



The Aon Ireland MasterTrust- BASF Section

Annual Investment Performance Report – 30th June 2023

Prepared for: The BASF Section of the Aon Ireland MasterTrust

Prepared by: Aon Ireland MasterTrust Investment Team

Date: 11 September 2023

AON

Introduction

Why bring you this report?

This report is prepared for the BASF Section of The Aon Ireland MasterTrust ("TAIMT"), and the purpose of the report is to update the Employer on the general market background and performance of the fund range and Default strategy in TAIMT over the twelve-month period to 30th June 2023.

Market Update

Global equities generated strong gains over the twelve months to 30th June, recovering after suffering a sharp sell-off in the first half of 2022 due to Russia's ongoing invasion of Ukraine and the start of tighter monetary policy in response to elevated inflationary pressures.

Equity markets rebounded as the global economy appeared more resilient than previously anticipated and inflation began to moderate in the majority of economies. The FTSE All World Index rose by 12.1% in euro terms over the twelve-month period.

Meanwhile, bond yields continued to rise in many countries over the period as central banks increased interest rates in an attempt to reduce inflation. The BoAML Eur Gov AAA/AA > 10-year Index fell by 9.4% over the twelve months to 30th June.

Aon Fund Range and Default Performance

The performance of the Aon funds over the twelve months to 30th June ranged from 16.1% for the Aon Passive Global Equity Hedged Fund, to -9.3% for the Aon Pre-Retirement Bond Fund.

The performance for a member in the Default Lifestyle Strategy over the twelve months to 30th June ranged from 5.5% for a member with 35 years to retirement, to 3.6% for a member one year from retirement.

Other Updates

There were some changes made to the underlying fund allocations in the Aon Diversified Growth Fund and Aon Cautious Growth Fund over the twelve-month period to 30th June, which resulted in an increase in the annual management charge ("AMC") of 0.01% for the Aon Diversified Growth Fund and a decrease in the AMC of 0.02% for the Aon Cautious Growth Fund.

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Key Stats 12-month period to 30th June 2023

Global Equities:	+ 12.1%
Eurozone Gov Bonds:	- 9.4%
Eur v Dollar:	+ 4.1%
Brent Crude Oil:	- 34.2%
Irish Inflation:	+ 6.1%

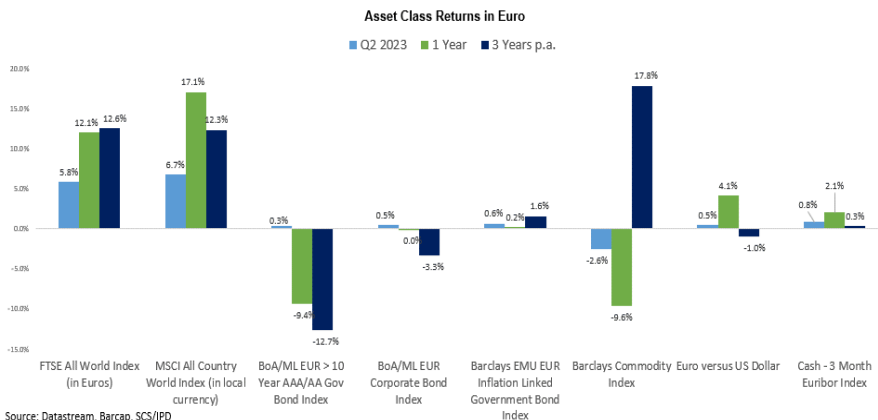
Contact us

Please contact your Consultant if you have any queries on the report.

Market Background

This section summarises what happened to investment markets (and other key economic indicators) over the twelve-month period to 30th June 2023.

Index Returns



Source: Datastream, Bloomberg

General Background

Global equities generated strong positive returns over the last twelve months, recovering after suffering a sharp sell-off in the first half of 2022 due to Russia’s ongoing invasion of Ukraine and the start of tighter monetary policy in response to elevated inflationary pressures. Equity markets rebounded particularly over the last nine months as the global economy appeared more resilient than previously anticipated and inflation began to moderate in the majority of economies. The rally in Information Technology stocks was a major contributor to equity market gains in 2023 as investor excitement over artificial intelligence grew. Meanwhile, bond yields continued to rise in many countries over the period.

In the US, Silicon Valley Bank (SVB) entered receivership with the Federal Deposit Insurance Corporation (FDIC) on 10 March 2023, with the regulator citing inadequate liquidity and solvency protection. SVB was the 16th largest bank in the US and represents the largest failure of a bank since the Global Financial Crisis. US treasury secretary Yellen approved actions that enabled the FDIC to resolve SVB in a way that fully protected all depositors. Shareholders and certain unsecured debt holders were not protected, however. The Federal Reserve also launched a new programme called the "Bank Term Funding Program" which provided \$25 billion of potential liquidity.

Shortly after SVB’s demise, investor concerns regarding Credit Suisse accelerated amidst reports that its top shareholder had ruled out further funding. UBS later agreed to buy Credit Suisse for \$3.25bn at CHF0.76 per

share on 19 March 2023, representing a significant discount to its pre-crisis share price, after Swiss regulators urgently stepped in to broker a deal. The Swiss National Bank offered a CHF100bn liquidity line as part of the deal and the government provided a loss guarantee of up to CHF9bn after UBS took on the first CHF5bn of losses on certain assets. Under the deal's terms, CHF16bn of Credit Suisse's additional tier 1 capital bonds were written off to zero.

Italian prime minister Mario Draghi resigned on 21 July 2022 after Italy's three largest parties abstained from a confidence vote, leading to an early snap election in September. Giorgia Meloni was elected as Italy's Prime minister after a coalition led by her party Fratelli d'Italia won the majority of the votes in the election.

In September 2022, the Russia-Ukraine conflict escalated after Moscow announced the annexation of four regions in south-eastern Ukraine - Donetsk, Luhansk, Kherson, and Zaporizhzhia. President Vladimir Putin vowed to use "all the means" to defend the annexed territories. The European Union (EU) decided to implement a price cap on seaborne Russian oil while the US imposed sanctions on the governor of Russia's central bank. The US unveiled its plans to impose fresh sanctions on more than 200 entities throughout Europe, Asia, and the Middle East "that are supporting Russia's war effort" in February 2023. Russian President Vladimir Putin announced on 21 February 2023 that Russia would suspend its nuclear weapons treaty with the US and also unveiled its plans to deploy tactical nuclear weapons in Belarus by July in March 2023. Russia cut oil production by 500,000 barrels a day in response to a price cap imposed by Western nations. In Q2 2023, G7 leaders prepared new sanctions against Russia, covering ships, aircraft, individuals, and diamonds. The G7 planned for a "traceability" initiative for tracking Russia's diamond exports and intends to stop Moscow from bypassing sanctions through India. The US indicated that it would add 70 Russian groups to the "entity list" that effectively bars companies from exporting products that use American technology to Russia. Meanwhile, Finland officially became the North Atlantic Treaty Organization's (NATO) 31st member after Turkey joined other NATO countries in supporting Finland's membership.

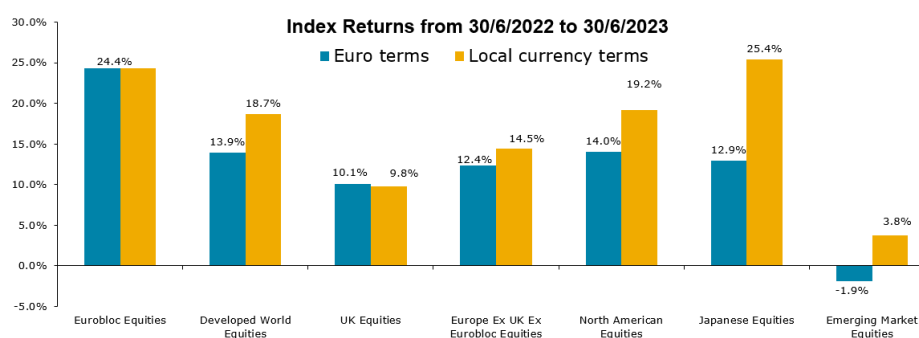
Elsewhere, the US imposed a ban on five Chinese entities from acquiring US technology and put 28 Chinese groups allegedly in breach of US sanctions on a trade blacklist. In a series of coordinated actions following a G7 meeting in February 2023, the UK also announced sanctions on selected Chinese entities, whilst the EU and Japan finalised similar trade bans. US-China trade tensions saw further escalation as Japan and the Netherlands entered into a trilateral agreement with the US that restricted exports of chip manufacturing tools to China. The agreement was designed to hinder the Chinese military's ability to develop advanced weapons. In Q2 2023, the G7 condemned China over the increasing military and economic security threats emanating from Beijing. Meanwhile, the Cyberspace Administration of China banned US-based chipmaker Micron Technology's products in China's biggest measure against a US semiconductor group, citing "security risks to China's critical information infrastructure supply chain".

UK prime minister Rishi Sunak and the European Commission president Ursula von der Leyen announced a new post-Brexit deal on Northern Ireland under the "Windsor Framework" on 27 February 2023. The agreement aimed to ease trade barriers between Northern Ireland and the rest of the UK.

Over the last year, the European Central Bank (ECB) raised its deposit rates by 400bps to 3.5%, its highest level since 2001. The ECB announced plans to start shrinking the €5tn of bonds it purchased over the last eight years from March 2023. The ECB president Christine Lagarde indicated that policymakers "still have ground to cover" and that the inflation outlook remained "too high for too long", with inflation not expected to return to its target level of 2% even by 2025. The US Federal Reserve (Fed) increased its benchmark interest rate by 350bps over the year to a range of 5.00%-5.25%, the highest level since 2007. Fed chair Jerome Powell indicated that the central bank intended to carry out further monetary tightening to bring inflation back to its 2% target. The BoE raised its benchmark interest rate by 375bps to 5.0%, touching its highest level since 2008. The BoE became the first major central bank to actively start to unwind quantitative easing as it sold £750mn of government bonds in November 2022. Andrew Bailey, the BoE governor, indicated that the central bank is "committed to returning inflation to the 2% target and will make the decisions necessary to achieve that".

Brent crude oil prices fell by 34.8% to \$75/BBL over the last twelve months amidst weakening global demand. China's economic recovery, after the end of its protracted "zero-covid" policy, disappointed in 2023 as consumer and business confidence failed to revive significantly. OPEC+ agreed production cuts though-out the year in an attempt to prop up oil prices.

Equities



Source: Datastream, Barcap, SCS/IPD

Eurozone equities were the second-best performing region over the year, returning 24.4% in local currency terms. Among the major heavy-weight sectors, economically sensitive sectors outperformed. Consumer Discretionary, Financials, Industrials and Technology returned 37.8%, 33.3%, 32.1% and 38.4% respectively.

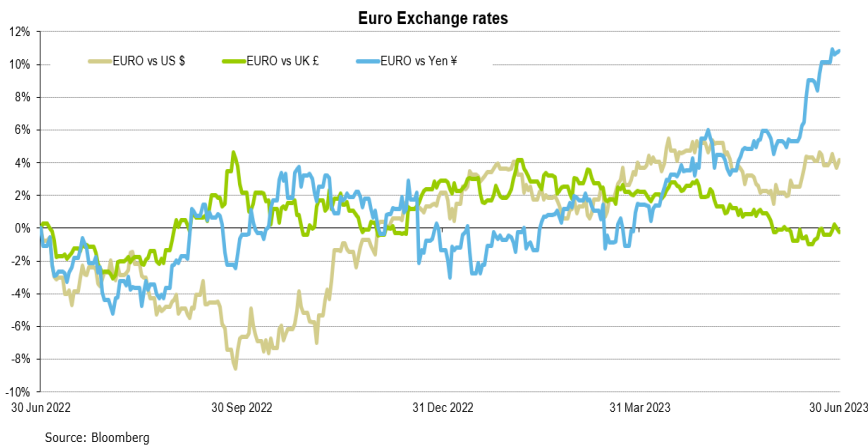
US equities also rose strongly over the year, rising 19.2% in local currency terms. Following SVB's collapse in March 2023, investors shrugged off concerns over the banking sector and priced in a quicker end to the

sharpest tightening cycle in recent history. Expectations for new revenue streams, driven by artificial intelligence, boosted optimism over US technology stocks. Information Technology was the best performing sector with a return of 38.3%.

Emerging markets (EM) were the worst-performing region in local currency terms over the last twelve months, rising only 3.8%. Increases in interest rates by major developed central banks and a strong dollar provided a headwind. The Chinese equity market was the worst performing market (-15.7%) as slower-than-expected economic recovery, disappointing stimulus measures, and renewed US-China tensions exerted downward pressure.

On a global sector level, Information Technology (29.1%) and Industrials (20.6%) were the best performers in euro currency terms. Real Estate (-10.0%) and Utilities (-2.6%) were the worst-performing sectors.

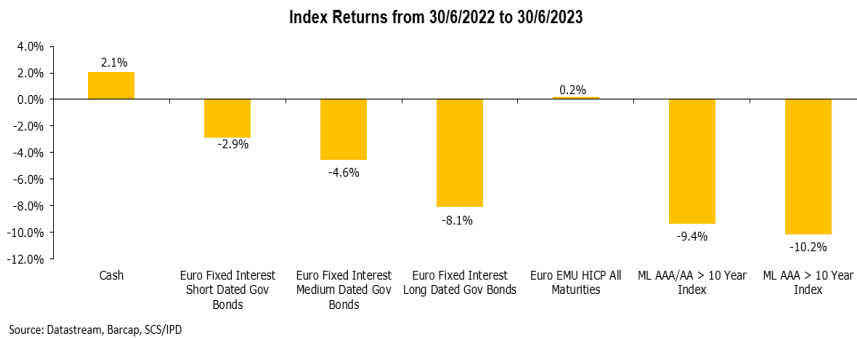
Currencies



The euro ended the twelve months 3.7% higher on a trade-weighted basis. The euro touched its lowest level in two decades against the US dollar in Q3 2022 as the energy crisis was more acute in Europe than the US. Russia’s state-backed gas supplier, Gazprom, continued its maintenance on the Nord Stream 1 pipeline which impaired gas supply to mainland Europe for a prolonged period.

The euro appreciated by 4.1% against the US dollar over the 12 months to 30th June, ending the period at \$1.09/€, but depreciated -0.3% against Sterling, ending the period at £0.86/€. The euro appreciated against the Japanese yen by 10.8%, ending the period at ¥157.58/€.

Fixed Income



Global bond yields move higher over the twelve-month period against a backdrop of rising inflation and central bank policy rate increases.

The German 10-year bund yield rose by 102bps to 2.39%, while the French 10-year bond yield rose by 98bps to 2.94%. The ML AAA/AA >10 Year Index recorded a negative performance of -9.4% over the twelve months to 30th June.

Peripheral Eurozone government bond yields also increased over the period. The Spanish 10-year bond yield rose by 92bps to 3.39%, the Irish 10-year yield rose by 84bps to 2.83%, and the Italian 10-year yield rose by 68bps to 4.07%.

Euro Inflation-linked bonds recorded a positive performance as the Barclays Euro HICP-Linked Bond Index rose by 0.2% over the period.

Euro Area credit spreads (the difference between the yields on non-government bonds and equivalent maturity government bonds), based on the Bloomberg Euro Aggregate Index, narrowed over the year by 45bps to 139bps.

Market Data – Longer Term Returns

Performance of Benchmark Indices to 30th June 2023

Asset Class	Market Benchmark Index	Q2 2023 (%)	YTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)
Equities	FTSE All World	5.8	11.5	12.1	12.6	10.1	11.2
	FTSE World	6.4	12.6	13.8	13.6	10.7	11.6
	FTSE All World Developed	6.5	12.7	13.9	13.5	10.8	11.9
	MSCI Emerging Markets Index	0.5	2.6	-2.5	3.3	2.3	4.8
	FTSE All World Eurobloc	3.3	15.8	24.4	12.4	6.8	8.8
	FTSE Europe ex UK ex Eurobloc	2.3	7.9	12.4	10.8	11.1	9.4
	ISEQ Index	5.1	24.2	41.2	15.1	6.2	10.0
	FTSE UK	2.4	7.2	10.1	13.3	4.3	5.9
	FTSE North America	8.0	14.2	14.0	15.1	13.4	14.4
	FTSE Japan	5.4	10.0	12.9	6.9	4.6	7.6
	FTSE Pacific Basis ex Japan	0.0	1.5	3.4	8.1	4.4	6.7
Factor Indices	Multi Factor	2.7	5.0	8.4	-	-	-
	Value	2.3	4.2	8.4	-	-	-
	Low Volatility	2.5	5.2	7.1	-	-	-
	Momentum	2.8	3.9	8.0	-	-	-
	Quality	3.0	6.6	10.0	-	-	-
	Max Deconcentration	3.5	7.0	10.5	-	-	-
Bonds	BoAML Eur Gov > 5 year Index	0.4	3.1	-6.2	-8.2	-2.4	1.7
	BoAML Eur Gov > 10 year Index	0.8	4.0	-8.1	-11.2	-3.2	2.2
	BoAML Eur Gov AAA > 10 year Index	0.1	2.3	-10.2	-12.3	-4.5	1.0
	BoAML Eur Gov AAA/AA > 10 year Index	0.3	2.5	-9.4	-12.7	-4.5	1.2
	BoAML Non Sovereign (Corporate Bonds)	0.3	1.6	-2.3	-4.7	-1.9	0.5
	Barclays Euro HICP-Linked	0.6	4.1	0.2	1.6	1.6	2.1
Currencies	USD / EUR	0.5	1.9	4.1	-1.0	-1.3	-1.7
	GBP / EUR	-2.4	-3.0	-0.3	-1.9	-0.6	0.0
	JPY / EUR	9.2	12.3	10.8	9.1	4.0	2.0
Other	Cash: 3-month Euribor	0.8	1.5	2.1	0.3	0.1	0.0
	Inflation: Irish CPI	1.7	3.6	6.1	5.5	3.4	1.8
	Oil: Brent Crude	-5.0	-10.9	-34.2	22.8	-0.8	-3.0

Source: Aon, Data Providers

Notes: 1) Factor indices are as provide by EDHEC

2) Period of great than one year is annualised

3) All returns are in EUR, except for the return on Brent Crude which is in USD terms.

Aon Fund Performance

There are currently 16 funds available to choose from in The Aon Ireland MasterTrust. The following table outlines the cumulative fund performance versus the respective benchmark over the last five years.

 [Further information](#)

Please refer to the Scheme Investment guide

Aon Fund Performance to 30th June 2023

Asset Class	Risk Rating	Fund	Q2 2023 (%)	YTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
Equity	7	Aon Passive Emerging Market Equity Fund	0.6	2.7	-2.4	3.4	2.3
		Benchmark	0.5	2.6	-2.5	3.3	2.3
		Relative	0.1	0.1	0.1	0.1	0.0
Equity	6	Aon Passive Global Equity Fund	6.5	12.7	13.8	13.3	10.4
		Benchmark	6.4	12.6	13.6	13.3	10.6
		Relative	0.1	0.1	0.2	0.0	-0.1
Equity	6	Aon Passive Global Equity (Hedged) Fund	6.8	14.2	16.1	11.3	8.0
		Benchmark	6.7	14.1	15.9	11.1	7.8
		Relative	0.1	0.2	0.2	0.2	0.3
Equity	6	Aon Active Global Equity Fund	4.3	12.0	9.5	10.3	6.8
		Benchmark	6.4	12.6	13.6	13.3	10.6
		Relative	-2.1	-0.6	-4.0	-3.0	-3.7
Equity	6	Aon Global Impact Fund	4.7	9.2	12.8	-	-
		Benchmark	6.4	12.6	13.6	-	-
		Relative	-1.7	-3.4	-0.7	-	-
Equity	6	Aon Passive ESG Equity Fund	7.2	14.3	14.5	13.6	-
		Benchmark	7.1	14.2	14.3	13.4	-
		Relative	0.1	0.1	0.2	0.2	-
Multi Asset	6	Aon Growth Fund	3.3	6.8	7.9	10.1	7.6
		Benchmark	3.3	6.8	8.1	10.0	8.5
		Relative	0.0	0.0	-0.2	0.1	-0.9
Multi Asset	5	Aon Balanced Fund	2.4	5.5	5.5	7.1	5.4
		Benchmark	2.5	5.5	5.5	6.8	5.9
		Relative	0.0	-0.1	0.0	0.2	-0.5
Multi Asset	4	Aon Moderate Growth Fund	1.8	4.5	4.1	4.4	-
		Benchmark	1.9	4.5	3.9	4.4	-
		Relative	0.0	0.0	0.1	0.0	-
Multi Asset	4	Aon Diversified Growth Fund	0.7	2.8	3.6	4.3	2.6
		Benchmark	1.8	3.5	6.1	4.4	4.1
		Relative	-1.1	-0.7	-2.6	0.0	-1.4
Multi Asset	3	Aon Defensive Growth Fund	1.1	3.5	2.2	1.8	-
		Benchmark	1.1	3.4	1.9	1.7	-
		Relative	0.0	0.0	0.3	0.1	-

Asset Class	Risk Rating	Fund	Q2 2023 (%)	YTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
Bonds	4	Aon Pre-Retirement Bond Fund	0.3	2.5	-9.3	-12.6	-4.5
		Benchmark	0.3	2.5	-9.3	-12.6	-4.5
		Relative	0.0	0.0	0.0	0.0	0.0
Bonds	3	Aon Inflation Linked Bond Fund	0.5	2.6	-1.4	0.1	0.1
		Benchmark	0.4	2.5	-1.4	0.0	0.1
		Relative	0.0	0.1	0.0	0.1	0.0
Bonds	3	Aon Passive Corporate Bond Fund	0.5	2.2	0.4	-3.1	-1.0
		Benchmark	0.5	2.1	0.1	-3.3	-1.2
		Relative	0.0	0.2	0.3	0.2	0.2
Bonds	2	Aon Cautious Growth Fund	-0.7	0.3	-0.3	-0.1	0.3
		Benchmark	1.3	2.5	4.1	2.3	2.1
		Relative	-2.1	-2.2	-4.4	-2.4	-1.7
Cash	1	Aon Cash Fund	0.7	1.2	1.4	0.1	-0.1
		Benchmark	0.8	1.4	1.9	0.2	-0.1
		Relative	-0.1	-0.2	-0.5	-0.1	0.0

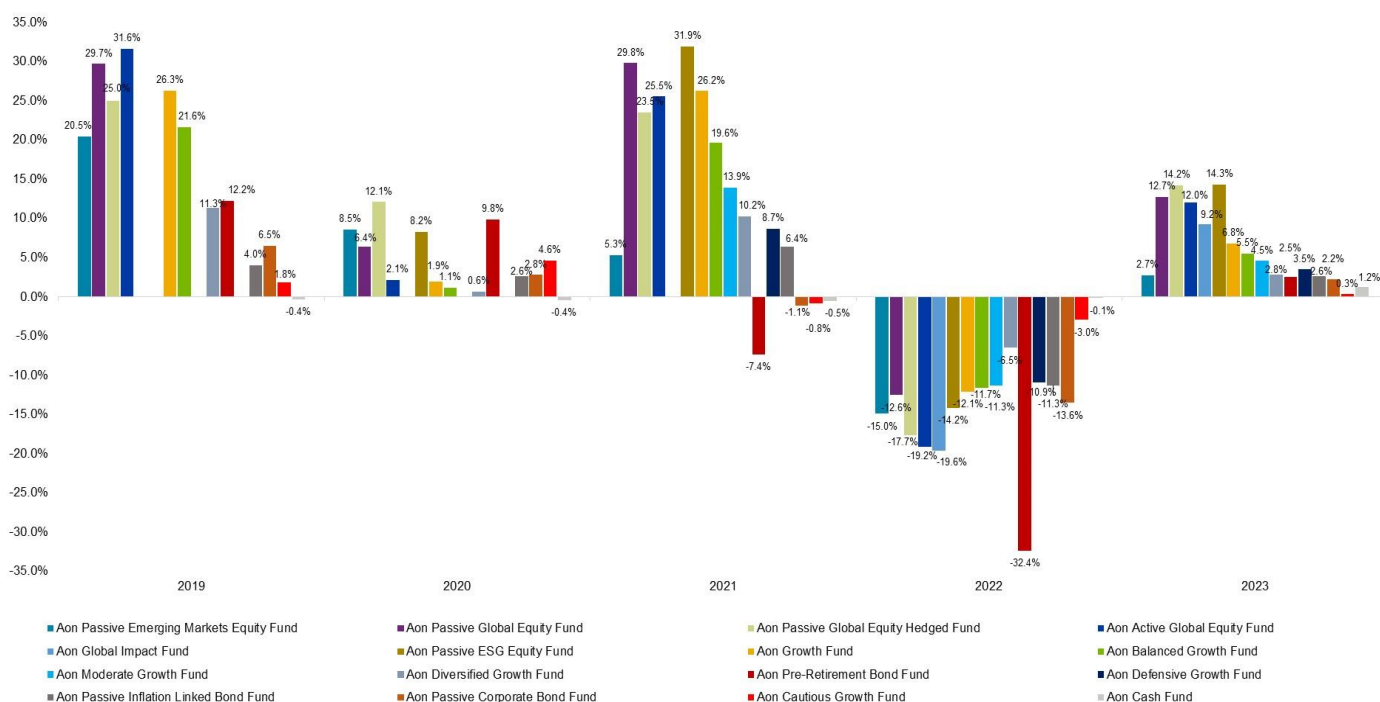
Source: Aon, Investment Managers

Notes: 1) Returns are quoted gross of fees and the performance shown for greater than one year is annualised.

2) Risk ratings as estimated by Aon.

Annual Return

The below chart shows the annual return of each investment fund over the last five years.



Default Performance

The Default strategy is an age-related Lifestyle strategy that invests in the Aon Balanced fund at younger ages, and gradually de-risks to the Aon Moderate Growth fund and the Aon Cash fund closer to retirement.

The table below outlines the performance of the Default Lifestyle strategy at different representative ages.

Further information

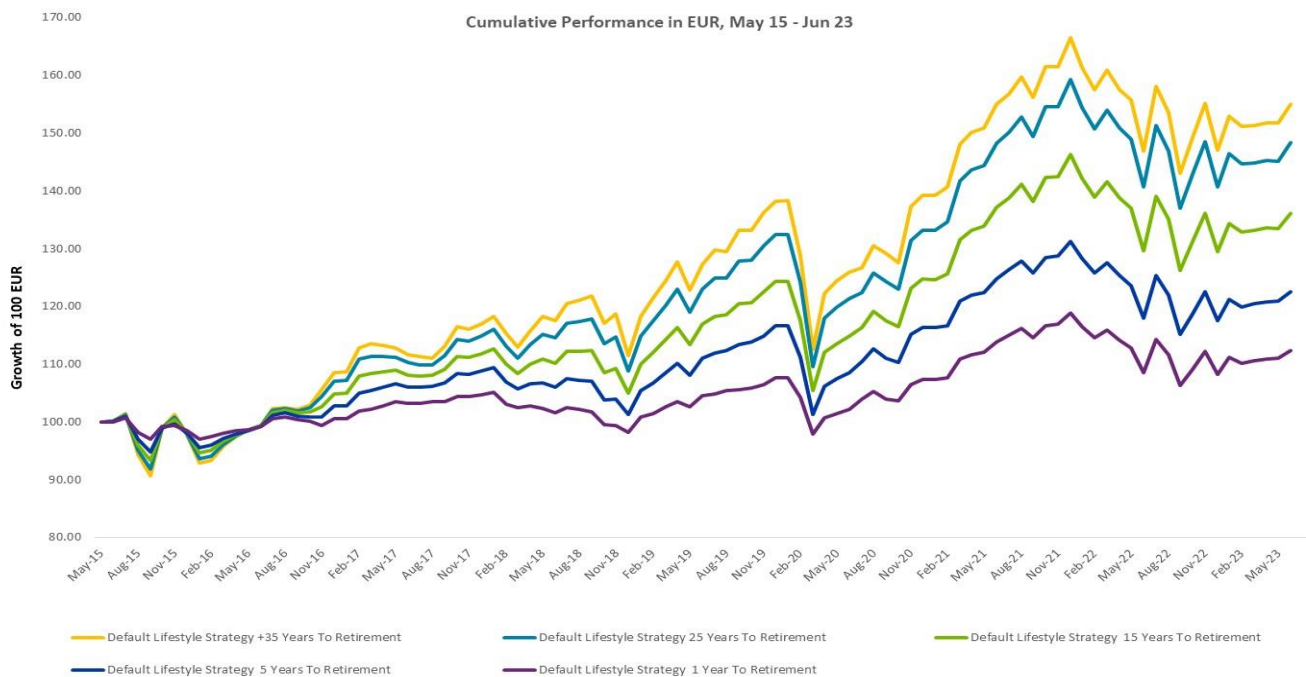
Please refer to the Scheme Investment Guide for further information on the Default Lifestyle Strategy and additional Lifestyle options

Fund Performance at Representative Ages	Q2 2023 (%)	YTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
35 Years + to Retirement	2.4	5.5	5.5	7.2	5.7
25 Years to Retirement	2.4	5.5	5.5	7.0	5.3
15 Years to Retirement	2.2	5.1	5.0	5.8	4.3
5 Years to Retirement	1.8	4.3	3.9	4.1	2.9
1 Year to Retirement	1.6	3.8	3.6	3.2	2.0

Notes: 1) Returns are quoted gross of fees and the performance shown for greater than one year is annualised.
 2) The Default Strategy is the Balanced to ARF Pathway Lifestyle Strategy from 11th November 2020, and the ARF Target Lifestyle before that date.
 3) Returns calculated by Aon and are the weighted average of the individual fund components at each age for illustrative purposes and may not be the exact return each member will achieve

Annual Return

The chart below illustrates the cumulative performance of the Default Lifestyle strategy at different representative ages.





Appendix

Asset Valuation and Cashflows

The below tables provide a breakdown of asset valuations, transactions and investment gains & losses over the twelve-month period to 30th June 2023.

Asset Valuations and Cashflows – Year to 30th June 2023

Fund Name	Opening Units	Price	Opening Value	Contributions / Withdrawals	Gain / Loss	Closing Units	Price	Closing Value
Aon Balanced Fund (Series D)	2,459,873	€1.240	€3,050,243	€179,866	€166,204	2,600,546	€1.306	€3,396,313
Aon Cash Fund (Series D)	3,548,074	€0.961	€3,409,699	€(1,161,359)	€29,559	2,341,109	€0.973	€2,277,899
Aon Cautious Growth Fund (Series D)	158,564	€1.013	€160,625	€(7,409)	€(1,307)	151,153	€1.005	€151,909
Aon Diversified Growth Fund (Series D)	805,535	€1.072	€863,534	€(135,426)	€25,663	681,528	€1.106	€753,770
Aon Growth Fund (Series D)	935,342	€1.555	€1,454,457	€(113,729)	€109,822	866,000	€1.675	€1,450,550
Aon Moderate Growth Fund (Series G)	2,507,077	€1.076	€2,697,615	€625,541	€108,860	3,075,283	€1.116	€3,432,016
Aon Passive Global Equity (Hedged) Fund	-	-	-	€28,571	€1,865	21,616	€1.408	€30,435
Aon Passive Global Equity Fund (Series D)	-	-	-	€28,273	€2,148	15,944	€1.908	€30,421
Aon Pre-Retirement Bond Fund (Series D)	140,399	€0.947	€132,958	€775	€(13,523)	140,268	€0.857	€120,210
Total			€11,769,130	€(554,897)	€429,290			€11,643,523

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