

Irish Broker Interview with David Warren - CIO of Zurich Life



David, many of our readers will be familiar with Zurich's long standing investment track record but what about the people behind it? Can you tell me a little about yourself and your career to date?

We're very proud of the strong track record we have in managing our customers' monies. Of course, it's not something that developed overnight; it's taken a long-term commitment from many different people within the business to get us where we are today.

We've always been reluctant to overly promote the role that the investment team plays in Zurich's wider success - we prefer to focus on managing investments and let results speak for themselves. But recently we celebrated the 25th anniversary of the launch of the managed funds and we wanted to share some of the insights we've learned over that time.

While I haven't been here for the full 25 years, I have spent most of my career with Zurich. After I left UCD and completed a Masters in Economics, I spent short time with Irish Life. But it's fair to say that once Ann Powell asked me to join the team in the early '90's I haven't looked back.

I worked for and work with some excellent people and we have a strong team that are focused on delivering the best results for our customers. We've also been lucky in that traditionally we haven't seen a huge amount staff turnover within the team; when people, like me come to Zurich, they have stayed for very considerable periods of time. This is fairly unusual in the investment management industry but speaks volumes about Zurich.

It means that we have very experienced people who have worked together managing clients' money through all sorts of market and economic cycles. Given the nature of the events that we face in financial markets, if you are going to

survive and succeed, you have to approach work with a mixture of confidence and humility. We make many decisions but we know some of those will not work out. Humility ensures that we control our risk and learn from our mistakes; confidence allows us to express strong conviction in the portfolios we manage and to continue to make successful decisions.

You mentioned that you recently marked the 25th Anniversary of the Managed Funds - how would you describe the performance of the funds over the past 25 years?

These are some of Zurich's largest and most successful 'shop window' funds and they encapsulate our investment skills pretty much perfectly. Zurich isn't a boutique fund house, and we're not a fund manager that follows fads or the latest fashions. Our clients want asset allocation solutions for their savings and investment needs. Some also want strong performing individual market funds that they can use as building blocks for their own asset allocation. Zurich has successfully delivered both over the years and I am proud of the contribution the investment team and our investment performance has made to that success.

Our managed fund range are diversified solutions designed with customers in mind. The long term performance of the Balanced, Performance and Dynamic funds has been extremely strong. The Balanced Fund has outperformed its sector average in 19 out of the last 25 years and has grown to over €1.5 billion in size. In fact, the three managed funds are now well in excess of €4billion. These funds combine strong asset allocation with active stock selection within individual market portfolios. Zurich's more recent multi-asset funds - Active Asset Allocation and Pathway funds - successfully build on that same foundation and we look forward to celebrating their 25th anniversary in the years to come. I'll enjoy that one from afar however!

I think Zurich has traditionally been an 'Active' manager - is this still the case?

Yes, very much so. Philosophically speaking we are and always have been an active manager. We think that financial markets give opportunities to good active managers to deliver performance. Our process starts with a top down view of the world and the team has many conversations around these issues - economic growth dynamics, companies' earnings' power, the monetary policy environment, asset valuations and investor positioning. We like to take a hands-on approach to both selecting the right assets and to selecting the right stocks within our portfolios.

Asset allocation is the key decision when investing and this just has to be done actively...why let your key investment decision fluctuate passively according to the whims of other investors? Or why apply a rigid rule over your investment horizon? You need to manage your asset allocation according to your risk preferences and your investment goals. These will vary over time and by definition require active management! We don't say that active stock selection is better than passive per se, but we do believe that good active management is better for customers over the long term than a passive management approach.

I've already mentioned the strength and longevity of the team who all sit together constantly sharing insights with each other. This is one of the strengths of the Zurich approach. We know that teamwork is the most difficult aspect of investment management and it's something we work hard at. It's not an issue unique to Zurich but it's something we are very conscious of. And if we can do teamwork a little better than our competitors then we can definitely gain an advantage for our clients.

We've talked about the three 'P's (Philosophy, Process and People) many times over the years; so far they have stood the test of time!

Investment funds have had a great run over the last couple of years; do you think this will continue into the future?

Last January we ran a webinar where we outlined our views for 2014. Naturally we've been writing investment outlooks for years but there is something about delivering a live message to hundreds of listeners that really puts you on the spot. I'm glad to say that when we reviewed what we said, we're happy with our message. Equities continued to be the place to be in 2014, earnings have been decent and low short rates and policy action continues to support risk assets.

At the moment we are in the midst of putting together our 2015 Investment Outlook which again we'll roll out to the market in the first week of January. I'd encourage Financial Brokers to listen in to our webinar in January, myself and the team will cover off the outlook in much greater detail and it should prove to be a good reference for discussions with clients.

What about advisors that want alternatives - are Zurich able to provide that choice?

We are very much active managers, it's our core philosophy. But of course we recognise that not every Financial Broker or their customer wants just active funds or for Zurich to actively manage their asset allocation. We've a wide range of investment funds and we strongly believe in providing choice to customers so that those who feel they can chose their own asset allocation or who want a more passive approach to stock selection can do so with funds provided by or managed by Zurich.

We've had a range of passive Exchange Traded Funds (ETFs) on the platform for a number of years and we still continue to add new ETFs when we see demand. We always look for opportunities to fill any other gaps in our own fund range and over the last couple of years we've added a range of active investment funds from external fund managers such as M&G, BlackRock and J.P. Morgan.

What role do you think investment funds have in encouraging more customers to plan for the future?

I think they'll play a huge role but perhaps not in the traditional sense. In the past people looked to fund performance to gauge whether a product, be it a pension or investment, was the right choice. When times were good, then it was right, but when markets underperformed, then the product wasn't perhaps the best choice.

Going forward I think customers will want greater detail about their investments and want to be more educated about financial markets. There is more financial market data available than ever before and in ever more convenient formats than before. However I'd make a distinction between data and insights and I think that advice is still very much required to navigate clients through financial markets and financial products.

Yes, they'll want their products to perform well but we'll see less chasing of double digit returns and a greater focus on actual outcomes - did my product do what I expected it to? Our Pathway Funds are a great example of this in practice. Five funds with each one matching a particular risk profile, so regardless of a customer's attitude to risk, we have an option for them. And the Pathway Funds are simple for a customer to understand, again hugely important for gaining traction.

While the funds are simpler to understand, we still manage them as we would any of our funds. We bring the full capability of the investment team, we make daily investment decisions, in fact the 25 years of experience we have in multi-asset investing is brought to life in the Pathway Funds.

It's been a year of anniversaries at Zurich, 25 years of the Managed Funds and the Pathway Funds their first anniversary in October. While they still have a distance to go before surpassing the size of the managed funds, over €250m invested in their opening year is a great achievement. I'd like to take this opportunity to thank all Financial Brokers and their customers for supporting Zurich and I hope that support continues into the future.

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