

Monthly Investment Review

After an extraordinary roller-coaster 2020, equity markets enter the New Year on a reasonably strong footing, with investors embracing 'risk-on' assets of equities and credit. This was exemplified by the MSCI World Equity Index closing 2020 at a record level, supported by central bank action, the roll-out of COVID-19 vaccines and hopes of a brighter economic future. This does not, however, preclude some setbacks, given the high standalone P/E valuations of equities and the optimism of investors, the latter often being a good contrarian indicator. The tech heavy US NASDAQ stock index surged over 44% in total return terms, gold and copper were up 25%, while US credit markets had another stellar year. Even safe-haven US 10yr Treasuries returned an impressive 10% to investors. It was left to oil, which slipped by over 20%, and European stocks, particularly the banking sector, to fight for the bottom spots in the return league in what was a truly remarkable year.

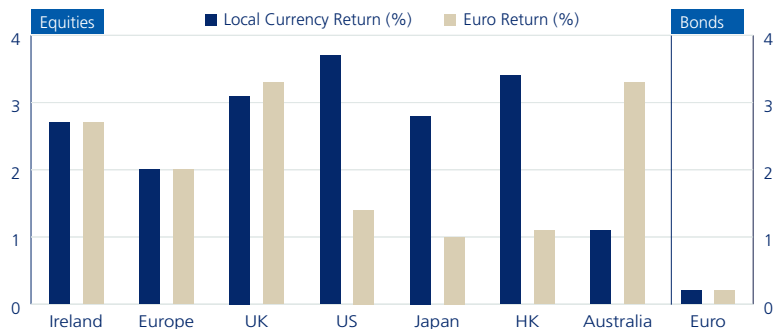


Richard Temperley
Head of Investment
Development

Activity

Equity positions in our multi-asset funds were unchanged during December and remain well above benchmark. With regards to geographic positions, the main bias is towards Asia, Japan and Europe. The US is now a slightly underweight position following a particularly strong run. Sector-wise, the funds are positively biased towards technology and consumer discretionary stocks and negatively biased towards consumer staples, utilities and energy. Bond positions are well below the middle of ranges whilst the duration of these bonds is below benchmark. Corporate bonds have been increased at the expense of sovereign bonds over the last six months.

Equity & Bond % Returns: December



This graph shows the performance of the major equity markets over the month of December. The returns are shown in both local and euro currencies. The bond index is the Merrill Lynch Over Five Year Euro Government Bond Index.

Source: Bloomberg, January 2021.

CURRENT POSITIONING				
Asset Class	Country	Positive	Neutral	Negative
Equities	North America			✓
	Europe	✓		
	Japan	✓		
	UK	✓		
	Asia-Ex Japan	✓		
Fixed Income	Sovereign Eurozone			✓
	Sovereign US		✓	
	Sovereign UK		✓	
	Credit	✓		
Currencies	USD			✓
	GBP		✓	
	YEN		✓	
Alternatives	Oil		✓	
	Gold	✓		
	Copper		✓	
	Global Property		✓	
	Soft Commodities			✓
	Water	✓		

MARKET PERFORMANCE

Equity Markets

World equities (in euro terms) rose by 1.9% in December giving a total return of 7% for 2020. For the full year the US market was by far the strongest rising by 16.3%. Euro returns in overseas markets have been hindered in 2020 by the significant strength in the euro currency and this can be seen by the fact that the euro return for the US market was only 6.8%. Regarding sectors in the US during the month, the strongest returns came from financials (+6.2%) and technology (+5.7%). For the full year, there was a stark contrast between 'growth' and 'value' stocks. Growth areas massively outperformed with technology up 44% and consumer discretionary stocks up 33%; value sectors such as energy and financials underperformed down 34% and 2% respectively.

Bonds & Interest Rates

The Over Five Year Euro Government Bond Index rose by 0.2% in December giving an impressive return of 7.4% for the full year. The German ten-year bond yield was unchanged in December at minus 0.57%. This remains a most unusual situation and means that buying German bonds today guarantees a loss if held to maturity. Equivalent US rates rose from 0.84% to 0.92%. They had begun the year at 1.92%. The Federal Reserve and other central banks have introduced a wave of liquidity since the outbreak of COVID-19 which has included various forms of asset purchases, to support economies and businesses.

Commodities & Currencies

December saw overall commodity prices rise by a strong 4.8% but they are still down 9.7% for 2020, the main culprit being oil. Oil prices rose in December by around 8% but are down by around 21% for the full year. The gold price rose by 6.7% during the month, to \$1,895 per troy ounce, and is up by strong 24.4% in dollar terms for 2020. The copper price had a good month and is up 26% for the full year. The euro currency strengthened again in December against the US dollar with the EUR/USD rate moving from 1.19 to 1.22.

Zurich Life Annualised Performance
to January 2021

	Annualised							
	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (Euros)
Prisma Multi-Asset Funds								
Prisma 2	1.7%	1.7%	1.1%	1.1%	Not Started	Not Started	Not Started	356,363,214
Prisma 3	3.4%	3.4%	3.0%	3.0%	Not Started	Not Started	Not Started	1,378,353,282
Prisma 4	6.9%	6.9%	6.3%	6.6%	Not Started	Not Started	Not Started	1,831,959,373
Prisma 5	10.9%	10.9%	9.6%	9.6%	Not Started	Not Started	Not Started	1,002,072,815
Prisma Max	13.7%	13.7%	11.3%	10.5%	Not Started	Not Started	Not Started	95,872,860
Managed Funds								
Cautiously Managed	7.1%	7.1%	5.3%	5.0%	7.1%	Not Started	Not Started	547,580,482
Sector Average	0.4%	0.4%	1.5%	2.6%	3.4%	2.7%	2.9%	
Balanced	12.3%	12.3%	9.1%	8.0%	9.2%	6.6%	6.0%	2,006,333,786
Sector Average	1.4%	1.4%	3.4%	4.1%	6.0%	3.6%	3.3%	
Performance	13.9%	13.9%	10.6%	9.4%	10.0%	7.0%	6.2%	1,644,162,231
Dynamic	14.4%	14.4%	11.4%	10.0%	10.5%	7.3%	6.3%	1,888,731,590
FinEx Sector Average	0.8%	0.8%	3.7%	4.9%	6.3%	4.0%	3.6%	
Protected Funds								
Protected 70	4.1%	4.1%	4.8%	4.1%	5.0%	Not Started	Not Started	18,922,456
Protected 80	1.3%	1.3%	2.0%	1.6%	2.7%	Not Started	Not Started	29,438,361
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.1%	0.8%	1.3%	155,409,974
Cash Fund	-1.0%	-1.0%	-0.9%	-0.9%	-0.6%	Not Started	Not Started	1,102,182,536
FinEx Sector Average	-0.7%	-0.7%	-0.7%	-0.5%	-0.1%	0.7%	1.1%	
Bond								
Global Corporate Bond (JP Morgan)	6.8%	6.8%	3.5%	3.4%	Not Started	Not Started	Not Started	14,220,163
Global Government Bond (JP Morgan)	4.9%	4.9%	2.70%	1.90%	Not Started	Not Started	Not Started	3,005,162
Indexed Eurozone Government Bond (BlackRock)*	4.0%	4.0%	3.90%	2.70%	Not Started	Not Started	Not Started	12,157,489
Active Fixed Income	3.2%	3.2%	3.00%	2.50%	5.40%	4.60%	5.50%	255,447,309
Inflation-Linked Bond	2.3%	2.3%	2.00%	2.00%	1.80%	Not Started	Not Started	5,377,541
Long Bond	8.5%	8.5%	7.0%	5.1%	7.5%	5.7%	Not Started	94,022,194
FinEx Sector Average	4.6%	4.6%	3.9%	3.3%	4.4%	3.5%	4.3%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	-2.1%	-2.1%	-1.6%	-0.5%	Not Started	Not Started	Not Started	30,326,230
Dynamic Diversified Growth (BlackRock)	7.4%	7.4%	3.9%	3.2%	Not Started	Not Started	Not Started	11,712,384
Active Asset Allocation	7.4%	7.4%	6.7%	6.80%	6.6%	Not Started	Not Started	613,472,001
Commodity Funds								
Gold	13.0%	13.0%	11.7%	8.8%	3.1%	Not Started	Not Started	192,887,704
Indexed Global Energy and Metals	-11.4%	-11.4%	-1.5%	1.8%	-3.4%	Not Started	Not Started	11,286,256
Equity Funds (Global)								
5 Star 5	18.4%	18.4%	12.6%	10.7%	10.6%	6.7%	Not Started	276,363,025
International Equity	15.4%	15.4%	12.0%	11.1%	11.2%	7.9%	6.1%	3,324,413,455
Global Select (Threadneedle)	11.1%	11.1%	12.6%	12.2%	11.6%	8.3%	6.1%	13,052,059
Indexed Global Equity (BlackRock)*	4.6%	4.6%	9.0%	9.3%	Not Started	Not Started	Not Started	151,897,981
FinEx Sector Average	1.6%	1.6%	5.5%	6.7%	8.0%	5.2%	3.5%	
Equity Funds (European)								
5 Star 5 Europe	3.1%	3.1%	6.0%	7.7%	10.5%	7.0%	Not Started	111,434,749
European Select (Threadneedle)	9.3%	9.3%	9.2%	8.2%	10.7%	8.4%	6.2%	9,754,773
FinEx Sector Average	2.1%	2.1%	3.9%	4.7%	7.1%	5.0%	3.6%	
Equity Funds (Euro)								
Eurozone Equity	5.0%	5.0%	5.2%	6.9%	8.2%	6.7%	Not Started	91,187,201
Indexed Eurozone Equity (BlackRock)*	-1.6%	-1.6%	2.9%	5.9%	Not Started	Not Started	Not Started	5,518,836
Sector Average	-0.6%	-0.6%	2.0%	4.2%	6.1%	3.4%	2.6%	
Equity Funds (Irish)								
Irish Equity	5.0%	5.0%	5.2%	4.6%	13.0%	3.5%	Not Started	20,080,216
FinEx Sector Average	3.3%	3.3%	2.6%	2.0%	10.2%	1.4%	2.9%	

	Annualised							
	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (Euros)
Equity Fund (American)								
5 Star 5 Americas	23.3%	23.3%	18.7%	14.3%	14.4%	9.9%	Not Started	93,334,962
American Select (Threadneedle)	14.9%	14.9%	15.6%	14.0%	14.5%	9.8%	5.7%	12,526,304
FinEx Sector Average	8.3%	8.3%	11.2%	11.0%	12.7%	8.2%	5.0%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	8.9%	8.9%	5.8%	10.1%	7.4%	5.9%	Not Started	81,753,721
Asia Pacific Equity	5.8%	5.8%	5.2%	9.6%	6.8%	Not Started	Not Started	11,131,684
FinEx Sector Average	6.4%	6.4%	4.9%	7.9%	5.1%	5.7%	6.0%	
Equity Funds (High Yield)								
Dividend Growth	-16.1%	-16.1%	-1.3%	3.1%	7.6%	4.6%	Not Started	177,659,729
FinEx Sector Average	1.6%	1.6%	5.5%	6.7%	8.0%	5.2%	3.5%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	8.8%	8.8%	7.8%	13.5%	Not Started	Not Started	Not Started	8,099,925
Indexed Emerging Market Equity Fund (BlackRock)	7.4%	7.4%	4.3%	10.2%	Not Started	Not Started	Not Started	4,519,747
Sector Average	5.0%	5.0%	3.1%	7.9%	2.4%	5.5%	Not Started	
Equity Funds (Specialist)								
Indexed Top Tech 100	34.6%	34.6%	25.4%	20.2%	20.6%	14.6%	Not Started	123,278,851
FinEx Sector Average	9.0%	9.0%	7.5%	6.7%	4.0%	3.2%	1.5%	
Property Funds								
Property Fund	-11.5%	-11.5%	Not Started	Not Started	Not Started	Not Started	Not Started	39,872,752
Indexed European (Ex-UK) Property	-9.3%	-9.3%	1.6%	4.5%	7.0%	Not Started	Not Started	131,171,083
Indexed Australasia Property	-16.7%	-16.7%	0.1%	2.9%	4.3%	Not Started	Not Started	104,663,178
Sector Average	-9.6%	-9.6%	-0.8%	1.2%	3.3%	-0.3%	2.4%	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	0.2%	0.2%	0.0%	Not Started	Not Started	Not Started	Not Started	572,334
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	0.9%	0.9%	1.3%	Not Started	Not Started	Not Started	Not Started	6,997,794
World Equity (Dimensional)	1.5%	1.5%	4.8%	Not Started	Not Started	Not Started	Not Started	11,959,765
Global Short Fixed Income (Dimensional)	-0.3%	-0.3%	-0.3%	Not Started	Not Started	Not Started	Not Started	4,182,180
World Allocation 20/80 (Dimensional)	0.5%	0.5%	0.8%	Not Started	Not Started	Not Started	Not Started	12,868,304
World Allocation 40/60 (Dimensional)	1.1%	1.1%	2.2%	Not Started	Not Started	Not Started	Not Started	25,780,537
World Allocation 60/40 (Dimensional)	1.7%	1.7%	3.3%	Not Started	Not Started	Not Started	Not Started	25,964,237
World Allocation 80/20 (Dimensional)	1.4%	1.4%	3.7%	Not Started	Not Started	Not Started	Not Started	8,929,823
Global Small Companies (Dimensional)	0.9%	0.9%	Not Started	Not Started	Not Started	Not Started	Not Started	970,067
Global Value (Dimensional)	-11.1%	-11.1%	Not Started	Not Started	Not Started	Not Started	Not Started	1,014,964
Global Sustainability Core Equity (Dimensional)	6.7%	6.7%	Not Started	Not Started	Not Started	Not Started	Not Started	60,785
Funds Closed to New Business								
Indexed Eurozone Property	-11.0%	-11.0%	0.2%	3.8%	6.5%	4.3%	Not Started	15,262,681
Indexed India Equity	3.4%	3.4%	1.8%	5.0%	2.3%	Not Started	Not Started	7,686,812
Income Opportunity (JP Morgan)	0.0%	0.0%	-0.7%	1.0%	Not Started	Not Started	Not Started	3,788,273
Diversified Assets	-2.3%	-2.3%	3.2%	4.4%	4.6%	Not Started	Not Started	9,999,074
Earth Resources	15.8%	15.8%	12.7%	8.1%	-0.8%	Not Started	Not Started	4,774,863
Green Resources	123.5%	123.5%	47.4%	27.3%	10.5%	Not Started	Not Started	10,472,944

Source: Financial Express as at 01/01/2021

Annual management charges (AMC) apply. The fund returns shown are net of the AMC deducted by each provider in their unit prices. This will vary for each provider, and any difference will impact the relative performance of the funds shown. The fund returns are based on an investment in the funds and do not represent the returns achieved by individual policies linked to the funds. These fund returns may be before the full AMC is applied to a policy. The actual returns on policies linked to the specified fund will be lower because of the effects of charges and in some cases a higher management charge.

* Performance using most recent data available.

Figures highlighted in beige indicate where the Zurich Life fund has outperformed the sector average.

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