



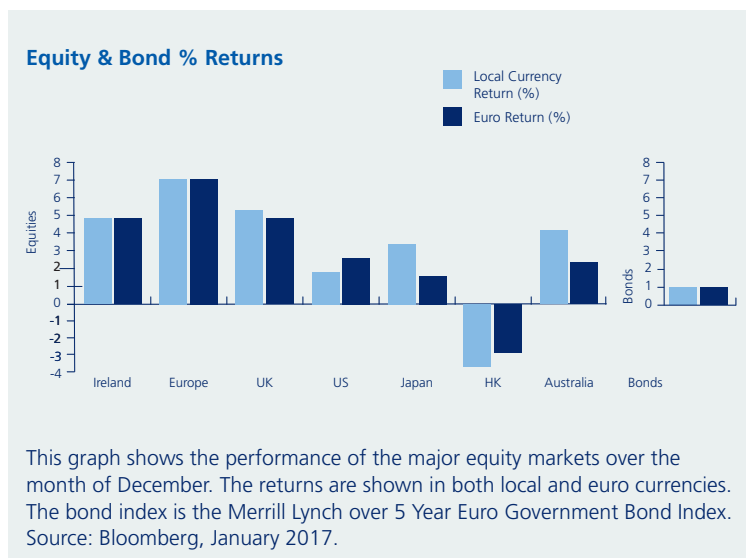
Monthly Investment Review

2016 was characterised by a high level of volatility but with strong returns from a number of asset classes, especially equities. Equity markets saw a sharp correction at the beginning of the year, with the world index down 15% on the back of Chinese economic growth concerns and severe oscillation in the oil price. However, the rest of the year saw a strong, if somewhat volatile, upward trajectory with the world index rising by over 31% from its low point in mid-February.

Markets took a number of key events in their stride - Brexit, the US presidential election result, the Italian referendum result and a US interest rate rise. It was a case of all news is good news. Equities remain attractively valued on a relative basis compared to bonds and cash although they have become more expensive on an absolute (P/E ratio) basis. Eurozone government bonds were supported in the first half of the year by monetary policy action, however they offer little long term value and have recently come under some pressure.

Equity Markets

- Equities (in euro terms) rose strongly again in December as market participants continued to react positively to the US presidential election result and were unperturbed by the US rate rise mid-month. The new US administration is expected to cut corporation tax rates and to introduce an expansionary economic policy, such as increased infrastructure spending. Markets await with interest the US Q4 earnings' results season which begins in the second week of January.
- World equities (in euro terms) rose by 3.0% during December, adding to November's 4.4% move, and have given a total return of 11.9% for the full year. With the exception of Hong Kong, all of the major equity markets were up in local currency terms in December ranging from 1.8% in the US to 7.0% in Europe. For 2016 as a whole, the strongest equity markets in local currency terms were the UK (+14.4%) and US (+9.5%). As regards the UK, significant sterling weakness has resulted in the euro return for the FTSE100 Index falling back to minus 1.0%.
- Following a number of months of sector rotation from 'bond-proxies' into economically sensitive cyclical stocks, there was a partial reversal in December due to profit-taking. In the US in December, bond-proxies such as telecoms, utilities and real estate rose by 8.1%, 4.6% and 3.8% respectively. However, cyclical stocks clearly outperformed defensive areas in the US in 2016 with energy (+23.7%) being the best performing sector; healthcare (-4.4%) the worst.



Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Index rose by 1.0% in December, following hefty falls in October and November, giving a full year return of 4.9%. 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 a reflationary US economic policy. Italy has been the big under-performer in 2016, rising by just 0.7%.
- The German ten-year bond yield fell over the month from 0.28% to 0.21%. The yield had hit an all-time low of minus 0.19% on 8th July. Equivalent US rates rose again from 2.38% to 2.44% reacting to the mid-December rate rise and the likely change in US economic policy by the incoming administration.
- The markets now expect at least two further US rate rises, of 0.25% each, during 2017. Eurozone rates are likely to remain at current ultra-low levels for at least two years.

Commodities & Currencies

- Commodity prices overall were up by 1.7% in December and were up by a strong 9.3% for the full year. The oil price was the key driver over the full year rising by close to 50% during an extremely volatile period. The oil price increased by over 10% in December, from \$49 to over \$54 per barrel, reacting further to the first agreed oil output cut by OPEC in eight years.
- The gold price fell again in December, down 1.6% to \$1,152 per troy ounce, reacting to the 'risk-on' backdrop. However, the price was up 8.6% for 2016.
- The euro currency weakened by just under 1% against the US dollar during the month with the EUR/USD rate moving from 1.063 to 1.052.



Richard Temperley
Head of Investment Development

Activity

Equities were maintained at a strongly overweight position during December, at the expense of eurozone government bonds, based on the relative valuation argument. Some profits were taken at the end of November in financials, following a strong upward move, with the proceeds being invested into some defensive areas. These positions were maintained during December. Sectorwise, the funds are: Overweight technology and energy. Underweight consumer staples and utilities. Otherwise broadly balanced.

Asset Class		Positive	Neutral	Negative
Equities	North America	✓		
	Europe		✓	
	Japan	✓		
	UK			✓
	Asia-Ex Japan		✓	
Fixed Income	US		✓	
	UK		✓	
	Eurozone			✓
Currencies	USD	✓		
	GBP			✓
	YEN			✓
Alternatives	Oil	✓		
	Gold	✓		
	Copper	✓		
	Property			✓

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Pathway Multi-Asset Funds								
Pathway 2	1.6%	1.6%	2.0%	Not Started	Not Started	Not Started	Not Started	130,790,197
Pathway 3	4.1%	4.1%	4.6%	Not Started	Not Started	Not Started	Not Started	423,182,118
Pathway 4	8.5%	8.5%	9.1%	Not Started	Not Started	Not Started	Not Started	449,699,394
Pathway 5	11.3%	11.3%	11.1%	Not Started	Not Started	Not Started	Not Started	149,021,394
Pathway 6	9.8%	9.8%	8.4%	Not Started	Not Started	Not Started	Not Started	17,252,251
Managed Funds								
Cautiously Managed	5.1%	5.1%	9.8%	9.7%	Not Started	Not Started	Not Started	379,732,114
FinEx Sector Average	4.2%	4.2%	4.9%	5.2%	2.4%	3.3%	4.3%	
Balanced	6.7%	6.7%	10.6%	12.2%	5.2%	6.2%	7.8%	1,656,448,256
FinEx Sector Average	5.0%	5.0%	7.9%	9.8%	2.7%	3.8%	6.0%	
Performance	6.9%	6.9%	11.2%	12.7%	4.9%	6.2%	7.7%	
Dynamic	7.4%	7.4%	11.6%	13.4%	5.0%	6.3%	7.7%	1,544,932,651
FinEx Sector Average	6.9%	6.9%	8.6%	10.2%	3.0%	4.0%	5.9%	
Protected Funds								
Protected 70	1.4%	1.4%	6.0%	7.7%	Not Started	Not Started	Not Started	13,016,298
Protected 80	-0.3%	-0.3%	3.6%	4.9%	Not Started	Not Started	Not Started	32,234,699
Protected 90	-2.0%	-2.0%	0.6%	1.0%	Not Started	Not Started	Not Started	13,778,766
Cash Fund								
Secure	0.0%	0.0%	0.0%	0.0%	1.0%	1.5%	2.4%	346,471,176
Cash Fund	-0.8%	-0.8%	-0.6%	-0.5%	0.5%	Not Started	Not Started	352,775,808
FinEx Sector Average	-0.1%	-0.1%	0.2%	0.1%	1.0%	1.3%	2.1%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	3.2%	3.2%	3.2%	Not Started	Not Started	Not Started	Not Started	5,425,116,277
Global Government Bond (JP Morgan)*	1.3%	1.3%	3.3%	Not Started	Not Started	Not Started	Not Started	686,150,972
Indexed Eurozone Government Bond (BlackRock)	1.9%	1.9%	5.2%	5.6%	Not Started	Not Started	Not Started	8,252,256
Active Fixed Income	4.7%	4.7%	8.4%	8.0%	6.4%	6.3%	7.4%	185,476,335
Inflation-Linked Bond	3.4%	3.4%	2.7%	2.7%	Not Started	Not Started	Not Started	5,438,017
Long Bond	6.3%	6.3%	11.5%	10.1%	7.0%	Not Started	Not Started	57,135,745
Global Real Return (PIMCO)*	8.1%	8.1%	4.6%	Not Started	Not Started	Not Started	Not Started	2,600,000,000
Emerging Local Currency Debt (Pictet)*	12.7%	12.7%	4.3%	Not Started	Not Started	Not Started	Not Started	4,787,334,986
FinEx Sector Average	4.4%	4.4%	5.7%	5.8%	4.1%	4.6%	5.6%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco) *	2.1%	2.1%	Not Started	Not Started	Not Started	Not Started	Not Started	5,340,000,000
Income Opportunity (JP Morgan)*	6.4%	6.4%	0.7%	Not Started	Not Started	Not Started	Not Started	3,965,598,698
Dynamic Diversified Growth (BlackRock)	-2.5%	-2.5%	0.3%	2.6%	Not Started	Not Started	Not Started	15,219,246
Diversified Assets	9.4%	9.4%	6.9%	7.3%	Not Started	Not Started	Not Started	14,133,091
Active Asset Allocation	8.1%	8.1%	9.1%	8.3%	Not Started	Not Started	Not Started	214,324,487
Commodity Funds								
Gold	12.3%	12.3%	7.4%	-2.6%	Not Started	Not Started	Not Started	43,161,624
Earth Resources	3.1%	3.1%	-5.6%	-5.2%	Not Started	Not Started	Not Started	5,813,371
Global Commodities	21.5%	21.5%	-5.2%	-4.8%	-4.1%	Not Started	Not Started	15,852,829
CommoditiesPLUS Strategy (PIMCO)*	11.6%	11.6%	-12.4%	Not Started	Not Started	Not Started	Not Started	402,800,000
Green Resources	-12.2%	-12.2%	-3.0%	3.3%	Not Started	Not Started	Not Started	3,845,398
Equity Funds (Global)								
5 Star 5	4.5%	4.5%	10.3%	12.9%	4.2%	6.5%	Not Started	210,176,867
International Equity	10.0%	10.0%	12.7%	14.4%	6.3%	5.9%	9.8%	1,088,750,751
Global Select (Threadneedle)	9.0%	9.0%	12.7%	14.4%	6.5%	5.7%	Not Started	6,584,215
Global Equity (MFS Meridian)*	13.1%	13.1%	12.9%	Not Started	Not Started	Not Started	Not Started	5,088,151,577
Indexed Global Equity (BlackRock)	13.5%	13.5%	13.8%	14.7%	Not Started	Not Started	Not Started	112,388,659
FinEx Sector Average	8.8%	8.8%	10.2%	12.5%	4.3%	3.9%	6.2%	

Source: Financial Express as at 01/01/2017

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)*	3.7%	3.7%	6.0%	Not Started	Not Started	Not Started	Not Started	3,034,380,000
5 Star 5 Europe	4.8%	4.8%	10.2%	16.3%	4.6%	Not Started	Not Started	103,223,151
European Select (Threadneedle)	0.1%	0.1%	8.8%	13.5%	6.3%	6.9%	Not Started	12,397,491
Small Cap Europe (Pictet)*	1.9%	1.9%	9.1%	Not Started	Not Started	Not Started	Not Started	267,904,910
FinEx Sector Average	-0.3%	-0.3%	6.5%	12.5%	3.3%	4.6%	7.8%	
Equity Funds (Eurozone)								
Eurozone Equity	5.0%	5.0%	6.9%	13.7%	4.8%	Not Started	Not Started	70,388,772
Europe ex-UK Index (BlackRock)	2.2%	2.2%	6.5%	11.9%	2.7%	Not Started	Not Started	3,190,836
Indexed Eurozone Equity (BlackRock)	8.8%	8.8%	7.1%	11.6%	Not Started	Not Started	Not Started	2,565,361
FinEx Sector Average	2.5%	2.5%	6.2%	11.3%	1.4%	3.1%	6.3%	
Equity Funds (Irish)								
Irish Equity	-0.8%	-0.8%	16.8%	20.6%	-0.2%	Not Started	Not Started	17,756,291
FinEx Sector Average	-5.2%	-5.2%	12.6%	17.5%	-2.2%	3.0%	6.1%	
Equity Funds (American)								
5 Star 5 Americas	14.1%	14.1%	18.0%	17.7%	8.8%	Not Started	Not Started	68,379,420
American Select (Threadneedle)	17.5%	17.5%	16.1%	17.5%	9.6%	5.7%	Not Started	12,681,014
FinEx Sector Average	14.7%	14.7%	15.8%	17.2%	8.1%	4.7%	7.0%	
Equity Fund (UK)								
UK Growth (M&G)*	-5.5%	-5.5%	2.5%	Not Started	Not Started	Not Started	Not Started	593,630,000
UK Index (BlackRock)	1.7%	1.7%	3.9%	7.8%	2.4%	Not Started	Not Started	2,406,204
FinEx Sector Average	-1.9%	-1.9%	2.9%	8.0%	2.1%	3.1%	4.4%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	10.4%	10.4%	8.4%	8.8%	2.9%	Not Started	Not Started	69,420,516
Asia Pacific Equity	11.4%	11.4%	7.5%	8.5%	Not Started	Not Started	Not Started	7,763,449
FinEx Sector Average	7.7%	7.7%	5.5%	6.7%	3.9%	6.2%	5.4%	
Equity Funds (Japan)								
Japan Index (BlackRock)	5.2%	5.2%	11.2%	12.0%	2.3%	Not Started	Not Started	3,439,143
FinEx Sector Average	5.8%	5.8%	10.0%	11.9%	1.4%	2.6%	2.5%	
Equity Funds (High Yield)								
Dividend Growth	17.3%	17.3%	13.6%	16.0%	5.2%	Not Started	Not Started	228,817,439
Global Dividend (M&G)*	23.7%	23.7%	9.4%	Not Started	Not Started	Not Started	Not Started	6,466,190,000
FinEx Sector Average	8.8%	8.8%	10.2%	12.5%	4.3%	3.9%	6.2%	
Equity Funds (Emerging Market)								
India Equity	0.5%	0.5%	11.7%	8.9%	Not Started	Not Started	Not Started	11,540,392
Emerging Markets Opportunities (JP Morgan)*	17.1%	17.1%	5.3%	Not Started	Not Started	Not Started	Not Started	1,979,886,622
FinEx Sector Average	10.9%	10.9%	5.5%	4.6%	3.2%	5.3%	Not Started	
Equity Funds (Specialist)								
Top Tech 100	9.8%	9.8%	21.5%	21.9%	13.5%	6.5%	Not Started	36,232,362
FinEx Sector Average	6.0%	6.0%	4.3%	5.3%	1.3%	1.0%	3.2%	
Property Funds								
Fund of REITs	-11.2%	-11.2%	Not Started	Not Started	Not Started	Not Started	Not Started	14,242,843
European (Ex-UK) Property	3.9%	3.9%	13.5%	13.6%	Not Started	Not Started	Not Started	42,607,111
Global Property Equities (Henderson Horizon)*	8.4%	8.4%	14.8%	Not Started	Not Started	Not Started	Not Started	427,370,469
Australasia Property	11.0%	11.0%	12.7%	11.6%	Not Started	Not Started	Not Started	30,194,428
FinEx Sector Average	2.9%	2.9%	8.7%	7.0%	-2.7%	2.9%	6.7%	
Funds Closed to New Business								
Eurozone Property	2.3%	2.3%	13.1%	13.8%	0.6%	Not Started	Not Started	20,858,835
Global Emerging Markets Equity (Aberdeen)*	19.5%	19.5%	7.6%	Not Started	Not Started	Not Started	Not Started	5,902,148,424

Warning: Past performance is not a reliable guide to future performance.
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Intended for distribution within the Republic of Ireland.

Print Ref: ZURL ISA 76 0117

