

Pathway Funds



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By the time you read this article Zurich's Pathway Funds will have passed the €600m barrier which in any man's language is a resounding endorsement of risk-targeted multi-asset. So why the sudden upturn in sales of such funds? I think the answer is fourfold; firstly, investor confidence. Since the second half of 2013 the Irish market has seen strong fund flows as steady and consistent market returns have seen investors return to investments. Secondly, collapsing interest rates which has provided encouragement to save and invest for the longer term as savers came off (and continue to come off) interest rates of 4%-5% and are looking at rates of less than 1% before DIRT. This has seen a marked increase in Investment Bond business as we have seen people start to allocate portions of their deposits to longer term fund based investments. This has been true for Corporates as well as individuals. I recently spoke to a Finance Director who was allocating some capital to funds as he had seen their deposits fall from more than €40,000 income on his P&L to less than €5,000. Thirdly, the economic recovery in Ireland, along with rises in property values, has given people the ability and confidence to invest in their futures and their pensions.

The first 3 points have been instrumental in people increasing savings and pension investments but not necessarily why the strong focus on risk-targeted multi-asset funds. Primarily I think the market has moved to multi-asset solutions as Financial Brokers realise the implications of regulation and governance and that in most cases, they are not investment managers (this may have been a hard learned lesson) and that outsourcing investment management to companies like Zurich makes sense for adviser and client. We then start to go back to that

old Chestnut – diversification. With bond markets having had an incredibly strong run over the last 18mths and many equity markets having hit new highs, the importance of a diversified portfolio is as important (if not more important) than ever.

Secondly, I believe that for your average retail investor, simplicity is key. Across the board our average client can now do a simple, yet robust, test to ascertain attitude to risk (and preferably backed by capacity for risk), get a score and invest in a multi-asset solution geared specifically to their risk profile – simple! I accept that this is not without some flaws and not for everybody but will an individual who engages the services of an independent PIBA broker, decides to start a pension and invests in a risk-targeted multi-asset solution geared to their attitude to risk be better off than if they didn't? The ultimate hypothetical question...

The trend towards multi-asset funds has been predominant across Europe. I've recently had the opportunity to study the Lipper European Fund Market Review for 2014 where the trend is moving away from sales of specific equity funds to multi-asset solutions. European net sales in 2014 was €60bn in equity against multi-asset sales of €125bn*!

Risk-targeted funds are not a fad, they are a new way of satisfying client needs and if sales are anything to go by, your clients agree!

*Source: Lipper.com, 2014

Trust the expertise

The risk-targeted funds across the market can be quite different, in itself a challenge for advisers, but the concept is the same; use the experience of professional asset management businesses to provide diversified and appropriate, client focused solutions at a reasonable cost that will deliver substantial benefits over time.

At Zurich;

- **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.

I believe that with increasing regulator pressure on Financial Brokers 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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