ZURICH

Portfolio Manager Commentary and Performance

ZCH AM SICAV – Small Cap Latam Fund

July 31st, 2022

Best Latam Equity Fund - Morningstar Chile

Market Update

During July, Latam rose 4.2% in USD terms, outperforming EM's, but below DM's (positively impacted by a more moderate FED stance). Chile and Brazil outperformed, while Mexico and Colombia were the main laggards. In terms of currency, we observed a depreciation of 0.7% on average, with BRL and CLP being the most resilient, while COP and PEN were impacted by both domestic factors and a drop in commodity prices. Worth noting, copper and iron ore recovered during July's 2H. Sectors-wise, Energy and IT led the returns, whereas Telecom and Materials posted negative performances.

Latam is trading at 6.4x P/&E fwd, 3.4x standard deviations below its 10Y average, explained by the YTD upward earnings revisions for 2022 and 2023 of 28% and 19%, respectively. This valuation is below 2008's GFC and early pandemic levels, so it should be supportive of the equity market. Latam is the most discounted region globally, even after EM's and DM's correction. Nevertheless, it is important to highlight that some of the region's positive fundamentals have corrected in the margin, i.e.: i) Commodity' prices and increasing risks of a global deceleration coupled with China's slower than expected recovery has weighed on demand, nevertheless, prices are still above the historical average, which should be supportive for exporter countries, ii) Earnings, despite they are positive YTD, latest expectations have been revised on the downside, iii) Flows, foreign inflows reached historical peaks in BZ during 1Q22, but lower risk appetite and higher interest rates have weighed on equities flow, and despite a stabilization in July, we don't expect short term triggers that might contribute to revert this trend, iv) Interest rate, market expectations of a lower interest rate by YE or beginning of 2023 have been delayed due to persistent inflation and domestic factors, and finally, v) political risk related to the Brazil's presidential elections and the referendum in Chile. Despite these factors, we acknowledge that attractive valuations, commodities prices above the average, and expectations of higher 2019-2023 earnings growth compared to EM and DM, should be supportive of equity market.

Brazil posted a 5.4% return in USD terms, with a 1.6% currency appreciation. The index is trading at 5.7x, 2.6x standard deviations below its 10Y average, being along with Chile, one of the most discounted markets in the region. This discount is explained by upward earnings revisions YTD of 34% for 2022 and 21% in 2023. During the next couple of weeks, the domestic narrative should weigh on market performance, mainly on two fronts: i) Political, related to October's presidential election, where the latest polls show an important advantage for former president Lula, and ii) Fiscal risks, related to the latest government measures aiming to reduce this gap, especially as tax cuts and increasing social spending are impacting public accounts and the continuity of the fiscal anchor as we know it today. The higher fiscal stimulus and the tax cuts have translated into higher GDP and lower inflation expectations for 2022, while numbers for 2023 have been impacted in the opposite way. On the monetary policy, BCB increased the Selic rate by 50bps to 13.25% in the last meeting, with market players expecting it to reach 13.75% by YE. Worth noting, the discussion for rate cuts has been postponed from 22YE to 2H23, with market expectations pointing to a 10.75% rate for 23YE, versus a 9% expected earlier this year, hence delaying the triggers for the equity market. We believe the market has possibly already internalized a possible victory of Lula, who should be a more pragmatic candidate seeking alliances with the center, although further insights will be disclosed upon release of the economic program. The market offers attractive opportunities, through companies that benefited from discounted valuation, strong FCF generation, and solid fundamentals.

México posted a -0.09% return in USD terms, with a -1.22% currency depreciation, below Latam's average, being impacted by the index's lack of exposure to growth names and the factors that led the returns during July. Worth mentioning, the index outperformed during high-risk aversion periods, due to its value condition, lower beta, and higher exposure to the more defensive sectors such as Consumer Staples and Telecom. Mexico is trading at 11.6x P/E fwd, 0.7x standard deviations below its 10Y average, but is the most expensive market in Latam. On relative terms, Mexico offers higher visibility not only on political terms (Presidential elections will take place in 2024) but also on the fiscal front due to the government's adherence to fiscal prudence and the lack of social spending during the pandemic, which should support this higher premium compared to the rest of Latam.

On the macro front, activity data above expectations has led to upward GDP revisions for 2022, IMF increased this year's growth from 2% to 2.4%; but reducing 2023E GDP to 1.3% from 2.5%, explained by a future higher interest rate and an expected deceleration of the USA economy. In terms of monetary policy, Banxico increased the interest rate by 75bps to 7.75%, due to higher-than-expected inflation readings, closely following FED's tightening stance. Market players expect a terminal rate of 9.55% by YE, staying at that level until 2Q23. We believe that under a higher risk aversion environment and lower global growth, Mexico might benefit from its value conditions and its lack of exposure to more cyclical sectors such as Materials and Energy. We keep our exposure to Financials (supported by higher interest rates and healthy asset quality) and Consumption (benefiting from remittances and low unemployment rate).

During the month our fund posted a 5.52% return in USD terms, compared to the 5.26% from our reference benchmark the MSCI Latam Small Cap. Sector-wise our main contributors were Materials and Financials, while Industrials and Staples were the main laggards. Our relative performance was explained by our UW in Grupo Argos (-22.4% in USD) and our OW in Vamos (+16.25%), Arezzo (+14.95%) and Bajio (+17.24%), partially compensated by our UW in Aguas Andina (+26.2%), GPS (+17.74%), and M Días Branco (+19.46%).

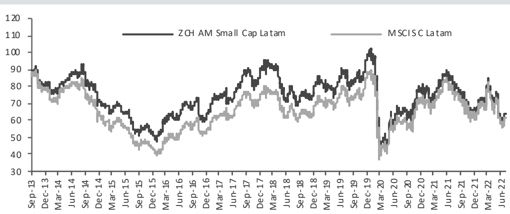
Fund Description

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

Performance for Series I



Risk Metrics	
Volatility (Annual)	23.19%
Beta	0.97
Alpha	-3.43%
Tracking Error (annual)	6.14%
Information Ratio	-0.45

Retuns	Jul'22	3M	YTD	LTM	3Y	Since Inception
ZCH AM SICAV Small Cap Latam I	5.52%	-12.64%	-4.55%	-23.74%	-28.49%	-35.84%
MSCI EM Small Cap Latam	5.26%	-12.19%	-5.26%	-21.00%	-22.00%	-38.34%

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.

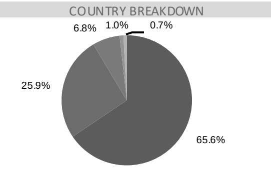
Share Classes and Fees

Class	ISIN	Bloomberg Ticker	Min. Subscription Amount (USD)	Current TER
Class I	LU1061932403	EASSCLI LX	1,000,000	1.54%

TOTAL AUM US$25.8mn

Portfolio Breakdown

COUNTRY BREAKDOWN



SECTOR	JUL-22	JUN-22
CONSUMER DIS	13.7%	12.8%
CONS. STAPLES	12.6%	12.7%
REAL ESTATE	12.7%	11.3%
INDUSTRIALS	14.3%	14.8%
FINANCIALS	14.3%	13.5%
MATERIALS	8.9%	9.6%
UTILITIES	12.5%	12.3%
HEALTHCARE	2.9%	3.1%
ENERGY	3.3%	3.4%
IT	3.3%	3.0%
OTHERS	1.5%	3.5%

ISSUER	FUND	SECTOR
BBAJIOO	3.1%	FINANCIALS
SENDAS	2.8%	CONS. STAPLES
GENTERA	2.8%	FINANCIALS
REGIONAL	2.6%	FINANCIALS
MULTIPLAN	2.6%	REAL ESTATE
SLCE AGRICOLA	2.4%	STAPLES
ENEVA	2.3%	UTILITIES
AREZZO	2.3%	DISCRETIONARY
3R	2.2%	ENERGY
ALSEA	2.2%	DISCRETIONARY
OTHERS	74.7%	