



ZURICH®

Are markets reaching peaks, or is there another surge ahead?

Investment Outlook 2021

Equities and corporate bonds continue to be our preferred asset classes versus government bonds and cash. The relative valuation thesis remains compelling.

2020 Review



- Investment markets were relatively calm for the first seven weeks of the year, before being shook by the impact of the global COVID-19 pandemic. The falls across most risk assets was swift in February and into March, but so too has the subsequent recovery.
- Geographically, in 2020, markets have been led by the influential US stock market, which is the largest in the world. Sector divergence has been a key theme in markets this year with the likes of Technology (+32%) and Consumer Discretionary (26%) massively outperforming sectors such as Real Estate (-12%) and Energy (-36%).
- The Federal Reserve cut short-term interest rates in March by 1.5% to the 0% - 0.25% range and has recently announced a change in its inflation targeting which is likely to keep rates unchanged for the foreseeable future.
- Eurozone bonds performed well throughout the period, particularly as the COVID-19 pandemic unfolded. Commodities and currencies endured a rollercoaster ride as Gold and a number of 'safe haven' currencies saw significant price appreciation at the height of the crisis. The price of oil collapsed in the early months of the year.

Equities Outlook



- Global equities have seen huge sector dispersion throughout 2020. Growth stocks with the ability to capitalise on the 'work-from-home', 'play-from-home', 'deliver-to-home' narratives performed best at the expense of more cyclical, and some traditional parts of the market.
- In relation to stock, rotation dispersions can persist for long periods, however the reversal of trends can be swift and with large impacts. Therefore, a flexible approach is required. Some mean reversion is likely to happen and as the vaccine starts to win over the virus some 'catch up' for more cyclical names could occur.
- Our geographical preferences are a function of both our views on localised growth prospects, valuations, and the sectoral makeup of the stock market. We favour Eurozone and Asia Pacific and have also increased allocations to Japan in recent months. At a sector level, we are attempting to capitalise on long term structural trends within sectors such as Technology and Consumer Discretionary.
- We remain cognisant of the key risks to equity markets, volatility will be evident throughout the year, and our geographical and sector weightings are subject to change in the short-term as market conditions dictate.

Fixed Income Outlook



- Global interest rates are expected to remain close to record lows into 2021, as the fragile recovery continues after the shock of the COVID-19 induced recession. The Federal Reserve announced in August that it would allow inflation to run 'moderately' above its 2% goal.
- The scope of monetary policy intervention in both Europe and the US remains unprecedented, with the Federal Reserve likely to continue in its leading role. Monetary policy globally remains accommodative given the perceived fragile nature of the global economy.
- Although price action was positive in 2020, as investors sought safe havens, we maintain that the risk / reward backdrop is now skewed towards a cautious outlook for bond markets. Within such a low interest rate environment, real yields remain negative across much of the sovereign bond universe. Zurich Investments continue to be underweight eurozone sovereign debt across our multi-asset funds and the duration of the bonds is below average. Throughout 2020 we have rotated some of our short-term sovereign bond portfolio into corporate debt.

For the Bulls



- Vaccine rollout and virus suppression exceeds expectations
- Global growth, rebounds to, and surpasses pre-COVID-19 levels
- The new US administration leads to closer cooperation between the US and key trading partners
- Pent up consumer savings/demand & cheap credit drive economic growth



For the Bears



- COVID-19 resurgence or mutation
- US fiscal or monetary policy misstep
- China tightens monetary policy
- Eurozone growth and inflation remain depressed and become stagnant
- Expensive equity markets make investors periodically nervous



Calendar Year Performance since 2010

The benefits of diversification



	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Prisma 2	1.7	3.1	-1.3	0.3	1.6	1.0	3.3				
Prisma 3	3.4	8.3	-2.4	2.2	4.1	2.6	7.1				
Prisma 4	6.9	17.8	-4.6	5.7	8.5	4.9	14.2				
Prisma 5	10.9	26.5	-6.2	7.7	11.3	6.2	16.0				
Prisma Max	13.7	28.1	-5.4	8.7	9.8	7.9	7.4				
Active Asset Allocation	7.4	19.0	-4.9	5.9	8.1	4.9	14.6	3.9	10.5	-1.8	
Balanced	12.3	19.8	-3.6	6.3	6.7	10.0	15.3	16.1	13.1	-2.0	11.1
Performance	13.9	24.1	-4.3	8.3	6.9	10.9	16.1	17.2	12.6	-2.4	11.4
Dynamic	14.4	26.9	-4.9	8.8	7.4	11.8	15.8	19.0	13.1	-3.4	12.9
Cautiously Managed	7.1	11.8	-2.6	3.9	5.1	6.3	18.6	6.7	12.3	3.6	5.3
5★5 Americas	23.3	33.6	1.5	2.1	14.1	11.8	28.8	24.7	10.2	-0.9	14.7
5★5 Asia Pacific	8.9	21.8	-10.8	23.8	10.4	5.7	9.2	2.6	16.7	-8.5	6.9
5★5 Europe	3.1	31.5	-12.2	16.4	4.8	17.5	8.6	23.6	28.8	-8.0	6.4
5★5 Global	18.4	28.7	-6.3	11.6	4.5	13.3	13.3	17.6	16.2	-6.4	12.3
Global Targeted Return (Invesco)	-2.1	2.8	-5.2	-0.1	2.1	1.6					
Active Fixed Income	3.2	5.4	0.4	-1.1	4.7	1.0	20.3	2.4	12.8	6.5	1.0
Asia Pacific Equity	5.8	20.5	-8.7	21.8	11.4	0.8	10.5	1.6	19.6	-9.8	
Long Bond	8.5	11.5	1.3	-1.7	6.3	1.8	28.2	1.5	14.6	6.3	1.3
Cash	-1.0	-0.8	-0.9	-0.8	-0.8	-0.5	-0.3	-0.4	-0.5	0.4	-0.2
Irish Equity	5.0	37.0	-19.2	8.7	-0.8	38.5	16.0	33.7	19.6	5.5	1.1
Dividend Growth	-16.1	28.5	-10.8	3.1	17.3	6.0	18.0	20.1	18.9	0.0	19.1
International Equity	15.4	28.9	-5.5	9.3	10.0	10.7	17.7	20.6	13.5	-3.7	16.9
Eurozone Equity	5.0	26.0	-12.1	14.3	5.0	11.7	4.3	25.5	24.0	-12.9	7.7
Indexed Australasia Property	-16.7	17.3	2.7	3.5	11.0	2.4	26.1	-10.3	34.5	-14.9	28.2
Indexed European (Ex-UK) Property	-9.3	23.8	-6.6	14.4	3.9	16.6	20.6	3.8	24.5	-13.2	20.9
Indexed Global Energy and Metals	-11.4	12.4	-4.1	-5.7	21.5	-20.2	-12.4	-5.3	-2.9	0.5	16.4
Gold	13.0	19.7	3.0	-2.6	12.3	-2.3	12.8	-31.4	3.4	14.0	35.4
Indexed Inflation Linked Bond	2.3	6.0	-2.2	0.6	3.4	0.1	4.6	-4.4	10.3	-1.8	
Protected 70	4.1	17.7	-6.1	4.7	1.4	6.4	10.4	13.1	7.5	-6.5	
Protected 80	1.3	10.4	-5.1	2.2	-0.3	4.2	7.1	9.3	4.4	-5.6	
Global Corporate Bond (J.P Morgan)	6.8	9.4	-5.2	3.5	3.2	-0.7	7.2	-0.2			
Global Government Bond (J.P Morgan)	4.9	3.9	-1.0	0.1	1.3	0.6	8.1	-0.8			
Emerging Market Opp (J.P Morgan)	8.7	27.6	-9.7	28.6	17.1	-11.5	12.5				
Dynamic Diversified Growth (Blackrock)	7.4	9.2	-4.4	6.8	-2.5	-1.7	5.1	5.9	6.4		
American Select (Columbia Threadneedle)	14.9	36.2	-1.3	6.3	17.5	9.9	21.3	24.5	15.0	5.3	20.6
European Select (Columbia Threadneedle)	9.3	33.7	-11.0	13.9	0.1	13.9	12.9	15.7	26.4	-1.1	26.1
Global Select (Columbia Threadneedle)	11.1	38.9	-7.5	14.1	9.0	12.1	17.1	20.0	13.8	-5.5	22
Indexed TopTech 100	34.6	41.0	3.9	15.9	9.8	21.4	34.7	29.9	15.5	6.2	27.6

Notes: Annual management charges (AMC) apply. The fund performance shown is before the full AMC is applied on your policy. Returns are based on offer/offer performance and do not represent the return achieved by individual policies linked to the fund.

Source: Zurich Life as at 04/01/2021.

Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: Benefits may be affected by changes in currency exchange rates.
Warning: If you invest in this product you may lose some or all of the money you invest.

Zurich Life Assurance plc
 Zurich House, Frascati Road, Blackrock, Co. Dublin, Ireland.
 Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurich.ie
 Zurich Life Assurance plc is regulated by the Central Bank of Ireland.

Intended for distribution within the Republic of Ireland.

GR: 5660 Print Ref: ZL ISA 2150 0121

