



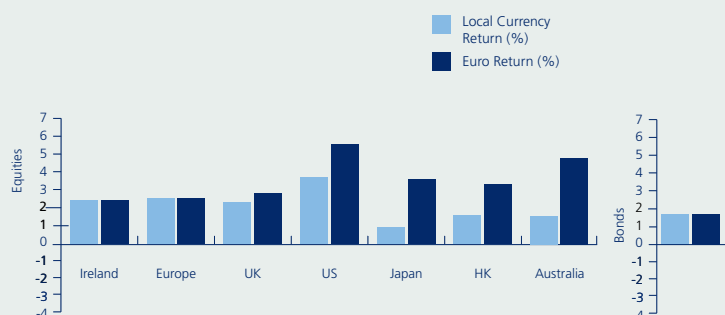
# Monthly Investment Review

Equity markets rose sharply in February as the 'Trump-rally' regained traction. A number of markets have, however, moved into 'overbought' territory. Markets participants are closely watching the new US administration's policy action, especially in relation to proposed corporation tax cuts and an expected expansionary economic environment. Every 1% cut in corporation tax equates to an approximate 1% rise in US corporate profits, thereby reducing the P/E ratio multiple. Strategists have yet to revise up earnings per share (eps) estimates for the US market as ongoing attempts to stymie policy action are causing some concern. There remains a dichotomy between investor sentiment on the one hand and both economic data and market price movements on the other. It seems that no matter how much the market runs or how good the economic data comes in, individual investors just will not believe in it. This lack of "buy in" has been one of the strongest contrarian indicators of market support. 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.

## Equity Markets

- Equities (in euro terms) were up strongly in February as market participants continued to assess US policy action as well as the likely number of US rate rises during 2017. Markets were generally happy with US Q4 earnings' results which were announced throughout January and into February. With the Q4 2016 corporate earnings season complete, 65% of companies have beaten their consensus analyst earnings per share estimates. The stand-out sector has been technology with an 81% earnings beat rate.
- World equities (in euro terms) rose 4.6% in February, and have given a total return of 4.8% in the first two months of the year. All of the major equity markets were up in local currency terms in February ranging from 3.7% in the US to 0.9% in Japan. Year-to-date, Hong Kong (+7.9%) and the US (+5.6%) have led the way.
- Partially reversing recent trends in the US, some defensive areas, such as healthcare (+6.2%) and consumer staples (+4.9%), outperformed in February. Financials (+5.0%) also performed well. Year-to-date, the best performing sector has been technology (+9.2%), the worst energy (-6.3%) where there has been some profit taking.

## Equity & Bond % Returns



This graph shows the performance of the major equity markets over the month of February. 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, March 2017.

## Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Index was up by 1.7% in February, following a hefty 3.1% decline in January, and is now down by almost 1.5% year-to-date. Bond prices have, however, suffered materially in the last five months. Eurozone bonds had been supported up to the end of July of last year by economic growth concerns and increased quantitative easing. However, they are now facing an environment of higher US rates, the prospect of a reflationary US economic policy and concerns over upcoming general election in a number of eurozone countries.
- The German ten-year bond yield fell over the month from 0.44% to 0.21%. The yield had hit an all-time low of minus 0.19% on 8th July 2016. Equivalent US rates fell marginally from 2.45% to 2.39%. 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 the likely change in US economic policy by the new administration.
- The markets now expect at least two further US rate rises, of 0.25% each, during 2017 with the first one coming on 15th March. Eurozone rates are likely to remain at current ultra-low levels for at least 18 months.

## Commodities & Currencies

- Commodity prices overall were down marginally during February and are down 1% so far this year. After an almost 50% rally in 2016, the oil price fell slightly again in February. There remain some niggling concerns over OPEC's plans to cut oil supplies.
- The gold price rose by close to 4% during the month to \$1,254 per troy ounce, adding to January's 5% upward move. Gold was up 8.6% in 2016. Following a sharp 9% rally in January, the copper price fell back slightly (-0.9%) during the month but remains up close to 30% since the recent rally began in mid-October 2016.



Richard Temperley  
Head of Investment Development

## Activity

Equities were maintained at a strongly overweight position during February, at the expense of eurozone government bonds, based on the relative valuation argument. Country positions were also broadly maintained during the month. Sector positions were altered somewhat with the fund managers becoming slightly more defensive. For example, some profits were taken in US tech stocks. The copper position was reduced after a strong run.

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	1 Year	3 Years	5 Years	Annualised			20 Years	Fund Size (€)
Pathway Multi-Asset Funds+									
Prisma 2	0.4%	2.3%	1.9%	Not Started	Not Started	Not Started	Not Started	136,706,105	
Prisma 3	1.4%	6.8%	4.6%	Not Started	Not Started	Not Started	Not Started	470,115,121	
Prisma 4	3.3%	15.2%	9.6%	Not Started	Not Started	Not Started	Not Started	499,768,583	
Prisma 5	4.2%	22.1%	12.0%	Not Started	Not Started	Not Started	Not Started	173,371,059	
Prisma 6	4.4%	23.7%	9.5%	Not Started	Not Started	Not Started	Not Started	19,005,572	
Managed Funds									
Cautiously Managed	2.1%	9.7%	9.6%	9.3%	Not Started	Not Started	Not Started	394,281,329	
FinEx Sector Average	1.7%	7.9%	5.0%	4.8%	2.6%	3.4%	4.2%		
Balanced	3.0%	14.5%	11.0%	11.7%	5.5%	6.5%	7.5%	1,699,501,641	
FinEx Sector Average	2.4%	12.2%	8.1%	8.9%	2.9%	4.0%	5.7%		
Performance	3.6%	17.6%	11.7%	12.3%	5.2%	6.5%	7.4%	1,369,630,165	
Dynamic	4.1%	19.9%	12.5%	13.0%	5.4%	6.7%	7.5%	1,648,863,817	
FinEx Sector Average	2.9%	15.2%	9.1%	9.4%	3.2%	4.3%	5.6%		
Protected Funds									
Protected 70	2.8%	10.1%	6.6%	7.5%	Not Started	Not Started	Not Started	13,403,245	
Protected 80	1.7%	5.5%	4.0%	4.7%	Not Started	Not Started	Not Started	32,565,208	
Protected 90	0.2%	0.1%	0.6%	0.9%	Not Started	Not Started	Not Started	13,202,047	
Cash Fund									
Secure	0.0%	0.0%	0.0%	0.0%	0.9%	1.4%	2.3%	325,140,317	
Cash Fund	-0.2%	-0.9%	-0.6%	-0.5%	0.4%	Not Started	Not Started	366,502,223	
FinEx Sector Average	0.0%	-0.2%	0.2%	0.1%	1.0%	1.3%	2.0%		
Bond Funds									
Global Corporate Bond (JP Morgan)*	1.1%	4.4%	2.8%	Not Started	Not Started	Not Started	Not Started	5,425,116,277	
Global Government Bond (JP Morgan)*	0.0%	-1.3%	2.6%	Not Started	Not Started	Not Started	Not Started	686,150,972	
Indexed Eurozone Government Bond (BlackRock)	-0.8%	-1.0%	3.9%	4.7%	Not Started	Not Started	Not Started	8,135,398	
Active Fixed Income	-0.8%	-0.4%	6.5%	7.1%	6.2%	6.2%	7.2%	182,860,121	
Inflation-Linked Bond	-1.5%	2.2%	1.9%	1.2%	Not Started	Not Started	Not Started	5,496,401	
Long Bond	-2.3%	-2.5%	8.6%	8.9%	6.6%	Not Started	Not Started	55,399,756	
Global Real Return (PIMCO)*	0.4%	7.8%	3.6%	Not Started	Not Started	Not Started	Not Started	2,600,000,000	
Emerging Local Currency Debt (Pictet)*	1.6%	12.1%	5.5%	Not Started	Not Started	Not Started	Not Started	4,787,334,986	
FinEx Sector Average	-0.6%	1.9%	4.5%	5.0%	4.0%	4.5%	5.4%		
Absolute Return/Diversified Assets Funds									
Global Targeted Returns Fund (Invesco) *	0.5%	1.9%	Not Started	Not Started	Not Started	Not Started	Not Started	5,730,000,000	
Income Opportunity (JP Morgan)*	1.4%	9.0%	1.0%	Not Started	Not Started	Not Started	Not Started	3,965,598,698	
Dynamic Diversified Growth (BlackRock)	1.7%	1.1%	0.5%	2.1%	Not Started	Not Started	Not Started	15,432,457	
Diversified Assets	1.5%	14.1%	6.7%	6.5%	Not Started	Not Started	Not Started	14,696,847	
Active Asset Allocation	3.3%	15.4%	9.5%	8.0%	Not Started	Not Started	Not Started	231,325,520	
Commodity Funds									
Gold	7.5%	3.6%	6.5%	-3.0%	Not Started	Not Started	Not Started	37,215,866	
Earth Resources	3.1%	12.2%	-7.6%	-6.0%	Not Started	Not Started	Not Started	5,922,056	
Global Commodities	-2.0%	23.0%	-6.3%	-6.1%	-4.4%	Not Started	Not Started	15,438,372	
CommoditiesPLUS Strategy (PIMCO)*	2.8%	18.7%	-13.8%	Not Started	Not Started	Not Started	Not Started	402,800,000	
Green Resources	6.3%	5.8%	-4.7%	2.3%	Not Started	Not Started	Not Started	3,944,416	
Equity Funds (Global)									
5 Star 5	3.7%	18.6%	11.8%	12.1%	4.7%	6.8%	Not Started	214,633,045	
International Equity	4.6%	23.7%	14.2%	14.0%	6.8%	6.3%	9.3%	1,167,497,508	
Global Select (Threadneedle)	3.9%	20.6%	14.4%	13.6%	7.0%	6.1%	Not Started	6,610,908	
Global Equity (MFS Meridian)*	5.5%	20.8%	15.1%	Not Started	Not Started	Not Started	Not Started	5,088,151,577	
Indexed Global Equity (BlackRock)	3.8%	22.0%	14.8%	14.4%	Not Started	Not Started	Not Started	117,845,162	
FinEx Sector Average	4.0%	20.7%	11.4%	11.6%	4.6%	4.3%	6.0%		

Source: Financial Express as at 01/03/2017

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	
<b>Equity Funds (European)</b>								
Euro Markets Fund (BlackRock)*	2.4%	12.2%	6.0%	Not Started	Not Started	Not Started	Not Started	3,034,380,000
5 Star 5 Europe	2.2%	16.3%	10.1%	14.7%	5.0%	Not Started	Not Started	103,006,445
European Select (Threadneedle)	3.3%	8.9%	9.5%	12.4%	6.6%	7.3%	Not Started	11,670,871
Small Cap Europe (Pictet)*	3.3%	13.5%	9.0%	Not Started	Not Started	Not Started	Not Started	267,904,910
FinEx Sector Average	2.3%	12.8%	6.3%	10.8%	3.4%	4.8%	7.4%	
<b>Equity Funds (Eurozone)</b>								
Eurozone Equity	1.7%	17.8%	6.6%	11.8%	4.9%	Not Started	Not Started	72,002,491
Europe ex-UK Index (BlackRock)	2.7%	15.8%	6.3%	10.5%	2.9%	Not Started	Not Started	3,840,488
Indexed Eurozone Equity (BlackRock)	2.4%	17.0%	7.7%	10.7%	Not Started	Not Started	Not Started	2,784,912
FinEx Sector Average	1.7%	14.6%	5.4%	9.6%	1.6%	3.4%	5.9%	
<b>Equity Funds (Irish)</b>								
Irish Equity	-0.9%	4.7%	10.9%	18.8%	-0.3%	Not Started	Not Started	15,631,971
FinEx Sector Average	-0.4%	2.0%	8.3%	15.1%	-2.2%	3.4%	5.5%	
<b>Equity Funds (American)</b>								
5 Star 5 Americas	2.3%	28.4%	17.6%	17.0%	9.2%	Not Started	Not Started	69,741,760
American Select (Threadneedle)	5.3%	31.2%	17.7%	17.3%	10.0%	6.2%	Not Started	12,852,161
FinEx Sector Average	5.6%	28.9%	17.4%	17.0%	8.6%	5.2%	6.6%	
<b>Equity Fund (UK)</b>								
UK Growth (M&G)*	3.5%	6.2%	3.1%	Not Started	Not Started	Not Started	Not Started	593,630,000
UK Index (BlackRock)	2.7%	12.8%	4.1%	7.2%	2.7%	Not Started	Not Started	2,215,973
FinEx Sector Average	2.7%	10.9%	3.0%	7.0%	2.2%	3.3%	4.3%	
<b>Equity Funds (Far East Asia)</b>								
5 Star 5 Asia Pacific	8.6%	28.2%	12.0%	8.9%	3.4%	Not Started	Not Started	74,486,535
Asia Pacific Equity	8.8%	31.3%	11.0%	8.4%	Not Started	Not Started	Not Started	9,553,495
FinEx Sector Average	8.6%	28.1%	9.0%	6.5%	4.5%	6.4%	5.5%	
<b>Equity Funds (Japan)</b>								
Japan Index (BlackRock)	4.4%	22.7%	14.6%	11.5%	2.3%	Not Started	Not Started	3,505,347
FinEx Sector Average	3.9%	21.8%	13.0%	11.1%	1.5%	2.9%	2.7%	
<b>Equity Funds (High Yield)</b>								
Dividend Growth	4.1%	29.8%	15.4%	15.4%	5.7%	Not Started	Not Started	237,379,776
Global Dividend (M&G)*	5.6%	29.2%	12.0%	Not Started	Not Started	Not Started	Not Started	6,466,190,000
FinEx Sector Average	4.0%	20.7%	11.4%	11.6%	4.6%	4.3%	6.0%	
<b>Equity Funds (Emerging Market)</b>								
India Equity	10.3%	26.4%	15.7%	6.8%	Not Started	Not Started	Not Started	12,307,942
Emerging Markets Opportunities (JP Morgan)*	8.0%	32.2%	9.9%	Not Started	Not Started	Not Started	Not Started	1,979,886,622
FinEx Sector Average	8.4%	31.1%	9.8%	3.3%	4.0%	5.5%	Not Started	
<b>Equity Funds (Specialist)</b>								
Top Tech 100	8.9%	30.5%	23.9%	21.2%	14.4%	7.9%	Not Started	39,989,156
FinEx Sector Average	4.9%	16.8%	4.7%	4.4%	1.9%	1.9%	3.3%	
<b>Property Funds</b>								
Fund of REITs	-1.5%	1.1%	Not Started	Not Started	Not Started	Not Started	Not Started	14,493,039
European (Ex-UK) Property	0.1%	7.4%	11.6%	12.8%	Not Started	Not Started	Not Started	43,901,277
Global Property Equities (Henderson Horizon)*	2.3%	13.2%	14.7%	Not Started	Not Started	Not Started	Not Started	427,370,469
Australasia Property	7.1%	18.0%	15.3%	10.3%	Not Started	Not Started	Not Started	34,654,976
FinEx Sector Average	0.6%	4.8%	8.3%	6.8%	-2.8%	2.8%	6.5%	
<b>Funds Closed to New Business</b>								
Eurozone Property	0.0%	7.2%	11.3%	12.6%	0.1%	Not Started	Not Started	20,379,994
Global Emerging Markets Equity (Aberdeen)*	6.0%	27.2%	11.7%	Not Started	Not Started	Not Started	Not Started	5,902,148,424

**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.**



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