



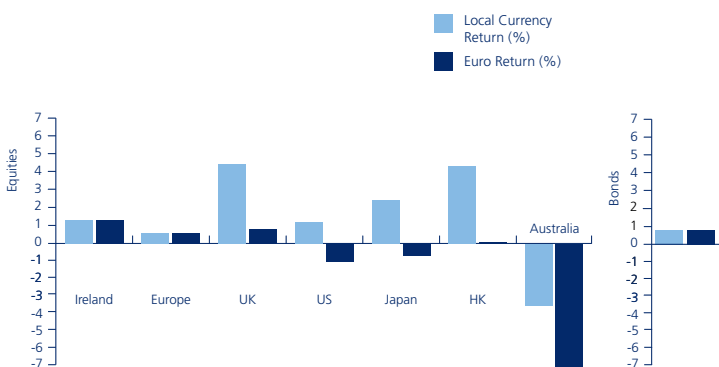
# Monthly Investment Review

Equity markets, in general, resumed their upward trajectory during May. However, from a eurozone investor perspective there was a negative return. This was due to the significant strengthening of the euro currency, negating local currency gains in many international markets, on the back of good eurozone economic and corporate earning data as well as subdued political risk following the French presidential election result. The influential US market was up slightly as investors closely watched the new US administration's attempts to push ahead with policy action, especially in relation to proposed corporation tax cuts. Strategists have yet to revise up earnings per share (eps) estimates for the US market on the back the proposed cuts. Equities remain well 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 with German 10-year yields currently trading in a range between 0.2% and 0.5%.

## Equity Markets

- Equities (in euro terms) fell back somewhat during the month mainly due to currency effects. Market participants continued to assess US policy action as well as the likely number of US rate rises during 2017. Economic and corporate earnings data continues to be supportive, especially in Europe.
- World equities (in euro terms) fell by 1.0% in May and have given a total return of plus 4.2% in the first five months of the year. With the exception of Australia (-3.4%) all of the major equity markets were up in local currency terms in May ranging from 0.6% in Europe to 4.4% in the UK; returns in euro terms were held back by the stronger euro currency. Year-to-date, Hong Kong (+16.6%), Europe (+9.5%) and the US (+7.7%) have led the way.
- Sectorwise in the US, there was no clear distinction between economically sensitive cyclical stocks and defensive areas in May. The strongest sector over the month was technology (+4.2%); the weakest was energy (-4.0%). Year-to-date, the same picture emerges with the best performing sector being technology (+19.7%), the worst energy (-13.6%).

Equity & Bond % Returns - May 2017



This graph shows the performance of the major equity markets over the month of April. 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, May 2017.

## Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Index rose by 0.8% in May with peripheral markets outperforming. Bonds were helped by muted inflation data. Eurozone bonds had been supported up to the middle of July of last year by economic growth concerns and increased quantitative easing. However, they are now facing an environment of higher US rates, stronger eurozone economic data and the prospect of a reflationary US economic policy.
- The German ten-year bond yield fell marginally over the month from 0.32% to 0.30% and remains in a fairly tight range. The yield had hit an all-time low of minus 0.19% on 8th July 2016. Equivalent US rates fell from 2.28 to 2.20%. 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 changes in US economic policy by the new administration.
- The markets now expect two further US rate rise, of 0.25% each, during the rest of 2017 following on from the move on 15th March. A move on 14th June is fully anticipated. Eurozone rates are likely to remain at current ultra-low levels for at least 12 months whilst a UK move is not expected until H1 2018.

## Commodities & Currencies

- Commodity prices overall were down by 1% during May and are down 6.6% so far this year. After an almost 50% rally in 2016 and a relatively quiet January and February, the oil price fell sharply for the third month in-a-row on the back of disappointment over the scale of OPEC's production cuts. The oil price is now down by 11% year-to-date.
- The gold price rose marginally during the month to \$1,272 per troy ounce and remains up 10% year-to-date. The price of copper, the world's most widely used metal after iron and aluminium, fell back by 0.6% during May but is up 27% since the strike-induced rally began in mid-October 2016.
- The euro currency strengthened by just over 3% against the US dollar during the month with the EUR/USD rate moving from 1.09 to 1.12. The main reason for the move was stronger economic data in the eurozone.



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Head of Investment Development

## Activity

Equity positions were increased towards the end of April from moderately overweight to well overweight given the stronger economic outlook, good corporate earnings and the reduction in political risk in Europe. The fund managers maintained this position during May. With regards to geographic positions the main overweights are in Europe, Asia (ex-Japan) and Ireland. Sector positions were also broadly maintained. The funds are overweight financial stocks and technology; underweight consumer staples and industrials.

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			✓

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
<b>Prisma Multi-Asset Funds<sup>†</sup></b>								
Prisma 2	0.0%	1.2%	1.5%	Not Started	Not Started	Not Started	Not Started	148,471,871
Prisma 3	0.5%	3.9%	3.9%	Not Started	Not Started	Not Started	Not Started	556,522,120
Prisma 4	1.7%	9.2%	8.0%	Not Started	Not Started	Not Started	Not Started	560,722,227
Prisma 5	2.4%	12.9%	10.2%	Not Started	Not Started	Not Started	Not Started	224,973,360
Prisma 6	3.8%	15.3%	7.5%	Not Started	Not Started	Not Started	Not Started	20,123,164
<b>Managed Funds</b>								
Cautiously Managed	1.7%	7.0%	8.1%	8.6%	Not Started	Not Started	Not Started	397,549,917
FinEx Sector Average	2.1%	5.4%	4.4%	4.8%	2.4%	3.5%	4.2%	
Balanced	3.7%	11.0%	10.2%	11.8%	4.9%	6.6%	7.0%	1,670,490,162
FinEx Sector Average	2.8%	7.7%	7.4%	9.4%	2.5%	4.2%	5.3%	
Performance	4.6%	13.4%	11.0%	12.7%	4.6%	6.7%	6.9%	1,327,685,268
Dynamic	4.9%	14.8%	11.7%	13.5%	4.7%	6.8%	7.0%	1,581,026,493
FinEx Sector Average	3.5%	9.9%	8.4%	9.7%	2.8%	4.4%	5.3%	
<b>Protected Funds</b>								
Protected 70	2.9%	7.7%	6.0%	7.9%	Not Started	Not Started	Not Started	15,599,567
Protected 80	1.5%	3.9%	3.5%	4.9%	Not Started	Not Started	Not Started	35,108,401
Protected 90	-0.2%	-0.4%	0.3%	1.0%	Not Started	Not Started	Not Started	12,876,472
<b>Cash Fund</b>								
Secure	0.0%	0.0%	0.0%	0.0%	0.8%	1.4%	2.3%	297,880,157
Cash Fund	-0.4%	-0.8%	-0.6%	-0.5%	0.3%	Not Started	Not Started	412,969,767
FinEx Sector Average	-0.1%	-0.2%	0.1%	0.1%	0.9%	1.3%	2.0%	
<b>Bond Funds</b>								
Global Corporate Bond (JP Morgan)*	2.2%	2.3%	2.5%	Not Started	Not Started	Not Started	Not Started	5,120,195,629
Global Government Bond (JP Morgan)*	0.4%	-1.5%	2.4%	Not Started	Not Started	Not Started	Not Started	313,824,446
Indexed Eurozone Government Bond (BlackRock)	0.0%	-1.2%	3.4%	4.5%	Not Started	Not Started	Not Started	7,259,514
Active Fixed Income	-1.1%	-1.6%	4.9%	6.2%	6.5%	6.2%	7.2%	176,610,478
Inflation-Linked Bond	-1.7%	-0.1%	1.0%	1.3%	Not Started	Not Started	Not Started	5,939,927
Long Bond	-2.4%	-3.0%	6.7%	7.6%	7.1%	Not Started	Not Started	52,873,823
Global Real Return (PIMCO)*	1.6%	6.6%	3.3%	Not Started	Not Started	Not Started	Not Started	2,357,395,679
Emerging Local Currency Debt (Pictet)*	0.4%	8.2%	2.8%	Not Started	Not Started	Not Started	Not Started	5,286,840,895
FinEx Sector Average	-0.1%	0.6%	3.7%	4.7%	4.2%	4.6%	5.4%	
<b>Absolute Return/Diversified Assets Funds</b>								
Global Targeted Returns Fund (Invesco) *	2.5%	2.3%	Not Started	Not Started	Not Started	Not Started	Not Started	6,310,000,000
Income Opportunity (JP Morgan)*	1.2%	4.5%	0.9%	Not Started	Not Started	Not Started	Not Started	3,679,223,842
Dynamic Diversified Growth (BlackRock)	4.2%	2.8%	0.6%	3.3%	Not Started	Not Started	Not Started	16,581,881
Diversified Assets	-0.1%	6.5%	4.6%	6.4%	Not Started	Not Started	Not Started	13,982,836
Active Asset Allocation	1.7%	9.5%	7.8%	7.6%	Not Started	Not Started	Not Started	250,752,277
<b>Commodity Funds</b>								
Gold	2.2%	2.9%	6.6%	-3.0%	Not Started	Not Started	Not Started	38,869,101
Earth Resources	-4.9%	-3.0%	-9.3%	-5.1%	Not Started	Not Started	Not Started	5,246,670
Global Commodities	-11.6%	1.2%	-10.0%	-6.3%	-5.3%	Not Started	Not Started	13,523,168
CommoditiesPLUS Strategy (PIMCO)*	-4.0%	-3.0%	-15.4%	Not Started	Not Started	Not Started	Not Started	461,693,980
Green Resources	6.0%	7.9%	-2.2%	5.9%	Not Started	Not Started	Not Started	3,851,927
<b>Equity Funds (Global)</b>								
5 Star 5	4.5%	14.1%	11.9%	12.0%	4.0%	6.9%	Not Started	210,063,270
International Equity	4.3%	16.3%	12.8%	14.1%	5.8%	6.6%	8.3%	1,225,892,915
Global Select (Threadneedle)	6.0%	14.3%	13.9%	14.7%	6.1%	6.7%	Not Started	6,527,897
Global Equity (MFS Meridian)*	6.6%	17.8%	13.4%	Not Started	Not Started	Not Started	Not Started	5,816,892,182
Indexed Global Equity (BlackRock)	2.3%	16.6%	12.8%	14.6%	Not Started	Not Started	Not Started	102,957,877
FinEx Sector Average	4.4%	12.8%	10.3%	11.9%	4.0%	4.6%	5.4%	

Source: Financial Express as at 01/06/2017

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.**

<sup>†</sup> 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						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
<b>Equity Funds (European)</b>								
Euro Markets Fund (BlackRock)*	9.9%	16.0%	7.7%	Not Started	Not Started	Not Started	Not Started	3,186,925,144
5 Star 5 Europe	11.9%	18.3%	13.5%	17.9%	5.2%	Not Started	Not Started	113,620,823
European Select (Threadneedle)	13.4%	14.1%	10.4%	15.5%	6.5%	8.1%	Not Started	11,940,954
Small Cap Europe (Pictet)*	14.6%	18.8%	12.1%	Not Started	Not Started	Not Started	Not Started	251,276,814
FinEx Sector Average	11.2%	14.0%	8.5%	14.2%	3.3%	5.4%	7.2%	
<b>Equity Funds (Eurozone)</b>								
Eurozone Equity	11.8%	21.2%	8.7%	16.3%	4.6%	Not Started	Not Started	80,552,595
Europe ex-UK Index (BlackRock)	11.8%	19.0%	8.0%	14.7%	2.8%	Not Started	Not Started	3,174,201
Indexed Eurozone Equity (BlackRock)	11.7%	23.2%	8.4%	16.1%	Not Started	Not Started	Not Started	3,235,284
FinEx Sector Average	11.3%	15.9%	8.1%	13.7%	1.6%	4.2%	5.7%	
<b>Equity Funds (Irish)</b>								
Irish Equity	6.5%	6.6%	15.4%	20.5%	-0.1%	Not Started	Not Started	17,297,895
FinEx Sector Average	7.4%	4.1%	12.5%	17.4%	-1.9%	3.4%	5.4%	
<b>Equity Funds (American)</b>								
5 Star 5 Americas	-1.6%	18.1%	15.1%	15.1%	7.7%	Not Started	Not Started	62,865,010
American Select (Threadneedle)	2.9%	18.3%	16.2%	16.3%	8.7%	6.7%	Not Started	12,121,314
FinEx Sector Average	2.4%	16.5%	14.9%	15.5%	7.7%	5.7%	6.0%	
<b>Equity Fund (UK)</b>								
UK Growth (M&G)*	8.1%	8.7%	4.6%	Not Started	Not Started	Not Started	Not Started	613,290,000
UK Index (BlackRock)	5.4%	9.9%	4.0%	8.7%	2.3%	Not Started	Not Started	2,055,406
FinEx Sector Average	6.0%	5.9%	3.7%	8.4%	2.0%	3.8%	3.9%	
<b>Equity Funds (Far East Asia)</b>								
5 Star 5 Asia Pacific	13.0%	25.8%	11.0%	10.7%	2.8%	Not Started	Not Started	75,480,768
Asia Pacific Equity	10.6%	25.0%	9.2%	9.5%	Not Started	Not Started	Not Started	9,292,347
FinEx Sector Average	9.9%	21.9%	7.1%	7.6%	3.9%	6.4%	5.3%	
<b>Equity Funds (Japan)</b>								
Japan Index (BlackRock)	2.2%	13.7%	13.4%	11.9%	2.5%	Not Started	Not Started	2,564,400
FinEx Sector Average	3.0%	15.5%	12.7%	11.6%	1.9%	2.2%	2.0%	
<b>Equity Funds (High Yield)</b>								
Dividend Growth	0.8%	16.7%	12.5%	15.0%	4.5%	Not Started	Not Started	229,587,917
Global Dividend (M&G)*	-0.2%	17.8%	7.7%	Not Started	Not Started	Not Started	Not Started	6,655,190,000
FinEx Sector Average	4.4%	12.8%	10.3%	11.9%	4.0%	4.6%	5.4%	
<b>Equity Funds (Emerging Market)</b>								
India Equity	13.7%	15.8%	10.8%	10.8%	3.2%	Not Started	Not Started	12,061,692
Emerging Markets Opportunities (JP Morgan)*	11.6%	30.2%	7.7%	Not Started	Not Started	Not Started	Not Started	2,059,273,202
FinEx Sector Average	11.6%	24.3%	7.4%	6.0%	2.5%	5.9%	Not Started	
<b>Equity Funds (Specialist)</b>								
Top Tech 100	11.9%	27.4%	24.0%	20.9%	13.9%	9.6%	Not Started	42,494,688
FinEx Sector Average	2.6%	8.4%	3.6%	5.9%	1.1%	2.5%	3.3%	
<b>Property Funds</b>								
Fund of REITs	7.8%	4.2%	8.6%	Not Started	Not Started	Not Started	Not Started	16,012,983
European (Ex-UK) Property	8.8%	7.9%	11.9%	14.3%	Not Started	Not Started	Not Started	51,753,644
Global Property Equities (Henderson Horizon)*	-2.0%	3.0%	10.8%	Not Started	Not Started	Not Started	Not Started	400,934,199
Australasia Property	3.8%	9.7%	10.5%	10.1%	Not Started	Not Started	Not Started	38,650,755
FinEx Sector Average	1.7%	2.7%	7.6%	6.9%	-2.7%	2.8%	6.4%	
<b>Funds Closed to New Business</b>								
Eurozone Property	8.5%	7.3%	11.0%	14.5%	0.9%	Not Started	Not Started	21,289,018
Global Emerging Markets Equity (Aberdeen)*	8.5%	22.1%	7.7%	Not Started	Not Started	Not Started	Not Started	6,341,837,160

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**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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