

# APT FUND UPDATE

## 2020 Market in Review: A Year That Defied Expectations



- 2020 was a year of surprises. There was the speed at which the pandemic escalated, the severity of the lockdowns, the size of the government stimulus measures globally and the magnitude of the equity market rebounds. Perhaps the biggest surprise is that global equities, gained around 16% (USD) in 2020 - an outcome few would have predicted during a global pandemic. With the U.S. election behind us and effective vaccines on the way, investors have become bullish, pushing the S&P 500® to record highs.
- Likewise, the consensus view points towards a positive medium-term outlook for economies and corporate earnings. We're in the early post-recession recovery phase of the cycle. This implies an extended period of low-inflation, low-interest rate growth that favours equities over bonds. There are some near-term risks, however. Investor sentiment has become overly optimistic following the vaccine announcements, making markets vulnerable to negative news. This could include renewed lockdowns in Europe and North America as virus cases escalate, logistical difficulties in distributing the vaccine and negative economic growth in early 2021 if government support measures are unwound too quickly. Geopolitics could also deliver negative surprises from China, Iran or Russia as the new Biden administration takes power in the U.S.
- Overall, we see the following asset class implications for 2021:
  - Equities should outperform bonds.
  - Long-term bond yields should rise, though with steeper yield curves likely limited by continued low inflation and central banks remaining on hold.
  - The U.S. dollar will likely weaken given its countercyclical nature.
  - Non-U.S. equities to outperform given their more cyclical nature and relative valuation advantage over U.S. stocks.
  - The value equity factor to outperform the growth factor.
  - A return to normal by the second half of the year should help extend the rotation that began in early November away from technology/growth leadership toward cyclical/value stocks. During the COVID-19 pandemic, technology and growth stocks enjoyed tailwinds from a boost to earnings and lower discount rates. These tailwinds may become headwinds once a vaccine is available and lockdowns have been eased. This should allow the normal early-cycle recovery dynamics to resume, with investors rotating towards relatively cheaper value and non-U.S. stocks that will benefit from the return to more normal economic activity.

# Quarterly markets review – Q4 2020

## US

US equities gained over the quarter, with November especially strong due to the vaccine news. The developments eclipsed Joe Biden's win in the US presidential election, as well as a \$900 billion stimulus package announced in late December. The Federal Reserve nonetheless reinforced its supportive message, stating it will continue with current levels of quantitative easing. Economically sensitive sectors made the strongest gains, with more defensive sectors making more modest progress.

## Eurozone

European equities gained sharply in Q4, again on the news of effective vaccines. Sectors that had previously suffered most severely from the pandemic, such as energy and financials, were the top gainers. However, rising Covid infections saw many European countries tighten restrictions. EU leaders approved the landmark €1.8 trillion budget package, including the €750 billion recovery fund, after overcoming opposition from Hungary and Poland. The EU agreed a Brexit trade deal with the UK.

## UK

UK equities performed well over the quarter reversing some of the underperformance that they suffered versus other regions during the global pandemic's initial stages. The market responded well to November's vaccine news and then again to the Brexit trade deal, with domestically-focused areas of the market outperforming.

## Japan

Japanese equities rallied in the quarter, driven from early November by vaccine-related news and the US presidential election result. The style reversal seen in most markets has not yet materialised in Japan, with only a brief outperformance for value stocks, while small caps underperformed sharply in the quarter. The focus now is on the vaccine roll out, Japan's general election timetable and the timing of a full corporate earnings recovery.

## Asia (ex Japan)

The MSCI Asia ex Japan Index rallied strongly. South Korea was the best-performing index market, aided by strong gains from the tech sector. Indonesia, Taiwan, the Philippines and India also finished ahead of the index. Malaysia, China and Hong Kong generated more modest gains and underperformed. In China, tensions with the US, and anti-trust moves weighed on sentiment somewhat.

## Emerging markets

Emerging market (EM) equities generated their strongest quarterly return in over a decade, with US dollar weakness amplifying gains. Korea, Brazil and Mexico all outperformed. The rally in commodity prices was supportive of EM net exporters. Conversely, Egypt, where daily new Covid-19 cases accelerated, posted a negative return. China finished in positive territory but also lagged. The launch of an anti-trust investigation into Alibaba and further escalation in US-China tensions dragged on sentiment.

# Quarterly markets review – Q4 2020

## Global bonds

Government bond yields diverged markedly. The US 10-year yield was 25 basis points (bps) higher, finishing at 0.91%, while the German 10-year yield fell by 5bps to -0.57%. Italian and Spanish 10-year yields saw significant declines of 32 and 20bps respectively, as the European Central Bank increased quantitative easing. The UK 10-year yield was little changed at 0.20%, as vaccine optimism was tempered by Brexit uncertainty and new lockdown measures.

Corporate bonds enjoyed a fruitful quarter, outpacing government bonds, with both investment grade and high yield delivering strong positive total returns. Investment grade bonds are the highest quality bonds as determined by a credit rating agency; high yield bonds are more speculative, with a credit rating below investment grade.

Convertible bonds gained 10.7%, benefiting from the tailwind of global stocks at record highs. This implies a strong 73% participation in the equity market gains in Q4. The primary market for convertibles has also reached highs not seen for the last ten years. All in all, \$166 billion of new convertible bonds were issued in 2020. Valuations, especially in the US, have become more expensive, albeit from a lowly valued base.

## Commodities

In commodities, the S&P GSCI Index registered a robust return in Q4. Vaccine news lifted hopes for a global economic recovery in 2021. US dollar weakness was also beneficial. Agriculture was the best-performing index component, driven higher by strong performance from soybeans and corn. The energy component also posted a positive return. Crude oil prices rallied as a stronger demand outlook offset concerns over increased supply. Industrial metals also gained, driven higher by copper and nickel. Precious metals were mixed, with silver generating a robust gain while the gold price fell.

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.

# Quarterly markets review – Q4 2020

## Total returns (net) % – to end December 2020

Equities	3 months			12 months		
	USD	EUR	GBP	USD	EUR	GBP
MSCI World	14.0	9.2	7.8	15.9	6.3	12.3
MSCI World Value	15.7	10.9	9.5	-1.2	-9.3	-4.2
MSCI World Growth	12.5	7.9	6.4	33.8	22.8	29.7
MSCI World Smaller Companies	23.9	18.7	17.1	16.0	6.4	12.4
MSCI Emerging Markets	19.7	14.7	13.2	18.3	8.5	14.7
MSCI AC Asia ex Japan	18.6	13.7	12.2	25.0	14.7	21.2
S&P500	12.2	7.5	6.1	18.4	8.6	14.7
MSCI EMU	17.6	12.7	11.2	7.9	-1.0	4.6
FTSE Europe ex UK	15.5	10.7	9.2	12.1	2.8	8.6
FTSE All-Share	19.1	14.1	12.6	-6.9	-14.6	-9.8
TOPIX*	13.7	8.9	7.5	13.0	3.7	9.6

Government bonds	3 months			12 months		
	USD	EUR	GBP	USD	EUR	GBP
JPM GBI US All Mats	-0.9	-5.0	-6.3	8.4	-0.6	5.1
JPM GBI UK All Mats	6.3	1.9	0.6	12.5	3.2	9.0
JPM GBI Japan All Mats**	2.2	-2.1	-3.4	4.2	-4.4	1.0
JPM GBI Germany All Traded	4.8	0.4	-0.9	12.3	3.1	8.9
Corporate bonds	USD	EUR	GBP	USD	EUR	GBP
BofA ML Global Broad Market Corporate	4.2	-0.1	-1.4	10.3	1.2	6.9
BofA ML US Corporate Master	3.0	-1.3	-2.6	9.8	0.7	6.4
BofA ML EMU Corporate ex T1 (5–10Y)	6.9	2.5	1.1	12.6	3.3	9.2
BofA ML £ Non-Gilts	9.1	4.6	3.2	11.4	2.2	8.0
Non-investment grade bonds	USD	EUR	GBP	USD	EUR	GBP
BofA ML Global High Yield	7.5	3.0	1.7	8.0	-0.9	4.7
BofA ML Euro High Yield	10.0	5.5	4.1	12.0	2.7	8.5

Source: Thomson Reuters DataStream.

Local currency returns in Q4 2020: \*11.2%, \*\*-0.0%.



# APT Q4 2020 FUND UPDATE

Active Global Equity Funds	Q4	YTD	1yr	3yr	5yr	2020	2019	2018	2017	2016
Canada Life / Setanta Pension Equity	11.2	-4.1	-4.1	3.5	6.6	-4.1	21.1	-4.6	7.9	15.3
Friends First (Grp) International	9.8	1.9	1.9	7.3	8.1	1.9	26.8	-4.4	11.5	7.4
Irish Life (Grp) Active Global Equity	11.2	-4.2	-4.2	3.5	6.7	-4.2	21.0	-4.4	8.1	15.3
Merrion IM (Grp) Global Equity	11.6	20.5	20.5	10.8	7.3	20.5	26.4	-10.8	4.7	0.0
Standard Life Global Equity	4.8	-0.7	-0.7	4.7	3.9	-0.7	32.5	-12.8	6.9	-1.5
Zurich Life (Grp) International Equity	7.8	14.5	14.5	11.3	10.7	14.5	28.7	-5.7	9.2	9.9
Navigate High Growth Fund	10.0	3.4	3.4	7.0	7.9	3.4	26.5	-6.4	7.4	11.4
<b>MSCI World Index</b>	<b>9.2</b>	<b>6.3</b>	<b>6.3</b>	<b>9.9</b>	<b>9.5</b>	<b>6.3</b>	<b>30.0</b>	<b>-4.1</b>	<b>7.5</b>	<b>10.7</b>

Passive Global Equity Funds	Q4	YTD	1yr	3yr	5yr	2020	2019	2018	2017	2016
Navigate Low Volatility Equity Fund	1.6	-5.1	-5.1	6.4	6.8	-5.1	25.5	1.2	3.5	11.4
Navigate Quality Equity Fund	14.3	-3.7	-3.7	3.7	6.0	-3.7	24.9	-7.3	4.3	14.9
Navigate World Equity Fund	9.2	6.2	6.2	9.8	9.7	6.2	30.0	-4.2	7.8	11.4
ILIM Index World Equity - IWE	9.9	6.2	6.2	9.5	9.7	6.2	29.4	-4.6	8.5	11.5
State Street World Index Fund	9.6	6.4	6.4	9.5	9.5	6.4	29.5	-4.7	8.1	10.7
Standard Life Vanguard GI Stock Index	8.9	5.5	5.5	9.2	9.3	5.5	30.6	-5.6	7.6	11.1
<b>MSCI World Index</b>	<b>9.2</b>	<b>6.3</b>	<b>6.3</b>	<b>9.9</b>	<b>9.5</b>	<b>6.3</b>	<b>30.0</b>	<b>-4.1</b>	<b>7.5</b>	<b>10.7</b>

Active Managed Funds	Q4	YTD	1yr	3yr	5yr	2020	2019	2018	2017	2016
Acorn Life Managed	5.1	0.1	0.1	2.9	3.9	0.1	15.3	-5.5	5.0	5.5
Aviva Multi Asset Dynamic (Risk 5)	9.6	1.3	1.3	3.7	4.3	1.3	20.2	-8.5	6.0	4.4
Aviva Multi Asset Strategic (Risk 4)	7.3	2.2	2.2	3.2	3.3	2.2	16.0	-7.3	3.8	3.3
Davy Balanced Growth	5.7	5.4	5.4	3.9	3.6	5.4	13.8	-6.6	4.2	2.4
Davy Long Term Growth	7.6	6.6	6.6	5.2	4.9	6.6	18.4	-7.6	6.6	2.4
Friends First F&C Mixed	8.2	2.5	2.5	5.7	6.2	2.5	21.8	-5.5	7.8	6.3
Irish Life Multi Asset Portfolio 4	5.8	-1.0	-1.0	1.6	3.8	-1.0	11.5	-5.1	7.8	6.6
Irish Life Multi Asset Portfolio 5	7.8	-0.1	-0.1	2.5	5.1	-0.1	14.1	-5.6	10.4	8.0
Irish Life Pension Managed	5.9	-0.8	-0.8	3.9	5.3	-0.8	15.3	-2.1	5.8	9.2
Irish Life Setanta Managed	8.3	-3.7	-3.7	2.4	4.9	-3.7	15.4	-3.3	6.1	11.5
KBI Managed	9.2	-1.4	-1.4	2.4	4.7	-1.4	18.4	-8.1	6.7	9.9
L&G Multi-Index EUR V	9.1	1.3	1.3	5.3		1.3	23.4	-6.6	8.5	
Merrion Managed	8.1	19.8	19.8	9.2	6.2	19.8	19.2	-8.9	4.4	-0.7
New Ireland iFunds 5	8.0	3.5	3.5	5.8	7.4	3.5	20.7	-5.2	7.9	11.9
New Ireland Managed	11.7	-3.1	-3.1	2.7	5.3	-3.1	20.6	-7.3	8.5	10.1
Stan Life Inv Managed	6.9	4.3	4.3	6.1	5.7	4.3	24.1	-7.7	9.4	0.9
Standard Life Synergy MyFolio Active IV	8.2	1.7	1.7	3.4	3.5	1.7	18.9	-8.6	6.5	1.2
Standard Life Synergy MyFolio Active V	9.1	1.9	1.9	3.6	3.9	1.9	20.8	-9.6	7.9	0.7
Zurich Life Prisma 4	5.9	6.9	6.9	6.3	6.6	6.9	17.8	-4.6	5.7	8.5
Zurich Life Prisma 5	8.3	10.9	10.9	9.6	9.6	10.9	26.5	-6.2	7.7	11.3
<b>APT Average</b>	<b>7.8</b>	<b>2.9</b>	<b>2.9</b>	<b>4.5</b>	<b>5.2</b>	<b>2.9</b>	<b>18.6</b>	<b>-6.5</b>	<b>6.8</b>	<b>6.0</b>

# APT Q4 2020 FUND UPDATE

Passive Managed Fund	Q4	YTD	1yr	3yr	5yr	2020	2019	2018	2017	2016
ILIM Consensus Fund - PCF	6.8	4.3	4.3	6.6	6.9	4.3	21.2	-4.1	7.0	7.4
Target Return Funds	Q4	YTD	1yr	3yr	5yr	2020	2019	2018	2017	2016
ILIM Absolute Alpha - ABS	2.4	-2.7	-2.7	-1.5	-0.4	-2.7	0.5	-2.2	3.1	-0.5
ILIM Managed Fund - MR1	5.9	-0.8	-0.8	3.9	5.3	-0.8	15.3	-2.1	5.8	9.2
Merrion High Alpha	13.2	26.3	26.3	4.7	0.3	26.3	-1.0	-8.2	-2.4	-9.1
State Street Dynamic Diversified	5.5	-2.7	-2.7	-0.6	1.5	-2.7	6.4	-5.2	6.9	2.6
Bond/Fixed Interest Funds	Q4	YTD	1yr	3yr	5yr	2020	2019	2018	2017	2016
Irish Life Navigate Annuity Bond Fund	1.3	9.6	9.6	8.1	6.5	9.6	11.9	3.1	-0.8	9.3
Zurich Long Bond Fund	1.7	8.6	8.6	7.0	5.1	8.6	11.6	1.4	-1.6	6.4
Merrion Long Bond Fund	2.7	12.8	12.8	9.0	6.1	12.8	14.3	0.4	-0.5	4.6
ILIM Passive Long Bond Fund - PPL	2.4	10.8	10.8	9.3	6.7	10.8	15.3	2.2	-0.6	6.7
State Street IUT Euro Gov Long Bond Fund	2.4	10.8	10.8	9.1	6.6	10.8	15.0	2.0	-0.5	6.5
<b>Merrill Lynch EMU &gt; 10 year Index</b>	<b>1.9</b>	<b>10.5</b>	<b>10.5</b>	<b>9.5</b>	<b>6.9</b>	<b>10.5</b>	<b>15.5</b>	<b>2.4</b>	<b>-0.4</b>	<b>7.0</b>
<b>Merrill Lynch EMU Gov &gt;10 Year AAA/AA</b>	<b>1.3</b>	<b>9.8</b>	<b>9.8</b>	<b>8.5</b>	<b>6.8</b>	<b>9.8</b>	<b>12.3</b>	<b>3.5</b>	<b>-0.6</b>	<b>9.3</b>
Cash Funds	Q4	YTD	1yr	3yr	5yr	2020	2019	2018	2017	2016
Navigate Cash Fund	-0.2	-0.6	-0.6	-0.6	-0.5	-0.6	-0.6	-0.5	-0.6	-0.3
ILIM Cash Fund - PC2	-0.2	-0.7	-0.7	-0.6	-0.6	-0.7	-0.6	-0.6	-0.6	-0.4
Merrion Cash Fund	-0.2	-0.4	-0.4	-0.6	-0.5	-0.4	-0.4	-1.0	-0.4	-0.2
Zurich Cash Fund	-0.2	-0.8	-0.8	-0.7	-0.6	-0.8	-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	0.0
<b>Euribor EBF 3 month rate</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-0.4</b>	<b>-0.3</b>
Multi Asset Funds	Q4	YTD	1yr	3yr	5yr	2020	2019	2018	2017	2016
Fund Name	%	%	%	% p.a.	% p.a.	%	%	%	%	%
Navigate Cautious Growth	6.2	2.4	2.4	2.6	4.3	2.4	13.0	-6.6	7.8	5.9
Navigate Moderate Growth	7.6	2.8	2.8	3.9	5.0	2.8	17.4	-7.0	5.5	7.8
Aberdeen Standard Diversified Growth	6.2	1.0	1.0	0.6		1.0	6.6	-5.5	8.5	
Amundi Multi-Strategy Growth	7.6	11.0	11.0	3.8	3.7	11.0	4.8	-3.8	3.0	4.0
Amundi Absolute Return Multi-Strategy	3.7	2.6	2.6	0.6		2.6	2.9	-3.5	0.5	
AQR Global Risk Parity	5.9	3.5	3.5	3.3	5.5	3.5	16.4	-8.5	8.6	9.0
Aviva AIMS Target Return	4.9	2.3	2.3	1.1	0.1	2.3	9.1	-7.4	-3.1	0.1
Merrion Multi-Asset 30	5.3	12.2	12.2	5.5	4.4	12.2	9.8	-4.8	1.9	3.7
BlackRock Market Advantage Strategy	7.7	1.0	1.0	3.9	6.3	1.0	19.4	-7.8	10.0	9.1
BlackRock SF Dynamic Diversified Growth	5.0	7.9	7.9	4.2	3.3	7.9	9.3	-4.0	7.2	-2.9
BNY Mellon Global Real Return	6.0	7.2	7.2	5.8	4.0	7.2	11.5	-1.0	1.5	1.3
Insight Broad Opportunities	6.2	-0.7	-0.7	1.0	3.0	-0.7	11.2	-6.6	8.6	3.6
Invesco Global Targeted Returns	0.9	-2.0	-2.0	-1.4	-0.4	-2.0	2.9	-5.0	-0.0	2.2
Irish Life MAP C	4.6	0.4	0.4	1.9	3.7	0.4	9.6	-3.8	6.9	6.1
L&G Diversified EUR Fund (icav)	7.4	2.9	2.9	4.7		2.9	17.5	-5.2	6.6	
Russell Inv Multi-Asset Growth Strategy	6.5	5.5	5.5	3.5	3.8	5.5	12.7	-7.1	4.9	3.5
Schroder Dynamic Multi Asset	6.6	3.7	3.7	1.7		3.7	10.4	-8.2	7.1	
Schroder ISF Global Diversified Growth	6.8	4.9	4.9	2.4	4.1	4.9	10.5	-8.7	8.3	4.7
St. Life Enhanced Diversification Growth	7.7	5.2	5.2	3.1	3.3	5.2	13.2	-8.2	9.3	-1.9
Standard Life GARS	3.4	6.6	6.6	1.6	0.9	6.6	6.2	-7.3	1.7	-3.2
State Street IUT Dynamic Diversified	5.3	-2.8	-2.8	-0.8	1.3	-2.8	6.2	-5.3	6.6	2.2
<b>Peer Group Average</b>	<b>5.7</b>	<b>3.7</b>	<b>3.7</b>	<b>2.5</b>	<b>3.2</b>	<b>3.7</b>	<b>10.1</b>	<b>-5.9</b>	<b>5.3</b>	<b>3.0</b>