

## Zurich Investments

# Unhedged Global Growth Share 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 and an overweight exposure to Communication Services were areas of relative weakness at the sector level. Calendar year-to-date the Fund remains modestly 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 Tencent Holdings and Stanley Black & Decker. 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. Stanley Black & Decker traded lower after management provided soft guidance for 2018 as higher commodity and tariff-related costs, as well as foreign exchange pressure, reduced the company's profit view.

Purchases in October included Unicharm, a manufacturer of diapers and feminine products. Demand for the company's products is being driven by strong secular trends such as an aging population and a growing middle class. The company also has the ability to expand profitability through operating leverage. Unicharm is the dominant player in many Southeast Asian markets and remains a strong player in the "premium" segment in China.

Liquidations included the position in social media company Facebook, as user engagement and user growth continue to deteriorate. In addition, the investment team believe Facebook's ability to increase advertising load per user has peaked. While the company is still able to offset these maturing trends with higher pricing, the added pressure of rising expenses has led to reduced conviction in the stock. The position was reduced in March and this completes the sale.

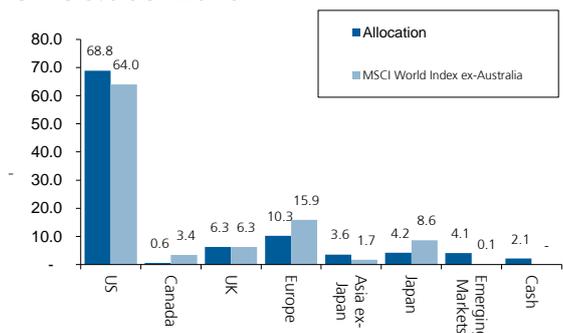
### Fund performance after fees'

As at 31 October 2018	1 month %	3 months %	1 year %	3 years %pa	5 years %pa	Since inception %pa
Growth	-6.9	-3.8	-6.9	-1.5	5.4	7.8
Income	0.0	0.0	15.6	8.2	7.2	4.2
<b>Total</b>	<b>-6.9</b>	<b>-3.8</b>	<b>8.7</b>	<b>6.7</b>	<b>12.6</b>	<b>12.0</b>
Benchmark	-5.4	-0.9	9.6	8.1	13.4	11.4

### Top 10 holdings as at 31 October 2018

Stock	Sector	
Alphabet	Information Techlgy.	3.7
Visa Inc-Class A Sha	Information Techlgy.	2.3
Unitedhealth Group I	Health Care	2.3
Adobe Systems	Information Techlgy.	2.1
Home Depot Inc	Consumer Discrtrny.	1.9
Danaher Corp	Industrials	1.8
American Express Co	Financials	1.8
Amazon.com Inc	Consumer Discrtrny.	1.7
Burlington Stores In	Consumer Discrtrny.	1.6
Becton Dickinson	Health Care	1.6

### Regional allocation as at 31 October 2018



### Income distributions for the half year

Date	cents per unit
30 June 2018	34.1272
31 December 2017	-

## 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 dividends reinvested) over periods of five or more years.

## Investment strategy

The Fund invests in 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 price movements.

## Fund Features

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

- an international share portfolio managed for long term capital growth
- broad exposure to international share markets
- exposure to the potential volatility of exchange rate fluctuations

## 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

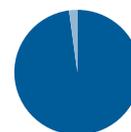
APIR	ZUR0581AU
ARSN	136 845 193
Minimum suggested timeframe	7+ years
Inception date	31 August 2009
Funds Under Management	\$330.15m
Minimum initial investment	\$5,000
Minimum additional investment	\$1,000
Entry fee	Nil
Exit fee	Nil
Buy/sell spread (%)	0.06% / 0.06%
Total Estimated Management Cost	0.98%
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	97.9
Cash	2.1
<b>Total</b>	<b>100</b>



<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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This information is of a general nature only and does not take into account the investment objectives, financial situation or particular needs of any investor and should not be taken as a securities or stock recommendation. These factors should be considered before any investment decision is made in relation to the fund.

### More information

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