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Investment Conference 2025

May 2025


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Welcome
Jonathan Daly
Head of Retail Distribution and Propositions

Market Overview

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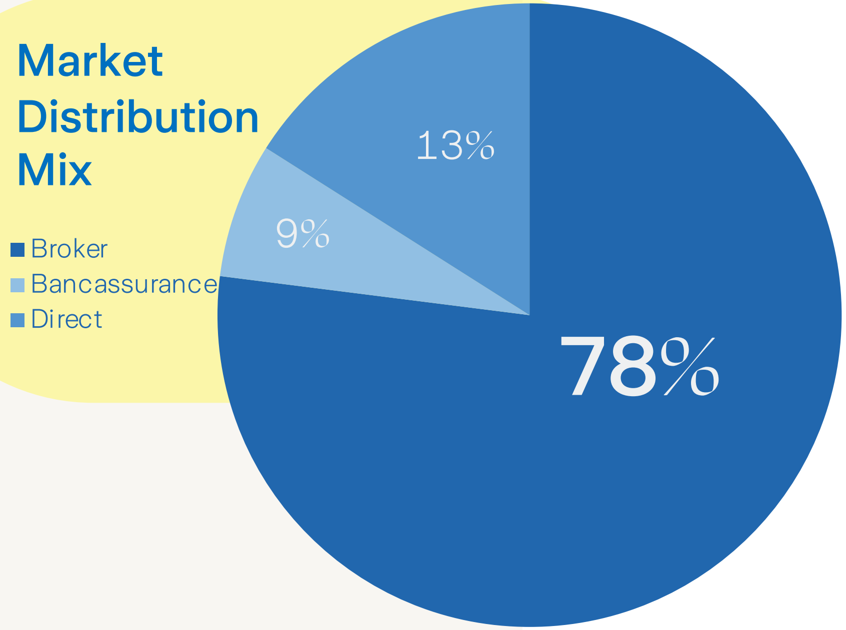
2024 Market highlights

- Overall Market up 15%
- Broker Market up 15%
- Life – Single up 39%
- Pension - Single up 26%

Market Distribution Mix



Q1 2025 – growth continues

- Life – Single up 14%
- Savings – Regular up 59%
- Pensions – Single up 30%

The value of advice

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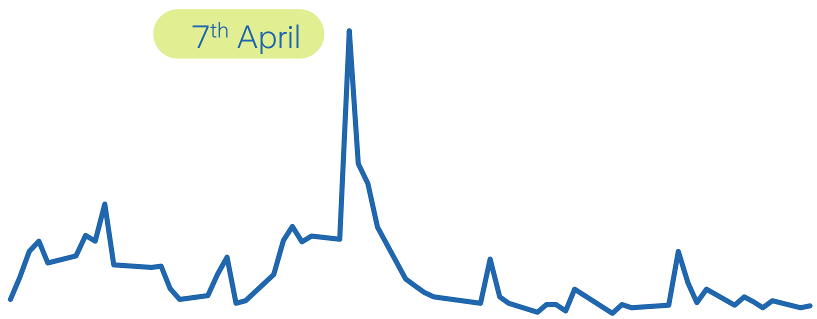
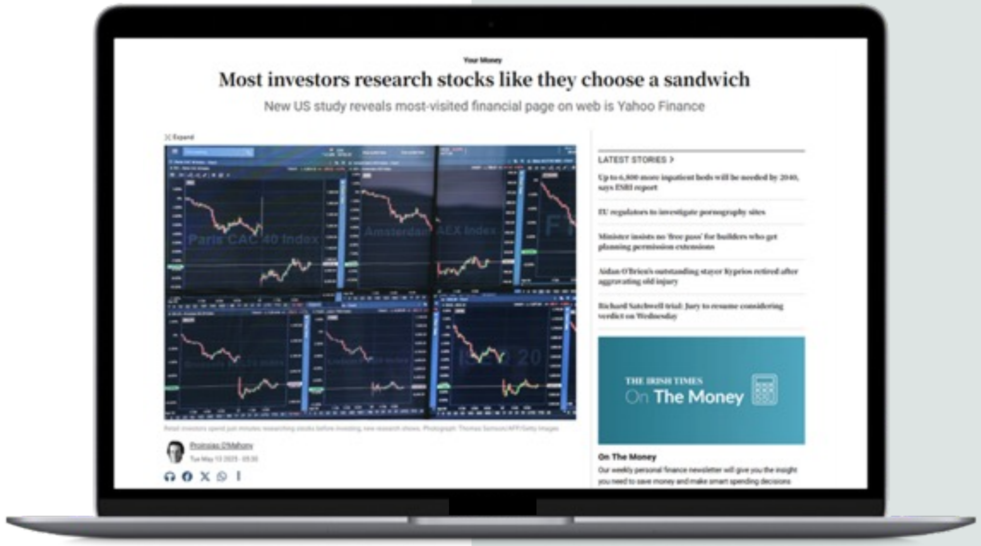
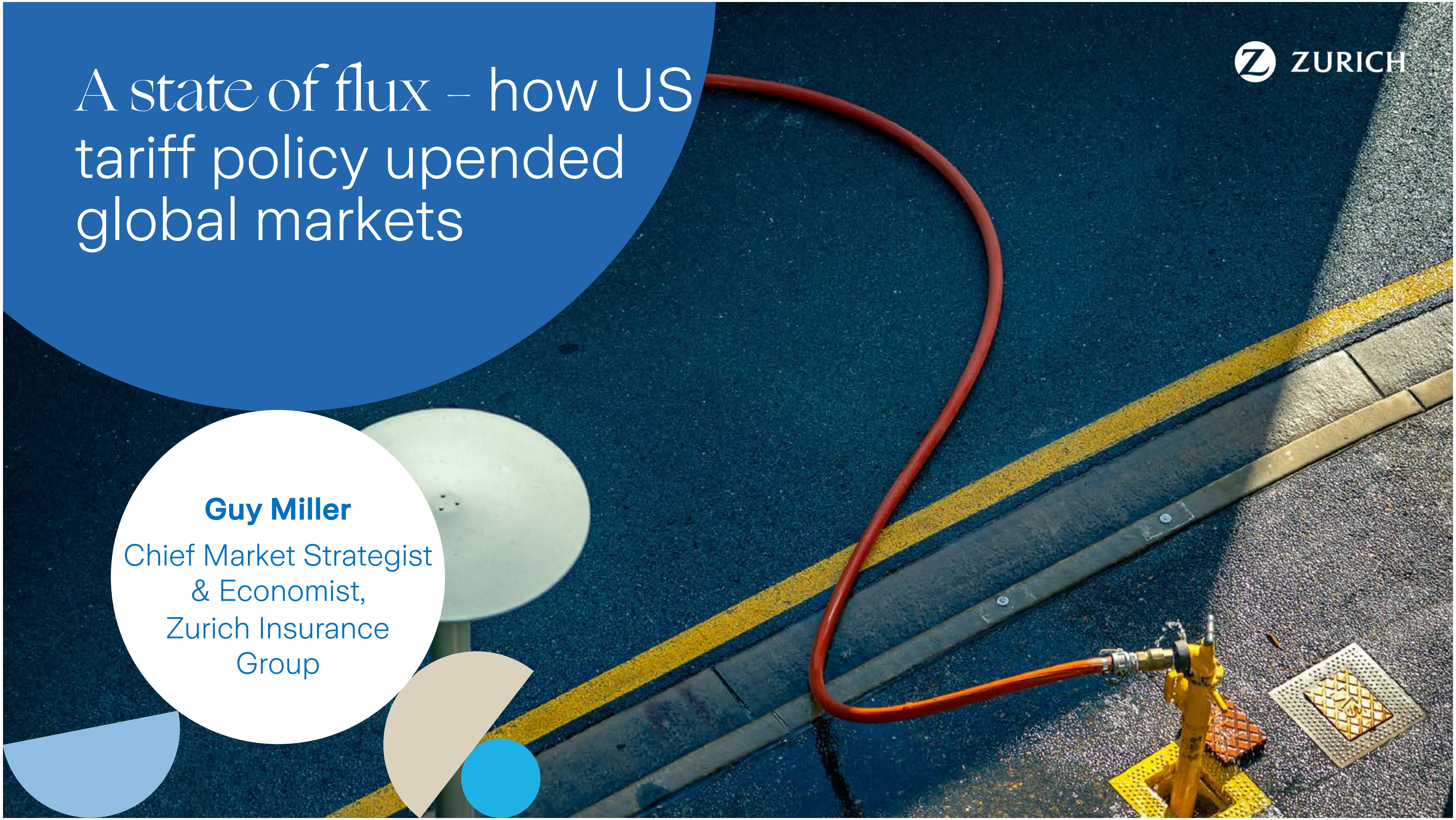
Number of customer switches





A state of flux – how US tariff policy upended global markets



Guy Miller

Chief Market Strategist & Economist, Zurich Insurance Group

Key Points – H2 | 2025

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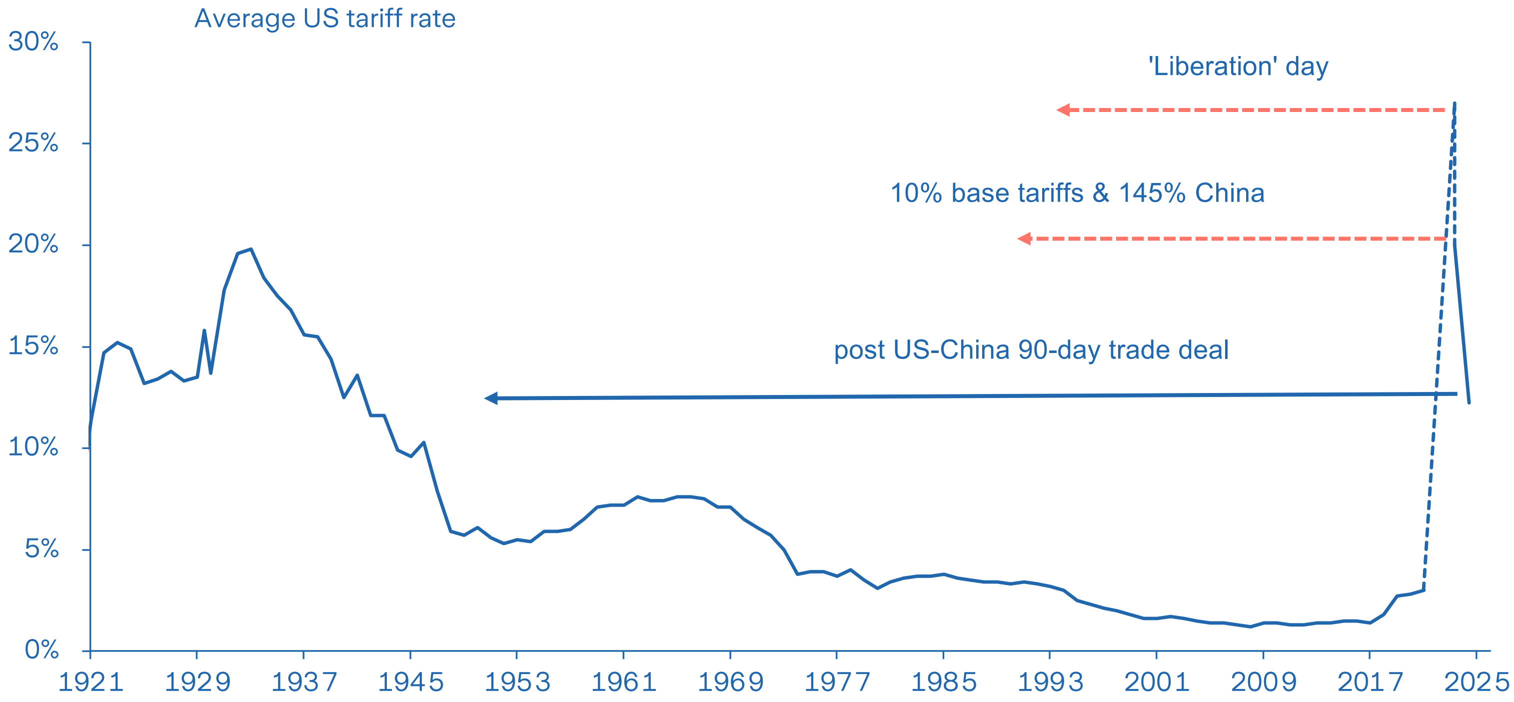
Erratic US policy	Markets matter	Collateral damage is	Central banks	US exceptionalism
still dominates the investment narrative, keeping markets volatile	and they will curb the most disruptive policy initiatives	done and global growth will be lower, albeit avoiding recession	including the Fed, will continue the rate cutting cycle	is not dead, but is being reset

US-China temporary trade truce marks a significant development

Disruptions should be manageable, as long as renewed escalation is avoided

US backs off

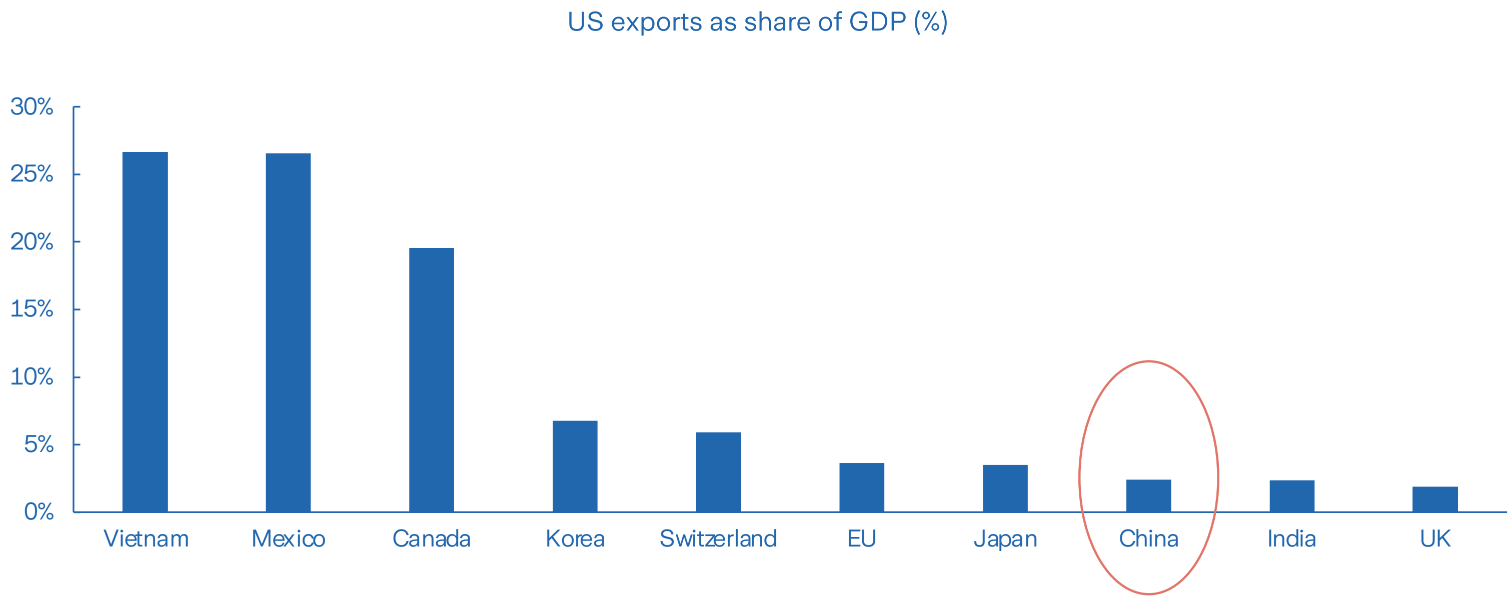


Source: Bloomberg

China has relatively limited exposure to the US giving it a high pain point

China has diversified exports allowing it to play hardball with the US

Limited dependency on the US

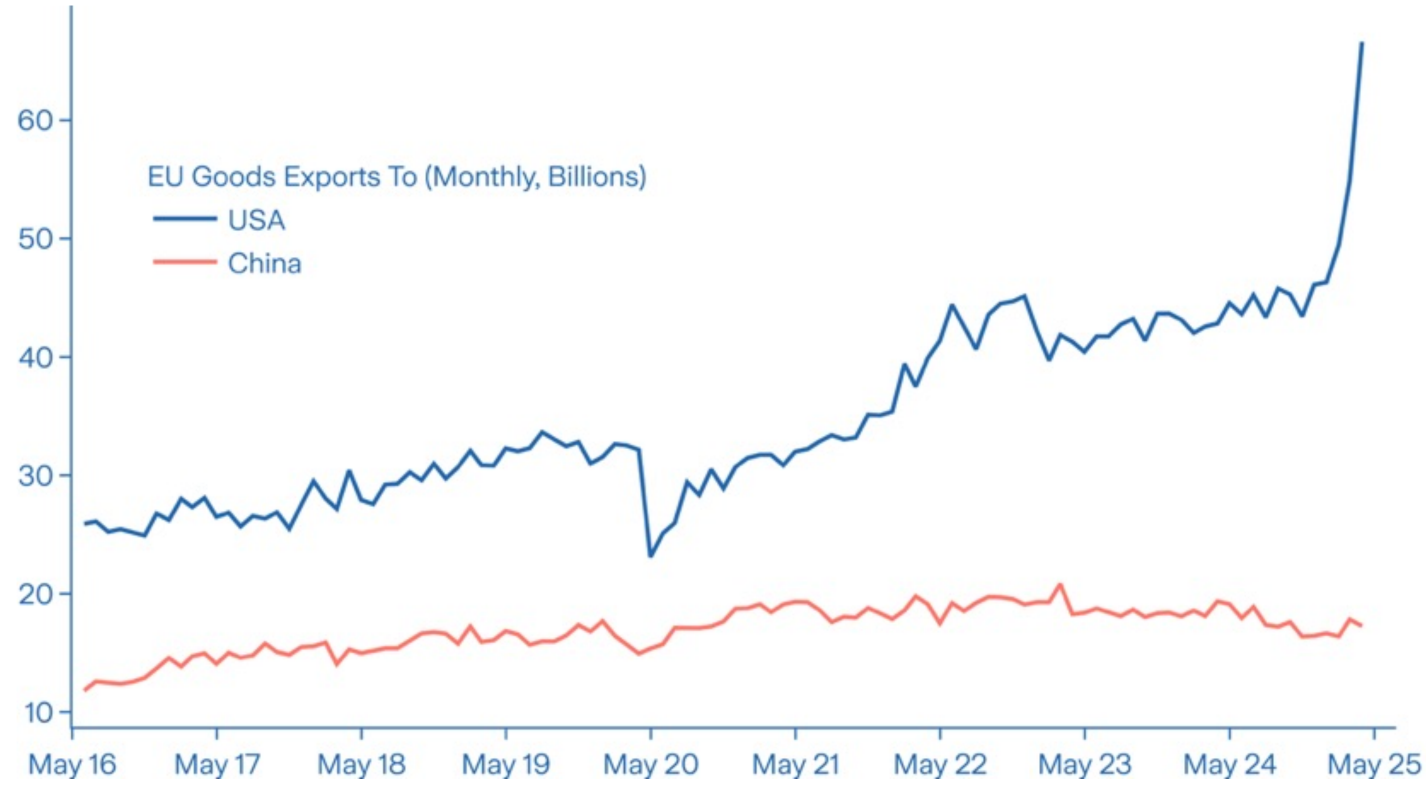


Source: Bloomberg

EU next in line for tariff tiff… and will suffer

Q1 EU exports to the US surged as customers pre-buy

Panic buying Champagne

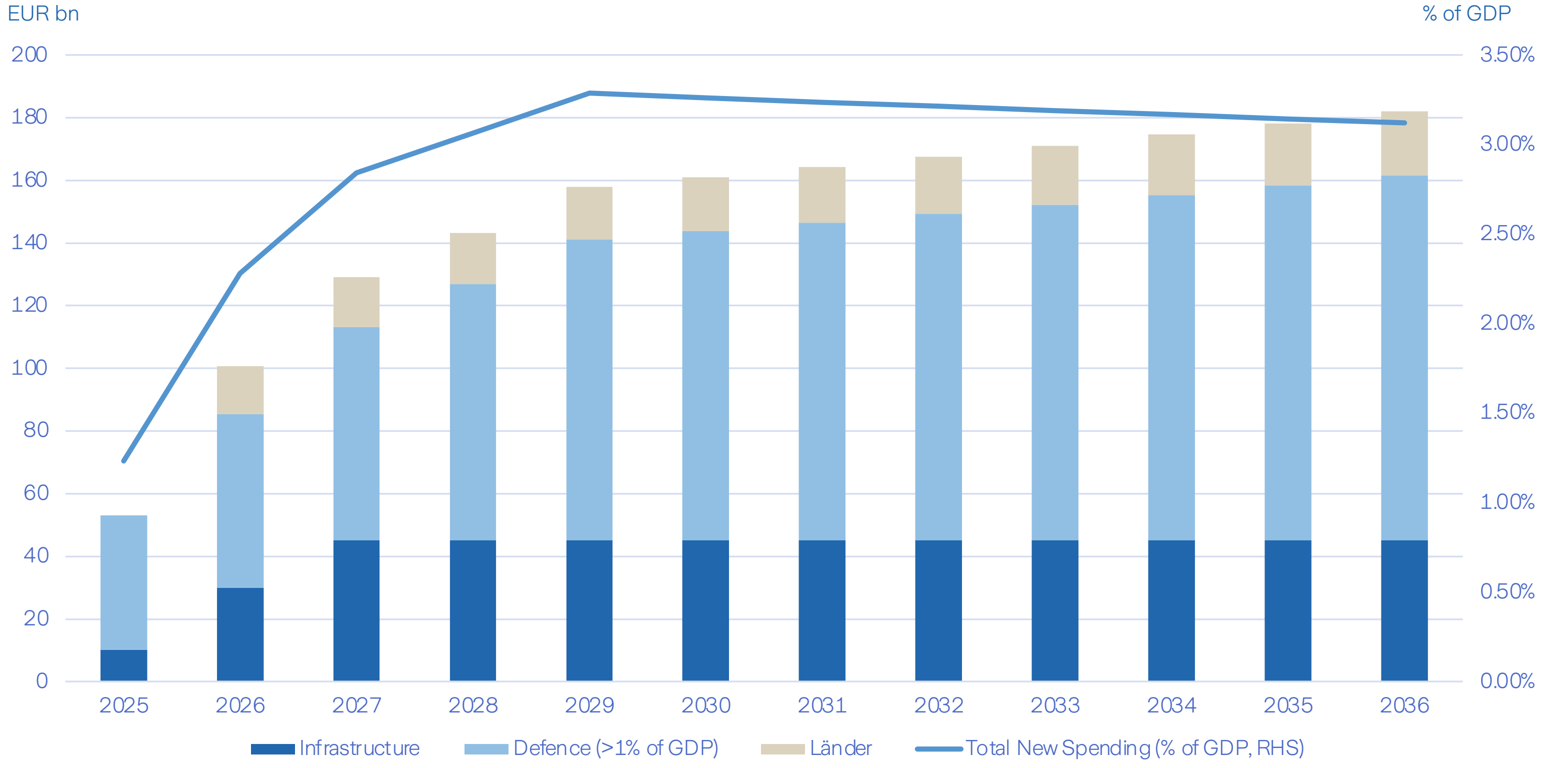


Source: Bloomberg

Europe has been forced to change – which is a good thing

Existential threat forces the EU to enact reforms that have been muted for years

Expected German fiscal spending



Source: ZIG

Note: Based on CDU/SPD plan as of 10th April 2025 – 500 EUR Billion Infrastructure package, Exemption of Defence spending >1% of GDP from debt-brake with a new 3% total target, and an additional allowance for annual Lander spending of 0.35% of GDP. GDP growth assumptions are based on recent history and at-target inflation

US exceptionalism is undermined as economic headwinds build

Lower growth and higher inflation in the medium term

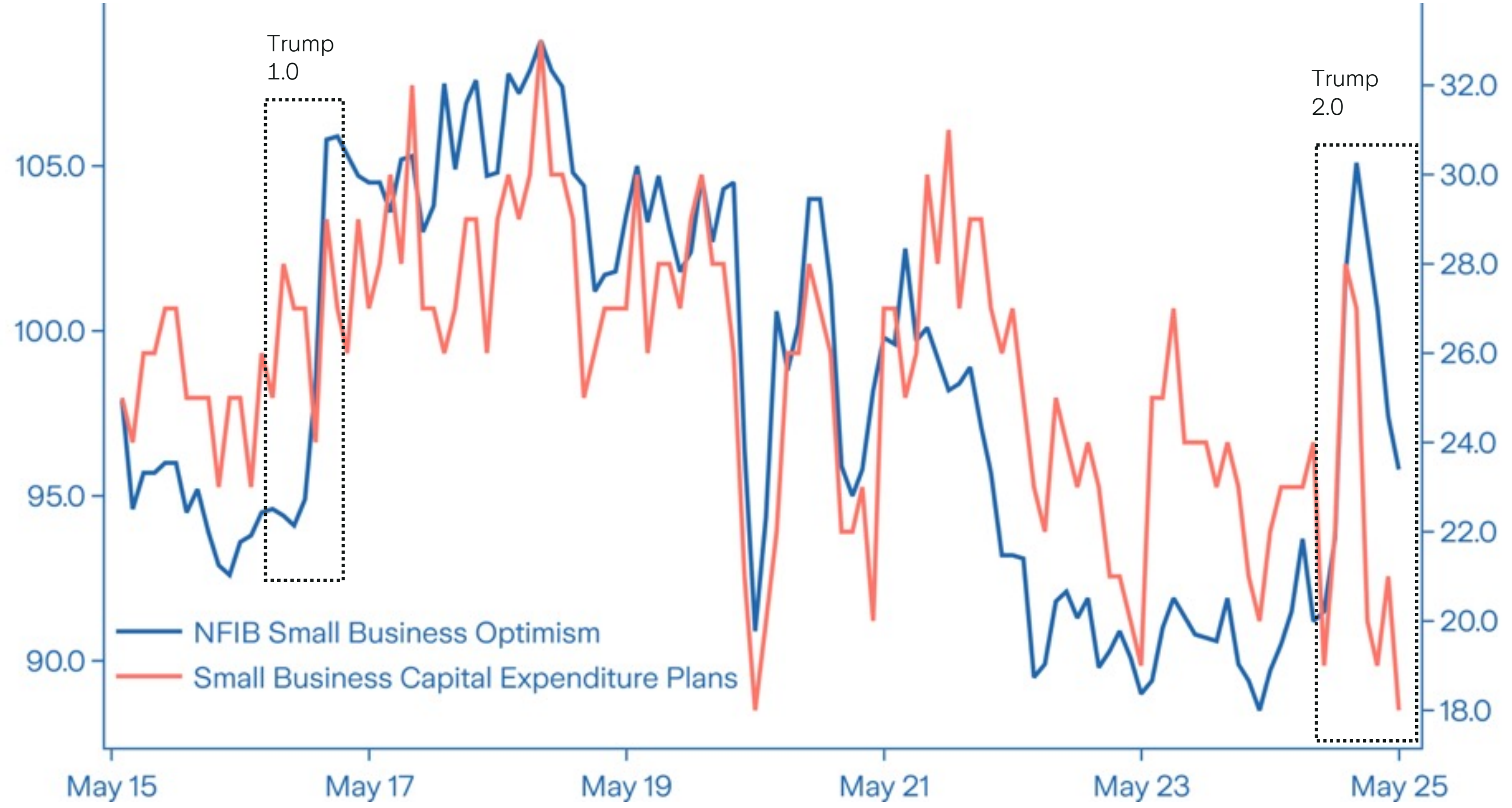
US households are very worried about their future

Source: Bloomberg

US small businesses become more reluctant to invest

The trade war and policy uncertainty weigh on the growth outlook

Small businesses are less upbeat

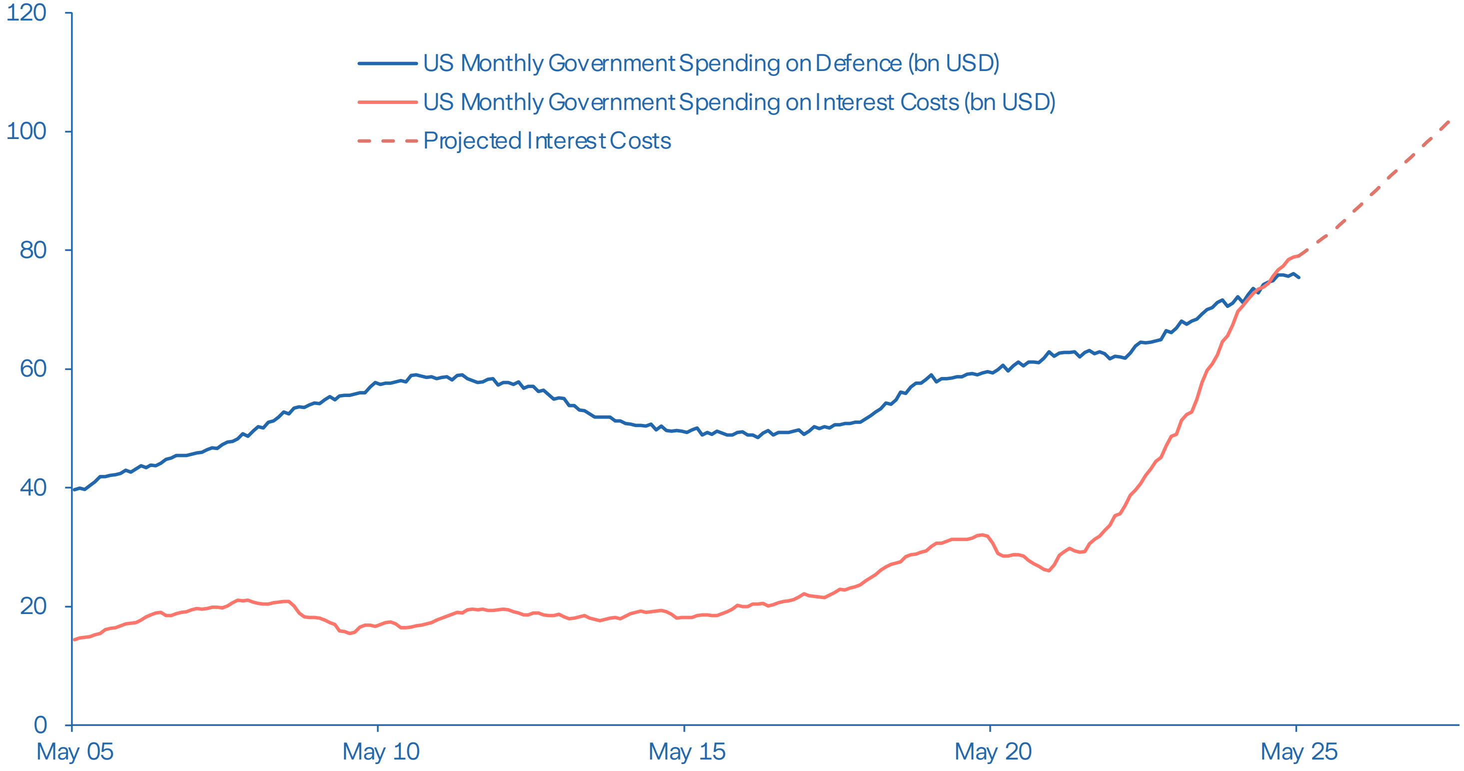


Source: Bloomberg

The US now spends more to service its debt than on defence

Maturing low-yield debt, and fiscal largesse, will make the situation worse

US debt service costs have soared

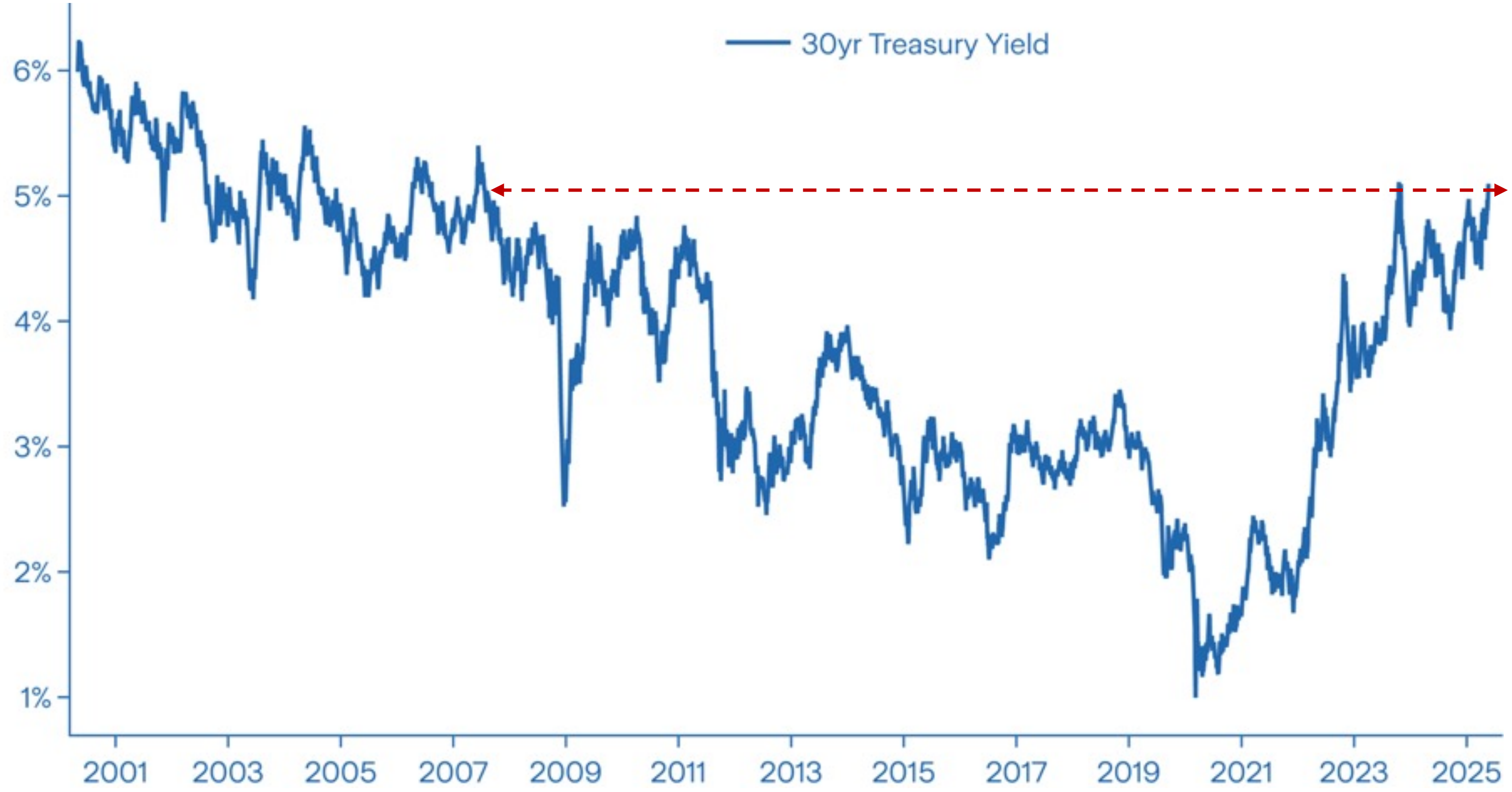


Source: Bloomberg

Long bond vigilantes awaken to fiscal risks

Moody's downgrade is simply a reminder of a need for fiscal prudence

Long bonds approach critical level



Source: Bloomberg

US stocks expensive at a time when uncertainty is high

Risk reward trade-off between stocks and bonds now favours ‘risk free’ assets

Investors accepting lowest risk premium in 20 years

Source: Bloomberg

US exceptionalism likely to be under question for some time

Portfolio diversification is ongoing, with further to run

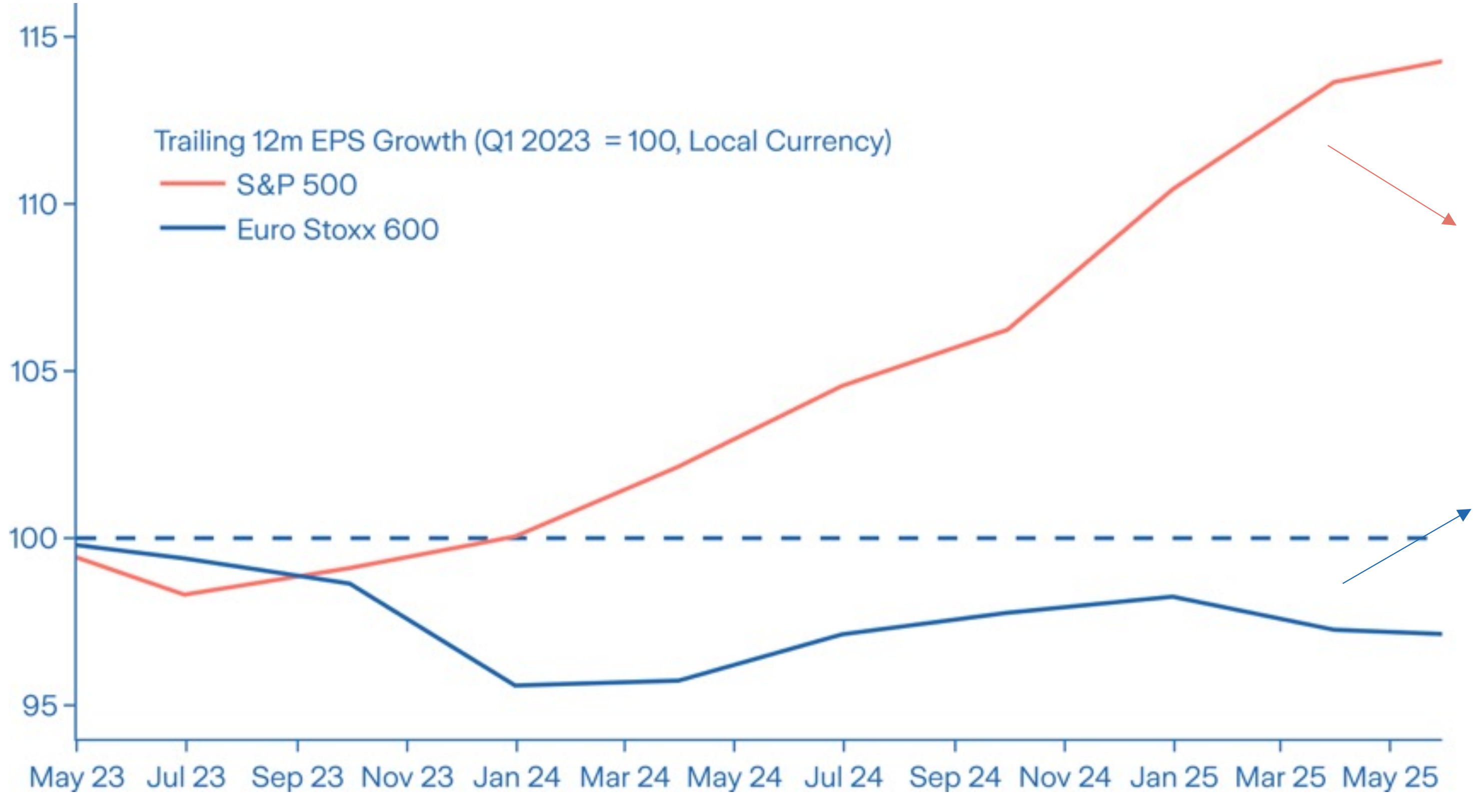
US stocks no longer the only game in town

Source: Bloomberg

EU earnings growth has been lacking

European earnings have stagnated, while stocks have rallied

EU earnings still a ‘next year’ story

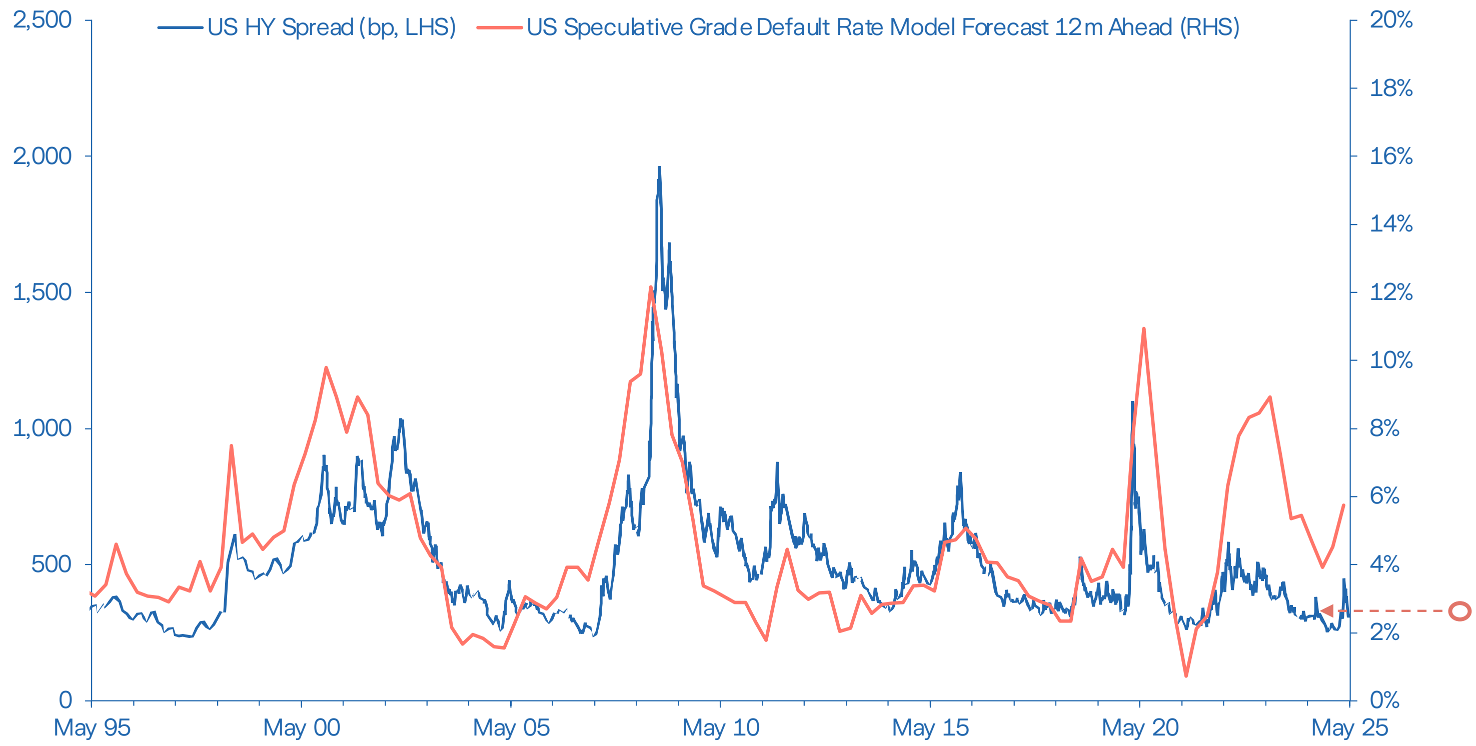


Source: Bloomberg, ZIG Calculations

Risk premiums in credit are low but not extreme

Defaults are expected to be higher than expected in 2024

Spreads are off their lows but fundamentals to worsen

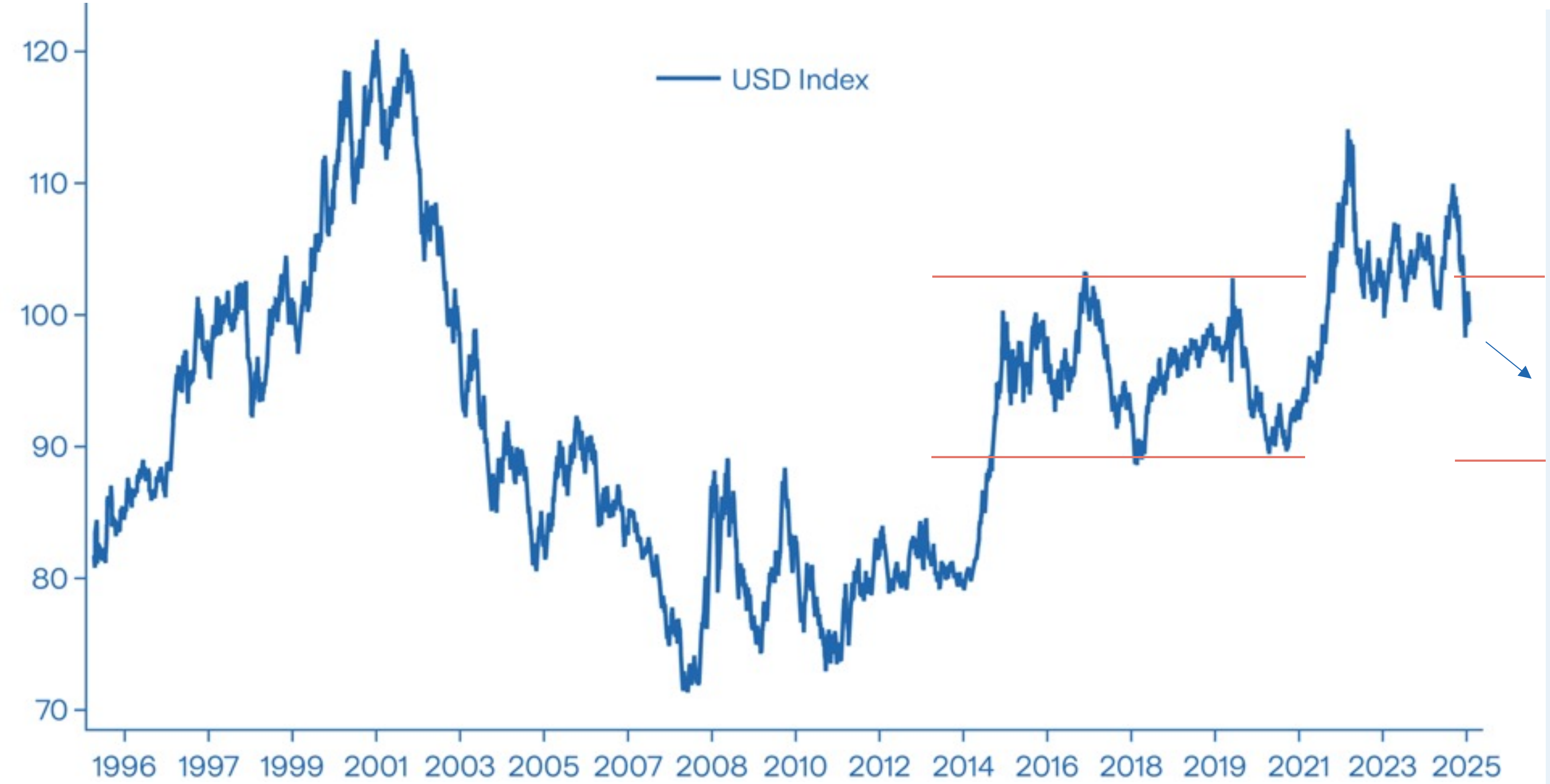


Source: Bloomberg, ZIG

USD not at extreme levels despite the rhetoric

USD expected to weaken within its pre Covid trading range

USD in middle of long-term range



Source: Bloomberg

Conclusions

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Global growth to be below trend this year, rising towards trend next

Monetary policy to ease further over the remainder of the year

US policy to remain erratic, but expectations have adjusted

Bond yields to determine financial market outcomes, with choppy but lower yields ahead

Credit spreads are low and vulnerable to refinancing pressures & higher default rates

Equities to remain bifurcated & choppy, with portfolio diversification a continuing theme

Volatility will continue to dominate the year requiring investor agility

Thank you

More on what matters- Debt

David Warren

Chief Investment Officer, Zurich

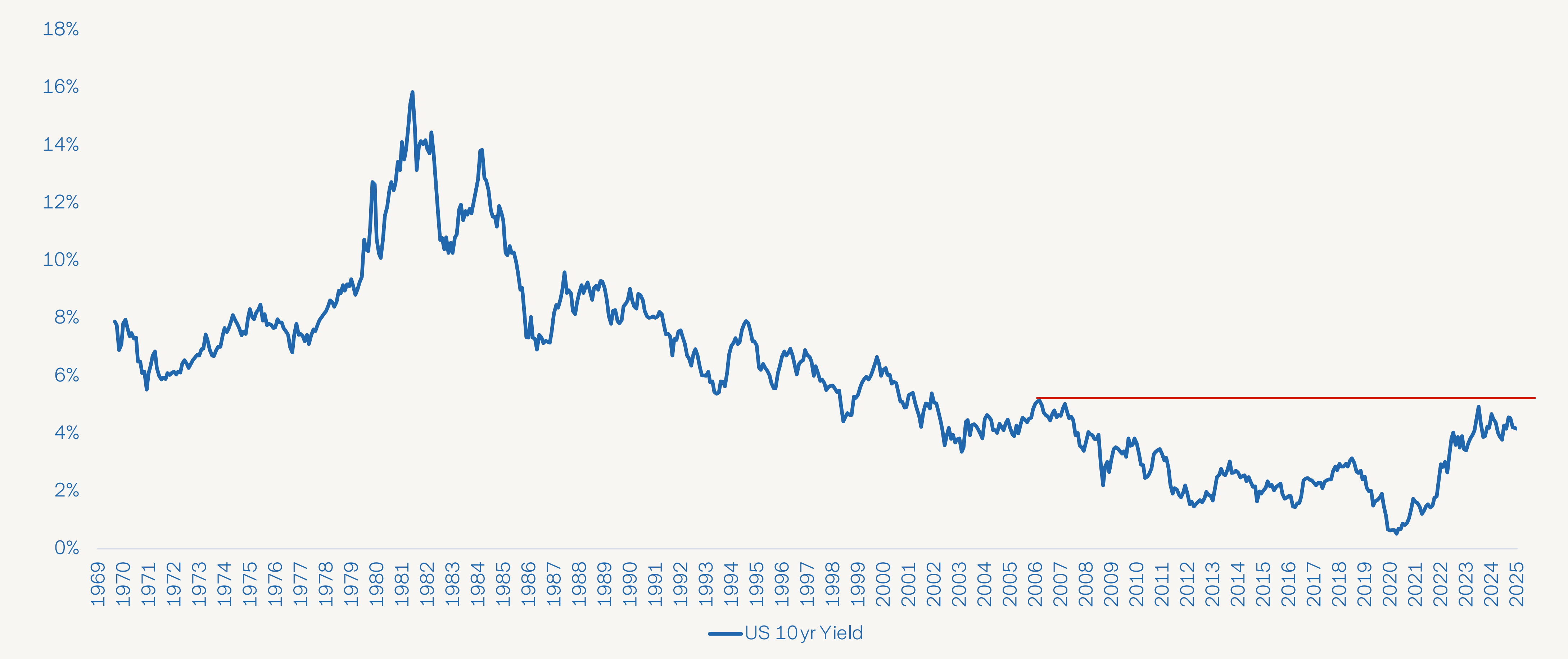
Last year we covered those things that matter to our investment approach

This year we focus some more on bonds and US debt levels

- **Outcomes Matter** | Being right in 'the end' is not enough
- **Earnings Matter** | Earnings are driven by firm-level, structural & macroeconomic factors
- **Bonds Matter** | Top-down government & central bank policies drive long-term interest rates
- **Valuations Matter** | And are inherently volatile
- **Risks Matter** | Our key risk is valuation not volatility
- **Judgement Matters** | And more so than perfect knowledge; context is key
- **Market concentration Matters** | Not inherently good or bad

US 10yr Government bond yield

US bond yields re-approach the pre-GFC level from which they previously declined to close to zero



Source: Bloomberg, Data as at 30/04/2025

US Debt and deficit levels have risen

Posing risks to bond yields and risk assets

Bonds are competing assets for equities

Bond yields are the discount rate for future earnings, hence yields impact equity valuations

A multi-decade fall in bond yields accompanied a booming equity market

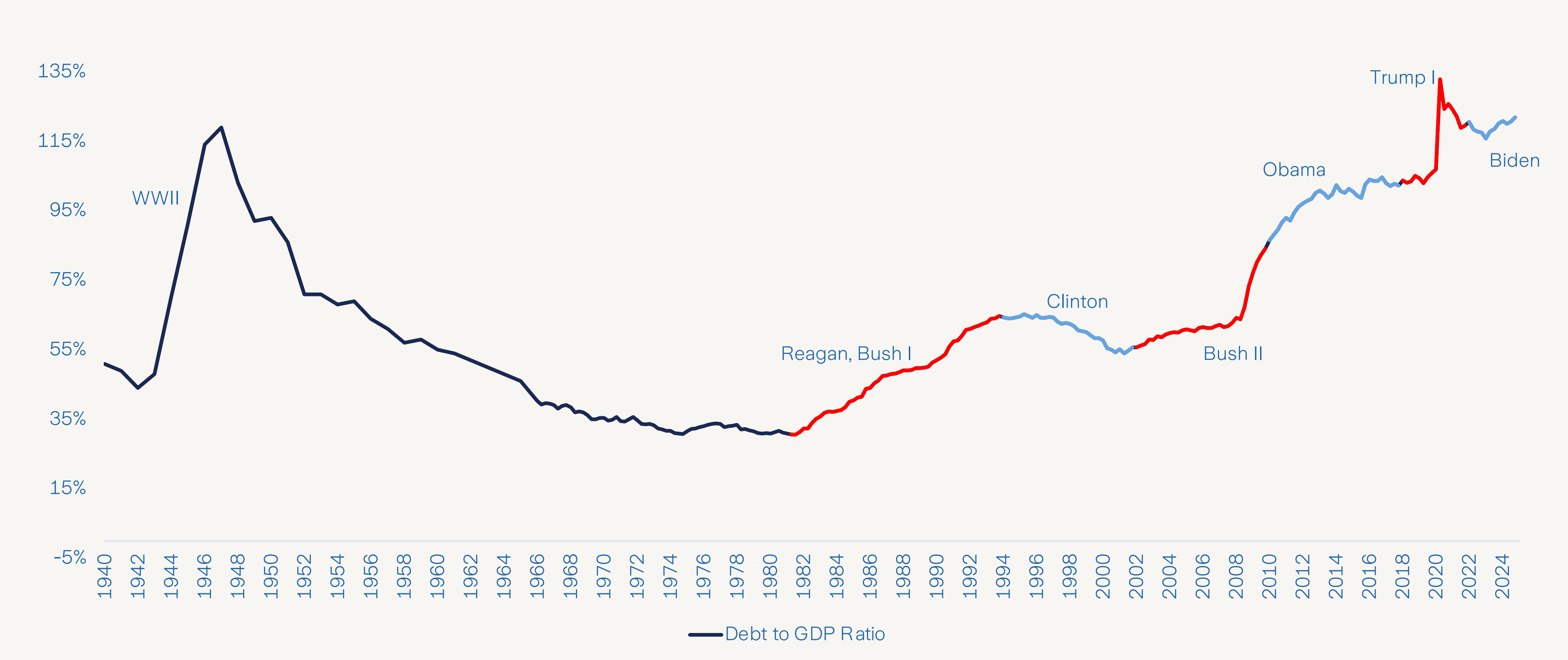
Inflation expectations impact bond yields; they're also key for medium to long-term views on risk assets

Debt levels also impact bond yields; a tipping point may lie ahead?

Plenty of focus in past years on Eurozone debt;
US is more in focus more recently

US gross national debt as % of GDP

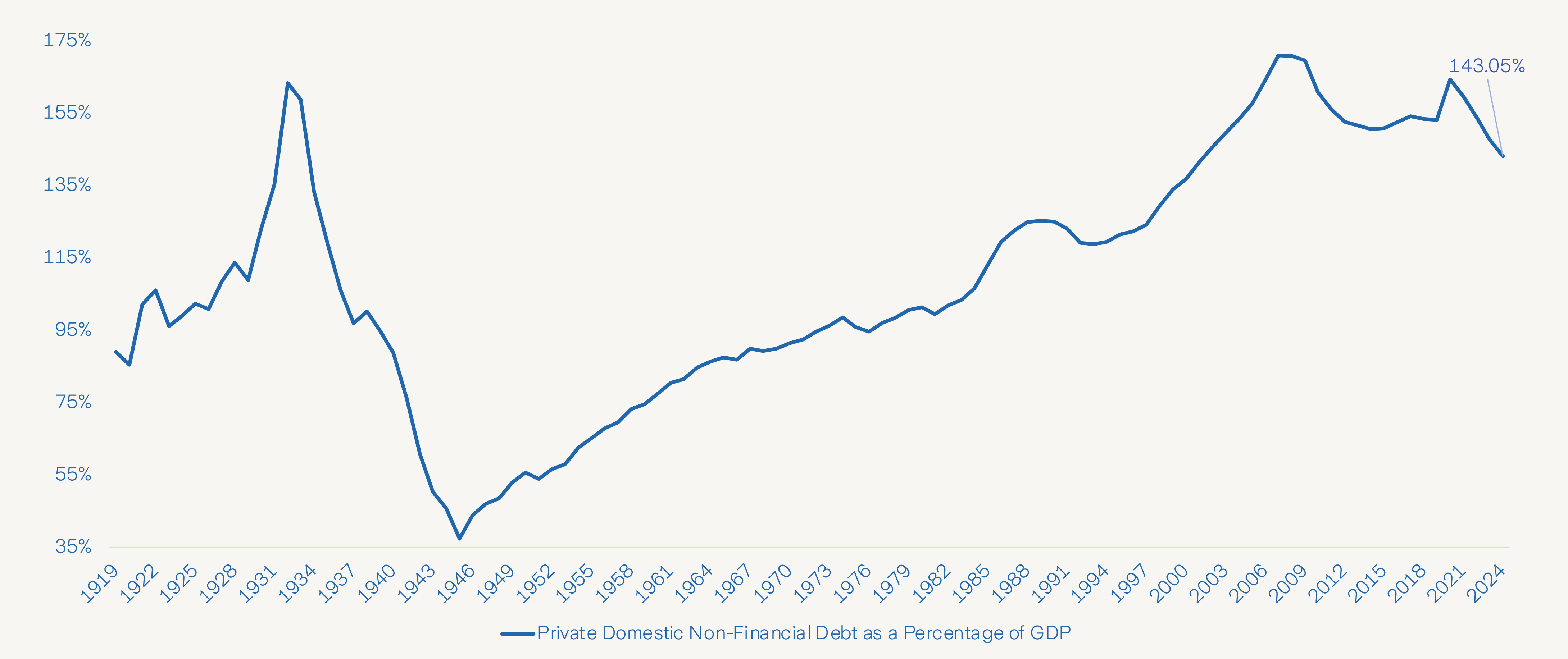
GFC and Covid periods have turbo-charged US debt levels



Source: Bloomberg, US National Debt, May 2025

US private domestic non-financial debt as a % of GDP

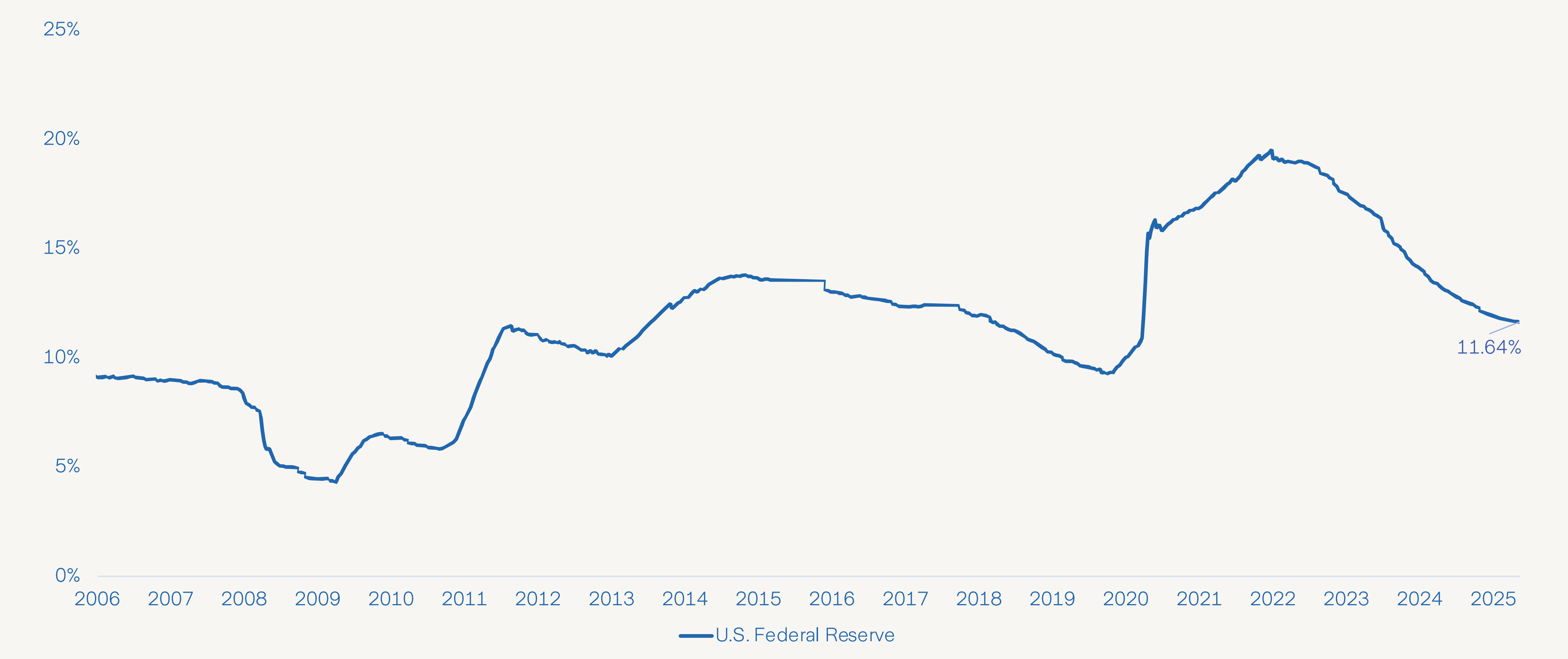
Private Debt moderation has mitigated any Government 'crowding out'



Source: Department of Commerce Federal Reserve Board, May 2025

Government bond holdings as a % of Government Debt

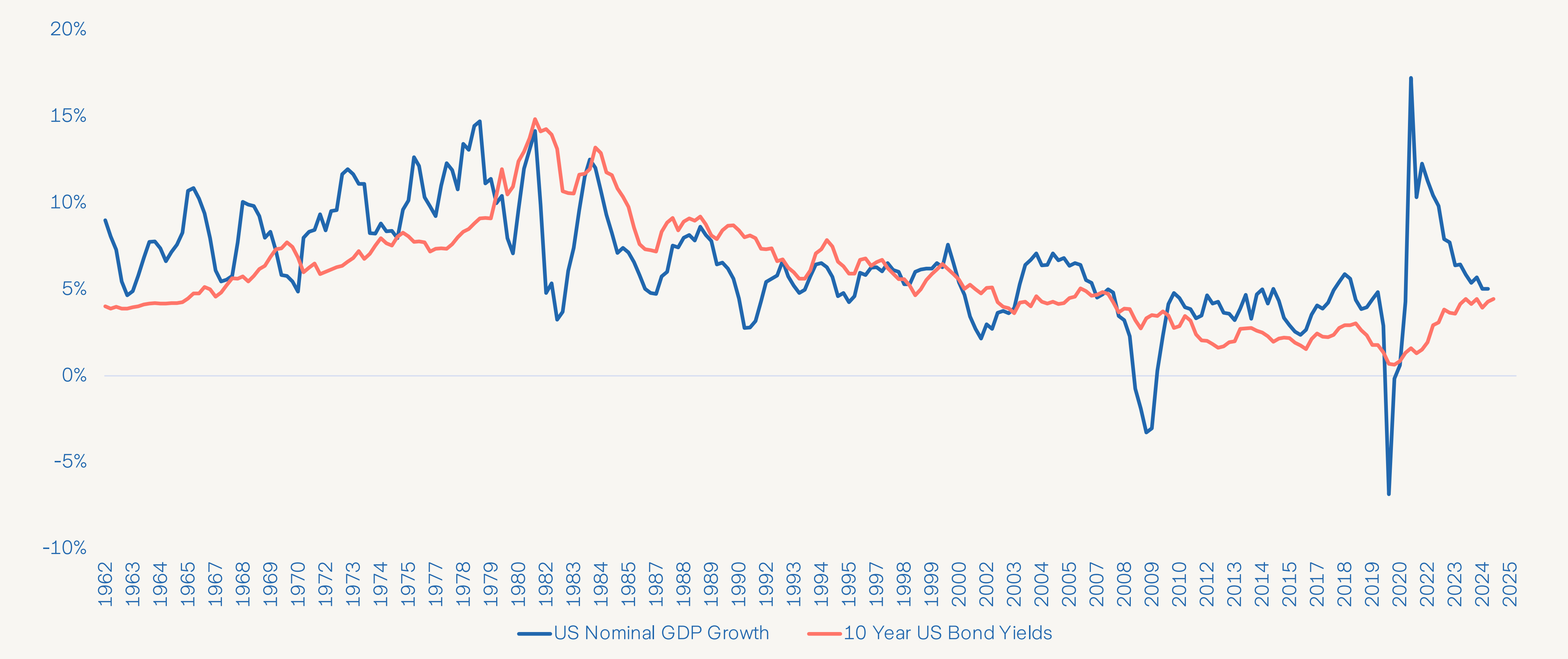
Another factor that helped mitigate potential Government 'crowding out'



Source: Public Sources. Central Bank Domestic Government Bond Holdings as a % of Gross Government Debt

US nominal GDP growth versus 10yr US bond yield

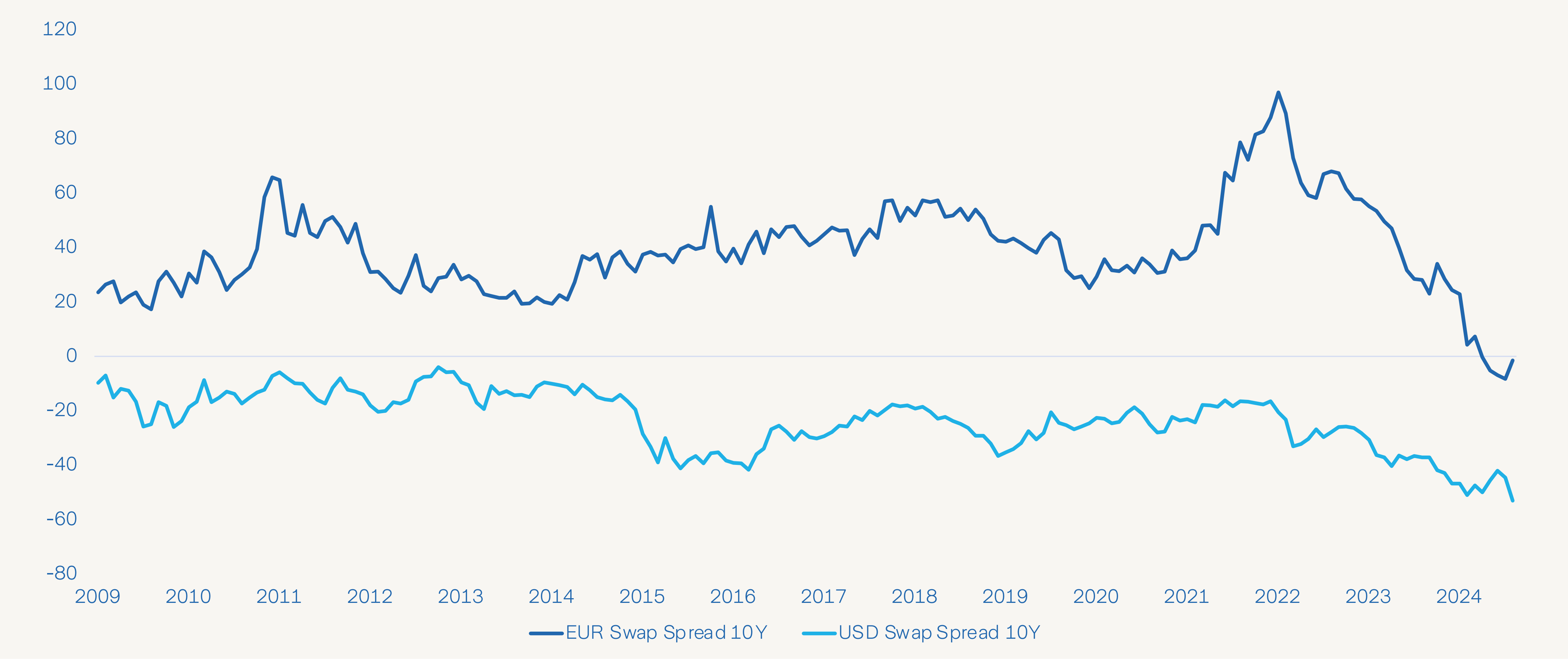
When interest rates exceed nominal GDP growth, debt to GDP ratio rises



Source: Federal Reserve Bank of St Louis, 2025

A measure of corporate versus government risk bears watching

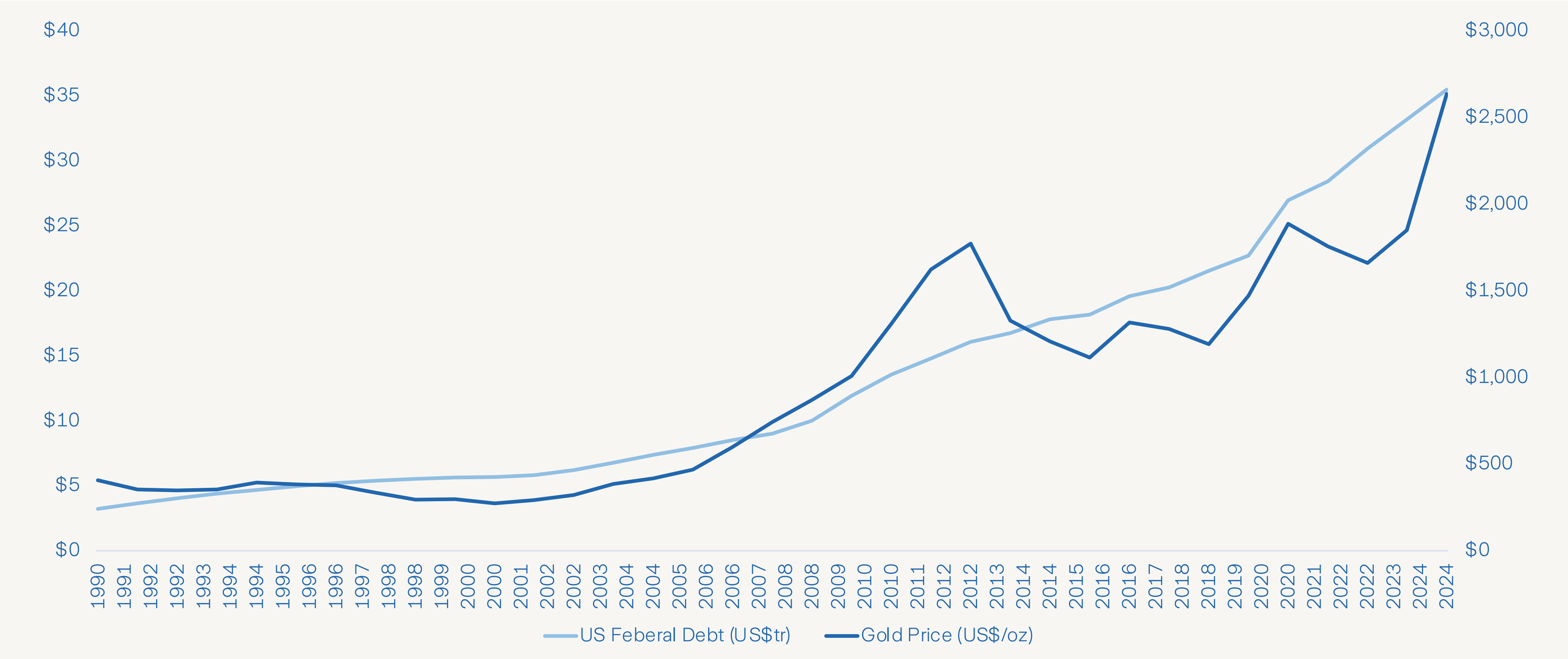
Corporates less risky than governments? Sign of nervousness about Government debt levels?



Source: Bloomberg, May 2025

Gold price and outstanding US Government Debt

Interesting pattern over 25 years



Source: US Treasury Fiscal Data, Bloomberg, May 2025

Conclusions

Government Debt: higher but not dominant risk; issue is fixable

- Risks associated with US debt levels are rising
- So-called bond vigilantes were cited as catalyst for policy pause/reversal in recent weeks
- Preference for a smooth transition to more sustainable debt dynamics is understandable but difficult
- This factor has a higher but by no means dominant weight in our thinking
- The issue is fixable nonetheless; one to keep watching carefully

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The Fund Manager viewpoint

Experience counts

Panel discussion:
Philip Duggan
Damien Meade
Michael Kelly

Hosted by
Kristen Foran

Panel Discussion

Philip Duggan

Deputy CIO & Credit Specialist

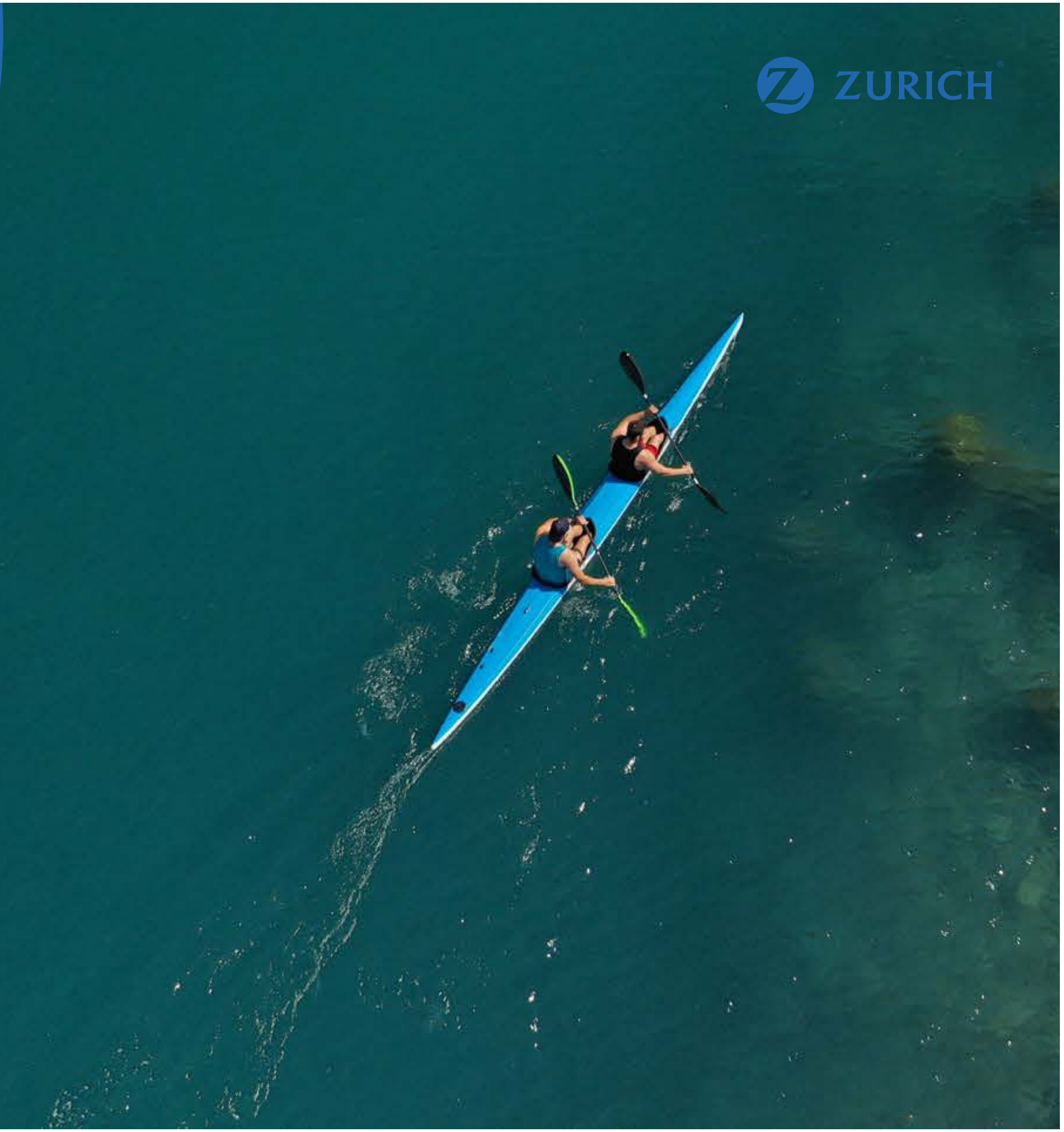
Michael Kelly

Head of European Equities

Damien Meade

Head of North American Equities

The Funds Review 2030



Michael J McGrath

Assistant Secretary Financial Services Division, Department of Finance

The Pensions future is bright

Rose Leonard

Head of Corporate Distribution & CRM

Zurich's Group Pensions

Business since 2023

Existing employers on AE

Optimistic future

New employers to Zurich

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2024 – 145 new employers to Zurich in 2024

- 100 offering employee pension benefits for the first time
- 45 transitioned from other providers

2025 YTD

- Exact same trend

Why Zurich?

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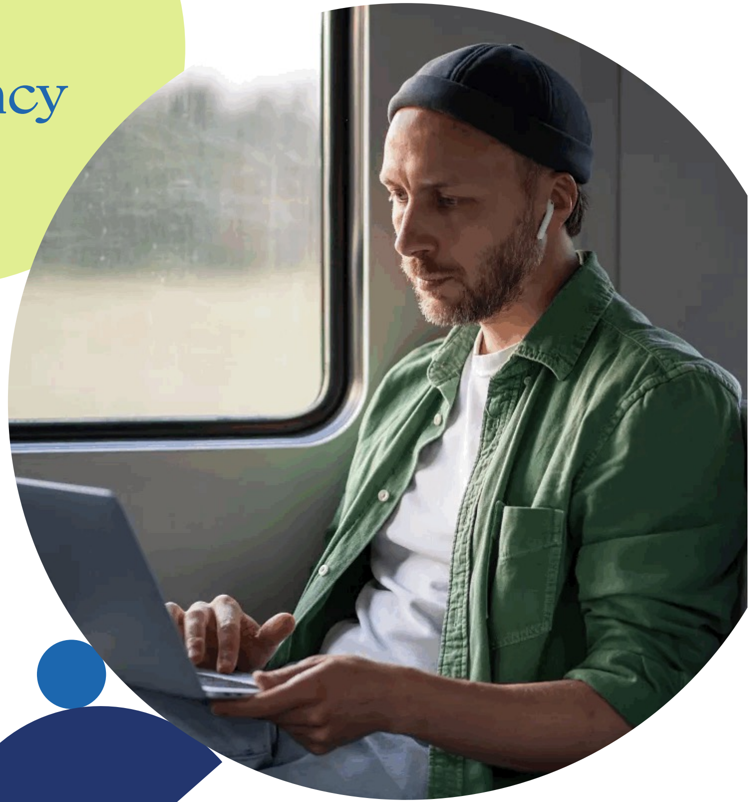
1 | Robust administration

2 | Supported with extensive employer and employee engagement

3 | Investment performance.

Stability and consistency



Existing employers on AE

What they are saying…

> "One pension arrangement preferable"
>
> *Our response: new entrant online facility*

> "Changing the eligibility rules"
>
> *Our response: revised benefit annex*

> "Sectoral differences"

Optimistic future for Zurich and Financial Advisers

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1 | Government engagement with employers

2 | Employers need impartial advice

3 | Employees need financial advice

4 | Fundamentals of the Irish economy are strong


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Closing Thoughts
David Warren
Chief Investment Officer, Zurich
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Closing Thoughts

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Good Advice

Good Products

Good Performance

Great Customer Outcomes


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Thank you
Please join us for some refreshments

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Thank you

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