Quarterly Board Report

Zurich Target Date Funds

Zurich TDF 2025

Market Commentary

Market Commentary:

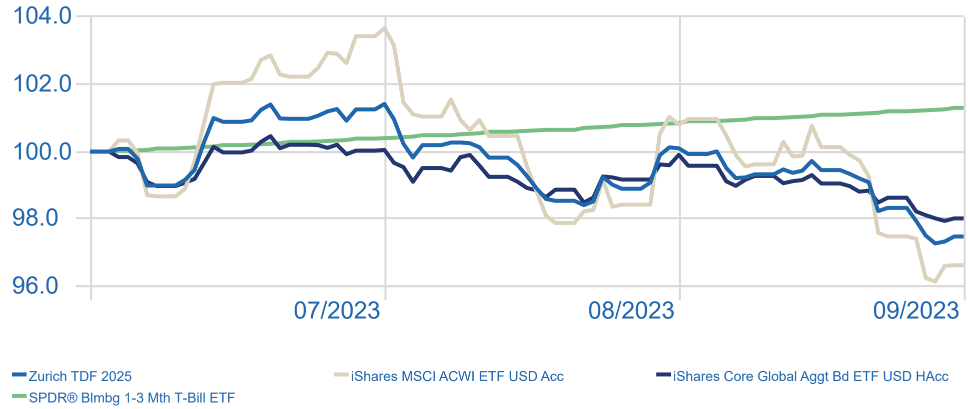
The third quarter of 2023 was a setback for investors, with stocks and bonds both experiencing declines—offsetting some of the gains from earlier in the year.

The Morningstar Global Markets index ended the third quarter down -0.35% but has returned 10.3% over the year to date and is up 11.4% over the last 12 months. The losses for the quarter were wide but shallow—with the U.S., Europe, and emerging markets all experiencing low single-digit declines.

Bonds experienced a strikingly similar decline for the quarter, with the Bloomberg Global Aggregate Bond Euro Hedged index down 2.3%%. This puts it in modestly negative territory for the year, although bond yields are now gaining in attraction at much healthier rates.

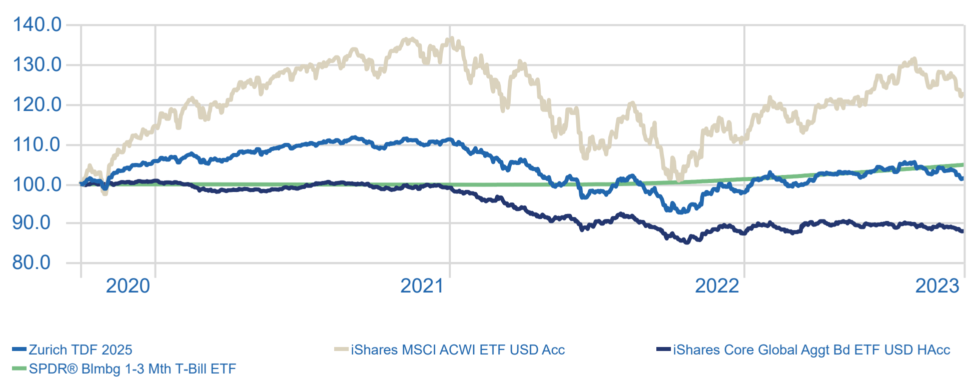
In sporting parlance, it is the equivalent of a soft-tissue injury following a strong run. It is not ideal and requires a careful eye, but it has been a period void of serious trouble.

Market Performance (%): Quarter



Market Performance (%): 3 Year

Time Period: 01/10/2020 to 30/09/2023



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

There are six noteworthy developments shaping markets; 1) the slowing inflation rate is at risk of rising again following 25%+ energy price rises, 2) central banks would prefer to keep rates higher for longer, 3) company earnings are trending sideways and expected to fall slightly in the coming reporting season, 4) a recession is still considered a plausible outcome despite the resilient consumer, 5) political uncertainty is mounting as we enter another election cycle, and 6) artificial intelligence continues to grow rapidly with speculation and excitement.

The “higher for longer” (as it’s being called) landscape is perhaps the biggest change.

Pointedly, stocks and bonds took a leg lower following the Federal Reserve’s September meeting. While the Fed left interest rates unchanged, the market interpreted Chair Jerome Powell’s remarks to mean that the central bank intends to keep interest rates higher for longer. This followed a similar tune at the European Central Bank September meeting.

Attribution Commentary

Given the above, it is no surprise that value stocks held up better than growth stocks in the quarter.

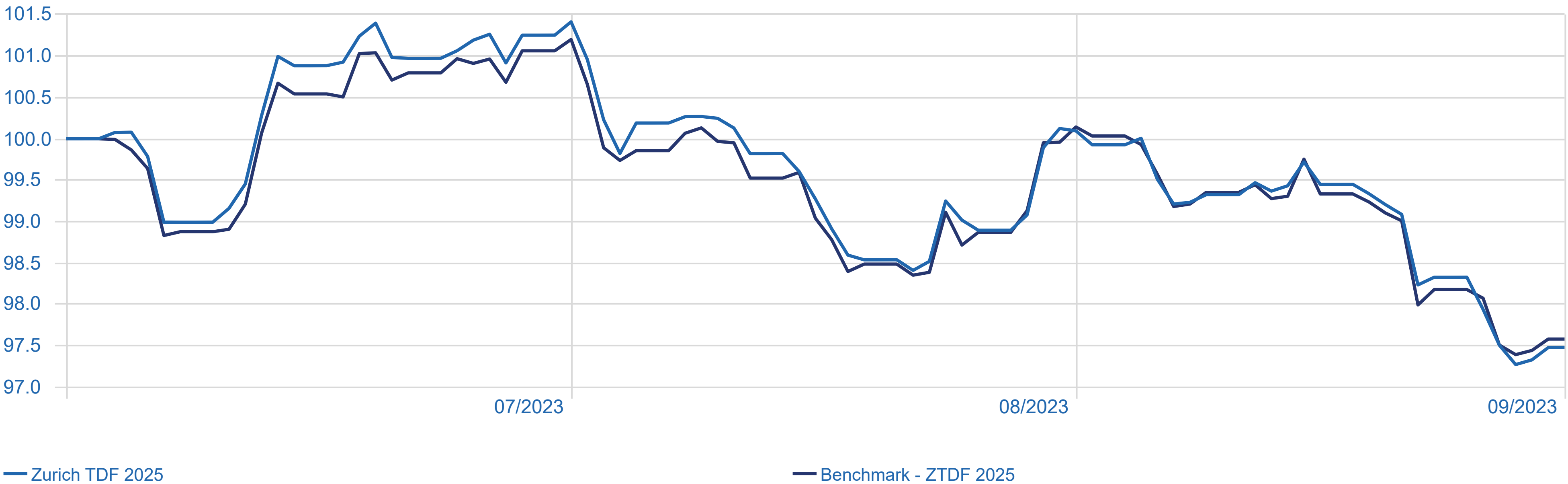
At the Broad Asset class level, absolute returns were negative for both Equities and Bonds over the quarter, but cash acted as a ballast, with U.S. dollar strength also notable.

Among bonds, it was the shorter duration segment that held up best in the quarter, although few areas etched out positive returns. Against the grain, it was high-yield debt that topped the leaderboard, while inflation-linked bonds lost ground given the shift in inflation expectations.

Zurich TDF 2025

Performance Review

Investment Growth (%)



Trailing Returns (%)

Data Point: Return

	Since Inception (03/07/2017)	5 Years	3 Years	Quarter	YTD	01/10/2022 - 30/09/2023	01/10/2021 - 30/09/2022	01/10/2020 - 30/09/2021	01/10/2019 - 30/09/2020	01/10/2018 - 30/09/2019
Zurich TDF 2025	18.88	2.40	1.50	-2.52	3.62	8.67	-14.54	9.30	5.71	4.95
Benchmark - ZTDF 2025	22.70	2.83	0.48	-2.42	4.05	8.14	-14.84	9.12	7.52	6.40

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Portfolio Positioning & Outlook

Recent Changes

Over the quarter, the target glidepath allocations were updated as part of the annual review and the portfolios were subsequently aligned. We also took the opportunity to introduce a position in UK Corporate credit, funded by US Corporates, to reflect the relative attractiveness of the Asset Class on the back of spread widening in the UK.

Positioning Update and Outlook

Taking a longer-term view, global stocks have experienced an annual gain of 10.4% over the past three years and 8% over five years. This would have been a pretty bold forecast for someone who knew we'd experience a pandemic, a war in Europe, and the highest inflation in at least 30 years. More importantly, at this rate, the market would still double every 11 years or so demonstrating the value of patience and not responding to every twist and turn.

While stocks have certainly not tumbled off a cliff, households continue to feel nervy, with consumer sentiment scores still well below normal levels. In this type of environment, we continue to identify opportunities for investors.

That said, we do acknowledge risks. One longer-term risk is the lack of earnings growth. This is a challenge because investors have been driving prices higher relative to earnings—a dynamic known as multiple expansion. One potential reason for the expansion of multiples this year was a belief that central banks would quickly and aggressively pivot to cut rates. This leaves two important (yet incredibly difficult to forecast) variables for markets: the outlook for interest rates and the direction for corporate earnings.

To show how hard it can be, earlier this year, let's remember many investors were looking for an economic slowdown by the third quarter (if not a slide into recession) and bond markets were pricing for rate cuts during 2023. Even when it became clearer that a recession was not in the cards for the U.S. this year, bond markets were pricing in as many as five rate cuts in 2024. Investors now appear to believe those scenarios are off the table.

Meanwhile, the outlook for corporate profits remains muddy. In response, a record number of S&P 500 companies (116) have issued earnings guidance ahead of the end of the quarter, according to FactSet. Currently, earnings are expected to be flat (-0.1%) year-on-year. This increased clarity makes sense at a time when investors are nervous, potentially decreasing the emotional reaction to disappointments.

At the portfolio level, we must expect further surprises. This is a feature, not a bug, of investing. Moreover, it reinforces the need for robustness and judicious diversification. Specifically, we continue to seek exposure to assets that offer strong forward-looking prospects, while balancing risks with defensive exposures.

Much like in sports, a well-rounded team that can defend and attack simultaneously is the most likely to repeatedly win.

From a positioning standpoint, our allocation remains balanced across the different regions from an Equity perspective. We continue to favour markets that offer better value and offer diversification benefits, such as Japan, the UK, or the Global Healthcare sector.

From a Fixed Income perspective, the portfolio has meaningful exposure to global bonds, with a preference for the US curve. 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: 30/09/2023

	Portfolio Weighting %	Morningstar Medalist 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	-3.04	-1.39	-0.88
Stt Strt Glbl Trs Bd Idx I USD Acc Hdg	13.70	Bronze	-2.01	0.90	0.92
PIMCO GIS GlInGd Crdt Instl USD Acc	12.80	Bronze	-1.71	1.67	4.65
iShares US Index (IE) Instl Acc USD	9.10	Silver	-3.42	12.44	21.02
Vanguard U.S. 500 Stk Idx $ Acc	8.40	Gold	-3.40	12.59	20.92
iShares EmergMkts Idx (IE) Instl Acc USD	5.20	Bronze	-3.94	0.39	10.18
PIMCO GIS Glb Lw Dur Rl Rt Ins USD Acc	4.60	Neutral	0.92	2.20	4.51
iShares US Corp Bd Idx (IE) Instl AccUSD	4.40	Silver	-2.56	-0.07	3.42
Colchester Lcl Mkts Bd $ Unhgd Accl	3.60	Bronze	-3.90	8.30	19.01
Fundsmith Equity I Acc	3.30	Gold	-5.67	8.19	20.23
Vanguard European Stock Idx USD Acc	3.00	Gold	-4.97	8.24	29.22
Vanguard Global S/T Bd Idx USD H Acc	2.60	Gold	0.60	2.25	3.18
Vanguard Jpn Stk Idx $ Acc	2.60	Silver	-1.60	11.14	25.77
HSBC GIF Euro High Yield Bond ICHUSD	2.00		1.34	2.82	9.31
iShares UK Index (IE) Instl Acc GBP	2.00	Silver	-1.61	5.72	24.66
Vanguard UK Invm Grd Bd Idx £ Acc	2.00	Bronze	-1.83	2.55	16.85
ILF USD Liquidity 4	1.20		1.29	3.62	4.51

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The Morningstar Medalist RatingTM is a forward-looking analysis of a fund. The Morningstar Medalist RatingTM does not express a view on a given asset class or peer group; rather, it seeks to evaluate each fund within the context of its objective, an appropriate benchmark, and peer group. Morningstar's manager research analysts are employed by various wholly owned subsidiaries of Morningstar, Inc. including Morningstar UK Ltd

Zurich TDF 2025

Asset Class Attribution

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Total Portfolio Returns (%): Quarter

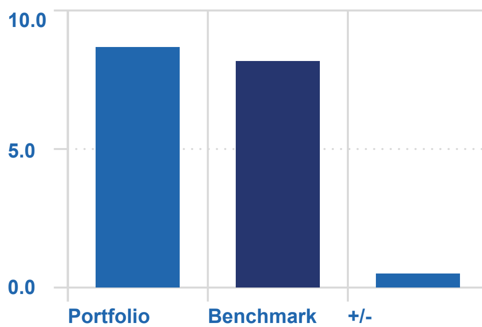
Time Period: 01/07/2023 to 30/09/2023

Net Return %

Total Portfolio Returns (%): 1 Year

Time Period: 01/10/2022 to 30/09/2023

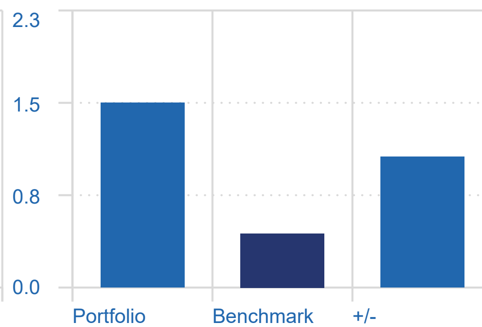
Net Return %



Total Portfolio Returns (%): 3 Year

Time Period: 01/10/2020 to 30/09/2023

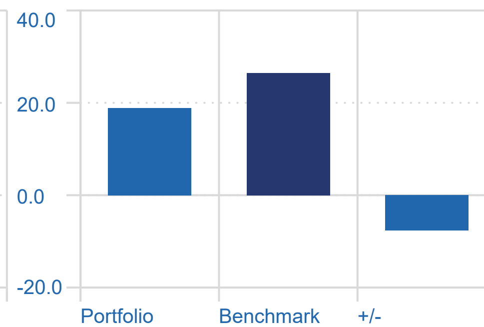
Net Return %



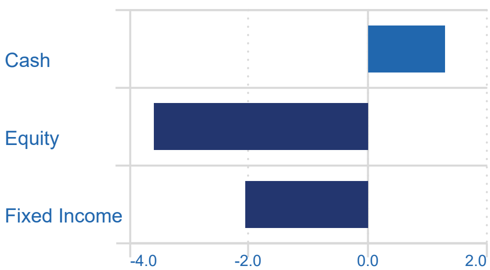
Total Portfolio Returns (%): Since Inception

Time Period: 03/07/2017 to 30/09/2023

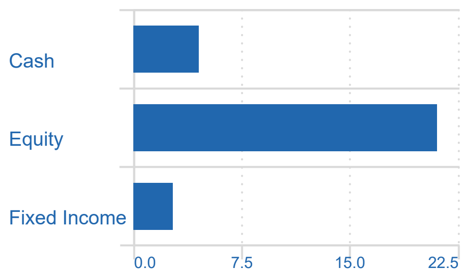
Net Return %



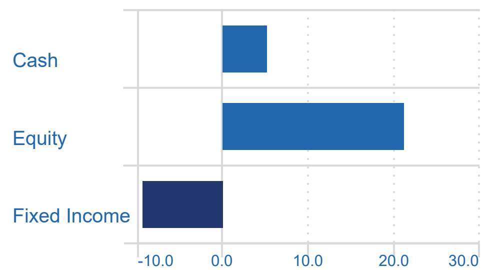
Asset Class Returns (%): Quarter



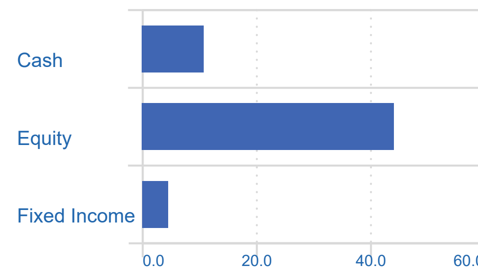
Asset Class Returns (%): 1 Year



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	1.39	6.49	1.29	1.30	0.02	-0.20
Equity	33.66	34.62	-3.59	-3.63	-1.19	0.03
Fixed Income	64.96	58.89	-2.05	-1.98	-1.35	-0.02

Asset Class Attribution (%): 1 Year

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	2.18	6.43	4.51	4.44	0.10	0.08
Equity	33.87	34.88	20.94	20.95	6.93	-0.08
Fixed Income	63.95	58.69	2.72	1.44	1.64	0.56

Asset Class Attribution (%): 3 Year

	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	5.11	6.18	5.15	4.90	0.11	-0.57
Equity	34.72	35.81	21.18	22.04	7.79	-0.52
Fixed Income	60.18	58.01	-9.38	-12.19	-6.40	1.97

Asset Class Attribution (%): Since Inception

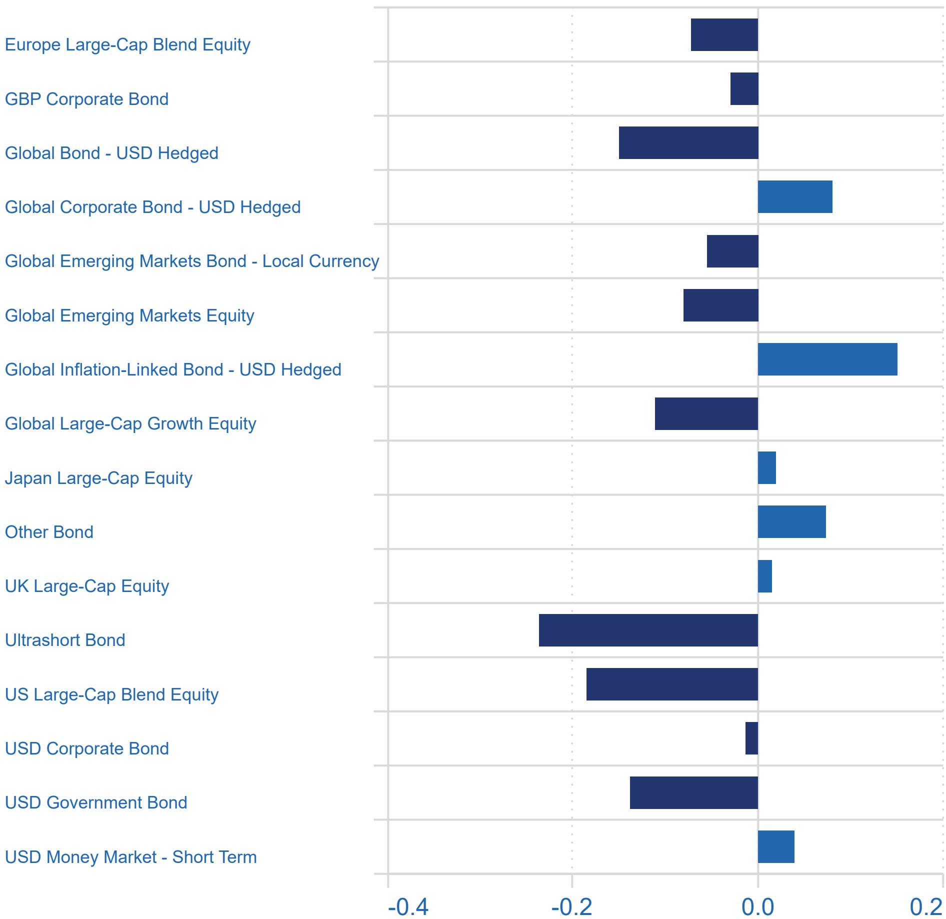
	Portfolio Weights	Benchmark Weights	Portfolio Return	Benchmark Return	Portfolio Contribution	Active Return
Cash	10.32	6.82	10.78	9.79	1.00	-1.83
Equity	35.52	38.05	44.11	58.61	17.61	-4.75
Fixed Income	54.15	55.13	4.53	0.96	0.27	2.49

Zurich TDF 2025

Asset Allocation Attribution

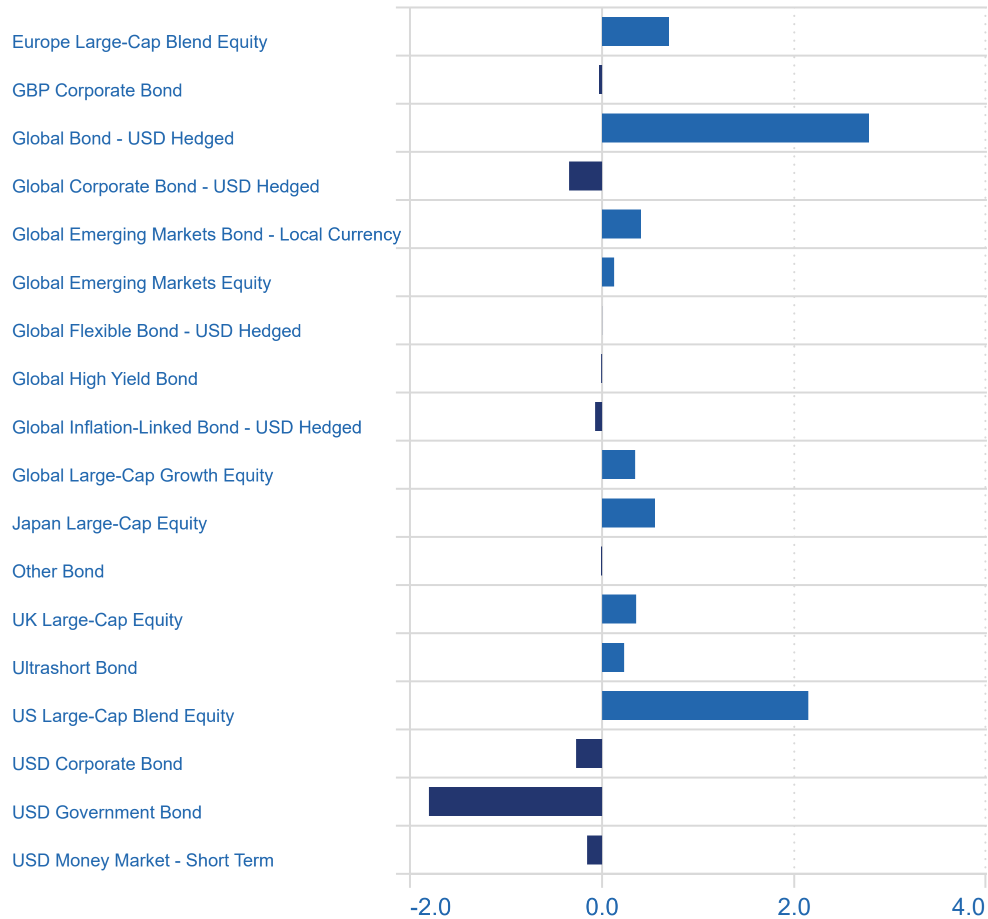
Allocation Effect: (%) : Quarter

Time Period: 01/07/2023 to 30/09/2023



Allocation Effect: (%) : 1 Year

Time Period: 01/10/2022 to 30/09/2023

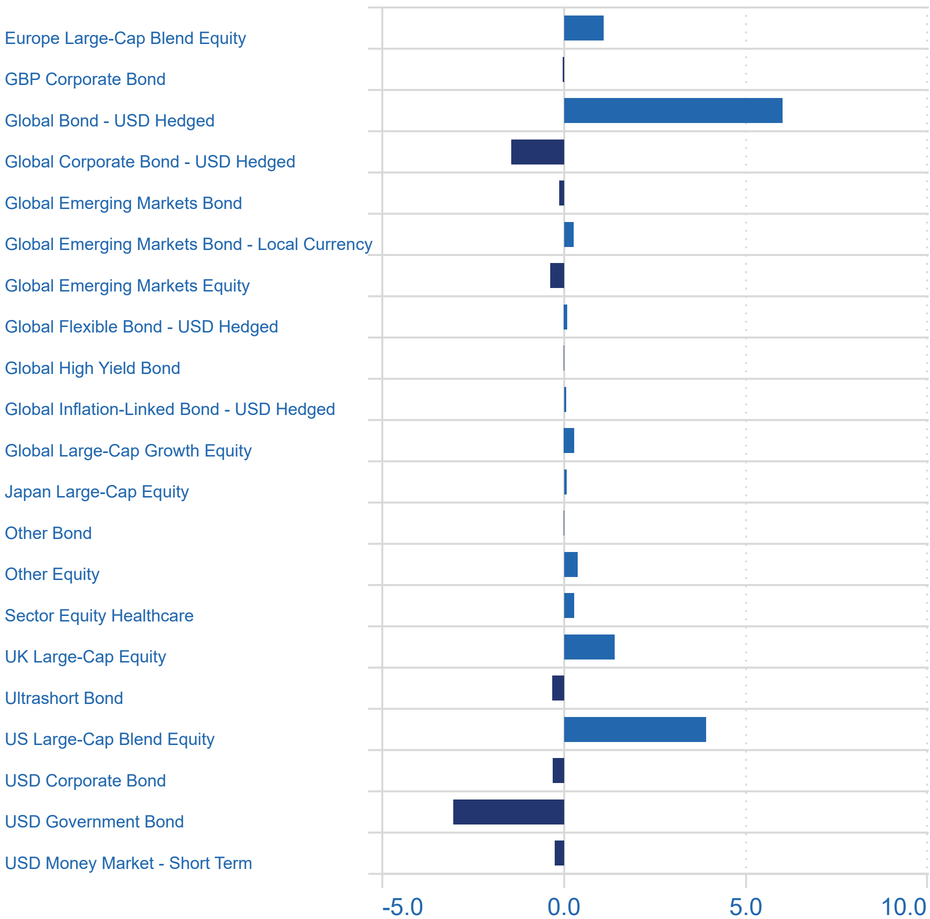


Zurich TDF 2025

Asset Allocation Attribution

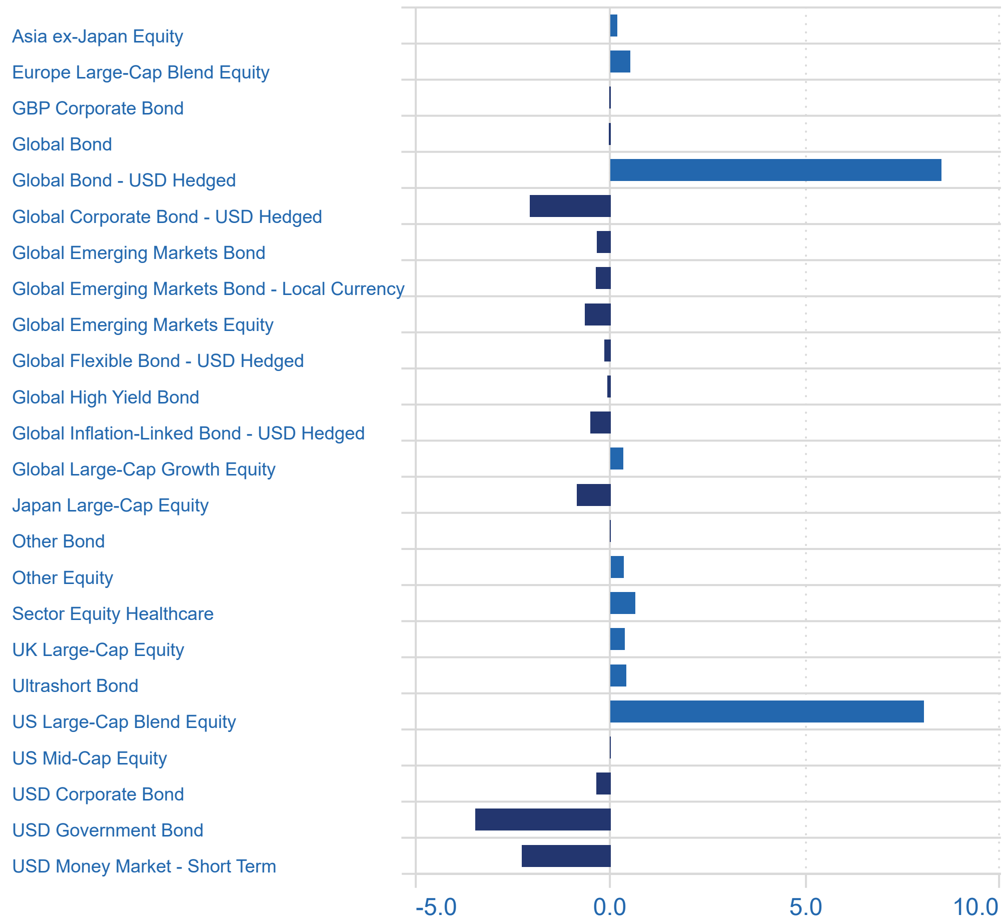
Allocation Effect: (%) : 3 Year

Time Period: 01/10/2020 to 30/09/2023



Allocation Effect: (%) : Since Inception

Time Period: 03/07/2017 to 30/09/2023



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