messaging, regulation and oversight are stepped up.

Finally, the combination of a low-interest-rate environment and concerns about higher inflation rates continues to make alternative investments and infrastructure projects attractive with industrials and logistics likely to benefit in the Real Estate sector.

2022 will be a year of some optimism as we emerge from Covid dominated developments, but the nature of this emergence will make it a year of interesting times indeed.

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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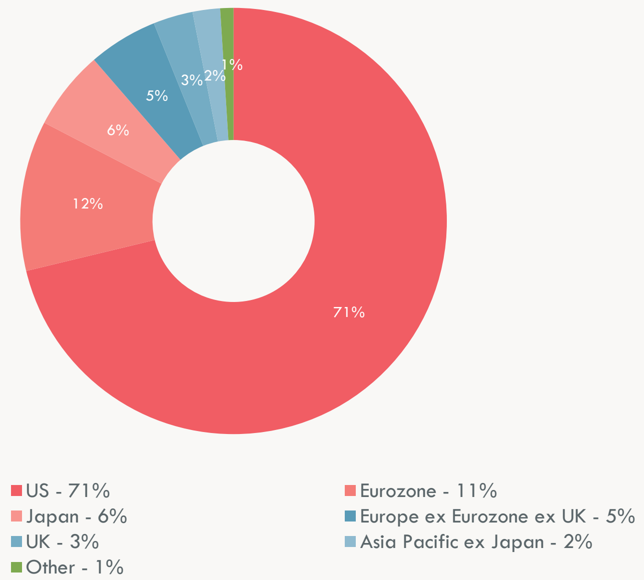
Asset Classes Explained

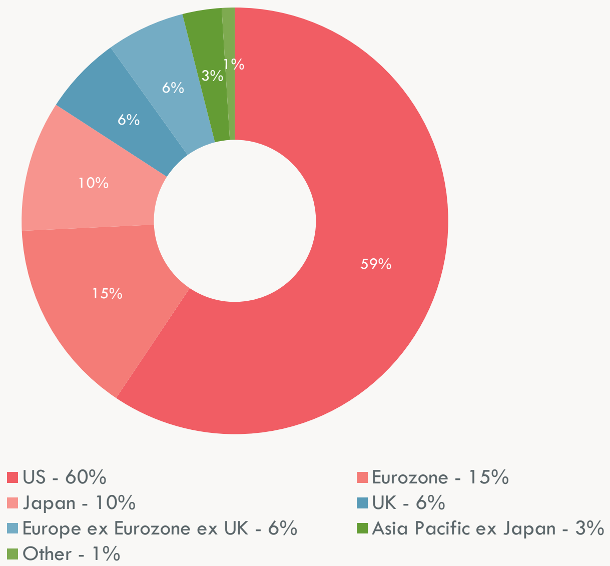
SHARES



ESG GLOBAL SHARES

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

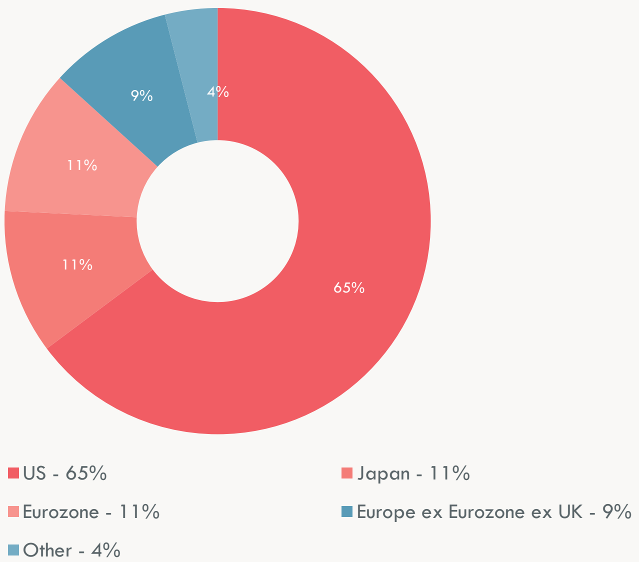
Tracks the performance of a large global share index.



GLOBAL SHARES – ESG VALUE STRATEGY

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

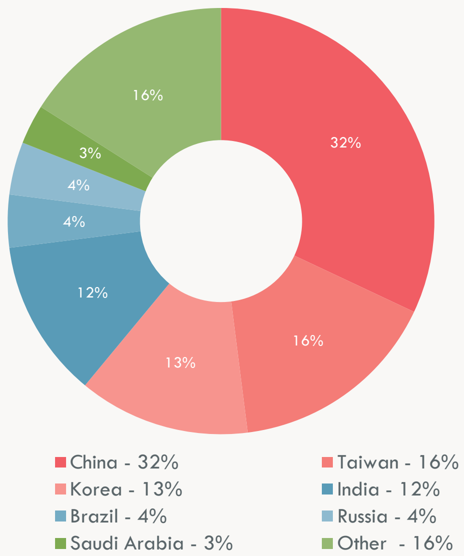
Tracks the performance of a large global fundamental share index which screens out ESG unfriendly stocks. The index consists of over 400 companies.



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.



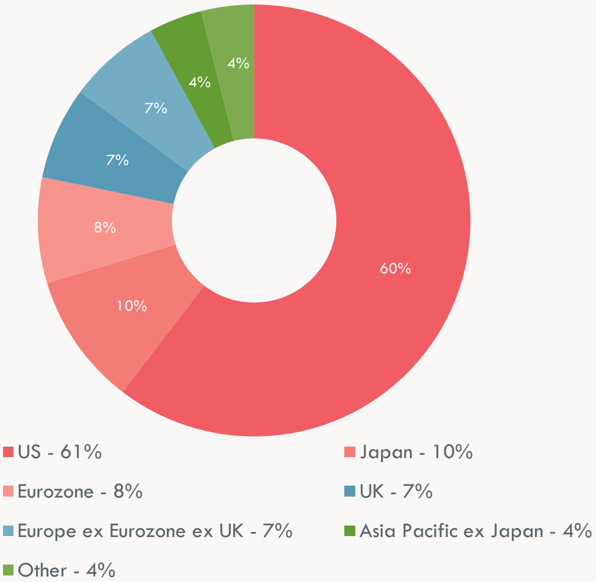
EMERGING MARKET SHARES

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



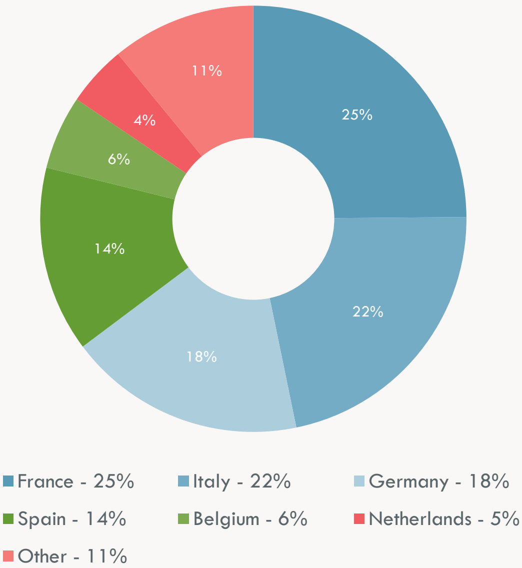
SMALLER COMPANY SHARES

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



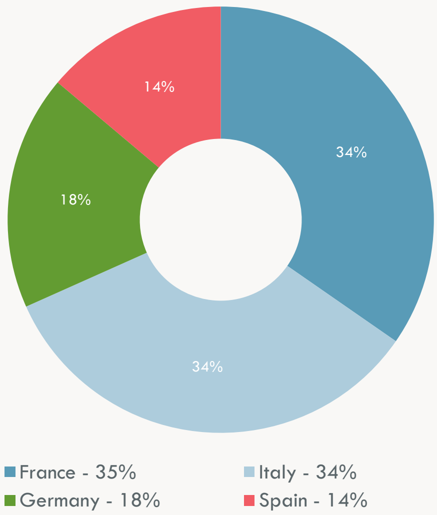
GOVERNMENT BONDS

Yield: **0.2% 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*: **+0.5% p.a.**
Duration: **9 years**

Invests in Eurozone government bonds.

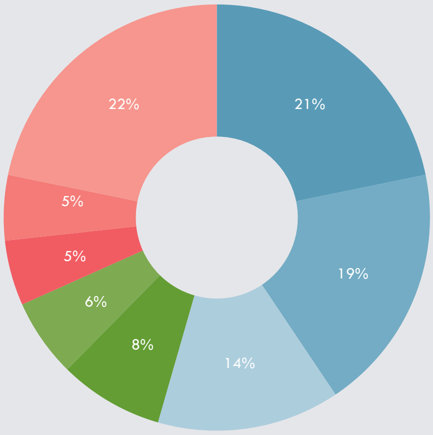
A government bond is a loan to a government.

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



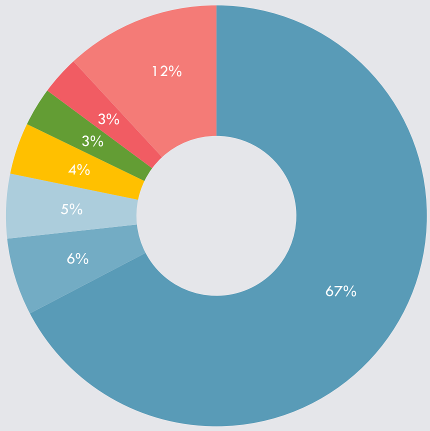
France - 22% | USA - 19% | Germany - 14%
UK - 8% | Netherlands - 6% | Spain - 5%
Italy - 5% | Other - 22%

EUROPEAN CORPORATE BONDS

Yield: **+0.5% 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.



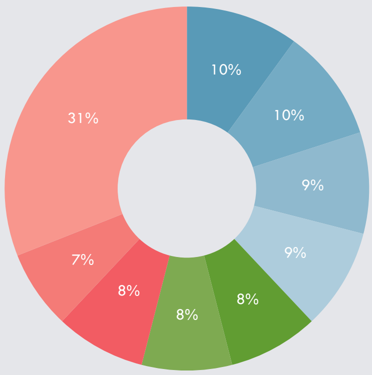
USA - 68% | France - 6% | Canada - 5%
UK - 4% | Netherlands - 3% | Germany - 3%
Other - 12%

HIGH YIELD BONDS

Yield: **+2.9% 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.



Poland - 10% | Indonesia - 10%
Mexico - 9% | Thailand - 9%
Malaysia - 8% | South Africa - 8%
Brazil - 8% | Czech Republic - 7%

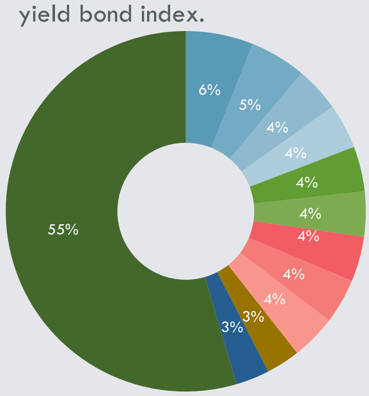
EMERGING MARKET DEBT

LOCAL CURRENCY

Yield: **+5.8% 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.



UAE - 6% | Saudi Arabia - 5% | Panama - 4%
Qatar - 4% | Indonesia - 4% | Russia - 4%
Chile - 4% | Philippines - 4% | Uruguay - 4%
Brazil - 3% | Oman - 3% | Other - 54%

EMERGING MARKET DEBT

HARD CURRENCY

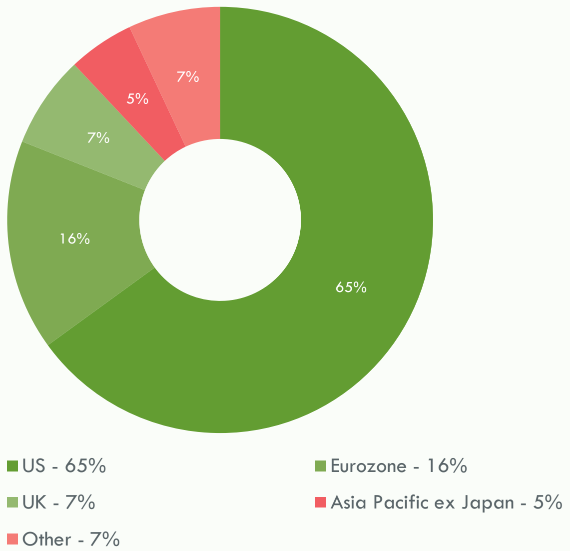
Yield: **+3.7% p.a.**
Duration: **8 years**

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

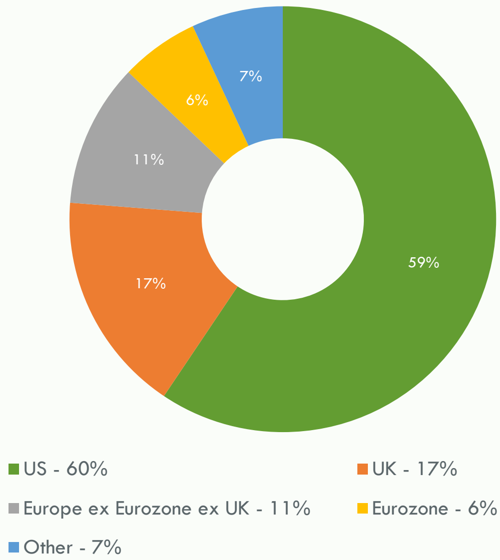
ALTERNATIVES



INFRASTRUCTURE SHARES

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

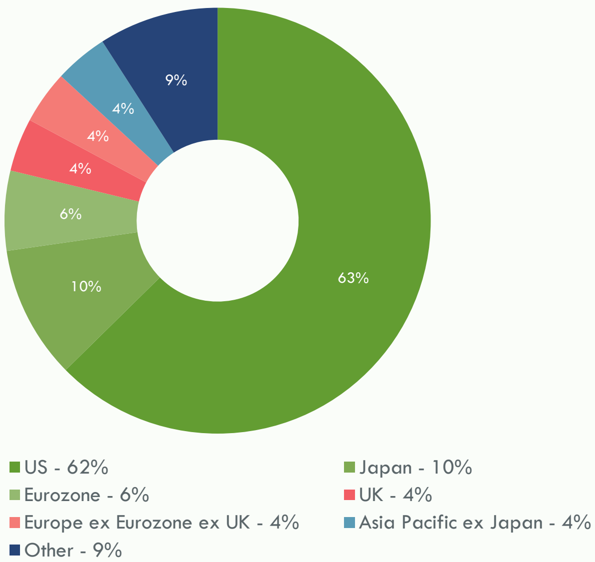
Tracks the performance of a recognised and leading infrastructure shares index.



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.



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 31st December 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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