
EURO ANNUAL REPORT

2024

ECONOMIC BACK-DROP & MACRO SITUATION

We expected to see a busy political agenda in 2024 with a US election scheduled towards the end of the year coupled with numerous major elections around the globe. Ultimately it was the incumbent political parties that suffered with regime changes in both developed and emerging economies. In France, Macron's decision to call a snap election backfired, resulting in a surge of support for both left- and right-wing parties, leaving less support for the President's centralist alliance. Sadly, we also saw escalating violence in the Middle East and Ukraine highlighting increased tensions around the globe.

Within the Eurozone economies, inflation continued its decline from the peak that we saw late 2022. Starting the year at 2.9%, Eurozone consumer prices drifted lower throughout the year to a low of 1.7% in September before edging higher to end the year at 2.4%. The largest contribution towards the uptick in EU inflation was service inflation that has remained close to 4%.

Reacting to the economic environment, the European Central bank delivered 1% of monetary policy easing, through 4 interest rate reductions of 0.25% each in June, September, October and December. With the European Central Bank confident that inflation will remain at or around their 2% target, the likelihood is that we will see interest rates fall further in 2025.

Within the jobs market, Eurozone unemployment remains low at close to 6% having almost halved from the peak a little over ten years ago. This combined with wage growth, that outstripped inflation in 2024, have helped Eurozone consumers in the second half of the year.

EUROPEAN FINANCIAL MARKETS

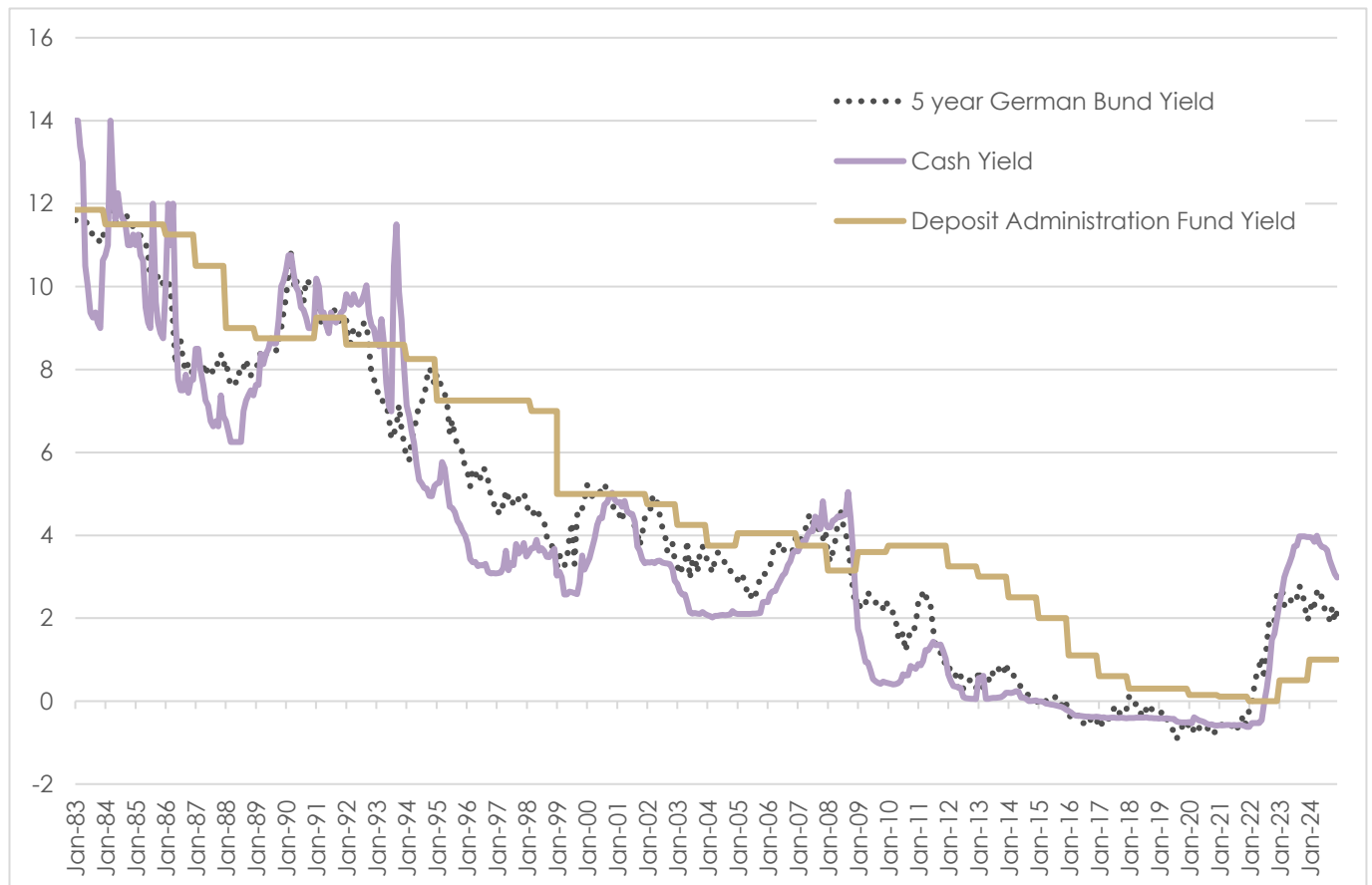
Bonds traditionally perform best in falling interest rate environments and Eurozone bond indices typically posted positive returns in 2024, however, with expectations of interest rate cuts having exceeded reality, market participants were disappointed and cash once again outperformed longer dated bonds.

Peripheral European bonds outperformed those issued by Core Europe with French debt having to offer increasingly higher yields due to political uncertainty and concerns amid fiscal discipline.

THE EURO DEPOSIT ADMINISTRATION FUND

The following chart details the fund's 2024 declared rate of 1.0%, along with cash returns and the yield on 5 year German Bunds.

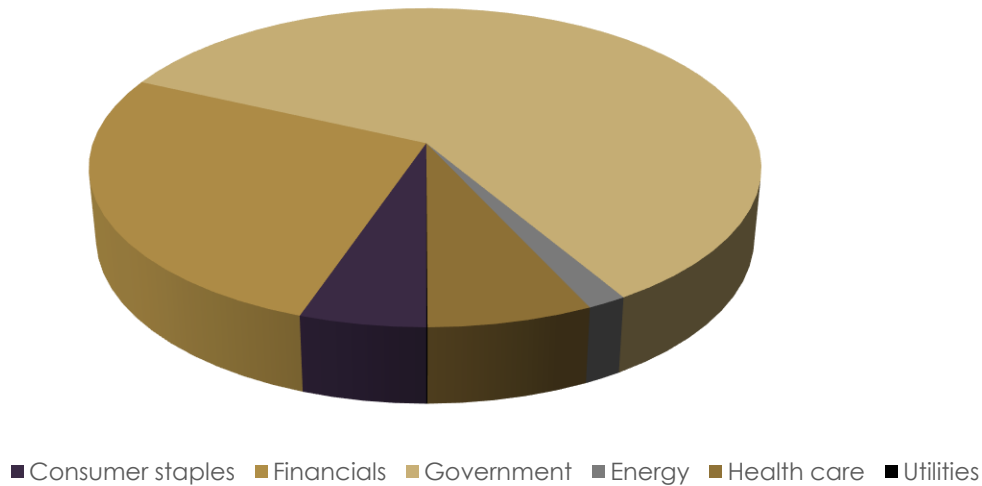
PERFORMANCE COMPARISON CHART



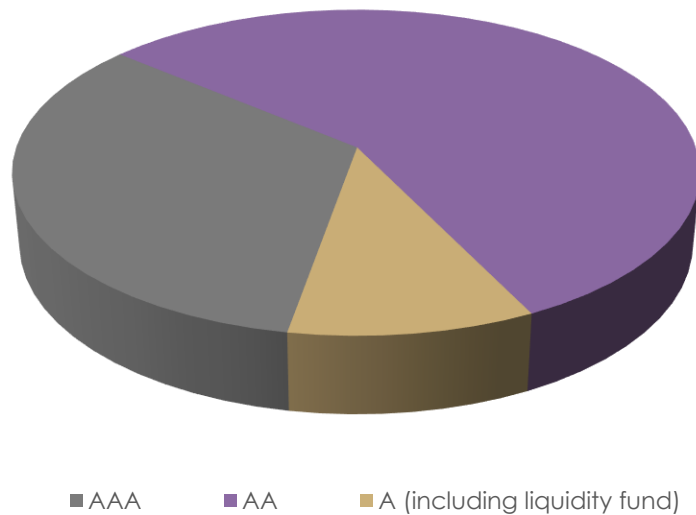
At the year-end the portfolio was 60% allocated to government and government related bonds with the balance in covered and corporate bonds. The portfolio's sensitivity to changes in interest rates, measured using modified duration, was at 1.6 years having increased from 1.1 years at the start of 2024.

This defensive positioning helped the performance of the assets backing the Deposit Administration Fund and our fund managers continue to actively manage the portfolio, adapting it to a rapidly changing world.

ASSET DISTRIBUTION BY SECTOR



ASSET DISTRIBUTION BY CREDIT RATING



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