



# Monthly Investment Review

- 2018 is best forgotten from an investment perspective, with most assets classes falling and volatility surging. Slowing global growth, trade tensions, tightening financial conditions, and politics played their part. Even the resilient U.S. S&P500 Index succumbed and posted its worst December since 1931 almost hitting the technical definition of a bear market.
- Many key economic fundamentals remain positive, primarily benign inflation and generally low interest rates. Price/earnings multiples have also contracted, meaning that valuations in most markets are well below fair value.
- Concerns that the pace of U.S. economic growth may be slowing, with the resultant downward revisions of corporate earnings growth, means that short-term volatility may continue, but equity prices have enjoyed a sharp uplift since the low point on Christmas Eve.



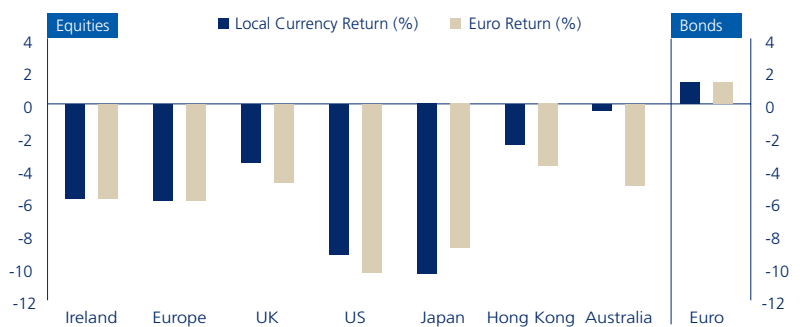
Richard Temperley  
Head of Investment Development

## Activity

Equity positions are towards the upper end of ranges in all of the multi-asset portfolios. Despite some severe volatility during December, Zurich remains reasonably constructive on equities in general although some profits may be taken in coming months if markets continue to rally.

With regards to geographic positions, the main bias is towards Asia-Pacific and Japanese equities. Europe and the UK are now close to neutral whilst an underweight position is held in the US. Sector positions were broadly maintained during the month. The funds are positively biased towards financial and technology stocks and negatively biased towards utilities and real estate. Energy has recently been increased to overweight whilst profits were taken in some healthcare stocks. Bond positions are towards the bottom of ranges whilst the duration of the remaining bonds is low.

## Equity & Bond % Returns: December 2018



This graph shows the performance of the major equity markets over the month of December. 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, January 2019.

CURRENT POSITIONING				
Asset Class	Country	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		✓	

## MARKET PERFORMANCE

### Equities

World equities (in euro terms) fell by a hefty 8.0% in December and gave a total return of minus 4.2% for the full year. Returns for 2018 would have been worse save for the relative resilience of the U.S., which represents 55% of the global equity market, as well as the strength of the U.S. dollar against the euro, which enhanced returns for eurozone investors. For the year as a whole, the best performing market was the U.S. (-6.2%); the worst performers were Ireland (-22.1%), which was hurt by Brexit sentiment, as well as the Chinese market (-25.3%), on the back of the trade tensions.

### Fixed Income & Currencies

The Over Five Year Euro Government Bond Index rose by 1.3% in December, resulting in a total return of 1.6% for 2018. For the full year, most eurozone bond markets were in positive territory, the exception being Italy (-2.0%). Global bonds markets overall in 2018 gave a negative return, as did corporate bonds. On the currency front, the euro strengthened against the US dollar in December, moving from 1.13 to 1.14. It has however been a weaker currency in 2018, especially in H1, having began the year at 1.20.

### Alternatives

Commodity prices fell by over 6% in December, led by a sharp decline in energy prices. The overall commodity index was down 12.5% in dollar terms in 2018. The oil price collapsed by a further 10% in December and is off close to 40% since the peak in March. The price was affected by concerns over weakening demand as well increased supply by the shale-oil producers. Gold rose by 5% during the month finishing at \$1,281 per troy ounce, with copper falling by 5% in December and over 20% for the full year.

Zurich Life Annualised Performance  
to 1 January 2019

	Annualised							Fund Size (Euros)
	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
<b>Prisma Multi-Asset Funds</b>								
Prisma <span style="color:blue">2</span>	-1.3%	-1.3%	0.2%	1.0%	Not Started	Not Started	Not Started	201,065,378
Prisma <span style="color:green">3</span>	-2.4%	-2.4%	1.2%	2.7%	Not Started	Not Started	Not Started	865,575,562
Prisma <span style="color:green">4</span>	-4.6%	-4.6%	3.0%	5.6%	Not Started	Not Started	Not Started	996,576,356
Prisma <span style="color:purple">5</span>	-6.2%	-6.2%	4.0%	6.7%	Not Started	Not Started	Not Started	422,566,780
Prisma <span style="color:orange">6</span>	-5.4%	-5.4%	4.1%	5.5%	Not Started	Not Started	Not Started	40,465,971
<b>Managed Funds</b>								
Cautiously Managed	-2.6%	-2.6%	2.1%	6.0%	7.0%	Not Started	Not Started	425,618,053
<b>Sector Average</b>	<b>-4.3%</b>	<b>-4.3%</b>	<b>1.2%</b>	<b>2.8%</b>	<b>4.3%</b>	<b>3.3%</b>	<b>3.2%</b>	
Balanced	-3.6%	-3.6%	3.1%	6.8%	9.3%	6.8%	5.1%	1,594,882,711
<b>Sector Average</b>	<b>-5.8%</b>	<b>-5.8%</b>	<b>1.5%</b>	<b>4.5%</b>	<b>7.4%</b>	<b>4.4%</b>	<b>3.6%</b>	
Performance	-4.3%	-4.3%	3.5%	7.3%	9.9%	7.1%	5.0%	1,252,336,650
Dynamic	-4.9%	-4.9%	3.6%	7.6%	10.5%	7.3%	5.0%	1,426,403,662
<b>FinEx Sector Average</b>	<b>-6.4%</b>	<b>-6.4%</b>	<b>2.2%</b>	<b>5.1%</b>	<b>7.9%</b>	<b>4.6%</b>	<b>4.0%</b>	
<b>Protected Funds</b>								
Protected 70	-6.1%	-6.1%	-0.1%	3.2%	Not Started	Not Started	Not Started	18,507,292
Protected 80	-5.1%	-5.1%	-1.1%	1.5%	Not Started	Not Started	Not Started	31,719,870
<b>Cash</b>								
Secure	0.0%	0.0%	0.0%	0.0%	0.2%	1.0%	1.7%	214,429,609
Cash Fund	-0.9%	-0.9%	-0.8%	-0.7%	-0.4%	Not Started	Not Started	675,525,092
<b>FinEx Sector Average</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>-0.4%</b>	<b>-0.1%</b>	<b>0.3%</b>	<b>1.0%</b>	<b>1.5%</b>	
<b>Bond</b>								
Global Corporate Bond (JP Morgan)	-5.2%	-5.2%	0.4%	1.5%	Not Started	Not Started	Not Started	9,659,266
Global Government Bond (JP Morgan)	-0.50%	-0.50%	0.30%	1.90%	Not Started	Not Started	Not Started	996,118
Indexed Eurozone Government Bond (BlackRock)*	0.80%	0.80%	1.00%	3.30%	Not Started	Not Started	Not Started	6,505,590
Active Fixed Income	0.40%	0.40%	1.30%	4.80%	5.00%	5.30%	5.40%	167,007,821
Inflation-Linked Bond	-2.20%	-2.20%	0.60%	1.30%	Not Started	Not Started	Not Started	6,830,181
Long Bond	1.3%	1.3%	1.9%	6.7%	6.0%	6.0%	Not Started	54,532,256
<b>FinEx Sector Average</b>	<b>-1.2%</b>	<b>-1.2%</b>	<b>1.3%</b>	<b>3.3%</b>	<b>4.0%</b>	<b>3.8%</b>	<b>4.0%</b>	
<b>Absolute Return/Diversified Assets Funds</b>								
Global Targeted Returns Fund (Invesco)	-5.2%	-5.2%	-1.1%	Not Started	Not Started	Not Started	Not Started	74,624,381
Dynamic Diversified Growth (BlackRock)	-4.4%	-4.4%	-0.1%	0.6%	Not Started	Not Started	Not Started	13,344,256
Active Asset Allocation	-4.9%	-4.9%	2.9%	5.5%	Not Started	Not Started	Not Started	359,693,434
<b>Commodity Funds</b>								
Gold	3.0%	3.0%	4.0%	4.4%	Not Started	Not Started	Not Started	147,095,865
Indexed Global Energy and Metals	-4.1%	-4.1%	3.2%	-5.1%	-0.2%	Not Started	Not Started	12,333,457
<b>Equity Funds (Global)</b>								
5 Star 5	-6.3%	-6.3%	3.0%	7.0%	9.0%	6.8%	Not Started	182,710,187
International Equity	-5.5%	-5.5%	4.4%	8.2%	11.1%	7.6%	5.9%	1,698,321,411
Global Select (Threadneedle)	-7.5%	-7.5%	4.8%	8.6%	11.7%	8.3%	Not Started	6,071,206
Indexed Global Equity (BlackRock)*	-6.5%	-6.5%	4.1%	7.9%	Not Started	Not Started	Not Started	92,930,561
<b>FinEx Sector Average</b>	<b>-7.4%</b>	<b>-7.4%</b>	<b>2.9%</b>	<b>6.0%</b>	<b>10.2%</b>	<b>5.6%</b>	<b>3.7%</b>	
<b>Equity Funds (European)</b>								
5 Star 5 Europe	-12.2%	-12.2%	2.3%	6.4%	10.6%	Not Started	Not Started	95,188,829
European Select (Threadneedle)	-11.0%	-11.0%	0.5%	5.5%	12.0%	8.0%	Not Started	9,369,679
<b>FinEx Sector Average</b>	<b>-13.9%</b>	<b>-13.9%</b>	<b>-1.1%</b>	<b>3.2%</b>	<b>8.5%</b>	<b>5.8%</b>	<b>4.9%</b>	
<b>Equity Funds (Euro)</b>								
Eurozone Equity	-12.1%	-12.1%	1.8%	4.2%	9.0%	7.7%	Not Started	73,745,978
Indexed Eurozone Equity (BlackRock)*	-13.9%	-13.9%	1.7%	3.5%	Not Started	Not Started	Not Started	7,259,482
<b>Sector Average</b>	<b>-13.9%</b>	<b>-13.9%</b>	<b>-0.1%</b>	<b>3.1%</b>	<b>7.4%</b>	<b>4.3%</b>	<b>3.0%</b>	

Equity Funds (Irish)								
Irish Equity	-19.2%	-19.2%	-4.5%	7.0%	11.7%	Not Started	Not Started	13,288,194
<b>FinEx Sector Average</b>	<b>-21.4%</b>	<b>-21.4%</b>	<b>-7.1%</b>	<b>3.8%</b>	<b>9.2%</b>	<b>2.0%</b>	<b>1.9%</b>	
Equity Fund (American)								
5 Star 5 Americas	1.5%	1.5%	5.8%	11.3%	11.5%	Not Started	Not Started	59,258,693
American Select (Threadneedle)	-1.3%	-1.3%	7.2%	10.5%	14.7%	8.8%	Not Started	10,242,508
<b>FinEx Sector Average</b>	<b>-3.5%</b>	<b>-3.5%</b>	<b>5.6%</b>	<b>9.8%</b>	<b>13.9%</b>	<b>7.2%</b>	<b>4.3%</b>	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	-10.8%	-10.8%	6.8%	7.1%	9.3%	Not Started	Not Started	69,881,073
Asia Pacific Equity	-8.7%	-8.7%	7.4%	6.7%	Not Started	Not Started	Not Started	9,167,579
<b>FinEx Sector Average</b>	<b>-9.1%</b>	<b>-9.1%</b>	<b>4.8%</b>	<b>4.7%</b>	<b>10.1%</b>	<b>7.0%</b>	<b>6.9%</b>	
Equity Funds (High Yield)								
Dividend Growth	-10.8%	-10.8%	2.6%	6.2%	11.4%	Not Started	Not Started	189,365,851
<b>FinEx Sector Average</b>	<b>-7.4%</b>	<b>-7.4%</b>	<b>2.9%</b>	<b>6.0%</b>	<b>10.2%</b>	<b>5.6%</b>	<b>3.7%</b>	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	-9.7%	-9.7%	10.8%	6.3%	Not Started	Not Started	Not Started	6,014,189
<b>FinEx Sector Average</b>	<b>-11.4%</b>	<b>-11.4%</b>	<b>5.8%</b>	<b>4.6%</b>	<b>8.0%</b>	<b>8.7%</b>	<b>Not Started</b>	
Equity Funds (Specialist)								
Indexed Top Tech 100	3.9%	3.9%	9.7%	16.7%	20.7%	11.1%	Not Started	52,241,924
<b>FinEx Sector Average</b>	<b>-4.8%</b>	<b>-4.8%</b>	<b>1.9%</b>	<b>2.5%</b>	<b>5.4%</b>	<b>3.0%</b>	<b>2.6%</b>	
Property Funds								
Fund of REITs	-13.0%	-13.0%	-2.6%	Not Started	Not Started	Not Started	Not Started	15,629,032
Indexed European (Ex-UK) Property	-6.6%	-6.6%	3.5%	9.3%	11.2%	Not Started	Not Started	75,300,143
Indexed Australasia Property	2.7%	2.7%	5.7%	8.8%	12.9%	Not Started	Not Started	59,920,247
<b>Sector Average</b>	<b>1.0%</b>	<b>1.0%</b>	<b>3.2%</b>	<b>6.5%</b>	<b>3.5%</b>	<b>2.1%</b>	<b>4.7%</b>	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	-1.6%	-1.6%	Not Started	Not Started	Not Started	Not Started	Not Started	-
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	-1.3%	-1.3%	Not Started	Not Started	Not Started	Not Started	Not Started	-
World Equity (Dimensional)	-10.1%	-10.1%	Not Started	Not Started	Not Started	Not Started	Not Started	-
Global Short Fixed Income (Dimensional)	-1.3%	-1.3%	Not Started	Not Started	Not Started	Not Started	Not Started	-
World Allocation 20/80 (Dimensional)	-3.0%	-3.0%	Not Started	Not Started	Not Started	Not Started	Not Started	-
World Allocation 40/60 (Dimensional)	-4.6%	-4.6%	Not Started	Not Started	Not Started	Not Started	Not Started	-
World Allocation 60/40 (Dimensional)	-6.4%	-6.4%	Not Started	Not Started	Not Started	Not Started	Not Started	-
World Allocation 80/20 (Dimensional)	-8.7%	-8.7%	Not Started	Not Started	Not Started	Not Started	Not Started	-
Funds Closed to New Business								
Indexed Eurozone Property	-6.8%	3.8%	9.6%	10.9%	Not Started	Not Started	17,628,975	17,628,975
Indexed India Equity	-5.2%	4.7%	9.8%	10.3%	Not Started	Not Started	9,614,708	9,614,708
Income Opportunity (JP Morgan)	-3.0%	1.3%	0.0%	Not Started	Not Started	Not Started	6,066,171	6,066,171
Diversified Assets	-3.2%	3.0%	4.1%	7.1%	Not Started	Not Started	10,758,516	10,758,516
Earth Resources	-5.8%	-1.0%	-4.6%	-0.9%	Not Started	Not Started	3,883,713	3,883,713
Green Resources	-9.7%	-1.9%	-0.4%	0.2%	Not Started	Not Started	3,310,863	3,310,863
Small Cap Europe (Pictet)	-18.9%	-0.8%	4.4%	Not Started	Not Started	Not Started	1,653,721	1,653,721

Source: Financial Express as at 01/01/2019

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\* Performance using most recent data available.

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#### Zurich Life Assurance plc

Zurich House, Frascati Road, Blackrock, Co. Dublin, Ireland.

Telephone: 01 283 1301 Fax: 01 283 1578 Website: [www.zurich.ie](http://www.zurich.ie)

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