



Monthly Investment Review

The rally in major global tech stocks suffered a correction in September as rich valuations and signs of excessive retail investor speculation caused a sell-off in the market segment. The big 5 ‘tech’ stocks, Apple, Microsoft, Amazon, Facebook and Alphabet (Google) had been driving the market rally. The latest correction pushed these stocks down by more than 16% before a recovery set in. Some market participants anticipate further downside potential, others believe that this is a healthy correction that refreshes. We tend to concur with the latter view for three reasons: Firstly, earnings have been exceeding analyst consensus expectations and are expected to do so again. Secondly, ample liquidity provided by global central banks may continue fuelling risk assets. Thirdly, market sentiment is not overly bullish now that some excesses among retail investors have been cleared. Nevertheless, various risks should not be neglected, particularly concerning second waves of COVID-19 and uncertainty over the outcome of the upcoming US presidential election. We believe, however, that the global economic and earnings recovery as well as ample liquidity will remain the driving forces for risk assets.

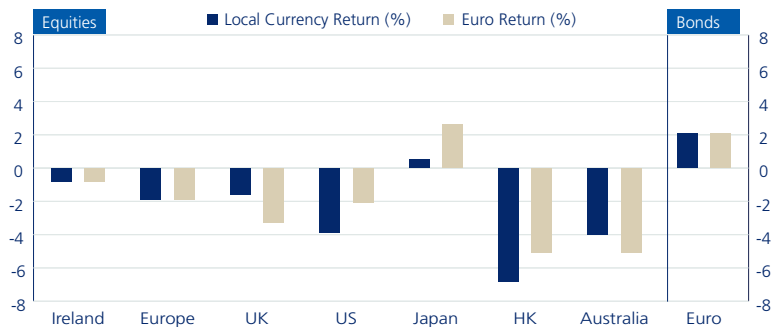


Richard Temperley
Head of Investment Development

Activity

Equity positions in our multi-asset funds were unchanged during September and remain above benchmark. Some profits were taken in August, taking advantage of the strong recovery since the correction in late February/early March. The main bias is towards Asia, Japan and Europe. North America had been previously reduced to an underweight position. The funds are positively biased towards technology and consumer discretionary stocks and negatively biased towards consumer staples and energy. Bond positions are below the middle of ranges whilst the duration is below benchmark. Corporate bonds have been increased at the expense of sovereign bonds over the last number of months.

Equity & Bond % Returns: September



This graph shows the performance of the major equity markets over the month of September. 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, October 2020.

CURRENT POSITIONING				
Asset Class	Country	Positive	Neutral	Negative
Equities	North America			✓
	Europe	✓		
	Japan	✓		
	UK		✓	
	Asia-Ex Japan	✓		
Fixed Income	Sovereign Eurozone			✓
	Sovereign US		✓	
	Sovereign UK		✓	
	Credit	✓		
Currencies	USD			✓
	GBP		✓	
	YEN		✓	
Alternatives	Oil		✓	
	Gold	✓		
	Copper		✓	
	Global Property		✓	
	Soft Commodities			✓
	Water	✓		

MARKET PERFORMANCE

Equity Markets

World equities (in euro terms) fell by 1.5% in September giving a total return of minus 2.6% for the first nine months of 2020. Local currency returns in September for the major markets ranged from plus 0.5% in Japan to minus 6.8% in Hong Kong. The influential US market fell by 3.9%. Euro returns in overseas markets were this time enhanced by slight euro currency weakness. Regarding returns in the US during September, the strongest returns came from materials stocks (+1.3%) and utilities (+1.1%). Energy stocks (-14.5%), consumer discretionary stocks (-6.5%) and technology (-5.4%) were the clear underperformers. Year-to-date, technology (+29%) and consumer discretionary stocks (+23%) have been the best performing sectors; energy the worst, down 48%.

Bonds & Interest Rates

The Over Five Year Euro Government Bond Index rose by 2.1% in September, in a more risk-off environment, giving a return of plus 5.5% for the first nine months of the year. The German ten-year bond yield fell in September moving from minus 0.40% to minus 0.52%. This remains a most unusual situation and means that buying German bonds today guarantees a loss if held to maturity. Equivalent US rates fell marginally from 0.71% to 0.68%. They had begun the year at 1.92%. The Federal Reserve and other central banks have introduced a wave of liquidity over the last number of months, which has included various forms of asset purchases, to support economies and businesses.

Commodities & Currencies

September saw overall commodity prices fall by 3.1% and they are now down 20.1% so far this year, the main culprit being oil. Oil prices fell by around 7% in September and they are now down by around 36% so far this year due to concerns over slowing economic growth and geopolitical tensions. The gold price fell by 4.2% during the month but is up by 23.9% in the first nine months of the year. The copper price was virtually unchanged. The euro currency weakened slightly during September against the US dollar with the EUR/USD rate moving from 1.19 to 1.17. The rate began the year at 1.12.

Zurich Life Annualised Performance to October 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	0.3%	0.6%	0.8%	0.9%	Not Started	Not Started	Not Started	383,632,220
Prisma 3	0.4%	2.0%	2.5%	2.7%	Not Started	Not Started	Not Started	1,260,097,033
Prisma 4	0.9%	4.5%	5.4%	5.9%	Not Started	Not Started	Not Started	1,614,348,343
Prisma 5	2.3%	7.7%	8.2%	8.8%	Not Started	Not Started	Not Started	863,155,332
Prisma Max	4.3%	10.0%	9.5%	10.2%	Not Started	Not Started	Not Started	78,385,186
Managed Funds								
Cautiously Managed	2.7%	5.1%	4.4%	4.7%	6.5%	Not Started	Not Started	501,257,651
Sector Average	-3.2%	-2.0%	0.9%	2.3%	3.2%	2.6%	2.7%	
Balanced	5.1%	8.4%	7.5%	7.7%	9.1%	6.5%	5.4%	1,856,968,253
Sector Average	-5.0%	-1.9%	2.1%	3.8%	5.8%	3.5%	2.8%	
Performance	5.5%	10.2%	8.8%	9.1%	9.9%	6.8%	5.5%	1,515,003,322
Dynamic	5.4%	10.8%	9.5%	9.8%	10.5%	7.2%	5.6%	1,734,842,079
FinEx Sector Average	-6.8%	-3.3%	2.0%	4.5%	6.2%	3.7%	3.0%	
Protected Funds								
Protected 70	-1.2%	2.6%	3.6%	3.8%	5.1%	Not Started	Not Started	19,780,420
Protected 80	-2.1%	0.4%	1.2%	1.4%	2.7%	Not Started	Not Started	29,116,808
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.1%	0.8%	1.4%	161,098,162
Cash Fund	-0.7%	-0.9%	-0.9%	-0.8%	-0.5%	Not Started	Not Started	1,121,752,452
FinEx Sector Average	-0.5%	-0.7%	-0.6%	-0.5%	-0.1%	0.7%	1.1%	
Bond								
Global Corporate Bond (JP Morgan)	3.8%	4.0%	2.7%	2.9%	Not Started	Not Started	Not Started	17,102,012
Global Government Bond (JP Morgan)	5.2%	2.8%	2.90%	1.90%	Not Started	Not Started	Not Started	3,153,863
Indexed Eurozone Government Bond (BlackRock)*	3.1%	0.9%	3.70%	2.60%	Not Started	Not Started	Not Started	10,518,881
Active Fixed Income	2.3%	-0.2%	2.80%	2.40%	4.60%	4.60%	5.60%	243,014,777
Inflation-Linked Bond	-0.7%	-2.0%	1.50%	1.50%	1.30%	Not Started	Not Started	5,606,462
Long Bond	6.5%	1.4%	6.6%	4.7%	6.4%	5.6%	Not Started	74,330,993
FinEx Sector Average	2.4%	0.3%	3.5%	3.0%	3.7%	3.4%	4.4%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	-2.9%	-2.2%	-2.1%	-0.7%	Not Started	Not Started	Not Started	33,454,364
Dynamic Diversified Growth (BlackRock)	2.5%	5.9%	2.6%	2.4%	Not Started	Not Started	Not Started	10,814,391
Active Asset Allocation	1.3%	5.1%	5.9%	6.20%	Not Started	Not Started	Not Started	542,106,447
Commodity Funds								
Gold	19.3%	19.4%	13.4%	9.4%	4.7%	Not Started	Not Started	255,841,533
Indexed Global Energy and Metals	-11.4%	-10.2%	0.0%	-0.4%	-1.9%	Not Started	Not Started	11,294,807
Equity Funds (Global)								
5 Star 5	6.8%	14.0%	10.7%	10.3%	10.4%	6.3%	Not Started	223,123,500
International Equity	5.5%	11.5%	10.1%	10.8%	11.4%	7.7%	5.0%	2,782,964,046
Global Select (Threadneedle)	3.4%	10.4%	11.7%	12.3%	12.2%	8.2%	Not Started	11,075,978
Indexed Global Equity (BlackRock)*	-3.8%	5.4%	7.3%	9.0%	Not Started	Not Started	Not Started	131,517,855
FinEx Sector Average	-8.0%	-3.3%	3.4%	6.2%	7.9%	4.9%	2.6%	
Equity Funds (European)								
5 Star 5 Europe	-9.4%	-2.1%	2.2%	6.4%	9.6%	6.2%	Not Started	96,300,181
European Select (Threadneedle)	2.9%	10.7%	7.0%	7.7%	11.1%	8.2%	Not Started	9,425,923
FinEx Sector Average	-7.3%	-0.7%	0.8%	4.1%	6.8%	4.7%	2.9%	
Equity Funds (Euro)								
Eurozone Equity	-6.9%	-1.9%	1.0%	5.7%	7.6%	6.2%	Not Started	76,446,952
Indexed Eurozone Equity (BlackRock)*	-12.6%	-3.8%	-1.2%	4.2%	Not Started	Not Started	Not Started	7,979,152
Sector Average	-11.1%	-5.9%	-1.7%	3.4%	5.5%	3.0%	2.0%	
Equity Funds (Irish)								
Irish Equity	-9.8%	4.1%	0.5%	3.8%	12.2%	2.9%	Not Started	15,535,517
FinEx Sector Average	-10.2%	3.0%	-1.6%	1.2%	9.5%	1.0%	2.3%	

	Annualised							Fund Size (Euros)
	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Equity Fund (American)								
5 Star 5 Americas	15.9%	23.2%	18.0%	14.6%	15.0%	10.1%	Not Started	83,849,696
American Select (Threadneedle)	4.8%	14.0%	13.1%	13.3%	15.1%	9.6%	Not Started	11,890,799
FinEx Sector Average	-1.2%	5.0%	9.5%	11.1%	13.1%	7.9%	3.8%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	-6.3%	-0.6%	2.5%	9.1%	6.8%	5.1%	Not Started	68,035,465
Asia Pacific Equity	-8.9%	-3.9%	2.2%	8.1%	6.3%	Not Started	Not Started	9,148,927
FinEx Sector Average	-6.9%	-1.5%	2.2%	6.7%	4.7%	5.2%	4.7%	
Equity Funds (High Yield)								
Dividend Growth	-24.4%	-18.8%	-3.9%	2.2%	7.2%	4.5%	Not Started	161,309,297
FinEx Sector Average	-8.0%	-3.3%	3.4%	6.2%	7.9%	4.9%	2.6%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	-8.1%	2.1%	4.1%	10.1%	Not Started	Not Started	Not Started	6,865,204
Indexed Emerging Market Equity Fund (BlackRock)	-7.1%	0.7%	1.3%	7.0%	Not Started	Not Started	Not Started	2,672,780
Sector Average	-8.3%	-2.0%	0.5%	5.9%	1.6%	5.0%	Not Started	
Equity Funds (Specialist)								
Indexed Top Tech 100	25.7%	37.6%	24.8%	21.5%	21.3%	14.5%	Not Started	107,633,883
FinEx Sector Average	0.4%	4.8%	5.5%	5.7%	4.0%	3.0%	0.3%	
Property Funds								
Property Fund	-8.1%	-7.0%	Not Started	Not Started	Not Started	Not Started	Not Started	45,084,068
Indexed European (Ex-UK) Property	-17.5%	-13.2%	0.1%	3.7%	6.2%	Not Started	Not Started	102,218,433
Indexed Australasia Property	-21.3%	-22.4%	-0.6%	3.0%	4.4%	Not Started	Not Started	81,768,537
Sector Average	-11.5%	-10.8%	-0.7%	1.4%	3.3%	-0.1%	2.5%	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	-0.2%	-0.4%	Not Started	Not Started	Not Started	Not Started	Not Started	386,715
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	-0.9%	-2.4%	Not Started	Not Started	Not Started	Not Started	Not Started	6,890,878
World Equity (Dimensional)	-9.0%	-3.6%	Not Started	Not Started	Not Started	Not Started	Not Started	10,716,474
Global Short Fixed Income (Dimensional)	-0.2%	-0.8%	Not Started	Not Started	Not Started	Not Started	Not Started	3,969,694
World Allocation 20/80 (Dimensional)	-1.6%	-0.9%	Not Started	Not Started	Not Started	Not Started	Not Started	12,430,544
World Allocation 40/60 (Dimensional)	-3.3%	-1.3%	Not Started	Not Started	Not Started	Not Started	Not Started	24,783,543
World Allocation 60/40 (Dimensional)	-5.0%	-1.8%	Not Started	Not Started	Not Started	Not Started	Not Started	24,023,273
World Allocation 80/20 (Dimensional)	-7.9%	-3.5%	Not Started	Not Started	Not Started	Not Started	Not Started	7,862,389
Funds Closed to New Business								
Indexed Eurozone Property	-21.7%	-18.3%	-2.3%	2.2%	5.3%	3.0%	Not Started	13,636,092
Indexed India Equity	-9.3%	-8.1%	0.6%	2.4%	1.2%	Not Started	Not Started	6,912,538
Income Opportunity (JP Morgan)	-0.4%	-0.5%	-1.0%	0.6%	Not Started	Not Started	Not Started	3,903,922
Diversified Assets	-6.4%	-4.2%	2.9%	3.7%	4.8%	Not Started	Not Started	9,928,061
Earth Resources	-2.3%	5.2%	8.4%	4.0%	-1.0%	Not Started	Not Started	4,126,728
Green Resources	49.7%	68.9%	31.2%	21.1%	7.1%	Not Started	Not Started	7,151,835

Source: Financial Express as at 01/10/2020

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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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