



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.

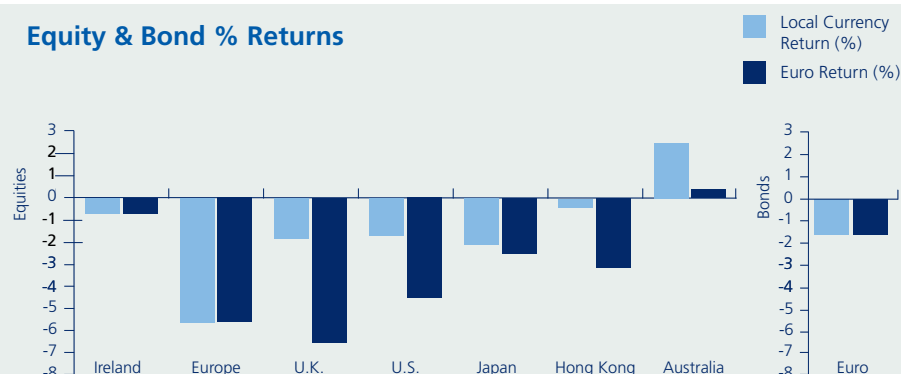
Bonds & Interest Rates

- 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.

Equity & Bond % Returns



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

	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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