

Quarterly Board Report

Zurich Target Date Funds

Zurich TDF 2025



Market Commentary

Market Commentary:

Investors' nerves continue to grow, with asset prices falling across the board. Stocks have now fallen for three quarters in a row, while bonds have equally headed south. Nine of the 10 major equity sectors also fell in the third quarter of 2022, highlighting the non-discriminatory nature of the selloff we're currently experiencing.

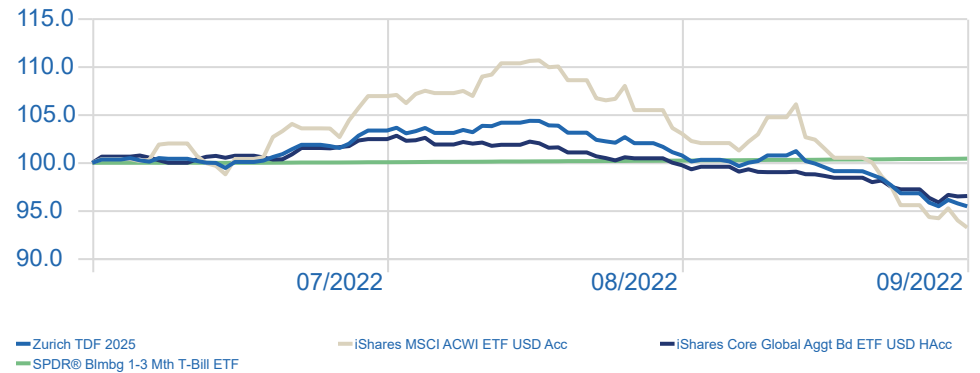
There are broadly two schools of thought emerging. One is that the setback has created a healthy reset—improving valuations and sowing the seeds to future returns. The other is that we're in the middle of a new post-stimulus world with harder realities ahead.

Either way, as we get closer to the end of 2022, it's clearly become a year that's tested even the most hardened of investors. Exuberance has given way to pessimism, driven by weakening corporate profits, concerns about slowing consumer demand, liquidity tightening, and the potential for recession as the central banks redoubled their commitment to bring inflation down.

At a deeper level, inflation has remained stubbornly high, with core inflation becoming a contributing driver (earlier, it was energy prices that drove inflation). The ongoing war in Ukraine has also continued to wreak havoc on global supply chains and energy supplies. China, which represents close to 19% of global gross domestic product, is struggling with a sharp economic slowdown. Earnings warnings from high-profile global companies, such as FedEx, among others, have spooked investors.

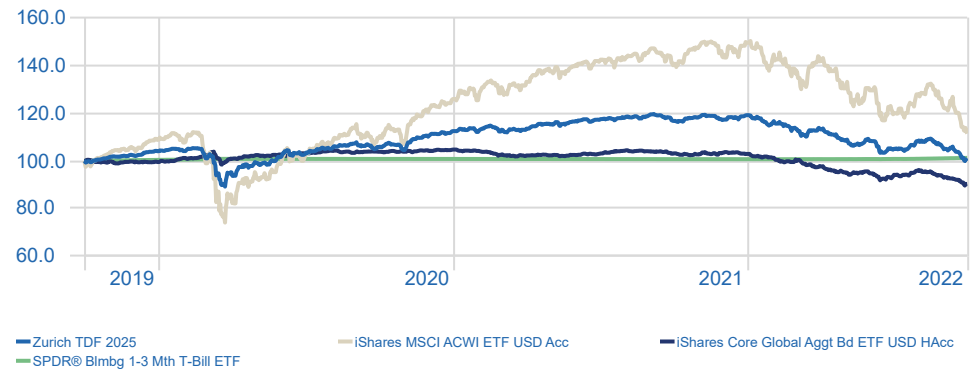
Market Performance (%): Quarter

Time Period: 01/07/2022 to 30/09/2022



Market Performance (%): 3 Year

Time Period: 01/10/2019 to 30/09/2022



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

Indeed, we are swimming in a sea of red, offsetting some of the prior gains that investors had enjoyed. The experience of the past three months also shows that sometimes market rules of thumb—such as bonds moving in the opposite direction of stocks—are a sign that a broader definition of diversification may be needed, with portfolio robustness a key focal point.

Among equities, there have been few places to hide. Whether we're talking about value versus growth, or large versus small companies, there are very few winners. Even the defensive sectors have sold off, including healthcare and consumer staples. One key issue is that the market is anticipating a decline in corporate earnings on the horizon—the magnitude and duration of which are hard to know in advance.

Turning to fixed income, both government and corporate bonds have felt the pain, with broad-based losses across the risk spectrum. The most aggressive moves continue to come from long-duration bonds, which carry a higher sensitivity to interest rate changes. The silver lining is that the yields on most fixed-income assets are much higher.

Yet, for all the talk about stocks and bonds, it was currency that took the headlines in the third quarter. The U.S. dollar has had a remarkable run, reaching new highs against almost every other major currency, while some notable deterioration occurred in Europe—especially the British pound. This flight to safety toward the U.S. dollar is commonplace in a fearful market, but it can exacerbate issues for global companies as well as emerging markets that borrow in U.S. dollars.

Attribution Commentary

Top Contributors:

Our underweight to European stocks benefitted returns over the quarter as the energy crisis continued to worsen with Russia completely halting gas flows through the key Nord Stream 1 pipeline at the start of September. This greatly impacted Germany who import a

large amount of their natural gas needs from Russia. In addition, economic growth data weakened, and the European Central Bank kept its hawkish tone in a bid to tame inflationary pressures, impacting markets.

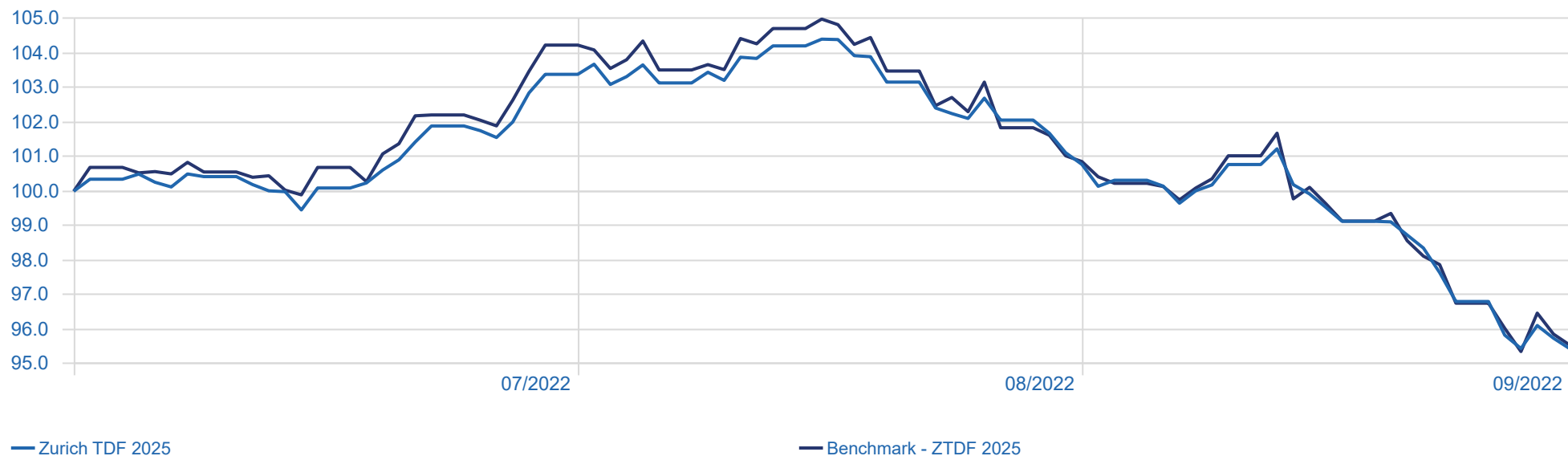
Top Detractors:

Our overweight to Emerging Market Equity detracted from returns. China, being a major component of the index, struggled over the period as signs of slowing economic growth, ongoing Covid-19 lockdown measures (as part of China's zero-Covid policy) and regulatory issues weakened investor sentiment towards the country.

US government bonds also detracted from returns as the Federal Reserve (Fed) continued their hawkish message by signaling that they will continue to raise interest rates, at the cost of lower economic growth, in order to reduce inflation.

Investment Growth (%)

Time Period: 01/07/2022 to 30/09/2022



Trailing Returns (%)

Data Point: Return

	Since Inception (03/07/2017)	3 Years	Quarter	YTD	01/10/2021 - 30/09/2022	01/10/2020 - 30/09/2021	01/10/2019 - 30/09/2020	01/10/2018 - 30/09/2019	01/10/2017 - 30/09/2018
Zurich TDF 2025	10.54	-0.09	-4.56	-16.13	-14.40	10.34	5.79	4.80	2.74
Benchmark - ZTDF 2025	13.46	-0.10	-4.45	-16.91	-14.84	9.12	7.52	6.40	4.02

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 key changes made over the quarter are outlined below:

Equity allocation

As the funds get one year closer to the target date, we have reduced the equity allocation by selling out of our world healthcare exposure.

Fixed income allocation

We continue to add to our global high yield bond position as corporate spreads remain wide and provide investors with an attractive yield. In addition, we added to short term global bonds.

Positioning Update and Outlook

With so few places to hide, it's understandable that investors are feeling very nervous. However, for those still investing, the outlook is improving as lower prices imply higher returns. Valuations, on almost every measure, continue to improve. In such environments, it's helpful to think about investing as a little like farming, there are times when we are harvesting previous gains and times when we are sowing the seeds for future returns. As prices fall, we're moving into sowing season.

It remains important to not be assumptive of where the market, or the economy, go from here. As it stands, equity prices are in a similar place to where they were in the last quarter of 2020, so investors are likely to be further along in their journey toward their financial goals than they expected to be when they started.

However, for valuation-driven investors (who aim to buy assets at discounts to what they're worth), periods like this can result in tremendous opportunities. The uncertainty that dominates the headlines today can lead investors to cut and run, leaving upside to those willing to invest and stay the course for the long run.

From a positioning perspective, our allocation remains balanced across the different regions from an Equity perspective. We continue to see the US market as being the least

attractive from a relative perspective, however due to recent weakness we have been adding to US allocation. Overall, we favour markets that offer better value and offer 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 combined with exposures to both investment grade, high yield, and Emerging Markets debt.

Zurich TDF 2025

Portfolio Holdings

Zurich TDF 2025 - Holdings

Portfolio Date: 30/09/2022

	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	-4.32	-12.93	-12.90
Stt Strt Gbl Trs Bd Idx I USD Acc Hdg	12.10		-3.10		
Vanguard Global S/T Bd Idx USD H Acc	9.00		-1.82	-5.96	-6.48
iShares US Index (IE) Instl Acc USD	8.50		-4.88	-24.20	-15.71
Vanguard U.S. 500 Stk Idx \$ Acc	7.50	 Gold	-5.02	-24.18	-15.92
PIMCO GIS GIInGd Crdt Instl USD Acc	5.90	 Bronze	-3.57	-17.93	-18.34
iShares US Corp Bd Idx (IE) Instl AccUSD	5.60		-4.57	-17.34	-17.31
iShares EmergMkts Idx (IE) Instl Acc USD	5.40		-12.05	-27.14	-28.69
Colchester Lcl Mkts Bd \$ Unhgd Accl	4.80		-3.26	-16.97	-18.83
Vanguard Jpn Stk Idx \$ Acc	3.70		-7.70	-26.43	-29.39
Vanguard European Stock Idx USD Acc	3.30		-10.13	-28.66	-24.59
Fundsmith Equity I Acc	3.00	 Gold	-6.52	-31.05	-26.35
ILF USD Liquidity 4	3.00		0.48	0.61	0.61
AXAWF Global High Yield Bds I Cap USD	2.50	Neutral	-0.38	-13.09	-12.51
iShares UK Index (IE) Instl Acc GBP	2.20		-10.77	-18.91	-14.23
BlackRock Sustainable FxIncStrats A2USDH	2.00	 Bronze	-1.65	-4.30	-4.64
PIMCO GIS Glb Lw Dur RI Rt Ins USD Acc	2.00		-2.78	-3.43	-2.62

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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: 01/07/2022 to 30/09/2022

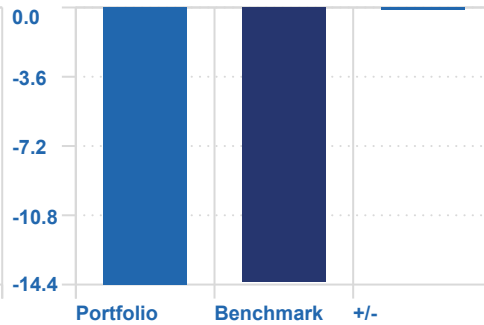
Net Return %



Total Portfolio Returns (%): 1 Year

Time Period: 01/10/2021 to 30/09/2022

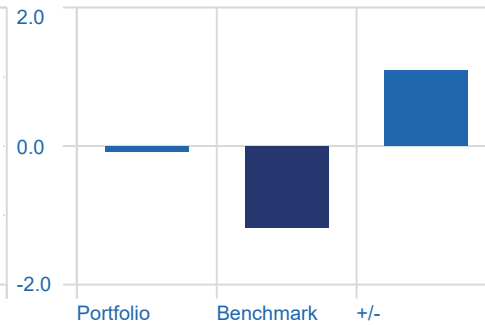
Net Return %



Total Portfolio Returns (%): 3 Year

Time Period: 01/10/2019 to 30/09/2022

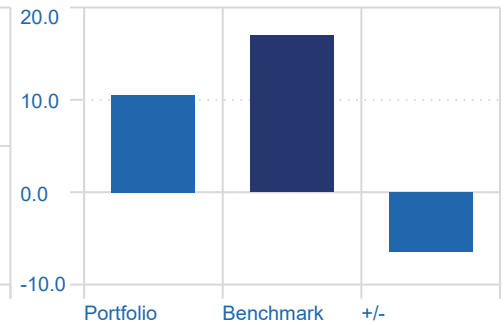
Net Return %



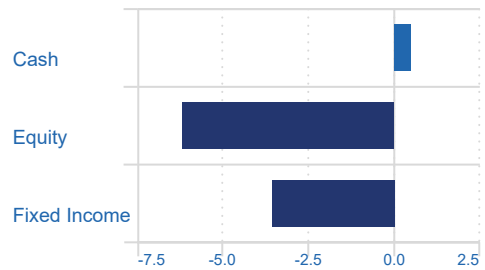
Total Portfolio Returns (%): Since Inception

Time Period: 03/07/2017 to 30/09/2022

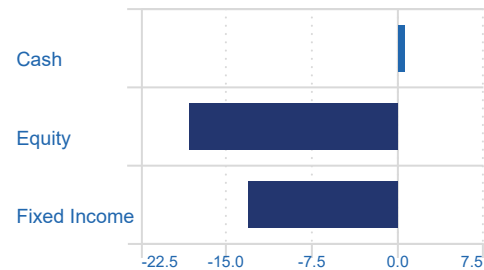
Net Return %



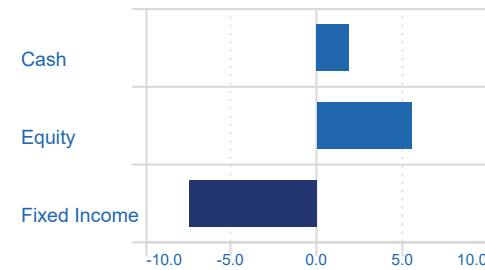
Asset Class Returns (%): Quarter



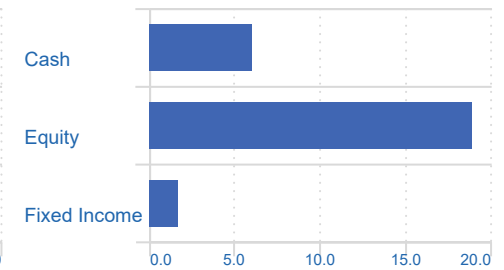
Asset Class Returns (%): 1 Year



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	3.06	6.40	0.48	0.44	0.01	-0.18
Equity	42.75	34.60	-6.19	-7.17	-2.62	0.16
Fixed Income	54.19	59.00	-3.57	-3.48	-1.95	-0.10

Asset Class Attribution (%): 1 Year

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	5.43	6.14	0.61	0.51	0.02	-0.18
Equity	41.51	35.45	-18.27	-20.61	-7.61	0.64
Fixed Income	53.06	58.41	-13.13	-12.78	-6.81	-0.12

Asset Class Attribution (%): 3 Year

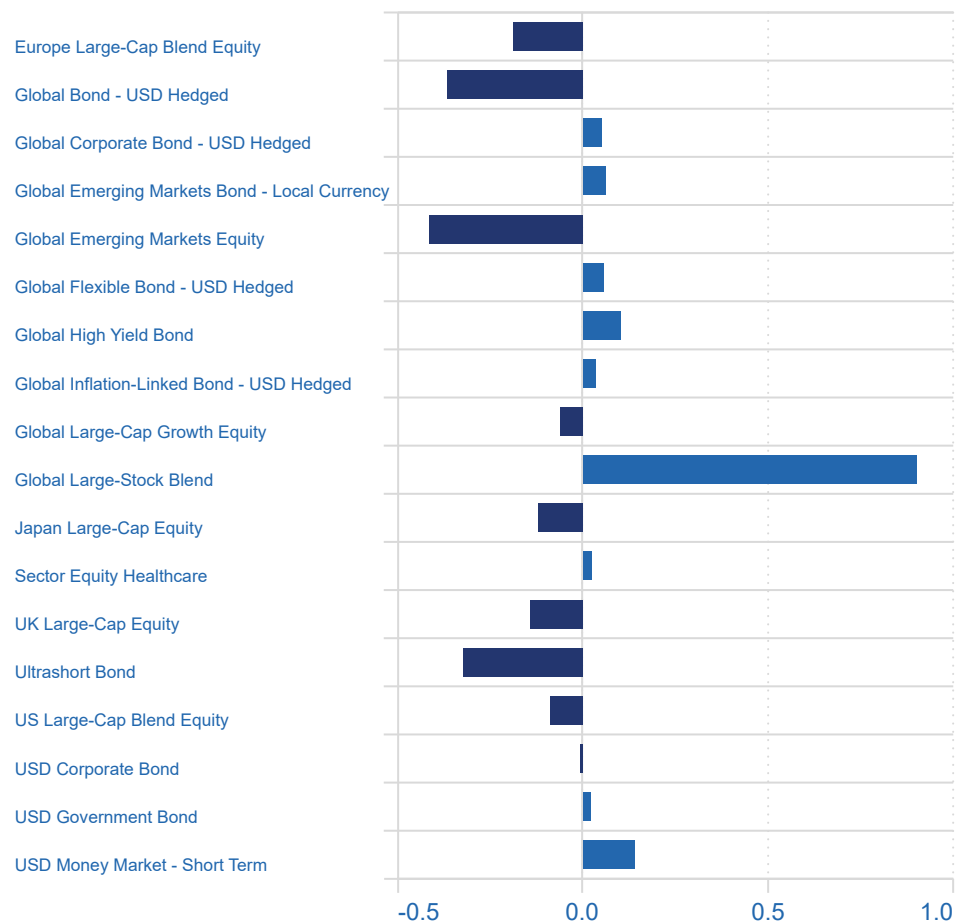
	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	9.57	5.87	1.87	1.24	0.23	-0.93
Equity	41.00	36.96	5.52	11.52	4.80	-1.56
Fixed Income	49.43	57.16	-7.46	-10.03	-5.11	2.47

Asset Class Attribution (%): Since Inception

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	12.25	6.89	6.00	5.12	0.93	-1.93
Equity	39.45	38.65	18.87	31.14	10.67	-3.72
Fixed Income	48.30	54.45	1.65	-0.47	-1.06	2.43

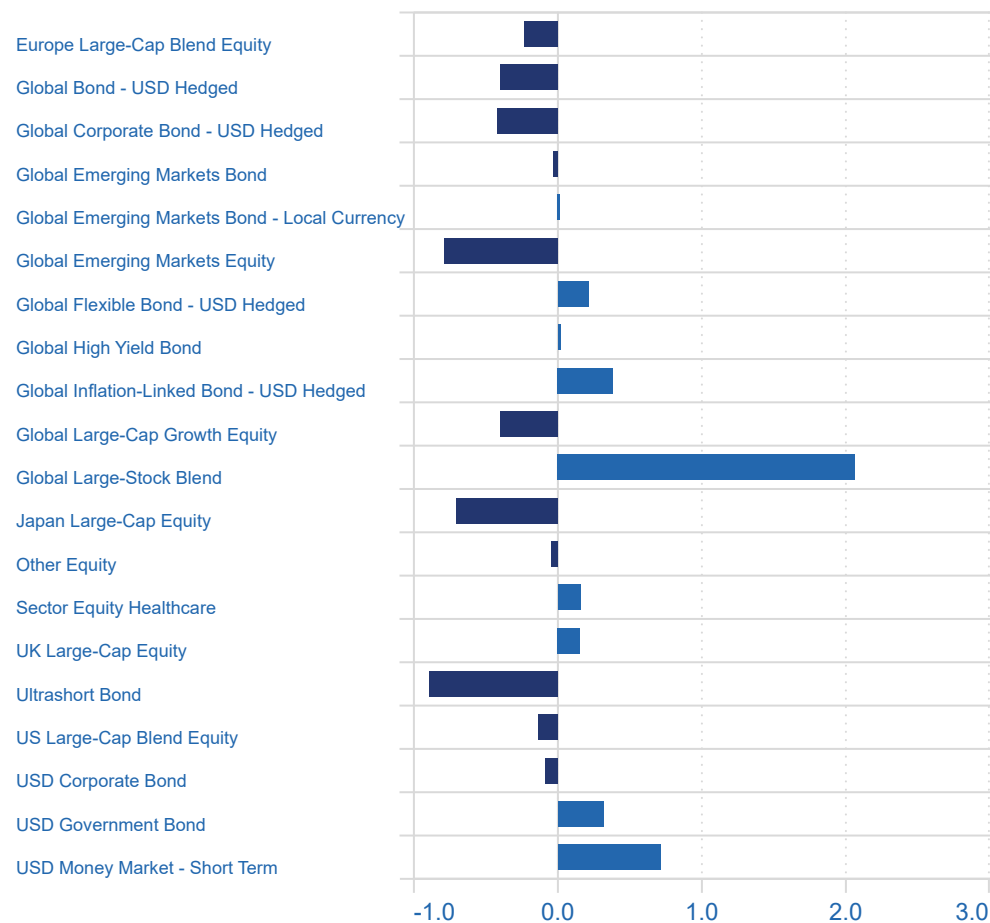
Allocation Effect: (%) : Quarter

Time Period: 01/07/2022 to 30/09/2022



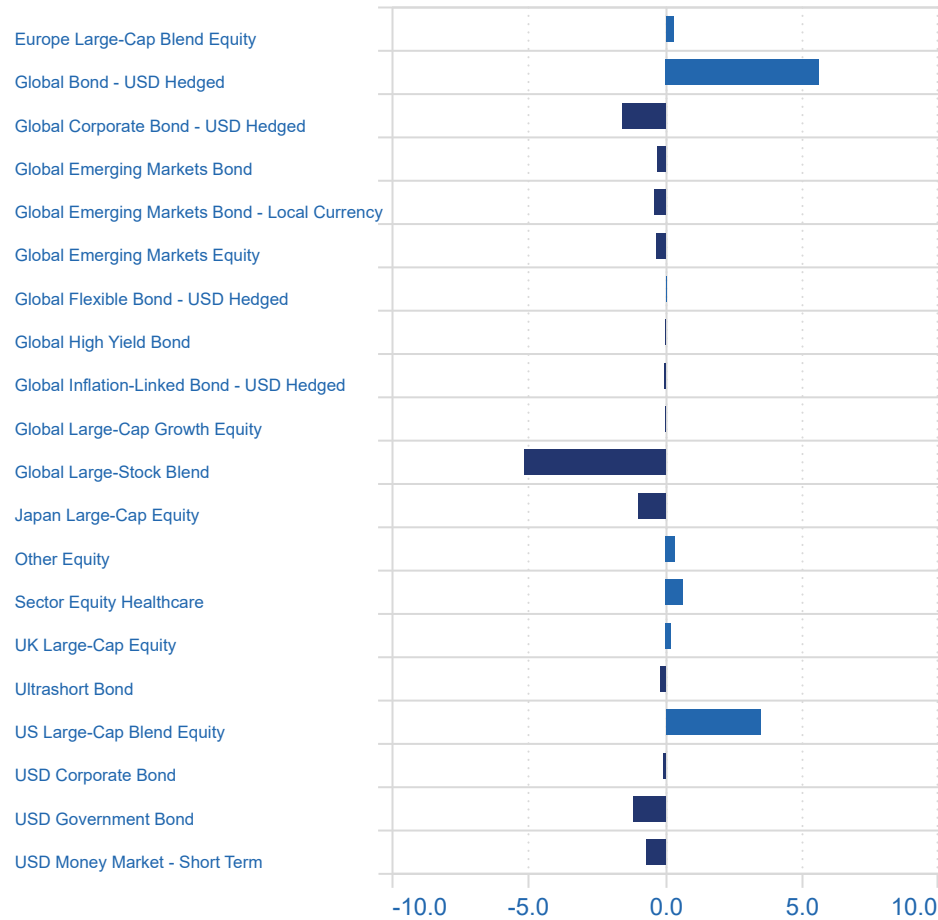
Allocation Effect: (%) : 1 Year

Time Period: 01/10/2021 to 30/09/2022



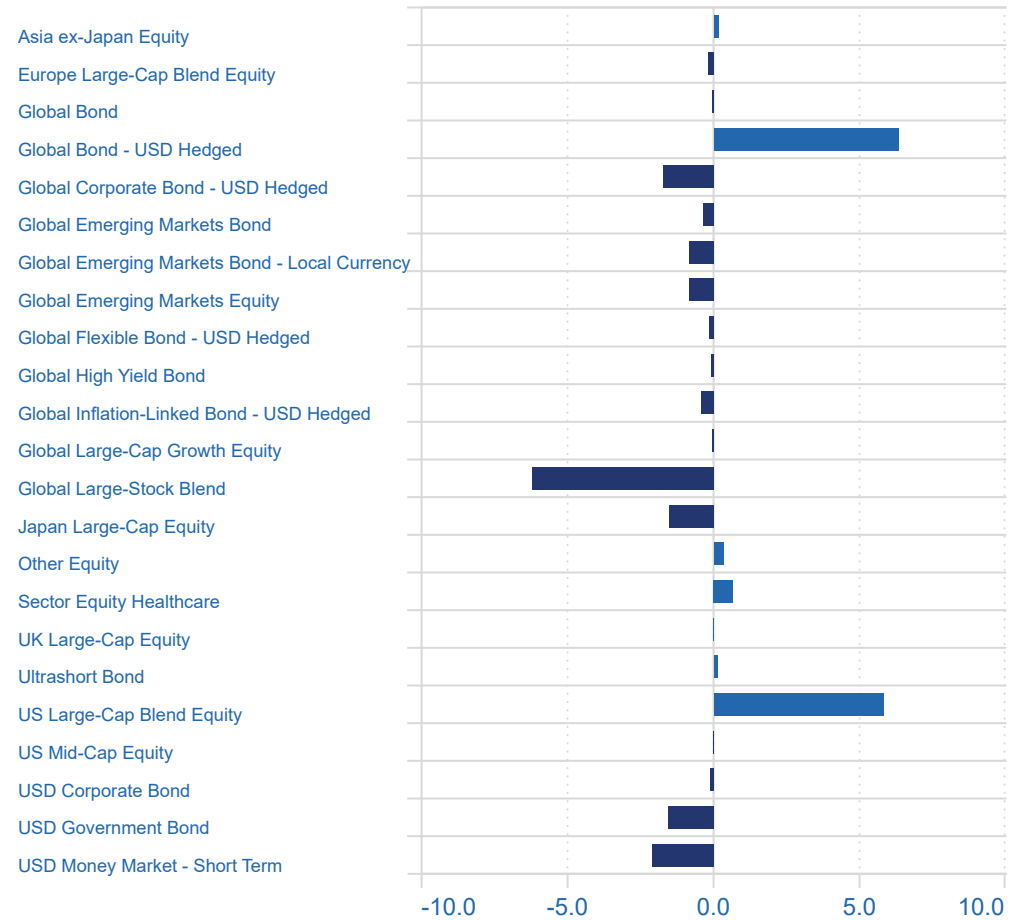
Allocation Effect: (%) : 3 Year

Time Period: 01/10/2019 to 30/09/2022



Allocation Effect: (%) : Since Inception

Time Period: 03/07/2017 to 30/09/2022



Zurich TDF 2025

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