MARSICO
CAPITAL MANAGEMENT®

Fund Update as at 31 July 2019
CC Marsico Global Fund (APIR: CHN0002AU)

Fund Benefits

Exclusive Australian Access:
Access to a proven global fund manager not otherwise available to Australian investors.

Experienced Investment Team:
Over 18 years managing global growth equity portfolios.

Differentiated, Diversified Global Investment Opportunities:
Marsico evaluates companies in industries around the world to uncover quality investments.

Time-Honoured Philosophy & Process:
Renowned for fundamental, intensive, hands-on research, Marsico combine "top-down" macroeconomic analysis with "bottom-up" security selection.

Fund Facts

Investment Manager	Marsico Capital Management, LLC. ("Marsico")
Portfolio Managers	Tom Marsico, Brandon Geisler & Robert Susman
Structure	Global Equity Fund, unhedged in Australian Dollars
Inception Date^	23 February 2016
Benchmark	MSCI All Country World Index, Net in AUD
Management Fee#	Base Fee of 1.25% p.a.
Performance Fee#	Performance Fee of 10% p.a. outperformance of the Benchmark (net of the Base Fee)
Buy / Sell Spread	0.10% / 0.10%
Distributions	Semi-annual
Fund Size+	AUD $26 million

Performance (Australian Dollars)

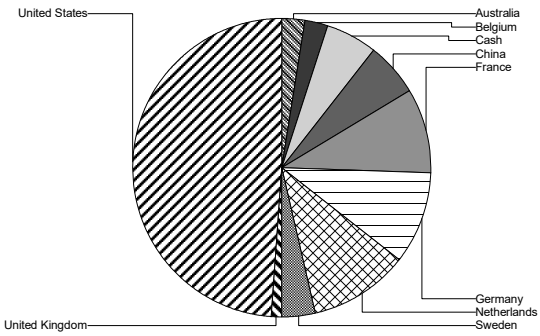
Returns	Fund*	Benchmark**	Active
1 Month	2.61%	2.11%	0.49%
3 Months	3.58%	2.65%	0.93%
FYTD	2.61%	2.11%	0.49%
1 Year	12.08%	11.04%	1.04%
2 Years p.a.	21.48%	15.03%	6.45%
3 Years p.a.	19.71%	13.82%	5.89%
Inception p.a.	18.25%	14.46%	3.79%

Top 5 Holdings

Stock Name	Sector
Amazon.com Inc	Consumer Discretionary
AIRBUS SE	Industrials
Microsoft Corporation	Information Technology
Facebook Inc	Communication Services
InterXion Holding NV	Information Technology

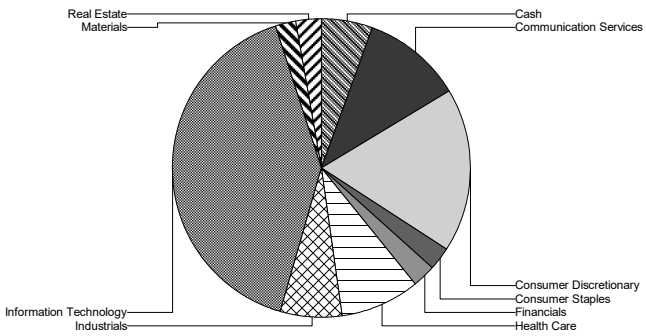
Source: Marsico Capital Management, LLC.

Country Allocation



Source: Marsico Capital Management, LLC.

Sector Allocation



Source: Marsico Capital Management, LLC.

Platform Availabilty

HUB24 PowerWrap

Further Information

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All figures disclosed include the net effect of GST and RITC. ^ Inception Date for performance calculation purposes. + Fund size refers to the CC Marsico Global Fund ARSN 610 434 896, which is comprised of both Class A and Class B Units. * Performance is for the CC Marsico Global Fund (APIR: CHN0002AU), also referred to as Class B units, and is based on month end unit prices before tax in Australian Dollars. Net performance is calculated after management fees and operating costs, excluding taxation. This is historical performance data. It should be noted the value of an investment can rise and fall and past performance is not indicative of future performance. ** Benchmark refers to the MSCI All Country World Index Net AUD. All data is the property of MSCI. No use or distribution is permitted without written consent. Data provided "as is" without any warranties. MSCI assumes no liability for or in connection with the data.

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Market Review

July was a month marked by stronger-than-expected corporate earnings reports, a Federal Reserve interest rate cut, and little to no apparent progress on China/U.S. trade talks.

The Federal Reserve announced at the end of the month a one quarter percentage point cut of its benchmark interest rate (Federal Funds rate), citing "implications of global developments for the economic outlook as well as muted inflation pressures." This marks just the fifth time in the past 25 years that the central bank switched from raising to lowering rates. Notably, Fed Chairman Powell noted this move was a "midcycle adjustment" and not indicative of an aggressive rate-reducing regime. However, he also said the Fed will act as appropriate to sustain U.S. economic expansion as it evaluates future data.

Regarding specific data, economic signs in the U.S. continue to impress. GDP rose a better-than-expected 2.1% in the second quarter, unemployment remains near 50-year lows, U.S. employers added 164,000 jobs in July, and consumer confidence numbers, which were already strong, are only getting stronger.

The picture outside the U.S. isn't as rosy. The European Central Bank (ECB) decided not to reduce key interest rates at its July meeting ending last week, yet ECB president Mario Draghi strongly suggested that new monetary stimulus is likely to be adopted at the ECB's September meeting. Notably, the governing council stated that it expects rates to remain at their present, if not lower, levels at least through the next year.

The continuing trade war with China was also in the headlines at month end, as the U.S. delegation met for a half day with the Chinese and working teams attempted to lay the groundwork for the next round of face-to-face trade talks in September. The talks apparently focused largely on goodwill gestures including Chinese purchases of U.S. agricultural products and U.S. moves to relax restrictions on sales to Chinese telecommunications giant Huawei. However, following the meeting, President Trump announced via Twitter that an additional 10% tariff on an additional $300 billion of Chinese goods is set to begin September 1st unless China steps up agricultural purchases or makes other concessions.

Amidst this backdrop, the S&P 500 Index rose +3.28%, and the NASDAQ Composite Index jumped +4.01%. Equities in Europe dropped, as the MSCI Euro Index decreased -0.48%. China's stock market rose, with the MSCI China Index up +1.26%. U.S. bond yields rose modestly as the 10-year Treasury note yield climbed by 10 bps, although yields fell sharply after the new tariff announcement. The U.S. dollar strengthened marginally, and crude oil was volatile but ended the month flat.

After years of significant outperformance, Marsico have sold the Fund's position in Netflix, Inc. (-10.80%, prior to being sold). Netflix was largely responsible for the collapse of the economics around the traditional cable video bundle, which resulted in significant subscriber and revenue growth for the company. However, success can bring competition. Walt Disney, AT&T, Apple, Amazon, and others are now entering the streaming market, which Marsico feel could potentially inhibit growth and increase costs for Netflix to acquire content. For these reasons, Marsico see other opportunities beyond Netflix as better fits for the Fund.

In terms of the underlying dynamics of equity market performance, growth outperformed value equities in July as the MSCI ACWI Growth Index and the MSCI ACWI Value Index posted returns of 2.86% and 1.33%, respectively.

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Market Outlook

As stated in the market review section, Marsico believe market participants are keenly focused on developments in the U.S. / China trade situation, as well as implications for future Federal Reserve policy adjustments. As of this writing, China has moved to stabilise their currency, which has given some relief to equity markets. However, it does appear as if both sides are nowhere near finalising a constructive agreement in the short-term, with the next set of talks scheduled to happen in September. Notably, the next proposed round of tariffs are set to begin September 1st, suggesting that if progress is to be made prior, it would need to be made proactively by either side. With both sides seemingly entrenched, this is probably an unlikely scenario.

Regardless of the outcome, the Federal Reserve will be keenly watching the data to look for further signs of slowing economic momentum, which could be the catalyst for future rate cuts. Speaking of rates, as of this writing, the U.S. 10-year note is yielding 1.65%, which indicates investors are yield-seeking, as opposed to buying equities, which may be needed to fuel further rallies.

As stated in prior months, Marsico is closely monitoring these and other developments, as they position the Fund to navigate day-to-day volatility and shifting sentiment across markets, while striving to produce strong long-term performance. Marsico continue to stress-test positions in the Fund across various scenarios and remain cognizant of how exogenous factors can effect performance and valuation of individual stocks.

As evidenced by the rapidly changing political and macroeconomic backdrop, Marsico continue to focus their research process and Fund allocation on positions that they believe can grow earnings and cash flow in various economic environments. As such, the process hasn't changed and Marsico don't anticipate trying to position the Fund to benefit from whatever the binary outcome of the trade negotiations may be. Marsico also maintain their belief in generally skewing the Fund toward companies that benefit from secular tailwinds around demographics and digital transformation.