**Zurich Investments**

**Global Growth Fund**

**Fund Focus - July 2021**

**Investment Strategy**

The Fund invests in securities with high growth potential that are primarily listed on international stock exchanges. In addition, the Fund employs an active currency management strategy whereby up to 40% of the Fund’s exposure to international currency can be hedged back to Australian dollars.

**Fund Facts**

- **APIR Code**: ZUR0580AU
- **Inception Date**: 31/08/2009
- **Total Est. Management Cost %**: 1
- **Buy/Sell Spread %**: 0.03
- **Est. Transactional Op. Cost %**: Nil
- **Distribution Frequency**: Semi-Annually
- **Underlying Fund Manager**: American Century Investments

**Fund Performance After Fees**

As at 31/07/2021

<table>
<thead>
<tr>
<th>1 Month</th>
<th>3 Months</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>3.18</td>
<td>7.21</td>
<td>26.33</td>
<td>14.96</td>
<td>4.76</td>
</tr>
<tr>
<td>Distribution</td>
<td>0.00</td>
<td>1.97</td>
<td>2.32</td>
<td>3.58</td>
<td>13.12</td>
</tr>
<tr>
<td>Total</td>
<td>3.18</td>
<td>9.18</td>
<td>28.65</td>
<td>18.54</td>
<td>17.88</td>
</tr>
<tr>
<td>Benchmark</td>
<td>4.03</td>
<td>10.23</td>
<td>31.85</td>
<td>15.07</td>
<td>15.18</td>
</tr>
</tbody>
</table>

**Portfolio Characteristics**

- **Funds Under Management**: $322.22m
- **Number Of Holdings**: 101
- **Turnover Ratio %**: 28.78
- **Latest distribution date**: 30 Jun 2021
- **Latest distribution amount**: 0.0433
- **Benchmark**: MSCI World (ex-Australia)
- **Accumulation Index**: in $A (net dividends reinvested)

**Portfolio Equity Sectors**

- Energy: 2.87%
- Materials: 5.75%
- Industrials: 10.90%
- Consumer Discretionary: 11.43%
- Consumer Staples: 4.66%
- Health Care: 11.57%
- Financials: 15.06%
- Information Technology: 22.24%
- Communication Services: 9.66%
- Utilities: 0.44%
- Real Estate: 5.41%

**Top 10 Holdings**

<table>
<thead>
<tr>
<th>Portfolio Date: 31/07/2021</th>
<th>Portfolio Weighting %</th>
<th>Benchmark Weighting %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alphabet Inc</td>
<td>4.92</td>
<td>2.79</td>
</tr>
<tr>
<td>Amazon.com Inc</td>
<td>3.58</td>
<td>2.47</td>
</tr>
<tr>
<td>Visa Inc Class A</td>
<td>2.21</td>
<td>0.72</td>
</tr>
<tr>
<td>Texas Instruments Inc</td>
<td>2.17</td>
<td>0.30</td>
</tr>
<tr>
<td>American Express Co</td>
<td>2.05</td>
<td>0.20</td>
</tr>
<tr>
<td>NXP Semiconductors NV</td>
<td>1.99</td>
<td>0.10</td>
</tr>
<tr>
<td>Charles Schwab Corp</td>
<td>1.93</td>
<td>0.17</td>
</tr>
<tr>
<td>Equinix Inc</td>
<td>1.86</td>
<td>0.13</td>
</tr>
<tr>
<td>IQVIA Holdings Inc</td>
<td>1.79</td>
<td>0.08</td>
</tr>
<tr>
<td>Adobe Inc</td>
<td>1.69</td>
<td>0.52</td>
</tr>
</tbody>
</table>

**Market Exposure**

<table>
<thead>
<tr>
<th>Greater Europe</th>
<th>Greater Asia</th>
<th>Americas</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>51.75%</td>
<td>&gt;75%</td>
</tr>
</tbody>
</table>

**Market Exposure**

**Risk Reward**

Time Period: 31/07/2016 to 31/07/2021

- 30
- 25
- 20
- 15
- 10
- 5
- 0

**Risk Statistics**

Time Period: 31/07/2016 to 31/07/2021

- Std Dev: 10.65
- Alpha: 3.36
- Beta: 0.92
- Sharpe Ratio (arith): 1.49
- Up Capture Ratio: 102.69
- Down Capture Ratio: 81.95

**Currency Management**

Hedging Level as at 31 Jul 2021: 0%
Global equity markets remained largely resilient despite renewed COVID-19 concerns. Most global markets ended the month higher, aided largely by gains in US stocks. COVID-19 continued to hang over global markets, as the spread of the highly transmissible delta variant led to rising case counts and new lockdowns in several countries.

**Fund**

The Fund produced a solid absolute return in July but was unable to keep pace with the strong index return.

The key contributors to performance included Alphabet, ICON and Sun Communities.

- **Alphabet** – Google parent Alphabet’s stock continued its rise having reported quarterly earnings and revenue that exceeded analysts’ expectations and tripled its expected operating income.
- **ICON** – The contract research company’s stock surged as it announced strong earnings and a 55% jump in net income for the second quarter. The company also ended the quarter in a strong cash position and with a significant order backlog, encouraging investors further.
- **Sun Communities** – A home manufacturer and REIT, Sun Communities’ stock has continued to advance, contributing to returns. Analysts increased estimates and upgraded the stock during the period, sending shares higher.

Detractors from performance included The Charles Schwab Corp and Tencent Holdings.

- **The Charles Schwab Corp** – After reporting record first-quarter earnings, the financial services firm announced second-quarter earnings that missed consensus estimates as daily trading volume slowed. However, the company reported an increase in net interest revenue and 1.7 million new brokerage accounts in the second quarter.
- **Tencent Holdings** – Stocks in China broadly declined amid the Chinese government’s announcement of plans to tighten regulations in several industries, including technology. Tencent’s shares subsequently lost value.

**Portfolio Transactions**

There were no new purchases in July.

Notable sales included Nuance Communications and GDS Holdings.

**Nuance Communications** – The stock was fully exited on the announcement that Microsoft will be acquiring the company.

**GDS** - The remainder of the Fund’s shares were sold before the most recent rout in Chinese equities. The investment team were concerned that Chinese regulators may not positively view foreign investors indirectly owning critical internet infrastructure in China.

**Portfolio Positioning**

The portfolio continues to invest in companies where business fundamentals are improving and there is high conviction that improvement is sustainable. Though the outbreak of COVID-19 has been disruptive, the portfolio’s major themes highlighted below are structurally unchanged.

**Maintaining fundamental investment process.** The Fund remains balanced across economic reopening beneficiaries and secular growers. Opportunities are being sought in stocks where fundamentals are in the early stages of inflecting higher, helped by economic normalisation. Top-line growth for many of these companies is expected to reaccelerate and potentially revert to pre-COVID-19 levels. In certain cases, earnings will also be boosted given that many of these companies have also improved their cost structures during the pandemic. The Fund’s exposure has been increased in certain businesses levered to travel, leisure activity and cyclical economic expansion.

**Secular growers remain well represented.** The COVID-19 crisis reinforced the sustainability of many secular trends, such as digitisation, cloud computing, 5G network rollout and data centre expansion. Other opportunities, such as the trend toward vehicle electrification and autonomous driving, continue to gain momentum. Many of these investment opportunities remain highly attractive.

**Impact of rising rates and inflation expectations potentially positive.** The Fund has exposure to businesses within the financials sector that would benefit from higher interest rates. The impact of higher rates on other aspects of the Fund, such as REITs and housing, should be able to offset inflationary headwinds via sustained revenue and earnings growth.

**Tougher comparisons for some.** The impact of the COVID-19 health crisis provided an unanticipated boost for many businesses. In some cases, COVID-19 beneficiaries saw growth trends accelerate past a more natural progression. As the tailwind from COVID-19 fades, growth comparisons will become tougher for some of these businesses over the next few quarters. The investment team will look to trim those exposures to reflect potential slowing trends and negative earnings revisions.

**Critical time to be selective.** The Fund’s bottom-up process, which is focused on identifying inflection points and investing in sustainable growers with reasonable risk/reward trade-off, should help dampen portfolio volatility at this critical point in the market cycle.
Performance returns quoted are compound rates of return calculated on exit prices and assume reinvestment of distributions. Returns are calculated net of all ongoing fees and any taxes payable by the fund. Total return includes both growth and distribution returns. Growth return is the change in exit price over the relevant period. The benchmark return shown is a gross return. Please note that figures shown are rounded to one decimal place, therefore some rounding errors may occur.

The Estimated Total Management Cost of 1% includes a Management Fee of 0.98%, an Estimated Performance Fee of 0% and Estimated Indirect Costs of 0.02%

Past performance is not a reliable indicator of future performance.

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