

# Monthly Investment Review

- Financial markets grappled with a confluence of events through the month of May. Concerns over a slowing global economy coupled with rising geopolitical risks were balanced against the continued dovish positioning of the main global central banks and the backdrop of a strong US earnings season.
- The US-China trade deal, which appeared to be drawing to a close, has been sent back to the drawing board once more with investors eyeing the G20 meeting in late June for further potential development. Rate expectations around the globe are shifting downwards in the face of deteriorating global manufacturing PMI data with a number of smaller economies cutting rates throughout May. The Federal Reserve and the ECB have not moved just yet, but markets are closely watching the major central banks reaction to economic data, as the diverging fortunes between manufacturing and services sectors continues. The longest period of US economic expansion has been matched this month, with unemployment at 50-year lows, yet inflation is still below target.
- Given the current market environment, Zurich believes it makes sense to take a neutral stance on equities on a tactical basis.

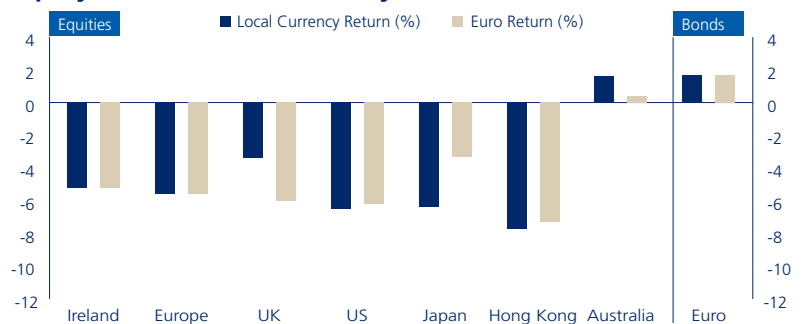


Richard Temperley  
Head of Investment  
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## Activity

Zurich's equity position across our multi-asset funds remains at the middle of ranges, and has done since late March. Whilst we continue to hold a broadly neutral stance on a tactical basis, the recent weakness in markets may lead to buying opportunities over the coming period. Zurich is currently adding corporate bond exposure across the multi-asset funds, at the expense of sovereign debt. Within sovereign debt Zurich maintains a cautious outlook, and bond duration within this sector is low. With regards to geographic equity positions, the main bias is towards Asia-Pacific at the expense of the US. Sector positions were broadly maintained during May. The funds are positively biased towards Technology and Financial Stocks and negatively biased towards Utilities and Real Estate.

## Equity & Bond % Returns: May 2019



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, June 2019.

CURRENT POSITIONING				
Asset Class	Country	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		✓	

## MARKET PERFORMANCE

### Equity Markets

Equity markets fell sharply in May, down 5.5% (in euro terms). However markets are still showing a double digit positive return for 2019 so far. Local currency returns ranged from 1.6% in Australia to -7.7% in Hong Kong. The world's biggest market, the US, was down 6.5% in USD terms. A weakening euro currency helped to soften the blow for Irish investors throughout the month. In terms of sectors, there was a clear divide between defensive and growth sectors. For example the more economically sensitive Technology and Energy sectors returned -8.6% and -8.9% respectively. This contrasts with the defensively orientated Real Estate and Utility sectors which returned -0.1% and -1.8%, which although still negative in absolute returns, were relatively the best performers.

### Fixed Income & Currencies

The Over Five Year Euro Government Bond Index was up 1.1% throughout the month of May, with the year-to-date return now standing at 3.6%. The sector benefited on the back of concerns about global growth and geopolitical tensions. Inflation expectations in the eurozone continue to remain muted. The German ten-year bond yield moved to -0.20 during the month, which marked a new record low for the yield (bond prices and yields move inversely). Stateside, the US ten-year treasury yield moved sharply lower and finished at 2.12% from 2.50%. The Federal Reserve has shifted to a more dovish tone in recent months, with the market now expecting a rate cut before the end of 2019; a striking difference to expectations six months ago. Eurozone rates are likely to remain at current ultra-low levels for the foreseeable future. The Bank of England is not expected to increase rates again for some time mainly due to Brexit concerns.

### Commodities & Currencies

Commodities fell during the month of May, following a strong first four months of the year. The overall index was down 3.7% for the month as Oil, which had been the main driver of the positive return for the sector, saw some of its gains for the year eroded. Oil closed the month at \$53.5 per barrel having started the year at \$45 per barrel. Gold saw a further increase across the month as equity market volatility saw some investors utilise its 'safe haven' status. The precious metal price moved up nearly 2% in local terms throughout the month to close at \$1,305 per troy ounce. The euro currency weakened slightly during May against the US dollar with the EUR/USD rate and closed at 1.12. The rate began the year at 1.15. EUR/GBP close at 0.88, having strengthened throughout the month.

Zurich Life Annualised Performance  
to June 2019

Zurich Life Annualised Performance to June 2019		Annualised							Fund Size (Euros)
		Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Prisma Multi-Asset Funds									
Prisma <span>2</span>	1.3%	0.1%	0.5%	1.0%	Not Started	Not Started	Not Started	219,572,600	
Prisma <span>3</span>	3.7%	0.3%	2.3%	2.9%	Not Started	Not Started	Not Started	984,624,491	
Prisma <span>4</span>	8.0%	0.8%	5.4%	6.2%	Not Started	Not Started	Not Started	1,200,370,437	
Prisma <span>5</span>	11.3%	1.4%	7.4%	8.1%	Not Started	Not Started	Not Started	546,014,920	
Prisma <span>6</span>	11.4%	2.1%	8.4%	6.5%	Not Started	Not Started	Not Started	50,157,706	
Managed Funds									
Cautiously Managed	5.0%	1.2%	3.8%	5.7%	7.5%	Not Started	Not Started	449,011,936	
Sector Average	4.3%	0.1%	2.3%	2.9%	4.5%	3.4%	3.2%		
Balanced	8.1%	1.8%	5.9%	7.4%	9.6%	7.2%	5.4%	1,711,425,774	
Sector Average	6.7%	0.4%	3.6%	5.0%	7.5%	4.7%	3.5%		
Performance	10.1%	2.2%	7.4%	8.3%	10.3%	7.5%	5.5%	1,352,999,872	
Dynamic	11.2%	2.3%	8.0%	8.9%	10.9%	7.9%	5.5%	1,514,883,061	
FinEx Sector Average	8.3%	0.3%	4.8%	5.9%	8.1%	5.0%	4.0%		
Protected Funds									
Protected 70	6.8%	-1.1%	3.2%	4.0%	Not Started	Not Started	Not Started	20,774,806	
Protected 80	3.8%	-2.1%	1.0%	1.9%	Not Started	Not Started	Not Started	32,247,345	
Cash									
Secure	0.0%	0.0%	0.0%	0.0%	0.2%	1.0%	1.6%	199,869,198	
Cash Fund	-0.4%	-0.8%	-0.8%	-0.7%	-0.4%	Not Started	Not Started	750,647,732	
FinEx Sector Average	-0.3%	-0.6%	-0.5%	-0.1%	0.2%	0.9%	1.4%		
Bond									
Global Corporate Bond (JP Morgan)	5.3%	3.0%	1.1%	1.7%	Not Started	Not Started	Not Started	9,951,232	
Global Government Bond (JP Morgan)	2.80%	3.10%	0.10%	1.80%	Not Started	Not Started	Not Started	1,043,318	
Indexed Eurozone Government Bond (BlackRock)*	3.80%	4.60%	1.20%	3.00%	Not Started	Not Started	Not Started	6,842,128	
Active Fixed Income	2.60%	3.10%	0.50%	3.60%	5.50%	5.30%	5.60%	184,781,288	
Inflation-Linked Bond	1.60%	-0.10%	0.50%	0.90%	Not Started	Not Started	Not Started	6,548,926	
Long Bond	5.6%	6.2%	1.5%	5.5%	7.0%	6.3%	Not Started	60,281,924	
FinEx Sector Average	4.2%	3.9%	1.4%	2.9%	4.4%	4.0%	4.1%		
Absolute Return/Diversified Assets Funds									
Global Targeted Returns Fund (Invesco)	2.0%	-2.0%	-1.2%	Not Started	Not Started	Not Started	Not Started	64,750,192	
Dynamic Diversified Growth (BlackRock)	4.6%	0.0%	1.8%	0.9%	Not Started	Not Started	Not Started	13,153,287	
Active Asset Allocation	8.9%	1.0%	5.7%	6.2%	Not Started	Not Started	Not Started	420,184,516	
Commodity Funds									
Gold	3.8%	3.8%	1.6%	4.3%	Not Started	Not Started	Not Started	98,985,703	
Indexed Global Energy and Metals	4.7%	-6.1%	2.7%	-4.8%	-1.0%	Not Started	Not Started	12,795,074	
Equity Funds (Global)									
5 Star 5	11.4%	0.7%	8.3%	9.3%	10.1%	7.3%	Not Started	199,625,578	
International Equity	11.5%	2.2%	8.7%	9.7%	11.8%	8.3%	6.1%	1,583,246,636	
Global Select (Threadneedle)	19.0%	5.4%	10.6%	11.9%	13.0%	9.3%	Not Started	7,694,323	
Indexed Global Equity (BlackRock)*	15.5%	4.2%	9.3%	10.0%	Not Started	Not Started	Not Started	106,180,130	
FinEx Sector Average	10.8%	0.5%	6.3%	7.4%	10.3%	6.1%	3.8%		
Equity Funds (European)									
5 Star 5 Europe	11.2%	-2.5%	6.3%	8.3%	11.4%	9.5%	Not Started	100,857,184	
European Select (Threadneedle)	16.7%	2.0%	6.0%	7.0%	12.8%	9.2%	Not Started	9,915,809	
FinEx Sector Average	12.2%	-4.8%	3.7%	4.5%	8.9%	6.4%	5.1%		
Equity Funds (Euro)									
Eurozone Equity	10.5%	-3.7%	6.4%	5.0%	9.4%	8.3%	Not Started	80,160,884	
Indexed Eurozone Equity (BlackRock)*	14.6%	-2.8%	6.9%	4.8%	Not Started	Not Started	Not Started	7,582,419	
Sector Average	10.6%	-4.7%	3.9%	4.1%	7.6%	4.9%	3.5%		

		Annualised						
	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (Euros)
Equity Funds (Irish)								
Irish Equity	12.8%	-12.3%	-0.3%	7.4%	11.6%	Not Started	Not Started	14,581,917
FinEx Sector Average	13.3%	-12.6%	-2.4%	4.9%	9.2%	2.6%	2.5%	
Equity Fund (American)								
5 Star 5 Americas	14.4%	9.6%	12.5%	13.0%	13.7%	10.1%	Not Started	66,933,634
American Select (Threadneedle)	15.2%	6.8%	11.6%	13.0%	15.4%	9.6%	Not Started	11,498,140
FinEx Sector Average	14.3%	6.0%	10.1%	11.7%	14.7%	8.0%	4.3%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	8.2%	-7.4%	10.0%	7.7%	7.2%	8.0%	Not Started	74,388,611
Asia Pacific Equity	8.7%	-5.0%	11.0%	7.3%	Not Started	Not Started	Not Started	10,261,654
FinEx Sector Average	8.5%	-4.2%	8.8%	5.3%	8.4%	7.4%	6.0%	
Equity Funds (High Yield)								
Dividend Growth	9.7%	-2.9%	5.3%	7.3%	11.8%	Not Started	Not Started	206,505,046
FinEx Sector Average	10.8%	0.5%	6.3%	7.4%	10.3%	6.1%	3.8%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	8.5%	-1.1%	13.7%	7.1%	Not Started	Not Started	Not Started	6,675,488
Indexed Emerging Market Equity Fund (BlackRock)	7.0%	-5.9%	9.3%	Not Started	Not Started	Not Started	Not Started	888,750
Sector Average	7.3%	-4.0%	8.4%	4.9%	5.3%	8.4%	Not Started	
Equity Funds (Specialist)								
Indexed Top Tech 100	15.8%	7.2%	16.7%	18.9%	20.6%	11.9%	Not Started	62,446,474
FinEx Sector Average	8.6%	0.4%	4.7%	3.3%	5.0%	3.4%	2.7%	
Property Funds								
Property Fund	4.4%	4.9%	Not Started	Not Started	Not Started	Not Started	Not Started	35,467,673
Fund of REITs	22.7%	9.5%	7.2%	8.7%	Not Started	Not Started	Not Started	18,617,543
European (Ex-UK) Property	12.5%	3.6%	6.0%	9.1%	12.0%	Not Started	Not Started	99,279,370
Australasia Property	13.0%	11.6%	8.3%	9.3%	10.4%	Not Started	Not Started	82,756,658
Sector Average	3.9%	3.8%	3.8%	6.3%	4.8%	2.0%	4.3%	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	1.1%	0.5%	Not Started	Not Started	Not Started	Not Started	Not Started	243,719
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	2.7%	0.1%	Not Started	Not Started	Not Started	Not Started	Not Started	5,253,024
World Equity (Dimensional)	10.1%	-3.2%	Not Started	Not Started	Not Started	Not Started	Not Started	7,127,230
Global Short Fixed Income (Dimensional)	1.0%	0.6%	Not Started	Not Started	Not Started	Not Started	Not Started	1,278,578
World Allocation 20/80 (Dimensional)	2.4%	-0.4%	Not Started	Not Started	Not Started	Not Started	Not Started	9,414,085
World Allocation 40/60 (Dimensional)	4.7%	-0.5%	Not Started	Not Started	Not Started	Not Started	Not Started	17,559,648
World Allocation 60/40 (Dimensional)	6.6%	-1.2%	Not Started	Not Started	Not Started	Not Started	Not Started	16,433,938
World Allocation 80/20 (Dimensional)	8.1%	-2.8%	Not Started	Not Started	Not Started	Not Started	Not Started	5,431,484
Funds Closed to New Business								
Indexed Eurozone Property	12.4%	2.3%	6.7%	9.1%	11.1%	Not Started	Not Started	18,993,069
Indexed India Equity	10.7%	10.9%	8.8%	8.6%	6.9%	Not Started	Not Started	10,020,239
Income Opportunity (JP Morgan)	1.3%	-1.4%	0.7%	0.1%	Not Started	Not Started	Not Started	5,491,181
Diversified Assets	7.7%	1.4%	4.7%	4.3%	6.9%	Not Started	Not Started	11,370,629
Earth Resources	12.9%	-0.8%	2.7%	-3.6%	-1.0%	Not Started	Not Started	4,262,196
Green Resources	25.7%	8.2%	11.2%	3.6%	1.3%	Not Started	Not Started	4,047,231
Small Cap Europe (Pictet)	14.4%	-8.4%	4.5%	6.2%	Not Started	Not Started	Not Started	1,793,282

Source: Financial Express as at 01/06/2019

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\* 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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