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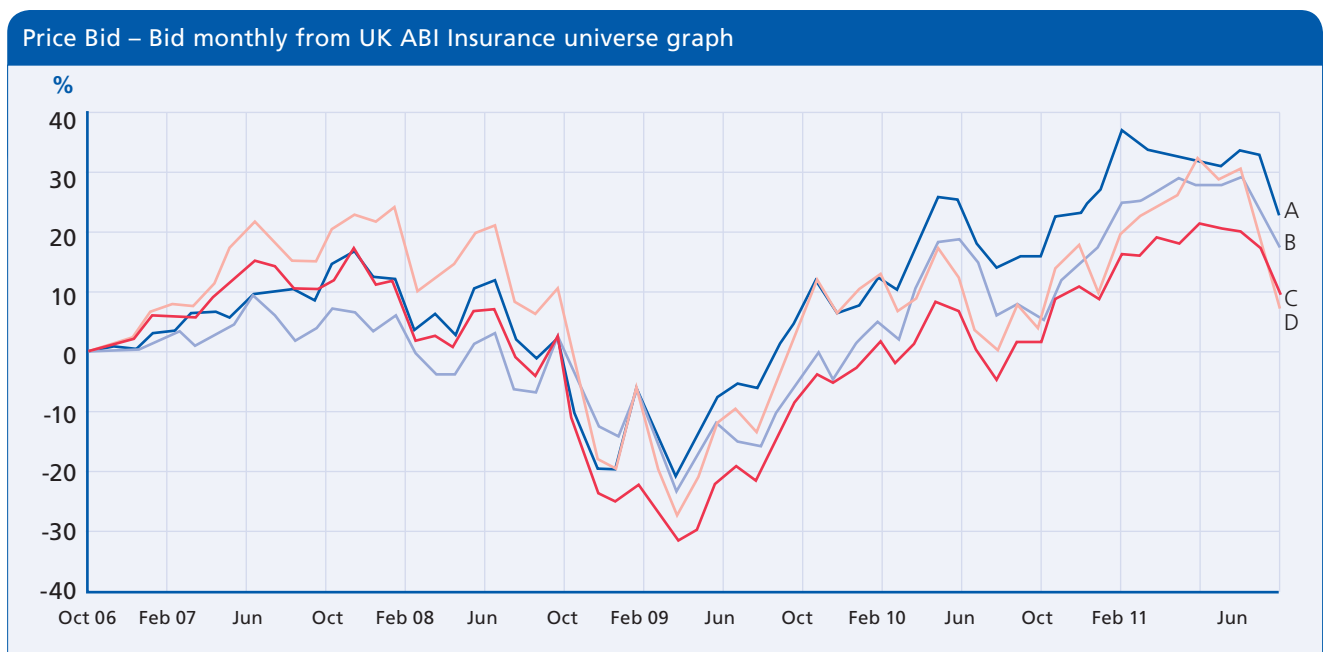
These concerns were made worse by the lack of decisive political action to tackle the eurozone debt crisis. European equity markets saw some of the sharpest falls.

This five-year graph clearly shows how volatile the world's stock markets have been over the last five years. While no one can accurately predict the future, it's important you keep a close eye on your investments so you know what to expect from them.

You shouldn't use past performance as a suggestion of future performance. It shouldn't be the main or sole reason for making an investment decision.

Please call your adviser or us if you have any questions about your plan or investments in general.

The value of investments and any income you take from it can fall as well as rise. You may not get back the amount you invested. Tax concessions are not guaranteed and their value will depend on individual circumstances, which may change in the future.



— A – FTSE World Asia Pacific Index TR in GB  
 — B – FTSE USA Index TR in GB

— C – FTSE All Share TR in GB  
 — D – FTSE World Europe Ex UK Index TR in GB

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At the start of the quarter, markets had been cheered by news that the Greek government had passed additional austerity measures, so securing the next tranche of the initial bailout package. However, Greece needed further funding and on 21 July a second rescue package was agreed, totalling €159bn. Powers were also granted to the European Financial Stability Facility (EFSF) to buy the debt of financially stressed nations, in the hope of limiting the degree of contagion to Italy and Spain. Italy has the largest total debt in the eurozone and ratings agency Standard & Poor's downgraded the country's credit rating from A+ to A. Within the eurozone, austerity measures and high unemployment have dampened consumer spending and overall economic activity, making it harder for these countries to meet the interest payments on government debt.

High debt burdens are a feature of developed economies including the UK, which has retained its AAA credit rating on the back of the government's five-year deficit reduction plan. In the US, lengthy political wrangling finally led to an agreement to raise the government's \$14.3trn debt limit and avoid a default. However, Standard & Poor's were unimpressed by the lack of firm action to tackle the rising debt burden and stripped the US of its AAA rating. US economic growth in Q2 proved worse than expected at 1.3%. Consumer spending, the key driver of the US economy, has essentially ground to a halt.

In September, President Obama announced a \$447bn package of tax cuts and government spending to boost the economy and create jobs – US unemployment stands at 9.1%.

The risk-averse mood and weak US economic data fuelled a strong rally in the major government bond markets. Sentiment was further uplifted by the Federal Reserve's announcement that US interest rates would remain at their record low through to mid-2013. Despite the rating downgrade, US treasury bonds performed very well with yields falling to historic lows. The gilt market was also very strong. Elsewhere, investment grade corporate bonds posted positive returns but emerging market and high yield bonds were hurt by the sharp decline in risk appetite.

We've written this commentary assuming you have some experience of investing and understand how investment markets can behave. This means that although we have tried to write as much as possible in plain language, we may have used certain words or phrases that might not be familiar to anyone new to investing. If there's something you don't understand, please contact your adviser. It is not an offer to buy or sell any investments or shares.

### Balancing risk and reward

The table below shows the unpredictable nature of equity markets. The usual way to avoid the ups and downs is to keep an investment for the medium to long term – for at least five to ten years. What counts is when your investment started and when it ends. And if you are a more cautious investor, you can reduce risk by limiting your portfolio invested in equities. For example, by choosing less volatile funds, such as those using bond and gilt investments for part of your portfolio.

You shouldn't use past performance as a suggestion of future performance. It shouldn't be the main or sole reason for making an investment decision.

#### UK – FTSE All Share Index table

This table shows how an investment of £20,000 in the Index would have grown by 30 September 2011 (dividends reinvested).

	10 years	5 years	4 years	3 years	2 years	1 year	6 months
<b>% growth</b>	59.24%	3.97%	-7.33%	19.19%	7.58%	-4.36%	-11.84%
<b>Average yearly growth</b>	4.76%	0.78%	-1.89%	6.03%	3.72%	-4.36%	–
<b>Cash value</b>	£31,848.32	£20,793.05	£18,533.57	£23,838.71	£21,515.17	£19,127.02	£17,631.27

Source: Financial Express, October 2011. The FTSE All-Share Index represents 98-99% of the UK market capitalisation. It is the aggregation of the FTSE 100, FTSE 250 and FTSE Small Cap Indices.

## Managing your plan

### Maintaining your plan

No one can accurately predict how markets will perform. Looking back over the years, falls have always been a feature of world stock markets, with each setback followed by a recovery – some taking longer than others. One of the best and most accepted ways to deal with volatility, if the choice is available to you, is to invest for the medium to long term. That doesn't mean holding on to your investments and hoping – it's important you make the decisions that are right for you.

Your plan may give you a number of options which can help you to maintain your investment for the medium to long-term and help you deal with uncertain markets.

- **Choice of funds** – we offer a wide range of funds suitable for almost all investment objectives, market conditions and attitudes to risk.
- **Regular payments** – if you are making regular payments, this may help to smooth out the impact of volatile markets. If you have stopped making regular payments, it may be a good time to review this with your adviser.
- **Regular or partial withdrawals** – when you need to access some of the money in your account. If you are taking fixed amount regular withdrawals from your investment, please be aware you may be eroding your capital.
- **Death benefit** – your plan may offer a death benefit, which gives you peace of mind as markets rise and fall, should the unexpected happen.

Please refer to your terms and conditions for more details.

In assessing these options, we believe your adviser, who will take account of your personal circumstances, aims and attitude to risk is best placed to help you make the right choices. If you are thinking about making changes to your plan, we do recommend you seek financial advice.

### Reviewing your fund choice

It's likely that over time your attitude to risk will change – usually becoming more cautious. Similarly, over time your investment objectives may change – after a period of investing for growth, income could become the main objective. With ever changing markets and the possibility your circumstances may have changed since you started your plan, we suggest you review your funds regularly. This should help make sure you have the best chance of getting the most from your investment in the long term.

Your adviser can help you decide whether there are funds more suited to your current circumstances.

## Who's working for you?

### Your adviser

It's important to find the most suitable product and invest in the most appropriate funds. To do that, your adviser has researched your investment objectives and attitude to risk before recommending a plan. Your adviser can help you review your plan regularly to make sure it continues to meet your needs.

### Zurich

Zurich administers your plan, which involves its day-to-day maintenance – acting on your instructions to switch funds, allocate further investments, pay withdrawals and income, reclaim tax and send regular statements. We are unable to give investment advice, or calculate or comment on individual tax payable. For more information, see our website at [www.zurich.co.uk/life](http://www.zurich.co.uk/life)

### The fund managers

Each investment company employs a team of dedicated fund managers, each responsible for a fund working to defined objectives. Backed by a team of researchers, they thoroughly analyse their market before deciding where to invest your money.

## The fund centre

### Keep track of your investment

Through our website at [www.zurich.co.uk/life](http://www.zurich.co.uk/life) you can keep track of most of our funds. The funds information pages let you see the latest unit prices and the fund factsheets show how your funds are performing, where they invest and other useful information to help you manage your investment with us. If your fund is not listed on these pages, unit prices can be obtained by calling the numbers below.

## Keeping in touch

There are literally millions of pounds lying unclaimed in insurance plans, pensions and other investments, simply because people fail to let companies know they have moved house. The Government already has plans to reinvest in the community unclaimed assets from bank and building society accounts and it is keen to extend the scope to include other investments.

**It's important we keep in touch. If you move, please let us know your new address.**

## For more information

**Please contact your adviser or call us on 0870 241 6945 for life assurance and investments or 0870 241 6950 for pensions**

**Visit our website at [www.zurich.co.uk/life](http://www.zurich.co.uk/life)**

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