

## OVERALL

From equities to bonds to commodities, world financial markets rallied in unison during the first half of 2014 supported by abundant central bank liquidity. July saw a greater amount of volatility. Equities continue to be supported by the expectation of reasonably strong corporate earnings' growth and low interest rates. Valuations, however, have crept up with the 2014 price earnings (P/E) multiple now trading at 15.2X and the 2015 P/E at 13.6X; albeit equities remain better value relative to other asset classes. Government bond yields are expected to eventually rise from current low levels.

### ZURICH LIFE FUND ALLOCATIONS & ACTIVITY

**Equities:** The funds are overweight.

**Bonds:** The funds are underweight.

**Activity:** Profits were taken in bonds with the underweight position being increased. There was a small reduction in the Irish equity position.

#### Regionally, the funds are:

- Underweight in the UK and Europe.
- Neutral in Japan and the Pacific Basin.
- Overweight in the US and Ireland.

#### Sectorwise, the funds are:

- Underweight financials and energy.
- Overweight consumer goods and technology.
- Otherwise broadly balanced.

## EQUITY MARKETS

- Equities (in euro terms) rose for a sixth straight month in July, although a weaker euro currency was a contributory factor, with the global index hitting a fresh all-time high on 24th. It was, however, a much more volatile month as economic data was mixed and geopolitical tensions in Iraq, Syria and Ukraine at times weighed on markets. US Q2 corporate earnings results were supportive in general. The final day of the month saw a vertiginous sell-off, the catalyst being a combination of events including the Argentine default and weaker US economic data.
- World equities (in euro terms) rose by 0.9% in July giving a total return of 8.3% for the first seven months of the year. However, there was a mixed bag of returns in local currency terms during the month ranging from plus 6.8% in Hong Kong to minus 3.5% in Europe; the former helped by stronger Chinese economic data, the latter partly on the back of the collapse of Portugal's largest bank (Banco Espirito Santo). The bellwether US market was down 1.5%.
- Sectorwise, July saw no clear distinction between cyclical and defensive stocks. The two weakest sectors in the US were utilities (-6.9%) and industrials (-4.1%). 'Old tech' stocks, such as Intel, Microsoft and Cisco, have been performing strongly in recent months.

## BONDS & INTEREST RATES

- The Merrill Lynch Euro over 5 Year Index rose by a further 1.3% in July giving an impressive return of 12.0% for the first seven months of the year. Bond prices have risen in Europe on deflationary concerns as well as speculation about the introduction of some form of QE.
- The German 10-year bond yield fell further from 1.24% to 1.15% in July, equalling its 2013 low. Equivalent US rates rose marginally from 2.53% to 2.56% during the month.
- The Federal Reserve is now expected to keep interest rates at record low levels until the second quarter of 2015 whilst there is now a 40% chance that the Bank of England will begin to increase rates in the fourth quarter of 2014. ECB rates are likely to remain at current ultra low levels for an extended period of time.

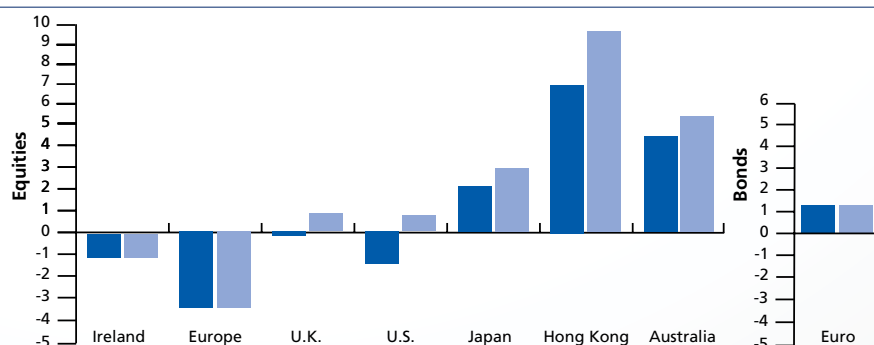
## COMMODITIES & CURRENCIES

- Commodity prices overall fell by 4% (in dollar terms) in July but are up 5% in the first seven months of 2014.
- Both Brent (European) and West Texas (US) oil prices were down 5% on the month ending at \$106 and \$100 per barrel respectively.
- The gold price had performed strongly in the first half of 2014 (+10%) but fell 3% in July to \$1,281 per troy ounce.
- The euro was weaker against most of the other major currencies during July due to weaker economic data in the eurozone. The €/£ rate moved from 1.37 to 1.34 during the month.

## EQUITY & BOND % RETURNS

This graph shows the performance of the major equity markets over the month of July. The returns are shown in both local and euro currencies. The bond index is the Merrill Lynch over 5 Year Euro Government Bond Index.

■ Local Currency Return (%)  
■ Euro Return (%)



**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 fund you may lose some or all of the money you invest.**



## ZURICH LIFE ANNUALISED PERFORMANCE TO 1ST AUGUST 2014

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Pathway Multi-Asset Funds								
Pathway <span>2</span>	1.9%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	17,078,813
Pathway <span>3</span>	3.7%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	50,814,877
Pathway <span>4</span>	7.1%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	90,436,095
Pathway <span>5</span>	7.1%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	30,314,598
Pathway <span>6</span>	6.8%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	4,510,377
Managed Funds								
Cautiously Managed	<span>9.5%</span>	<span>12.8%</span>	<span>10.7%</span>	<span>8.6%</span>	Not Started	Not Started	Not Started	248,853,726
<i>FinEx Sector Average</i>	5.4%	7.3%	5.7%	5.6%	3.7%	3.4%	4.3%	
Balanced	6.0%	<span>12.9%</span>	<span>11.7%</span>	<span>10.5%</span>	<span>7.0%</span>	<span>4.8%</span>	<span>8.4%</span>	1,517,225,921
<i>FinEx Sector Average</i>	6.6%	11.8%	9.9%	9.4%	4.7%	3.2%	6.7%	
Performance	6.5%	<span>13.8%</span>	<span>12.0%</span>	<span>10.9%</span>	<span>7.2%</span>	<span>4.6%</span>	<span>8.3%</span>	1,118,296,970
Dynamic	5.9%	<span>13.9%</span>	<span>12.3%</span>	<span>11.5%</span>	<span>7.4%</span>	<span>4.4%</span>	<span>8.2%</span>	1,375,924,612
<i>FinEx Sector Average</i>	6.8%	11.6%	9.7%	9.7%	4.7%	3.4%	6.2%	
Protected Funds								
Protected 70	3.7%	9.2%	7.0%	Not Started	Not Started	Not Started	Not Started	7,967,582
Protected 80	2.5%	6.4%	4.4%	Not Started	Not Started	Not Started	Not Started	24,351,081
Protected 90	0.6%	1.8%	0.7%	Not Started	Not Started	Not Started	Not Started	8,439,756
Cash Fund								
Secure	0.0%	0.0%	<span>0.2%</span>	0.3%	<span>1.5%</span>	<span>2.1%</span>	<span>3.2%</span>	387,405,040
<i>FinEx Sector Average</i>	0.2%	0.2%	0.2%	0.5%	1.4%	1.9%	2.7%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	4.7%	6.2%	Not Started	Not Started	Not Started	Not Started	Not Started	3,046,900,000
Global Government Bond (JP Morgan)*	4.0%	4.3%	Not Started	Not Started	Not Started	Not Started	Not Started	279,400,000
Indexed Eurozone Government Bond (BlackRock)	7.5%	<span>9.0%</span>	<span>7.7%</span>	Not Started	Not Started	Not Started	Not Started	6,376,004
Active Fixed Income	<span>12.0%</span>	<span>13.7%</span>	<span>10.5%</span>	<span>7.1%</span>	<span>6.3%</span>	<span>6.7%</span>	Not Started	393,986,318
Inflation-Linked Bond	4.8%	3.5%	2.3%	Not Started	Not Started	Not Started	Not Started	6,041,182
Long Bond	<span>15.7%</span>	<span>17.0%</span>	<span>12.4%</span>	<span>8.0%</span>	<span>6.8%</span>	Not Started	Not Started	53,121,566
Global Real Return (PIMCO)*	7.1%	5.1%	Not Started	Not Started	Not Started	Not Started	Not Started	3,200,000,000
Emerging Local Currency Debt (Pictet)*	6.1%	-0.4%	Not Started	Not Started	Not Started	Not Started	Not Started	7,914,308,611
<i>FinEx Sector Average</i>	8.0%	8.9%	7.5%	5.4%	4.6%	4.9%	6.6%	
Absolute Return/Diversified Assets Funds								
Income Opportunity (JP Morgan)*	0.3%	1.0%	Not Started	Not Started	Not Started	Not Started	Not Started	10,450,100,000
Dyanmic Diversified Growth (BlackRock)	3.1%	6.4%	Not Started	Not Started	Not Started	Not Started	Not Started	16,861,378
Diversified Assets	8.5%	10.3%	7.8%	9.0%	Not Started	Not Started	Not Started	12,751,896
Active Asset Allocation	7.5%	10.0%	8.0%	Not Started	Not Started	Not Started	Not Started	109,535,094
Commodity Funds								
Gold	8.5%	-4.2%	-6.4%	6.4%	Not Started	Not Started	Not Started	31,532,214
Earth Resources	8.6%	4.2%	-2.5%	2.4%	Not Started	Not Started	Not Started	9,542,168
Global Commodities	0.7%	-2.4%	-1.3%	2.9%	Not Started	Not Started	Not Started	16,103,681
CommoditiesPLUS Strategy (PIMCO)*	1.3%	0.6%	Not Started	Not Started	Not Started	Not Started	Not Started	340,200,000
Green Resources	3.1%	9.4%	0.3%	-2.1%	Not Started	Not Started	Not Started	4,792,624

Source: Financial Express as at 01/08/2014

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.

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 (Global)								
5 Star 5	2.2%	9.1%	11.4%	9.6%	6.3%	Not Started	Not Started	217,894,632
International Equity	6.2%	14.6%	13.4%	12.7%	7.8%	4.9%	Not Started	429,473,529
Global Select (Threadneedle)	4.8%	13.7%	11.4%	13.2%	8.1%	Not Started	Not Started	9,064,903
Global Equity (MFS Meridian)*	3.8%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	4,949,600,000
Indexed Global Equity (BlackRock)	6.2%	11.9%	15.0%	Not Started	Not Started	Not Started	Not Started	56,996,540
FinEx Sector Average	6.7%	12.4%	11.7%	12.2%	5.8%	2.6%	6.2%	
Equity Funds (European)								
Euro Markets Fund (BlackRock)*	-3.0%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	4,907,269,379
5 Star 5 Europe	0.5%	11.1%	14.0%	11.8%	9.7%	Not Started	Not Started	97,578,959
European Select (Threadneedle)	2.8%	6.8%	13.0%	16.3%	9.7%	Not Started	Not Started	20,587,638
Small Cap Europe (Pictet)*	-1.9%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	372,573,663
FinEx Sector Average	2.5%	11.9%	11.0%	11.3%	7.0%	4.9%	Not Started	
Equity Funds (Eurozone)								
Eurozone Equity	2.0%	15.6%	11.7%	11.3%	9.4%	Not Started	Not Started	84,311,991
Europe ex-UK Index (BlackRock)	3.6%	14.0%	10.2%	10.0%	Not Started	Not Started	Not Started	3,641,714
Indexed Eurozone Equity (BlackRock)	1.9%	11.6%	10.4%	Not Started	Not Started	Not Started	Not Started	787,621
FinEx Sector Average	3.3%	13.4%	9.7%	9.4%	5.0%	3.1%	6.7%	
Equity Funds (Irish)								
Irish Equity	4.7%	12.7%	21.5%	14.4%	Not Started	Not Started	Not Started	14,568,006
FinEx Sector Average	4.3%	14.3%	18.7%	12.2%	0.8%	1.5%	6.8%	
Equity Funds (American)								
5 Star 5 Americas	9.2%	17.7%	16.2%	13.2%	8.8%	Not Started	Not Started	60,831,109
American Select (Threadneedle)	5.0%	15.8%	16.9%	16.7%	8.2%	Not Started	Not Started	19,492,820
FinEx Sector Average	10.4%	18.2%	18.3%	17.2%	6.8%	2.2%	5.9%	
Equity Fund (UK)								
UK Growth (M&G)*	3.8%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	723,080,000
UK Index (BlackRock)	6.7%	15.8%	12.1%	12.9%	Not Started	Not Started	Not Started	2,060,276
FinEx Sector Average	4.8%	13.6%	11.5%	13.2%	6.1%	2.2%	5.5%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	10.7%	17.5%	6.9%	6.0%	8.5%	Not Started	Not Started	86,694,018
Asia Pacific Equity	11.1%	16.8%	7.7%	Not Started	Not Started	Not Started	Not Started	7,350,595
FinEx Sector Average	12.7%	16.7%	6.5%	10.5%	9.5%	6.0%	5.0%	
Equity Funds (Japan)								
Japan Index (BlackRock)	3.9%	8.2%	8.6%	7.3%	Not Started	Not Started	Not Started	4,504,927
FinEx Sector Average	3.1%	5.6%	8.6%	7.9%	1.6%	-0.1%	-0.3%	
Equity Funds (High Yield)								
Dividend Growth	6.5%	14.8%	15.7%	15.1%	Not Started	Not Started	Not Started	197,161,850
Global Dividend (M&G)*	4.4%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	9,022,240,000
FinEx Sector Average	6.7%	12.4%	11.7%	12.2%	5.8%	2.6%	6.2%	
Equity Funds (Emerging Market)								
India Equity	23.4%	27.3%	1.6%	5.2%	Not Started	Not Started	Not Started	16,645,737
Emerging Markets Opportunities (JP Morgan)*	8.5%	Not Started	Not Started	Not Started	Not Started	Not Started	Not Started	2,779,300,000
FinEx Sector Average	13.6%	16.8%	1.4%	5.4%	11.0%	Not Started	Not Started	
Equity Funds (Specialist)								
Top Tech 100	11.9%	25.6%	21.5%	21.2%	9.6%	Not Started	Not Started	23,946,363
FinEx Sector Average	8.1%	13.3%	4.2%	6.0%	4.0%	2.5%	3.8%	
Property Funds								
European (Ex-UK) Property	14.1%	16.4%	7.3%	13.5%	Not Started	Not Started	Not Started	20,255,867
Global Property Equities (Henderson Horizon)*	11.3%	6.0%	Not Started	Not Started	Not Started	Not Started	Not Started	970,000,000
Australasia Property	17.0%	12.0%	9.7%	10.8%	Not Started	Not Started	Not Started	12,525,432
FinEx Sector Average	8.3%	11.9%	4.2%	4.1%	0.0%	3.7%	7.2%	
Funds Closed to New Business								
Eurozone Property	15.5%	17.7%	7.4%	11.8%	Not Started	Not Started	Not Started	24,243,796
Global Emerging Markets Equity (Aberdeen)*	11.3%	7.8%	Not Started	Not Started	Not Started	Not Started	Not Started	9,800,000,000

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