October 2019

Monthly Investment Review

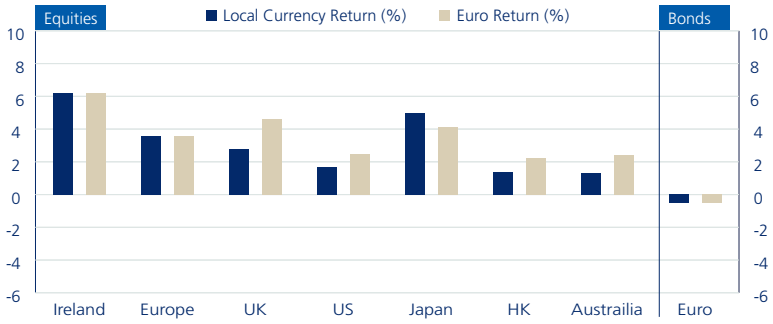
- Global stock markets moved higher in September following the falls in August, which were caused by escalating US-China trade tensions. Bond yields rose slightly from their recent cycle lows. Last month the Federal Reserve cut interest rates by 0.25%, while the ECB announced several easing measures including a rate cut, restarting quantitative easing (QE) and improving lending terms for banks.
- There remains longer-term concerns over growth, particularly outside of the US. Germany and Hong Kong are likely to be the first regions to record two quarters of shrinking GDP in a row, the definition of a technical recession. Global manufacturing remains in its own recession whilst the global service sector, which had been holding up rather well, has started to feel the pinch.
- With equities now running up against resistance, a new impetus is needed. This could come from US-China trade negotiations or from expanding fiscal policy.
- With many bond markets now in negative yield territory and offering little or no long-term value, 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 and Europe at the expense of the US. Sector positions were altered somewhat during September with technology being reduced to neutral. The funds are positively biased towards consumer discretionary and materials stocks and negatively biased towards financials and real estate. Bond positions are below the middle of ranges whilst the duration of these bonds has been reduced.

Equity & Bond % Returns: September 2019



This graph shows the performance of the major equity markets over the month of September. 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, October 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) rose by 3.4% in September and have given a strong total return of 22.9% in the first nine months of 2019. Local currency returns in September for the major markets ranged from 6.2% in Ireland to 1.3% in Australia. The influential US market was up 1.7% and remains the strongest so far this year. Euro currency weakness in September increased gains for Eurozone investors in overseas markets. Regarding sectors in the US during September, the main winners were financial stocks which benefitted from the slight pick-up in bond yields. Healthcare stocks underperformed. Year-to-date, the best performing sector has been technology (+29.9%).

Fixed Income & Currencies

The Over Five Year Euro Government Bond Index fell by 0.5% in September but is up by an exceptional 15.1% so far in 2019. European bond prices have reacted positively in 2019 to weaker Eurozone economic data, benign inflation and an increasingly dovish ECB. The German ten-year bond yield rose in September from minus 0.70% to minus 0.57%. This remains a most unusual situation and means that buying German bonds today guarantees a loss if held to maturity. Equivalent US rates also rose from plus 1.50% to plus 1.66%.The markets now expect three more rate cuts (of 0.25%) in the US during the cycle with two possibly coming before the end of the year. Rates had already been cut in July (the first in a decade) and September. Eurozone rates were cut last month by 0.1% from minus 0.40% to minus 0.50%.

Alternatives

September saw overall commodity prices rise by 2.1% and they are now up 2.4% year-to-date. The oil price was flat during September but is up close to 20% so far this year. The gold price fell by 3.8% as investors rotated out of safe-haven assets, finishing at $1,466 per troy ounce. The copper price rose by 2%.The euro currency weakened slightly during September against the US dollar with the EUR/USD rate moving from 1.10 to 1.09. The rate began the year at 1.15.

Zurich Life Annualised Performance to October 2019

	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	2.8%	1.3%	0.9%	1.0%	Not Started	Not Started	Not Started	239,202,759
Prisma 3	6.5%	2.7%	2.9%	2.9%	Not Started	Not Started	Not Started	1,077,602,860
Prisma 4	13.7%	5.2%	6.6%	6.2%	Not Started	Not Started	Not Started	1,362,382,273
Prisma 5	20.2%	8.1%	9.2%	8.4%	Not Started	Not Started	Not Started	636,136,915
Prisma 6	21.5%	7.6%	10.4%	8.4%	Not Started	Not Started	Not Started	57,127,649
Managed Funds								
Cautiously Managed	9.3%	3.4%	4.7%	5.2%	7.0%	Not Started	Not Started	470,403,604
FinEx Sector Average	7.6%	2.9%	2.8%	3.0%	4.0%	3.5%	3.4%	
Balanced	16.1%	6.3%	7.9%	7.9%	9.1%	7.5%	5.9%	1,812,756,219
FinEx Sector Average	12.1%	4.2%	4.9%	5.2%	6.9%	4.9%	3.8%	
Performance	18.8%	6.4%	9.5%	8.8%	9.7%	7.9%	6.0%	1,429,283,808
Dynamic	20.6%	6.8%	10.4%	9.5%	10.3%	8.3%	6.0%	1,609,449,360
FinEx Sector Average	**13.8%**	**3.7%**	**6.1%**	**6.0%**	**7.5%**	**5.2%**	**4.2%**	
Protected Funds								
Protected 70	13.3%	2.1%	5.2%	4.3%	Not Started	Not Started	Not Started	22,225,680
Protected 80	7.7%	0.1%	2.3%	2.1%	Not Started	Not Started	Not Started	32,470,915
Cash								
Secure	0.0%	0.0%	0.0%	0.0%	0.1%	1.0%	1.6%	187,490,100
Cash Fund	-0.6%	-0.8%	-0.8%	-0.7%	-0.5%	Not Started	Not Started	684,996,291
FinEx Sector Average	**-0.5%**	**-0.7%**	**-0.5%**	**-0.3%**	**0.1%**	**0.9%**	**1.3%**	
Bond								
Global Corporate Bond (JP Morgan)	9.1%	7.4%	1.4%	2.2%	Not Started	Not Started	Not Started	8,401,248
Global Government Bond (JP Morgan)	6.40%	8.00%	0.70%	2.00%	Not Started	Not Started	Not Started	1,291,301
Indexed Eurozone Government Bond (BlackRock)*	9.20%	11.20%	2.40%	3.20%	Not Started	Not Started	Not Started	7,827,475
Active Fixed Income	8.00%	8.80%	1.00%	3.40%	5.40%	5.40%	6.10%	206,617,218
Inflation-Linked Bond	7.40%	6.40%	1.50%	1.70%	Not Started	Not Started	Not Started	7,255,473
Long Bond	17.1%	18.6%	3.0%	6.1%	7.3%	6.6%	Not Started	69,436,831
FinEx Sector Average	**10.9%**	**10.7%**	**2.4%**	**3.4%**	**4.3%**	**4.2%**	**4.6%**	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	2.1%	-0.9%	-1.0%	Not Started	Not Started	Not Started	Not Started	53,669,855
Dynamic Diversified Growth (BlackRock)	5.7%	0.3%	2.2%	0.8%	Not Started	Not Started	Not Started	12,383,816
Active Asset Allocation	14.7%	5.2%	6.9%	6.3%	Not Started	Not Started	Not Started	469,998,522
Commodity Funds								
Gold	19.6%	30.4%	3.9%	6.3%	6.2%	Not Started	Not Started	120,402,431
Indexed Global Energy and Metals	10.8%	3.4%	3.7%	-3.1%	0.3%	Not Started	Not Started	13,376,577
Equity Funds (Global)								
5 Star 5	20.5%	5.2%	11.5%	9.2%	9.8%	7.6%	Not Started	209,651,571
International Equity	21.9%	7.2%	10.9%	10.1%	11.4%	8.9%	6.5%	2,415,184,197
Global Select (Threadneedle)	30.0%	10.8%	13.1%	12.3%	12.7%	9.6%	Not Started	8,841,673
Indexed Global Equity (BlackRock)*	20.8%	4.3%	9.9%	9.9%	Not Started	Not Started	Not Started	116,161,796
FinEx Sector Average	**18.7%**	**4.4%**	**8.4%**	**7.8%**	**9.6%**	**6.6%**	**4.1%**	
Equity Funds (European)								
5 Star 5 Europe	21.7%	6.8%	10.2%	9.5%	10.3%	9.7%	Not Started	107,000,933
European Select (Threadneedle)	24.4%	7.2%	8.5%	8.7%	12.4%	9.4%	Not Started	9,689,506
FinEx Sector Average	**18.9%**	**1.6%**	**6.4%**	**6.2%**	**7.8%**	**6.6%**	**5.1%**	
Equity Funds (Euro)								
Eurozone Equity	19.5%	4.5%	9.1%	7.0%	8.2%	8.5%	Not Started	82,622,748
Indexed Eurozone Equity (BlackRock)*	16.8%	1.3%	7.1%	5.7%	Not Started	Not Started	Not Started	8,028,729
Sector Average	**17.2%**	**1.1%**	**6.8%**	**5.7%**	**6.3%**	**5.1%**	**3.7%**	
Equity Funds (Irish)								
Irish Equity	18.7%	-0.1%	4.3%	9.0%	9.7%	Not Started	Not Started	14,553,854
FinEx Sector Average	**16.0%**	**-3.6%**	**1.2%**	**5.6%**	**7.2%**	**2.1%**	**2.8%**	

		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	25.6%	11.4%	14.1%	12.6%	13.3%	10.7%	Not Started	71,794,739
American Select (Threadneedle)	25.3%	7.3%	14.2%	12.6%	14.8%	10.1%	Not Started	12,138,716
FinEx Sector Average	**24.0%**	**7.9%**	**12.3%**	**11.3%**	**14.2%**	**8.7%**	**5.1%**	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	14.9%	2.1%	8.7%	8.8%	7.1%	7.9%	Not Started	75,881,232
Asia Pacific Equity	14.2%	3.1%	9.1%	7.7%	Not Started	Not Started	Not Started	11,088,299
FinEx Sector Average	13.0%	3.5%	7.0%	5.3%	6.9%	7.5%	5.8%	
Equity Funds (High Yield)								
Dividend Growth	19.6%	5.1%	6.8%	8.0%	11.2%	Not Started	Not Started	221,723,738
FinEx Sector Average	**18.7%**	**4.4%**	**8.4%**	**7.8%**	**9.6%**	**6.6%**	**4.1%**	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	14.9%	8.8%	10.8%	7.5%	Not Started	Not Started	Not Started	6,818,306
Indexed Emerging Market Equity Fund (BlackRock)	11.6%	3.8%	6.2%	Not Started	Not Started	Not Started	Not Started	1,534,462
Sector Average	10.2%	4.4%	5.6%	4.0%	4.1%	8.8%	Not Started	
Equity Funds (Specialist)								
Indexed Top Tech 100	28.8%	8.4%	18.2%	17.7%	20.1%	13.2%	Not Started	70,297,695
FinEx Sector Average	**14.7%**	**6.9%**	**5.5%**	**3.7%**	**4.5%**	**3.9%**	**2.6%**	
Property Funds								
Property Fund	7.3%	6.6%	Not Started	Not Started	Not Started	Not Started	Not Started	42,494,184
Indexed European (Ex-UK) Property	17.8%	8.2%	6.1%	10.3%	9.8%	Not Started	Not Started	109,610,876
Indexed Australasia Property	18.9%	20.5%	6.2%	9.1%	9.5%	Not Started	Not Started	93,616,608
Sector Average	**6.2%**	**4.9%**	**4.6%**	**5.8%**	**4.9%**	**1.9%**	**4.0%**	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	1.6%	1.3%	Not Started	Not Started	Not Started	Not Started	Not Started	228,179
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	6.1%	4.4%	Not Started	Not Started	Not Started	Not Started	Not Started	5,878,096
World Equity (Dimensional)	19.1%	3.0%	Not Started	Not Started	Not Started	Not Started	Not Started	8,198,616
Global Short Fixed Income (Dimensional)	1.5%	1.8%	Not Started	Not Started	Not Started	Not Started	Not Started	1,257,902
World Allocation 20/80 (Dimensional)	4.3%	1.4%	Not Started	Not Started	Not Started	Not Started	Not Started	9,520,628
World Allocation 40/60 (Dimensional)	8.3%	2.5%	Not Started	Not Started	Not Started	Not Started	Not Started	20,402,735
World Allocation 60/40 (Dimensional)	11.9%	2.8%	Not Started	Not Started	Not Started	Not Started	Not Started	20,785,500
World Allocation 80/20 (Dimensional)	15.0%	2.3%	Not Started	Not Started	Not Started	Not Started	Not Started	6,457,567
Funds Closed to New Business								
Indexed Eurozone Property	16.1%	5.4%	6.2%	10.1%	8.6%	Not Started	Not Started	18,703,017
Indexed India Equity	6.4%	9.5%	5.6%	5.0%	5.2%	Not Started	Not Started	9,030,163
Income Opportunity (JP Morgan)	1.1%	-1.7%	-0.2%	0.2%	Not Started	Not Started	Not Started	5,287,131
Diversified Assets	13.6%	6.9%	5.4%	4.7%	6.6%	Not Started	Not Started	11,793,249
Earth Resources	22.0%	9.7%	5.9%	-2.5%	0.1%	Not Started	Not Started	4,280,663
Green Resources	40.6%	24.5%	15.2%	4.8%	1.8%	Not Started	Not Started	4,362,509
Small Cap Europe (Pictet)	18.5%	-2.4%	5.2%	8.5%	Not Started	Not Started	Not Started	1,743,782

Source: Financial Express as at 01/10/2019

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*Performance using most recent data available.

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