

Zurich Investments

Concentrated Global Growth Fund

Fund Focus - October 2018

Fund commentary

Global stocks fell in October on concerns about slowing economic growth in Europe and China, higher US interest rates, and the prospect of increased global trade barriers.

The Fund declined in October and trailed a weak index. An underweight exposure to Consumer Staples detracted from relative performance at the sector level. Calendar year-to-date the Fund remains comfortably ahead of the index.

Positive contributors in October included MarketAxess Holdings and B3. Shares of electronic trading platform operator MarketAxess Holdings were lifted by higher trading volumes and stronger-than-expected third-quarter earnings. The company's revision to full-year guidance also supported stock gains. Financial exchange operator B3 saw its stock rally along with the broader Brazil equities market following the election of Jair Bolsonaro as the country's new president. President-elect Bolsonaro is viewed as pro-business and good for the economy.

Key detractors at the stock level included Kering, Texas Capital Bancshares and Tencent Holdings. The stock of Coach's parent company Kering followed other global luxury stocks lower. Reports in China indicate that the government may crack down on citizens bringing in goods from outside of the country. The stock of regional Texas bank Texas Capital Bancshares declined following a third-quarter earnings miss despite year-over-year gains in metrics. The investment team liquidated the positions in both companies. Tencent, the HK-listed gaming and social media company, traded lower in response to increased regulation in China, where the government is taking measures to curb video game addiction. Against this backdrop, Tencent suspended and delayed the release of several of its games. The investment team continues to believe that advertising revenues will be a significant driver of growth for the company, as it is in the early stages of monetising its vast social media user base.

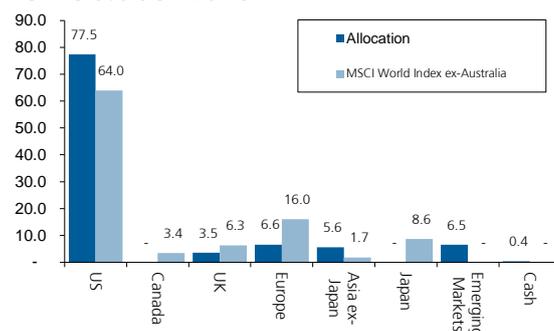
In October, the investment team purchased Wells Fargo & Co. after reports of financial results suggested that earnings are at an inflection point. These results are driven by cost-cutting initiatives and stabilisation of net interest margins, as well as increased confidence that constraints on capital deployment initiated by regulators are starting to ease.

Liquidations included e-commerce company ZOSO because its new private-brand initiative, which is a key driver of medium-term growth, has underperformed expectations and is putting pressure on near-term earnings expectations.

Top 10 holdings as at 31 October 2018

Stock	Sector	%
Alphabet	Information Techlgy.	4.6
Burlington Stores In	Consumer Discrtnry.	4.2
Visa Inc-Class A Sha	Information Techlgy.	4.1
Bio-Rad Laboratories	Health Care	3.9
Becton Dickinson	Health Care	3.9
Lonza Group	Health Care	3.8
Unitedhealth Group I	Health Care	3.8
Marketaxess Holdings	Financials	3.8
Teleflex	Health Care	3.7
B3 Sa - Brasil Bolsa	Financials	3.6

Regional allocation as at 31 October 2018



Income distributions for the half year

Date	cents per unit
30 June 2018	-
31 December 2017	0.1556

Fund performance after fees¹

As at 31 October 2018	1 month %	3 months %	1 year %	3 years %pa	5 years %pa	Since inception %pa
Growth	-6.7	-3.4	11.6	8.3	n/a	7.8
Income	0.0	0.0	n/a	0.2	n/a	0.2
Total	-6.7	-3.4	11.6	8.4	n/a	8.0
Benchmark	-5.4	-0.9	9.6	8.1	n/a	8.0

Investment objective

To provide investors with long-term capital growth by investing in securities listed on international stock exchanges.

The fund aims to outperform the MSCI World (ex-Australia) Accumulation Index in \$A (net dividend reinvested) by 3% to 4% over periods of five or more years.

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 will be fully unhedged at all times, providing investors with exposure to foreign exchange fluctuations as well as underlying share movements.

Fund Features

The Fund may be suitable for an investor looking for the following features:

- Long term capital growth
- Access to a concentrated portfolio of 'best ideas' in the global market
- Differentiated growth philosophy with a focus on companies with improving fundamentals
- Global diversification
- Disciplined investment process
- Managed by a highly experienced and reputable investment team

Strategic investment partner

Zurich Investments forms strategic investment partnerships with exclusive managers to provide investors with access to quality investment professionals recognised as being the best in their area of expertise.

The strategic investment partner for the Fund is American Century Investment Management Inc (American Century Investments).

American Century Investments, a leading privately-held investment management firm, based in Kansas City, employ a distinctive growth process which is differentiated from other growth funds in that it does not focus on absolute levels of growth at a stock level. Instead it focuses on the direction of that growth to ensure that it is accelerating as well as sustainable.

Fund details

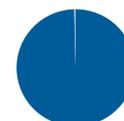
APIR	ZUR0617AU
ARSN	607 947 937
Minimum suggested timeframe	7+ years
Inception date	19 October 2015
Funds Under Management	\$34.95m
Minimum initial investment	\$5,000
Minimum additional investment	\$1,000
Entry fee	Nil
Exit fee	Nil
Buy/sell spread (%)	0.06% / 0.06%
Total Estimated Management Cost	1.10%
Distribution frequency	Half-yearly
Distribution reinvestment plan	Yes
Distribution dates	June and December

Strategic asset allocation

Asset class	Range %	Benchmark %
International shares	90-100	100
Cash	0-10	0

Actual asset allocation as at 31 October 2018

Asset class	%
International shares	99.6
Cash	0.4
Total	100



¹ 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.

Past performance is not a reliable indicator of future performance.

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More information

Zurich Customer Care

131 551

client.service@zurich.com.au

www.zurich.com.au

