Zurich Investments
Hedged Concentrated Global Growth Fund
Fund Focus - July 2021

Investment Strategy
The fund invests in a concentrated portfolio of securities with high growth potential that are primarily listed on international stock exchanges. The fund aims to be fully hedged at all times providing investors with exposure to underlying share price movements but minimising the effect of foreign exchange movements.

Fund Facts
- APIR Code: ZUR0619AU
- Inception Date: 26/10/2017
- Total Est. Management Cost %^: 1.1
- Buy/Sell Spread %: 0.02
- Est. Transactional Op. Cost %: 0.01
- Distribution Frequency: Semi-Annually
- Underlying Fund Manager: American Century Investments

Portfolio Characteristics
- Funds Under Management: $6.93m
- Number Of Holdings: 35
- Turnover Ratio %: 31.37
- Latest distribution date: 30 Jun 2021
- Latest distribution amount: 0.1049
- Benchmark: MSCI World (ex-Australia)
- Accumulation Index (fully hedged into $A) (net dividends reinvested)

Market Exposure
- Greater Europe
- Greater Asia
- Americas

Risk Reward
Time Period: 31/07/2018 to 31/07/2021

Investment Growth
31/07/2018 to 31/07/2021

Portfolio Equity Sectors
- Energy: 5.26%
- Materials: 3.03%
- Industrials: 8.66%
- Consumer Discretionary: 18.15%
- Consumer Staples: 5.56%
- Health Care: 11.60%
- Financials: 19.73%
- Information Technology: 19.71%
- Communication Services: 5.42%
- Real Estate: 2.88%

Top 10 Holdings
- Portfolio Date: 31/07/2021
- Portfolio Weighting %
- Benchmark Weighting %
  - Alphabet Inc Class A: 5.29%
  - Amazon.com Inc: 5.17%
  - Stellantis NV: 2.98%
  - CRH PLC: 2.96%
  - HDFC Bank Ltd ADR: 2.93%
  - Teleflex Inc: 2.92%
  - Icon PLC: 2.92%
  - AIA Group Ltd: 2.90%
  - Heico Corp: 2.90%
  - Charles Schwab Corp: 2.90%

Risk Statistics
Time Period: 31/07/2018 to 31/07/2021
- Std Dev: 16.98
- Alpha: 7.53
- Beta: 0.91
- Sharpe Ratio (arith): 1.14
- Up Capture Ratio: 107.18
- Down Capture Ratio: 76.91

Currency Management
Hedging Level as at 31 Jul 2021: 100%
Market

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 positive absolute return in July but was unable to outperform the strong index return.

The key positive contributors to performance included ICON, Alphabet and ServiceNow.

• ICON – Contract research company ICON’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.
• 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.
• ServiceNow – Software solutions and self-service information technology provider ServiceNow saw its stock rise strongly for the period as its quarterly earnings and revenue beat estimates. Increased demand among financial services, health care and government customers have supported the company’s growth.

Detractors from performance included B3, Pioneer Natural Resources and Shiseido.

• B3 – Although the stock exchange operator continued to demonstrate solid business fundamentals, the stock detracted from relative results. B3 continued to benefit from a structural shift from fixed income to equity investing and strong trading activity.
• Pioneer Natural Resources – Volatile oil prices and an agreement among OPEC members to end oil production cuts weighed on oil stocks, including Pioneer Natural Resources. The US independent shale producer also warned it would be hit by an $832 million second-quarter loss on oil and gas derivatives.
• Shiseido – Shares of the cosmetics company were lower as investors assessed the prolonged impact of the pandemic on tourism-driven sales. Nonetheless, we are seeing evidence of a recovery in global demand for high-end cosmetics and believe Shiseido is poised to benefit from the recovery.

Positioning for the Future

The investment team 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 our 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.
* 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 1.1% includes a Management Fee of 1.1%, an Estimated Performance Fee of 0% and Estimated Indirect Costs of 0%

Past performance is not a reliable indicator of future performance.

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PIRD-017394-2021