

Monthly Investment Review

Equity markets suffered dramatic falls towards the end of the month as investors began to panic over the spread of the coronavirus (COVID-19) and the negative impact on the supply chain from China and the health of the overall global economy. The fact that equity valuations in the U.S. were above fair-value on an absolute basis did not help. Policy support began at the beginning of March with a surprise Fed rate cut of 0.5% and further monetary and fiscal action is expected globally to counter volatile markets. Bond markets reacted positively to the threat to economic growth and the deflationary nature of the potential pandemic. Despite the turmoil, Zurich believes that it makes sense to take a positive stance towards equities on a medium to long-term basis given the relative value argument against other asset classes, especially government bonds.

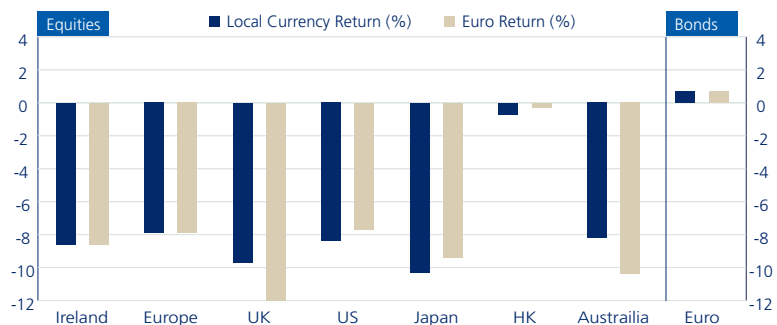


Richard Temperley
Head of Investment Development

Activity

Equity positions were increased in early March following the sharp falls. Some profits had been taken in late 2019. The equity content of our multi-asset portfolios is now closer to the top of ranges mainly due to their value relative to bonds. With regards to geographic positions, the main bias is towards Asia ex-Japan. Canada is underweight given its high resources concentration while other markets are close to neutral. Sector-wise, the funds are positively biased towards technology and healthcare stocks and negatively biased towards energy and real estate. Bond positions are below the middle of ranges whilst the duration of these bonds has been reduced. Within corporate debt, or credit, we increased our positions at the end of January. This move was funded out of Eurozone sovereign debt.

Equity & Bond % Returns: February



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, March 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

Equities

World equities (in euro terms) fell by a hefty 7.6% in February giving a total return of minus 7.3% for the first two months of 2020. Local currency returns in February for the major markets ranged from minus 0.7% in Hong Kong to minus 10.3% in Japan. The influential U.S. market fell 8.4%. Euro currency changes had little overall effect – with the currency slightly weaker against the U.S. dollar and the Japanese yen and stronger against both the pound sterling and the Australian dollar. Regarding sectors in the U.S. during February, the smaller negative returns came from consumer services (-6.3%) and healthcare (-6.8%), Energy (-15.3%) and Financials (-11.3) were the worst performing sectors. Year-to-date, technology has been the best performing sector, down 3.8%.

Fixed Income

The Over Five Year Euro Government Bond Index rose by 0.7% in February, with the core outperforming the periphery, giving a return of 4.3% in the first two months of the year. Bonds have reacted positively to the coronavirus panic as well as the prospect of weaker Eurozone economic data and further expected global rate cuts. The German ten-year bond yield fell in February moving from minus 0.43% to minus 0.61%. This remains a most unusual situation and means that buying German bonds today guarantees a loss if held to maturity. Equivalent U.S. rates also fell sharply from plus 1.51% to plus 1.15%. The Federal Reserve announced on March 3rd the first emergency rate cut (0.50%) since the financial crisis over a decade ago. This was an attempt to give the U.S. economy a jolt in the face of concerns about the coronavirus. Eurozone rates are expected to remain at minus 0.50% with other monetary policies expected.

Commodities & Currencies

February saw overall commodity prices fall by 6.4% resulting in a fall of 14.2% year-to-date, wiping out all and more of 2019's gains. The main culprit was the oil price. The oil price fell by 13% in February, down 25% so far this year, due to concerns over slowing economic growth and Middle Eastern tensions. The gold price fell by 1.0% during the month finishing at \$1,567 per troy ounce. It was clearly not the safe-haven assets that many thought it would be. The copper price rose by 1.2% over the month. The euro currency weakened slightly during February against the U.S. dollar with the EUR/USD rate moving from 1.11 to 1.10. The rate began the year at 1.12.

Zurich Life Annualised Performance to March 2020

| | 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 | -1.1% | 0.7% | 0.2% | 0.4% | Not Started | Not Started | Not Started | 276,581,650 |
| Prisma 3 | -2.4% | 2.1% | 1.3% | 1.6% | Not Started | Not Started | Not Started | 1,183,947,750 |
| Prisma 4 | -4.7% | 4.5% | 3.1% | 3.6% | Not Started | Not Started | Not Started | 1,476,010,823 |
| Prisma 5 | -6.4% | 7.5% | 4.7% | 5.0% | Not Started | Not Started | Not Started | 730,990,259 |
| Prisma Max ** | -6.3% | 8.4% | 5.7% | 5.2% | Not Started | Not Started | Not Started | 63,910,227 |
| Managed Funds | | | | | | | | |
| Cautiously Managed | -3.0% | 3.5% | 2.4% | 2.8% | 6.5% | Not Started | Not Started | 471,586,386 |
| Sector Average | -2.4% | 2.4% | 1.4% | 1.4% | 3.6% | 3.1% | 3.0% | |
| Balanced | -4.0% | 7.1% | 4.6% | 4.7% | 8.6% | 6.7% | 5.0% | 1,759,592,669 |
| Sector Average | -4.7% | 3.4% | 2.3% | 2.4% | 6.4% | 4.2% | 3.1% | |
| Performance | -5.3% | 7.5% | 5.5% | 5.4% | 9.3% | 7.0% | 5.0% | 1,391,703,549 |
| Dynamic | -6.0% | 8.0% | 5.9% | 5.9% | 9.8% | 7.4% | 5.0% | 1,565,048,857 |
| FinEx Sector Average | -5.8% | 2.8% | 2.6% | 3.1% | 6.9% | 4.5% | 3.4% | |
| Protected Funds | | | | | | | | |
| Protected 70 | -4.9% | 4.8% | 2.3% | 1.6% | Not Started | Not Started | Not Started | 21,539,252 |
| Protected 80 | -3.7% | 2.2% | 0.5% | 0.0% | 2.7% | Not Started | Not Started | 30,438,936 |
| Cash | | | | | | | | |
| Secure | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.9% | 1.5% | 173,005,730 |
| Cash Fund | -0.2% | -0.8% | -0.8% | -0.8% | -0.5% | Not Started | Not Started | 758,141,301 |
| FinEx Sector Average | -0.1% | -0.7% | -0.6% | -0.4% | 0.0% | 0.8% | 1.3% | |
| Bond | | | | | | | | |
| Global Corporate Bond (JP Morgan) | 2.7% | 9.7% | 2.8% | 2.0% | Not Started | Not Started | Not Started | 7,685,273 |
| Global Government Bond (JP Morgan) | 3.5% | 7.4% | 2.30% | 1.50% | Not Started | Not Started | Not Started | 1,387,058 |
| Indexed Eurozone Government Bond (BlackRock)* | 2.8% | 9.2% | 3.80% | 2.20% | Not Started | Not Started | Not Started | 9,031,878 |
| Active Fixed Income | 2.1% | 7.3% | 2.50% | 1.60% | 5.20% | 5.00% | 6.00% | 221,967,895 |
| Inflation-Linked Bond | 0.5% | 6.7% | 2.10% | 1.00% | Not Started | Not Started | Not Started | 6,305,738 |
| Long Bond | 5.2% | 16.4% | 6.2% | 3.3% | 7.1% | 6.1% | Not Started | 70,640,662 |
| FinEx Sector Average | 2.1% | 8.9% | 3.5% | 2.1% | 4.1% | 3.9% | 4.6% | |
| Absolute Return/Diversified Assets Funds | | | | | | | | |
| Global Targeted Returns Fund (Invesco) | 0.2% | 2.0% | -1.0% | -0.3% | Not Started | Not Started | Not Started | 42,007,752 |
| Dynamic Diversified Growth (BlackRock) | -3.3% | 1.5% | 2.0% | 0.2% | Not Started | Not Started | Not Started | 11,266,832 |
| Active Asset Allocation | -4.9% | 4.6% | 3.3% | 3.7% | Not Started | Not Started | Not Started | 514,087,964 |
| Commodity Funds | | | | | | | | |
| Gold | 7.1% | 24.6% | 6.2% | 5.2% | 5.1% | Not Started | Not Started | 144,660,115 |
| Indexed Global Energy and Metals | -10.0% | -6.7% | -2.3% | -3.2% | -1.9% | Not Started | Not Started | 11,249,632 |
| Equity Funds (Global) | | | | | | | | |
| 5 Star 5 | -7.1% | 8.0% | 6.4% | 5.9% | 9.2% | 6.7% | Not Started | 200,170,005 |
| International Equity | -6.4% | 8.7% | 6.0% | 6.4% | 10.6% | 8.1% | 4.2% | 2,564,725,383 |
| Global Select (Threadneedle) | -5.1% | 14.5% | 10.2% | 8.8% | 11.7% | 9.0% | Not Started | 9,797,643 |
| Indexed Global Equity (BlackRock)* | -7.8% | 7.3% | 5.3% | 6.0% | Not Started | Not Started | Not Started | 123,113,135 |
| FinEx Sector Average | -7.9% | 3.4% | 3.5% | 4.0% | 8.6% | 5.8% | 2.7% | |
| Equity Funds (European) | | | | | | | | |
| 5 Star 5 Europe | -9.5% | 6.6% | 6.0% | 5.1% | 10.4% | 7.9% | Not Started | 102,200,569 |
| European Select (Threadneedle) | -6.7% | 12.3% | 7.0% | 4.5% | 11.1% | 8.6% | Not Started | 8,869,730 |
| FinEx Sector Average | -7.8% | 6.0% | 3.7% | 2.8% | 7.6% | 5.7% | 2.7% | |
| Equity Funds (Euro) | | | | | | | | |
| Eurozone Equity | -8.9% | 3.9% | 4.3% | 3.2% | 8.2% | 7.3% | Not Started | 76,157,758 |
| Indexed Eurozone Equity (BlackRock)* | -9.3% | 3.2% | 3.3% | 2.6% | Not Started | Not Started | Not Started | 8,335,713 |
| Sector Average | -8.4% | 3.1% | 2.8% | 2.4% | 6.3% | 4.1% | 2.3% | |
| Equity Funds (Irish) | | | | | | | | |
| Irish Equity | -11.5% | 8.7% | 2.4% | 4.8% | 11.7% | 3.5% | Not Started | 14,918,088 |
| FinEx Sector Average | -9.0% | 8.6% | 0.9% | 2.4% | 9.2% | 1.4% | 2.8% | |

| | Annualised | | | | | | | Fund Size (Euros) |
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| Equity Fund (American) | | | | | | | | |
| 5 Star 5 Americas | -5.9% | 12.2% | 8.4% | 9.1% | 12.6% | 9.9% | Not Started | 69,675,496 |
| American Select (Threadneedle) | -4.3% | 14.4% | 9.1% | 9.9% | 13.9% | 10.2% | Not Started | 11,752,400 |
| FinEx Sector Average | -6.6% | 8.9% | 6.2% | 7.4% | 12.8% | 8.4% | 4.5% | |
| Equity Funds (Far East Asia) | | | | | | | | |
| 5 Star 5 Asia Pacific | -7.4% | 2.1% | 4.7% | 5.3% | 6.7% | 6.7% | Not Started | 71,772,131 |
| Asia Pacific Equity | -7.5% | 0.8% | 4.5% | 4.4% | Not Started | Not Started | Not Started | 10,058,033 |
| FinEx Sector Average | -7.0% | 0.8% | 3.1% | 2.3% | 5.9% | 6.5% | 4.7% | |
| Equity Funds (High Yield) | | | | | | | | |
| Dividend Growth | -11.9% | -0.3% | 0.0% | 3.0% | 9.9% | Not Started | Not Started | 204,473,108 |
| FinEx Sector Average | -7.9% | 3.4% | 3.5% | 4.0% | 8.6% | 5.8% | 2.7% | |
| Equity Funds (Emerging Market) | | | | | | | | |
| Emerging Markets Opportunities (JP Morgan) | -8.5% | 3.7% | 7.5% | 4.8% | Not Started | Not Started | Not Started | 7,028,976 |
| Indexed Emerging Market Equity Fund (BlackRock) | -9.4% | -0.8% | 2.2% | 2.3% | Not Started | Not Started | Not Started | 2,846,025 |
| Sector Average | -7.4% | 0.0% | 2.4% | 1.5% | 3.1% | 7.3% | Not Started | |
| Equity Funds (Specialist) | | | | | | | | |
| Indexed Top Tech 100 | -1.5% | 23.2% | 15.4% | 14.5% | 19.5% | 13.8% | Not Started | 76,259,286 |
| FinEx Sector Average | -4.3% | 4.3% | 2.9% | 2.3% | 4.1% | 3.6% | 0.4% | |
| Property Funds | | | | | | | | |
| Property Fund | -7.2% | -0.8% | Not Started | Not Started | Not Started | Not Started | Not Started | 47,654,892 |
| Indexed European (Ex-UK) Property | -3.6% | 13.0% | 8.4% | 4.9% | 9.8% | Not Started | Not Started | 120,861,912 |
| Indexed Australasia Property | -6.6% | 0.0% | 2.8% | 3.4% | 7.9% | Not Started | Not Started | 95,273,880 |
| Sector Average | -4.3% | -0.2% | 2.8% | 3.2% | 4.4% | 1.3% | 3.5% | |
| Dimensional Funds | | | | | | | | |
| Global Short-term Investment Grade Fixed Income (Dimensional) | 0.0% | 0.8% | Not Started | Not Started | Not Started | Not Started | Not Started | 249,275 |
| Euro Inflation Linked Int Duration Fixed Income (Dimensional) | 1.4% | 5.6% | Not Started | Not Started | Not Started | Not Started | Not Started | 6,653,388 |
| World Equity (Dimensional) | -9.7% | 1.5% | Not Started | Not Started | Not Started | Not Started | Not Started | 9,767,986 |
| Global Short Fixed Income (Dimensional) | 0.2% | 0.7% | Not Started | Not Started | Not Started | Not Started | Not Started | 1,551,538 |
| World Allocation 20/80 (Dimensional) | -1.9% | 0.6% | Not Started | Not Started | Not Started | Not Started | Not Started | 11,600,464 |
| World Allocation 40/60 (Dimensional) | -3.9% | 1.1% | Not Started | Not Started | Not Started | Not Started | Not Started | 22,828,958 |
| World Allocation 60/40 (Dimensional) | -5.9% | 1.4% | Not Started | Not Started | Not Started | Not Started | Not Started | 24,293,409 |
| World Allocation 80/20 (Dimensional) | -8.5% | 0.4% | Not Started | Not Started | Not Started | Not Started | Not Started | 6,832,255 |
| Funds Closed to New Business | | | | | | | | |
| Indexed Eurozone Property | -4.0% | 9.1% | 8.3% | 5.1% | 8.8% | Not Started | Not Started | 17,944,496 |
| Indexed India Equity | -7.8% | 0.4% | 0.9% | -0.9% | 3.5% | Not Started | Not Started | 7,718,502 |
| Income Opportunity (JP Morgan) | -0.2% | -0.9% | -1.0% | 0.1% | Not Started | Not Started | Not Started | 4,672,910 |
| Diversified Assets | -5.5% | 2.7% | 2.6% | 1.8% | 5.6% | Not Started | Not Started | 10,599,044 |
| Earth Resources | -2.4% | 11.9% | 5.3% | 0.1% | -0.3% | Not Started | Not Started | 4,472,300 |
| Green Resources | 7.5% | 33.2% | 19.9% | 8.3% | 4.1% | Not Started | Not Started | 5,282,768 |
| Small Cap Europe (Pictet) | -10.7% | 2.4% | 3.3% | 4.4% | Not Started | Not Started | Not Started | 1,654,219 |

Source: Financial Express as at 01/03/2020

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*Prisma Max was previously called Prisma 6.

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

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