



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.

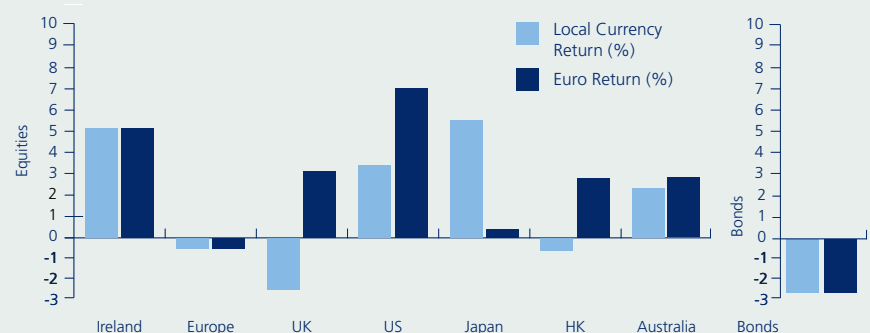
Bonds & Interest Rates

- 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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