

Unhedged Global Thematic Fund

Fund Focus - September 2018

Fund commentary

The much expected, but perhaps not anticipated, market reversal defined October. The decline was steep and broad based. Technology stocks continued their market leadership by leading the market down. Results late in the month showing declining growth rates at both Amazon and Alphabet accentuated this. Only gold, utilities and some consumer discretionary stocks provided some relief.

The Fund declined with the index in October. Calendar-year-to-date the Fund is performing in-line with the index and has delivered a robust absolute return.

All themes except Extreme Risks declined in the month.

Under Empowered Consumer, Amazon declined both as large technology stocks fell, and after announcing a slight slow down in revenue growth. Games companies Activision Blizzard and Ubisoft also declined in the general technology sell off and on concerns over the take up of new games.

Within Software as a Standard, industry verticals PTC and Autodesk fell in the general technology sell off. SAP declined for similar reasons.

In the Asset Heavy theme, Hexagon, Rockwell Automation, United Technologies and Deere all declined, with the market. However, new holding, Keyence, gained on good results.

For the Gas & Oil theme, EOG Resources, Occidental Petroleum and Pioneer all fell as the oil price weakened.

Under First World Health, Sysmex was of note. Weaker than expected results announced in the previous month and the weak Japanese equity market were the main factors.

In Data Networks & Profits, Tencent declined on continuing concerns over government restrictions on game playing and as fixed asset investment increased. Digital payments companies Mastercard and Worldpay fell in the weak market conditions. ICE and Aon rose on good results.

Under Constructive Regulation & Natural Monopolies, Michelin fell on concerns over declining global car sales. Californian utility Edison International gained as utilities outperformed.

Purchases in October included Ansys, Ecolab, Rentokil and Keyence.

Complete sales included Checkpoint, CSX. Checkpoint was sold under the Software as a Standard theme as the investment thesis has played out. CSX was sold as the investment team has reduced exposure to rails following strong returns.

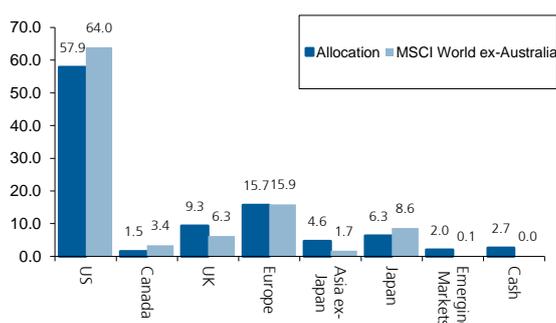
Themes as at 31 October 2018

Theme	Portfolio weight %
Gas & Oil	7.2
Extreme Risks	10.1
Asset Heavy	10.5
First World Health	6.1
Constructive Regulation & Natural Monopolies	6.0
Distribution Footprints	9.8
Ignoring the Short Term	12.5
Empowered Consumer	10.7
Data, Networks & Profits	10.5
Digital Runway	3.1
Software as a Standard	9.7
Other	1.0
Cash	2.7

Top 10 holdings as at 31 October 2018

Stock	Country	%
Microsoft Corp	United States	1.7
Apple Inc	United States	1.5
SPDR Gold Trust	United States	1.5
AIA Group Ltd	Hong Kong	1.4
Edison International	United States	1.3
Coca-Cola Co/The	United States	1.3
Sony Corp	Japan	1.3
AON Class A	United Kingdom	1.3
Johnson & Johnson	United States	1.3
Nutrien Ltd	United States	1.3

Regional allocation as at 31 October 2018



Fund performance after fees¹

As at October 2018	1 month %	3 months %	1 year %	3 years %pa	5 years %pa	Since inception %pa
Growth	-5.8	-2.0	-22.9	-25.8	-12.7	-3.1
Distribution	0.0	0.0	31.8	32.2	23.6	9.9
Total	-5.8	-2.0	8.9	6.4	11.0	6.8
Benchmark	-5.4	-0.9	9.6	8.1	13.4	6.8

Investment objective

The primary objective of the fund is to provide long term capital growth with the benefits of global diversification.

The fund aims to achieve risk adjusted returns that exceed the MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested) over periods of seven or more years.

Investment strategy

The Fund generally invests in a broad selection of securities listed on foreign stock exchanges.

Investment philosophy

Based on the belief that there is one global economy, the Fund's investment approach emphasises global themes and relationships rather than geographic regions. The investment philosophy favours a research-driven blend of top-down (thematic) and bottom-up investing. We believe that value can be added through superior stock selection. Zurich Investments is not biased towards value or growth, large or small cap stocks, enabling the best available stocks to be chosen at any point in time.

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 Lazard Asset Management Pacific Co. Lazard employs a distinctive thematic investment style.

Fund Details

APIR	ZUR0518AU
ARSN	108 486 193
Minimum suggested timeframe	7 years
Inception date	14 Oct 2005
Funds Under Management	\$19.95m
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	0.99%
Distribution frequency	Half Yearly
Distribution reinvestment plan	Yes
Distribution dates	June and December

Income distributions for the half year

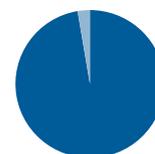
Date	cents per unit
30 June 2018	26.8853
31 December 2017	-
30 June 2017	32.7462

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	97.3
Cash	2.7
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

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