

# Corporate Bonds

Corporate bonds are fixed income debt instruments issued by corporations in order to raise financing for a variety of reasons such as to day to day operations, research and development, or to expand business. The term is usually applied to debt instruments designed to be held by the investor for a longer period than cash or cash equivalents, with maturity of at least one year.

**Zurich has two corporate bond funds which form part of the Prisma multi-asset fund range and are also available as standalone fund options**

	Short Duration Corporate Bond	Medium Duration Corporate Bond
Euro denominated	✓	✓
Actively managed	✓	✓
Investment Grade Credit rated bonds only	✓	✓
Duration as at 31.12.2020	2.2 years	5.7 years
ESG factors integrated into management process	✓	✓

## The main features of corporate bonds

- A further level of diversification to Zurich's multi-asset funds
- By investing in investment grade credit only, risk is within defined parameters
- Lower currency risk as the holdings are euro-denominated
- Actively managed
- Access to a wider range of asset classes
- Available as part of Prisma multi-asset funds or as standalone funds
- Lower volatility than the average equity fund
- Available for both pension and investment clients

## Managing corporate bonds – we follow our core approach

Proven process	<ul style="list-style-type: none"> <li>• Our Top-Down investment process is driven by continuous analysis of the economic and market cycles.</li> </ul>
Active management	<ul style="list-style-type: none"> <li>• Active management is supported and enhanced by fundamental credit and technical analysis, issuer selectivity and a proactive approach.</li> <li>• Our integrated team-based investment process ensures our investment strategy is implemented quickly and effectively.</li> </ul>
Team based	<ul style="list-style-type: none"> <li>• We assign individual responsibility and foster a team-based interactive approach while avoiding committee or consensus decision-making.</li> <li>• Portfolio Managers work in close collaboration with our dedicated Credit Analyst team, who continually monitor fundamental credit developments and market based signals.</li> </ul>
Trust in the expertise of Zurich	<ul style="list-style-type: none"> <li>• Zurich Life has been meeting the financial needs of people in Ireland for over 40 years and Zurich Investments has been managing diversified multi-asset funds for over 30 years.</li> <li>• Our investment team is responsible for funds under management of approximately €26.9 billion (as at 31/12/2020).</li> </ul>
Investing responsibly	<ul style="list-style-type: none"> <li>• Zurich in Ireland participates in group-wide practices in relation to Responsible Investment.</li> <li>• Environmental, social and governance (ESG) factors are considered in the analysis and selection of each of the holdings within our corporate bond funds.</li> </ul>

# What can the corporate bond funds invest in?



## Euro denominated bond holdings

Zurich's corporate bond funds are fully Euro denominated which helps mitigate currency fund risk. However, this does not restrict the geographical diversification profile: the funds actively invest in bonds issued by global corporations through Euro denominated instruments. For example, a US based firm which operates branches in Europe may decide to raise capital for that business by issuing a Euro denominated bond.



## Debt issued by financial corporations

Corporate bonds are issued by all types of corporations, and are segmented into major industry groups. Zurich's corporate bond funds have diversified exposure across a range of sectors, including banking and other financial corporations, such as insurance or real estate firms. Most corporate bond benchmarks have an exposure of approximately 50% to financial issuers. This is a higher exposure than is typically available through investments in equities.



## Responsibly managed corporations

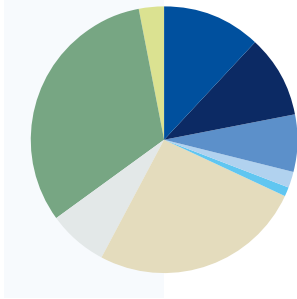
ESG factors are a key input into the fundamental credit analysis and selection of each holding within our corporate bond funds. Developments in ESG ratings are monitored by our dedicated Credit Analyst Team.

# Zurich's Corporate Bond Portfolio

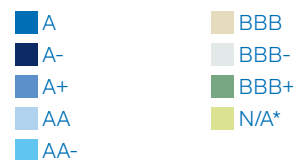
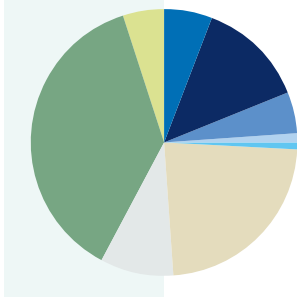
(%) of bond holdings as at 31.12.2020

## Ratings exposure split

Short Duration Corporate Bond



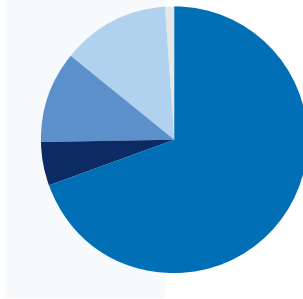
Medium Duration Corporate Bond



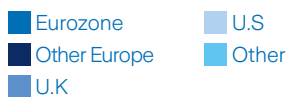
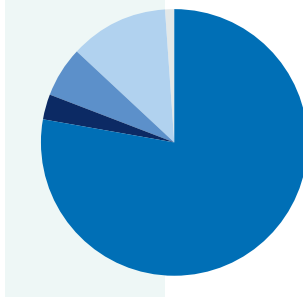
Source: S&P Global Market Intelligence

## Geographic split

Short Duration Corporate Bond



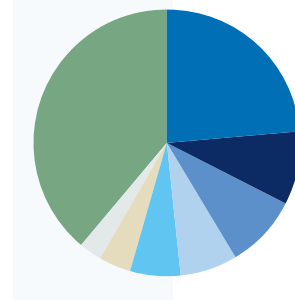
Medium Duration Corporate Bond



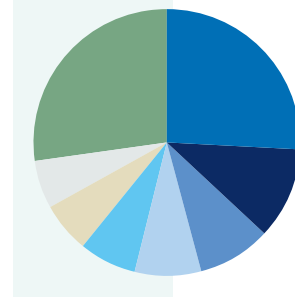
Source: Zurich Life

## Sector split

Short Duration Corporate Bond



Medium Duration Corporate Bond



Source: Bloomberg

\*A small portion of holdings are rated by a different agency. The entire universe of this fund is investment grade.

## Corporate bond performance review and outlook

As the investment landscape evolves the benefits of active management could not be more evident. The addition of corporate bonds to our fund offering is a result of the flexibility and discretion that our active approach to investment allows.

Corporate bond markets have displayed material resilience since the market lows of the Covid-19 crisis in March 2020, having substantially recovered and stabilised. Supported by unprecedented levels of liquidity from the European Central Bank, in addition to outright purchasing programmes, corporations were able to access primary markets to shore up their balance sheets amid market uncertainty. By the end of the first half of 2020, non-financial investment grade issuance was over 50% higher than 2019, illustrating the depth of market access. Supply was well absorbed with most new deals significantly oversubscribed reflecting healthy investor appetite. With generally lower refinancing requirements, primary market activity is expected to moderate in the second half of the year, which should be supportive for credit spreads.

Overall, we are constructive, but selective across investment grade corporate bonds. Dispersion in performance is likely, therefore fundamental credit analysis, issuer selectivity and an active management approach are key.

## For more information

Zurich's Corporate Bond Funds are integrated into the Prisma multi-asset fund range. The Short Duration Corporate Bond Fund and Medium Duration Corporate Bond Fund is also available as standalone fund options across the Zurich suite of Pensions, Savings and Investment products.

You can find more information on each fund by reading our fund guide, speaking to your Financial Broker or visiting [Zurich.ie](http://Zurich.ie).

## Create tailored portfolios

Zurich has a range of tools and supports to help you on your investment journey.



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



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



Keep track of your investments and pensions with the secure dashboard.



**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.**

### Zurich Life Assurance plc

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