

# Quarterly Board Report

Zurich TDF 2025

Zurich Target Date Funds



# Market Commentary

Overall, 2021 will be remembered as a great year for growth investors but a difficult year for defensive investors. Developed-market stocks delivered exceptional performance while bonds and emerging-market assets delivered muted (and, in some cases, negative) returns.

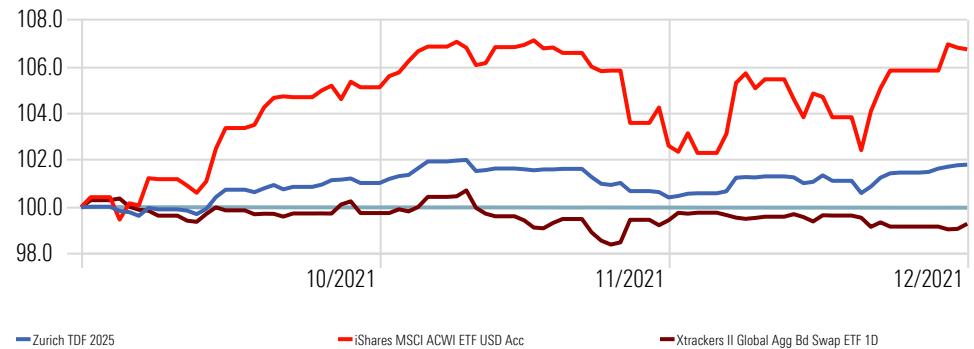
Under the surface, though, there were a few notable changes that affected investor portfolios. To illustrate the underpinnings of the performance in 2021, it was a story of two halves:

- In the first half of the year, economic reopenings and coronavirus vaccinations drove a rally in value-oriented stocks. Many companies that had been decimated by the pandemic, such as travel companies, began to bounce back, and industrial and materials stocks had strong showings in the first half of the year. Developed-markets financials, energy, and consumer discretionary stocks all increased as confidence in the economic recovery grew, but emerging-markets stocks didn't keep up in those sectors.
- The second half of the year was a different story, as inflationary pressures, the prospect of tightening monetary conditions, and the resurgent pandemic threw cold water on the rally, especially in emerging markets. Developed-market equities continued to rise but saw greater volatility as the year came to a close.

Only time will tell what investors remember most about 2021. Perhaps it'll be the ebullient stock market, with some key markets delivering 20%+ gains, but many will likely remember 2021 as the year that inflation returned with some fury. Both of these outcomes were considered unlikely by market participants last year, showing the importance of diversified and robust portfolio positioning.

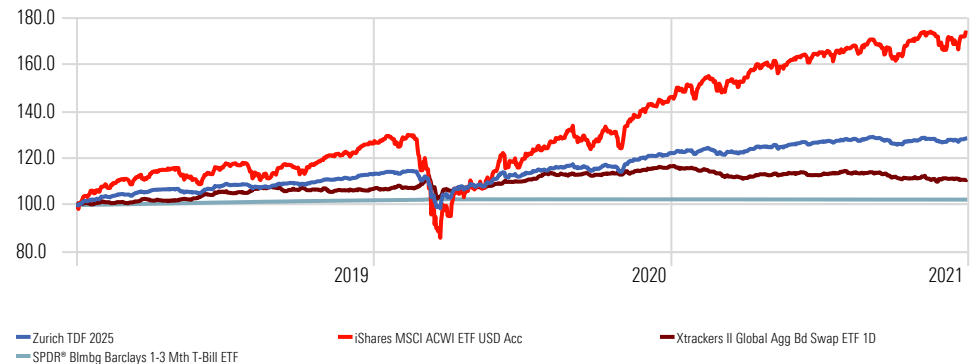
## Market Performance (%): Quarter

Time Period: 01/10/2021 to 31/12/2021



## Market Performance (%): 3 Year

Time Period: 01/01/2019 to 31/12/2021



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

## PORTFOLIO COMMENTARY

### Performance versus Expectations

The portfolio gained 1.82% in the final quarter of the year on the back of strong performances from Developed Market equities.

Within Equities, exposure to US Equities was a significant contributor to performance as the region outperformed most Developed Markets.

Turning to the underlying investments, fund selection was slightly negative given the underperformance from Japanese Equities and Investment Grade Credit via Vanguard Japan Stock Index and PIMCO GIS Global investment Grade Credit respectively. This was somewhat offset by exposure to Developed Market Equities via the iShares US Index and iShares UK Index which performed well over the quarter.

## ATTRIBUTION COMMENTARY

### Top Contributors:

iShares US Index & Vanguard US 500 Stock Index – The US equity market outperformed most global equity markets despite fears around the emergence of the Omicron variant. Performance and sentiment were underpinned by a robust economic recovery and still supportive monetary policy backdrop.

Vanguard European Stock Index – European stocks followed Developed market equities higher over the quarter, ending 5.70% higher relative to -1.50% in the previous quarter.

iShares UK Index – Despite lagging the US Equity market, UK equities recovered from the previous quarter to end 5.78% higher.

### Top Detractors:

Vanguard Japan Stock Index – Contrasting the previous quarters stand-out performance, Japanese equities ended -4.02% lower for the final quarter of 2021.

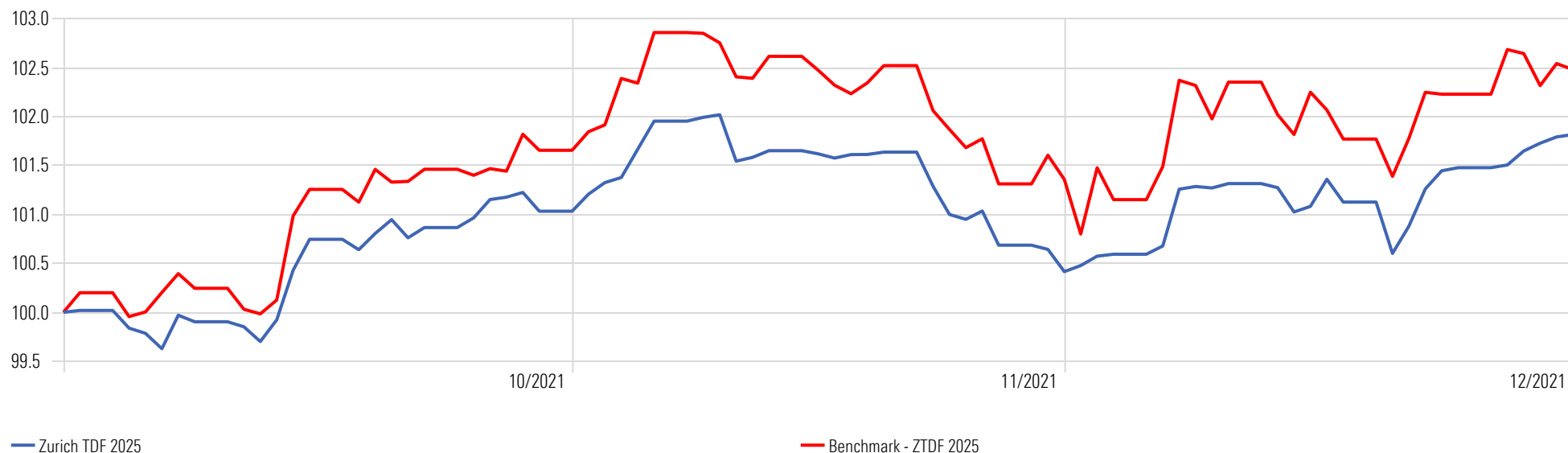
iShares Emerging Markets Index – Emerging market equities had yet another challenging quarter, lagging

developed market equities and ending -2.13% lower over the final quarter of the year.

Pimco GIS Global Investment Grade Credit – Similar to the previous quarter, the fund failed to post a positive return, ending the final quarter 0.50% lower.

**Investment Growth (%)**

Time Period: 01/10/2021 to 31/12/2021



**Trailing Returns (%)**

Data Point: Return

	Since Inception (03/07/2017)	3 Years	Quarter	YTD	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Zurich TDF 2025	30.34	28.52	1.82	5.15	5.15	8.01	13.16	-4.08	
Benchmark - ZTDF 2025	36.54	33.85	2.48	5.97	5.97	9.67	15.17	-3.18	12.39

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# Portfolio Positioning & Outlook

## **RECENT CHANGES**

Over the quarter, we made marginal reductions in our allocation to risk assets across the lower risk mandates in order to make the portfolio's more defensive.

From an Equity perspective, we increased exposure to Eurozone Equities funded by Broad Europe to reflect the relative attractiveness of Germany within the portfolios. We also reduced exposure to UK and Broad Europe in favour of US equities to reflect the convergence of valuations across the Asset Classes.

From a Fixed Income perspective, we sold out of High Yield Bonds in favour of US treasuries and Emerging markets Local Currency debt. Furthermore, we switched our Hard currency emerging market debt exposure into local currency to reflect our current preferences.

## **POSITIONING UPDATE AND OUTLOOK**

Investors are likely feeling quite confident as we enter 2022, which we'd prefer to see mellowed. While strong returns are always embraced, investors are being asked to weigh stern challenges in the years ahead.

Omicron, inflation, and higher interest rates top the list of investor concerns, while stretched valuations would hint at a narrowed opportunity set. As we look ahead, it is important to remember that the future holds a wide range of possible outcomes and is typified by unyielding complexity that continually defeats those who seek to make confident forecasts. Fortunately, our role as investors is not to forecast the future, but rather to construct portfolios that empower people to reach their goals whatever the economic and market conditions. In every situation, the right approach is to view the future probabilistically and think long term.

As advocates of great investing, we must collectively resist impulsive actions and understand that the road won't be straight. Accepting some volatility is a pre-requisite for good returns in any market, but today's market arguably requires greater care than usual. In our view, this necessitates us to target the best assets for wealth creation and preservation, with careful sizing and smart diversification.

With the markets trading at close to all-time highs, we emphasize the importance of diversification within the portfolios, and place a greater importance on running risk analytics and testing the robustness of the portfolios in different market scenarios. When positioning the portfolios, we remain focused on looking at the fundamental valuations for different markets and holding areas that are attractively priced and poised to


perform better than expected.

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

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 Emerging Markets debt. We also hold significant positions in money market funds given the extremely low level of bonds yields.

## Zurich TDF 2025 - Holdings

Portfolio Date: 31/12/2021

	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	19.50	 Silver	0.04	-2.43	-2.43
Stt Strt Glbl Trs Bd Idx I USD Acc Hdg	14.10		0.02	-2.08	-2.08
iShares US Index (IE) Instl Acc USD	8.90		11.20	29.13	29.13
ILF USD Liquidity 4	6.50		0.00	0.00	0.00
PIMCO GIS GllnGd Crdt Instl USD Acc	5.85	 Bronze	-0.50	-1.39	-1.39
iShares US Corp Bd Idx (IE) Instl AccUSD	5.55		0.04	-0.99	-0.99
Vanguard U.S. 500 Stk Idx \$ Acc	5.00	 Gold	10.89	28.08	28.08
GAM Multibond Local Emerging Bond USD C	4.60	Neutral	-2.01	-10.92	-10.92
iShares EmergMkts Idx (IE) Instl Acc USD	4.40		-2.13	-3.26	-3.26
Vanguard Jpn Stk Idx \$ Acc	4.10		-4.02	1.52	1.52
PIMCO GIS Glb Lw Dur RI Rt Ins USD Acc	4.00		0.84	4.28	4.28
Fundsmith Equity I Acc	3.50	 Gold	6.81	21.11	21.11
Vanguard Global S/T Bd Idx USD H Acc	3.20		-0.54	-0.72	-0.72
iShares UK Index (IE) Instl Acc GBP	2.70		5.78	16.83	16.83
BSF Fixed Income Strategies A2 USD H	2.10	 Bronze	-0.36	-0.75	-0.75
Amundi MSCI EMU ESG Ldrs Sel IHU-C	2.00		5.52	22.39	22.39
BGF World Healthscience A2	2.00	Neutral	5.96	14.19	14.19
Vanguard European Stock Idx USD Acc	2.00		5.70	16.63	16.63

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.

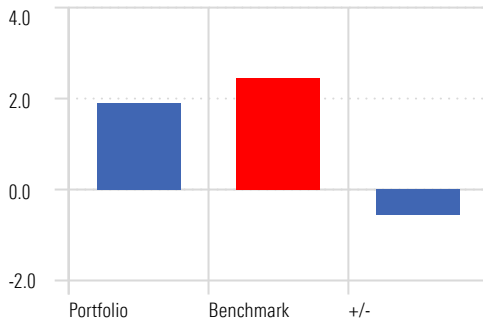
Analyst Ratings are subjective in nature and should not be used as the sole basis for investment decisions. Analyst Ratings are based on Morningstar analysts' current expectations about future events and therefore involve unknown risks and uncertainties that may cause Morningstar's expectations not to 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: 01/10/2021 to 31/12/2021

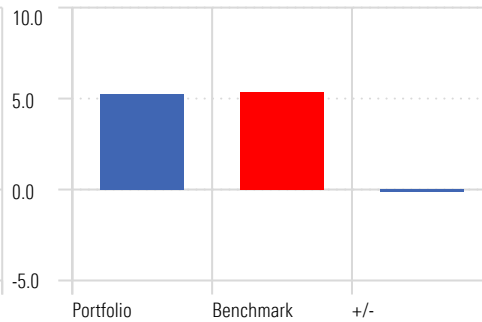
Net Return %



**Total Portfolio Returns (%): 1 Year**

Time Period: 01/01/2021 to 31/12/2021

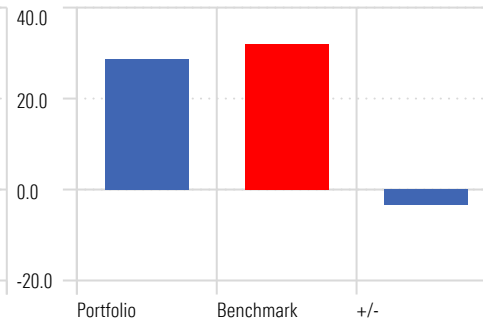
Net Return %



**Total Portfolio Returns (%): 3 Year**

Time Period: 01/01/2019 to 31/12/2021

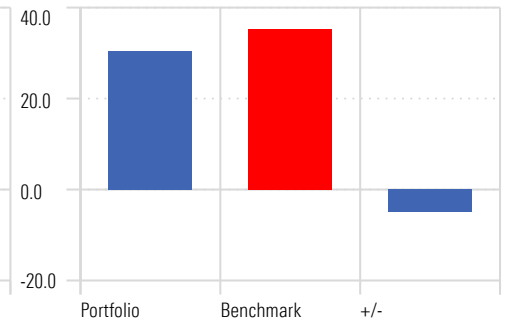
Net Return %



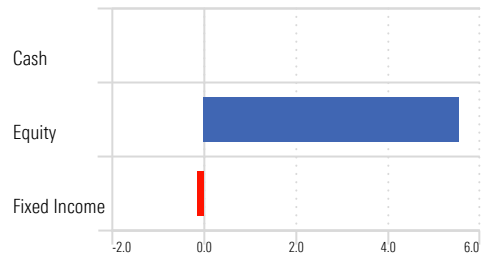
**Total Portfolio Returns (%): Since Inception**

Time Period: 03/07/2017 to 31/12/2021

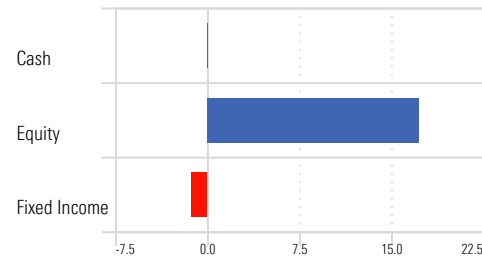
Net Return %



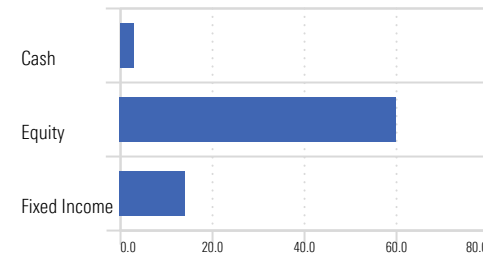
**Asset Class Returns (%): Quarter**



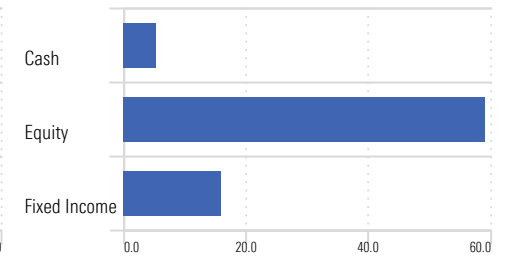
**Asset Class Returns (%): 1 Year**



**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	6.16	5.93	0.00	-0.02	0.00	0.01
Equity	34.89	36.38	5.57	6.84	1.96	-0.47
Fixed Income	58.94	57.68	-0.24	-0.01	-0.14	-0.15

**Asset Class Attribution (%): 1 Year**

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	6.36	5.95	0.00	-0.10	0.00	0.02
Equity	35.84	36.81	17.22	18.38	5.89	-0.53
Fixed Income	57.80	57.23	-1.39	-1.59	-0.74	0.09

**Asset Class Attribution (%): 3 Year**

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	11.56	5.69	2.99	2.34	0.47	-1.84
Equity	35.43	38.00	60.08	74.79	20.95	-4.85
Fixed Income	53.01	56.31	14.05	12.34	7.10	1.25

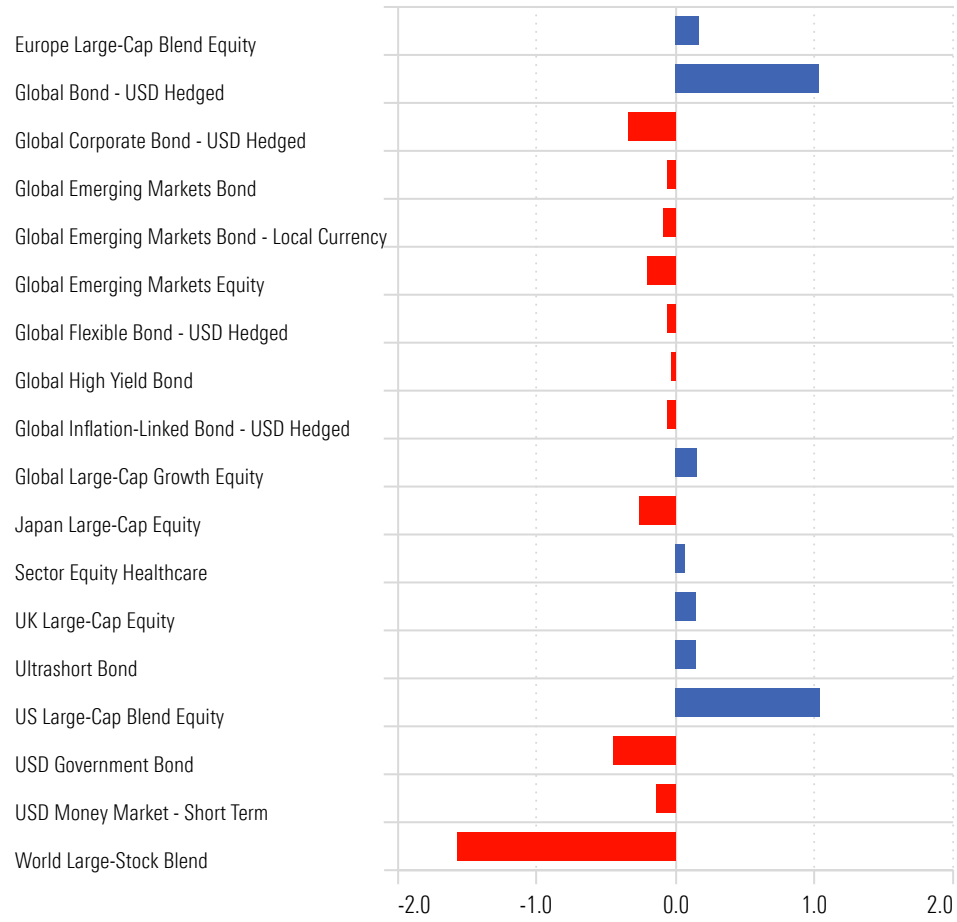
**Asset Class Attribution (%): Since Inception**

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	13.05	7.01	5.36	4.56	0.87	-1.74
Equity	36.13	39.24	58.95	76.49	21.55	-5.74
Fixed Income	50.82	53.76	15.75	14.10	7.92	1.16



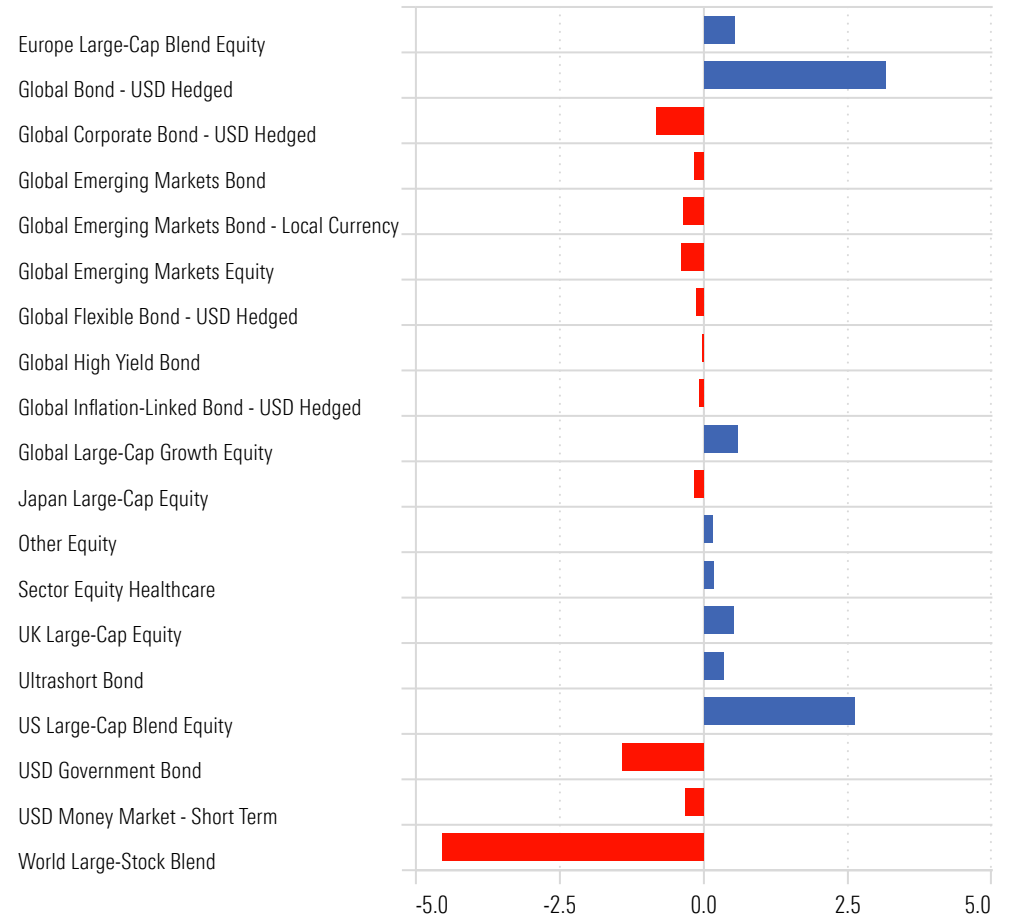
**Allocation Effect: (%) : Quarter**

Time Period: 01/10/2021 to 31/12/2021



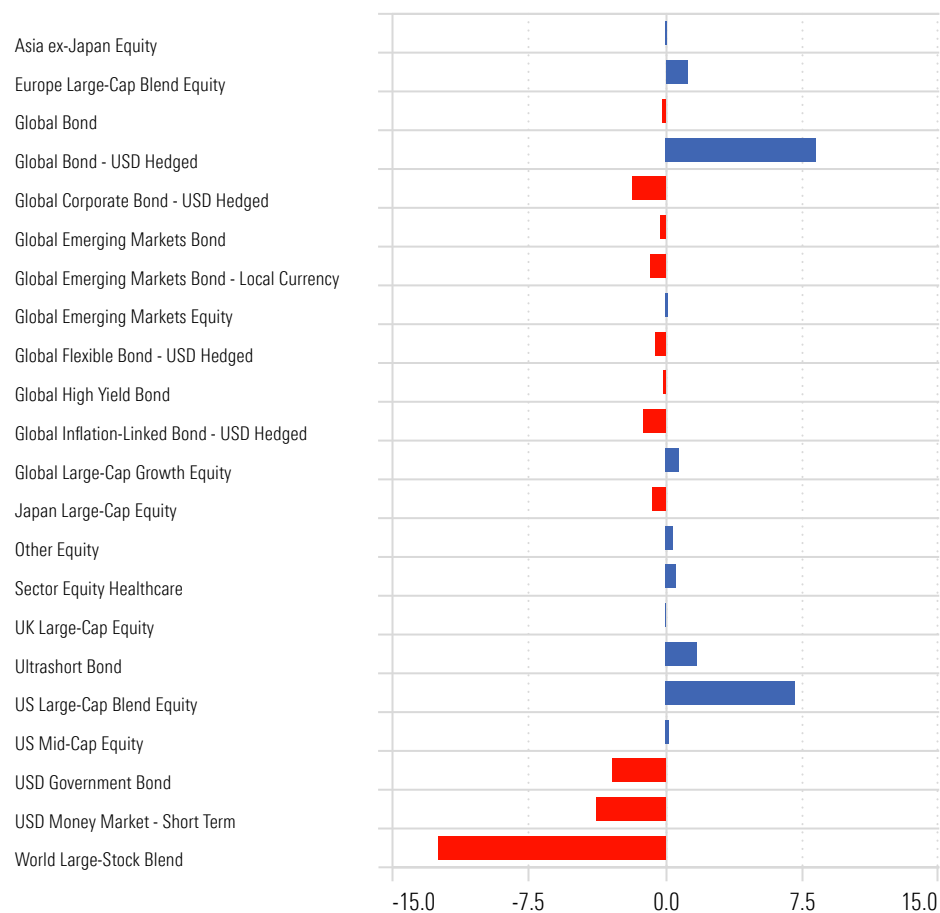
**Allocation Effect: (%) : 1 Year**

Time Period: 01/01/2021 to 31/12/2021



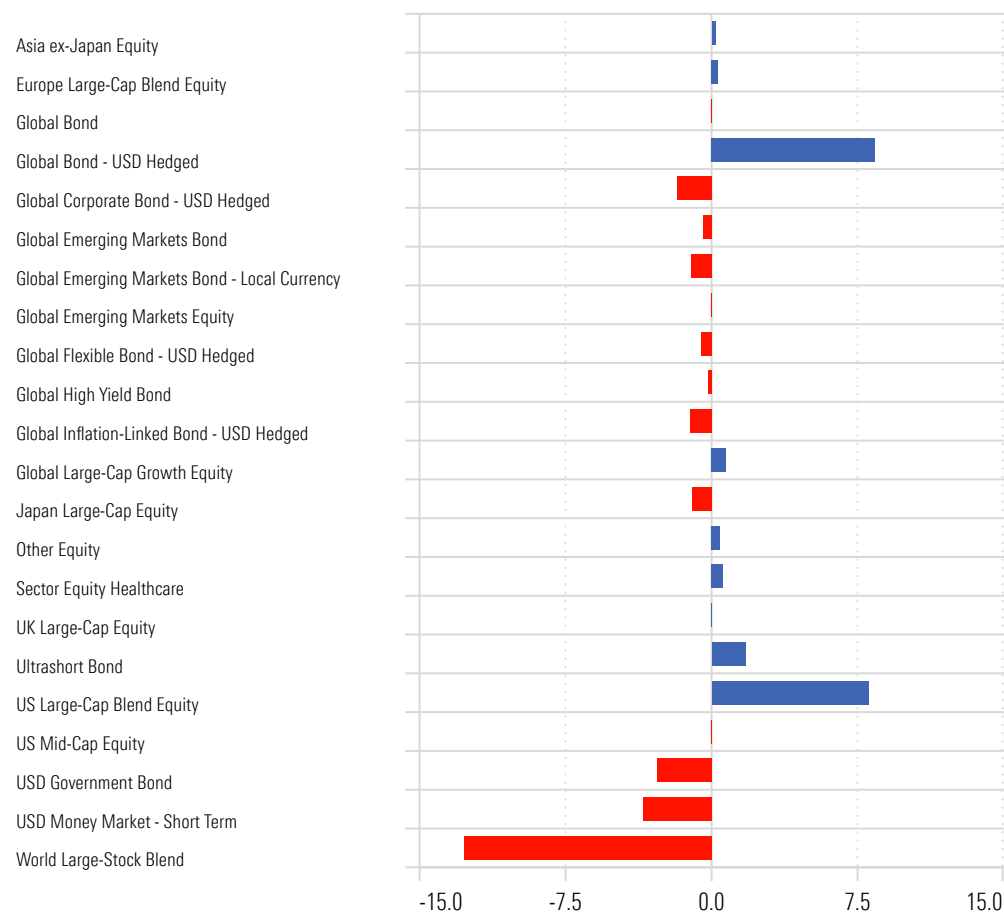
**Allocation Effect: (%) : 3 Year**

Time Period: 01/01/2019 to 31/12/2021



**Allocation Effect: (%) : Since Inception**

Time Period: 03/07/2017 to 31/12/2021



# Zurich TDF 2025

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