# CORONAVIRUS UPDATE

## FOR IRISH LIFE WORKPLACE PENSION CUSTOMERS

Coronavirus COVID-19

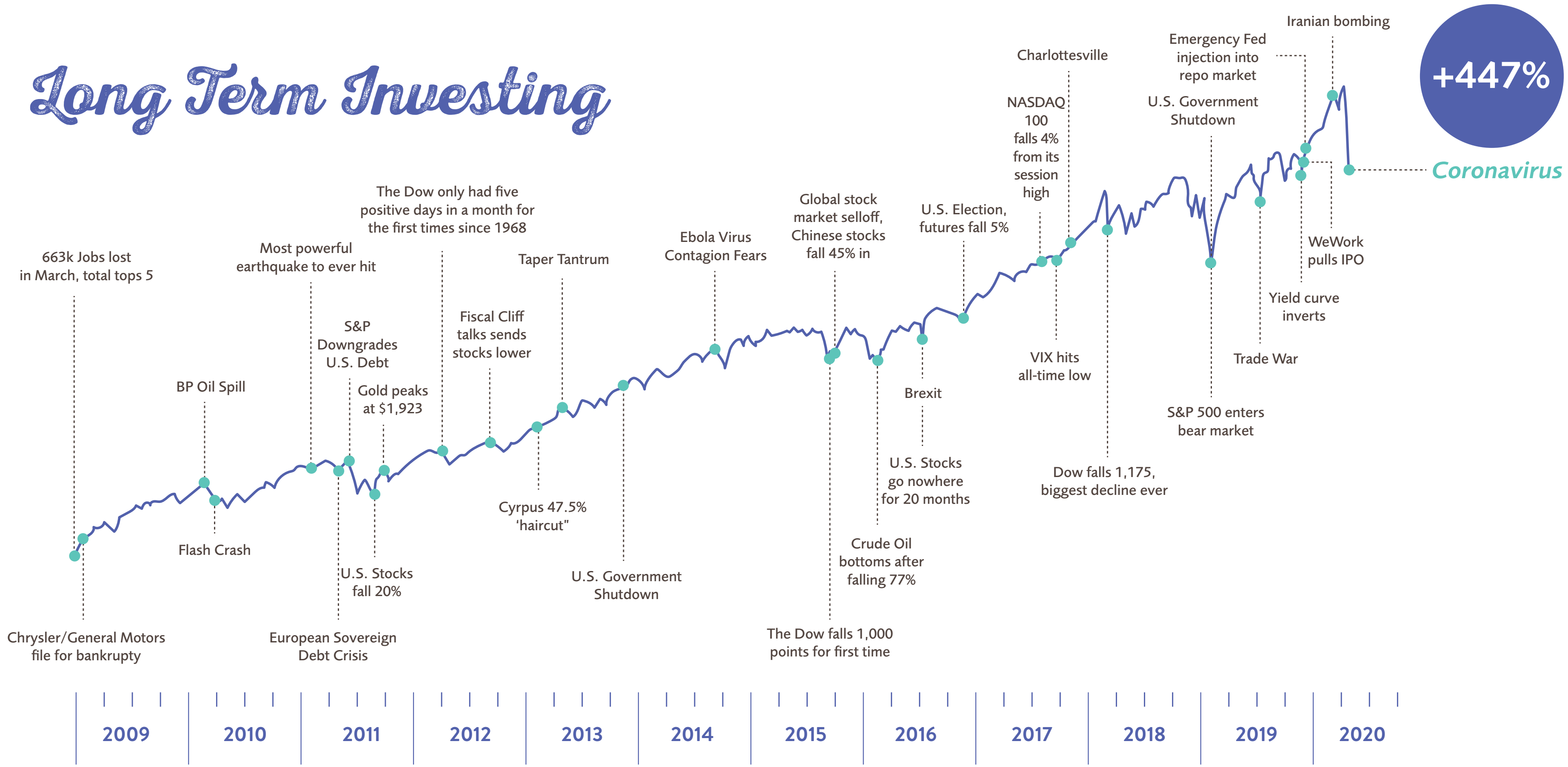
Coronavirus numbers have dominated news headlines with the focus on testing capability, new cases and sadly, deaths. However, early signs that the severe global lockdown restrictions that have been in place are now starting to work. In fact, most countries are now looking at plans for unwinding lockdown measures with governments providing timelines for people and businesses to get back to whatever the new normal will be. It is still not clear what threat is posed by a potential second wave but this can't be discounted.

Global equity markets have fallen -12.5% for MSCI ACWI to Monday, 11 May. That represents a material recovery from the low which was over 30% at its worst. Market forecasters expect a broad recovery to start in the third quarter of this year. While it is still too early to quantify the full impact of Coronavirus on the global economy, it is very encouraging to see the commitment from governments and global central banks to support a recovery.

Equity markets will experience short term ups and downs which can be unnerving. However, staying invested through them means benefitting when markets recover and we have already seen some of the strongest positive one day moves in history.

We know that when it comes to investing, uncertainty is uncomfortable for most people. Equity market highs and lows can often prompt short term emotional decision making and actions to buy or sell when perhaps the right thing to do is nothing. That is why we have specifically designed our investment solutions to make the journey smoother.

# Long Term Investing




Data Source: StockCharts.com. S&P 500 Total Return

Warning: Past performance is not a reliable guide to future performance.

There are two ways we do this:

## 1 Diversification

This means spreading investments so the performance of your fund is not over exposed to any one company, asset class, sector, geography, currency, manager or strategy. In practice it means that if equities are falling, for example, your fund can still benefit from other assets, like bonds, going up. This reduces the overall impact of any fall.

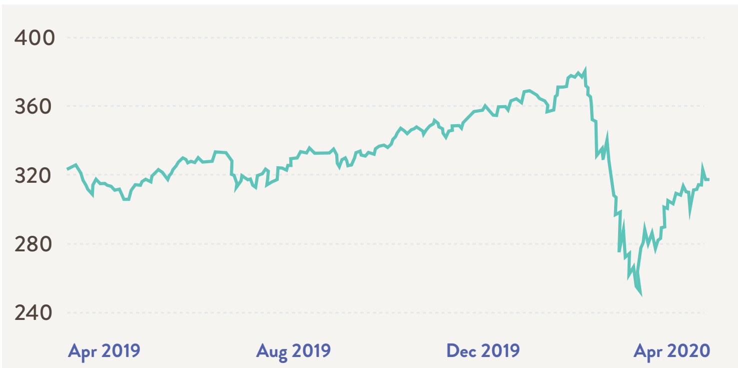
## 2 Risk Management

Growing retirement savings over time means investing in some higher growth but higher risk assets like equities. Our core competence is managing the risks associated with these assets in a variety of ways to reduce the peaks and troughs you might otherwise experience. These include specialist investment strategies like the Equity Option Strategy or science based risk management like the Dynamic Share to Cash strategy with a large number of our key funds and strategies.

The chart below shows the steady growth path equities were on until the outbreak of Coronavirus. The global outbreak had an immense impact causing equities to fall an unprecedented 33% in a short period post the high in February. Record levels of support were then pledged by central banks globally and the response has been a rapid recovery in equity markets clawing back approximately half of those losses by the end of April, bringing them back to roughly where they were this time last year. It is important to stay invested to benefit from any further recovery.

## MSCI ACWI Perfomance (Global Equities)

One-year performance chart




Source: ILIM, Factset, Date is accurate as at 30 April 2020

Warning: The value of your investment may go down as well as up.

Warning: If you invest in this product you may lose some or all of the money you invest.

Warning: These funds may be affected by changes in currency exchange rates.

Warning: If you invest in this product you will not have any access to your money until you retire.

## Lifestyle Strategy

Our retirement savings plans offer lifestyle strategies which most people avail of because they manage the level of risk you are exposed to approaching retirement. It means you invest in more growth style funds when a long way from retirement and gradually switch to lower risk funds closer to retirement. Growth funds are better for returns but more likely to experience short term falls from which your fund needs time to recover. Following a lifestyle strategy means you don't have to worry about how and when to switch your savings to lower risk funds – we do it for you.

## Self-Select funds

However, you don't have to participate in the Lifestyle Strategy and can instead select the fund or mix of funds that suit you best. We typically see people make selections based on how long they have to retirement or when they will need the money. When that time frame is 10 years or more, it may be more appropriate to consider funds with higher long term expected growth although these funds also carry higher short term risks. It is prudent to consider moving to lower risk funds as you get closer to needing the money.

When self-selecting funds, it is particularly important to understand and consider your appetite for risk and tolerance for loss i.e. how much negative performance will you or can you endure. It is also crucial to be aware of the impact that volatile stock markets can have on your decision making. Market highs and lows can often prompt investors to act when it is ultimately detrimental to their long term interests, whether over confidence when markets are strong or no confidence when they are weak.

## Switching when equity markets are performing negatively

In times of uncertainty or equity market volatility, it can be tempting to switch some or all of your retirement savings to lower risk funds or even cash. While this is provided as a free option, it is worth remembering that even professional investors find it difficult, if not impossible, to consistently time when markets will rise or fall. More often, people are driven by sentiment and may exit funds when they have already fallen only to buy them back later at a higher price when stock markets have recovered. This simply erodes the value of your savings over time. Getting invested and staying invested has been shown to be the most effective strategy over time.

## Benefits of Monthly Contributions

Buying when prices are lower makes sense. With monthly contributions you continue to buy units during periods of equity market weakness when unit prices fall which means you get more units for your contribution. The benefit is that your fund value will increase faster as equity markets recover.

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