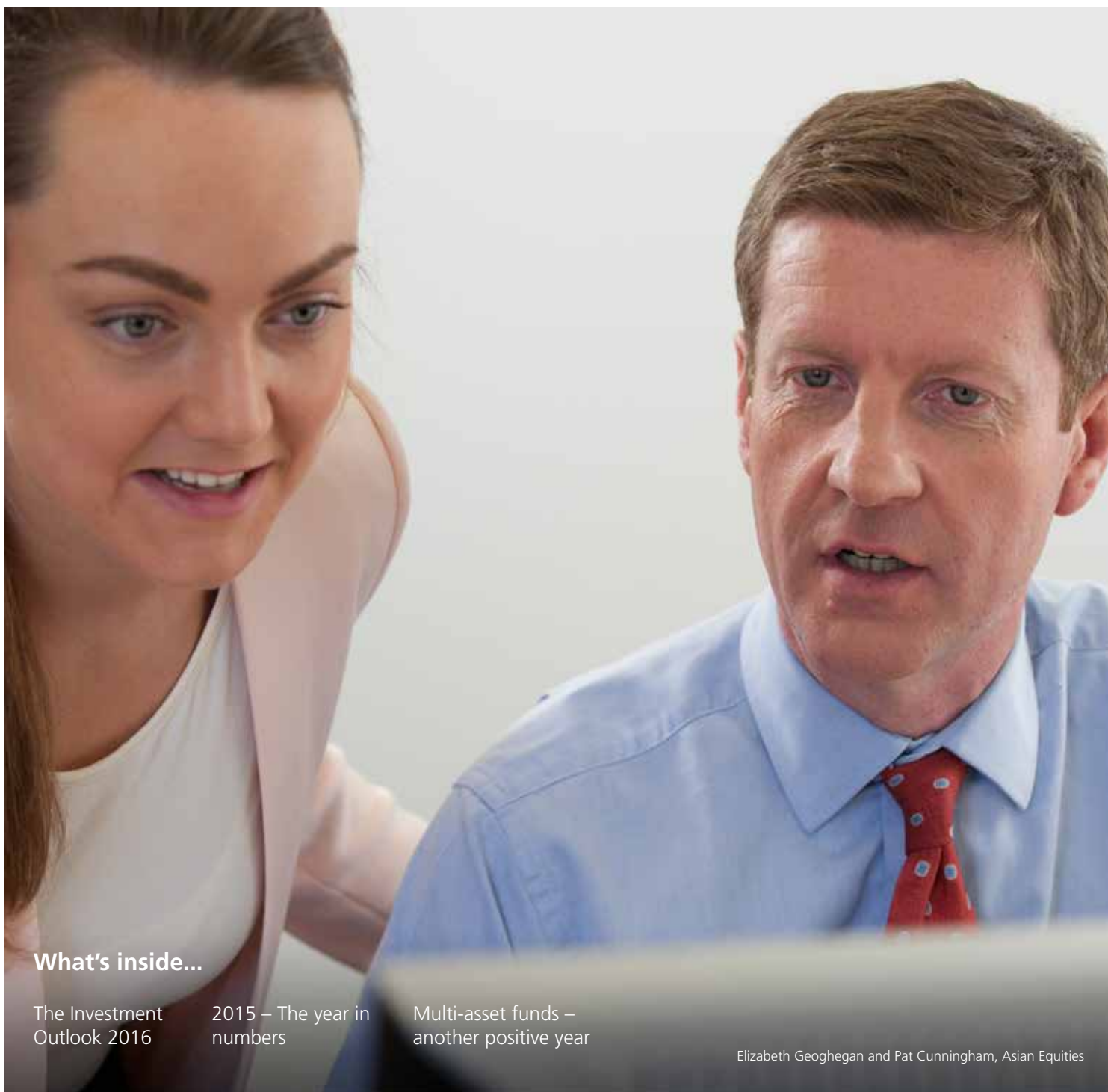


Investment Outlook 2016

Cutting through the noise



What's inside...

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Outlook 2016

2015 – The year in
numbers

Multi-asset funds –
another positive year

Elizabeth Geoghegan and Pat Cunningham, Asian Equities

Cutting through the noise – the outlook from Zurich Investments

Equities are our preferred asset class. Volatility in 2016 will provide investment opportunities.

Equity markets are fairly valued on a historical basis and are an attractive investment versus cash and bonds. The US interest rate hiking cycle will continue and volatility in financial markets may increase. This will provide opportunities for investors. Global growth should continue to improve.

Upside risks to outlook:

- Global growth accelerates, buoyed by low input prices
- The global liquidity wave from central banks will increase further in 2016 which is supportive to asset prices
- Commodity prices stabilise, allaying deflationary concerns and improving the outlook for global Capital Expenditure

Downside risks to the outlook:

- Political risks increase
- Commodities, particularly oil, continue to fall resurfacing deflationary fears
- Markets losing belief in the effectiveness of Central Banks' monetary policy
- US growth and inflation pick-up more quickly, forcing the Fed into stronger rate hikes



Global growth should continue to improve

- Expectations are that global growth will accelerate into 2016 (3.4% versus 3.0% in 2015), underpinned by accommodative monetary policy
- The cyclical recovery in the Eurozone should continue. Structural reforms could help the long term potential growth rate
- China to continue on a path to growth slowdown as economic policies rebalance GDP demand from fixed asset investment to service-led growth
- Inflation expectations remain subdued; previous oil price falls should continue to underpin consumer spending



Eurozone bond yields are at extreme lows. US rates are finally moving higher

- Bonds, particularly in the Eurozone and Japan, do not offer much upside returns
- ECB rates are negative – short term yields will remain low for several years
- Fed interest rate hiking cycle to continue – a welcome normalization of policy
- UK rates are likely to rise in the second half of 2016



Some of the team at Zurich Investments



Equities still the most attractive asset class on relative valuation grounds

- Equity markets are fairly valued on a historical basis and attractively valued versus cash and bonds
- Consensus expectations are for 7.5% earnings growth in 2016. Similar total returns for equities seem possible
- Equity market volatility may pick up in 2016 on policy divergence, geopolitical tensions, re-occurring growth concerns, foreign exchange and commodity moves
- Eurozone recovery is still ongoing, with ECB delivering further support. In Japan improving corporate profitability and corporate governance should underpin the market
- Stabilisation of emerging market growth and commodity price needed to improve sentiment toward the sector
- US multiple expansion is less likely. We are close to historically high margins and face into further Fed rate increases

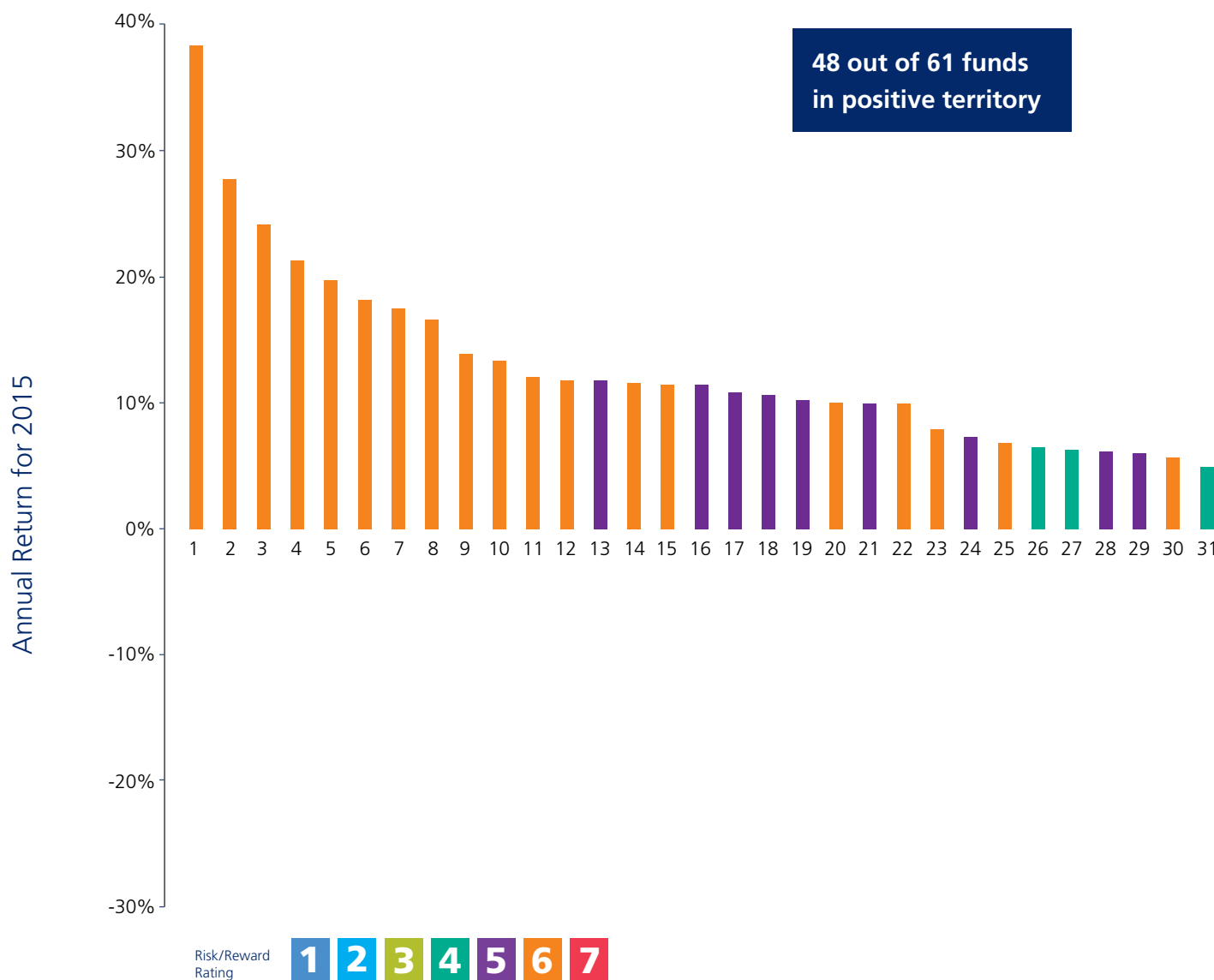


US Dollar strength to continue. Commodity prices will remain under pressure

- US Dollar strength will persist in 2016 but in a less dramatic fashion versus the Euro
- The Chinese Yuan will continue to weaken versus US dollar in 2016
- British pound to come under pressure ahead of a likely vote in Q3 2016, on British exit from the European Union
- Commodity prices to continue lower in general. In the medium term we are more positive on the oil price

This outlook of potential investment market developments in 2016 does not constitute an offer and should not be taken as a recommendation from Zurich Life. Advice should always be sought from an appropriately qualified professional.

2015 – The year in numbers

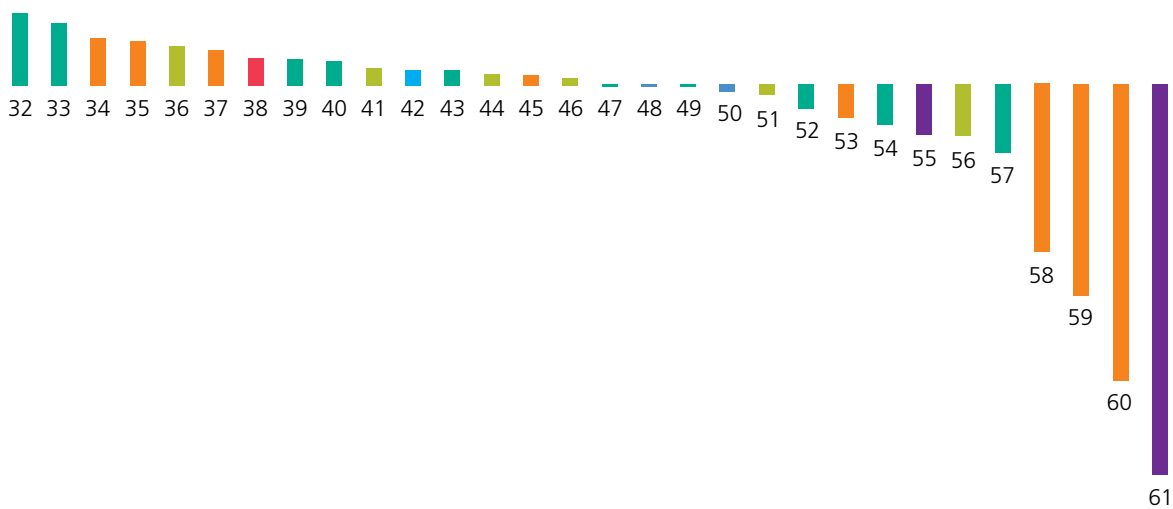


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| 1. Irish Equity | 17. Performance |
| 2. Fund of REITs | 18. International Equity |
| 3. Small Cap Europe (Pictet)* | 19. Global Property Equities (Henderson Horizon) |
| 4. Top Tech 100 | 20. Indexed Eurozone Equity (BlackRock)* |
| 5. Japan Index (BlackRock) | 21. Balanced |
| 6. Euro Markets Fund (Blackrock) | 22. American Select (Threadneedle) |
| 7. 5★5 Europe | 23. Pathway 6 |
| 8. European (Ex-UK) Property | 24. Global Equity (MFS Meridian) |
| 9. European Select (Threadneedle) | 25. UK Growth (M&G) |
| 10. 5★5 | 26. Protected 70 |
| 11. Global Select (Threadneedle) | 27. Cautiously Managed |
| 12. 5★5 Americas | 28. Pathway 5 |
| 13. Dynamic | 29. Dividend Growth |
| 14. Eurozone Equity | 30. 5 Star 5 Asia Pacific |
| 15. Europe ex-UK Index (BlackRock) | 31. Active Asset Allocation |
| 16. Indexed Global Equity (BlackRock)* | 32. Pathway 4 |

Source: Zurich Life, January 2016. 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. *Figure quoted is most up to date available, and all others quoted 1/1/2015 to 1/1/2016.

**Irish equities and
Irish property the top
performers in 2015**

**Currency weakness
helps euro investors**



- | | |
|---|--|
| 33. Protected 80 | 49. Diversified Assets |
| 34. UK Index (BlackRock) | 50. Cash Fund |
| 35. Green Resources | 51. Global Corporate Bond (JP Morgan) |
| 36. Pathway 3 | 52. Dynamic Diversified Growth (BlackRock) |
| 37. Australasia Property | 53. Gold |
| 38. India Equity | 54. Global Real Return (PIMCO) |
| 39. Long Bond | 55. Global Dividend (M&G) |
| 40. Global Targeted Returns Fund (Invesco) | 56. Income Opportunity (JP Morgan) |
| 41. Protected 90 | 57. Emerging Local Currency Debt (Pictet)* |
| 42. Pathway 2 | 58. Emerging Markets Opportunities (JP Morgan) |
| 43. Active Fixed Income | 59. Earth Resources |
| 44. Indexed Eurozone Government Bond (BlackRock)* | 60. Global Commodities |
| 45. Asia Pacific Equity | 61. CommoditiesPLUS Strategy (PIMCO) |
| 46. Global Government Bond (JP Morgan) | |
| 47. Inflation-Linked Bond | |
| 48. Secure | |

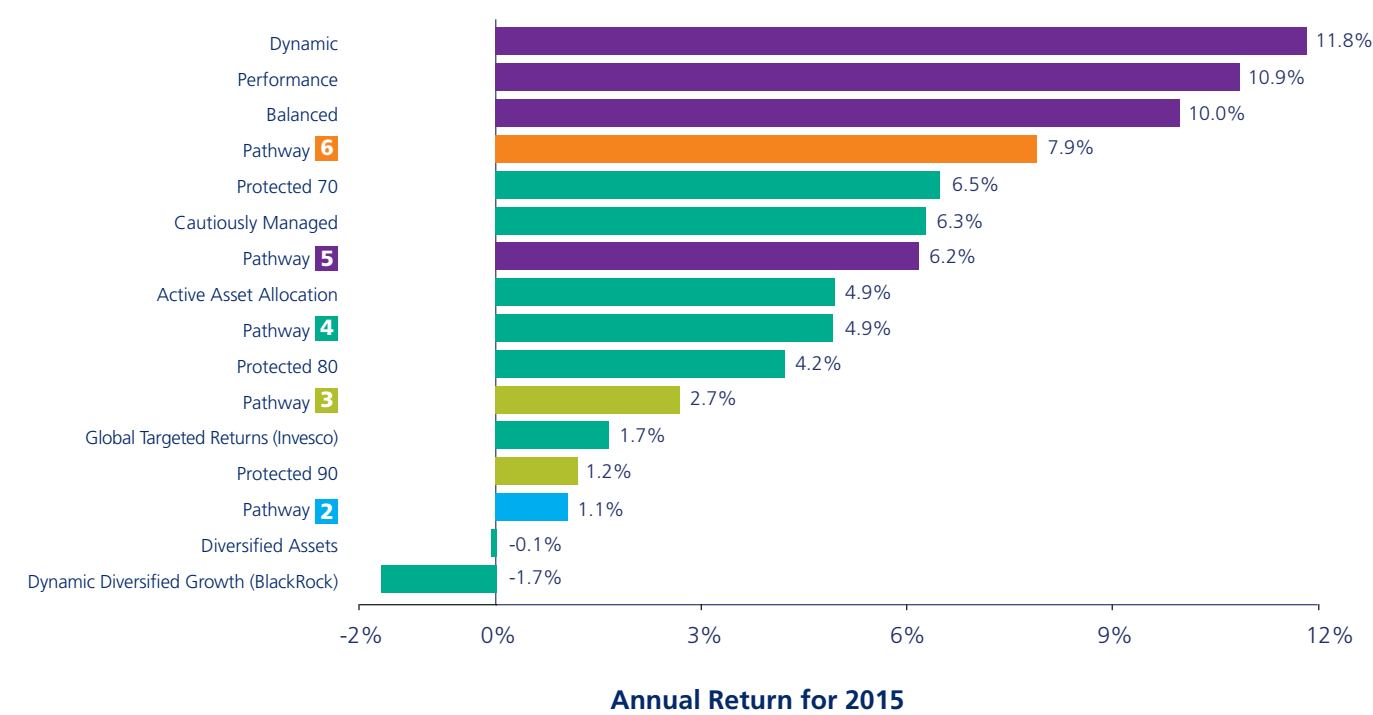
Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: Benefits may be affected by changes in currency exchange rates.
Warning: If you invest in this product you may lose some or all of the money you invest.

Multi-asset funds – diversification in action

Multi-asset funds continue to deliver.

At Zurich we have a range of diversified multi-asset solutions, from our 25-year old managed funds through to our new style Pathway risk targeted solutions.

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Source: Zurich Life, January 2016. 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. Figures quoted 1/1/2015 to 1/1/2016.

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An active approach to investing money

At Zurich we aim to deliver long-term consistent investment performance.

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Financial markets will always give opportunities to good active managers to deliver better performance so we position ourselves to capture that.

Today we manage over €18.8 billion* in investment assets and have a reputation for delivering consistent outperformance.



*Source: Zurich Life, 30 September 2015

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Print Ref: ZURL IB 182 0116

