September 2019

Monthly Investment Review

- Global stock markets lost some ground in August as investors fretted over trade tensions between the US and China. The US S&P500 Index had hit an all-time high on 26th July. In the short term, investors appear to have become overly negative regarding the outlook for economic growth. There may now be some unwinding of the 'fear premium' seen in 'safe haven' assets such as government bonds and gold and there could be a boost to risk assets, especially equities.
- There remain longer-term concerns over growth, particularly outside of the US. However, with many bond markets now in negative yield territory and offering little or no long-term value, equities seem to have further upside potential. Equities are also reasonably valued on a stand-alone basis.
- Given the current market environment, Zurich believes it makes sense to take a positive stance on equities.

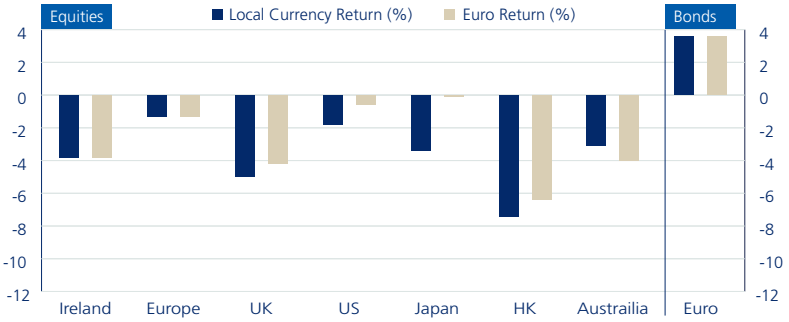


Richard Temperley
Head of Investment Development

Activity

Equity positions were maintained at the upper end of ranges across all of our multi-asset portfolios. Zurich remains reasonably constructive on equities in general, especially given their value relative to bonds. With regards to geographic positions, the main bias is towards Asia-Pacific at the expense of the US. Sector positions were broadly maintained during August. The funds are positively biased towards technology and materials stocks and negatively biased towards consumer staples and real estate. Bond positions are below the middle of ranges whilst the duration of these bonds is now close to neutral, on a tactical basis.

Equity & Bond % Returns: August 2019



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

Equities

World equities (in euro terms) fell by 1.1% in August but have given a strong total return of 18.9% in the first eight months of 2019. Local currency returns in July for the major markets ranged from minus 1.3% in Europe to minus 7.4% in Hong Kong (on the back of political upheaval). The influential US market was down 1.8% but this market continues to outperform. Slight euro currency weakness in August reduced losses for Eurozone investors in overseas markets. Regarding sectors in the US during August, the main winners were bond-proxy sectors such as utilities (+4.7%) and real estate (+4.6%). Cyclical areas underperformed. Year-to-date, the best performing sector has been technology (+28.0%).

Fixed Income & Currencies

The Over Five Year Euro Government Bond Index rose by 3.6% in August and is up by an exceptional 15.7% so far in 2019. European bond prices have reacted positively in 2019 to weaker Eurozone economic data, benign inflation and an increasingly dovish European Central Bank. The German ten-year bond yield fell again in August moving from minus 0.44% to minus 0.70%. This is a most unusual situation and means that buying German bonds today guarantees a significant loss if held to maturity. Equivalent US rates also fell sharply from plus 2.0% to plus 1.5%. The markets now expect two more rate cuts (of 0.25%) in the US during the remainder of 2019 following the cut in July (the first in a decade). Eurozone rates are expected to be cut by 0.1% from their current ultra-low level of minus 0.40% at the end of Quarter 3 or the start of Quarter 4.

Alternatives

August saw overall commodity prices decline by 4.6% and they are now flat year-to-date. The oil price fell sharply during the month (-6.5%) but is up close to 20% so far this year. The gold price rose by close to 7% during August, helped by its 'safe haven' status, finishing at $1,523 per troy ounce. The copper price was off 5%. The euro currency weakened slightly during August against the US dollar with the EUR/USD rate moving from 1.11 to 1.10. The rate began the year at 1.15.

Zurich Life Annualised Performance to September 2019

		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	2.3%	0.9%	0.7%	0.9%	Not Started	Not Started	Not Started	230,437,655
Prisma 3	5.6%	2.0%	2.6%	2.8%	Not Started	Not Started	Not Started	1,055,129,709
Prisma 4	11.7%	3.7%	6.0%	5.9%	Not Started	Not Started	Not Started	1,323,264,601
Prisma 5	17.1%	6.0%	8.3%	8.0%	Not Started	Not Started	Not Started	611,282,494
Prisma 6	18.1%	5.2%	9.3%	7.4%	Not Started	Not Started	Not Started	55,244,228
Managed Funds								
Cautiously Managed	7.9%	2.4%	4.2%	5.1%	7.0%	Not Started	Not Started	465,261,371
FinEx Sector Average	**6.6%**	**2.0%**	**2.4%**	**2.8%**	**4.1%**	**3.5%**	**3.3%**	
Balanced	13.9%	4.8%	7.1%	7.7%	9.2%	7.4%	5.7%	1,784,724,284
FinEx Sector Average	**10.0%**	**2.4%**	**4.2%**	**4.8%**	**6.9%**	**4.8%**	**3.6%**	
Performance	16.0%	4.4%	8.5%	8.6%	9.8%	7.8%	5.7%	1,402,758,082
Dynamic	17.4%	4.5%	9.2%	9.2%	10.3%	8.2%	5.7%	1,575,875,717
FinEx Sector Average	**11.1%**	**1.6%**	**5.1%**	**5.6%**	**7.5%**	**5.1%**	**3.9%**	
Protected Funds								
Protected 70	10.9%	0.2%	4.2%	4.1%	Not Started	Not Started	Not Started	22,236,732
Protected 80	6.2%	-1.1%	1.7%	1.9%	Not Started	Not Started	Not Started	32,189,457
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.1%	1.0%	1.6%	189,775,673
Cash Fund	-0.5%	-0.8%	-0.8%	-0.7%	-0.5%	Not Started	Not Started	654,370,895
FinEx Sector Average	**-0.4%**	**-0.6%**	**-0.5%**	**-0.2%**	**0.1%**	**0.9%**	**1.4%**	
Bond								
Global Corporate Bond (JP Morgan)	10.0%	7.5%	1.6%	2.2%	Not Started	Not Started	Not Started	9,375,228
Global Government Bond (JP Morgan)	7.50%	8.20%	1.00%	2.20%	Not Started	Not Started	Not Started	1,343,518
Indexed Eurozone Government Bond (BlackRock)*	10.50%	11.60%	2.60%	3.50%	Not Started	Not Started	Not Started	7,649,342
Active Fixed Income	8.30%	9.30%	1.20%	3.50%	5.50%	5.50%	6.00%	203,053,917
Inflation-Linked Bond	8.00%	6.80%	1.90%	1.70%	Not Started	Not Started	Not Started	7,494,584
Long Bond	17.8%	19.2%	3.2%	6.2%	7.4%	6.7%	Not Started	69,276,831
FinEx Sector Average	**11.2%**	**10.9%**	**2.5%**	**3.5%**	**4.5%**	**4.3%**	**4.6%**	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	1.8%	-1.6%	-1.2%	Not Started	Not Started	Not Started	Not Started	56,767,015
Dynamic Diversified Growth (BlackRock)	6.3%	0.8%	2.2%	0.9%	Not Started	Not Started	Not Started	12,522,174
Active Asset Allocation	12.6%	3.7%	6.3%	6.0%	Not Started	Not Started	Not Started	452,391,751
Commodity Funds								
Gold	23.5%	33.7%	5.1%	6.5%	6.8%	Not Started	Not Started	122,155,678
Indexed Global Energy and Metals	9.7%	3.8%	4.3%	-3.5%	-0.2%	Not Started	Not Started	13,475,208
Equity Funds (Global)								
5 Star 5	17.3%	3.7%	10.2%	9.2%	9.9%	7.5%	Not Started	205,697,890
International Equity	18.5%	4.9%	9.7%	9.7%	11.4%	8.7%	6.2%	2,322,445,136
Global Select (Threadneedle)	28.4%	9.7%	12.8%	12.3%	12.8%	9.6%	Not Started	8,737,700
Indexed Global Equity (BlackRock)*	20.7%	6.6%	9.5%	9.6%	Not Started	Not Started	Not Started	110,480,174
FinEx Sector Average	**14.9%**	**1.4%**	**7.0%**	**7.3%**	**9.5%**	**6.4%**	**3.8%**	
Equity Funds (European)								
5 Star 5 Europe	16.6%	2.6%	8.8%	9.0%	10.4%	9.6%	Not Started	103,061,292
European Select (Threadneedle)	23.2%	4.8%	8.2%	8.8%	12.6%	9.5%	Not Started	9,502,225
FinEx Sector Average	**15.6%**	**-2.2%**	**5.2%**	**5.5%**	**7.8%**	**6.6%**	**4.9%**	
Equity Funds (Euro)								
Eurozone Equity	15.2%	0.5%	7.8%	6.4%	8.3%	8.6%	Not Started	80,380,349
Indexed Eurozone Equity (BlackRock)*	17.0%	1.5%	6.8%	5.7%	Not Started	Not Started	Not Started	7,680,823
Sector Average	**13.1%**	**-2.4%**	**5.2%**	**5.0%**	**6.4%**	**5.0%**	**3.4%**	
Equity Funds (Irish)								
Irish Equity	12.8%	-8.3%	1.6%	7.9%	10.3%	Not Started	Not Started	13,786,559
FinEx Sector Average	**9.8%**	**-11.6%**	**-1.8%**	**4.6%**	**7.5%**	**2.0%**	**2.3%**	

		Annualised						
	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (Euros)
Equity Fund (American)								
5 Star 5 Americas	23.7%	10.3%	13.3%	12.8%	13.4%	10.5%	Not Started	71,516,282
American Select (Threadneedle)	23.0%	5.5%	13.2%	12.6%	14.9%	10.1%	Not Started	11,914,897
FinEx Sector Average	**21.1%**	**5.9%**	**11.0%**	**11.1%**	**14.1%**	**8.4%**	**4.6%**	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	11.1%	-2.7%	7.5%	6.9%	7.1%	7.9%	Not Started	74,338,908
Asia Pacific Equity	10.8%	-0.8%	8.4%	6.1%	Not Started	Not Started	Not Started	10,923,003
FinEx Sector Average	9.5%	-0.1%	6.4%	3.7%	7.2%	7.3%	5.5%	
Equity Funds (High Yield)								
Dividend Growth	11.8%	-1.4%	4.4%	6.5%	10.6%	Not Started	Not Started	208,589,014
FinEx Sector Average	**14.9%**	**1.4%**	**7.0%**	**7.3%**	**9.5%**	**6.4%**	**3.8%**	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	10.9%	6.2%	10.1%	5.8%	Not Started	Not Started	Not Started	6,554,039
Indexed Emerging Market Equity Fund (BlackRock)	7.9%	0.7%	5.6%	Not Started	Not Started	Not Started	Not Started	1,390,939
Sector Average	6.3%	-0.8%	4.6%	2.7%	4.4%	8.3%	Not Started	
Equity Funds (Specialist)								
Indexed Top Tech 100	26.6%	6.4%	18.0%	18.1%	20.3%	13.1%	Not Started	68,546,988
FinEx Sector Average	**12.7%**	**5.0%**	**4.9%**	**3.2%**	**4.6%**	**3.8%**	**2.6%**	
Property Funds								
Property Fund	6.9%	6.1%	Not Started	Not Started	Not Started	Not Started	Not Started	39,590,829
Fund of REITs	32.2%	15.2%	8.5%	9.5%	Not Started	Not Started	Not Started	16,368,677
Indexed European (Ex-UK) Property	14.6%	1.2%	4.4%	9.0%	10.0%	Not Started	Not Started	105,732,193
Indexed Australasia Property	16.4%	17.3%	6.1%	8.0%	10.0%	Not Started	Not Started	90,562,864
Sector Average	**5.1%**	**3.4%**	**4.2%**	**5.6%**	**4.8%**	**1.9%**	**4.1%**	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	2.1%	1.7%	Not Started	Not Started	Not Started	Not Started	Not Started	235,114
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	7.7%	4.5%	Not Started	Not Started	Not Started	Not Started	Not Started	5,902,639
World Equity (Dimensional)	14.8%	-1.3%	Not Started	Not Started	Not Started	Not Started	Not Started	7,805,072
Global Short Fixed Income (Dimensional)	1.8%	1.5%	Not Started	Not Started	Not Started	Not Started	Not Started	1,277,197
World Allocation 20/80 (Dimensional)	3.7%	0.5%	Not Started	Not Started	Not Started	Not Started	Not Started	9,455,126
World Allocation 40/60 (Dimensional)	6.9%	0.7%	Not Started	Not Started	Not Started	Not Started	Not Started	19,860,474
World Allocation 60/40 (Dimensional)	9.7%	0.4%	Not Started	Not Started	Not Started	Not Started	Not Started	19,767,610
World Allocation 80/20 (Dimensional)	11.8%	-1.0%	Not Started	Not Started	Not Started	Not Started	Not Started	6,213,951
Funds Closed to New Business								
Indexed Eurozone Property	12.7%	-1.5%	4.7%	8.6%	8.9%	Not Started	Not Started	18,319,035
Indexed India Equity	1.0%	-5.1%	3.2%	4.2%	5.5%	Not Started	Not Started	8,765,789
Income Opportunity (JP Morgan)	1.1%	-1.6%	-0.1%	0.1%	Not Started	Not Started	Not Started	5,311,347
Diversified Assets	11.8%	5.1%	5.0%	4.2%	6.6%	Not Started	Not Started	11,674,141
Earth Resources	19.8%	8.6%	5.6%	-3.1%	0.0%	Not Started	Not Started	4,239,498
Green Resources	38.8%	19.4%	15.0%	4.1%	2.3%	Not Started	Not Started	4,329,705
Small Cap Europe (Pictet)	14.2%	-7.2%	4.6%	7.0%	Not Started	Not Started	Not Started	1,752,598

Source: Financial Express as at 01/09/2019

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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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