MARSICO
CAPITAL MANAGEMENT®

Global Investment Outlook and Portfolio Positioning | January 2016

Our investment outlook continues to anticipate slow global GDP growth with low levels of inflation. While the Federal Reserve is on a path to raise short term rates, it has signalled that, based on incoming macroeconomic data, the path will be gradual and shallow. Longer dated interest rates are less affected by the Fed and are more dependent on the global outlook for GDP growth and inflation.

We believe that prices for oil and most other commodities will remain low for some time. On the heels of the commodity super cycle that was driven by China's dramatic growth after joining the World Trade Organisation in 2001, the world is now left with excess capacity in nearly every commodity including industrial manufacturing. China accounted for a significant percentage of the incremental demand for various commodities over the past 15 years. For example, during that period, China accounted for 45% of incremental demand for iron ore, 35% of oil, and 50% of thermal coal, which is unprecedented. China can no longer maintain past growth rates driven by fixed asset investments and exports, and is engineering a bumpy shift toward a consumption-driven economy, which will continue to put commodity demand under pressure. As a result of this transition, China is now exporting deflation to the rest of the world.

At the same time, developed economies are migrating towards energy efficiency and are therefore relying less on carbon-based fuel sources such as coal and oil. Oil prices lost $8 per barrel in the quarter and fell $15 per barrel during calendar year 2015. There is a growing consensus that the potential for hydraulic fracturing ("fracking") globally may set a ceiling on oil prices for the next several decades. Remarkable innovations in battery and solar technologies suggest that a world beyond fossil fuels is imaginable some 30 to 50 years from now. Low cost Mid-East producers, therefore, may continue pumping rapidly, judging the present to be the best time to sell their product.

Despite certain challenges to global growth, we do not foresee an impending global recession. We believe improving economic circumstances in the developed world will lift profitability in industries not directly competing with the developing world and not heavily dependent upon labour input. Inflation, for much of the world, remains dormant.

Turning to the U.S. equity market, the S&P 500 Index finished 2015 trading at just under 16x 2016 earnings, which is at the upper end of its median range, but not out of bounds. We see the market as fairly valued. One could argue it looks attractive relative to the 10-year Treasury yield of 2.3%, particularly given that the S&P 500 enjoys a 2.1% dividend yield and 1% to 1.5% earnings growth contribution from share buybacks. Having said that, it is difficult to make a case that P/E growth will drive the market. In our view, earnings will be the driver.

Because we believe global growth will remain "lower for longer," we find the best earnings growth opportunities exist in companies that are innovative and poised to show revenue growth contribution from market share gains, rather than dependence on the macroeconomic environment. We think that for the next few years, the market will reward market share-driven secular organic growth through stock price outperformance. In particular, companies making use of technology to develop innovative new ways of conducting business or create revolutionary new products or services should deliver strong performance.

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This theme of innovation encompasses many of the Global Growth Strategy's holdings. For example:

- We like companies that use technology to create better retail and advertising business models. Internet companies Alibaba, Amazon, Alphabet (formerly "Google") and Facebook are market share gainers in the Internet services space, which itself is taking share of a very large legacy market.
- Second, we see tremendous innovation in Health Care research and development productivity, which has driven an improved drug pipeline. This has created investment opportunities in Pacira Pharmaceuticals, Regeneron Pharmaceuticals, and Celgene.
- Third, we like companies that use technology to create data-driven revenue growth advantages. These companies span a variety of industries and include UnitedHealth Group in health insurance and price transparency; payment processor Visa; and Salesforce in cloud computing and customer analytics.
- Finally, we emphasise investments in companies with strong global brands supported by continuous innovation and enhanced by use of technology. Nike, Domino's Pizza Enterprises and Domino's

Pizza Group are a few examples. One trend we are taking note of is the quest for brands to develop direct business to consumer relationships, circumventing the traditional distributor/consumer relationship. Products like Domino's online GPS tracker and Pizza Mogul apps and Nike's online initiatives allow these brands to develop a more intimate understanding of their customer, directly market to customers, and generate incremental profit.

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In a slow global growth environment, these stocks should outperform as investors seek out secular growth companies that can grow their revenues. These companies have strong financial balance sheets, address large global and secular growth markets, and possess large scale that provides competitive moats versus legacy competition. Their management teams are focused on building growth companies that will not just survive but thrive over the long-term, and can increase capital investments in their businesses.

As a team, our analysts and portfolio managers are constantly looking for companies that fit this framework in order to deliver the best results for our clients. As of quarter-end, a significant portion of the Global Growth Strategy's net assets were invested in the Information Technology, Consumer Discretionary and Health Care sectors. The portfolio held very few select investments in the Financials, Materials, Industrials, Energy and Consumer Staples sectors. We continue to avoid investments in commodities and other macro-dependent areas.

Sincerely,
Marsico Capital Management, LLC Investment Team

Global Growth Strategy Performance

Please note - the performance returns set out below are for the US$ Marsico Global Growth Strategy (not the CC Marsico Global Fund which has only recently launched) and have been converted to AUD to illustrate the results achieved.

Marsico Global Growth Strategy (US$ monthly returns converted to AUD). Performance is as at 31/12/2015.

	1 Year	3 Years p.a. (%)	5 Years p.a. (%)	Since Inception p.a. (%) (02/01/2008)
Marsico Global Growth (Gross)	16.98	30.60	18.38	10.28
MSCI ACWI NR#	9.82	21.24	13.62	5.90
Annualised Excess Return (Gross)	7.16	9.36	4.76	4.38

Please note the Marsico Global Growth Strategy is domiciled in the U.S. and is not for offer in Australia. The above performance is for illustrative purposes only. The performance returns set out above for the Marsico Global Growth Strategy is a composite of the performance of similar portfolios managed by MCM. The composite performance returns include non-taxable, discretionary, fee-paying global style accounts that have an objective of long-term growth of capital by investing primarily in the common stocks of US and foreign companies of any size that are selected for their long-term growth potential. The gross performance returns stated are for the Marsico Global Growth Strategy in U.S. Dollars (converted to Australian dollars). #The benchmark refers to the MSCI ACWI Net in USD (converted to Australian dollars). Data source: Morningstar Direct and MCM. The performance information presented represents past performance and does not guarantee future results. Returns have not been examined. Returns shown include the reinvestment of dividends and income. The gross-of-fees performance information presented does not reflect the deduction of investment advisory fees or other fees incurred in the management of an account, which will reduce investment returns.

About Marsico Capital Management, LLC (MCM)

Marsico Capital is a Denver based Global Equity manager, headed by renowned investment manager Tom Marsico. Marsico Capital manages U.S., international and global equities totalling more than US$8billion. For the past 35 years Tom has been involved in financial markets, but it was in the 1990s at Janus Capital that he made a name for himself as a high-profile health and technology investor. Tom launched Marsico Capital Management in 1997 along with an investment team of 20 people.

For more information please visit www.channelcapital.com.au/marsico

Accessing the CC Marsico Global Fund

Australian investors can now access Marsico Capital's high quality growth investing approach via a partnership with multi-affiliate financial services group, Channel Capital.

The CC Marsico Global Fund (the Fund) is an Australian domiciled global equities fund managed by Marsico Capital and offered by Channel Investment Management Limited ACN 163 234 240 AFSL 439 007. **The Fund is managed in accordance with the Marsico Global Growth Strategy and is available to sophisticated or wholesale investors only.**

To register your interest in the Fund - please click here.