



Monthly Investment Review

Equity markets were subjected to increased volatility in the first half of 2016 due to a number of events. These included economic growth concerns in China, severe oscillation in the price of oil, negative interest rates in some regions, and Brexit. Investors have also been focussing on the US interest rate cycle and the likely timing of the next rate rise. Despite the economic uncertainty equities rallied strongly in July with the influential US market, which had been in a trading range for the previous 18 months, breaking out on the upside. This is a strong positive technical factor. Equities remain attractively valued on a relative basis compared to bonds and cash. Although bonds have been supported by the tailwind of aggressive ECB monetary policy action, they offer little long-term value.



Richard Temperley
Head of Investment Development

Zurich Life Fund Allocations & Activity

Equities & Bonds: Equities are overweight, bonds underweight.

Activity: The equity and bond positions were maintained during August. Equities may be increased further in September given the relative valuation argument.

Regionally, the funds are:

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

Sectorwise, the funds are:

- Overweight technology and banks.
- Underweight utilities, real estate and consumer staples.
- 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) made small gains in August, following a strong July, although there was significant sector rotation out of 'bond-proxies'. Markets kept a close eye on US economic data as well as comments from Federal Reserve Chair, Janet Yellen. On a positive note, earnings revisions globally improved over the month.
- World equities (in euro terms) rose by 0.6% during August and have given a total return of 3.6% in the first eight months of the year. It should be remembered that the world market had fallen by almost 15% in the first six weeks of the year. There was a mixed bag of returns amongst the major equity markets in local currency terms in August ranging from 5.2% in Ireland to minus 2.3% in Australia. Year-to-date, the strongest equity markets in local currency terms have been the UK (+8.6%) and the US (+6.2%).
- There was huge sector rotation in the US again in August, this time from 'bond-proxies' into cyclical stocks. For example, utilities and telecoms fell by 6.1% and 5.7% respectively, whilst financials and information technology rose by 3.6% and 1.8% respectively.

Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Index fell by 0.4% in August but has still given a strong return of 9.8% year-to-date. Eurozone bonds have been supported in 2016 by economic growth concerns and increased quantitative

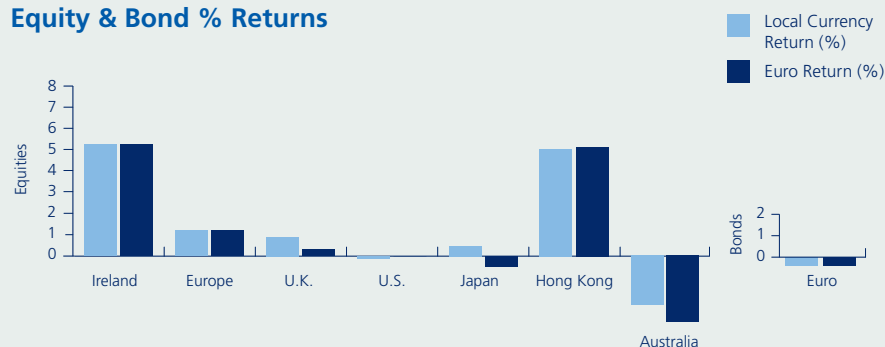
easing, although they stalled somewhat in August. Peripheral eurozone markets, such as Italy (+0.5%), outperformed core markets, such as Germany (-0.8%), during the month, albeit core markets have been much stronger so far this year.

- The German ten-year bond yield rose over the month from minus 0.12% to minus 0.06%. The yield hit an all-time low of minus 0.19% on 8th July. Equivalent US rates rose from 1.45% to 1.58%.
- As regards US interest rates, there is now a 30% chance that the Fed will raise rates again in September 2016 and a 60% chance of a move in December 2016. Eurozone rates are likely to remain unchanged for the foreseeable future. The Bank of England cut its base rate in early August from 0.5% to 0.25%.

Commodities & Currencies

- Commodity prices overall fell by 0.4% in August, adding to July's 6.0% drop, but are up by 2.3% year-to-date. Although the oil price recovered much of July's losses, up from \$42 to \$46 per barrel, other commodities were weaker.
- The gold price fell by 3% in August to \$1,308 per troy ounce. Despite this decline, gold is still up by nearly 25% from its five year low of \$1,049 in mid-December 2015.
- The euro currency was flat against the US dollar during August with the EUR/ USD rate remaining at 1.12. Sterling, which fell by over 9% against the euro in June on the back of Brexit concerns, was, like in July, little changed in August.

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.

	Year to Date	Annualised						Fund Size (€)
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Pathway Multi-Asset Funds								
Pathway 2	0.7%	0.9%	N/S	N/S	N/S	N/S	N/S	120,461,112
Pathway 3	1.4%	2.0%	N/S	N/S	N/S	N/S	N/S	361,427,863
Pathway 4	2.6%	3.9%	N/S	N/S	N/S	N/S	N/S	385,207,628
Pathway 5	3.7%	5.9%	N/S	N/S	N/S	N/S	N/S	119,418,235
Pathway 6	2.0%	7.4%	N/S	N/S	N/S	N/S	N/S	14,033,074
Managed Funds								
Cautiously Managed	1.4%	3.2%	10.0%	9.5%	N/S	N/S	N/S	356,562,553
FinEx Sector Average	2.9%	3.7%	5.4%	5.5%	2.7%	3.3%	4.4%	
Balanced	1.5%	4.8%	11.4%	12.3%	5.5%	5.9%	7.9%	1,587,056,655
FinEx Sector Average	1.7%	2.8%	8.8%	10.2%	3.1%	3.6%	6.1%	
Performance	0.5%	4.6%	11.7%	12.5%	5.2%	5.8%	7.7%	1,260,153,448
Dynamic	0.2%	4.5%	12.1%	13.2%	5.3%	5.9%	7.6%	1,504,489,598
FinEx Sector Average	2.2%	3.9%	8.9%	10.4%	3.3%	3.7%	5.9%	
Protected Funds								
Protected 70	-2.5%	-0.3%	6.8%	7.5%	N/S	N/S	N/S	12,633,084
Protected 80	-2.4%	-1.1%	4.4%	4.7%	N/S	N/S	N/S	34,307,455
Protected 90	-2.1%	-1.8%	1.1%	1.1%	N/S	N/S	N/S	14,018,954
Cash Fund								
Secure	0.0%	0.0%	0.0%	0.1%	1.1%	1.5%	2.5%	381,926,508
Cash Fund	-0.6%	-0.8%	-0.5%	-0.4%	0.6%	N/S	N/S	293,922,896
FinEx Sector Average	0.0%	0.0%	0.2%	0.2%	1.1%	1.4%	2.2%	
Bond Funds								
Global Corporate Bond (JP Morgan)*	6.4%	6.9%	5.0%	N/S	N/S	N/S	N/S	4,919,412,312
Global Government Bond (JP Morgan)*	5.3%	6.1%	4.8%	N/S	N/S	N/S	N/S	676,275,274
Indexed Eurozone Government Bond (BlackRock)	5.4%	7.7%	7.1%	6.3%	N/S	N/S	N/S	8,893,538
Active Fixed Income	8.8%	11.1%	10.6%	9.0%	6.8%	6.7%	8.1%	197,840,284
Inflation-Linked Bond	3.8%	5.2%	2.8%	2.2%	N/S	N/S	N/S	5,399,871
Long Bond	13.3%	16.2%	14.9%	12.0%	7.7%	N/S	N/S	67,135,475
Global Real Return (PIMCO)*	11.0%	9.3%	5.3%	N/S	N/S	N/S	N/S	2,500,000,000
Emerging Local Currency Debt (Pictet)*	10.6%	11.5%	2.7%	N/S	N/S	N/S	N/S	4,968,604,255
FinEx Sector Average	7.3%	8.1%	7.2%	6.5%	4.5%	4.9%	6.1%	
Absolute Return/Diversified Assets Funds								
Global Targeted Returns Fund (Invesco) *	2.2%	2.7%	N/S	N/S	N/S	N/S	N/S	4,280,000,000
Income Opportunity (JP Morgan)*	5.6%	2.6%	0.8%	N/S	N/S	N/S	N/S	4,388,852,447
Dynamic Diversified Growth (BlackRock)	-0.9%	-0.3%	2.3%	N/S	N/S	N/S	N/S	17,332,718
Diversified Assets	5.7%	5.6%	6.3%	7.0%	N/S	N/S	N/S	14,007,247
Active Asset Allocation	2.1%	3.6%	8.0%	7.6%	N/S	N/S	N/S	184,439,421
Commodity Funds								
Gold	19.9%	15.1%	2.6%	-2.3%	N/S	N/S	N/S	48,399,579
Earth Resources	-1.4%	-4.9%	-9.1%	-7.0%	N/S	N/S	N/S	5,572,082
Global Commodities	6.2%	-6.3%	-11.8%	-6.2%	-7.2%	N/S	N/S	13,914,270
CommoditiesPLUS Strategy (PIMCO)*	6.2%	-7.3%	-14.9%	N/S	N/S	N/S	N/S	413,000,000
Green Resources	-13.9%	-4.9%	0.2%	-0.3%	N/S	N/S	N/S	3,731,588
Equity Funds (Global)								
5 Star 5	-4.3%	1.0%	10.1%	12.5%	4.1%	6.3%	N/S	198,407,277
International Equity	2.1%	7.1%	13.3%	14.5%	6.4%	5.7%	N/S	204,884,449
Global Select (Threadneedle)	3.0%	10.0%	14.3%	14.7%	6.7%	5.6%	N/S	6,683,082
Global Equity (MFS Meridian)*	6.2%	12.3%	N/S	N/S	N/S	N/S	N/S	4,914,739,741
Indexed Global Equity (BlackRock)	3.5%	10.0%	12.9%	15.5%	N/S	N/S	N/S	99,775,073
FinEx Sector Average	2.3%	4.3%	10.3%	12.8%	4.4%	3.5%	6.2%	

Source: Financial Express as at 01/09/2016

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)*	-1.6%	2.7%	N/S	N/S	N/S	N/S	N/S	3,687,390,000
5 Star 5 Europe	-3.0%	-0.3%	12.2%	15.2%	5.0%	N/S	N/S	101,156,880
European Select (Threadneedle)	-1.4%	2.3%	10.2%	14.5%	7.3%	6.9%	N/S	12,952,454
Small Cap Europe (Pictet)*	-2.4%	3.7%	N/S	N/S	N/S	N/S	N/S	258,314,466
FinEx Sector Average	-4.0%	-2.0%	8.3%	12.2%	3.8%	4.2%	7.8%	
Equity Funds (Eurozone)								
Eurozone Equity	-2.9%	-0.8%	9.0%	12.0%	5.1%	N/S	N/S	67,864,057
Europe ex-UK Index (BlackRock)	-3.9%	-2.5%	8.1%	10.7%	3.2%	N/S	N/S	2,997,849
Indexed Eurozone Equity (BlackRock)	1.0%	2.2%	8.0%	10.5%	N/S	N/S	N/S	2,424,840
FinEx Sector Average	-3.1%	-1.8%	7.3%	10.4%	1.8%	2.7%	6.2%	
Equity Funds (Irish)								
Irish Equity	-6.4%	2.0%	16.9%	22.4%	1.0%	N/S	N/S	17,360,025
FinEx Sector Average	-7.1%	0.3%	14.5%	20.0%	-0.7%	2.6%	6.4%	
Equity Funds (American)								
5 Star 5 Americas	0.6%	7.5%	16.9%	17.0%	8.2%	N/S	N/S	57,462,080
American Select (Threadneedle)	4.4%	10.5%	16.0%	18.0%	9.0%	5.3%	N/S	11,722,203
FinEx Sector Average	4.5%	9.0%	15.7%	18.2%	7.8%	4.3%	6.9%	
Equity Fund (UK)								
UK Growth (M&G)*	-10.3%	-9.0%	N/S	N/S	N/S	N/S	N/S	660,070,000
UK Index (BlackRock)	-3.6%	-4.0%	4.8%	8.7%	2.4%	N/S	N/S	2,056,077
FinEx Sector Average	-6.1%	-6.8%	4.1%	8.8%	2.5%	2.6%	4.7%	
Equity Funds (Far East Asia)								
5 Star 5 Asia Pacific	8.9%	19.9%	9.5%	8.4%	4.5%	N/S	N/S	69,303,802
Asia Pacific Equity	7.9%	15.7%	7.6%	8.0%	N/S	N/S	N/S	6,746,945
FinEx Sector Average	4.8%	7.5%	5.7%	6.5%	4.9%	6.4%	5.3%	
Equity Funds (Japan)								
Japan Index (BlackRock)	-1.7%	1.2%	10.8%	11.5%	1.5%	N/S	N/S	3,978,917
FinEx Sector Average	-2.3%	-0.8%	9.2%	10.9%	0.5%	1.5%	1.3%	
Equity Funds (High Yield)								
Dividend Growth	6.2%	9.5%	13.0%	15.2%	5.2%	N/S	N/S	207,263,088
Global Dividend (M&G)*	10.2%	12.6%	N/S	N/S	N/S	N/S	N/S	5,564,260,000
FinEx Sector Average	2.3%	4.3%	10.3%	12.8%	4.4%	3.5%	6.2%	
Equity Funds (Emerging Market)								
India Equity	5.4%	6.4%	20.0%	7.1%	N/S	N/S	N/S	12,509,739
Emerging Markets Opportunities (JP Morgan)*	13.1%	15.5%	N/S	N/S	N/S	N/S	N/S	1,773,930,412
FinEx Sector Average	9.9%	8.5%	7.4%	3.8%	4.9%	5.3%	N/S	
Equity Funds (Specialist)								
Top Tech 100	1.8%	13.1%	23.1%	23.0%	13.5%	6.6%	N/S	32,684,958
FinEx Sector Average	3.3%	1.1%	4.7%	4.8%	1.9%	1.2%	3.3%	
Property Funds								
Fund of REITs	-4.6%	1.5%	N/S	N/S	N/S	N/S	N/S	14,788,080
European (Ex-UK) Property	11.6%	17.4%	18.4%	12.5%	N/S	N/S	N/S	42,726,269
Global Property Equities (Henderson Horizon)*	9.4%	22.6%	15.0%	Not Started	N/S	N/S	N/S	467,026,616
Australasia Property	15.2%	23.0%	13.4%	12.0%	N/S	N/S	N/S	29,641,666
FinEx Sector Average	1.8%	5.5%	9.8%	6.3%	-2.2%	2.6%	6.9%	
Funds Closed to New Business								
Eurozone Property	9.8%	16.6%	17.9%	12.8%	3.4%	N/S	N/S	23,286,481
Global Emerging Markets Equity (Aberdeen)*	18.0%	16.7%	7.7%	N/S	N/S	N/S	N/S	5,726,720,774

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