

Monthly Investment Review



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Global equities suffered a significant fall in October as investor angst rose regarding elevated yields of US Treasuries and a more hawkish Federal Reserve. Concerns over trade tensions between the US and China, as well as uncertainty over the upcoming US mid-term elections, also had an effect. Combined, these factors caused solid Q3 earnings reports to fade into the background. Whilst increased volatility in equity markets had been expected, last month's declines seem to have gone further than what is fundamentally warranted. The global economic and market cycle appears to have further to run and equities should rebound from oversold level at the end of the month, driven by supportive fundamentals such as earnings growth and relatively benign inflation.

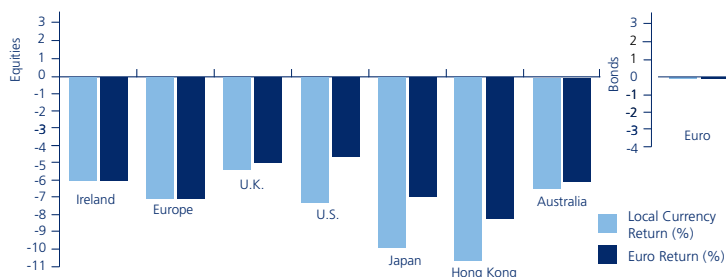
Equity Markets

- World equities (in euro terms) fell by 5.1% in October and have given a total return of 2.9% during the first nine months of 2018, with all of the gains driven by the US which represents 56% of the global equity market. International returns for eurozone investors have been enhanced during 2018 by euro currency weakness. Local currency returns in October for the major markets ranged from minus 5.1% in the UK to minus 10.1% in Hong Kong. The influential US market was down 6.9%. To the end of October, the only major market in positive territory in 2018 is the US (+1.4%); the worst performers are Ireland (-12.7%) as well as the various Chinese markets, including Hong Kong (-16.5%), on the back of the trade tensions.
- Regarding sectors in the US, the risk-off environment resulted in defensive areas, such as consumer staples (+2.1%) and utilities (+1.9%), clearly outperforming economically-sensitive cyclical areas, such as materials (-9.5%) and industrials (-10.9). Year-to-date, there is now a mixed bag between cyclical and defensive stocks. The exception remains technology (+9.9%).

Bonds & Interest Rates

- The Over Five Year Euro Government Bond Index fell by 0.1% in October, giving a return for the first nine months of the year of minus 0.4%. After a partial recovery in September, Italian bonds were battered again in October on the back the new populist government's budgetary plans which contravene EU rules. Year-to-date, most eurozone bond markets are in positive territory with the major exception of Italy (-7.9%).

Equity & Bond % Returns – October 2018



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 2018.

- The German ten-year bond yield fell during October, moving from 0.47% to 0.39%. The yield began the year at 0.43%. More significantly, equivalent US rates moved from 3.06% to 3.14%, having begun the year at 2.41%.
- The Federal Reserve is expected to increase short rates again in December to a range of 2.25% to 2.50%, the ninth rise since the cycle turned. Three further rises are forecast for 2019. Eurozone rates are likely to remain at current ultra-low levels until the fourth quarter of next year. The Bank of England increased UK rates on 2nd August from 0.50% to 0.75%, the second move since its cycle turned in November 2017. Rates are not expected to increase again until Q2 2019.

Commodities & Currencies

- Commodity prices fell in October led by a sharp decline in energy prices. The overall commodity index is now down 1.5% in dollar terms year-to-date.
- Following a huge upward move over the last 12 months, the oil price tumbled by c.10% in October as OPEC, the US and Russia pumped more oil in advance of the upcoming US sanctions on Iran. The gold price rose by 2% during the month finishing at \$1,215 per troy ounce. Copper fell by 5% during October and is down 19% year-to-date.
- The euro currency weakened further against the US dollar during the month with the EUR/USD rate moving from 1.16 to 1.13. It began the year at 1.20.

Activity

Equity positions are towards the upper end of ranges in all of the multi-asset portfolios. Despite some increased levels of risk, Zurich remains constructive on equities in general although some profits may be taken in coming months. With regards to geographic positions, the main bias is towards Asia-Pacific and Japanese equities. The US and Europe are now close to neutral whilst an underweight position is held in the UK. Sector positions were broadly maintained during the month. The funds are positively biased towards technology and healthcare stocks and negatively biased towards staples, utilities and real estate. 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	✓		
	Water		✓	

		Annualised						
	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 years	Fund Size (Euros)
Prisma Multi-Asset Funds								
Prisma 2	-0.6%	-0.7%	0.3%	1.1%	N/S	N/S	N/S	193,202,911
Prisma 3	-0.3%	-0.1%	1.8%	3.1%	N/S	N/S	N/S	848,818,348
Prisma 4	0.0%	0.6%	4.2%	6.5%	N/S	N/S	N/S	1,001,616,494
Prisma 5	0.1%	0.9%	5.5%	8.1%	N/S	N/S	N/S	419,630,284
Prisma 6	1.5%	2.0%	6.2%	7.0%	N/S	N/S	N/S	40,424,035
Managed Funds								
Cautiously Managed	0.4%	0.5%	3.1%	6.8%	7.5%	N/S	N/S	445,150,642
Sector Average	-2.2%	-1.8%	1.7%	3.3%	4.3%	3.5%	3.5%	
Balanced	1.3%	1.3%	4.7%	8.2%	9.2%	7.3%	5.9%	1,673,484,164
Sector Average	-2.2%	-1.4%	2.4%	5.6%	7.0%	4.8%	4.2%	
Performance	1.9%	1.9%	5.6%	9.2%	9.8%	7.6%	5.9%	1,340,978,523
Dynamic	2.0%	2.1%	6.0%	9.6%	10.2%	8.0%	5.9%	1,541,842,842
FinEx Sector Average	-1.9%	-1.2%	3.5%	6.3%	7.7%	5.1%	4.6%	
Protected Funds								
Protected 70	-0.8%	-1.0%	1.6%	4.7%	N/S	N/S	N/S	19,995,745
Protected 80	-1.4%	-1.7%	0.0%	2.5%	N/S	N/S	N/S	33,206,408
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.3%	1.1%	1.7%	223,212,819
Cash Fund	-0.8%	-0.9%	-0.8%	-0.7%	-0.3%	N/S	N/S	637,666,240
FinEx Sector Average	-0.5%	-0.6%	-0.3%	-0.1%	0.3%	1.0%	1.5%	
Bond								
Global Corporate Bond (JP Morgan)	-4.8%	-4.8%	0.5%	1.6%	N/S	N/S	N/S	10,054,917
Global Government Bond (JP Morgan)	-2.4%	-2.5%	-0.3%	1.3%	N/S	N/S	N/S	959,065
Indexed Eurozone Government Bond (BlackRock)*	-0.8%	-1.6%	0.5%	3.0%	N/S	N/S	N/S	6,303,015
Active Fixed Income	-0.6%	-1.1%	0.6%	4.5%	5.8%	5.3%	5.6%	162,564,527
Inflation-Linked Bond	-2.0%	-1.9%	0.2%	1.0%	N/S	N/S	N/S	7,336,279
Long Bond	-0.4%	-1.2%	0.7%	6.2%	6.8%	6.0%	N/S	52,614,003
FinEx Sector Average	-1.6%	-1.6%	0.8%	3.2%	4.3%	3.9%	4.2%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	-4.9%	-5.8%	-1.2%	N/S	N/S	N/S	N/S	81,480,911
Dynamic Diversified Growth (BlackRock)	-2.5%	-2.6%	0.1%	1.2%	N/S	N/S	N/S	14,887,720
Active Asset Allocation	0.2%	0.9%	4.2%	6.6%	N/S	N/S	N/S	363,200,029
Commodity Funds								
Gold	-1.3%	-2.3%	0.6%	1.3%	N/S	N/S	N/S	134,447,366
Indexed Global Energy and Metals	2.6%	3.0%	1.6%	-3.7%	-4.0%	N/S	N/S	13,220,901
Equity Funds (Global)								
5 Star 5	1.7%	1.9%	6.2%	9.4%	8.2%	7.4%	N/S	201,597,841
International Equity	1.8%	2.2%	6.9%	10.4%	10.8%	8.1%	7.0%	1,773,320,680
Global Select (Threadneedle)	0.5%	1.7%	7.1%	11.2%	11.3%	8.7%	N/S	6,397,328
Indexed Global Equity (BlackRock)*	2.7%	4.0%	6.4%	10.5%	N/S	N/S	N/S	96,847,164
FinEx Sector Average	-0.6%	0.3%	4.9%	7.7%	9.7%	6.2%	4.8%	
Equity Funds (European)								
5 Star 5 Europe	-5.5%	-6.1%	4.7%	8.8%	9.9%	N/S	N/S	106,924,152
European Select (Threadneedle)	-5.1%	-7.6%	1.4%	7.3%	11.9%	8.7%	N/S	9,602,995
FinEx Sector Average	-6.6%	-7.5%	1.5%	5.2%	8.7%	6.6%	5.8%	

Source: Financial Express as at 1/11/2018

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.

* 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	-6.0%	-8.2%	3.2%	6.2%	9.4%	8.6%	N/S	81,481,240
Indexed Eurozone Equity (BlackRock)*	-5.5%	-8.3%	2.7%	5.7%	N/S	N/S	N/S	7,528,119
Sector Average	-8.0%	-9.8%	1.8%	5.0%	7.4%	5.1%	3.9%	
Equity Funds (Irish)								
Irish Equity	-9.5%	-9.0%	1.3%	9.8%	10.6%	N/S	N/S	15,045,504
FinEx Sector Average	-11.4%	-10.6%	-1.3%	7.1%	8.6%	3.1%	3.3%	
Equity Fund (American)								
5 Star 5 Americas	10.1%	10.3%	8.2%	14.3%	11.0%	N/S	N/S	65,920,274
American Select (Threadneedle)	6.2%	5.2%	9.2%	13.0%	13.7%	9.0%	N/S	11,241,570
FinEx Sector Average	5.2%	6.2%	8.3%	12.5%	13.2%	7.8%	5.4%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	-8.3%	-9.4%	8.3%	7.0%	8.5%	N/S	N/S	71,995,075
Asia Pacific Equity	-7.0%	-6.7%	7.9%	6.3%	N/S	N/S	N/S	9,510,617
FinEx Sector Average	-8.3%	-8.0%	4.7%	3.9%	9.2%	6.7%	7.3%	
Equity Funds (High Yield)								
Dividend Growth	-4.4%	-3.7%	4.5%	7.8%	11.0%	N/S	N/S	206,803,946
FinEx Sector Average	-0.6%	0.3%	4.9%	7.7%	9.7%	6.2%	4.8%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	-9.9%	-8.7%	7.9%	5.2%	N/S	N/S	N/S	6,084,158
FinEx Sector Average	-12.6%	-11.6%	3.6%	3.8%	7.2%	8.4%	N/S	
Equity Funds (Specialist)								
Indexed Top Tech 100	15.6%	14.9%	13.9%	20.4%	19.7%	11.5%	N/S	59,478,676
FinEx Sector Average	-0.8%	-0.6%	2.3%	3.4%	4.7%	3.3%	2.9%	
Property Funds								
Fund of REITs	-6.0%	-3.3%	0.7%	N/S	N/S	N/S	N/S	20,143,827
Indexed European (Ex-UK) Property	-2.3%	1.3%	4.2%	10.0%	11.4%	N/S	N/S	76,491,630
Australasia Property Fund	-1.7%	0.3%	4.2%	6.2%	10.5%	N/S	N/S	55,322,497
FinEx Sector Average	1.8%	4.0%	3.5%	6.7%	2.0%	2.4%	5.0%	
Funds Closed to New Business								
Indexed Eurozone Property	-1.5%	2.8%	4.8%	10.1%	10.7%	N/S	N/S	19,388,432
Indexed India Equity	-12.9%	-12.2%	1.0%	7.7%	8.3%	N/S	N/S	9,008,589
Income Opportunity (JP Morgan)	-1.0%	-1.3%	1.1%	0.4%	N/S	N/S	N/S	6,325,265
Diversified Assets	0.3%	1.3%	3.2%	4.8%	6.2%	N/S	N/S	11,563,965
Earth Resources	4.1%	4.6%	-0.1%	-3.4%	-2.1%	N/S	N/S	4,482,027
Green Resources	-2.4%	-2.2%	2.5%	1.3%	-1.1%	N/S	N/S	3,585,081
Small Cap Europe (Pictet)	-11.4%	-10.3%	2.3%	7.2%	N/S	N/S	N/S	1,809,628

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