

Zurich Life's Pathway Funds and the rise in popularity of Risk-Targeted Funds



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By the time you read this article Zurich's Pathway Funds will have passed the €500million barrier (or as I like to say, joined the half billion club!). When you ally this to the €150million that is in Zurich's Active Asset Allocation (AAA) Fund it's a resounding endorsement of actively managed multi-asset funds and the risk-targeted Pathway, in particular. In fact, the five Pathway Funds have been trading for under 18 months and yet, in that short space of time they have grown to become the flagship fund range for Zurich.

We introduced Pathway as a response to increasing demand from financial brokers for customer focused solutions that made it easier for clients to understand the investments they have (and their riskiness). The financial crash of 2008 had a double whammy effect for Irish investors – in the shape of a collapse in property prices and severe falls in share prices. This led to a complete reassessment of where an individual puts themselves on a risk scale. Pre-2008, they were probably somewhere north of the middle of the scale – but post-2008 (and for a number of years hence), they were so far from the idea of taking risk that cash really was the only option!

The advent of risk profiling software, particularly when aligned with risk-targeted funds such as Pathway, has enabled financial brokers to bring a degree of science to the fund selection process. In today's heavily regulated world, this is incredibly important.

The compliance challenge

When I speak to advisors around the country, the one thing that always comes up is the challenge of compliance and the time and resources it utilises. At Zurich we are focused on looking for ways to help you with this challenge. One of the key ways we can assist you is with our risk profiling and portfolio builder software.

Now available on our 'Password Free'

Broker Centre, (zurichlife.ie/brokercentre) our risk profile and capacity for loss questionnaire is a great way of bringing consistency to every client conversation. With just nine questions, it's easy to complete, assesses a client's risk profile and places them into a 1-7 risk scale. Interestingly we were the first company to introduce capacity for loss questions and this is an important extra element as having a particular Attitude to Risk is one thing, but affordability is something entirely different! At this risk profiling stage you can generate a report for your client or, for a more comprehensive picture, carry on to the portfolio builder and select a suitable fund (or portfolio of funds) to match your client and then run a report.

By following a consistent approach in how you assess your clients, you will go some way to satisfying regulatory requirements. Also, clients like this approach. They like a process that involves them. Answering risk questions will help kick-start a conversation that is essential in understanding what the client wants from their investment. And a more involved client will become a better client.

Is outcome more important than the journey?

It is no surprise that the increased use of risk profiling software has led to an increase in the use of risk-targeted funds. While some advisors prefer to construct a

bespoke investment solution for a client, for others the potential risks outweigh the advantages.

This is where the risk-targeted approach can really add value for a client, and thus for their advisor, if they value their advice and oversight. Most clients only see value in the outcome, i.e. the investment achieving the value they had hoped for at the required time. They don't appreciate or understand the work of the advisor and their investment provider in the journey, to ensure they get the best return, within an agreed level of risk, over the appropriate timeframe. There will be peaks and troughs along the way. In the past, clients have felt let down when they get surprised by a trough (very few historic complaints about the peaks!) that was outside their comfort zone, because they have not understood the process involved. Now with effective risk profiling tools and a range of risk-targeted solutions, a professionally advised client should be prepared for any downside risks.

I think the market understands this concept and, with relatively straightforward processes, appropriate solutions for each client can be found and this has been at the heart of the success of the Pathway Funds. Risk-targeted funds are not a fad, they are a new way of satisfying client

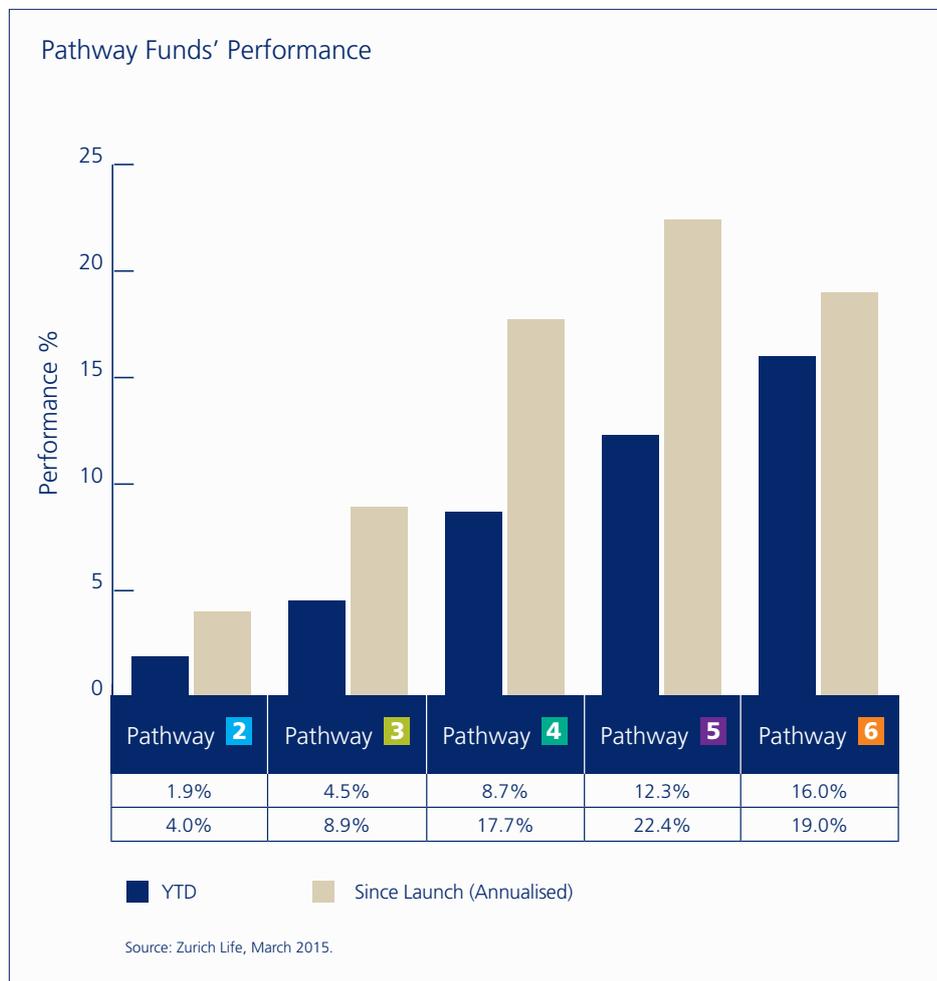
needs and in Zurich we see Pathway becoming a fully paid up member of the Billion Euro Club, sooner rather than later!

Trust the expertise

Multi-asset funds such as Pathway and the AAA are built on decades of investment expertise. Last year, Zurich's investment team celebrated 25 years of multi-asset investment and it's this experience that is brought to bear on the multi-asset funds of today.

- **Our philosophy** is that we are active managers – that is we make investment decisions every day about what to buy and when best to sell.
- **Our process** is driven by an in-depth analysis of the economic cycle and valuation metrics. The key to successful multi-asset investing is making timely asset allocation decisions and Zurich has excelled in this domain.
- **Our people** are highly experienced and long established. The close-knit investment team share insights on a daily basis to help them make better decisions.

Our robust formula is tried, tested and continues to deliver excellent results for customers.



The return is based on an investment in the fund and does not represent the return achieved by individual policies linked to the fund. Annual management fees apply. The fund growth shown below is before the full annual management charge is applied on your policy.

Long-term consistent investment performance is what we strive for and you should have the confidence that we will deliver. In fact, in the recent IBA Service Awards, Zurich was voted number one for investment performance – an accolade our Investment team is very proud of.

I believe that with increasing regulator pressure on advisors we are going to see a continued move towards multi-asset solutions – and I'm confident that Zurich's Pathway Funds will continue to be a winner in this move. For more information on anything discussed in this article, just speak to your Zurich Broker Consultant or email me at david.walls@zurich.com

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

Warning: Benefits may be affected by changes in currency exchange rates.

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

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