



# 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

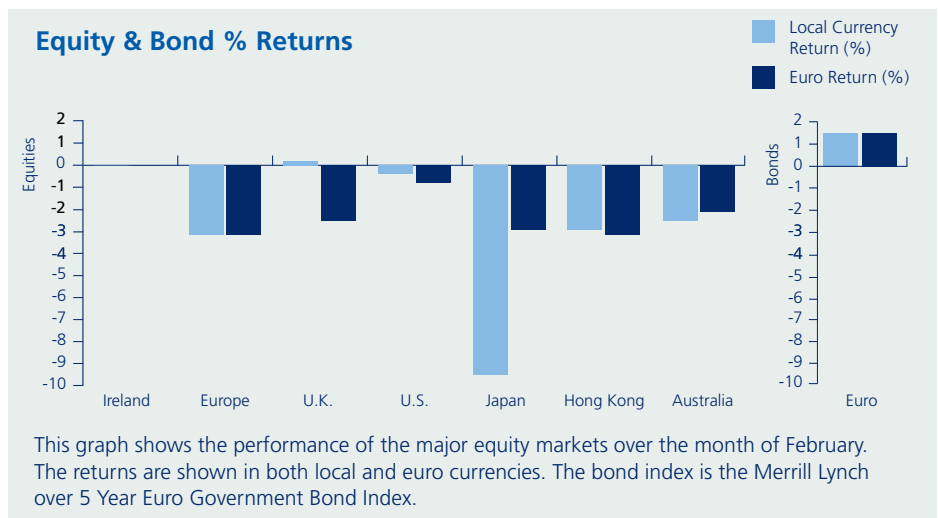
- The Merrill Lynch Euro over 5 Year Index rose by 1.5%, adding to January's rise of 2.0%.

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 |               |
| <b>Pathway Multi-Asset Funds</b>                |              |            |         |         |          |          |          |               |
| 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    |
| <b>Managed Funds</b>                            |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Protected Funds</b>                          |              |            |         |         |          |          |          |               |
| 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    |
| <b>Cash Fund</b>                                |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Bond Funds</b>                               |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Absolute Return/Diversified Assets Funds</b> |              |            |         |         |          |          |          |               |
| 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   |
| <b>Commodity Funds</b>                          |              |            |         |         |          |          |          |               |
| 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     |
| <b>Equity Funds (Global)</b>                    |              |            |         |         |          |          |          |               |
| 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 |               |
| <b>Equity Funds (European)</b>                |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Equity Funds (Eurozone)</b>                |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Equity Funds (Irish)</b>                   |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Equity Funds (American)</b>                |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Equity Fund (UK)</b>                       |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Equity Funds (Far East Asia)</b>           |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Equity Funds (Japan)</b>                   |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Equity Funds (High Yield)</b>              |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Equity Funds (Emerging Market)</b>         |              |            |         |         |          |          |          |               |
| 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      |               |
| <b>Equity Funds (Specialist)</b>              |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Property Funds</b>                         |              |            |         |         |          |          |          |               |
| 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%     |               |
| <b>Funds Closed to New Business</b>           |              |            |         |         |          |          |          |               |
| 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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**Warning: If you invest in this fund you may lose some or all of the money you invest.**

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PIMCO



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#### Zurich Life Assurance plc

Zurich House, Frascati Road, Blackrock, Co. Dublin, Ireland.

Telephone: 01 283 1301 Fax: 01 283 1578 Website: [www.zurichlife.ie](http://www.zurichlife.ie)

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