

Monthly Investment Review

Equity markets have performed well despite a number of challenges and we see further upside ahead. The Fed is giving investors plenty of warning that the time is approaching to reduce the pace of stimulus. With risk assets close to record levels and bond yields depressed, this seems a prudent move. Market participants remain of the view that the recent rise in US inflation is transitory.

Bond yields have bounced off recent lows as technical issues abate and strong growth and elevated inflation come back into focus. We believe yields will rise further, but virus uncertainty and the slowing in the rate of global growth could disrupt this.

Despite the alarming spread of the Delta Covid variant, disappointing data from China amid the persistent regulatory crackdown, and the signalling of US tapering, markets have been calm with many equity indices hitting record levels. We remain bullish on risk assets, and equities in particular, but the three themes outlined above are likely to dominate in the months ahead.



Richard Temperley
Head of Investment Development

Activity

Equity positions in our multi-asset funds were unchanged during August and remain well above benchmark. With regards to geographic positions, the main bias is towards Europe. Sector-wise, the funds are positively biased towards technology and consumer discretionary stocks and negatively biased towards 'bond proxy' areas such as healthcare and consumer staples. Bond positions are well below the middle of ranges whilst the duration of these bonds is below benchmark. Corporate bonds have been increased at the expense of sovereign bonds over the last 16 months.

Equity & Bond % Returns: August



This graph shows the performance of the major equity markets over the month of August. 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, September 2021.

Current Positioning

Asset Class	Region	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		✓	
	Indexed Commodities			✓

Market Performance

Equity Markets

- World equities (in euro terms) rose by 3.0% in August, giving a strong total return of 22.2% for the first eight months of 2021. Euro currency weakness during 2021 has accentuated returns in a number of key markets, primarily the US and the UK. Local currency returns for the month for the major markets ranged from plus 3.1% in Japan to minus 0.3% in Hong Kong, the latter affected by Chinese clampdowns on certain Hong Kong businesses. Year-to-date the strongest markets in local currency terms been the US (+20.4%) and Europe (+18.2%).
- Regarding sectors in the US during the month, the strongest returns came from financials (+5.1%) and consumer services (+5.0%). Technology (+3.6%) also beat the market. The main underperforming sector was energy (-2.0%). So far this year, the best performing sectors have been real estate (+32.6%) and financials (+31.5%). Last year's standout sector, technology, is up 22.4%.

Bonds & Interest Rates

- The Over Five Year Euro Government Bond Index fell by 0.8% during August, giving a total return of minus 2.5% for the first eight months of 2021.
- The German ten-year bond yield rose from minus 0.46% to minus 0.39%. Equivalent US rates rose marginally from 1.22% to 1.31%; this despite concerns over rising inflation.
- The Federal Reserve and other central banks have introduced a wave of liquidity since the outbreak of COVID-19 which has included various forms of asset purchases, to support economies and businesses. The Fed is now keeping a weather eye on inflation.

Commodities & Currencies

- Overall commodity prices were flat during August in dollar terms. However, they are up 30.0% year-to-date fueling concerns over higher inflation.
- Oil prices fell by 6% in July but are up 41% so far in 2021. The gold price was unchanged at \$1,816 per troy ounce. The copper price fell by 2.7% during the month.
- The euro currency weakened slightly in August against the US dollar with the EUR/USD rate moving from 1.19 to 1.18.

Zurich Life Annualised Performance
to September 2021

	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	2.4%	3.7%	2.0%	1.4%	Not Started	Not Started	Not Started	417,393,161
Prisma 3	6.3%	9.0%	4.8%	4.0%	Not Started	Not Started	Not Started	1,737,473,760
Prisma 4	13.4%	19.0%	9.9%	8.8%	Not Started	Not Started	Not Started	2,462,942,166
Prisma 5	18.7%	26.8%	14.6%	12.6%	Not Started	Not Started	Not Started	1,448,534,505
Prisma Max	19.7%	28.5%	15.8%	14.0%	Not Started	Not Started	Not Started	142,065,077
Active Asset Allocation	14.6%	20.4%	10.5%	9.3%	8.5%	Not Started	Not Started	795,938,210
Managed Funds								
Cautiously Managed	9.3%	13.3%	7.5%	6.5%	8.0%	Not Started	Not Started	675,300,901
Sector Average	5.9%	9.4%	3.5%	3.2%	4.3%	2.8%	3.3%	
Balanced	14.1%	20.8%	12.2%	10.6%	11.4%	7.2%	7.1%	2,308,055,344
Sector Average	11.0%	17.0%	6.6%	6.0%	8.1%	4.1%	4.2%	
Performance	17.9%	25.6%	14.5%	12.9%	12.7%	7.7%	7.6%	1,907,113,413
Dynamic	19.1%	27.4%	15.4%	13.9%	13.5%	8.1%	7.8%	2,250,223,314
FinEx Sector Average	13.9%	21.7%	7.4%	7.2%	8.8%	4.6%	4.6%	
Protected Funds								
Protected 70	14.5%	19.2%	8.3%	7.5%	7.5%	Not Started	Not Started	20,754,832
Protected 80	10.3%	12.9%	4.7%	4.1%	4.4%	Not Started	Not Started	30,240,158
Cash								
Cash Fund	-0.5%	-0.9%	-0.9%	-0.8%	-0.6%	Not Started	Not Started	1,199,889,598
FinEx Sector Average	-0.5%	-0.7%	-0.7%	-0.6%	-0.2%	0.6%	0.9%	
Bond								
Medium Duration Corporate Bond	-0.1%	Not Started	593,489,724					
Short Duration Corporate Bond	-0.2%	Not Started	1,000,509,537					
Global Corporate Bond (JP Morgan)	-0.3%	2.4%	4.4%	2.1%	Not Started	Not Started	Not Started	15,489,409
Global Government Bond (JP Morgan)	-1.8%	-1.4%	2.50%	0.50%	Not Started	Not Started	Not Started	2,114,397
Indexed Eurozone Government Bond (BlackRock)*	-2.2%	-0.3%	3.20%	1.20%	3.70%	Not Started	Not Started	16,307,361
Active Fixed Income	-2.0%	0.1%	2.50%	0.40%	4.60%	4.60%	5.10%	263,606,032
Inflation-Linked Bond	3.7%	6.9%	3.60%	2.00%	2.10%	Not Started	Not Started	5,997,077
Long Bond	-3.9%	0.4%	5.6%	1.7%	6.7%	5.6%	Not Started	49,994,083
FinEx Sector Average	-0.5%	2.6%	4.0%	1.8%	4.1%	3.6%	4.1%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	-0.6%	-0.6%	-1.1%	-1.1%	Not Started	Not Started	Not Started	23,059,336
Dynamic Diversified Growth (BlackRock)	3.6%	7.6%	4.9%	4.1%	Not Started	Not Started	Not Started	13,616,129
Commodity Funds								
Gold	-0.7%	-7.6%	13.3%	4.8%	1.2%	Not Started	Not Started	226,624,762
Indexed Global Energy and Metals	26.5%	22.6%	6.0%	5.4%	-0.6%	-3.2%	Not Started	16,239,332
Equity Funds (Global)								
5 Star 5	21.8%	32.8%	17.9%	16.2%	14.3%	8.0%	8.7%	358,403,478
International Equity	20.2%	29.3%	16.5%	14.8%	14.6%	9.1%	7.9%	4,580,177,359
Global Select (Threadneedle)	19.4%	27.5%	16.3%	15.5%	15.1%	9.6%	8.0%	15,744,793
Indexed Global Equity (BlackRock)*	22.7%	27.9%	14.5%	13.1%	14.3%	Not Started	Not Started	193,909,304
FinEx Sector Average	19.6%	30.1%	10.2%	10.1%	11.4%	6.3%	5.1%	
Equity Funds (European)								
5 Star 5 Europe	20.1%	32.7%	12.7%	12.4%	13.8%	7.4%	Not Started	140,359,117
European Select (Threadneedle)	23.0%	32.9%	15.2%	13.1%	13.8%	9.2%	8.4%	12,574,164
FinEx Sector Average	20.0%	30.6%	9.7%	9.5%	10.9%	5.7%	5.5%	
Equity Funds (Euro)								
Eurozone Equity	20.9%	34.4%	11.7%	11.7%	11.8%	7.3%	Not Started	127,517,088
Indexed Eurozone Equity (BlackRock)*	20.6%	31.5%	9.8%	9.7%	10.1%	Not Started	Not Started	6,753,198
FinEx Sector Average	19.1%	30.6%	8.2%	8.6%	9.5%	4.0%	4.1%	
Equity Funds (Irish)								
Irish Equity	19.7%	38.4%	11.9%	9.9%	16.0%	3.9%	Not Started	28,792,809
FinEx Sector Average	19.1%	35.5%	9.7%	7.2%	13.4%	1.9%	3.7%	

Annualised

	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (Euros)
Equity Fund (American)								
5 Star 5 Americas	275%	32.1%	23.3%	19.8%	18.4%	11.9%	Not Started	126,409,322
American Select (Threadneedle)	25.1%	32.6%	18.9%	18.3%	18.1%	12.0%	8.4%	15,773,035
FinEx Sector Average	24.9%	32.8%	15.9%	15.0%	16.6%	10.2%	6.9%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	6.6%	23.0%	7.4%	9.6%	9.0%	6.2%	Not Started	91,192,101
Asia Pacific Equity	9.8%	25.7%	7.8%	10.0%	9.0%	Not Started	Not Started	13,871,972
FinEx Sector Average	9.2%	23.9%	8.2%	8.8%	7.6%	6.2%	7.0%	
Equity Funds (High Yield)								
Dividend Growth	26.9%	39.3%	6.4%	6.8%	10.9%	5.7%	Not Started	229,052,121
FinEx Sector Average	19.6%	30.1%	10.2%	10.1%	11.4%	6.3%	5.1%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	1.8%	20.6%	10.6%	11.2%	Not Started	Not Started	Not Started	9,889,683
Indexed Emerging Market Equity Fund (BlackRock)	6.0%	21.0%	8.8%	8.5%	Not Started	Not Started	Not Started	9,587,752
FinEx Sector Average	8.7%	23.4%	7.9%	7.7%	5.7%	5.8%	5.9%	
Equity Funds (Specialist)								
Indexed Top Tech 100	25.9%	30.3%	26.2%	25.4%	24.2%	17.3%	11.1%	185,904,508
FinEx Sector Average	15.8%	24.1%	12.1%	9.1%	6.9%	4.2%	3.1%	
Property Funds								
Property Fund	3.2%	-0.8%	-0.5%	Not Started	Not Started	Not Started	Not Started	39,411,264
Indexed European (Ex-UK) Property	14.4%	23.7%	4.3%	5.0%	8.7%	Not Started	Not Started	206,755,117
Indexed Australasia Property	12.4%	19.6%	3.4%	2.4%	7.1%	Not Started	Not Started	168,665,954
FinEx Sector Average	8.3%	9.4%	1.0%	2.5%	4.4%	-0.6%	2.6%	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	-0.3%	0.1%	0.3%	Not Started	Not Started	Not Started	Not Started	1,475,501
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	4.1%	5.9%	2.1%	Not Started	Not Started	Not Started	Not Started	7,490,022
World Equity (Dimensional)	21.9%	35.9%	10.3%	Not Started	Not Started	Not Started	Not Started	14,066,478
Global Short Fixed Income (Dimensional)	-0.2%	-0.3%	0.0%	Not Started	Not Started	Not Started	Not Started	3,751,541
World Allocation 20/80 (Dimensional)	3.8%	6.0%	2.0%	Not Started	Not Started	Not Started	Not Started	12,025,790
World Allocation 40/60 (Dimensional)	8.2%	13.1%	4.4%	Not Started	Not Started	Not Started	Not Started	28,981,574
World Allocation 60/40 (Dimensional)	12.4%	20.3%	6.5%	Not Started	Not Started	Not Started	Not Started	30,813,593
World Allocation 80/20 (Dimensional)	16.5%	28.2%	8.0%	Not Started	Not Started	Not Started	Not Started	12,324,747
Global Small Companies (Dimensional)	22.9%	43.9%	Not Started	3,861,296				
Global Value (Dimensional)	22.1%	37.7%	Not Started	5,002,463				
Global Sustainability Core Equity (Dimensional)	22.7%	34.8%	Not Started	439,097				
Funds Closed to New Business								
Indexed Eurozone Property	15.0%	26.1%	2.7%	4.8%	8.7%	3.8%	Not Started	16,271,253
Indexed India Equity	28.4%	52.2%	10.4%	9.3%	8.2%	Not Started	Not Started	9,399,408
Income Opportunity (JP Morgan)	0.0%	0.4%	-0.6%	-0.1%	Not Started	Not Started	Not Started	1,863,409
Diversified Assets	15.1%	18.5%	7.1%	6.2%	6.6%	Not Started	Not Started	10,980,964
Earth Resources	14.7%	36.3%	16.5%	11.4%	1.8%	Not Started	Not Started	5,605,776
Green Resources	-7.2%	49.0%	41.5%	29.3%	13.5%	Not Started	Not Started	9,166,895

Source: Financial Express as at 01/09/2021

Annual management charges (AMC) apply. The fund returns shown are net of the AMC deducted by each provider in their unit prices. This will vary for each provider, and any difference will impact the relative performance of the funds shown. The fund returns are based on an investment in the funds and do not represent the returns achieved by individual policies linked to the funds. These fund returns may be before the full AMC is applied to a policy. The actual returns on policies linked to the specified fund will be lower because of the effects of charges and in some cases a higher management charge.

* 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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