



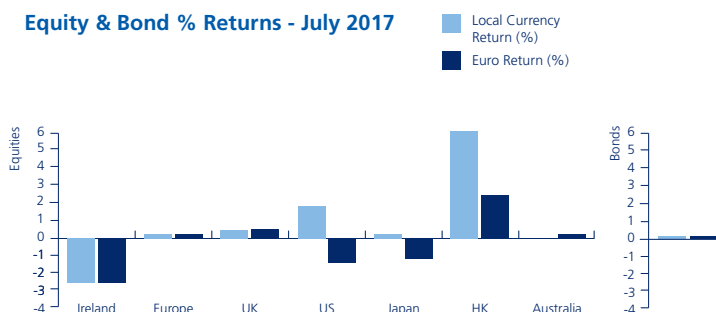
Monthly Investment Review

Equity markets were generally positive again in local currency terms during July adding to strong returns during the first half of the year. Markets have been on an upward trajectory for over eight years and this trend has continued in 2017 on the back of improving economic data globally and good corporate earnings growth. The two predominant factors that have been affecting equity markets in the last month or so have been eurozone bond yield moves as well as the break-out on the upside of the euro dollar rate from its 30-month trading range (1.05 - 1.15). The latter has had the effect of dampening prospects for European corporate earnings as well as eroding local currency gains in international markets for eurozone investors. The euro's strength during 2017, a rise of c.12% against the US dollar, has been due to good eurozone economic data and hints by the ECB that tapering of 'quantitative easing' may be on the radar screen. Market participants continue to assess the pace of interest rate rises in the US - is this just a return to normality or could monetary policy eventually become too tight? 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 continue to offer little long term value.

Equity Markets

- Equities (in euro terms) fell back somewhat in July, almost exclusively due to currency effects; although there was some profit taking in Ireland. Economic and corporate earnings data continues to be supportive. The Q2 earnings' results season has been strong, especially in the US.
- World equities (in euro terms) fell by 0.8% in July and have given a total return of plus 2.4% in the first seven months of the year. With the exception of Ireland (-2.6%), all of the major equity markets were up in local currency terms during the month ranging from plus 0.4% in Europe to plus 6.1% in Hong Kong. Year-to-date, Hong Kong (+24.2%), the US (+10.3%) and Europe (+6.8%) have led the way.
- Sectorwise in the US, bond-proxy stocks such as telecoms (+5.1%) and utilities (+2.4%) were bought from oversold levels. Following some profit-taking in June, technology stocks resumed their upward trajectory. The 'FANG' stocks (Facebook, Amazon, Netflix and Google), which have been driving the US stock market this year, saw some strong gains in July, e.g. Netflix (+25%) and Facebook (+14%). Year-to-date, the best performing sector being technology (+21.3%), the worst energy (-11.7%).

Equity & Bond % Returns - July 2017



This graph shows the performance of the major equity markets over the month of June. 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, July 2017.

Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Government Bond Index rose by 0.3% in July, with peripheral markets outperforming, and is now down by 1.2% year-to-date. Stronger economic data and hints from ECB President Mario Draghi that there may be tapering of quantitative easing at some point unsettled bond markets in the last six weeks with the German 10-year bond yield breaking out of its nine-month trading range of 0.2% to 0.5% on the upside. Bond prices had been holding up reasonably well this year following sharp declines in H2 2016.
- The German ten-year bond yield rose over the month from 0.47% to 0.54%. The yield had hit an all-time low of minus 0.19% on 8th July 2016. Equivalent US rates were little changed at 2.29%. 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 expected changes in US economic policy.
- The markets now expect possibly one further US rate rise, of 0.25%, before the end of 2017 following upward moves on 15th March and 14th June. 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, as a rough rule-of-thumb, generally rise as economic growth expands. In the first half of the year many commodity prices were in positive territory, the major exception being the price of oil which has a significant bearing on the overall commodity index. July saw a huge turnaround for oil. The overall commodity index rose by 4.5% in July and is now showing a negative 5.1% return year-to-date.
- After an almost 50% rally in 2016, the oil price fell by around 15% in the first half of 2017. Oil had been adversely affected by an increase in shale oil production, disappointment over the scale of OPEC's production cuts and the US's move to exit the Paris climate pact. July saw the oil price rise by almost 10% on more positive news from OPEC. The gold price rose by 2% during the month to \$1,267 per troy ounce and is up by 10% in the first seven months of the year. The copper price is up 15.4% year-to-date.
- The euro currency strengthened by well over 3% against the US dollar during the month with the EUR/USD rate moving from 1.14 to 1.18. The rate began the year at 1.05.



Richard Temperley
Head of Investment Development

Activity

Overweight equity positions were maintained during July in all of the multi-asset portfolios given the relative value argument as well as the stronger economic outlook and good corporate earnings. With regards to geographic positions the main overweights are in Europe, Asia (ex-Japan) and Ireland. The UK is underweight. The US has been reduced to neutral, mainly for currency reasons. It should be noted that the US represents 52% of the global equity index in market capitalisation terms. Sector positions were also broadly maintained during the month. The funds are overweight in basic materials and consumer

discretionary stocks and underweight in energy and healthcare. Profits have been taken in technology stocks where the position is now more neutral.

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	
Prisma Multi-Asset Funds*								
Prisma 2	-0.5%	0.5%	1.2%	N/S	N/S	N/S	N/S	157,983,328
Prisma 3	0.0%	2.7%	3.3%	N/S	N/S	N/S	N/S	590,768,394
Prisma 4	0.8%	6.7%	6.9%	N/S	N/S	N/S	N/S	590,130,594
Prisma 5	1.1%	9.0%	9.0%	N/S	N/S	N/S	N/S	234,196,311
Prisma 6	2.3%	10.8%	6.8%	N/S	N/S	N/S	N/S	20,488,019
Managed Funds								
Cautiously Managed	1.0%	5.0%	6.9%	8.1%	N/S	N/S	N/S	399,080,489
FinEx Sector Average	1.8%	3.4%	3.7%	4.4%	2.5%	3.8%	4.0%	
Balanced	2.1%	8.3%	9.2%	10.4%	5.0%	7.2%	6.4%	1,636,111,582
FinEx Sector Average	1.8%	5.5%	6.2%	8.2%	2.8%	5.0%	4.8%	
Performance	3.0%	10.5%	10.0%	11.2%	4.8%	7.4%	6.3%	1,299,325,716
Dynamic	3.0%	11.5%	10.6%	11.8%	4.9%	7.7%	6.3%	1,547,937,228
FinEx Sector Average	2.2%	7.7%	7.0%	8.6%	3.1%	5.1%	4.9%	
Protected Funds								
Protected 70	1.0%	5.6%	5.1%	6.6%	N/S	N/S	N/S	15,773,404
Protected 80	0.2%	2.7%	2.9%	4.1%	N/S	N/S	N/S	34,595,683
Protected 90	-0.8%	-0.7%	0.1%	0.7%	N/S	N/S	N/S	12,301,266
Cash Fund								
Secure	0.0%	0.0%	0.0%	0.0%	0.8%	1.3%	2.2%	284,386,294
Cash Fund	-0.4%	-0.7%	-0.6%	-0.5%	0.2%	N/S	N/S	475,757,723
FinEx Sector Average	-0.2%	-0.3%	0.1%	0.1%	0.9%	1.2%	1.9%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	2.8%	0.4%	2.6%	N/S	N/S	N/S	N/S	5,348,424,587
Global Government Bond (JP Morgan)*	-0.2%	-3.8%	1.9%	N/S	N/S	N/S	N/S	347,019,969
Indexed Eurozone Government Bond (BlackRock)	0.2%	-3.3%	2.8%	4.5%	N/S	N/S	N/S	7,448,275
Active Fixed Income	-1.3%	-5.5%	3.9%	6.1%	6.4%	5.9%	6.9%	171,721,984
Inflation-Linked Bond	-1.3%	-2.0%	0.6%	0.8%	N/S	N/S	N/S	6,179,660
Long Bond	-2.7%	-9.5%	5.3%	7.7%	7.0%	N/S	N/S	52,063,838
FinEx Sector Average	-0.6%	-2.9%	2.8%	4.4%	4.1%	4.5%	5.1%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)	1.3%	1.9%	N/S	N/S	N/S	N/S	N/S	6,620,000,000*
Dynamic Diversified Growth (BlackRock)	4.5%	3.0%	0.7%	3.0%	N/S	N/S	N/S	15,948,305
Active Asset Allocation	0.7%	6.8%	6.7%	6.7%	N/S	N/S	N/S	262,321,736
Commodity Funds								
Gold	-2.6%	-11.3%	3.5%	-4.6%	N/S	N/S	N/S	66,787,855
Indexed Global Energy and Metals	-13.6%	-0.5%	-10.0%	-8.2%	-6.2%	N/S	N/S	13,352,830
Equity Funds (Global)								
5 Star 5	2.3%	12.9%	10.4%	10.1%	4.2%	7.9%	N/S	202,343,624
International Equity	2.9%	11.7%	11.5%	12.4%	6.0%	7.8%	7.5%	1,245,015,616
Global Select (Threadneedle)	4.4%	11.5%	12.5%	13.0%	6.3%	7.8%	N/S	6,419,338
Indexed Global Equity (BlackRock)	-0.9%	11.0%	11.2%	12.3%	N/S	N/S	N/S	97,198,225
Sector Average	2.3%	9.8%	8.6%	10.2%	4.2%	5.8%	4.7%	
Equity Funds (European)								
5 Star 5 Europe	10.3%	21.0%	13.6%	14.9%	5.4%	N/S	N/S	111,377,469
European Select (Threadneedle)	9.6%	10.9%	11.2%	12.1%	6.6%	9.2%	N/S	11,320,769
Sector Average	8.9%	15.0%	8.6%	12.1%	3.5%	6.7%	6.4%	

Source: Financial Express as at 01/08/2017

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						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Equity Funds (Eurozone)								
Eurozone Equity	9.8%	20.4%	9.6%	13.9%	4.7%	N/S	N/S	80,831,259
Indexed Eurozone Equity (BlackRock)	8.5%	23.4%	9.3%	12.7%	N/S	N/S	N/S	3,824,682
FinEx Sector Average	9.4%	17.8%	8.3%	12.3%	1.9%	5.6%	4.9%	
Equity Funds (Irish)								
Irish Equity	2.6%	14.3%	16.0%	19.2%	0.7%	N/S	N/S	16,728,079
Sector Average	2.8%	11.4%	12.1%	15.9%	-0.9%	4.5%	4.7%	
Equity Funds (American)								
5 Star 5 Americas	-4.6%	9.8%	12.8%	13.5%	7.9%	N/S	N/S	59,720,805
American Select (Threadneedle)	-0.4%	13.5%	14.1%	14.1%	9.0%	7.7%	N/S	11,516,783
Sector Average	0.2%	10.5%	12.1%	13.8%	8.1%	7.0%	5.0%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	15.3%	19.6%	9.9%	9.1%	2.4%	N/S	N/S	77,433,786
Asia Pacific Equity	13.7%	19.5%	8.3%	8.2%	N/S	N/S	N/S	9,432,991
Sector Average	11.0%	15.4%	5.0%	6.1%	3.5%	7.6%	5.0%	
Equity Funds (High Yield)								
Dividend Growth	-0.6%	11.7%	11.1%	13.1%	5.1%	N/S	N/S	226,705,105
FinEx Sector Average	2.3%	9.8%	8.6%	10.2%	4.2%	5.8%	4.7%	
Equity Funds (Emerging Market)								
Emerging Markets Opportunities (JP Morgan)	17.9%	25.1%	8.2%	N/S	N/S	N/S	N/S	2,462,151,066*
Sector Average	12.3%	16.0%	5.1%	5.3%	2.4%	7.7%	N/S	
Equity Funds (Specialist)								
Indexed Top Tech 100	8.3%	18.4%	20.2%	19.0%	13.7%	11.4%	N/S	42,543,807
Sector Average	0.8%	3.4%	1.9%	4.5%	0.7%	3.6%	3.2%	
Property Funds								
Fund of REITs	10.0%	3.6%	8.4%	N/S	N/S	N/S	N/S	16,942,317
Indexed European (Ex-UK) Property	6.5%	-0.8%	10.9%	11.6%	N/S	N/S	N/S	53,157,306
Indexed Australasia Property	0.4%	-5.0%	7.1%	6.4%	N/S	N/S	N/S	39,206,327
Sector Average	1.9%	3.0%	6.6%	6.5%	-2.5%	2.8%	6.3%	
Funds Closed to New Business								
Indexed Eurozone Property	8.2%	0.8%	10.6%	12.3%	2.8%	N/S	N/S	20,831,225
Indexed India Equity	15.0%	10.0%	9.1%	9.5%	2.7%	N/S	N/S	11,841,477
Income Opportunity (JP Morgan)	1.2%	2.8%	1.0%	N/S	N/S	N/S	N/S	3,725,494,314*
Diversified Assets	-1.8%	1.8%	3.4%	4.7%	N/S	N/S	N/S	13,578,874
Earth Resources	-5.8%	-2.2%	-10.0%	-5.9%	N/S	N/S	N/S	5,082,223
Green Resources	9.3%	9.5%	-1.1%	6.8%	N/S	N/S	N/S	3,798,629
Small Cap Europe (Pictet)	12.1%	23.2%	14.1%	N/S	N/S	N/S	N/S	236,212,638

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