December 2018

Monthly Investment Review

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Escalating trade tensions and tightening financial conditions in the U.S. have pushed investors to become more bearish on the outlook for equities, leading to a sharp correction during the autumn. Whilst a number of key fundamentals remain positive - benign inflation, good U.S. earnings growth, valuations at or below the middle of long-term ranges - it is important that a catalyst be provided to lift sentiment. To some extent, this has now been provided, following more dovish comments from the Federal Reserve and some better news on the trade front. However, concerns that the pace of U.S. economic growth may be decelerating means that short term volatility may continue.

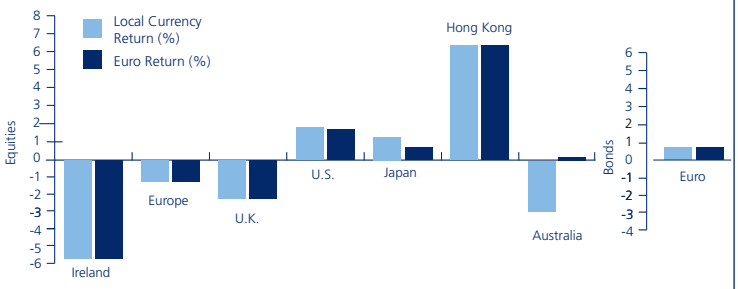
Equity Markets

- World equities (in euro terms) rose by 1.3% in November and have returned a total of 4.2% during the first eleven months of 2018, with all of the gains driven by the U.S. which represents 55% of the global equity market. International returns for eurozone investors have been enhanced during 2018 by euro currency weakness. Local currency returns in November for the major markets ranged from +6.3% in Hong Kong to -5.4% in Ireland. The influential U.S. market was up 1.8%. To the end of November, the only major market in positive territory in 2018 is the U.S. (+3.2%); the worst performers are Ireland (-17.3%), which has been hurt by Brexit sentiment, as well as the various Asian markets, including Hong Kong (-11.5%), on the back of the trade tensions.
- Regarding sectors in the U.S. during November, defensive marginally outperformed cyclicals, with healthcare (+6.8%) leading the way. The poorest performing sectors in November were all cyclical - communications services (-0.7%), technology (-2.1%) and energy (-2-2%). Year-to-date, there is now a mixed bag between the cyclical and defensive sectors with the best being healthcare (+14.7%), consumer discretionary (+8.7%) and technology (+7.6%).

Bonds & Interest Rates

- The Over Five Year Euro Government Bond Index rose by 0.7% in November (+0.4% year-to-date). The battered Italian bond market saw a partial recovery during the month on expectations that there may be a compromise between Italy and the EU over the populist government's budgetary plans. Year-to-date, most eurozone bond markets are in positive territory with the exception of Italy (-6.1%).

Equity & Bond % Returns – November 2018



This graph shows the performance of the major equity markets over the month of November. 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, December 2018.

- The German ten-year bond yield fell during November, moving from 0.39% to 0.31%. The yield began the year at 0.43%. Equivalent U.S. rates moved from 3.14% to 3.00%, having begun the year at 2.41%.
- The Federal Reserve is expected to increase short rates again in December to a range of 2.25% to 2.50%. This would be the ninth rise since the cycle turned. The number of further expected rate rises in 2019 has fallen from three to one. Eurozone rates are likely to remain at current ultra-low levels until the fourth quarter of next year. The Bank of England increased UK rates on 2nd August from 0.50% to 0.75%, the second move since its cycle turned in November 2017. Rates are not expected to increase again the end of 2019, but much will depend on Brexit developments.

Commodities & Currencies

- Commodity prices fell in November, led by a sharp decline in energy prices. The overall commodity index is now down 6.3% in dollar terms year-to-date.
- The oil price collapsed by 22% in November following on from a c.10% decline the previous month. The price was affected by concerns over weakening demand as well as increased supply by the shale-oil producers. A waiver for China from the U.S. regarding Iranian oil sanctions also hurt the price. The gold price rose marginally during the month finishing at $1,220 per troy ounce. Copper rose by 4.5% during November but is down almost 16% year-to-date.
- The euro currency was flat against the U.S. dollar during the month, remaining at 1.13. It began the year at 1.20.

Activity

Equity positions are towards the upper end of ranges in all of the multi-asset portfolios. Despite some increased levels of risk, Zurich remains constructive on equities in general although some profits may be taken in coming months if markets rally. With regards to geographic positions, the main bias is towards Asia-Pacific and Japanese equities. Europe and the UK are now close to neutral whilst a small underweight position is held in the U.S. Sector positions were broadly maintained during the month. The funds are positively biased towards healthcare, financial and technology stocks and negatively biased towards consumer staples, utilities and real estate. 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	✓		
	Water		✓	

Zurich Life Annualised Performance to 1 December 2018

		Annualised						
	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 years	Fund Size (Euros)
Prisma Multi-Asset Funds								
Prisma 2	-0.4%	-0.4%	0.3%	1.1%	N/S	N/S	N/S	**197,834,615**
Prisma 3	-0.1%	0.3%	1.5%	3.1%	N/S	N/S	N/S	**879,188,359**
Prisma 4	0.4%	1.4%	3.8%	6.6%	N/S	N/S	N/S	**1,036,611,631**
Prisma 5	0.5%	1.7%	4.8%	8.2%	N/S	N/S	N/S	**440,616,864**
Prisma 6	2.4%	3.2%	5.5%	7.1%	N/S	N/S	N/S	**42,324,993**
Managed Funds								
Cautiously Managed	1.0%	1.2%	2.7%	6.8%	7.4%	N/S	N/S	**447,888,474**
Sector Average	-2.0%	-1.7%	1.3%	3.3%	4.4%	3.5%	3.4%	
Balanced	2.1%	2.4%	3.9%	8.1%	9.6%	7.4%	5.6%	**1,689,933,502**
Sector Average	-1.6%	-0.9%	2.0%	5.4%	7.5%	4.9%	3.9%	
Performance	2.8%	3.3%	4.7%	9.1%	10.4%	7.7%	5.7%	**1,352,232,422**
Dynamic	3.0%	3.6%	5.0%	9.5%	10.9%	8.1%	5.6%	**1,556,926,210**
FinEx Sector Average	-0.9%	0.0%	3.0%	6.2%	8.2%	5.1%	4.3%	
Protected Funds								
Protected 70	-0.3%	0.0%	0.8%	4.6%	N/S	N/S	N/S	**20,051,774**
Protected 80	-1.3%	-1.1%	-0.6%	2.4%	N/S	N/S	N/S	**32,752,659**
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.2%	1.0%	1.7%	**217,182,239**
Cash Fund	-0.8%	-0.9%	-0.8%	-0.7%	-0.4%	N/S	N/S	**654,302,183**
FinEx Sector Average	-0.6%	-0.6%	-0.4%	-0.1%	0.3%	1.0%	1.5%	
Bond								
Global Corporate Bond (JP Morgan)	-5.7%	-5.5%	0.2%	1.5%	N/S	N/S	N/S	**9,736,640**
Global Government Bond (JP Morgan)	-2.1%	-2.2%	-0.2%	1.4%	N/S	N/S	N/S	**974,772**
Indexed Eurozone Government Bond (BlackRock)*	0.1%	-1.2%	0.5%	3.1%	N/S	N/S	N/S	**6,397,651**
Active Fixed Income	-0.3%	-1.1%	0.5%	4.5%	5.2%	5.3%	5.5%	**165,077,402**
Inflation-Linked Bond	-2.2%	-2.8%	-0.3%	1.1%	N/S	N/S	N/S	**7,023,300**
Long Bond	0.0%	-1.3%	0.7%	6.2%	6.0%	6.1%	N/S	**53,740,066**
FinEx Sector Average	-1.5%	-1.7%	0.6%	3.1%	4.1%	3.9%	4.1%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	-5.6%	-6.3%	-1.2%	N/S	N/S	N/S	N/S	**76,640,626**
Dynamic Diversified Growth (BlackRock)	-1.6%	-1.3%	0.2%	1.3%	N/S	N/S	N/S	**14,481,278**
Active Asset Allocation	0.7%	1.6%	3.8%	6.7%	N/S	N/S	N/S	**375,346,629**
Commodity Funds								
Gold	-1.0%	-0.3%	1.6%	2.5%	N/S	N/S	N/S	**138,094,586**
Indexed Global Energy and Metals	-0.9%	2.2%	1.5%	-4.3%	-2.7%	N/S	N/S	**12,768,716**
Equity Funds (Global)								
5 Star 5	1.4%	1.6%	4.4%	9.0%	9.0%	7.5%	N/S	**200,028,423**
International Equity	2.8%	3.6%	5.8%	10.2%	11.5%	8.3%	6.8%	**1,828,451,597**
Global Select (Threadneedle)	4.9%	6.1%	6.9%	11.8%	12.6%	9.2%	N/S	**7,292,675**
Indexed Global Equity (BlackRock)*	2.0%	3.5%	5.3%	10.3%	N/S	N/S	N/S	**101,389,130**
FinEx Sector Average	0.8%	2.1%	4.4%	7.6%	10.6%	6.3%	4.4%	
Equity Funds (European)								
5 Star 5 Europe	-6.4%	-6.0%	3.0%	8.2%	10.7%	N/S	N/S	**103,851,965**
European Select (Threadneedle)	-5.5%	-5.4%	0.4%	7.0%	12.8%	8.6%	N/S	**9,947,024**
FinEx Sector Average	-7.8%	-7.7%	0.1%	4.5%	9.1%	6.4%	5.3%	

Source: Financial Express as at 1/12/2018

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.

* 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	-6.7%	-7.3%	2.0%	5.7%	9.8%	8.4%	N/S	**79,857,987**
Indexed Eurozone Equity (BlackRock)*	-6.9%	-7.5%	1.8%	5.1%	N/S	N/S	N/S	**7,691,108**
Sector Average	-8.4%	-8.9%	0.6%	4.4%	8.1%	5.0%	3.5%	
Equity Funds (Irish)								
Irish Equity	-14.0%	-11.7%	-2.6%	8.4%	11.8%	N/S	N/S	**14,206,908**
FinEx Sector Average	-15.8%	-14.9%	-5.0%	5.4%	9.3%	2.8%	2.5%	
Equity Fund (American)								
5 Star 5 Americas	12.6%	13.0%	7.3%	14.0%	11.8%	N/S	N/S	**66,187,197**
American Select (Threadneedle)	9.9%	9.5%	8.5%	13.3%	15.1%	9.4%	N/S	**11,405,845**
FinEx Sector Average	7.1%	8.2%	7.7%	12.2%	14.2%	8.0%	5.0%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	-5.3%	-3.6%	8.0%	7.8%	9.3%	N/S	N/S	**73,386,868**
Asia Pacific Equity	-3.6%	-1.6%	8.0%	7.3%	N/S	N/S	N/S	**9,675,677**
FinEx Sector Average	-4.9%	-3.0%	5.3%	5.0%	10.5%	7.3%	7.1%	
Equity Funds (High Yield)								
Dividend Growth	-2.9%	-2.7%	3.5%	8.0%	11.7%	N/S	N/S	**208,844,211**
FinEx Sector Average	0.8%	2.1%	4.4%	7.6%	10.6%	6.3%	4.4%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	-6.4%	-4.6%	8.8%	6.2%	N/S	N/S	N/S	**6,319,782**
FinEx Sector Average	-8.0%	-5.8%	5.1%	5.0%	8.4%	8.8%	N/S	
Equity Funds (Specialist)								
Indexed Top Tech 100	15.3%	15.1%	11.9%	19.5%	21.1%	11.7%	N/S	**60,502,576**
FinEx Sector Average	-0.5%	0.6%	2.3%	3.6%	5.3%	3.4%	2.9%	
Property Funds								
Fund of REITs	-6.9%	-2.4%	0.7%	N/S	N/S	N/S	N/S	**17,618,333**
Indexed European (Ex-UK) Property	-1.9%	1.1%	5.0%	10.1%	12.6%	N/S	N/S	**78,224,210**
Australasia Property Fund	3.7%	4.5%	5.3%	8.1%	11.7%	N/S	N/S	**59,699,883**
FinEx Sector Average	2.3%	4.0%	3.6%	6.8%	2.6%	2.4%	4.9%	
Funds Closed to New Business								
Indexed Eurozone Property	-1.5%	1.4%	5.3%	10.1%	11.9%	N/S	N/S	**19,191,130**
Indexed India Equity	-4.0%	-0.3%	4.3%	10.4%	10.5%	N/S	N/S	**9,931,861**
Income Opportunity (JP Morgan)	-1.5%	-1.5%	1.3%	0.3%	N/S	N/S	N/S	**6,223,009**
Diversified Assets	0.7%	2.1%	3.2%	4.8%	6.8%	N/S	N/S	**11,459,293**
Earth Resources	-0.5%	1.0%	-0.7%	-3.7%	-1.7%	N/S	N/S	**4,251,032**
Green Resources	2.1%	2.8%	3.5%	2.2%	0.7%	N/S	N/S	**3,744,596**
Small Cap Europe (Pictet)	-13.4%	-11.1%	0.6%	6.5%	N/S	N/S	N/S	**1,757,576**

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