



Monthly Investment Review

Investors had been focussing on the US presidential election as well as the US interest rate cycle and the likely timing of the next rate rise (expected to be 14th December). Upcoming political events in Italy, France and the Netherlands were also being monitored. Following a strong upward move in July, equities had effectively treaded water over the following three months. November saw a sharp rally in US equities as markets reacted positively to President-elect Donald Trump's expected reflationary policies. Equities remain attractively valued on a relative basis compared to bonds and cash. Although bonds have been supported by monetary policy action, they offer little long term value and have recently come under some pressure.



Richard Temperley
Head of Investment Development

Zurich Life Fund Allocations & Activity

Equities & Bonds: Equities are overweight, bonds underweight.

Activity: Equities were maintained at a strongly overweight position during November, at the expense of government bonds, based on the relative valuation argument. Some profits were taken at the end of the month in financials, following a strong upward move, with the proceeds being invested into some defensive areas.

Regionally, the funds are:

- Overweight in the US, Ireland, Asia-Pacific and Japan.
- Underweight in Europe and the UK.

Sectorwise, the funds are:

- Overweight technology and consumer discretionary stocks.
- Underweight consumer staples.
- 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) rose strongly in November as market participants reacted positively to the US presidential election result and the likely US rate rise in December. The new US administration is expected to cut corporation tax rates and to introduce an expansionary economic policy, such as increased infrastructure spending. There was further sector rotation out of 'bond-proxies' such as real estate and utilities. The US Q3 earnings' results season was a positive for the market.
- World equities (in euro terms) rose by 4.4% during November and have given a total return of 8.7% in the first eleven months of the year. It should be remembered that the world market had fallen by almost 15% in the first six weeks of the year. There were mixed returns amongst the major equity markets in local currency terms in November ranging from plus 5.5% in Japan to minus 2.4% in the UK. The influential US market was up 3.4%. Year-to-date, the strongest equity markets in local currency terms have been the UK (+8.7%) and US (+7.6%). As regards the UK, significant sterling weakness has resulted in the euro return for the FTSE100 Index falling back to minus 5.5%.

- As mentioned already, there was sector rotation in November from 'bond-proxies' into some cyclical stocks. In the US, utilities fell by 6.0% whilst financials rose by a staggering 13.7%. Cyclical stocks have clearly outperformed defensive areas in the US so far in 2016 with energy (+21.5%) being the best performing sector; healthcare (-4.9%) the worst.

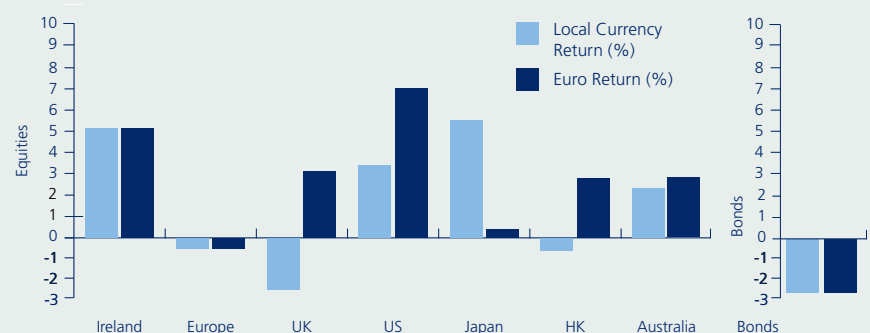
Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Index fell by 2.5% in November adding to October's hefty 3.2% fall; although it remains up 3.9% year-to-date. Eurozone bonds had been supported up to the end of July by economic growth concerns and increased quantitative easing. However, they are now facing an environment of higher US rates and the prospect of an expansionist US economic policy. Core eurozone markets have been stronger so far this year with Italy, in particular, underperforming.
- The German ten-year bond yield rose over the month from 0.16% to 0.28%. The yield had hit an all-time low of minus 0.19% on 8th July. Equivalent US rates rose sharply from 1.83% to 2.38% reacting to the likely change in US economic policy by the incoming administration.
- There is now a 95% chance that the Fed will raise US interest rates again in mid-December 2016. The first rate rise in many years took place last December. Eurozone rates are likely to remain at current ultra-low levels for the foreseeable future.

Commodities & Currencies

- Commodity prices overall were up by 1.6% in November and are up by 7.5% so far during this volatile year. The oil price increased by 5%, from \$47 to over \$49 per barrel, reacting to the first agreed oil output cut by OPEC in eight years, as well as proposed cuts from non-OPEC countries.
- The gold price fell sharply in November, down 8% to \$1,171 per troy ounce.

Equity & Bond % Returns



This graph shows the performance of the major equity markets over the month of November. The returns are shown in both local and euro currencies. The bond index is the Merrill Lynch over 5 Year Euro Government Bond Index. Source: Bloomberg, December 2016.

	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%	0.4%	1.7%	Not Started	Not Started	Not Started	Not Started	132,889,789
Pathway 3	3.1%	1.5%	4.2%	Not Started	Not Started	Not Started	Not Started	408,072,896
Pathway 4	6.5%	3.5%	8.4%	Not Started	Not Started	Not Started	Not Started	428,990,213
Pathway 5	8.8%	3.9%	10.2%	Not Started	Not Started	Not Started	Not Started	138,502,936
Pathway 6	6.9%	2.6%	7.2%	Not Started	Not Started	Not Started	Not Started	16,523,022
Managed Funds								
Cautiously Managed	3.6%	1.7%	9.2%	10.3%	Not Started	Not Started	Not Started	372,375,944
FinEx Sector Average	2.7%	0.7%	4.3%	5.5%	2.4%	3.2%	4.2%	
Balanced	4.1%	0.9%	9.9%	12.3%	5.3%	6.1%	7.7%	1,618,320,056
FinEx Sector Average	2.7%	-0.3%	7.0%	10.1%	2.8%	3.7%	5.9%	
Performance	3.9%	0.2%	10.5%	12.7%	5.0%	6.1%	7.6%	1,301,143,717
Dynamic	4.2%	0.1%	10.8%	13.4%	5.2%	6.2%	7.6%	1,544,932,651
FinEx Sector Average	3.9%	0.5%	7.5%	10.3%	3.0%	3.9%	5.7%	
Protected Funds								
Protected 70	-0.6%	-3.7%	5.5%	7.7%	Not Started	Not Started	Not Started	12,693,585
Protected 80	-1.5%	-3.7%	3.3%	4.9%	Not Started	Not Started	Not Started	31,918,015
Protected 90	-2.2%	-3.4%	0.5%	1.1%	Not Started	Not Started	Not Started	13,825,170
Cash Fund								
Secure	0.0%	0.0%	0.0%	0.0%	1.0%	1.5%	2.4%	354,803,719
Cash Fund	-0.8%	-0.8%	-0.6%	-0.5%	0.5%	Not Started	Not Started	335,931,569
FinEx Sector Average	-0.1%	-0.1%	0.2%	0.1%	1.1%	1.4%	2.1%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	2.5%	2.3%	3.0%	Not Started	Not Started	Not Started	Not Started	5,425,116,277
Global Government Bond (JP Morgan)*	1.3%	1.3%	3.1%	Not Started	Not Started	Not Started	Not Started	686,150,972
Indexed Eurozone Government Bond (BlackRock)	2.0%	1.1%	5.2%	6.1%	Not Started	Not Started	Not Started	8,471,403
Active Fixed Income	3.9%	2.1%	7.8%	8.8%	6.1%	6.1%	7.4%	186,176,954
Inflation-Linked Bond	1.1%	-1.5%	1.6%	3.3%	Not Started	Not Started	Not Started	5,460,039
Long Bond	5.3%	2.9%	10.9%	11.3%	6.5%	Not Started	Not Started	57,124,834
Global Real Return (PIMCO)*	6.4%	4.2%	3.6%	Not Started	Not Started	Not Started	Not Started	2,600,000,000
Emerging Local Currency Debt (Pictet)*	8.4%	2.9%	2.7%	Not Started	Not Started	Not Started	Not Started	4,787,334,986
FinEx Sector Average	3.5%	1.7%	5.2%	6.6%	3.9%	4.5%	5.6%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco) *	0.4%	0.5%	Not Started	Not Started	Not Started	Not Started	Not Started	5,020,000,000
Income Opportunity (JP Morgan)*	5.6%	4.1%	0.5%	Not Started	Not Started	Not Started	Not Started	3,965,598,698
Dynamic Diversified Growth (BlackRock)	-4.0%	-5.8%	0.0%	2.3%	Not Started	Not Started	Not Started	15,978,360
Diversified Assets	7.3%	3.6%	6.1%	7.4%	Not Started	Not Started	Not Started	13,519,706
Active Asset Allocation	6.0%	2.9%	8.3%	8.4%	Not Started	Not Started	Not Started	205,833,277
Commodity Funds								
Gold	12.8%	9.2%	5.6%	-3.8%	Not Started	Not Started	Not Started	32,863,956
Earth Resources	1.0%	-3.4%	-6.5%	-5.8%	Not Started	Not Started	Not Started	5,711,421
Global Commodities	17.8%	8.4%	-5.9%	-5.1%	-5.1%	Not Started	Not Started	15,134,579
CommoditiesPLUS Strategy (PIMCO)*	12.7%	6.7%	-11.8%	Not Started	Not Started	Not Started	Not Started	402,800,000
Green Resources	-13.0%	-9.8%	-3.2%	2.6%	Not Started	Not Started	Not Started	3,755,335
Equity Funds (Global)								
5 Star 5	1.1%	-2.8%	9.6%	13.1%	4.2%	6.4%	Not Started	204,307,215
International Equity	7.1%	2.7%	12.1%	14.6%	6.4%	5.9%	Not Started	1,045,828,052
Global Select (Threadneedle)	5.3%	-1.4%	12.1%	14.4%	6.6%	5.7%	Not Started	6,574,390
Global Equity (MFS Meridian)*	7.3%	0.3%	11.3%	Not Started	Not Started	Not Started	Not Started	5,088,151,577
Indexed Global Equity (BlackRock)	7.2%	1.8%	12.5%	14.6%	Not Started	Not Started	Not Started	106,559,229
FinEx Sector Average	5.1%	0.6%	8.5%	12.3%	4.2%	3.8%	6.0%	

Source: Financial Express as at 01/12/2016

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)*	-4.5%	-10.1%	3.5%	Not Started	Not Started	Not Started	Not Started	3,034,380,000
5 Star 5 Europe	-1.5%	-5.7%	8.6%	15.2%	4.6%	Not Started	Not Started	98,662,121
European Select (Threadneedle)	-5.7%	-11.4%	7.1%	13.0%	6.2%	6.8%	Not Started	11,677,933
Small Cap Europe (Pictet)*	-3.5%	-6.1%	8.1%	Not Started	Not Started	Not Started	Not Started	267,904,910
FinEx Sector Average	-5.3%	-8.3%	4.6%	12.0%	3.1%	4.3%	7.6%	
Equity Funds (Eurozone)								
Eurozone Equity	-1.9%	-7.2%	4.9%	12.1%	4.5%	Not Started	Not Started	66,385,125
Europe ex-UK Index (BlackRock)	-3.7%	-7.8%	4.6%	10.9%	2.7%	Not Started	Not Started	3,006,003
Indexed Eurozone Equity (BlackRock)	-0.5%	-7.7%	3.8%	10.4%	Not Started	Not Started	Not Started	2,444,160
FinEx Sector Average	-4.0%	-7.8%	4.0%	9.9%	1.1%	2.8%	5.9%	
Equity Funds (Irish)								
Irish Equity	-5.8%	-6.2%	15.0%	20.6%	0.1%	Not Started	Not Started	16,214,667
FinEx Sector Average	-8.3%	-8.3%	11.6%	17.9%	-1.7%	2.9%	6.0%	
Equity Funds (American)								
5 Star 5 Americas	12.0%	5.5%	18.1%	18.2%	9.0%	Not Started	Not Started	66,591,750
American Select (Threadneedle)	12.8%	5.0%	15.3%	17.6%	9.1%	5.6%	Not Started	12,168,685
FinEx Sector Average	10.9%	5.9%	14.7%	17.5%	8.0%	4.6%	6.8%	
Equity Fund (UK)								
UK Growth (M&G)*	-10.8%	-17.4%	1.8%	Not Started	Not Started	Not Started	Not Started	593,630,000
UK Index (BlackRock)	-2.6%	-8.6%	2.9%	7.6%	2.3%	Not Started	Not Started	2,304,712
FinEx Sector Average	-5.5%	-10.3%	1.8%	7.8%	2.1%	2.9%	4.4%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	11.2%	8.4%	7.7%	9.6%	3.6%	Not Started	Not Started	69,728,317
Asia Pacific Equity	12.0%	7.9%	6.7%	9.3%	Not Started	Not Started	Not Started	7,875,962
FinEx Sector Average	8.3%	4.9%	4.6%	7.5%	4.4%	6.5%	5.4%	
Equity Funds (Japan)								
Japan Index (BlackRock)	3.4%	0.6%	10.4%	12.6%	2.4%	Not Started	Not Started	3,381,129
FinEx Sector Average	3.9%	-0.7%	8.8%	12.1%	1.5%	2.2%	2.0%	
Equity Funds (High Yield)								
Dividend Growth	14.4%	8.0%	12.6%	16.4%	5.4%	Not Started	Not Started	222,489,713
Global Dividend (M&G)*	17.2%	7.5%	7.7%	Not Started	Not Started	Not Started	Not Started	6,466,190,000
FinEx Sector Average	5.1%	0.6%	8.5%	12.3%	4.2%	3.8%	6.0%	
Equity Funds (Emerging Market)								
India Equity	0.5%	-2.0%	12.4%	7.8%	Not Started	Not Started	Not Started	11,536,219
Emerging Markets Opportunities (JP Morgan)*	16.9%	6.7%	3.9%	Not Started	Not Started	Not Started	Not Started	1,979,886,622
FinEx Sector Average	10.6%	4.6%	4.8%	4.3%	3.7%	5.5%	Not Started	
Equity Funds (Specialist)								
Top Tech 100	8.0%	3.3%	21.5%	22.2%	13.1%	6.3%	Not Started	35,749,339
FinEx Sector Average	4.3%	0.9%	4.0%	5.1%	1.4%	0.9%	3.1%	
Property Funds								
Fund of REITs	-16.4%	-13.7%	Not Started	Not Started	Not Started	Not Started	Not Started	13,566,768
European (Ex-UK) Property	-1.1%	-1.9%	11.0%	12.5%	Not Started	Not Started	Not Started	40,180,025
Global Property Equities (Henderson Horizon)*	3.2%	0.1%	12.8%	Not Started	Not Started	Not Started	Not Started	427,370,469
Australasia Property	12.1%	9.9%	11.6%	11.2%	Not Started	Not Started	Not Started	29,997,007
FinEx Sector Average	0.5%	0.7%	7.9%	6.6%	-2.7%	2.7%	6.6%	
Funds Closed to New Business								
Eurozone Property	-2.6%	-3.7%	10.1%	12.6%	0.9%	Not Started	Not Started	20,068,510
Global Emerging Markets Equity (Aberdeen)*	16.0%	6.2%	5.0%	Not Started	Not Started	Not Started	Not Started	5,902,148,424

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