

Performance

Period ending 30 November 2021	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)	Since inception (% pa)
Intermede Global Equities Fund	3.02	0.54	12.71	22.47	23.51	19.21	14.91
MSCI All Country World Index (Net Dividends Reinvested) (\$A)	3.38	1.36	12.26	23.95	17.11	14.93	11.67
Out/(under) performance	-0.36	-0.82	0.45	-1.48	6.40	4.28	3.24

Notes: Performance returns are calculated net of management fees and are pre-tax in \$A. Past performance is not a reliable indicator of future performance. The numbers are rounded to two decimal places.

Portfolio Review

During the month of November there were no newly opened or closed positions.

Market Outlook

November was a busy news month, with the detection of the Omicron COVID variant leading to swift imposition of new travel curbs, further evidence emerging of pockets of stubborn inflation around the world, and Jerome Powell both being renominated to the Fed chair mid-month, and formally retiring the word 'transitory' from Fed discussions of inflation on the last day of the month.

Nevertheless, even after declines driven by the prospect of an early Fed rate rise and uncertainty about vaccine efficacy against Omicron, by month end major equity indices continued to sit fairly close to the all-time highs that were hit repeatedly during the month.

It is therefore worth digging into the market data, as there are some interesting patterns below the surface. Firstly, in what has been a fertile period for IPOs, half of the 49 companies that raised more than US\$1bn at IPO this year are trading below their listing prices, despite broad equity market conditions that have been healthy (the S&P500 is up ~24% year-to-date, for example).

Driven by the poor performance of IPOs including Deliveroo, Paytm, Didi Chuxing and Oatly, this is roughly double the percentage of new public listings priced in 2020 that were under water after their first year of trading. This may suggest that public markets are concluding that much of the record US\$330bn that has been raised at IPOs during 2021 has come to market at excessive valuations.

Additionally, looking specifically to the NASDAQ in the US, while the broad index remains close to all-time highs driven by strong performance by a few leading mega cap companies, the individual stock level data reveals dozens of previous high flying stocks whose share prices have lost the majority of their value from peak.

For example, story stocks including Lemonade, Beyond Meat, Peloton and Virgin Galactic have fallen by ~70%+. While it is painful to watch stocks like this ascend sharply when in favour with market participants entranced by paper gains and ignoring fundamentals, their potential for permanent capital loss is something that Intermede will continue to avoid.

Elsewhere, inflation continues to make headlines, with October data showing prices rising 6.3% annually in the US, the fastest rate seen since the first Gulf War drove living costs sharply higher in the early 1990s. Germany has also seen a sharp uptick in inflation, with November data exceeding expectations at 6.0%.

The European Central Bank (ECB) was quick to note that this is likely to be a peak figure, with energy costs and changes to the weighting of items in the inflation basket (reflecting unusual spending patterns during the pandemic) being by far the most significant drivers of the elevated number. Nevertheless, European inflation data will be watched closely and continued high numbers will intensify calls for the ECB to accelerate tightening.

In Turkey, inflation of an entirely different order is taking hold, with official figures of 20% likely understating the reality according to local observers, and with the Turkish lira having fallen by almost 30% against the US dollar during November (Intermede's portfolios hold no Turkish stocks). President Erdogan continues his counterintuitive demands for rate cuts, prompting fears that Turkish inflation may rise further given that the country is heavily reliant on imports.

About Intermede

Intermede is a London-based, specialist global equities manager. It aims to outperform global equity markets by identifying well-managed companies with strong market positions in attractive industries and purchasing them at discounts to intrinsic value. In particular Intermede looks for companies with a demonstrated sustainable competitive advantage.

Key Facts

Investment objective

The Fund invests in an actively managed portfolio of companies listed (or expected to be listed) on share markets around the world. The Fund is not hedged to the Australian dollar. The Fund aims to deliver a return that exceeds the Benchmark (before fees) over 7-year periods.

Index

MSCI All Country World Index (Net Dividends Reinvested) (\$A)

Performance inception date

27 February 2015

APIR code

PPL0036AU

mFund

INT01

Management costs (including GST)

0.99% p.a.



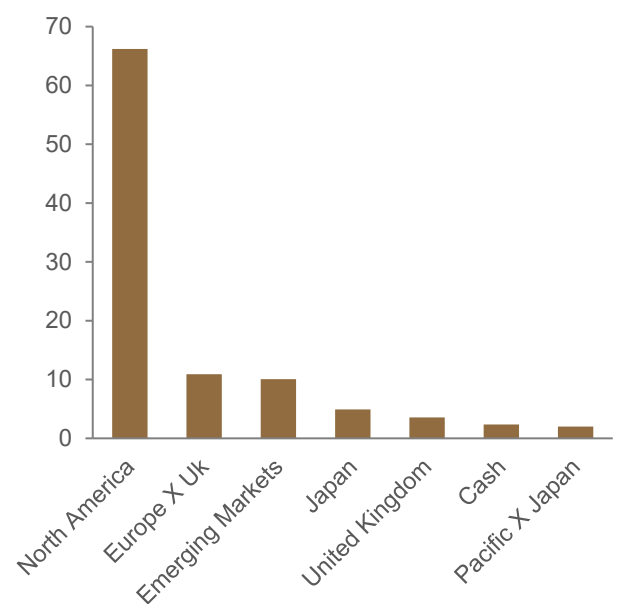
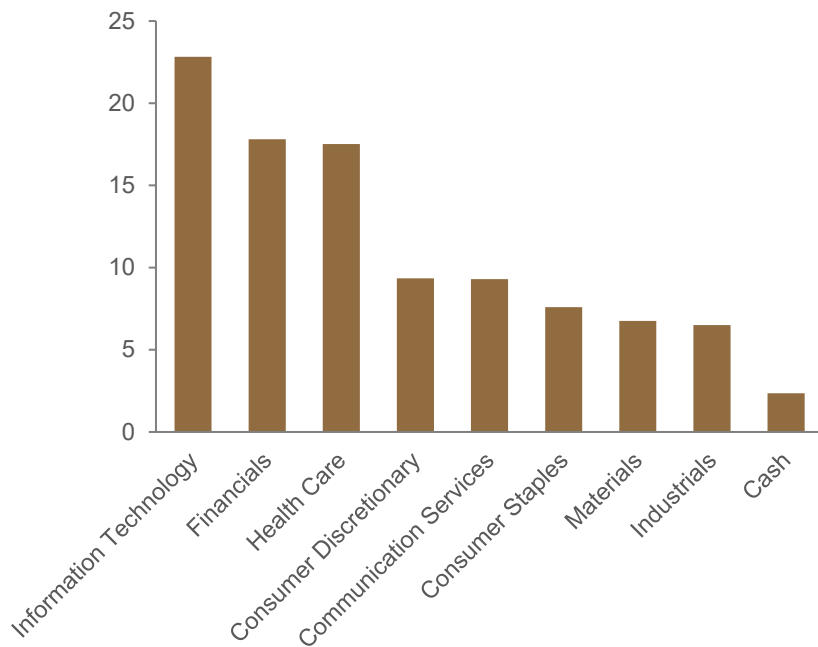
Against this background of somewhat concerning detail however, the financial performance of the businesses that make up Intermede’s portfolios remains strong. Broad reporting data compiled by Factset shows that profits reported by S&P500 constituents have risen by around 40% when compared with the same period in 2020, and that over 80% of companies have beaten market estimates (this is one of the top five ‘beat rates’ achieved in a quarter since records began in 2008). More importantly, Intermede’s internal estimates for the forward prospects of portfolio businesses also remain encouraging.

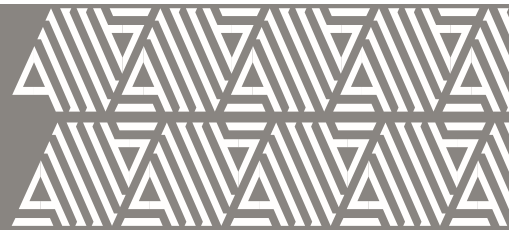
As always, our primary mission remains to identify and understand high quality growth businesses in possession of defensible competitive moats, and to purchase them at attractive valuations. We believe this remains the most prudent path to capital appreciation in the long term.

Top 10 Holdings

Company	Country of Domicile	Sector
Alphabet Inc.	United States	Communication Services
Danaher Corporation	United States	Health Care
Charles Schwab Corporation	United States	Financials
Zoetis Inc.	United States	Health Care
Nestle S.A.	Switzerland	Consumer Staples
Linde Plc	United Kingdom	Materials
S&P Global, Inc.	United States	Financials
CME Group Inc.	United States	Financials
Apple Inc.	United States	Information Technology
Housing Development Finance Corporation Limited	India	Financials

Sector and Regional Weights %





Sector Positioning

Most active overweight owned sectors for November 2021

Financials	Our portfolio weighting to companies operating in the financial services industry is higher than the index, however, the characteristics of our holdings differ materially to an index dominated by developed market banks and insurers. We tend to find more attractive long term investment opportunities in emerging markets, such as Asian life insurer AIA and Indian housing finance company HDFC, and in less capital intensive areas such as global derivatives exchange CME, US investment services firm Charles Schwab, financial information provider S&P Global and insurance broker/consultant Marsh & McLennan. All of these businesses benefit from strong competitive positions in industries with high structural growth prospects.
Healthcare	We are overweight the healthcare sector where we see attractive and potentially accelerating growth trajectories for our portfolio companies. The focus of our portfolio is in companies that provide healthcare consumables, tools for research and diagnostics or products which are mission critical in the manufacturing of drugs. These companies tend to have strong competitive advantages typically deriving from high switching costs combined with the low overall cost of our companies' products to their customers. We do not find the pharma sector attractive and have no direct exposure. We think that returns on R&D are and will be impacted by a combination of accelerating drug pricing legislation and intensifying competition to acquire the most attractive drug development candidates. We do have exposure to the animal pharmaceutical sector which we think will benefit from a wave of new innovations originally developed for the human health market. This combined with a growing pet population provides an attractive growth opportunity for our portfolio.

Most active underweight owned sectors for November 2021

Industrials	We are underweight industrials with a focus on leading companies that can benefit from structural growth trends, increased market share and improved margins. Within the sector, holdings include Allegion (a leader in electro and mechanical locks) and Canadian National Rail (one of the seven North American Class 1 railroads). In the near-term, the outlook for certain end-markets remains dependent on COVID and vaccine roll-out (e.g. airlines, energy, restaurants). However, we see a strong opportunity set in terms of i) fundamentally good companies that should rebound once restrictions are lifted and demand normalises, and ii) secular growth trends such as electric vehicles, IoT, robotics/automation and intermodal transportation.
Consumer Discretionary	We continue to be highly selective within the consumer discretionary space and remain modestly underweight the sector. We have favoured areas with strong secular tailwinds such as luxury and internet retailing with Alibaba, Amazon and LVMH our top holdings in the sector.

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