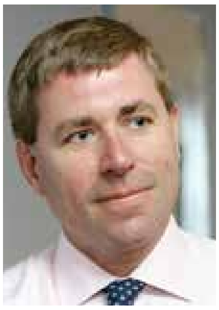
June 2016

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 US rate rise cycle. Economic weakness in China and the emerging markets has caused a significant pick-up in volatility levels, however this should provide opportunities for investors. Although a number of key indices technically hit bear market territory earlier in the year, the dominant US S&P 500 Index has remained resilient. The world index, having fallen sharply in the first six weeks of the calendar year, has risen by over 17% from its low-point (11th February). Although equities remain better value on a relative basis than either cash or bonds, they require some positive news on the earnings front to make significant progress from here. Eurozone bonds do not appear to offer much upside potential.



Richard Temperley
Head of Investment Development

Zurich Life Fund Allocations & Activity

Equities & Bonds: Equities are slightly overweight, bonds slightly underweight.

Activity: The equity positions were maintained at slightly overweight levels on the back of some upwards earnings revisions. Bonds were maintained at slightly underweight; despite the lack of value, it is difficult to cut bond positions significantly given the tailwind of aggressive ECB policy action.

Regionally, the funds are:

- Overweight in Ireland.
- Neutral in Europe, North America, Asia-Pacific (ex-Japan) and Japan.
- Underweight in the UK.

Sectorwise, the funds are:

- Overweight consumer discretionary, industrials and technology (slightly).
- Underweight financials and energy.
- 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) had a good month in May, helped in part by a stronger US dollar - the US represents over half of the global stock market in market capitalisation terms. Equities were supported by better economic data and they took a more hawkish Fed in their stride.
- World equities (in euro terms) rose by 3.2% during May and have given a total return of minus 0.2% in the first five months of the year. With the exception of Hong Kong (-1.2%) and the UK (-0.2%), all of the major equity markets were up in local currency terms in May ranging from 1.1% in Europe to 5.4% in Ireland.
- Following one of the longest periods in the current US bull cycle without a new high being achieved, a sense of tiredness seems to have taken hold of investors. As a consequence, we now have a combination of the lowest bullish sentiment level since 2005, with one of the highest percentages of neutral positioning, right at the time when the US market is testing its 2015 record.
- Sectorwise in the US, there was little difference between the cyclical and defensive areas. The main story in May was the strong move (+5.3%) in technology stocks, especially some of the semiconductor companies, following significant weakest the previous month.

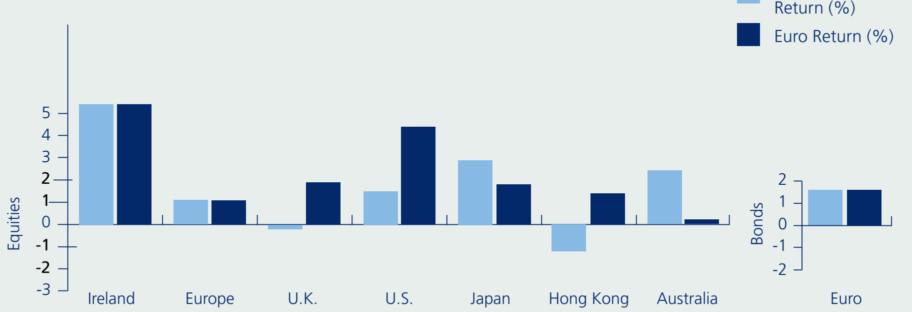
Bonds & Interest Rates

- The Merrill Lynch Euro over 5 Year Index rose by 1.6% in May, giving a return of 5.2% year-to-date. Bonds have been supported in 2016 by economic growth concerns and increased quantitative easing in the eurozone. There were only marginally differences in the performance of core and peripheral eurozone markets in May.
- The German 10-year bond yield fell in May moving from 0.27% to 0.14%. The yield is now close to testing its all-time low of 0.05% from mid-April 2015. Equivalent US rates rose slightly from 1.83% to 1.85%.
- There has been a change in the markets view as to the likelihood of rate hike in the US this summer. The markets now believe that there is a 20% chance of a rate rise in July with a 60% chance by December. UK and eurozone rates are unlikely to start rising in the foreseeable future.

Commodities & Currencies

- Commodity prices overall rose for the third month-in a row (+0.8%) in May, following a long period of heavy declines; and are now up by 5.7% year-to-date. The oil price rose by a couple of dollars to €50 per barrel at month end. It had hit a low point of $28 per barrel on 20th January.
- The gold price fell by 6% in May, in a more risk-on environment, moving from $1,290 to finish at $1,215 per troy ounce. However, despite May's decline gold is still up by 16% from its five-year low of $1,049 in mid-December 2015.
- The euro currency was weaker against the US dollar (and the British pound) during May, following more hawkish comments from the Federal Reserve, and the increased likelihood of an earlier increase US interest rate. The EUR/ USD rate moved from 1.15 to 1.11 over the month.

Equity & Bond % Returns



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

Zurich Life Annualised Performance to 1st June 2016

	Year to Date	Annualised 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (€)
Pathway Multi-Asset Funds								
Pathway 2	0.4%	-0.5%	N/S	N/S	N/S	N/S	N/S	118,388,244
Pathway 3	0.6%	-1.5%	N/S	N/S	N/S	N/S	N/S	344,339,895
Pathway 4	1.0%	-3.3%	N/S	N/S	N/S	N/S	N/S	358,902,242
Pathway 5	1.0%	-5.9%	N/S	N/S	N/S	N/S	N/S	110,655,725
Pathway 6	-1.3%	-9.2%	N/S	N/S	N/S	N/S	N/S	12,643,981
Managed Funds								
Cautiously Managed	0.0%	-1.0%	8.8%	9.2%	N/S	N/S	N/S	346,016,059
FinEx Sector Average	1.0%	-2.2%	3.9%	4.4%	2.8%	3.0%	4.3%	
Balanced	-0.4%	-2.9%	10.3%	10.2%	5.7%	5.3%	7.7%	1,597,201,478
FinEx Sector Average	0.2%	-4.7%	7.6%	7.8%	3.3%	3.0%	6.0%	
Performance	-1.4%	-4.1%	10.6%	10.3%	5.3%	5.1%	7.5%	1,251,735,788
Dynamic	-1.9%	-4.8%	10.9%	10.6%	5.5%	5.0%	7.4%	1,496,188,734
FinEx Sector Average	0.6%	-4.9%	7.8%	7.8%	3.5%	3.1%	5.8%	
Protected Funds								
Protected 70	-3.1%	-7.8%	6.0%	5.5%	N/S	N/S	N/S	12,843,391
Protected 80	-2.6%	-6.9%	3.9%	3.4%	N/S	N/S	N/S	34,171,550
Protected 90	-1.8%	-4.9%	0.9%	0.5%	N/S	N/S	N/S	13,790,499
Cash Fund								
Secure	0.0%	0.0%	0.0%	0.1%	1.1%	1.6%	2.6%	386,035,544
Cash Fund	-0.3%	-0.6%	-0.5%	-0.3%	0.7%	N/S	N/S	256,334,032
FinEx Sector Average	0.0%	0.0%	0.2%	0.2%	1.2%	1.5%	2.2%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	3.1%	2.2%	3.0%	N/S	N/S	N/S	N/S	4,775,138,869
Global Government Bond (JP Morgan)*	3.3%	4.4%	3.6%	N/S	N/S	N/S	N/S	627,408,537
Indexed Eurozone Government Bond (BlackRock)	3.1%	5.4%	5.8%	6.4%	N/S	N/S	N/S	8,067,642
Active Fixed Income	5.2%	5.1%	8.7%	9.2%	6.7%	6.8%	8.0%	190,772,275
Inflation-Linked Bond	1.7%	0.0%	1.0%	1.4%	N/S	N/S	N/S	5,284,310
Long Bond	6.9%	5.8%	11.6%	11.3%	7.5%	N/S	N/S	64,461,091
Global Real Return (PIMCO)*	3.1%	0.6%	0.8%	N/S	N/S	N/S	N/S	2,500,000,000
Emerging Local Currency Debt (Pictet)*	4.5%	-4.2%	-2.7%	N/S	N/S	N/S	N/S	4,851,429,587
FinEx Sector Average	3.7%	2.1%	5.2%	6.0%	4.4%	4.9%	6.0%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco)*	2.3%	2.0%	N/S	N/S	N/S	N/S	N/S	3,650,000,000
Income Opportunity (JP Morgan)*	3.1%	-1.5%	-0.1%	N/S	N/S	N/S	N/S	4,476,051,449
Dynamic Diversified Growth (BlackRock)	-1.2%	-4.4%	1.6%	N/S	N/S	N/S	N/S	18,749,615
Diversified Assets	2.6%	-6.0%	4.8%	5.3%	N/S	N/S	N/S	13,605,143
Active Asset Allocation	0.4%	-3.7%	6.7%	6.9%	N/S	N/S	N/S	181,309,604
Commodity Funds								
Gold	11.5%	-0.2%	-0.3%	-0.4%	N/S	N/S	N/S	43,181,846
Earth Resources	1.0%	-21.0%	-7.3%	-7.8%	N/S	N/S	N/S	5,828,928
Global Commodities	6.2%	-20.3%	-9.9%	-7.3%	-7.5%	N/S	N/S	14,819,621
CommoditiesPLUS Strategy (PIMCO)*	10.4%	-17.2%	-14.4%	N/S	N/S	N/S	N/S	413,000,000
Green Resources	-13.8%	-24.1%	-0.2%	-4.7%	N/S	N/S	N/S	3,748,479
Equity Funds (Global)								
5 Star 5	-4.2%	-6.7%	9.3%	10.1%	4.1%	5.7%	N/S	203,265,598
International Equity	-1.3%	-4.9%	11.5%	11.3%	6.2%	4.6%	N/S	205,798,346
Global Select (Threadneedle)	1.1%	-2.6%	12.9%	11.7%	6.8%	4.3%	N/S	7,846,374
Global Equity (MFS Meridian)*	2.2%	-3.4%	N/S	N/S	N/S	N/S	N/S	5,073,044,307
Indexed Global Equity (BlackRock)	-0.4%	-4.0%	12.4%	12.3%	N/S	N/S	N/S	89,272,103
FinEx Sector Average	0.7%	-6.5%	9.0%	9.5%	4.6%	2.6%	5.9%	

Source: Financial Express as at 01/06/2016

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 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Fund Size (€)
Equity Funds (European)								
Euro Markets Fund (BlackRock)*	-1.8%	-5.1%	N/S	N/S	N/S	N/S	N/S	3,731,690,000
5 Star 5 Europe	-0.9%	-4.4%	12.4%	12.2%	5.1%	N/S	N/S	107,004,603
European Select (Threadneedle)	-0.4%	-5.7%	10.5%	11.8%	8.0%	6.0%	N/S	13,924,004
Small Cap Europe (Pictet)*	-1.7%	-2.1%	N/S	N/S	N/S	N/S	N/S	306,788,495
FinEx Sector Average	-2.7%	-8.7%	8.8%	8.3%	4.4%	3.4%	7.9%	
Equity Funds (Eurozone)								
Eurozone Equity	-3.1%	-8.4%	8.9%	7.7%	5.6%	N/S	N/S	69,399,567
Europe ex-UK Index (BlackRock)	-4.0%	-10.4%	7.8%	6.6%	3.7%	N/S	N/S	2,994,884
Indexed Eurozone Equity (BlackRock)	-1.3%	-10.4%	7.7%	5.8%	N/S	N/S	N/S	2,471,585
FinEx Sector Average	-1.6%	-8.2%	8.3%	6.9%	2.4%	2.1%	6.1%	
Equity Funds (Irish)								
Irish Equity	-0.9%	12.0%	21.2%	20.6%	2.4%	N/S	N/S	19,627,316
FinEx Sector Average	-2.3%	5.1%	17.7%	17.5%	0.4%	2.5%	6.7%	
Equity Funds (American)								
5 Star 5 Americas	-5.0%	-4.0%	14.0%	13.4%	7.8%	N/S	N/S	55,989,699
American Select (Threadneedle)	2.2%	-2.4%	15.5%	15.1%	8.9%	3.7%	N/S	12,156,528
FinEx Sector Average	0.9%	-4.0%	13.8%	14.8%	7.7%	2.9%	6.4%	
Equity Fund (UK)								
UK Growth (M&G)*	-6.1%	-16.2%	N/S	N/S	N/S	N/S	N/S	659,660,000
UK Index (BlackRock)	-2.5%	-13.8%	4.8%	6.7%	3.1%	N/S	N/S	2,352,413
FinEx Sector Average	-1.7%	-12.1%	5.6%	7.0%	3.4%	2.1%	5.1%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	-0.9%	-10.8%	4.1%	4.6%	3.6%	N/S	N/S	64,955,942
Asia Pacific Equity	-1.5%	-14.1%	2.7%	3.9%	N/S	N/S	N/S	6,385,136
FinEx Sector Average	-2.9%	-18.8%	1.4%	2.4%	4.3%	4.9%	4.5%	
Equity Funds (Japan)								
Japan Index (BlackRock)	-5.5%	-10.5%	8.7%	9.8%	1.0%	N/S	N/S	4,139,107
FinEx Sector Average	-5.6%	-11.6%	6.9%	9.4%	0.1%	-0.4%	0.6%	
Equity Funds (High Yield)								
Dividend Growth	1.4%	-6.8%	10.7%	12.2%	5.2%	N/S	N/S	200,904,110
Global Dividend (M&G)*	4.8%	-9.8%	N/S	N/S	N/S	N/S	N/S	5,707,460,000
FinEx Sector Average	0.7%	-6.5%	9.0%	9.5%	4.6%	2.6%	5.9%	
Equity Funds (Emerging Market)								
India Equity	-1.3%	-11.0%	7.8%	3.1%	N/S	N/S	N/S	12,206,368
Emerging Markets Opportunities (JP Morgan)*	0.4%	-20.0%	N/S	N/S	N/S	N/S	N/S	1,827,000,000
FinEx Sector Average	-0.5%	-20.2%	-0.3%	-1.0%	4.0%	3.9%	N/S	
Equity Funds (Specialist)								
Top Tech 100	-3.6%	-0.6%	21.4%	20.2%	12.9%	N/S	N/S	30,339,280
FinEx Sector Average	0.3%	-9.8%	3.5%	1.6%	1.8%	0.0%	3.2%	
Property Funds								
Fund of REITs	-8.2%	-5.6%	N/S	N/S	N/S	N/S	N/S	16,133,649
European (Ex-UK) Property	4.7%	9.2%	13.1%	8.7%	N/S	N/S	N/S	40,191,963
Global Property Equities (Henderson Horizon)*	3.1%	5.1%	9.9%	N/S	N/S	N/S	N/S	446,056,472
Australasia Property	5.1%	-5.9%	6.6%	8.2%	N/S	N/S	N/S	26,778,308
FinEx Sector Average	2.0%	5.3%	9.2%	5.7%	-1.5%	2.5%	7.1%	
Funds Closed to New Business								
Eurozone Property	3.5%	7.3%	12.5%	8.3%	3.6%	N/S	N/S	22,673,089
Global Emerging Markets Equity (Aberdeen)*	6.3%	-11.4%	-0.2%	N/S	N/S	N/S	N/S	5,508,190,313

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Print Ref: ZURL ISA 76 0616