ZURICH INVESTMENTS

Managing International Equity Portfolios

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Zurich Investments

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CSTT-014960-2019
PIRD-014842-2019 & PIRD-014892-2019

The pause that refreshes?

MSCI World ex-Australia (USD)

Source: Bloomberg; data from 1st January 2016 to 9th October 2019

THE CURRENT US GROWTH CYCLE: LONG AND SHALLOW

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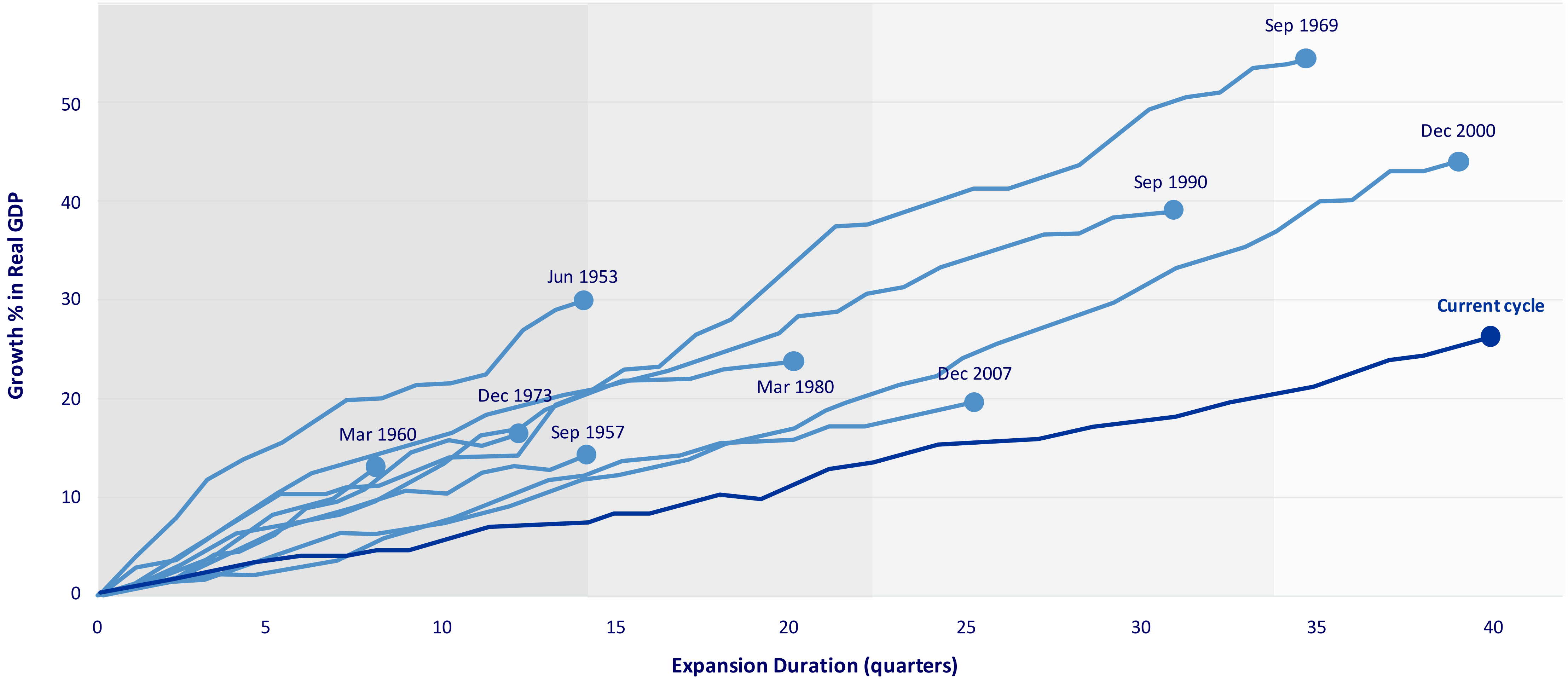
POSTWAR ECONOMIC EXPANSION

Duration VS Magnitude



Data from 31/12/1949 to 30/06/2019. Charting the gain in the U.S. GDP, Chained 2009 Prices, SAAR.
Source: FactSet, U.S. Bureau of Economic Research.

Macro Factor: US economy loses momentum

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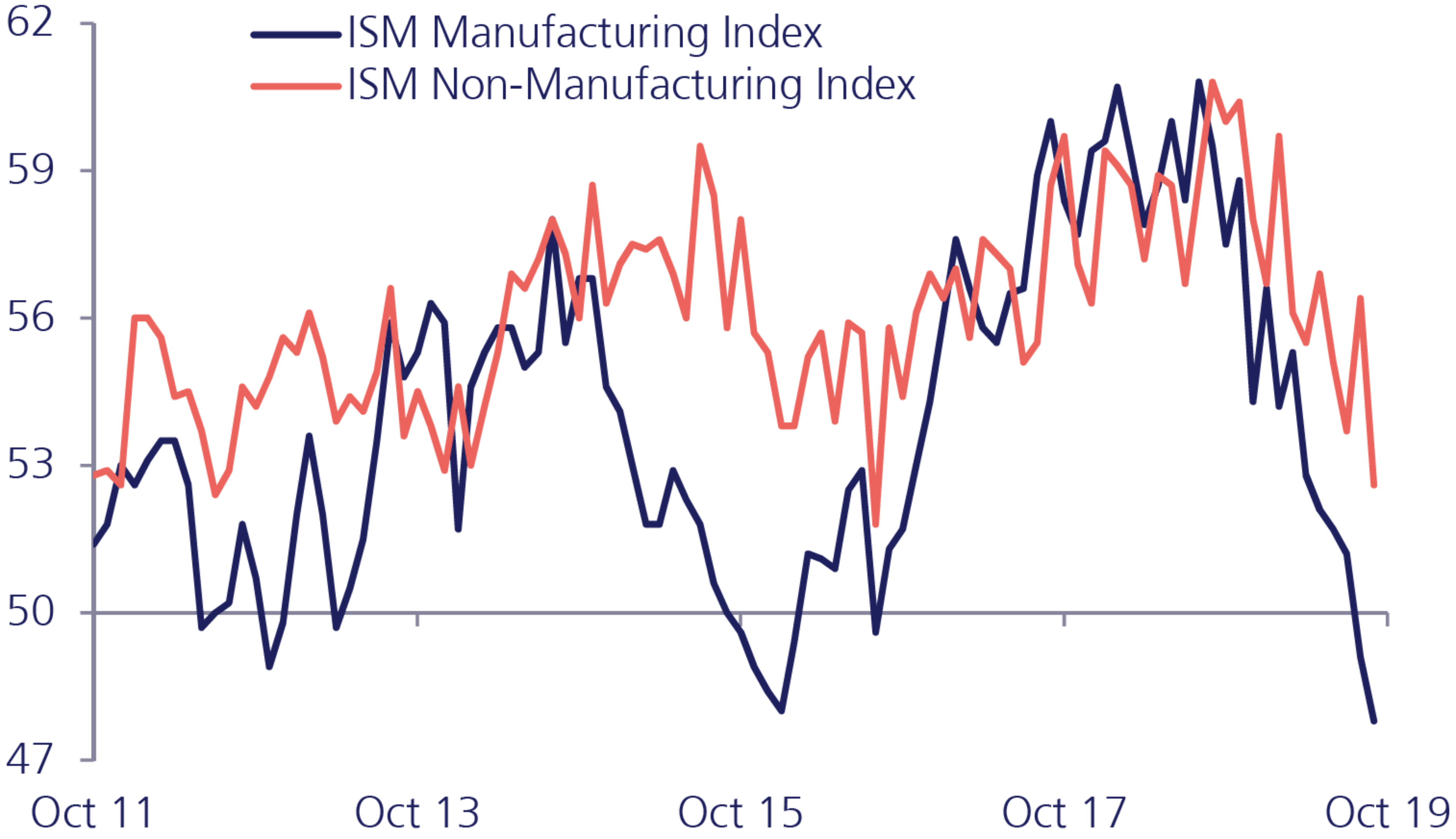
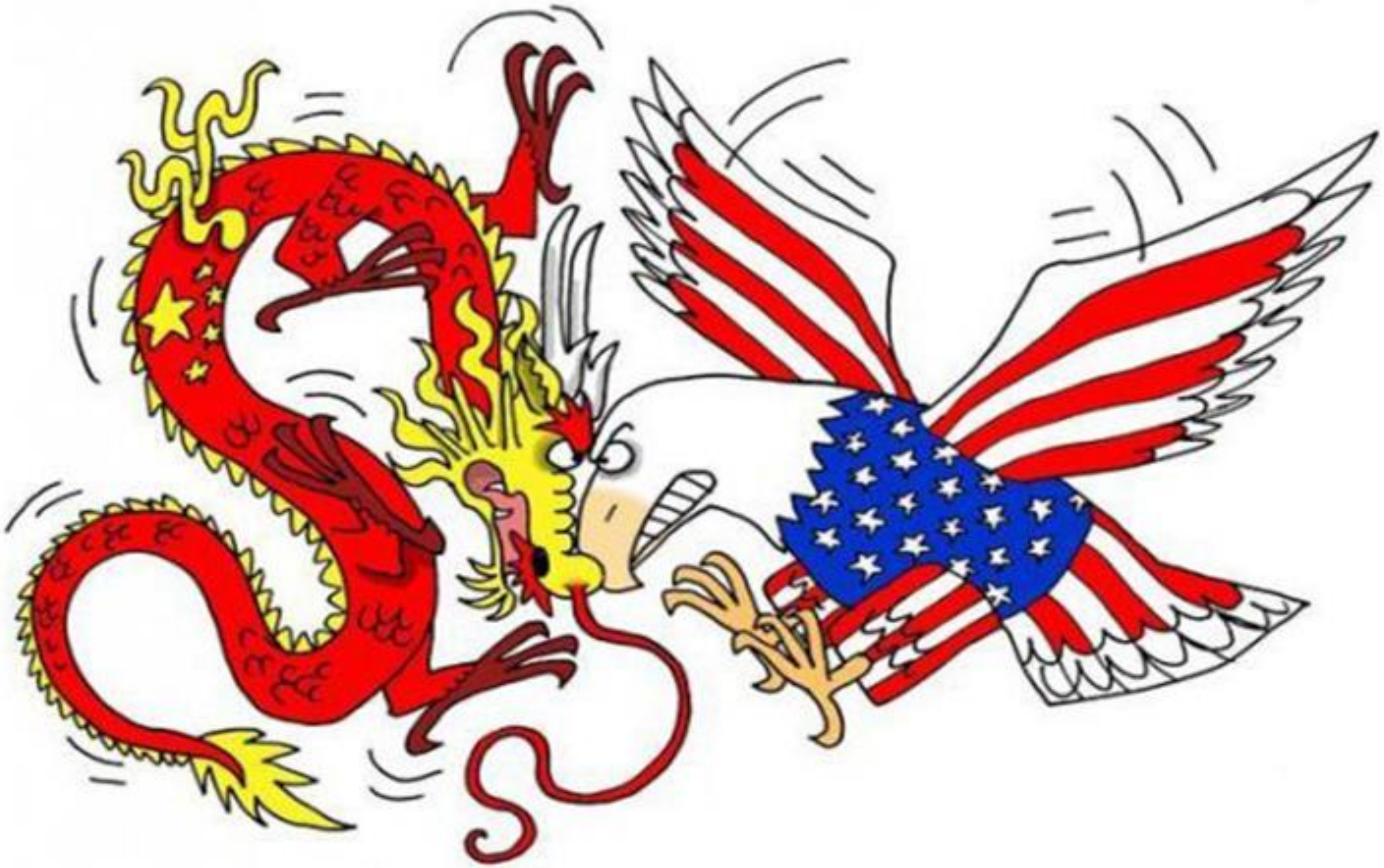


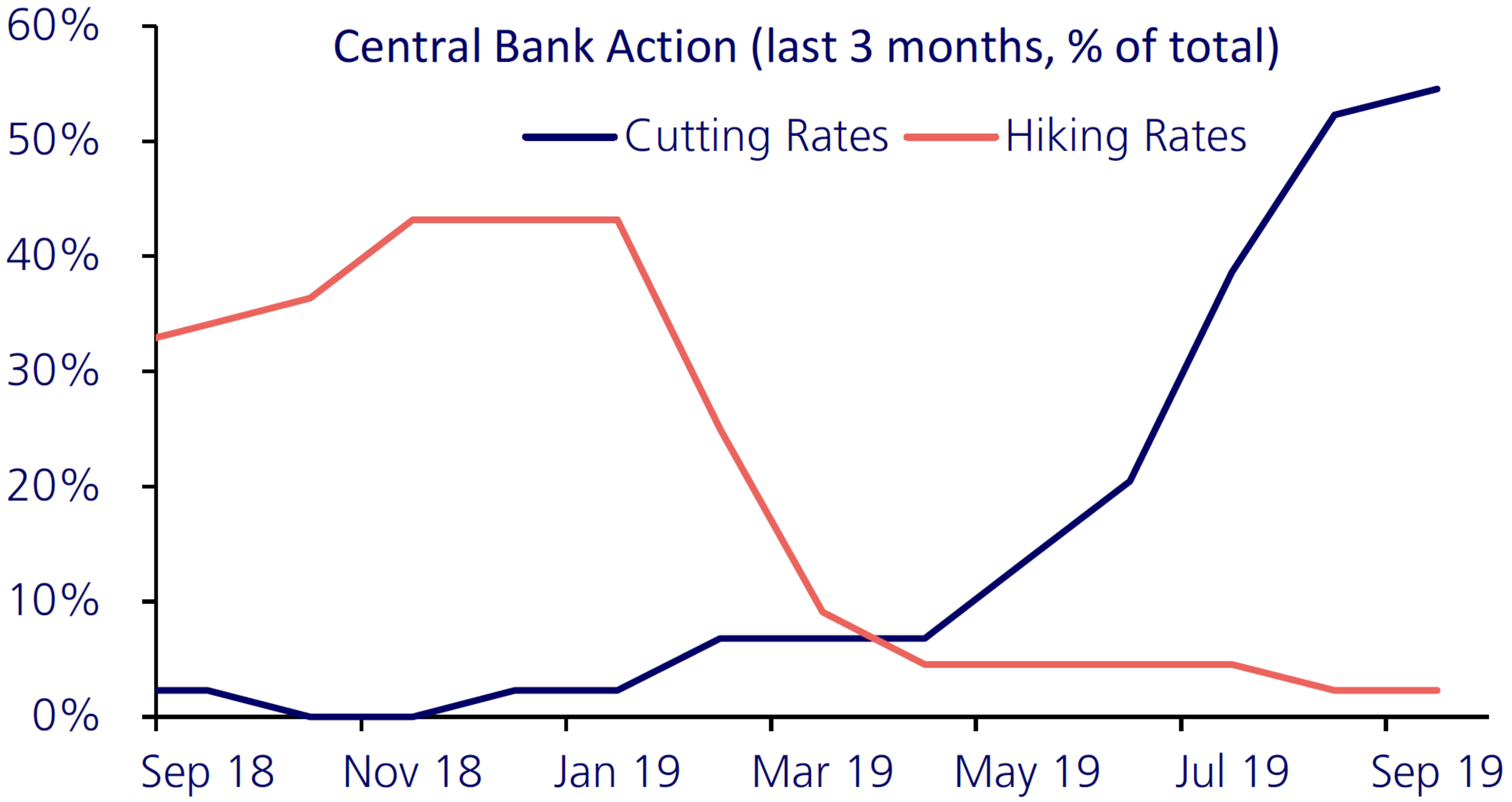
Source: Bloomberg; Zurich Insurance Group. Dated 7th October 2019

Macro Factor: Trade frictions



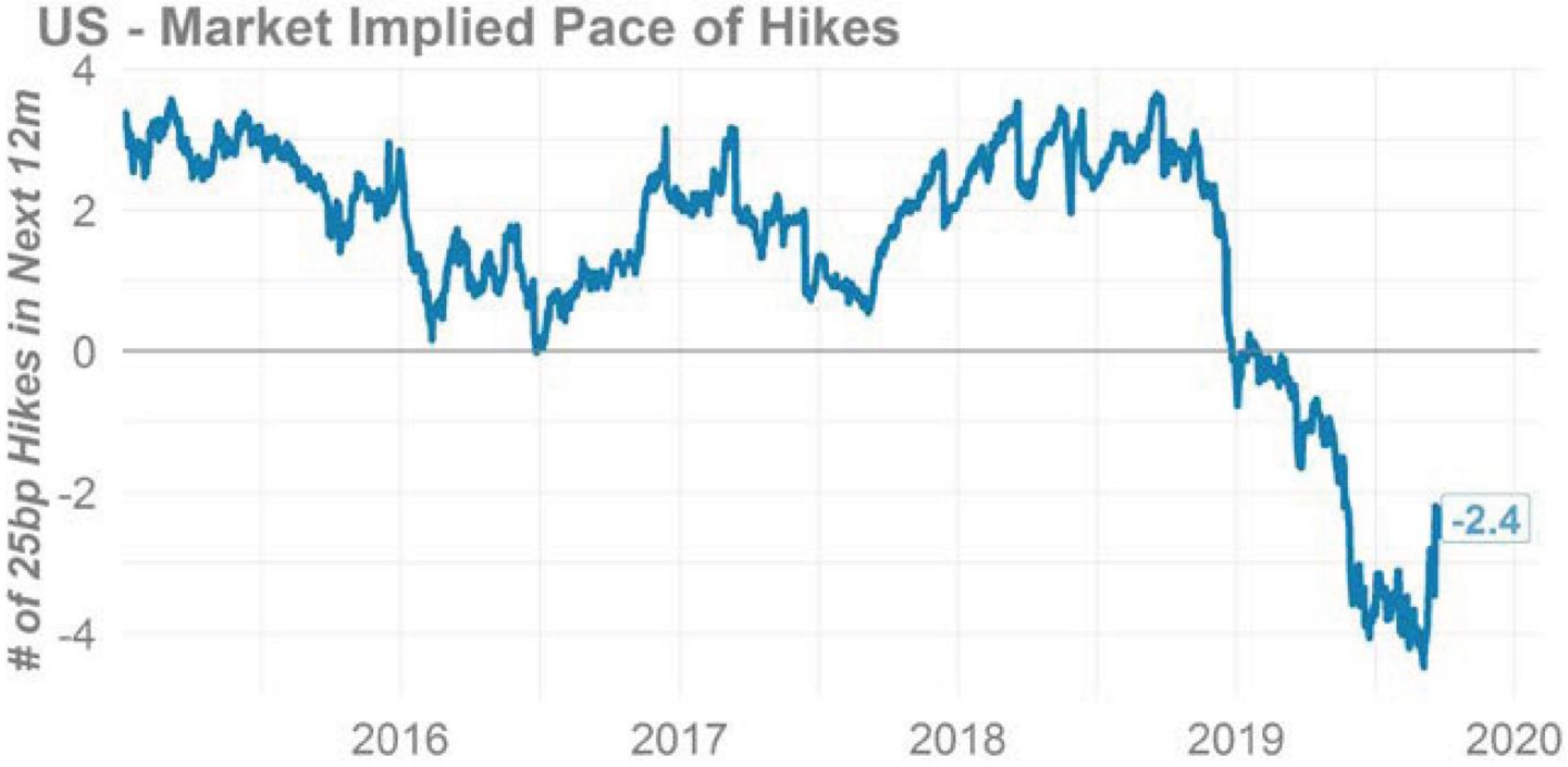
Source: Google Images

Macro Factor: Central Banks



Source: Bloomberg; Zurich Insurance Group. Dated 1st October 2019

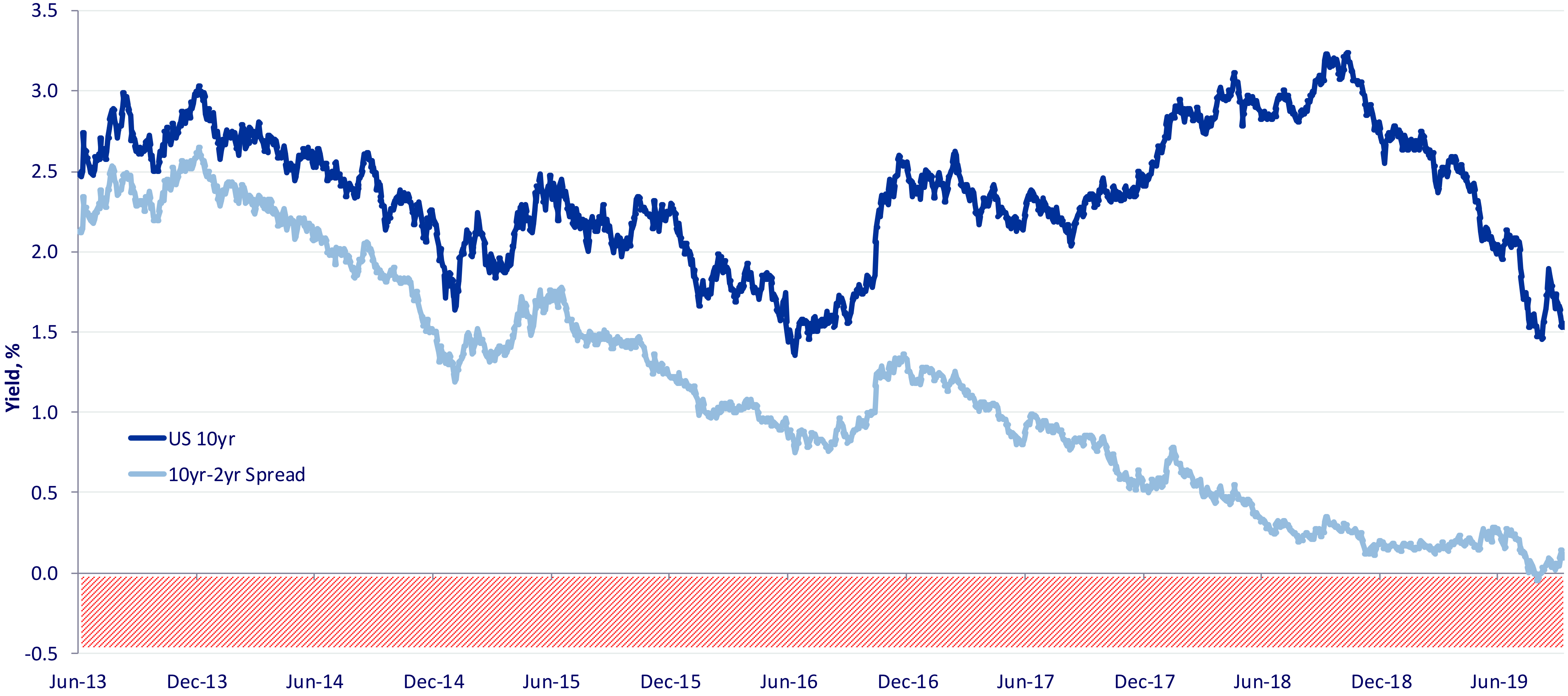
Macro Factor: Do not fight the FED?



Source: Bloomberg, Morgan Stanley Research. Dated 26th September 2019

Macro Factor: Bond yields

What is the 'new normal' (cost of money)?



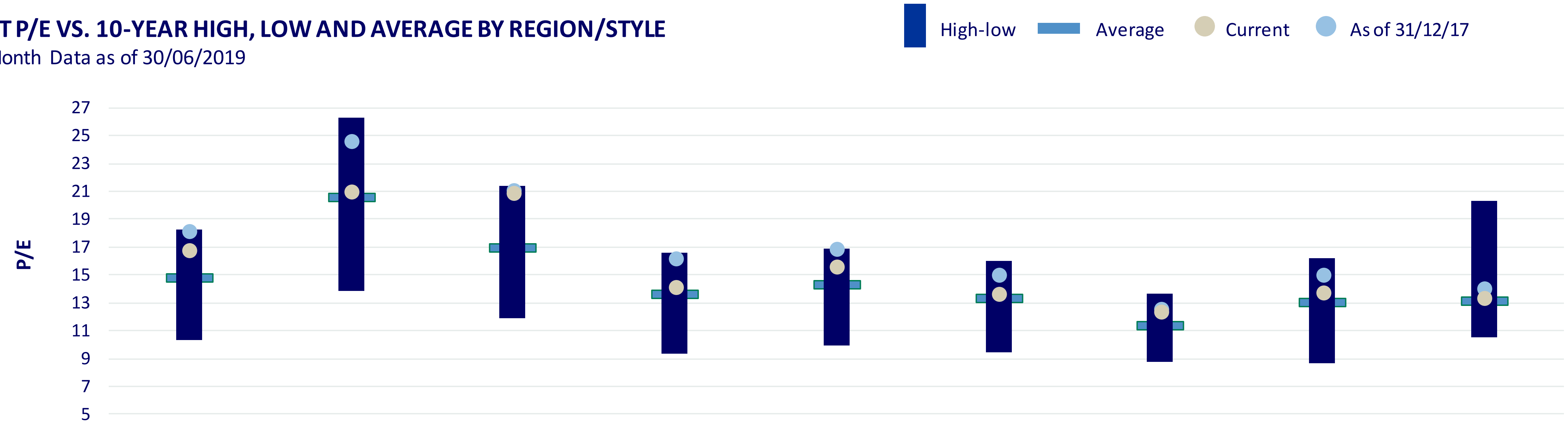
Source: Bloomberg to 8th October 2019

Micro Factor: Valuations

Multiples within historic ranges

CURRENT P/E VS. 10-YEAR HIGH, LOW AND AVERAGE BY REGION/STYLE

Next 12-Month Data as of 30/06/2019



	S&P 500	Russell 2000	Russell 1000 Growth	Russell 1000 Value	MSCI World	MSCI EAFE	MSCI Emg Mkts	MSCI Europe	MSCI AC Asia Pacific
High	18.3	26.3	21.4	16.6	16.9	16.0	13.6	16.2	20.3
Low	10.3	13.9	11.8	9.3	10.0	9.4	8.7	8.6	10.5
Average	14.8	20.5	16.8	13.5	14.2	13.3	11.3	13.0	13.1
As of 12/31/17	18.1	24.6	21.1	16.2	16.8	15.0	12.5	14.9	14.0
Current	16.7	21.0	20.9	14.1	15.6	13.6	12.3	13.7	13.3

Source: FactSet. Data as of 30/06/2019.

STOCK MARKET VALUATIONS

	S&P 500 P/E Ratio
Average Trailing*	**16.6**
When Inflation Was 2% or Less*	**18.0**
When Inflation Was 4% or More*	**12.6**
Based on 2019 Estimated Earnings**	**17.6**
Based on 2020 Estimated Earnings**	**15.9**

P/E Ratio: A valuation ratio of a company's share price compared to its per-share earnings.

*Data from 29/01/1954 to 30/06/2019

**Data as of 30/06/2019

Source: Bloomberg, FactSet, U.S. Bureau of Labor Statistics

Past performance is no guarantee of future results. Estimates not a reliable indicator of future performance.

THE GROWTH-VALUE DIVIDE IN PERSPECTIVE

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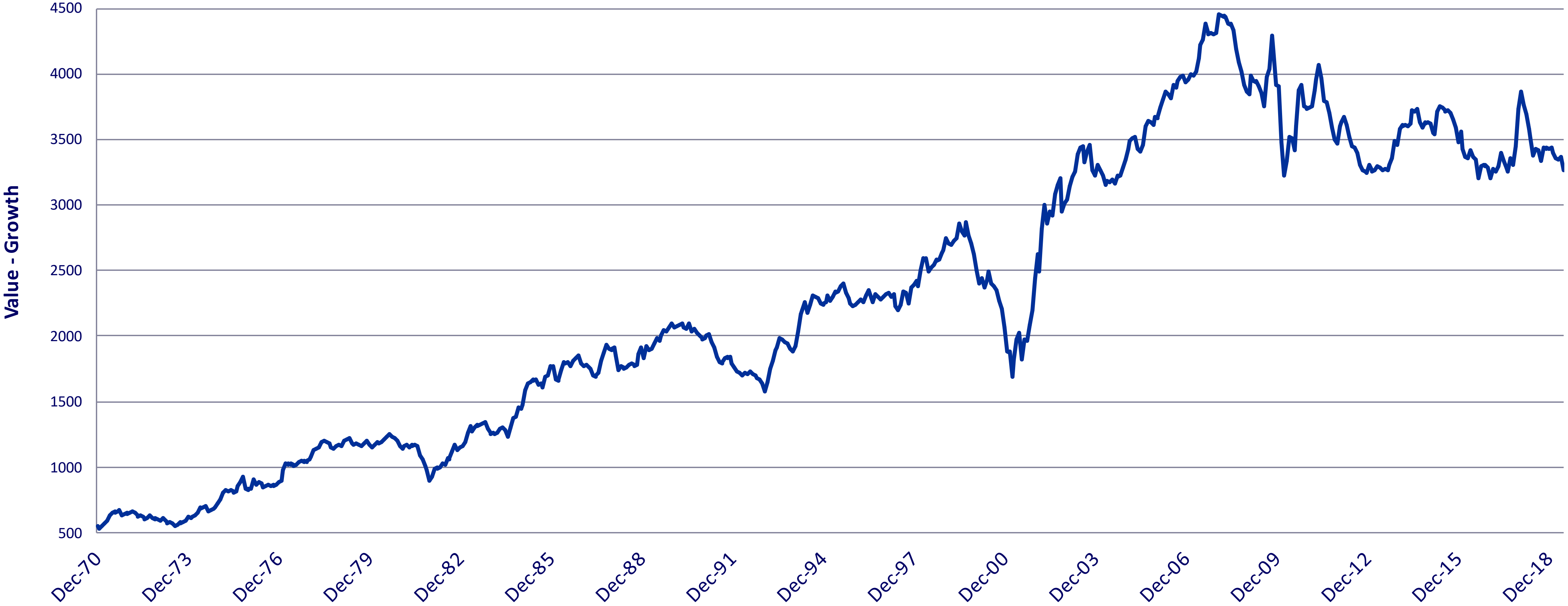
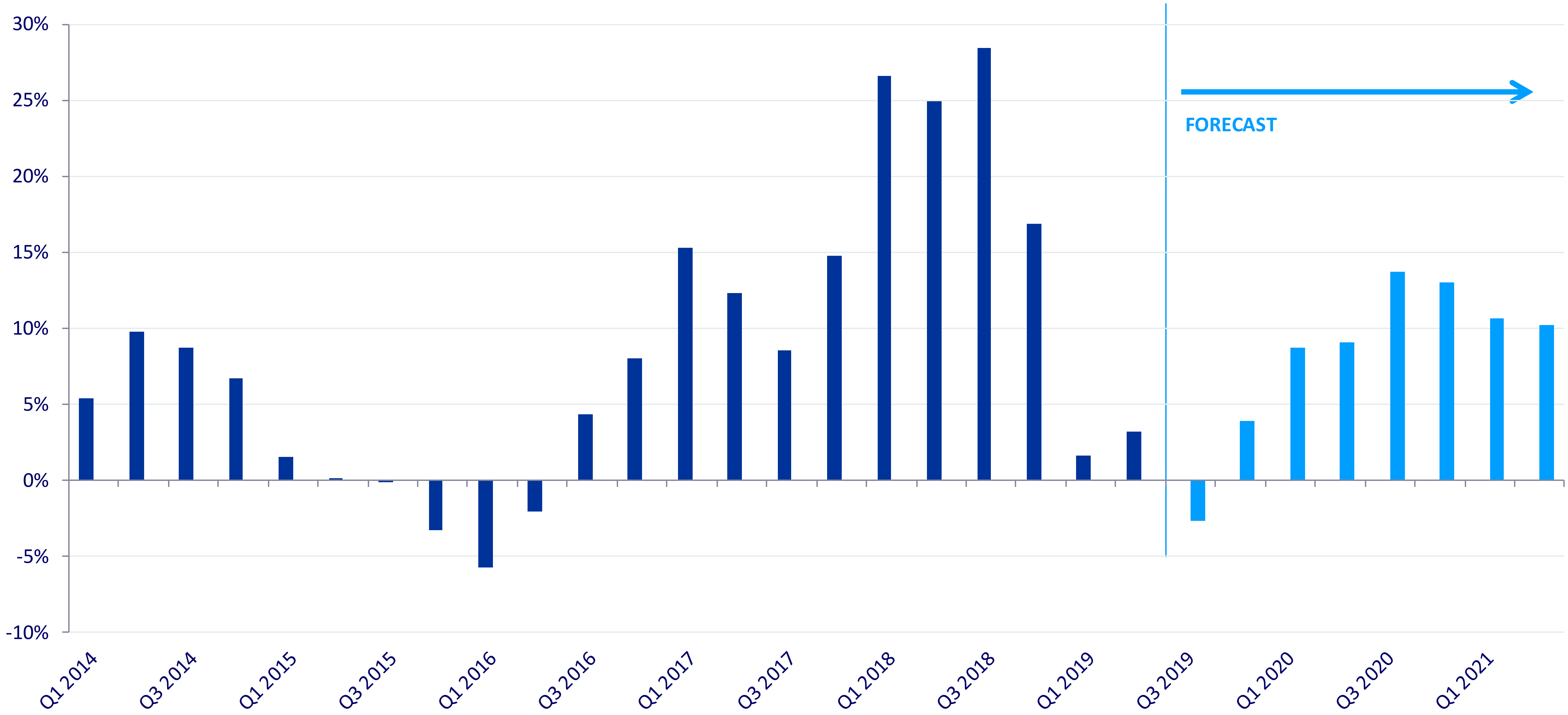
Value Relative to Growth



Data from 31/12/1970 to 30/06/2019. Price information is in USD, Net of fees. Fama/French Style Benchmark – CRSP. Source: Cornerstone Macro

Micro Factor: Corporate earnings

S&P 500 earnings per share growth



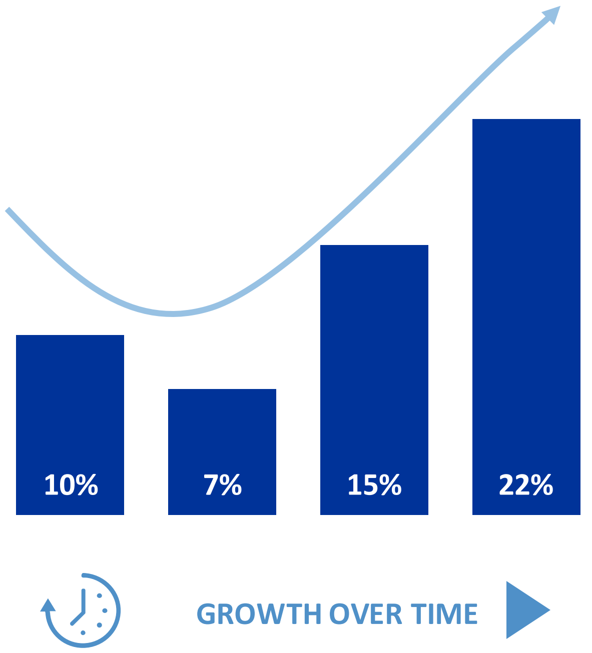
Source: Thomson Reuters; S&P 500 Earnings Scorecard; dated 4th October 2019

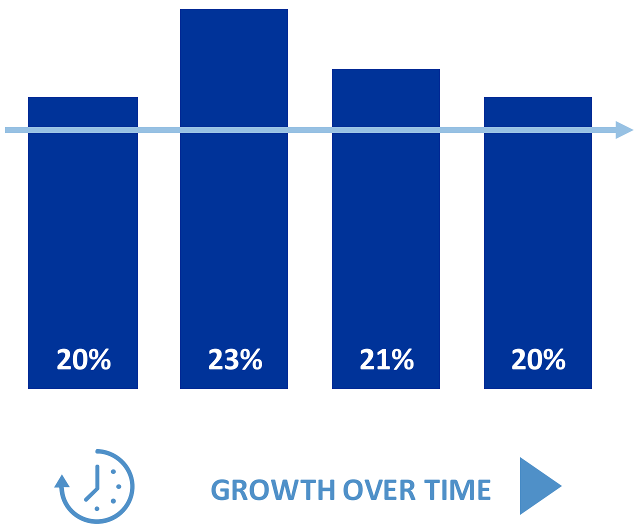
INVESTING WITH A WELL-DEFINED BOTTOM-UP GROWTH PHILOSOPHY

We believe that **accelerating, sustainable growth** in revenues and earnings, driven by an inflection in business fundamentals, results in **stock price outperformance**.

- We focus on inflection points in companies' fundamentals because we believe markets are inefficient at identifying these changes
- Our process is designed to uncover stocks that outperform as earnings growth accelerates, market expectations rise and multiples expand.

We believe the direction of earnings growth is a more powerful predictor of stock price performance than the absolute level of growth.





Potential positioning for growth investors

- Secular growth drivers, rather than cyclical
  - Selected IT, including cloud computing, 5G, electronic payment
  - Health Care, particularly medical devices and diagnostic tools
  - Selected financial services in Emerging Markets
- Highly visible revenue base
- Companies with idiosyncratic growth drivers

Source: American Century

THANK YOU

https://www.zurich.com.au/advisers/investments.html