Quarterly Board Report

Zurich Target Date Funds

Zurich TDF 2025

Market Commentary

Market Commentary:

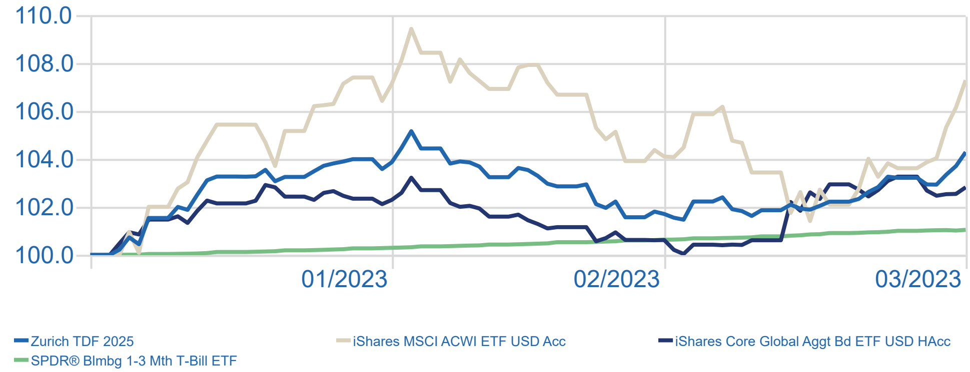
After a tough 2022, stocks and bonds posted gains during the first quarter. But it was worries about a banking crisis and continued interest rate speculation that took headlines.

The chief concern among many investors shifted from inflation to a liquidity crisis among regional banks, which began with the collapse of Silicon Valley Bank. While it escalated quickly, investors seem convinced that central banks have contained the problem, so much of the stock market was able to weather the storm and actually rallied in the aftermath.

Underlying the back and forth of sentiment in the stock and bond markets were significant swings in expectations for central bank policy. We saw further interest rate rises in the quarter, but at a slowing rate, as investors started off the year believing that inflation pressures were weakening. However economic surprises continued, often with stronger than expected data. Corporate earnings were a soft point in the "reporting season" although investors took this mostly in stride.

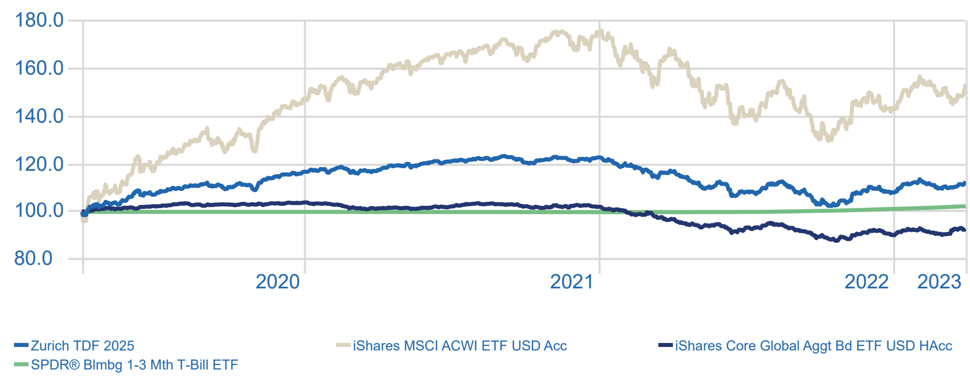
Market Performance (%): Quarter

Time Period: 01/01/2023 to 31/03/2023



Market Performance (%): 3 Year

Time Period: 01/04/2020 to 31/03/2023



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Portfolio & Performance Review

Portfolio & Attribution Commentary

Portfolio Commentary

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Attribution Commentary

Performance was positive over the quarter, with positive contributions from our Fixed Income, Cash and Equity positioning.

Within Equities, our broad allocation to US Equities contributed to returns given their significant exposure to sectors such as Technology which rallied over the quarter. Within Emerging Markets Equities, our overweight position to the Asset Class contributed to returns despite the underperformance relative to Developed Market Equities.

Our underweight to European Equities detracted from returns. European equities were the best regional performer over the quarter as investors returned to the asset class following a difficult year in 2022. Overall, the economic backdrop in Europe has been better than feared. A mild winter and energy storage mitigated the impact of higher oil and gas prices on European companies. The Euro outperformed against major currencies which also helped.

Within Fixed Income, our exposure to Emerging Market Local Currency Bonds was positive and amongst the biggest contributors to returns as they benefitted from a weaker US dollar. Our allocation to Inflation-Linked bonds contributed positively as inflation continued to surprise on the upside.

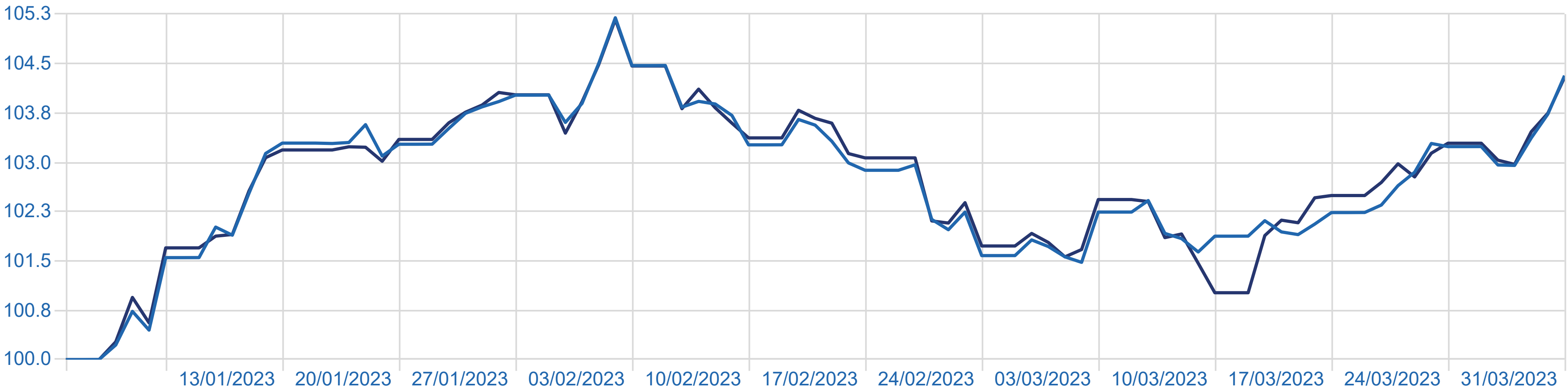
Our allocation to US and Global Government Bonds also contributed to returns amidst market turbulence in March as investors sought refuge in safer assets. Government bonds also benefitted from expectations that the pace of rate rises would slow or even reverse on the back of softer forward guidance from Central Banks.

Zurich TDF 2025

Performance Review

Investment Growth (%)

Time Period: 01/01/2023 to 31/03/2023



Trailing Returns (%)

Data Point: Return

	Since Inception (03/07/2017)	5 Years	3 Years	Quarter	YTD	01/04/2022 - 31/03/2023	01/04/2021 - 31/03/2022	01/04/2020 - 31/03/2021	01/04/2019 - 31/03/2020	01/04/2018 - 31/03/2019
Zurich TDF 2025	19.68	2.56	12.75	4.31	4.31	-3.60	-0.04	17.01	-1.00	1.65
Benchmark - ZTDF 2025	23.82	3.24	13.54	4.29	4.29	-4.88	-0.01	19.38	-0.10	3.38

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Portfolio Positioning & Outlook

Recent Changes

The key changes made over the quarter are outlined below:

Equity allocation

Within Equities, we rebalance the portfolios back to target allocations given the recent market volatility and make a few changes around the edges. Changes include slightly reducing our exposure in Japan and Emerging Market equity in favour of broad US stocks as valuations improve.

Fixed income allocation

We continue to have a bias towards the US bond market given that they are further ahead in their interest rate cycle and are starting to see the impact of prior rate hikes to bring down inflation. In addition, we decided to sell our global high yield bond position which has performed well since we included it in the portfolios last year.

Positioning Update and Outlook

As the second quarter gets underway, the question facing investors (and central banks) is whether the banking scare will reverberate through the economy and cause a recession. Obviously, this is difficult to predict and remains a genuine risk. What is clear is that investors and central banks are watching closely, with the risk of further bank failures (and undesirable knock-on effects) weighed against a potentially friendlier interest-rate outlook.

Overall, sentiment remains bearish among investors on most measures. In some respects, this is cause for optimism, as it usually means asset prices are cheap. The negative sentiment expressed towards banks has been reminiscent of the second quarter of 2008 when market participants sought for the next weakest financial institution. The Global Financial Crisis has left an indelible mark on the minds of investors and so it is not surprising that this experience is influencing the perspective of investors.

However, looking beyond sentiment, the differences between the current situation and 2008 are more noticeable than the similarities. But regardless of the strength of bank's balance sheets, a loss of confidence in a bank can create a destructive 'run' at a particular bank and a sharp tightening of lending standards across the system. This environment is extremely challenging for central banks and perilous for investors.

Turning to investment opportunities, the collapse of SVB and Credit Suisse is yet to create an unusually good investment landscape, so caution is warranted. While some of the best investment opportunities could emerge among the banks, a greater 'margin of safety' is required given the near-term risks.
In such an environment, we remain determined to balance opportunities against risks and must expect further surprises. With a contrarian mindset, we'll look at this resourcefully.

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: 31/03/2023

	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	3.13	3.13	-4.53
Stt Strt Glbl Trs Bd Idx I USD Acc Hdg	13.70		3.03	3.03	-3.98
PIMCO GIS GlInGd Crdt Instl USD Acc	12.80	Bronze	3.39	3.39	-4.89
iShares US Index (IE) Instl Acc USD	9.10		7.11	7.11	-8.17
Vanguard U.S. 500 Stk Idx $ Acc	8.40	Gold	7.34	7.34	-8.27
iShares US Corp Bd Idx (IE) Instl AccUSD	5.60		3.06	3.06	-5.11
iShares EmergMkts Idx (IE) Instl Acc USD	5.20		3.93	3.93	-11.10
PIMCO GIS Glb Lw Dur Rl Rt Ins USD Acc	4.60		1.86	1.86	0.17
Colchester Lcl Mkts Bd $ Unhgd Accl	3.60		6.42	6.42	3.31
Vanguard European Stock Idx USD Acc	3.30		10.61	10.61	1.66
Fundsmith Equity I Acc	3.00	Gold	9.90	9.90	-4.03
Vanguard Global S/T Bd Idx USD H Acc	2.60		1.80	1.80	-0.55
Vanguard Jpn Stk Idx $ Acc	2.60		6.17	6.17	-5.33
HSBC GIF Euro High Yield Bond ICHUSD	2.00		0.90	0.90	-4.08
ILF USD Liquidity 4	2.00		1.08	1.08	2.57
iShares UK Index (IE) Instl Acc GBP	2.00		5.20	5.20	-0.93

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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

Asset Class Attribution

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Total Portfolio Returns (%): Quarter

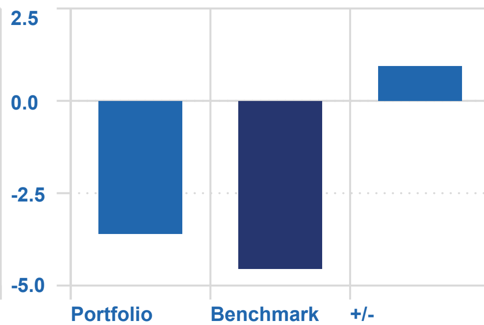
Time Period: 01/01/2023 to 31/03/2023

Net Return %

Total Portfolio Returns (%): 1 Year

Time Period: 01/04/2022 to 31/03/2023

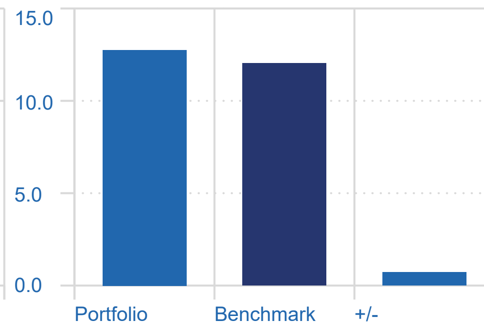
Net Return %



Total Portfolio Returns (%): 3 Year

Time Period: 01/04/2020 to 31/03/2023

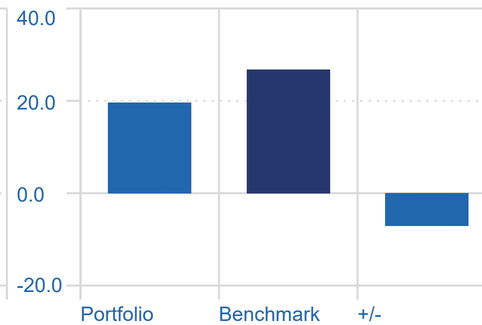
Net Return %



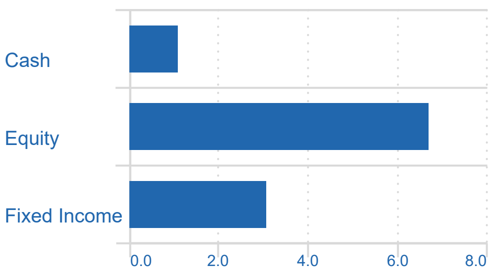
Total Portfolio Returns (%): Since Inception

Time Period: 03/07/2017 to 31/03/2023

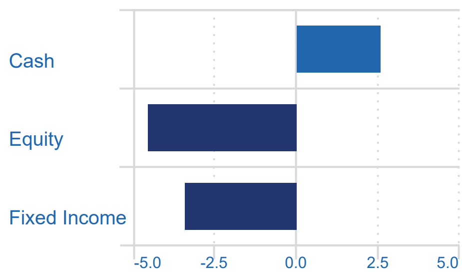
Net Return %



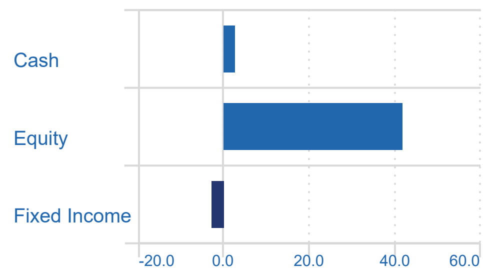
Asset Class Returns (%): Quarter



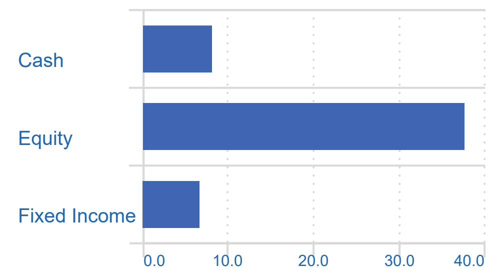
Asset Class Returns (%): 1 Year



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	2.51	6.40	1.08	1.05	0.03	0.13
Equity	36.93	34.80	6.68	7.41	2.43	-0.20
Fixed Income	60.56	58.80	3.05	2.84	1.86	0.10

Asset Class Attribution (%): 1 Year

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	3.27	6.31	2.57	2.44	0.07	-0.07
Equity	40.31	35.21	-4.55	-6.95	-1.93	0.82
Fixed Income	56.42	58.48	-3.42	-4.68	-1.73	0.68

Asset Class Attribution (%): 3 Year

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	6.99	6.02	2.64	2.32	0.09	-1.48
Equity	39.69	36.58	41.76	53.82	15.18	-3.44
Fixed Income	53.32	57.40	-2.82	-7.57	-2.51	4.30

Asset Class Attribution (%): Since Inception

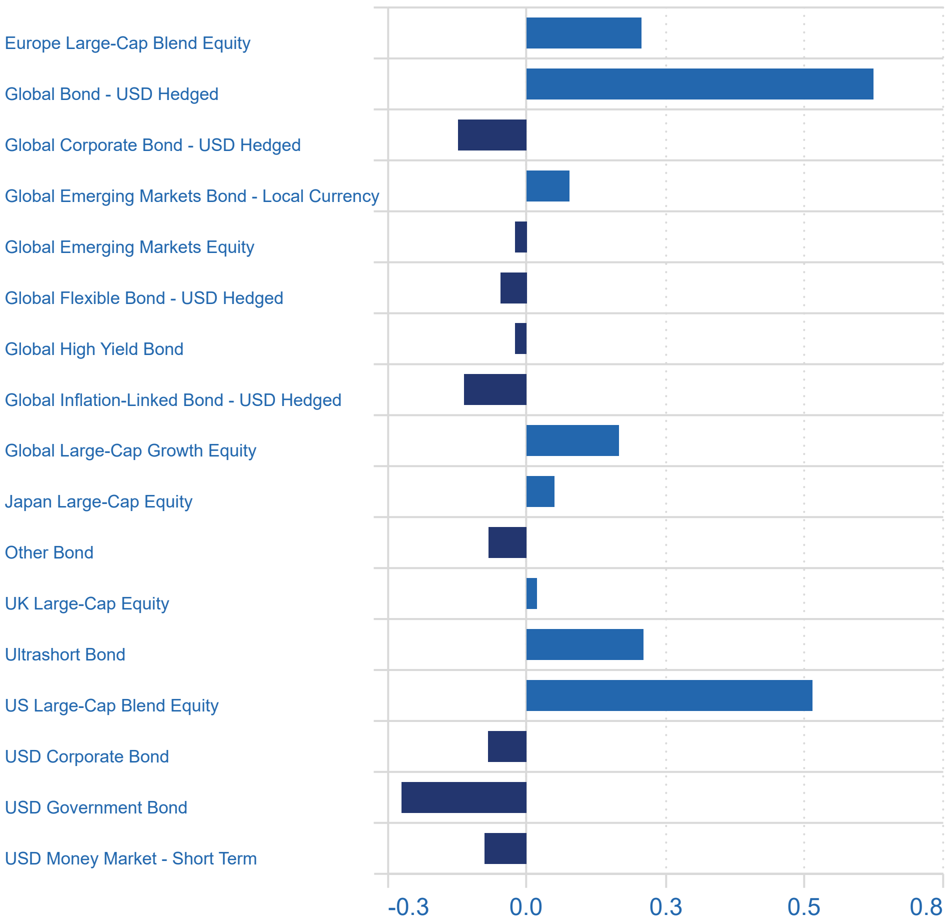
	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	11.08	6.85	8.06	7.12	0.95	-1.67
Equity	38.12	38.36	37.55	55.16	16.47	-5.12
Fixed Income	50.81	54.79	6.62	3.60	2.26	2.79

Zurich TDF 2025

Asset Allocation Attribution

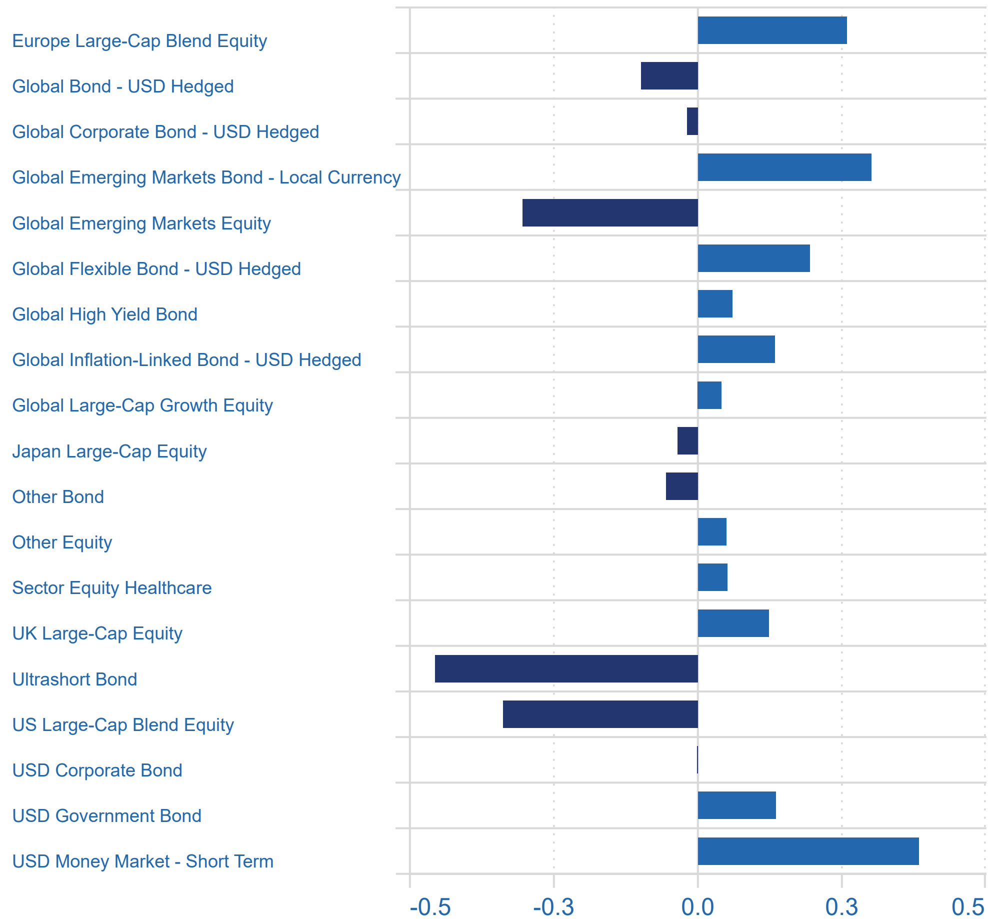
Allocation Effect: (%) : Quarter

Time Period: 01/01/2023 to 31/03/2023



Allocation Effect: (%) : 1 Year

Time Period: 01/04/2022 to 31/03/2023

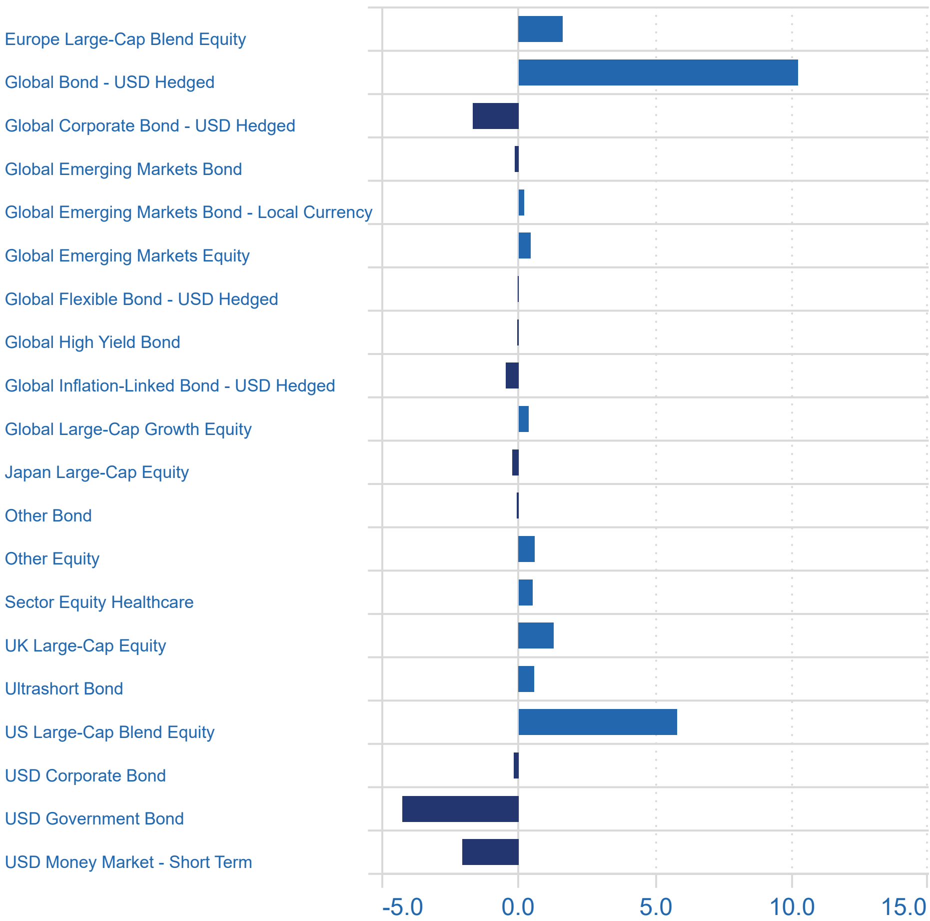


Zurich TDF 2025

Asset Allocation Attribution

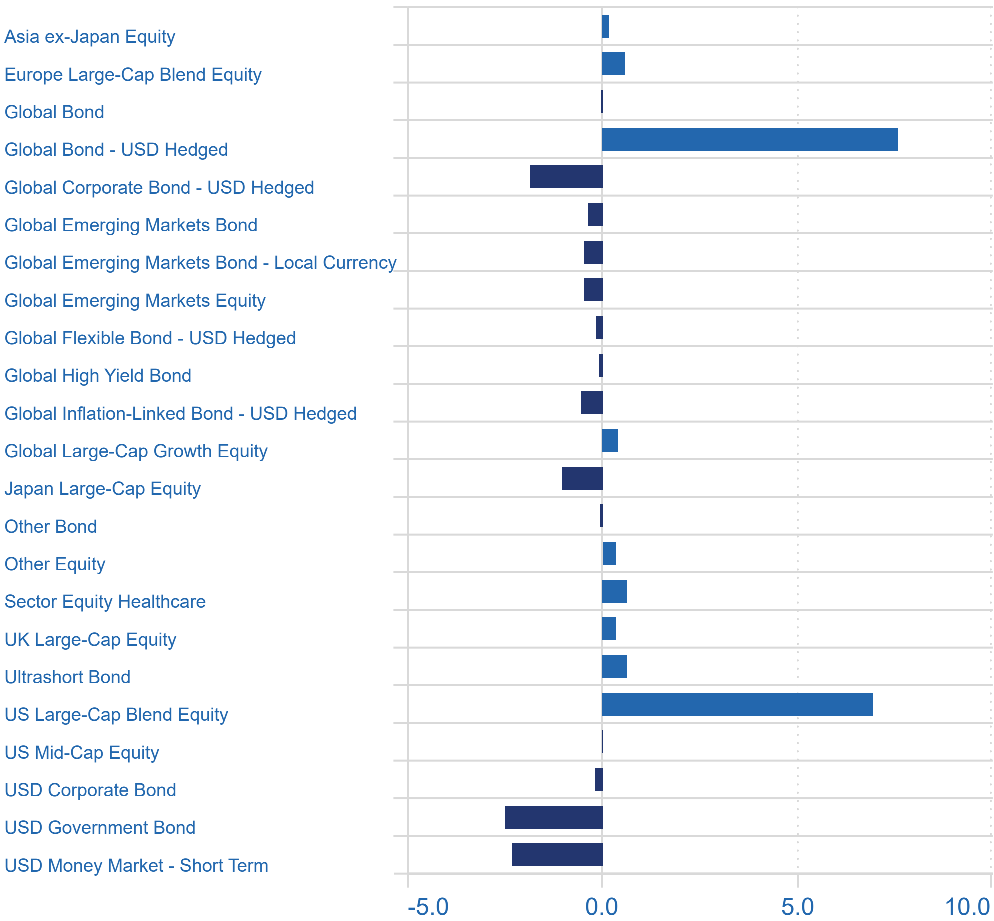
Allocation Effect: (%) : 3 Year

Time Period: 01/04/2020 to 31/03/2023



Allocation Effect: (%) : Since Inception

Time Period: 03/07/2017 to 31/03/2023



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