

# Monthly Investment Review


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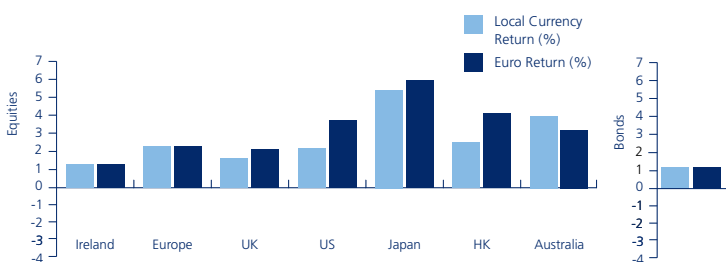

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Equity markets continued their upward trajectory during October supported by good economic growth data and the expectation of continued strong corporate earnings. The predominant factor that has been affecting eurozone investors in 2017 has been the strength of the 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 1.16 having hit a 2017 high of 1.20 during September. 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.11% against the US dollar, has been due to good eurozone economic data and plans by the ECB to taper 'quantitative easing' in 2018 – from €60bn to €30bn of purchases per month. 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 3.5% in October and have given a total return of 8.3% in the first ten months of the year. Local currency returns, in general, have been much stronger during the first ten months of the year as economic and corporate earnings data continues to be supportive, whilst global interest rates and inflation remain at relatively low levels. All of the major equity markets were up in local currency terms during the month ranging from 1.3% in Ireland to 5.4% in Japan. Year-to-date, Hong Kong (+28.4%), Japan (+16.3%) and the US (+15.0%) have led the way. The US S&P500 Index is now up for 12 consecutive months and has broken a record by experiencing its first 12-month period in history without experiencing a 3% pullback.
- Sectorwise in the US, cyclical areas outperformed defensive stocks with the strongest sector being technology (+7.7%). Year-to-date, the best performing sector has been technology (+35.7%), the worst telecoms (-16.1%), showing the huge divergence in sector returns within the S&P500 Index - an advantage for good active managers.

## Equity & Bond % Returns - November 2017



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 Five Year Euro Government Bond Index. Source: Bloomberg, November 2017.

## Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Government Bond Index rose by 1.2% in October, with core markets, such as German and the Netherlands, outperforming; and is now flat year-to-date. Bond prices have been holding up reasonably well this year following sharp declines in H2 2016.
- The German ten-year bond yield fell over the month from 0.46% to 0.36%. The yield had hit an all-time low of minus 0.19% on 8 July 2016. Equivalent US rates rose slightly from 2.33% to 2.38%. 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 stronger economic growth.
- The markets now expect one further US rate rise, of 0.25%, before the end of 2017 following upward moves on 15 March and 14 June. Eurozone rates are likely to remain at current ultra-low levels for at least 12 months. The Bank of England increased rates, at the start of November, for the first time in a decade by 0.25% to 0.5%, reversing emergency action following the Brexit vote.

## Commodities & Currencies

- Commodity prices generally tend to rise as economic growth expands. In the first ten months of the year a number of commodity prices have shown a positive return. The overall commodity index rose by 2.4% in October and is now showing a negative 2.6% return year-to-date.
- Oil had been adversely affected 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 and October (+6.2%) due to stronger demand. The gold price fell by 0.9% during the month to \$1,271 per troy ounce but is up by 10.3% in the first ten months of the year. The copper price rose sharply during October (4.9%) and is up by almost 24% year-to-date.
- The euro currency weakened against the US dollar during the month with the EUR/USD rate moving from 1.18 to 1.16. The rate began the year at 1.05.

## Activity

Equity positions were maintained towards the upper end of ranges during October 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 more recently been reduced to 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 technology and negatively biased towards consumer services (retail and media) and telecoms. 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	
<b>Prisma Multi-Asset Funds*</b>								
Prisma <b>2</b>	0.4%	1.4%	1.2%	N/S	N/S	N/S	N/S	166,482,436
Prisma <b>3</b>	2.0%	4.4%	3.4%	N/S	N/S	N/S	N/S	663,078,957
Prisma <b>4</b>	5.1%	10.5%	7.1%	N/S	N/S	N/S	N/S	722,286,290
Prisma <b>5</b>	6.8%	13.8%	9.3%	N/S	N/S	N/S	N/S	276,749,530
Prisma <b>6</b>	8.2%	15.6%	8.8%	N/S	N/S	N/S	N/S	24,005,027
<b>Managed Funds</b>								
Cautiously Managed	<b>3.8%</b>	<b>7.4%</b>	<b>6.3%</b>	<b>8.5%</b>	N/S	N/S	N/S	420,194,934
FinEx Sector Average	3.7%	5.5%	4.0%	4.6%	2.5%	3.9%	4.0%	
Balanced	<b>6.3%</b>	<b>12.1%</b>	<b>9.0%</b>	<b>11.3%</b>	<b>5.2%</b>	<b>7.7%</b>	<b>6.8%</b>	1,686,766,375
FinEx Sector Average	4.8%	8.5%	7.0%	8.6%	2.9%	5.4%	5.1%	
Performance	<b>8.2%</b>	<b>15.1%</b>	<b>10.0%</b>	<b>12.3%</b>	<b>5.1%</b>	<b>8.0%</b>	<b>6.8%</b>	1,355,657,498
Dynamic	<b>8.7%</b>	<b>16.4%</b>	<b>10.7%</b>	<b>13.0%</b>	<b>5.2%</b>	<b>8.4%</b>	<b>6.8%</b>	1,627,338,802
FinEx Sector Average	6.0%	11.1%	8.3%	9.2%	3.3%	5.6%	5.3%	
<b>Protected Funds</b>								
Protected 70	4.9%	9.4%	5.2%	7.5%	N/S	N/S	N/S	17,131,600
Protected 80	2.5%	5.1%	2.8%	4.7%	N/S	N/S	N/S	35,413,961
Protected 90	-0.7%	-0.3%	-0.2%	0.7%	N/S	N/S	N/S	12,181,027
<b>Cash Fund</b>								
Secure	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	0.7%	<b>1.2%</b>	<b>2.1%</b>	272,098,160
Cash Fund	-0.7%	-0.8%	-0.7%	-0.6%	0.1%	N/S	N/S	525,158,746
FinEx Sector Average	-0.3%	-0.4%	0.0%	0.0%	0.8%	1.2%	1.8%	
<b>Bond Funds</b>								
Global Corporate Bond (JP Morgan)*	<b>3.5%</b>	<b>1.9%</b>	2.4%	2.6%	N/S	N/S	N/S	7,835,439
Global Government Bond (JP Morgan)*	0.2%	-1.9%	1.5%	1.9%	N/S	N/S	N/S	1,273,128
Indexed Eurozone Government Bond (BlackRock)	<b>1.1%</b>	-0.7%	2.4%	<b>4.2%</b>	N/S	N/S	N/S	6,024,242
Active Fixed Income	-0.5%	-1.6%	<b>3.0%</b>	<b>5.9%</b>	<b>6.3%</b>	<b>5.7%</b>	<b>6.7%</b>	169,838,755
Inflation-Linked Bond	0.5%	<b>1.3%</b>	1.1%	1.2%	N/S	N/S	N/S	6,498,397
Long Bond	-0.9%	-3.1%	<b>4.3%</b>	<b>7.8%</b>	<b>7.0%</b>	N/S	N/S	53,508,285
FinEx Sector Average	0.8%	0.1%	2.7%	4.2%	4.1%	4.4%	5.1%	
<b>Absolute Return/Diversified Assets Funds</b>								
Global Targeted Returns Fund (Invesco)	0.8%	0.7%	N/S	N/S	N/S	N/S	N/S	96,539,311
Dynamic Diversified Growth (BlackRock)	6.7%	6.3%	1.0%	3.1%	N/S	N/S	N/S	15,895,001
Active Asset Allocation	5.1%	10.8%	7.1%	7.5%	N/S	N/S	N/S	294,154,536
<b>Commodity Funds</b>								
Gold	-1.6%	-6.8%	4.7%	-4.6%	N/S	N/S	N/S	74,090,462
Indexed Global Energy and Metals	-6.1%	2.0%	-6.4%	-5.8%	-6.2%	N/S	N/S	13,907,138
<b>Equity Funds (Global)</b>								
5 Star 5	<b>11.4%</b>	<b>22.0%</b>	<b>11.0%</b>	<b>12.6%</b>	<b>4.5%</b>	<b>8.6%</b>	N/S	212,212,813
International Equity	<b>8.9%</b>	<b>16.6%</b>	<b>11.3%</b>	<b>13.9%</b>	<b>6.2%</b>	<b>8.7%</b>	<b>8.1%</b>	1,416,151,247
Global Select (Threadneedle)	<b>12.7%</b>	<b>19.2%</b>	<b>12.8%</b>	<b>15.1%</b>	<b>6.6%</b>	<b>8.8%</b>	N/S	6,613,753
Indexed Global Equity (BlackRock)**	4.8%	<b>18.4%</b>	<b>10.9%</b>	<b>13.4%</b>	N/S	N/S	N/S	93,681,960
Sector Average	7.1%	14.4%	9.7%	11.3%	4.4%	6.5%	5.3%	
<b>Equity Funds (European)</b>								
5 Star 5 Europe	<b>17.1%</b>	<b>24.3%</b>	<b>14.4%</b>	<b>15.3%</b>	<b>5.6%</b>	N/S	N/S	120,141,225
European Select (Threadneedle)	<b>17.0%</b>	<b>22.8%</b>	<b>12.1%</b>	<b>13.0%</b>	<b>7.4%</b>	<b>10.0%</b>	N/S	11,393,634
Sector Average	13.7%	19.1%	11.1%	11.9%	3.7%	7.6%	6.9%	

Source: Financial Express as at 01/11/2017

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

**Annual management charges (AMC) apply. The fund returns shown are net of the AMC deducted by each provider in their unit prices. This will vary for each provider, and any difference will impact the relative performance of the funds shown. 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	
<b>Equity Funds (Eurozone)</b>								
Eurozone Equity	17.1%	24.3%	12.1%	13.7%	4.9%	N/S	N/S	88,490,369
Indexed Eurozone Equity (BlackRock)	15.7%	28.0%	11.6%	12.4%	N/S	N/S	N/S	9,045,056
FinEx Sector Average	15.3%	21.5%	11.2%	11.8%	2.2%	6.4%	5.5%	
<b>Equity Funds (Irish)</b>								
Irish Equity	8.0%	19.7%	17.7%	19.3%	1.9%	N/S	N/S	16,524,147
Sector Average	6.6%	14.8%	13.7%	16.0%	0.2%	4.8%	4.8%	
<b>Equity Funds (American)</b>								
5 Star 5 Americas	2.0%	14.4%	11.6%	15.7%	8.0%	N/S	N/S	61,424,677
American Select (Threadneedle)	7.4%	20.7%	13.5%	16.7%	9.2%	8.6%	N/S	11,579,747
Sector Average	5.5%	15.0%	11.9%	15.5%	8.5%	7.5%	5.6%	
<b>Equity Funds (Far East Asia)</b>								
5 Star 5 Asia Pacific	25.2%	27.4%	12.6%	11.3%	2.0%	N/S	N/S	82,884,079
Asia Pacific Equity	21.4%	23.5%	10.0%	9.7%	N/S	N/S	N/S	10,131,869
Sector Average	17.3%	18.1%	6.9%	7.4%	2.9%	8.5%	7.2%	
<b>Equity Funds (High Yield)</b>								
Dividend Growth	2.4%	11.0%	10.1%	13.3%	6.0%	N/S	N/S	230,697,047
FinEx Sector Average	7.1%	14.4%	9.7%	11.3%	4.4%	6.5%	5.3%	
<b>Equity Funds (Emerging Market)</b>								
Emerging Markets Opportunities (JP Morgan)	27.0%	28.5%	9.7%	N/S	N/S	N/S	N/S	4,233,386
Sector Average	19.0%	16.5%	6.8%	6.3%	1.1%	8.5%	N/S	
<b>Equity Funds (Specialist)</b>								
Indexed Top Tech 100	16.6%	22.4%	17.9%	21.9%	13.5%	11.8%	N/S	46,048,786
Sector Average	4.6%	7.1%	3.8%	5.0%	0.3%	4.2%	3.2%	
<b>Property Funds</b>								
Fund of REITs	16.1%	13.5%	10.2%	N/S	N/S	N/S	N/S	19,288,300
Indexed European (Ex-UK) Property	10.3%	12.2%	12.4%	11.3%	5.5%	N/S	N/S	60,314,101
Indexed Australasia Property	1.4%	-0.1%	5.5%	6.1%	2.2%	N/S	N/S	43,994,727
Sector Average	3.2%	5.9%	6.1%	6.6%	-2.4%	2.8%	6.1%	
<b>Funds Closed to New Business</b>								
Indexed Eurozone Property	12.3%	12.9%	12.7%	11.6%	3.5%	N/S	N/S	20,869,384
Indexed India Equity	19.4%	13.3%	5.9%	9.2%	0.5%	N/S	N/S	11,885,111
Income Opportunity (JP Morgan)	1.0%	1.8%	1.0%	1.2%	N/S	N/S	N/S	7,494,065*
Diversified Assets	2.1%	6.1%	3.9%	5.6%	3.2%	N/S	N/S	13,190,065
Earth Resources	-0.7%	1.7%	-7.2%	-3.9%	-5.3%	N/S	N/S	5,139,262
Green Resources	19.0%	22.7%	0.7%	9.9%	N/S	N/S	N/S	4,006,028
Small Cap Europe (Pictet)	16.9%	24.2%	15.6%	N/S	N/S	N/S	N/S	2,333,514

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