

## Zurich Investments

# Global Equity Income Fund

## Fund Focus - October 2018

### Fund commentary

October was a challenging month for global markets. A slowing growth outlook for US companies was a major reason for the sell-down. A combination of rising interest rates, increasing costs and an escalating trade war between the US and China weighed on market sentiment.

Volatility has rebounded higher. As such, it continues to provide opportunities to both add volatility trades and also offer good premiums for buy-writing.

The Fund declined in October, though performed relatively well in the face of some very large moves in the market. Buy-write holdings in more defensive names traded well. Procter and Gamble, Coca Cola, Johnson and Johnson, Chicago Mercantile Exchange and Novartis were some of the best performers.

US technology giants Apple, Paypal, SAP, Cisco, Visa, Adobe and Amazon all struggled as the sector experienced profit-taking over the month. Diversification across the sector helped to offset some of the risk. Amazon was the biggest loser falling sharply post results. Written calls in most names helped to alleviate the worst of the sell-down. With volatility high, premiums have offered excellent annualised returns and the investment team has continued to write calls at these higher volatility levels.

Industrial and materials names were also exposed to selling pressure. The investment team has deliberately limited the Fund's exposure to these sectors in recent months and currently holds protection across some of the names. Caterpillar, FedEx, Dow DuPont and Honeywell were all aggressively sold into and post reporting (despite record profits). With China and US relations at low levels, the outlook for near-term growth in these names looks increasingly difficult. The Fund continues to be well written in all three names and the investment team has been actively rolling calls when the opportunity arises.

With the reporting period largely done, option premiums have remained relatively well supported as volatility continues to remain elevated. Accordingly, the Fund remains relatively well written.

The Fund currently holds limited Index put protection, instead preferring to hold protection over single stock names. These positions are mainly held in the industrial, technology and health care names.

### Income distributions for the quarter

Date	cents per unit
30 September 2018	1.37
30 June 2018	1.30
31 March 2018	1.35
31 December 2017	1.41
30 September 2017	1.41

### Top 10 holdings as at 31 October 2018 (includes physical stocks only)

Stock	%
Honeywell Intl.	3.51%
Mondelez International Cl.A	2.83%
Microsoft Corp	2.30%
Conocophillips	2.26%
Utilities Select Sec	2.17%
Procter & Gamble Co	1.91%
Johnson & Johnson	1.88%
Fedex Corp	1.78%
Prudential Financial	1.77%
JP Morgan Chase & Co	1.76%

### Fund performance after fees<sup>1</sup>

As at 31 October 2018	1 month %	3 months %	1 year %	2 years %pa	3 years %pa	Since inception %pa
Growth	-4.6	-4.9	-8.8	-2.1	-3.4	-1.9
Distribution	0.0	1.4	5.6	6.0	5.9	7.8
<b>Total</b>	<b>-4.6</b>	<b>-3.5</b>	<b>-3.1</b>	<b>3.9</b>	<b>2.5</b>	<b>6.0</b>
Benchmark	-6.8	-4.8	2.4	12.4	9.2	12.3

## Investment objective

The Fund aims to provide investors with higher than market income distributed quarterly and derived from three sources;

1. Capital growth from global shares;
2. Dividends and franking credits from share ownership; and
3. Income from selling option premium.

## Investment strategy

The Fund invests in a portfolio of leading global shares, and their listed options. The addition of an options overlay aims to enhance the income and reduce the day-to-day investment risk of the portfolio.

The investment approach is to:

- buy shares, in the form of a global share portfolio which delivers a primary income stream from dividends
- maintain a portfolio of both bought and sold options over the share portfolio, which combine to reduce and control equity risk, increase the income, and lower the volatility of the portfolio.

## Strategic investment partner

Zurich Investments provides exclusive access to specialists managers recognised as being the best in their area of expertise.

We have partnered with Denning Pryce Limited to bring you the Zurich Investments Global Income Fund. Denning Pryce is a boutique asset management company, established in 2005. Denning Pryce specialise in investments which use shares, options and futures to target specific investment objectives.

## Fund details

APIR	PMC0003AU
ARSN	131 131 569
Minimum suggested timeframe	5 years
Inception date	1 August 2010
Funds Under Management	\$5.17m
Minimum initial investment	\$5,000
Minimum additional investment	\$1,000
Entry fee	Nil
Exit fee	Nil
Distribution frequency	Quarterly
Distribution reinvestment plan	Yes
Distribution dates	March, June, September and December
Buy / sell spread	0.20% / 0.20%
Total Estimated Management Cost	1.40%

<sup>1</sup> 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

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