

Monthly Investment Review

Equity markets suffered dramatic falls towards the end of the month as investors began to panic over the spread of the coronavirus (COVID-19) and the negative impact on the supply chain from China and the health of the overall global economy. The fact that equity valuations in the U.S. were above fair-value on an absolute basis did not help. Policy support began at the beginning of March with a surprise Fed rate cut of 0.5% and further monetary and fiscal action is expected globally to counter volatile markets. Bond markets reacted positively to the threat to economic growth and the deflationary nature of the potential pandemic. Despite the turmoil, Zurich believes that it makes sense to take a positive stance towards equities on a medium to long-term basis given the relative value argument against other asset classes, especially government bonds.

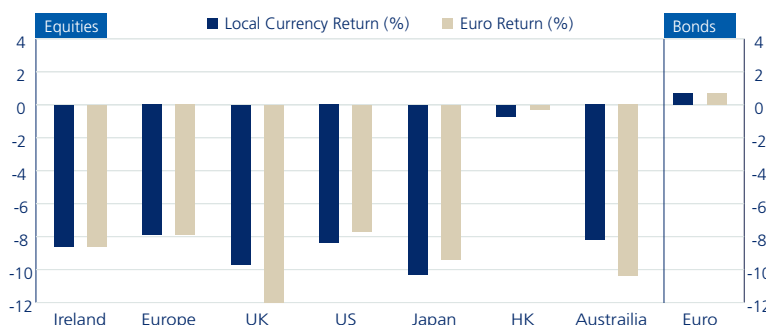


Richard Temperley
Head of Investment
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Activity

Equity positions were increased in early March following the sharp falls. Some profits had been taken in late 2019. The equity content of our multi-asset portfolios is now closer to the top of ranges mainly due to their value relative to bonds. With regards to geographic positions, the main bias is towards Asia ex-Japan. Canada is underweight given its high resources concentration while other markets are close to neutral. Sector-wise, the funds are positively biased towards technology and healthcare stocks and negatively biased towards energy and real estate. Bond positions are below the middle of ranges whilst the duration of these bonds has been reduced. Within corporate debt, or credit, we increased our positions at the end of January. This move was funded out of Eurozone sovereign debt.

Equity & Bond % Returns: February



This graph shows the performance of the major equity markets over the month of December. 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, March 2020.

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 a hefty 7.6% in February giving a total return of minus 7.3% for the first two months of 2020. Local currency returns in February for the major markets ranged from minus 0.7% in Hong Kong to minus 10.3% in Japan. The influential U.S. market fell 8.4%. Euro currency changes had little overall effect – with the currency slightly weaker against the U.S. dollar and the Japanese yen and stronger against both the pound sterling and the Australian dollar. Regarding sectors in the U.S. during February, the smaller negative returns came from consumer services (-6.3%) and healthcare (-6.8%), Energy (-15.3%) and Financials (-11.3) were the worst performing sectors. Year-to-date, technology has been the best performing sector, down 3.8%.






Fixed Income

The Over Five Year Euro Government Bond Index rose by 0.7% in February, with the core outperforming the periphery, giving a return of 4.3% in the first two months of the year. Bonds have reacted positively to the coronavirus panic as well as the prospect of weaker Eurozone economic data and further expected global rate cuts. The German ten-year bond yield fell in February moving from minus 0.43% to minus 0.61%. This remains a most unusual situation and means that buying German bonds today guarantees a loss if held to maturity. Equivalent U.S. rates also fell sharply from plus 1.51% to plus 1.15%. The Federal Reserve announced on March 3rd the first emergency rate cut (0.50%) since the financial crisis over a decade ago. This was an attempt to give the U.S. economy a jolt in the face of concerns about the coronavirus. Eurozone rates are expected to remain at minus 0.50% with other monetary policies expected.

Commodities & Currencies

February saw overall commodity prices fall by 6.4% resulting in a fall of 14.2% year-to-date, wiping out all and more of 2019's gains. The main culprit was the oil price. The oil price fell by 13% in February, down 25% so far this year, due to concerns over slowing economic growth and Middle Eastern tensions. The gold price fell by 1.0% during the month finishing at \$1,567 per troy ounce. It was clearly not the safe-haven assets that many thought it would be. The copper price rose by 1.2% over the month. The euro currency weakened slightly during February against the U.S. dollar with the EUR/USD rate moving from 1.11 to 1.10. The rate began the year at 1.12.

Zurich Life Annualised Performance to March 2020

Zurich Life Annualised Performance to March 2020		Annualised							Fund Size (Euros)
		Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Prisma Multi-Asset Funds									
Prisma 	-1.1%	0.7%	0.2%	0.4%	Not Started	Not Started	Not Started	276,581,650	
Prisma 	-2.4%	2.1%	1.3%	1.6%	Not Started	Not Started	Not Started	1,183,947,750	
Prisma 	-4.7%	4.5%	3.1%	3.6%	Not Started	Not Started	Not Started	1,476,010,823	
Prisma 	-6.4%	7.5%	4.7%	5.0%	Not Started	Not Started	Not Started	730,990,259	
Prisma  **	-6.3%	8.4%	5.7%	5.2%	Not Started	Not Started	Not Started	63,910,227	
Managed Funds									
Cautiously Managed	-3.0%	3.5%	2.4%	2.8%	6.5%	Not Started	Not Started	471,586,386	
Sector Average	-2.4%	2.4%	1.4%	1.4%	3.6%	3.1%	3.0%		
Balanced	-4.0%	7.1%	4.6%	4.7%	8.6%	6.7%	5.0%	1,759,592,669	
Sector Average	-4.7%	3.4%	2.3%	2.4%	6.4%	4.2%	3.1%		
Performance	-5.3%	7.5%	5.5%	5.4%	9.3%	7.0%	5.0%	1,391,703,549	
Dynamic	-6.0%	8.0%	5.9%	5.9%	9.8%	7.4%	5.0%	1,565,048,857	
FinEx Sector Average	-5.8%	2.8%	2.6%	3.1%	6.9%	4.5%	3.4%		
Protected Funds									
Protected 70	-4.9%	4.8%	2.3%	1.6%	Not Started	Not Started	Not Started	21,539,252	
Protected 80	-3.7%	2.2%	0.5%	0.0%	2.7%	Not Started	Not Started	30,438,936	
Cash									
Secure	0.0%	0.0%	0.0%	0.0%	0.1%	0.9%	1.5%	173,005,730	
Cash Fund	-0.2%	-0.8%	-0.8%	-0.8%	-0.5%	Not Started	Not Started	758,141,301	
FinEx Sector Average	-0.1%	-0.7%	-0.6%	-0.4%	0.0%	0.8%	1.3%		
Bond									
Global Corporate Bond (JP Morgan)	2.7%	9.7%	2.8%	2.0%	Not Started	Not Started	Not Started	7,685,273	
Global Government Bond (JP Morgan)	3.5%	7.4%	2.30%	1.50%	Not Started	Not Started	Not Started	1,387,058	
Indexed Eurozone Government Bond (BlackRock)*	2.8%	9.2%	3.80%	2.20%	Not Started	Not Started	Not Started	9,031,878	
Active Fixed Income	2.1%	7.3%	2.50%	1.60%	5.20%	5.00%	6.00%	221,967,895	
Inflation-Linked Bond	0.5%	6.7%	2.10%	1.00%	Not Started	Not Started	Not Started	6,305,738	
Long Bond	5.2%	16.4%	6.2%	3.3%	7.1%	6.1%	Not Started	70,640,662	
FinEx Sector Average	2.1%	8.9%	3.5%	2.1%	4.1%	3.9%	4.6%		
Absolute Return/Diversified Assets Funds									
Global Targeted Returns Fund (Invesco)	0.2%	2.0%	-1.0%	-0.3%	Not Started	Not Started	Not Started	42,007,752	
Dynamic Diversified Growth (BlackRock)	-3.3%	1.5%	2.0%	0.2%	Not Started	Not Started	Not Started	11,266,832	
Active Asset Allocation	-4.9%	4.6%	3.3%	3.7%	Not Started	Not Started	Not Started	514,087,964	
Commodity Funds									
Gold	7.1%	24.6%	6.2%	5.2%	5.1%	Not Started	Not Started	144,660,115	
Indexed Global Energy and Metals	-10.0%	-6.7%	-2.3%	-3.2%	-1.9%	Not Started	Not Started	11,249,632	
Equity Funds (Global)									
5 Star 5	-7.1%	8.0%	6.4%	5.9%	9.2%	6.7%	Not Started	200,170,005	
International Equity	-6.4%	8.7%	6.0%	6.4%	10.6%	8.1%	4.2%	2,564,725,383	
Global Select (Threadneedle)	-5.1%	14.5%	10.2%	8.8%	11.7%	9.0%	Not Started	9,797,643	
Indexed Global Equity (BlackRock)*	-7.8%	7.3%	5.3%	6.0%	Not Started	Not Started	Not Started	123,113,135	
FinEx Sector Average	-7.9%	3.4%	3.5%	4.0%	8.6%	5.8%	2.7%		
Equity Funds (European)									
5 Star 5 Europe	-9.5%	6.6%	6.0%	5.1%	10.4%	7.9%	Not Started	102,200,569	
European Select (Threadneedle)	-6.7%	12.3%	7.0%	4.5%	11.1%	8.6%	Not Started	8,869,730	
FinEx Sector Average	-7.8%	6.0%	3.7%	2.8%	7.6%	5.7%	2.7%		
Equity Funds (Euro)									
Eurozone Equity	-8.9%	3.9%	4.3%	3.2%	8.2%	7.3%	Not Started	76,157,758	
Indexed Eurozone Equity (BlackRock)*	-9.3%	3.2%	3.3%	2.6%	Not Started	Not Started	Not Started	8,335,713	
Sector Average	-8.4%	3.1%	2.8%	2.4%	6.3%	4.1%	2.3%		
Equity Funds (Irish)									
Irish Equity	-11.5%	8.7%	2.4%	4.8%	11.7%	3.5%	Not Started	14,918,088	
FinEx Sector Average	-9.0%	8.6%	0.9%	2.4%	9.2%	1.4%	2.8%		

	Year to Date	Annualised						Fund Size (Euros)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Equity Fund (American)								
5 Star 5 Americas	-5.9%	12.2%	8.4%	9.1%	12.6%	9.9%	Not Started	69,675,496
American Select (Threadneedle)	-4.3%	14.4%	9.1%	9.9%	13.9%	10.2%	Not Started	11,752,400
FinEx Sector Average	-6.6%	8.9%	6.2%	7.4%	12.8%	8.4%	4.5%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	-7.4%	2.1%	4.7%	5.3%	6.7%	6.7%	Not Started	71,772,131
Asia Pacific Equity	-7.5%	0.8%	4.5%	4.4%	Not Started	Not Started	Not Started	10,058,033
FinEx Sector Average	-7.0%	0.8%	3.1%	2.3%	5.9%	6.5%	4.7%	
Equity Funds (High Yield)								
Dividend Growth	-11.9%	-0.3%	0.0%	3.0%	9.9%	Not Started	Not Started	204,473,108
FinEx Sector Average	-7.9%	3.4%	3.5%	4.0%	8.6%	5.8%	2.7%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	-8.5%	3.7%	7.5%	4.8%	Not Started	Not Started	Not Started	7,028,976
Indexed Emerging Market Equity Fund (BlackRock)	-9.4%	-0.8%	2.2%	2.3%	Not Started	Not Started	Not Started	2,846,025
Sector Average	-7.4%	0.0%	2.4%	1.5%	3.1%	7.3%	Not Started	
Equity Funds (Specialist)								
Indexed Top Tech 100	-1.5%	23.2%	15.4%	14.5%	19.5%	13.8%	Not Started	76,259,286
FinEx Sector Average	-4.3%	4.3%	2.9%	2.3%	4.1%	3.6%	0.4%	
Property Funds								
Property Fund	-7.2%	-0.8%	Not Started	Not Started	Not Started	Not Started	Not Started	47,654,892
Indexed European (Ex-UK) Property	-3.6%	13.0%	8.4%	4.9%	9.8%	Not Started	Not Started	120,861,912
Indexed Australasia Property	-6.6%	0.0%	2.8%	3.4%	7.9%	Not Started	Not Started	95,273,880
Sector Average	-4.3%	-0.2%	2.8%	3.2%	4.4%	1.3%	3.5%	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	0.0%	0.8%	Not Started	Not Started	Not Started	Not Started	Not Started	249,275
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	1.4%	5.6%	Not Started	Not Started	Not Started	Not Started	Not Started	6,653,388
World Equity (Dimensional)	-9.7%	1.5%	Not Started	Not Started	Not Started	Not Started	Not Started	9,767,986
Global Short Fixed Income (Dimensional)	0.2%	0.7%	Not Started	Not Started	Not Started	Not Started	Not Started	1,551,538
World Allocation 20/80 (Dimensional)	-1.9%	0.6%	Not Started	Not Started	Not Started	Not Started	Not Started	11,600,464
World Allocation 40/60 (Dimensional)	-3.9%	1.1%	Not Started	Not Started	Not Started	Not Started	Not Started	22,828,958
World Allocation 60/40 (Dimensional)	-5.9%	1.4%	Not Started	Not Started	Not Started	Not Started	Not Started	24,293,409
World Allocation 80/20 (Dimensional)	-8.5%	0.4%	Not Started	Not Started	Not Started	Not Started	Not Started	6,832,255
Funds Closed to New Business								
Indexed Eurozone Property	-4.0%	9.1%	8.3%	5.1%	8.8%	Not Started	Not Started	17,944,496
Indexed India Equity	-7.8%	0.4%	0.9%	-0.9%	3.5%	Not Started	Not Started	7,718,502
Income Opportunity (JP Morgan)	-0.2%	-0.9%	-1.0%	0.1%	Not Started	Not Started	Not Started	4,672,910
Diversified Assets	-5.5%	2.7%	2.6%	1.8%	5.6%	Not Started	Not Started	10,599,044
Earth Resources	-2.4%	11.9%	5.3%	0.1%	-0.3%	Not Started	Not Started	4,472,300
Green Resources	7.5%	33.2%	19.9%	8.3%	4.1%	Not Started	Not Started	5,282,768
Small Cap Europe (Pictet)	-10.7%	2.4%	3.3%	4.4%	Not Started	Not Started	Not Started	1,654,219

Source: Financial Express as at 01/03/2020

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*Prisma Max was previously called Prisma 6.

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

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GR: 4874 Print Ref: ZL ISA 76 0320

