

Monthly Investment Review

The latter half of 2015 marked an inflection point in markets as the Federal Reserve hiked interest rates for the first time in almost a decade; investors are now focusing on the likely pace and scale of the US rate rise cycle. Economic weakness in China and the emerging markets as well as sharply lower oil prices have caused a significant pick-up in volatility levels although this should provide opportunities for investors. Equities remain fairly valued on a historical basis and are better value on a relative basis than either cash or bonds. However, concerns over global economic growth have resulted in a scaling back of earnings growth expectations in 2016 to only 5%. Eurozone bonds do not appear to offer much upside potential from here.



Richard Temperley
Head of Investment Development

Zurich Life Fund Allocations & Activity

Equities: The funds are overweight but less so than a number of months ago.

Bonds: The funds are neutral.

Activity: The equity positions were little changed again over the period following some profit-taking in November. The weighting in financial stocks was, however, reduced. Bonds were maintained at neutral.

Regionally, the funds are:

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

Sectorwise, the funds are:

- Overweight consumer services and industrials.
- Underweight financials, utilities and basic materials.
- Otherwise broadly balanced.

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.

Equity Markets

- Equities (in euro terms) fell heavily in January, with the first two weeks being the worst start to a calendar year in living memory. Markets had a partial recovery towards the end of the month on the back of a dovish speech from ECB President Draghi, hinting at further monetary easing in March, and a surprise move by the Bank of Japan in introducing negative interest rates for certain current account deposits. Monetary policies between different central banks are clearly becoming more divergent. On a technical basis, the key S&P 500 Index finished January 8.9% off its all-time high set on 21st May 2015.
- World equities (in euro terms) fell by 5.5% during the January but were off over 9% after the first two week. All of the major markets were down in local currency terms during January ranging from minus 2.5% in the UK to minus 10.2% in Hong Kong, the latter affected by events in mainland China. The influential US market was down by 5.1%.
- Sectorwise in the US, economically sensitive areas, such as materials (-11%) and industrials (-6%), generally underperformed defensive bond-proxy areas, such as telecoms (+5%) and utilities (+5%), over the period under review.

Bonds & Interest Rates

- The Merrill Lynch Euro over 5 Year Index rose by 2.0% in January. Bonds have been supported by economic growth concerns, low inflation and recent turmoil in equity markets.

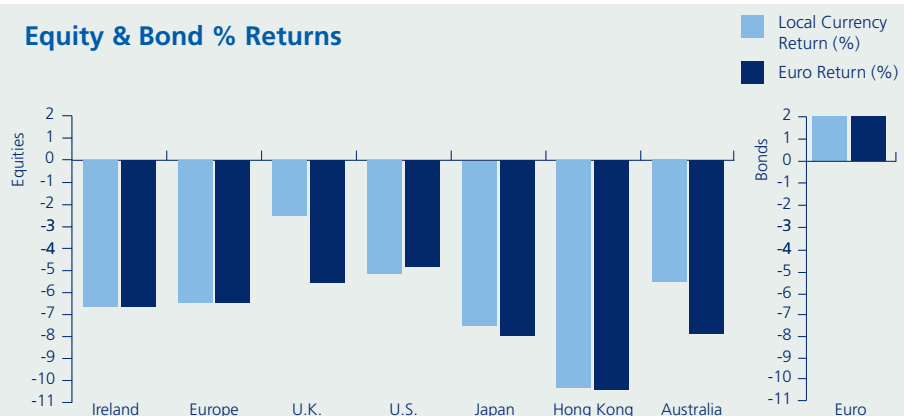
Core eurozone bond markets, such as Germany (+2.5%), have slightly outperformed peripheral markets such as Italy (+1.2%) so far this year.

- The German 10-year bond yield fell in January from 0.63% to 0.32%. The yield had hit an all-time low of 0.05% in mid-April 2015. Equivalent US rates fell from 2.27% to 1.92%.
- The markets currently believe that there is little likelihood of another US rate rise until 2017. Further rate cuts are expected in the eurozone, possibly in March and June 2016.

Commodities & Currencies

- Commodity prices overall have fallen heavily over the last 18 months. The trend continued in January (-5.3%), with oil prices down by around 8% to \$34 per barrel. Saudi Arabia has continued its policy of oversupply whilst demand for oil from China has come off.
- The gold price was up by 5% on the month to \$1,116 per troy ounce, bouncing off a five-year low.
- The euro currency was little changed against the US dollar and the Japanese yen during January, although it strengthened against the British pound and the Swiss franc. The EUR/USD rate moved from 1.09 to 1.08 over the month.

Equity & Bond % Returns



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

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Pathway Multi-Asset Funds								
Pathway 2	-0.3%	-0.2%	N/S	N/S	N/S	N/S	N/S	100,028,666
Pathway 3	-1.1%	-0.7%	N/S	N/S	N/S	N/S	N/S	308,218,216
Pathway 4	-2.3%	-1.7%	N/S	N/S	N/S	N/S	N/S	314,564,580
Pathway 5	-4.5%	-4.1%	N/S	N/S	N/S	N/S	N/S	95,131,197
Pathway 6	-6.2%	-6.5%	N/S	N/S	N/S	N/S	N/S	11,568,381
Managed Funds								
Cautiously Managed	-1.7%	0.9%	9.9%	9.1%	N/S	N/S	N/S	329,815,171
FinEx Sector Average	-2.4%	-3.0%	3.8%	3.9%	2.4%	2.8%	4.2%	
Balanced	-3.1%	1.8%	12.1%	9.7%	5.3%	5.0%	7.8%	1,582,799,448
FinEx Sector Average	-4.8%	-3.1%	8.2%	6.8%	2.7%	2.6%	6.0%	
Performance	-4.3%	1.3%	12.5%	9.8%	5.0%	4.8%	7.6%	1,227,774,638
Dynamic	-5.0%	1.4%	12.9%	9.9%	5.1%	4.6%	7.5%	1,493,073,330
FinEx Sector Average	-5.5%	-3.4%	7.9%	6.6%	2.7%	2.6%	5.7%	
Protected Funds								
Protected 70	-3.8%	-1.5%	8.1%	5.2%	N/S	N/S	N/S	13,259,581
Protected 80	-2.7%	-1.5%	5.6%	3.2%	N/S	N/S	N/S	33,398,842
Protected 90	-1.3%	-1.7%	1.6%	0.4%	N/S	N/S	N/S	13,947,956
Cash Fund								
Secure	0.0%	0.0%	0.0%	0.2%	1.2%	1.7%	2.6%	386,470,467
Cash Fund	-0.1%	-0.5%	-0.4%	-0.3%	N/S	N/S	N/S	-
FinEx Sector Average	0.0%	0.2%	0.2%	0.3%	1.3%	1.6%	2.3%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	-0.4%	-3.2%	2.1%	N/S	N/S	N/S	N/S	4,166,500,000
Global Government Bond (JP Morgan)*	1.5%	0.0%	3.2%	N/S	N/S	N/S	N/S	439,700,000
Indexed Eurozone Government Bond (BlackRock)	1.3%	0.4%	5.9%	N/S	N/S	N/S	N/S	6,870,190
Active Fixed Income	2.9%	0.8%	8.9%	9.1%	6.1%	6.6%	8.0%	188,475,732
Inflation-Linked Bond	0.6%	-1.5%	0.7%	1.7%	N/S	N/S	N/S	5,420,496
Long Bond	4.1%	0.1%	11.7%	11.1%	6.6%	N/S	N/S	64,089,816
Global Real Return (PIMCO)*	0.7%	-5.2%	-0.5%	N/S	N/S	N/S	N/S	2,600,000,000
Emerging Local Currency Debt (Pictet)*	0.5%	-10.8%	-4.1%	N/S	N/S	N/S	N/S	4,339,147,663
FinEx Sector Average	0.7%	-1.7%	5.1%	5.7%	3.8%	4.6%	5.9%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)*	0.2%	-2.4%	N/S	N/S	N/S	N/S	N/S	2,290,000,000
Income Opportunity (JP Morgan)*	-1.1%	-4.4%	-1.3%	N/S	N/S	N/S	N/S	6,866,600,000
Dynamic Diversified Growth (BlackRock)	-2.0%	-4.3%	2.0%	N/S	N/S	N/S	N/S	20,286,670
Diversified Assets	-2.8%	-7.5%	3.9%	4.4%	N/S	N/S	N/S	13,072,832
Active Asset Allocation	-2.8%	-2.2%	6.8%	5.9%	N/S	N/S	N/S	167,021,220
Commodity Funds								
Gold	5.5%	-9.9%	-6.3%	0.4%	N/S	N/S	N/S	39,460,937
Earth Resources	-6.6%	-20.5%	-9.2%	-9.8%	N/S	N/S	N/S	5,330,571
Global Commodities	-2.2%	-20.0%	-13.8%	-8.6%	-9.0%	N/S	N/S	11,644,160
CommoditiesPLUS Strategy (PIMCO)*	-2.8%	-27.1%	-20.2%	N/S	N/S	N/S	N/S	404,700,000
Green Resources	-11.7%	-10.4%	8.1%	-6.0%	N/S	N/S	N/S	3,791,273
Equity Funds (Global)								
5 Star 5	-4.9%	4.1%	12.6%	9.5%	4.0%	5.6%	N/S	205,942,257
International Equity	-5.5%	0.0%	13.4%	10.3%	5.5%	4.0%	N/S	199,383,149
Global Select (Threadneedle)	-5.7%	2.5%	13.6%	10.3%	5.3%	3.7%	N/S	7,368,164
Global Equity (MFS Meridian)*	-3.3%	-1.9%	N/S	N/S	N/S	N/S	N/S	4,926,035,958
Indexed Global Equity (BlackRock)	-7.1%	-4.3%	12.9%	N/S	N/S	N/S	N/S	78,372,351
FinEx Sector Average	-7.4%	-5.2%	9.3%	7.7%	3.4%	1.8%	6.4%	

Source: Financial Express as at 01/02/2016

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.

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 (European)								
Euro Markets Fund (BlackRock)*	-3.5%	5.2%	N/S	N/S	N/S	N/S	N/S	3,514,750,000
5 Star 5 Europe	-4.8%	3.8%	13.2%	12.1%	5.4%	N/S	N/S	109,413,923
European Select (Threadneedle)	-1.9%	2.0%	12.5%	13.4%	7.6%	5.5%	N/S	15,814,771
Small Cap Europe (Pictet)*	-6.1%	10.0%	N/S	N/S	N/S	N/S	N/S	324,521,389
FinEx Sector Average	-7.9%	-1.3%	9.7%	7.5%	3.8%	2.6%	7.6%	
Equity Funds (Eurozone)								
Eurozone Equity	-6.2%	-2.8%	10.0%	7.3%	5.3%	N/S	N/S	75,558,479
Europe ex-UK Index (BlackRock)	-7.0%	-3.9%	8.8%	6.4%	3.4%	N/S	N/S	2,790,826
Indexed Eurozone Equity (BlackRock)	-6.4%	-7.2%	7.4%	N/S	N/S	N/S	N/S	2,167,222
FinEx Sector Average	-7.6%	-3.6%	8.5%	5.9%	1.8%	1.5%	6.0%	
Equity Funds (Irish)								
Irish Equity	-4.3%	26.0%	25.7%	21.3%	2.2%	N/S	N/S	19,799,385
FinEx Sector Average	-7.8%	14.4%	20.4%	17.1%	0.0%	2.4%	6.9%	
Equity Funds (American)								
5 Star 5 Americas	-3.7%	5.7%	19.4%	13.7%	7.2%	N/S	N/S	59,108,570
American Select (Threadneedle)	-5.3%	1.4%	16.2%	14.1%	7.0%	2.6%	N/S	12,085,594
FinEx Sector Average	-8.8%	-5.1%	14.6%	12.7%	5.9%	2.3%	6.0%	
Equity Fund (UK)								
UK Growth (M&G)*	-8.3%	-9.0%	N/S	N/S	N/S	N/S	N/S	723,790,000
UK Index (BlackRock)	-6.1%	-8.9%	5.7%	6.1%	2.8%	N/S	N/S	2,259,282
FinEx Sector Average	-8.2%	-7.7%	5.5%	6.1%	2.9%	1.5%	4.9%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	-6.7%	-9.1%	3.4%	3.5%	2.9%	N/S	N/S	69,322,345
Asia Pacific Equity	-7.1%	-13.3%	2.0%	3.1%	N/S	N/S	N/S	6,238,041
FinEx Sector Average	-9.4%	-17.9%	-0.5%	0.7%	3.2%	4.4%	4.2%	
Equity Funds (Japan)								
Japan Index (BlackRock)	-7.6%	1.3%	13.3%	6.9%	0.1%	N/S	N/S	4,328,925
FinEx Sector Average	-8.6%	-1.1%	11.4%	6.2%	-0.9%	-0.1%	0.4%	
Equity Funds (High Yield)								
Dividend Growth	-6.1%	-5.3%	11.5%	10.8%	4.5%	N/S	N/S	186,140,337
Global Dividend (M&G)*	-4.5%	-9.8%	N/S	N/S	N/S	N/S	N/S	6,162,980,000
FinEx Sector Average	-7.4%	-5.2%	9.3%	7.7%	3.4%	1.8%	5.8%	
Equity Funds (Emerging Market)								
India Equity	-5.1%	-17.5%	5.6%	1.8%	N/S	N/S	N/S	12,427,930
Emerging Markets Opportunities (JP Morgan)*	-5.6%	-21.2%	N/S	N/S	N/S	N/S	N/S	2,019,800,000
FinEx Sector Average	-9.2%	-23.0%	-3.7%	-3.4%	2.2%	4.5%	N/S	
Equity Funds (Specialist)								
Top Tech 100	-6.5%	8.1%	25.8%	19.3%	11.1%	N/S	N/S	29,826,323
FinEx Sector Average	-6.9%	-10.0%	1.7%	0.0%	0.5%	-1.0%	2.8%	
Property Funds								
Fund of REITs	-6.3%	15.4%	N/S	N/S	N/S	N/S	N/S	15,605,797
European (Ex-UK) Property	-3.2%	-1.9%	12.9%	9.1%	N/S	N/S	N/S	47,930,072
Global Property Equities (Henderson Horizon)*	-2.6%	-2.2%	9.6%	N/S	N/S	N/S	N/S	440,000,000
Australasia Property	-4.5%	-12.4%	2.4%	5.3%	N/S	N/S	N/S	23,197,585
FinEx Sector Average	-1.7%	3.6%	8.7%	5.2%	-1.4%	2.4%	7.1%	
Funds Closed to New Business								
Eurozone Property	-4.0%	-0.3%	12.5%	8.5%	3.4%	N/S	N/S	22,234,842
Global Emerging Markets Equity (Aberdeen)*	-2.3%	-16.2%	-2.8%	N/S	N/S	N/S	N/S	5,737,887,011

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Intended for distribution within the Republic of Ireland.

Print Ref: ZURL ISA 76 0216

