***Data sources: Bloomberg; Barclays; EIOPA; PRA; ONS; Milliman FRM***

## Market Price Monitor

### Local Equity Markets

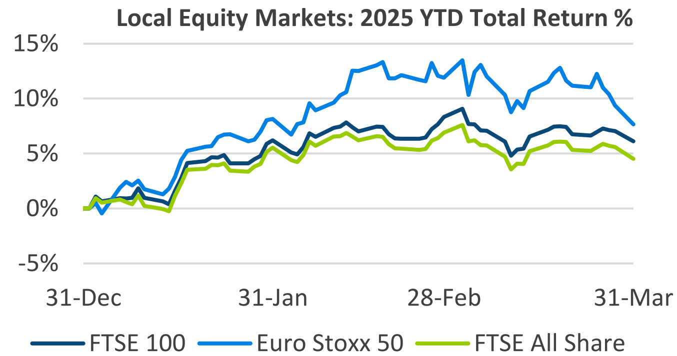
- Global equity markets had a mixed performance in March as the uncertainty surrounding US trade policy and tariffs weighed on risk assets and the global growth outlook.
- The Euro Stoxx 50 ended the month down 3.8%.
- The FTSE 100 lost 2.0%.

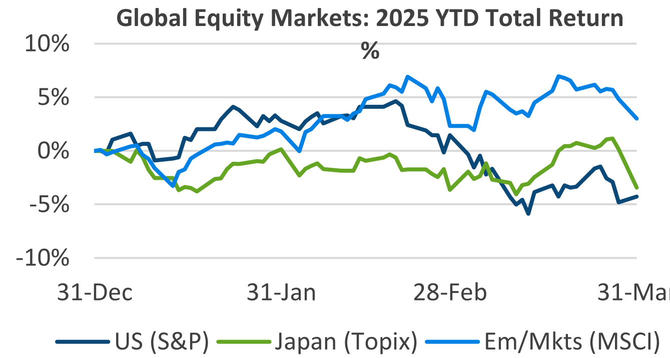
### Global Equity Markets

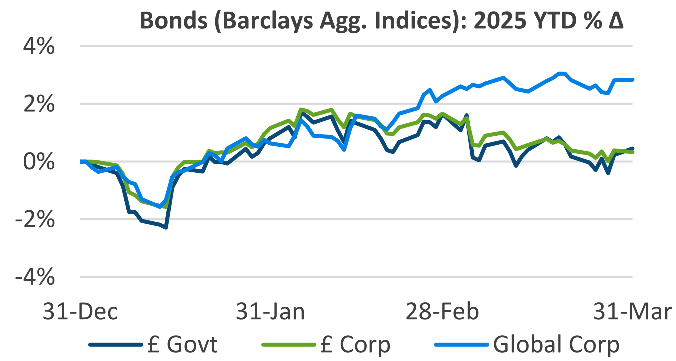
- The S&P 500 was the underperformer, falling by 5.6%.
- In contrast the Topix index was up 0.2% and the MSCI Emerging Markets index gained 0.7%.

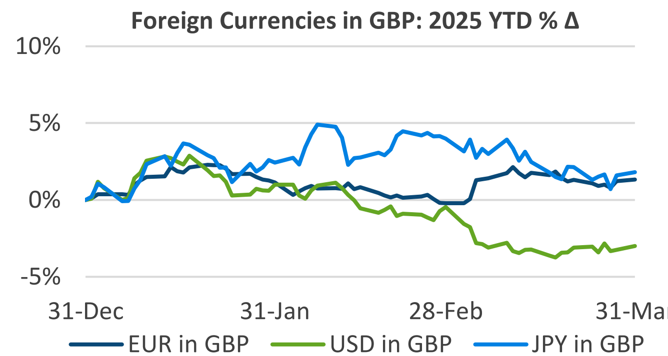
### Bond/FX Markets

- Both the British government and corporate bond indices fell in March. The former was down 1.2% and the latter fell by 1.3%.
- The British Pound had a mixed performance in March, gaining 2.6% and 2.1%, against the US Dollar and the Japanese Yen, respectively, but weakening by 1.5% against the Euro.




**Total Returns as of March 31, 2025**

| | FTSE 100 | FTSE All Share | Euro Stoxx 50 | US (S&P) | Japan (Topix) | Em/Mkts (MSCI) | £ Govt | £ Corp | Global Corp | EUR in GBP | USD in GBP | JPY in GBP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Month | -2.0% | -2.3% | -3.8% | -5.6% | 0.2% | 0.7% | -1.2% | -1.3% | 0.6% | 1.5% | -2.6% | -2.1% |
| 3 Month | 6.1% | 4.5% | 7.7% | -4.3% | -3.4% | 3.0% | 0.4% | 0.3% | 2.8% | 1.3% | -3.0% | 1.8% |
| 1 Year | 11.9% | 10.5% | 6.6% | 8.3% | -1.5% | 8.6% | -1.8% | 1.9% | 4.8% | -2.0% | -2.2% | -1.3% |
| YTD | 6.1% | 4.5% | 7.7% | -4.3% | -3.4% | 3.0% | 0.4% | 0.3% | 2.8% | 1.3% | -3.0% | 1.8% |

**Milliman Financial Risk Management**

London Market Monitor – 31 March 2025

***Data sources: Bloomberg; Barclays; EIOPA; PRA; ONS; Milliman FRM***

## Insurance Monitor

### Solvency II Risk Free Rates

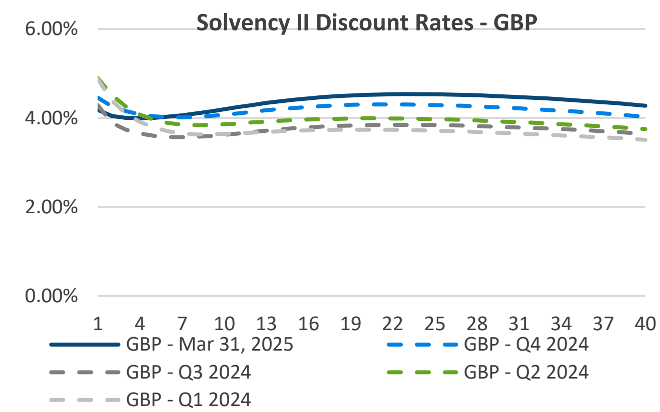
- GBP risk-free rates increased at all terms in March, with the moves more pronounced at the longer tenors.
- Both the 20 and 30-year GBP risk-free rates rose by 25 basis points.
- EUR risk-free rates rose at all terms in March, with the increases more pronounced at the medium and longer tenors.
- The 10 and 20-year EUR rates rose by 34 and 38 basis points, respectively.
- The EUR CRA was unchanged and remains floored at 10 basis points.

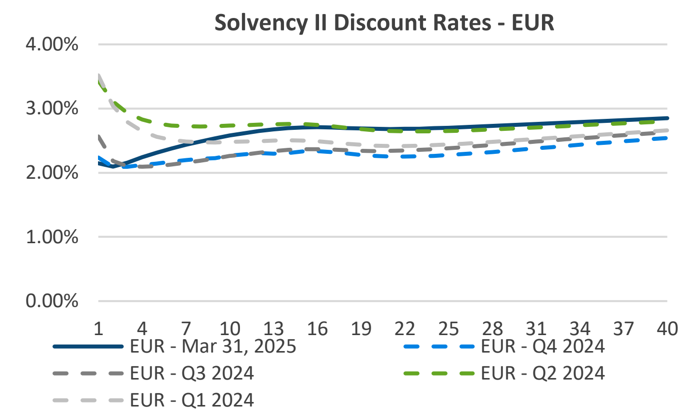
The **Solvency II risk-free discount rates** are calculated independently based on applying the Smith-Wilson Extrapolation to swap rates sourced from Bloomberg and applying the Credit Risk Adjustment as defined in the Technical Specs. For the official published curves please refer to EIOPA and PRA websites.

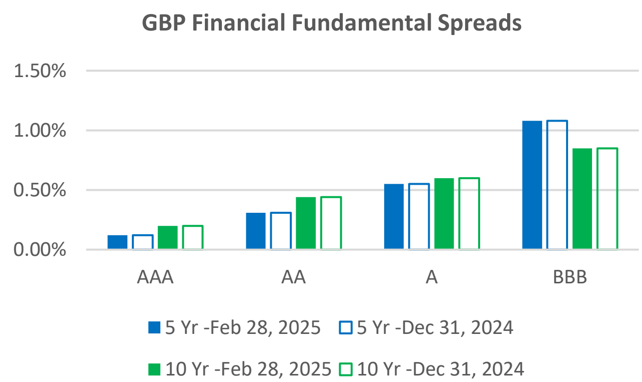
### Solvency II Fundamental Spreads

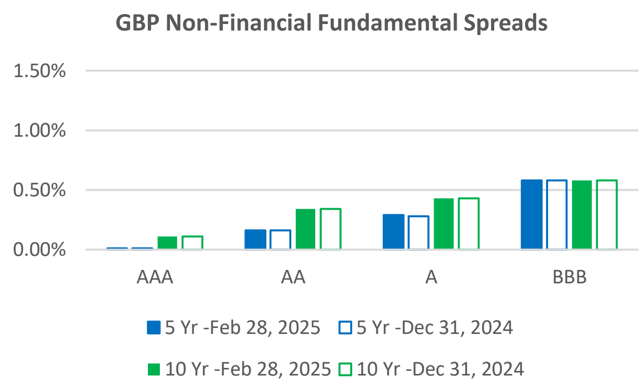
- There were no material changes since the start of the year.

**EIOPA fundamental spreads** show the credit spread corresponding to the risk of default or downgrading of an asset. This is shown here across financial and non-financial assets, credit quality steps 0-3 and durations of 1-30 years. The data is provided by EIOPA. **Fundamental spread** = maximum (probability of default + cost of downgrade; 35% of long-term average spread). For fundamental spreads on other tenors please refer to the EIOPA website.




**Change in GBP Discount Rates (bps)**

| | 1Y | Y5 | Y10 | Y20 | Y30 |
|---|---|---|---|---|---|
| Since Q4 2024 | -27 | -3 | 13 | 22 | 25 |
| Since Q3 2024 | -10 | 40 | 58 | 68 | 69 |
| Since Q2 2024 | -71 | 5 | 34 | 53 | 57 |
| Since Q1 2024 | -69 | 22 | 55 | 78 | 82 |

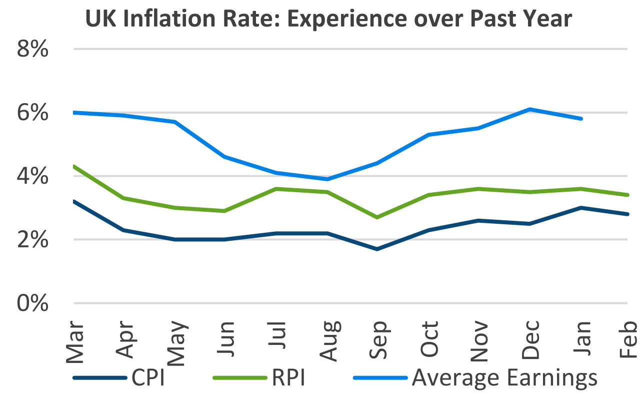
**Change in EUR Discount Rates (bps)**

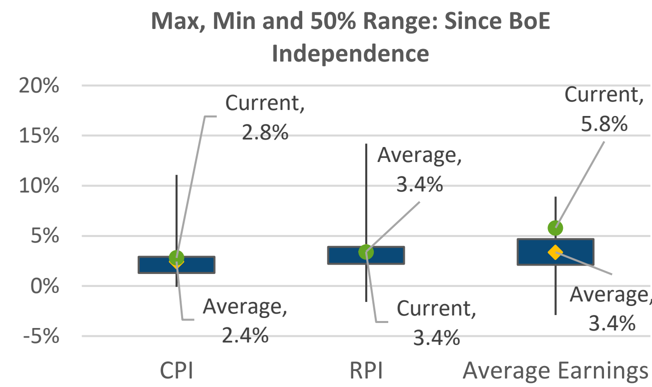
| | 1Y | Y5 | Y10 | Y20 | Y30 | CRA |
|---|---|---|---|---|---|---|
| Since Q4 2024 | -9 | 17 | 31 | 42 | 39 | 0 |
| Since Q3 2024 | -42 | 21 | 32 | 34 | 28 | 0 |
| Since Q2 2024 | -129 | -46 | -15 | 2 | 5 | 0 |
| Since Q1 2024 | -137 | -25 | 10 | 26 | 24 | 0 |

***Data sources: Bloomberg; Barclays; EIOPA; PRA; ONS; Milliman FRM***

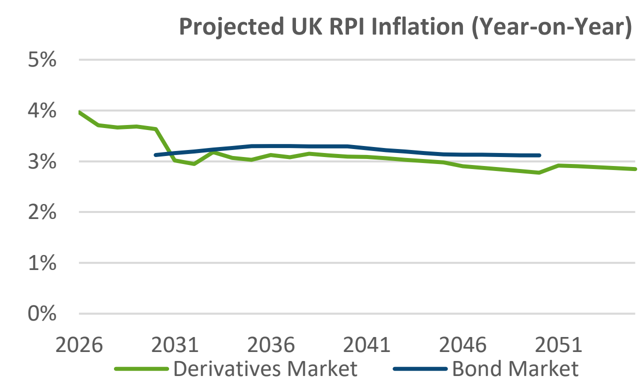
## UK Inflation Monitor

- Both the UK's CPI and RPI measures fell by 20 basis points to 2.8% and 3.4% in February, respectively.
- According to the ONS: "*The largest downward contribution came from clothing, with a further large downward effect from housing and household services.*"
- Average earnings fell by 30 basis points to 5.8% in January, after the previous months figure was revised higher by 10 basis points.
- The projected RPI curve was lower at the 1-year point but the rest of the curve was relatively unchanged in comparison to the previous month.








Historical year-on-year inflation rate is assessed by the % change on:
- **Consumer Price Index (CPI)** – measuring the monthly price of a basket of consumer goods and services
- **Retail Price Index (RPI)** – similar to CPI, but the main difference due the addition of mortgage payments, council tax and other housing costs
- **Average Earnings** – measuring the average total weekly employee remuneration over the previous 3 months.

Projection year-on-year inflation rate is the forward rate calculated from market data:
- **Derivatives Market View** – constructed from zero coupon inflation par swap rates against the RPI index at various tenors
- **Bond Market View** – constructed from the difference between the nominal rates implied by the conventional gilts and the real rates implied by the index-linked (RPI) gilts.

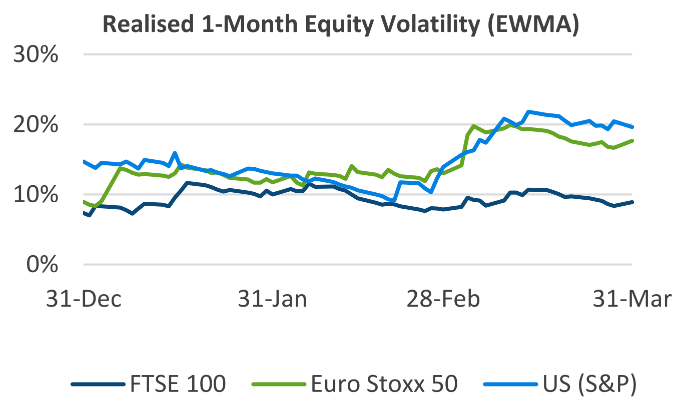
**Milliman Financial Risk Management**

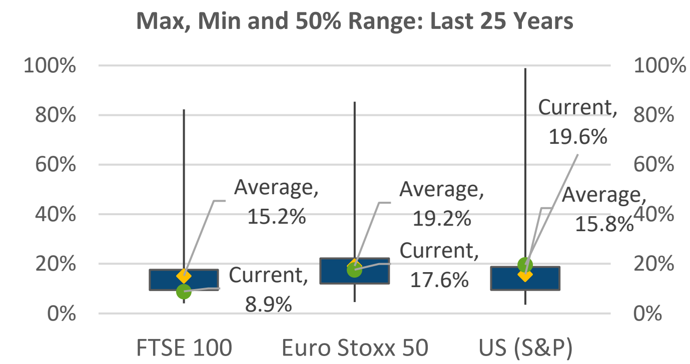
London Market Monitor – 31 March 2025

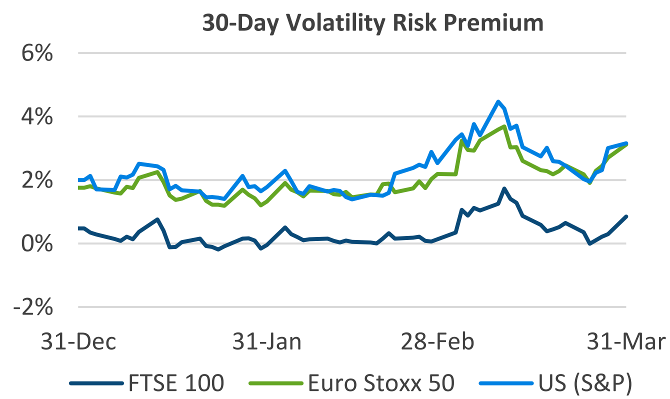
***Data sources: Bloomberg; Barclays; EIOPA; PRA; ONS; Milliman FRM***

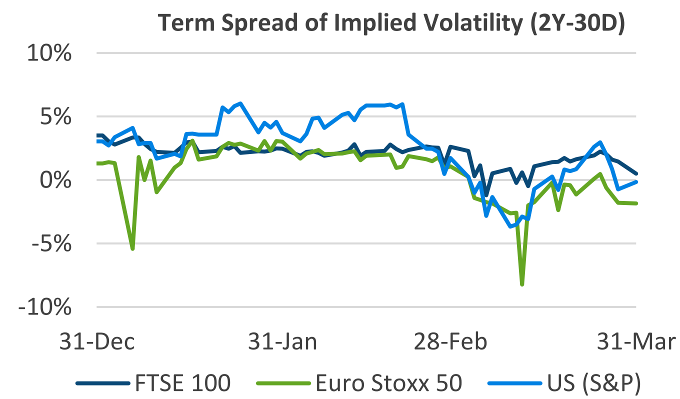
## Volatility and Hedging Cost Monitor

- Realised volatilities on major indices increased in March.
- The FTSE 100 ended the month with a realised volatility of 8.9%. The same measure stood at 17.6% and 19.6% on the Euro Stoxx 50 and the S&P 500, respectively.
- Volatility risk premiums on major indices increased. The FTSE 100 had a volatility risk premium of 0.8% at month-end. The volatility risk premium on the Euro Stoxx 50 was 3.1%, and 3.2% on the S&P 500.
- The spread between the implied volatility of 2-year and 30-day at-the-money options was negative at month-end for Euro Stoxx 50 and the S&P 500, highlighting an increased demand for shorter-term protection on those indices .




**Actual realised equity volatility** is measured by the weighted standard deviation of 1 month daily index change. The Exponentially Weighted Moving Average (EWMA) methodology places more importance to the recent returns in the calculation of the volatility.

**Volatility Risk Premium** is estimated as the difference between 30-day implied volatility and projected realised volatility. This reflects the additional cost of hedging from purchasing a basket of options, in comparison to managing a dynamic delta hedge with futures (ignoring rolling transaction costs).

**Volatility Term Premium** is calculated as the difference between the implied volatility of an at-the-money 2-year maturity option and the implied volatility of an at-the-money 30-day option. This gives an indication of market demand for protection over the longer term, relative to demand for protection in the shorter-term. Bloomberg as the source of the data interpolates between listed options to provide implied volatility data for these fixed terms.

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## Creating transformational improvement in the retirement savings industry.

Milliman Financial Risk Management LLC / Milliman Financial Strategies Ltd. is a global leader in financial risk management to the retirement savings industry. Milliman FRM provides investment advisory, hedging, and consulting services on approximately $176.1 billion USD in global assets (31 December 2021).

Established in 1998, the practice includes professionals operating from three trading platforms around the world (Chicago, London and Sydney).

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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