

# Monthly Investment Review



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Equity markets came off the boil somewhat during June on the back of the imposition of tariffs between the US and China. Economic conditions, however, are currently strong and growth is expected to remain above trend, while, absent the trade tensions, financial markets are broadly in good shape with further upside potential for equities. Nevertheless, the global landscape has become more fragile as shifting sands have become more evident. From increasing populism and mounting trade tensions to tightening US monetary policy, risks have risen. Eurozone government bonds continue to offer little long-term value.

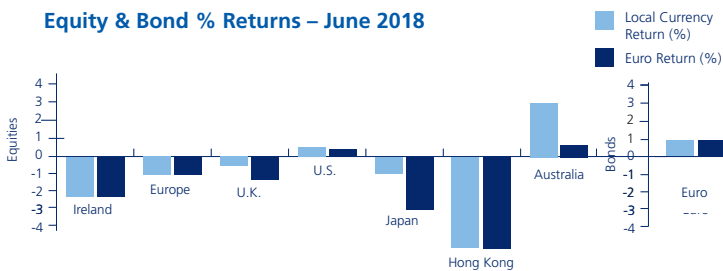
## Equity Markets

- World equities (in euro terms) fell by 0.4% in June and have given a total return of 2.8% during the first six months of 2018. International returns for eurozone investors have been enhanced during 2018 by some euro currency weakness. Local currency returns in June for the major markets ranged from plus 3.0% in Australia to minus 5.0% in Hong Kong, the latter being adversely affected by trade tensions between the US and China. Europe, which had been negatively affected by the political upheaval in Italy in May, lost a little more ground. The US market which had broke above its 50-day moving average in May rose by a further 0.5% in June. Year-to-date, the best performing markets have been Australia (+1.8%) and the US (+1.7%); the worst being Japan (-4.8%).
- Regarding sectors in the US, there was a partial change of direction with some of the underperforming defensive areas, such as consumer staples (+4.1%) and utilities (+2.5%) having a better month in June. Cyclical sectors, in general, underperformed. Year-to-date, however, cyclical stocks have by and large outperformed led by consumer discretionary (+10.8%), technology (+10.2%) and energy (+5.3%), whilst telecoms (-10.8%) and consumer staples (-9.9%) are at the bottom of the league table. These large divergences give active managers, like Zurich, the opportunity to outperform.

## Bonds & Interest Rates

- The Over Five Year Euro Government Bond Index rose by 0.9% in June, as the Italian crisis receded, giving a return for the first six months of the year of plus 1.1%. The Italian bond market, which fallen in price by 8.6% in May, partially recovered, rising by 1.6%. US bonds were little changed during the month.

**Equity & Bond % Returns – June 2018**



This graph shows the performance of the major equity markets over the month of June. 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, July 2018.

- The German ten-year bond yield fell marginally during June, moving from 0.34% to 0.30%. The yield began the year at 0.43%. Equivalent US rates were unchanged at 2.86% having begun the year at 2.41%.
- Having increased interest rates on 21 March, at the first meeting under new Fed Chairman Jerome Powell, the Federal Reserve moved again on 13 June bring rates to 2.0% - the seventh rise since the cycle turned. It also indicated two further upward 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 0.50%, reversing emergency action following the Brexit vote. One further rate rise is currently expected during 2018.

## Commodities & Currencies

- Commodity prices in general were slightly lower in June, although energy prices continued to power ahead. industrial and precious metal were weaker. The overall commodity index is up 3.4% in dollar terms year-to-date.
- The oil price rose again during the month reaching a new high for the year. The price has been particularly strong for the last nine months on the back of strengthening demand and geo-political concerns. The gold price fell by 3.5% during the month finishing at \$1,254 per troy ounce. Copper fell by 3.7% during May and is down 10.6% in the first half of the year following a stellar 2017.
- The euro currency was virtually unchanged against the US dollar during the month with the EUR/USD rate remaining at 1.17. It began the year at 1.20.

## Activity

Equity positions are well above the middle of ranges in all of the multi-asset portfolios, although not as high as a couple of months ago. The weighting in Europe had been cut back significantly in May, on a tactical basis, due to the political environment in Italy and the risk of contagion in the rest of the eurozone. Given the weakness in Eurozone equities since then, Zurich may partially reverse this tactical move. Despite some increased levels of risk, Zurich remains constructive on equities in general. With regards to geographic positions, the main bias is towards Asia Pacific, US, Japan and Ireland. Underweight positions are held in Europe and the UK. Sector positions were broadly maintained during the month. The funds are positively biased towards technology, materials, energy and healthcare (equipment) stocks and negatively biased towards utilities 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			✓
	Soft Commodities	✓		

	Year to Date	Annualised						Fund Size (Euros)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 years	
<b>Prisma Multi-Asset Funds*</b>								
Prisma 2	-0.1%	0.7%	0.5%	N/S	N/S	N/S	N/S	184,897,438
Prisma 3	0.4%	2.6%	2.0%	N/S	N/S	N/S	N/S	774,349,162
Prisma 4	1.1%	6.0%	4.5%	N/S	N/S	N/S	N/S	909,538,382
Prisma 5	1.3%	7.9%	5.5%	N/S	N/S	N/S	N/S	361,527,106
Prisma 6	2.2%	8.2%	5.5%	N/S	N/S	N/S	N/S	33,886,781
<b>Managed Funds</b>								
Cautiously Managed	1.0%	3.6%	3.5%	7.8%	7.2%	Not Started	Not Started	450,829,324
Sector Average	-0.9%	1.5%	2.1%	4.1%	3.7%	3.8%	3.5%	
Balanced	2.0%	5.5%	5.3%	9.9%	7.5%	7.8%	5.5%	1,694,869,683
Sector Average	-0.5%	3.2%	2.8%	7.2%	5.1%	5.4%	3.8%	
Performance	2.5%	7.1%	6.2%	10.9%	7.8%	8.2%	5.5%	1,366,248,323
Dynamic	2.8%	7.7%	6.5%	11.5%	8.1%	8.6%	5.5%	1,629,981,347
FinEx Sector Average	0.2%	4.2%	3.8%	8.0%	5.7%	5.6%	4.2%	
<b>Protected Funds</b>								
Protected 70	0.7%	3.5%	1.5%	6.2%	N/S	N/S	N/S	20,039,834
Protected 80	-0.1%	1.4%	-0.1%	3.7%	N/S	N/S	N/S	35,367,720
Protected 90	-1.1%	-1.7%	-2.0%	0.3%	N/S	N/S	N/S	10,246,795
<b>Cash</b>								
Secure	0.0%	0.0%	0.0%	0.0%	0.4%	1.1%	1.8%	236,646,179
Cash Fund	-0.5%	-0.9%	-0.8%	-0.6%	-0.2%	N/S	N/S	584,902,885
FinEx Sector Average	-0.3%	-0.5%	-0.2%	0.0%	0.5%	1.0%	1.6%	
<b>Bond</b>								
Global Corporate Bond (JP Morgan)	-3.7%	-2.5%	1.2%	2.4%	N/S	N/S	N/S	9,934,325
Global Government Bond (JP Morgan)	-0.6%	-0.4%	1.0%	1.9%	N/S	N/S	N/S	965,612
Indexed Eurozone Government Bond (BlackRock)	0.5%	1.3%	2.1%	3.6%	N/S	N/S	N/S	6,227,554
Active Fixed Income	0.3%	0.8%	2.7%	5.3%	6.4%	5.1%	6.0%	165,966,843
Inflation-Linked Bond	0.2%	2.9%	1.6%	1.7%	N/S	N/S	N/S	7,601,906
Long Bond	1.4%	2.7%	3.7%	7.1%	7.4%	5.9%	N/S	54,023,220
FinEx Sector Average	-0.5%	0.8%	2.0%	3.7%	4.5%	3.9%	4.4%	
<b>Absolute Return/Diversified Assets Funds</b>								
Global Targeted Returns Fund (Invesco)	-1.2%	-3.4%	0.5%	N/S	N/S	N/S	N/S	93,193,100
Dynamic Diversified Growth (BlackRock)	-1.0%	1.7%	0.5%	2.2%	N/S	N/S	N/S	15,072,993
Active Asset Allocation	1.4%	6.6%	4.6%	7.8%	N/S	N/S	N/S	339,913,431
<b>Commodity Funds</b>								
Gold	-1.2%	-2.5%	-0.1%	2.0%	N/S	N/S	N/S	120,465,991
Indexed Global Energy and Metals	5.4%	14.8%	-2.7%	-3.6%	-8.3%	N/S	N/S	14,068,058
<b>Equity Funds (Global)</b>								
5 Star 5	2.1%	10.4%	6.0%	10.7%	6.7%	8.2%	N/S	210,230,583
International Equity	2.3%	8.2%	7.1%	12.2%	9.2%	8.9%	6.6%	1,513,007,193
Global Select (Threadneedle)	3.8%	12.4%	8.4%	13.5%	10.0%	9.7%	N/S	6,222,001
Indexed Global Equity (BlackRock)**	2.5%	7.5%	6.3%	12.0%	N/S	N/S	N/S	96,876,233
FinEx Sector Average	1.3%	6.4%	5.0%	9.7%	7.3%	6.9%	4.1%	
<b>Equity Funds (European)</b>								
5 Star 5 Europe	-1.1%	5.0%	6.5%	12.6%	8.0%	N/S	N/S	117,960,128
European Select (Threadneedle)	0.5%	3.7%	3.7%	9.7%	10.4%	10.1%	N/S	10,628,448
FinEx Sector Average	0.2%	3.6%	3.2%	9.4%	6.3%	7.6%	5.1%	

Source: Financial Express as at 1/07/2018

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.

\*\* Performance using most recent data available.

N/S = N/S.

Figures highlighted in blue indicate where the Zurich Life fund has outperformed the sector average.

<b>Equity Funds (Euro)</b>								
Eurozone Equity	-0.1%	4.5%	5.7%	11.0%	7.3%	9.9%	N/S	91,520,866
Indexed Eurozone Equity (BlackRock)	-0.7%	2.5%	4.4%	9.9%	N/S	N/S	N/S	8,240,074
FinEx Sector Average	-1.5%	1.8%	3.6%	8.8%	4.7%	6.1%	3.3%	
<b>Equity Funds (Irish)</b>								
Irish Equity	1.7%	5.2%	8.2%	14.5%	6.0%	N/S	N/S	17,090,596
FinEx Sector Average	-0.3%	1.8%	3.7%	11.6%	4.2%	4.6%	2.9%	
<b>Equity Fund (American)</b>								
5 Star 5 Americas	6.8%	12.1%	8.5%	14.6%	10.7%	N/S	N/S	62,710,178
American Select (Threadneedle)	7.0%	12.7%	9.4%	15.4%	13.2%	9.7%	N/S	11,320,880
FinEx Sector Average	4.1%	10.1%	8.2%	13.7%	11.7%	8.2%	4.6%	
<b>Equity Funds (Far East Asia)</b>								
5 Star 5 Asia Pacific	0.2%	8.2%	9.1%	10.7%	5.8%	N/S	N/S	82,620,664
Asia Pacific Equity	0.9%	9.7%	8.0%	10.0%	N/S	N/S	N/S	10,817,519
FinEx Sector Average	-0.9%	5.8%	3.9%	7.5%	6.3%	8.7%	7.8%	
<b>Equity Funds (High Yield)</b>								
Dividend Growth	-0.4%	1.6%	4.7%	10.8%	9.4%	N/S	N/S	221,362,157
FinEx Sector Average	1.3%	6.4%	5.0%	9.7%	7.3%	6.9%	4.1%	
<b>Equity Funds (Emerging Market)</b>								
Emerging Markets Opportunities (JP Morgan)	-3.7%	9.5%	5.7%	N/S	N/S	N/S	N/S	6,760,445
FinEx Sector Average	-5.2%	4.1%	2.6%	6.5%	4.1%	9.1%	N/S	
<b>Equity Funds (Specialist)</b>								
Indexed Top Tech 100	13.5%	22.1%	15.7%	22.5%	18.2%	12.5%	N/S	54,251,943
FinEx Sector Average	1.4%	5.8%	1.5%	5.7%	2.4%	4.1%	3.1%	
<b>Property Funds</b>								
Fund of REITs	-2.7%	9.3%	4.3%	N/S	N/S	N/S	N/S	20,669,571
Indexed European (Ex-UK) Property	2.2%	9.4%	9.9%	12.6%	8.6%	N/S	N/S	72,347,913
Indexed Australasia Property	1.6%	5.2%	3.2%	6.9%	6.9%	N/S	N/S	51,594,939
FinEx Sector Average	1.7%	5.3%	4.8%	7.5%	-0.1%	2.7%	5.5%	
<b>Funds Closed to New Business</b>								
Indexed Eurozone Property	3.4%	11.9%	11.0%	13.0%	7.0%	N/S	N/S	20,659,412
Indexed India Equity	-6.4%	1.6%	1.5%	9.3%	6.4%	N/S	N/S	10,268,441
Income Opportunity (JP Morgan)	-0.4%	-0.7%	0.8%	0.7%	N/S	N/S	N/S	6,781,245
Diversified Assets	2.3%	7.2%	3.1%	5.9%	4.2%	N/S	N/S	12,138,112
Earth Resources	5.9%	12.8%	-4.3%	-2.5%	-5.7%	N/S	N/S	4,893,955
Green Resources	0.7%	10.7%	-0.8%	4.4%	N/S	N/S	N/S	3,837,119
Small Cap Europe (Pictet)	-1.8%	4.7%	6.2%	N/S	N/S	N/S	N/S	2,233,576

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