INTERMEDE
INVESTMENT PARTNERS

Intermede Global Equities Fund

Monthly Report 30 November 2022

Performance

Period ending 30 November 2022	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)	Since inception (% pa)
Intermede Global Equities Fund	3.04	3.81	1.50	-15.12	6.10	10.47	10.50
MSCI All Country World Index (Net Dividends Reinvested) ($A)	2.89	5.77	4.43	-6.43	6.98	9.12	9.15
Out/(under) performance	0.15	-1.96	-2.93	-8.69	-0.88	1.35	1.35

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 November, we opened one new position, Novo Nordisk, and closed two positions, Adidas, and Fidelity National Information Services.

Novo Nordisk is the world's largest manufacturer of drugs for the treatment of diabetes. Novo is seeing accelerating demand for its portfolio of GLP-1 products, which traditionally have been used as second or third line drugs. This demand is being driven by new treatment guidelines which suggest the use of these products much earlier on in the treatment paradigm. Importantly, recent innovations in GLP-1 have improved the weight loss profile of these drugs, allowing for their approval in obesity, a large assessable market that often overlaps with T2D. Novo's product, Wegovy, was actually approved in 2021. However, overwhelming demand led to a shortage of the product, requiring Novo to pause its launch as it ramps up manufacturing capacity. Novo is expected to formally relaunch the product in early 2023 (backed by more robust supply), which we believe will drive upside to current market expectations for the company's highly profitable GLP-1 franchise. We are also optimistic that a steady stream of clinical data throughout 2023, including a cardiovascular outcomes trial for Wegovy in obese patients, will continue to improve the efficacy profile of Novo's products whilst further emphasising the relevance and importance of treating obese and overweight patients pharmacologically.

With Adidas, we decided to step aside as we believe there are too many issues to resolve at the company at this time. We had owned the shares for several years but had sold out in 2021 before re-entering the name this May. We felt that many of the challenges facing the company were largely priced in. This was not the case as the company proceeded to cut guidance twice and then announced the termination of the partnership with Kanye West. We were anticipating some signs of improvement in China and a fairly resilient performance outside of China. We no longer see as much potential for a recovery in China as local consumers have moved on to domestic brands, while in North America and Europe, inventories have suddenly built up, compelling the company to discount heavily. Finally, the loss of the Yeezy franchise removes a high margin profit stream.

We closed our position in FIS during the quarter after the company reported disappointing September quarter results and announced a change in executive leadership, with current company president Stephanie Ferris taking over the role of CEO effective in January. While overall business fundamentals have improved through the pandemic, performance in the key merchant segment continues to disappoint, and it has become increasingly evident over the last year that FIS's merchant acquiring business is facing heightened competitive challenges from disruptive entrants in the SMB POS market. New CEO Ferris will make it a strategic focus to turn that business around, but we currently do not have sufficient confidence that those efforts will ultimately prove to be successful. As such, we decided to close the position and reallocate capital to other opportunities where we have more conviction.

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.

Market Outlook

November saw global equity markets complete their first back-to-back monthly gains since the summer of 2021. Various indications of peaking inflation, and signals from the US Fed that the pace of interest rate rises may decline were interpreted by investors as reasons to be bullish on growth stocks. Specifically, commodity prices and inflation expectations have both begun to decline in recent weeks, with Eurozone data for November, for example, showing inflation falling from 10.6% to 10.0%, a substantially sharper decline than expected by consensus. And on the last day of November, Fed Chairman Powell sent a strong signal that the central bank would slow the pace of rate rises next month, noting in a speech at the Brookings Institution that '*The time for moderating the pace of rate increases may come as soon as the December meeting*'.

However, while Powell's more dovish comments captured the headlines and drove a positive market reaction, reading the transcript of the full speech makes clear that the remainder of his commentary was conservative in tone, noting that to bring inflation back to the Fed's 2% target, a '*sustained period of below trend economic growth*' would be required, and also making clear that a decision to potentially slow the pace of rate rises remained a far less significant decision than the still-undetermined eventual peak level of rates, and the duration over which that restrictive policy is applied, with '*substantially more evidence required to give comfort that inflation is actually declining'*.

A substantial upward step change in the rate of job cuts in the tech industry became apparent during November. For example, global portfolio company Amazon announced 10,000 '*role eliminations'* at the group's lower margin and costly hardware units. The cuts will be focussed on expensive corporate and technology employees, rather than warehouse and fulfilment workers, which could assist with boosting dwindling profit margins (in particular the operating margin for global ecommerce was negative during the last reported quarter as inflation and supply chain strains made themselves felt). More broadly, a Financial Times article collating data on job cuts in the tech sector noted that almost 50,000 jobs were lost during November, versus ~10,000 in October and ~5,000 in September.

This increasing rate of change provides an interesting backdrop for the widely publicized letter from TCI, a prominent London based activist investor, sent in mid-November to Alphabet CEO Sundar Pichai. The letter accurately notes that despite strong continued revenue growth, runaway headcount and expenses growth (which has seen the number of employees double since 2017), has driven substantial margin contraction in Google's Services segment since 2021. The adoption of a 40% EBIT margin target (against a level of 32% in the most recent quarter, a sharp decline from the 39% seen for 2021) is encouraged to instigate discipline and boost returns. The letter pointedly quotes Brad Gerstner, a leading venture capitalist, who stated that *'It is a poorly kept secret in Silicon Valley that companies ranging from Google to Meta to Twitter to Uber could achieve similar levels of revenue with far fewer people*'. It will be interesting to see how Google responds to this challenge, and we are encouraged by the potential prospect of action to better display the underlying financial strength of the franchise.

In China, a widespread outbreak of COVID cases, exceeding in magnitude the previous peak in spring 2022 (but this time with far fewer serious cases) has prompted, in turn, the reimposition of lockdowns, widespread civil unrest in response to these lockdowns, and subsequently an apparent softening of official messaging on several fronts. Specific changes have included Sun Chunlan (China's COVID tsar) not mentioning during her most recent meetings any 'dynamic clearing' (harsh zero-COVID type lockdowns) to take place in response to ongoing outbreaks, state media downplaying the seriousness of the Omicron variant, and active measures being taken to ramp up vaccination of the elderly (which had substantially lagged the vaccination rate of the younger population). Chinese equities have responded positively, although a tricky Catch-22 for Xi Jinping, who has promoted China's avoidance of mass COVID deaths as a material achievement of his regime (it must be remembered that China has reported less than 6000 COVID deaths, versus approximately 1.3m in the US and UK combined), remains that if the economy is opened and growth allowed to resume, a materially increased rate of COVID mortality seems inevitable.

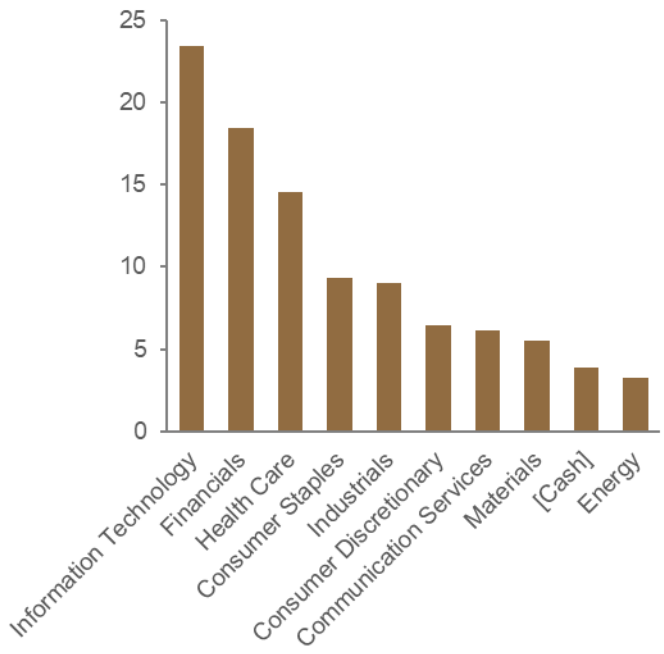
Returning to Intermede's portfolio businesses, in a period of challenging annual comparisons with turbocharged COVID-era growth, and material currency headwinds, we are heartened to see that stocks in the global portfolio have continued to compound earnings per share at a double digit rate over the last twelve months, which encourages us in our view that our portfolio businesses have maintained resilience in their operational performance during a tough year, and that the portfolio remains well positioned for the future.

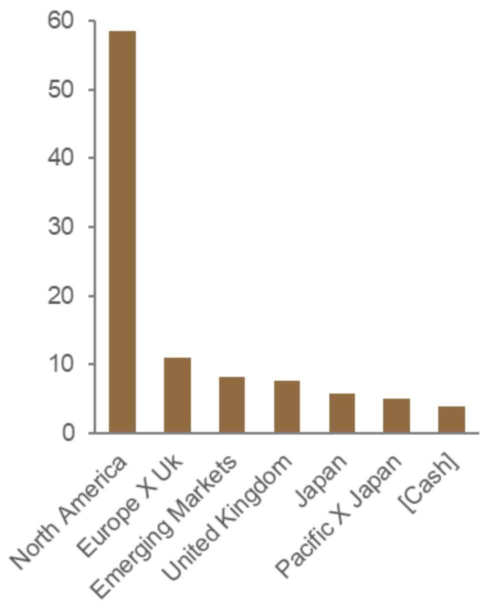
Overall, against this uncertain macroeconomic background, the clarity and simplicity of our primary mission remains paramount - to identify and understand high quality growth businesses in possession of defensible competitive moats, and to purchase them at attractive valuations, which we believe to be the most prudent path to capital appreciation in the long term.

Top 10 Holdings

Company	Country of Domicile	Sector
Danaher Corporation	United States	Health Care
Alphabet Inc.	United States	Communication Services
Charles Schwab Corporation	United States	Financials
CME Group Inc.	United States	Financials
Linde plc	United Kingdom	Materials
Housing Development Finance Corporation Limited	India	Financials
Microsoft Corporation	United States	Information Technology
Schlumberger N.V. (Schlumberger Limited)	United States	Energy
Zoetis Inc.	United States	Health Care
S&P Global, Inc.	United States	Financials

Sector and Regional Weights %





Sector Positioning

Most active overweight owned sectors for November 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 November, our best performing stock in the sector versus benchmark was TSMC, the global leader in semiconductor foundry services.

Most active underweight owned sectors for November 2022	
Energy	We are underweight the Energy sector because the companies that account for the majority of the Index are large integrated or national oil companies that do not meet our growth criteria. This is because their revenues are directly tied to oil and gas prices, which the market expects to fall in coming years due to supply and demand factors (i.e. the forward curve is in backwardation). However, we do see strong growth potential in the Oilfield Services and Equipment sectors, where we own Schlumberger, due to the strong outlook for exploration and production capex deployment by customers, both onshore and offshore. Schlumberger is fundamentally a technology provider, with a strong track record of innovation, and we anticipate that as the world moves away from fossil fuels and towards ‘Net Zero’, they will successfully grow in the energy transition (e.g. carbon capture) and new energy (e.g. hydrogen electrolysis) markets.
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 continue to consider a variety of potential opportunities in the sector but are mindful of pressures on consumers globally from elevated inflation and economic uncertainty.

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