

Sentiment buoyed by ongoing economic recovery

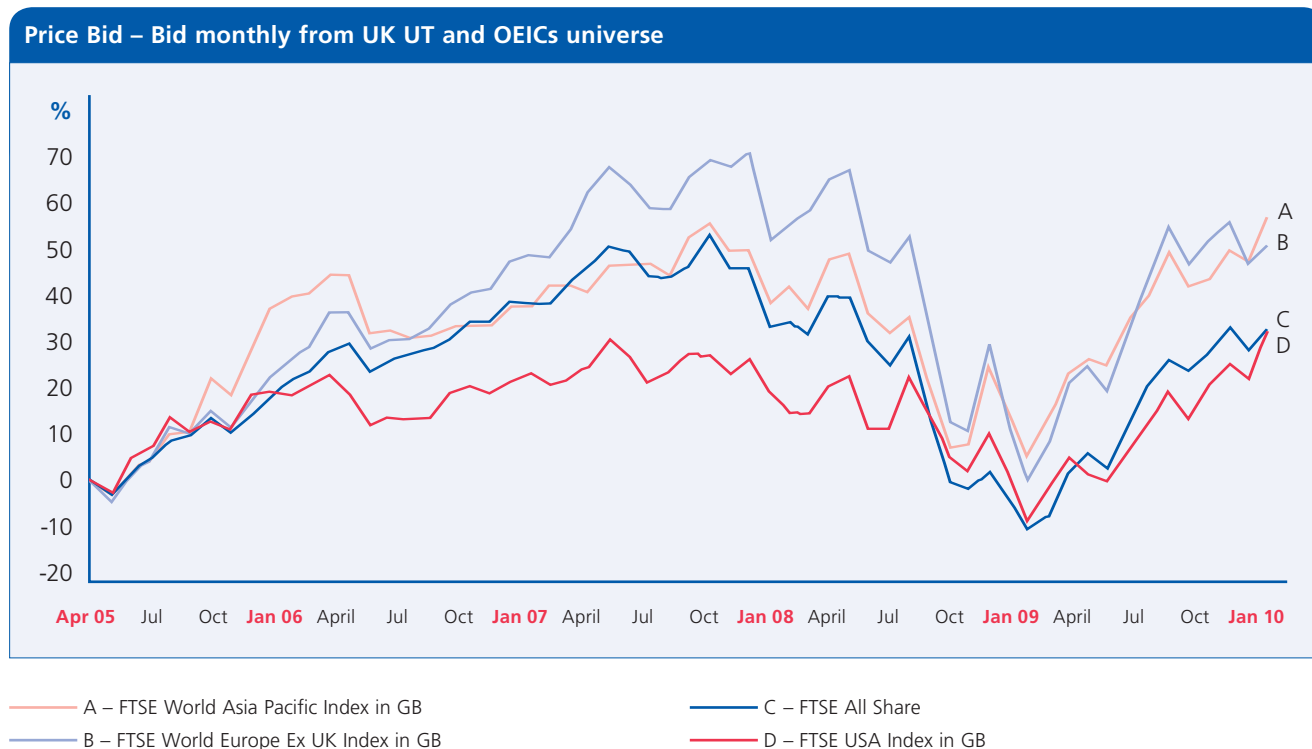
During the first quarter, equity markets continued to build on the dramatic recovery seen in 2009, and for UK-based investors the weakness of the pound enhanced the returns from overseas investments.

This five-year graph clearly shows how volatile the world's stock markets have been over the last five years. While no one can accurately predict the future, it's important you keep a close eye on your investments.

You shouldn't use past performance as a suggestion of future performance. It shouldn't be the main or sole reason for making an investment decision.

Please call your adviser or us if you have any questions about your plan or investments in general.

The value of investments and any income can fall as well as rise. You may not get back the amount you invested. Tax concessions are not guaranteed and their value will depend on individual circumstances, which may change in the future.



Source: Financial Express April 2010, 31 March 2005 to 31 March 2010, rebased in sterling terms.

Ongoing economic recovery

During the first quarter, equity markets continued to build on the dramatic recovery seen in 2009, and for UK-based investors the weakness of the pound enhanced the returns from overseas investments. In contrast to 2009, developed markets outperformed emerging markets in local currency terms. Among the major markets, Europe lagged in response to concerns over the Greek debt crisis and the country's imposition of austerity measures. This caused jitters throughout the eurozone and heightened worries over the size of government borrowing in Portugal and Spain.

The UK equity market enjoyed a strong quarter, buoyed by some positive economic data. The initial estimate for economic growth for the last quarter of 2009 was revised up to 0.4%, while in March the UK manufacturing sector grew at its fastest pace for more than 15 years. UK interest rates are expected to remain at a historic low for some time, helping to support economic activity, but meaning money market funds are producing very low returns. However, the size of UK government debt is daunting and is likely to dampen the economic recovery as the government will need to continue to raise taxes and cut spending.

The Japanese stock market performed well over the quarter, having lagged in 2009. The aggressive easing of fiscal and monetary policy globally has helped to fuel demand for Japanese goods. This has been reflected in a 'V' shaped recovery in industrial production and exports, suggesting a strong recovery in corporate profits in 2010/11. Significant cost-cutting is helping to boost profits, and any weakening of the yen would prove beneficial. Japanese exports in February were 45% higher than a year ago, fuelled by a strong pick-up in demand from China and other Asian economies. Outside of Japan, Asian equities experienced a period of consolidation.

The US equity market recorded a solid gain in the first quarter of 2010. There continue to be attractive investment opportunities in the technology sector, with many companies offering good revenue growth, strong cash flows and solid balance sheets.

Within government bond markets, UK gilts were affected by the end of quantitative easing and growing uncertainty over the outcome of the May general election. Sterling weakened over the period as fears of a hung parliament increased. The outlook for gilts will largely depend on the attitude of the new government to reducing the budget deficit.

We've written this commentary assuming you have some experience of investing in shares. This means that although we have tried to write as much as possible in plain language, we may have used certain words or phrases that might not be familiar to anyone new to investing. If there's something you don't understand, please contact your adviser. It is not an offer to buy or sell any investments or shares.

Balancing risk and reward

The table below shows the unpredictable nature of equity markets. The usual way to avoid the ups and downs is to keep an investment for the medium to long term – for at least five to ten years. What counts is when your investment started and when it ends. And if you are a more cautious investor, you can reduce risk by limiting your portfolio invested in equities. For example, by choosing less volatile funds, such as those using bond and gilt investments for part of your portfolio.

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UK – FTSE All Share Index

This table shows how an investment of £20,000 in the Index would have grown by 31 March 2010 (dividends reinvested).

	10 years	5 years	4 years	3 years	2 years	1 year	6 months
% growth	29.71%	41.29%	10.37%	-0.70%	7.63%	52.30%	12.24%
Average yearly growth	2.64%	7.16%	2.50%	-0.23%	3.75%	52.30%	n/a
Cash value	£25,942	£28,257	£22,073	£19,859	£21,526	£30,460	£22,448

Source: Financial Express, April 2010. The FTSE All-Share Index represents 98-99% of the UK market capitalisation.

It is the aggregation of the FTSE 100, FTSE 250 and FTSE Small Cap Indices.

Is it time to review your plan?

Have you stopped making regular payments?

If you originally chose to make regular payments into your plan and have since stopped, it's probably a good idea to review it now.

If your circumstances have since changed, it's possible your investment or the funds you have chosen are not the most suitable now. Our continuing charges may be eroding the value of your investment. The same might also apply if you only have a small investment.

Your adviser will review your circumstances and decide whether to recommend a different investment or a new fund or funds.

Have you considered changing your fund choice?

It's likely that over time your attitude to risk will change – usually becoming more cautious. Similarly, over time your investment objectives may change – after a period of investing for growth, income could become the main objective. With ever changing markets and the possibility your circumstances may have changed since you started your plan, we suggest you review your funds regularly. This should help make sure you have the best chance of getting the most from your investment in the long term.

Your adviser can help you decide whether there are funds more suited to your current circumstances.

Are you taking fixed amount regular withdrawals?

If you have an investment bond and are taking fixed amount regular withdrawals, please be aware you may be eroding your capital. We strongly recommend you talk to your adviser if this is the case.

Who's working for you?

Your adviser

It's important to find the right product and invest in the right funds. To do that, your adviser has researched your investment objectives and attitude to risk before recommending a plan. Your adviser can help you review your plan regularly to make sure it continues to meet your needs.

Zurich

Zurich administers your plan, which involves its day-to-day maintenance – acting on your instructions to switch funds, allocate further investments, pay withdrawals and income, reclaim tax and send regular statements. We are unable to give investment advice, or calculate or comment on individual tax payable. For more information, see our website at www.zurich.co.uk/life

The fund managers

Each fund has a dedicated fund manager responsible for a fund working to defined objectives. Backed by a team of researchers, they thoroughly analyse their market before deciding where to invest your money.

The fund centre

Keep track of your investment

Through our website at www.zurich.co.uk/life you can keep track of most of our funds. The funds information pages let you see the latest unit prices and the fund factsheets show how your funds are performing, where they invest and other useful information to help you manage your investment with us. If your fund is not listed on these pages, unit prices can be obtained by calling the numbers below.

Keeping in touch

There are literally millions of pounds lying unclaimed in insurance plans, pensions and other investments, simply because people fail to let companies know they have moved house. The Government already has plans to reinvest in the community unclaimed assets from bank and building society accounts and it is keen to extend the scope to include other investments.

It's important we keep in touch. If you move, please let us know your new address.

For more information

Please contact your adviser or call us on **0870 241 6945** for life assurance and investments or **0870 241 6950** for pensions

Visit our website at www.zurich.co.uk/life

Preventing identity theft

If you have phoned us recently, you may have noticed we have made some changes when we check a caller's identity.

We regularly review our approach to data protection which includes how we identify our customers to satisfy ourselves that all callers are who they say they are and are entitled to any information they are asking for.

That's why we have increased the number of questions we ask, to identify you and confirm you are the real customer. If we have not been able to satisfy ourselves of your identity, then – as before – we will ask you to write to us instead.

Tightening our procedure is meant to protect you, although we understand this might be problematic at times.

For more information about identity theft, visit [hmrc.gov.uk/nifp/guide.pdf](https://www.hmrc.gov.uk/nifp/guide.pdf)

Please let us know if you'd like a copy of this in large print or braille, or on audiotape or CD.