



# Is the cycle turning?

## Investment Outlook 2020

Equities continue to be our preferred asset class versus government bonds, corporate credit, and cash. Most economic forecasts for 2020 foresee global GDP growth as being much the same as 2019, which is likely to be slightly below long-term averages.

### 2019 Review



- Equities had been lifted by reduced trade tensions, satisfactory economic growth, and lower interest rates globally, which saw some investors move into equities in search of higher returns.
- Geographically, in 2019, markets were led higher by the influential U.S. stock market, which is the largest in the world. The U.K. was the worst performing of the major markets for the year, albeit still in positive territory.
- From a sector perspective, technology was the stand-out performer last year, up an impressive 48.9% in 2019. All other sectors were up over 20% bar energy, which suffered due to the lacklustre price of oil in the second half of the year.
- Eurozone bonds underperformed equities in 2019, but had still shown strong positive returns of nearly 6.8% for the year. Fixed income markets were lifted by the marked turnaround in interest rate expectations.
- Commodities in general enjoyed a positive twelve months, as oil recovered alongside equity markets. Gold also enjoyed strong returns as investors utilised its status as a safe haven.

### Equities Outlook



- Global Equities are not cheap by historical standards, and are currently trading on a multiple of 16 times versus a long-term average of 15.5. However economic momentum has stabilised and while growth rates are below their mean, expectations for 2020 are for positive GDP growth (roughly 3%).
- As we enter 2020, our preferred geographical regions are Europe and the U.K. Eurozone equities continue to trade at a reasonable discount when compared with the U.S. and the monetary policy backdrop remains attractive. The potential earnings yield between equities and sovereign bonds makes Eurozone equities an attractive proposition. Our North America exposure includes an underweight allocation to the resource and bank heavy Canadian market, whilst our U.S. exposure is neutral.
- Asia lagged global markets somewhat in 2019 as concerns regarding the unrest in Hong Kong and the U.S.-China trade talks weighed on sentiment. Chinese growth prospects are likely lower than they have been previously in the cycle as the Chinese economy matures. We currently hold a relatively neutral allocation to Asian equities across our funds.
- As with our geographical biases, our sector weightings are subject to change in the short-term, but in general our bias continues to be more towards economically sensitive and structural growth areas.

### Fixed Income Outlook



- The appointment of Christine Lagarde as the new President of the European Central Bank is likely to be seen as a continuation of the policies of Mario Draghi. In the final meeting of 2019 there was no change in policy, with rates kept on hold at a record low of -0.5%.
- U.S. interest rate expectations remain subdued going into 2020, as the Federal Reserve completed a remarkable U-turn during 2019. Having opened the year with the prospect of raising interest rates, the Fed went on to cut rates a number of times and reiterated at their December meeting that it would need to see a material change in the outlook to adjust rates from here.
- Overall, monetary policy globally remains accommodative given the perceived fragile nature of the global economy.

### For the Bulls



- Positive resolutions to global trade disputes
- Economic growth surprises to the upside and returns to above trend levels
- Fiscal spending globally boosts spending and consumption
- Orderly Brexit resolution



### For the Bears



- Trade disputes escalate and broaden, causing economic weakness
- Brexit falters and contagion spreads
- A negative reaction to the US election results
- Deterioration in corporate credit quality and corporate profit levels



# Calendar Year Performance since 2009

The benefits of diversification



	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Prisma 2	3.1	-1.3	0.3	1.6	1.0	3.3					
Prisma 3	8.3	-2.4	2.2	4.1	2.6	7.1					
Prisma 4	17.8	-4.6	5.7	8.5	4.9	14.2					
Prisma 5	26.5	-6.2	7.7	11.3	6.2	16.0					
Prisma 6	28.1	-5.4	8.7	9.8	7.9	7.4					
Active Asset Allocation	19.0	-4.9	5.9	8.1	4.9	14.6	3.9	10.5	-1.8		
Balanced	19.8	-3.6	6.3	6.7	10.0	15.3	16.1	13.1	-2.0	11.1	22.3
Performance	24.1	-4.3	8.3	6.9	10.9	16.1	17.2	12.6	-2.4	11.4	25.8
Dynamic	26.9	-4.9	8.8	7.4	11.8	15.8	19.0	13.1	-3.4	12.9	28.1
Cautiously Managed	11.8	-2.6	3.9	5.1	6.3	18.6	6.7	12.3	3.6	5.3	12.7
5★5 Americas	33.6	1.5	2.1	14.1	11.8	28.8	24.7	10.2	-0.9	14.7	11.1
5★5 Asia Pacific	21.8	-10.8	23.8	10.4	5.7	9.2	2.6	16.7	-8.5	6.9	47.3
5★5 Europe	31.5	-12.2	16.4	4.8	17.5	8.6	23.6	28.8	-8.0	6.4	28.7
5★5 Global	28.7	-6.3	11.6	4.5	13.3	13.3	17.6	16.2	-6.4	12.3	18.0
Invesco Global Targeted Return	2.8	-5.2	-0.1	2.1	1.6						
Active Fixed Income	5.4	0.4	-1.1	4.7	1.0	20.3	2.4	12.8	6.5	1.0	4.2
Asia Pacific Equity	20.5	-8.7	21.8	11.4	0.8	10.5	1.6	19.6	-9.8		
Long Bond	11.5	1.3	-1.7	6.3	1.8	28.2	1.5	14.6	6.3	1.3	3.2
Cash	-0.8	-0.9	-0.8	-0.8	-0.5	-0.3	-0.4	-0.5	0.4	-0.2	0.1
Irish Equity	37.0	-19.2	8.7	-0.8	38.5	16.0	33.7	19.6	5.5	1.1	27.1
Dividend Growth	28.5	-10.8	3.1	17.3	6.0	18.0	20.1	18.9	0.0	19.1	28.0
International Equity	28.9	-5.5	9.3	10.0	10.7	17.7	20.6	13.5	-3.7	16.9	26.0
Eurozone Equity	26.0	-12.1	14.3	5.0	11.7	4.3	25.5	24.0	-12.9	7.7	32.3
Australasia Property	17.3	2.7	3.5	11.0	2.4	26.1	-10.3	34.5	-14.9	28.2	68.1
European (Ex UK) Property	23.8	-6.6	14.4	3.9	16.6	20.6	3.8	24.5	-13.2	20.9	36.5
Indexed Global Energy and Metals	12.4	-4.1	-5.7	21.5	-20.2	-12.4	-5.3	-2.9	0.5	16.4	18.0
Gold	19.7	3.0	-2.6	12.3	-2.3	12.8	-31.4	3.4	14.0	35.4	
Indexed Inflation Linked Bond	6.0	-2.2	0.6	3.4	0.1	4.6	-4.4	10.3	-1.8		
Protected 70	17.7	-6.1	4.7	1.4	6.4	10.4	13.1	7.5	-6.5		
Protected 80	10.4	-5.1	2.2	-0.3	4.2	7.1	9.3	4.4	-5.6		
JP Morgan Global Corporate Bond	9.4	-5.2	3.5	3.2	-0.7	7.2	-0.2				
JP Morgan Global Government Bond*	3.9	-1.0	0.1	1.3	0.6	8.1	-0.8				
JP Morgan Emerging Market Opp	27.6	-9.7	28.6	17.1	-11.5	12.5					
Dynamic Diversified Growth	9.2	-4.4	6.8	-2.5	-1.7	5.1	5.9	6.4			
Threadneedle American Select	36.2	-1.3	6.3	17.5	9.9	21.3	24.5	15.0	5.3	20.6	31.7
Threadneedle European Select	33.7	-11.0	13.9	0.1	13.9	12.9	15.7	26.4	-1.1	26.1	29.9
Threadneedle Global Select	38.9	-7.5	14.1	9.0	12.1	17.1	20.0	13.8	-5.5	22	27.3
Indexed TopTech 100	41.0	3.9	15.9	9.8	21.4	34.7	29.9	15.5	6.2	27.6	49.1

**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 31/12/19.

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