



# PERFORMANCE PULSE

## OVERVIEW

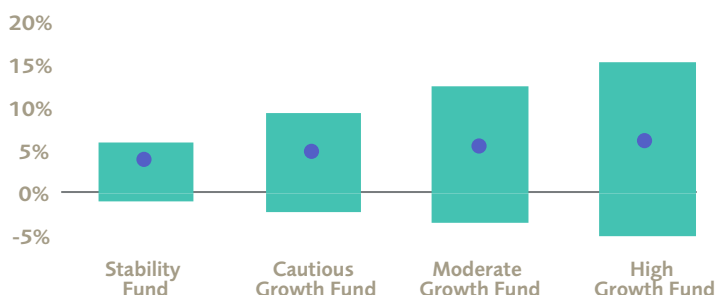
- Continued support from central banks
- Covid-19 vaccine approval and prospects



- A more contagious strain of Covid-19 causing lockdowns
- Near-term risks to economies and growth



### IRISH LIFE EMPOWER FUNDS PERFORMANCE



Despite the many ups and downs in markets over recent years, Empower Funds have delivered performance in line with expectations.

- The 5-year range of expected returns (95% of the time) back in December 2015.
- The actual annualised performance of Empower funds since December 2015.

Source: ILIM – Data is accurate as at 31 December 2020. The expected range of returns and the actual performance are both gross.

### IRISH LIFE EMPOWER FUNDS STRATEGIC ASSET ALLOCATION

FUND NAME	STABILITY	CAUTIOUS GROWTH	MODERATE GROWTH	HIGH GROWTH
<b>SHARES</b>	<b>28.0%</b>	<b>48.0%</b>	<b>68.0%</b>	<b>84.0%</b>
Global Shares (DSC)	14.0%	25.0%	36.0%	46.0%
Global Low Volatility Shares	6.5%	11.5%	16.5%	11.5%
Options Strategy	6.0%	9.0%	12.0%	14.0%
Infrastructure Shares	1.5%	2.5%	3.5%	2.5%
Emerging Market Shares	0.0%	0.0%	0.0%	10.0%
<b>BONDS</b>	<b>55.0%</b>	<b>38.5%</b>	<b>23.5%</b>	<b>7.5%</b>
Corporate Bonds	43.5%	32.5%	17.5%	4.5%
Emerging Market Bonds	3.0%	6.0%	6.0%	3.0%
Government Bonds	8.5%	0.0%	0.0%	0.0%
<b>PROPERTY</b>	<b>7.0%</b>	<b>8.5%</b>	<b>8.5%</b>	<b>8.5%</b>
<b>CASH</b>	<b>10.0%</b>	<b>5.0%</b>	<b>0.0%</b>	<b>0.0%</b>

Source: ILIM, Data is accurate as at 31 December 2020. ILIM rebalances the fund back to this mix on a quarterly basis. For the latest actual Irish Life Empower fund mixes, which will allow for any tactical or DSC changes, for example, see the relevant Empower fund factsheet at <https://www.irishlifecorporatebusiness.ie/investment-documents>. ILIM will continue to monitor and review these assets and may change them over time.

# DECEMBER 2020 IN REVIEW

## EQUITIES

Global equities extended November's rally, reaching new all-time highs at year-end. Despite a renewed surge in Covid-19 case numbers and the reintroduction of severe restrictions to reduce the spread of the virus, markets were buoyed by the roll out of Covid-19 vaccines after their formal approval by regulatory authorities in December. Continued support from global central banks and commitments to maintain accommodative policy stances also supported equity markets, as did the eventual agreement of a \$900bn fiscal package in the US and a

trade deal between the EU and UK which avoided a 'no deal' Brexit. Despite the emergence of a new, more contagious variant of Covid-19, which increased case numbers and sent hospitalisations to record highs, investors looked through these developments and focused on the rollout of a number of vaccines. These began to be administered over the course of December. Even with economic growth in the short term at risk from renewed lockdowns, investors still anticipate a strong rebound in growth during the year, as the widespread availability of vaccines is expected to enable a return to normal levels of activity during 2021.

### MSCI ACWI PERFORMANCE (GLOBAL EQUITIES)

One-year performance chart



Source: ILIM, Factset. Data is accurate as at 31 December 2020.

### MSCI ACWI (GLOBAL EQUITIES) Performance per annum

1 month	3.9%
6 months	20.9%
YTD	14.8%
1 year	14.8%
3 years p.a.	10.6%
5 years p.a.	12.3%

Source: ILIM, Factset. Data is accurate as at 31 December 2020.

## BONDS

Eurozone sovereign bonds rose modestly and peripheral spreads narrowed slightly, as the EU's Recovery Fund was formally approved. It includes grants (ie fiscal transfers) from core to peripheral countries. Among central banks, there was a firm commitment to maintain accommodative policy stances for the foreseeable future, with the European Central Bank (ECB), as expected, loosening policy further. The ECB increased its Pandemic Emergency Purchase Programme (PEPP) by €500bn to €1.85 trillion and extended asset purchases to March 2022. The ECB's forecast that core inflation will only be 1.2% by 2023 also reaffirmed the expectation that policy will stay loose in the coming years. The US Fed was also relatively dovish, as it indicated that asset purchases will continue at current levels until further substantial progress has been made towards its maximum employment and price stability goals. The Bank of England and Japan indicated that they will also extend support, if necessary.

- Formal approval of EU's Recovery Fund
- Firm central bank commitment to accommodative policies



- Improving economic data and outlook in the medium term
- 'Risk on' environment not typically good for bonds



### 10-YEAR BOND YIELDS

	2020 ytd (%)	2019 (%)	2018 (%)
US	0.9	1.9	2.7
German	-0.6	-0.3	0.2
UK	0.2	0.8	1.3
Japan	0.0	0.0	0.0

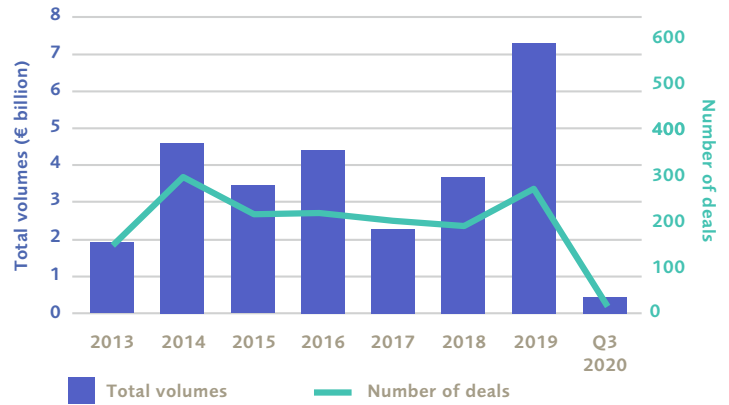
Source: ILIM, Factset. Data is accurate as at 31 December 2020.

# DECEMBER 2020 IN REVIEW

## PROPERTY – Q3 2020 (UPDATED QUARTERLY)

The Irish investment market traded €1.7 billion in the first three quarters of 2020. While the third quarter demonstrated solid signs of recovery, a US election, Brexit negotiations, and the ongoing risk of Covid-19 will likely underline the benefits of prime real estate. Although year-end investment volumes will be lower than 2019's record levels, this can be attributed to the global pandemic disruption of the second quarter. Investor interest in Irish real estate assets remains high as the private rented sector (PRS), office and industrial sectors continue to transact. Sectors that experienced more of an impact from travel restrictions will likely rebound quickly when economic activity improves. Supply has increased, but the number of deals this quarter (15) was similar to quarter two (14), albeit with a doubling of the average deal size from 27m to 46.4m in quarter three. Year-to-date investment volumes totalled 1.7 billion, which is understandably lower than 2019's third quarter tally of three billion.

### INVESTMENT VOLUMES/NO. OF PROPERTY TRANSACTIONS



Source: ILIM, Jones Lang LaSalle. Data is accurate as at end of Quarter 3 2020 (30 September 2020).

### SOME OF THE TOP TRANSACTIONS IN Q3 2020

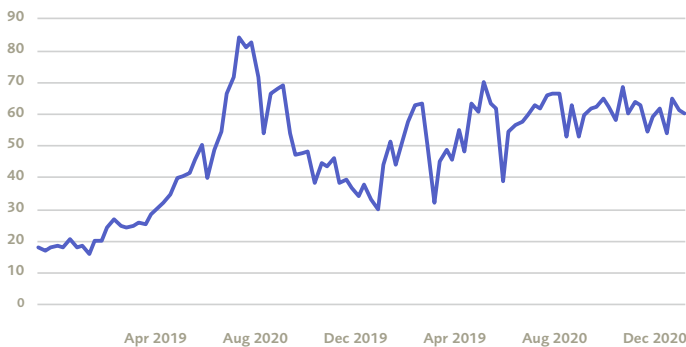
ASSET	SECTOR	APPROX. PRICE	PURCHASER
Off-Market PRS 368 Apts., South Dublin	Residential	c. 195 m	DWS
The Prestige Portfolio, 4 PRS Schemes	Residential	c. €145 m	KGAL
2 Burlington Road, Dublin 2	Offices	c. 94 m	Confidential
Clay Farm Phase 1c, Dublin 2	Confidential	c. 75 m	Confidential

Source: ILIM, Jones Lang LaSalle. Data is accurate as at end of Quarter 3 2020 (30 September 2020).

## CASH

In Europe, the latest market expectation is that the European Central Bank may not start increasing interest rates until mid-January 2026.

### COUNTDOWN IN MONTHS TO EUROPEAN RATE RISE



Source: ILIM, Bloomberg. Data is accurate as at 31 December 2020.

### CENTRAL BANK RATES

ECB	BANK OF ENGLAND	US FEDERAL RESERVE
2018 0.0%	2018 0.75%	2018 2.5%
2019 0.0%	2019 0.75%	2019 1.75%
2020 0.0%	2020 0.10%	2020 0.25%

Source: ILIM, Factset. Data is accurate as at 31 December 2020.



# Irish Life

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