February 2021

Monthly Investment Review

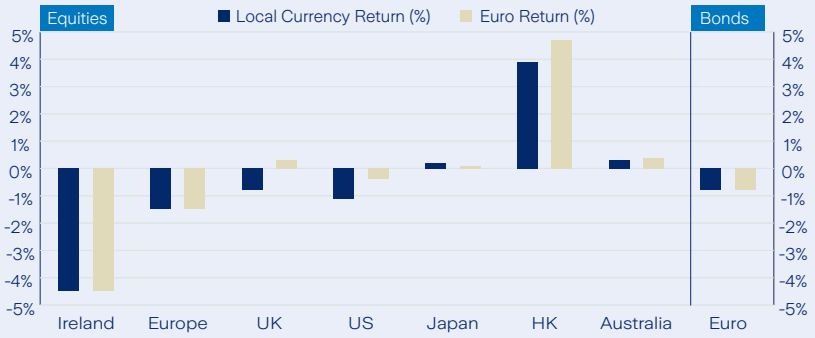
After an extraordinary roller-coaster 2020, investors entered the New Year in a reasonably confident mood supported by central bank action, the roll-out of COVID-19 vaccines and hopes of a brighter economic future. Economic and profit growth forecasts are strong, especially for the second half of 2021, whilst cash levels on deposit are at reasonable high levels. In addition, US Q4 2020 earnings results have been strong in general, comfortably beating analyst' expectations. This does not, however, preclude some setbacks, given the high standalone P/E valuations and the slow vaccination roll-out in Europe. Nevertheless, the strongest support for equities is the relative value argument against sovereign bonds and cash, with the equity risk premium at a 60-year high.

Richard Temperley
Head of Investment Development

Activity

Equity positions in our multi-asset funds were unchanged during January and remain well above benchmark. With regards to geographic positions, the main bias is towards Asia, Japan and, to a lesser extent, the UK. Positions in Europe were reduced toward neutral due to the tardy vaccine roll-out with proceeds reinvested in the US. Sector-wise, the funds are positively biased towards technology and consumer discretionary stocks and negatively biased towards consumer staples and 'bond proxy' areas. Within the technology sector there has been a tilt from secular into more cyclical stocks. 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 ten months.

Equity & Bond % Returns: January



This graph shows the performance of the major equity markets over the month of January. 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, February 2021.

Current Positioning

Asset Class	Region	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) fell by 0.3% in January. Local currency returns for the month for the major markets ranged from 3.9% in Hong Kong to minus 1.5% in Europe. The influential US market declined by 1.1%. Regarding sectors in the US during the month, the strongest returns came from energy (+3.6%) and healthcare (+1.3%), the former being the worst performing sector in 2020. Consumer staples (-5.3%) and industrials (-4.3%) underperformed. Technology stocks, which significantly outperformed last year, were in-line with the market during January.

Bonds & Interest Rates

The Over Five Year Euro Government Bond Index fell by 0.3% in January. The German ten-year bond yield was moved upwards from minus 0.57% to minus 0.52% with Eurozone bonds continuing to offer no long term value. Equivalent US rates rose from 0.92% to 1.07%. 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

January saw overall commodity prices rise by a strong 3.8%, the main support coming from oil. Oil prices rose in January by around 8% following heavy falls during 2020. The gold price fell back by 2.5% during the month, to $1,847 per troy ounce, following a 24.4% rise in dollar terms during 2020. The copper price rose by 1.1% during January. The euro currency weakened slightly in January against the US dollar with the EUR/USD rate moving from 1.22 to 1.21.

Zurich Life Annualised Performance to February 2021

	Year to Date	Annualised 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (Euros)
Prisma Multi-Asset Funds								
Prisma 2	-0.5%	1.1%	1.0%	1.0%	Not Started	Not Started	Not Started	358,957,136
Prisma 3	-0.6%	2.6%	2.7%	3.1%	Not Started	Not Started	Not Started	1,400,719,563
Prisma 4	-1.1%	5.5%	5.7%	6.9%	Not Started	Not Started	Not Started	1,846,090,169
Prisma 5	-1.6%	8.8%	8.7%	10.2%	Not Started	Not Started	Not Started	1,016,612,946
Prisma Max	-1.9%	11.0%	10.0%	11.5%	Not Started	Not Started	Not Started	96,074,017
Managed Funds								
Cautiously Managed	-1.0%	5.6%	4.6%	5.1%	7.1%	Not Started	Not Started	549,481,801
Sector Average	0.1%	0.5%	1.3%	3.1%	3.5%	2.6%	2.8%	
Balanced	-1.5%	9.7%	8.2%	8.4%	9.0%	6.3%	5.8%	1,931,620,921
Sector Average	0.5%	2.0%	3.1%	5.3%	6.0%	3.5%	3.2%	
Performance	-1.7%	11.3%	9.5%	10.0%	9.9%	6.6%	6.1%	1,608,603,407
Dynamic	-1.8%	11.7%	10.2%	10.8%	10.3%	7.0%	6.2%	1,844,832,835
FinEx Sector Average	0.6%	1.7%	3.4%	6.2%	6.4%	3.9%	3.5%	
Protected Funds								
Protected 70	-1.7%	2.0%	3.8%	4.5%	4.9%	Not Started	Not Started	18,389,238
Protected 80	-1.3%	-0.4%	1.4%	1.9%	2.6%	Not Started	Not Started	28,543,308
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.1%	0.8%	1.3%	150,932,146
Cash Fund	0.0%	-0.9%	-0.9%	-0.8%	-0.6%	Not Started	Not Started	1,115,651,776
FinEx Sector Average	-0.1%	-0.7%	-0.7%	-0.5%	-0.1%	0.7%	1.1%	
Bond								
Medium Duration Corporate Bond	-0.2%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	512,546,784
Short Duration Corporate Bond	0.0%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	863,125,505
Global Corporate Bond (JP Morgan)	-0.8%	4.3%	3.4%	3.4%	Not Started	Not Started	Not Started	14,310,233
Global Government Bond (JP Morgan)	-0.8%	2.1%	2.70%	1.40%	Not Started	Not Started	Not Started	3,163,941
Indexed Eurozone Government Bond (BlackRock)*	-0.9%	1.5%	3.70%	2.30%	Not Started	Not Started	Not Started	12,811,486
Active Fixed Income	-0.6%	0.8%	2.80%	1.80%	5.40%	4.70%	5.40%	255,615,296
Inflation-Linked Bond	0.3%	0.8%	2.30%	1.90%	1.80%	Not Started	Not Started	5,594,254
Long Bond	-1.1%	3.1%	6.7%	4.0%	7.5%	5.7%	Not Started	94,836,784
FinEx Sector Average	-0.5%	1.8%	3.8%	3.1%	4.4%	3.5%	4.2%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	-0.4%	-3.8%	-2.0%	-0.7%	Not Started	Not Started	Not Started	29,921,573
Dynamic Diversified Growth (BlackRock)	0.0%	8.2%	3.6%	3.6%	Not Started	Not Started	Not Started	11,958,333
Active Asset Allocation	-1.0%	6.1%	6.2%	7.20%	6.6%	Not Started	Not Started	615,082,163
Commodity Funds								
Gold	-0.4%	6.2%	11.7%	7.5%	3.9%	Not Started	Not Started	197,210,369
Indexed Global Energy and Metals	2.7%	-3.8%	-0.1%	2.8%	-3.1%	-5.2%	Not Started	11,820,884
Equity Funds (Global)								
5 Star 5	0.0%	18.4%	11.7%	11.8%	10.6%	6.5%	7.1%	277,488,183
International Equity	-2.0%	12.4%	10.6%	11.9%	11.1%	7.6%	5.9%	3,321,237,960
Global Select (Threadneedle)	-1.0%	9.0%	11.2%	13.3%	11.8%	7.9%	6.0%	12,919,512
Indexed Global Equity (BlackRock)*	3.8%	6.6%	10.8%	11.8%	Not Started	Not Started	Not Started	158,044,919
FinEx Sector Average	0.8%	2.7%	5.3%	8.5%	8.1%	5.1%	3.5%	
Equity Funds (European)								
5 Star 5 Europe	0.2%	3.8%	5.2%	8.8%	10.5%	6.6%	Not Started	112,695,467
European Select (Threadneedle)	-1.2%	7.7%	7.8%	8.4%	10.9%	7.8%	6.2%	9,638,862
FinEx Sector Average	-0.7%	2.0%	2.8%	6.3%	6.9%	4.6%	3.5%	
Equity Funds (Euro)								
Eurozone Equity	-0.9%	5.5%	3.7%	8.1%	7.7%	6.3%	Not Started	91,839,551
Indexed Eurozone Equity (BlackRock)*	1.2%	-0.1%	3.1%	7.5%	Not Started	Not Started	Not Started	5,467,502
Sector Average	-0.2%	1.2%	1.0%	5.8%	5.9%	3.1%	2.6%	
Equity Funds (Irish)								
Irish Equity	-4.9%	2.7%	3.7%	4.5%	12.6%	3.0%	Not Started	20,243,592
FinEx Sector Average	-4.1%	1.9%	1.2%	2.8%	9.7%	0.9%	2.5%	

		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	-2.4%	19.7%	16.9%	14.6%	14.1%	9.6%	Not Started	91,170,347
American Select (Threadneedle)	-1.5%	10.3%	13.7%	14.9%	14.5%	9.6%	5.6%	12,336,775
FinEx Sector Average	1.0%	7.8%	10.9%	13.2%	13.0%	8.3%	4.9%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	1.4%	14.3%	5.3%	11.9%	7.6%	5.8%	Not Started	84,435,279
Asia Pacific Equity	1.4%	10.3%	4.9%	11.5%	7.2%	Not Started	Not Started	11,579,752
FinEx Sector Average	3.5%	13.5%	5.4%	10.9%	5.7%	5.7%	6.0%	
Equity Funds (High Yield)								
Dividend Growth	2.2%	-10.9%	-0.7%	4.8%	7.8%	4.6%	Not Started	182,123,904
FinEx Sector Average	0.8%	2.7%	5.3%	8.5%	8.1%	5.1%	3.5%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	4.0%	19.0%	7.5%	15.8%	Not Started	Not Started	Not Started	8,653,146
Indexed Emerging Market Equity Fund (BlackRock)	4.4%	16.0%	4.9%	12.1%	Not Started	Not Started	Not Started	5,148,621
Sector Average	4.0%	11.6%	3.3%	10.9%	3.5%	5.0%	6.1%	
Equity Funds (Specialist)								
Indexed Top Tech 100	2.4%	32.2%	24.4%	22.4%	20.9%	14.7%	Not Started	129,145,764
FinEx Sector Average	1.9%	10.6%	8.1%	8.6%	4.2%	3.1%	1.3%	
Property Funds								
Property Fund	0.0%	-5.0%	Not Started	Not Started	Not Started	Not Started	Not Started	38,812,867
Indexed European (Ex-UK) Property	-3.3%	-15.1%	0.7%	4.5%	6.8%	Not Started	Not Started	128,725,481
Indexed Australasia Property	1.2%	-15.3%	0.2%	4.1%	4.7%	Not Started	Not Started	108,106,434
Sector Average	-0.2%	-7.2%	-0.7%	1.5%	3.3%	-0.4%	2.2%	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	-0.1%	-0.1%	0.1%	Not Started	Not Started	Not Started	Not Started	611,252
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	0.4%	-0.6%	2.0%	Not Started	Not Started	Not Started	Not Started	7,024,984
World Equity (Dimensional)	0.6%	4.2%	4.6%	Not Started	Not Started	Not Started	Not Started	12,089,312
Global Short Fixed Income (Dimensional)	0.0%	-0.5%	0.0%	Not Started	Not Started	Not Started	Not Started	4,184,884
World Allocation 20/80 (Dimensional)	0.0%	0.8%	0.9%	Not Started	Not Started	Not Started	Not Started	13,083,373
World Allocation 40/60 (Dimensional)	0.3%	2.1%	2.2%	Not Started	Not Started	Not Started	Not Started	25,834,249
World Allocation 60/40 (Dimensional)	0.5%	3.0%	3.3%	Not Started	Not Started	Not Started	Not Started	26,145,311
World Allocation 80/20 (Dimensional)	0.8%	3.6%	3.7%	Not Started	Not Started	Not Started	Not Started	9,053,785
Global Small Companies (Dimensional)	2.3%	5.7%	Not Started	Not Started	Not Started	Not Started	Not Started	1,051,679
Global Value (Dimensional)	0.1%	-7.3%	Not Started	Not Started	Not Started	Not Started	Not Started	1,212,020
Global Sustainability Core Equity (Dimensional)	-0.3%	6.8%	Not Started	Not Started	Not Started	Not Started	Not Started	98,500
Funds Closed to New Business								
Indexed Eurozone Property	-2.3%	-15.4%	-0.8%	4.2%	6.3%	3.6%	Not Started	14,725,333
Indexed India Equity	-1.5%	2.7%	1.6%	5.8%	3.8%	Not Started	Not Started	7,569,969
Income Opportunity (JP Morgan)	0.2%	0.1%	-0.7%	1.2%	Not Started	Not Started	Not Started	3,755,747
Diversified Assets	-0.1%	-1.6%	3.1%	5.0%	4.7%	Not Started	Not Started	9,967,170
Earth Resources	7.4%	25.7%	16.2%	11.1%	0.1%	Not Started	Not Started	5,098,845
Green Resources	12.9%	139.2%	56.0%	33.8%	12.1%	Not Started	Not Started	11,752,373

Source: Financial Express as at 01/02/2021

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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