

GLOBAL EQUITIES REACH LATE MAY HIGHS

Markets get over their "Taper Tantrum"

Markets bounced back in July and seemed to get over the 'taper tantrum'. Volatility also normalised over the month. Economic data was broadly positive, especially in the eurozone.



Global equity markets bounced back in July as investors became comfortable with the planned tapering of bond purchases in the US. Economic data was also positive, especially in the eurozone, which helped boost developed markets. The FTSE World Index rose 5.22% in July, bonds in the eurozone also posted modest positive gains.

Global Market performance July 2013

	July performance
FTSE World Index	5.22%
ISEQ Overall	3.67%
ML EMU Direct Govt 5+ YRS(EUR)	0.82%
ML EMU Direct Govt 3-5 YRS(EUR)	0.61%
ML EMU Direct Govt 1-3 YRS(EUR)	0.30%

Source: Moneymate 14 August 2013

Eurozone markets:

Improving business and consumer sentiment means the market generally expects the region to return to growth in the third quarter:

- Consumer confidence in the eurozone is at a 23-month high
- The purchasing managers' index for manufacturing breached 50, the level which separates expansion from contraction, for the first time in two years.

Even though the risk of a eurozone collapse has greatly diminished, there remains a degree of political instability in the periphery. Standard & Poor's cut Italy's credit rating one notch to BBB given the government's lack of economic reform.

US markets:

Economic data in July was less encouraging in the US, for example the market witnessed weaker retail sales figures, housing starts and a lower composite PMI. However, on balance the US economy remains on a path of gradual improvement. This is why the Federal Reserve are looking to reduce the support from quantitative easing. The labour market continues to improve, with 195,000 jobs added in June. However, the Fed is targeting a threshold of 6.5% unemployment before it may begin to talk of interest rate rises, so monetary policy will likely remain very loose, as even at current pace of job creation it will be some time before this threshold is reached. Earnings season was relatively muted in the US. Companies generally beat Analysts' estimates, albeit from low expectations. According to JP Morgan, over two thirds of the S&P 500 by market capitalisation having reported, the 3.7% of aggregate earnings had beaten estimates. This has largely been driven by the financials sector, excluding which the beat is only 1.7%.

Emerging markets:

Emerging market economic growth continues to slow:

- The Chinese economy grew by 7.5% over a year ago in the second quarter. This represented the third consecutive quarterly year-on-year decline in growth.
- The manufacturing PMIs for China fell back below 50, suggesting a further slowing of growth in the coming quarters.

JULY FUND PERFORMANCE UPDATE

Funds higher up the risk scale post strong returns

In line with the increased risk appetite in the market, our funds higher up the risk scale performed strongly. Two funds produced double digit monthly returns, the Aviva Irl Euro Financials Fund Series 2 and the Aviva Irl BlackRock World Gold Fund. Our other natural resources funds also posted strong monthly returns in the high single digits.

Fund Name	Monthly Return	Annualized Return	YTD Return	3-Month Return	6-Month Return	12-Month Return
Aviva Irl Euro Financials Fund Series 2	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Aviva Irl BlackRock World Gold Fund	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%
Aviva Irl Natural Resources Fund	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
Aviva Irl Global Infrastructure Fund	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Aviva Irl Global Infrastructure Fund Series 2	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Aviva Irl Global Infrastructure Fund Series 3	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Aviva Irl Global Infrastructure Fund Series 4	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Aviva Irl Global Infrastructure Fund Series 5	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Aviva Irl Global Infrastructure Fund Series 6	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
Aviva Irl Global Infrastructure Fund Series 7	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Aviva Irl Global Infrastructure Fund Series 8	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Aviva Irl Global Infrastructure Fund Series 9	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Aviva Irl Global Infrastructure Fund Series 10	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
Aviva Irl Global Infrastructure Fund Series 11	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Aviva Irl Global Infrastructure Fund Series 12	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Aviva Irl Global Infrastructure Fund Series 13	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Aviva Irl Global Infrastructure Fund Series 14	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Aviva Irl Global Infrastructure Fund Series 15	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Aviva Irl Global Infrastructure Fund Series 16	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Aviva Irl Global Infrastructure Fund Series 17	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Aviva Irl Global Infrastructure Fund Series 18	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Aviva Irl Global Infrastructure Fund Series 19	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Aviva Irl Global Infrastructure Fund Series 20	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Aviva Irl Global Infrastructure Fund Series 21	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Aviva Irl Global Infrastructure Fund Series 22	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Aviva Irl Global Infrastructure Fund Series 23	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Aviva Irl Global Infrastructure Fund Series 24	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Aviva Irl Global Infrastructure Fund Series 25	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%

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