October 2021

Monthly Investment Review

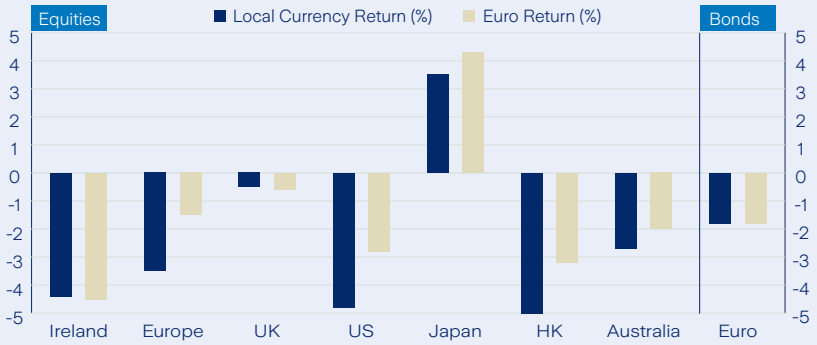
The global economy is still expected to grow at a robust pace, although it is likely to continue moderating from its recent peak. The slowdown in China needs monitoring, but long-term growth prospects are unlikely to be derailed. Short-term inflationary pressures have become elevated in some areas but should ease over time. That said, inflation is likely to be higher than during pre-Covid times. The recent rise in bond yields has been somewhat overdue as they had become excessively low due in part to technical issues over the summer. Equity markets have fallen more sharply than has been seen for many months, although we would argue that 5% to 10% stock market corrections are hardly unusual within a bull market. Although earnings estimates had been particularly positive, recent concerns of the supply chain and semiconductor shortages may temper some earnings numbers for Q3. Despite the rise in bond yields they remain low in a historical context with negative real yields. Hence equities remain attractive on a relative value basis.

Richard Temperley
Head of Investment Development

Activity

Equity positions in our multi-asset funds were unchanged during September and remain well above benchmark. With regards to geographic positions, the main bias is towards Europe. Sector-wise, the funds are positively biased towards technology, consumer discretionary stocks and financials and negatively biased towards 'bond proxy' areas such as utilities and consumer staples. The was a slight increase in financials at the expense of technology but both remain overweight. Bond positions are well below the middle of ranges whilst the duration of these bonds is below benchmark. Corporate bonds have been increased at the expense of sovereign bonds over the last 16 months.

Equity & Bond % Returns: September



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 ICE BofA 5+ Government Bond Index. Source: Bloomberg, October 2021.

Current Positioning

Asset Class	Region	Positive	Neutral	Negative
Equities	North America			✓
	Europe	✓		
	Japan		✓	
	UK	✓		
	Asia-Ex Japan		✓	
Fixed Income	Sovereign Eurozone			✓
	Sovereign US		✓	
	Sovereign UK		✓	
	Credit	✓		
Currencies	USD			✓
	GBP		✓	
	YEN		✓	
Alternatives	Oil		✓	
	Gold	✓		
	Copper		✓	
	Global Property		✓	
	Soft Commodities		✓	
	Indexed Commodities			✓

Market Performance

Equity Markets

World equities (in euro terms) fell by 2.4% in September, giving a total return of 19.3% for the first nine months of 2021. Significant euro currency weakness during 2021 has accentuated returns in a number of key markets, primarily the US and the UK. Local currency returns for the month for the major markets ranged from plus 3.5% in Japan to minus 5.0% in Hong Kong, the latter affected by Chinese clampdowns on certain Hong Kong businesses. Year-to-date the strongest markets in local currency terms been the US (+14.7%) and Europe (+14.1%). Regarding sectors in the US during the month, the strongest returns came from energy (+9.4%) and financials (-1.8%). The main underperforming sector was materials (-7.2%).

Bonds & Interest Rates

The Over Five-Year Euro Government Bond Index fell by 1.8% during September, giving a total return of minus 4.2% for the first nine months of 2021. The German ten-year bond yield rose from minus 0.38% to minus 0.20%. Equivalent US rates rose from 1.31% to 1.49%; due to concerns over rising inflation. The Federal Reserve and other central banks have introduced a wave of liquidity since the outbreak of COVID-19 which has included various forms of asset purchases, to support economies and businesses. The Fed is now becoming slightly more hawkish and is keeping a weather eye on inflation.

Commodities & Currencies

Overall commodity prices rose by 4.9% during September in dollar terms led by energy prices. They are now up 36.4% year-to-date fueling concerns over higher inflation. Oil prices rose by 8% in September and are up 42% so far in 2021. The gold price fell by 3.3% in September to $1,755 per troy ounce. The copper price fell by 6.2% during the month. The euro currency weakened again in September against the US dollar with the EUR/USD rate moving from 1.18 to 1.16. It began the year at 1.22.

Zurich Life Annualised Performance to 01/10/2021

	Year to Date	Annualised 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (Euros)
Multi-Asset Funds								
Prisma 2	1.8%	3.2%	1.7%	1.3%	Not Started	Not Started	Not Started	422,639,857
Prisma 3	5.1%	8.2%	4.3%	3.7%	Not Started	Not Started	Not Started	1,751,066,014
Prisma 4	11.0%	17.6%	8.9%	8.3%	Not Started	Not Started	Not Started	2,454,570,836
Prisma 5	15.3%	24.9%	13.3%	11.9%	Not Started	Not Started	Not Started	1,435,341,938
Prisma Max	15.9%	26.3%	14.4%	13.4%	Not Started	Not Started	Not Started	140,518,101
Active Asset Allocation	12.3%	19.1%	9.6%	8.9%	8.4%	Not Started	Not Started	786,046,133
Managed Funds								
Cautiously Managed	7.4%	12.0%	6.7%	6.2%	7.8%	Not Started	Not Started	675,007,666
Sector Average	4.8%	8.7%	3.1%	3.0%	4.2%	2.7%	3.4%	
Balanced	11.0%	18.6%	11.0%	10.1%	11.4%	6.9%	7.3%	2,250,942,511
Sector Average	9.0%	16.3%	5.9%	5.7%	7.9%	3.8%	4.5%	
Performance	14.2%	23.4%	13.1%	12.3%	12.6%	7.3%	7.9%	1,843,164,603
Dynamic	15.3%	25.2%	14.0%	13.3%	13.5%	7.7%	8.2%	2,175,671,095
FinEx Sector Average	11.5%	20.5%	6.5%	6.9%	8.7%	4.3%	5.0%	
Protected Funds								
Protected 70	11.2%	17.3%	7.1%	7.0%	7.3%	Not Started	Not Started	20,067,208
Protected 80	7.7%	11.4%	3.9%	3.7%	4.3%	Not Started	Not Started	29,407,945
Cash								
Cash Fund	-0.6%	-0.9%	-0.9%	-0.9%	-0.7%	Not Started	Not Started	1,233,812,812
FinEx Sector Average	-0.5%	-0.7%	-0.7%	-0.6%	-0.2%	0.5%	0.9%	
Bond								
Medium Duration Corporate Bond	-0.6%	0.8%	Not Started	Not Started	Not Started	Not Started	Not Started	601,579,530
Short Duration Corporate Bond	-0.3%	0.1%	Not Started	Not Started	Not Started	Not Started	Not Started	1,035,715,029
Global Corporate Bond (JP Morgan)	-1.5%	1.4%	4.2%	1.9%	Not Started	Not Started	Not Started	15,427,494
Global Government Bond (JP Morgan)	-3.3%	-3.6%	2.3%	0.2%	Not Started	Not Started	Not Started	2,040,695
Indexed Eurozone Government Bond (BlackRock)*	-3.2%	-2.3%	3.1%	1.1%	3.50%	Not Started	Not Started	16,403,739
Active Fixed Income	-3.1%	-2.3%	2.0%	0.1%	4.3%	4.4%	5.0%	262,788,234
Inflation-Linked Bond	4.1%	7.2%	3.8%	1.9%	2.2%	Not Started	Not Started	6,417,150
Long Bond	-5.6%	-3.8%	5.0%	1.3%	6.3%	5.4%	Not Started	47,104,386
FinEx Sector Average	-1.9%	0.2%	3.6%	1.6%	3.9%	3.4%	4.1%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	-1.3%	-0.5%	-1.2%	-1.2%	Not Started	Not Started	Not Started	22,145,492
Dynamic Diversified Growth (BlackRock)	2.1%	7.0%	4.4%	3.9%	Not Started	Not Started	Not Started	13,012,264
Commodity Funds								
Gold	-1.5%	-6.6%	13.3%	4.6%	1.6%	Not Started	Not Started	228,755,373
Indexed Global Energy and Metals	33.5%	33.5%	7.4%	6.0%	0.4%	-2.1%	Not Started	16,585,212
Equity Funds (Global)								
5 Star 5	17.8%	30.5%	16.1%	15.6%	14.2%	7.7%	9.0%	347,283,750
International Equity	16.2%	27.1%	15.0%	14.1%	14.5%	8.7%	8.1%	4,454,789,521
Global Select (Threadneedle)	14.7%	23.2%	14.7%	14.5%	15.3%	9.2%	8.3%	14,776,877
Indexed Global Equity (BlackRock)*	18.8%	29.1%	12.4%	12.5%	14.1%	Not Started	Not Started	191,317,896
FinEx Sector Average	16.9%	29.1%	9.2%	9.7%	11.3%	6.0%	5.5%	
Equity Funds (European)								
5 Star 5 Europe	16.2%	32.2%	11.4%	11.6%	13.9%	7.0%	Not Started	135,768,638
European Select (Threadneedle)	17.2%	24.5%	13.9%	11.9%	13.8%	8.7%	8.9%	12,045,905
FinEx Sector Average	15.7%	27.5%	8.7%	8.8%	10.8%	5.3%	6.1%	
Equity Funds (Euro)								
Eurozone Equity	16.8%	31.8%	10.6%	10.9%	12.1%	6.8%	Not Started	122,316,313
Indexed Eurozone Equity (BlackRock)*	14.2%	28.7%	7.8%	8.7%	10.4%	Not Started	Not Started	6,566,942
FinEx Sector Average	15.5%	29.1%	7.1%	8.1%	9.5%	3.6%	4.6%	
Equity Funds (Irish)								
Irish Equity	16.2%	35.3%	12.1%	9.8%	15.7%	3.5%	Not Started	28,725,633
FinEx Sector Average	14.7%	32.0%	9.4%	7.1%	13.0%	1.4%	4.4%	

		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	22.2%	30.0%	21.3%	19.0%	17.9%	11.5%	Not Started	120,859,814
American Select (Threadneedle)	20.9%	32.5%	17.4%	17.6%	17.7%	11.5%	8.7%	15,227,110
FinEx Sector Average	21.6%	33.2%	14.7%	14.7%	16.2%	9.7%	7.3%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	4.1%	21.0%	7.1%	9.1%	9.6%	5.8%	Not Started	89,167,735
Asia Pacific Equity	6.4%	23.5%	7.0%	9.1%	9.5%	Not Started	Not Started	13,508,194
FinEx Sector Average	7.9%	23.4%	7.9%	8.3%	8.2%	6.0%	7.7%	
Equity Funds (High Yield)								
Dividend Growth	22.7%	36.1%	5.1%	6.1%	10.8%	5.3%	Not Started	219,860,701
FinEx Sector Average	16.9%	29.1%	9.2%	9.7%	11.3%	6.0%	5.5%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	-0.3%	18.0%	9.4%	10.4%	Not Started	Not Started	Not Started	9,498,905
Indexed Emerging Market Equity Fund (BlackRock)	3.7%	18.3%	7.8%	7.7%	Not Started	Not Started	Not Started	9,664,087
Sector Average	7.3%	22.8%	7.9%	7.2%	6.3%	5.5%	6.6%	
Equity Funds (Specialist)								
Indexed Top Tech 100	22.3%	30.9%	25.0%	24.4%	23.5%	16.7%	12.1%	181,878,636
FinEx Sector Average	14.5%	24.3%	11.7%	8.8%	7.4%	4.0%	3.9%	
Property Funds								
Property Fund	2.3%	-1.6%	-0.8%	Not Started	Not Started	Not Started	Not Started	39,127,336
Indexed European (Ex-UK) Property	4.7%	15.0%	2.6%	3.6%	8.8%	Not Started	Not Started	192,492,199
Indexed Australasia Property	10.2%	16.6%	2.9%	1.6%	8.1%	Not Started	Not Started	168,500,956
Sector Average	7.1%	9.3%	0.8%	2.2%	4.4%	-0.8%	2.7%	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	-0.7%	-0.2%	0.2%	-0.6%	Not Started	Not Started	Not Started	1,581,571
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	4.2%	6.3%	2.6%	1.5%	Not Started	Not Started	Not Started	7,458,565
World Equity (Dimensional)	19.6%	35.7%	9.8%	10.1%	Not Started	Not Started	Not Started	13,852,416
Global Short Fixed Income (Dimensional)	-1.0%	-1.1%	-0.1%	-0.9%	Not Started	Not Started	Not Started	3,732,436
World Allocation 20/80 (Dimensional)	3.0%	5.6%	1.9%	1.4%	Not Started	Not Started	Not Started	11,945,287
World Allocation 40/60 (Dimensional)	7.1%	12.8%	4.2%	3.8%	Not Started	Not Started	Not Started	28,599,160
World Allocation 60/40 (Dimensional)	11.0%	19.9%	6.2%	6.0%	Not Started	Not Started	Not Started	30,342,659
World Allocation 80/20 (Dimensional)	15.2%	28.3%	7.8%	7.8%	Not Started	Not Started	Not Started	11,996,362
Global Small Companies (Dimensional)	21.5%	44.4%	Not Started	Not Started	Not Started	Not Started	Not Started	4,014,064
Global Value (Dimensional)	21.4%	38.8%	Not Started	Not Started	Not Started	Not Started	Not Started	4,701,044
Global Sustainability Core Equity (Dimensional)	19.3%	33.7%	Not Started	Not Started	Not Started	Not Started	Not Started	489,411
Funds Closed to New Business								
Indexed Eurozone Property	4.6%	18.9%	0.8%	3.1%	8.6%	2.6%	Not Started	14,615,357
Indexed India Equity	31.9%	50.3%	14.8%	10.2%	8.7%	Not Started	Not Started	9,653,385
Income Opportunity (JP Morgan)	-0.1%	0.3%	-0.7%	-0.2%	Not Started	Not Started	Not Started	1,807,314
Diversified Assets	14.1%	19.0%	6.8%	5.9%	6.9%	Not Started	Not Started	10,779,387
Earth Resources	15.5%	36.9%	16.5%	11.4%	3.0%	Not Started	Not Started	5,653,764
Green Resources	-10.6%	33.5%	41.1%	28.1%	14.9%	Not Started	Not Started	8,814,020

Source: Financial Express as at 01/10/2021

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.

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

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