

Investment Outlook 2015

There is still
value to be had



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An active approach to investing your money

At Zurich we aim to
deliver long-term
consistent investment
performance.

We believe that people need people to look after their money so we take a 'hands-on', active approach to selecting the right assets and the right stocks to fit investment portfolios.

Financial markets will always give opportunities to good active managers to deliver better performance so we position ourselves to capture that.

Today we manage over €17 billion* in investment assets and have a reputation for delivering consistent outperformance. In fact, in 2014 all 29 of our actively managed funds delivered positive returns.

* Source: Zurich Life, January 2015.

OVER

€17 bn

IN ASSETS UNDER
MANAGEMENT*



Eimear Moloney, Senior Fund Manager, Zurich Life.

Are equities still the most attractive asset class?

The Investment Outlook 2015

The unprecedented global central bank policy of low interest rates remains a key support for financial markets. We believe that equity markets are fairly valued versus history and they look attractive compared to cash and bonds. And, as with 2014, euro weakness could reward investors in foreign assets.

But of course, as it is likely that the US and UK will raise interest rates during the year, volatility in markets may increase.

Upside risks to outlook:

- Lower oil prices to help global GDP growth.
- Supportive central bank policy action may boost growth particularly in Europe and Asia.
- Sentiment towards Eurozone is negative, potential for upside surprises?
- US economic recovery to accelerate more.

Downside risks to outlook:

- Political risk in Europe increases – elections in Greece, UK, Finland, Portugal and Spain. Debate about UK referendum to leave EU continues.
- Geopolitical risks remain in Russia and Middle East.
- Deflationary worries permeate various global regions.
- Policy tightening in the UK and the US: how will markets react?

Global growth should improve



- Consensus expectations look for global growth to increase in 2015.
- Less austerity and a weaker currency should help growth prospects for the Eurozone.
- Commodity price falls will boost growth for many countries.
- China continues to manage the transition to more sustainable growth levels.

Equities still the most attractive asset class on relative valuation grounds



- Equity markets are fairly valued on a historical basis and attractively valued versus cash and bonds.
- Consensus expectations are for 8.5% earnings growth in 2015. Similar returns for equities seem possible.
- US equities have been helped by stronger growth prospects, better earnings and shareholder friendly policies. Other regions need to follow suit to attract capital flows.
- There remains scope for improvement in profit margins for many equity markets.

Ultra-low bond yields - an attractive long term investment?



- ECB policy rates should remain low for an extended period. Subdued growth and ultra-low inflation are the main reasons for this. These factors could sustain low bond yields for some time.
- Long-term Eurozone bond yields could be further suppressed by Quantitative Easing (QE). Clarity on QE by the ECB should emerge during H1 2015. Valuations, however, are not supportive of fixed income as a long term investment.
- US and UK short-term rates should increase in 2015. The trajectory of increases will be slow.

Currency weakness is the preference for most central banks

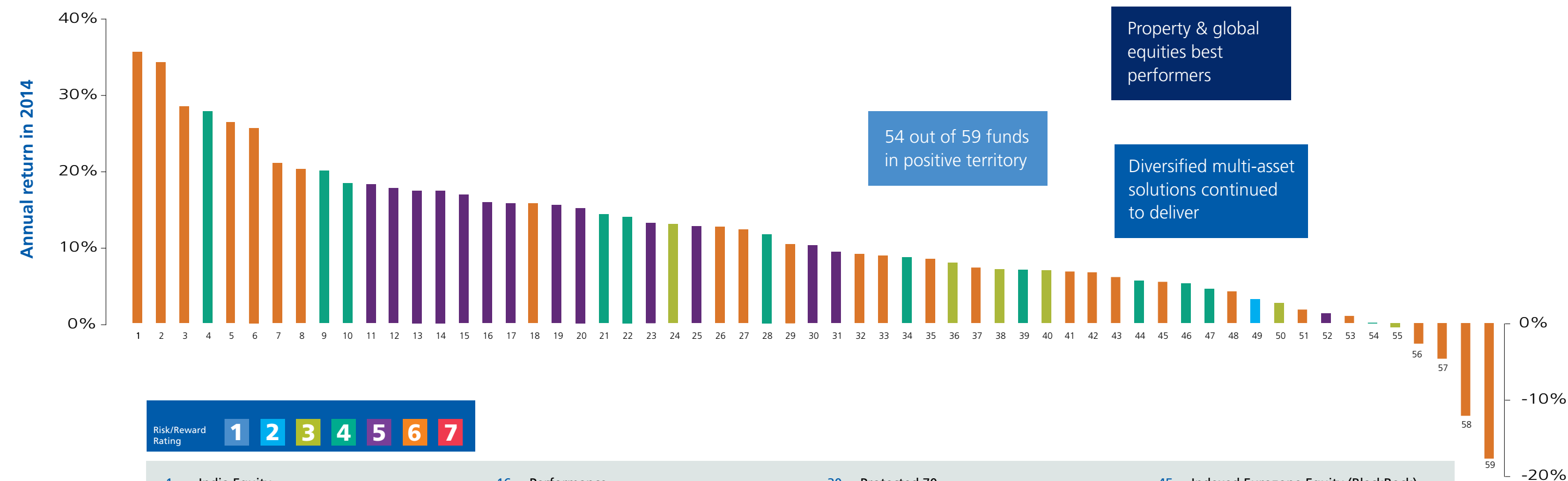


- The Bank of Japan has been the strongest proponent of currency depreciation in 2014.
- US dollar strength has arisen by default. As other central banks pursue weaker currency policies US dollar strength is likely to persist in 2015.
- Global central banks' policy will diverge in 2015. Volatility in foreign exchange markets may increase as a result.
- Gold prices stabilised during 2014, consolidation to continue in 2015?

This outlook of potential investment market developments in 2015 does not constitute an offer and should not be taken as a recommendation from Zurich Life. Advice should always be sought from an appropriately qualified professional.

2014 – The year in numbers

In 2014 investment risk continued to be rewarded



1. India Equity	16. Performance	30. Protected 70	45. Indexed Eurozone Equity (BlackRock)
2. TopTech 100	17. Pathway 5	31. Global Dividend (M&G)	46. Emerging Local Currency Debt (Pictet)
3. 5★5 Americas	18. Irish Equity	32. 5★5 Asia Pacific	47. Inflation Linked Bond
4. Long Bond	19. Dynamic	33. Japan Index (BlackRock)	48. Eurozone Equity
5. Global Property Equities (Henderson)	20. Balanced	34. Global Real Return (PIMCO)	49. Pathway 2
6. Australasia Property	21. Active Asset Allocation (AAA)	35. 5★5 Europe	50. Protected 90
7. American Select (Threadneedle)	22. Pathway 4	36. Global Government Bond (JP Morgan)	51. Small Cap Europe (Pictet)*
8. European (Ex UK) Property	23. 5★5 Global	37. Pathway 6	52. Irish Government Bond 2016
9. Active Fixed Income	24. Indexed Eurozone Government Bond (BlackRock)	38. Global Corporate Bond (JP Morgan)	53. Green Resources
10. Cautiously Managed	25. European Select (Threadneedle)	39. Protected 80	54. Secure
11. Global Equity (MFS Meridian)	26. Gold	40. Pathway 3	55. Income Opportunity (JP Morgan)
12. Dividend Growth	27. Emerging Market Opportunities (JP Morgan)	41. UK Index (BlackRock)	56. Euro Markets (BlackRock)
13. Indexed Global Equity (BlackRock)	28. Diversified Assets	42. UK Growth (M&G)	57. Earth Resources
14. International Equity	29. Asia Pacific Equity	43. Europe ex-UK Index (BlackRock)	58. Global Commodities
15. Global Select (Threadneedle)		44. Dynamic Diversified Growth (BlackRock)	59. CommoditiesPLUS Strategy (PIMCO)

Source: Zurich Life, January 2015. 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. * Figure quoted 1/1/2014 to 31/12/2014, and all others quoted 1/1/2014 to 1/1/2015.

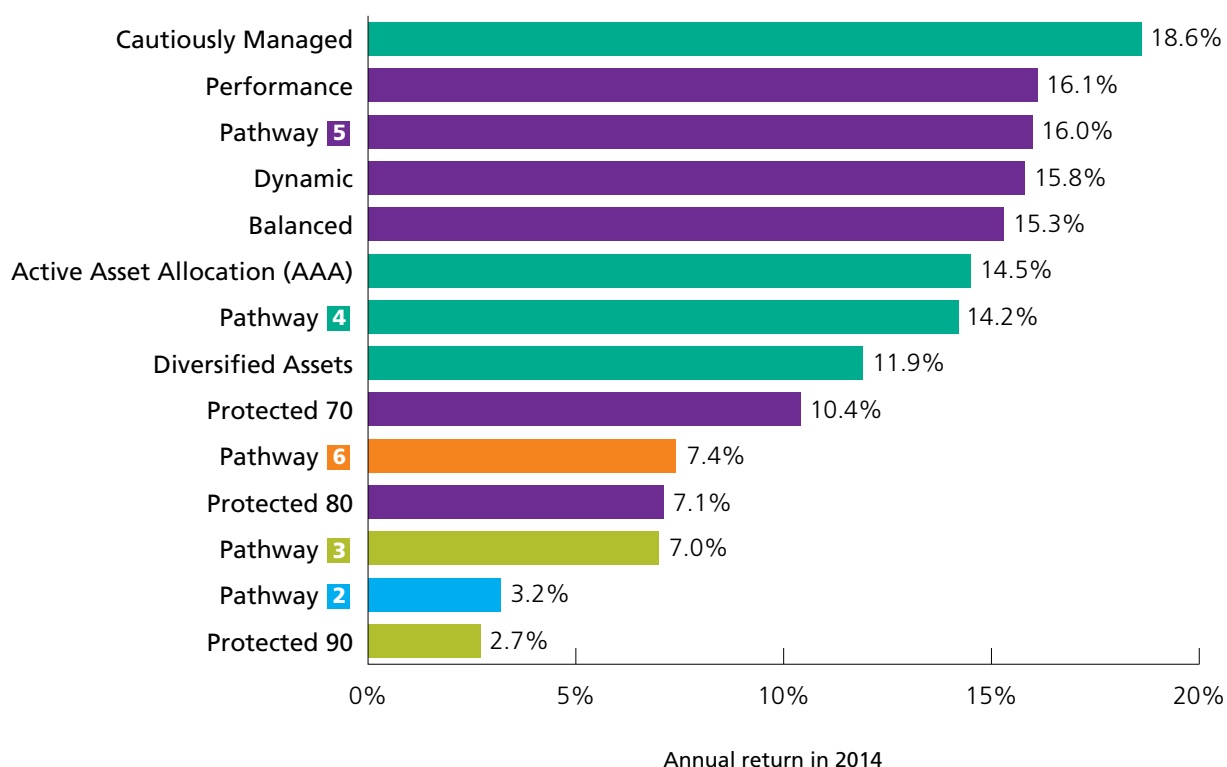
Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: Benefits may be affected by changes in currency exchange rates.
Warning: If you invest in this product you may lose some or all of the money you invest.

Multi-asset funds - another positive year

At Zurich we have a range of diversified multi-asset solutions, from our 25-year old managed funds through to our new style Pathway risk targeted solutions.

For customers seeking a diversified fund solution for their investment needs, we have the choice they need.

2014 was another good year for performance with all our multi-asset funds in positive territory



Source: Zurich Life, January 2015. 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.

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A woman with dark hair tied back in a ponytail, wearing a black blazer over a white top, is looking intently at a computer monitor. The background is a blurred office setting.

Keep track of investments in 2015

- Weekly and Monthly Investment Bulletins
- Pathway Funds Monthly Report
- Regular Webinars and Investment Updates
- Monthly Fund Factsheets

For more information, visit the fund section at zurichlife.ie

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