

# Monthly Investment Review

The unprecedented global central bank policy of low interest rates remains a key support for financial markets. Although price earnings multiples have crept up, equities remain reasonably valued compared to cash and bonds. Euro currency weakness has continued to reward investors in foreign assets in 2015. As it is likely that the US and the UK will begin to raise interest rates early in 2016, volatility in markets may increase from current low levels. Long-term eurozone bonds yields are not attractively valued and prices have come under pressure recently.



**Richard Temperley**  
Head of Investment Development

## Zurich Life Fund Allocations & Activity

**Equities:** The funds are overweight but less so than before.

**Bonds:** The funds are underweight and maintain a preference for Spanish and Irish over German and Belgian bonds.

**Activity:** The bond positions were traded on a tactical basis. European equities (ex-Ireland) were cut back to underweight.

### Regionally, the funds are:

- Underweight in the UK, North America and Europe (ex-Ireland).
- Neutral in Europe (including Ireland) and Asia Pacific (ex-Japan).
- Overweight in Ireland and Japan.

### Sectorwise, the funds are:

- Underweight utilities and energy.
- Overweight consumer goods and industrials.
- Otherwise broadly balanced.

**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 fund you may lose some or all of the money you invest.

## Equity Markets

- Equities (in euro terms) resumed their upward trajectory in May, following the first down month in fifteen during April. However, markets ebbed and flowed during May adversely affected at times by bond market weakness and the Greek debt situation. Comments by an ECB council member regarding the partial front-loading of summer QE resulted in a strong finish. On a technical basis, the global index (in euro terms) dipped below its 50-day moving average mid-month but remains well above the critical 200-day moving average.
- World equities (in euro terms) rose by 2.3% in May and have given a total return of a strong 16.1% during the first five months of 2015. There was a mixed bag of returns for the major markets in local currency terms during the period ranging from plus 5.1% in Japan to minus 2.5% in Hong Kong. Hong Kong saw some profit taking in May following a massive upward move the previous month on the back of the opening up of the market to mainland Chinese investors.
- Sectorwise in the US, healthcare was the strongest sector (+4.3%) while bond-proxy sectors, such as utilities and telecoms, underperformed. The energy sector (-5.2%) lost most of the previous month's gains.

(-2.5%), giving a total return of plus 1.8% in the first five months of 2015. Bond prices in general fell back due to liquidity concerns as well as profit-taking.

- The German 10-year bond yield rose in May from 0.37% to 0.49%. The yield hit an intra-month high of 0.70% before being supported by the QE front-loading story. Equivalent US rates rose from 2.03% to 2.21%. Bonds are seeing a significant pick-up in volatility.
- The Federal Reserve is now expected to keep interest rates at record low levels until December 2015, with a small chance of a rate rise in September. The Bank of England is not expected to move until early 2016. ECB rates are unlikely to move upwards for the foreseeable future.

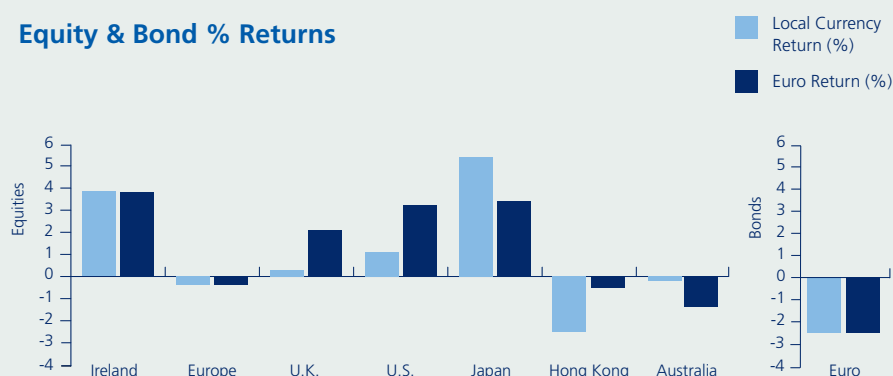
## Commodities & Currencies

- Commodity prices overall were down by 2.7% (in dollar terms) in May, following the previous month's sharp rise on the back of higher oil prices. Commodities are down 3% so far this year.
- The gold price was virtually flat on the month, ending at \$1,189 per troy ounce.
- The euro currency was mixed against the major currencies during May - weaker against the US dollar, sterling and the Swiss franc but stronger against the Japanese yen and the Aussie dollar. The €/£ rate moved from 1.12 to 1.10 over the month.

## Bonds & Interest Rates

- The Merrill Lynch Euro over 5 Year Index fell heavily for the second month-in-a-row in May

## Equity & Bond % Returns



This graph shows the performance of the major equity markets over the month of May. The returns are shown in both local and euro currencies. The bond index is the Merrill Lynch over 5 Year Euro Government Bond Index.

# Zurich Life Annualised Performance to 1st June 2015

|  | Year to Date | Annualised   |              |              |             |             |             | Fund Size (€) |
|--|--------------|--------------|--------------|--------------|-------------|-------------|-------------|---------------|
|  |              | 1 Year       | 3 Years      | 5 Years      | 10 Years    | 15 Years    | 20 Years    |               |
| Pathway Multi-Asset Funds                    |              |              |              |              |             |             |             |               |
| Pathway <b>2</b>                             | 1.9%         | 3.8%         | N/S          | N/S          | N/S         | N/S         | N/S         | 64,625,108    |
| Pathway <b>3</b>                             | 4.9%         | 9.5%         | N/S          | N/S          | N/S         | N/S         | N/S         | 200,935,655   |
| Pathway <b>4</b>                             | 9.6%         | 19.2%        | N/S          | N/S          | N/S         | N/S         | N/S         | 241,911,561   |
| Pathway <b>5</b>                             | 13.9%        | 26.2%        | N/S          | N/S          | N/S         | N/S         | N/S         | 81,327,673    |
| Pathway <b>6</b>                             | 17.3%        | 18.8%        | N/S          | N/S          | N/S         | N/S         | N/S         | 10,429,788    |
| Managed Funds                                |              |              |              |              |             |             |             |               |
| Cautiously Managed                           | <b>7.3%</b>  | <b>19.2%</b> | <b>12.6%</b> | <b>9.7%</b>  | N/S         | N/S         | N/S         | 329,046,138   |
| FinEx Sector Average                         | 5.6%         | 10.4%        | 7.0%         | 5.5%         | 3.7%        | 3.5%        | 4.6%        |               |
| Balanced                                     | <b>12.8%</b> | <b>24.0%</b> | <b>17.5%</b> | <b>12.5%</b> | <b>7.7%</b> | <b>5.5%</b> | <b>9.2%</b> | 1,750,136,119 |
| FinEx Sector Average                         | 11.7%        | 20.5%        | 15.1%        | 10.4%        | 5.2%        | 3.5%        | 7.3%        |               |
| Performance                                  | <b>13.9%</b> | <b>25.7%</b> | <b>18.6%</b> | <b>13.1%</b> | <b>7.8%</b> | <b>5.3%</b> | <b>9.1%</b> | 1,357,576,466 |
| Dynamic                                      | <b>15.2%</b> | <b>27.4%</b> | <b>19.8%</b> | <b>13.8%</b> | <b>8.2%</b> | <b>5.2%</b> | <b>9.1%</b> | 1,686,551,721 |
| FinEx Sector Average                         | 13.3%        | 21.8%        | 15.0%        | 10.8%        | 5.4%        | 3.7%        | 6.9%        |               |
| Protected Funds                              |              |              |              |              |             |             |             |               |
| Protected 70                                 | 11.9%        | 19.9%        | 13.7%        | 8.3%         | N/S         | N/S         | N/S         | 14,049,391    |
| Protected 80                                 | 9.0%         | 14.5%        | 9.6%         | 5.5%         | N/S         | N/S         | N/S         | 31,803,820    |
| Protected 90                                 | 4.5%         | 6.7%         | 3.5%         | 1.7%         | N/S         | N/S         | N/S         | 9,896,764     |
| Cash Fund                                    |              |              |              |              |             |             |             |               |
| Secure                                       | 0.0%         | 0.0%         | 0.0%         | 0.2%         | <b>1.3%</b> | <b>1.9%</b> | <b>3.0%</b> | 402,942,592   |
| Cash Fund                                    | -0.3%        | -0.5%        | -0.4%        | -0.2%        | N/S         | N/S         | N/S         | -             |
| FinEx Sector Average                         | 0.2%         | 0.6%         | 0.2%         | 0.3%         | 1.3%        | 1.8%        | 2.5%        |               |
| Bond Funds                                   |              |              |              |              |             |             |             |               |
| Global Corporate Bond (JP Morgan)*           | 0.2%         | 2.9%         | N/S          | N/S          | N/S         | N/S         | N/S         | 4,004,300,000 |
| Global Government Bond (JP Morgan)*          | -0.5%        | 4.4%         | N/S          | N/S          | N/S         | N/S         | N/S         | 454,200,000   |
| Indexed Eurozone Government Bond (BlackRock) | -0.6%        | 6.8%         | 6.4%         | N/S          | N/S         | N/S         | N/S         | 7,540,339     |
| Active Fixed Income                          | 1.1%         | <b>11.7%</b> | <b>9.2%</b>  | <b>7.7%</b>  | <b>6.0%</b> | <b>7.0%</b> | N/S         | 251,983,463   |
| Inflation-Linked Bond                        | <b>1.8%</b>  | 3.1%         | 2.1%         | 1.6%         | N/S         | N/S         | N/S         | 5,255,893     |
| Long Bond                                    | <b>2.9%</b>  | <b>18.3%</b> | <b>12.0%</b> | <b>9.6%</b>  | <b>6.5%</b> | N/S         | N/S         | 64,870,939    |
| Global Real Return (PIMCO)*                  | 0.8%         | 4.1%         | N/S          | N/S          | N/S         | N/S         | N/S         | 2,900,000,000 |
| Emerging Local Currency Debt (Pictet)*       | <b>6.1%</b>  | 7.0%         | N/S          | N/S          | N/S         | N/S         | N/S         | 5,515,679,412 |
| FinEx Sector Average                         | 1.8%         | 8.6%         | 7.0%         | 5.3%         | 4.2%        | 5.1%        | 6.5%        |               |
| Absolute Return/Diversified Assets Funds     |              |              |              |              |             |             |             |               |
| Global Targeted Returns Fund (Invesco) **    | 2.1%         | 6.4%         | N/S          | N/S          | N/S         | N/S         | N/S         | -             |
| Income Opportunity (JP Morgan)*              | 0.9%         | -0.1%        | N/S          | N/S          | N/S         | N/S         | N/S         | 6,785,000,000 |
| Dyanmic Diversified Growth (BlackRock)       | 1.7%         | 3.8%         | 6.1%         | N/S          | N/S         | N/S         | N/S         | 21,345,481    |
| Diversified Assets                           | 9.0%         | 14.1%        | 10.9%        | 8.9%         | N/S         | N/S         | N/S         | 15,221,390    |
| Active Asset Allocation                      | 9.4%         | 19.0%        | 10.9%        | N/S          | N/S         | N/S         | N/S         | 158,824,442   |
| Commodity Funds                              |              |              |              |              |             |             |             |               |
| Gold   | 9.1%         | 17.9%        | -5.8%        | 1.4%         | N/S         | N/S         | N/S         | 48,267,067    |
| Earth Resources                              | 9.4%         | -2.7%        | 0.1%         | -1.2%        | N/S         | N/S         | N/S         | 8,078,621     |
| Global Commodities                           | 6.3%         | -9.6%        | -3.7%        | -0.5%        | N/S         | N/S         | N/S         | 16,079,558    |
| CommoditiesPLUS Strategy (PIMCO)*            | -2.9%        | -25.3%       | N/S          | N/S          | N/S         | N/S         | N/S         | 344,100,000   |
| Green Resources                              | 17.0%        | 14.1%        | 17.7%        | 0.4%         | N/S         | N/S         | N/S         | 5,008,631     |
| Equity Funds (Global)                        |              |              |              |              |             |             |             |               |
| 5 Star 5                                     | <b>16.4%</b> | <b>31.7%</b> | 18.2%        | 12.6%        | <b>7.3%</b> | N/S         | N/S         | 241,159,587   |
| International Equity                         | 14.9%        | <b>29.9%</b> | <b>20.5%</b> | <b>14.4%</b> | <b>8.8%</b> | <b>4.2%</b> | N/S         | 666,374,710   |
| Global Select (Threadneedle)                 | <b>16.4%</b> | <b>32.8%</b> | <b>21.2%</b> | <b>14.8%</b> | <b>9.1%</b> | N/S         | N/S         | 10,369,568    |
| Global Equity (MFS Meridian)*                | 15.7%        | <b>30.4%</b> | N/S          | N/S          | N/S         | N/S         | N/S         | 5,265,300,000 |
| Indexed Global Equity (BlackRock)            | 15.3%        | <b>29.2%</b> | <b>21.2%</b> | N/S          | N/S         | N/S         | N/S         | 89,933,342    |
| FinEx Sector Average                         | 16.1%        | 27.4%        | 18.5%        | 13.3%        | 6.9%        | 2.7%        | 7.3%        |               |

Source: Financial Express as at 01/06/2015

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

**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.**

\* 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.

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 (European)                       |              |            |         |         |          |          |          |               |
| Euro Markets Fund (BlackRock)*                | 22.3%        | 13.5%      | N/S     | N/S     | N/S      | N/S      | N/S      | 3,188,420,000 |
| 5 Star 5 Europe                               | 21.8%        | 29.5%      | 26.4%   | 16.5%   | 9.4%     | N/S      | N/S      | 120,461,581   |
| European Select (Threadneedle)                | 20.3%        | 25.2%      | 24.2%   | 18.8%   | 10.8%    | N/S      | N/S      | 21,073,591    |
| Small Cap Europe (Pictet)*                    | 25.4%        | 21.9%      | N/S     | N/S     | N/S      | N/S      | N/S      | 325,160,760   |
| FinEx Sector Average                          | 23.0%        | 22.5%      | 23.1%   | 14.0%   | 7.7%     | 3.4%     | 8.4%     |               |
| Equity Funds (Eurozone)                       |              |            |         |         |          |          |          |               |
| Eurozone Equity                               | 18.1%        | 15.7%      | 24.2%   | 13.8%   | 9.3%     | N/S      | N/S      | 85,362,200    |
| Europe ex-UK Index (BlackRock)                | 19.4%        | 18.1%      | 23.1%   | 12.7%   | N/S      | N/S      | N/S      | 3,838,599     |
| Indexed Eurozone Equity (BlackRock)           | 17.2%        | 14.8%      | 23.8%   | N/S     | N/S      | N/S      | N/S      | 1,604,636     |
| FinEx Sector Average                          | 19.5%        | 18.7%      | 21.3%   | 11.8%   | 5.4%     | 2.8%     | 7.5%     |               |
| Equity Funds (Irish)                          |              |            |         |         |          |          |          |               |
| Irish Equity                                  | 22.5%        | 28.8%      | 28.7%   | 19.7%   | 3.3%     | N/S      | N/S      | 18,833,964    |
| FinEx Sector Average                          | 21.1%        | 29.9%      | 26.7%   | 17.4%   | 1.9%     | 3.6%     | 7.8%     |               |
| Equity Funds (American)                       |              |            |         |         |          |          |          |               |
| 5 Star 5 Americas                             | 10.7%        | 34.6%      | 21.3%   | 14.8%   | 9.8%     | N/S      | N/S      | 68,511,267    |
| American Select (Threadneedle)                | 15.2%        | 35.8%      | 22.6%   | 17.5%   | 10.1%    | N/S      | N/S      | 18,038,423    |
| FinEx Sector Average                          | 13.5%        | 35.6%      | 22.5%   | 17.3%   | 8.6%     | 3.0%     | 7.3%     |               |
| Equity Fund (UK)                              |              |            |         |         |          |          |          |               |
| UK Growth (M&G)*                              | 20.3%        | 26.3%      | N/S     | N/S     | N/S      | N/S      | N/S      | 808,330,000   |
| UK Index (BlackRock)                          | 16.8%        | 18.5%      | 16.9%   | 13.1%   | N/S      | N/S      | N/S      | 2,460,806     |
| FinEx Sector Average                          | 19.3%        | 19.7%      | 17.2%   | 13.5%   | 6.8%     | 2.7%     | 6.2%     |               |
| Equity Funds (Far East Asia)                  |              |            |         |         |          |          |          |               |
| 5 Star 5 Asia Pacific                         | 17.5%        | 21.9%      | 13.9%   | 9.5%    | 7.3%     | N/S      | N/S      | 91,340,963    |
| Asia Pacific Equity                           | 15.5%        | 21.1%      | 13.6%   | 10.9%   | N/S      | N/S      | N/S      | 7,857,003     |
| FinEx Sector Average                          | 17.3%        | 24.1%      | 13.3%   | 9.6%    | 8.7%     | 6.3%     | 6.1%     |               |
| Equity Funds (Japan)                          |              |            |         |         |          |          |          |               |
| Japan Index (BlackRock)                       | 26.5%        | 43.2%      | 19.9%   | 10.8%   | N/S      | N/S      | N/S      | 5,215,586     |
| FinEx Sector Average                          | 25.6%        | 40.2%      | 19.3%   | 10.6%   | 4.2%     | 0.4%     | 1.5%     |               |
| Equity Funds (High Yield)                     |              |            |         |         |          |          |          |               |
| Dividend Growth                               | 15.4%        | 31.0%      | 22.8%   | 16.4%   | N/S      | N/S      | N/S      | 234,953,685   |
| Global Dividend (M&G)*                        | 12.2%        | 17.6%      | N/S     | N/S     | N/S      | N/S      | N/S      | 8,759,450,000 |
| FinEx Sector Average                          | 16.1%        | 27.4%      | 18.5%   | 13.3%   | 6.9%     | 2.7%     | 7.3%     |               |
| Equity Funds (Emerging Market)                |              |            |         |         |          |          |          |               |
| India Equity                                  | 13.1%        | 32.1%      | 17.5%   | 4.3%    | N/S      | N/S      | N/S      | 17,460,677    |
| Emerging Markets Opportunities (JP Morgan)*   | 11.1%        | 20.0%      | N/S     | N/S     | N/S      | N/S      | N/S      | 2,688,100,000 |
| FinEx Sector Average                          | 16.3%        | 25.1%      | 10.6%   | 3.8%    | 10.4%    | N/S      | N/S      |               |
| Equity Funds (Specialist)                     |              |            |         |         |          |          |          |               |
| Top Tech 100                                  | 17.8%        | 50.8%      | 26.9%   | 22.7%   | 12.8%    | N/S      | N/S      | 32,424,653    |
| FinEx Sector Average                          | 11.1%        | 13.8%      | 10.8%   | 5.8%    | 4.0%     | 0.3%     | 4.0%     |               |
| Property Funds                                |              |            |         |         |          |          |          |               |
| European (Ex-UK) Property                     | 11.9%        | 19.0%      | 18.3%   | 14.2%   | N/S      | N/S      | N/S      | 33,534,252    |
| Global Property Equities (Henderson Horizon)* | 9.8%         | 27.5%      | N/S     | N/S     | N/S      | N/S      | N/S      | 830,000,000   |
| Australasia Property                          | 14.3%        | 30.5%      | 16.1%   | 11.9%   | N/S      | N/S      | N/S      | 22,420,839    |
| FinEx Sector Average                          | 5.5%         | 15.2%      | 8.9%    | 5.5%    | 0.0%     | 3.2%     | 7.4%     |               |
| Funds Closed to New Business                  |              |            |         |         |          |          |          |               |
| Eurozone Property                             | 13.2%        | 18.8%      | 19.5%   | 13.3%   | 5.0%     | N/S      | N/S      | 24,701,968    |
| Global Emerging Markets Equity (Aberdeen)*    | 11.2%        | 15.5%      | N/S     | N/S     | N/S      | N/S      | N/S      | 7,992,787,649 |

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**Warning: Benefits may be affected by changes in currency exchange rates.**  
**Warning: If you invest in this fund you may lose some or all of the money you invest.**



PIMCO



J.P.Morgan  
Asset Management



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