Focus on SuperCAPP Fund

Technical Brochure

June 2012

Investment Strategy

The fund aims to deliver better returns than bank deposits with lower risk than typical managed funds.	The investment strategy of the SuperCAPP Fund aims to deliver bank deposit-beating returns without the uncertainty that is sometimes associated with managed funds.
The stable annual dividends are in line with medium-term interest rates.	Rather than delivering returns in line with low short-term interest rates, the SuperCAPP Fund aims to deliver stable annual dividends that track medium-term interest rates by following a bond investment strategy using bonds issued by eurozone governments.
Encashments after five years may be boosted by special dividends.	The investment strategy aims to boost the annual dividends with special dividends on encashments after five years.

Bonds

The bond portfolio delivers the annual dividends.	Bonds held by the fund provide the foundation for the stable annual dividends that the fund aims to deliver. This strategy has delivered annual dividends that have tracked medium-term interest rates since the fund was established in 1978.
70% of the fund is invested in bonds.	The default position is to invest 70% of the fund in bonds, 20% in equities with the remaining 10% invested at the fund manager's discretion. The allocation to the different asset classes can change over the year as bond and equity markets move (e.g. if bond prices grow faster than equity prices, then the percentage of the fund invested in bonds will rise over a given year).
Only eurozone government bonds are held.	As mentioned above, 70% of the fund is invested in bonds, and all of these bonds are issued by eurozone governments. The largest holdings are in Dutch, French and German bonds, and these three represent over 90% of the bond portfolio.
The bond return is protected.	Interest-rate instruments are held that pay out if interest rates rise. If interest rates rise, bond values fall, so these instruments compensate for this fall and help the fund increase the annual dividend as interest rates rise. The value of these instruments is secured by dealing with a panel of counterparties each of whom satisfies detailed approval requirements. In addition, Zurich Life requires counterparties to provide collateral payments to support any amounts due by them to Zurich Life.

Equities

The equity portfolio delivers the special dividends.	Strong equity performance will normally be distributed to policyholders as special dividends. Active management of the SuperCAPP equity portfolio by Zurich Life's in-house investment team has consistently earned special dividends for SuperCAPP policyholders over the lifetime of the fund.
20% of the fund is held in equities.	The default position is to hold 20% of the fund in equities. The allocation to equities can rise and fall over the year with market movements.
Eurozone and blue-chip stocks are preferred.	The focus of the equity portfolio is on eurozone stocks, although high-quality UK, US, etc. shares are also held. The equity holdings tend towards blue-chip stocks; as at 01/04/12 the five largest holdings were as follows: Total, Nestlé, Sanofi, Siemens and Novartis.
The equity return is protected.	The aim of the SuperCAPP Fund's equity investment is to achieve the higher returns available from equities while minimising the volatility associated with them. Therefore, the equity holding is collared, meaning that the return in any year on these collared equities will always be within certain bounds, typically -10% to +10%.

Track Record

The fund is over 30 years old.	The SuperCAPP Fund was launched in 1978 and has consistently delivered stable returns throughout the last 30 years.
The fund has never had to apply an MLA.	In over 30 years, the fund has never had to apply a Market Level Adjustment (MLA). The 'never had to' is important, and is due to the fund's investment strategy rather than a decision by Zurich Life not to apply an MLA. In certain circumstances, such as a period of sustained market underperformance, it is still possible for encashment values to be reduced by the application of an MLA.
Recently, special dividends have continued to be paid on top of the annual dividend.	All through the market falls of 2008, the SuperCAPP Fund continued to pay special dividends on any encashments after five years, even when most with-profits funds applied MLAs (MLAs of 35% were applied in some cases). These special dividends were on top of the annual dividend, which was stable at 4% from 2004 to 2010. The annual dividend was 3.25% for 2011 and the interim dividend for 2012 is 2.75%.
The fund has delivered in all investment conditions.	Since it was launched, there have been bull markets, bear markets, a dot-com bubble, a dot-com crash, double-digit interest rates, interest rates approaching zero, the crash of 1987, the Celtic Tiger, and the recent credit crunch; the SuperCAPP Fund has not only survived all of these, but has also consistently delivered stable annual dividends in line with medium-term interest rates, paid special dividends on encashments, and never applied an MLA.

Current Status	
It is a large fund.	The current size of the SuperCAPP Fund was over €1.4 billion as at 01/03/12, which is larger than most of the managed funds in Ireland.
The fund has significant excess investment reserves.	The fund holds significant investment reserves above the unit holders' investment accounts. These reserves are distributed in the form of special dividends. As an example, current special dividends are 2% on regular premium policies and 8% on single premium policies (as at 01/04/12).
Capital guarantees apply, and they are real guarantees.	Some form of capital guarantee applies to all products investing in the SuperCAPP Fund. These guarantees are backed up by two lines of defence: • the investment strategy and prudent management of the fund, designed to deliver the guarantees; and • Zurich Life is part of the Zurich Insurance Group which is one of the strongest and largest insurers in the world.*
The guarantees available depend on the product type.	• **For all products:** A guarantee that no MLA will be applied on death. • **For Pension products (including PRSAs, excluding ARFs):** A guarantee that no MLA will be applied on the initially chosen retirement date. • **For SuperCAPP Bonds:** Once the policy has been in force for at least ten years, the value of the policy is guaranteed to be at least as great as the premium paid less any partial encashments or regular incomes taken. • **For all other Single Premium products (including ARFs):** Once the policy has been in force for at least ten years, the value of the policy is guaranteed to be at least as great as the initial premium paid less charges and any partial encashments or regular incomes taken.

* Source: Standard & Poor's as at 25th April 2012. Standard & Poor's (S&P) a ratings agency, provides ratings on the financial strength of companies. The highest rating possible is AAA with AA, A, BBB, etc. being lower financial strength ratings

Warning: The value of your investment may go down as well as up. Benefits may be affected by changes in currency exchange rates. Past performance is not a reliable guide to future performance.

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