



# Monthly Investment Review

Investors have been focussing on the US interest rate cycle and the likely timing of the next rate rise. Upcoming political events in the US and Europe are also being monitored. Despite the economic uncertainty, equities rallied strongly in July but have treaded water in August and September. The influential US market broke out of its long-term trading range on the upside in July and has held onto this position. Equities remain attractively valued on a relative basis compared to bonds and cash. Although bonds have been supported by the tailwind of aggressive ECB monetary policy action, they offer little long-term value.



**Richard Temperley**  
Head of Investment Development

## Zurich Life Fund Allocations & Activity

**Equities & Bonds:** Equities are overweight, bonds underweight.

**Activity:** The equity positions were further increased during September, at the expense of government bonds, based on the relative valuation argument.

### Regionally, the funds are:

- Overweight in the US, Asia-Pacific (ex-Japan) and Ireland.
- Neutral in the UK and Japan.
- Underweight in Europe

### Sectorwise, the funds are:

- Overweight technology, industrials and financials.
- Underweight utilities, telecoms and consumer staples.
- Otherwise broadly balanced.

**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 fund you may lose some or all of the money you invest.**

## Equity Markets

- Equities (in euro terms) fell marginally in September. However, there was significant sector rotation out of 'bond-proxies'. Markets kept a close eye on US economic data as well as comments from members of the Federal Reserve. The upcoming Q3 earnings' results season will be important.
- World equities (in euro terms) fell by 0.3% during September and have given a total return of 3.3% in the first nine months of the year. It should be remembered that the world market had fallen by almost 15% in the first six weeks of the year. There was a mixed bag of returns amongst the major equity markets in local currency terms in September ranging from plus 1.7% in the UK to minus 2.2% in Ireland. Year-to-date, the strongest equity markets in local currency terms have been the UK (+10.5%) and Hong Kong (+6.3%). As regards the UK, significant sterling weakness has resulted in the euro return for the FTSE100 Index falling back to minus 5.9%.
- As mentioned already, there was sector rotation again in September from 'bond-proxies' into cyclical stocks. For example, in the US, real estate fell by 1.8% whilst energy and information technology rose by 3.0% and 2.4% respectively.

## Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Index rose by 0.2% in September and has given a strong return of 10.0% year-to-date. Eurozone bonds have been supported in 2016 by economic growth concerns and increased quantitative

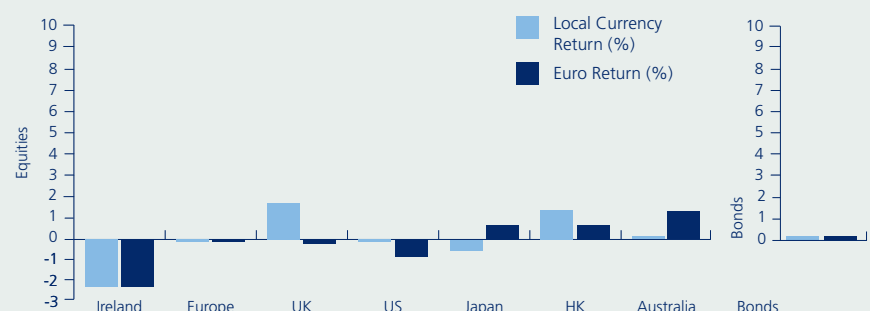
easing, although they have stalled somewhat in August and September. There was little difference between peripheral and core eurozone markets during the month, albeit core markets have been stronger so far this year with Italy, in particular, underperforming.

- The German ten-year bond yield fell over the month from minus 0.06% to minus 0.12%. The yield hit an all-time low of minus 0.19% on 8th July. Equivalent US rates rose marginally from 1.58% to 1.59%.
- With regard to US interest rates, there is now a 65% chance that the Fed will raise rates again in December 2016. The first rate rise in many years took place last December. Eurozone rates are likely to remain at current ultra-low levels for the foreseeable future.

## Commodities & Currencies

- Commodity prices overall rose by 3.4% in September and are up by 5.8% so far during this volatile year. The oil price was up strongly in September, from \$45 to \$48 per barrel, reacting to the first oil output cut by OPEC in eight years.
- The gold price was up marginally in September to \$1,313 per troy ounce. Gold is now up by just over 25% from its five year low of \$1,049 in mid-December 2015.
- The euro currency was up slightly against the US dollar during the month with the EUR/ USD rate moving from 1.116 to 1.123. Sterling, which had fallen by over 9% against the euro in June on the back of the Brexit referendum result, was weaker again in September as the UK began negotiations on a 'hard Brexit' tack.

## Equity & Bond % Returns



This graph shows the performance of the major equity markets over the month of October. The returns are shown in both local and euro currencies. The bond index is the Merrill Lynch over 5 Year Euro Government Bond Index.

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
<b>Pathway Multi-Asset Funds</b>								
Pathway 2	0.7%	1.2%	N/S	N/S	N/S	N/S	N/S	123,915,033
Pathway 3	1.5%	2.8%	N/S	N/S	N/S	N/S	N/S	374,693,085
Pathway 4	2.8%	5.5%	N/S	N/S	N/S	N/S	N/S	394,895,173
Pathway 5	3.8%	8.4%	N/S	N/S	N/S	N/S	N/S	124,451,375
Pathway 6	1.8%	9.8%	N/S	N/S	N/S	N/S	N/S	14,092,531
<b>Managed Funds</b>								
Cautiously Managed	1.3%	4.3%	9.5%	9.3%	N/S	N/S	N/S	356,532,442
FinEx Sector Average	2.7%	5.3%	4.9%	5.4%	2.5%	3.5%	4.3%	
Balanced	1.1%	6.3%	10.4%	12.7%	5.3%	6.4%	7.6%	1,578,419,154
FinEx Sector Average	1.4%	6.5%	7.9%	10.3%	2.9%	4.1%	5.9%	
Performance	0.1%	6.7%	10.7%	12.9%	4.9%	6.4%	7.4%	1,255,565,023
Dynamic	-0.3%	7.1%	11.0%	13.7%	5.0%	6.5%	7.4%	1,480,221,831
FinEx Sector Average	1.7%	7.6%	8.0%	10.5%	3.1%	4.3%	5.7%	
<b>Protected Funds</b>								
Protected 70	-3.0%	0.9%	6.0%	7.7%	N/S	N/S	N/S	12,549,575
Protected 80	-2.8%	-0.2%	3.8%	4.9%	N/S	N/S	N/S	34,585,147
Protected 90	-2.4%	-1.5%	0.9%	1.2%	N/S	N/S	N/S	13,948,122
<b>Cash Fund</b>								
Secure	0.0%	0.0%	0.0%	0.1%	1.0%	1.5%	2.5%	372,326,999
Cash Fund	-0.6%	-0.7%	-0.5%	-0.4%	0.6%	N/S	N/S	295,659,610
FinEx Sector Average	0.0%	0.0%	0.2%	0.2%	1.1%	1.4%	2.2%	
<b>Bond Funds</b>								
Global Corporate Bond (JP Morgan)*	6.1%	6.6%	4.6%	N/S	N/S	N/S	N/S	4,919,412,312
Global Government Bond (JP Morgan)*	5.2%	4.9%	4.6%	N/S	N/S	N/S	N/S	676,275,274
Indexed Eurozone Government Bond (BlackRock)	5.5%	5.5%	6.8%	6.1%	N/S	N/S	N/S	8,946,850
Active Fixed Income	8.9%	9.3%	10.4%	8.7%	6.7%	6.7%	7.8%	197,896,649
Inflation-Linked Bond	4.5%	5.3%	2.8%	2.5%	N/S	N/S	N/S	5,432,069
Long Bond	13.4%	13.3%	14.6%	11.5%	7.5%	N/S	N/S	67,330,190
Global Real Return (PIMCO)*	11.7%	10.2%	5.0%	N/S	N/S	N/S	N/S	2,500,000,000
Emerging Local Currency Debt (Pictet)*	11.7%	14.0%	2.7%	N/S	N/S	N/S	N/S	4,968,604,255
FinEx Sector Average	7.1%	7.7%	6.9%	6.4%	4.3%	5.0%	5.9%	
<b>Absolute Return/Diversified Assets Funds</b>								
Global Targeted Returns Fund (Invesco) *	1.8%	1.8%	N/S	N/S	N/S	N/S	N/S	4,520,000,000
Income Opportunity (JP Morgan)*	6.0%	4.4%	0.8%	N/S	N/S	N/S	N/S	4,388,852,447
Dynamic Diversified Growth (BlackRock)	-1.4%	-0.3%	1.6%	N/S	N/S	N/S	N/S	16,741,803
Diversified Assets	6.1%	6.9%	6.3%	7.9%	N/S	N/S	N/S	14,005,185
Active Asset Allocation	2.3%	5.1%	7.8%	8.0%	N/S	N/S	N/S	187,463,733
<b>Commodity Funds</b>								
Gold	20.0%	17.0%	5.4%	-1.3%	N/S	N/S	N/S	48,539,726
Earth Resources	-0.5%	-2.7%	-8.4%	-4.8%	N/S	N/S	N/S	5,613,104
Global Commodities	9.2%	-2.2%	-8.9%	-4.8%	-6.0%	N/S	N/S	14,391,777
CommoditiesPLUS Strategy (PIMCO)*	11.2%	-1.0%	-12.7%	N/S	N/S	N/S	N/S	413,000,000
Green Resources	-13.1%	0.7%	-2.9%	3.0%	N/S	N/S	N/S	3,783,642
<b>Equity Funds (Global)</b>								
5 Star 5	-4.9%	3.2%	8.9%	12.8%	3.9%	6.9%	N/S	194,721,227
International Equity	1.7%	9.8%	12.2%	14.9%	6.1%	6.2%	N/S	921,445,818
Global Select (Threadneedle)	3.4%	11.6%	13.6%	16.0%	6.6%	6.3%	N/S	6,709,726
Global Equity (MFS Meridian)*	5.9%	11.5%	N/S	N/S	N/S	N/S	N/S	4,914,739,741
Indexed Global Equity (BlackRock)	2.7%	9.9%	12.3%	15.7%	N/S	N/S	N/S	101,037,080
FinEx Sector Average	1.6%	9.4%	9.0%	12.8%	4.2%	4.2%	5.9%	

**Source: Financial Express as at 01/10/2016**

The Financial Express sector averages shown are the average of all funds in each of the Financial Express sectors in the individual pensions category.

**Annual management charges (AMC) apply. The fund returns shown are net of the AMC deducted by Zurich Life in our unit prices. The fund returns are based on an investment in the funds and do not represent the returns achieved by individual policies linked to the funds. These fund returns may be before the full AMC is applied to a policy. The actual returns on policies linked to the specified fund will be lower because of the effects of charges and in some cases a higher management charge.**

\* External fund size: Where external funds have been on the Zurich platform for less than two years, we have used the fund size of the underlying external fund.

N/S = Not Started.

Figures highlighted in blue indicate where the Zurich Life fund has outperformed the sector average.

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
<b>Equity Funds (European)</b>								
Euro Markets Fund (BlackRock)*	-2.2%	2.4%	N/S	N/S	N/S	N/S	N/S	3,687,390,000
5 Star 5 Europe	-2.5%	4.4%	10.6%	16.1%	4.8%	N/S	N/S	100,398,675
European Select (Threadneedle)	-1.0%	2.5%	10.0%	15.7%	7.2%	7.8%	N/S	12,739,434
Small Cap Europe (Pictet)*	-0.3%	6.1%	N/S	N/S	N/S	N/S	N/S	258,314,466
FinEx Sector Average	-4.4%	2.5%	6.8%	12.8%	3.6%	5.2%	7.7%	
<b>Equity Funds (Eurozone)</b>								
Eurozone Equity	-2.8%	3.7%	7.0%	13.2%	4.7%	N/S	N/S	67,456,364
Europe ex-UK Index (BlackRock)	-4.0%	2.3%	6.3%	12.0%	3.0%	N/S	N/S	2,997,602
Indexed Eurozone Equity (BlackRock)	0.3%	4.2%	5.8%	12.1%	N/S	N/S	N/S	2,422,019
FinEx Sector Average	-4.0%	3.3%	5.8%	10.8%	1.5%	3.5%	5.9%	
<b>Equity Funds (Irish)</b>								
Irish Equity	-8.9%	2.2%	15.3%	21.8%	0.4%	N/S	N/S	16,806,353
FinEx Sector Average	-10.3%	-0.4%	12.5%	19.1%	-1.3%	3.6%	5.9%	
<b>Equity Funds (American)</b>								
5 Star 5 Americas	0.0%	7.8%	16.0%	16.9%	7.9%	N/S	N/S	56,691,440
American Select (Threadneedle)	3.8%	10.1%	14.7%	17.9%	8.6%	5.9%	N/S	11,663,208
FinEx Sector Average	3.2%	13.7%	14.4%	17.7%	7.3%	5.0%	6.5%	
<b>Equity Fund (UK)</b>								
UK Growth (M&G)*	-9.4%	-8.3%	N/S	N/S	N/S	N/S	N/S	660,070,000
UK Index (BlackRock)	-3.5%	0.3%	3.9%	9.2%	2.4%	N/S	N/S	2,057,969
FinEx Sector Average	-6.4%	-2.0%	2.8%	9.2%	2.3%	3.3%	4.6%	
<b>Equity Funds (Far East Asia)</b>								
5 Star 5 Asia Pacific	9.1%	21.2%	8.4%	10.1%	4.2%	N/S	N/S	69,948,312
Asia Pacific Equity	9.0%	18.3%	6.8%	10.0%	N/S	N/S	N/S	6,899,395
FinEx Sector Average	6.4%	14.6%	4.7%	8.2%	4.8%	7.5%	5.3%	
<b>Equity Funds (Japan)</b>								
Japan Index (BlackRock)	-1.3%	10.4%	9.0%	10.4%	1.6%	N/S	N/S	3,227,139
FinEx Sector Average	0.5%	12.6%	7.8%	10.4%	0.9%	2.0%	1.2%	
<b>Equity Funds (High Yield)</b>								
Dividend Growth	6.1%	12.8%	11.7%	15.7%	4.9%	N/S	N/S	206,285,252
Global Dividend (M&G)*	11.6%	15.1%	N/S	N/S	N/S	N/S	N/S	5,564,260,000
FinEx Sector Average	1.6%	9.4%	9.0%	12.8%	4.2%	4.2%	5.9%	
<b>Equity Funds (Emerging Market)</b>								
India Equity	3.7%	4.2%	16.0%	7.3%	N/S	N/S	N/S	12,111,612
Emerging Markets Opportunities (JP Morgan)*	14.9%	16.6%	N/S	N/S	N/S	N/S	N/S	1,773,930,412
FinEx Sector Average	10.7%	15.4%	6.0%	5.4%	4.6%	6.5%	N/S	
<b>Equity Funds (Specialist)</b>								
Top Tech 100	3.1%	16.7%	22.7%	22.7%	13.0%	8.3%	N/S	32,954,859
FinEx Sector Average	3.5%	7.6%	4.5%	6.0%	1.7%	2.3%	3.2%	
<b>Property Funds</b>								
Fund of REITs	-6.1%	1.4%	N/S	N/S	N/S	N/S	N/S	15,294,006
European (Ex-UK) Property	9.4%	15.5%	16.2%	14.3%	N/S	N/S	N/S	43,302,999
Global Property Equities (Henderson Horizon)*	6.8%	13.8%	13.3%	N/S	N/S	N/S	N/S	467,026,616
Australasia Property	17.2%	24.4%	11.9%	15.1%	N/S	N/S	N/S	30,397,949
FinEx Sector Average	1.9%	5.1%	9.0%	6.6%	-2.3%	2.8%	6.9%	
<b>Funds Closed to New Business</b>								
Eurozone Property	8.3%	14.2%	15.6%	14.4%	2.4%	N/S	N/S	22,781,417
Global Emerging Markets Equity (Aberdeen)*	18.6%	18.6%	6.2%	N/S	N/S	N/S	N/S	5,726,720,774

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