

Quarterly Board Report

Zurich TDF 2025

Zurich Target Date Funds



Market Commentary

At a Glance

- Markets continued their strong rally into year-end, especially given the dire economic backdrop.
- The fourth quarter of 2020 saw two major headaches subside: the vaccine rollout and U.S. election uncertainty. It is a clear case of investors looking over the horizon.
- Supporting markets, we've witnessed lower company default rates than initially feared—aided by record-low borrowing costs and government support.
- A rising tide has lifted the majority of boats, although some underlying developments are particularly noteworthy. For example, cyclical investments have made a comeback after an extended period of relative weakness.

Important Perspective

Who would have thought we'd be here, in early 2021, with peak global COVID-19 cases, a terribly weak economy, and near-record high markets. For humanity, we are gladly waving goodbye to 2020, but for markets we've endured a period of surprising benefit.

Not even the wildest of market predictions would have been right. If someone asked you how the market would perform if a global pandemic hit, causing widespread job losses and the biggest contraction in the economy for around 90 years, we doubt you'd describe today's reality.

Global stocks, corporate bonds, real estate, gold, commodities, and even bitcoin have all moved forward and delivered positive performance. In a period marked by personal fear, it seems like something closer to financial greed has prevailed.

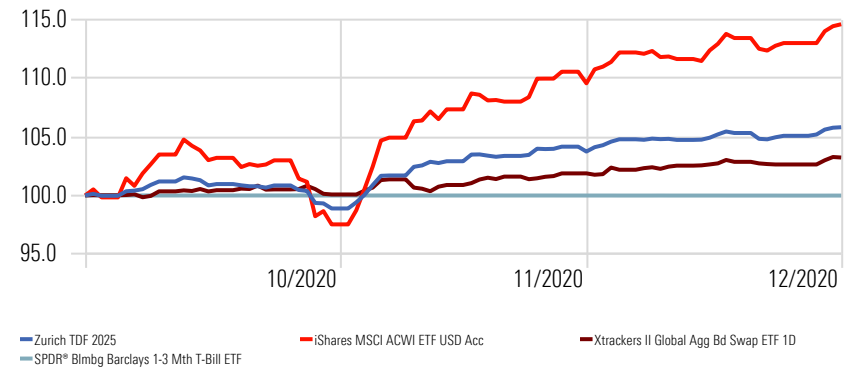
In this regard, the final three months of 2020 was a strong one by historical standards—which did have some substantive developments. It is a clear case of market participants looking over the horizon, with the vaccine rollouts combining with a perception of greater political stability.

The wave of "good news" comes with many fascinating and constructive sub plots. One of the most interesting happened in the fourth quarter of 2020, where small-cap value stocks bucked a multi-year trend to join the winner's list. This was partly marked by President-elect Biden's victory (the so-called blue wave) but is also a vision for life after lockdowns—with the reopening of the economy considered a positive for economically-sensitive and cyclical stocks.

Company defaults and bankruptcies also remain low globally, defying the doomsayers, supported by record stimulus and the cheapest borrowing rates ever seen. This last point can't be underplayed, with corporate bond spreads tightening to the lowest levels in history, perhaps reflecting expectations that a return to economic normality is still a long way off on the horizon.

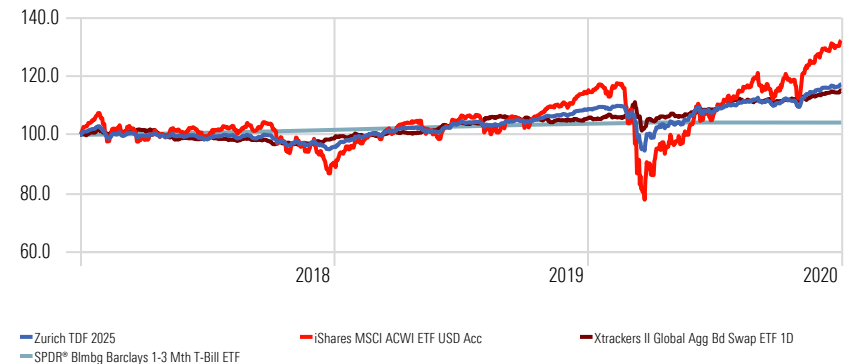
Market Performance (%): Quarter

Time Period: 01/10/2020 to 31/12/2020



Market Performance (%): 3 Year

Time Period: 01/01/2018 to 31/12/2020



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.

Portfolio & Performance Review

Portfolio & Attribution Commentary

Performance versus Expectations

The portfolio gained 5.7% in the fourth quarter as most asset prices continued to recover from the trough at the end of Q1. Market sentiment was fueled by positive news on Covid-19 vaccines and the reduction in uncertainties following the US presidential election. This led to a significant rotation with the strongest performance coming from asset classes that had been the most hit due to the pandemic.

This broadly benefited the portfolio with exposure to the UK and European stocks as well as Emerging Market Debt or High Yield bond seeing strong performance during the quarter. More defensive assets such as US Treasuries or Healthcare underperform as expected given the environment.

Turning to the underlying investments, fund selection was positive, led by PIMCO Global Investment Grade Credit. After a challenging year, Man GLG Japan also benefited from the rotation into more cyclical stocks including financials. On the negative side, Axa Global High Yield slightly underperformed its benchmark in a very strong period for the asset class.

Overall, the performance for the year stands at a remarkable 7.8% given the environment. It is important to remember that given the cautious nature of the portfolio, this return has been delivered with a very modest risk profile.

ATTRIBUTION COMMENTARY

Top Contributors:

iShares US Index & Vanguard US 500 Stock Index – equity markets performed strongly in Q4 thanks to the vaccine news and the US presidential election. Although US lagged the global index, our large allocation to US equities through the two funds was a significant contributor to the absolute performance of the fund.

iShares UK Index – After a challenging year, UK equities benefited from the repricing of cyclical stocks in Q4, with most hit sectors such as Energy and Financials rallying after the vaccine announcement. The late Brexit deal was also a positive and led to a significant appreciation in the Pound Sterling vs the US Dollar.

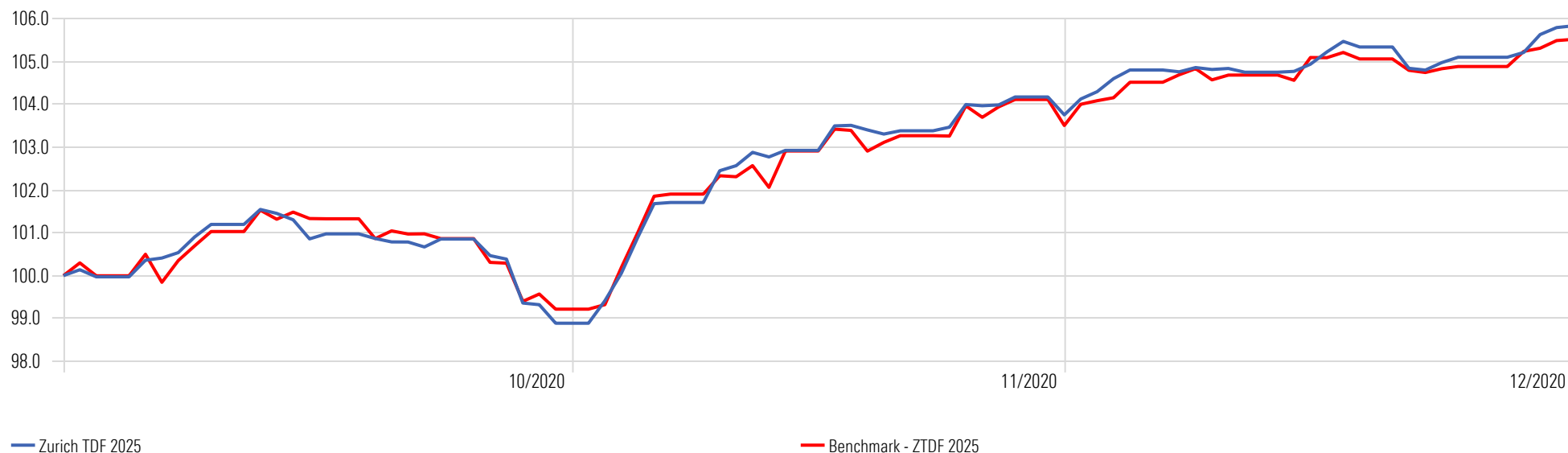
iShares EmergMkts Idx – Emerging markets were again the best performing region in the 4th quarter, and also benefitted from the US dollar weakness. Korea continued to benefit from its sector exposure and Brazil and Mexico were also among the best performing countries.

Top Detractors:

Vanguard US Govt Bd Idx – with markets hopes of an economic recovery, US government bond modestly rallied in Q4, although remaining significantly below the levels seen at the start of 2020. The US 10-year yield was 0.9% at the end of the year.

Investment Growth (%)

Time Period: 01/10/2020 to 31/12/2020



Trailing Returns (%)

Data Point: Return

	Since Inception (03/07/2017)	3 Years	Quarter	YTD	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Zurich TDF 2025	23.96	17.24	5.84	8.01	8.01	13.16	-4.08		
Benchmark - ZTDF 2025	28.85	22.30	5.52	9.67	9.67	15.17	-3.18	12.39	4.62

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.

Portfolio Positioning & Outlook

RECENT CHANGES

The portfolios were changed early January 2021, just after the quarter end.

We've introduced a new position in Fundsmith Equity, a global equity fund with a very long-term approach, targeting high-quality businesses. The fund is providing an attractive exposure to defensive sectors such as Consumer Staples and Healthcare. It is rated Gold by Morningstar's analysts. The position is funded from the regional exposures.

We've also reshuffled the exposure to Japan and exited the Man GLG Japan Core Alpha fund, following the departure of its long-standing manager.

We've also slightly increased the exposure to Fixed Income from cash through Vanguard US Govt Bd Index and Vanguard Global Short-Term Bd Idx, to benefit from the slightly higher yields.

Finally, we've started to trim our Corporate High Yield exposure (Axa Global High Yield Bd) after the very strong rally in that asset class since we've introduced it.

POSITIONING UPDATE AND OUTLOOK

Will the fourth quarter mark the turning point in the Covid-19 crisis? Only time will tell, but the news that three vaccines have been developed that are effective against the virus led to a significant rally in equity markets and increased optimism for the outlook for the global economy. Markets that had lagged this year led the march upwards, with value stocks outperforming their growth counterparts.

Whilst the good news is welcomed, uncertainty has not gone away with Covid-19 cases continuing to rise and strict restrictions remaining in place. Our approach in these times remains the same as ever; focus on our process of uncovering areas of the market that offer attractive long-term value and avoid trying to predict factors that are out of our control.


The investment landscape remains challenging, with an elevated probability of an extreme market outcome. We remain vigilant in these times, ensuring the portfolio remains in line with our desired allocation whilst looking for opportunities that will enhance the future expected returns. In this regard, we are satisfied that the shape of the portfolio should continue to deliver risk-adjusted returns that help investors reach their goals.

The portfolio holds significant exposure to global bonds, with a preference for US bonds. The fixed income allocation is broadly diversified with significant exposure to more defensive assets such as governments bonds or inflation-linked bonds combined with exposures to both investment grade and high yield corporate debt, and Emerging Markets debt. We also hold significant positions in money market funds given the extremely low level of bonds yields.

Within equity markets, the allocation is balanced across the different regions. We continue to see the US market as being the least attractive from a relative perspective. We favour markets that offer better value and offer interesting diversification benefits, such as Japan, the UK or the Global Healthcare sector.

Zurich TDF 2025 - Holdings

Portfolio Date: 31/12/2020

	Portfolio Weighting %	Morningstar Analyst Rating	3 Mth Rtn to Qtr End (%)	YTD Rtn to Qtr End (%)	1 Yr Rtn to Qtr End (%)
Vanguard U.S. Govt Bd Idx \$ Acc	14.20	 Silver	-0.79	7.74	7.74
ILF USD Liquidity 4	12.80		0.00	0.57	0.57
PIMCO GIS GlnGd Crdt Instl USD Acc	10.20	 Bronze	3.23	5.93	5.93
iShares US Index (IE) Instl Acc USD	8.50		11.30	17.82	17.82
Stt Strt Gbl Trs Bd Idx I USD Acc Hdg	7.60		0.21	4.73	4.73
PIMCO GIS Gbl Lw Dur RI Rt Ins USD Acc	7.20		1.78	5.14	5.14
Vanguard U.S. 500 Stk Idx \$ Acc	5.20	 Gold	11.99	17.66	17.66
iShares UK Index (IE) Instl Acc GBP	4.80		18.62	-9.70	-9.70
iShares EmergMkts Idx (IE) Instl Acc USD	4.20		19.42	17.39	17.39
Vanguard European Stock Idx USD Acc	4.20	 Gold	15.63	5.60	5.60
Amundi IS MSCI Japan IHU-C USD	3.80		12.95	9.42	9.42
Vanguard Global S/T Bd Idx USD H Acc	3.80		0.44	3.34	3.34
AXAWF Global High Yield Bds I Cap USD	3.00	 Bronze	4.90	5.03	5.03
BGF World Healthscience A2 USD	2.40	Neutral	6.52	13.99	13.99
BSF Fixed Income Strategies A2 USD H	2.10	 Bronze	2.09	4.61	4.61
GAM Multibond Local Emerging Bond USD C	2.00	Neutral	11.47	3.59	3.59
iShares Em Mkts Govt Bd Idx (LU) A2 USD	2.00	 Bronze	5.79	4.89	4.89
Man GLG Jpn CoreAlpha Eq I USD	2.00	Neutral	16.27	-11.28	-11.28

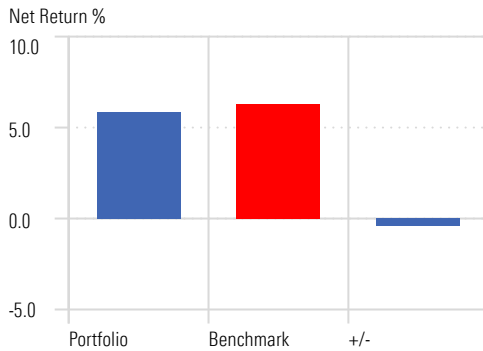
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Analyst Ratings are subjective in nature and should not be used as the sole basis for investment decisions. Analyst Ratings are based on Morningstar analysts' current expectations about future events and therefore involve unknown risks and uncertainties 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.

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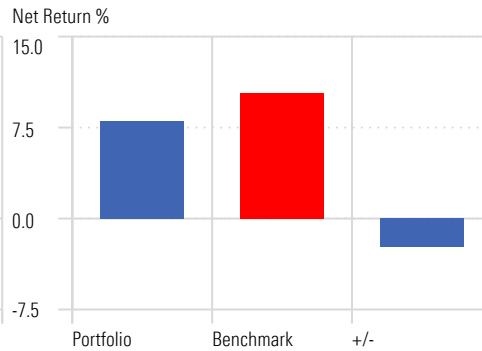
Total Portfolio Returns (%): Quarter

Time Period: 01/10/2020 to 31/12/2020



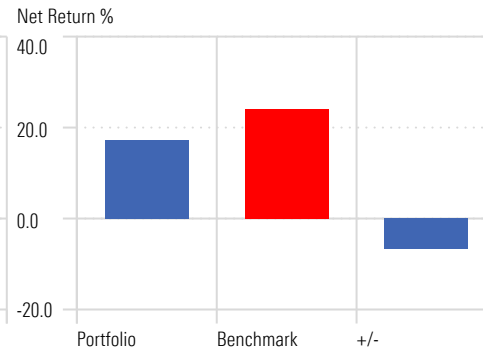
Total Portfolio Returns (%): 1 Year

Time Period: 01/01/2020 to 31/12/2020



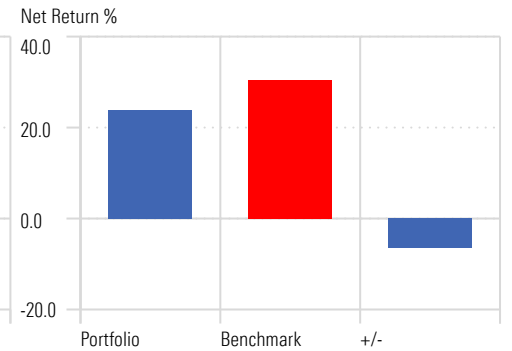
Total Portfolio Returns (%): 3 Year

Time Period: 01/01/2018 to 31/12/2020

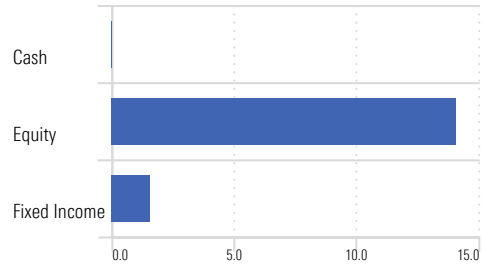


Total Portfolio Returns (%): Since Inception

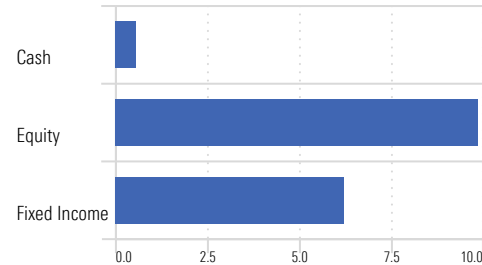
Time Period: 03/07/2017 to 31/12/2020



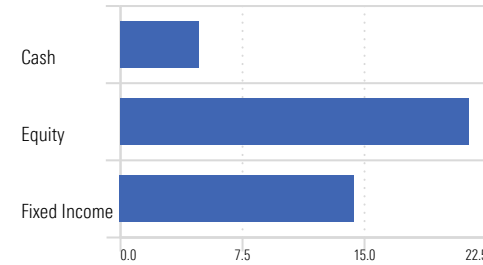
Asset Class Returns (%): Quarter



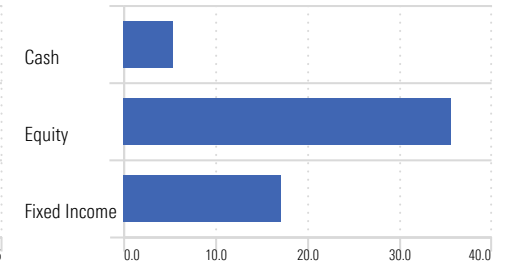
Asset Class Returns (%): 1 Year



Asset Class Returns (%): 3 Year



Asset Class Returns (%): Since Inception



Asset Class Attribution (%): Quarter

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	12.69	5.95	0.00	-0.01	0.00	-0.43
Equity	35.50	37.52	14.03	14.71	5.08	-0.31
Fixed Income	48.80	56.53	1.56	0.84	0.79	0.68
Bond	3.01	0.00				

Asset Class Attribution (%): 1 Year

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	13.49	5.66	0.57	0.39	0.08	-0.47
Equity	35.18	38.00	9.85	16.38	4.90	-2.20
Fixed Income	50.40	56.33	6.22	5.37	3.05	0.44
Bond	0.93	0.00				

Asset Class Attribution (%): 3 Year

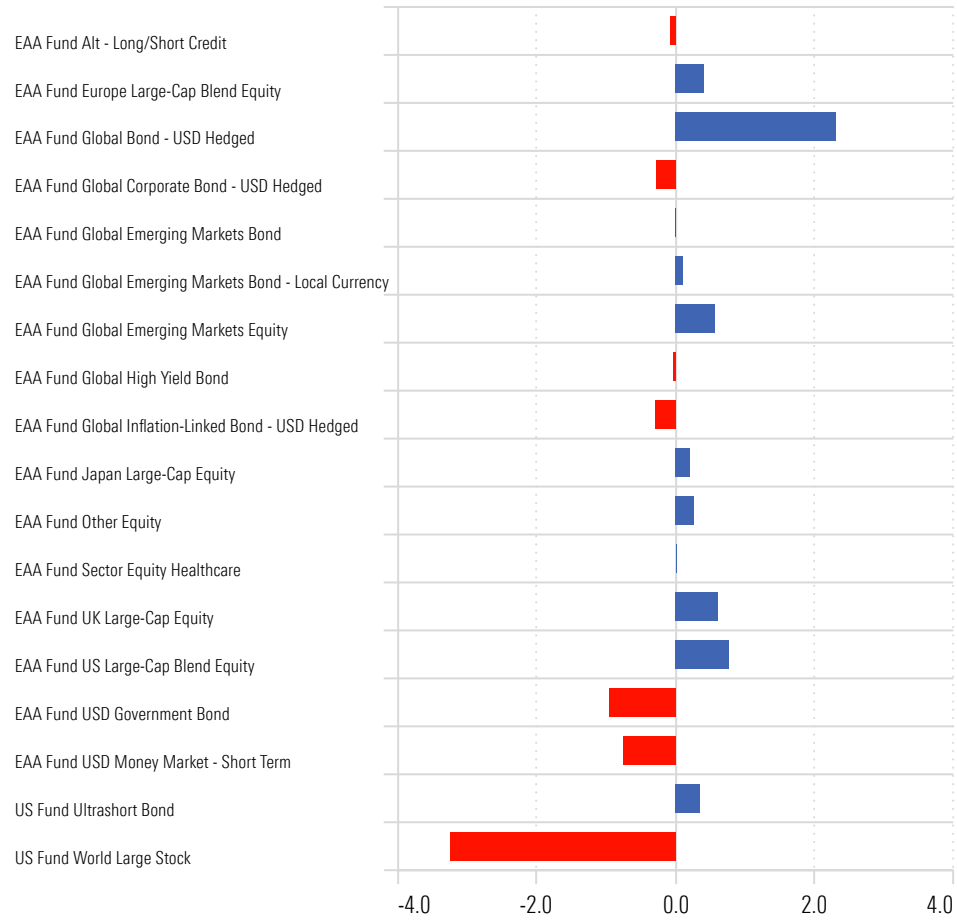
	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	14.97	6.96	4.81	4.22	0.74	-1.32
Equity	35.77	39.43	21.32	34.19	9.40	-4.51
Fixed Income	48.95	53.61	14.32	14.38	7.13	0.23
Bond	0.31	0.00				

Asset Class Attribution (%): Since Inception

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	14.96	7.31	5.36	4.66	0.87	-1.71
Equity	36.21	39.93	35.61	49.09	14.41	-4.72
Fixed Income	48.56	52.76	17.17	15.94	8.70	0.96
Bond	0.27	0.00				

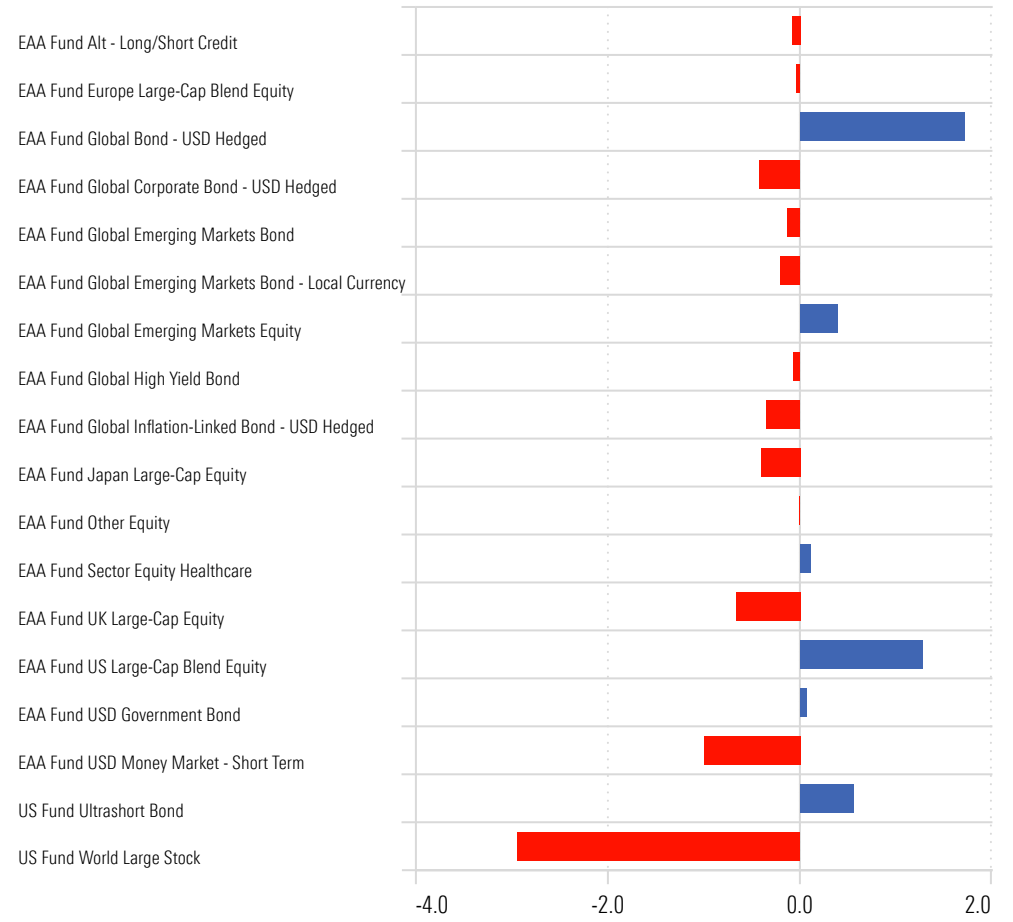
Allocation Effect: (%) : Quarter

Time Period: 01/10/2020 to 31/12/2020



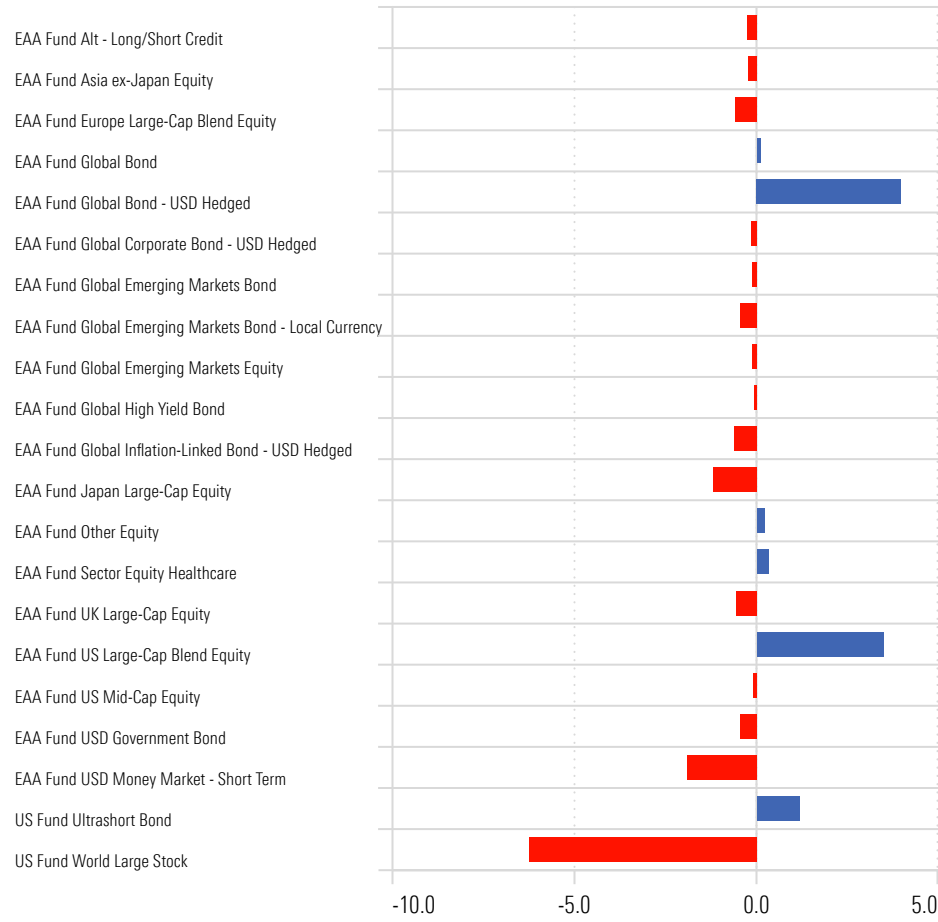
Allocation Effect: (%) : 1 Year

Time Period: 01/01/2020 to 31/12/2020



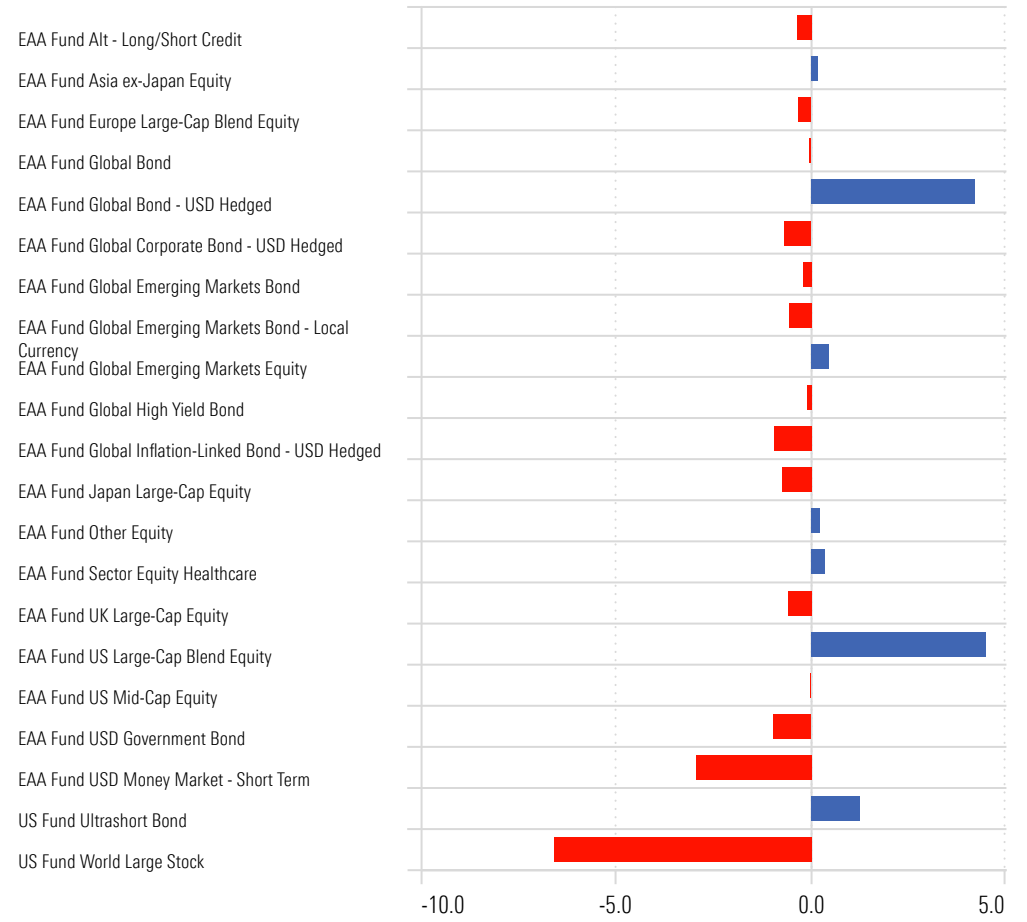
Allocation Effect: (%) : 3 Year

Time Period: 01/01/2018 to 31/12/2020



Allocation Effect: (%) : Since Inception

Time Period: 03/07/2017 to 31/12/2020



Zurich TDF 2025

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