2024

2024 Investment Outlook

Prepared by
Seaspray Private
January 2024

Executive Summary

After a negative twelve months in 2022 for the majority of risk assets, 2023 can best be described as a year of **3 Rs : Recovery, Resilience and Rollercoaster**, particularly for equities and bonds. Recovery in 2023 was driven by a combination of suppressed valuations post 2022, better news on inflation, Central Banks' interest rate hikes and tightening cycle peaking in the second half, and the " AI" revolution and optimism surrounding innovation in the Artificial Intelligence sector, driven by the performance of the Mega Cap Tech stocks - The Magnificent 7 : Apple, Microsoft, Nvidia, Amazon, Meta, Alphabet and Tesla.

As we enter 2024, the consensus view is that interest rates have now reached a peak and with the outlook for greater price stability and inflation moving closer to target 2.0- 2.5% levels, the market expects rates to move in a downward cycle as we move through the year, with H2 the likely timing.

At Seaspray, we believe that the Global Economy will perform better than many expect in 2024, based on our view that rate hikes have already delivered their biggest hits to GDP growth and Central Banks will have the room to reduce rates if they are concerned that the economy is slowing. Central Banks do not need a recession to bring inflation down, and we believe therefore that they will be trying hard to avoid one.

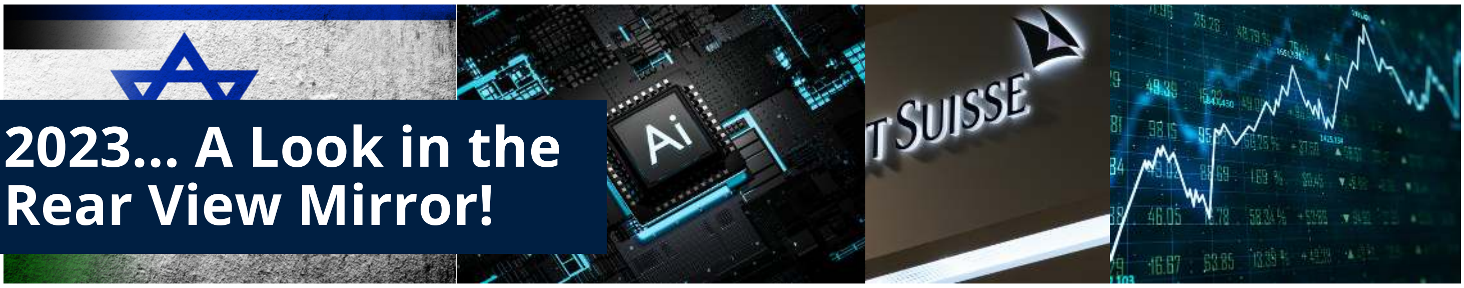
Against a backdrop of lower inflation, rate cuts, still strong labour markets and earnings remaining resilient, we believe 2024 can support continued recovery and a soft landing across the developed economies, supporting risk assets and providing opportunities across investment growth themes such as the AI revolution and Disruptive Technologies, Circular Economy and Climate Change.

Headwinds as we see it : From a risk perspective, inflation data and subsequent interest rate expectations remain a dominant topic. The market is already forecasting a number of rate cuts from the Federal Reserve and ECB throughout 2024.If these cuts fail to materialise, risk assets and market sentiment may suffer. Geopolitical risks continue to dominate with no sign of resolution to the war in Ukraine which is entering its third year, and the Israel / Hamas conflict and the potential for escalation across the Middle East.

2024 will also see more than 2 billion people across 50 countries heading to the polls - a record high, dominated by the US Presidential election in November and European elections in June and the likely scenario of a UK General Election in Q4.

As we move into 2024, our key message / advice for our clients remains : The investment journey is long term and it is vital to keep focussed on the long term goals and objectives within each individual's own risk tolerances - The 'sleep at night' factor. **Patience ...Time.. and Diversification** are key ingredients to a successful long term journey.

Every year is a rollercoaster year - with volatility, uncertainty, opportunity and growth all part of the cycles encountered along the investment journey. If we look at equity returns over the long term, and the Global MSCI Index: Over a period of 45 years from December 1978 to date, including 12 negative years in the period, the annual growth rate has been 10.13% per annum, delivering a significant premium over inflation, cash and bonds.

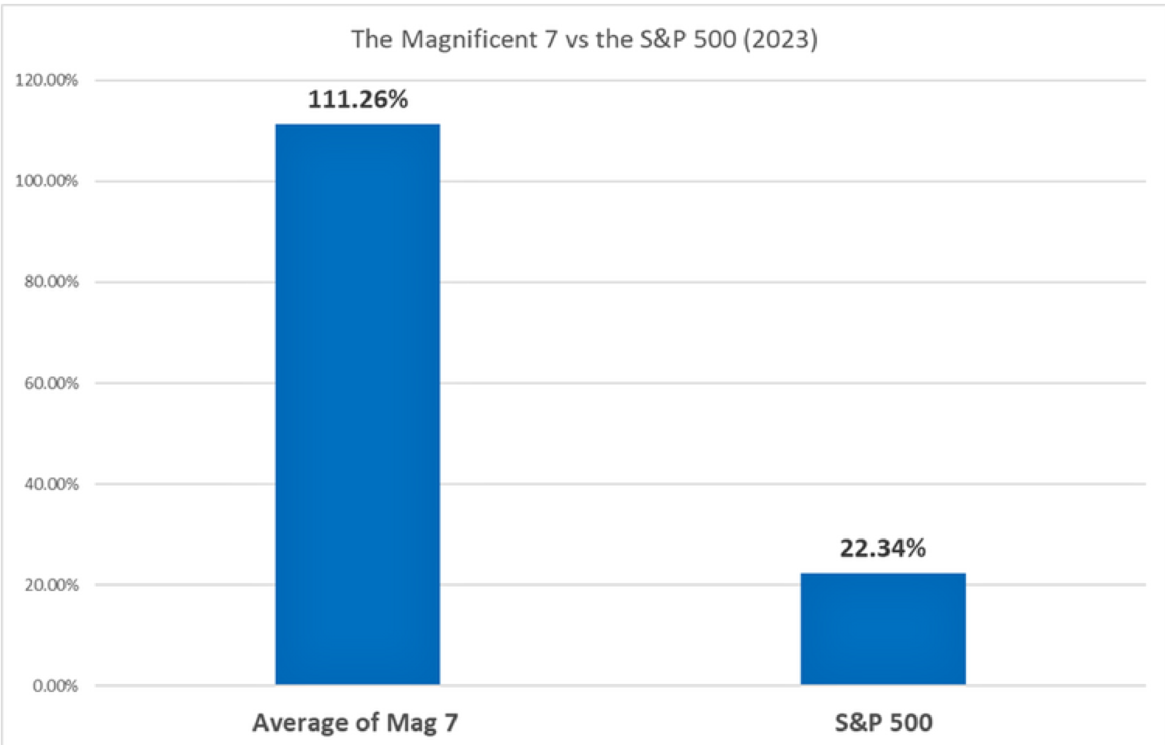


2023... A Look in the Rear View Mirror!

Strong recovery as Equity Markets have their best year since 2019....

Overall Global Markets rose by 21.6%,with stellar performance from the Mega Cap Tech stocks - The Magnificent 7 - delivering a total return of just over 110% , accounting for two thirds of the total gain in the S & P 500 in 2023.

Source: Seaspray (2024)



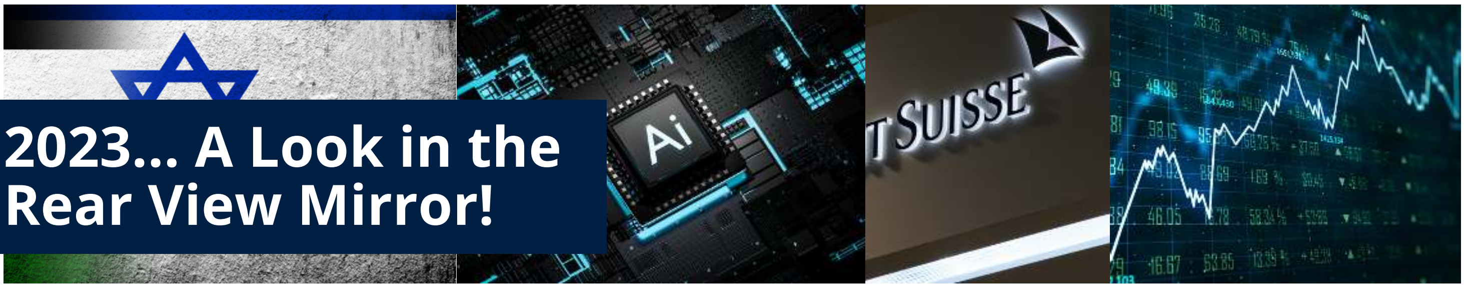
Source: Seaspray (2024)

In a Rollercoaster year, Q4 saw a strong rally across both equity and bond markets on better than expected inflation numbers and Central Bank statements confirming the end of the tightening cycle - interest rates at a peak. This had a positive impact on full year performance across Multi Asset portfolios as seen in the chart below:

	1-Month	3-Month	2024 YTD	2023 Calander Year
Equity Indices				
S&P 500	2.43%	9.02%	-1.52%	22.34%
Nasdaq	1.28%	8.14%	-3.25%	43.42%
DAX	-0.83%	9.12%	-0.79%	20.31%
EuroStoxx 50	-1.34%	7.68%	-1.29%	19.19%
ISEQ	1.49%	4.10%	-1.45%	22.23%
FTSE 100	1.57%	2.38%	-0.78%	3.78%
Multi-Asset Funds				
Aviva Multi-Asset ESG 3	1.82%	5.85%	-0.77%	6.17%
Aviva Multi-Asset ESG 4	1.79%	6.18%	-0.87%	9.42%
Aviva Multi-Asset ESG 5	1.72%	6.29%	-0.95%	12.55%
Irish Life MAPS 3	1.24%	4.45%	-0.63%	9.10%
Irish Life MAPS 4	1.49%	4.80%	-0.72%	10.97%
Irish Life MAPS 5	1.63%	4.92%	-0.92%	12.19%
New Ireland iFunds 3	1.30%	3.80%	-0.20%	6.13%
New Ireland iFunds 4	1.30%	4.20%	-0.30%	8.77%
New Ireland iFunds 5	1.40%	4.60%	-0.40%	11.88%
New Ireland PRIME 3	1.20%	4.10%	-0.20%	6.71%
New Ireland PRIME 4	1.50%	5.50%	-0.50%	10.94%
New Ireland PRIME 5	1.80%	6.30%	-0.60%	13.13%
New Ireland Water Fund	0.30%	9.80%	-1.80%	15.90%
New Ireland Alternative Energy	2.40%	10.40%	-4.30%	2.12%
Zurich Prisma 3	1.29%	4.37%	-0.66%	8.96%
Zurich Prisma 4	1.74%	6.46%	-1.20%	13.98%
Zurich Prisma 5	1.69%	6.87%	-1.49%	18.80%
Bonds				
US Government Bonds	1.47%	5.26%	-1.10%	0.64%
US Corporate Bonds	1.21%	8.68%	-1.81%	4.96%
European Government Bonds	0.94%	7.18%	-1.60%	8.71%
European Corporate Bonds	0.63%	4.74%	-1.27%	4.64%
Currencies				
EUR/USD	1.64%	3.32%	-0.97%	3.12%
EUR/GBP	0.37%	-0.46%	-0.77%	-2.00%
GBP/USD	1.26%	3.81%	-0.15%	5.22%
USD/JPY	-0.23%	-3.16%	2.65%	7.59%
Commodities				
Gold	0.59%	9.78%	-2.23%	13.45%
Brent Crude Oil	1.17%	-9.28%	-0.40%	-10.32%

SOURCE - SEASPRAY (2024)

2023... A Look in the Rear View Mirror!



Highlights

- Over the course of the year, with energy prices cooling, markets saw inflation steadily fall as higher interest rates across the globe finally started to reverse the impact of higher prices.

- March saw the emergence of a bank- run on US lender Silicon Valley Bank. The ensuing uncertainty led to its collapse and caused significant disquiet in the financial sector. This uncertainty resulted in a sell-off of banking assets and also culminated in the downfall of major global bank Credit Suisse.However, the broader market was mostly insulated from the negative moves within the sector, following swift policy action/reaction from monetary authorities.

- From the lows of September 2022 up to July 2023 , a Bull Market emerged in the US and Europe with gains in excess of 20%, followed by a tech correction down c10% and market pull-back of over 8% during Q3 on the back of more hawkish rhetoric from the FED and ECB with continued concerns over inflation/price stability - *Interest rates higher for longer*.

- With near full employment on both sides of the Atlantic and a record US company earnings season in Q3, all major economies avoided recession and in the US and other major countries, the unemployment rate remained buoyant, near or at all-time lows.

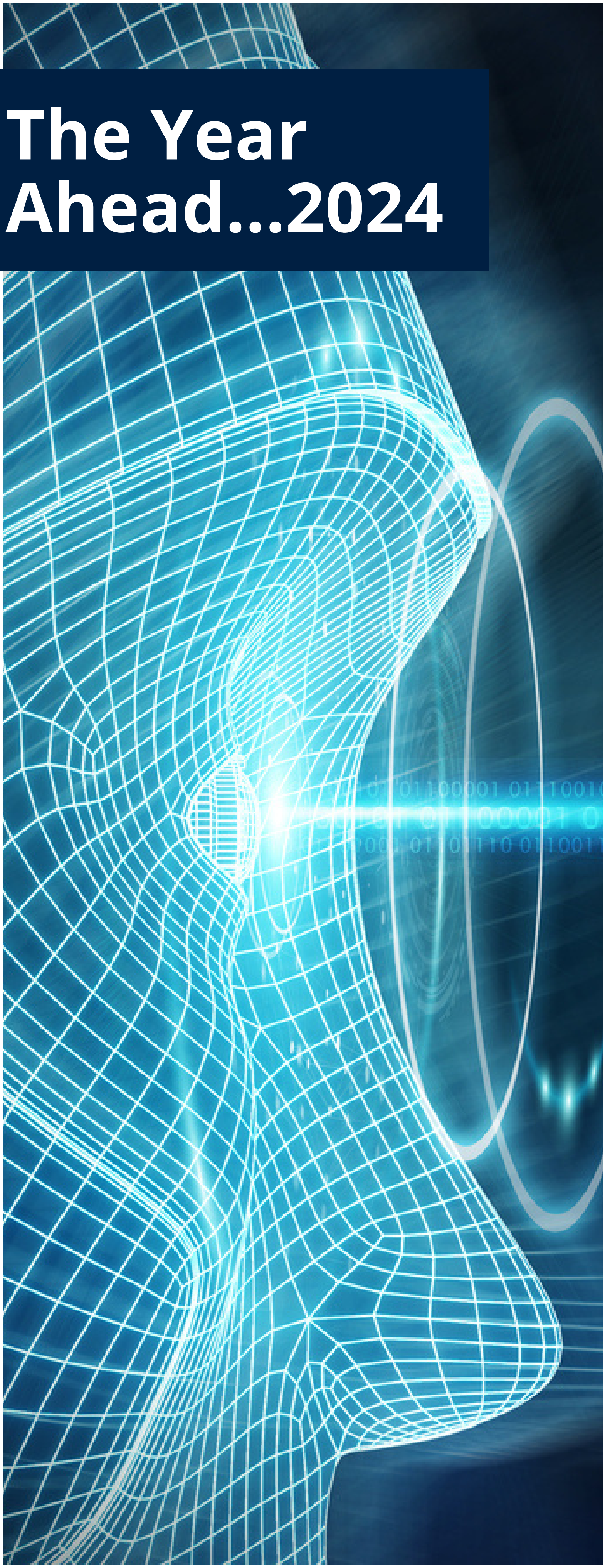
- Over the course of 2023, US inflation having peaked in quarter 1, saw a slow but steady fall to finish the year at 3.1%. In Europe the average inflation ratefell from 8.6% in January 2023 to 2.9% in December 2023. In Ireland from a high of 8.5% in February, this fell to 3.9% while the UK inflation rate fell from a high of 10.5% down to 3.9%.

- High interest rates peaked during the summer of 2023; The US Federal Reserve paused its rate hike cycle in June maintaining rates at 5.25%-5.5% target range.The policy rate remains at its highest level since 2001. In Europe, the ECB raised the marginal lending rate to a high of 4.5% and its key deposit rate to 4%- the highest since the inception of the single currency bloc in 1999.

- Q4 also saw a huge two month rally in bond prices, as lower inflation data in both EU and US saw yields fall significantly, offering some modest level of capital return to investors, and rescued fixed income markets from an almost unheard of third straight year of declines.

- 2023 was also a year of continued geopolitical risk and uncertainty, and tragic loss of life, with the continued War in Ukraine showing no signs of a negotiated settlement and in October, the Hamas attack on Israel igniting the war between Israel and Hamas, and destabilisation across the Middle East.

The Year Ahead...2024



At Seaspray, we believe that the Global Economy will perform better than many expect in 2024, based on our view that rate hikes have already delivered their biggest hits to GDP growth and Central Banks will have the room to reduce rates if they are concerned that the economy is slowing.

Our Macro Base case :

A Soft Landing for 2024 with GDP growth remaining close to, or modestly below trend across Developed Markets, with inflation cooling to broadly target - consistent levels by the year end.

Global Economic Outlook

We believe Global GDP will exceed expectations, as happened in 2023, with the US particularly outperforming its developed market peers . Labour markets are showing robust numbers, having recovered above pre-Covid pandemic levels and the likelihood is that the disinflationary pressures currently evident in the G10 economies (with the exception of Japan), will continue during 2024, with target rates of between 2-2.5% now predicted on average. Many of the world's largest economies look like avoiding recession in 2024, with the probability of one in the US, for example, now much lower than the general consensus.

As inflation normalises, Central Banks will have much greater scope to start cutting interest rates and this is a trend we are likely to see during the coming year.

"Many of the world's largest economies look like avoiding recession in 2024, with the probability of one in the US, for example, now much lower than the general consensus....."

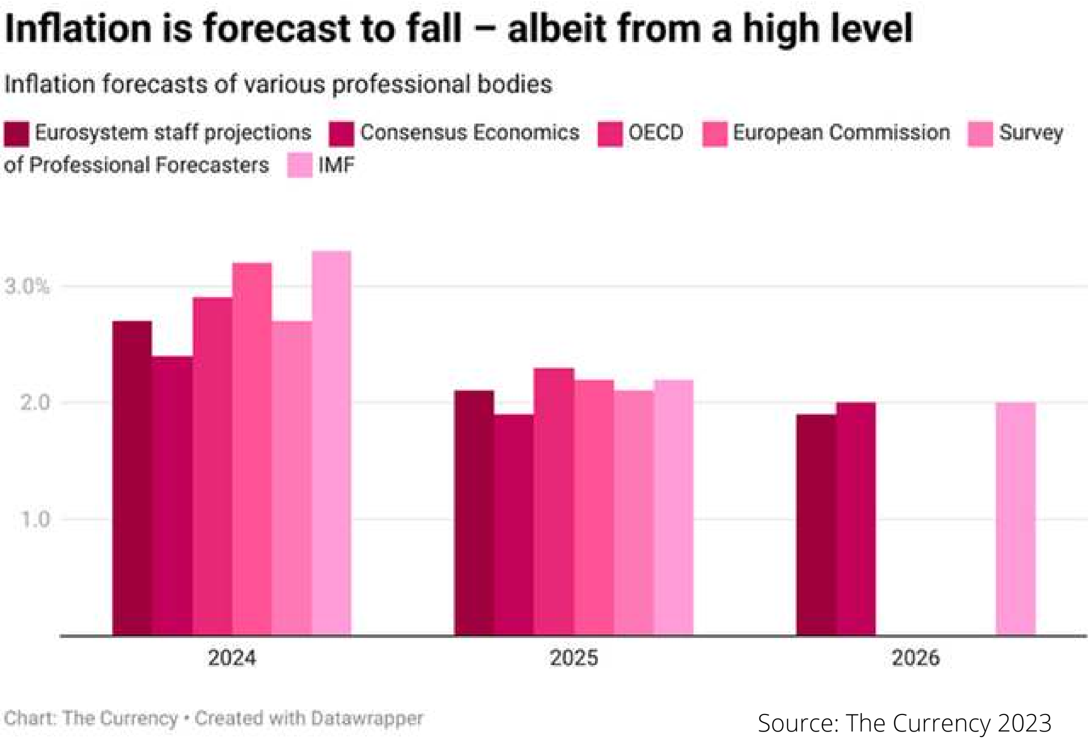
Inflation

We do not see the last mile of disinflation as particularly hard...

Quarter 4 of 2023 saw inflation finally move rapidly lower from the highs of 2022. To put this in context, last January eurozone inflation was 8.5 per cent. At the most recent reading in November, it was 2.4 per cent. The drop in inflation has been the single biggest driver to the continued growth in the global economy and in turn to the strong performance of stock markets particularly in the final quarter of 2023. Stock market investors could see that inflation was working its way out of the system. As we enter Q1 2024, the supply and demand of goods have grown more balanced, and the impact of this on core goods disinflation is still unfolding and is forecast to continue through most of the year.

With the fall in inflation towards the target level of global central banks, economies have the capacity to grow a bit faster. Last year, we had forecast inflation would fall over 2023 however we hadn't expected it to fall to 2.4 per cent by year end. It is now expected that inflation will continue the downward movement over the coming years as outlined in the chart below. We forecast that it will average 2.2% across developed economies in 2024..

Our forecasts assume that the Federal Reserve (the US central bank) and the European Central Bank have already concluded their policy rate increases, although demand-side pressures on some prices mean that both institutions are unlikely to begin lowering rates until mid-2024. Some emerging markets will choose to do so earlier to support growth, under the assumption that El Niño weather effects will not be significant enough to drive another major spike in food prices. We do not expect a return to the near-zero interest rates of the 2010s over the next five years, with higher trend investment and tightness in labour markets (related to population ageing and workforce changes) keeping a floor under inflation.



Source: The Currency 2023

Global Growth

Worldwide growth is forecast to grow by 2.6% on an annual average basis, whilst the latest World Bank forecast for global growth is 2.4% for 2024. This compares to 2.6% in 2023, 3% in 2022 and 6.2% in 2021 when there was a rebound as the Covid pandemic ended.

Whilst slightly lower in its growth forecast, and slowing growth trend, it underpins our base case scenario for a Soft Landing in 2024, with growth remaining close to, or modestly below trend across Developed Markets. Despite China's economy slowing to less than 4% growth rate by 2028, it is widely forecast that developing and emerging economies will contribute about 60% of global GDP growth over the next five years,helped by stronger contributions from South and South-east Asia, among other regions.

Supply-chain restructuring and global investment in resources that are critical to future industries and the green transition, will create opportunities for developing economies such as India, Indonesia, Mexico and Poland. The rising economic weight of emerging markets points to a shift in global power, although the US, aided by its network of alliances, the limited appeal of its major geopolitical rivals and its economic and financial influence, will retain its predominance. We are sceptical, for example, that the BRICS+ grouping (Brazil, Russia, India, China and South Africa, to be joined by Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the UAE from 2024) will develop an effective global agenda, given divisions among its members, let alone successfully advance de-dollarisation.

Assuming no major escalation in geopolitical risk, such risk will encourage firms to revisit approaches to their supply chains and target markets, influenced and increasingly cajoled by government policy. Waning investor interest in China will lead other markets to secure higher allocations of global capital in the coming years.

Global Growth

Real GDP growth forecasts
(% change, yoy)

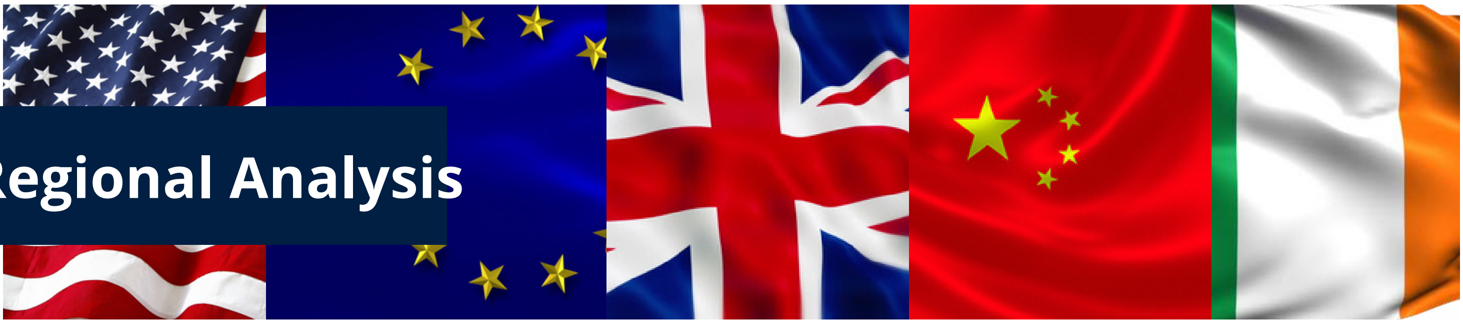
	2023E	2024E	2025E
World	2.7%	2.6%	2.7%
US	2.4%	2.1%	1.9%
Euro Area	0.5%	0.9%	1.5%
Germany	-0.1%	0.6%	1.3%
France	0.9%	1.1%	1.3%
Italy	0.7%	0.7%	1.2%
Spain	2.4%	1.7%	1.7%
China	5.3%	4.8%	4.2%
Japan	1.9%	1.5%	1.1%
UK	0.5%	0.5%	1.0%
Canada	1.3%	1.1%	1.7%
India	6.4%	6.3%	6.5%
Brazil	3.1%	1.6%	2.4%
Russia	2.4%	2.1%	1.3%

All forecasts as of Nov. 8, 2023, at 11am EST. All forecasts are calculated on calendar year basis except when otherwise stated. IMF forecasts used for India 2025 consensus when quarters not available in Bloomberg. The global growth aggregates use market FX countryweights. Source: Bloomberg, Goldman Sachs Research

Goldman Sachs

Source: Bloomberg, Goldman Sachs Research 2023

In the near term, a concern for global economic growth is the situation in the Red Sea, where, in December shipping was being interrupted due to attacks on cargo ships by Houthi rebels who have been attacking Cargo ships and taking hostages. The short-term result of which is that a number of major international shipping lines have decided to reroute their main ships from going through the Middle East to going around South Africa and onto Asia. This will have the impact of driving up costs in the short term and also result in delays in the supply line. However, the delays may only be circa a week or two, as opposed to the months and months supply shortages that were experienced in the first half of 2023. It is not expected that these delays in supply will add materially to inflation in 2024 but if the situation deteriorated, then this particular issue would have to be re-visited.



Regional Analysis

USA

Our baseline U.S. economic forecast for 2024 can be summed up by the number 2024 – 2% growth, 0 recessions, 2% inflation and unemployment staying at roughly 4%.

“Looking into 2024, economic conditions are expected to deteriorate modestly, though real GDP growth and the pace of job gains are expected to remain positive, and inflation is expected to decline to around 2.5%” is how Kevin Kliesen, a business economist and research officer at the Federal Reserve Bank of St. Louis, puts it. “This outcome, should it occur, would seem to vindicate those who have long believed in the possibility of a soft landing for the economy.”

The key difference in 2024 for most Americans will be the moderation in inflation. After seeing consumer prices spike to a 9% annual level of inflation in mid-2022, the level of inflation has fallen to around 3% and is expected to decline further next year down to the mid-2% range or lower. Prices will still be going up, and from inflated levels, but the rate will be closer to levels that are more in line with pre-pandemic history. Interest rates, having peaked in 2023, will be on the downward trajectory even if they settle at a higher level than before the COVID-19 era.

“These two dynamics of robust employment and falling inflation will result in notable gains in real disposable income for American households and will be the difference between the solid expansion that we forecast and a more modest pace of growth closer to 1%,” (RSM US economists).

The labour market is predicted to cool after proving far stronger than expected in 2023. Monthly job gains are forecast to hit around the 100,000 mark after being more than double that for much of 2023. The unemployment rate could tick up to 4% or so from its current 3.7% level.

One development that offers promise is that productivity has picked up recently, reaching the 4.7% level in Q3 and advancing at a 4% rate over the past six months. Companies have been investing heavily in new manufacturing capacity, as well as in new technologies such as robotics and artificial intelligence.

“AI is all the buzz now, driving outsized gains in the top technology stocks in 2023, but some caution is warranted.The impact should not be exaggerated, the silicon cycle is moving upward right now” (Takahide Kiuchi the Nomura Research Institute).

With a combination of manufacturing recovery, increased corporate earnings levels, a closing of the “jobs-to-workers” gap, and falling inflation expectations, we expect that the Federal Reserve in the USA will start cutting interest rates towards the end of Q1 and into Q2 2024. During its December 2023 meeting, the Fed forecast three quarter-point rate cuts in 2024, which could bring the federal funds rate to a range of 4.5% to 4.75% by the end of 2024.

We believe the Fed will act cautiously through the year - Price Stability will continue to be the key focus and the concern for the Fed will be that in a presidential election year they will not want to stoke further inflation and at the same time, not want to drive the US economy into recession - which based on the current growth rates of 2.1% , seems extremely unlikely.

Regional Analysis

Europe

The euro area economy weakened in the second half of 2023, dragged down by tighter financing conditions, subdued confidence and competitiveness losses. It is now expected to recover at a slightly slower pace than foreseen in the September 2023 ECB staff macroeconomic projections. Short-term indicators suggest weak economic activity in the fourth quarter of 2023. However, growth is expected to strengthen from early 2024, as real disposable income rises – supported by declining inflation, robust wage growth and resilient employment – and export growth catches up with improvements in foreign demand.

The impact of the ECB's monetary policy tightening and adverse credit supply conditions continues to feed through to the economy, affecting the near-term growth outlook. These dampening effects are expected to fade later in the projection horizon, supporting growth. Overall, annual average real GDP growth is expected to slow down from 3.4% in 2022 to 0.5% in 2023, before recovering to 0.9% in 2024 and stabilising at 1.5% in 2025 and 2026.

Over the medium term, GDP growth is projected to stabilise at rates broadly in line with the pre-pandemic average, supported by increasing real incomes and strengthening foreign demand.

Real GDP growth is expected to strengthen in 2024-2025 and to stabilise in 2026. While recent tailwinds are waning, growth is projected to be driven by abating inflationary pressures, helped by the unwinding of the energy shock, as well as by robust income growth. These factors, in the context of resilient labour markets, provide for a strong recovery in private consumption. Nevertheless, the withdrawal of energy and inflation compensatory fiscal support measures introduced since 2022, will have a small negative impact on growth in 2024-26.

Regional Analysis

United Kingdom(UK)

The UK is entering an election year with the economy struggling to grow as households and businesses come under pressure from rising borrowing costs, higher taxes and elevated living expenses.

Rishi Sunak is expected to send voters to the polls in 2024 having declared victory on his primary economic target to halve inflation in 2023. However, the Bank of England has warned the UK is facing a 50-50 chance of a recession, while living standards are on track to be lower at the end of the parliament than they were at the start of it for the first time on record.

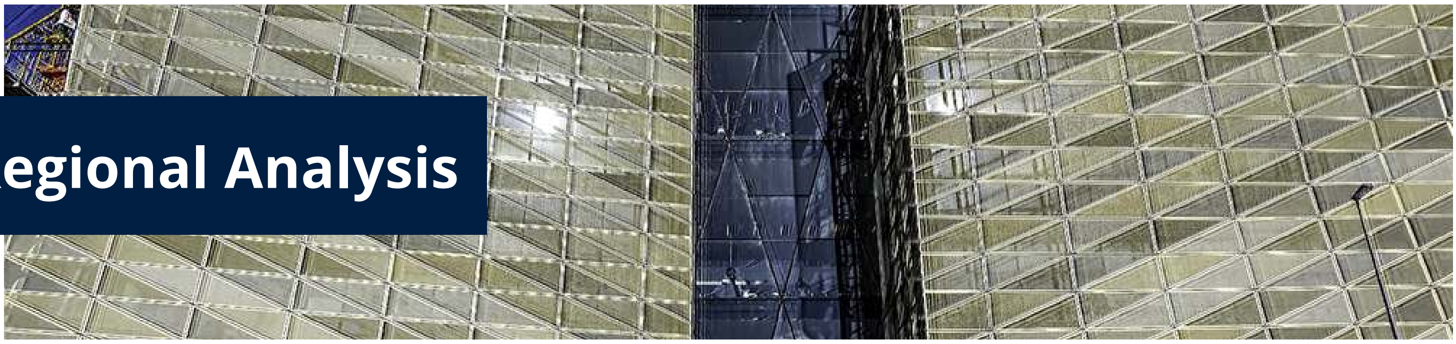
UK Inflation has fallen from more than 10% in January 2023 to 3.9% in November, driven mainly by cooling energy prices. However, the annual rate has stuck at persistently higher levels than anticipated, as the UK grapples with the highest rate in the G7.

While inflation is expected to continue to fall in 2024, the Bank is forecasting it to remain above its government-set target until the end of 2025, maintaining pressure on households. Financial markets are predicting that cooling inflation and weak economic growth will force the Bank to start cutting interest rates from the current level of 5.25% from as early as the summer, as central banks across advanced economies begin to dial back the toughest increase in borrowing costs for decades.

Ireland

The growth environment in Ireland remained quite robust in 2023, particularly the labour market and the public finances. Employment reached another record high of just over 2.5 million in September; with the unemployment rate , at a near full-employment rate , of 4.8 per cent of the labour force, Whilst there was a slow down in corporation tax in the August to October period, there was a strong rebound in the most important month of the year, November. Both VAT and income tax revenues were very strong throughout the year.

The current revenue receipts for 2023 are on track to be the highest in the history of the state. As a result, the Government has been able to announce the allocation of large funding for a range of special projects, including the new national fund and large investments in infrastructure development and also providing the State Development Land Company with funding to assist in acquiring land and funding to support developers looking to build new starter homes. Nevertheless, the year ended with official forecasting bodies such as the Central Bank and the ESRI suggesting that gross domestic product would decline in 2023.



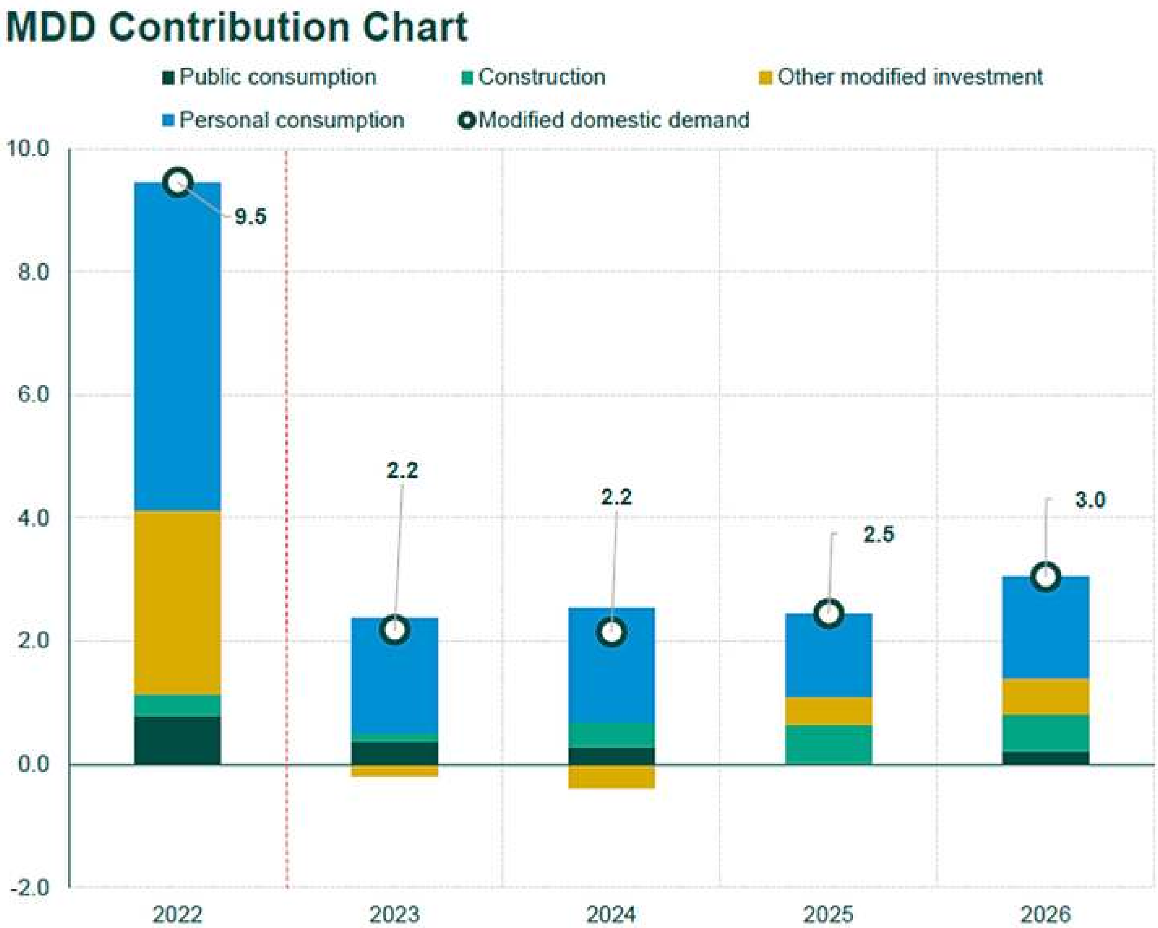
Regional Analysis

Ireland

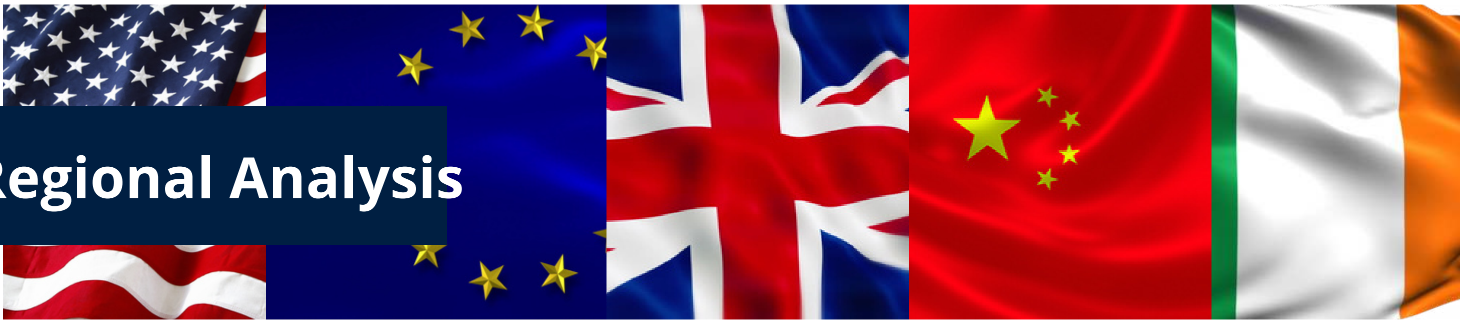
The multi-faceted nature of the economy frequently makes it difficult to decipher how economic conditions in Ireland are changing. This has rarely been more so the case than in 2023. In headline terms, economic activity, as measured by GDP, saw it contract for the year as a whole. GDP has contracted, driven by weaker cross-border exports along with a sharp drop in exports that are produced abroad, but counted in Irish National Accounts statistics.

Physical exports produced in Ireland have declined in 2023, due mainly to lower activity in the pharmaceutical and information and communication technology(ICT) manufacturing sectors. GDP has been further reduced by a sharp decline in offshore exports. Nevertheless, GDP does not provide a good indicator of economic conditions in Ireland, which are better measured by modified domestic demand (MDD) and employment. Consumer spending was stronger during the year, and this ensured that MDD held up reasonably well. The bottom line was the overall economy performed quite strongly over 2023 on several important metrics,but there was a definite easing of growth in export performance.

MDD is forecast to grow by 2.2 per cent in 2024, and by 2.5 and 3.0 per cent in 2025 and 2026, respectively. Personal consumption will continue to be the key driver of MDD going forward.



Source - Department of Finance (2023)



Regional Analysis

China

Policy rates to stay lower for longer.

Amid a backdrop of global economic resilience, China’s recovery from its lengthy Covid-19- related lockdowns has stuttered. A beleaguered property market, weak private-sector confidence and a reluctant, belated policy response has left the economy seeking firm footing. However, stimulus has gained momentum.

An unusual 1 trillion yuan ($140 billion) increase to the fiscal deficit, equivalent to 0.8% of GDP, signalled an important policy shift to buttress domestic demand and mitigate local governments’ financial constraints.

China’s economy is expected to grow by 4.5%–5% in 2024 amid intensifying external headwinds and a continued decline in sustainable potential, or trend, growth. The magnitude of stimulus will likely be more modest than after the 2008 GFC, when it was equivalent to around 12% of GDP. Financial stability concerns will likely limit the scale of stimulus to targeted measures. We expect coordinated monetary, fiscal and regulatory policy to work to ensure economic normalisation towards pre-pandemic trend levels with fiscal expansion to take the lead, facilitated by monetary easing—which could take the form of further cuts to the policy rate and banks’ reserve requirements—in addition to further support for the housing sector.

Policy interest rates will stay lower for longer—in contrast to the rest of the world—given requirements for growth, deleveraging and a decline in China’s neutral rate, a theoretical rate that would neither stimulate nor restrict an economy. Financial system vulnerabilities have grown as leverage has risen; rate differentials with developed markets could drive capital outflows. Although an anticipated slowing in US growth in 2024 should ease pressure on the yuan, we believe policymakers will continue to monitor cross-border capital flows closely, with increased fiscal and monetary policy coordination and strengthened macro-prudential regulations to manage financial stability and ensure a smooth deleveraging beyond 2024.

Regional Analysis

Emerging Markets

Despite interest rates having reached a cyclical peak in 2023, growth in emerging markets has remained resilient. With inflation's rise exacerbated by a need to protect their currencies, emerging market central banks were ahead of their developed market counterparts in raising policy rates—unlike in past rate-hiking cycles. Now, with inflation slowing, interest rates are becoming more restrictive, raising concerns about growth. In response, emerging market central banks are leading the cutting cycle.

Broadly,expectations are for central banks in Latin America and emerging Europe to cut rates modestly through 2024, with banks in emerging Asia to remain on pause for longer, until the second half of 2024. Beyond these cyclical rate cuts, interest rates look set to settle at levels higher than before the hiking cycle and to remain there for an extended period. Emerging market GDP is anticipated to grow mostly in line with consensus in 2024, and to a greater degree than developed markets.

Growth of around 4% is forecast for emerging markets broadly—around 5% for emerging Asia and 2%–2.5% for emerging Europe and Latin America. A divergence theme is likely to continue across regions. Emerging Asia should benefit from an upturn in the global tech cycle and a modest boost from the continued normalisation of China's economy. The euro area's flirtation with recession and its relatively stubborn inflation could leave growth in emerging Europe below trend and consensus expectations.

In Latin America, we expect growth below trend but in line with consensus, owing to lower expected US growth and more restrictive interest rates in both places, with inflation continuing to fall but at a slower pace. Still, upside risks remain in the form of volatile energy and food prices.

Gloal Equities

Price is what you pay, value is what you get.

In a higher interest rate environment, valuations matter much more than when interest rates are close to zero. Equities have been wonderful long-term investments, with the S&P 500 delivering a real return (after inflation) of more than 7% per annum over the last 150 years, compared to just 2% from US Treasuries. And yet, as we all know, equities are also highly volatile; there have been drawdowns of more than 10% in 29 of the past 50 years. Equity markets are fickle and can be quite unforgiving.

All the more reason, in our view, to focus on valuations and long term structural growth themes.Whereas the last decade was all about growth (especially revenue growth), the next decade is likely to be much more about finding companies that offer genuine value.

Companies in traditional sectors such as energy, financials, or industrials are not only highly cyclical, but also face major disruption from the transition to new technologies. In contrast, a company trading expensively on current metrics may turn out to be anything but if it delivers sustained growth and cashflows in the future. We think it will pay investors to focus on the longer-term, identify the areas with structural, under-appreciated growth, and commit strongly to those companies with sustained competitive advantage. Like anything, the price you pay for a security is the price you pay. Value is what you get.

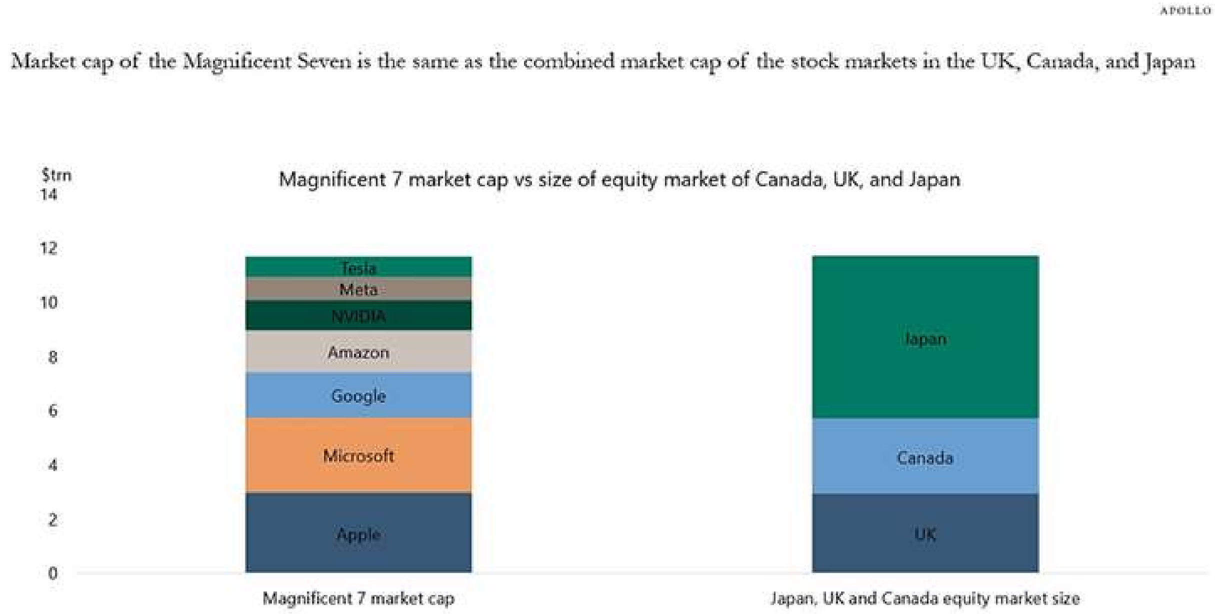
There is plenty of value in global equity markets, especially for the patient investor.

As Warren Buffett regularly reminds us, it's tough to bet against the S&P 500. Since the end of 2010 the S&P has delivered, in US dollar terms, a cumulative return of 340% compared to 95% for European equities and just 20% from emerging markets. China has delivered a negative return over that period.

The US corporate sector remains, in aggregate, better managed and more innovative than pretty much any other. It has a unique constellation. High growth areas such as technology, communications, or healthcare account for a far higher proportion of the index than in other regions. The IT sector, for example, now accounts for circa 28% of the S&P 500 compared to just 6% in Europe.

Throughout 2023, the US equity markets demonstrated resilience amid a backdrop of robust economic data, strong corporate earnings, and accommodative monetary policies. Technology stocks continued to lead the market, supported by innovation, digital transformation, and favourable economic conditions. Healthcare, particularly biotechnology, also contributed to market gains.

On the basis of the above it is likely that the S&P will continue to trade at a premium to other markets. However, it is notable that the valuation gap has widened significantly between the US and the rest of the world. To put this into context, the market capitalisation of the "Magnificent 7" group (responsible for most of the return from global equities this year) is now equal to the combined market cap of the UK, Japan and Canada. Historically, while such polarisation has often persisted for long periods, inevitably at some point the gap closes.



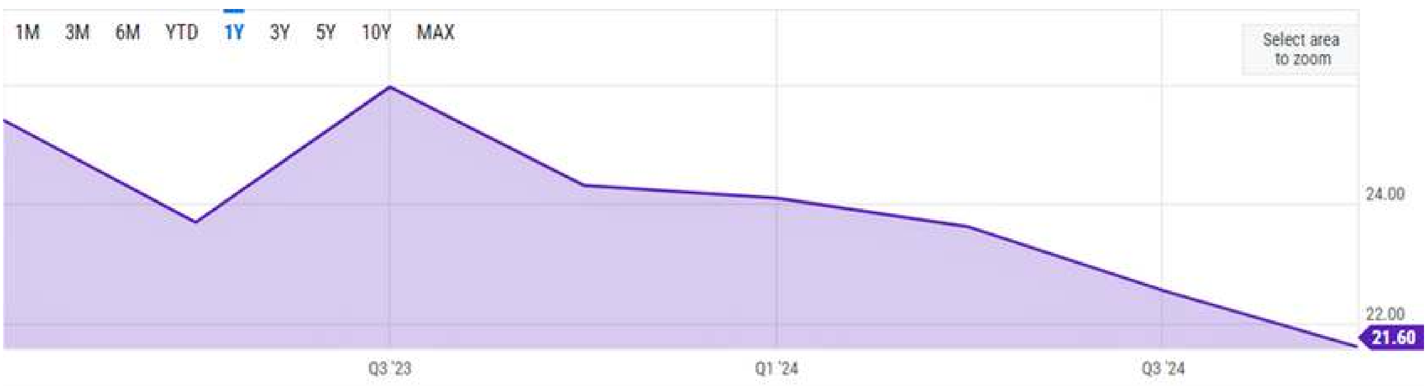
Source - Apollo Academy (2024)

To be clear: we are not negative on the US market. Stripping out the Magnificent 7 and other high growth names, the S&P 500 is trading only slightly above its long-term average. Indeed, small- and mid-cap US stocks look compellingly valued in many cases.

And in the case of the Magnificent 7 (Apple, Microsoft, Amazon, Alphabet, Meta, Nvidia and Tesla), although they may not have as far to run as before, they remain unique franchises with powerful and highly profitable business models. They are not going away anytime soon, and indeed are at the cutting edge of the Generative AI revolution.

We believe Artificial Intelligence has emerged as a core part of the long-term technology opportunity, with the Magnificent 7 leaders in the field over the coming decade.

Artificial Intelligence (AI) holds the potential to transform employment, drive faster productivity growth, and drive gains for investors. Business investment is likely to climb in 2024 as the benefits of AI to their businesses become more evident, offering the potential for a productivity payoff in the second half of this decade. AI-related stocks may benefit from increasing capital investment and provide an opportunity for investors as firms look to improve their business processes. But portfolio diversification remains important given the heightened volatility that often accompanies new technologies and likely shifts in leadership as the technology and adoption evolves.



Source - YCharts (2024)

The S&P 500 (above) is anticipated to have a forward P/E ratio of 21.60 times price earnings by the fourth quarter of 2024, lower than the 2023 fourth quarter P/E ratio of 24.31.

Global Equities

In Europe, equity markets witnessed a diverse set of influences during the final quarter of 2023. The continued economic recovery and positive corporate earnings in some member states contributed to overall market optimism. Technology and green energy sectors performed well, driven by increased investment in digital infrastructure and the EU's commitment to sustainable initiatives.

However, concerns over supply chain disruptions, inflationary pressures, and geopolitical uncertainties introduced volatility. Trade tensions with key partners, coupled with the potential impact of regional conflicts, influenced sectoral performances. Investors closely monitored the European Central Bank's policy decisions and its approach to managing inflation and supporting economic growth.

We believe the prospects for further accretion in the value of European equities into 2024 are positive. The European equity market (as represented by the MSCI Europe Index) remains attractively valued at 12.5x forward earnings, which is below long-term median values and the expected earnings growth for the next two years is 6% for 2024 and 9% for 2025, respectively.

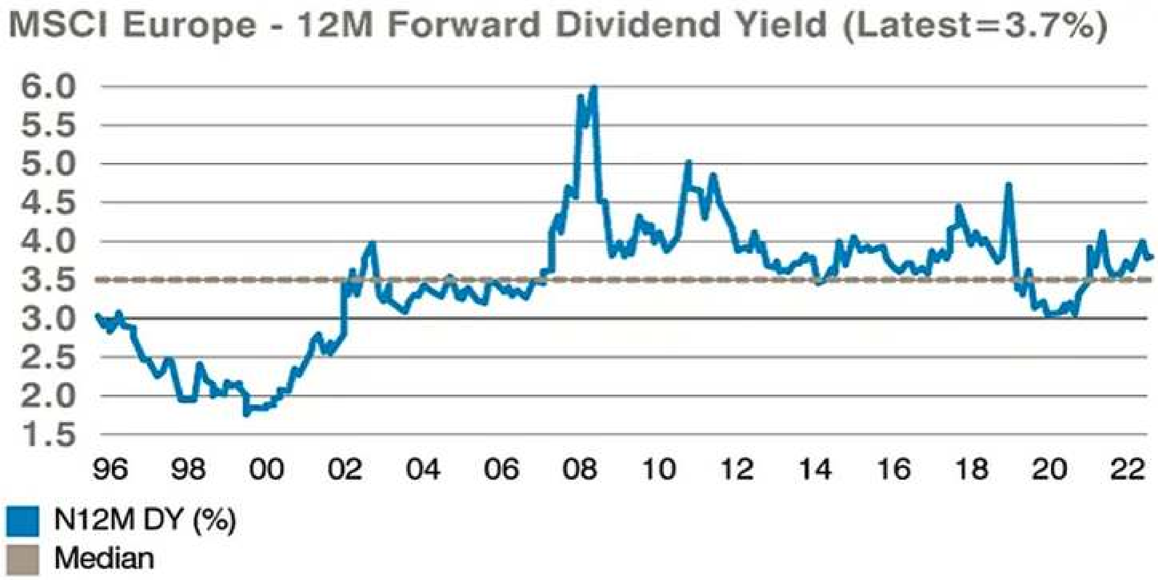
The prospective dividend yield is also very attractive at 3.7% (and well above median values) while share buybacks are becoming an increasingly important component of the European market, driven by banks and energy sectors and add about 2% to the dividend yield leading to an overall distribution yield of 5.7%. Despite the negative sentiment around the European economy, it is important to remember that only 42% of the revenues of the MSCI Europe Index are derived from Western Europe, with most revenues now derived from faster growing parts of the world; this changing exposure ultimately serves to increase the structural growth rate of the asset class.

European forward valuation multiples I

Source: Morgan Stanley, 6th Decemeber 2023

Global Equities

European forward valuation multiples II



Source: Morgan Stanley, 6th December 2023

Looking into 2024 we remain positive on the prospects for the European banking sector; market pricing of the stocks has failed to appreciate the sustainable nature of the increase in earnings/return on equity (ROE) from a return to positive interest rates. We think a return to the extreme interest rates of 2008-2021, which represented a multi-century low in rates, according to the Bank of England, is highly unlikely yet this is what is priced into share prices. As long as interest rates remain above 2% banks can continue to earn attractive ROE, which are well above any conservative estimate of the cost of capital, yet most of the sector still trades at a discount to book value despite returns on tangible equity between 12 and 20% for most stocks; this makes no sense. The energy sector shares some of the same 'market characteristics' as the banking sector with very low valuations relative to history and high cash returns, through dividends and buybacks.

Global Equities

Long term structural drivers

We believe a key area is semiconductor and semiconductor capex-exposed technology companies- particularly those at the forefront of the AI revolution.

We see a very large role for European integrated energy companies in the energy transition and indeed believe that the energy transition will not be possible without the engineering expertise and financial clout of European energy companies; European companies are active across activities such as solar and wind power deployment (onshore and offshore), green and blue hydrogen, electric vehicle (EV) charging roll-out, biofuels, sustainable aviation fuel, carbon capture and storage.

Other areas where we see an attractive combination of valuation, structural growth and decent returns are in industries that we expect to see strong impetus from decarbonisation and the transition to net zero. The transition to net zero is going to require a monumental pick up in physical capital expenditure – far higher than politicians have explained to their electorates – and this will be a strong demand driver for many companies over the coming decade.

In the UK, equity markets faced a confluence of challenges and opportunities. The post-Brexit environment, coupled with ongoing global economic uncertainties, impacted investor sentiment. The energy sector experienced volatility due to fluctuations in commodity prices, while financials were influenced by regulatory changes and the broader economic recovery.

The lacklustre performance has left the FTSE 100 index trading on a 12-month forward price-to-earnings multiple of about 10.5 times, some 15–20% below its long-run average and a third lower than global equities. Should 2023 turn out to be the trough for earnings there's good reason to think more positively about the FTSE 100 index in 2024, particularly if the US avoids a major recession and inflation pressures continue to subside. UK Equities are now at their cheapest level relative to global equities, according to RBC Wealth Management and Bloomberg. Below is the valuation of the FTSE All-Share Index versus the FTSE World Index up to the end of 2023.

Source: RBC Wealth management, Bloomberg

Global Equities

Swiss bank UBS forecasts that blue-chip earnings will grow by around 5% next year, having declined in 2023 due largely to the impact of a year-on-year fall in commodity prices.It expects the FTSE 100 to reach 8,160 by December 2024, which coupled with an attractive 4% dividend yield suggests investors could see double-digit returns on UK equities next year.As well as the benefit of earnings growth, it sees the potential for a slight re-rating as lower interest rates increase the present value of equity cash flow.

In Ireland, equity markets responded to both domestic and international factors. As a small, open economy, Ireland was sensitive to global trade dynamics and multinational company performance. The technology sector, which includes many major tech companies with a presence in Ireland, continued to be a key driver of the Irish equity market.

Irish companies engaged in sustainable practices attracted investor interest, aligning with global trends towards environmentally conscious investments. The evolving nature of Ireland's economic ties with the UK and the EU influenced sentiment, and investors closely monitored developments in trade agreements and regulatory frameworks.

In 2024 we see a number of areas commanding strong investor interest including AI and new developments in Pharmaceuticals. Outside of AI, novel treatments for obesity and Alzheimer's disease are presenting investment opportunities in 2024, creating new blockbuster drug categories. These advancements are spurring hope that an illness affecting hundreds of millions of people globally may be cured. Across healthcare and life sciences, we favour innovative companies with strong fundamentals and unique competitive advantages in their markets.

Bonds / Fixed Income

The fixed income markets in the final quarter of 2023 experienced notable shifts. The Broad Global Bond Market Index was +4.2%, which as forecast in our previous research notes, rescued fixed income markets from an almost unheard of third straight year of declines. Central banks' decisions on interest rates, economic indicators, and inflationary pressures played pivotal roles. Many central banks, including the Federal Reserve, faced the challenge of balancing economic growth against the need to contain inflation. Government bond yields fluctuated in response to these uncertainties, impacting fixed income securities. The bond market exhibited sensitivity to geopolitical tensions and global economic conditions.

In the United States, the Federal Reserve's communication on tapering and potential interest rate hikes dominated the fixed income landscape. As the U.S. economy showed signs of robust recovery, the Fed faced the challenge of normalising monetary policy without derailing economic growth. The tapering of asset purchases and discussions about the pace of future rate hikes influenced Treasury yields and market expectations.

The yield curve flattened at times during Q4, with short-term yields responding more actively to central bank signals than longer-term yields. The corporate bond market remained active, supported by favourable economic conditions and strong corporate earnings. Investors closely monitored inflation indicators, employment data, and Fed communications for insights into the trajectory of U.S. monetary policy.

The US 10 Year interest rates, in the last three weeks of 2023 suddenly fell from 5% to 3.9% as investors began to position for a 2024 of lower yields.

In the European Union, the fixed income markets experienced a mix of challenges and opportunities during the fourth quarter of 2023. The European Central Bank (ECB) continued to navigate the delicate balance between stimulating economic recovery and addressing inflationary pressures. The divergence in economic performance among EU member states added complexity to monetary policy decisions.

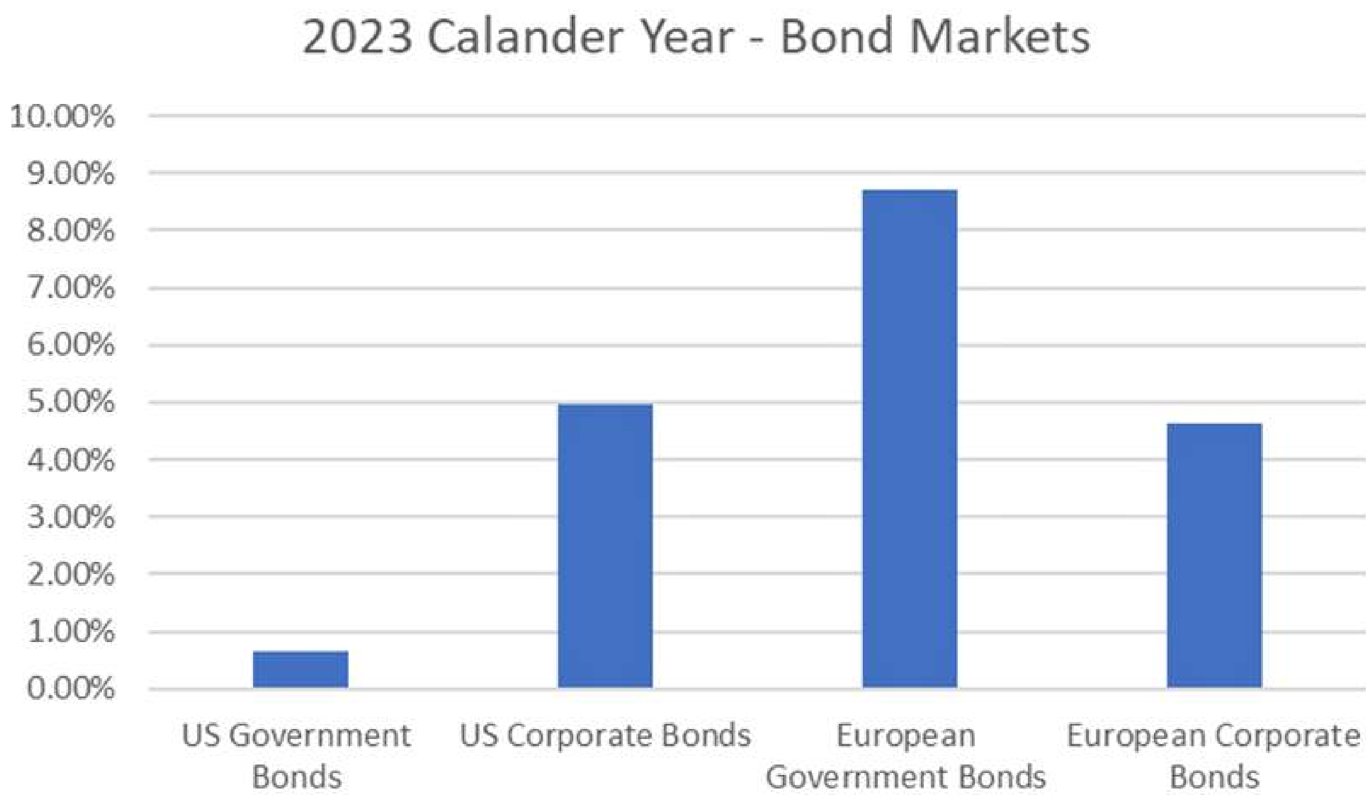
Government bond yields in economically robust nations such as Germany remained low, reflecting a flight to safety amid global uncertainties. Peripheral countries, on the other hand, faced higher borrowing costs as investors closely monitored fiscal policies and debt sustainability. The EU's commitment to the Green Transition influenced demand for green bonds, contributing to a notable expansion in sustainable finance within the fixed income space.

Bonds / Fixed Income

In the UK, fixed income markets were shaped by the ongoing post-Brexit economic landscape and the Bank of England's response to inflationary pressures. As the UK grappled with supply chain disruptions and labour market challenges, the central bank faced the delicate task of managing interest rates to support economic recovery while mitigating inflation risks.

Bonds exhibited heightened sensitivity to inflation data, with yields responding to evolving expectations regarding the timing and magnitude of interest rate adjustments. The Bank of England's communications regarding its stance on inflation and interest rates played a crucial role in shaping investor sentiment. The UK fixed income markets also saw increased issuance of inflation-linked bonds as investors sought protection against rising consumer prices.

In summary, across the EU, UK, and USA fixed income markets in Q4 2023, central banks navigated the delicate task of supporting economic recovery while addressing inflationary pressures. Geopolitical uncertainties, including trade tensions and regional challenges, influenced investor sentiment. Sustainable finance gained traction in the EU, inflation-linked bonds saw increased demand in the UK, and the Federal Reserve's communication strategies played a pivotal role in shaping expectations in the U.S. Investors operating in these markets must remain vigilant to evolving economic indicators and Central Bank communications for informed decision-making in the dynamic fixed income landscape.



Source - Seaspray (2024)

Commodities/ Currencies

Consensus for the energy price forecast of 2024 is that energy prices will average around 2% higher in 2024 than in 2023. This is mainly due to higher oil prices, which should be supported by ongoing OPEC+ cuts and stronger economic momentum in China. Gas prices are also forecast to rise, boosted by higher U.S. LNG exports and tight Russian gas supply. In contrast, coal prices are forecast to fall as countries increasingly shift to cleaner fuels.

Softer economic growth in some key developed markets will likely see base metal prices average 2-3% lower in 2024 compared to 2023, partly offset by a likely uptick in economic momentum in China—the world's largest consumer of most base metals—with further Chinese stimulus measures a key upside risk.

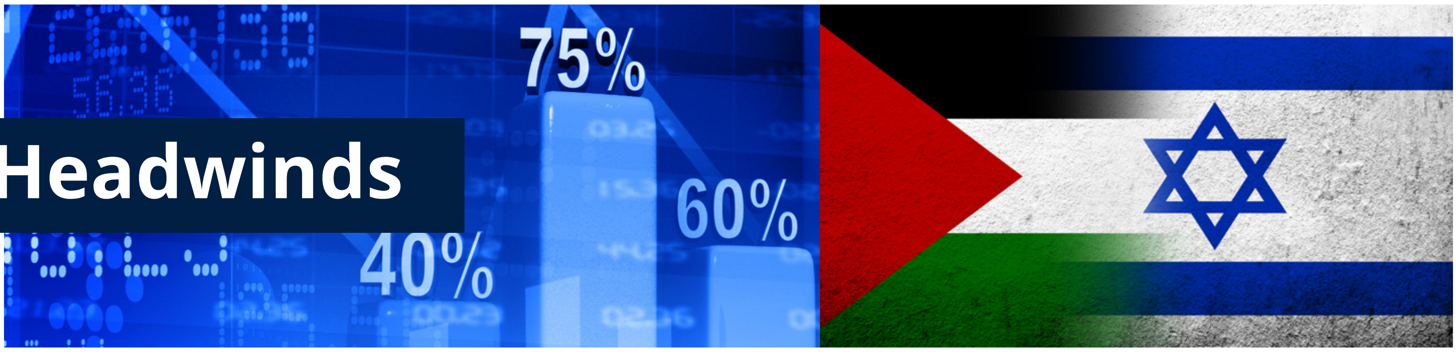
Precious metal prices are projected to be largely stable in 2024 from 2023. A slightly weaker U.S. dollar and rate cuts by global central banks will provide support to all precious metals. Moreover, silver will benefit from expanding electric vehicle and solar energy markets and platinum will gain ground due to the ongoing shift away from palladium in vehicles. That said, lower inflation will provide downward pressure, given precious metals are generally seen as a hedge against high prices.

Agricultural prices should move lower in 2024 compared to this year. The easing of drought conditions in Argentina and Uruguay will boost global grain supply, while Ukraine will gradually build alternative trade routes to overcome the expiration in July of the Black Sea Grain Initiative with Russia. Export restrictions in emerging markets, the adverse impact of El Niño and an intensification of the Russia-Ukraine war are upside risks.

After enduring two consecutive years of depreciation, the euro has rebounded in 2023, boasting a 3% gain against the dollar.

Major Banks such as ING Group and Bank of America, hold bullish views on the euro, expecting it to rise to 1.15 against the dollar due to a slowdown in the US economy leading to Fed interest rate cuts. However, it acknowledges that weak eurozone growth could lead the ECB to cut rates alongside the Fed, limiting the euro's appreciation.

On Sterling v Euro for 2024,the consensus forecast in the latest Reuters poll is for GBP/EUR to trade slightly weaker at 1.1520 by the end of 2024. According to Rabobank, the consensus is more bearish on the Pound with GBP/EUR forecast to decline to 1.1365.



Headwinds

Inflation & Interest Rates

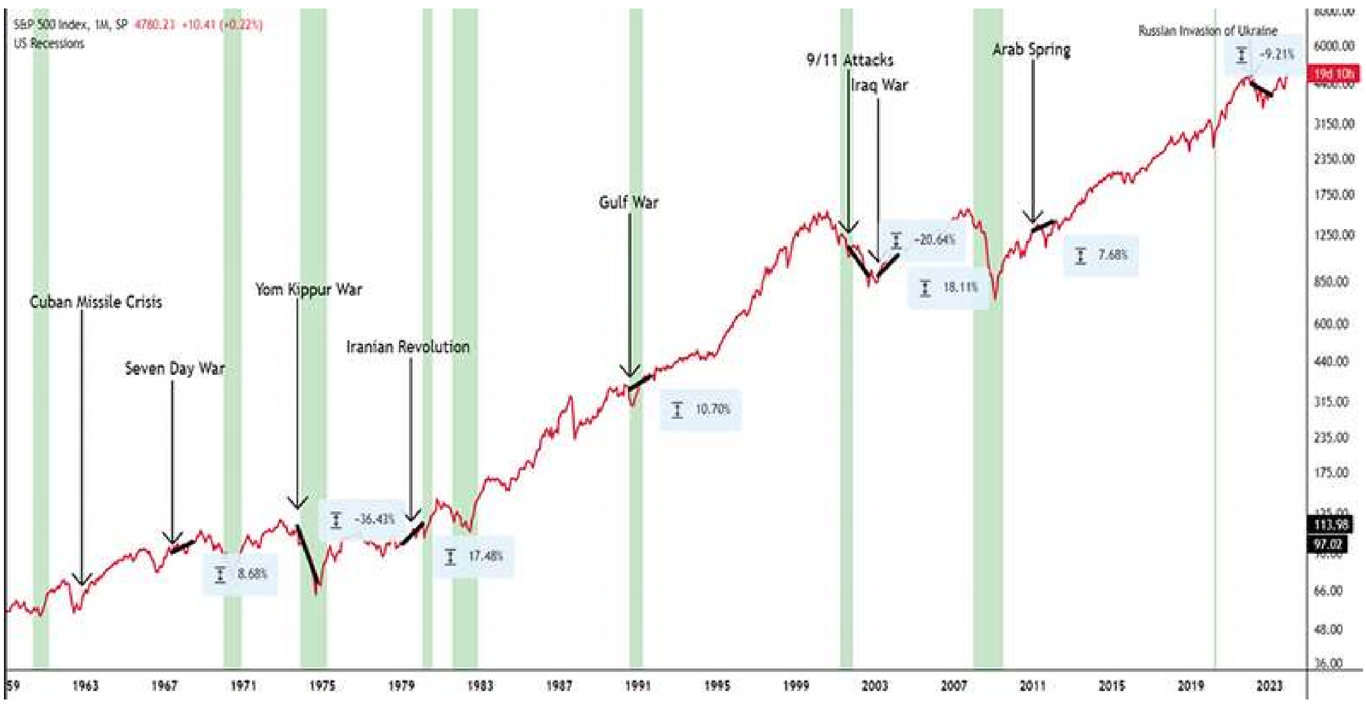
From a risk perspective, inflation data and subsequent interest rate expectations remain a dominant topic. The market is now forecasting numerous rate cuts from both the Federal Reserve and the European Central Bank throughout 2024. If these cuts, in either number or magnitude, do not materialise, risk assets and market sentiment may suffer. Equally, if rate cuts do materialise or indeed go deeper than forecast, it may be as a result of slower than expected economic growth or a faster than expected fall in the rate of inflation.

Geo-political Environment

As we move into 2024,.the Ukraine war enters its third year with continued atrocities and human suffering and no signs of any pause in hostilities to enable any negotiations to be put on the table. In the Middle East the appalling Israeli – Hamas / Gaza conflict continues with tragic human suffering and no early sign of resolution with the major concern that the conflict could escalate, and in this regard the recent attacks in the Red Sea on cargo shipping is an example of how global trade could yet be affected.

While the current outbreak of hostilities in the Middle East is abhorrent, what is important to note from an investor's perspective is that in almost all cases throughout recent history markets have looked past conflicts like the current one.

The chart below shows the performance of the S&P 500 since 1962, and overlaid is a selection of crises and wars from this period along with recessions(green bars)in the US. What is interesting to note, is that in six of the nine crises plotted on this chart, the S&P recorded a positive gain in the 12 months after the beginning of the crises, with only three recording a 12-month loss, once more confirming our mantra that investment is about 'time in the market, not timing the market'.

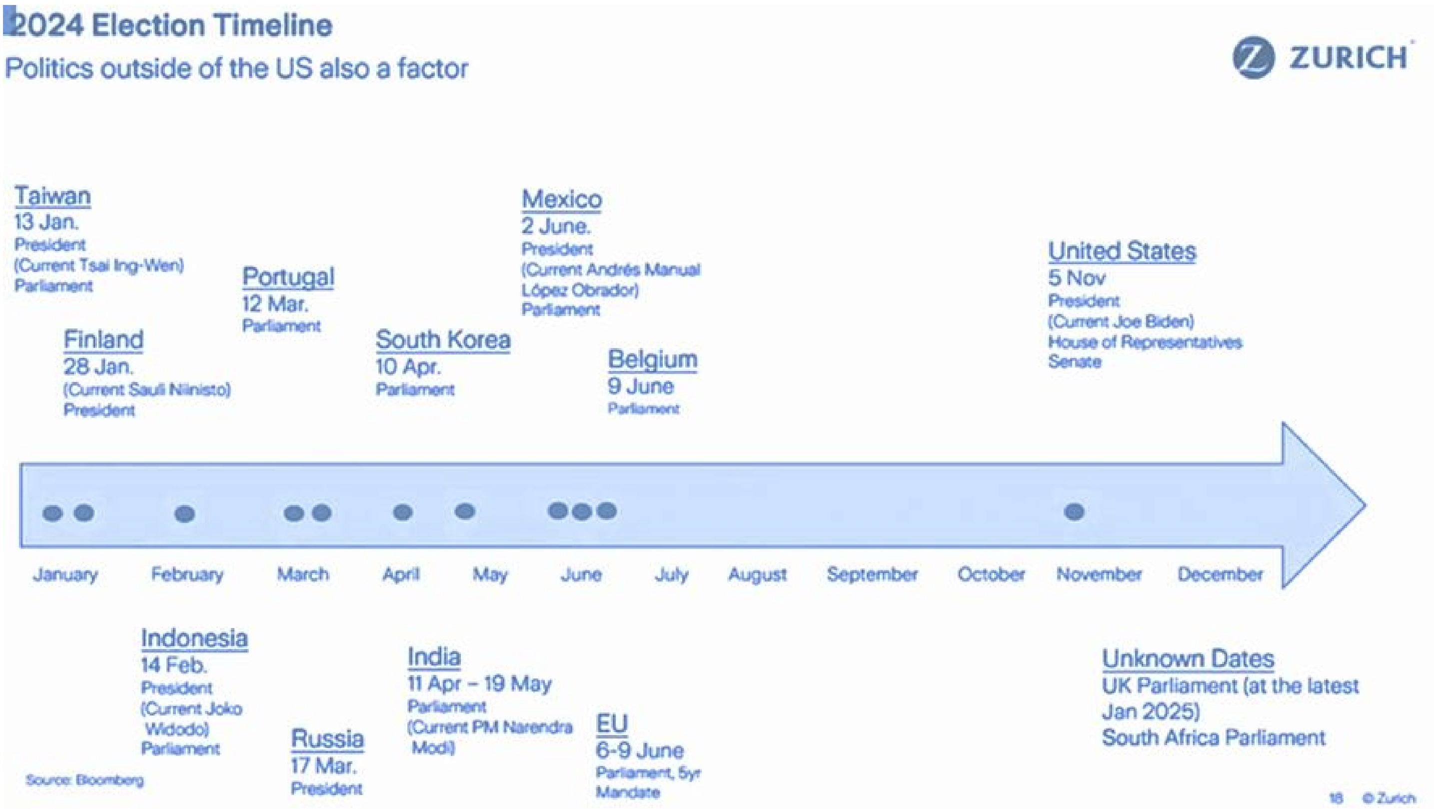


SOURCE - SEASPRAY (2023)

Headwinds

General Elections

2024 will be a year which has the most elections globally in a single year in history with more than 2 Billion people across 50 countries scheduled to go to the polls. This includes four of the world's five most populous countries, and in total elections are set to cover over 40% of both the world's population and GDP.



SOURCE: ZURICH, 2024

Of the elections that could have global market implications,Taiwan's presidential elections will be the first to come into focus in January. The successful candidate's stance towards China will be the key element for investors to watch. India goes to the polls in April where Prime Minister Narendra Modi will be pushing to secure a third term.

Headwinds

General Elections

European Union parliamentary elections will take place over the summer, ahead of the US presidential election that will take place in November. In the UK, the election date is currently unknown but an election date in Q4 is a likely scenario. The election must be called by 17 December 2024 at the latest.

The fiscal promises of the successful party are often key to how markets react. For example, tax cuts enacted by President Trump in 2017 fuelled a strong rally in the stock market given the wave of earnings upgrades that followed.

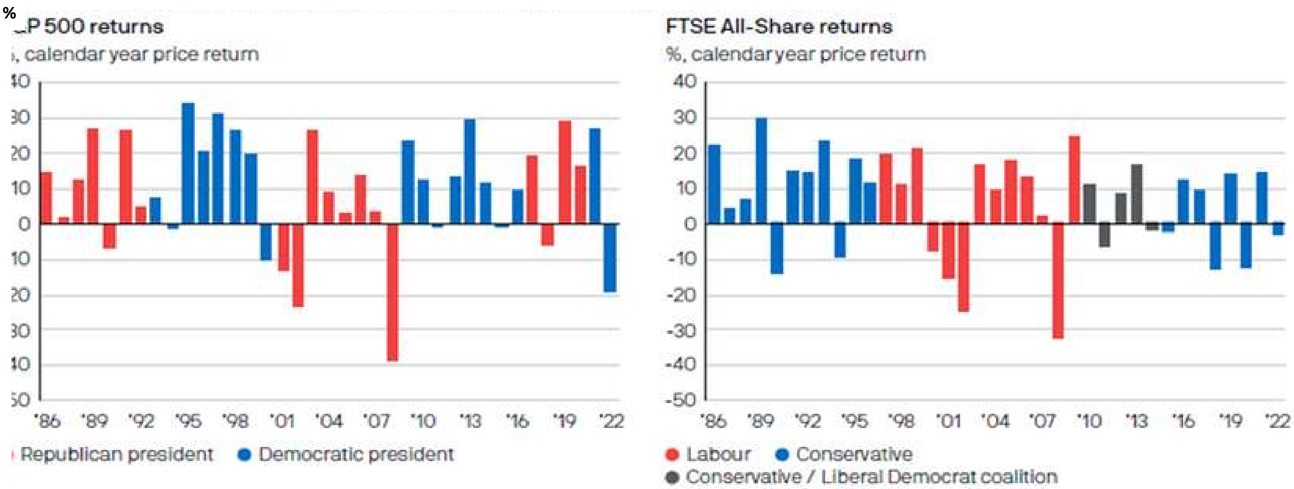
In 2024, however, limited fiscal headroom in both the US and the UK will likely make it difficult for any party to deliver further tax cuts or major spending programmes. With interest costs rising and deficits already more than 6% and 5% of GDP in the US and UK respectively, the economic differentiation between right- and left-leaning parties looks set to be smaller than normal giveaways.

Candidates in both the US and the UK will also be scrutinised for their position on climate change, as well as their foreign policy stance. In particular, this includes the role the US will play in what looks to be lengthy conflicts in both Ukraine and the Middle East.

Notwithstanding the scale of elections across the globe during 2024, it is worth remembering that over the long run, there is no clear correlation between governing party and market performance. Key events in the economy –such as the bursting of the tech bubble or the financial crisis – tend to have much more of an impact on the average returns under different governments than the governments do themselves.

Exhibit 11: There is little relationship between ruling parties and stock performance:

S&P



SOURCE: MARKET INSIGHTS EMEA

Headwinds

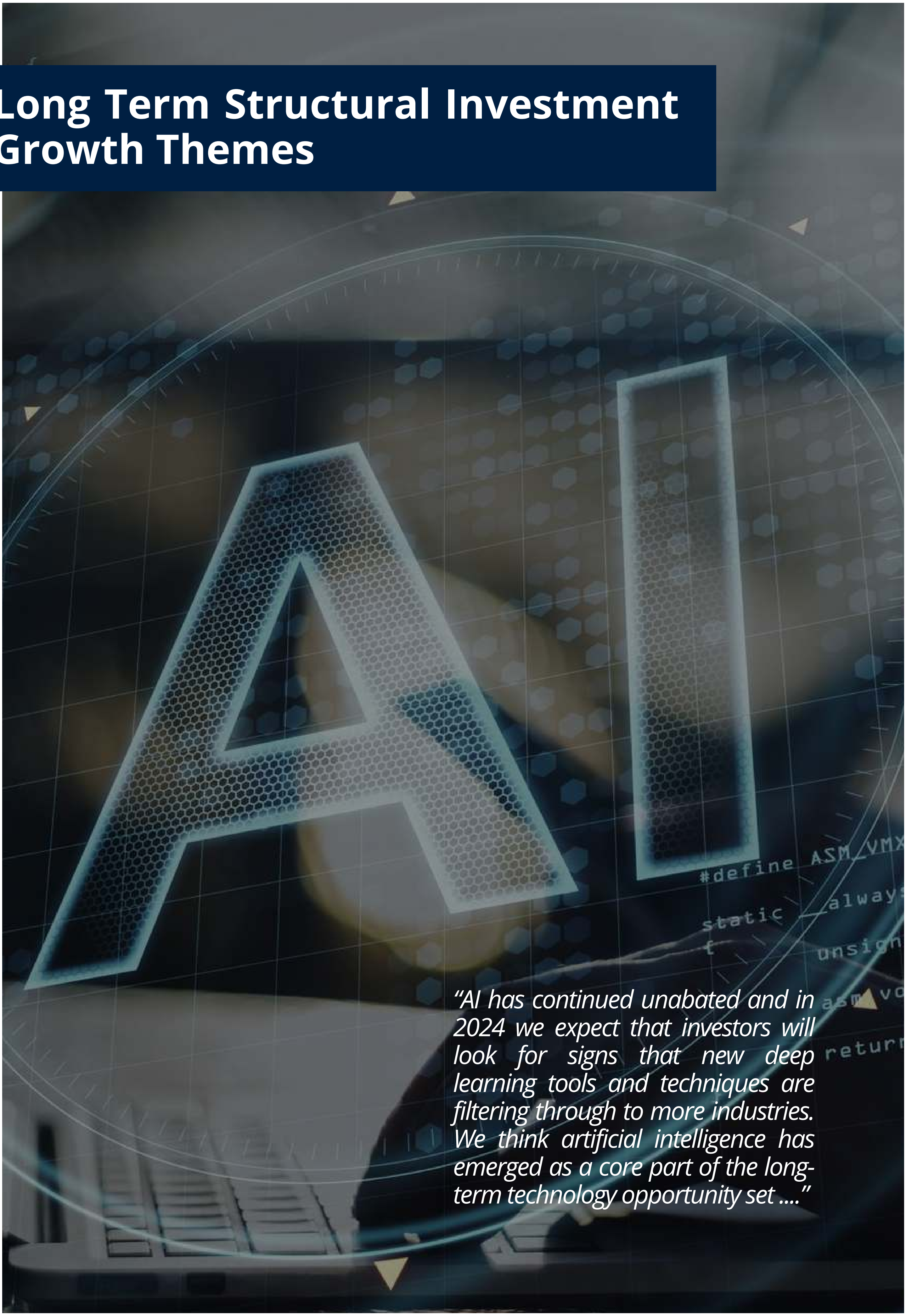
General Elections

The chart below demonstrates historically, the impact that US elections in particular can have on financial markets. It reinforces our house view that time, patience and diversification enable investors to work through significant global events, no matter the uncertainty or disruption caused.

Year	S&P 500 Index annual total return: Election year	S&P 500 Index annual total return: One year later	S&P 500 Index annual total return: Two-year compound annual average
1928	**43.6%**	**-8.4%**	**14.7%**
1932	-8.2%	54.0%	18.9%
1936	**33.9%**	**-35.0%**	**-6.7%**
1940	-9.8%	-11.6%	-10.7%
1944	19.8%	36.4%	27.8%
1948	5.5%	18.8%	11.9%
1952	**18.4%**	**-1.0%**	**8.3%**
1956	**6.6%**	**-10.8%**	**-2.5%**
1960	0.5%	26.9%	12.9%
1964	16.5%	12.5%	14.4%
1968	**11.1%**	**-8.5%**	**0.8%**
1972	**19.0%**	**-14.7%**	**0.8%**
1976	**23.8%**	**-7.2%**	**7.2%**
1980	**32.4%**	**-4.9%**	**12.2%**
1984	6.3%	32.2%	18.5%
1988	16.8%	31.7%	24.0%
1992	7.6%	10.1%	8.8%
1996	23.0%	33.4%	28.1%
2000	-9.1%	-11.9%	-10.5%
2004	10.9%	4.9%	7.9%
2008	-37.0%	26.5%	-10.7%
2012	16.0%	32.4%	23.9%
2016	12.0%	21.8%	16.8%
2020	18.4%	28.7%	23.4%
Average	**11.6%**	**10.7%**	**10.0%**

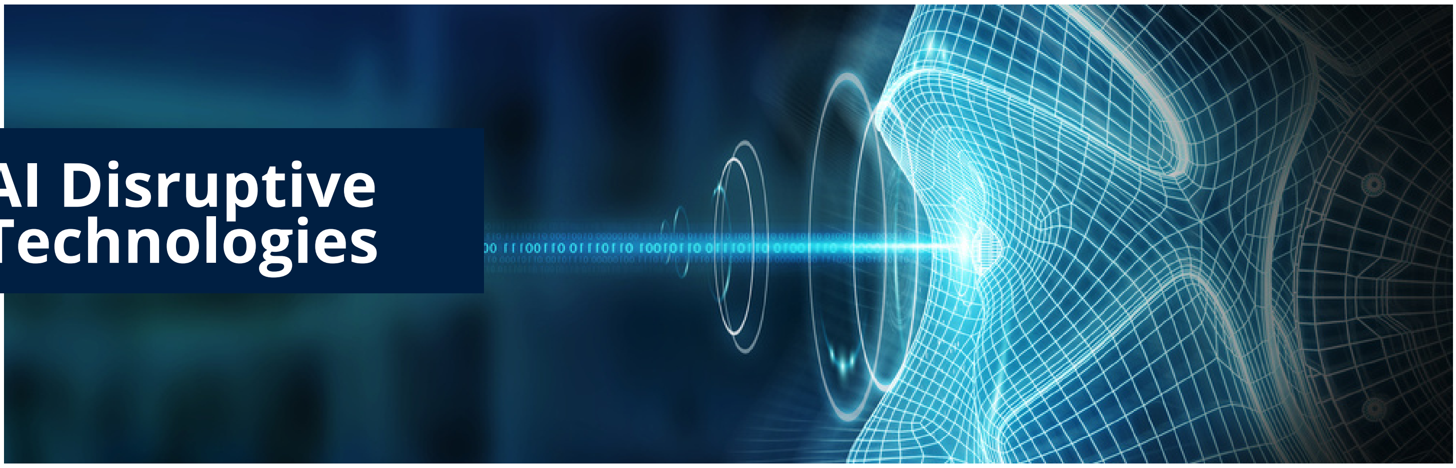
SOURCE: MORGAN STANLEY

Long Term Structural Investment Growth Themes



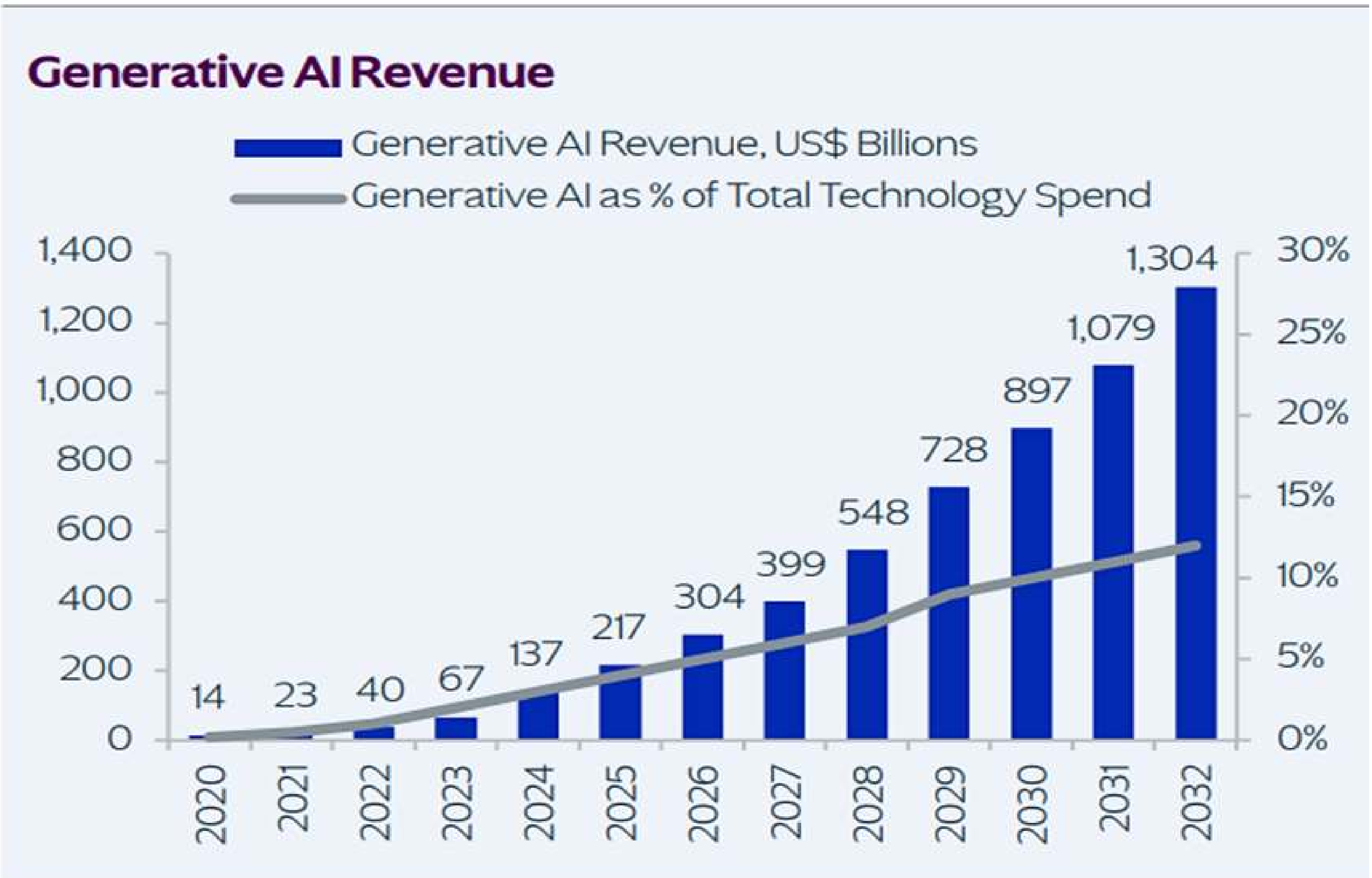
"AI has continued unabated and in 2024 we expect that investors will look for signs that new deep learning tools and techniques are filtering through to more industries. We think artificial intelligence has emerged as a core part of the long-term technology opportunity set ...."

AI Disruptive Technologies

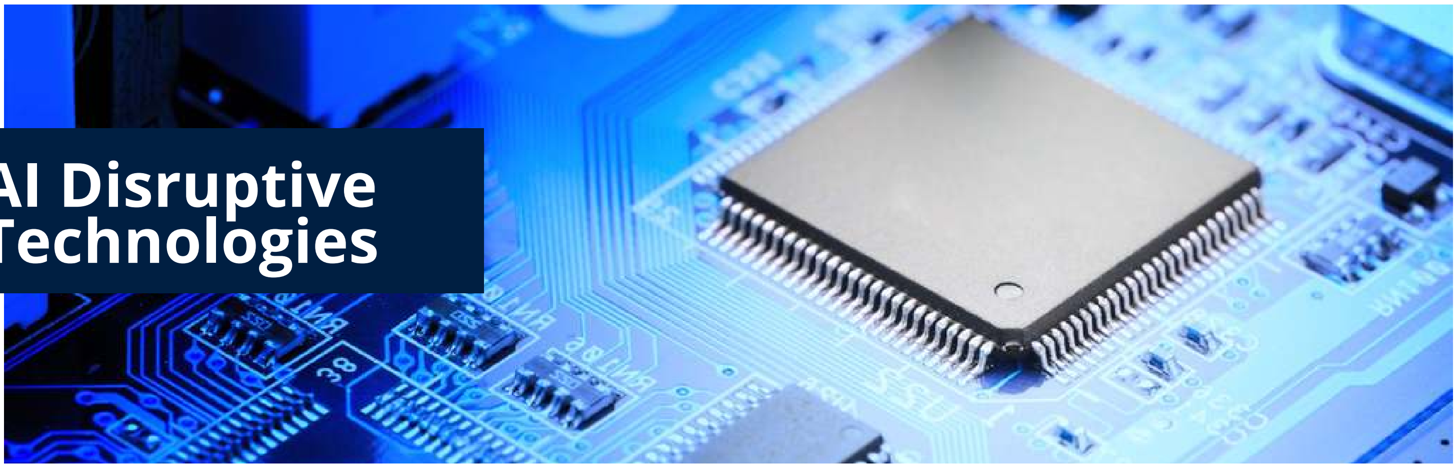


"AI is all the buzz now, driving outsized gains in the top technology stocks in 2023, but some caution is warranted.The impact should not be exaggerated, the silicon cycle is moving upward right now.”
(Takahide Kiuchi,the Nomura Research Institute)

2023 was a breakthrough year for generative AI with the launch of CHAT GPT and similar AI models. In late 2022 investors scrambled to try the technology and then to see how it could be used to increase productivity. As the year drew to a close the growing interest in the use of AI has continued unabated and in 2024 we expect that investors will look for signs that new deep learning tools and techniques are filtering through to more industries. We think artificial intelligence has emerged as a core part of the long-term technology opportunity set as demonstrated by the chart below. We expect the shift from the excitement phase into the deployment phase to continue in 2024, helping to raise global productivity and potentially helping address challenges coming from unfavourable demographics in some countries.

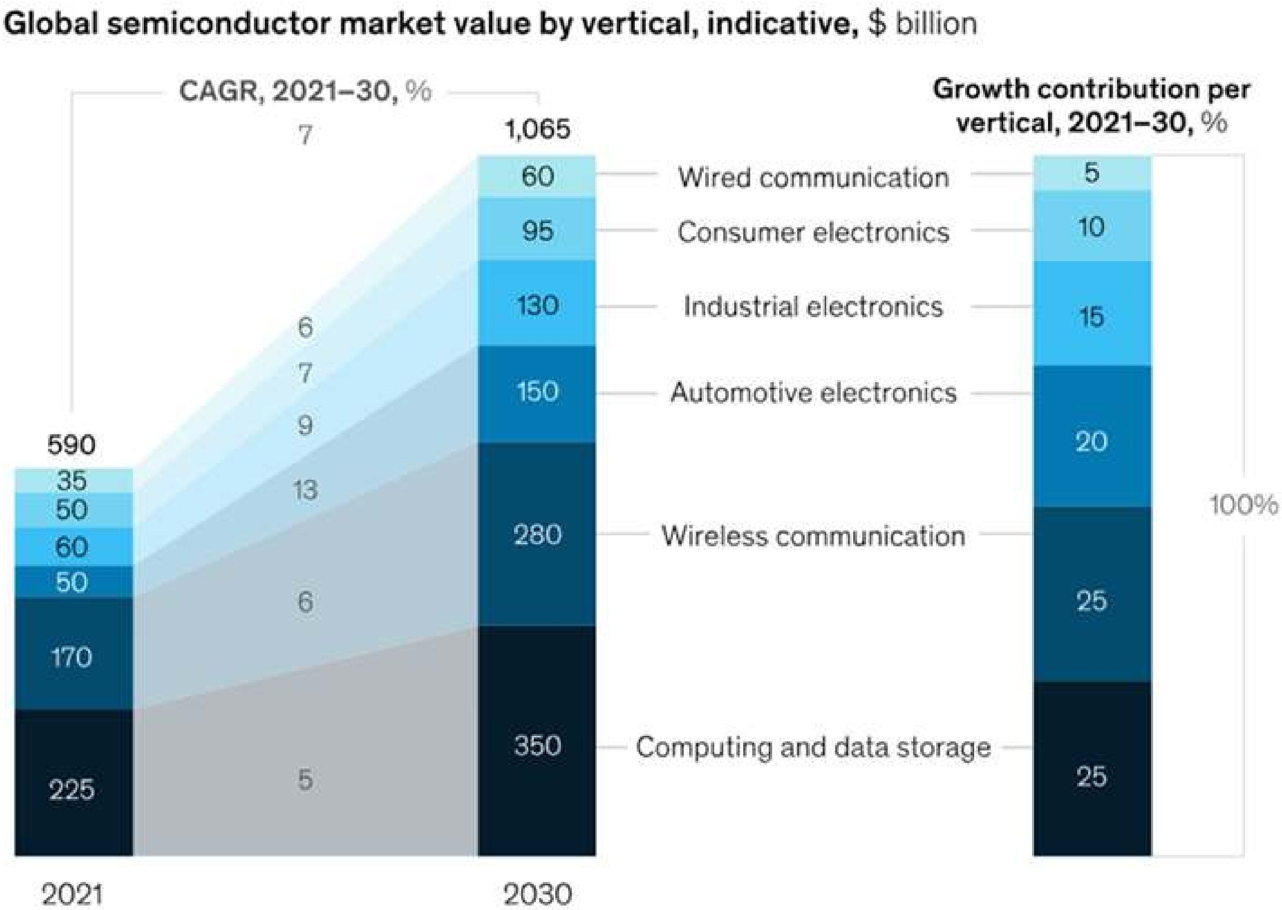


Source: Bloomberg, 2023



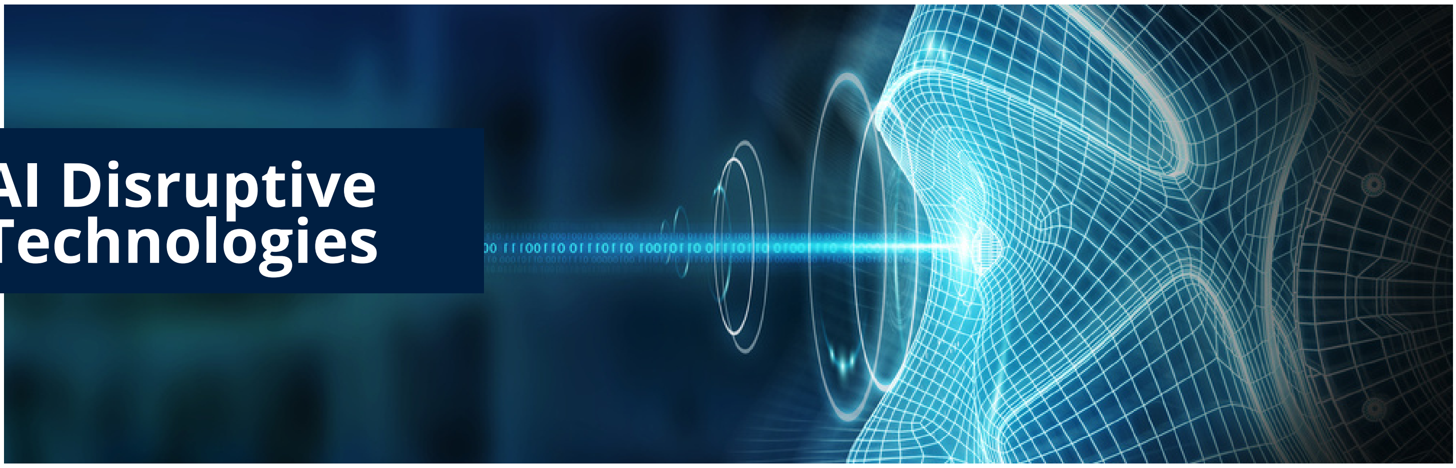
AI Disruptive Technologies

The semiconductor and semiconductor capital equipment industries—the hardware underlying the entire AI buildout—were strongly in focus during 2023 particularly in quarter 4 with the AI chip manufacturers showing very strong share price performance. With the recent AI advances and growing adoption of cloud computing fuelling demand for increasingly advanced data centres this area is expected to see strong growth in 2024.



Source: McKinsey, 2023

Cybersecurity companies are also adopting cutting-edge AI techniques to automate the identification of potential threats and real-time response to security incidents. Healthcare could also be an industry to watch given AI's potential to transform complex biological data into meaningful insights, with implications for drug development, medical technology and digital healthcare.



AI Disruptive Technologies

Despite a tighter funding environment, disruptive tech company fundamentals have been inflecting positively in recent quarters as more investors place a premium on innovation that drives future earnings growth. But while there are tailwinds—including sources of inflation decelerating meaningfully—discernment will be key in 2024. We are in an era of wider dispersion between high-and low-quality growth companies.

The long-awaited recovery in deal activity has yet to materialise after a two-year drought, but signs of life in the IPO market are spurring investor optimism that more companies will be able to go public. When the IPO market eventually recovers, public market investors will be able to access new opportunities, while venture capital and growth equity investors may see liquidity returning, which can facilitate new investments in the innovators of tomorrow.

When looking to find investment opportunities in the AI broader sectors, a rapidly evolving ecosystem of software and hardware solutions presents compelling potential investment opportunities in 2024. On the software side, enterprise spending on digitalization continues to increase. We also see opportunities in cybersecurity. Digital attacks are becoming increasingly sophisticated, frequent, and damaging. Financial Technology (fintech) firms also appear to be primed for growth. Cash is no longer king, and digital payments are growing.

There continues to be new market opportunities within business-to-business payments. On the hardware side, capital expenditure on the most advanced equipment used to produce semiconductors has been growing rapidly. This is driven by both advancements in AI, which necessitate new chip designs, and the reshoring of semiconductor production by developed countries to bolster the resilience of their supply chains. Investors who look to complement their existing exposure to mega-cap US technology companies with allocations to other, often less well-known, technology firms, may be able to access secular winners that are relatively under-appreciated by the broader market.

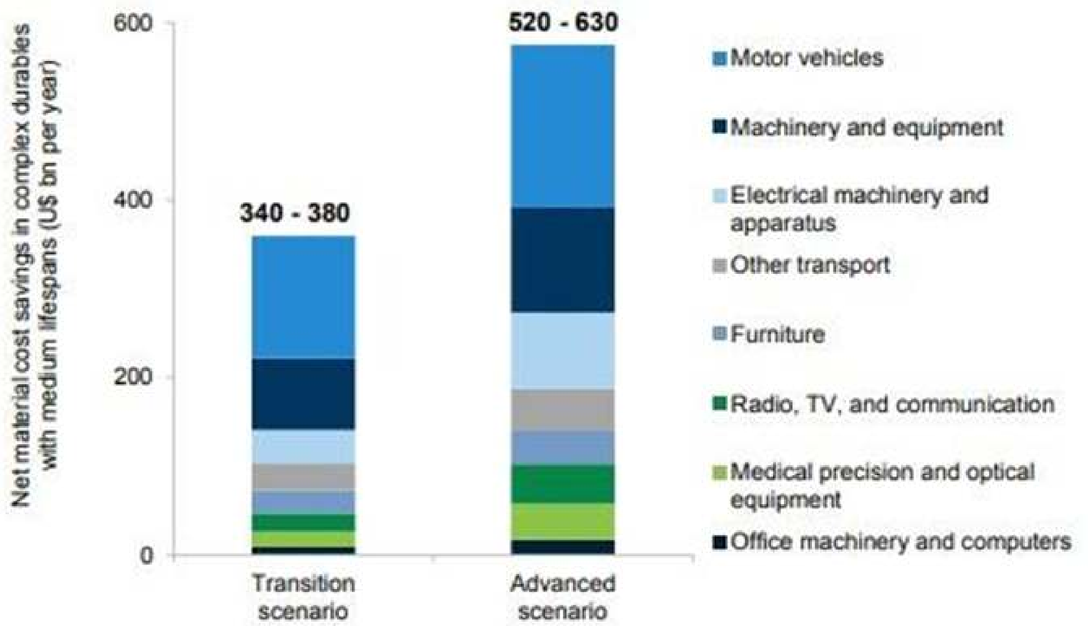
Separately AI is affecting areas of healthcare in remarkable ways. For example, AI algorithms can distinguish real heart attacks from false alarms with astonishing accuracy. An AI-powered smart implant for knee procedures can detect patients' motion post-surgery, delivering real-time recovery insights to medical staff. We see some of the most compelling AI-related investment opportunities in drug development for precision medicine, tech-enabled procedures and digital healthcare. The two main ways of accessing these markets are either through direct stock or ETF indices or through the very innovative structured notes that we have been developing for our clients in Seaspray.

The Circular Economy

Finally, the Circular Economy will continue to grow in 2024, as both consumers and businesses adopt circularisation in their daily processes. On a global scale, Accenture has stated if certain industries pivot to circularity, that by 2030 the consumer goods industry could capture up to $110bn by 2030, while the electricity industry could capture up to $250bn by 2030 if it invests in newer ways to transmit, produce and recapture renewable sources of energy. According to the Environmental Protection Agency (EPA), the Circular Economy is a largely untapped €1.8 trillion opportunity, one that could also deliver 700,000 new jobs by 2030. In February 2024, Ireland will launch its deposit return scheme. This means that upon the purchase of a plastic bottle, or steel or aluminium cans which has a Re-turn logo on it, consumers will pay a small deposit fee along with the cost of the bottle or can. Upon using the product, the consumer can return the bottle or can and claim their deposit back in full. This initiative, which has already been successfully implemented in countries such as Denmark, will mean less plastic and aluminium waste being disposed of and instead will mean these materials will stay in the economy for future use, cutting down on waste disposal costs and protecting the natural environment.

Exhibit 14: Circularity in manufacturing could yield net materials cost savings of up to US$630 billion p.a. in the EU alone

Net material cost savings in complex durables with medium lifespans, US$ bn per year, EU



Source: World Economic Forum, Eurostat, Ellen MacArthur Foundatioin

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