



Monthly Investment Review

The latter half of 2015 marked an inflection point in markets as the Federal Reserve hiked interest rates for the first time in almost a decade; investors are now focusing on the US rate rise cycle. Economic weakness in China and the emerging markets as well as sharply lower oil prices have caused a significant pick-up in volatility levels although this should provide opportunities for investors. Although a number of key indices moved into bear market territory in early February, the dominant US S&P 500 Index remained resilient. Equities remain better value on a relative basis than either cash or bonds. However, concerns over global economic growth and the impact of negative interest rates on financials has resulted in a scaling back of earnings growth expectations in 2016. Eurozone bonds do not appear to offer much upside potential from here.



Richard Temperley
Head of Investment Development

Zurich Life Fund Allocations & Activity

Equities & Bonds: The funds are neutral.

Activity: The equity positions were cut back during the period, in Europe and the US, as technically markets have rolled over somewhat. Canadian equities were increased from underweight to neutral given the high level of resource stocks in this market. Bonds were maintained at neutral; despite the lack of value, it is difficult to cut positions given the tailwind of aggressive ECB policy action.

Regionally, the funds are:

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

Sectorwise, the funds are:

- Overweight consumer services & energy.
- Underweight financials, 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.

Equity Markets

- Equities (in euro terms) had a roller-coaster month in February, with the first nine trading days seeing further turmoil on concerns over China, oil prices, the financial sector and divergent central bank policies. The latter half of the month saw a sharp rebound (+10%) from over-sold levels, helped by some stronger economic data in the US and a bounce in oil prices. On a technical basis, the global index (in euro terms) moved above its 50-day moving average but is still below the critical 200-day moving average.
- World equities (in euro terms) fell by 1.0% during February and have given a total return of minus 6.5% in the first two months of the year. With the exception of the UK (+0.2%) and Ireland (0.0%), all of the major markets were down in local currency terms during February ranging from minus 0.4% in the US to minus 9.4% in Japan; the latter affected by a strengthening of the yen, which is expected to hurt exporting stocks.
- Sectorwise in the US, economically sensitive areas, such as materials (+7%) and industrials (+4%), generally outperformed following a long period of underperformance. Financials (-3%) were the worst performing sector in February, hurt by concerns over the impact of negative interest rates.

Bonds & Interest Rates

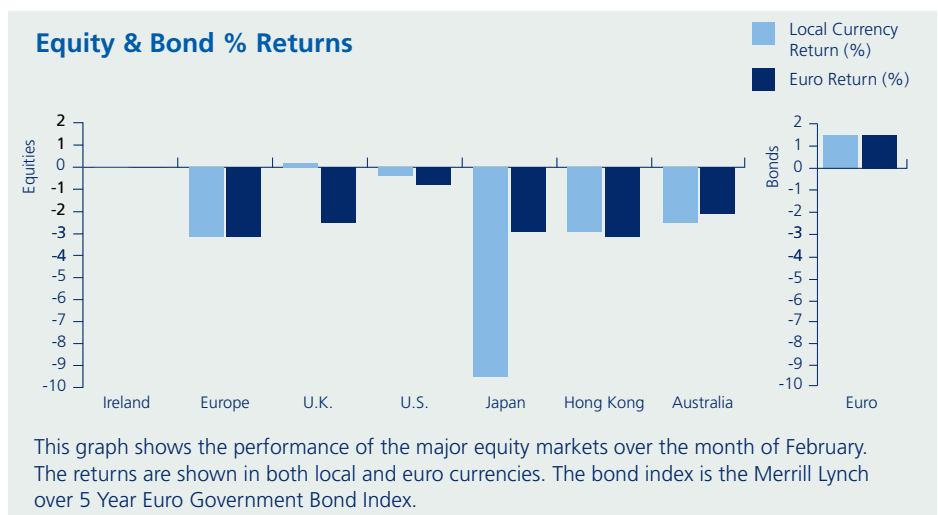
- The Merrill Lynch Euro over 5 Year Index rose by 1.5%, adding to January's rise of 2.0%.

Bonds have been supported by economic growth concerns, low inflation and recent turmoil in equity markets. Core eurozone bond markets, such as Germany (+2.6%), outperformed peripheral markets, such as Spain (+0.4%), again in February.

- The German 10-year bond yield fell in February from 0.32% to 0.11%. The yield had hit an all-time low of 0.05% in mid-April 2015. Equivalent US rates fell from 1.92% to 1.73%.
- The markets currently believe that there is a 50% chance of a second rate rise in the US this summer. Further rate cuts are expected in the eurozone, with a 0.1% cut in the ECB deposit rate to minus 0.4% fully factored in.

Commodities & Currencies

- Commodity prices overall have fallen heavily over the last 20 months. The trend continued in February (-2.0%) as a whole but there was a sharp bounce in oil prices in the second half of the month from oversold levels.
- The gold price was up again in February, rising by 10% to \$1,234 per troy ounce. Gold had hit a five-year low of \$1,049 in mid-December 2015.
- The euro currency was little changed against the US dollar during February, although it strengthened against the British pound and weakened versus the Japanese yen and the Swiss franc. The EUR/ USD rate moved from 1.08 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	-0.3%	-0.9%	N/S	N/S	N/S	N/S	N/S	103,306,423
Pathway 3	-1.2%	-2.6%	N/S	N/S	N/S	N/S	N/S	314,021,294
Pathway 4	-2.7%	-5.5%	N/S	N/S	N/S	N/S	N/S	317,022,229
Pathway 5	-5.0%	-9.2%	N/S	N/S	N/S	N/S	N/S	97,411,415
Pathway 6	-7.3%	-12.0%	N/S	N/S	N/S	N/S	N/S	11,470,379
Managed Funds								
Cautiously Managed	-2.1%	-2.4%	9.3%	8.9%	N/S	N/S	N/S	331,064,839
FinEx Sector Average	-1.7%	-4.3%	3.7%	3.9%	2.4%	2.9%	4.2%	
Balanced	-4.0%	-4.2%	10.7%	9.2%	5.0%	5.2%	7.8%	1,553,169,153
FinEx Sector Average	-4.2%	-6.2%	7.8%	6.8%	2.5%	2.8%	6.0%	
Performance	-5.8%	-5.8%	10.8%	9.1%	4.6%	5.0%	7.6%	1,207,924,803
Dynamic	-6.7%	-6.4%	11.0%	9.2%	4.7%	4.9%	7.5%	1,462,863,902
FinEx Sector Average	-4.5%	-6.5%	7.6%	6.6%	2.6%	2.9%	5.7%	
Protected Funds								
Protected 70	-5.4%	-8.0%	6.6%	4.7%	N/S	N/S	N/S	12,353,545
Protected 80	-3.9%	-6.6%	4.4%	2.8%	N/S	N/S	N/S	33,316,342
Protected 90	-1.9%	-4.4%	1.2%	0.2%	N/S	N/S	N/S	13,268,636
Cash Fund								
Secure	0.0%	0.0%	0.0%	0.2%	1.2%	1.7%	2.6%	377,749,764
Cash Fund	-0.1%	-0.5%	-0.4%	-0.3%	N/S	N/S	N/S	-
FinEx Sector Average	0.0%	0.2%	0.2%	0.3%	1.2%	1.6%	2.3%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	0.0%	-2.6%	1.9%	N/S	N/S	N/S	N/S	4,166,500,000
Global Government Bond (JP Morgan)*	2.6%	2.2%	3.3%	N/S	N/S	N/S	N/S	439,700,000
Indexed Eurozone Government Bond (BlackRock)	2.0%	0.7%	6.0%	N/S	N/S	N/S	N/S	7,440,740
Active Fixed Income	4.4%	1.0%	9.4%	9.5%	6.3%	6.7%	8.2%	191,656,617
Inflation-Linked Bond	-0.4%	-3.4%	0.4%	1.4%	N/S	N/S	N/S	5,369,547
Long Bond	6.4%	0.7%	12.7%	11.7%	6.8%	N/S	N/S	66,304,707
Global Real Return (PIMCO)*	0.8%	-2.9%	-0.8%	N/S	N/S	N/S	N/S	2,600,000,000
Emerging Local Currency Debt (Pictet)*	2.2%	-8.4%	-4.6%	N/S	N/S	N/S	N/S	4,339,147,663
FinEx Sector Average	1.9%	-1.9%	5.3%	5.9%	3.9%	4.7%	6.1%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)*	0.7%	-0.3%	N/S	N/S	N/S	N/S	N/S	2,403,310,000
Income Opportunity (JP Morgan)*	-1.1%	-5.3%	-1.3%	N/S	N/S	N/S	N/S	6,866,600,000
Dynamic Diversified Growth (BlackRock)	-1.9%	-5.8%	1.9%	N/S	N/S	N/S	N/S	19,389,926
Diversified Assets	-2.6%	-11.1%	3.3%	4.1%	N/S	N/S	N/S	13,013,552
Active Asset Allocation	-3.2%	-5.9%	6.1%	5.7%	N/S	N/S	N/S	171,987,011
Commodity Funds								
Gold	16.4%	4.1%	-2.8%	1.3%	N/S	N/S	N/S	44,935,861
Earth Resources	-5.3%	-23.3%	-8.6%	-10.1%	N/S	N/S	N/S	5,355,883
Global Commodities	-3.2%	-25.9%	-14.1%	-9.6%	-8.2%	N/S	N/S	12,136,311
CommoditiesPLUS Strategy (PIMCO)*	-3.4%	-28.4%	-19.0%	N/S	N/S	N/S	N/S	404,700,000
Green Resources	-11.7%	-18.2%	6.8%	-6.4%	N/S	N/S	N/S	3,741,063
Equity Funds (Global)								
5 Star 5	-8.6%	-6.7%	9.8%	8.6%	3.3%	5.7%	N/S	196,099,872
International Equity	-6.9%	-7.5%	11.4%	9.4%	5.1%	4.4%	N/S	195,962,031
Global Select (Threadneedle)	-6.1%	-5.5%	11.7%	9.8%	5.4%	4.1%	N/S	7,374,822
Global Equity (MFS Meridian)*	-1.3%	-5.8%	N/S	N/S	N/S	N/S	N/S	4,926,035,958
Indexed Global Equity (BlackRock)	-3.4%	-5.9%	12.5%	N/S	N/S	N/S	N/S	83,308,135
FinEx Sector Average	-6.2%	-8.9%	8.8%	7.8%	3.3%	2.3%	5.8%	

Source: Financial Express as at 01/03/2016

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)*	-5.4%	-4.3%	N/S	N/S	N/S	N/S	N/S	3,514,750,000
5 Star 5 Europe	-7.9%	-7.2%	11.5%	10.7%	4.7%	N/S	N/S	102,264,208
European Select (Threadneedle)	-5.0%	-6.8%	10.1%	11.9%	7.0%	5.7%	N/S	14,667,525
Small Cap Europe (Pictet)*	-7.3%	-0.7%	N/S	N/S	N/S	N/S	N/S	324,521,389
FinEx Sector Average	-9.5%	-8.7%	8.6%	6.8%	3.3%	2.9%	7.5%	
Equity Funds (Eurozone)								
Eurozone Equity	-9.3%	-12.4%	8.9%	6.2%	4.7%	N/S	N/S	72,082,428
Europe ex-UK Index (BlackRock)	-9.4%	-12.4%	7.6%	5.4%	2.9%	N/S	N/S	2,718,291
Indexed Eurozone Equity (BlackRock)	-4.7%	-11.5%	8.7%	N/S	N/S	N/S	N/S	2,057,470
FinEx Sector Average	-9.1%	-9.8%	7.8%	5.3%	1.3%	1.7%	5.8%	
Equity Funds (Irish)								
Irish Equity	-6.0%	12.3%	22.1%	19.7%	1.6%	N/S	N/S	19,611,137
FinEx Sector Average	-7.4%	7.6%	18.5%	16.9%	-0.5%	2.4%	6.8%	
Equity Funds (American)								
5 Star 5 Americas	-9.0%	-5.6%	15.2%	11.6%	6.4%	N/S	N/S	55,385,228
American Select (Threadneedle)	-5.7%	-5.8%	14.1%	13.2%	7.1%	3.5%	N/S	11,861,573
FinEx Sector Average	-6.0%	-7.5%	14.1%	12.8%	5.9%	3.0%	6.1%	
Equity Fund (UK)								
UK Growth (M&G)*	-7.9%	-13.0%	N/S	N/S	N/S	N/S	N/S	723,790,000
UK Index (BlackRock)	-7.4%	-15.8%	4.8%	5.2%	2.5%	N/S	N/S	2,205,206
FinEx Sector Average	-9.2%	-14.1%	4.9%	5.2%	2.5%	1.8%	4.8%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	-6.4%	-11.7%	1.6%	4.3%	2.9%	N/S	N/S	68,389,923
Asia Pacific Equity	-7.7%	-17.0%	-0.4%	3.4%	N/S	N/S	N/S	6,118,777
FinEx Sector Average	-8.7%	-20.3%	-1.8%	1.5%	3.2%	4.7%	4.2%	
Equity Funds (Japan)								
Japan Index (BlackRock)	-10.6%	-8.1%	9.7%	5.5%	-0.4%	N/S	N/S	3,991,429
FinEx Sector Average	-9.8%	-7.9%	8.9%	5.4%	-1.1%	0.2%	0.4%	
Equity Funds (High Yield)								
Dividend Growth	-5.9%	-10.6%	9.9%	10.6%	4.1%	N/S	N/S	188,274,927
Global Dividend (M&G)*	1.2%	-11.3%	N/S	N/S	N/S	N/S	N/S	6,162,980,000
FinEx Sector Average	-6.2%	-8.9%	8.8%	7.8%	3.3%	2.3%	5.8%	
Equity Funds (Emerging Market)								
India Equity	-12.3%	-26.3%	3.8%	0.7%	N/S	N/S	N/S	11,295,028
Emerging Markets Opportunities (JP Morgan)*	-4.3%	-22.9%	N/S	N/S	N/S	N/S	N/S	2,019,800,000
FinEx Sector Average	-8.3%	-23.6%	-3.5%	-2.8%	2.3%	5.0%	N/S	
Equity Funds (Specialist)								
Top Tech 100	-8.4%	-1.8%	23.3%	18.3%	10.9%	N/S	N/S	27,950,574
FinEx Sector Average	-4.7%	-11.7%	2.6%	0.2%	0.6%	-0.2%	2.9%	
Property Funds								
Fund of REITs	-13.5%	-4.3%	N/S	N/S	N/S	N/S	N/S	15,236,530
European (Ex-UK) Property	-3.2%	-7.1%	12.2%	8.5%	N/S	N/S	N/S	49,075,446
Global Property Equities (Henderson Horizon)*	-2.0%	-3.0%	8.1%	N/S	N/S	N/S	N/S	440,000,000
Australasia Property	0.8%	-8.0%	3.1%	6.9%	N/S	N/S	N/S	25,162,422
FinEx Sector Average	-1.2%	3.0%	8.9%	5.2%	-1.5%	2.5%	7.0%	
Funds Closed to New Business								
Eurozone Property	-4.6%	-6.0%	11.8%	7.8%	2.6%	N/S	N/S	21,708,495
Global Emerging Markets Equity (Aberdeen)*	-0.4%	-18.4%	-3.4%	N/S	N/S	N/S	N/S	5,737,887,011

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