Zurich Adventurous Medium Term
Quarterly Report 30/09/2019

Investment Objective
The objective is to deliver a risk and return profile in each of the asset classes that is commensurate with the underlying markets, whilst seeking outperformance over the long-term.

Investment Growth
Time Period: 30/09/2012 to 30/09/2019

Portfolio Returns
As Of Date: 30/09/2019
Trailing Returns %
- Zurich Adventurous Medium Term
- Custom Benchmark
Discrete Returns %
- Zurich Adventurous Medium Term
- Custom Benchmark

The Custom Benchmark used to measure performance is a composite that reflects eValue asset allocation output. Past performance is not a guide to future returns.

Contribution to Return %
Time Period: 01/07/2019 to 30/09/2019

Asset Allocation

Key Facts
The Zurich Model Portfolios were established in September 2012. Asset allocation is provided by Zurich and sourced from eValue. Morningstar Investment Management populates the asset allocation with funds it considers appropriate and attractive as a result of its in-depth, qualitatively-driven research process.

Market Background
Positive returns were delivered for investors in the third quarter of 2019. However, unlike the first half of the year, it was developed-market government bonds that led performance, enjoying one of their finest periods thanks to central bank activity.

Fixed income asset returns have been remarkable, given the low starting yields and poor prospective outcomes, catching an abrupt tailwind as central banks either cut rates or show their willingness to act further. In fact, fixed income beat equities for the first time since the big downturn in late 2018, although equities also performed quite well. With both markets producing strong returns year-to-date, it is an opportune time to think about risk.

The backdrop to these moves is lacklustre economic growth, supported by an active central bank response. The China deceleration is well-documented, while the economic data in many western nations is also deteriorating. Manufacturing data is especially weak across the key trading nations perhaps the first concrete sign that the trade tensions are impacting business. More broadly, recession signals are flashing amber, with the much-watched yield curve turning negative, offset by the continuation of reasonable U.S. employment, retail and housing trends.

Yet, market participants continue to shrug off any fundamental or valuation-driven risks, excited by the central bank response of lower rates—presumably extrapolating the support central banks have given asset prices over the past decade. Whether this is the right response or not remains to be seen.

For the last quarter, long-duration bonds were the big winner, along with anything that resembles a bond proxy. That is, with lower yields, the opportunity cost continues to fall when holding either; a) non-cashflow producing assets or b) highly leveraged companies. This saw utilities top the leaderboard among equity sectors. At the same time, value-style companies had a mini resurgence over their growth equivalents.

Speaking of the laggards, energy and materials companies had a tough quarter as oil and iron ore prices sunk. Iron ore was particularly hard hit, unwinding massive gains in recent years and falling over 30% in the quarter alone. In this landscape, emerging markets continue to struggle and investor sentiment has soured.

The backdrop to these moves is lacklustre economic growth, supported by an active central bank response. The China deceleration is well-documented, while the economic data in many western nations is also deteriorating. Manufacturing data is especially weak across the key trading nations perhaps the first concrete sign that the trade tensions are impacting business. More broadly, recession signals are flashing amber, with the much-watched yield curve turning negative, offset by the continuation of reasonable U.S. employment, retail and housing trends.

Yet, market participants continue to shrug off any fundamental or valuation-driven risks, excited by the central bank response of lower rates—presumably extrapolating the support central banks have given asset prices over the past decade. Whether this is the right response or not remains to be seen.

For the last quarter, long-duration bonds were the big winner, along with anything that resembles a bond proxy. That is, with lower yields, the opportunity cost continues to fall when holding either; a) non-cashflow producing assets or b) highly leveraged companies. This saw utilities top the leaderboard among equity sectors. At the same time, value-style companies had a mini resurgence over their growth equivalents.

Speaking of the laggards, energy and materials companies had a tough quarter as oil and iron ore prices sunk. Iron ore was particularly hard hit, unwinding massive gains in recent years and falling over 30% in the quarter alone. In this landscape, emerging markets continue to struggle and investor sentiment has soured.

The U.K. market is also worth citing, as it had a quarter of many stories. It faced enormous political instability, weaker economic data, falling energy prices, a tumbling sterling and the high-profile collapse of its oldest travel company. Despite this, we saw a good result in September, offsetting some of the weakness over summer.

Among bond markets, it was government bonds outperforming corporate equivalents, with emerging market debt holding ground. Currency markets also followed a path to perceived quality, with the US dollar, Japanese yen and Swiss franc all sought after...
Asset Class Breakdown

- North American Equity: 41.0%
- UK Equity: 32.0%
- European Equity: 12.6%
- Japan Equity: 9.5%
- Property: 5.0%

Equity Style (Look Through)*

- Large Value: 29.5%
- Large Growth: 24.9%
- Large Core: 19.9%
- Mid Core: 7.5%
- Mid Value: 7.3%
- Mid Growth: 4.8%
- Small Core: 2.6%
- Small Growth: 2.0%
- Small Value: 1.5%

Equity Sectors (Look Through)*

- Financial Services: 21.8%
- Consumer Cyclical: 14.7%
- Technology: 13.3%
- Consumer Defensive: 10.5%
- Industrials: 10.2%
- Healthcare: 10.0%
- Energy: 6.6%
- Basic Materials: 5.2%
- Communication Services: 3.2%
- Real Estate: 2.6%
- Utilities: 1.9%

* Look-through charts are calculated by aggregating the underlying fund holdings. For data integrity purposes, any underlying holdings that have not been reported in the past 184 days are excluded from the look-through calculations. Therefore, actual exposures may differ from what is presented.

Quarterly Performance

The Zurich Adventurous Medium-Term Model Portfolio delivered a strong positive return over the quarter. Absolute returns since inception remain strong.

Over the quarter, the Portfolio was underperformed with the passive composite benchmark which replicates the indices used in the strategic asset allocation. The Portfolio is slightly behind the composite benchmark since launch.

At the fund level holdings in the North American and Japanese equity sections were the key detractors to performance, while holdings in UK and European equities outperformed. In relative terms the Dodge & Cox US Stock, Loomis Sayles US Equity Leaders and Man GLG Japan Core Alpha funds were the main detractors from performance while strongest relative returns came from the LF Lindsell Train UK Equity and Jupiter UK Special Situations funds.

Overweight positions in the energy and healthcare sectors, combined with underweight positions in consumer staples and utilities were the key detractors to performance in the Dodge & Cox WW US Stock fund.

Stock selection was the key detractor from performance in the Loomis Sayles US Equity Leaders fund, particularly in the technology sector. Holdings in Autodesk, Oracle and Visa all detracted from performance as did the fund’s underweight in Apple.

While the large cap value bias of the Man GLG Japan Core Alpha fund detracted from performance for the quarter as a whole, it was a tale of two halves. The fund’s value bias detracted from performance for the first part of the quarter to the end of August 2019 but reversed sharply in September.

There was a noticeable change in style leadership over the quarter, particularly in the latter part of the quarter, with value investors having a better time. Against this backdrop the Jupiter UK Special Situations and LF Lindsell Train UK Equity funds both outperformed.

Jupiter UK Special Situations benefited from strong stock selection across a number of sectors, including, industrials, technology, financials and materials.

Stock selection in financials was the key contributor to performance in the LF Lindsell Train UK Equity fund, in particular the holding in London Stock Exchange which is one of the fund’s largest holdings with an allocation in excess of 8%. The share price of the London Stock Exchange rallied on the announcement of the acquisition of Refinitiv, the financial data and trading group.

Market Outlook

Please note Morningstar Investment Management Europe is not mandated to tactically adjust the asset allocation of the Portfolio, so the below views are included for information purposes only.

Put together, we live in extraordinary times. Let’s not lose perspective that 70% of euro zone bonds are now negative. Economic growth is souring despite record levels of stimulus. Yet, central banks continue to save the day. So, how does an investor make sense of it all? What should your asset allocation look like?

To be clear, we don’t advocate timing the market—history has shown that investors are rarely capable of correctly calling both peaks and troughs. Instead, we advocate a valuation-driven asset allocation that acknowledges the downside risk.
<table>
<thead>
<tr>
<th>Fund</th>
<th>Weight (%)</th>
<th>Morningstar Analyst Rating</th>
<th>Q3 2019 (%)</th>
<th>YTD (%)</th>
<th>2018 (%)</th>
<th>2017 (%)</th>
<th>2016 (%)</th>
<th>2015 (%)</th>
<th>2014 (%)</th>
<th>3 YRS (%)</th>
<th>5 YRS (%)</th>
<th>Since Inception Annualised (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L&amp;G UK Property Feeder</td>
<td>5</td>
<td>Not Rated</td>
<td>0.84</td>
<td>2.52</td>
<td>4.65</td>
<td>8.82</td>
<td>1.93</td>
<td>10.60</td>
<td>13.47</td>
<td>6.46</td>
<td>6.45</td>
<td>7.13</td>
</tr>
<tr>
<td>EAA Fund Property - Direct UK</td>
<td>0.13</td>
<td></td>
<td>0.13</td>
<td>3.41</td>
<td>7.16</td>
<td>-0.41</td>
<td>8.15</td>
<td>11.74</td>
<td>4.25</td>
<td>4.24</td>
<td>5.03</td>
<td></td>
</tr>
<tr>
<td>UK Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investec UK Alpha</td>
<td>9</td>
<td>Bronze</td>
<td>2.18</td>
<td>17.79</td>
<td>-9.25</td>
<td>12.86</td>
<td>8.95</td>
<td>6.52</td>
<td>6.69</td>
<td>7.33</td>
<td>7.55</td>
<td>11.95</td>
</tr>
<tr>
<td>Jupiter UK Special Situations</td>
<td>9</td>
<td>Silver</td>
<td>3.78</td>
<td>9.74</td>
<td>-7.33</td>
<td>9.21</td>
<td>22.44</td>
<td>0.18</td>
<td>3.71</td>
<td>6.12</td>
<td>6.88</td>
<td>9.52</td>
</tr>
<tr>
<td>Man GLG Undervalued Assets</td>
<td>7</td>
<td>Silver</td>
<td>-0.81</td>
<td>9.28</td>
<td>-11.50</td>
<td>30.29</td>
<td>5.26</td>
<td>10.01</td>
<td>3.71</td>
<td>9.27</td>
<td>8.03</td>
<td></td>
</tr>
<tr>
<td>FTSE All Share</td>
<td>1.27</td>
<td></td>
<td>14.41</td>
<td>-9.47</td>
<td>13.10</td>
<td>16.75</td>
<td>0.98</td>
<td>1.18</td>
<td>6.76</td>
<td>6.79</td>
<td>8.35</td>
<td></td>
</tr>
<tr>
<td>European Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BlackRock Continental European Income</td>
<td>6</td>
<td>Bronze</td>
<td>3.80</td>
<td>19.94</td>
<td>-9.77</td>
<td>17.34</td>
<td>12.81</td>
<td>13.64</td>
<td>4.37</td>
<td>8.89</td>
<td>10.62</td>
<td>13.05</td>
</tr>
<tr>
<td>Schroder European</td>
<td>6.6</td>
<td>Silver</td>
<td>2.12</td>
<td>17.58</td>
<td>-15.01</td>
<td>19.38</td>
<td>20.94</td>
<td>8.72</td>
<td>0.23</td>
<td>8.03</td>
<td>9.77</td>
<td></td>
</tr>
<tr>
<td>FTSE Europe ex UK</td>
<td>1.59</td>
<td></td>
<td>19.36</td>
<td>-9.45</td>
<td>17.53</td>
<td>19.69</td>
<td>5.35</td>
<td>0.16</td>
<td>10.01</td>
<td>9.76</td>
<td>11.72</td>
<td></td>
</tr>
<tr>
<td>North American Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dodge &amp; Cox Worldwide US Stock</td>
<td>8.95</td>
<td>Gold</td>
<td>3.26</td>
<td>16.77</td>
<td>-2.18</td>
<td>7.34</td>
<td>45.87</td>
<td>0.48</td>
<td>18.08</td>
<td>12.56</td>
<td>14.10</td>
<td>16.79</td>
</tr>
<tr>
<td>HSBC American Index</td>
<td>10</td>
<td>Gold</td>
<td>4.85</td>
<td>25.09</td>
<td>-0.49</td>
<td>10.54</td>
<td>33.53</td>
<td>5.98</td>
<td>21.48</td>
<td>15.04</td>
<td>16.34</td>
<td>17.07</td>
</tr>
<tr>
<td>iShares North American Equity Index</td>
<td>10</td>
<td>Gold</td>
<td>4.81</td>
<td>24.60</td>
<td>-0.59</td>
<td>10.61</td>
<td>34.30</td>
<td>4.22</td>
<td>14.82</td>
<td>15.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loomis Sayles US Equity Leaders</td>
<td>8</td>
<td>Silver</td>
<td>1.18</td>
<td>24.25</td>
<td>1.45</td>
<td>19.93</td>
<td>27.91</td>
<td>15.95</td>
<td>18.37</td>
<td>15.61</td>
<td>19.72</td>
<td></td>
</tr>
<tr>
<td>Schroder US Mid Cap</td>
<td>4</td>
<td>Bronze</td>
<td>5.30</td>
<td>24.21</td>
<td>-6.68</td>
<td>5.80</td>
<td>42.12</td>
<td>6.76</td>
<td>18.88</td>
<td>10.96</td>
<td>15.61</td>
<td></td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>5.03</td>
<td></td>
<td>24.59</td>
<td>1.56</td>
<td>11.29</td>
<td>33.55</td>
<td>7.25</td>
<td>20.76</td>
<td>15.40</td>
<td>17.09</td>
<td>17.72</td>
<td></td>
</tr>
<tr>
<td>Japan Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Man GLG Japan CoreAlpha</td>
<td>9.45</td>
<td>Gold</td>
<td>2.63</td>
<td>6.99</td>
<td>-9.49</td>
<td>10.81</td>
<td>32.43</td>
<td>18.21</td>
<td>1.11</td>
<td>7.30</td>
<td>11.05</td>
<td>13.78</td>
</tr>
<tr>
<td>Topix</td>
<td>6.45</td>
<td></td>
<td>14.13</td>
<td>-8.36</td>
<td>15.60</td>
<td>23.41</td>
<td>18.16</td>
<td>2.68</td>
<td>8.25</td>
<td>12.25</td>
<td>13.02</td>
<td></td>
</tr>
</tbody>
</table>

Please note Morningstar Analyst Ratings are provided as of the date of this report and are subject to change at any time and without notice. Please see www.morningstar.co.uk for the latest Ratings.
Zurich Adventurous Medium Term
Quarterly Report 30/09/2019

Morningstar Investment Management Europe Ltd Disclosure

THIS DOCUMENT IS FOR PROFESSIONAL CLIENT USE ONLY AND SHOULD NOT BE DISTRIBUTED TO OR RELIED UPON BY RETAIL INVESTORS.

The Manager Selection Services team is part of Morningstar Investment Management Europe Limited which is authorised and regulated by the Financial Conduct Authority to provide services to Professional clients. The Morningstar Investment Management Europe Limited Dubai Representative Office is regulated by the DFSA as a Representative Office. Morningstar Investment Management Europe Ltd is the entity providing the advisory services. Morningstar’s fund research and rating activities are not undertaken by Morningstar Investment Management Europe Limited and as such are not regulated by the Financial Conduct Authority. Registered address: 1 Oliver’s Yard, 55-71 City Road, London, EC1Y 1HQ.

The information, data, analyses and opinions presented herein do not constitute investment advice; are provided as of the date written; and are subject to change without notice. Every effort has been made to ensure the accuracy of the information provided, but Morningstar Investment Management Europe Ltd makes no warranty, express or implied regarding such information. The information presented herein will be deemed to be superseded by any subsequent versions of this document. Except as otherwise required by law, Morningstar Investment Management Europe Ltd shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses, or opinions or their use. Past performance is not a guide to future returns. The value of investments may go down as well as up and an investor may not get back the amount invested. Reference to any specific security is not a recommendation to buy or sell that security. Morningstar Investment Management Europe Ltd does not guarantee or assure that the investment objective of the Model Portfolio will be achieved. There is no guarantee that a diversified portfolio will enhance overall returns or will outperform a non-diversified portfolio. Neither diversification nor asset allocation ensure a profit or guarantee against loss. It is important to note that investments in mutual funds involve risk, including as a result of market and general economic conditions and will not always be profitable. Please be aware that adjustments to previously reported data can occur. This can be due to factors such as changes to tax treatments, income distributions, pricing or updated information from third parties.

Morningstar 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 involve unknown risks and uncertainties which may cause Morningstar’s expectations not to occur or to differ significantly from what we expected. Morningstar does not represent its Analyst ratings to be guarantees nor should they be viewed by an investor as an assessment of a fund’s or the fund’s underlying securities’ creditworthiness. Morningstar Analyst Ratings are provided as of the date of this report and are subject to change at any time and without notice. Please see www.morningstar.co.uk for the latest Ratings.