

Monthly Investment Review



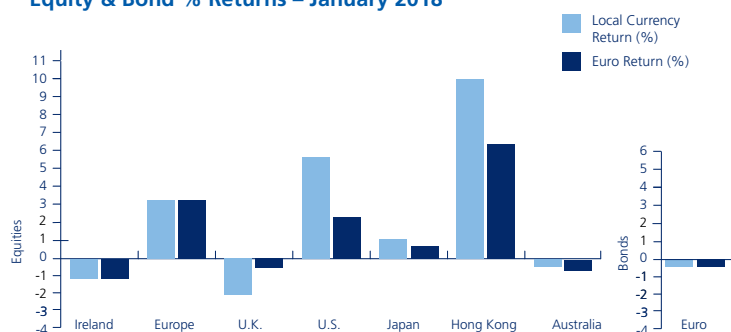
Richard Temperley
Head of Investment
Development

Equities began 2018 as they had left off 2017 by performing strongly. They were supported by good economic growth data and continued strong corporate earnings. The prospect of US corporate tax cuts also helped. However, the markets ran into some severe volatility at the end of January and into early February. The US market experienced a draw-down of close to 10% before beginning the recovery process. The brief correction was caused by a sharp rise in US 10-year Treasury yields (from 2.4% to 2.9%) which were reacting to a pick-up in US wage inflation. This had the result of making US equities appear less attractively valued when compared to bonds. Market participants continue to assess the pace of interest rate rises in the US – there have already been five rate rises (of 0.25%) in the cycle albeit from historically low levels of effectively zero percent. The Federal Reserve has forecast three further rate hikes in 2018 due to the strengthening of the labour market and economic activity. The macro-economic fundamentals, in general, continue to support equities although we are likely to experience further volatility during the remainder of 2018. Eurozone government bonds continue to offer little long-term value.

Equity Markets

- World equities (in euro terms) rose by 1.6% in January. Local currency returns, in general, were stronger with the leading markets being Hong Kong (+9.9%), the US (+5.6%) and Europe (+3.2%). The best performing sectors in the US in January were consumer discretionary (+9.4%), technology (+7.6%) and healthcare (+6.6%). Bond proxy sectors such as utilities (-3.1%), real estate (-1.9%) and telecoms (-0.6%) underperformed. These significant divergences – an advantage for good active managers – were also evident during 2017 when the technology sector was up by almost 37% whilst the utilities sector fell by 6%.

Equity & Bond % Returns – January 2018



This graph shows the performance of the major equity markets over the month of January. 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, February 2018.

Bonds & Interest Rates

- The Merrill Lynch over Five Year Euro Government Bond Index fell by 0.4% in January, with core markets such as Germany and the Netherlands significantly underperforming. Peripheral markets, such as Spain and Italy were in positive territory. Bond prices had held up reasonably well during 2017.
- The German ten-year bond yield rose in January from 0.43% to 0.70%. Equivalent US rates rose sharply from 2.40% to 2.72% before continuing higher at the start of February.
- The Federal Reserve has forecast three further rate rises (of 0.25%) in 2018 with more to come in 2019. Eurozone rates are likely to remain at current ultra-low levels for at least 12 months. The Bank of England increased rates, at the start of November 2017, for the first time in a decade by 0.25% to 0.5%, reversing emergency action following the Brexit vote. One or two further rate rises are currently expected during 2018.











































































Commodities & Currencies

- Commodity prices generally tend to rise as economic growth expands. During 2017, a number of commodity prices showed strong positive returns in US dollar terms including copper, gold and oil. Weakness in soft commodities and grains held back the overall index. January saw a mixed bag of returns with the overall index down just over 1%.
- The oil price rebounded sharply in the last four months of 2017, due to stronger demand, and this trend continued in January (up over 3%). The gold price rose by 2.3% during January to \$1,339 per troy ounce following a rise of 13.7% during 2017. The copper price fell by 3.1% during January following a rally of almost 32% in 2017.
- The euro currency strengthened against the US dollar during the month with the EUR/USD rate moving from 1.20 to 1.24.

Activity

Equity positions were maintained towards the upper end of ranges during January in all of the multi-asset portfolios. With regards to geographic positions, the main bias is towards European and Asian equities. The UK has been underweight for some time. The US is slightly underweight. Sector positions were also broadly maintained during the month. The funds are positively biased towards industrials and healthcare and negatively biased towards real estate and telecoms. Some profits were taken towards the end of 2017 in technology stocks. Bond positions are towards the bottom of ranges whilst the duration of the remaining bonds is low.

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			✓
	Soft Commodities	✓		

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Prisma Multi-Asset Funds*								
Prisma 	0.1%	0.6%	0.7%	N/S	N/S	N/S	N/S	171,367,061
Prisma 	0.3%	2.6%	2.3%	N/S	N/S	N/S	N/S	711,842,822
Prisma 	0.6%	6.2%	5.1%	N/S	N/S	N/S	N/S	812,158,186
Prisma 	0.9%	8.3%	6.7%	N/S	N/S	N/S	N/S	313,986,464
Prisma 	1.6%	10.3%	6.6%	N/S	N/S	N/S	N/S	29,940,650
Managed Funds								
Cautiously Managed						N/S	N/S	437,343,963
FinEx Sector Average	0.7%	4.8%	2.8%	4.6%	3.3%	4.1%	3.8%	
Balanced	1.0%							1,702,627,758
FinEx Sector Average	1.2%	6.8%	4.5%	8.3%	4.4%	5.9%	4.5%	
Performance	1.3%							1,368,648,370
Dynamic	1.4%							1,649,295,666
FinEx Sector Average	1.5%	7.9%	5.8%	9.0%	4.9%	6.2%	4.8%	
Protected Funds								
Protected 70	1.1%	5.9%	3.2%	7.1%	N/S	N/S	N/S	17,828,143
Protected 80	0.6%	2.9%	1.2%	4.4%	N/S	N/S	N/S	34,864,475
Protected 90	-0.1%	-1.0%	-1.2%	0.6%	N/S	N/S	N/S	10,720,690
Cash Fund								
Secure					0.6%			256,790,297
Cash Fund	-0.1%	-0.8%	-0.7%	-0.6%	0.0%	N/S	N/S	489,650,082
FinEx Sector Average	0.0%	-0.4%	-0.1%	0.0%	0.7%	1.1%	1.7%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	-0.7%			2.6%	N/S	N/S	N/S	8,290,876
Global Government Bond (JP Morgan)*	-0.6%	0.2%	-0.2%	1.7%	N/S	N/S	N/S	1,169,853
Indexed Eurozone Government Bond (BlackRock)	-1.2%	1.3%	0.3%	3.6%	N/S	N/S	N/S	6,090,950
Active Fixed Income		0.7%	0.5%					166,642,922
Inflation-Linked Bond	-0.5%	2.1%	0.5%	1.0%	N/S	N/S	N/S	6,877,163
Long Bond		2.1%	0.1%			N/S	N/S	52,114,590
FinEx Sector Average	-0.40%	2.30%	0.70%	3.80%	4.10%	4.10%	4.70%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	0.8%	1.5%	0.1%	N/S	N/S	N/S	N/S	97,982,908
Dynamic Diversified Growth (BlackRock)	0.9%	7.5%	0.9%	2.6%	N/S	N/S	N/S	15,976,158
Active Asset Allocation	0.6%	6.4%	5.0%	7.6%	N/S	N/S	N/S	313,131,671
Commodity Funds								
Gold	-0.4%	-4.8%	-2.4%	-3.2%	N/S	N/S	N/S	77,466,573
Indexed Global Energy and Metals	-1.5%	-4.8%	-2.6%	-5.9%	-6.2%	N/S	N/S	13,991,182
Equity Funds (Global)								
5 Star 5					6.3%		N/S	214,704,976
International Equity								1,533,364,409
Global Select (Threadneedle)							N/S	5,945,654
Indexed Global Equity (BlackRock)**	0.0%	6.9%			N/S	N/S	N/S	99,390,527
Sector Average	1.3%	8.8%	6.9%	10.9%	6.4%	7.4%	4.8%	
Equity Funds (European)								
5 Star 5 Europe						N/S	N/S	126,042,092
European Select (Threadneedle)			6.8%				N/S	11,072,722
Sector Average	2.4%	14.4%	7.2%	10.5%	5.7%	8.5%	6.2%	

Source: Financial Express as at 01/02/2018

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

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.

* 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	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Equity Funds (Eurozone)								
Eurozone Equity	3.4%	19.1%	8.8%	12.0%	6.8%	N/S	N/S	93,933,910
Indexed Eurozone Equity (BlackRock)	-2.5%	14.1%	6.8%	10.2%	N/S	N/S	N/S	9,080,338
FinEx Sector Average	2.7%	15.7%	7.5%	10.4%	3.9%	7.2%	4.6%	
Equity Funds (Irish)								
Irish Equity	-0.9%	10.2%	12.1%	17.3%	3.6%	N/S	N/S	16,951,584
Sector Average	0.0%	8.5%	8.1%	14.0%	1.9%	5.3%	3.9%	
Equity Funds (American)								
5 Star 5 Americas	2.1%	5.3%	9.3%	16.0%	9.3%	N/S	N/S	60,043,679
American Select (Threadneedle)	3.5%	11.5%	11.5%	16.5%	11.2%	9.8%	N/S	11,181,492
Sector Average	1.9%	7.5%	9.0%	15.5%	10.4%	8.6%	5.0%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	2.8%	21.4%	11.0%	10.8%	5.3%	N/S	N/S	86,600,723
Asia Pacific Equity	2.1%	19.1%	8.9%	9.6%	N/S	N/S	N/S	10,252,511
Sector Average	2.2%	14.8%	5.5%	7.1%	5.7%	9.2%	7.2%	
Equity Funds (High Yield)								
Dividend Growth	0.2%	3.7%	6.9%	12.4%	8.2%	N/S	N/S	228,934,184
FinEx Sector Average	1.3%	8.8%	6.9%	10.9%	6.4%	7.4%	4.8%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	4.9%	30.2%	9.7%	N/S	N/S	N/S	N/S	7,424,605
Sector Average	3.5%	19.9%	5.4%	6.4%	3.7%	9.8%	N/S	
Equity Funds (Specialist)								
Indexed Top Tech 100	4.8%	18.4%	15.5%	23.2%	16.5%	12.8%	N/S	50,187,305
Sector Average	0.3%	3.7%	2.5%	4.7%	1.9%	4.7%	3.2%	
Property Funds								
Fund of REITs	1.9%	26.2%	10.0%	N/S	N/S	N/S	N/S	20,378,601
Indexed European (Ex-UK) Property	-0.8%	17.3%	6.1%	11.9%	7.3%	N/S	N/S	66,400,207
Indexed Australasia Property	0.8%	2.7%	2.0%	5.5%	4.6%	N/S	N/S	48,254,116
Sector Average	-0.3%	5.7%	4.5%	7.2%	-1.3%	2.9%	5.8%	
Funds Closed to New Business								
Indexed Eurozone Property	0.4%	21.0%	7.7%	12.3%	5.5%	N/S	N/S	20,893,678
Indexed India Equity	-0.7%	15.5%	1.5%	8.3%	2.2%	N/S	N/S	11,305,422
Income Opportunity (JP Morgan)	0.1%	0.1%	1.2%	0.8%	N/S	N/S	N/S	7,168,629*
Diversified Assets	0.1%	4.1%	2.4%	5.4%	4.1%	N/S	N/S	12,830,827
Earth Resources	-2.0%	-1.8%	-5.0%	-4.2%	-5.3%	N/S	N/S	4,952,640
Green Resources	-4.9%	13.4%	0.4%	7.3%	N/S	N/S	N/S	3,788,958
Small Cap Europe (Pictet)	1.3%	18.2%	12.7%	N/S	N/S	N/S	N/S	2,415,039

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