

January 2020

Market Review Q4 2019

* Push it to the limit!

The last quarter of 2019 saw equities grind out further gains despite the back drop of slowing global growth signals, political squabbles and central bank policy which is fast becoming more akin to heroin addiction rather than methadone treatment. The ongoing standoff between the US and China on tariff discussions has all the appearance of a TV soap without the jocularity. It fills newspaper columns and social platforms including Twitter feeds, and whilst we feel compelled to watch and listen to updates on "progress" one feels that our time could be spent better elsewhere. Global bonds displayed some signs of a retreat from recent lows with the German 10-year bund yield rising by 0.43% to finish the year at -0.19%. Global equities pressed ahead with quarterly earnings disclosures from the majority of companies continuing to brush off any concerns of approaching headwinds.

Global equities finished the quarter up 5.9% in euro terms. This performance was driven yet again by more accommodative central bank action, favourable corporate earnings and waning political risk.

* Frugal Fiscal Policies not welcome

Christine Lagarde took the helm at the European Central Bank. From the outset she seems determined to get underlying governments to step up to the mark and increase fiscal spending. With increased spending in education and infrastructure projects the ECB's aspiration is that the Eurozone economy will stabilise and ensure future growth targets will be easier to achieve. The challenge, however, lies in a fractured political state system and disjoint policies, with Germany and the Netherlands unwilling to overstretch whilst peripheral countries continue

to climb more fragile branches in search of fruit. Cohesion does not appear achievable, yet Ms Lagarde knows the diminishing utility of cutting negative interest rates even further is not the panacea but rather the sticky plaster on a now scabby wound.

* Tony Montana and the US Federal Reserve

Tony Montana is an unlikely comparator to the US Federal Reserve. That considered, both deal in a specialised product, with mass appeal and one which if not managed carefully can end up consuming you. 2018 saw the commencement of interest rate rises as the Fed sought to raise the bar to ensure reliance has not become addiction. Investor sentiment came up short, however, with the Fed forced to strongly back track and cut these rises to appease the masses. Where to go from here is unknown but the Fed are acutely aware of the impact of prolonged cheap credit and the fear of widespread addiction.

Active Managed Fund Highlights

Average Return for Q4	3.2%
Best Performer for Q4	4.5%
<i>Friends First</i>	
Average Return 1 Year	20.0%
Best Performer 1 Year	22.5%
<i>Aberdeen Standard Investments</i>	
Best over 3 years	8.4% p.a.
<i>Davy Asset Management</i>	
Best over 5 years	8.4% p.a.
<i>Davy Asset Management</i>	
Best over 10 years	9.9% p.a.
<i>Setanta Asset Management</i>	

Key Market Indices – Summary of Returns to 31st December 2019 (in Euro terms)

Asset Class	Q4 %	YTD %	1 Yr %	3 Yrs % p.a.	5 Yrs % p.a.
Cash: 3 Month Euro Bank Deposit	-0.1	-0.4	-0.4	-0.4	-0.3
Government Bonds: ML EMU Gov't > 5 Year Bond Index	-4.1	10.4	10.4	4.0	3.8
LT Government Bonds: ML EMU Gov't > 10 Year Bond Index	-5.8	15.5	15.5	5.6	5.2
Euro Corp Bonds: ML EMU Corporate Large Cap Bond Index	-0.5	6.3	6.3	2.5	2.3
Global Equity: FTSE World Index	5.9	30.1	30.1	10.8	10.8
Emerging Mkt Equity: MSCI Emerging Markets Index	8.7	21.1	21.1	9.7	7.6
Commodities: 50% GSCI + 50% GSCI Non-Energy Index	2.9	11.5	11.5	-1.1	-2.6

Summary of Managed Fund Returns

Active Managed Funds – Summary of Returns to 31st December 2019

Manager	Q4 %	Rank	YTD %	Rank	1 Year %	Rank	3 yrs % p.a.	Rank	5 yrs % p.a.	Rank	10 yrs % p.a.	Rank
Friends First	4.4	1	21.1	3	21.1	3	7.7	2	7.1	4	8.8	5
Merrion Investment Managers	1.1	7	19.2	6	19.2	6	4.3	7	5.0	7	7.6	7
New Ireland	4.4	2	19.6	4	19.6	4	6.1	6	6.9	5	8.5	6
Davy Asset Management	2.1	6	22.1	2	22.1	2	8.4	1	8.4	1	9.7	2
Setanta Asset Management	2.5	5	16.1	7	16.1	7	6.5	5	7.9	2	9.9	1
Aberdeen Standard Investments	4.3	3	22.5	1	22.5	1	7.6	3	6.9	5	9.7	2
Zurich Life	3.1	4	19.6	4	19.6	4	6.9	4	7.4	3	8.9	4
Average	3.2		20.0		20.0		6.8		7.1		9.0	

Active Managed Funds – Percentage Asset Allocation as at 31st December 2019

Manager	Equities							Fixed Interest %	Property %	Cash %	Alternative Assets %	Total %
	Ireland %	UK %	Europe ex ROI & UK %	North America %	Japan %	Other %	Total %					
Friends First	1.1	5.5	11.1	43.5	4.9	10.7	74.8	23.9	0.0	1.5	0.0	100.0
Merrion Investment Managers	2.5	1.2	13.5	38.9	2.5	4.9	63.3	13.3	3.0	5.7	14.6	100.0
New Ireland	1.2	3.6	24.1	32.6	6.3	6.4	74.2	15.3	4.1	6.4	0.0	100.0
Davy Asset Management	0.0	4.3	13.8	43.3	6.0	2.6	69.9	17.3	7.1	5.7	0.0	100.0
Setanta Asset Management	6.2	10.6	12.2	32.2	1.0	2.6	64.7	12.9	9.8	11.7	1.0	100.0
Aberdeen Standard Investments	0.4	5.7	14.2	37.7	5.5	7.9	71.4	22.1	5.6	0.8	0.0	100.0
Zurich Life	1.0	5.0	12.0	43.0	6.0	3.0	70.0	29.0	0.0	1.0	0.0	100.0
Average	1.8	4.8	14.4	38.7	4.6	5.4	69.8	19.1	4.2	4.7	2.2	100.0

Warning: Past performance may not be a reliable guide to future performance. While every care has been taken in collecting this data from investment managers, it has not been audited or verified for accuracy.

Active Managed Funds – Yearly Performance Figures

	2019		2018		2017		2016		2015	
Aberdeen Standard	22.5%	Davy	-2.0%	Aberdeen Standard	9.3%	Setanta	12.2%	Merrion	13.6%	
Davy	22.1%	Setanta	-2.7%	Friends First	8.2%	New Ireland	9.6%	Aberdeen Standard	10.7%	
Friends First	21.1%	Zurich Life	-3.7%	New Ireland	7.6%	Zurich Life	6.6%	Davy	10.4%	
New Ireland	19.6%	Friends First	-4.6%	Setanta	6.8%	Davy	6.3%	Zurich Life	19.8%	
Zurich Life	19.6%	Aberdeen Standard	-6.9%	Davy	6.4%	Friends First/F&C	5.2%	Setanta	7.9%	
Merrion	19.2%	New Ireland	-7.1%	Zurich Life	6.1%	Aberdeen Standard	1.1%	Friends First/F&C	7.4%	
Setanta	16.1%	Merrion	-8.9%	Merrion	4.4%	Merrion	-0.7%	New Ireland	6.6%	
								Kleinwort Benson	6.4%	
								Aviva	6.3%	
Average	20.0%	Average	-5.1%	Average	5.8%	Average	5.8%	Average	8.8%	

Consensus Funds – Summary of Returns to 31st December 2019

Fund Name	Q4 %	YTD %	1 Year %	3 Yrs % p.a.	5 Yrs % p.a.	10 Yrs % p.a.
Friends First/F&C	4.3	19.9	19.9	7.2	7.3	9.4
Irish Life Investment Managers	3.3	21.2	21.2	7.5	7.9	9.3
Average	3.8	20.6	20.6	7.4	7.6	9.4

Representative Fund Performance

Summary of Returns to 31st December 2019

Fund Name	Type of Fund	Q4 %	YTD %	1 Yr %	3 Yrs % p.a.	5 Yrs % p.a.	10 Yrs % p.a.
Davy Global Equity	Global Equity	4.3	29.7	29.7	11.3	10.0	10.6
Friends First/F&C International Equity	Global Equity	6.1	26.8	26.8	10.6	9.5	10.9
ILIM Dynamic Global Value	Global Equity (Traditional Value Style)	3.8	21.0	21.0	7.7	9.2	11.3
KBI GI Dividend Plus Global Equity	High Yield Global Equity	5.4	22.8	22.8	6.0	7.5	11.3
KBI GI Innovator	Alternative Investment Themes/Trends	5.7	26.3	26.3	8.0	5.7	5.1
Merrion Global Equity	Global Equity	3.9	26.4	26.4	5.7	6.5	9.1
Merrion High Alpha	Concentrated Absolute Return Fund	-5.4	-1.0	-1.0	-4.0	-1.5	2.6
New Ireland Consensus IRIS 2022+	Target Date Lifestyle Fund	1.4	10.6	10.6	4.5	4.4	7.3
Setanta Dividend Fund	High Yield Equity	6.7	24.0	24.0	8.9	10.2	11.0
Setanta Global Focus Fund	Concentrated Global Equity	8.5	17.8	17.8	6.5	7.7	11.4
Aberdeen Standard Investment GARS	Absolute Return Fund	0.6	6.5	6.5	0.3	0.2	3.4
Aberdeen Standard Global Equities	Global Equity	2.7	31.5	31.5	7.0	6.6	10.4
Zurich Life 5*5 Global Equity	Concentrated Global Equity	6.7	28.5	28.5	10.2	9.6	9.8
Zurich Life International Equity	Global Equity (Rotational Style)	5.7	28.7	28.7	9.9	10.0	11.2

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Market Outlook

Briefly outlined below are some key considerations with respect to the outlook for the economy during 2020 with a specific focus on drivers of global growth and political sentiment. Also included is a snippet from the latest edition of the Invesco Education Series.

* **Markets seek refuelling**

Global markets spurred on by accommodative central bank policy saw 2019 generate record gains. With central banks looking to governments to play their part through fiscal reform, 2020 may see additional political factors driving investor optimism. The US presidential election taking place in November will keep the Twitter feeds busy in the coming quarters, but any pledged action on enhanced fiscal spending could be dragged out until after the votes are tallied. Aside from macro influence, the upcoming corporate earnings quarterly results for Q4 2019 will help to shape investors' outlook for the year ahead. With improving political relations between the US and China, the continued abundance of cheap credit and benign inflation, an increasing focus will be on corporates own growth forecasts compared to previous quarters.

* **Eurozone Inflation – More elusive than Wally**

The much maligned and closely monitored metric has been largely missing throughout the past decade. Disruption has contributed in part to a suppression in inflation on the basket of goods you purchase as a result of increased competition and different sales channels. However, headline inflation metrics like CPI and HICP do not tell the full story, in particular, where localised inflation spikes occur regionally or within specific goods or services. With the European Central Bank looking to undertake a fundamental review of their own policies, the emphasis ascribed to these headline metrics may attenuate as the ECB looks to harness increased reporting across the Eurozone to help improve their stewardship of the economy.

* **Invesco Education Series – A decade in review**

As part of our Q4 2019 Invesco Education Series we have provided a focused review into the last decade's impact of markets on pension schemes. If you would like to learn more about this topic and some of the conclusions we came to - please contact your Investment Consultant. We would be happy to forward on the recently completed paper on the topic.

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