

Monthly Investment Review



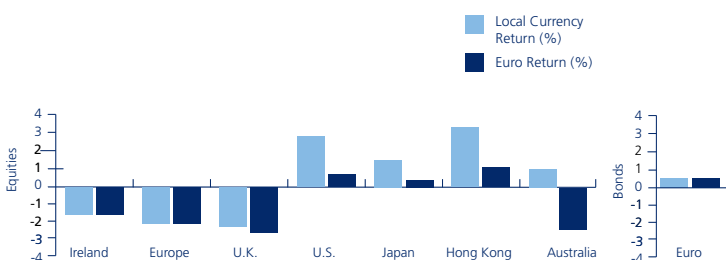
Richard Temperley
Head of Investment Development

Equity markets overall paused for breath in November, following a particularly impressive run, although the influential US market was up strongly. Equities have been 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 1.18 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.12% 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 almost certain in mid-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) fell by 0.3% in November and have given a total return of 8.0% in the first eleven months of the year. Local currency returns, in general, have been much stronger year-to-date as economic and corporate earnings data continues to be supportive, whilst global interest rates and inflation remain at relatively low levels. There was a mixed bag of returns from the major equity markets in local currency terms during the month ranging from minus 2.2% in the UK to plus 3.3% in Hong Kong. European equities saw some profit-taking after a strong run. So far this year, Hong Kong (+32.6%), the US (+18.3%) and Japan (+18.0%) have led the way. The US S&P 500 Index is now up for 13 consecutive months.
- Sectorwise in the US, there was a reversal of recent trends in November with defensive stocks in general outperforming cyclical areas. The technology sector was held back somewhat by the US Senate's proposal in the corporate taxation overhaul plan for a minimum taxation rate. Year-to-date, the best performing sector has been technology (+37.0%), the worst telecoms (-11.1%), showing the huge divergence in sector returns within the S&P500 Index – an advantage for good active managers.

Equity & Bond % Returns - December 2017



This graph shows the performance of the major equity markets over the month of November. 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, December 2017.

Bonds & Interest Rates

- The Merrill Lynch over Five Year Euro Government Bond Index rose by 0.6% in November, with little difference between core and peripheral markets; the Index is now up 1.5% 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 was little changed over the month finishing at 0.37%. Equivalent US rates rose slightly from 2.38% to 2.41%.
- The markets now fully expect one further US rate rise, of 0.25%, in December 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 eleven months of the year a number of commodity prices have shown a positive return. The overall commodity index rose by 0.9% in November but is showing a negative 1.7% return year-to-date, held back by weakness in foodstuff commodities.
- 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 in September (+9.4%), October (+6.2%) and November (+4.5%) due to stronger demand. The gold price rose by 0.2% during the month to \$1,273 per troy ounce and is up by 10.5% in the first eleven months of the year. The copper price fell by 2.1% during November but is up by just over 21% year-to-date.
- The euro currency strengthened against the US dollar during the month with the EUR/USD rate moving from 1.16 to 1.19. The rate began the year at 1.05.

Activity

Equity positions were maintained towards the upper end of ranges during November 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 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 healthcare and negatively biased towards real estate and telecoms. Some profits were taken in technology stocks. 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 2	0.3%	0.9%	1.1%	N/S	N/S	N/S	N/S	170,472,884
Prisma 3	1.8%	2.8%	3.1%	N/S	N/S	N/S	N/S	678,575,616
Prisma 4	4.7%	6.7%	6.5%	N/S	N/S	N/S	N/S	752,645,209
Prisma 5	6.4%	8.9%	8.5%	N/S	N/S	N/S	N/S	287,262,325
Prisma 6	7.9%	10.8%	7.9%	N/S	N/S	N/S	N/S	25,237,348
Managed Funds								
Cautiously Managed	3.6%	5.2%	5.5%	8.1%	N/S	N/S	N/S	429,792,171
FinEx Sector Average	3.7%	5.2%	3.5%	4.4%	2.8%	3.8%	4.0%	
Balanced	5.9%	8.6%	8.1%	10.9%	5.6%	7.5%	6.7%	1,684,373,970
FinEx Sector Average	4.9%	7.3%	5.7%	8.4%	3.5%	5.2%	5.0%	
Performance	7.8%	10.8%	8.9%	11.9%	5.5%	7.8%	6.7%	1,349,102,667
Dynamic	8.2%	11.5%	9.6%	12.6%	5.7%	8.1%	6.7%	1,619,298,168
FinEx Sector Average	5.8%	8.8%	6.8%	9.0%	3.8%	5.4%	5.1%	
Protected Funds								
Protected 70	4.3%	6.4%	4.3%	7.2%	N/S	N/S	N/S	16,863,261
Protected 80	2.1%	3.3%	2.1%	4.5%	N/S	N/S	N/S	34,821,949
Protected 90	-1.0%	-0.8%	-0.6%	0.7%	N/S	N/S	N/S	11,817,342
Cash Fund								
Secure	0.0%	0.0%	0.0%	0.0%	0.6%	1.2%	2.1%	265,758,310
Cash Fund	-0.7%	-0.7%	-0.7%	-0.6%	0.1%	N/S	N/S	525,039,739
FinEx Sector Average	-0.3%	-0.4%	-0.1%	0.0%	0.7%	1.2%	1.8%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	3.4%	4.1%	2.0%	2.5%	N/S	N/S	N/S	7,536,877
Global Government Bond (JP Morgan)*	0.2%	0.2%	1.0%	1.7%	N/S	N/S	N/S	1,186,402
Indexed Eurozone Government Bond (BlackRock)	1.7%	1.5%	2.1%	4.0%	N/S	N/S	N/S	6,110,703
Active Fixed Income	-0.3%	0.5%	2.4%	5.6%	6.3%	5.7%	6.5%	169,803,229
Inflation-Linked Bond	1.4%	3.6%	1.4%	1.1%	N/S	N/S	N/S	7,154,341
Long Bond	-0.3%	0.6%	3.5%	7.4%	7.1%	N/S	N/S	53,837,189
FinEx Sector Average	0.9%	1.8%	2.1%	3.9%	4.2%	4.4%	5.0%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	0.7%	2.4%	1.8%	N/S	N/S	N/S	N/S	98,117,049
Dynamic Diversified Growth (BlackRock)	6.5%	8.2%	0.6%	2.9%	N/S	N/S	N/S	15,771,532
Active Asset Allocation	4.9%	6.9%	6.4%	7.2%	N/S	N/S	N/S	299,252,316
Commodity Funds								
Gold	-3.3%	-3.8%	3.5%	-4.7%	N/S	N/S	N/S	74,646,447
Indexed Global Energy and Metals	-8.6%	-5.7%	-6.3%	-6.3%	-6.1%	N/S	N/S	13,567,231
Equity Funds (Global)								
5 Star 5	11.3%	15.1%	10.3%	12.3%	4.9%	8.3%	N/S	210,875,351
International Equity	8.5%	11.5%	10.2%	13.6%	6.8%	8.4%	8.1%	1,446,763,271
Global Select (Threadneedle)	12.9%	16.8%	12.3%	14.6%	7.3%	8.6%	N/S	6,619,359
Indexed Global Equity (BlackRock)**	4.7%	10.8%	9.4%	13.6%	N/S	N/S	N/S	94,576,761
Sector Average	6.9%	10.7%	8.2%	11.0%	5.0%	6.2%	5.2%	
Equity Funds (European)								
5 Star 5 Europe	15.9%	23.3%	12.4%	14.3%	5.8%	N/S	N/S	119,468,694
European Select (Threadneedle)	13.7%	20.7%	8.9%	11.4%	7.5%	9.4%	N/S	11,077,576
Sector Average	12.4%	18.3%	8.8%	11.2%	4.0%	7.2%	6.7%	

Source: Financial Express as at 01/12/2017

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	
Equity Funds (Eurozone)								
Eurozone Equity	15.0%	23.2%	9.8%	12.6%	5.1%	N/S	N/S	88,304,160
Indexed Eurozone Equity (BlackRock)	13.0%	23.6%	8.8%	11.5%	N/S	N/S	N/S	8,757,446
FinEx Sector Average	13.6%	21.3%	8.8%	11.0%	2.6%	5.9%	5.3%	
Equity Funds (Irish)								
Irish Equity	5.8%	11.5%	14.5%	18.3%	2.4%	N/S	N/S	16,434,646
Sector Average	6.5%	10.0%	11.1%	15.5%	1.2%	4.5%	4.6%	
Equity Funds (American)								
5 Star 5 Americas	1.7%	3.6%	10.4%	15.6%	8.6%	N/S	N/S	60,708,308
American Select (Threadneedle)	6.8%	11.2%	12.4%	16.1%	9.9%	8.3%	N/S	11,511,618
Sector Average	5.4%	9.1%	10.1%	15.3%	9.1%	7.2%	5.4%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	21.5%	20.6%	11.6%	10.1%	2.8%	N/S	N/S	80,870,768
Asia Pacific Equity	19.3%	18.7%	10.0%	8.8%	N/S	N/S	N/S	9,383,817
Sector Average	15.4%	14.8%	6.4%	6.6%	3.8%	8.1%	7.2%	
Equity Funds (High Yield)								
Dividend Growth	2.9%	5.5%	9.6%	13.1%	6.7%	N/S	N/S	232,160,427
FinEx Sector Average	6.9%	10.7%	8.2%	11.0%	5.0%	6.2%	5.2%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	26.2%	26.4%	9.5%	N/S	N/S	N/S	N/S	4,760,774
Sector Average	17.7%	18.0%	5.7%	5.7%	2.0%	7.8%	N/S	
Equity Funds (Specialist)								
Indexed Top Tech 100	16.1%	18.0%	15.8%	21.6%	14.4%	11.0%	N/S	46,267,974
Sector Average	3.7%	5.4%	2.5%	4.7%	0.7%	3.7%	3.2%	
Property Funds								
Fund of REITs	14.0%	21.1%	7.3%	N/S	N/S	N/S	N/S	18,956,139
Indexed European (Ex-UK) Property	11.1%	16.7%	11.2%	11.0%	6.4%	N/S	N/S	62,167,663
Indexed Australasia Property	2.7%	1.7%	6.1%	5.8%	2.7%	N/S	N/S	45,715,271
Sector Average	3.8%	6.3%	5.8%	6.7%	-1.9%	2.8%	6.1%	
Funds Closed to New Business								
Indexed Eurozone Property	13.9%	19.5%	11.8%	11.3%	4.5%	N/S	N/S	N/S
Indexed India Equity	15.9%	15.9%	4.3%	7.7%	0.7%	N/S	N/S	N/S
Income Opportunity (JP Morgan)	0.7%	1.5%	1.1%	1.1%	N/S	N/S	N/S	N/S *
Diversified Assets	1.8%	3.8%	3.5%	5.2%	3.6%	N/S	N/S	N/S
Earth Resources	-1.6%	0.3%	-6.0%	-4.1%	-4.9%	N/S	N/S	N/S
Green Resources	18.3%	19.4%	2.4%	10.1%	N/S	N/S	N/S	N/S
Small Cap Europe (Pictet)	15.5%	21.9%	14.4%	N/S	N/S	N/S	N/S	2,352,129

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: 2115 Print Ref: ZURL ISA 76 1217

