

Monthly Investment Review



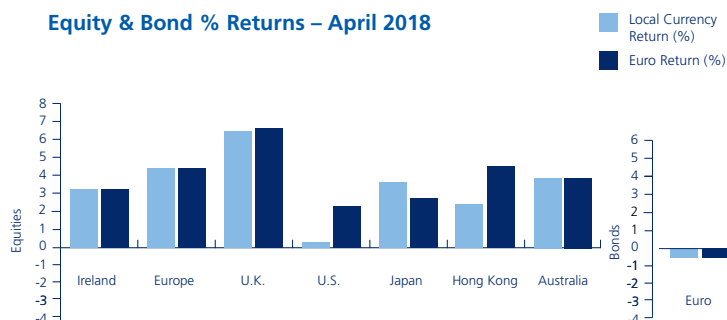
Richard Temperley
Head of Investment
Development

Equity markets regained their composure in April following some significant volatility during early February and mid-March. European markets (as well as the UK) were particularly strong, supported by a material increase in corporate profit margins. Other important features during the month of April were a stronger US dollar, an upward move in the oil price, to a four-year high, and the US 10-year Treasury yield hitting the 3% mark, for the first time since December 2013. Geo-political concerns were put on the back-burner. Market participants continue to assess the pace of interest rate rises in the US – there have already been six rate rises (of 0.25%) in the cycle, including a rise in March, albeit from historically low levels of effectively zero percent. The Federal Reserve is forecasting at least two further rate hikes in 2018. However, the macro-economic fundamentals, such as strong economic and corporate earnings growth, continue to support equities. In addition, price/earnings multiples for equities have come back into fair-value range. Despite this, we are likely to experience further volatility at some point during the remainder of 2018. Eurozone government bonds continue to offer little long-term value.

Equity Markets

- World equities (in euro terms) rose by 2.9% in April and have given a total return of minus 0.5% during the first four months of 2018. Local currency returns in April for the major markets ranged from 6.4% in the UK, which was playing catch-up, to 0.3% in the US. The US market has bounced off its 200-day moving average and now looks set to break above its 50-day moving average, a positive development. Year-to-date, the best performing markets have been Hong Kong (+3.0%) and Europe (+1.3%); the worst being Japan (-2.2%) and Ireland (-3.3%).
- Regarding sectors in the US, the big story in April was energy stocks which rose by an impressive 9.3% on the back of the move in oil prices. Otherwise, there was a mixed bag of returns with no clear distinction between cyclical and defensive stocks. However, year-to-date, cyclical stocks have by and large outperformed defensive areas. Consumer discretionary (+5.1%) and technology (+3.2%) remain the top performers, whilst telecoms (-10.7%) and consumer staples (-11.9%) are at the bottom of the league table.

Equity & Bond % Returns – April 2018



This graph shows the performance of the major equity markets over the month of March. 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, May 2018.

Bonds & Interest Rates

- The Over Five Year Euro Government Bond Index fell by 0.5% in April in the more risk-on environment, giving a return for the first four months of the year of plus 1.6%. The poor performance of US Treasuries did not help. Peripheral Eurozone markets, such as Spain (+4.2%) and Italy (+3.9%), have significantly outperformed the core markets, such as Germany (-0.2%) and the Netherlands (0.0%), year-to-date.
- The German ten-year bond yield rose during April, moving from 0.50% to 0.56%. The yield began the year at 0.43%. Equivalent US rates rose sharply from 2.74% to 2.95% having begun the year at 2.41%.
- Having increased interest rates on 21 March, at the first meeting under new Fed Chairman Jerome Powell, the Federal Reserve has indicated at least two further moves during the remainder of 2018, with more to come in 2019. Eurozone rates are likely to remain at current ultra-low levels for at least 12 months. The Bank of England increased rates, at the start of November 2017, for the first time in a decade by 0.25% to 0.5%, reversing emergency action following the Brexit vote. One or two further rate rises are currently expected during 2018.




















































































Commodities & Currencies

- Commodity prices mostly rose in April, led by energy which surged 8.2%. Non-energy prices rose by 1.8%. Grains rose 5.1%, metals and minerals 2.3% and beverages 2.4%. Precious metals inched up 0.7% whilst fertilisers eased 0.5%. The overall commodity index is up 4.1% year-to-date.
- The oil price rose sharply again during April finishing at a four-year high. The price has been particularly strong for the last seven months on the back of strengthening demand and geo-political concerns. The gold price was virtually unchanged during the month finishing at \$1,319 per troy ounce. Copper rose by 1% during April but is down 7.5% in the first four months of the year following a stellar 2017.
- The euro currency weakened against the US dollar during the month with the EUR/USD rate moving from 1.23 to 1.21. It began the year at 1.20. The euro was a strong currency in 2017.

Activity

Equity positions remain close to the top of ranges in all of the multi-asset portfolios. With regards to geographic positions, the main bias is towards Asia Pacific and Irish equities. The UK has been underweight for some time. Other markets are closer to neutral. Sector positions were broadly maintained during the month. The funds are positively biased towards materials, industrials and technology stocks and negatively biased towards utilities and telecoms. Bond positions are towards the bottom of ranges whilst the duration of the remaining bonds is low.

Asset Class		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	✓		

		Annualised						
	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 yevars	Fund Size (Euros)
Prisma Multi-Asset Funds*								
Prisma 	-0.1%	0.0%	0.4%	N/S	N/S	N/S	N/S	182,411,343
Prisma 	-0.2%	0.9%	1.5%	N/S	N/S	N/S	N/S	746,393,526
Prisma 	-0.4%	2.4%	3.5%	N/S	N/S	N/S	N/S	854,202,764
Prisma 	-0.5%	3.3%	4.5%	N/S	N/S	N/S	N/S	333,208,226
Prisma 	-0.5%	3.4%	3.1%	N/S	N/S	N/S	N/S	31,253,187
Managed Funds								
Cautiously Managed						N/S	N/S	439,540,803
Sector Average	-0.9%	1.0%	1.3%	3.6%	3.2%	3.9%	3.6%	
Balanced								1,664,460,217
Sector Average	-1.2%	1.5%	1.7%	6.7%	4.3%	5.6%	3.8%	
Performance								1,335,507,672
Dynamic	-0.7%							1,580,256,649
FinEx Sector Average	-0.6%	2.0%	2.7%	7.4%	4.7%	5.8%	4.2%	
Protected Funds								
Protected 70	-1.6%	-0.4%	0.5%	5.4%	N/S	N/S	N/S	19,475,393
Protected 80	-1.4%	-1.1%	-0.8%	3.2%	N/S	N/S	N/S	34,559,558
Protected 90	-1.0%	-2.1%	-2.2%	0.1%	N/S	N/S	N/S	10,337,037
Cash								
Secure					0.5%			243,511,179
Cash Fund	-0.3%	-0.8%	-0.7%	-0.6%	-0.1%	N/S	N/S	567,768,392
FinEx Sector Average	-0.2%	-0.5%	-0.2%	0.0%	0.6%	1.1%	1.7%	
Bond								
Global Corporate Bond (JP Morgan)*	-2.9%	-0.8%		1.5%	N/S	N/S	N/S	8,782,421
Global Government Bond (JP Morgan)*	-0.5%	-0.4%		1.2%	N/S	N/S	N/S	992,643
Indexed Eurozone Government Bond (BlackRock)				3.1%	N/S	N/S	N/S	6,293,601
Active Fixed Income		1.1%						166,232,237
Inflation-Linked Bond				0.9%	N/S	N/S	N/S	6,984,757
Long Bond							N/S	54,203,209
FinEx Sector Average	0.1%	1.2%	0.4%	3.2%	4.2%	4.1%	4.6%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	-0.7%	-2.9%	0.0%	N/S	N/S	N/S	N/S	96,764,724
Dynamic Diversified Growth (BlackRock)	-0.6%	2.5%	0.1%	1.9%	N/S	N/S	N/S	15,592,937
Active Asset Allocation	-0.3%	2.8%	3.5%	6.5%	N/S	N/S	N/S	320,471,589
Commodity Funds								
Gold	0.3%	-7.4%	0.4%	-1.2%	N/S	N/S	N/S	116,056,311
Indexed Global Energy and Metals	1.3%	2.9%	-4.5%	-4.3%	-7.1%	N/S	N/S	14,071,088
Equity Funds (Global)								
5 Star 5					5.9%		N/S	207,646,001
International Equity								1,580,024,528
Global Select (Threadneedle)							N/S	6,009,698
Indexed Global Equity (BlackRock)**	-1.4%				N/S	N/S	N/S	93,040,860
FinEx Sector Average	-0.8%	2.0%	3.3%	9.1%	6.2%	7.1%	4.1%	
Equity Funds (European)								
5 Star 5 Europe	-0.5%					N/S	N/S	120,414,496
European Select (Threadneedle)	-2.0%	1.3%	2.2%	8.7%			N/S	10,364,965
FinEx Sector Average	0.2%	3.4%	2.9%	9.1%	5.3%	8.0%	5.4%	

Source: Financial Express as at 1/05/2018

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.

* The Prisma Multi-Asset Funds were previously known as the Pathway Multi-Asset Funds.

* External fund size: Where external funds have been on the Zurich platform for less than two years, we have used the fund size of the underlying external fund.

** Performance using most recent data available.

N/S = N/S.

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

Equity Funds (Euro)								
Eurozone Equity	2.2%	6.4%	5.3%	11.1%	6.4%	10.4%	N/S	93,416,043
Indexed Eurozone Equity (BlackRock)	2.1%	4.8%	5.1%	10.1%	N/S	N/S	N/S	8,106,789
FinEx Sector Average	0.5%	3.9%	3.7%	9.2%	3.9%	6.6%	3.5%	
Equity Funds (Irish)								
Irish Equity	-1.3%	2.0%	7.7%	14.8%	3.9%	N/S	N/S	16,645,068
FinEx Sector Average	-2.1%	-0.2%	3.7%	11.6%	2.2%	4.6%	2.7%	
Equity Fund (American)								
5 Star 5 Americas	-0.6%	1.7%	6.9%	13.6%	9.2%	N/S	N/S	57,383,743
American Select (Threadneedle)	0.7%	3.1%	7.7%	14.4%	11.7%	9.5%	N/S	10,659,747
FinEx Sector Average	-1.1%	1.4%	5.7%	13.0%	10.3%	8.0%	4.5%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	1.9%	12.0%	7.7%	9.2%	4.9%	N/S	N/S	84,649,737
Asia Pacific Equity	1.6%	10.8%	6.0%	8.1%	N/S	N/S	N/S	10,699,320
FinEx Sector Average	0.0%	6.5%	1.3%	5.5%	5.3%	9.3%	7.0%	
Equity Funds (High Yield)								
Dividend Growth	-1.7%	-2.3%	3.3%	9.8%	7.8%	N/S	N/S	220,987,934
FinEx Sector Average	-0.8%	2.0%	3.3%	9.1%	6.2%	7.1%	4.1%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	-1.0%	15.2%	4.7%	N/S	N/S	N/S	N/S	7,013,468
FinEx Sector Average	-0.7%	7.3%	1.5%	5.7%	3.2%	9.6%	N/S	
Equity Funds (Specialist)								
Indexed Top Tech 100	2.7%	6.9%	12.0%	20.6%	16.3%	12.1%	N/S	48,668,733
FinEx Sector Average	-0.6%	0.8%	-0.1%	4.7%	1.6%	4.3%	3.1%	
Property Funds								
Fund of REITs	-1.5%	16.5%	3.5%	N/S	N/S	N/S	N/S	20,641,700
Indexed European (Ex-UK) Property	0.9%	11.4%	6.2%	10.6%	6.8%	N/S	N/S	68,392,235
Indexed Australasia Property	0.3%	-1.9%	1.1%	3.8%	5.0%	N/S	N/S	48,273,101
FinEx Sector Average	0.4%	4.7%	4.1%	6.8%	-0.7%	2.8%	5.6%	
Funds Closed to New Business								
Indexed Eurozone Property	1.6%	14.9%	7.1%	11.2%	5.1%	N/S	N/S	20,724,828
Indexed India Equity	-4.3%	-0.6%	3.1%	7.4%	2.8%	N/S	N/S	10,493,189
Income Opportunity (JP Morgan)	-0.2%	-0.4%	0.8%	0.7%	N/S	N/S	N/S	6,870,787
Diversified Assets	0.3%	2.8%	1.1%	4.6%	3.8%	N/S	N/S	12,037,129
Earth Resources	2.3%	3.2%	-5.9%	-3.0%	-5.3%	N/S	N/S	4,933,062
Green Resources	-3.7%	4.8%	-3.7%	5.6%	N/S	N/S	N/S	3,728,598
Small Cap Europe (Pictet)	0.3%	5.4%	8.5%	N/S	N/S	N/S	N/S	2,356,989

Warning: Past performance is not a reliable guide to future performance.

Warning: The value of your investment may go down as well as up.

Warning: Benefits may be affected by changes in currency exchange rates.

Warning: If you invest in this fund you may lose some or all of the money you invest.



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