



Monthly Investment Review

- The dramatic volte-face by the US Federal Reserve, accentuated by its now dovish tone, propelled equities, bonds and commodities sharply higher - with the US S&P500 Index hitting a fresh all-time high. It brings to mind a well-worn but useful investment adage that says 'don't fight the Fed'. The ECB's announcement that it was prepared to inject further liquidity, via rate cuts and/or the reintroduction of quantitative easing, added additional fuel to the markets' upward trajectory.
- Concerns that hurt equity markets in May, namely stalling economic growth outside of the US, the US-China trade tariffs and weak manufacturing data, were put on the back-burner during June. However, with economic sentiment fragile and some indicators consistent with recessionary conditions, a weather eye needs to be kept on the prevailing economic outlook.
- Given the current market environment, Zurich believes it makes sense to take a positive stance on equities on a tactical basis. Upside potential appears to be greater for equities relative to bonds and equity valuations outside the US are at, or below, historical norms.

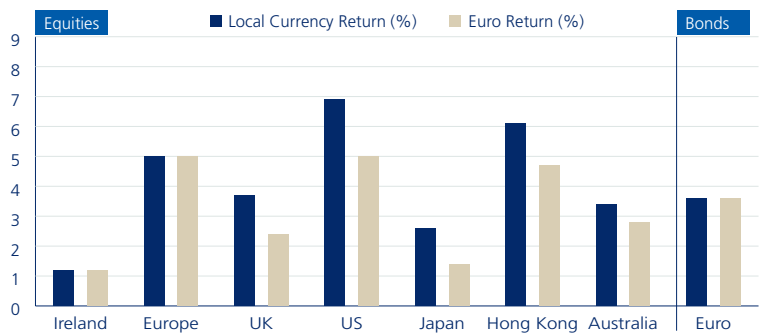


Richard Temperley
Head of Investment Development

Activity

Equity positions were increased in early June across our range of multi-asset portfolios and there is now a positive bias against the benchmark. Zurich remains reasonably constructive on equities in general, especially given their value relative to bonds. With regards to geographic positions, the main bias is towards Asia-Pacific at the expense of the US. Sector positions were broadly maintained during June. The funds are positively biased towards technology and financial stocks and negatively biased towards utilities and real estate. Bond positions are below the middle of ranges whilst the duration of these bonds is now close to neutral, on a tactical basis. Zurich has recently been increasing its exposure to corporate bonds at the expense of sovereign debt.

Equity & Bond % Returns: June 2019



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 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

Equity Markets

World equities (in euro terms) rose by 4.3% in June and have given a strong total return of 17.1% in the first half of 2019. Local currency returns in June for the major markets ranged from 2.6% in Japan to 6.9% in the US. On a technical basis, the S&P500 Index has broken well clear of both its 50-day and 200-day moving averages, on the upside. Regarding sectors in the US during June, economically sensitive cyclical stocks clearly outperformed defensive areas. The best performing sectors were materials (+11.5%) and energy (+9.1%); the worst, real estate (+1.3%) and utilities (+3.1%). Year-to-date, the stand-out sector has been technology (+26.1%).

Fixed Income & Currencies

The Over Five Year Euro Government Bond Index rose by 3.6% in June and is up by a strong 9.1% so far in 2019. European bond prices have reacted positively in 2019 to weaker eurozone economic data, benign inflation and an increasingly dovish ECB. The German ten-year bond yield fell again in June moving from minus 0.20% to minus 0.33%. Yes, you are paying for the privilege of lending money to the German government. Equivalent US rates moved from 2.12% to 2.01%. The markets now expect two to three rate cuts (of 0.25%) in the US during the remainder of 2019. Eurozone rates are expected to be cut by 0.1% from their current ultra low level of minus 0.40% at the end of Q3 or the start of Q4.

Commodities & Currencies

June saw commodity prices rise by 3%. Overall, commodities are up by 7% during the first half of the year. However, the lion's share of the gains have come from energy prices in general and the oil price in particular. The oil price jumped again in June, following some profit-taking in May, and is now up just under 30% so far this year. The gold price rose by 8% during the month finishing at \$1,414 per troy ounce while the copper price was up by 2%. The euro currency strengthened during June against the US dollar, in anticipation of US rate cuts, with the EUR/USD rate moving from 1.12 to 1.14. The rate began the year at 1.15.

Zurich Life Annualised Performance to July 2019

	Annualised							Fund Size (Euros)
	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Prisma Multi-Asset Funds								
Prisma 2	1.9%	0.7%	0.7%	1.0%	Not Started	Not Started	Not Started	222,657,825
Prisma 3	4.8%	1.9%	2.6%	2.9%	Not Started	Not Started	Not Started	1,015,151,550
Prisma 4	10.2%	4.0%	6.0%	6.3%	Not Started	Not Started	Not Started	1,256,699,658
Prisma 5	15.1%	6.6%	8.6%	8.4%	Not Started	Not Started	Not Started	579,935,502
Prisma 6	15.9%	7.2%	10.0%	7.4%	Not Started	Not Started	Not Started	52,654,752
Managed Funds								
Cautiously Managed	6.8%	3.0%	4.4%	5.7%	7.5%	Not Started	Not Started	458,333,323
FinEx Sector Average	6.0%	2.3%	2.9%	3.2%	4.6%	3.5%	3.3%	
Balanced	11.4%	5.3%	7.4%	7.9%	9.9%	7.2%	5.5%	1,755,612,777
FinEx Sector Average	9.4%	3.5%	5.0%	5.4%	7.8%	4.7%	3.6%	
Performance	13.7%	6.1%	9.2%	8.9%	10.7%	7.6%	5.6%	1,395,843,112
Dynamic	15.2%	6.7%	10.0%	9.5%	11.3%	8.0%	5.6%	1,566,138,275
FinEx Sector Average	11.0%	3.8%	6.3%	6.2%	8.4%	5.0%	4.0%	
Protected Funds								
Protected 70	9.7%	2.2%	4.6%	4.4%	Not Started	Not Started	Not Started	21,720,383
Protected 80	5.5%	0.2%	1.9%	2.2%	Not Started	Not Started	Not Started	32,433,989
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.2%	1.0%	1.6%	196,583,028
Cash Fund	-0.4%	-0.7%	-0.8%	-0.7%	-0.4%	Not Started	Not Started	619,290,204
FinEx Sector Average	-0.3%	-0.6%	-0.5%	-0.2%	0.1%	0.9%	1.4%	
Bond								
Global Corporate Bond (JP Morgan)	7.2%	5.6%	1.1%	2.0%	Not Started	Not Started	Not Started	9,513,224
Global Government Bond (JP Morgan)	3.90%	4.00%	-0.40%	1.90%	Not Started	Not Started	Not Started	1,048,944
Indexed Eurozone Government Bond (BlackRock)*	6.20%	6.40%	1.30%	3.20%	Not Started	Not Started	Not Started	6,984,722
Active Fixed Income	4.70%	4.70%	0.20%	3.70%	5.50%	5.40%	5.80%	190,460,047
Inflation-Linked Bond	3.70%	1.30%	0.80%	1.20%	Not Started	Not Started	Not Started	6,950,031
Long Bond	9.8%	9.8%	1.1%	6.0%	7.2%	6.5%	Not Started	61,615,723
FinEx Sector Average	7.0%	6.2%	1.7%	3.3%	4.5%	4.1%	4.3%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	1.9%	-2.2%	-0.8%	Not Started	Not Started	Not Started	Not Started	62,605,336
Dynamic Diversified Growth (BlackRock)	7.0%	3.3%	2.8%	1.2%	Not Started	Not Started	Not Started	12,989,195
Active Asset Allocation	11.2%	4.4%	6.3%	6.3%	Not Started	Not Started	Not Started	431,797,275
Commodity Funds								
Gold	10.2%	14.8%	0.7%	4.4%	Not Started	Not Started	Not Started	97,833,830
Indexed Global Energy and Metals	6.3%	-3.3%	1.6%	-4.7%	-1.1%	Not Started	Not Started	13,485,585
Equity Funds (Global)								
5 Star 5	16.4%	6.8%	11.1%	10.0%	10.6%	7.3%	Not Started	207,023,165
International Equity	16.2%	7.3%	10.5%	10.2%	12.3%	8.5%	6.0%	2,073,805,282
Global Select (Threadneedle)	24.7%	11.1%	13.4%	12.7%	13.4%	9.4%	Not Started	8,788,800
Indexed Global Equity (BlackRock)*	20.3%	10.3%	11.2%	10.3%	Not Started	Not Started	Not Started	109,486,648
FinEx Sector Average	14.7%	4.9%	8.6%	7.9%	10.6%	6.2%	3.8%	
Equity Funds (European)								
5 Star 5 Europe	17.4%	4.3%	10.8%	9.7%	12.1%	9.8%	Not Started	105,818,489
European Select (Threadneedle)	23.6%	9.5%	8.9%	8.5%	13.4%	9.3%	Not Started	10,503,928
FinEx Sector Average	16.9%	0.4%	7.8%	5.6%	9.4%	6.5%	5.0%	
Equity Funds (Euro)								
Eurozone Equity	16.3%	2.3%	10.4%	6.2%	10.2%	8.5%	Not Started	83,523,336
Indexed Eurozone Equity (BlackRock)*	19.6%	3.6%	10.5%	5.6%	Not Started	Not Started	Not Started	7,720,248
FinEx Sector Average	15.2%	0.7%	8.1%	5.0%	8.1%	4.9%	3.6%	

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Equity Funds (Irish)								
Irish Equity	14.7%	-8.9%	5.4%	8.7%	11.9%	Not Started	Not Started	14,557,450
FinEx Sector Average	14.2%	-10.0%	2.7%	5.7%	9.3%	2.3%	2.7%	
Equity Fund (American)								
5 Star 5 Americas	18.6%	12.7%	13.7%	13.2%	14.1%	10.0%	Not Started	69,156,267
American Select (Threadneedle)	20.2%	10.8%	14.3%	13.4%	15.6%	9.7%	Not Started	11,995,320
FinEx Sector Average	18.3%	9.6%	11.9%	11.9%	14.9%	8.1%	4.3%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	14.3%	1.8%	11.2%	8.7%	7.8%	8.2%	Not Started	77,796,400
Asia Pacific Equity	14.6%	3.7%	12.0%	8.3%	Not Started	Not Started	Not Started	10,947,656
FinEx Sector Average	12.7%	3.4%	9.8%	6.0%	8.7%	7.8%	5.6%	
Equity Funds (High Yield)								
Dividend Growth	13.8%	2.0%	7.5%	7.7%	12.0%	Not Started	Not Started	213,349,105
FinEx Sector Average	14.7%	4.9%	8.6%	7.9%	10.6%	6.2%	3.8%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	14.2%	7.1%	14.2%	8.0%	Not Started	Not Started	Not Started	6,969,652
Indexed Emerging Market Equity Fund (BlackRock)	11.8%	4.1%	9.0%	Not Started	Not Started	Not Started	Not Started	947,805
FinEx Sector Average	11.1%	3.8%	9.0%	5.2%	5.5%	8.7%	Not Started	
Equity Funds (Specialist)								
Indexed Top Tech 100	22.0%	11.7%	19.5%	19.5%	20.7%	12.1%	Not Started	66,893,306
FinEx Sector Average	10.7%	4.0%	5.1%	3.2%	5.2%	3.4%	2.6%	
Property Funds								
Property Fund	5.7%	5.9%	Not Started	Not Started	Not Started	Not Started	Not Started	36,095,106
Fund of REITs	28.7%	15.0%	9.5%	9.4%	Not Started	Not Started	Not Started	19,220,951
European (Ex-UK) Property	8.2%	-1.1%	4.7%	7.8%	12.0%	Not Started	Not Started	92,784,067
Australasia Property	16.1%	17.3%	7.3%	9.8%	10.8%	Not Started	Not Started	82,031,496
FinEx Sector Average	3.9%	3.2%	4.0%	5.9%	4.9%	2.0%	4.2%	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	1.6%	1.1%	Not Started	Not Started	Not Started	Not Started	Not Started	247,724
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	4.3%	0.9%	Not Started	Not Started	Not Started	Not Started	Not Started	5,606,982
World Equity (Dimensional)	15.1%	2.4%	Not Started	Not Started	Not Started	Not Started	Not Started	7,550,645
Global Short Fixed Income (Dimensional)	1.4%	1.0%	Not Started	Not Started	Not Started	Not Started	Not Started	1,291,492
World Allocation 20/80 (Dimensional)	3.6%	1.0%	Not Started	Not Started	Not Started	Not Started	Not Started	9,556,263
World Allocation 40/60 (Dimensional)	6.7%	1.8%	Not Started	Not Started	Not Started	Not Started	Not Started	19,295,847
World Allocation 60/40 (Dimensional)	9.5%	2.2%	Not Started	Not Started	Not Started	Not Started	Not Started	17,721,889
World Allocation 80/20 (Dimensional)	12.0%	1.6%	Not Started	Not Started	Not Started	Not Started	Not Started	5,868,537
Funds Closed to New Business								
Indexed Eurozone Property	8.1%	-2.6%	5.4%	7.7%	11.1%	Not Started	Not Started	18,147,573
Indexed India Equity	7.3%	8.7%	7.3%	7.2%	6.7%	Not Started	Not Started	9,513,771
Income Opportunity (JP Morgan)	1.6%	-1.0%	0.7%	0.2%	Not Started	Not Started	Not Started	5,406,642
Diversified Assets	9.5%	3.7%	4.7%	4.3%	7.1%	Not Started	Not Started	11,521,114
Earth Resources	18.2%	5.1%	3.4%	-3.4%	-0.4%	Not Started	Not Started	4,390,379
Green Resources	35.7%	21.6%	14.3%	4.0%	1.9%	Not Started	Not Started	4,334,810
Small Cap Europe (Pictet)	19.1%	-1.7%	8.9%	7.4%	Not Started	Not Started	Not Started	1,831,736

Source: Financial Express as at 01/07/2019

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* Performance using most recent data available.

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

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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

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