ZURICH

ZCH AM SICAV – Small Cap Latam Fund

June 30th, 2022

Portfolio Manager Commentary and Performance

Market Update

June was a negative month for global markets, with Latam dropping -17.64% in USD terms, below EM and DM's. Weak market performance was exacerbated by a 6.9% average currency depreciation. Colombia, Brazil and Chile were the main laggards, meanwhile Mexico was the most resilient market. Among sectors, CDS, IT and Healthcare posted the sharpest drops. In the case of Colombia, results were explained by Gustavo Petro becoming the first leftist president in the country, whose proposals include a change of the economic model seeking to switch from oil and coal for clean energy.

During June, Latam was also impacted by lower commodity prices with the BCOM Index declining 10.9% MoM, the first negative YTD reading due to a higher risk aversion on increasing global recession risks and China's lockdown measures impacting demand. Worth noting that even after this slump, commodity prices are still well above historical average, which is positive for the region's exporter countries, supporting fiscal balance sheets and currencies to some extent. Moreover, commodities related players are pricing normalized average long-term prices, leaving some space for upward earnings revisions going forward.

Latam is trading at 6.8x P/E fwd, 3.2x standard deviations below its 10Y average, being the most discounted region in the world. The reason behind this attractive valuation has been the upward earnings revisions for 2022 and 2023, that YTD reached 30.7% and 19% respectively, compared to the -9.6% for EM's and the +3% for DM's for this year.

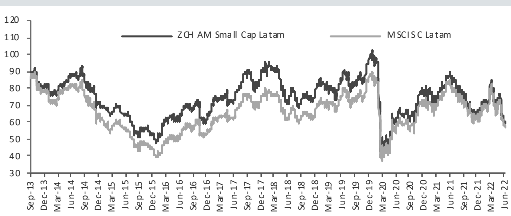
Latam's performance may be supported by i) an attractive valuation, ii) upward earnings revisions for 2022 and 2023, iii) higher commodities prices; iv) stabilization of foreign inflows and iv) from an earlier monetary tightening cycle compared to DM's. Nevertheless, the region is not exempt from volatility and risks mostly related to i) a higher global risk-off sentiment, ii) lower estimates for global growth, iii) a hard landing in the USA given FED's tighter monetary policy, and iv) political events such as Presidential elections in Brazil and the constitutional referendum in Chile, which seems to be mostly priced in, given highly discounted valuations.

Brazil posted a -19.31% in USD terms, partially explained by a 9.95% currency depreciation, impacted by the global USD appreciation but also by lower commodity prices and higher fiscal risks related to the government's ambition of increasing social benefits and reducing the impact of higher oil and gas's prices through increasing transfers and lowering taxes. These changes in public spending will weigh on next administration's fiscal commitment. During the following months, the domestic narrative should weigh on the market performance, especially given the proximity of presidential elections. The latest surveys continue showing an important gap between former president Lula over Bolsonaro, even though, their political programs are not released yet, we believe that the discounted valuations are already pricing in a very pessimist scenario.Brazil is trading at 5.7x P/E fwd, 2.7 standard deviations below its 10Y average, well below the levels when the market faced high uncertainty, such as during the GFC, Dilma's impeachment, and at the beginning of the pandemic. This discount rate relates to the 34% and 21% YTD upward earnings estimates for 2022 and 2023. On the macro side, activity data has surprised on the upside leading to upward revisions for 2022 GDP, but compensated by lower forecasts for next year, mostly due to higher interest rates. Meanwhile, higher than expected inflation figures and fiscal risks, supported BCB's latest interest rate hike to 13.25%. BCB had been vocal about the end of the tightening cycle, however, given uncertainty in both domestic and international fronts, further hikes are not discarded. Markets participants are expecting a higher SELIC rate by YE at 13.65%, but the expectations of monetary easing starting in 1Q23 remain anchored, which should be supportive of the equity market. We maintain our exposure to companies that offer i) attractive valuation, ii) solid fundamentals, iii) a more defensive profile and iv) solid cash generation that can translate into dividends or repurchase programs.

Mexico was the region's outperformer with a -2.29% USD returns, partially explained by a 2.29% currency depreciation. The index shows its resilience during more volatile periods, given its lower Beta and higher exposure to more defensive sectors. The index is trading at 11.9x fwd, 2x standard deviations below its 10Y average, but well above its historical premium versus Latam (95% versus 26.5% 10Y average). This relates to Mexico's +4.3% YTD upwards earnings revisions compared to the +30% for the region. On the macro front, economic activity has surprised on the upside during 1H22, leading to upward revisions for 2022 GDP, but less optimistic figures for 2023 due to less optimistic estimates for the USA economy. Meanwhile, a stickier than expected inflation coupled with FED's tightening cycle, explained Banxico's last 75bps rate hike, reaching 7.75%. Market players expect the restrictive cycle in Mexico to last until 3Q23, which may weigh on the equity market. In relative terms, Mexico has shown more benign perspective on the political and fiscal scenario, due to the absence of relevant elections and the government's commitment to fiscal austerity. We maintain our exposure to Mexico, a value market that is more defensive under these more turbulent times, through companies with more discounted valuations compared to the index, with solid fundamentals, which can benefit from higher interest rates (Financials) and remittances (consumer staples).

During the month our fund posted a -20.7% return in USD terms, compared to the -19.91% from our reference benchmark the MSCI Latam Small Cap. Sector-wise our main contributors were Utilities and Healthcare, offset by Financials and Energy. Our relative performance was explained by our OW in Bancolombia (offseting our UW in the Colombian names), who posted a -30% in USD, and our OW in 3R Petroleum (-27.9%), SLCE Agricola (-26.69%), partially compensated by our UW in GPS (-29.36%), PCAR (-26.4%) and Enauta (-32.1%)

Performance for Series I



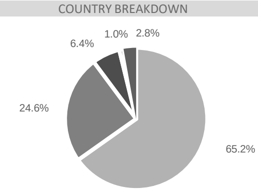
Risk Metrics	
Volatility (Annual)	23.20%
Beta	0.97
Alpha	-2.22%
Tracking Error (annual)	6.19%
Information Ratio	-0.21

Retuns	June'22	3M	YTD	LTM	3Y	Since Inception
ZCH AM SICAV Small Cap Latam I	-20.70%	-25.15%	-9.54%	-30.69%	-28.84%	-39.19%
MSCI EM Small Cap Latam	-19.91%	-25.72%	-10.00%	-29.39%	-22.66%	-41.42%

Note: Until 28 February 2015, performance data is for the Zurich Small Cap LatAm D, which is a mutual fund offered in Chile; an identical strategy is employed in the Series I. Source: Bloomberg.

Portfolio Breakdown

COUNTRY BREAKDOWN



SECTOR	JUNE-22	MAY-22
CONSUMER DIS.	12.8%	13.4%
CONS. STAPLES	12.7%	12.8%
REAL ESTATE	11.3%	9.7%
INDUSTRIALS	14.8%	16.9%
FINANCIALS	13.5%	14.5%
MATERIALS	9.6%	8.9%
UTILITIES	12.3%	11.5%
HEALTHCARE	3.1%	2.2%
ENERGY	3.4%	4.0%
IT	3.0%	2.9%
OTHERS	3.5%	3.2%

ISSUER	FUND	SECTOR
BBAJIOO	2.7%	FINANCIALS
SENDAS	2.6%	CONS. STAPLES
SCL AGRICOLA	2.5%	CONS. STAPLES
BRADESPAR	2.4%	MATERIALS
GENTERA	2.4%	FINANCIALS
3R	2.4%	ENERGY
REGIONAL SAB	2.4%	FINANCIALS
ENEVA	2.3%	UTILITIES
OMAB	2.2%	INDUSTRIALS
AREZZO	2.1%	CONSUMER DIS.
OTHERS	76.0%	

Best Latam Equity Fund - Morningstar Chile

Fund Description

The ZCH AM SICAV – Small Cap Latam Fund seeks to provide long-term capital growth by investing principally in equity securities issued by Latin American companies, and American Depositary Receipts of small capitalized Latin American companies. The Fund aims to achieve diversification in terms of sectors offering a core exposure to the Latin American stock markets and to companies listed on a stock Exchange outside the Latin American region, but which generate a significant part of their income in or from Latin America and/or which have their registered office in Latin America. The investment manager seeks to add value primarily through stock selection.

Investments may be denominated in USD or in Latin American currencies. Currency risks may be hedged entirely or partially against USD through the use of financial derivative instruments including currency forwards or futures.

Giovanna Musa - Portfolio Manager

Share Classes and Fees

Class	ISIN	Bloomberg Ticker	Min. Subscription Amount (USD)	Current TER
Class I	LU1061932403	EASSCLI LX	1,000,000	1.54%
TOTAL AUM			US$24.5mn	

This mutual fund is managed by Zurich Chile Asset Management Administradora General de Fondos. Find out about the essential characteristics of each mutual fund Investment, which are contained in its rules of procedure and contract underwriting fees. Profitability or profit obtained in the past by this fund does not guarantee that it will be repeated in the future. The values of the shares of the mutual funds are variable.