

Monthly Investment Review



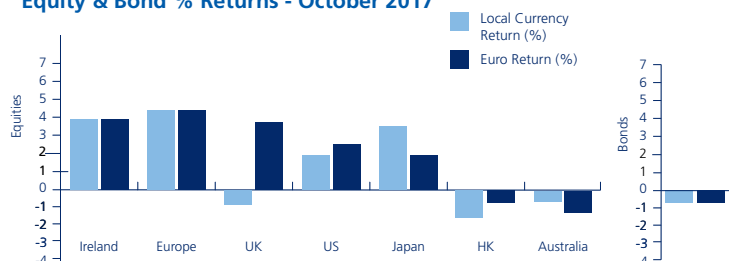
Richard Temperley
Head of Investment
Development

Equity markets resumed their upward trajectory during September supported by good economic growth data and the expectation of continued strong corporate earnings. Geo-political concerns regarding North Korea, which had held markets back in August, fell off the radar during September. The predominant factor that has been affecting eurozone investors in 2017 has been the strengthening euro currency and the break-out on the upside of the euro dollar rate from its 30-month trading range (1.05 -1.15). It is now sitting at 1.18. This currency move has had the effect of significantly eroding local currency gains in international markets for eurozone investors. The euro's strength during 2017, a rise of c.12% against the US dollar, has been due to good eurozone economic data and hints by the ECB that tapering of 'quantitative easing' may begin in 2018. Market participants continue to assess the pace of interest rate rises in the US – a fourth rate rise (of 0.25%) in the cycle is likely in December. Equities remain well valued on a relative basis compared to bonds and cash, although they have become more expensive on an absolute (P/E ratio) basis. Eurozone government bonds continue to offer little long term value.

Equity Markets

- World equities (in euro terms) rose by 2.7% in September and have given a total return of 4.6% in the first nine months of the year. Local currency returns, in general, have been much stronger during the first three quarters of the year as economic and corporate earnings data continues to be supportive, whilst global interest rates and inflation remain at low levels. There was a mixed bag of returns amongst the major equity markets in local currency terms during the month ranging from plus 4.4% in Europe to minus 1.5% in Hong Kong. The influential US market was up by almost 2%. Year-to-date, Hong Kong (+25.2%), the US (+12.5%) and Europe (+11.1%) have led the way.
- Sectorwise in the US, there was no clear-cut distinction between cyclical and defensive stocks. The strongest sector was energy (+9.8%) reacting to the sharp uptick in oil prices. Some 'bond-proxies', such as utilities (-3.0%) and real estate (-1.9%), underperformed on the back of rising bond yields. Financials (+5.1%) were a beneficiary of the higher yields. Year-to-date, the best performing sector has been technology (+26.0%), the worst energy (-8.2%), showing the huge divergence in sector returns within the S&P500 Index – an advantage for good active managers.

Equity & Bond % Returns - October 2017



This graph shows the performance of the major equity markets over the month of August. The returns are shown in both local and euro currencies. The bond index is the Merrill Lynch over 5 Year Euro Government Bond Index. Source: Bloomberg, October 2017.

Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Government Bond Index** fell by 0.7% in September, with core markets, such as German and the Netherlands, underperforming; and is now down 0.6% year-to-date. Stronger economic data and concerns over the possible reduction in quantitative easing in 2018 were the main reasons for the fall. Bond prices have, however, been holding up reasonably well this year following sharp declines in H2 2016.
- The German ten-year bond yield rose over the month from 0.36% to 0.46%. The yield had hit an all-time low of minus 0.19% on 8th July 2016. Equivalent US rates rose from 2.12% to 2.33%. Yields in the US reached a 2016 low of 1.36%, also on 8th July, and have risen due to the expectation of further interest rate rises and expected changes in US economic policy.
- The markets now expect one further US rate rise, of 0.25%, before the end of 2017 following upward moves on 15th March and 14th June. Eurozone rates are likely to remain at current ultra-low levels for at least 12 months whilst a UK move is not expected until H1 2018.






Commodities & Currencies

- Commodity prices generally tend to rise as economic growth expands. In the first nine months of the year a number of commodity prices have shown a positive return, the major exception being the price of oil which has been highly volatile and which has a significant bearing on the overall commodity index. The overall commodity index rose by 1.2% in September and is now showing a negative 4.9% return year-to-date. However, it is up 10% from its low point on 22nd June.
- Oil had been adversely affected up until the end of August by an increase in shale oil production and disappointment over the scale of OPEC's production cuts. The oil price rebounded sharply (+9.4%) in September due to stronger demand. The gold price fell by 2.8% during the month to \$1,282 per troy ounce but is up by 11.3% in the first nine months of the year. The copper price also fell in September (-4.0%) but is up by almost 18% year-to-date.
- The euro currency weakened marginally against the US dollar during the month with the EUR/USD rate moving from 1.19 to 1.18. The rate began the year at 1.05.

Activity

Equity positions were maintained towards the upper end of ranges during September in all of the multi-asset portfolios given the stronger economic outlook and the expectation of continued good corporate earnings; as well as the relative value argument. With regards to geographic positions the main overweights are in Europe, Asia (ex-Japan) and Ireland. The UK has been underweight benchmark for some time. The US has recently been reduced to slightly underweight. It should be noted that the US represents 52% of the global equity index in market capitalisation terms. Sector positions were also broadly maintained during the month. The funds are positively biased towards industrials and financials and negatively biased towards consumer discretionary (media & general retailers) and consumer staples. Bond positions are towards the bottom of ranges whilst the duration of the remaining bonds is low.

Asset Class		Positive	Neutral	Negative
Equities	North America		✓	
	Europe	✓		
	Japan		✓	
	UK			✓
	Asia-Ex Japan	✓		
Fixed Income	Eurozone			✓
	US			✓
	UK			✓
Currencies	USD		✓	
	GBP		✓	
	YEN		✓	
Alternatives	Oil	✓		
	Gold	✓		
	Copper	✓		
	Global Property			✓

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Prisma Multi-Asset Funds*								
Prisma 	-0.2%	0.8%	1.1%	Not Started	Not Started	Not Started	Not Started	163,950,235
Prisma 	0.8%	3.3%	3.1%	Not Started	Not Started	Not Started	Not Started	640,930,528
Prisma 	2.4%	8.0%	6.5%	Not Started	Not Started	Not Started	Not Started	679,233,990
Prisma 	3.2%	10.7%	8.4%	Not Started	Not Started	Not Started	Not Started	252,688,339
Prisma 	4.6%	12.8%	7.9%	Not Started	Not Started	Not Started	Not Started	22,967,093
Managed Funds								
Cautiously Managed	2.0%	5.9%	6.0%	8.1%	Not Started	Not Started	Not Started	409,819,713
FinEx Sector Average	2.3%	3.8%	3.5%	4.3%	2.6%	4.0%	3.9%	
Balanced	3.9%	9.7%	8.5%	10.6%	5.2%	7.8%	6.4%	1,648,358,443
FinEx Sector Average	2.8%	6.5%	5.8%	8.1%	2.9%	5.5%	4.8%	
Performance	5.3%	12.4%	9.3%	11.5%	5.0%	8.1%	6.3%	1,320,391,987
Dynamic	5.5%	13.6%	9.9%	12.1%	5.2%	8.5%	6.3%	1,578,475,984
FinEx Sector Average	3.7%	8.9%	6.9%	8.6%	3.3%	5.7%	4.9%	
Protected Funds								
Protected 70	2.6%	7.2%	4.5%	6.8%	Not Started	Not Started	Not Started	16,310,146
Protected 80	1.1%	3.7%	2.3%	4.3%	Not Started	Not Started	Not Started	34,877,537
Protected 90	-0.9%	-0.6%	-0.3%	0.7%	Not Started	Not Started	Not Started	11,513,212
Cash Fund								
Secure	0.0%	0.0%	0.0%	0.0%	0.7%	1.2%	2.1%	276,431,786
Cash Fund	-0.6%	-0.8%	-0.7%	-0.6%	0.2%	Not Started	Not Started	527,528,558
FinEx Sector Average	-0.3%	-0.3%	0.0%	0.0%	0.8%	1.2%	1.9%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	2.8%	0.0%	2.4%	Not Started	Not Started	Not Started	Not Started	5,232,947,968
Global Government Bond (JP Morgan)*	-0.2%	-3.8%	1.4%	Not Started	Not Started	Not Started	Not Started	407,648,757
Indexed Eurozone Government Bond (BlackRock)	0.0%	-3.4%	1.9%	4.1%	Not Started	Not Started	Not Started	5,963,928
Active Fixed Income	-1.3%	-5.1%	2.9%	5.8%	6.3%	5.6%	6.7%	168,941,804
Inflation-Linked Bond	-1.0%	-2.1%	0.6%	0.8%	Not Started	Not Started	Not Started	6,402,952
Long Bond	-2.5%	-8.6%	4.0%	7.5%	7.0%	Not Started	Not Started	52,417,004
FinEx Sector Average	-0.2%	-2.8%	2.3%	4.1%	4.2%	4.3%	5.0%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	0.7%	0.9%	Not Started	Not Started	Not Started	Not Started	Not Started	6,730,000,000*
Dynamic Diversified Growth (BlackRock)	5.8%	4.7%	0.7%	2.9%	Not Started	Not Started	Not Started	16,125,431
Active Asset Allocation	2.3%	8.2%	6.3%	6.8%	Not Started	Not Started	Not Started	278,491,739
Commodity Funds								
Gold	-1.8%	-8.1%	3.6%	-5.3%	Not Started	Not Started	Not Started	72,361,533
Indexed Global Energy and Metals	-10.0%	0.2%	-8.4%	-7.4%	-6.1%	Not Started	Not Started	13,732,359
Equity Funds (Global)								
5 Star 5	6.0%	16.5%	9.3%	11.0%	4.3%	8.6%	Not Started	203,572,168
International Equity	5.2%	13.9%	10.6%	12.8%	6.1%	8.7%	7.6%	1,334,979,652
Global Select (Threadneedle)	8.6%	14.5%	12.3%	13.7%	6.5%	9.0%	Not Started	6,673,483
Indexed Global Equity (BlackRock)**	2.4%	13.1%	10.9%	12.8%	Not Started	Not Started	Not Started	91,924,126
Sector Average	4.0%	11.4%	8.3%	10.4%	4.3%	6.7%	4.8%	
Equity Funds (European)								
5 Star 5 Europe	14.1%	22.7%	13.0%	15.2%	5.8%	Not Started	Not Started	117,553,118
European Select (Threadneedle)	14.0%	15.4%	11.1%	12.1%	7.3%	10.5%	Not Started	11,466,996
Sector Average	11.7%	16.6%	9.3%	11.7%	3.7%	7.9%	6.4%	

Source: Financial Express as at 01/10/2017

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.

* The Prisma Multi-Asset Funds were previously known as the Pathway Multi-Asset Funds.

* 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.

** Performance using most recent data available.

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	
Equity Funds (Eurozone)								
Eurozone Equity	14.4%	23.6%	10.2%	13.6%	5.1%	Not Started	Not Started	85,212,133
Indexed Eurozone Equity (BlackRock)	12.6%	22.2%	9.6%	12.0%	Not Started	Not Started	Not Started	8,767,884
FinEx Sector Average	13.0%	20.5%	9.3%	11.7%	2.3%	7.0%	4.9%	
Equity Funds (Irish)								
Irish Equity	6.8%	16.3%	16.4%	19.0%	1.9%	Not Started	Not Started	16,611,879
Sector Average	6.1%	12.1%	12.4%	15.7%	0.3%	5.2%	4.6%	
Equity Funds (American)								
5 Star 5 Americas	-2.4%	11.4%	10.7%	14.2%	7.9%	Not Started	Not Started	59,451,274
American Select (Threadneedle)	3.5%	17.2%	12.5%	15.2%	9.1%	8.7%	Not Started	11,168,195
Sector Average	1.8%	13.1%	10.9%	14.0%	8.1%	7.7%	5.1%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	17.0%	18.4%	12.0%	9.5%	2.2%	Not Started	Not Started	78,009,415
Asia Pacific Equity	14.2%	16.8%	9.3%	8.0%	Not Started	Not Started	Not Started	9,587,432
Sector Average	11.3%	12.7%	6.0%	6.2%	3.0%	8.4%	5.7%	
Equity Funds (High Yield)								
Dividend Growth	0.5%	11.2%	10.3%	12.8%	5.8%	Not Started	Not Started	226,599,015
FinEx Sector Average	4.0%	11.4%	8.3%	10.4%	4.3%	6.7%	4.8%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	20.8%	23.1%	9.1%	Not Started	Not Started	Not Started	Not Started	2,579,664,030*
Sector Average	13.5%	13.7%	5.6%	5.0%	1.7%	8.3%	Not Started	
Equity Funds (Specialist)								
Indexed Top Tech 100	9.9%	17.0%	16.9%	19.0%	13.4%	12.6%	Not Started	42,809,753
Sector Average	2.2%	4.6%	2.3%	4.2%	0.5%	4.6%	3.1%	
Property Funds								
Fund of REITs	17.1%	10.7%	9.5%	Not Started	Not Started	Not Started	Not Started	19,334,456
Indexed European (Ex-UK) Property	8.9%	3.4%	12.2%	12.3%	5.2%	Not Started	Not Started	58,135,056
Indexed Australasia Property	-0.2%	-5.4%	6.8%	6.1%	2.1%	Not Started	Not Started	42,117,226
Sector Average	3.1%	4.2%	6.5%	6.7%	-2.5%	2.8%	6.2%	
Funds Closed to New Business								
Indexed Eurozone Property	11.1%	4.9%	12.4%	12.8%	3.2%	Not Started	Not Started	20,641,583
Indexed India Equity	9.5%	6.1%	4.8%	6.2%	1.3%	Not Started	Not Started	10,898,879
Income Opportunity (JP Morgan)	1.2%	1.6%	1.1%	Not Started	Not Started	Not Started	Not Started	3,667,242,151*
Diversified Assets	-0.1%	3.0%	3.4%	5.0%	Not Started	Not Started	Not Started	13,630,568
Earth Resources	-5.1%	-1.7%	-10.0%	-5.8%	Not Started	Not Started	Not Started	5,017,575
Green Resources	13.0%	14.2%	-1.9%	7.6%	Not Started	Not Started	Not Started	3,845,399
Small Cap Europe (Pictet)	16.1%	18.6%	15.2%	Not Started	Not Started	Not Started	Not Started	269,907,348

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.



Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland.

Barclays Bank Plc is authorised by the Prudential Regulation Authority and is regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

BlackRock Investment Management (UK) Limited is authorised and regulated by the Financial Conduct Authority.

J.P. Morgan Asset Management Marketing Limited is authorised and regulated by the Financial Conduct Authority.

Columbia Threadneedle Investment Services Limited. Columbia Threadneedle Asset Management Limited. Authorised and Regulated in the UK by the Financial Conduct Authority.

Invesco Management S.A. is authorised in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier (CSSF).

Dimensional Fund Advisors Ltd., registered address 20 Triton Street, Regent's Place, London, NW1 3BF, Company Number 02569601, which is authorised and regulated by the Financial Conduct Authority - Firm Reference No.150100.

** Source Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofAML"), used with permission. BofAML PERMITS USE OF THE BofAML INDICES AND RELATED DATA ON AN "AS IS" BASIS, MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE BofAML INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THE USE OF THE FOREGOING, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND ZURICH LIFE ASSURANCE PLC, OR ANY OF ITS PRODUCTS OR SERVICES.

This Monthly Investment Review does not constitute an offer and should not be taken as a recommendation from Zurich Life. Advice should always be sought from an appropriately qualified professional.

Zurich Life Assurance plc

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

Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurichlife.ie

Zurich Life Assurance plc is regulated by the Central Bank of Ireland.

Intended for distribution within the Republic of Ireland.

GR: 1921 Print Ref: ZURL ISA 76 1017

