APT FUND UPDATE

Q1 2019

Overview of markets in Q1 2019

- Equity markets made gains in Q1, rebounding from a weak end to 2018 as concerns over the China-US trade dispute eased and major central banks grew more accommodative. Government and corporate bonds advanced.

- US equities rose, fuelled mainly by an increasingly dovish tilt in Federal Reserve (Fed) commentary, apparent progress in US-China trade talks, and as the government shutdown ended.

- Eurozone equities also recovered well, supported by central banks stepping away from tighter monetary policy. However, worries over economic growth lingered throughout Q1.

- UK equities performed well over the quarter, despite ongoing Brexit-related uncertainty, and were in line with global equities.

- Japanese shares gained but the advance was somewhat muted compared to other developed markets.

- Emerging markets (EM) equities registered a strong return in Q1, led by China. Optimism over a trade agreement with the US and ongoing government support for the Chinese domestic economy were beneficial.

- In bond markets, US 10-year Treasury yields fell in Q1, reaching their lowest level since late 2017. The three-month Treasury bill yield rose higher than that of 10-year bonds in March, in a sign of growing caution among investors over economic growth.

Quarterly markets review – Q1 2019

US

US equities rebounded from a weak end to 2018 to post significant gains in Q1. January was especially strong, as the Federal Reserve (Fed) confirmed it would adjust planned interest rate hikes to compensate for deteriorating economic momentum and the US government shutdown ended.

Indeed, the Fed settled further into its dovish stance as the quarter progressed, as a number of indicators reflected slower economic growth. Q4 GDP (quarter-on-quarter, annualised) was adjusted downwards to 2.2% from the initial 2.6% reading. Meanwhile, a resolution to persistent US-China trade tensions also appeared more likely.

By the end of March, US equities' progress had dropped to a far more cautious pace as investors balanced the Fed's accommodative tone with the broader implications for economic growth. As the quarter ended, the Fed lowered its projections for US growth and inflation, and reduced its expectations for interest rates hikes. The "dot plot" now shows no rate hikes this year and only one in 2020. The adjusted growth outlook caused the Treasury yield curve to invert - a signal historically associated with a pre-recessionary environment.

Although sentiment cooled by quarter end, equity gains were widespread for the quarter overall. The IT sector – having suffered a difficult Q4 - performed especially well. Healthcare generated more muted gains due to uncertainty over potential regulatory changes. Gains in financials were also hindered by the Fed's comments on rate trajectory.

Eurozone

Eurozone equities enjoyed strong gains in the first quarter, rebounding from weakness at the end of 2018. Stock markets were supported by central banks stepping away from tighter monetary policy. The US Fed said no further interest rate rises were likely this year while the European Central Bank (ECB) said rates would remain at current levels at least until the end of the year. Previously it had said rates would stay on hold until the end of this summer. There was also optimism over global trade as the US suspended planned tariffs hikes on Chinese goods.

It was a mixed picture for stock market sectors. Economically-sensitive areas of the market such as industrials and information technology performed well, but the safe haven consumer staples and real estate sectors were also among the top performers. Banks initially drew support from reports of a new ECB programme to support lending; however, the details released in March disappointed some in the market, while ongoing low interest rates may continue to erode net interest margins.

Growth worries continued to linger during the quarter. The eurozone economy grew by just 0.2% in the final three months of 2018. Germany saw zero growth while Italy slipped into recession. Forward-looking data continued to point to weakness, especially in manufacturing sectors. The flash manufacturing purchasing managers' index[1] dipped to 47.6 in March from February's final reading of 49.3 (a reading below 50 indicates contraction).

[1] The eurozone purchasing managers' index is produced by IHS Markit and based on survey data from around 5,000 companies based in the euro area manufacturing and service sectors. A reading above 50 indicates economic expansion.

Quarterly markets review – Q1 2019

UK

UK equities rallied over the period in line with global equities, with almost all areas of the market bouncing back from a very poor Q4 2018. Against an increasingly uncertain outlook for the global economy, equities perceived to offer superior and defensible earnings growth outperformed. This was reflected in the strong relative performance of the UK's (albeit relatively small) technology sector and select consumer goods companies, including the large-cap tobacco and beverage groups.

In addition to these trends, a number of lowly-valued, domestically-focused areas bounced back strongly following the delay to Brexit beyond March 2019. This development fuelled hopes that a disorderly exit from the EU could be avoided. UK employment growth remained robust. Nominal wages continued to pick up as the UK labour market bucked a wider slowdown in the economy and real wages remained in positive territory as inflation was muted.

The UK economy slowed down during the fourth quarter of 2018 when Brexit uncertainty weighed on business investment. The Office for National Statistics revealed that GDP growth decelerated to 0.2% in Q4 from 0.7% in Q3 2018 and confirmed that economy grew at 1.4% in 2018, the lowest rate for several years. Looking forwards, the OECD predicted UK economic growth would decelerate to 0.8% in 2019 (assuming an orderly Brexit) while the Bank of England cut its 2019 GDP growth projection from 1.7% to 1.2%.

Japan

Global equity markets regained some ground in the first quarter after the sharp falls at the end of 2018. However, the Japanese equity market return of 7.7% was somewhat muted compared to other developed markets, and the gradual uptrend was punctuated by some significant individual daily declines. The Japanese currency weakened against other major currencies, retracing some of the extraordinary moves seen in late 2018 and the early days of 2019.

Several bouts of volatility during the quarter were prompted by a reassessment of interest rate trends after the US yield curve was seen to invert. The perception of a lower global interest rate environment sparked a renewed preference for stable growth, bond-type proxies, within the equity market. Conversely, all financial-related sectors underperformed.

The corporate results season for the quarter ended in mid-February was generally interpreted negatively. However, the balance of real earnings surprises was only slightly skewed to the downside and the individual share price reactions were very muted, suggesting that almost all of the setback had already been discounted in stock prices.

Overall, most of the negative surprises were driven by the sharper-than-expected slowdown in the external environment, especially in China. This particularly affected results in the automotive sector while many tech stocks were also impacted by the slowdown in smartphone sales. However, among individual sectors there is some evidence of increased pressure coming from higher labour costs, especially in distribution, food and retail. Corporate earnings revisions for the fiscal year just ended have remained on a negative trend throughout March.

Japanese economic data released in March was generally in line with expectations. Headline inflation was actually slightly ahead of forecasts with a broadening range of categories seeing some increase in prices. The Bank of Japan's quarterly Tankan survey was also released just after the end of the quarter. Although conditions for large manufacturers have deteriorated, this was largely to be expected given the global backdrop at the time the survey was taken.

Asia (ex Japan)

Asia ex Japan equities rebounded strongly from the sell-off in the previous quarter. The MSCI Asia ex Japan index posted double-digit gains though it slightly underperformed the MSCI World index. All markets in the region closed higher, helped in part by progress in US-China trade negotiations. The dovish shift by major central banks also boosted sentiment.

Global growth concerns remained a drag, however. In particular, China's economy grew at its weakest pace since 1990. January-February data pointed to a continued slowdown. The Chinese government lowered its full-year growth target to 6-6.5% and outlined higher public spending and tax cuts, while the central bank cut the reserve requirement ratios for banks.

Against this backdrop, markets in China and Hong Kong fared best. Aside from easing trade tensions, Chinese stocks were further buoyed by index provider MSCI's move to increase the weighting of China-listed shares in its benchmark indices. Gains were also fuelled by anticipation that Chinese authorities would continue to introduce supportive policies to counter the economic slowdown.

Elsewhere, Taiwanese stocks also advanced. Indian markets were pressured by geopolitical tensions with Pakistan, but they staged a late rally on optimism that the current coalition government would return to power in upcoming elections. South Korean stocks underperformed amid the abrupt end to the US-North Korea summit and concerns over corporate earnings.

ASEAN (Association of Southeast Asian Nations) markets also trailed the broader region. Malaysia and Indonesia were the biggest laggards. The Philippines and Thailand fared better though the latter was held back by uncertainty surrounding the election outcome; official results are not expected until May.

Emerging markets

Emerging markets equities posted a strong return in Q1, led by China. The MSCI Emerging Markets Index increased in value but underperformed the MSCI World.

In China, the Fed's dovish comments and the US's decision to suspended tariff hikes on $200 billion of Chinese goods, together with ongoing government support for the Chinese domestic economy, were all supportive. China A-shares were particularly strong as MSCI announced plans to quadruple their weight in the index between May and November. Elsewhere, a rally in the price of crude oil was beneficial for net exporter countries such as Russia and Colombia.

Conversely, Qatar was the weakest index market, as equities fell back after a strong rally last year. This was primarily driven by strong passive flows, which started to abate in Q1. Turkish equities declined and the lira lost value as the government's unorthodox policy response to the country's economic problems continued..

Global bonds

A strong rebound following sharp declines at the end of last year, a dovish shift from central banks and mounting growth concerns combined to allow both riskier assets and government bonds to perform well in Q1. Stocks and high yield corporate bonds each enjoyed their strongest quarter for several years.

The dovish pivot from major central banks proved particularly significant with markets having grown nervous over the prospect of monetary tightening in the US. The heads of both the Fed and the ECB indicated rates would not rise in 2019. Growth and inflation forecasts were also lowered.

US 10-year Treasury yields fell 30 basis points (bps) over the quarter reaching their lowest level since late-2017. The three-month Treasury bill yield rose higher than that on 10-year bonds in March. This yield curve inversion underlines the growing caution among investors around economic growth prospects.

In European bond markets, 10-year Bund (German government bond) yields were also more than 30bps lower and fell below zero toward the end of March for the first time since October 2016. European economic data weakened further through the quarter, particularly for the manufacturing sector.

Corporate bonds had a strong quarter, retracing the weakness experienced in Q4 2018. High yield[2] credit outperformed investment grade, with both outperforming government bond markets.

Emerging market (EM) bonds had a positive quarter with US dollar-denominated debt outperforming local currency bonds as certain EM currencies weakened.

With the first quarter showing strong gains for global stock markets, convertible bonds benefitted from a significant tailwind. Convertible bonds as measured by the Thomson Reuters Global Focus index were up 6.6%. Unusually in a period of rising markets and greater appetite for risk, convertibles were not sought after by investors and their valuations cheapened slightly.

Commodities

The S&P GSCI Spot Index posted a robust return in Q1. Energy led the way as crude oil prices rebounded from a sell-off in Q4. Production cuts from OPEC and other oil producers, together with the implementation of US sanctions on Venezuela, served to tighten supply. The industrial metals component also moved higher amid positive signs emanating from US-China trade talks. By contrast, precious metals recorded a modest gain, supported by a small rise in gold prices.

The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

[2] Investment grade bonds are the highest quality bonds as determined by a credit ratings agency. High yield bonds are more speculative, with a credit rating below investment grade.

Investment Market Performance Q1 2019

Overview

Total returns (net) % – to end Q1 2019

	3 months			12 months		
Equities	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
MSCI World	12.5	14.5	9.9	4.0	13.9	12.0
MSCI World Value	10.2	12.2	7.7	1.5	11.2	9.3
MSCI World Growth	14.8	16.9	12.2	6.4	16.6	14.6
MSCI World Smaller Companies	13.7	15.8	11.1	-1.5	7.9	6.0
MSCI Emerging Markets	9.9	11.9	7.4	-7.4	1.4	-0.3
MSCI AC Asia ex Japan	11.4	13.4	8.9	-5.2	3.8	2.0
S&P500	13.7	15.7	11.1	9.5	19.9	17.9
MSCI EMU	9.9	11.9	7.5	-8.2	0.5	-1.2
FTSE Europe ex UK	10.5	12.5	8.0	-4.7	4.4	2.6
FTSE All-Share	11.9	14.0	9.4	-1.2	8.2	6.4
TOPIX*	6.8	8.7	4.4	-8.8	-0.1	-1.8

	3 months			12 months		
Government bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
JPM GBI US All Mats	2.2	4.0	-0.1	4.3	14.2	12.3
JPM GBI UK All Mats	6.0	7.9	3.6	-3.5	5.7	3.9
JPM GBI Japan All Mats**	0.8	2.6	-1.5	-1.6	7.7	5.9
JPM GBI Germany All Traded	0.3	2.2	-1.9	-4.8	4.3	2.5
Corporate bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
BofA ML Global Broad Market Corporate	4.1	6.0	1.8	1.3	11.0	9.1
BofA ML US Corporate Master	5.0	6.9	2.6	5.0	15.0	13.0
BofA ML EMU Corporate ex T1 (5–10Y)	2.7	4.5	0.3	-5.7	3.3	1.5
BofA ML £ Non-Gilts	6.6	8.5	4.2	-3.6	5.5	3.7
Non-investment grade bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
BofA ML Global High Yield	6.5	8.4	4.1	3.2	13.0	11.1
BofA ML Euro High Yield	3.5	5.3	1.1	-6.9	2.0	0.3

Source: Thomson Reuters DataStream.

Local currency returns in Q1 2019: *7.7%, **1.7%.

Past performance is not a guide to future performance and may not be repeated.

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Active Global Equity Funds	**Q1**	**1yr**	**3yr**	**5yr**	**2018**	**2017**	**2016**	**2015**	**2014**
Friends First F&C International Equity	15.5	11.8	10.3	10.9	-4.4	11.5	7.4	8.2	18.0
Irish Life Pension Active Fund (MEQ)	14.4	10.8	10.2	11.4	-4.4	8.1	15.3	8.0	19.2
Merrion Global Equity	18.9	7.6	6.1	8.6	-10.8	4.7	0.0	16.0	15.8
Canada Life (Grp) CL/Setanta Pension Equity	14.5	10.7	10.1	11.4	-4.6	7.9	15.3	8.2	19.7
Standard Life Inv Global Equity	19.0	6.9	5.4	7.5	-12.8	6.9	-1.5	14.2	15.7
Zurich Life International Equity	14.5	12.5	10.7	10.6	-5.5	9.3	10.0	10.6	17.7
Navigate High Growth Fund	13.3	10.6	9.6	9.9	-6.4	10.3	11.2	10.2	16.7
Index: MSCI World Index	**14.5**	**13.9**	**11.2**	**11.3**	**-4.1**	**7.5**	**10.7**	**10.4**	**19.5**

Passive Global Equity Funds	**Q1**	**1yr**	**3yr**	**5yr**	**2018**	**2017**	**2016**	**2015**	**2014**
Navigate Low Volatility Equity Fund	12.3	18.2	9.0	14.0	1.2	4.7	10.3	16.8	26.5
Navigate Quality Equity Fund	12.0	9.0	9.6	8.9	-7.3	6.7	14.9	6.7	17.4
ILIM Index World Equity - IWE	13.9	12.5	11.2	11.1	-4.6	8.5	11.5	9.4	18.8
SSgA World Index Fund	14.1	13.0	11.1	11.1	-4.7	8.1	10.7	10.3	18.8
Standard Life Vanguard Global Stock Index	14.4	13.0	10.6	11.1	-5.7	7.4	10.9	10.2	20.0
Index: MSCI World Index	**14.5**	**13.9**	**11.2**	**11.3**	**-4.1**	**7.5**	**10.7**	**10.4**	**19.5**

Active Managed Funds	**Q1**	**1yr**	**3yr**	**5yr**	**2018**	**2017**	**2016**	**2015**	**2014**
Acorn Life (Grp) Pension Managed Growth	11.5	6.7	7.1	7.6	-7.6	7.0	5.6	12.4	13.1
Canada Life (Grp) Setanta Pension Managed	9.4	8.7	8.1	9.0	-3.1	6.3	11.8	7.5	17.3
Friends First (Grp) Mixed	10.0	7.2	7.4	8.1	-4.6	8.2	5.2	7.4	16.9
Merrion IM (Grp) Managed	10.9	3.6	4.0	6.4	-8.9	4.4	-0.7	13.6	16.7
New Irl (Grp) Pension Managed Net	9.8	5.6	7.1	6.7	-7.3	7.3	9.3	6.5	10.9
Standard Life Managed	11.3	6.2	6.5	7.4	-7.7	9.4	1.0	10.5	15.6
Zurich Life (Grp) Balanced	9.7	8.8	7.0	8.1	-3.7	6.2	6.6	9.8	15.1
APT Average	**10.4**	**6.7**	**6.7**	**7.6**	**-6.1**	**7.0**	**5.5**	**9.7**	**15.1**

Passive Managed Fund	**Q1**	**1yr**	**3yr**	**5yr**	**2018**	**2017**	**2016**	**2015**	**2014**
ILIM Consensus Fund - PCF	10.2	8.2	7.8	8.6	-4.1	7.0	7.4	9.5	16.0

Target Return Funds	**Q1**	**1yr**	**3yr**	**5yr**	**2018**	**2017**	**2016**	**2015**	**2014**
ILIM Absolute Alpha - ABS	0.1	-0.8	0.5	1.5	-2.2	3.1	-0.5	3.1	4.8
ILIM Managed Fund - MR1	7.9	7.9	7.5	8.3	-2.1	5.8	9.2	8.3	15.7
Merrion High Alpha	4.7	-4.6	-3.6	2.8	-8.2	-2.4	-9.1	15.0	9.1
SSgA Dynamic Diversified	5.2	1.6	3.5	1.9	-5.4	6.7	2.3	-1.8	3.2

Bond/Fixed Interest Funds	**Q1**	**1yr**	**3yr**	**5yr**	**2018**	**2017**	**2016**	**2015**	**2014**
Zurich Long Bond Fund	3.9	3.1	0.7	6.0	1.4	-1.6	6.4	1.9	28.3
Merrion Long Bond Fund	4.1	1.7	0.5	6.0	0.4	-0.5	4.6	2.6	28.8
ILIM Passive Long Bond Fund - PPL	5.2	3.9	1.8	6.8	2.2	-0.6	6.7	2.0	28.5
State Street IUT Euro Gov Long Bond Fund	5.1	3.7	1.7	6.8	2.1	-0.8	6.5	1.7	29.5
Merrill Lynch > 10 year Index	**5.2**	**4.1**	**2.0**	**7.1**	**2.5**	**-0.4**	**7.0**	**2.3**	**28.9**

Cash Funds	**Q1**	**1yr**	**3yr**	**5yr**	**2018**	**2017**	**2016**	**2015**	**2014**
ILIM Cash Fund - PC2	-0.1	-0.6	-0.6	-0.4	-0.6	-0.6	-0.4	-0.2	-0.1
Merrion Cash Fund	0.1	-0.8	-0.0	0.0	-1.0	-0.4	-0.2	-0.1	0.1
Zurich Cash Fund	-0.1	-0.6	-0.6		-0.7	-0.7	-0.5		
Zurich Secure (Closed to New Business)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
# Euribor EBF 3 month rate	**-0.0**	**-0.3**	**-0.3**	**-0.2**	**-0.3**	**-0.3**	**-0.3**	**-0.0**	**0.2**

APT Multi Asset - Medium Volatility	**Q1**	**1yr**	**3yr**	**5yr**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund Name	**%**	**%**	**% p.a.**	**% p.a.**	**%**	**%**	**%**	**%**	**%**
Irish Life Navigate Cautious	6.8	1.3	4.4	4.3	-6.6	7.6	5.9	1.2	8.5
Irish Life Navigate Moderate	8.9	3.5	5.3	5.7	-7.0	8.5	7.6	4.2	11.2
Aberdeen Global Diversified Growth	2.7	-1.4			-5.5	8.5			
Amundi SF Absolute Return Multi-Strategy Control	-0.1	-3.0			-3.5	0.5			
Amundi II Multi-Strategy Growth	-0.5	-3.8	1.3	1.8	-3.8	3.0	4.0	4.3	7.6
Aviva AIMS Target Return	4.3	-2.9	-1.5		-7.4	-3.1	0.1	4.0	
BlackRock Market Advantage Strategy	11.0	5.0	6.8	5.1	-7.1	10.7	9.1	-3.6	11.2
BlackRock SF Dynamic Diversified Growth	5.3	2.0	2.4	1.6	-4.0	7.2	-2.9	-0.7	5.0
BNY Mellon Global Real Return	4.7	6.5	1.2	2.4	-1.0	1.5	1.3	1.9	5.2
Insight Broad Opportunities	4.2	0.7	3.1	2.2	-6.6	8.6	3.6	-2.4	5.5
Invesco Global Targeted Returns	2.1	-2.7	-0.5	1.2	-5.0	-0.0	2.2	1.4	8.8
Investec Global Diversified Growth	4.9	-3.7			-11.4	7.0			
Irish Life MAP 3	4.6	1.6	4.0	4.8	-3.8	6.5	6.1	5.5	
KBI Diversified Growth	9.7	3.1	6.0	4.4	-8.7	8.5	7.1	-0.1	8.9
L&G Diversified EUR Fund	8.8	6.2			-4.2	5.1	3.8	6.4	17.7
L&G Euro Dynamic Diversified Fund (PMC)	9.3	6.9	6.1	6.6	-5.5	6.9	6.7	2.8	13.2
Pimco GIS Dynamic Multi-Asset	4.4	0.5	3.0		-5.6	6.6			
Russell Investments Multi-Asset Growth Strategy	6.4	0.8	3.0	3.3	-6.7	5.0	3.5	2.6	6.8
Schroder Dynamic Multi Asset	4.3	-2.3			-8.2	7.1			
Schroder ISF Global Diversified Growth	5.1	-2.5	2.7	2.5	-9.1	7.3	3.8	-0.5	6.7
Standard Life GARS	3.6	-1.4	-0.6	0.6	-7.5	2.1	-2.5	3.2	5.6
Standard Life EDGF	7.3	-1.2	3.3		-8.2	9.2	-1.9		
State Street IUT Dynamic Diversified	5.2	1.6	3.5	1.2	-5.3	6.6	2.2	-4.9	3.3
APT Average	**5.3**	**0.6**	**3.0**	**3.2**	**-6.2**	**5.7**	**3.3**	**1.5**	**8.4**