

Monthly Investment Review



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Equity markets posted a positive return for the month of July, as better than expected earnings lifted markets. Trade tariff tensions continue to bubble under the surface, but economic conditions are currently strong and growth is expected to remain above trend. 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.

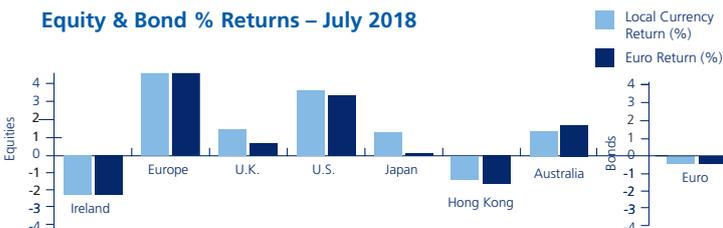
Equity Markets

- World equities (in euro terms) were up 3% over the course of July and have given a total return of 5.8% during the first seven months of 2018. International returns for eurozone investors have been enhanced during 2018 by some euro currency weakness.
- Local currency returns last month in the major markets ranged from 4.6% in the eurozone to minus 2.1% in Ireland. Europe, which had been negatively affected by the political upheaval in Italy in May, bounced back from recent lows. The US market which had broken above its 50-day moving average in May rose by a further 3.6% in July. Year-to-date, the best performing market has been the US; the worst being Japan and Hong Kong, which have been negatively affected by the trade concerns.
- Globally there was broad upward movements across all sectors, with the best performing over July being industrials (+5.8%) and healthcare (+4.4%). Utilities were the worst performing sector but still posted a positive return of 1%.
- Overall, the partial change of direction seen in June continued into July with some cyclical sectors, such as technology and energy, underperforming throughout the month. Year-to-date, however, cyclical stocks have by and large outperformed; led by consumer discretionary and technology. The sector dispersion currently evident in the market gives active managers, like Zurich, the opportunity to outperform.

Bonds & Interest Rates

- The Over Five Year Euro Government Bond Index fell by 0.4% during July, as a more 'risk on' sentiment permeated markets, as the Italian crisis receded, giving a return for the first six months of the year of plus 0.7% - well below that of equities.

Equity & Bond % Returns – July 2018



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

- The German ten-year bond yield rose during July, moving from 0.30% to 0.41%, as geopolitical concerns in the currency bloc receded. The yield began the year at 0.43%. Equivalent US yields (which move inversely to price) moved higher to roughly 2.95%, as rate expectations continue to be priced in by market participants.
- 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 to 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 the next expected at the September meeting. Quantitative Easing in the eurozone is expected to conclude this December but eurozone interest 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 lower during the month, returning minus 2.3%. Oil, which is a dominant constituent in the index had a poor month which led the index to a -3.1% return for the year-to-date.
- The price of oil has been particularly strong for the last ten months on the back of strengthening demand and geo-political concerns, and paused for breath during July. The gold price was lower once again, and closed the month at roughly \$1,213 per troy ounce, and is now down nearly 7% in dollar terms so far in 2018. Copper, which had rallied strongly in 2017, was negative once again, as the industrial metal is hit hard by growth concerns in the Asian region in the face of the trade tariff disputes.
- The euro currency strengthened slightly against the US dollar during the month with the EUR/USD rate moving to 1.16 from 1.17, reversing the trend that has been evident throughout 2018.

Activity

Equity positions are well above the middle of ranges in all of the multi-asset portfolios, and were increased further at the start of July. 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. This tactical position was reversed throughout the month, although eurozone allocations are still slightly below neutral. 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, and healthcare stocks and negatively biased towards utilities, real estate, 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	✓		

	Year to Date	Annualised						Fund Size (Euros)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 years	
Prisma Multi-Asset Funds*								
Prisma 2	0.1%	0.8%	0.5%	N/S	N/S	N/S	N/S	187,922,025
Prisma 3	1.0%	3.2%	1.9%	N/S	N/S	N/S	N/S	807,662,671
Prisma 4	2.3%	7.3%	4.4%	N/S	N/S	N/S	N/S	968,283,684
Prisma 5	3.0%	9.7%	5.5%	N/S	N/S	N/S	N/S	404,334,685
Prisma 6	4.7%	11.2%	6.0%	N/S	N/S	N/S	N/S	39,020,231
Managed Funds								
Cautiously Managed	2.1%	5.1%	3.4%	7.7%	7.2%	N/S	N/S	455,145,678
Sector Average	0.0%	2.2%	2.1%	4.1%	3.8%	3.8%	3.6%	
Balanced	3.6%	7.9%	4.7%	9.7%	7.9%	7.7%	5.6%	1,718,989,370
Sector Average	0.9%	4.8%	2.8%	7.0%	5.5%	5.3%	3.9%	
Performance	4.6%	10.0%	5.7%	10.8%	8.3%	8.1%	5.6%	1,388,374,841
Dynamic	5.1%	11.1%	6.1%	11.4%	8.7%	8.6%	5.6%	1,667,463,771
FinEx Sector Average	2.0%	6.5%	4.0%	7.8%	6.2%	5.6%	4.4%	
Protected Funds								
Protected 70	2.5%	6.1%	1.3%	6.1%	N/S	N/S	N/S	20,392,326
Protected 80	1.0%	3.1%	-0.2%	3.6%	N/S	N/S	N/S	35,343,255
Protected 90	-1.2%	-1.5%	-2.3%	0.1%	N/S	N/S	N/S	10,434,391
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.4%	1.1%	1.8%	232,808,081
Cash Fund	-0.5%	-0.9%	-0.8%	-0.6%	-0.2%	N/S	N/S	626,804,026
FinEx Sector Average	-0.4%	-0.6%	-0.3%	0.0%	0.4%	1.0%	1.6%	
Bond								
Global Corporate Bond (JP Morgan)	-3.2%	-2.5%	1.0%	2.2%	N/S	N/S	N/S	10,296,977
Global Government Bond (JP Morgan)	-1.0%	-0.7%	0.3%	1.8%	N/S	N/S	N/S	980,069
Indexed Eurozone Government Bond (BlackRock)	-0.4%	-0.3%	1.1%	3.4%	N/S	N/S	N/S	6,303,273
Active Fixed Income	0.2%	0.4%	1.4%	5.1%	6.1%	5.3%	5.9%	166,075,414
Inflation-Linked Bond	-0.2%	1.7%	0.9%	1.4%	N/S	N/S	N/S	7,668,882
Long Bond	0.9%	1.9%	1.8%	6.8%	7.0%	6.1%	N/S	54,428,800
FinEx Sector Average	-0.5%	0.9%	1.4%	3.6%	4.4%	4.0%	4.4%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	-0.5%	-1.9%	0.7%	N/S	N/S	N/S	N/S	92,497,293
Dynamic Diversified Growth (BlackRock)	0.6%	2.8%	0.7%	2.3%	N/S	N/S	N/S	15,354,538
Active Asset Allocation	2.8%	8.1%	4.6%	7.7%	N/S	N/S	N/S	350,540,095
Commodity Funds								
Gold	-3.7%	-3.6%	1.2%	0.5%	N/S	N/S	N/S	122,802,539
Indexed Global Energy and Metals	1.5%	10.8%	-0.8%	-4.6%	-7.6%	N/S	N/S	13,394,019
Equity Funds (Global)								
5 Star 5	4.4%	13.9%	5.8%	10.8%	7.0%	7.9%	N/S	213,331,841
International Equity	5.0%	11.6%	6.9%	12.2%	9.6%	8.8%	6.6%	1,736,390,129
Global Select (Threadneedle)	6.9%	16.8%	8.8%	13.6%	10.5%	9.6%	N/S	6,606,435
Indexed Global Equity (BlackRock)**	5.6%	13.1%	6.3%	11.7%	N/S	N/S	N/S	100,649,239
FinEx Sector Average	3.8%	9.8%	5.1%	9.6%	7.8%	6.9%	4.2%	
Equity Funds (European)								
5 Star 5 Europe	1.8%	7.5%	6.0%	11.9%	8.2%	N/S	N/S	120,188,298
European Select (Threadneedle)	3.3%	7.4%	3.6%	9.5%	11.0%	9.8%	N/S	10,923,352
FinEx Sector Average	2.6%	6.1%	3.1%	8.8%	6.8%	7.7%	5.2%	

Source: Financial Express as at 1/08/2018

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 = Not Started.

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

Equity Funds (Euro)								
Eurozone Equity	3.4%	7.7%	5.3%	10.4%	7.7%	9.7%	N/S	91,520,866
Indexed Eurozone Equity (BlackRock)	1.5%	5.0%	3.2%	8.9%	N/S	N/S	N/S	8,240,074
Sector Average	1.8%	5.2%	3.6%	8.6%	5.6%	6.1%	3.5%	
Equity Funds (Irish)								
Irish Equity	-0.2%	5.7%	5.2%	13.2%	7.6%	N/S	N/S	16,955,024
FinEx Sector Average	-1.8%	2.8%	1.9%	10.6%	5.6%	4.3%	3.0%	
Equity Fund (American)								
5 Star 5 Americas	9.4%	17.1%	8.0%	14.6%	11.1%	N/S	N/S	65,163,877
American Select (Threadneedle)	12.0%	19.6%	10.4%	15.5%	13.8%	9.6%	N/S	11,848,577
FinEx Sector Average	7.0%	13.7%	8.0%	13.6%	12.0%	8.2%	4.9%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	1.9%	9.4%	10.5%	11.3%	6.3%	N/S	N/S	82,772,084
Asia Pacific Equity	2.7%	10.1%	9.7%	10.3%	N/S	N/S	N/S	10,666,096
FinEx Sector Average	0.3%	6.3%	5.2%	7.5%	6.8%	8.3%	8.1%	
Equity Funds (High Yield)								
Dividend Growth	1.3%	5.2%	5.0%	10.6%	9.6%	N/S	N/S	224,232,848
FinEx Sector Average	3.8%	9.8%	5.1%	9.6%	7.8%	6.9%	4.2%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	-2.1%	6.8%	9.5%	N/S	N/S	N/S	N/S	7,058,457
FinEx Sector Average	-2.6%	4.5%	5.0%	7.2%	4.4%	9.0%	N/S	
Equity Funds (Specialist)								
Indexed Top Tech 100	16.3%	24.4%	14.7%	22.1%	18.3%	12.0%	N/S	57,907,603
FinEx Sector Average	2.1%	6.2%	1.8%	4.9%	2.5%	3.8%	3.2%	
Property Funds								
Fund of REITs	-2.3%	6.2%	3.0%	N/S	N/S	N/S	N/S	20,735,611
Indexed European (Ex-UK) Property	4.5%	12.2%	8.4%	12.2%	9.3%	N/S	N/S	76,406,865
Indexed Australasia Property	3.3%	6.5%	4.2%	8.0%	7.2%	N/S	N/S	54,551,123
FinEx Sector Average	2.1%	5.8%	4.5%	7.4%	0.2%	2.6%	5.4%	
Funds Closed to New Business								
Indexed Eurozone Property	4.3%	13.1%	9.4%	12.5%	7.3%	N/S	N/S	20,654,788
Indexed India Equity	-0.2%	4.5%	2.9%	11.6%	6.2%	N/S	N/S	10,744,356
Income Opportunity (JP Morgan)	-0.3%	-0.7%	1.0%	0.7%	N/S	N/S	N/S	6,598,762
Diversified Assets	2.8%	8.0%	3.1%	5.7%	4.5%	N/S	N/S	12,059,130
Earth Resources	3.1%	9.2%	-1.5%	-3.6%	-5.3%	N/S	N/S	4,631,571
Green Resources	2.4%	11.6%	1.8%	3.4%	-4.3%	N/S	N/S	3,806,886
Small Cap Europe (Pictet)	-0.3%	5.3%	5.8%	N/S	N/S	N/S	N/S	2,259,977

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