February 2017

Monthly Investment Review

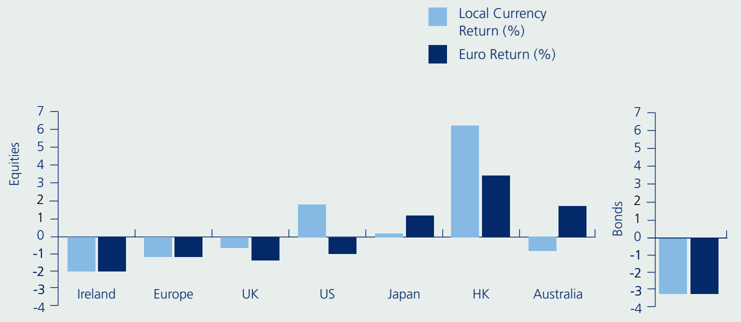
Equity markets treaded water in January following a particularly strong rally in November and December. This year-end rally was primarily on the back of the US presidential election result. Markets are closely watching the new US administration's policy action, especially in relation to proposed corporation tax cuts. Every 1% cut in corporation tax equates to an approximate 1% rise in US corporate profits, thereby reducing the P/E ratio multiple. However, attempts to stymie policy action are causing market participants some concern.

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 offer little long term value and have recently come under some significant pressure.

Equity Markets

- Equities (in euro terms) were little changed in January as market participants continued to assess US policy action as well as the likely number of US rate rises during 2017. Markets were generally happy with US Q4 earnings' results which were announced throughout January. So far this earnings season, 65% of companies have beaten their consensus analyst earnings per share estimates. For top-line revenues, the beat rate is 9 points less at 56%. The stand-out sector has been technology with an 81% earnings beat rate and 69% revenue beat rate.
- World equities (in euro terms) rose by 0.2% during January. They had risen by 4.4% in November and 3.0% in December 2016. There was a mixed bag of returns from the major equity markets in local currency terms in January ranging from plus 6.2% in Hong Kong, to minus 1.9% in Ireland. Hong Kong's strong move was due to more positive sentiment in China regarding economic growth as well as a weaker US dollar. The influential US market was up by 1.8%.
- Generally speaking in the US, economically sensitive cyclical sectors such as materials (+4.6%), technology (+4.3%) and consumer discretionary (+4.2%) outperformed in January. Some 'bond-proxy' areas, such as telecoms (-3.5%) and real estate (-0.1%) continued to underperform. The worst performing sector was energy (-3.6%) which saw some profit-taking.

Equity & Bond % Returns



This graph shows the performance of the major equity markets over the month of January. 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, February 2017.

Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Index fell by a hefty 3.1% in January and is now down by close to 8% in the last four months. January's decline was on the back of election concerns in Italy and France. Eurozone bonds had been supported up to the end of July of last year 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.
- The German ten-year bond yield rose sharply over the month from 0.21% to 0.44%. The yield had hit an all-time low of minus 0.19% on 8th July 2016. Equivalent US rates rose marginally from 2.44% to 2.45%. Yields in the US reached a 2016 low of 1.36%, also on 8th July, and have risen due to the expectation of further interest rate rises and the likely change in US economic policy by the new 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 18 months.

Commodities & Currencies

- Commodity prices overall were down marginally during the month. After an almost 50% rally in 2016, the oil price fell by 2% in January due to niggling concerns over OPEC's plans to cut oil supplies.
- The gold price rose by close to 5% during the month to $1,209 per troy ounce. Gold was up 8.6% in 2016. The copper price was also sharply up (+8.9%) during January and is now up 30% since the recent rally began in mid-October 2016.
- The euro currency strengthened by close to 3% against the US dollar during the month with the EUR/USD rate moving from 1.05 to 1.08. Forthcoming elections in the eurozone, however, may put some pressure on the currency.

Richard Temperley
Head of Investment Development

Activity

Equities were maintained at a strongly overweight position during January, at the expense of eurozone government bonds, based on the relative valuation argument. Country and sector positions were also broadly maintained during the month. Sectorwise, the funds are: Overweight technology and industrials. Underweight materials and consumer discretionary stocks.

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

Zurich Life Annualised Performance to 1st February 2017

	Year to Date	Annualised 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (€)
Pathway Multi-Asset Funds+								
Prisma 2	-0.2%	1.7%	1.8%	Not Started	Not Started	Not Started	Not Started	131,679,477
Prisma 3	-0.1%	5.1%	4.5%	Not Started	Not Started	Not Started	Not Started	436,741,184
Prisma 4	0.2%	11.2%	9.1%	Not Started	Not Started	Not Started	Not Started	467,708,901
Prisma 5	0.3%	16.9%	11.5%	Not Started	Not Started	Not Started	Not Started	153,547,989
Prisma 6	0.2%	17.3%	9.4%	Not Started	Not Started	Not Started	Not Started	17,688,676
Managed Funds								
Cautiously Managed	-0.1%	6.8%	9.3%	9.2%	Not Started	Not Started	Not Started	382,728,128
FinEx Sector Average	0.0%	6.8%	4.9%	4.8%	2.4%	3.3%	4.2%	
Balanced	-0.1%	10.1%	10.9%	11.5%	5.1%	6.2%	7.5%	1,654,000,417
FinEx Sector Average	0.1%	10.4%	8.2%	9.0%	2.6%	3.8%	5.7%	
Performance	0.0%	11.8%	11.5%	12.0%	4.8%	6.2%	7.4%	1,330,208,013
Dynamic	0.1%	13.2%	12.2%	12.6%	4.9%	6.3%	7.4%	1,589,362,953
FinEx Sector Average	0.4%	13.6%	9.1%	9.4%	2.9%	4.1%	5.7%	
Protected Funds								
Protected 70	-0.1%	5.3%	6.5%	7.2%	Not Started	Not Started	Not Started	12,792,859
Protected 80	-0.1%	2.4%	4.0%	4.6%	Not Started	Not Started	Not Started	31,974,194
Protected 90	-0.2%	-0.9%	0.8%	0.9%	Not Started	Not Started	Not Started	13,402,328
Cash Fund								
Secure	0.0%	0.0%	0.0%	0.0%	0.9%	1.4%	2.4%	335,487,566
Cash Fund	-0.1%	-0.8%	-0.6%	-0.5%	0.5%	Not Started	Not Started	352,464,118
FinEx Sector Average	0.0%	-0.1%	0.2%	0.1%	1.0%	1.3%	2.1%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	-0.1%	3.6%	2.7%	Not Started	Not Started	Not Started	Not Started	5,425,116,277
Global Government Bond (JP Morgan)*	-0.7%	-0.9%	2.5%	Not Started	Not Started	Not Started	Not Started	686,150,972
Indexed Eurozone Government Bond (BlackRock)	-1.3%	-0.8%	4.1%	4.8%	Not Started	Not Started	Not Started	8,017,723
Active Fixed Income	-1.7%	0.1%	6.6%	7.2%	6.3%	6.1%	7.3%	180,733,481
Inflation-Linked Bond	-2.0%	0.7%	1.7%	1.8%	Not Started	Not Started	Not Started	5,671,133
Long Bond	-3.9%	-1.9%	8.6%	9.0%	6.7%	Not Started	Not Started	54,638,794
Global Real Return (PIMCO)*	0.1%	7.5%	3.8%	Not Started	Not Started	Not Started	Not Started	2,600,000,000
Emerging Local Currency Debt (Pictet)*	-1.6%	10.2%	4.8%	Not Started	Not Started	Not Started	Not Started	4,787,334,986
FinEx Sector Average	-1.9%	1.6%	4.5%	5.0%	4.0%	4.4%	5.5%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco) *	-0.8%	1.1%	Not Started	Not Started	Not Started	Not Started	Not Started	5,610,000,000
Income Opportunity (JP Morgan)*	0.7%	8.4%	0.9%	Not Started	Not Started	Not Started	Not Started	3,965,598,698
Dynamic Diversified Growth (BlackRock)	0.3%	-0.2%	0.6%	2.1%	Not Started	Not Started	Not Started	15,545,198
Diversified Assets	-0.9%	11.6%	6.7%	6.5%	Not Started	Not Started	Not Started	14,687,349
Active Asset Allocation	0.1%	11.4%	9.0%	7.6%	Not Started	Not Started	Not Started	219,767,684
Commodity Funds								
Gold	2.0%	8.5%	6.1%	-4.0%	Not Started	Not Started	Not Started	34,246,655
Earth Resources	-0.3%	10.0%	-6.7%	-6.2%	Not Started	Not Started	Not Started	5,929,660
Global Commodities	-2.4%	21.3%	-5.9%	-5.5%	-4.2%	Not Started	Not Started	15,827,670
CommoditiesPLUS Strategy (PIMCO)*	3.2%	18.4%	-11.6%	Not Started	Not Started	Not Started	Not Started	402,800,000
Green Resources	0.0%	-0.5%	-4.1%	1.3%	Not Started	Not Started	Not Started	3,824,285
Equity Funds (Global)								
5 Star 5	0.5%	10.6%	11.6%	11.9%	4.2%	6.6%	Not Started	209,690,099
International Equity	0.3%	16.7%	13.6%	13.5%	6.1%	6.0%	9.4%	1,089,161,719
Global Select (Threadneedle)	-0.8%	14.7%	12.9%	13.1%	6.1%	5.7%	Not Started	6,316,919
Global Equity (MFS Meridian)*	-0.6%	16.3%	14.4%	Not Started	Not Started	Not Started	Not Started	5,088,151,577
Indexed Global Equity (BlackRock)	-1.9%	19.8%	14.6%	13.7%	Not Started	Not Started	Not Started	114,087,058
FinEx Sector Average	0.7%	18.4%	11.1%	11.5%	4.2%	4.0%	6.0%	

Source: Financial Express as at 01/02/2017

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.

+ The Prisma Multi-Asset Funds were previously known as the Pathway Multi-Asset Funds.

* 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						
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (€)
Equity Funds (European)								
Euro Markets Fund (BlackRock)*	-1.0%	6.3%	6.1%	Not Started	Not Started	Not Started	Not Started	3,034,380,000
5 Star 5 Europe	0.4%	10.5%	10.6%	15.2%	4.8%	Not Started	Not Started	102,495,861
European Select (Threadneedle)	-0.4%	1.6%	8.8%	12.4%	6.0%	7.0%	Not Started	11,902,230
Small Cap Europe (Pictet)*	1.6%	10.3%	10.0%	Not Started	Not Started	Not Started	Not Started	267,904,910
FinEx Sector Average	0.8%	9.2%	7.3%	11.4%	3.1%	4.7%	7.4%	
Equity Funds (Eurozone)								
Eurozone Equity	-0.8%	11.1%	7.3%	12.3%	4.5%	Not Started	Not Started	70,595,313
Europe ex-UK Index (BlackRock)	0.1%	9.9%	7.1%	11.0%	2.5%	Not Started	Not Started	3,193,307
Indexed Eurozone Equity (BlackRock)	-1.0%	15.1%	7.6%	10.4%	Not Started	Not Started	Not Started	2,791,040
FinEx Sector Average	0.3%	11.2%	6.5%	10.2%	1.2%	3.2%	5.9%	
Equity Funds (Irish)								
Irish Equity	-2.3%	1.3%	14.2%	19.6%	-0.2%	Not Started	Not Started	16,182,946
FinEx Sector Average	-0.8%	1.9%	11.4%	16.4%	-2.1%	3.1%	5.8%	
Equity Funds (American)								
5 Star 5 Americas	-1.0%	17.3%	17.9%	16.7%	8.4%	Not Started	Not Started	67,891,881
American Select (Threadneedle)	-1.2%	22.5%	15.6%	16.4%	9.0%	5.5%	Not Started	12,529,190
FinEx Sector Average	0.9%	26.9%	16.5%	16.5%	7.9%	4.8%	6.5%	
Equity Fund (UK)								
UK Growth (M&G)*	-0.2%	2.8%	3.9%	Not Started	Not Started	Not Started	Not Started	593,630,000
UK Index (BlackRock)	-0.9%	7.4%	4.4%	7.0%	2.2%	Not Started	Not Started	2,385,730
FinEx Sector Average	-0.2%	6.7%	3.5%	7.1%	1.9%	3.1%	4.3%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	4.8%	24.1%	11.9%	8.0%	2.9%	Not Started	Not Started	72,072,017
Asia Pacific Equity	4.4%	25.2%	10.5%	7.7%	Not Started	Not Started	Not Started	8,402,070
FinEx Sector Average	4.7%	24.6%	8.4%	6.0%	4.2%	6.2%	5.5%	
Equity Funds (Japan)								
Japan Index (BlackRock)	1.7%	15.7%	12.5%	11.6%	2.2%	Not Started	Not Started	4,079,507
FinEx Sector Average	2.3%	18.4%	11.5%	11.4%	1.5%	3.1%	2.7%	
Equity Funds (High Yield)								
Dividend Growth	-0.4%	24.5%	14.4%	15.0%	4.9%	Not Started	Not Started	228,148,035
Global Dividend (M&G)*	-0.6%	28.8%	11.5%	Not Started	Not Started	Not Started	Not Started	6,466,190,000
FinEx Sector Average	0.7%	18.4%	11.1%	11.5%	4.2%	4.0%	6.0%	
Equity Funds (Emerging Market)								
India Equity	3.6%	9.7%	14.1%	6.0%	Not Started	Not Started	Not Started	11,733,008
Emerging Markets Opportunities (JP Morgan)*	3.7%	28.6%	8.3%	Not Started	Not Started	Not Started	Not Started	1,979,886,622
FinEx Sector Average	3.9%	26.9%	8.5%	3.0%	3.2%	4.9%	Not Started	
Equity Funds (Specialist)								
Top Tech 100	2.5%	20.4%	22.5%	20.8%	13.3%	6.5%	Not Started	37,289,945
FinEx Sector Average	1.4%	15.4%	4.8%	4.2%	1.3%	1.3%	3.2%	
Property Funds								
Fund of REITs	-3.5%	-8.6%	Not Started	Not Started	Not Started	Not Started	Not Started	13,875,355
European (Ex-UK) Property	-3.3%	3.9%	12.6%	11.9%	Not Started	Not Started	Not Started	41,365,845
Global Property Equities (Henderson Horizon)*	-2.0%	9.1%	13.8%	Not Started	Not Started	Not Started	Not Started	427,370,469
Australasia Property	1.6%	18.2%	14.1%	10.4%	Not Started	Not Started	Not Started	31,587,933
FinEx Sector Average	-0.4%	4.3%	8.5%	6.6%	-2.8%	2.8%	6.6%	
Funds Closed to New Business								
Eurozone Property	-2.8%	3.7%	12.6%	12.1%	-0.1%	Not Started	Not Started	19,897,985
Global Emerging Markets Equity (Aberdeen)*	1.7%	24.5%	10.4%	Not Started	Not Started	Not Started	Not Started	5,902,148,424

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.
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