Zurich Investments
Small Companies Fund Class D
Fund Focus - July 2021

Investment Strategy
The Fund generally invests in 30 – 60 securities listed on the Australian Securities Exchange that fall outside of the S&P/ASX 100. No more than 10% of the Fund can be invested in one issuer (stock or collective investment vehicle).

Fund Facts
APIR Code: ZUR7150AU
Inception Date: 15/06/2018
Total Est. Management Cost %^: 1.64
Buy/Sell Spread%: 0.3
Est. Transactional Op. Cost %: 0.53
Distribution Frequency: Semi-Annually
Underlying Fund Manager: Celeste Funds Management Pty Limited

Portfolio Characteristics
Funds Under Management: $1.23m
Number Of Holdings: 38
Turnover Ratio%: 37.65
Latest distribution date: 30 Jun 2021
Latest distribution amount: 0.0710
Benchmark: S&P/ASX Small Ordinaries Accumulation Index

Fund Performance After Fees*
As at 31/07/2021
1 Month % 3 Months % 1 Year % p.a 3 Years % p.a Since Inception % p.a
Growth -1.16 -4.81 31.43 5.63 -0.15
Distribution 0.00 6.72 9.94 4.65 10.15
Total -1.16 1.91 41.37 10.28 10.00
Benchmark 0.68 4.06 32.30 9.22 8.31

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

Portfolio Equity Sectors
Materials 4.90
Industrials 14.39
Consumer Discretionary 25.68
Consumer Staples 5.55
Health Care 4.68
Financials 19.29
Information Technology 15.38
Communication Services 6.95
Real Estate 3.18

Top 10 Holdings
Portfolio Date: 31/07/2021

<table>
<thead>
<tr>
<th>Security</th>
<th>Portfolio Weighting%</th>
<th>Benchmark Weighting%</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRESS Ltd</td>
<td>4.07</td>
<td>1.04</td>
</tr>
<tr>
<td>ARB Corp Ltd</td>
<td>3.98</td>
<td>1.36</td>
</tr>
<tr>
<td>Steadfast Group Ltd</td>
<td>3.92</td>
<td>1.48</td>
</tr>
<tr>
<td>Breville Group Ltd</td>
<td>3.92</td>
<td>1.17</td>
</tr>
<tr>
<td>Eclipx Group Ltd</td>
<td>3.65</td>
<td>0.29</td>
</tr>
<tr>
<td>Eagers Automotive Ltd</td>
<td>3.27</td>
<td>1.04</td>
</tr>
<tr>
<td>Deterra Royalties Ltd Ordinary Shares</td>
<td>3.26</td>
<td>0.76</td>
</tr>
<tr>
<td>Hansen Technologies Ltd</td>
<td>3.21</td>
<td>0.39</td>
</tr>
<tr>
<td>Lifestyle Communities Ltd</td>
<td>3.15</td>
<td>0.61</td>
</tr>
<tr>
<td>Bapcor Ltd</td>
<td>3.08</td>
<td>1.06</td>
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</table>
**Market**

The Australian Small Companies Index rose in July by 0.68%. The Reserve Bank of Australia (RBA) retained the existing policy setting in July noting that the economic recovery in Australia had been stronger than expected, balance sheets were generally in good shape, and that the local experience had been one where the economy bounced back quickly once COVID-19 outbreaks were contained and restrictions were eased.

**Fund**

The Fund fell by 1.16% in July, slightly underperforming the index return.

Top performing stocks in July included NRW Holdings, Lifestyle Communities and Iress.

Diversified mining services group, and recent portfolio addition, NRW Holdings rose significantly in July. During the month management announced that the company had been awarded two contracts by Rio Tinto, increasing the order book by approximately $90m. The Rio Tinto contracts follows on from the recent awarding of a 5-year agreement with Karara Mining, worth approximately $700m over the life of the contract. During July, NRW Holdings also updated the market on the sale of $81m in plant and equipment. The asset sale will dilute the company’s earnings by less than 2% but it will also reduce debt significantly. The investment team remains positively disposed to NWR Holdings given the diminished risk profile of its current order book along with its positive earnings trajectory over the next 24-36 months.

Lifestyle Communities rose strongly following a positive FY21 profit update in what had been a tough sales environment due to Victorian lockdowns and travel restrictions. In FY21, Lifestyle Communities settled 255 new homes (up from 253 in FY20) and received deferred management fees from 105 resales (80 in FY20). Additionally, the company’s property portfolio enjoyed a $108.6m valuation uplift. Lifestyle Communities continues to execute on its strategy of providing affordable living for over 50s and as a result, continues generating long-term, sustainable cash flows for shareholders.

Iress surged in July after the company received, and rejected, an unsolicited offer from private equity group, EQT. Iress also held an Investor Strategy Day in July, with management noting that they believed earnings in the company could double, between FY21 and FY25. Management also announced it would undertake a $100m on market buyback. The investment team believes the recent initiatives from Iress are positive and applaud the greater sensitivity to its capital base.

Data #3 detracted from performance in July as the company released an earnings update that noted profit growth had been cramped by global supply chain constraints. Management noted that the global microchip shortage created a larger than usual order backlog and that this profit is anticipated to be booked in FY22. Despite this headwind, Data #3 still managed to post solid pre-tax profit growth. The investment team’s case for Data #3 remains unchanged as a mission critical technology enabler and they remain attracted to the company’s exposure to high-growth markets, ‘blue-chip’ customers, and its long-standing commercial relationships with tier 1# global technology vendors.

**Outlook**

The investment team is anticipating that the FY21 reporting season will be light on the provision of guidance, and heavy on the emphasis on uncertainty as COVID-19 lockdowns impact Australia and across Asia. Celeste remains process centric, opportunistic, and will look to adjust the portfolio should valuations become compelling or stretched.

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* 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 1.64% includes a Management Fee of 0.9%, an Estimated Performance Fee of 0.74% and Estimated Indirect Costs of 0%

* Past performance is not a reliable indicator of future performance.

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