Quarterly Board Report

Zurich TDF 2025

Zurich Target Date Funds

Zurich International Life Limited| Q1 2020

Market Commentary

At a Glance

- Covid-19 has reshaped the investment landscape with local and global shares falling meaningfully. Fixed income returns have been mixed, while currencies have proven volatile.
- Understandably, investors are currently fearful. The uncomfortable reality is that we live in heightened uncertainty, but these moments tend to create some of the greatest opportunities.
- We have been taking advantage of recent market moves to gradually add risk to the portfolios.

If we were to describe the investment environment in one word, it would be a tough call between "volatile" and "unprecedented". Both are fair assessments. We came into the turn of a new decade on a record-breaking run, with the longest rising market in modern history. But since this time, stocks have fallen significantly, with losses incurred across most major markets. Companies with high debt or direct exposure to the economic downturn—like travel, hospitality, energy, financials, and leisure companies—have been hit particularly hard. Cash, government bonds and the US dollar have acted as a ballast, but that's little consolation for the unique circumstances we find ourselves in. In such an environment, it is not difficult to source remarkable facts. "Stocks had their worst first quarter since the great depression in 1933" is a typical example. We can't deny such facts, even if they don't really help an investor in the pursuit of their financial goals.

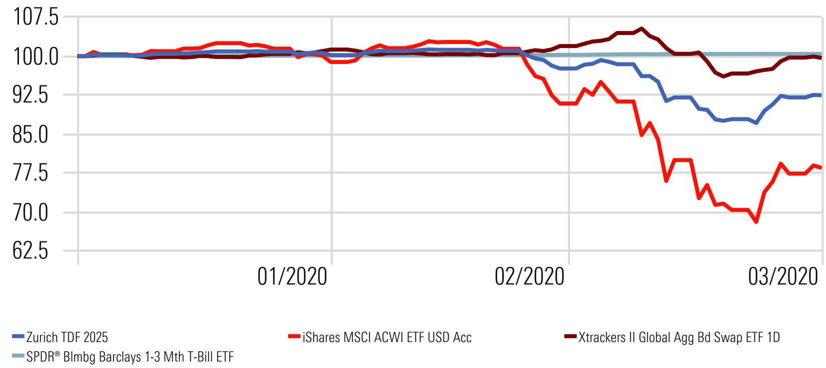
Of course, the catalyst of this downturn is covid-19. What started as a health problem has turned into secondary wealth problems, which has perversely improved the investment landscape. Social distancing has led to a record-breaking rise in jobless claims, along with deep recessionary signals and even liquidity concerns. These are true risks to the financial system, sparking an offsetting response of boundless stimulus (from both governments and central banks). The silver lining is that expected returns are rising in a forward-looking context.

In the short term though, businesses are struggling, jobs are vanishing, profits are plummeting, and dividends are getting cut. Many are describing covid-19 as a black swan. Some are even calling it a black swan that has eaten a black swan. Either way, it meets the classical definition of an unforeseen event with a low probability of occurring. This has been exacerbated by the breakdown in oil negotiations between Saudi Arabia and Russia, causing the oil price to slide. It is little wonder that fear has gripped the public at large. So, while we have every confidence of surpassing the prior heights in the long run, the uncomfortable reality is that the near-term future carries heightened uncertainty that we must all navigate.

Under such circumstances, it is very easy to consider the glass half empty. Indeed, the weight of negative sentiment is telling. However, a more balanced view provides reasons to be more optimistic over a longer-term horizon. Periods of loss, while painful, are part of an investors journey, with the opportunity to buy quality assets at heavily discounted prices. Current analysis of investor activity (specifically around indicators of fear and greed) suggests that the investor response has, in many cases, been emotive. As such, where we had to look very hard for value only months ago, we can now see opportunity knocking, across both stocks and fixed income, and we have been gradually adding risk to the portfolio. This is not to say that we won't see further declines in the near-term—we may—but seeing better value provides a compelling reason to buy (discerningly) for those focused on delivering longer term outcomes. After all, humans are a resilient species and there is every reason to believe we'll get through this. Brighter days are ahead of us.

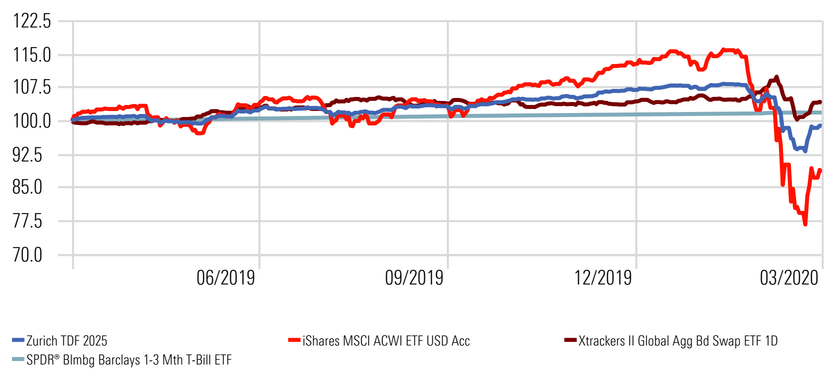
Market Performance (%): Quarter

Time Period: 01/01/2020 to 31/03/2020



Market Performance (%): 1 Year

Time Period: 01/04/2019 to 31/03/2020



Source: Morningstar Direct. The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost. The returns shown assume all dividends and capital gains distributions are reinvested and are net of the underlying holdings' fees and expenses. The Zurich TDF products launched on 03/07/2017.

Zurich TDF 2025

Portfolio Review

Recommended Changes (March & April)

Asset Allocation

Modest increase in US equities: Although US equities remain expensive relative to other equity markets, they look much closer to fair value after the recent sell-off and we took the opportunity to slightly increase exposure around mid-March. The position was funded from US Treasury bonds that have performed strongly recently.

Increase in credit exposure: Credit spreads have widened across the board to high levels relative to history. Although default rates are likely to increase on the back of the coming recession, spreads offer a reasonable margin of safety and we expect credit assets to overperform government bonds over the medium term. We are adding to Global High Yield as well as short-term credit through a Global Aggregate bond fund. This is funded from our exposures to government bonds as well as BSF Fixed Income and cash.

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Fund Selection

Introduction of Vanguard Global Short-Term Bond: The fund provides a passive exposure to Global Aggregate Bonds 1-5 year. This offers a very diversified exposure to bonds across regions and issuer types (such as treasuries, corporate or securitised) with an Investment Grade rating. It has limited duration with its 5-year maturity cap.

Introduction of Robeco High Yield Bonds: The fund offers exposure to the Global Corporate High Yield space. It generally has a defensive positioning with an underweight to the lower quality part of the asset class. The fund is rated Gold by Morningstar's research analyst team.

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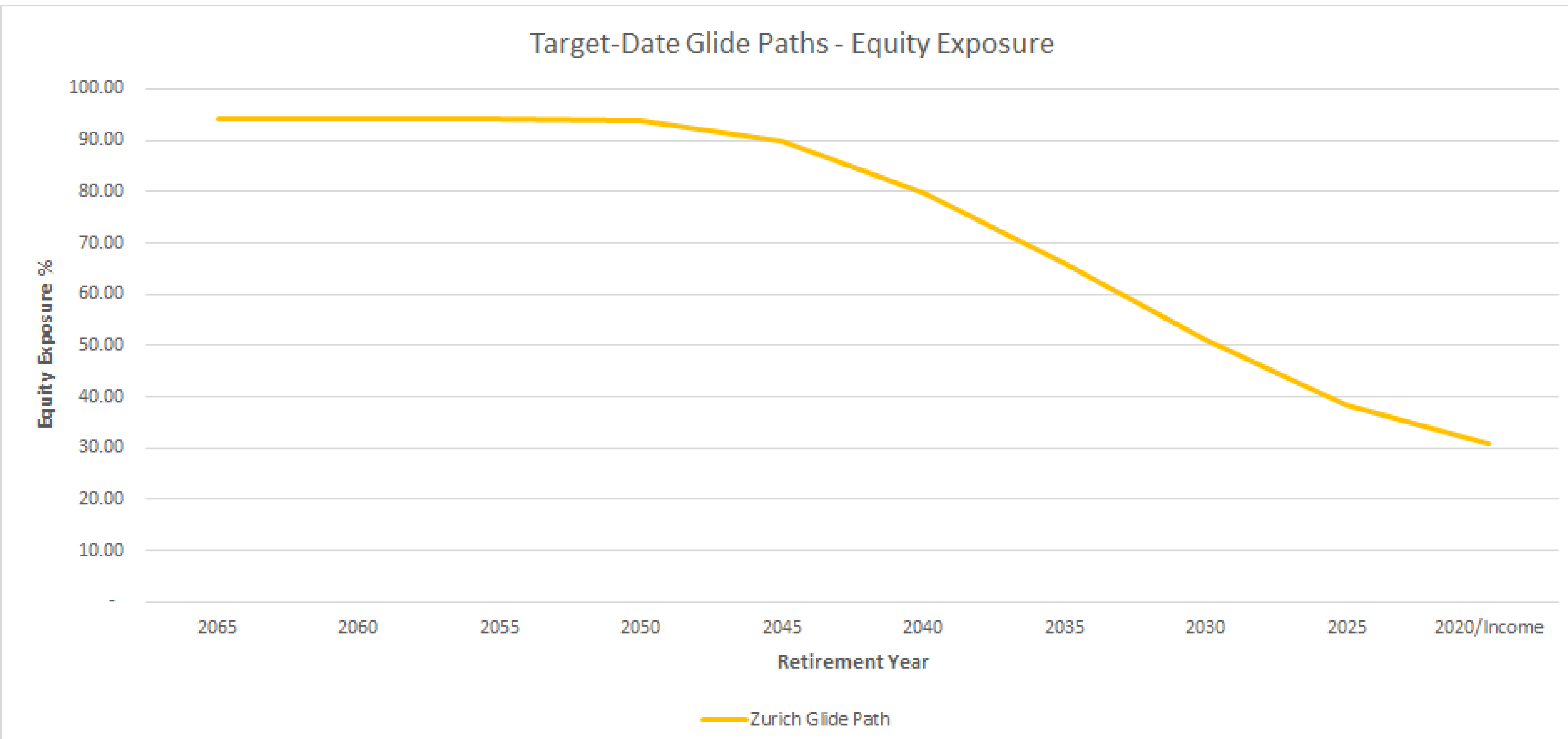
Glide Path

Target Date Series	2065	2060	2055	2050	2045	2040	2035	2030	2025	2020	Income
Zurich Glide Path	94.00	94.00	94.00	93.75	90.00	79.75	66.25	51.00	38.25	31.00	31.00



Performance Review

Zurich TDF 2025

Portfolio Holdings

Zurich TDF 2025 - Holdings

Portfolio Date: 31/03/2020

	Portfolio Weighting %	Morningstar Analyst Rating	3 Mth Rtn to Qtr End (%)	YTD Rtn to Qtr End (%)	1 Yr Rtn to Qtr End (%)
ILF USD Liquidity 4	15.30		0.33	0.33	1.86
Vanguard US Govt Bd Idx Ins USD Acc	15.20	Silver	7.95	7.95	12.61
PIMCO GIS GlInGd Crdt Instl USD Acc	9.20	Silver	-6.50	-6.50	0.36
Stt Strt Glbl Trs Bd Idx I USD Acc Hdg	8.60		3.27	3.27	7.58
iShares US Index (IE) Instl Acc USD	8.50		-19.54	-19.54	-7.35
PIMCO GIS Glb Lw Dur Rl Rt Ins USD Acc	7.20		-2.48	-2.48	0.47
Vanguard US 500 Stock Index Ins USD Acc	5.20	Gold	-19.75	-19.75	-7.62
Amundi IS MSCI Japan IHU-C USD	4.30		-17.11	-17.11	-7.23
iShares UK Index (IE) Instl Acc GBP	4.30		-29.26	-29.26	-23.10
iShares EmergMkts Idx (IE) Instl Acc USD	4.20		-23.90	-23.90	-17.92
Vanguard European Stock Idx Ins USD Acc	4.20	Silver	-24.34	-24.34	-15.20
BSF Fixed Income Strategies A2 USD H	3.60	Bronze	-4.70	-4.70	-1.08
GAM Multibond Local Emerging Bond USD C	3.00	Neutral	-16.02	-16.02	-9.27
iShares Em Mkts Govt Bd Idx (LU) A2 USD	2.80	Bronze	-11.13	-11.13	-4.59
BGF World Healthscience A2	2.40	Neutral	-11.18	-11.18	2.03
Man GLG Jpn CoreAlpha Eq I USD	2.00	Silver	-27.26	-27.26	-23.80

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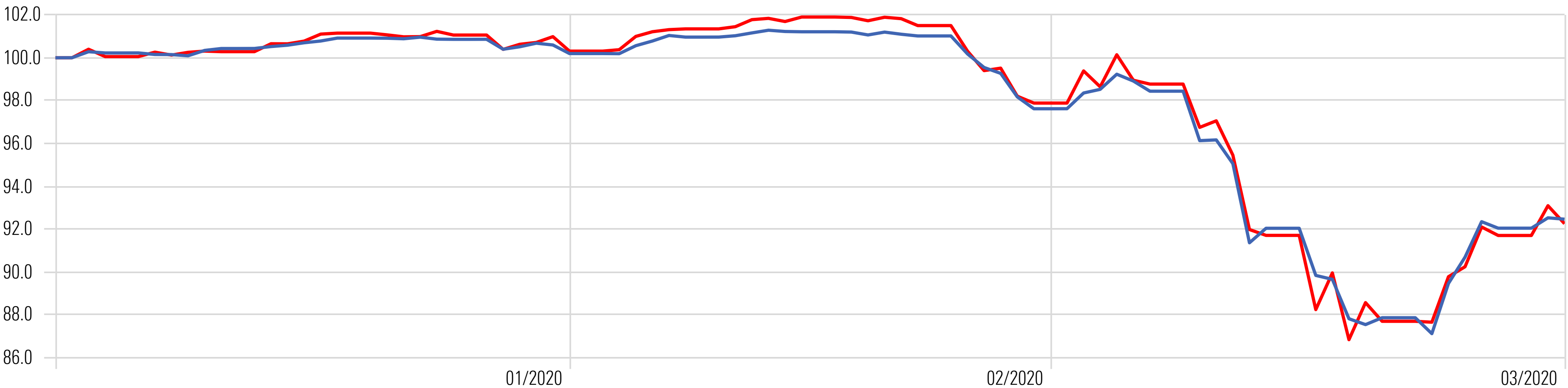
Analyst Ratings are subjective in nature and should not be used as the sole basis for investment decisions. Analyst Ratings are based on Morningstar analysts' current expectations about future events and therefore involve unknown risks and uncertainties that may cause Morningstar's expectations not to occur or to differ significantly from what was expected. Morningstar does not represent its Analyst Ratings to be guarantees nor should they be viewed as an assessment of a fund's or the fund's underlying securities' creditworthiness.

Zurich TDF 2025

Performance Review

Investment Growth (%)

Time Period: 01/01/2020 to 31/03/2020



Trailing Returns (%)

Data Point: Return

	Since Inception (03/07/2017)	3 Years	Quarter	YTD	01/04/2019 - 31/03/2020	01/04/2018 - 31/03/2019	01/04/2017 - 31/03/2018	01/04/2016 - 31/03/2017	01/04/2015 - 31/03/2016
Zurich TDF 2025	6.07		-7.54	-7.54	-1.07	1.65			
Benchmark - ZTDF 2025	8.39	11.64	-7.75	-7.75	-0.34	3.20	8.55	6.14	-0.22

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Attribution Results

Portfolio Commentary

Top Contributors:

Vanguard US Govt Bd Idx– US treasuries were our favourite defensive asset class due to the relatively high yield vs non-US treasuries. The fund perfectly played its defensive role in the portfolio as US government bonds performed strongly during the quarter and particularly during the equity sell-off. The Federal Reserve's strong action also led to lower yields across the curve.

Stt Strt Glbl Trs Bd Idx– this global treasury fund also delivered positive performance although non-US governments bonds offered less protection due to their lower starting yields.

ILF USD Liquidity 4– in a quarter when most asset classes had negative performance, the allocation to cash helped protecting capital. We have selected this fund for its defensive characteristics relative to other money market funds and this proved beneficial as it was not impacted by liquidity tensions in some of these markets.

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Top Detractors:

iShares US Index &Vanguard US 500 Stock Index– all equity markets had very negative performance during the quarter and unsurprisingly, our large allocation to US equities through those two funds was a significant detractor to the absolute performance of the fund.

iShares UK Index– UK has been one of the most impacted regions with its relatively high exposure to Financials. The market also has a large exposure to Energy-related companies which suffered from the large drop in oil prices. The market remains one of favourite conviction as valuations are now very attractive.

iShares EmergMkts Idx – Although covid-19 impacted heavily developed economies, Emerging Markets were also significantly repriced during the quarter as risk aversion rose abruptly. Emerging Currencies also contributed to the negative returns as the US dollar strengthened in the period.

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Attribution Commentary

- Financial markets have been extremely volatile this quarter with covid-19 being the catalyst of a major downturn for stocks and risk assets in general. Global Equities fell by 21% over the quarter, and the drawdown was about 33% from peak to trough. Government bonds an cash provided good returns but not sufficient to protect the portfolio's capital.
- The portfolio had large negative returns over the quarter, primarily driven by the broad equity sell-off. More generally, all assets exposed to some degree of cyclical risk – credit, inflation-linked or Emerging Market debt - were also negatively impacted.
- While we had no sense of what was coming, the portfolios were generally positioned slightly defensively as our analysis suggested that expensive equity markets were more vulnerable than normal. This has helped limiting the negative performance of the portfolio.
- Our underweight to equities was very beneficial.
- The equity positioning also proved helpful. The exposure to the Global Healthcare sector was a positive contributor. This position was introduced last year for its defensive characteristics through Blackrock World Healthscience. Our large exposure to Japanese equities was also a positive as this region has been relatively resilient.
- The preference for government bonds and US Treasuries in particular proved very beneficial.
- On the negative side, exposures to the more cyclical European stocks, and to the UK were a detractor. Exposure to Emerging Market debt also suffered from increasing risk aversion as credit spreads widened and emerging currencies depreciated versus a strong US dollar.
- Managers struggled to add value in this volatile environment. BSF Fixed Income strategies had a negative performance due to its exposure to credit. Pimco Global Credit and Man GLG Japan also underperformed their benchmark.

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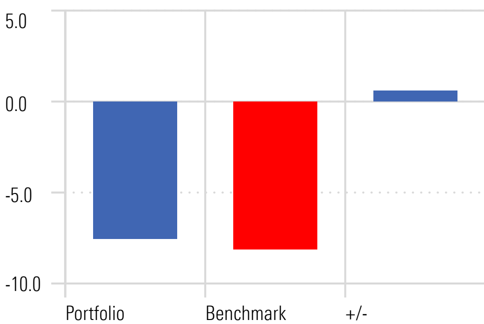
Asset Class Attribution

Source: Morningstar Direct. The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost. The returns shown assume all dividends and capital gains distributions are reinvested and are net of the underlying holdings' fees and expenses. The Zurich TDF products launched on 03/07/2017.

Total Portfolio Returns (%): Quarter

Time Period: 01/01/2020 to 31/03/2020

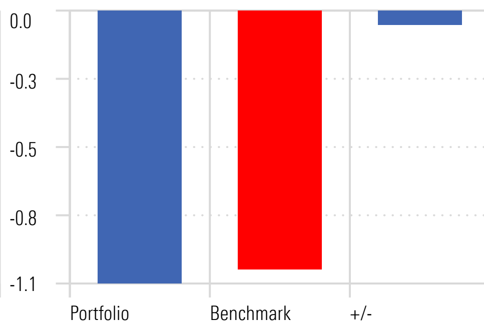
Net Return %



Total Portfolio Returns (%): 1 Year

Time Period: 01/04/2019 to 31/03/2020

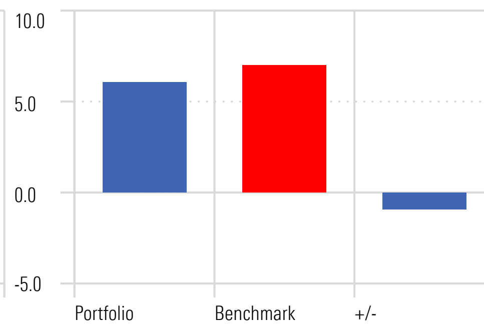
Net Return %



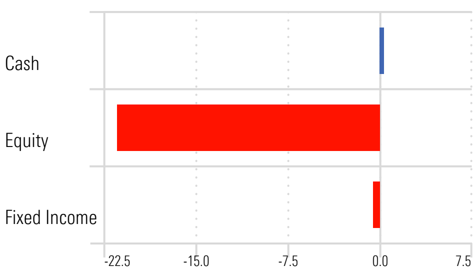
Total Portfolio Returns (%): Since Inception

Time Period: 03/07/2017 to 31/03/2020

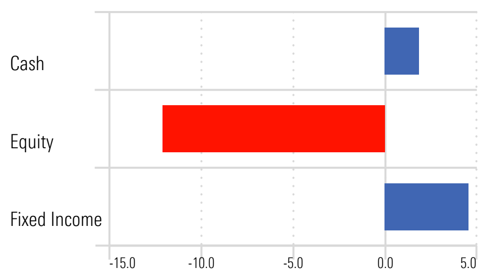
Net Return %



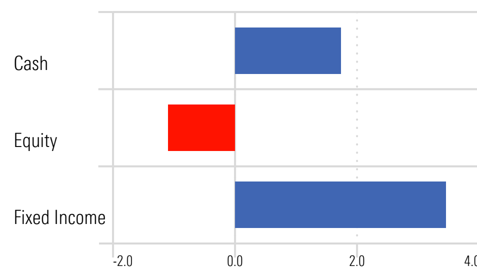
Asset Class Returns (%): Quarter



Asset Class Returns (%): 1 Year



Asset Class Returns (%): Since Inception



Asset Class Attribution (%): Quarter

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	15.35	5.59	0.33	0.42	0.05	0.79
Equity	34.10	36.35	-21.40	-21.37	-7.34	0.58
Fixed Income	50.55	58.06	-0.54	1.40	-0.24	-1.51
Attribution Total	100.00	100.00	-7.54	-7.39	-7.54	-0.14

Asset Class Attribution (%): 1 Year

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	14.95	5.36	1.86	1.92	0.28	0.27
Equity	34.84	38.04	-12.08	-11.23	-3.65	0.15
Fixed Income	50.20	56.60	4.55	6.36	2.30	-1.35
Attribution Total	100.00	100.00	-1.07	-0.14	-1.07	-0.93

Asset Class Attribution (%): Since Inception

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	15.53	7.75	1.72	1.68	0.28	-0.04
Equity	36.40	40.30	-1.09	0.26	0.13	-0.42
Fixed Income	48.07	51.94	3.44	4.07	1.77	-0.50
Attribution Total	100.00	100.00	2.17	3.09	2.17	-0.97

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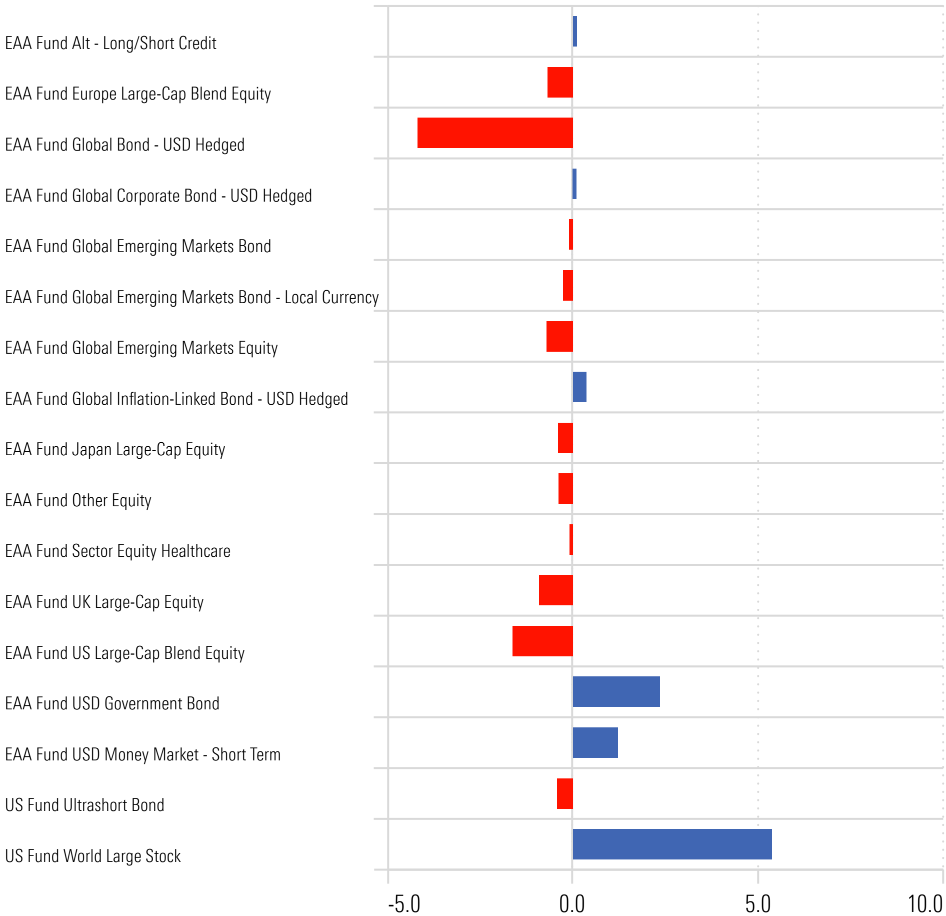
Asset Allocation Attribution

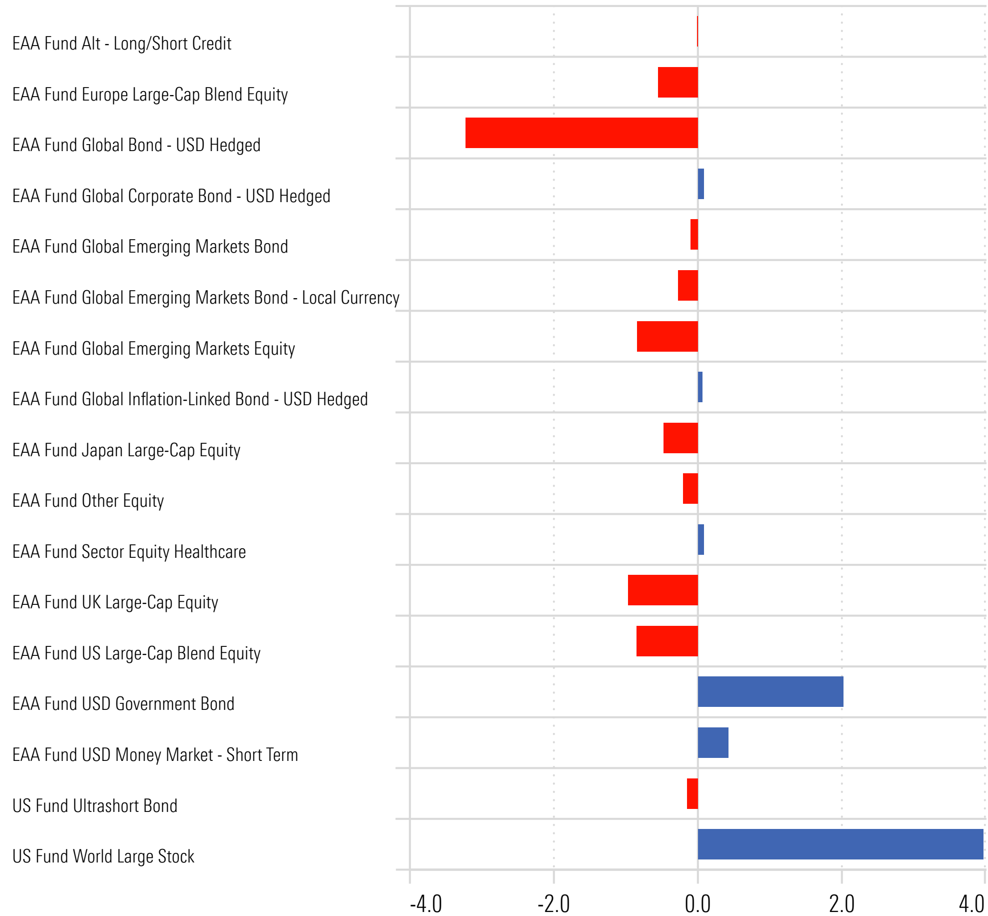
Allocation Effect: (%) : Quarter

Time Period: 01/01/2020 to 31/03/2020



Allocation Effect: (%) : 1 Year

Time Period: 01/04/2019 to 31/03/2020

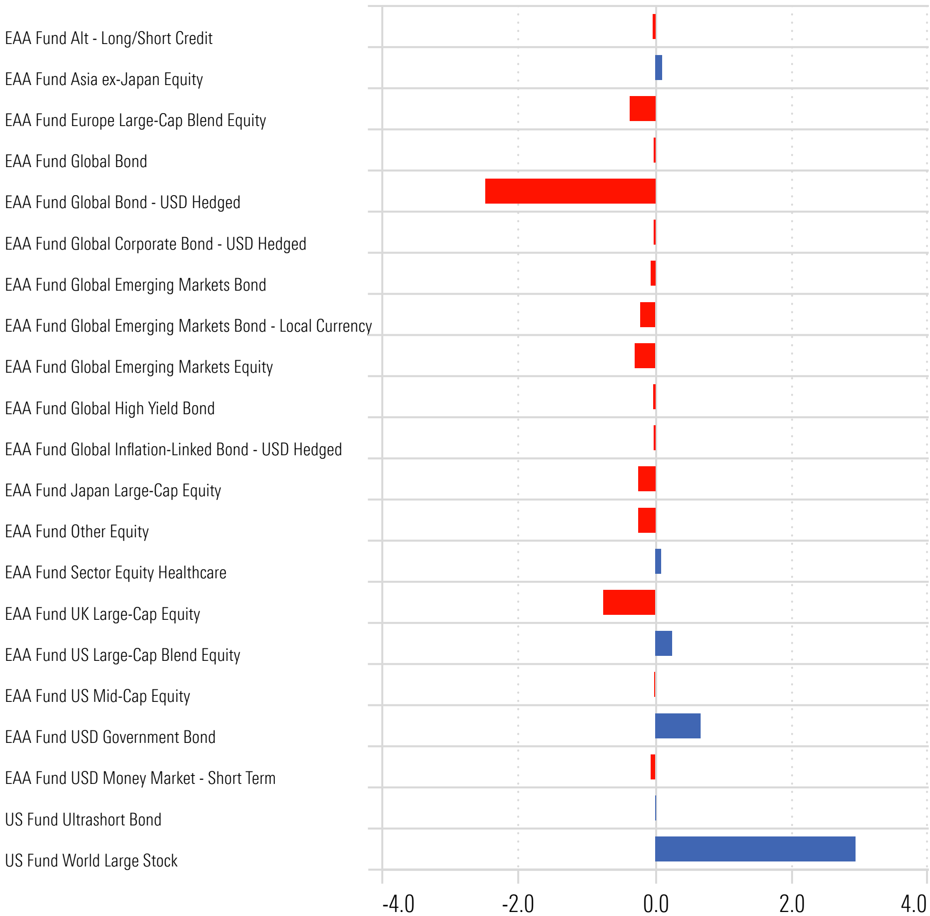


Zurich TDF 2025

Asset Allocation Attribution

Allocation Effect: (%) : Since Inception

Time Period: 03/07/2017 to 31/03/2020



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Registered in the Isle of Man number 20126C.
Registered office: Zurich House, Isle of Man Business Park, Braddan, Isle of Man, IM2 2QZ
Telephone +44 1624 662266 Telefax +44 1624 662038 www.zurich.com

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Reference to specific securities is not an indication to buy or sell those securities'

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