July 2018

Monthly Investment Review



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Equity markets came off the boil somewhat during June on the back of the imposition of tariffs between the US and China. Economic conditions, however, are currently strong and growth is expected to remain above trend, while, absent the trade tensions, financial markets are broadly in good shape with further upside potential for equities. Nevertheless, the global landscape has become more fragile as shifting sands have become more evident. From increasing populism and mounting trade tensions to tightening US monetary policy, risks have risen. Eurozone government bonds continue to offer little long-term value.

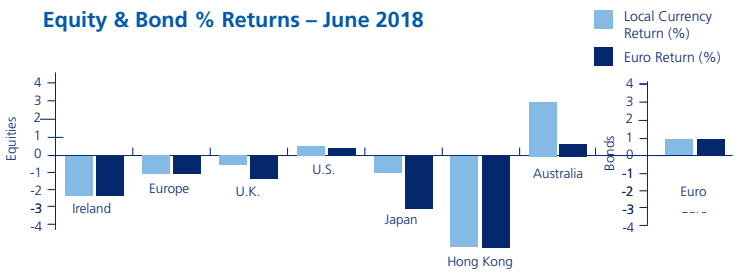
Equity Markets

- World equities (in euro terms) fell by 0.4% in June and have given a total return of 2.8% during the first six months of 2018. International returns for eurozone investors have been enhanced during 2018 by some euro currency weakness. Local currency returns in June for the major markets ranged from plus 3.0% in Australia to minus 5.0% in Hong Kong, the latter being adversely affected by trade tensions between the US and China. Europe, which had been negatively affected by the political upheaval in Italy in May, lost a little more ground. The US market which had broke above its 50-day moving average in May rose by a further 0.5% in June. Year-to-date, the best performing markets have been Australia (+1.8%) and the US (+1.7%); the worst being Japan (-4.8%).
- Regarding sectors in the US, there was a partial change of direction with some of the underperforming defensive areas, such as consumer staples (+4.1%) and utilities (+2.5%) having a better month in June. Cyclicals sectors, in general, underperformed. Year-to-date, however, cyclical stocks have by and large outperformed led by consumer discretionary (+10.8%), technology (+10.2%) and energy (+5.3%), whilst telecoms (-10.8%) and consumer staples (-9.9%) are at the bottom of the league table. These large divergences give active managers, like Zurich, the opportunity to outperform.

Bonds & Interest Rates

- The Over Five Year Euro Government Bond Index rose by 0.9% in June, as the Italian crisis receded, giving a return for the first six months of the year of plus 1.1%. The Italian bond market, which fallen in price by 8.6% in May, partially recovered, rising by 1.6%. US bonds were little changed during the month.

Equity & Bond % Returns – June 2018



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

- The German ten-year bond yield fell marginally during June, moving from 0.34% to 0.30%. The yield began the year at 0.43%. Equivalent US rates were unchanged at 2.86% 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 moved again on 13 June bring rates to 2.0% - the seventh rise since the cycle turned. It also indicated two further upward 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 0.50%, reversing emergency action following the Brexit vote. One further rate rise is currently expected during 2018.

Commodities & Currencies

- Commodity prices in general were slightly lower in June, although energy prices continued to power ahead. industrial and precious metal were weaker. The overall commodity index is up 3.4% in dollar terms year-to-date.
- The oil price rose again during the month reaching a new high for the year. The price has been particularly strong for the last nine months on the back of strengthening demand and geo-political concerns. The gold price fell by 3.5% during the month finishing at $1,254 per troy ounce. Copper fell by 3.7% during May and is down 10.6% in the first half of the year following a stellar 2017.
- The euro currency was virtually unchanged against the US dollar during the month with the EUR/USD rate remaining at 1.17. It began the year at 1.20.

Activity

Equity positions are well above the middle of ranges in all of the multi-asset portfolios, although not as high as a couple of months ago. The weighting in Europe had been cut back significantly in May, on a tactical basis, due to the political environment in Italy and the risk of contagion in the rest of the eurozone. Given the weakness in Eurozone equities since then, Zurich may partially reverse this tactical move. Despite some increased levels of risk, Zurich remains constructive on equities in general. With regards to geographic positions, the main bias is towards Asia Pacific, US, Japan and Ireland. Underweight positions are held in Europe and the UK. Sector positions were broadly maintained during the month. The funds are positively biased towards technology, materials, energy and healthcare (equipment) 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	✓		

Zurich Life Annualised Performance to 1 July 2018

	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	-0.1%	0.7%	0.5%	N/S	N/S	N/S	N/S	**184,897,438**
Prisma 3	0.4%	2.6%	2.0%	N/S	N/S	N/S	N/S	**774,349,162**
Prisma 4	1.1%	6.0%	4.5%	N/S	N/S	N/S	N/S	**909,538,382**
Prisma 5	1.3%	7.9%	5.5%	N/S	N/S	N/S	N/S	**361,527,106**
Prisma 6	2.2%	8.2%	5.5%	N/S	N/S	N/S	N/S	**33,886,781**
Managed Funds								
Cautiously Managed	1.0%	3.6%	3.5%	7.8%	7.2%	Not Started	Not Started	**450,829,324**
Sector Average	-0.9%	1.5%	2.1%	4.1%	3.7%	3.8%	3.5%	
Balanced	2.0%	5.5%	5.3%	9.9%	7.5%	7.8%	5.5%	**1,694,869,683**
Sector Average	-0.5%	3.2%	2.8%	7.2%	5.1%	5.4%	3.8%	
Performance	2.5%	7.1%	6.2%	10.9%	7.8%	8.2%	5.5%	**1,366,248,323**
Dynamic	2.8%	7.7%	6.5%	11.5%	8.1%	8.6%	5.5%	**1,629,981,347**
FinEx Sector Average	0.2%	4.2%	3.8%	8.0%	5.7%	5.6%	4.2%	
Protected Funds								
Protected 70	0.7%	3.5%	1.5%	6.2%	N/S	N/S	N/S	**20,039,834**
Protected 80	-0.1%	1.4%	-0.1%	3.7%	N/S	N/S	N/S	**35,367,720**
Protected 90	-1.1%	-1.7%	-2.0%	0.3%	N/S	N/S	N/S	**10,246,795**
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.4%	1.1%	1.8%	**236,646,179**
Cash Fund	-0.5%	-0.9%	-0.8%	-0.6%	-0.2%	N/S	N/S	**584,902,885**
FinEx Sector Average	-0.3%	-0.5%	-0.2%	0.0%	0.5%	1.0%	1.6%	
Bond								
Global Corporate Bond (JP Morgan)	-3.7%	-2.5%	1.2%	2.4%	N/S	N/S	N/S	**9,934,325**
Global Government Bond (JP Morgan)	-0.6%	-0.4%	1.0%	1.9%	N/S	N/S	N/S	**965,612**
Indexed Eurozone Government Bond (BlackRock)	0.5%	1.3%	2.1%	3.6%	N/S	N/S	N/S	**6,227,554**
Active Fixed Income	0.3%	0.8%	2.7%	5.3%	6.4%	5.1%	6.0%	**165,966,843**
Inflation-Linked Bond	0.2%	2.9%	1.6%	1.7%	N/S	N/S	N/S	**7,601,906**
Long Bond	1.4%	2.7%	3.7%	7.1%	7.4%	5.9%	N/S	**54,023,220**
FinEx Sector Average	-0.5%	0.8%	2.0%	3.7%	4.5%	3.9%	4.4%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	-1.2%	-3.4%	0.5%	N/S	N/S	N/S	N/S	**93,193,100**
Dynamic Diversified Growth (BlackRock)	-1.0%	1.7%	0.5%	2.2%	N/S	N/S	N/S	**15,072,993**
Active Asset Allocation	1.4%	6.6%	4.6%	7.8%	N/S	N/S	N/S	**339,913,431**
Commodity Funds								
Gold	-1.2%	-2.5%	-0.1%	2.0%	N/S	N/S	N/S	**120,465,991**
Indexed Global Energy and Metals	5.4%	14.8%	-2.7%	-3.6%	-8.3%	N/S	N/S	**14,068,058**
Equity Funds (Global)								
5 Star 5	2.1%	10.4%	6.0%	10.7%	6.7%	8.2%	N/S	**210,230,583**
International Equity	2.3%	8.2%	7.1%	12.2%	9.2%	8.9%	6.6%	**1,513,007,193**
Global Select (Threadneedle)	3.8%	12.4%	8.4%	13.5%	10.0%	9.7%	N/S	**6,222,001**
Indexed Global Equity (BlackRock)**	2.5%	7.5%	6.3%	12.0%	N/S	N/S	N/S	**96,876,233**
FinEx Sector Average	1.3%	6.4%	5.0%	9.7%	7.3%	6.9%	4.1%	
Equity Funds (European)								
5 Star 5 Europe	-1.1%	5.0%	6.5%	12.6%	8.0%	N/S	N/S	**117,960,128**
European Select (Threadneedle)	0.5%	3.7%	3.7%	9.7%	10.4%	10.1%	N/S	**10,628,448**
FinEx Sector Average	0.2%	3.6%	3.2%	9.4%	6.3%	7.6%	5.1%	

Source: Financial Express as at 1/07/2018

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.
** 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	-0.1%	4.5%	5.7%	11.0%	7.3%	9.9%	N/S	**91,520,866**
Indexed Eurozone Equity (BlackRock)	-0.7%	2.5%	4.4%	9.9%	N/S	N/S	N/S	**8,240,074**
FinEx Sector Average	-1.5%	1.8%	3.6%	8.8%	4.7%	6.1%	3.3%	
Equity Funds (Irish)								
Irish Equity	1.7%	5.2%	8.2%	14.5%	6.0%	N/S	N/S	**17,090,596**
FinEx Sector Average	-0.3%	1.8%	3.7%	11.6%	4.2%	4.6%	2.9%	
Equity Fund (American)								
5 Star 5 Americas	6.8%	12.1%	8.5%	14.6%	10.7%	N/S	N/S	**62,710,178**
American Select (Threadneedle)	7.0%	12.7%	9.4%	15.4%	13.2%	9.7%	N/S	**11,320,880**
FinEx Sector Average	4.1%	10.1%	8.2%	13.7%	11.7%	8.2%	4.6%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	0.2%	8.2%	9.1%	10.7%	5.8%	N/S	N/S	**82,620,664**
Asia Pacific Equity	0.9%	9.7%	8.0%	10.0%	N/S	N/S	N/S	**10,817,519**
FinEx Sector Average	-0.9%	5.8%	3.9%	7.5%	6.3%	8.7%	7.8%	
Equity Funds (High Yield)								
Dividend Growth	-0.4%	1.6%	4.7%	10.8%	9.4%	N/S	N/S	**221,362,157**
FinEx Sector Average	1.3%	6.4%	5.0%	9.7%	7.3%	6.9%	4.1%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	-3.7%	9.5%	5.7%	N/S	N/S	N/S	N/S	**6,760,445**
FinEx Sector Average	-5.2%	4.1%	2.6%	6.5%	4.1%	9.1%	N/S	
Equity Funds (Specialist)								
Indexed Top Tech 100	13.5%	22.1%	15.7%	22.5%	18.2%	12.5%	N/S	**54,251,943**
FinEx Sector Average	1.4%	5.8%	1.5%	5.7%	2.4%	4.1%	3.1%	
Property Funds								
Fund of REITs	-2.7%	9.3%	4.3%	N/S	N/S	N/S	N/S	**20,669,571**
Indexed European (Ex-UK) Property	2.2%	9.4%	9.9%	12.6%	8.6%	N/S	N/S	**72,347,913**
Indexed Australasia Property	1.6%	5.2%	3.2%	6.9%	6.9%	N/S	N/S	**51,594,939**
FinEx Sector Average	1.7%	5.3%	4.8%	7.5%	-0.1%	2.7%	5.5%	
Funds Closed to New Business								
Indexed Eurozone Property	3.4%	11.9%	11.0%	13.0%	7.0%	N/S	N/S	**20,659,412**
Indexed India Equity	-6.4%	1.6%	1.5%	9.3%	6.4%	N/S	N/S	**10,268,441**
Income Opportunity (JP Morgan)	-0.4%	-0.7%	0.8%	0.7%	N/S	N/S	N/S	**6,781,245**
Diversified Assets	2.3%	7.2%	3.1%	5.9%	4.2%	N/S	N/S	**12,138,112**
Earth Resources	5.9%	12.8%	-4.3%	-2.5%	-5.7%	N/S	N/S	**4,893,955**
Green Resources	0.7%	10.7%	-0.8%	4.4%	N/S	N/S	N/S	**3,837,119**
Small Cap Europe (Pictet)	-1.8%	4.7%	6.2%	N/S	N/S	N/S	N/S	**2,233,576**

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