

Monthly Investment Review



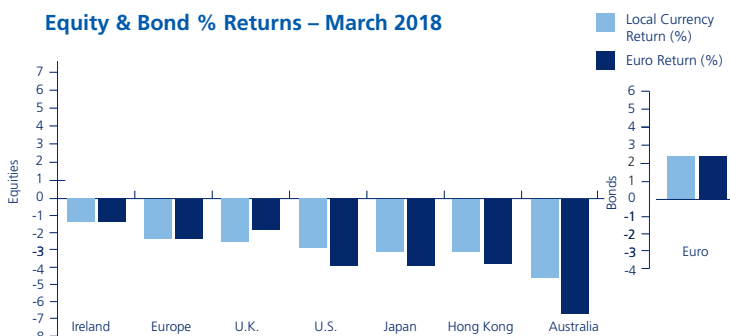
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Equity markets have re-tested and in some cases breached the recent lows set in late January/early February, which were driven by US inflation fears and exacerbated by excessive short volatility positioning - the US S&P 500 Index has recently hit its 200-day moving average. Although these issues have receded, other concerns are now worrying investors, especially the threat of a trade war after the US announced tariffs on China - although China's reasonably muted response so far suggests that it wants to de-escalate rather than escalate tensions. In addition, various company specific events have led to a sharp sell-off in technology shares and affected wider risk appetite. Market participants continue to assess the pace of interest rate rises in the US – there have already been six rate rises (of 0.25%) in the cycle, including a rise in March, albeit from historically low levels of effectively zero percent. The Federal Reserve is forecasting two further rate hikes in 2018 due to the strengthening of the labour market and economic activity. However, the macro-economic fundamentals, such as strong economic and corporate earnings growth continue to support equities. In addition, price/earnings multiples for equities have come back into fair-value range. Despite this, we are likely to experience some further volatility during the remainder of 2018. Eurozone government bonds continue to offer little long-term value.

Equity Markets

- World equities (in euro terms) fell by 2.8% in March and have given a total return of minus 3.2% during the first quarter of 2018. Local currency returns in March for the major markets ranged from minus 1.3% in Ireland to minus 4.3% in Australia; the influential US market was down 2.7%. Year-to-date, the best performing markets have been Hong Kong (+0.6%) and the US (-1.2%); the worst being the UK (-8.2%).
- Sectorwise in the US, there was a partial reversal of the long-term trend of cyclical stocks outperforming defensive ones. Bond proxy sectors such as real estate (+3.4%) and utilities (+3.4%) were the best performers during March. Financials were the worst performers (-4.5%). Year-to-date, technology remains is the top performer (+3.2%), whilst telecoms (-8.7%) and consumer staples (-7.8%) are at the bottom of the league table.

Equity & Bond % Returns – March 2018



This graph shows the performance of the major equity markets over the month of March. 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, April 2018.

Bonds & Interest Rates

- The Over Five Year Euro Government Bond Index rose strongly in March (+2.4%) in the more risk-off environment, giving a return for the first three months of the year of plus 2.2%. The peripheral markets (such as Spain and Italy) have significantly outperformed the core markets (such as Germany and the Netherlands) year-to-date.
- The German ten-year bond yield fell back during March from 0.66% to 0.50%. The yield began the year at 0.43%. Equivalent US rates fell from 2.86% to 2.74% having begun the year at 2.41%.
- The Federal Reserve increased rates again on 21st March, at the first meeting under new Fed Chairman Jerome Powell, and has indicated two further moves during the remainder of 2018, with more to come in 2019. 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 2017, for the first time in a decade by 0.25% to 0.5%, reversing emergency action following the Brexit vote. One or two further rate rises are currently expected during 2018.

Commodities & Currencies

- Commodity prices were mixed in March with energy prices rising 0.6% and non-energy prices falling 0.7%. Raw materials, food and beverages rose 1.0%, 1.3% and 0.4% respectively. Base metals fell 4.1% while precious metals eased 0.5%. The overall commodity index is up 0.8% year-to-date.
- Following a 5% decline in February, the oil price rebounded sharply during March finishing close to its 2018 high. The price has in general been strong for over six months on the back of strengthening demand. The gold price was marginally higher in March rising to \$1,318 per troy ounce. Copper declined by close to 3% during the month and is down 9% in the first quarter.
- The euro currency strengthened against the US dollar during the month with the EUR/USD rate moving from 1.22 to 1.23. The euro was a strong currency in 2017.

Activity

Equity positions remain close to the top of ranges in all of the multi-asset portfolios. With regards to geographic positions, the main bias is towards Asia Pacific and Irish equities. The UK has been underweight for some time. The US is neutral to slightly underweight while Japan now has a slightly positive bias. The European position has been reduced to neutral. Sector positions were broadly maintained during the month. The funds are positively biased towards materials and technology stocks and negatively biased towards real estate and telecoms. Industrial stocks were reduced to neutral. 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			✓
	Soft Commodities	✓		

	Year to Date	Annualised						Fund Size (Euros)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 yevars	
Prisma Multi-Asset Funds*								
Prisma 2	-0.4%	-0.4%	0.1%	N/S	N/S	N/S	N/S	179,548,737
Prisma 3	-1.2%	-0.3%	0.8%	N/S	N/S	N/S	N/S	728,077,079
Prisma 4	-2.7%	-0.3%	2.0%	N/S	N/S	N/S	N/S	820,193,812
Prisma 5	-3.5%	-0.3%	2.6%	N/S	N/S	N/S	N/S	313,277,832
Prisma 6	-3.3%	0.1%	1.8%	N/S	N/S	N/S	N/S	29,848,129
Managed Funds								
Cautiously Managed	-1.5%	0.1%	1.8%	7.1%	6.6%	N/S	N/S	432,555,510
Sector Average	-1.5%	0.7%	1.0%	3.7%	3.3%	4.0%	3.6%	
Balanced	-2.5%	0.0%	2.5%	8.8%	6.8%	8.0%	5.3%	1,638,356,243
Sector Average	-2.9%	0.0%	1.1%	6.5%	4.5%	5.8%	3.7%	
Performance	-3.1%	0.4%	3.1%	9.5%	6.9%	8.4%	5.2%	1,307,067,534
Dynamic	-3.4%	0.0%	3.3%	9.9%	7.1%	8.8%	5.1%	1,567,500,344
FinEx Sector Average	-2.8%	0.3%	2.0%	7.1%	4.9%	6.0%	4.1%	
Protected Funds								
Protected 70	-3.5%	-2.3%	-0.8%	5.0%	N/S	N/S	N/S	18,217,195
Protected 80	-2.6%	-2.4%	-1.7%	2.9%	N/S	N/S	N/S	33,908,380
Protected 90	-1.0%	-2.3%	-2.5%	0.1%	N/S	N/S	N/S	10,341,359
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.5%	1.1%	1.9%	248,016,908
Cash Fund	-0.2%	-0.7%	-0.7%	-0.6%	0.0%	N/S	N/S	532,668,226
FinEx Sector Average	-0.1%	-0.5%	-0.2%	0.0%	0.6%	1.1%	1.7%	
Bond								
Global Corporate Bond (JP Morgan)*	-2.4%	0.3%	0.4%	2.0%	N/S	N/S	N/S	9,057,033
Global Government Bond (JP Morgan)*	0.1%	0.5%	0.0%	1.6%	N/S	N/S	N/S	1,020,716
Indexed Eurozone Government Bond (BlackRock)	1.5%	2.3%	0.3%	3.8%	N/S	N/S	N/S	6,257,110
Active Fixed Income	1.3%	1.7%	-0.1%	5.4%	6.0%	5.4%	6.1%	167,069,806
Inflation-Linked Bond	0.9%	4.6%	0.1%	1.2%	N/S	N/S	N/S	6,978,487
Long Bond	2.3%	4.2%	-0.7%	7.3%	7.0%	N/S	N/S	53,753,189
FinEx Sector Average	0.2%	1.9%	0.1%	3.7%	4.2%	4.2%	4.5%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	-0.4%	-1.8%	0.2%	N/S	N/S	N/S	N/S	96,592,437
Dynamic Diversified Growth (BlackRock)	-1.4%	2.8%	-0.4%	1.9%	N/S	N/S	N/S	15,527,998
Active Asset Allocation	-2.8%	-0.3%	1.9%	6.1%	N/S	N/S	N/S	309,721,030
Commodity Funds								
Gold	-0.7%	-8.5%	-1.6%	-3.6%	N/S	N/S	N/S	116,201,983
Indexed Global Energy and Metals	-2.6%	-4.2%	-5.3%	-6.4%	-6.9%	N/S	N/S	13,538,906
Equity Funds (Global)								
5 Star 5	-2.7%	4.2%	4.0%	9.4%	6.2%	8.5%	N/S	201,783,189
International Equity	-3.3%	0.4%	4.0%	10.8%	8.4%	9.2%	6.6%	1,552,686,816
Global Select (Threadneedle)	-3.9%	4.3%	5.1%	11.6%	8.9%	9.8%	N/S	5,767,981
Indexed Global Equity (BlackRock)**	-5.2%	-2.7%	2.8%	10.2%	N/S	N/S	N/S	88,711,309
FinEx Sector Average	-4.2%	-1.0%	2.2%	8.4%	6.5%	7.2%	3.9%	
Equity Funds (European)								
5 Star 5 Europe	-4.3%	4.4%	4.8%	11.8%	7.2%	N/S	N/S	115,634,389
European Select (Threadneedle)	-2.5%	4.0%	1.3%	8.5%	9.3%	11.0%	N/S	10,308,203
FinEx Sector Average	-3.8%	2.3%	1.7%	8.5%	5.4%	8.4%	5.1%	

Source: Financial Express as at 1/04/2018

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.

Equity Funds (Euro)								
Eurozone Equity	-2.8%	3.7%	3.1%	10.7%	6.6%	N/S	N/S	88,696,079
Indexed Eurozone Equity (BlackRock)	-3.6%	1.7%	1.5%	9.0%	N/S	N/S	N/S	7,649,309
FinEx Sector Average	-4.1%	1.8%	1.8%	8.5%	3.9%	7.1%	3.3%	
Equity Funds (Irish)								
Irish Equity	-5.1%	1.7%	6.4%	13.4%	3.7%	N/S	N/S	15,980,035
FinEx Sector Average	-4.7%	0.8%	3.2%	10.6%	2.1%	4.9%	2.6%	
Equity Fund (American)								
5 Star 5 Americas	-2.4%	-1.2%	4.7%	12.6%	9.6%	N/S	N/S	56,388,111
American Select (Threadneedle)	-4.0%	-1.9%	5.1%	12.9%	11.8%	9.5%	N/S	10,368,984
FinEx Sector Average	-4.2%	-2.3%	4.1%	12.1%	10.7%	8.1%	4.1%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	-0.5%	9.2%	6.9%	8.7%	5.8%	N/S	N/S	82,466,494
Asia Pacific Equity	-1.2%	7.7%	5.0%	7.5%	N/S	N/S	N/S	10,341,727
FinEx Sector Average	-2.9%	2.7%	1.3%	4.8%	6.0%	9.3%	6.5%	
Equity Funds (High Yield)								
Dividend Growth	-4.3%	-5.3%	2.0%	9.4%	8.1%	N/S	N/S	216,055,906
FinEx Sector Average	-4.2%	-1.0%	2.2%	8.4%	6.5%	7.2%	3.9%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	-2.4%	13.7%	4.8%	N/S	N/S	N/S	N/S	6,589,079
FinEx Sector Average	-2.5%	5.8%	2.3%	5.0%	4.2%	10.1%	N/S	
Equity Funds (Specialist)								
Indexed Top Tech 100	0.4%	5.4%	10.3%	20.0%	17.1%	12.4%	N/S	48,258,799
FinEx Sector Average	-3.5%	-2.7%	-0.8%	3.7%	1.8%	4.4%	2.9%	
Property Funds								
Fund of REITs	-2.7%	16.3%	2.6%	N/S	N/S	N/S	N/S	20,392,439
Indexed European (Ex-UK) Property	-3.2%	9.4%	3.8%	10.8%	6.5%	N/S	N/S	66,518,690
Indexed Australasia Property	-3.4%	-6.9%	-0.3%	3.2%	5.6%	N/S	N/S	47,251,163
FinEx Sector Average	-0.1%	4.8%	4.0%	7.0%	-0.8%	2.8%	5.6%	
Funds Closed to New Business								
Indexed Eurozone Property	-2.2%	13.0%	4.8%	11.6%	4.9%	N/S	N/S	20,125,101
Indexed India Equity	-9.3%	-6.2%	-2.5%	6.8%	3.5%	N/S	N/S	10,147,730
Income Opportunity (JP Morgan)	-0.6%	-0.6%	0.8%	0.6%	N/S	N/S	N/S	7,041,206
Diversified Assets	-2.4%	-0.7%	-0.3%	4.1%	4.0%	N/S	N/S	11,794,594
Earth Resources	-1.0%	-1.5%	-6.6%	-4.3%	-5.2%	N/S	N/S	4,843,686
Green Resources	-4.4%	6.2%	-4.2%	6.4%	N/S	N/S	N/S	3,748,973
Small Cap Europe (Pictet)	-4.3%	7.5%	6.4%	N/S	N/S	N/S	N/S	2,279,012

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