Diversifying your clients' portfolio through sector investing

ZURICH®

There are many different ways to diversify your clients' investment portfolio; different regions or asset classes are popular methods, but when it comes to diversification it is useful to think about alternative methods. You may wish to consider diversifying your clients' investments within asset classes themselves; known as sector investing, this can be a useful technique for adding a performance edge to your clients' portfolio.

What are the benefits of sector investing?

Sector investing involves concentrating a portion of your clients' investments into one particular segment of business activity and may help to increase their overall return. The benefits of a spread of sector investments in your clients' portfolios can be summarised as follows:

- Investors can increase the number of available investment opportunities as, over periods of time, one or more sectors tend to outperform the broad market.
- Global competition means that domestic market sectors' assets operate in a wider marketplace and compete globally.
- Investors gain access to regional performance differences as countries experience differing levels in their growth cycles.

Are sector funds right for my clients?

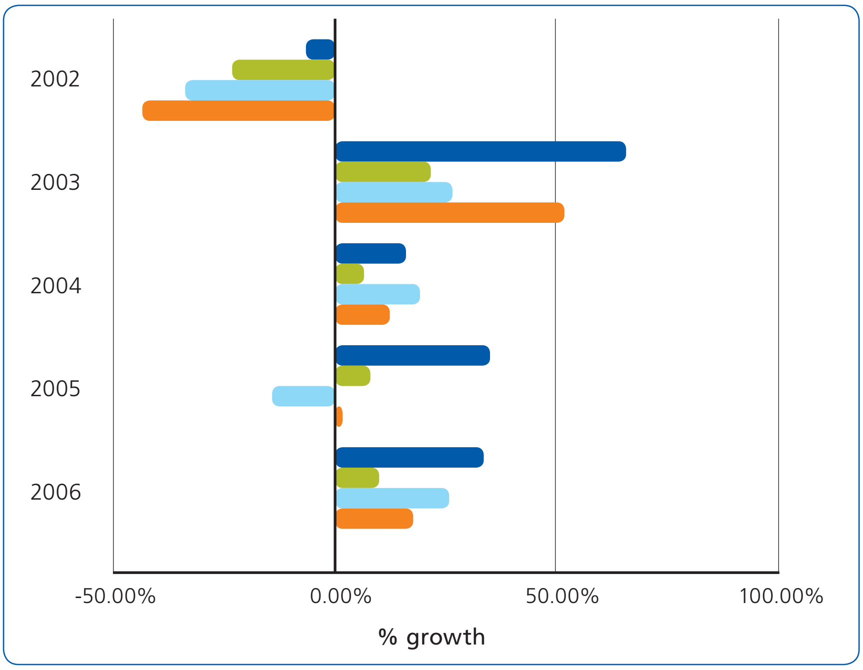
Whether sector investing is something you should consider depends on your clients' personal circumstances and risk tolerance. Keep in mind that investing solely in sector funds does not constitute a balanced investment portfolio and would not be appropriate if your client's key goal is to preserve their capital. However, sector funds may be appropriate for your client if:

- Most of their portfolio is already diversified across regions and asset classes.
- Your client's goal is to outperform the broad stock market over time.
- Your client is comfortable taking a higher degree of risk in a portion of their portfolio in return for potentially higher than average returns over the long-term.
- Your client can hold their sector investments for the longer term to allow the value inherent in the investment to unwind over time.

Narrow focus

The chart below shows the returns generated by four different sectors over the years 2002, 2003, 2004, 2005 and 2006. The narrow focus of sector investments means they are particularly vulnerable to the ups and downs of the stock market, and can be highly volatile. Of course, investing for the long-term is important as it gives your clients' investments time to ride out such fluctuations. Please remember that past performance is not a guide to future performance. The value or any investment and the income from it can fall as a result of market and currency fluctuations and you could get back less than the amount originally invested.

Returns by global market sector over the last five years



Global metals and mining
Global telecommunications
Global healthcare
Global technology

Source: Standard & Poor's. Figures from 01.02.02 to 01.01.07, bid to bid gross in US dollars. Global technology is represented by the MSCI World Technology index, Global telecommunications are represented by the MSCI World Telecommunications index, Global healthcare is represented by the MSCI World Healthcare index and Global metals and mining by the MSCI World metals and mining index. Past performance is not a guide to future performance.

Percentage growth

	Jan 2006 – Jan 2007	Jan 2005 – Jan 2006	Jan 2004 – Jan 2005	Jan 2003 – Jan 2004	Jan 2002 – Jan 2003
Global technology	15.4%	1.8%	8.8%	50.8%	-40.5%
Global telecommunications	27.8%	-12.5%	14.7%	22.8%	-30.4%
Global healthcare	9.0%	7.6%	4.7%	18.0%	-18.9%
Global metals and mining	34.5%	33.7%	13.9%	64.3%	-4.3%

Source: Standard & Poor's. Figures from 01.01.02 to 01.01.07, bid to bid gross in US dollars. Global technology is represented by the MSCI World IT index, Global telecommunications are represented by the MSCI World Telecommunications index and Global healthcare is represented by the MSCI Healthcare index. Past performance is not a guide to future performance. Annual performance figures are for discrete years, for example Jan 2003 – Jan 2004 equals 01.01.2003 to 01.01.2004.

Sector funds

A popular way to diversify your clients' portfolios in sectors is to invest through an appropriate pooled fund. Managed by a professional fund manager, these funds are deemed to be less risky than investing in individual stocks in a sector, as they invest in a broader range of companies based on the fund manager's research and expertise.

Please remember that past performance is not a guide to future performance. The value of any investment and the income from it can fall as a result of market and currency fluctuations and you could get back less than the amount originally invested.

This is one of the many reasons that Zurich International Life's mirror fund range and International Wealth Account platform offer investment options that can help your clients gain actively managed exposure across a range of global market sectors.
Full details of Zurich International Life's funds and their charges are available in the 'Investments – Your guide', 'Mirror funds – Your guide' and the 'International Wealth Account/Wealth Preservation Account – guide to your investments' booklets, copies of which are available on request.

Important information

Zurich International Life is a business name of Zurich International Life Limited.

Zurich International Life Limited is fully authorised under the Isle of Man Insurance Act 1986 which ensures that the company has sound and professional management and provision has been made to protect policyowners.

For life assurance companies, the Isle of Man's Life Assurance (Compensation of Policyholders) Regulations 1991, ensure that in the event of a life assurance company being unable to meet its liabilities to its policyowners, up to 90% of the liability to the protected policyowner will be met.

The protection applies to the solvency of Zurich International Life Limited and does not extend to protecting the value of the assets held within any unit-linked funds linked to your policy.

Policy owners will not be protected by the UK Financial Services Compensation Scheme.

This sales aid is not intended as an offer to invest.

Zurich International Life is only able to give information on the products of Zurich International Life Limited.

Zurich International Life is only able to give information on the products of Zurich International Life Limited. Zurich International Life Limited is registered (Registration No.63, February 17,1991) under UAE Federal Law No.9 of 1984 and its activities in the UAE are governed by such law.

Zurich International Life Limited is registered in Bahrain under Commercial Registration No.17444.

This literature relates to an insurer which is not authorised to carry on insurance business in Gibraltar. This means that the management and solvency of the insurer are not supervised by the regulatory authority in Gibraltar.

Owners of any policies issued by the insurer are not protected in Gibraltar by any guarantee scheme if the insurer should be unable to meet its liabilities to you.

Zurich International Life Limited is authorised by the Monetary Authority of Singapore to conduct life insurance business in Singapore.

Calls may be recorded for training and quality purposes.

Issued by Zurich International Life Limited which provides life assurance, investment and protection products and is authorised by the Isle of Man Government Insurance and Pensions Authority.

Registered in the Isle of Man Number 20126.

Registered office: 43-51 Athol Street, Douglas, Isle of Man, IM99 1EF, British Isles.

Telephone +44 1624 662266 Telefax +44 1624 662038 www.zurichintlife.com

This document is approved by Zurich International Solutions Limited, UK Life Centre, Station Road, Swindon, Wiltshire, SN1 1EL, United Kingdom.

Zurich International Solutions Limited is authorised and regulated by the Financial Services Authority for the purposes of promotion of the products offered by Zurich International Life into the United Kingdom. Other rules of the Financial Services Authority may not apply to Zurich International Life Limited as a non-UK based insurer.

The rules and regulations made by the Financial Services Authority and made under the Financial Services and Markets Act 2000 may not apply to policyholders outside the United Kingdom.

Zurich International Life Limited is part of the Zurich Financial Services Group which has a representation in more than 50 countries.

Because change happenz™

ZURICH®

MSP(D)9511 12225SA01 (01/07) MR