

## OVERALL

The unprecedented global central bank policy of low interest rates remains a key support for financial markets. Markets appear fairly valued versus history and they look attractive compared to cash and bonds, and, as with 2014, euro weakness could reward investors in foreign assets. As it is likely that the US and UK will raise interest rates during the year, volatility in markets may increase. Consensus expectations are for 8.5% earnings growth in 2015. Similar returns for equities seem possible & long-term Eurozone bond yields however are not attractively valued.

### ZURICH LIFE FUND ALLOCATIONS & ACTIVITY

**Equities:** The funds are overweight.

**Bonds:** The funds are underweight.

**Activity:** The underweight European equity position was again decreased slightly with a concurrent reduction of UK equities

#### Regionally, the funds are:

- Underweight in the UK and Europe.
- Neutral in Asia Pacific.
- Overweight in the US and Japan and slightly overweight in Ireland.

#### Sectorwise, the funds are:

- Underweight utilities and energy.
- Overweight consumer goods and consumer services.
- Otherwise broadly balanced.

## EQUITY MARKETS

- Equities (in euro terms) rose for a eleventh straight month in December as the equity bull market nears its sixth anniversary. However, a number of markets were unnerved by the rate of decline in oil prices during the month.
- World equities (in euro terms) rose by 1.1% in December giving a total return of 19.3% for the full year. Euro currency weakness has been a major contributory factor to 2014 returns and this was once again the case in December. There was a mixed bag of returns amongst the major markets in local currency terms during the month ranging from plus 1.8% in Australia to minus 2.4% in Europe. The bellwether US market was down 0.4%.
- Sectorwise, despite the continued collapse in oil prices, the energy sector was flat in the US. The best performing area was the bond-proxy utilities sector.

## BONDS & INTEREST RATES

- The Merrill Lynch Euro over 5 Year Index was up 1.7% in December and is up an impressive 20.5% for the full year. All of the eurozone markets were up on the month headed by Spain (+2.7%). Bond prices have risen in Europe in 2014 on deflationary concerns as well as speculation about the introduction of QE.
- The German 10-year bond yield fell further in December from 0.70% to 0.54%, a fresh all-time low. Equivalent US rates rose marginally from 2.16% to 2.17% during the month.

- The Federal Reserve and the Bank of England are now expected to keep interest rates at record low levels until third quarter of 2015. Eurozone rates will stay at current ultra-low levels for the foreseeable future. The ECB is likely to begin QE at the end of January 2015 with President Mario Draghi indirectly saying that the ECB Council was willing to outvote the German Bundesbank on the matter.

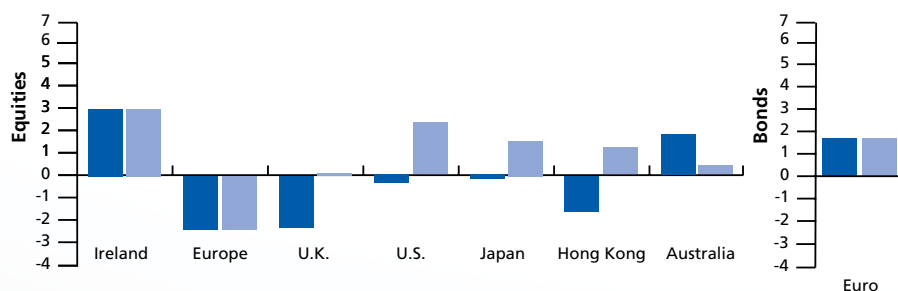
## COMMODITIES & CURRENCIES

- Commodity prices overall were down heavily, by 10% (in dollar terms), in December and are now down almost 30% since 20th June, following a strong start to the year.
- Oil prices were off sharply as Saudi Arabia attempted to muscle out US shale oil producers by keeping supplies at high levels. OPEC appears to be breaking up. The Brent (European) oil price was down 18% in December at \$57 per barrel while West Texas (US) was down 19% at \$53 per barrel.
- The gold price was marginally up in December, ending at \$1,184 per troy ounce. Gold had reached an all-time high of \$1,889 in August 2011.
- Following a brief respite in November, the euro currency resumed its downward trend in December and was weaker against most major currencies. The €/£ rate moved from 1.24 to 1.21 during the month.

## EQUITY & BOND % RETURNS

This graph shows the performance of the major equity markets over the month of December. 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 JANUARY 2015

	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>	3.2%	3.2%	Not Started	Not Started	Not Started	Not Started	Not Started	30,357,202
Pathway <span>3</span>	7.0%	7.0%	Not Started	Not Started	Not Started	Not Started	Not Started	104,404,814
Pathway <span>4</span>	14.2%	14.2%	Not Started	Not Started	Not Started	Not Started	Not Started	153,384,350
Pathway <span>5</span>	16.0%	16.0%	Not Started	Not Started	Not Started	Not Started	Not Started	51,399,077
Pathway <span>6</span>	7.4%	7.4%	Not Started	Not Started	Not Started	Not Started	Not Started	6,483,161
Managed Funds								
Cautiously Managed	<span>18.6%</span>	<span>18.6%</span>	<span>12.4%</span>	<span>9.2%</span>	Not Started	Not Started	Not Started	299,106,425
<i>FinEx Sector Average</i>	8.4%	8.4%	6.5%	5.1%	3.6%	3.2%	4.4%	
Balanced	<span>15.3%</span>	<span>15.3%</span>	<span>14.8%</span>	<span>10.5%</span>	<span>7.1%</span>	<span>4.5%</span>	<span>8.8%</span>	1,591,796,391
<i>FinEx Sector Average</i>	12.5%	12.5%	12.6%	8.7%	4.7%	2.9%	6.9%	
Performance	<span>16.1%</span>	<span>16.1%</span>	<span>15.3%</span>	<span>10.8%</span>	<span>7.2%</span>	<span>4.2%</span>	<span>8.7%</span>	1,206,332,680
Dynamic	<span>15.8%</span>	<span>15.8%</span>	<span>15.9%</span>	<span>11.2%</span>	<span>7.5%</span>	<span>4.0%</span>	<span>8.7%</span>	1,493,382,947
<i>FinEx Sector Average</i>	11.9%	11.9%	12.3%	8.8%	4.6%	2.9%	6.4%	
Protected Funds								
Protected 70	10.4%	10.4%	10.3%	Not Started	Not Started	Not Started	Not Started	9,778,678
Protected 80	7.1%	7.1%	6.9%	Not Started	Not Started	Not Started	Not Started	26,497,313
Protected 90	2.7%	2.7%	2.0%	Not Started	Not Started	Not Started	Not Started	7,978,100
Cash Fund								
Secure	0.0%	0.0%	0.1%	0.2%	<span>1.4%</span>	<span>2.0%</span>	<span>3.1%</span>	391,786,734
<i>FinEx Sector Average</i>	0.4%	0.4%	0.2%	0.4%	1.4%	1.8%	2.6%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	7.2%	7.2%	Not Started	Not Started	Not Started	Not Started	Not Started	3,341,200,000
Global Government Bond (JP Morgan)*	8.1%	8.1%	Not Started	Not Started	Not Started	Not Started	Not Started	300,200,000
Indexed Eurozone Government Bond (BlackRock)	<span>13.2%</span>	<span>13.2%</span>	8.5%	Not Started	Not Started	Not Started	Not Started	7,360,829
Active Fixed Income	<span>20.3%</span>	<span>20.3%</span>	<span>11.6%</span>	<span>8.4%</span>	<span>6.4%</span>	<span>7.2%</span>	Not Started	461,758,047
Inflation-Linked Bond	4.6%	4.6%	3.3%	Not Started	Not Started	Not Started	Not Started	5,840,020
Long Bond	<span>28.2%</span>	<span>28.2%</span>	<span>14.3%</span>	<span>9.9%</span>	<span>7.0%</span>	Not Started	Not Started	63,147,223
Global Real Return (PIMCO)*	8.8%	8.8%	Not Started	Not Started	Not Started	Not Started	Not Started	2,400,000,000
Emerging Local Currency Debt (Pictet)*	5.8%	5.8%	Not Started	Not Started	Not Started	Not Started	Not Started	6,618,816,881
<i>FinEx Sector Average</i>	12.9%	12.9%	8.3%	5.7%	4.5%	5.1%	6.7%	
Absolute Return/Diversified Assets Funds								
Income Opportunity (JP Morgan)*	-0.5%	-0.5%	Not Started	Not Started	Not Started	Not Started	Not Started	8,592,800,000
Dyanmic Diversified Growth (BlackRock)	5.1%	5.1%	5.8%	Not Started	Not Started	Not Started	Not Started	17,376,214
Diversified Assets	11.9%	11.9%	9.2%	7.8%	Not Started	Not Started	Not Started	13,033,349
Active Asset Allocation	14.5%	14.5%	9.6%	Not Started	Not Started	Not Started	Not Started	128,301,614
Commodity Funds								
Gold	12.8%	12.8%	-7.2%	4.3%	Not Started	Not Started	Not Started	35,874,911
Earth Resources	-4.7%	-4.7%	-4.7%	-1.8%	Not Started	Not Started	Not Started	8,056,992
Global Commodities	-12.3%	-12.3%	-6.9%	-1.2%	Not Started	Not Started	Not Started	14,161,899
CommoditiesPLUS Strategy (PIMCO)*	-18.0%	-18.0%	Not Started	Not Started	Not Started	Not Started	Not Started	347,300,000
Green Resources	1.0%	1.0%	9.1%	-3.5%	Not Started	Not Started	Not Started	4,608,270

Source: Financial Express as at 01/01/2015

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	13.3%	13.3%	15.7%	10.2%	6.7%	Not Started	Not Started	218,598,467
International Equity	17.7%	17.7%	17.2%	12.6%	8.4%	3.7%	Not Started	521,191,613
Global Select (Threadneedle)	17.1%	17.1%	17.0%	13.0%	8.7%	Not Started	Not Started	9,693,015
Global Equity (MFS Meridian)*	18.5%	18.5%	Not Started	Not Started	Not Started	Not Started	Not Started	4,977,000,000
Indexed Global Equity (BlackRock)	17.7%	17.7%	16.7%	Not Started	Not Started	Not Started	Not Started	75,878,907
FinEx Sector Average	14.0%	14.0%	15.3%	11.2%	6.1%	1.8%	6.7%	
Equity Funds (European)								
Euro Markets Fund (BlackRock)*	-2.7%	-2.7%	Not Started	Not Started	Not Started	Not Started	Not Started	3,000,000,000
5 Star 5 Europe	8.6%	8.6%	20.0%	11.1%	9.0%	Not Started	Not Started	100,179,748
European Select (Threadneedle)	12.9%	12.9%	18.2%	15.5%	9.8%	Not Started	Not Started	20,172,290
Small Cap Europe (Pictet)*	2.7%	2.7%	Not Started	Not Started	Not Started	Not Started	Not Started	278,887,914
FinEx Sector Average	4.7%	4.7%	16.1%	8.9%	6.4%	2.8%	Not Started	
Equity Funds (Eurozone)								
Eurozone Equity	4.3%	4.3%	17.5%	8.8%	8.5%	Not Started	Not Started	71,352,588
Europe ex-UK Index (BlackRock)	6.2%	6.2%	15.6%	7.9%	Not Started	Not Started	Not Started	3,096,277
Indexed Eurozone Equity (BlackRock)	5.5%	5.5%	14.1%	Not Started	Not Started	Not Started	Not Started	1,230,444
FinEx Sector Average	5.0%	5.0%	14.3%	6.7%	4.2%	2.0%	6.9%	
Equity Funds (Irish)								
Irish Equity	16.0%	16.0%	22.9%	14.6%	Not Started	Not Started	Not Started	15,203,259
FinEx Sector Average	15.7%	15.7%	22.0%	12.8%	0.3%	2.0%	7.1%	
Equity Funds (American)								
5 Star 5 Americas	28.8%	28.8%	21.0%	15.0%	9.9%	Not Started	Not Started	68,997,864
American Select (Threadneedle)	21.3%	21.3%	20.2%	17.1%	9.6%	Not Started	Not Started	19,880,804
FinEx Sector Average	25.2%	25.2%	21.2%	17.2%	8.2%	2.7%	6.8%	
Equity Fund (UK)								
UK Growth (M&G)*	6.8%	6.8%	Not Started	Not Started	Not Started	Not Started	Not Started	733,990,000
UK Index (BlackRock)	6.9%	6.9%	11.5%	10.0%	Not Started	Not Started	Not Started	1,945,726
FinEx Sector Average	4.2%	4.2%	11.9%	10.3%	5.7%	1.3%	5.4%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	9.2%	9.2%	9.4%	5.1%	7.1%	Not Started	Not Started	83,936,905
Asia Pacific Equity	10.5%	10.5%	10.3%	Not Started	Not Started	Not Started	Not Started	7,294,572
FinEx Sector Average	11.3%	11.3%	9.5%	7.5%	8.2%	4.6%	5.3%	
Equity Funds (Japan)								
Japan Index (BlackRock)	9.0%	9.0%	11.9%	8.6%	Not Started	Not Started	Not Started	4,270,333
FinEx Sector Average	7.1%	7.1%	12.1%	8.9%	2.3%	-1.4%	0.1%	
Equity Funds (High Yield)								
Dividend Growth	18.0%	18.0%	19.0%	15.0%	Not Started	Not Started	Not Started	216,385,869
Global Dividend (M&G)*	9.5%	9.5%	Not Started	Not Started	Not Started	Not Started	Not Started	9,233,950,000
FinEx Sector Average	14.0%	14.0%	15.3%	11.2%	6.1%	1.8%	6.7%	
Equity Funds (Emerging Market)								
India Equity	36.1%	36.1%	14.3%	4.0%	Not Started	Not Started	Not Started	17,345,832
Emerging Markets Opportunities (JP Morgan)*	12.5%	12.5%	Not Started	Not Started	Not Started	Not Started	Not Started	2,950,700,000
FinEx Sector Average	13.7%	13.7%	6.5%	2.3%	9.9%	Not Started	Not Started	
Equity Funds (Specialist)								
Top Tech 100	34.7%	34.7%	26.5%	22.3%	11.5%	Not Started	Not Started	28,368,098
FinEx Sector Average	7.0%	7.0%	7.0%	3.9%	3.5%	0.7%	3.6%	
Property Funds								
European (Ex-UK) Property	20.5%	20.5%	15.9%	10.3%	Not Started	Not Started	Not Started	24,243,891
Global Property Equities (Henderson Horizon)*	26.7%	26.7%	Not Started	Not Started	Not Started	Not Started	Not Started	970,000,000
Australasia Property	26.0%	26.0%	15.0%	10.7%	Not Started	Not Started	Not Started	16,373,653
FinEx Sector Average	14.7%	14.7%	7.8%	4.8%	0.1%	3.5%	7.3%	
Funds Closed to New Business								
Eurozone Property	20.4%	20.4%	16.7%	8.4%	Not Started	Not Started	Not Started	23,645,620
Global Emerging Markets Equity (Aberdeen)*	12.4%	12.4%	Not Started	Not Started	Not Started	Not Started	Not Started	8,866,385,298

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