



# Monthly Investment Review

Investors have been focussing on the US presidential election as well as the US interest rate cycle and the likely timing of the next rate rise. Upcoming political events in Italy, France and the Netherlands are also being monitored. Following a sharp rally in July, equities have effectively treaded water over the last three months. 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 and have recently come under some pressure.



**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 October, at the expense of government bonds, based on the relative valuation argument.

### Regionally, the funds are:

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

### Sectorwise, the funds are:

- Overweight technology, industrials and financials.
- Underweight utilities, telecoms and real estate.
- Otherwise broadly balanced.

## Equity Markets

- Equities (in euro terms) rose slightly in October as market participants awaited the US presidential election result and the likely US rate rise in December. There was further sector rotation out of 'bond-proxies'. The US Q3 earnings' results season was a positive for the market.
- World equities (in euro terms) rose by 0.8% during October and have given a total return of 4.1% in the first ten 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 October ranging from plus 5.3% in Japan to minus 2.2% in Australia. Year-to-date, the strongest equity markets in local currency terms have been the UK (+11.4%) and Hong Kong (+4.7%). As regards the UK, significant sterling weakness has resulted in the euro return for the FTSE100 Index falling back to minus 8.4%.
- As mentioned already, there was sector rotation in October from 'bond-proxies' into some cyclical stocks. In the US, telecoms fell by 7.5% whilst financials rose by 2.2%. Cyclical stocks have clearly outperformed defensive areas in the US so far in 2016 with energy (+13.2%) being the best performing sector; real estate (-4.2%) the worst.

## Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Index fell by a hefty 3.2% in October although it remains up 6.5% year-to-date. Eurozone bonds had been supported up to the end of July by economic

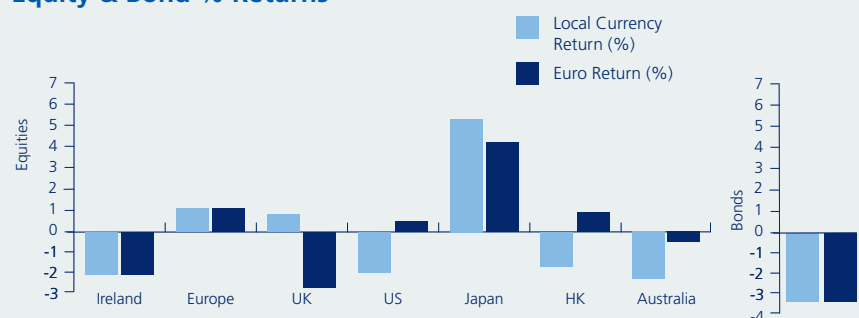
growth concerns and increased quantitative easing. However, they are now facing an environment of higher US rates and the prospect of expansionist US economic policy. There was little difference between peripheral and core eurozone markets during the month, albeit core markets have been stronger so far this year with Italy, in particular, underperforming.

- The German ten-year bond yield rose over the month from minus 0.12% to plus 0.16%. The yield hit an all-time low of minus 0.19% on 8th July. Equivalent US rates rose sharply from 1.59% to 1.83%.
- There is now a 90% chance that the Fed will raise US interest 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 were flat in October and remain up by 5.8% so far during this volatile year. The oil price was marginally weaker, falling from \$48 to \$47 per barrel; the price had been up strongly the previous month, reacting to the first proposed oil output cut by OPEC in eight years. The gold price fell by 3% in October to \$1,273 per troy ounce. Gold is now up by just over 21% from its five year low of \$1,049 in mid-December 2015.
- The euro currency weakened by 2.5% against the US dollar during the month with the EUR/USD rate moving from 1.123 to 1.096.

## 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.

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	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	0.6%	0.3%	1.6%	N/S	N/S	N/S	N/S	128,348,820
Pathway 3	1.6%	1.0%	3.8%	N/S	N/S	N/S	N/S	385,500,981
Pathway 4	3.2%	1.8%	7.3%	N/S	N/S	N/S	N/S	403,951,858
Pathway 5	4.5%	2.1%	8.8%	N/S	N/S	N/S	N/S	127,593,070
Pathway 6	2.8%	1.6%	6.0%	N/S	N/S	N/S	N/S	14,816,338
<b>Managed Funds</b>								
Cautiously Managed	1.7%	1.5%	3.8%	9.5%	N/S	N/S	N/S	358,856,087
FinEx Sector Average	2.5%	1.6%	4.4%	5.0%	2.4%	3.3%	4.3%	
Balanced	1.2%	1.1%	9.4%	11.5%	5.0%	6.1%	7.6%	1,570,020,563
FinEx Sector Average	1.5%	0.4%	7.1%	9.3%	2.7%	3.9%	5.9%	
Performance	0.5%	0.3%	9.7%	11.8%	4.6%	6.2%	7.5%	1,256,940,840
Dynamic	0.3%	0.2%	10.0%	12.3%	4.7%	6.3%	7.4%	1,485,548,963
FinEx Sector Average	2.0%	1.1%	7.3%	9.3%	2.8%	4.0%	5.7%	
<b>Protected Funds</b>								
Protected 70	-2.7%	-3.2%	5.2%	7.0%	N/S	N/S	N/S	12,540,115
Protected 80	-2.8%	-3.2%	3.1%	4.4%	N/S	N/S	N/S	34,944,498
Protected 90	-2.5%	-2.9%	0.6%	0.9%	N/S	N/S	N/S	13,911,006
<b>Cash Fund</b>								
Secure	0.0%	0.0%	0.0%	0.1%	1.0%	1.5%	2.4%	365,067,980
Cash Fund	-0.7%	-0.8%	-0.6%	-0.5%	0.5%	N/S	N/S	313,029,035
FinEx Sector Average	-0.1%	0.0%	0.2%	0.2%	1.1%	1.4%	2.1%	
<b>Bond Funds</b>								
Global Corporate Bond (JP Morgan)*	4.9%	4.7%	3.7%	N/S	N/S	N/S	N/S	4,919,412,312
Global Government Bond (JP Morgan)*	3.4%	3.6%	3.7%	N/S	N/S	N/S	N/S	676,275,274
Indexed Eurozone Government Bond (BlackRock)	3.7%	3.8%	5.8%	6.1%	N/S	N/S	N/S	8,579,414
Active Fixed Income	5.8%	4.7%	8.6%	8.8%	6.3%	6.1%	7.6%	192,367,761
Inflation-Linked Bond	2.6%	1.1%	1.9%	2.5%	N/S	N/S	N/S	5,531,660
Long Bond	8.7%	6.5%	12.1%	11.5%	6.9%	N/S	N/S	59,979,397
Global Real Return (PIMCO)*	9.8%	8.9%	4.3%	N/S	N/S	N/S	N/S	2,500,000,000
Emerging Local Currency Debt (Pictet)*	13.0%	9.5%	2.7%	N/S	N/S	N/S	N/S	4,968,604,255
FinEx Sector Average	5.1%	3.9%	5.8%	6.2%	4.1%	4.5%	5.8%	
<b>Absolute Return/Diversified Assets Funds</b>								
Global Targeted Returns Fund (Invesco) *	2.3%	1.8%	N/S	N/S	N/S	N/S	N/S	5,020,000,000
Income Opportunity (JP Morgan)*	5.6%	2.8%	0.5%	N/S	N/S	N/S	N/S	4,388,852,447
Dynamic Diversified Growth (BlackRock)	-2.0%	-3.4%	0.8%	2.5%	N/S	N/S	N/S	16,725,681
Diversified Assets	5.4%	2.2%	5.5%	7.1%	N/S	N/S	N/S	13,039,656
Active Asset Allocation	2.6%	1.2%	7.2%	7.6%	N/S	N/S	N/S	190,323,277
<b>Commodity Funds</b>								
Gold	18.6%	11.8%	5.4%	-1.8%	N/S	N/S	N/S	33,625,408
Earth Resources	0.7%	-6.3%	-7.5%	-5.5%	N/S	N/S	N/S	5,633,717
Global Commodities	11.9%	-0.2%	-7.6%	-4.9%	-5.3%	N/S	N/S	14,178,538
CommoditiesPLUS Strategy (PIMCO)*	9.7%	-2.3%	-12.6%	N/S	N/S	N/S	N/S	413,000,000
Green Resources	-14.8%	-10.1%	-3.9%	0.9%	N/S	N/S	N/S	3,737,218
<b>Equity Funds (Global)</b>								
5 Star 5	-4.5%	-3.6%	8.0%	11.7%	3.5%	6.7%	N/S	193,660,695
International Equity	2.8%	2.5%	11.3%	13.5%	5.9%	6.1%	N/S	974,893,322
Global Select (Threadneedle)	3.0%	1.3%	12.0%	14.1%	6.2%	5.9%	N/S	6,438,925
Global Equity (MFS Meridian)*	5.6%	1.0%	12.4%	N/S	N/S	N/S	N/S	4,914,739,741
Indexed Global Equity (BlackRock)	0.5%	-2.3%	10.1%	13.8%	N/S	N/S	N/S	102,480,153
FinEx Sector Average	2.0%	0.6%	8.0%	11.4%	3.9%	3.9%	6.0%	

**Source: Financial Express as at 01/11/2016**

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)*	-2.3%	-5.2%	N/S	N/S	N/S	N/S	N/S	3,687,390,000
5 Star 5 Europe	-1.3%	-1.8%	9.4%	14.4%	4.5%	N/S	N/S	100,654,965
European Select (Threadneedle)	-4.6%	-8.0%	7.9%	13.1%	6.4%	7.3%	N/S	12,041,837
Small Cap Europe (Pictet)*	-4.1%	-4.2%	8.3%	N/S	N/S	N/S	N/S	258,314,466
FinEx Sector Average	-4.8%	-5.1%	5.4%	10.9%	3.2%	4.7%	7.7%	
<b>Equity Funds (Eurozone)</b>								
Eurozone Equity	-1.1%	-3.7%	5.7%	11.0%	4.6%	N/S	N/S	68,153,082
Europe ex-UK Index (BlackRock)	-3.1%	-4.6%	5.2%	9.9%	2.8%	N/S	N/S	3,022,806
Indexed Eurozone Equity (BlackRock)	-1.3%	-7.4%	4.1%	10.6%	N/S	N/S	N/S	2,474,975
FinEx Sector Average	-2.7%	-3.8%	5.2%	9.5%	1.3%	3.2%	6.1%	
<b>Equity Funds (Irish)</b>								
Irish Equity	-10.4%	-4.5%	13.5%	19.5%	-0.3%	N/S	N/S	15,782,846
FinEx Sector Average	-12.0%	-6.4%	11.1%	16.7%	-2.0%	3.0%	5.7%	
<b>Equity Funds (American)</b>								
5 Star 5 Americas	1.7%	0.5%	15.6%	16.2%	7.7%	N/S	N/S	57,696,351
American Select (Threadneedle)	4.5%	2.4%	13.1%	16.6%	8.3%	5.6%	N/S	11,502,269
FinEx Sector Average	5.3%	4.2%	13.8%	16.7%	7.2%	4.8%	6.7%	
<b>Equity Fund (UK)</b>								
UK Growth (M&G)*	-16.3%	-20.2%	-0.1%	N/S	N/S	N/S	N/S	660,070,000
UK Index (BlackRock)	-5.8%	-9.7%	2.1%	6.8%	1.8%	N/S	N/S	2,012,542
FinEx Sector Average	-9.0%	-11.5%	1.0%	6.8%	1.6%	2.8%	4.3%	
<b>Equity Funds (Far East Asia)</b>								
5 Star 5 Asia Pacific	8.5%	10.0%	6.7%	7.9%	3.6%	N/S	N/S	69,314,249
Asia Pacific Equity	9.5%	9.1%	5.5%	7.9%	N/S	N/S	N/S	8,233,872
FinEx Sector Average	7.0%	5.6%	3.7%	6.4%	4.5%	7.0%	5.5%	
<b>Equity Funds (Japan)</b>								
Japan Index (BlackRock)	2.4%	3.0%	10.5%	11.6%	1.8%	N/S	N/S	3,337,977
FinEx Sector Average	3.1%	3.6%	9.0%	11.6%	1.0%	2.1%	1.8%	
<b>Equity Funds (High Yield)</b>								
Dividend Growth	8.2%	6.6%	10.8%	14.5%	4.8%	N/S	N/S	211,048,721
Global Dividend (M&G)*	9.5%	2.1%	5.4%	N/S	N/S	N/S	N/S	5,564,260,000
FinEx Sector Average	2.0%	0.6%	8.0%	11.4%	3.9%	3.9%	6.0%	
<b>Equity Funds (Emerging Market)</b>								
India Equity	5.8%	3.7%	13.4%	6.5%	N/S	N/S	N/S	12,256,448
Emerging Markets Opportunities (JP Morgan)*	15.7%	7.0%	3.1%	N/S	N/S	N/S	N/S	1,773,930,412
FinEx Sector Average	13.3%	8.0%	5.4%	4.0%	4.2%	6.1%	Not Started	
<b>Equity Funds (Specialist)</b>								
Top Tech 100	4.5%	5.2%	21.6%	21.6%	12.8%	7.3%	N/S	34,048,619
FinEx Sector Average	3.5%	0.6%	3.5%	4.5%	1.4%	1.6%	3.1%	
<b>Property Funds</b>								
Fund of REITs	-9.2%	-7.0%	N/S	N/S	N/S	N/S	N/S	14,449,235
European (Ex-UK) Property	2.1%	-0.5%	12.3%	11.4%	N/S	N/S	N/S	40,718,888
Global Property Equities (Henderson Horizon)*	3.2%	3.5%	11.4%	N/S	N/S	N/S	N/S	467,026,616
Australasia Property	12.7%	12.8%	10.4%	11.9%	N/S	N/S	N/S	29,477,532
FinEx Sector Average	0.4%	0.7%	7.9%	6.2%	-2.6%	2.7%	6.7%	
<b>Funds Closed to New Business</b>								
Eurozone Property	1.8%	-1.0%	11.6%	11.7%	1.6%	N/S	N/S	21,291,081
Global Emerging Markets Equity (Aberdeen)*	21.6%	0.1%	5.6%	N/S	N/S	N/S	N/S	5,726,720,774

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#### Zurich Life Assurance plc

Zurich House, Frascati Road, Blackrock, Co. Dublin, Ireland.

Telephone: 01 283 1301 Fax: 01 283 1578 Website: [www.zurichlife.ie](http://www.zurichlife.ie)

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