March 2023

Monthly Investment Review

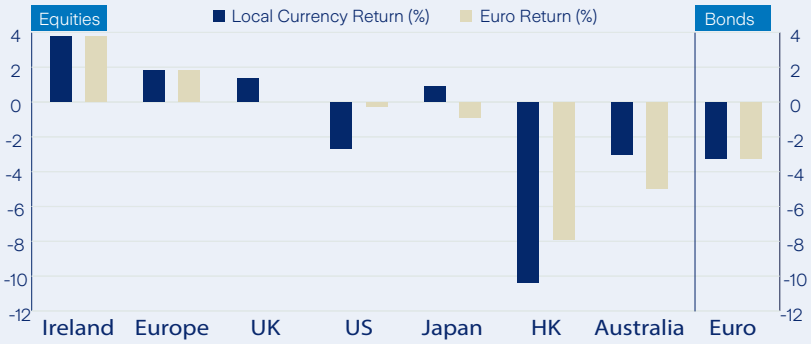
February saw equities give back some of their gains from the year so far, with the US in particular faltering in the face of potentially higher interest rates. Early February saw a wave of interest rate announcements from central banks with the Federal Reserve, European Central Bank and Bank of England all instituting rate rises. Notably most central banks began the month slightly more upbeat on inflation prospects however economic data released throughout February soon tempered expectations.

The release of stronger macroeconomic data has been discouraging for inflation numbers, which are still too high for the reassurance of central banks, particularly in terms of core measures which strip out volatile food and energy prices. Although Europe continued to outperform the US, the market remains exposed to a hawkish ECB. The non-event of natural gas rationing was a positive for European economies as milder weather alleviated shortages. Stubborn inflation however means recession risk remains an area of interest.

Activity

Our current position is overweight equities. During February we adjusted from neutral to underweight bonds. We also added to our equity exposure, increasing our equity content in the Active Asset Allocation fund from 48.5% to 52%, and added circa 2% across our actively managed funds. Within equity sectors valuations remain attractive, a strong start to 2023 in equities has been driven by last years most affected sectors. Consumer discretionary for example has led the 2023 recovery and was the second worst sector in 2022. Within fixed income, we have increased the duration of some of our eurozone sovereign bonds and reduced our allocation to corporate bonds. We are broadly neutral across our allocations to alternatives. We maintain out EUR/USD hedge which has been neutral for performance so far this year.

Equity & Bond % Returns: February 2023



This graph shows the performance of the major equity markets over the month of February. The returns are shown in both local and euro currencies. The bond index is the ICE BofA 5+ Government Bond Index. Source: Bloomberg, March 2023.

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		✓	

Market Performance

Equities

Global equities were down slightly in February losing -0.1% in Euro terms after soaring in January. YTD returns are still positive as a result of previous gains, returning 5.12%. On a sectoral basis US stocks performed best in the Consumer Discretionary and Tech sectors, much of this came as companies announced layoffs and cost cutting measures which investors viewed favourably. Euro investors in US stocks also benefitted from a strengthening Dollar, US stocks returned -2.45% in local terms and -0.1% in Euro terms as losses were limited by exchange rate moves. Eurozone equities continued their performance in February, being the only market not to post negative returns. Hong Kong equities suffered the most as worsening US China relations and interest rate expectations caused outflows in the region. Sentiment improved towards the end of February however the market remained down for the month.

Bonds

February began with a 25-basis point rate hike (0.25%) from the Federal Reserve, a smaller increment than the previous meeting's 50 basis points. The yield on the benchmark 10 Year US Government Bond rose 41 basis points in February, a significant move given the recent moderation seen in sovereign bond yields. The rise in yields occurred due to higher interest rate expectations from investors who were confronted with reports of strong economic data and a tight labour market. The strong indicators mean there could be more work for the Fed to do in terms of interest rate hiking. The higher yields resulted in a negative month for much of Fixed Income markets with the 5+ Year Euro Government Index returning -3.3% in February.

Commodities & Currencies

A broad basket of commodities showed negative performance in January, with the Bloomberg Commodity index returning –2.5% in Euro terms. Year to date Copper, which is often used as a barometer for global economic health, performed better returning 8.1% in Euro terms. The reopening of China's economy has been seen by many as a major factor behind Copper's performance. Energy prices continued to fall in February, being a large contributor to the lower overall headline figures of inflation seen globally. In currencies the US Dollar strengthened slightly against a basket of peers in February on the back higher interest rate prospects in the US. At the end of February 1 Euro bought 1.06 Dollars.

Zurich Life Annualised Performance to March 2023

	Year to Date	Annualised 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (Euros)
Multi-Asset Funds								
Prisma Low	0.4%	-4.0%	Not Started	Not Started	Not Started	Not Started	Not Started	24,851,620
Prisma 2	0.6%	-3.4%	0.0%	0.2%	Not Started	Not Started	Not Started	491,608,283
Prisma 3	1.3%	-4.4%	1.8%	1.7%	Not Started	Not Started	Not Started	2,043,588,586
Prisma 4	2.4%	-6.1%	5.2%	4.5%	Not Started	Not Started	Not Started	2,899,947,146
Prisma 5	3.8%	-6.3%	8.3%	7.2%	Not Started	Not Started	Not Started	1,817,229,092
Prisma Max	4.4%	-6.5%	8.8%	7.8%	Not Started	Not Started	Not Started	191,075,544
Active Asset Allocation	2.3%	-5.6%	6.4%	5.3%	6.2%	Not Started	Not Started	882,817,252
Managed Funds								
Cautiously Managed	1.8%	-5.9%	3.2%	3.0%	5.4%	5.4%	Not Started	716,453,340
Sector Average	1.3%	-5.0%	0.4%	0.7%	2.4%	2.3%	3.2%	
Balanced	3.0%	-7.5%	5.7%	5.5%	7.7%	6.2%	7.5%	2,072,591,147
Sector Average	2.1%	-4.5%	3.2%	2.8%	5.2%	3.7%	5.1%	
Performance	3.8%	-6.4%	8.1%	7.2%	9.0%	6.8%	8.2%	1,641,302,695
Dynamic	4.3%	-6.0%	8.8%	7.9%	9.6%	7.2%	8.8%	1,983,679,145
FinEx Sector Average	3.1%	-3.6%	4.8%	3.8%	6.0%	4.3%	5.6%	
Protected Funds								
Protected 70	1.8%	-6.8%	3.5%	3.2%	4.7%	Not Started	Not Started	16,891,731
Protected 80	1.1%	-5.3%	1.7%	1.3%	2.5%	Not Started	Not Started	26,262,589
Cash								
Cash Fund	0.2%	-0.6%	-0.9%	-0.9%	-0.7%	Not Started	Not Started	1,512,978,104
FinEx Sector Average	0.1%	-0.2%	-0.5%	-0.6%	-0.3%	0.2%	0.7%	
Bond								
Medium Duration Corporate Bond	0.6%	-11.4%	Not Started	Not Started	Not Started	Not Started	Not Started	621,833,649
Short Duration Corporate Bond	0.3%	-3.5%	Not Started	Not Started	Not Started	Not Started	Not Started	1,072,648,267
Global Corporate Bond (JP Morgan)	0.2%	-12.4%	-5.3%	-1.6%	0.2%	Not Started	Not Started	13,694,191
Global Government Bond (JP Morgan)	-0.3%	-12.2%	-5.90%	-2.10%	-0.30%	Not Started	Not Started	1,170,536
Indexed Eurozone Government Bond (BlackRock)*	-2.9%	-17.9%	-7.80%	-2.80%	0.40%	Not Started	Not Started	17,410,049
Active Fixed Income	-0.4%	-13.2%	-6.30%	-2.30%	1.50%	3.10%	3.30%	698,110,208
Inflation-Linked Bond	1.6%	-8.3%	-0.60%	0.50%	0.80%	Not Started	Not Started	9,791,069
Long Bond	-0.2%	-23.8%	-11.2%	-3.6%	1.6%	3.2%	Not Started	39,958,193
FinEx Sector Average	0.2%	-14.6%	-6.2%	-1.8%	0.9%	2.1%	2.6%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	0.9%	4.5%	-1.5%	-1.4%	Not Started	Not Started	Not Started	15,124,562
Dynamic Diversified Growth (BlackRock)	0.7%	-5.8%	1.0%	0.9%	1.5%	Not Started	Not Started	12,679,517
Commodity Funds								
Gold	1.2%	1.3%	5.4%	9.2%	2.9%	Not Started	Not Started	335,814,474
Indexed Global Energy and Metals	-5.3%	-0.1%	15.7%	8.9%	1.2%	-2.0%	Not Started	23,700,905
Equity Funds (Global)								
5 Star 5	5.2%	-7.1%	11.9%	9.2%	10.3%	6.9%	9.0%	335,639,017
International Equity	4.8%	-6.1%	9.4%	8.2%	10.3%	8.1%	9.2%	4,833,169,122
Global Select (Threadneedle)	5.5%	-7.2%	6.4%	8.3%	10.5%	8.3%	9.5%	10,879,997
Indexed Global Equity (BlackRock)*	3.7%	-2.9%	10.9%	10.0%	10.7%	Not Started	Not Started	189,480,754
FinEx Sector Average	4.4%	-1.1%	8.9%	7.0%	8.3%	6.3%	7.3%	
Equity Funds (European)								
5 Star 5 Europe	10.0%	5.3%	11.7%	8.1%	10.4%	7.4%	Not Started	137,558,583
European Select (Threadneedle)	11.1%	1.9%	8.7%	8.2%	8.6%	8.6%	10.0%	9,236,289
FinEx Sector Average	8.7%	0.9%	7.3%	4.8%	7.1%	5.0%	7.6%	
Equity Funds (Euro)								
Eurozone Equity	11.6%	6.3%	11.3%	6.9%	9.1%	6.6%	Not Started	118,073,105
Indexed Eurozone Equity (BlackRock)*	6.2%	9.9%	8.8%	6.0%	7.9%	Not Started	Not Started	6,878,882
FinEx Sector Average	10.1%	5.8%	8.4%	4.6%	7.1%	3.9%	6.6%	
Equity Funds (Irish)								
Irish Equity	15.3%	4.1%	10.3%	6.5%	10.6%	4.4%	Not Started	19,460,846
FinEx Sector Average	13.6%	4.7%	8.6%	4.7%	8.4%	2.7%	5.2%	

		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	5.1%	-8.7%	11.9%	12.0%	13.4%	10.2%	Not Started	110,583,265
American Select (Threadneedle)	6.7%	-7.0%	11.0%	11.8%	13.2%	11.6%	10.3%	11,160,599
FinEx Sector Average	4.8%	-2.9%	12.5%	11.0%	12.6%	10.5%	9.2%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	3.3%	1.5%	9.0%	5.0%	7.1%	4.9%	Not Started	86,148,101
Asia Pacific Equity	3.1%	2.2%	8.6%	5.1%	6.6%	Not Started	Not Started	14,415,331
FinEx Sector Average	1.8%	-2.3%	5.9%	3.7%	4.6%	4.7%	7.9%	
Equity Funds (High Yield)								
Dividend Growth	4.6%	4.1%	8.7%	5.6%	8.3%	7.2%	Not Started	254,304,459
FinEx Sector Average	4.4%	-1.1%	8.9%	7.0%	8.3%	6.3%	7.3%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	2.1%	-11.5%	-0.9%	-0.2%	Not Started	Not Started	Not Started	7,388,398
Indexed Emerging Market Equity Fund (BlackRock)	-0.4%	-11.0%	2.1%	0.9%	Not Started	Not Started	Not Started	13,117,648
Sector Average	1.8%	-10.0%	1.2%	-0.2%	2.7%	1.9%	7.3%	
Equity Funds (Specialist)								
Indexed Top Tech 100	12.3%	-10.2%	14.1%	15.2%	18.8%	16.5%	13.3%	188,805,536
FinEx Sector Average	3.5%	-0.6%	10.4%	8.2%	6.3%	3.8%	5.5%	
Property Funds								
Property Fund	1.0%	-7.8%	-3.1%	Not Started	Not Started	Not Started	Not Started	32,468,932
Indexed European (Ex-UK) Property	6.9%	-29.3%	-12.0%	-4.2%	2.8%	2.3%	Not Started	163,933,064
Indexed Australasia Property	0.3%	-3.9%	-2.2%	1.4%	2.8%	3.5%	Not Started	193,145,063
Sector Average	0.6%	-5.9%	-0.9%	0.3%	3.6%	-0.7%	2.2%	
Dimensional Funds								
Global Short-term Investment Grade Fixed Income (Dimensional)	0.0%	-6.2%	-3.2%	-1.9%	Not Started	Not Started	Not Started	3,240,041
Euro Inflation Linked Int Duration Fixed Income (Dimensional)	1.3%	-8.1%	-1.1%	0.5%	Not Started	Not Started	Not Started	6,884,106
World Equity (Dimensional)	5.7%	-0.4%	11.5%	7.4%	Not Started	Not Started	Not Started	18,442,273
Global Short Fixed Income (Dimensional)	0.1%	-6.9%	-4.0%	-2.3%	Not Started	Not Started	Not Started	15,843,972
World Allocation 20/80 (Dimensional)	1.1%	-4.5%	-0.2%	0.0%	Not Started	Not Started	Not Started	8,050,340
World Allocation 40/60 (Dimensional)	2.2%	-3.6%	2.6%	2.0%	Not Started	Not Started	Not Started	26,761,945
World Allocation 60/40 (Dimensional)	3.4%	-3.1%	5.3%	3.7%	Not Started	Not Started	Not Started	28,641,509
World Allocation 80/20 (Dimensional)	4.5%	-1.9%	8.3%	5.2%	Not Started	Not Started	Not Started	15,426,607
Global Small Companies (Dimensional)	8.1%	0.3%	11.7%	Not Started	Not Started	Not Started	Not Started	8,658,185
Global Value (Dimensional)	5.8%	4.8%	12.1%	Not Started	Not Started	Not Started	Not Started	28,473,611
Global Sustainability Core Equity (Dimensional)	6.8%	-0.9%	11.8%	Not Started	Not Started	Not Started	Not Started	2,341,443
Funds Closed to New Business								
Indexed Eurozone Property	10.2%	-24.0%	-10.1%	-3.7%	3.3%	1.5%	Not Started	9,622,835
Indexed India Equity	-6.1%	-6.5%	10.3%	6.0%	6.9%	3.3%	Not Started	7,158,775
Income Opportunity (JP Morgan)	0.6%	-1.1%	-0.6%	-0.7%	0.0%	Not Started	Not Started	1,517,703
Diversified Assets	0.5%	-6.1%	4.6%	4.2%	4.5%	3.9%	Not Started	9,144,646
Earth Resources	0.9%	-5.0%	12.8%	11.6%	3.7%	-0.5%	Not Started	5,198,996
Green Resources	10.6%	-14.5%	10.4%	16.5%	11.6%	Not Started	Not Started	5,485,321

Source: Financial Express as at 01/03/2023.

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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Zurich Life Assurance plc
Zurich House, Frascati Road, Blackrock, Co. Dublin, A94 X9Y3, Ireland.
Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurich.ie
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