



Monthly Investment Review

Global central bank policy of low interest rates has been a key support for financial markets in recent years. Following December's US rate hike, the first rise in almost a decade, investors are now focusing on the likely pace and scale of the US rate rise cycle. Economic weakness in China and the emerging markets is also a concern as we head into 2016, although global growth should continue to improve. These factors should result in increased volatility in financial markets. This will provide opportunities for investors. Equities, our preferred asset class, remain fairly valued on a historical basis and are an attractive investment versus cash and bonds. Consensus expectations are for c.7% earnings growth in 2016. Eurozone bonds do not appear to offer much upside potential.



Richard Temperley
Head of Investment Development

Zurich Life Fund Allocations & Activity

Equities: The funds are overweight but less so than a number of months ago.

Bonds: The funds are neutral to slightly underweight although the bias remains negative.

Activity: The equity positions were little changed over the period following some profit-taking the previous month. Bonds were maintained at neutral to slightly underweight on a tactical basis.

Regionally, the funds are:

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

Sectorwise, the funds are:

- Overweight consumer goods & services and industrials.
- Underweight utilities and basic materials.
- 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.

2015

For 2015, global equities (in euro terms) rose by 10%, although much of this related to a weak euro against most major currencies; for example, the US market fell by 1% in local currency terms, but was up by 11% in euro terms. The best performing markets in local currency terms were Ireland (+30%), Japan (+10%) and Europe (+8%). Eurozone bonds rose by 2% whilst commodities suffered badly, with the overall index slumping by 23% (in US dollar terms).

Equity Markets

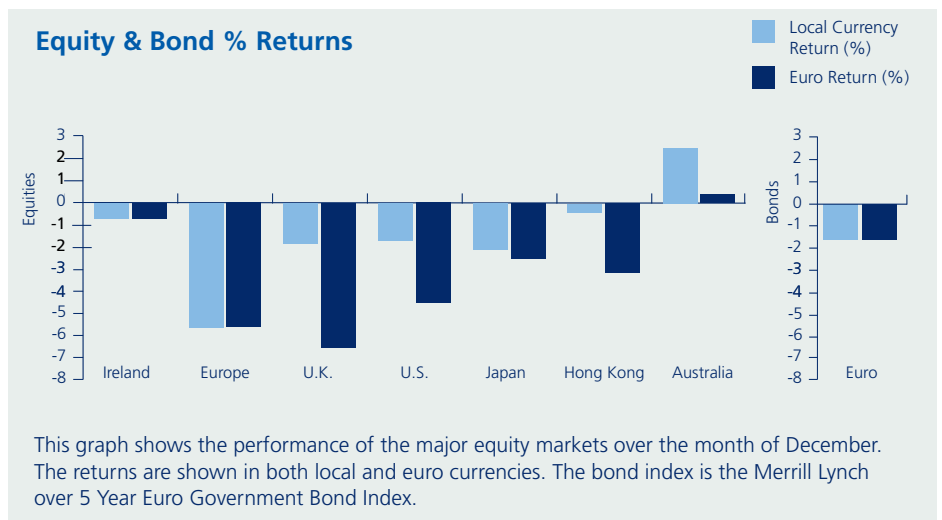
- Equities (in euro terms) fell back in December as investors reacted negatively to sharp declines in oil prices and disappointment that, despite cutting interest rates, the ECB failed to increase the level of quantitative easing (QE). However, much of the losses related to a pick up in euro currency. On a technical basis, the global index (in euro terms) fell below its critical 200-day moving average and finished the year over 8% off the 2015 high set on 15th April.
- World equities (in euro terms) fell by 4.5% during the month but gave a total return of 9.9% during 2015. Apart from Australia (+2.5%), all of the major markets were down in local currency terms during December, ranging from minus 0.4% in Hong Kong to minus 5.6% in Europe. The influential US market was down by 1.7%.
- Sectorwise in the US, economically sensitive areas, such as materials and energy, underperformed defensive areas, such as consumer staples and utilities, over the period.

Bonds & Interest Rates

- The Merrill Lynch Euro over 5 Year Index fell by 1.6% in December, but gave a total return of plus 2.0% for the full year. Although eurozone bond prices in general have reacted reasonably well in recent months to growth concerns in China and low inflation figures, they fell back in December on the back of the ECB disappointment as well as the lift-off of US rates. There was little divergence between peripheral and core bond markets over the month.
- The German 10-year bond yield rose in December from 0.47% to 0.63%. The yield had hit an all-time low of 0.06% in mid-April. Equivalent US rates rose from 2.21% to 2.27%.

Commodities & Currencies

- Commodity prices overall fell by a further 3.4% (in dollar terms) in December, with oil prices down by well over 10%. The main commodities index fell by a hefty 23.3% during 2015 with some significant volatility.
- The gold price was down by 0.5% on the month, ending at a five-year low of \$1,060 per troy ounce.
- The euro currency strengthened against almost all of the other major currencies during December as the markets reacted to the ECB's inaction as regards increased QE. The EUR/USD rate moved from 1.06 to 1.09 over the month.



| | Year to Date | Annualised | | | | | | Fund Size (€) |
|---|--------------|------------|---------|---------|----------|----------|----------|---------------|
| | | 1 Year | 3 Years | 5 Years | 10 Years | 15 Years | 20 Years | |
| Pathway Multi-Asset Funds | | | | | | | | |
| Pathway 2 | 1.1% | 1.1% | N/S | N/S | N/S | N/S | N/S | 95,250,738 |
| Pathway 3 | 2.7% | 2.7% | N/S | N/S | N/S | N/S | N/S | 299,167,369 |
| Pathway 4 | 4.9% | 4.9% | N/S | N/S | N/S | N/S | N/S | 318,201,986 |
| Pathway 5 | 6.2% | 6.2% | N/S | N/S | N/S | N/S | N/S | 98,343,590 |
| Pathway 6 | 7.9% | 7.9% | N/S | N/S | N/S | N/S | N/S | 12,147,991 |
| Managed Funds | | | | | | | | |
| Cautiously Managed | 6.3% | 6.3% | 10.4% | 9.4% | N/S | N/S | N/S | 336,919,903 |
| FinEx Sector Average | 2.2% | 2.2% | 4.6% | 4.3% | 2.7% | 3.0% | 4.3% | |
| Balanced | 10.0% | 10.0% | 13.8% | 10.3% | 5.9% | 5.3% | 8.3% | 1,642,280,860 |
| FinEx Sector Average | 6.2% | 6.2% | 10.6% | 7.8% | 3.4% | 3.0% | 6.4% | |
| Performance | 10.9% | 10.9% | 14.7% | 10.7% | 5.8% | 5.2% | 8.1% | 1,291,399,707 |
| Dynamic | 11.8% | 11.8% | 15.5% | 11.0% | 6.0% | 5.1% | 8.1% | 1,586,469,637 |
| FinEx Sector Average | 7.1% | 7.1% | 10.6% | 7.8% | 3.5% | 3.1% | 6.1% | |
| Protected Funds | | | | | | | | |
| Protected 70 | 6.5% | 6.5% | 10.0% | 6.0% | N/S | N/S | N/S | 15,006,851 |
| Protected 80 | 4.2% | 4.2% | 6.9% | 3.7% | N/S | N/S | N/S | 34,157,554 |
| Protected 90 | 1.2% | 1.2% | 2.2% | 0.7% | N/S | N/S | N/S | 14,341,751 |
| Cash Fund | | | | | | | | |
| Secure | 0.0% | 0.0% | 0.0% | 0.2% | 1.2% | 1.7% | 2.7% | 383,764,889 |
| Cash Fund | -0.5% | -0.5% | -0.4% | -0.3% | N/S | N/S | N/S | - |
| FinEx Sector Average | 0.2% | 0.2% | 0.2% | 0.3% | 1.3% | 1.6% | 2.3% | |
| Bond Funds | | | | | | | | |
| Global Corporate Bond (JP Morgan)* | -0.7% | -0.7% | 2.0% | N/S | N/S | N/S | N/S | 4,166,500,000 |
| Global Government Bond (JP Morgan)* | 0.5% | 0.5% | 2.6% | N/S | N/S | N/S | N/S | 439,700,000 |
| Indexed Eurozone Government Bond (BlackRock) | 1.0% | 1.0% | 5.3% | N/S | N/S | N/S | N/S | 6,802,038 |
| Active Fixed Income | 1.0% | 1.0% | 7.5% | 8.4% | 5.7% | 6.5% | 7.9% | 182,210,074 |
| Inflation-Linked Bond | 0.1% | 0.1% | 0.0% | 1.6 | N/S | N/S | N/S | 5,386,530 |
| Long Bond | 1.8% | 1.8% | 9.9% | 10.1% | 6.0% | N/S | N/S | 58,488,585 |
| Global Real Return (PIMCO)* | -2.8% | -2.8% | -0.3% | N/S | N/S | N/S | N/S | 2,600,000,000 |
| Emerging Local Currency Debt (Pictet)* | -4.2% | -4.2% | -5.2% | N/S | N/S | N/S | N/S | 4,339,147,663 |
| FinEx Sector Average | 0.2% | 0.2% | 4.5% | 5.4% | 3.6% | 4.6% | 6.0% | |
| Absolute Return/Diversified Assets Funds | | | | | | | | |
| Global Targeted Returns Fund (Invesco) * | 1.7% | 1.7% | N/S | N/S | N/S | N/S | N/S | 2,290,000,000 |
| Income Opportunity (JP Morgan)* | -3.5% | -3.5% | -0.8% | N/S | N/S | N/S | N/S | 6,866,600,000 |
| Dynamic Diversified Growth (BlackRock) | -1.7% | -1.7% | 3.0% | N/S | N/S | N/S | N/S | 21,517,857 |
| Diversified Assets | -0.1% | -0.1% | 5.0% | 4.8% | N/S | N/S | N/S | 13,536,297 |
| Active Asset Allocation | 4.9% | 4.9% | 7.7% | 6.3% | N/S | N/S | N/S | 175,690,262 |
| Commodity Funds | | | | | | | | |
| Gold | -2.3% | -2.3% | -8.9% | -2.3% | N/S | N/S | N/S | 35,132,251 |
| Earth Resources | -14.4% | -14.4% | -6.6% | -8.9% | N/S | N/S | N/S | 5,867,191 |
| Global Commodities | -20.2% | -20.2% | -12.8% | -8.4% | N/S | N/S | N/S | 12,085,324 |
| CommoditiesPLUS Strategy (PIMCO)* | -26.6% | -26.6% | -18.8% | N/S | N/S | N/S | N/S | 404,700,000 |
| Green Resources | 3.0% | 3.0% | 14.4% | -4.2% | N/S | N/S | N/S | 4,344,230 |
| Equity Funds (Global) | | | | | | | | |
| 5 Star 5 | 13.4% | 13.4% | 14.7% | 10.4% | 4.8% | N/S | N/S | 221,024,573 |
| International Equity | 10.6% | 10.6% | 16.2% | 11.4% | 6.3% | 4.5% | N/S | 212,896,579 |
| Global Select (Threadneedle) | 12.1% | 12.1% | 16.3% | 11.1% | 6.4% | 4.2% | N/S | 8,340,812 |
| Global Equity (MFS Meridian)* | 7.3% | 7.3% | N/S | N/S | N/S | N/S | N/S | 4,926,035,958 |
| Indexed Global Equity (BlackRock) | 10.3% | 10.3% | 15.9% | N/S | N/S | N/S | N/S | 85,547,821 |
| FinEx Sector Average | 7.8% | 7.8% | 13.0% | 9.3% | 4.5% | 2.4% | 6.4% | |

Source: Financial Express as at 01/01/2016

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)* | 18.2% | 18.2% | N/S | N/S | N/S | N/S | N/S | 3,514,750,000 |
| 5 Star 5 Europe | 17.5% | 17.5% | 16.4% | 13.3% | 6.6% | N/S | N/S | 116,425,863 |
| European Select (Threadneedle) | 13.9% | 13.9% | 14.2% | 13.2% | 8.5% | 5.5% | N/S | 16,771,957 |
| Small Cap Europe (Pictet)* | 24.2% | 24.2% | N/S | N/S | N/S | N/S | N/S | 324,521,389 |
| FinEx Sector Average | 15.5% | 15.5% | 14.1% | 9.4% | 5.1% | 3.2% | 8.1% | |
| Equity Funds (Eurozone) | | | | | | | | |
| Eurozone Equity | 11.6% | 11.6% | 13.5% | 9.5% | 6.5% | N/S | N/S | 80,779,772 |
| Europe ex-UK Index (BlackRock) | 11.5% | 11.5% | 13.0% | 8.4% | 4.6% | N/S | N/S | 3,301,011 |
| Indexed Eurozone Equity (BlackRock) | 6.9% | 6.9% | 10.2% | N/S | N/S | N/S | N/S | 2,301,463 |
| FinEx Sector Average | 11.4% | 11.4% | 12.6% | 8.1% | 3.0% | 2.1% | 6.6% | |
| Equity Funds (Irish) | | | | | | | | |
| Irish Equity | 38.4% | 38.4% | 29.0% | 22.1% | 3.0% | N/S | N/S | 23,359,819 |
| FinEx Sector Average | 30.3% | 30.3% | 25.7% | 19.2% | 1.1% | 3.2% | 7.5% | |
| Equity Funds (American) | | | | | | | | |
| 5 Star 5 Americas | 11.8% | 11.8% | 21.6% | 14.4% | 7.7% | N/S | N/S | 62,817,032 |
| American Select (Threadneedle) | 10.0% | 10.0% | 18.4% | 15.0% | 7.8% | 3.0% | N/S | 13,121,640 |
| FinEx Sector Average | 8.0% | 8.0% | 19.4% | 14.5% | 6.8% | 3.1% | 6.6% | |
| Equity Fund (UK) | | | | | | | | |
| UK Growth (M&G)* | 6.8% | 6.8% | N/S | N/S | N/S | N/S | N/S | 723,790,000 |
| UK Index (BlackRock) | 3.2% | 3.2% | 8.3% | 7.5% | 3.7% | N/S | N/S | 2,435,145 |
| FinEx Sector Average | 6.7% | 6.7% | 8.9% | 7.7% | 4.1% | 2.1% | 5.4% | |
| Equity Funds (Far East Asia) | | | | | | | | |
| 5 Star 5 Asia Pacific | 5.7% | 5.7% | 5.8% | 4.8% | 3.8% | N/S | N/S | 75,664,645 |
| Asia Pacific Equity | 0.7% | 0.7% | 4.2% | 4.0% | N/S | N/S | N/S | 6,843,472 |
| FinEx Sector Average | -2.0% | -2.0% | 2.9% | 2.3% | 4.6% | 5.4% | 5.0% | |
| Equity Funds (Japan) | | | | | | | | |
| Japan Index (BlackRock) | 19.8% | 19.8% | 16.4% | 8.3% | 1.1% | N/S | N/S | 4,533,363 |
| FinEx Sector Average | 17.6% | 17.6% | 15.0% | 8.0% | 0.1% | 1.4% | 0.9% | |
| Equity Funds (High Yield) | | | | | | | | |
| Dividend Growth | 6.0% | 6.0% | 14.5% | 12.3% | 5.4% | N/S | N/S | 202,691,614 |
| Global Dividend (M&G)* | -3.4% | -3.4% | N/S | N/S | N/S | N/S | N/S | 6,162,980,000 |
| FinEx Sector Average | 7.8% | 7.8% | 13.0% | 9.3% | 4.5% | 2.4% | 6.4% | |
| Equity Funds (Emerging Market) | | | | | | | | |
| India Equity | 1.9% | 1.9% | 8.0% | -0.4% | N/S | N/S | N/S | 13,539,154 |
| Emerging Markets Opportunities (JP Morgan)* | -11.4% | -11.4% | N/S | N/S | N/S | N/S | N/S | 2,019,800,000 |
| FinEx Sector Average | -6.7% | -6.7% | -0.4% | -2.9% | 4.3% | N/S | N/S | |
| Equity Funds (Specialist) | | | | | | | | |
| Top Tech 100 | 21.4% | 21.4% | 28.5% | 21.1% | 11.9% | N/S | N/S | 32,697,327 |
| FinEx Sector Average | 0.0% | 0.0% | 4.6% | 1.5% | 1.5% | -0.2% | 3.2% | |
| Property Funds | | | | | | | | |
| Fund of REITs | 27.8% | 27.8% | Not Started | Not Started | N/S | N/S | N/S | 15,599,667 |
| European (Ex-UK) Property | 16.7% | 16.7% | 13.4% | 9.5% | N/S | N/S | N/S | 47,254,963 |
| Global Property Equities (Henderson Horizon)* | 10.2% | 10.2% | 10.4% | N/S | N/S | N/S | N/S | 440,000,000 |
| Australasia Property | 2.4% | 2.4% | 5.0% | 5.8% | N/S | N/S | N/S | 23,082,568 |
| FinEx Sector Average | 8.9% | 8.9% | 9.2% | 5.5% | -1.0% | 2.8% | 7.2% | |
| Funds Closed to New Business | | | | | | | | |
| Eurozone Property | 17.5% | 17.5% | 13.0% | 9.2% | 4.5% | N/S | N/S | 23,447,922 |
| Global Emerging Markets Equity (Aberdeen)* | -7.3% | -7.3% | -3.0% | N/S | N/S | N/S | N/S | 5,737,887,011 |

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PIMCO



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