Quarterly Board Report

Zurich Target Date Funds

Zurich TDF 2025

Market Commentary

Market Commentary:

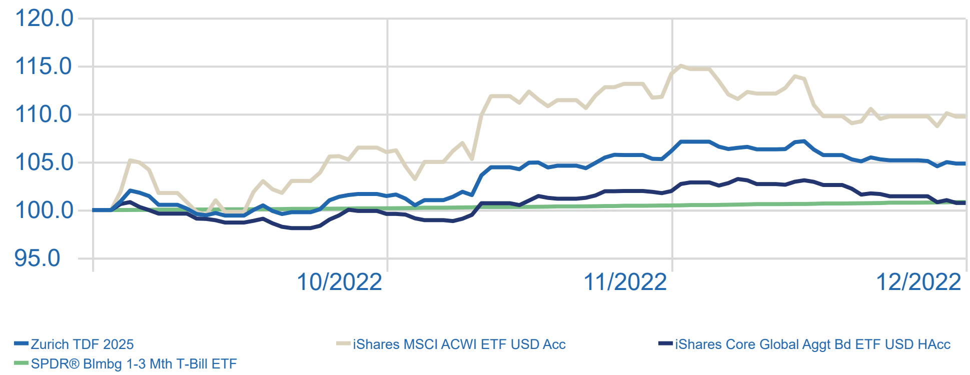
2022 will go down as a very difficult one for investors, following several years of market strength. The S&P 500 lost 18.1% for the year – its biggest calendar-year loss since 2008. This came despite stocks and bonds both rallying in 2022’s fourth quarter, trimming the losses built up earlier in the year.

Chief among the challenges were inflation, rising interest rates, recessionary pre-conditions, and geopolitical risk. This created valuation risk, where we saw a meaningful retreat in the amount investors were willing to pay for assets. In the fourth quarter, inflation showed signs of peaking, which may allow central banks to pare back on their aggressive interest-rate hikes.

However, eyes quickly turned to the deteriorating state of the economy, with higher interest rates pinching both households and companies alike. The Federal Reserve (along with many other central banks) raised interest rates seven times in 2022, but the 50-basis-point hike in December was smaller than the previous increases, perhaps offering a small sign the worst of inflation is behind us. Over the course of the year, investors were subjected to volatile conditions and there were few places to hide.

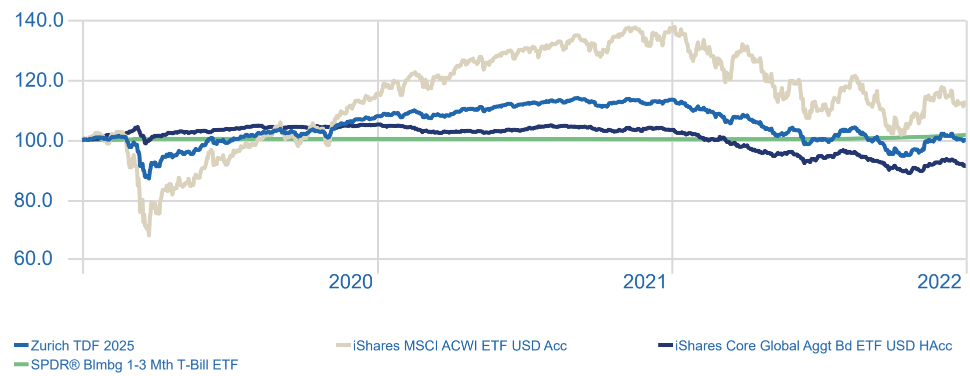
Market Performance (%): Quarter

Time Period: 01/10/2022 to 31/12/2022



Market Performance (%): 3 Year

Time Period: 01/01/2020 to 31/12/2022



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.

Zurich TDF 2025

Portfolio & Performance Review

Portfolio & Attribution Commentary

Portfolio Commentary

Nearly every corner of the financial markets posted big losses. Only a very narrow section of the stock market—truly defensive names such as stable, high-dividend payers, or energy-related assets—offered shelter from the storm.

Among equities, investors became less tolerant of companies that didn't generate profits. As a clear observation of this shift, the Morningstar US Growth index fell 36.7%, with former darlings in technology, consumer discretionary, and communications services all suffering. On the other hand, value stocks benefited from a revitalized energy sector and a collection of defensive stocks in the healthcare, consumer staples and utilities sectors. In contrast to growth stocks, the year-end rally left the Morningstar US Value index down just 0.7% in 2022.

Energy stocks were the year's clear winners, posting one of their best years on record. This supported markets like the U.K., with the FTSE 100 remarkably posting healthy gains in local currency terms, despite economic and political concerns. Emerging markets suffered from Russian stocks becoming uninvestable, along with weakness in China and South Korea. European stocks also suffered amid the Ukraine/Russia war and could not overcome the headwinds.

While bonds have been a key diversifier for investors during many stock market selloffs, that wasn't the case in 2022. Rising interest rates caused bond prices to fall. On many measures, bonds had their worst year in decades, with much of the damage attributed to higher interest rates. That said, the fourth quarter saw a meaningful comeback for bonds, especially at the riskier end, including high yield and emerging-markets bonds.

Attribution Commentary

Within equities, our underweight to US equities helped returns as the dollar weakened over the period. We also benefited from our allocation to European equities, and to the UK more specifically, which was boosted by the strong return from the financials and basic resources sectors.

Within Fixed Income, our allocation to Investment Grade Credit and High Yield Bonds benefitted as risk assets rallied. High Yield Bonds also benefited from their shorter maturity profile which is less impacted by changes in interest rates. Exposure to Emerging Market Local Currency Bonds was positive, helped by a weaker US dollar.

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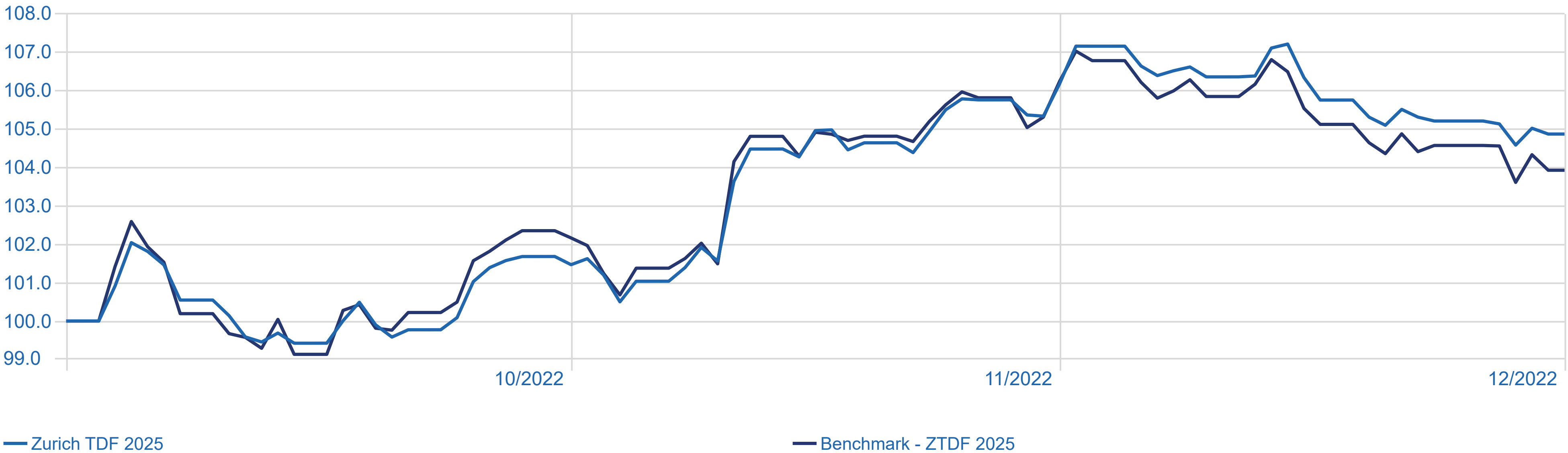
Performance Review

Investment Growth (%)

Time Period: 01/10/2022 to 31/12/2022



Trailing Returns (%)

Data Point: Return

	Since Inception (03/07/2017)	3 Years	Quarter	YTD	01/01/2022 - 31/12/2022	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Zurich TDF 2025	14.73	-0.03	4.87	-11.98	-11.98	5.15	8.01	13.16	-4.08
Benchmark - ZTDF 2025	17.92	0.37	3.93	-13.64	-13.64	5.97	9.67	15.17	-3.18

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Portfolio Positioning & Outlook

Recent Changes

The key changes made over the quarter are outlined below:

Equity allocation

Within equities, we took advantage of the recent market volatility and increased our allocation to US Equities, funded by a reduction in Japanese equities.

Fixed income allocation

Within Fixed Income, we added to our positions in Global Investment grade Corporates and European High Yield. Spreads have widened considerably since the beginning of the year, and we feel the yields sufficiently compensate investors for higher levels of defaults, and reduced recovery rates.

Positioning Update and Outlook

It is hard to imagine a more brutal year than 2022, which saw global stocks down by double digits, although the longer-term picture is much more balanced. A key variable that many investors are watching in 2023 is the degree to which corporate earnings are able to remain buoyant, or if expectations are too high, which could spell more trouble for the market. That said, a potential burst of optimism is that central banks might be able to pause its rate hikes and ``pivot” to lowering rates.

Yet, much of these “macro” issues are unknowable and it is therefore dangerous to presume a certain pathway. To overcome these temptations, an investor must think probabilistically. The correct question is not “what is the market going to do next?” but rather “are assets priced reasonably for the current environment?”

Heading into 2023, bearish sentiment among investors is at the highest it’s been since tracking such data started 35 years ago. With a contrarian lens, this could be a positive. However, while the overall valuation landscape has undoubtedly improved, there are many assets which remain around fair value. In such an environment, we remain determined to balance opportunities against risks.

From a positioning standpoint, our allocation remains balanced across the different regions from an Equity perspective. The US market remains on the “less attractive” end of the valuation spectrum, however, we have taken advantage of the recent pullbacks to reduce our underweight to the Asset Class. Overall, we continue to 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: 31/12/2022

	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	0.52	-12.48	-12.48
PIMCO GIS GlInGd Crdt Instl USD Acc	10.80	Bronze	2.93	-15.52	-15.52
Stt Strt Glbl Trs Bd Idx I USD Acc Hdg	10.70		0.02	-10.88	-10.88
iShares US Index (IE) Instl Acc USD	8.50		7.63	-18.42	-18.42
Vanguard U.S. 500 Stk Idx $ Acc	8.40	Gold	7.40	-18.57	-18.57
iShares US Corp Bd Idx (IE) Instl AccUSD	5.60		3.49	-14.46	-14.46
iShares EmergMkts Idx (IE) Instl Acc USD	5.40		9.76	-20.03	-20.03
PIMCO GIS Glb Lw Dur Rl Rt Ins USD Acc	4.60		2.25	-1.26	-1.26
Colchester Lcl Mkts Bd $ Unhgd Accl	3.60		9.89	-8.76	-8.76
Vanguard European Stock Idx USD Acc	3.30		19.38	-14.83	-14.83
Fundsmith Equity I Acc	3.00	Gold	11.13	-23.37	-23.37
Vanguard Global S/T Bd Idx USD H Acc	3.00		0.90	-5.12	-5.12
Vanguard Jpn Stk Idx $ Acc	2.80		13.17	-16.75	-16.75
ILF USD Liquidity 4	2.60		0.86	1.47	1.47
iShares UK Index (IE) Instl Acc GBP	2.20		17.92	-4.39	-4.39
AXAWF Global High Yield Bds I Cap USD	2.00	Neutral	4.57	-9.12	-9.12
BlackRock Sustainable FxIncStrats A2USDH	2.00	Bronze	6.01	1.45	1.45
HSBC GIF Euro High Yield Bond ICHUSD	2.00		6.31	-8.59	-8.59

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Zurich TDF 2025

Asset Class Attribution

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Total Portfolio Returns (%): Quarter

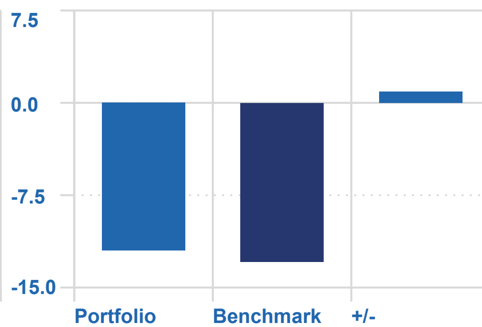
Time Period: 01/10/2022 to 31/12/2022

Net Return %

Total Portfolio Returns (%): 1 Year

Time Period: 01/01/2022 to 31/12/2022

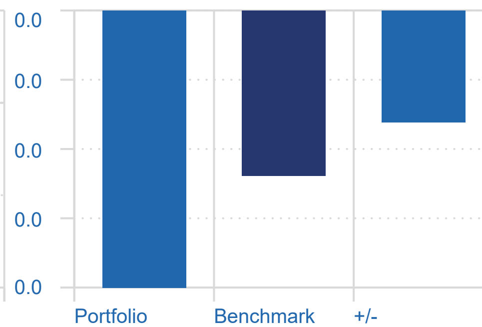
Net Return %



Total Portfolio Returns (%): 3 Year

Time Period: 01/01/2020 to 31/12/2022

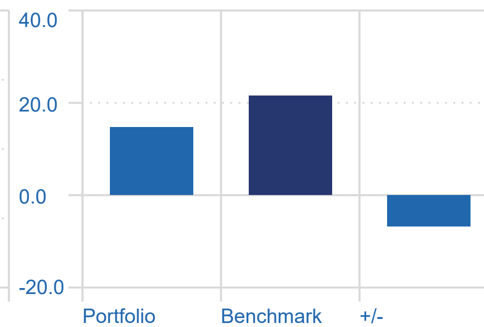
Net Return %



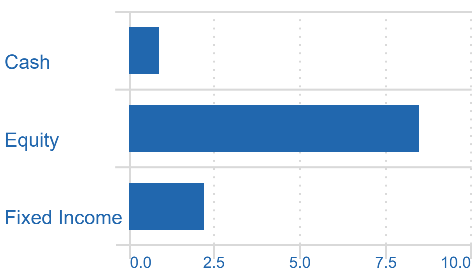
Total Portfolio Returns (%): Since Inception

Time Period: 03/07/2017 to 31/12/2022

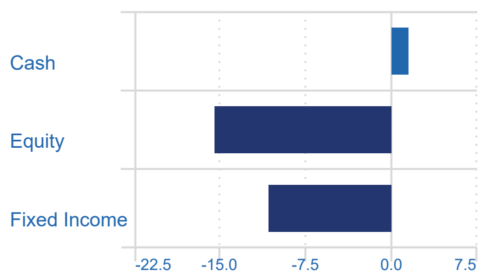
Net Return %



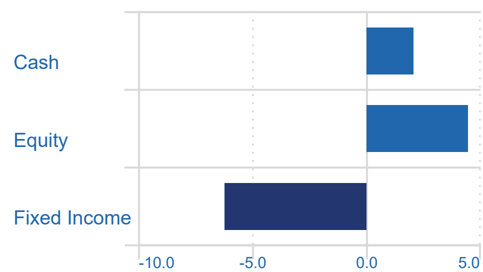
Asset Class Returns (%): Quarter



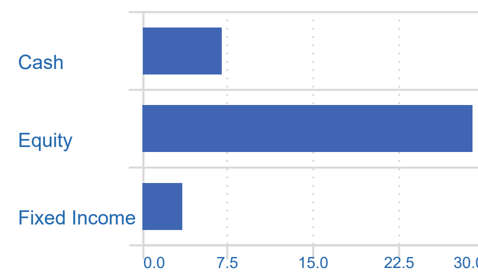
Asset Class Returns (%): 1 Year



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	2.84	6.34	0.86	0.84	0.02	0.10
Equity	40.88	35.70	8.47	9.99	3.68	-0.17
Fixed Income	56.28	57.97	2.19	0.74	1.17	1.03

Asset Class Attribution (%): 1 Year

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	4.29	6.24	1.47	1.38	0.04	-0.16
Equity	40.37	35.28	-15.48	-18.27	-6.06	0.94
Fixed Income	55.33	58.48	-10.77	-12.12	-5.95	0.75

Asset Class Attribution (%): 3 Year

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	8.05	5.95	2.05	1.68	0.13	-0.57
Equity	39.46	36.70	4.45	12.60	4.27	-2.24
Fixed Income	52.49	57.35	-6.21	-8.87	-4.43	2.09

Asset Class Attribution (%): Since Inception

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	11.46	6.87	6.91	6.00	0.92	-1.73
Equity	38.17	38.52	28.93	44.25	13.69	-4.59
Fixed Income	50.37	54.62	3.46	0.27	0.12	2.84

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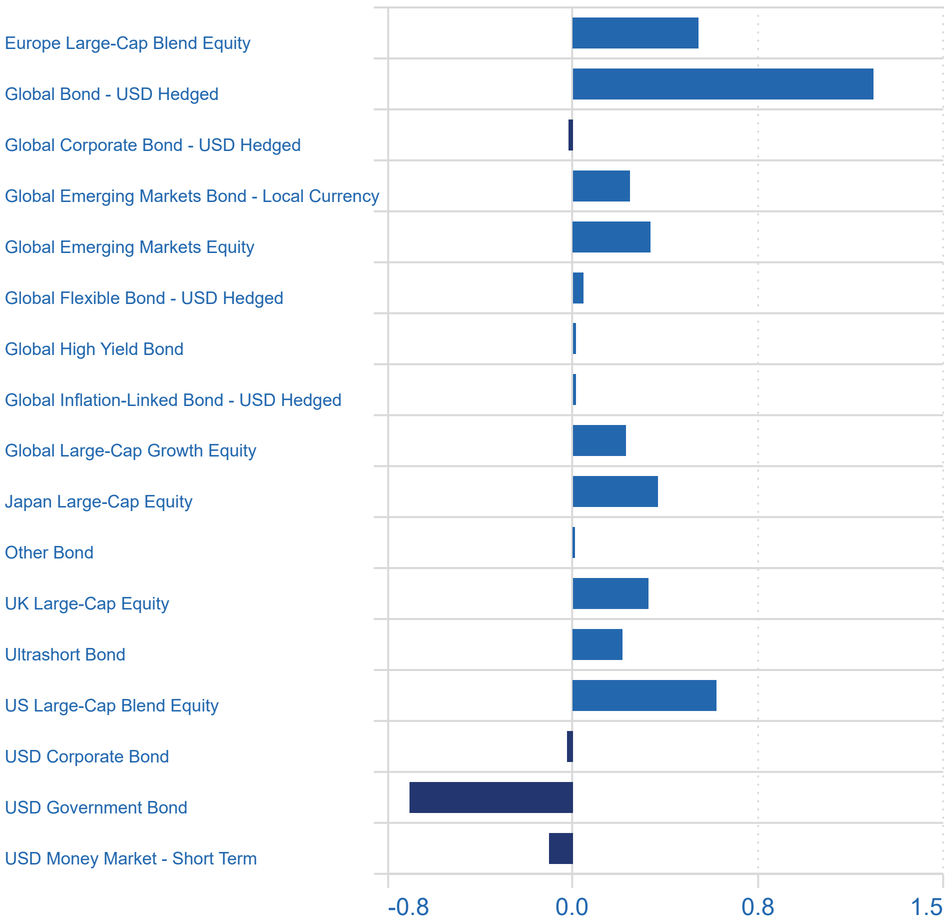
Asset Allocation Attribution

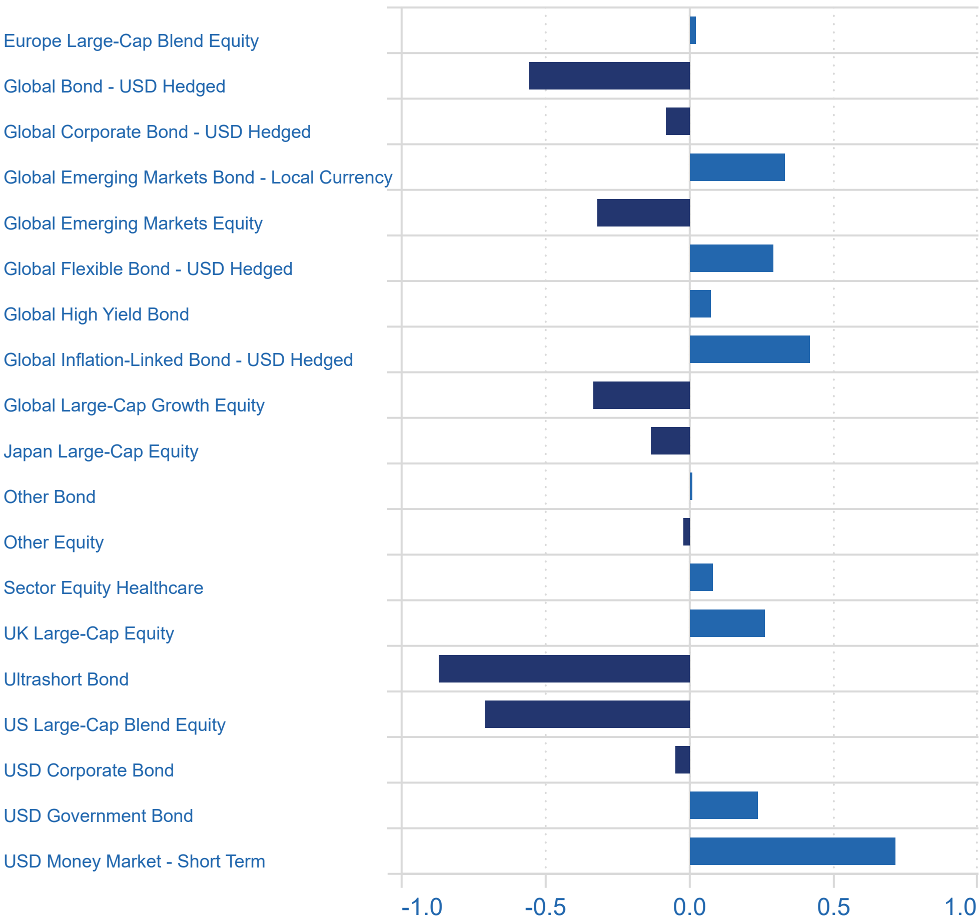
Allocation Effect: (%) : Quarter

Time Period: 01/10/2022 to 31/12/2022



Allocation Effect: (%) : 1 Year

Time Period: 01/01/2022 to 31/12/2022



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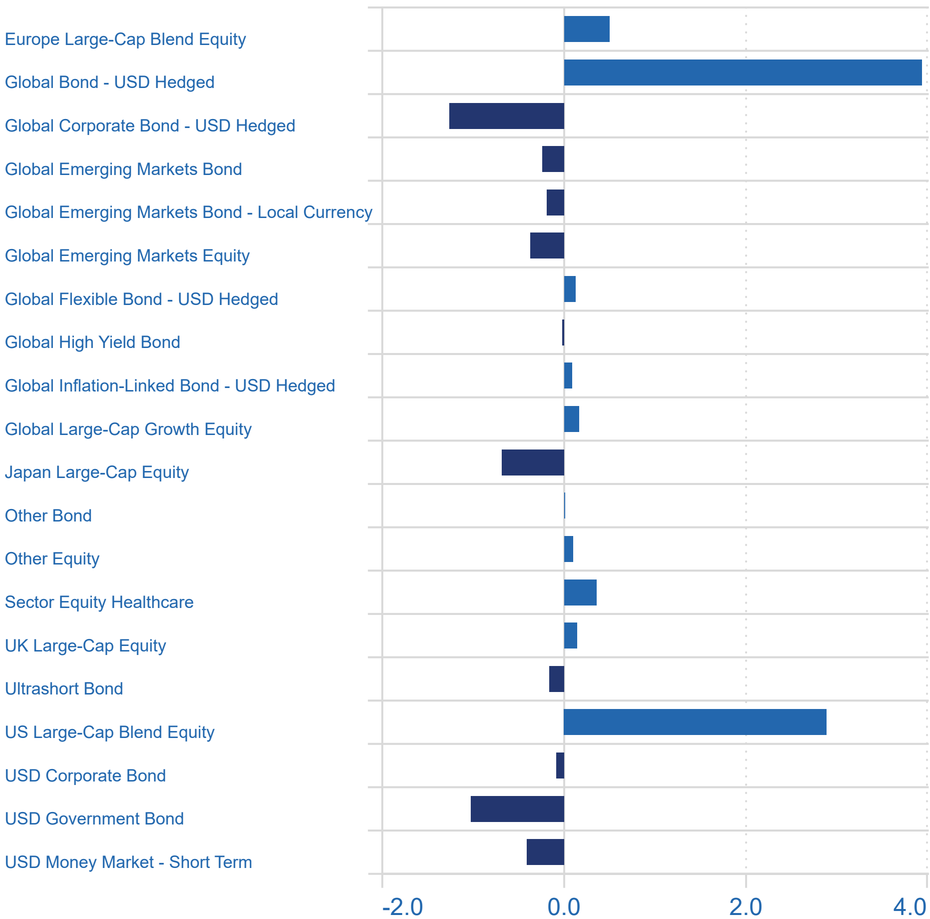
Asset Allocation Attribution

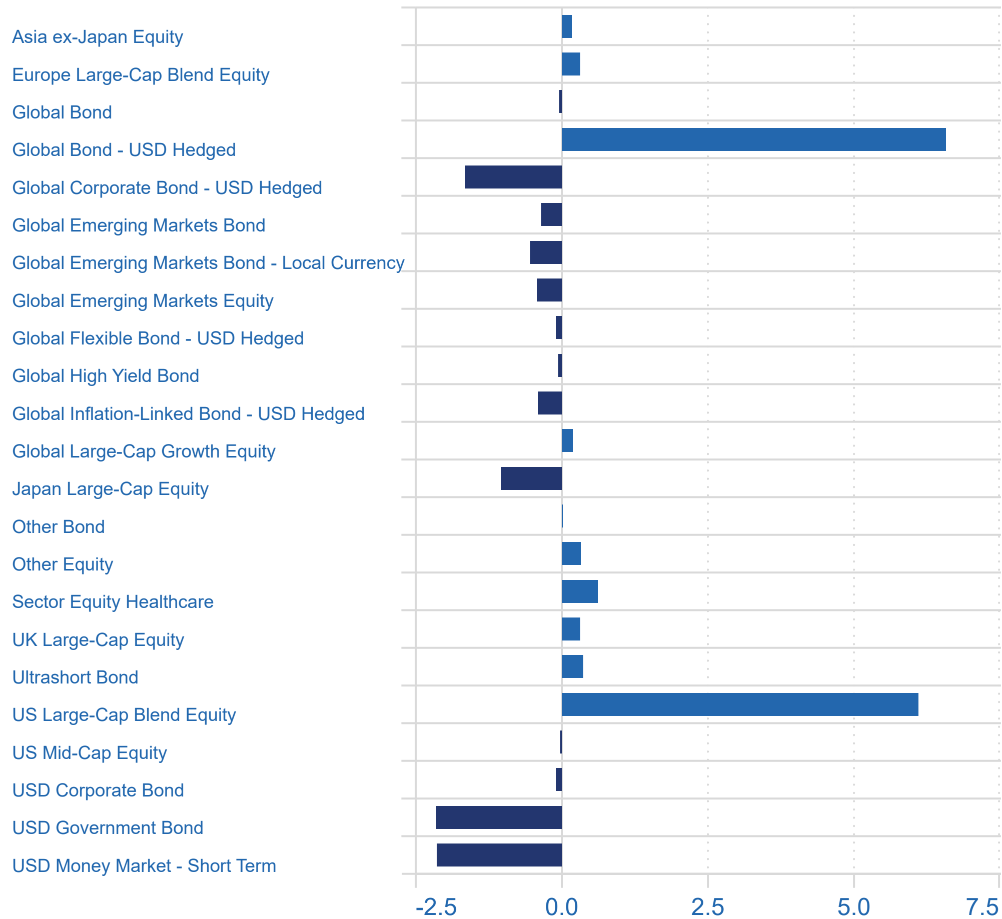
Allocation Effect: (%) : 3 Year

Time Period: 01/01/2020 to 31/12/2022



Allocation Effect: (%) : Since Inception

Time Period: 03/07/2017 to 31/12/2022



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