

# The Prisma Fund Range Process

The purpose of this document is to outline how the highly popular range of Prisma Funds is constructed. Prisma is Zurich's range of risk-targeted multi-asset funds which were launched in 2013 and to date the Prisma Funds have attracted over €6bn in policyholder funds. There are five Prisma Funds with different levels of risk. Each Prisma Fund reflects the asset allocation preferences expressed in Zurich's Active Asset Allocation (AAA) Fund. The AAA Fund and the Prisma Fund range are managed by Zurich Investments.



## Prisma overview

The Prisma Funds aim to deliver risk-targeted versions of our diversified multi-asset fund, the Active Asset Allocation (AAA) Fund. They follow our highly successful long-term philosophy of investing in real assets and our top-down investment process with a strong emphasis on asset allocation.

The asset allocation decisions made for the AAA Fund are then replicated proportionately across the Prisma Funds. Therefore, if a decision is made in the AAA Fund to alter an asset class weighting, each Prisma Fund will rebalance its relative asset weighting. The AAA Fund, and thus the Prisma Funds, use a range of Zurich internally managed funds and a basket of alternative assets for further diversification.



## Prisma objective

The Prisma Funds aim to generate long-term growth while targeting a volatility range within their respective risk band over a rolling five year period.



## How is this achieved?

Asset allocation decisions in the AAA Fund are transposed across the risk targeted Prisma Fund range. This is achieved by an algorithm designed to make equivalent risk-adjusted asset allocation changes across the Prisma range. Decisions made for the AAA Fund result in asset trades in both the AAA Fund and each of the Prisma Funds on the same day. There is no lag or waiting period in this regard.

This process was designed to enable the Prisma range to achieve their growth objectives within their respective volatility bands. The Prisma process is monitored and reviewed on an ongoing basis and amended as required to enable the Prisma Funds to continue to achieve their goals as investment markets change.

## Asset class ranges

Each of the Prisma Funds have defined ranges for all asset classes. For example for Prisma 4, the equity range is 30%-60%.

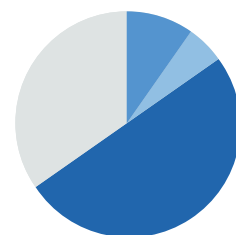
The asset ranges were constructed to enable the Prisma Funds to achieve their growth objectives within their respective volatility bands.

Short-term spikes in realised volatility will not have abrupt or large impacts on the algorithm. Longer-term trends in asset volatility will be captured in the periodic review process and may lead to changes in the asset ranges to enable the Prisma Fund range to continue to achieve their goals. Any asset range changes resulting from reviews are subject to the agreement by the investment governance committees.

	Equity Range		Volatility Range	
AAA	15%	65%	N/A	
Prisma 2	0%	15%	0.5%	2%
Prisma 3	15%	30%	2%	5%
Prisma 4	30%	60%	5%	10%
Prisma 5	60%	85%	10%	15%
Prisma Max	85%	95%	N/A	

Source: Zurich, May 2022.

# Fund Components



The allocations to the various components of each Prisma Fund are determined by the core AAA Fund. The AAA Fund aims to achieve growth through capital gains and income from a well-diversified portfolio of global equities, government bonds, corporate bonds, property shares, cash and alternative assets. For example, the Zurich International Equity Fund is used for equity exposure. Thus while allocation to equities across the five Prisma Funds will differ, the underlying equity holdings are identical.

Many of these asset classes have lower correlations to movements in equity prices and can help to reduce the long-term volatility of the fund and therefore help to improve the risk-adjusted return profile. For example, the addition of alternatives, such as commodities, to the fund mix helps to ensure diversification as some commodity returns can have a low correlation with equity returns.

## Equity

The equity component of the AAA Fund is from the Zurich International Equity Fund. The International Equity Fund is an actively managed fund that aims to achieve growth through capital gains and income from a portfolio primarily consisting of international equities and equity-based financial instruments.

## Fixed Income

The fixed income allocation of the AAA Fund comprises both sovereign and corporate bond offerings of varying duration. The fixed income allocation primarily invests in bonds issued by Eurozone governments and bond-based financial instruments. It may also invest in supranational bonds and other investment grade corporate and non-sovereign bonds. The investment parameters allow for up to 30% of the fixed income allocation to be invested overseas, with the core invested in Eurozone bonds.

## Commodities / Alternatives

These provide exposures to asset classes outside of equity and bond markets such as oil, precious metals like gold, and industrial metals like copper. These exposures will change over time in line with the views of Zurich Investments.

## Property

### Indexed Australasia Property Fund

The Indexed Australasia Property Fund is a fund which gives the opportunity to participate in the performance of some of Australasia's leading real estate companies. The fund currently invests in an iShares ETF, which is managed by BlackRock. Zurich reserves the right to replace this ETF with another fund at any stage.

### Indexed European (Ex-UK) Property Fund

The Indexed European (Ex-UK) Property Fund is a fund which gives the opportunity to participate in the performance of some of Europe's leading real estate companies. The fund currently invests in an iShares ETF, which is managed by BlackRock. Zurich reserves the right to replace this ETF with another fund at any stage.

## Cash

The Zurich Cash Fund is invested in deposits with leading institutions, money market instruments and short-dated fixed income securities issued by governments of the euro currency bloc. No non-euro exposure is permitted in this fund.

## Asset Allocation Process

The AAA Fund, and therefore the Prisma Funds, benefits from the well-established and long standing framework for multi-asset investing in Zurich, which has been in place for over 30 years.



## Our Philosophy

We believe that the macro-economic environment is the key driver for investment market themes. We are business cycle investors constructing our portfolios to allow us to take advantage of opportunities over all parts of the economic cycle. Portfolios may at any time show either a growth or a value bias depending on prevailing macro-economic and market views.



## Our People

The Zurich Investments team combines extensive knowledge with experience and longevity; the most senior members of the team have worked together for well over 10 years. Others who have joined the team in more recent years have also accumulated considerable experience and demonstrated expertise in their specialist areas.

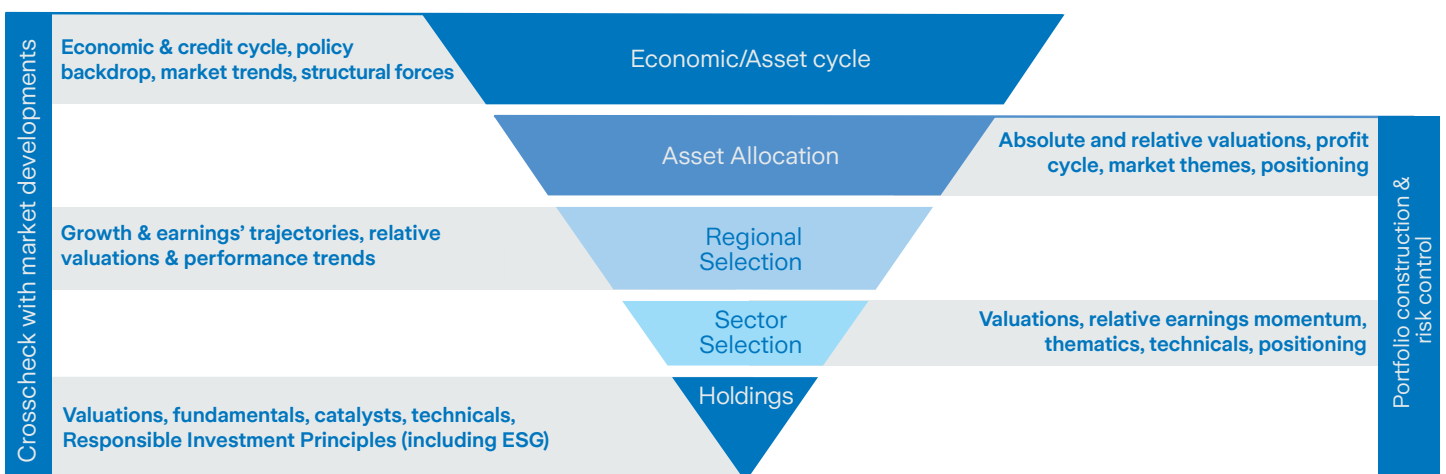
## Our Process

We believe that with the right mix of skills, an active approach to all levels of the investment process is justified – asset allocation, geographical bias, sector preference and stock selection. We use a ‘top down’ investment approach to identify the best investment opportunities for this stage of the economic and asset cycles.

The graphic shows how our decision making moves from consideration of the economic cycle at the start of the process to the subsidiary decisions in what looks like a classic ‘top-down’ process. A ‘bottom-up’ process involves searching the universe of securities and seeking those which have your favoured characteristics and being less influenced by considerations of the economic cycle or broader market trends.

While we approach the world from a top-down perspective, at all times we aim to cross-check that perspective against market developments. Ideally, the economic and asset cycles are aligned – and if there are divergences between the two we will examine these carefully - but our bias will be to align our portfolios with broad market developments since this is the best way for us to generate performance. In simple terms we are looking for the best returns ‘today’ rather than being vindicated by the markets at some unknown time in the future; delivering performance for our clients trumps ‘being right’.

When we position our portfolios and our funds we are very cognisant of medium-term markets trends and long term structural factors. Ultimately though we are focused on delivering performance for our clients rather than been proven “right” at some unknown future date.



## The benefits of the Prisma process

The Prisma process is transparent and easy for clients to understand. There is a clear link from the AAA Fund to the Prisma Funds, and the funds continue to benefit from the long-term expertise of Zurich Investments. Actively managing asset allocation continues to be the most appropriate way of mitigating investment risk and, combined with the right products and advice, helps to provide the best outcomes for customers.

## Value for money

The Prisma Funds continue to be available at no additional Annual Management Charge (AMC) at standard pricing and are available across all our product lines, and contract options, with suitable fund options for nearly all risk levels. All Zurich's funds, including the Zurich Prisma fund range, have a base AMC of 0.4% per annum (or 0% for PRSAs), which is included in the unit price of the fund. Any further charges, if applicable, are taken via unit-deduction from the policy. The additional other ongoing charge figures (as at 31/12/2021), can be added to the contract AMC to produce a figure that is comparable to a Total Expense Ratio (TER) or an Ongoing Charges figure (OCF) used under the UCITS regime.

## Additional other ongoing charges

Fund	Charge
Prisma 2	0.02%
Prisma 3	0.04%
Prisma 4	0.09%
Prisma 5	0.10%
Prisma Max	0.07%

Source: Zurich, January 2022.

# The Zurich Approach

We continue to monitor the methodology and the components of the Prisma Funds, regularly reviewing best practice in the industry to ensure that the funds continue to be one of the best performing multi-asset fund ranges in the Irish market. We will maintain our disciplined approach and framework as we have done in our multi-asset funds for the last 30 years.

At Zurich we aim to provide you with all the investment insights, analysis and commentary that you need. We provide all the information that is essential to keep up to date with your clients investments, and to help make the investment decisions that will provide the best outcomes for your clients. Across several mediums, including online, print and digital we will continue to keep you up to date and in tune with both global markets and our funds.

## Create tailored portfolios for your clients

Zurich has a range of tools and supports to help you during the advice process with your clients.



Our Risk Profiler tool is designed to assist you in understanding a client's attitude to risk. This is an important step before making an investment decision.



Zurich's Portfolio Builder helps you work with your clients to create an investment portfolio that is tailored to their individual risk profile and financial needs.



You can then produce tailored reports based on your clients fund selection.

The Prisma fund range from Zurich is available across Zurich Pensions, Regular Savings and Investment Bonds. For more information speak to your Zurich Broker Consultant or visit [zurichbroker.ie](http://zurichbroker.ie)

**Warning: The value of your investment may go down as well as up.**

**Warning: Past performance is not a reliable guide to future performance.**

**Warning: This product may be affected by changes in currency exchange rates.**

**Warning: If you invest in this product you may lose some or all of the money you invest.**

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