



Monthly Investment Review

Equity markets have been subjected to increased volatility in 2016 due to a confluence of events. These include economic growth concerns in China, severe oscillation in the price of oil, negative interest rates in some regions and, more latterly, Brexit. Investors are also focussed on the US interest rate cycle and the likely timing of the next rate rise. Economic uncertainty has resulted in many equity markets struggling in the first half of the year; although the US and UK markets have been notably resilient in local currency terms. Despite the uncertainty, equities remain attractively valued compared to bonds and cash. However, further upside is likely to require some good news on the economic or earnings front. Long-term eurozone bond yields reached fresh all-time lows towards the end of June. Despite the lack of value, bonds have been supported by the tailwind of aggressive ECB monetary policy action.



Richard Temperley
Head of Investment Development

Zurich Life Fund Allocations & Activity

Equities & Bonds: Equities are slightly overweight, bonds slightly underweight.

Activity: The equity positions were maintained at slightly overweight, although European equities were reduced to underweight. Bonds were maintained at slightly underweight; despite the lack of value, it is difficult to cut bond positions significantly given ongoing ECB policy action.

Regionally, the funds are:

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

Sectorwise, the funds are:

- Overweight consumer services and energy.
- Underweight financials and materials.
- Otherwise broadly balanced.

Equity Markets

- Equities (in euro terms) fell back in June, following a strong month in May, as markets exercised themselves over the Brexit referendum. The announcement of the 'leave' decision caused markets to fall for two days on Friday 24th and Monday 27th but they subsequently recovered in the last three trading days of June. There was massive sector rotation globally into defensive names.
- World equities (in euro terms) fell by 0.5% during June and have given a total return of minus 0.7% in the first half of the year. There was a mixed bag of returns amongst the major equity markets in local currency terms in June ranging from plus 3.7% in the UK to minus 13.2% in Ireland. The strong local currency return in the UK relates to the fact that c.70% of FTSE100 earnings come from outside the UK; concerns over the UK referendum resulted in heavy falls in sterling thereby boosting the value of overseas earnings. The Irish market fell, with low liquidity, as Ireland is perceived as a major loser over the UK's decision to leave the EU.
- Technically, the world index (in euro terms) finished the month just above both its 50-day and its 200-day moving average. Europe ended almost 7% below its critical 200-day moving average whilst the US ended almost 4% above its 200-day moving average.
- Sectorwise in the US, there were large divergences between cyclical and defensive areas. For example, defensive sectors like utilities and telecoms rose by 4.2% and 2.5% respectively in June, whereas cyclical sectors such as information technology and materials fell by 2.0% and 3.9% respectively. Financials were also weak.

8.8% year-to-date. Eurozone bonds have been supported in 2016 by economic growth concerns and increased quantitative easing. They were also helped in June by the generally 'risk-off' environment. Core eurozone markets, such as Germany (+4.4%), outperformed peripheral markets, such as Italy (+1.6%), during the month.

- The German ten-year bond yield fell in June moving from plus 0.14% to an all-time low of minus 0.13%. Ten-year bond yields are also negative in Switzerland (-0.66%) and Japan (-0.27%). Equivalent US rates fell sharply from 1.85% to 1.47%.
- There has been a significant change in the markets' view as to the likelihood of a rate hike in the US. The Fed is no longer expected to raise rates in 2016, with only an outside chance of a move by the summer of 2017. UK and eurozone short rates are unlikely to move upwards in the foreseeable future.

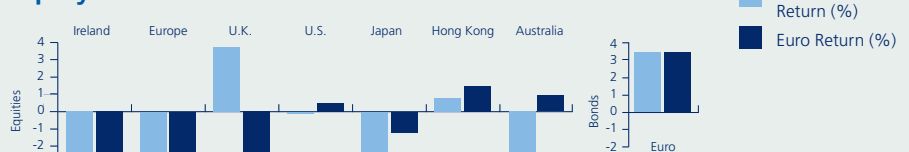
Commodities & Currencies

- Commodity prices overall rose for the fourth month in-a-row (+3.4%) in June, and are now up by 9.3% year-to-date. The oil price was flat over the month at c.\$50 per barrel. It has risen significantly from its low point of \$28 per barrel on 20th January.
- Following a sharp fall in the previous month, the gold price rose by almost 9% in June, in the more risk-averse environment. It moved from \$1,215 to \$1,321 per troy ounce during the month and is now up nearly 26% from its five-year low of \$1,049 in mid-December 2015.
- The euro currency was slightly weaker against the US dollar during June with the EUR/USD rate moving from 1.114 to 1.107. However, the big story was sterling which fell by over 9% against the euro on the back of Brexit concerns.

Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Index rose by a strong 3.5% in June, giving a return of

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.

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.

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Pathway Multi-Asset Funds								
Pathway 2	0.5%	0.2%	N/S	N/S	N/S	N/S	N/S	115,813,368
Pathway 3	0.7%	0.1%	N/S	N/S	N/S	N/S	N/S	346,122,260
Pathway 4	1.2%	-0.3%	N/S	N/S	N/S	N/S	N/S	361,558,539
Pathway 5	1.2%	-2.1%	N/S	N/S	N/S	N/S	N/S	112,331,528
Pathway 6	-1.8%	-5.4%	N/S	N/S	N/S	N/S	N/S	13,148,618
Managed Funds								
Cautiously Managed	-0.2%	0.2%	9.6%	9.4%	N/S	N/S	N/S	344,305,534
FinEx Sector Average	0.8%	-0.1%	4.7%	4.7%	2.7%	3.0%	4.3%	
Balanced	-1.7%	-0.8%	10.9%	10.3%	5.6%	5.3%	7.6%	1,558,609,501
FinEx Sector Average	-1.1%	-2.8%	8.3%	8.0%	3.2%	2.9%	5.9%	
Performance	-3.2%	-2.4%	11.0%	10.4%	5.2%	5.1%	7.3%	1,221,839,600
Dynamic	-3.8%	-3.3%	11.3%	10.6%	5.3%	5.0%	7.3%	1,457,416,415
FinEx Sector Average	-1.2%	-3.2%	8.2%	7.9%	3.4%	3.0%	5.7%	
Protected Funds								
Protected 70	-4.7%	-6.6%	6.4%	5.6%	N/S	N/S	N/S	12,610,074
Protected 80	-3.6%	-5.5%	4.3%	3.5%	N/S	N/S	N/S	33,615,249
Protected 90	-2.3%	-4.0%	1.1%	0.5%	N/S	N/S	N/S	13,693,380
Cash Fund								
Secure	0.0%	0.0%	0.0%	0.1%	1.1%	1.6%	2.6%	407,768,520
Cash Fund	-0.4%	-0.7%	-0.5%	-0.4%	0.7%	N/S	N/S	278,536,582
FinEx Sector Average	0.0%	0.1%	0.2%	0.2%	1.2%	1.5%	2.2%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	5.1%	6.0%	4.7%	N/S	N/S	N/S	N/S	4,919,412,312
Global Government Bond (JP Morgan)*	6.1%	8.5%	5.0%	N/S	N/S	N/S	N/S	676,275,274
Indexed Eurozone Government Bond (BlackRock)	5.4%	9.1%	7.1%	6.9%	N/S	N/S	N/S	7,932,426
Active Fixed Income	8.2%	12.7%	10.4%	9.9%	7.1%	6.9%	8.1%	194,492,334
Inflation-Linked Bond	3.1%	3.7%	2.4%	1.7%	N/S	N/S	N/S	5,357,288
Long Bond	12.4%	18.2%	14.4%	12.8%	8.1%	N/S	N/S	68,031,152
Global Real Return (PIMCO)*	7.4%	5.7%	3.7%	N/S	N/S	N/S	N/S	2,500,000,000
Emerging Local Currency Debt (Pictet)*	10.9%	2.8%	0.7%	N/S	N/S	N/S	N/S	4,968,604,255
FinEx Sector Average	5.7%	7.3%	6.6%	6.6%	4.6%	4.9%	6.1%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)*	1.1%	1.7%	N/S	N/S	N/S	N/S	N/S	3,860,000,000
Income Opportunity (JP Morgan)*	3.6%	-0.6%	0.2%	N/S	N/S	N/S	N/S	4,388,852,447
Dynamic Diversified Growth (BlackRock)	-2.0%	-3.6%	2.0%	N/S	N/S	N/S	N/S	18,076,544
Diversified Assets	4.2%	-0.9%	6.3%	6.2%	N/S	N/S	N/S	13,838,283
Active Asset Allocation	0.6%	-0.8%	8.0%	7.4%	N/S	N/S	N/S	179,825,732
Commodity Funds								
Gold	21.6%	12.3%	7.6%	2.0%	N/S	N/S	N/S	49,450,838
Earth Resources	3.6%	-16.6%	-5.7%	-6.0%	N/S	N/S	N/S	6,013,546
Energy and Metals	11.4%	-14.9%	-8.4%	-5.2%	-7.3%	N/S	N/S	14,510,403
CommoditiesPLUS Strategy (PIMCO)*	16.2%	-12.5%	-11.2%	N/S	N/S	N/S	N/S	413,000,000
Green Resources	-14.2%	-20.6%	0.2%	-3.8%	N/S	N/S	N/S	3,752,447
Equity Funds (Global)								
5 Star 5	-7.3%	-7.4%	9.0%	10.2%	4.2%	5.4%	N/S	194,223,951
International Equity	-2.1%	-2.4%	12.3%	11.7%	6.2%	4.7%	N/S	733,983,813
Global Select (Threadneedle)	-1.7%	-3.0%	12.7%	11.5%	6.3%	4.3%	N/S	6,624,248
Global Equity (MFS Meridian)*	2.0%	-2.7%	N/S	N/S	N/S	N/S	N/S	4,914,739,741
Indexed Global Equity (BlackRock)	-1.5%	-4.2%	12.0%	11.7%	N/S	N/S	N/S	94,003,477
FinEx Sector Average	-2.3%	-5.2%	9.2%	9.5%	4.3%	2.5%	5.8%	

Source: Financial Express as at 01/07/2016

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)*	-5.7%	-9.1%	N/S	N/S	N/S	N/S	N/S	3,687,390,000
5 Star 5 Europe	-7.6%	-7.4%	11.4%	11.2%	4.9%	N/S	N/S	97,049,793
European Select (Threadneedle)	-3.0%	-5.5%	10.4%	11.8%	7.5%	6.1%	N/S	13,192,991
Small Cap Europe (Pictet)*	-9.6%	-8.6%	N/S	N/S	N/S	N/S	N/S	258,314,466
FinEx Sector Average	-9.7%	-11.7%	7.9%	7.3%	3.7%	3.2%	7.5%	
Equity Funds (Eurozone)								
Eurozone Equity	-8.9%	-10.3%	8.5%	6.5%	5.0%	N/S	N/S	64,574,845
Europe ex-UK Index (BlackRock)	-8.4%	-10.5%	8.0%	6.1%	3.2%	N/S	N/S	2,857,495
Indexed Eurozone Equity (BlackRock)	-6.6%	-12.5%	7.3%	4.4%	N/S	N/S	N/S	2,272,584
FinEx Sector Average	-9.1%	-11.6%	6.7%	5.5%	1.6%	1.7%	5.7%	
Equity Funds (Irish)								
Irish Equity	-14.6%	-1.4%	15.3%	17.4%	0.9%	N/S	N/S	15,783,731
FinEx Sector Average	-15.4%	-7.3%	12.9%	14.3%	-0.9%	1.4%	5.9%	
Equity Funds (American)								
5 Star 5 Americas	-4.5%	-2.0%	14.9%	14.2%	7.8%	N/S	N/S	55,241,559
American Select (Threadneedle)	-0.7%	-2.7%	15.0%	15.0%	8.7%	3.8%	N/S	11,557,360
FinEx Sector Average	-0.5%	-1.0%	14.2%	15.1%	7.5%	3.1%	6.4%	
Equity Fund (UK)								
UK Growth (M&G)*	-14.9%	-23.0%	N/S	N/S	N/S	N/S	N/S	660,070,000
UK Index (BlackRock)	-6.0%	-12.5%	5.5%	6.7%	2.6%	N/S	N/S	2,002,383
FinEx Sector Average	-10.3%	-16.4%	4.1%	6.0%	2.5%	1.7%	4.7%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	1.2%	-3.8%	7.1%	5.6%	4.2%	N/S	N/S	64,925,277
Asia Pacific Equity	1.0%	-7.2%	5.8%	5.1%	N/S	N/S	N/S	6,310,052
FinEx Sector Average	-1.9%	-12.3%	3.9%	3.3%	4.6%	5.0%	4.7%	
Equity Funds (Japan)								
Japan Index (BlackRock)	-7.6%	-9.6%	7.2%	9.2%	0.9%	N/S	N/S	3,733,024
FinEx Sector Average	-6.2%	-9.1%	6.8%	9.0%	0.3%	-0.2%	0.5%	
Equity Funds (High Yield)								
Dividend Growth	-1.0%	-5.6%	11.1%	12.2%	5.0%	N/S	N/S	194,949,494
Global Dividend (M&G)*	4.4%	-8.5%	N/S	N/S	N/S	N/S	N/S	5,564,260,000
FinEx Sector Average	-2.3%	-5.2%	9.2%	9.5%	4.3%	2.5%	5.8%	
Equity Funds (Emerging Market)								
India Equity	-0.4%	-8.2%	11.0%	2.9%	N/S	N/S	N/S	11,909,260
Emerging Markets Opportunities (JP Morgan)*	4.3%	-15.2%	N/S	N/S	N/S	N/S	N/S	1,773,930,412
FinEx Sector Average	1.6%	-13.5%	3.3%	-0.3%	5.0%	4.1%	N/S	
Equity Funds (Specialist)								
Top Tech 100	-5.6%	1.4%	21.7%	20.4%	12.6%	N/S	N/S	29,614,761
FinEx Sector Average	0.8%	-6.6%	5.7%	2.4%	1.8%	0.2%	3.2%	
Property Funds								
Fund of REITs	-9.5%	-0.6%	N/S	N/S	N/S	N/S	N/S	14,400,367
European (Ex-UK) Property	4.6%	14.4%	15.9%	9.1%	N/S	N/S	N/S	40,146,315
Global Property Equities (Henderson Horizon)*	7.2%	13.0%	12.5%	N/S	N/S	N/S	N/S	467,026,616
Australasia Property	11.0%	4.4%	9.9%	10.0%	N/S	N/S	N/S	28,489,674
FinEx Sector Average	1.3%	5.4%	9.7%	5.7%	-1.9%	2.4%	7.0%	
Funds Closed to New Business								
Eurozone Property	3.1%	13.7%	15.2%	8.4%	3.3%	N/S	N/S	22,403,317
Global Emerging Markets Equity (Aberdeen)*	12.5%	-4.9%	3.8%	N/S	N/S	N/S	N/S	5,726,720,774

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