January 2020

Monthly Investment Review

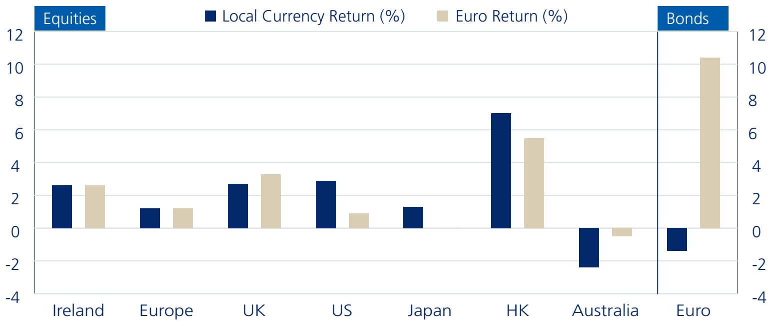
The year, and the decade for that matter, closed out in a very positive manner for financial assets, with many asset classes posting new records. Equities, particularly U.S. stocks, have been star performers, with the S&P 500 Index up 31.5% in total return dollar terms over the year and by over 250% in the decade. Apart from cash, it was difficult for investors to lose money in absolute terms during 2019. Government bonds, credit, commodities and real estate all performed admirably although equities topped the table. A profound shift, especially in the U.S., towards central bank easing lived up to the tidal analogy of 'lifting all boats'. 2019 was certainly a year that favoured risk assets, as slowing growth and corporate earnings, tariff escalations and geopolitical frictions were pushed aside with investors latching on to liquidity induced optimism. 2020 could be a more challenging year. However, equities may again outperform given their relative value against other assets classes, especially government bonds and cash.

Richard Temperley
Head of Investment Development

Activity

Equity positions were reduced slightly near the start of December, as some profits were taken. This was a tactical move. Despite this, Zurich maintains a positive bias towards equities across all of our multi-asset portfolios especially given their value relative to bonds. With regards to geographic positions, the main bias is towards Europe and the U.K. The U.S., Japan and Asia Pacific are neutral whilst Canada is underweight. Sector-wise, the funds are positively biased towards technology and healthcare stocks and negatively biased towards utilities and real estate. Bond positions are below the middle of ranges whilst the duration of these bonds has been reduced.

Equity & Bond % Returns: December



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 2020.

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 1.6% in December and gave a strong total return of 30.1% for 2019. Local currency returns in December for the major markets ranged from plus 7.0% in Hong Kong to minus 2.4% in Australia. The influential U.S. market was up 2.9%. Euro currency weakness during 2019 increased gains for Eurozone investors in overseas markets. Regarding sectors in the U.S. during December, the main winners were energy (+5.8%), technology (+4.4%) and healthcare (+3.4%). For the year as a whole, the best performing sector was technology, up a staggering 48%.

Bonds & Interest Rates

The Over Five Year Euro Government Bond Index fell by 1.4% in December, the fourth monthly fall in-a-row. Despite this, the Index was still up by a strong 10.4% in 2019. European bond prices reacted positively, especially in the first half of the year, to weaker Eurozone economic data, benign inflation and an increasingly dovish ECB. The German ten-year bond yield rose in December moving from minus 0.36% to minus 0.19%. This remains a most unusual situation and means that buying German bonds today guarantees a small loss if held to maturity. Equivalent U.S. rates also rose from plus 1.78% to plus 1.92%. The markets now expect one more rate cut (of 0.25%) in the U.S. during the cycle. Rates had already been cut in July (the first in a decade), September and October. Eurozone rates are expected to remain at minus 0.50%.

Commodities & Currencies

December saw overall commodity prices rise by a strong 3.2% resulting in a rise of 11.6% for 2019. The oil price was the main driver of the overall commodity index during 2019. The West Texas oil price was up 10.7% in December, due to Middle Eastern tensions, and up 34.5% during 2019. The gold price rose by 3.9% during the month finishing at $1,523 per troy ounce. The copper price rose by 5.9% over the month. The euro currency strengthened slightly during December against the U.S. dollar with the EUR/USD rate moving from 1.10 to 1.12. The rate began the year at 1.15.

Zurich Life Annualised Performance to January 2020

	Year to Date	Annualised 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (Euros)
Prisma Multi-Asset Funds								
Prisma 2	3.1%	3.1%	0.7%	0.9%	Not Started	Not Started	Not Started	255,290,841
Prisma 3	8.3%	8.3%	2.6%	2.9%	Not Started	Not Started	Not Started	1,158,510,739
Prisma 4	17.8%	17.8%	5.9%	6.2%	Not Started	Not Started	Not Started	1,506,176,854
Prisma 5	26.5%	26.5%	8.5%	8.6%	Not Started	Not Started	Not Started	746,654,580
Prisma 6	28.1%	28.1%	9.6%	9.3%	Not Started	Not Started	Not Started	64,794,403
Managed Funds								
Cautiously Managed	11.8%	11.8%	4.2%	4.8%	7.0%	Not Started	Not Started	483,479,837
Sector Average	**9.0%**	**9.0%**	**2.8%**	**2.9%**	**4.0%**	**3.4%**	**3.1%**	
Balanced	19.8%	19.8%	7.1%	7.6%	9.0%	7.3%	5.2%	1,852,908,631
Sector Average	**15.7%**	**15.7%**	**4.8%**	**5.1%**	**6.9%**	**4.8%**	**3.5%**	
Performance	24.1%	24.1%	8.8%	8.8%	9.8%	7.8%	5.3%	1,482,939,006
Dynamic	26.9%	26.9%	9.5%	9.5%	10.4%	8.2%	5.4%	1,683,039,245
FinEx Sector Average	**18.1%**	**18.1%**	**5.7%**	**6.2%**	**7.5%**	**5.2%**	**3.7%**	
Protected Funds								
Protected 70	17.7%	17.7%	5.0%	4.5%	Not Started	Not Started	Not Started	22,760,935
Protected 80	10.4%	10.4%	2.3%	2.2%	Not Started	Not Started	Not Started	32,638,142
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.1%	0.9%	1.5%	179,307,162
Cash Fund	-0.8%	-0.8%	-0.8%	-0.8%	-0.5%	Not Started	Not Started	698,145,962
FinEx Sector Average	**-0.7%**	**-0.7%**	**-0.6%**	**-0.3%**	**0.0%**	**0.8%**	**1.3%**	
Bond								
Global Corporate Bond (JP Morgan)	9.4%	9.4%	2.4%	1.9%	Not Started	Not Started	Not Started	7,684,878
Global Government Bond (JP Morgan)	3.9%	3.9%	1.1%	1.1%	Not Started	Not Started	Not Started	1,228,372
Indexed Eurozone Government Bond (BlackRock)*	6.9%	6.9%	2.6%	2.1%	Not Started	Not Started	Not Started	9,063,288
Active Fixed Income	5.4%	5.4%	1.5%	2.1%	5.2%	4.9%	5.9%	213,508,665
Inflation-Linked Bond	6.0%	6.0%	1.4%	1.5%	Not Started	Not Started	Not Started	6,518,933
Long Bond	11.5%	11.5%	3.6%	3.7%	6.8%	5.9%	Not Started	65,776,796
FinEx Sector Average	**8.5%**	**8.5%**	**2.6%**	**2.5%**	**4.0%**	**3.8%**	**4.5%**	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	2.8%	2.8%	-0.9%	0.2%	Not Started	Not Started	Not Started	45,100,730
Dynamic Diversified Growth (BlackRock)	9.2%	9.2%	3.7%	1.4%	Not Started	Not Started	Not Started	11,815,592
Active Asset Allocation	19.0%	19.0%	6.2%	6.3%	Not Started	Not Started	Not Started	522,234,004
Commodity Funds								
Gold	19.7%	19.7%	6.3%	5.7%	5.0%	Not Started	Not Started	124,285,420
Indexed Global Energy and Metals	12.4%	12.4%	0.5%	-0.3%	-0.7%	Not Started	Not Started	12,938,819
Equity Funds (Global)								
5 Star 5	28.7%	28.7%	10.4%	9.8%	10.0%	7.7%	Not Started	216,382,250
International Equity	28.9%	28.9%	10.0%	10.1%	11.4%	9.0%	5.3%	2,525,821,825
Global Select (Threadneedle)	38.9%	38.9%	13.6%	12.4%	12.7%	9.9%	Not Started	10,123,756
Indexed Global Equity (BlackRock)*	32.3%	32.3%	9.5%	10.5%	Not Started	Not Started	Not Started	131,448,554
FinEx Sector Average	**24.8%**	**24.8%**	**7.8%**	**8.0%**	**9.6%**	**6.7%**	**3.3%**	
Equity Funds (European)								
5 Star 5 Europe	31.5%	31.5%	10.4%	10.6%	10.8%	9.5%	Not Started	115,177,320
European Select (Threadneedle)	33.7%	33.7%	10.7%	9.1%	12.3%	9.6%	Not Started	10,183,716
FinEx Sector Average	**27.5%**	**27.5%**	**7.3%**	**7.3%**	**8.1%**	**6.7%**	**3.9%**	
Equity Funds (Euro)								
Eurozone Equity	26.0%	26.0%	8.2%	8.2%	8.5%	8.4%	Not Started	85,743,949
Indexed Eurozone Equity (BlackRock)*	28.6%	28.6%	7.5%	7.7%	Not Started	Not Started	Not Started	8,554,713
Sector Average	**24.0%**	**24.0%**	**6.5%**	**6.6%**	**6.6%**	**5.0%**	**3.1%**	
Equity Funds (Irish)								
Irish Equity	37.0%	37.0%	6.4%	10.6%	12.6%	Not Started	Not Started	16,611,145
FinEx Sector Average	**33.1%**	**33.1%**	**4.0%**	**6.8%**	**9.8%**	**2.4%**	**3.2%**	

	Year to Date	Annualised 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (Euros)
Equity Fund (American)								
5 Star 5 Americas	33.6%	33.6%	11.5%	12.1%	13.5%	10.6%	Not Started	76,368,889
American Select (Threadneedle)	36.2%	36.2%	12.6%	13.1%	15.1%	10.8%	Not Started	12,793,032
FinEx Sector Average	**31.8%**	**31.8%**	**10.6%**	**10.9%**	**14.0%**	**9.1%**	**4.7%**	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	21.8%	21.8%	10.4%	9.4%	7.2%	7.9%	Not Started	79,328,557
Asia Pacific Equity	20.5%	20.5%	10.3%	8.5%	Not Started	Not Started	Not Started	10,924,727
FinEx Sector Average	**19.6%**	**19.6%**	**8.5%**	**6.2%**	**6.8%**	**7.6%**	**5.0%**	
Equity Funds (High Yield)								
Dividend Growth	28.5%	28.5%	5.7%	8.0%	11.4%	Not Started	Not Started	234,417,336
FinEx Sector Average	**24.8%**	**24.8%**	**7.8%**	**8.0%**	**9.6%**	**6.7%**	**3.3%**	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	27.6%	27.6%	14.0%	9.0%	Not Started	Not Started	Not Started	7,821,195
Indexed Emerging Market Equity Fund (BlackRock)	21.1%	21.1%	7.9%	6.5%	Not Started	Not Started	Not Started	2,139,963
Sector Average	**17.8%**	**17.8%**	**7.9%**	**5.4%**	**3.8%**	**8.4%**	**Not Started**	
Equity Funds (Specialist)								
Indexed Top Tech 100	41.0%	41.0%	19.3%	17.7%	20.0%	13.5%	Not Started	78,227,340
FinEx Sector Average	**19.9%**	**19.9%**	**6.2%**	**4.9%**	**4.4%**	**4.0%**	**1.7%**	
Property Funds								
Property Fund	8.6%	8.6%	Not Started	Not Started	Not Started	Not Started	Not Started	49,552,499
Indexed European (Ex-UK) Property	23.8%	23.8%	9.8%	9.9%	10.1%	Not Started	Not Started	117,610,443
Indexed Australasia Property	17.3%	17.3%	7.6%	7.2%	8.9%	Not Started	Not Started	94,198,605
Sector Average	**7.0%**	**7.0%**	**4.5%**	**5.1%**	**5.0%**	**1.7%**	**3.9%**	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	1.4%	1.4%	Not Started	Not Started	Not Started	Not Started	Not Started	237,772
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	4.5%	4.5%	Not Started	Not Started	Not Started	Not Started	Not Started	6,488,002
World Equity (Dimensional)	26.1%	26.1%	Not Started	Not Started	Not Started	Not Started	Not Started	10,376,694
Global Short Fixed Income (Dimensional)	0.8%	0.8%	Not Started	Not Started	Not Started	Not Started	Not Started	1,521,478
World Allocation 20/80 (Dimensional)	5.1%	5.1%	Not Started	Not Started	Not Started	Not Started	Not Started	10,470,996
World Allocation 40/60 (Dimensional)	10.5%	10.5%	Not Started	Not Started	Not Started	Not Started	Not Started	23,613,116
World Allocation 60/40 (Dimensional)	15.6%	15.6%	Not Started	Not Started	Not Started	Not Started	Not Started	24,772,124
World Allocation 80/20 (Dimensional)	20.5%	20.5%	Not Started	Not Started	Not Started	Not Started	Not Started	7,334,710
Funds Closed to New Business								
Indexed Eurozone Property	21.2%	21.2%	9.8%	9.7%	9.1%	Not Started	Not Started	18,883,462
Indexed India Equity	7.7%	7.7%	7.2%	4.7%	4.4%	Not Started	Not Started	8,753,467
Income Opportunity (JP Morgan)	0.9%	0.9%	-0.5%	0.3%	Not Started	Not Started	Not Started	4,844,300
Diversified Assets	16.2%	16.2%	5.1%	4.9%	6.3%	Not Started	Not Started	11,441,063
Earth Resources	31.3%	31.3%	7.3%	1.7%	-0.1%	Not Started	Not Started	4,641,177
Green Resources	58.6%	58.6%	19.5%	9.1%	2.6%	Not Started	Not Started	4,905,967
Small Cap Europe (Pictet)	32.7%	32.7%	8.5%	10.3%	Not Started	Not Started	Not Started	1,863,811

Source: Financial Express as at 01/01/2020

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*Performance using most recent data available.

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