Your investment choice

Zurich International Portfolio Bond
Investment choice

The Zurich International Portfolio Bond (the plan) is provided by Zurich Life Assurance plc (Zurich), a member of the Zurich Group. Within the plan, you can choose from a wide range of investment options which best suit your investment needs.

You can choose from

- **Insured funds** – These are internal life funds managed by us that allow groups of investors to pool their money for investment purposes.

- **Mutual funds** – These are collective investments, managed by an external fund manager that allow groups of investors to pool their money for investment purposes.

- **Deposit accounts** – These are deposit accounts offered by external deposit account providers. If you want to invest in a deposit account, it must be in the same currency as your plan’s base currency.

Alternatively, you can either nominate a discretionary asset manager or the Zurich Portfolio option.

Discretionary asset managers offer an independent professional investment service to manage the investments in your plan.

The Zurich Portfolio is a UK-based online wealth management service provided by Sterling ISA Managers Limited, trading as Zurich. Your Zurich International Portfolio Bond can hold mutual funds and certain other types of permitted assets denominated in pounds sterling within the Zurich Portfolio. These assets will be managed by your adviser on your behalf, or they can be managed by an investment adviser nominated by them.

We don’t provide advice on any particular fund or deposit account. You must seek advice from your adviser before you decide what to invest in.

By their very nature investment returns under the plan cannot be guaranteed. You should not use past performance as a suggestion of future performance. It should not be the main or sole reason for making an investment decision.

The value of investments and any income from them can fall as well as rise. You may not get back the amount you invested.

We do not offer investment advice and your choice of investment is entirely at your own risk. You or your adviser should undertake such checks or seek independent advice, as you consider necessary. Zurich will not accept any responsibility for the performance or suitability of any asset in which you invest.
UK tax rules and Irish regulatory requirements

Your plan can invest in a range of assets which includes insured funds, mutual funds, exchange-traded assets and deposit accounts which we make available for investment (permitted assets). The permitted assets are made available only if they are allowed under current UK tax rules and Irish law and regulations.

It is your and your adviser’s ongoing responsibility to ensure that your choice of assets are suitable for your needs and do not make your plan a personal portfolio bond, as defined by the Personal Portfolio Bond (Tax) Regulations 1999.

The types of assets that we will generally make available include:

- units in a UK authorised unit trust
- shares in an open-ended investment company (OEIC)
- any open ended, collective investment scheme, based outside of the UK such as an OEIC or a SICAV (Société d’Investissement à Capital Variable)
- cash and fixed-term and structured cash deposits held in the currency of the plan and cash in other currencies held for the purposes of dealing transactions (but not for the purpose of realising a gain).

The types of assets that are not allowed under the regulations include:

- any form of asset (e.g. equities, bonds, fixed assets) that is directly held (as opposed to being held inside a collective investment scheme)
- any form of closed ended collective investment scheme
- cash that is directly held in a currency other than the currency of the plan and which is not held for the purpose of dealing in collective investment schemes in that currency
- an authorised unit trust that loses its authorisation
- any assets which have a redemption lock in period greater than 12 months
- where you have nominated the Zurich Portfolio option, exchange-traded assets that aren’t permitted assets, for example, company shares.

The above are subject to further restrictions, including requirements to ensure that the assets are available to other Zurich planholders. Mutual funds, partnerships or other structures which have restricted membership may not be acceptable.
Your investment strategy

A key ingredient of any investment strategy is choosing investment funds that suit your objectives, with the flexibility to change them if your circumstances or objectives change.

Insured funds
There is a range of insured funds available. These funds are managed by Eagle Star Investments. Details of these funds, including fund risks and objectives are listed in the ‘Eagle Star funds’ section at the back of this document.

Mutual funds
We have made available a wide range of mutual funds across all investment sectors. Details of these funds, including information on the individual fund risks and objectives, are available in the relevant prospectus or equivalent document available from your adviser. You should ensure that you read this document before making your investment.

If you wish to invest in a fund that is not currently on our list of permitted assets, please ask your adviser to contact us with the details.

Deposit accounts
A list of the deposit accounts currently available for use with the plan is available from us or your adviser.

Please note that deposit accounts must be denominated in the same currency as the base currency of your plan.

Discretionary asset managers
Discretionary asset managers offer professional investment services and take responsibility for selecting the permitted assets in your plan. They will identify your needs and then recommend permitted assets to match your risk and return expectations. Your plan will be managed and administered to meet your specific investment objectives without involving you in the day to day investment decisions. If you would like to know more about discretionary asset managers and the services they provide, please speak to your adviser.

The Zurich Portfolio option
This option allows for your plan assets to be held within a Zurich Portfolio and managed on your behalf by your adviser. Alternatively, your adviser may nominate an investment adviser who will take responsibility for selecting and managing permitted assets in line with your risk profile and investment objectives.

Because assets inside a Zurich Portfolio can only be held on a net of withholding tax basis, this withholding tax will be deducted from the UK interest received or UK interest distributions received from the assets held. We will be responsible for reclaiming this withholding tax each year as soon as possible after 5th April.

The tax repayment we receive from HMRC will be passed to Sterling ISA Managers Limited and allocated to the Zurich Portfolio in which assets are being held, where it will then be available for investment.

If the Zurich Portfolio no longer exists, i.e. because you have fully cashed in your IPB, the payment would be made directly to you.

If you would like to know more about the Zurich Portfolio option and the benefits it provides, please speak to your adviser.

Investment risk
All investments carry an element of risk. Stock markets can change quickly – the fortunes of individual companies can reverse dramatically. Through the investment funds available you can invest in a wide range of countries, economies and market sectors, spreading your investment across many different companies. This provides exposure to many investment opportunities and helps to reduce the risk associated with investing in a single company.

Different funds have different levels of risk, from the more cautious to the more adventurous, and different levels of investment performance:

- Over time a fund that invests mostly in shares is likely to offer greater potential for higher returns than a fund investing in cash deposits, but with it come greater fluctuations in value.
Ultimately, though, if the financial institution is not able to meet its obligations, the derivative may be worthless and the fund’s value will reduce as a result.

- In some less developed stock markets there are risks from political, economic and market factors that could cause a large increase in currency and fund price risk.
- Property funds are normally valued by taking into account the views of an independent valuer, general market conditions for commercial property and the value received for recent property sales. At times the value of your investments in these funds could fall quite sharply. In more uncertain market conditions transaction in these funds may be delayed if, for example, the fund manager believes it is necessary to sell properties before carrying out a transaction.

Dilution levy/adjustment
When the fund manager buys and sells assets, associated dealing costs (such as stockbroker commission, fees and taxes) are normally taken from the fund. These costs are reflected in the unit price and the performance of the fund, so they are borne equally among investors.

However, if investors (individually or collectively) are buying or selling significant numbers of shares, relative to the size of the fund, the resulting dealing costs within the fund may adversely affect existing investors. This is called ‘dilution’. The fund manager may offset the effects of dilution so that investors who are not buying or selling at these times are treated fairly. There are two ways of doing this:

- a levy (called a ‘dilution levy’) may be deducted from the value of transactions made by investors who are buying or selling at these times. The levy is paid into the fund and is used to cover the associated dealing costs,

or

- the fund manager may adjust the share price (called a ‘dilution adjustment’) to take account of the dealing costs so that only those investors buying and selling on that day are affected.
Eagle Star funds

Active Fixed Income Fund

Description
The Eagle Star Active Fixed Income Fund is an actively managed bond fund. It primarily invests in bonds issued by eurozone governments and bond-based financial instruments. It may also invest in supranational bonds and other investment grade corporate and non-sovereign bonds. The investment parameters allow for up to 30% of the fund to be invested outside of the eurozone with the core invested in eurozone bonds. In terms of currency, the fund is managed from the point of view of a eurozone investor.

Objective
The fund is managed against a benchmark of the Merrill Lynch Eurozone Government Over 5 Year Bond Index. Eagle Star Investments will seek to add value to the fund and aim to out-perform the index by managing the duration of the portfolio and the mix of government and other investment grade securities.

Balanced Fund

Description
The Eagle Star Balanced Fund seeks to achieve growth through capital gains and income from a well diversified portfolio of global equities and equity-based financial instruments. This fund will also invest in bonds issued by governments, supranational bodies and other investment grade corporate and non-sovereign bonds and/or bond-based financial instruments. In terms of currency, the fund is managed from the point of view of a eurozone investor. As this fund invests some of its assets outside the eurozone, a currency risk arises for a euro investor.

Objective
The aim of this fund is to offer investors competitive returns through participation in an actively managed fund. The investor can benefit from the performance of a well diversified portfolio of investments (equities, bonds and money market instruments), together with active management of the asset classes with reference to a clearly defined indicative equity range.

Cash Fund

Description
This fund is invested in deposits with leading institutions, money market instruments and short-dated fixed income securities issued by governments of the euro currency block. No non-euro exposure is permitted in this fund. In terms of currency the fund is managed from the point of view of a eurozone investor.

Objective
The aim of this fund is to increase invested capital.
Cautiously Managed Fund

Description
The Eagle Star Cautiously Managed Fund seeks to achieve growth through income and capital gains from a well diversified portfolio of bonds, equities and money market instruments. The bond portion of the fund is comprised of bonds issued by governments, supranational bodies, other investment grade corporate and non-sovereign bonds and/or bond-based financial instruments. The equity portion of the fund is invested in global equities and equity-based financial instruments. In terms of currency, the fund is managed from the point of view of a eurozone investor. As this fund invests some of its assets outside the eurozone, a currency risk arises for a euro investor.

Objective
The aim of this fund is to offer investors real returns through participation in an actively managed fund. The bond portion of the fund is managed against a benchmark of the Merrill Lynch Eurozone Government Over 5 Year Bond Index. The equity portion of the fund is benchmarked against the FTSE World Index. The investor can benefit from the performance of a well diversified portfolio of investments (equities, bonds and money market instruments), together with active management of these asset classes.

Deposit Plus Fund

Description
The Deposit Plus Fund currently invests in a variable rate deposit account with AIB Bank (a trading name of Allied Irish Banks, p.l.c.).

Objective
The fund is designed to provide a return of the ECB (European Central Bank) rate + 0.45%* up until 31st August 2009 and the ECB – 0.55% rate up until 31st August 2010, net of the fund management charge. These rates are not guaranteed.

The Deposit Plus Fund is attractive for clients wishing to complement a long-term investment strategy with a tactical low risk fund option. It is ideal for clients who want to refrain from investing in equity markets during volatile times. Allied Irish Banks, p.l.c. is regulated by the Financial Regulator.

Dividend Growth Fund

Description
The Eagle Star Dividend Growth Fund invests in international equities, the dividend yields of which tend to be higher than their markets’ dividend yield and, in addition, have the capacity to further increase dividends. The fund, which will be well diversified, will seek to invest in high calibre equities. It will seek to avoid companies where the dividend payments are deemed to be unsustainable. This fund seeks to provide superior growth through capital gain and income, using equities and equity-based financial instruments (for tactical reasons, the fund may also invest in money market instruments).

Dividends received by the fund are reinvested in the fund. In terms of currency, the fund is managed from the point of view of a eurozone investor. As this fund invests some of its assets outside the eurozone, a currency risk arises for a euro investor.

Objective
The aim of this fund is to offer investors competitive returns through participation in a managed portfolio of global higher dividend-yielding equities. The investor can benefit from the performance of a well diversified global equity portfolio with growth potential.
Eagle Star funds (continued)

Dynamic Fund

Description
The Eagle Star Dynamic Fund is an aggressively managed fund with a high equity content that aims to achieve long-term capital growth and income through investment in a well diversified global portfolio of quality equities and equity-based financial instruments. It may also include from time to time some bonds issued by governments, supranational bodies and other investment grade corporate and non-sovereign bonds and/or bond-based financial instruments. In terms of currency, the fund is managed from the point of view of a eurozone investor.

As this fund invests some of its assets outside the eurozone, a currency risk arises for a euro investor.

Objective
The aim of this fund is to offer investors competitive returns through participation in an aggressively managed fund. The investor can benefit from the performance of a well diversified portfolio of investments (equities, bonds and money market instruments), together with active management of the asset classes with reference to a clearly defined indicative equity range.

Eurozone Equity Fund

Description
The Eagle Star Eurozone Equity Fund is an actively managed equity fund which seeks to maximise growth through capital gains and income from a well diversified portfolio of eurozone equities and equity-based financial instruments. The fund managers will manage the fund with the constraint of no individual stock holding representing more than 5% above its weighting in the FTSE Eurobloc Index and any individual stock’s weighting capped at 10% of the total fund. In terms of currency the fund is managed from the point of view of a eurozone investor.

Objective
The fund is managed against a benchmark of the FTSE Eurobloc Index. Eagle Star Investments will seek to add value to the Fund and aim to outperform the index through the fund managers’ stock selection skills.

International Equity Fund

Description
The Eagle Star International Equity Fund seeks to maximise growth through capital gains and income from a portfolio of international equities and equity-based financial instruments. For tactical reasons, the fund may also invest in money market instruments or international bonds issued by governments, supranational bodies (such as the European Investment Bank), other investment grade corporate and non-sovereign bonds and bond-based financial instruments. The fund is benchmarked against the FTSE World Index. In terms of currency, the fund is managed from the point of view of a eurozone investor. As this fund invests some of its assets outside the eurozone, a currency risk arises for a euro investor.

Objective
The aim of this fund is to offer investors competitive returns through participation in an actively managed portfolio of global equities. The investor can benefit from the performance of a well diversified global equity portfolio, with some limited exposure to bonds when it is deemed appropriate.
**Long Bond Fund**

**Description**
The Eagle Star Long Bond Fund invests mainly in longer-dated bonds with over ten years to maturity primarily issued by eurozone governments. The fund is managed against a benchmark of the Merrill Lynch Eurozone Government Over 10 Years Bond Index. The minimum duration of the fund may not be less than 75% of the benchmark index duration. The managers may also invest in supranational bonds, other investment grade corporate and non-sovereign bonds and bond-based financial instruments.

**Objective**
The fund is managed against a benchmark of the Merrill Lynch Eurozone Government Over 10 Years Bond Index. Eagle Star Investments will seek to add value to the fund and aim to out-perform the index by managing the duration of the portfolio and the mix of government and other investment grade securities.

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**Performance Fund**

**Description**
The Eagle Star Performance Fund is a high risk/return fund holding a wide range of global equities and equity-based financial instruments offering real growth opportunities. It may also include bonds issued by governments, supranational bodies and other investment-grade corporate and non-sovereign bonds and/or bond-based financial instruments. In terms of currency, the fund is managed from the point of view of a eurozone investor. As this fund invests some of its assets outside the eurozone, a currency risk arises for a euro investor.

**Objective**
The aim of this fund is to offer investors competitive returns through participation in an actively managed fund. The investor can benefit from the performance of a well diversified portfolio of investments (equities, bonds and money market instruments), together with active management of the asset classes with reference to a clearly defined indicative equity range.
Further information

Fund fact sheets

Fund fact sheets are available from your adviser.

These are updated periodically, and designed to help you understand how the fund is invested and performing.
Please let us know if you would like a copy of this in large print or braille, or on audiotape or CD.