

Monthly Investment Review



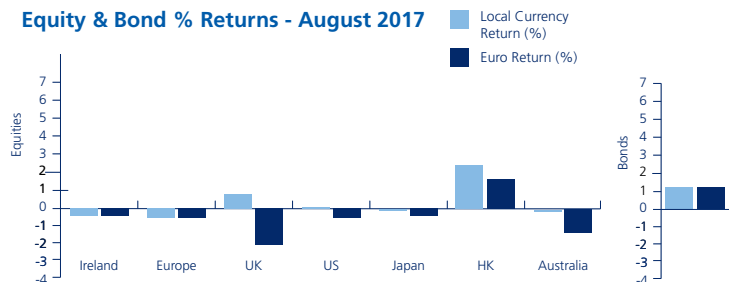
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Following strong local currency returns in the first seven months of 2017, equity markets treaded water in August. Strong economic fundamentals were somewhat stymied by geo-political concerns, especially regarding events in North Korea. Markets have been on an upward trajectory for well over eight years on the back of improving economic data globally and good corporate earnings growth. The predominant factor that has been affecting equity markets in the last few months has been the strong euro currency and the break-out on the upside of the euro dollar rate from its 30-month trading range (1.05 -1.15). It is now sitting at close to 1.20. This currency move has had the effect of significantly eroding local currency gains in international markets for eurozone investors. The euro's strength during 2017, a rise of c.13% against the US dollar, has been due to good eurozone economic data and hints by the ECB that tapering of 'quantitative easing' may be on the radar screen. Market participants continue to assess the pace of interest rate rises in the US – is this just a return to normality or could monetary policy eventually become too tight? Equities remain well valued on a relative basis compared to bonds and cash, although they have become more expensive on an absolute (P/E ratio) basis. Eurozone government bonds continue to offer little long term value.

Equity Markets

- Equities (in euro terms) fell back marginally in August, the result of further euro currency strength albeit at a greatly reduced level. However, economic and corporate earnings data continues to be supportive whilst global interest rates and inflation remain at low levels.
- World equities (in euro terms) fell by 0.5% in August and have given a total return of plus 1.9% in the first eight months of the year. Almost all of the major equity markets were little changed in local currency terms during the month. The exception was Hong Kong (+2.4%), continuing its long rally. Year-to-date, Hong Kong (+27.1%), the US (+10.4%) and Europe (+6.3%) have led the way.
- Sectorwise in the US, there was no clear-cut distinction between cyclical and defensive stocks. For example, the two best performing sectors in August were technology (+3.2%) and utilities (+2.7%). Slightly declining bond yields is the likely reason for some 'bond-proxies' performing well. Technology stocks continued their upward trajectory in August although this time it was Apple rather than the FANG stocks (Facebook, Amazon, Netflix and Google) that led the way. Year-to-date, the best performing sector has been technology (+25.3%), the worst energy (-16.8%), showing the huge divergence in sector returns within the S&P500 Index - an advantage for good active managers.

Equity & Bond % Returns - August 2017



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 5 Year Euro Government Bond Index. Source: Bloomberg, September 2017.

Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Government Bond Index rose by 1.2% in August, with core markets, such as German and the Netherlands, outperforming; and is now showing a flat return year-to-date. Declining inflation expectations and a build up in geo-political risk were the main causes of bond strength. The German 10-year bond yield, which had broken out of its nine-month trading range of 0.2% to 0.5% on the upside, fell back on the month. Bond prices have been holding up reasonably well this year following sharp declines in H2 2016.
- The German ten-year bond yield fell over the month from 0.54% to 0.36%. The yield had hit an all-time low of minus 0.19% on 8th July 2016. Equivalent US rates fell from 2.29% to 2.12%. Yields in the US reached a 2016 low of 1.36%, also on 8th July, and have risen due to the expectation of further interest rate rises and expected changes in US economic policy.
- The markets now expect possibly one further US rate rise, of 0.25%, before the end of 2017 following upward moves on 15th March and 14th June. Eurozone rates are likely to remain at current ultra-low levels for at least 12 months whilst a UK move is not expected until H1 2018.

Commodities & Currencies

- Commodity prices, as a rough rule-of-thumb, generally rise as economic growth expands. In the first eight months of the year many commodity prices have shown a positive return, the major exception being the price of oil which has a significant bearing on the overall commodity index. Although there was a sharp pick-up in the oil price in July, August saw a resumption of the downward trend. The overall commodity index fell by 0.9% in August and is now showing a negative 6.0% return year-to-date.
- After an almost 50% rally in 2016, oil prices have fallen by between 8% and 12% in 2017. Oil had been adversely affected by an increase in shale oil production, disappointment over the scale of OPEC's production cuts and the US's move to exit the Paris climate pact. The gold price rose by 4% during the month to \$1,319 per troy ounce and is up by 14.5% in the first eight months of the year. The copper price is up by almost 23% year-to-date.
- The euro currency strengthened by just under 1% against the US dollar during the month with the EUR/USD rate moving from 1.18 to 1.19. The rate began the year at 1.05.

Activity

Overweight equity positions were maintained during August in all of the multi-asset portfolios given the relative value argument as well as the stronger economic outlook and good corporate earnings. With regards to geographic positions the main overweights are in Europe, Asia (ex-Japan) and Ireland. The UK is underweight. The US has been reduced to neutral, mainly for currency reasons. It should be noted that the US represents 52% of the global equity index in market capitalisation terms. Sector positions were also broadly maintained during the month. The funds are overweight in industrials and consumer discretionary stocks and underweight in energy and utilities. Profits have been taken in technology stocks where the position is now more neutral.

Asset Class		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			✓

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Prisma Multi-Asset Funds*								
Prisma 	-0.5%	0.5%	1.0%	Not Started	Not Started	Not Started	Not Started	160,586,733
Prisma 	-0.1%	2.5%	2.8%	Not Started	Not Started	Not Started	Not Started	617,377,090
Prisma 	0.6%	6.3%	6.0%	Not Started	Not Started	Not Started	Not Started	639,505,479
Prisma 	0.9%	8.4%	7.7%	Not Started	Not Started	Not Started	Not Started	240,315,226
Prisma 	1.9%	9.7%	6.2%	Not Started	Not Started	Not Started	Not Started	21,121,935
Managed Funds								
Cautiously Managed	0.7%				Not Started	Not Started	Not Started	399,812,907
FinEx Sector Average	1.5%							
Balanced								1,626,367,390
FinEx Sector Average	1.4%							
Performance								1,291,476,196
Dynamic								1,537,493,581
FinEx Sector Average	1.1%							
Protected Funds								
Protected 70	0.6%				Not Started	Not Started	Not Started	15,678,645
Protected 80	-0.1%				Not Started	Not Started	Not Started	34,363,894
Protected 90	-1.0%				Not Started	Not Started	Not Started	12,155,500
Cash Fund								
Secure								281,117,219
Cash Fund	-0.5%					Not Started	Not Started	501,134,660
FinEx Sector Average	-0.2%							
Bond Funds								
Global Corporate Bond (JP Morgan)*				Not Started	Not Started	Not Started	Not Started	5,348,424,587
Global Government Bond (JP Morgan)*				Not Started	Not Started	Not Started	Not Started	347,019,969
Indexed Eurozone Government Bond (BlackRock)					Not Started	Not Started	Not Started	6,731,010
Active Fixed Income	-0.9%							171,623,833
Inflation-Linked Bond	-0.5%				Not Started	Not Started	Not Started	6,427,606
Long Bond	-1.5%					Not Started	Not Started	52,961,439
FinEx Sector Average	0.1%							
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	1.6%		Not Started	Not Started	Not Started	Not Started	Not Started	6,730,000,000*
Dynamic Diversified Growth (BlackRock)	4.7%				Not Started	Not Started	Not Started	15,863,028
Active Asset Allocation	0.5%				Not Started	Not Started	Not Started	270,229,236
Commodity Funds								
Gold	0.3%				Not Started	Not Started	Not Started	71,692,997
Indexed Global Energy and Metals	-10.2%					Not Started	Not Started	13,679,622
Equity Funds (Global)								
5 Star 5							Not Started	199,722,134
International Equity								1,286,372,884
Global Select (Threadneedle)							Not Started	6,408,161
Indexed Global Equity (BlackRock)**	-1.0%				Not Started	Not Started	Not Started	94,782,031
Sector Average	1.1%							
Equity Funds (European)								
5 Star 5 Europe						Not Started	Not Started	112,021,274
European Select (Threadneedle)							Not Started	11,381,164
Sector Average	7.7%							

Source: Financial Express as at 01/09/2017

The Financial Express sector averages shown are the average of all funds in each of the Financial Express sectors in the individual pensions category.

Annual management charges (AMC) apply. The fund returns shown are net of the AMC deducted by Zurich Life in our unit prices. 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.

* The Prisma Multi-Asset Funds were previously known as the Pathway Multi-Asset Funds.

* External fund size: Where external funds have been on the Zurich platform for less than two years, we have used the fund size of the underlying external fund.

** Performance using most recent data available.

N/S = Not Started.

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

	Year to Date	1 Year	3 Years	5 Years	Annualised 10 Years	15 Years	20 Years	Fund Size (€)
Equity Funds (Eurozone)								
Eurozone Equity	9.5%	18.4%	8.9%	12.9%	4.8%	Not Started	Not Started	80,784,731
Indexed Eurozone Equity (BlackRock)	7.8%	16.2%	8.0%	11.5%	Not Started	Not Started	Not Started	3,745,331
FinEx Sector Average	8.1%	14.3%	7.8%	11.6%	1.9%	5.5%	5.4%	
Equity Funds (Irish)								
Irish Equity	3.0%	9.3%	15.0%	19.0%	1.0%	Not Started	Not Started	16,621,362
Sector Average	2.5%	4.5%	11.4%	15.8%	-0.8%	4.2%	4.7%	
Equity Funds (American)								
5 Star 5 Americas	-4.5%	8.3%	10.8%	13.8%	7.7%	Not Started	Not Started	58,916,931
American Select (Threadneedle)	0.1%	12.7%	11.9%	14.2%	8.9%	7.8%	Not Started	11,364,782
Sector Average	-0.8%	8.9%	10.6%	13.5%	7.9%	6.8%	5.2%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	15.6%	17.2%	9.6%	9.8%	2.5%	Not Started	Not Started	77,225,203
Asia Pacific Equity	13.6%	17.3%	7.5%	8.6%	Not Started	Not Started	Not Started	9,462,995
Sector Average	10.8%	13.9%	4.4%	6.5%	3.6%	7.8%	5.8%	
Equity Funds (High Yield)								
Dividend Growth	-2.6%	7.6%	9.1%	12.5%	5.0%	Not Started	Not Started	220,670,887
FinEx Sector Average	1.1%	7.6%	7.6%	9.9%	4.2%	5.7%	4.9%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	21.2%	25.5%	7.6%	Not Started	Not Started	Not Started	Not Started	2,462,151,066*
Sector Average	13.5%	14.5%	4.6%	6.1%	2.7%	7.7%	Not Started	
Equity Funds (Specialist)								
Indexed Top Tech 100	9.6%	18.1%	18.2%	18.6%	13.5%	11.6%	Not Started	43,165,815
Sector Average	0.9%	3.5%	1.6%	4.2%	0.7%	3.7%	3.2%	
Property Funds								
Fund of REITs	9.1%	1.5%	7.8%	Not Started	Not Started	Not Started	Not Started	16,998,926
Indexed European (Ex-UK) Property	8.6%	1.1%	11.0%	12.2%	5.5%	Not Started	Not Started	56,569,548
Indexed Australasia Property	1.3%	-2.3%	6.3%	7.0%	3.3%	Not Started	Not Started	41,386,356
Sector Average	2.0%	3.1%	6.1%	6.5%	-2.6%	2.8%	6.2%	
Funds Closed to New Business								
Indexed Eurozone Property	10.4%	2.8%	10.7%	12.7%	3.0%	Not Started	Not Started	20,701,520
Indexed India Equity	13.2%	7.9%	6.5%	9.3%	2.8%	Not Started	Not Started	11,461,353
Income Opportunity (JP Morgan)	0.9%	1.7%	0.9%	Not Started	Not Started	Not Started	Not Started	3,725,494,314*
Diversified Assets	-0.8%	2.7%	2.9%	4.8%	Not Started	Not Started	Not Started	13,688,494
Earth Resources	-8.9%	-4.8%	-11.6%	-7.0%	Not Started	Not Started	Not Started	4,860,936
Green Resources	5.8%	7.9%	-4.7%	6.0%	Not Started	Not Started	Not Started	3,611,885
Small Cap Europe (Pictet)	11.0%	15.8%	12.4%	Not Started	Not Started	Not Started	Not Started	236,212,638

Warning: Past performance is not a reliable guide to future performance.

Warning: The value of your investment may go down as well as up.

Warning: Benefits may be affected by changes in currency exchange rates.

Warning: If you invest in this fund you may lose some or all of the money you invest.



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