MARSICO
CAPITAL MANAGEMENT®

Fund Update as at 31 December 2018
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 $14 million

Performance (Australian Dollars)

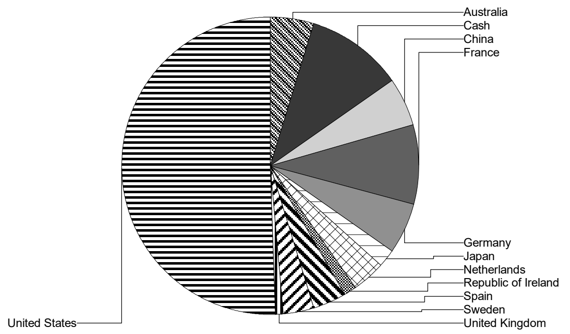
Returns	Fund*	Benchmark**	Active
1 Month	-4.80%	-3.58%	-1.22%
3 Months	-16.70%	-10.33%	-6.37%
FYTD	-10.31%	-4.52%	-5.79%
1 Year	6.75%	0.64%	6.11%
2 Years p.a.	17.20%	7.47%	9.72%
3 Years p.a.	-	-	-
Inception p.a.	13.20%	10.66%	2.54%

Top 5 Holdings

Stock Name	Sector
Amazon.com Inc	Consumer Discretionary
Hermes International	Consumer Discretionary
Alphabet Inc	Communication Services
UnitedHealth Group	Health Care
InterXion Holding NV	Information Technology

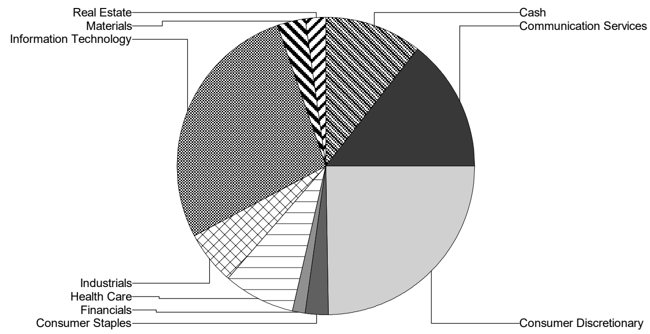
Source: Marsico Capital Management, LLC.

Country Allocation



Source: Marsico Capital Management, LLC.

Sector Allocation



Source: Marsico Capital Management, LLC.

Platform Availabilty

HUB24 PowerWrap

Further Information

Phone: 1800 940 599
Email: clientservices@channelcapital.com.au
Web: www.channelcapital.com.au

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

Global risk assets came under heavy pressure during the quarter as a host of worries combined to negatively impact markets. Many companies delivered downward guidance for 2019 earnings. U.S. Federal Reserve tightening and the prospects for additional interest rate increases in 2019, appeared to further worry the markets. Weakening economic statistics from China combined with continued fears of an escalating U.S./China trade war added to concerns. European tensions surrounding the U.K. and Italy worsened. In apparent response to these developments, equity shares around the world fell sharply while oil prices plunged. In sum, it was a quarter of powerful risk-off sentiment, with U.S. shares erasing gains registered earlier in the year, echoing the declines registered in most other risk asset markets.

For the quarter, the S&P 500 Index fell -11.12% and the NASDAQ Composite Index fell -15.00%. Japan’s Nikkei 225 Index was down -11.50%. Equities in Europe followed suit. The MSCI Euro Index was down 10.79% and the MSCI China Index declined by -8.25%. The MSCI Emerging Markets Index fell by -4.91%.

Oil prices dropped sharply for the quarter, with cash prices for West Texas Intermediate crude oil falling by nearly $28/bbl. Falling commodity prices catalysed a powerful rally in global government bond markets. The yield on the U.S. 10-year note fell by 37 basis points, erasing the lion’s share of the rise put in place earlier in 2018. German Bund yields were cut in half, falling from 48 to 24 basis points.

Widespread fears of faltering economic performance radically changed expectations for U.S. Federal Reserve policy. At the outset of the fourth quarter, futures markets had anticipated that the Fed would make three moves to tighten interest rates in 2019. By the end of 2018, futures markets had stripped away expectations of any additional Fed tightening and priced in some chance for easing of interest rates in 2019.

The swoon in risk assets notwithstanding, U.S. economic momentum remained robust as the quarter came to a close. Retail spending news was, on balance, robust, and suggests that consumption rose at nearly a 4% annualised pace. This in turn suggests that fourth quarter real GDP climbed at around 3%. News on the jobs front also was quite strong. For the quarter, job increases averaged 254,000, the strongest quarterly gain in more than two years. Unemployment ticked up to 3.9%, due in large part to the government’s practice of counting as unemployed people who had not been in the labour force but decided to look for jobs. Fourth quarter 2018 wage gains, year-on-year, were 3.2% before inflation, up from a 2.5% gain in 2017.

It seems clear that the U.S. corporate tax cut and substantial increases in government spending generated a material acceleration for U.S. economic growth in 2018. While expectations for output and employment growth originally were modest, it now appears likely that 2018 registered growth of 3.2% and average monthly jobs gains were 215,000. For much of the year U.S. risk markets were buoyed by enthusiasm that faster economic growth would elicit materially stronger earnings gains. However, concerns about the potential downside of strong late cycle growth came into sharper focus during the fourth quarter. The risks of a mistake from Fed policy makers as interest rates trended higher also gripped U.S. markets.

For much of the rest of the world, the fall in risk assets during the fourth quarter simply extended the longer pattern of retrenchment that gripped these markets throughout the year. In both Asia and Europe, serious concerns were in full view. Brexit-related battles in the U.K. built momentum, and the risk of a hard exit from Europe weighed on U.K. expectations. More troubling for the Euro area, an Italian anti establishment coalition won power by promising major relief from European dictated austerity, much as a Greek coalition did several years ago. As with Greece, it appears that few in Europe believe that Italy could be painlessly drummed out of the Euro area. In Asia, widespread evidence now suggests that China’s attempt to rein in excess debt, in combination with trade war concerns, has sharply curtailed economic expansion. Any evidence of worsening China/U.S. trade tension would be deeply unsettling for China, perhaps giving it more incentives to change some practices that contributed to the tension.

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Market Outlook

The fourth quarter of 2018 was a tough environment for growth stocks. Fears of an over-reaching federal reserve, uncertainty about the U.S./China trade situation, and fears of decelerating global growth contributed to a broad sentiment shift in the market. The previous uplift from tax cuts and consistently strong corporate earnings was quickly replaced by outflows from equities and steep intraday declines.

Early in 2019, renewed optimism has crept into view. Certainly, the strength of the December jobs picture helped to allay fears of an imminent U.S. swoon. U.S. Fed Chair Jerome Powell also suggested that additional tightening might be postponed as the Fed would assess whether market turmoil was signalling a slowdown in economic momentum. Finally, ongoing China/U.S. trade negotiations raised hopes for better U.S. trade deals and a cessation of confrontation.

If the first few days of 2019 are a sign, Marsico continue to expect the market will remain volatile as it grapples with global growth concerns and fiscal/trade/monetary regimes around the world. In the U.S., Marsico currently anticipate 2019 GDP will moderate from 2018 levels (lapping of 2018 Tax cuts and tighter financial conditions), and as signalled by Fed Chairman Powell in December, the Federal Reserve will likely take a “wait and see” approach to interest rates given the apparent disconnect between economic data and financial markets. While this will not alleviate all concerns over U.S. growth prospects, it should provide for a more supportive market for asset prices. Across Asia and China more specifically, Marsico continue to expect governments will attempt to stimulate their respective economies and Marsico expect the combination of these activities will improve growth prospects as 2019 progresses. Given the various puts and takes to the current environment, Marsico continue to believe a more balanced approach is prudent, and high-quality factors (ex: balance sheet strength, revenue sustainability) will remain key attributes.

Going forward, Marsico continue to have confidence in the positions in the Fund, particularly with the significant reset in these assets over the last three months. The companies (and the Fund in aggregate) are stress-tested across various market scenarios and Marsico is keenly aware of the evolving opportunities and risks in the current market and will adjust the Fund accordingly to support continued out-performance. Looking ahead, Marsico is keenly interested in the development of monetary policy and trade discussions as they think it will shape the market environment for 2019 and will dictate potential portfolio decisions.

That said, the basic tenets of Marsico’s strategy remain unchanged. As stated in the past, Marsico continue to believe that long-term factors such as population demographics, an abundant supply of key commodities including energy, and technological developments that enhance productivity, will shape the investment landscape. Therefore, the Fund remains skewed toward attractively valued disruptive, secular, “platform” companies that are growing at rates well in excess of the broader market.