

Performance

Period ending 31 August 2022	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)	Since inception (% pa)
Intermede Global Equities Fund	-4.60	-2.22	-10.00	-17.79	6.99	11.67	10.32
MSCI All Country World Index (Net Dividends Reinvested) (\$A)	-1.96	-1.26	-6.02	-10.33	7.41	10.14	8.66
Out/(under) performance	-2.64	-0.96	-3.98	-7.46	-0.42	1.53	1.66

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

We opened a position in Haleon during the month. Haleon is the global leader in over-the-counter medications, vitamins/minerals/supplements (VMS) and therapeutic oral care. The company was spun out of GSK in July. Haleon is the largest and most focused consumer health company, operating in an industry with favourable premiumisation trends and a tailwind from ageing populations. While quite healthy already we see room for margin expansion over time as the company benefits from its scale. We decided to enter the name following a sell-off due to concerns over potential liabilities related to Zantac. While the potential liabilities create market uncertainty, we do not expect significant management distraction given the potential liability is indirect to Haleon with any sales of the product by predecessor companies in the distant past.

There were no fully closed positions during the month.

Market Outlook

Perhaps the most significant market event during August was Federal Reserve Chairman Jerome Powell's Jackson Hole speech, which was materially more hawkish than the most recent FOMC press conference in late July and was taken by markets to signal that rates could be higher for longer than had previously been believed. Specifically, Powell noted that the Fed would "keep at it" (i.e., monetary tightening) "until the job is done". Equity markets declined several percentage points in the subsequent days.

Some subsequent encouragement came from lower than expected US inflation numbers in August, although we do note that the decline in US headline CPI from 9.1% year-on-year (YoY) in June to 8.5% in July was driven solely by the decline in energy CPI. CPI excluding energy has been flat at 6.6% YoY in the US since April of this year.

Quarterly earnings from consumer market bellwethers Wal-Mart and Home Depot (not held) were a source of more positive news during the month, with revenue up sharply for both during the quarter as price rises were reflected in a higher price for the average shopping basket. Digging below the surface, Wal-Mart, the world's largest retailer, also noted shifting consumer behaviours in response to higher prices, with lower income shoppers buying more canned meats and less fresh produce, and an influx of higher income customers who would not typically have shopped at Wal-Mart.

While material declines have been seen in the oil price since June, still-elevated commodity prices driven by the Russian invasion of Ukraine and subsequent sanctions, and augmented by problems with gas-carrying barges navigating the depleted Rhine river, continued to cast a long shadow over Europe in particular, where gas futures traded around ten times the normal seasonal level during August.

This higher than usual demand for non-Russian sources of fuel continues to take its effects as Europe heads into autumn. In August, Uniper, Germany's leading gas distributor reported a EUR12.3bn loss for the first half of 2022, after the loss of most Russian supply had forced the company to return to high priced spot markets. Conversely, during August, Saudi Aramco reported a record quarterly net profit of almost US\$50bn, close to the combined equivalent profits of BP, Chevron, ExxonMobil and Shell for the same period.

In China, the imposition of widespread further lockdowns on cities accounting for over a third of the country's GDP (the highest level since 2020) suggests that third quarter GDP growth for the country may be tepid once again (the Q2 growth figure was 0.4%), suggesting that the full year number could fall below 3%. With the upcoming Communist Party Congress in October (also a party centenary) front of mind for China's leaders, the PBoC made an unanticipated cut to its medium-term lending rate to 2.75%.

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.

This tepid growth was reflected in results for portfolio holding Tencent, which reported its first YoY quarterly decline in revenue. The company remains a focus of the government's clampdown on large technology platforms, with additional fines (for not properly disclosing past acquisitions) issued to the company (as well as to Alibaba) during August. Tencent is also yet to receive a licence for new video games (a significant part of Tencent's business) during 2022, a situation we believe will be resolved in time. Specific measures being taken by the company to reduce regulatory focus from the anti-monopoly regulator include committing to a substantial (RMB100bn / ~US\$15bn) divestment program of acquired assets (including its stake in Meituan) announced during August.

This kind of government influence on corporate prospects was also seen elsewhere during the month. For example August saw more details emerge of a deal between Amazon and the EU for the firm's online retail business to share more data with rivals in order to settle an antitrust investigation; the signature into US law of the first US legislation to allow negotiation on drug prices; the announcement of US\$52bn of semiconductor market subsidies for US firms; and a big drop in NVIDIA's shares (not held) after US regulators restricted sales of high end processors crucial for advanced AI research to China.

In some situations some risk from such government influence is unavoidable, but we ensure to control this at the portfolio level, and always monitor such situations closely, preferring where possible to own businesses that are more solely the drivers of their own destinies.

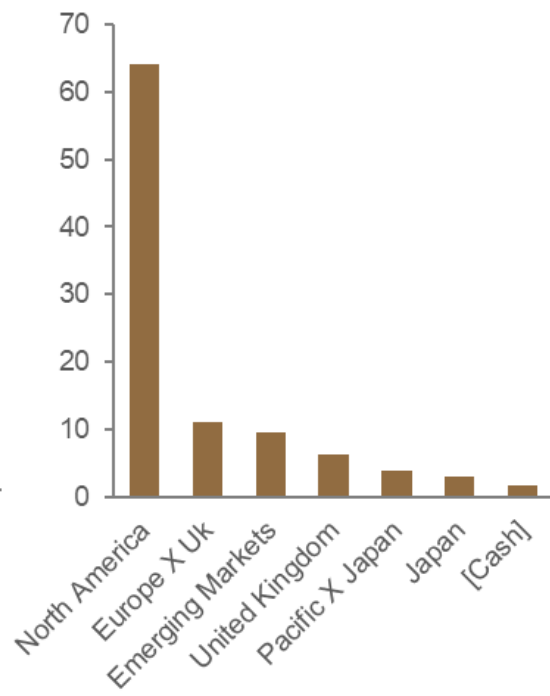
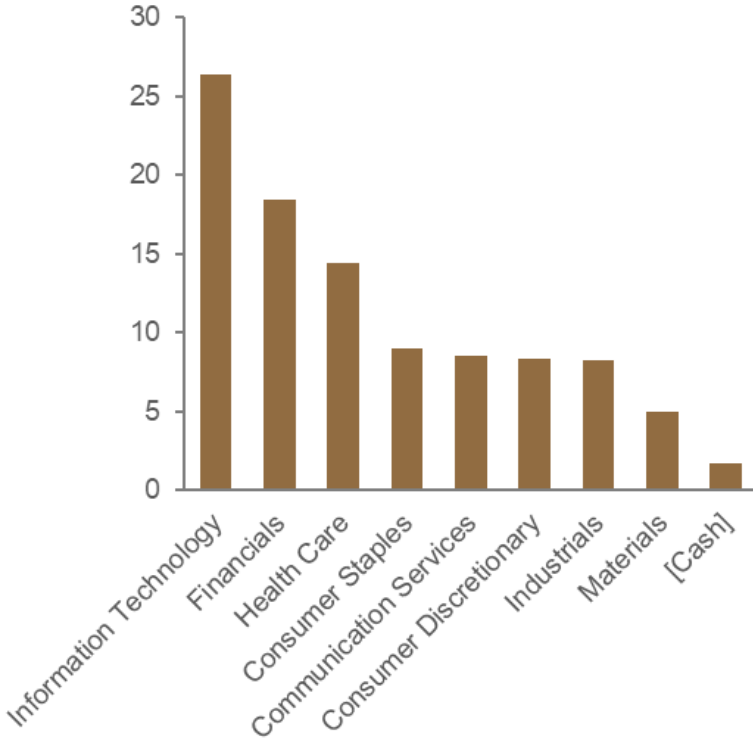
Our primary mission remains simple and clearly defined. To identify and understand high quality growth businesses in possession of defensible competitive moats, and to purchase them at attractive valuations, which we believe to be the most prudent path to capital appreciation in the long term.

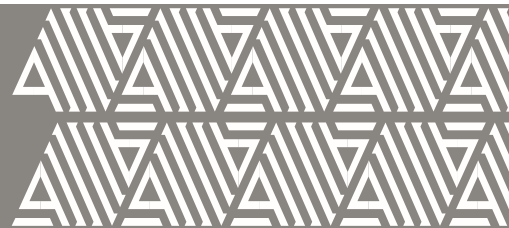


Top 10 Holdings

Company	Country of Domicile	Sector
Charles Schwab Corporation	United States	Financials
Alphabet Inc.	United States	Communication Services
Danaher Corporation	United States	Health Care
CME Group Inc.	United States	Financials
Amazon.com, Inc.	United States	Consumer Discretionary
Microsoft Corporation	United States	Information Technology
Housing Development Finance Corporation Limited	India	Financials
S&P Global, Inc.	United States	Financials
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology
Zoetis Inc.	United States	Health Care

Sector and Regional Weights %





Sector Positioning

Most active overweight owned sectors for August 2022

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.
Information Technology	We are overweight in the information technology space as we see attractive opportunities for long-term value creation for those companies that can drive growth in digital businesses, including cloud software and services, electronic payments, and mobile applications. That said, our approach to investing in IT remains disciplined, focusing on companies with sustainable market leadership, proven and profitable business models, and attractive valuation. In August, our best performing stock in the sector versus benchmark was Keyence, a global leader in factory automation technology.

Most active underweight owned sectors for August 2022

Industrials	We are underweight in industrials with a focus on leading companies that can benefit from structural growth trends, increase market share and improve margins. Within the sector, holdings include Allegion (a leader in electro and mechanical locks) and Techtronic Industries (the leading manufacturer of cordless power tools). In terms of near-term outlook, the COVID pandemic has resulted in prolonged supply chain challenges that are likely to last into the second half of 2022 or 2023. This has been exacerbated by China's tightening of lockdown measures. This has slowed production and resulted in rising input costs. Rising interest rates, higher fuel prices and other inflation generally are also likely to weigh on consumer spending, which we expect to be negative for sectors like automotive. However, longer-term, we see a strong opportunity set in terms of i) fundamentally good companies that should see growth accelerate once constraints ease, 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 continue to be underweight the sector. Our top holding is Amazon and our next largest holding is Dollar Tree a leading discount retailer in the US currently undergoing a major change in pricing architecture. We added Adidas to the portfolio in May and we continue to consider a variety of additional potential opportunities in the sector but are mindful of increasing pressures on consumers globally from elevated inflation and economic uncertainty.

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