Portfolio Manager Commentary and Performance

ZCH AM SICAV – Small Cap Latam Fund

August 31 st, 2023

Market Update

During August, Latam posted a return of -7.9% in USD, lagging behind EM and DM's. However, it has accumulated a YTD return of 16%. The monthly performance was driven by Mexico and Peru, while Colombia and Chile were the main laggards. The equity market returns were also impacted by a -3% average currency depreciation due to higher risk off globally, the fall in prices of commodities relevant to the region and the impact of rate cuts in Latam. The region is currently trading at an 8.7x P/E fwd, 1.5x standard deviations below its 10Y average. When compared to EM's, Latam is trading at a 27% discount compared to the 4% premium it traded at over the last 10Y. This discount is explained by the fact that earnings expectations for 2024 have remained stable for the region but have been revised downward by about 7% for Emerging markets.

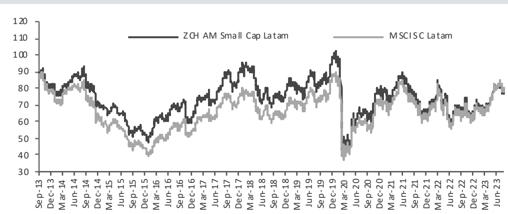
The region should continue to benefit from: i) attractive valuations both in absolute and relative terms, especially after the correction of the month, ii) the initiation of interest rate cuts, already underway in Brazil and Chile, which exceeded market expectations, and should provide room for re-rating in the short term iii) increased flows from local investors when the rotation from fixed-income to equities begins, iv) better expectations for economic growth this year, driven by domestic dynamics that should support expected domestic earnings, v) commodity prices, which remain above historical averages, vi) a risk decompression, measured through CDS in Mexico, Chile, and Brazil, which, coupled with rate cuts, should boost valuations. However, global risks related to a weaker recovery in China with a lack of significant stimulus and high rates in developed markets for longer could impact the region. Nevertheless, the fundamentals are strong, and considering the discounted valuations, part of these risks should be priced in.

The MSCI Brazil posted a -9.29% return in USD, with a currency depreciation of -4.62%. The return was impacted by lower risk appetite globally, reflected in foreign outflows of R$13 billion, the highest level since March 2020. We also saw some of a profit-taking mood after the index posted a YTD return of 22.2% in dollars in July, along with the long-awaited rate cut, which was above market expectations. The BCB cut rates by 75 bps, exceeding the market's expectations of a 50-bps cut, which should provide a boost to the equity market. BCB also mentioned that the most likely outcome at the next meeting was a 50-bps cut. Additionally, in August, fiscal discussions regarding the 2024 budget and new measures to increase fiscal revenues generated some volatility in the market. However, with the measures already announced and a better global environment, the market should benefit from: i) attractive valuations, trading at a 7.6x P/E fwd, 1.4x standard deviations below its 10Y average, with the ERP at 7.7%, above the average of 4.73%; ii) activity data surpassing expectations, which could boost the earnings of companies with greater domestic exposure; and iii) a de- compression of risk following the approval of the new fiscal framework and the first stage of the tax reform.

The MSCI Mexico posted a -4.6% in USD, with a currency depreciation of -1.73%. However, it remains the best-performing currency YTD with a 14% appreciation, supported by a positive interest rate differential, remittances, and foreign direct investments. The index is trading at an 11.6x P/E fwd, 1.7x standard deviations below its 10Y average, a discount supported by upward earnings revisions for 2023 and 2024 of 19% and 15%, respectively. Mexico will be the only one of the major markets in the region to show YoY earnings growth, driven by Consumer, Real Estate, and Financials. Worth noting that 23E earnings growth is above EM's as whole as well. Considering Mexico's correlation with the United States, it is expected that Banxico will begin rate cuts only in 1Q24, which should continue to support the Mexican peso. Meanwhile, the nearshoring theme continues to drive foreign direct investment and benefit the industrial sector, in addition to being a catalyst for medium-term economic growth. The market's focus will be on the upcoming presidential elections in June 2024, starting with the nomination of candidates in early September. While the base case scenario is that MORENA will continue in power and that regardless of the winner, it will be someone more pragmatic than the current president, the rise in popularity of Xóchitl Gálvez could lead to a more competitive election, which would be positive for the market.

During the month our fund posted a -7.91% return in USD terms, compared to the -8.08 % from our reference benchmark the MSCI Latam Small Cap. Sector-wise our main contributors were Materials and Utilities, while Discretionary and Energy were the main laggards. Our relative performance was explained by our UW in Grupo Argos (-20.9% in USD), Grupo SBF (-48%) and Odontoprev (-19%), which was partially offset by our OW in MRV (-21.5%), Grupo Mateus (-18.4%) and Soma (-36%).

Performance for Series I



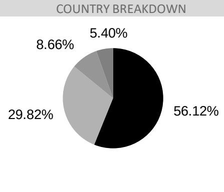
Risk Metrics	
Volatility (Annual)	21.17%
Beta	1.00
Alpha	-4.99%
Tracking Error (annual)	4.15%
Information Ratio	-1.21

Retuns	Aug-23	3M	YTD	LTM	3Y	Since Inception
ZCH AM SICAV Small Cap Latam I	-7.91%	5.17%	18.72%	14.24%	19.56%	-22.77%
MSCI EM Small Cap Latam	-8.08%	6.51%	21.88%	19.25%	32.33%	-22.21%

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

COUNTRY BREAKDOWN



SECTOR	AUG-23	JUL-23
CONSUMER DIS.	15.4%	15.7%
CONS. STAPLES	10.9%	14.3%
REAL ESTATE	17.1%	15.8%
INDUSTRIALS	21.0%	18.7%
FINANCIALS	10.3%	11.1%
MATERIALS	7.7%	7.2%
UTILITIES	5.6%	5.9%
HEALTHCARE	2.6%	4.3%
ENERGY	3.1%	4.4%
IT	0.9%	1.1%
OTHERS	5.4%	1.5%

ISSUER	FUND	SECTOR
OMA	4.7%	INDUSTRIALS
VESTA	3.3%	REAL ESTATE
ALIANSCE SONAE	3.0%	REAL ESTATE
EMBRAER	2.9%	INDUSTRIALS
REGIONAL	2.8%	FINANCIALS
GCC*	2.8%	MATERIALS
FIBRAPL	2.6%	REAL ESTATE
GENTERA	2.5%	FINANCIALS
3R PETROLEUM	2.5%	ENERGY
TERRAFINA	2.1%	REAL ESTATE
OTHERS	70.8%	

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	1.38%

AUM US$33.2mn

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.