

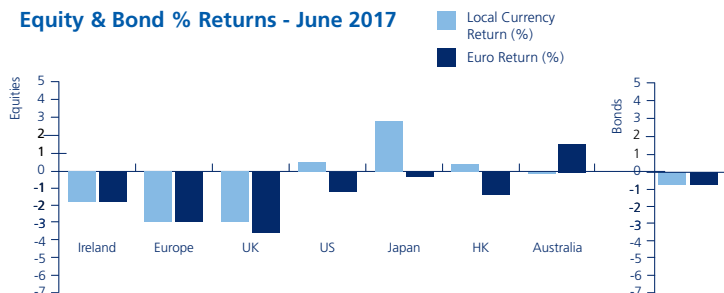
# Monthly Investment Review

Equity markets were mixed during the month of June but have performed strongly, in local currency terms, during the first half of the year. Markets have been on an upward trajectory for over eight years and this trend has continued in 2017 on the back of improving economic data globally and good corporate earnings growth. However, from a eurozone investor perspective, gains in international markets have been significantly eroded during 2017 by a strengthening euro currency. It should be noted that the euro remains in its 30-month trading range against the US dollar albeit at the upper end. The euro's strength, especially in the last three months, has been due to good eurozone economic data and hints by the ECB that tapering of 'quantitative easing' may be on the radar screen. Market participants continue to assess the pace of interest rate rises in the US - is this just a return to normality or could monetary policy eventually become too tight? 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. Eurozone government bonds continue to offer little long term value.

## Equity Markets

- Equities (in euro terms) fell back somewhat during June mainly due to currency effects; although there was some profit taking in Europe. Economic and corporate earnings data continues to be supportive. The Q2 earnings results season is about to kick-off in the US. Early signs look encouraging given the number of upward revisions by analysts as well as the low number of profit warnings.
- World equities (in euro terms) fell by 0.9% in June and have given a total return of plus 3.2% in the first six months of the year. There was a mixed bag of returns amongst the major equity markets in local currency terms during the month ranging from plus 2.8% in Japan to minus 2.8% in Europe; returns in euro terms were hit by the stronger euro currency. Year-to-date, Hong Kong (+17.1%), the US (+8.2%) and Europe (+6.5%) have led the way.
- Sectorwise in the US, bond-proxy stocks, such as telecoms (-3.0%) and utilities (-2.9%) underperformed whilst financials (+6.3%) benefitted from rising bond yields. The 'FANG' stocks (Facebook, Amazon, Netflix and Google), which have been driving the US stock market this year, finally saw some profit taking. Year-to-date, the best performing sector being technology (+16.4%), the worst energy (-13.8%).

Equity & Bond % Returns - June 2017



This graph shows the performance of the major equity markets over the month of May. 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, July 2017.

## Bonds & Interest Rates

- The Merrill Lynch Euro over Five Year Index fell by 0.7% in June and is now down by 1.5% year-to-date. Stronger economic data and hints from ECB President Mario Draghi that there may be tapering of quantitative easing at some point unsettled bond markets. Bonds prices had been holding up reasonably well this year following sharp declines in H2 2016.
- The German ten-year bond yield rose sharply over the month from 0.30% to 0.47% although it just about remains in its fairly tight trading range. The yield had hit an all-time low of minus 0.19% on 8th July 2016. Equivalent US rates rose from 2.20 to 2.30%. 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 expected changes in US economic policy.
- The markets now expect possibly one further US rate rise, of 0.25%, before the end of 2017 following upward moves on 15th March and 14th June. Eurozone rates are likely to remain at current ultra-low levels for at least 12 months whilst a UK move is not expected until H1 2018.

## Commodities & Currencies

- Commodity prices, as a rough rule-of-thumb, generally rise as economic growth expands. This has been the case for a number of commodities in 2017. The major exception has been the oil price which has fallen heavily, dragging down the overall commodity index. This index was down by 2.8% during June and is down by 9.2% so far this year.
- After an almost 50% rally in 2016, the oil price fell sharply (-5%) for the fourth month in-a-row and is now down around 15% year-to-date. Oil has been adversely affected by an increase in shale oil production, disappointment over the scale of OPEC's production cuts and the US's move to exit the Paris climate pact. The gold price fell by just over 2% during the month to \$1,242 per troy ounce but is up by almost 8% in the first half of the year.
- The euro currency strengthened by close to 2% against the US dollar during the month with the EUR/USD rate moving from 1.12 to 1.14. The rate began the year at 1.05.



Richard Temperley  
Head of Investment  
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## Activity

Overweight equity positions were maintained during June in all of the multi-asset portfolios given the relative value argument as well as the stronger economic outlook and good corporate earnings. With regards to geographic positions the main overweights are in Europe, Asia (ex-Japan) and Ireland. Sector positions were also broadly maintained during the month with the exception that bank stocks were increased whilst profits were taken in some technology stocks. The funds are overweight in bank stocks and materials, close to neutral in technology, underweight in utilities and telecoms, materials, close to neutral in technology, underweight in utilities and telecoms.

| 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                                                                        | Annualised                                                                          |                                                                                     |                                                                                     |                                                                                       |                                                                                       |                                                                                       | Fund Size (€) |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------|
|                                                                                          |                                                                                     | 1 Year                                                                              | 3 Years                                                                             | 5 Years                                                                             | 10 Years                                                                              | 15 Years                                                                              | 20 Years                                                                              |               |
| Prisma Multi-Asset Funds*                                                                |                                                                                     |                                                                                     |                                                                                     |                                                                                     |                                                                                       |                                                                                       |                                                                                       |               |
| Prisma  | -0.5%                                                                               | 0.7%                                                                                | 1.2%                                                                                | Not Started                                                                         | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 155,571,893   |
| Prisma  | 0.0%                                                                                | 3.3%                                                                                | 3.4%                                                                                | Not Started                                                                         | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 573,421,914   |
| Prisma  | 0.8%                                                                                | 8.1%                                                                                | 7.1%                                                                                | Not Started                                                                         | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 576,573,148   |
| Prisma  | 1.1%                                                                                | 11.3%                                                                               | 9.1%                                                                                | Not Started                                                                         | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 229,429,311   |
| Prisma  | 2.7%                                                                                | 14.7%                                                                               | 7.1%                                                                                | Not Started                                                                         | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 20,670,816    |
| Managed Funds                                                                            |                                                                                     |                                                                                     |                                                                                     |                                                                                     |                                                                                       |                                                                                       |                                                                                       |               |
| Cautiously Managed                                                                       | 1.2%                                                                                |    |    |    | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 398,584,997   |
| FinEx Sector Average                                                                     | 1.6%                                                                                | 5.0%                                                                                | 4.0%                                                                                | 4.8%                                                                                | 2.4%                                                                                  | 3.6%                                                                                  | 4.1%                                                                                  |               |
| Balanced                                                                                 |    |    |    |    |    |    |    | 1,650,926,719 |
| FinEx Sector Average                                                                     | 1.8%                                                                                | 8.2%                                                                                | 6.7%                                                                                | 9.1%                                                                                | 2.5%                                                                                  | 4.6%                                                                                  | 5.1%                                                                                  |               |
| Performance                                                                              |    |    |    |    |    |    |    | 1,310,340,898 |
| Dynamic                                                                                  |    |    |    |    |    |    |    | 1,560,430,703 |
| FinEx Sector Average                                                                     | 2.6%                                                                                | 10.9%                                                                               | 7.7%                                                                                | 9.6%                                                                                | 2.8%                                                                                  | 4.8%                                                                                  | 5.2%                                                                                  |               |
| Protected Funds                                                                          |                                                                                     |                                                                                     |                                                                                     |                                                                                     |                                                                                       |                                                                                       |                                                                                       |               |
| Protected 70                                                                             | 1.8%                                                                                | 8.3%                                                                                | 5.4%                                                                                | 7.4%                                                                                | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 15,610,284    |
| Protected 80                                                                             | 0.8%                                                                                | 4.2%                                                                                | 3.1%                                                                                | 4.6%                                                                                | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 34,891,649    |
| Protected 90                                                                             | -0.6%                                                                               | -0.3%                                                                               | 0.2%                                                                                | 0.8%                                                                                | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 12,302,875    |
| Cash Fund                                                                                |                                                                                     |                                                                                     |                                                                                     |                                                                                     |                                                                                       |                                                                                       |                                                                                       |               |
| Secure                                                                                   |    |    | 0.0%                                                                                | 0.0%                                                                                | 0.8%                                                                                  |    |    | 290,651,626   |
| Cash Fund                                                                                | -0.4%                                                                               | -0.8%                                                                               | -0.6%                                                                               | -0.5%                                                                               | 0.3%                                                                                  | Not Started                                                                           | Not Started                                                                           | 416,795,476   |
| FinEx Sector Average                                                                     | -0.2%                                                                               | -0.2%                                                                               | 0.1%                                                                                | 0.1%                                                                                | 0.9%                                                                                  | 1.2%                                                                                  | 1.9%                                                                                  |               |
| Bond Funds                                                                               |                                                                                     |                                                                                     |                                                                                     |                                                                                     |                                                                                       |                                                                                       |                                                                                       |               |
| Global Corporate Bond (JP Morgan)*                                                       |   |   | 2.4%                                                                                | Not Started                                                                         | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 5,143,529,461 |
| Global Government Bond (JP Morgan)*                                                      |  | -4.6%                                                                               | 2.0%                                                                                | Not Started                                                                         | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 300,809,647   |
| Indexed Eurozone Government Bond (BlackRock)                                             |  | -3.8%                                                                               | 2.8%                                                                                | 4.6%                                                                                | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 7,466,792     |
| Active Fixed Income                                                                      | -1.5%                                                                               | -4.6%                                                                               |  |  |  |  |  | 175,429,746   |
| Inflation-Linked Bond                                                                    | -2.0%                                                                               |  | 0.6%                                                                                | 1.4%                                                                                | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 6,124,739     |
| Long Bond                                                                                | -2.9%                                                                               | -8.2%                                                                               |  |  |  | Not Started                                                                           | Not Started                                                                           | 52,306,819    |
| FinEx Sector Average                                                                     | -0.6%                                                                               | -1.9%                                                                               | 3.2%                                                                                | 4.9%                                                                                | 4.3%                                                                                  | 4.5%                                                                                  | 5.3%                                                                                  |               |
| Absolute Return/Diversified Assets Funds                                                 |                                                                                     |                                                                                     |                                                                                     |                                                                                     |                                                                                       |                                                                                       |                                                                                       |               |
| Global Targeted Returns Fund (Invesco)                                                   | 2.2%                                                                                | 3.2%                                                                                | Not Started                                                                         | Not Started                                                                         | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 6,470,000,000 |
| Dyanmic Diversified Growth (BlackRock)                                                   | 4.0%                                                                                | 3.5%                                                                                | 0.4%                                                                                | 3.0%                                                                                | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 16,118,160    |
| Active Asset Allocation                                                                  | 0.7%                                                                                | 8.1%                                                                                | 6.9%                                                                                | 7.4%                                                                                | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 257,116,159   |
| Commodity Funds                                                                          |                                                                                     |                                                                                     |                                                                                     |                                                                                     |                                                                                       |                                                                                       |                                                                                       |               |
| Gold                                                                                     | -1.2%                                                                               | -8.8%                                                                               | 3.5%                                                                                | -3.5%                                                                               | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 38,545,953    |
| Indexed Global Energy and Metals                                                         | -13.4%                                                                              | -5.6%                                                                               | -11.0%                                                                              | -6.1%                                                                               | -5.9%                                                                                 | Not Started                                                                           | Not Started                                                                           | 13,296,305    |
| Equity Funds (Global)                                                                    |                                                                                     |                                                                                     |                                                                                     |                                                                                     |                                                                                       |                                                                                       |                                                                                       |               |
| 5 Star 5                                                                                 |  |  |  | 11.3%                                                                               | 3.9%                                                                                  |  | Not Started                                                                           | 205,401,149   |
| International Equity                                                                     |  |  |  |  |  |  |  | 1,244,299,952 |
| Global Select (Threadneedle)                                                             |  |  |  |  |  |  | Not Started                                                                           | 6,487,473     |
| Indexed Global Equity (BlackRock)                                                        | 1.2%                                                                                |  |  |  | Not Started                                                                           | Not Started                                                                           | Not Started                                                                           | 99,220,336    |
| Sector Average                                                                           | 3.0%                                                                                | 14.8%                                                                               | 9.4%                                                                                | 11.5%                                                                               | 4.0%                                                                                  | 5.3%                                                                                  | 5.1%                                                                                  |               |
| Equity Funds (European)                                                                  |                                                                                     |                                                                                     |                                                                                     |                                                                                     |                                                                                       |                                                                                       |                                                                                       |               |
| 5 Star 5 Europe                                                                          |  |  |  |  |  | Not Started                                                                           | Not Started                                                                           | 111,214,481   |
| European Select (Threadneedle)                                                           |  | 14.0%                                                                               |  |  |  |  | Not Started                                                                           | 11,399,773    |
| Sector Average                                                                           | 8.9%                                                                                | 20.3%                                                                               | 8.1%                                                                                | 13.5%                                                                               | 3.2%                                                                                  | 5.9%                                                                                  | 6.8%                                                                                  |               |

Source: Financial Express as at 01/07/2017

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    |               |
| Equity Funds (Eurozone)                    |              |            |         |             |             |             |             |               |
| Eurozone Equity                            | 9.2%         | 25.9%      | 8.1%    | 14.5%       | 4.3%        | Not Started | Not Started | 79,489,800    |
| Indexed Eurozone Equity (BlackRock)        | 8.8%         | 26.8%      | 7.4%    | 13.2%       | Not Started | Not Started | Not Started | 3,795,614     |
| FinEx Sector Average                       | 11.3%        | 15.9%      | 8.1%    | 13.7%       | 1.6%        | 4.2%        | 5.7%        |               |
| Equity Funds (Irish)                       |              |            |         |             |             |             |             |               |
| Irish Equity                               | 5.0%         | 22.0%      | 16.4%   | 19.8%       | 0.2%        | Not Started | Not Started | 17,184,143    |
| Sector Average                             | 5.4%         | 18.0%      | 12.9%   | 16.8%       | -1.6%       | 3.9%        | 5.2%        |               |
| Equity Funds (American)                    |              |            |         |             |             |             |             |               |
| 5 Star 5 Americas                          | -2.7%        | 16.3%      | 13.8%   | 14.7%       | 7.6%        | Not Started | Not Started | 60,570,129    |
| American Select (Threadneedle)             | 1.0%         | 19.5%      | 14.5%   | 15.5%       | 8.7%        | 7.3%        | Not Started | 11,672,975    |
| Sector Average                             | 0.8%         | 16.2%      | 13.4%   | 15.1%       | 7.7%        | 6.5%        | 5.6%        |               |
| Equity Funds (Far East Asia)               |              |            |         |             |             |             |             |               |
| 5 Star 5 Asia Pacific                      | 14.6%        | 24.9%      | 11.4%   | 10.5%       | 2.5%        | Not Started | Not Started | 76,839,393    |
| Asia Pacific Equity                        | 12.1%        | 23.6%      | 9.5%    | 9.5%        | Not Started | Not Started | Not Started | 9,410,477     |
| Sector Average                             | 10.2%        | 21.1%      | 6.9%    | 7.4%        | 3.5%        | 7.1%        | 5.2%        |               |
| Equity Funds (High Yield)                  |              |            |         |             |             |             |             |               |
| Dividend Growth                            | 1.1%         | 19.7%      | 11.8%   | 14.4%       | 4.8%        | Not Started | Not Started | 231,318,737   |
| FinEx Sector Average                       | 3.0%         | 14.8%      | 9.4%    | 11.5%       | 4.0%        | 5.3%        | 5.1%        |               |
| Equity Funds (Emerging Market)             |              |            |         |             |             |             |             |               |
| Emerging Markets Opportunities (JP Morgan) | 13.1%        | 27.0%      | 7.9%    | Not Started | Not Started | Not Started | Not Started | 2,130,250,255 |
| Sector Average                             | 9.7%         | 19.8%      | 6.1%    | 5.3%        | 2.2%        | 6.9%        | Not Started |               |
| Equity Funds (Specialist)                  |              |            |         |             |             |             |             |               |
| Indexed Top Tech 100                       | 7.7%         | 25.2%      | 21.3%   | 19.8%       | 13.5%       | 10.8%       | Not Started | 41,778,787    |
| Sector Average                             | 0.4%         | 5.7%       | 2.1%    | 5.0%        | 0.9%        | 3.1%        | 3.2%        |               |
| Property Funds                             |              |            |         |             |             |             |             |               |
| Fund of REITs                              | 6.4%         | 4.4%       | 7.7%    | Not Started | Not Started | Not Started | Not Started | 16,175,466    |
| Indexed European (Ex-UK) Property          | 6.9%         | 6.2%       | 10.4%   | 13.0%       | Not Started | Not Started | Not Started | 52,183,094    |
| Indexed Australasia Property               | 0.0%         | 0.0%       | 9.0%    | 8.2%        | Not Started | Not Started | Not Started | 38,590,855    |
| Sector Average                             | 1.9%         | 3.6%       | 7.0%    | 6.8%        | -2.7%       | 2.9%        | 6.4%        |               |
| Funds Closed to New Business               |              |            |         |             |             |             |             |               |
| Indexed Eurozone Property                  | 8.3%         | 7.4%       | 10.0%   | 13.5%       | 1.9%        | Not Started | Not Started | 21,054,181    |
| Indexed India Equity                       | 10.9%        | 11.9%      | 8.6%    | 9.0%        | 2.9%        | Not Started | Not Started | 11,609,748    |
| Income Opportunity (JP Morgan)             | 1.0%         | 3.8%       | 0.9%    | Not Started | Not Started | Not Started | Not Started | 3,599,491,114 |
| Diversified Assets                         | -1.6%        | 3.3%       | 3.6%    | 6.1%        | Not Started | Not Started | Not Started | 13,792,140    |
| Earth Resources                            | -6.3%        | -6.7%      | -10.8%  | -5.1%       | Not Started | Not Started | Not Started | 5,110,265     |
| Green Resources                            | 8.5%         | 11.0%      | -3.2%   | 5.8%        | Not Started | Not Started | Not Started | 3,890,772     |
| Small Cap Europe (Pictet)                  | 11.2%        | 25.3%      | 11.6%   | Not Started | Not Started | Not Started | Not Started | 245,794,561   |

**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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