ZURICH

Portfolio Manager Commentary and Performance

ZCH AM SICAV – Small Cap Latam Fund

August 31st 2020

Market Update

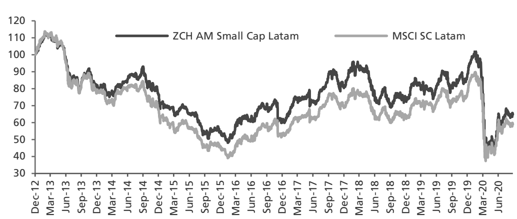
During August, LATAM reached a -6.4% return in USD terms, underperforming both EM's and DM's. This is the first negative figure after 4 months of positive returns. Chile and Brazil led the decline with all LATAM currencies depreciating except for the Mexican peso. Macro data released during the month exhibited the full pandemic impact due to the strict lockdown measures taken during the 2Q, nevertheless, figures have shown a m/m improvement triggered by the reopening of several economies. Despite the fiscal measures taken by a number of LATAM countries to cushion the economic impact of Covid-19, pre virus GDP levels are expected to be recovered in 2022. We maintain our positive view in the region due to higher commodity prices related to a faster than expected recovery in China and an 8% upward revision for 2020 earnings that translates into an attractive valuation. LATAM is trading at 15.6x P/E fwd, a 6.2% discount to the average premium over Emerging markets.

Brazil returned -9.02% in USD terms, partially explained by a 4.98% currency depreciation. The yield was related to increasing political tensions between the economic team and president Bolsonaro due to a lack of agreement regarding fiscal consolidation. Despite high indebtedness and imbalanced public accounts, Brazil has spent 7.3% of GDP on measures to address the effects of the coronavirus, comparable with developed countries. This has allowed better than expected macro figures, leading to upward revisions for 2020 GDP for eight consecutive weeks, now standing at -5.27%. Moreover, the President's approval rate has increased to 39%, the highest during his mandate, boosted by lower and mid- income classes that have received emergency aid packages. In August, the SELIC rate reached a new low historical level at 2%, even though the Central Bank said the space for further stimulus is limited; the market believed that lower rates are going to stay for longer. We keep our positive view in the Brazilian market, which should benefit from higher inflows coming from fixed income assets due to lower interest rates. Moreover, despite the short term volatility, we believe that the country is going to respect the spending cap and maintain its fiscal discipline. The government and the Congress have expressed their commitment to fiscal stability, resuming privatizations and the reform agenda. After 2Q corporate results, earnings for 2020 have been revised 17% upwards leaving the P/E fwd at 15.8x, below the 17.4x from last month.

Mexico was up 0.62% in USD, benefiting from a 1.78% currency appreciation. The Mexican short term interest rate is at 4.5% after a 50bps cut, being one of the highest among investment- grade countries, which gives support to the Mexican peso. The market is reducing the pace for new cuts in the interest rate due to a higher than expected inflation numbers, which might increase the equity discount rate. On the macro front, Banxico updated its estimates for 2020, lowering to -12.8% from -8.3% in March and left 2021 GDP at 2.8% versus 4.1% previously. We maintain our cautious view in Mexico, due to the lack of fiscal stimulus, depressed business confidence, lower expected consumption due to a higher unemployment rate; and an uncontrolled sanitary crisis. Moreover, lower fiscal revenues coupled with depressed resources from the stabilization fund induce us to believe that the government has limited space to announce a new economic plan, leaving the Mexican economy as one of the most affected by the pandemic. Nevertheless, we maintain our selective approach in Mexico, through more resilient and well-capitalized companies. We are OW in Real estate supported by attractive valuations, high USD revenues exposure, solid operational figures and a 9.5% dividend yield on average for the sector. Mexico is trading at 14.4x P/E forward, after +13% revision for 2020 earnings growth, which we see as optimistic given that the 2021/2019 growth is 17%; higher than the 2.7% expected for BZ and the 8.6% for USA; without any economic support.

In this context, our fund reached a -2.73% return in USD terms, while our Benchmark the MSCI Small Cap Latam performed a -2.71%. Our performance was mainly explained by our OW in Brazil with names such as Marfrig (17.4% in USD), Usiminas (18.7%) and Linx (27.95%). This was partially compensated by our UW in Volara(47.4%), Cementos Argo(36.5%) and Adecoagro (21.05%).

Performance for Series I



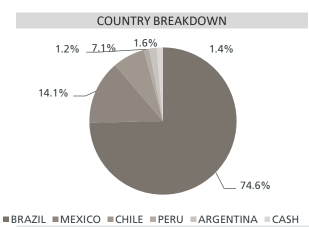
Risk Metrics	
Volatility (Annual)	20.0%
Beta	1.09
Alpha	0.05%
Tracking Error (annual)	4.26%
Information Ratio	-0.58

Retuns	Aug'20	3M	YTD	LTM	3Y	Since Inception
ZCH AM SICAV Small Cap Latam I	-2.73%	20.91%	-33.54%	-20.64%	-24.69%	-35.40%
MSCI EM Small Cap Latam	-2.71%	18.94%	-32.19%	-18.09%	-21.03%	-41.21%

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

Portfolio Statistics: Top 5 Country and Top 10 Holdings and Sector Distribution



SECTOR	AUG-20	JUL-20
CONSUMER DIS.	23.6%	24.6%
CONS. STAPLES	9.4%	9.4%
REAL ESTATE	10.8%	11.0%
INDUSTRIALS	9.8%	8.3%
FINANCIALS	5.6%	5.9%
MATERIALS	12.9%	13.0%
UTILITIES	13.0%	14.7%
HEALTHCARE	5.3%	4.7%
ENERGY	0.8%	0.9%
IT	6.8%	5.4%
OTHERS	2.0%	2.1%

ISSUER	FUND	SECTOR
VVAR	6.6%	CONSUMER
TOTVS	4.0%	TECHNOLOGY
BRADESPAR	3.6%	MATERIALS
MARFRIG	3.5%	CONSUMER
CYRELA	3.2%	CONSUMER
GERDAU	3.0%	MATERIALS
ENEVA	2.6%	UTILITIES
LOCAMERICA	2.5%	INDUSTRIALS
EZTEC	2.2%	CONSUMER
CAP	2.3%	MATERIALS
OTHERS	66.5%	

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 for the Latam Equity Strategies.

Share Classes and Fees

Class	ISIN	Bloomberg Ticker	Min. Subscription Amount (USD)	Current TER
Class I	LU1061932403	EASSCLI LX	1,000,000	1.12%

TOTAL AUM US$26,9mn

Disclosure for Switzerland: The state of origin of the Fund is Luxembourg. This document may only be distributed in or from Switzerland to qualified investors within the meaning of Ar. 10 Para. 2, 3bis and 3ter CISA. The Representative in Switzerland is ACOLIN Fund Services AG, Stadelhoferstrasse 18, CH-8001 Zurich, whilst the Paying Agent is Neue Helvetische Bank AG, Seefeldstrasse 215, 8008 Zürich. In respect of the units distributed in or from Switzerland, the place of performance and jurisdiction is at the registered office of the Swiss representative.

The basic documents of the Fund as well as the annual and, if applicable, semi-annual report may be obtained free of charge at the registered office of the Swiss Representative.

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.