

Performance

Period ending 30 April 2023	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)	Since inception (% pa)
Intermede Global Equities Fund	3.06	8.34	11.06	8.31	8.93	11.75	10.96
MSCI All Country World Index (Net Dividends Reinvested) (\$A)	2.80	8.30	9.03	9.75	11.69	9.91	9.44
Out/(under) performance	0.26	0.04	2.03	-1.44	-2.76	1.84	1.52

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

There were no newly opened or fully closed positions in April.

Market Outlook

In the US, difficulties in the banking sector continued through April. The latest significant event was the rescue of First Republic Bank by JP Morgan, bringing a mostly private solution (JP Morgan did secure a loss sharing agreement from federal legislators to mitigate potential downside from First Republic's most problematic loans) to the bank's difficulties, without forcing the government to declare the bank a systemic risk to protect deposits over the existing \$250k FDIC limit. The triggering event for First Republic's final failure appears to have been its Q1 results, in which it announced deposit outflows of over \$100bn since the start of the year, more than twice what analysts had expected, providing another reminder of the speed with which silent bank runs can occur in the digital era.

While this does not appear to have solved the difficulties of smaller US banks (perhaps deepening them in some senses, by strengthening the implied logic that prudent customers should just move their funds to a 'too big to fail' bank like JP Morgan), more immediately relevant for Intermede's global portfolio is the most recent data for Schwab, which saw a material decline in the rate of customer 'cash sweep' from deposits into money market funds announced during April.

Elsewhere, while we are not macro investors (as we often state), we continue to note data for the US distressed debt market shows a rapidly rising level of defaults, with Moody's anticipating a US default rate of 5.6% by next March, more than doubling from the 2.7% figure as of March 31st, and anecdotally, signs of stress are starting to emerge in commercial real estate, perhaps unsurprising in some US cities, where mobile phone data usage shows downtown city foot traffic still down approximately 70% from the pre-pandemic period for US cities including San Francisco and Portland.

In geopolitics, April saw the first phone call between Xi Jinping and Volodymyr Zelenskyy since the Russian invasion of Ukraine began in February 2022. It is perhaps important to note however that the call was scheduled just days after a senior Chinese envoy questioned the sovereignty of post-Soviet states including Ukraine, Lithuania, Estonia and Latvia with many analysts speculating the call was arranged as a form of damage limitation.

At the portfolio level, it was a busy month for results. Google and Microsoft both reported strong Q1 numbers that were well received by the market, with Microsoft reporting strong growth in the cloud of 25% year on year on a constant currency basis, and a profit in cloud for the first time and plans to buy back around 5% of shares outstanding. And while Amazon's results were initially also received positively, until comments by CEO Andy Jassy about slowing growth at Amazon Web Services on the subsequent call saw the shares drop. Microsoft clearly continues to work at a remarkable pace to integrate OpenAI's ChatGPT capabilities into its suite of Office products, with further launches and integrations expected within the coming months. The fact that Google has been put on the back foot by the pace and aggression of Microsoft's moves in the space was perhaps reflected in the announcement that Google's own AI efforts, which had been split across the quasi-independent Deep Mind and the internally integrated Google Brain, have both been placed under the control of Deep Mind founder Demis Hassabis in London. It was perhaps indicative of the intensity of investor attention on questions relating to AI that the blocking of Microsoft's \$75bn acquisition of Activision Blizzard by the UK Competition and Markets Authority (CMA) was greeted positively by Microsoft investors, with the share price rising on the day, despite forceful criticism of

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.

the decision by both Activision and Microsoft, who during the process have pointed to specific analytical errors by the CMA (which were later corrected by the agency). Also, the companies believe that CMA has a conceptual misunderstanding of Microsoft's position within the nascent cloud gaming market (which ended up being the focus of the CMAs case).

In Europe, portfolio company Heineken showed the power of price increases to offset volume declines in its Q1 results. Group sales were up 9% despite a sharp drop in beer volumes in Asia-Pacific and a smaller decline in Europe and the US. However, we will continue to watch the potential for input price rises to impact margins going forwards (perhaps conscious of this issue the brewer is promising shareholders mid to high single digit percentage growth in operating profits, rather than a specific margin target, which may be supported by continued cost cutting). More widely in Europe, company results at Unilever (not a portfolio holding) have suggested that the capacity or willingness to pay higher prices may be lower in Europe than in the US, with Unilever finance director Graeme Pitkethly noting that the company's sales volumes fell significantly more sharply in Europe than in the US (-3.0% vs +0.6%), on similar levels of price increase. Additionally, Proctor and Gamble's CFO Andre Schulten (company also not held) noted that sales volumes fell 7.0% during Q1 in its main western European markets, while rising slightly in the US (however with price still driving a larger organic sales increase in Europe than in the US, 8% vs 6%, in this case).

In China, a story in the Financial Times reported during the month that Tencent, held in the international equity portfolio, will actively pursue overseas opportunities to purchase gaming studios, in order to identify an additional source of growth beyond its more constrained role in the domestic gaming market, following a government crackdown that is still to fully ease. More generally, Chinese equities fell sharply in April, as stronger than expected GDP growth figures for Q1 led the Peoples Bank of China to refrain from delivering guidance for an interest rate cut that the market had been expecting, in the type of knotty macroeconomic and psychological feedback loop that leaves us convinced that it makes more sense to focus on long term corporate fundamentals.

Finally, while we have concluded our remarks in previous months with some brief comment on the fast evolving AI landscape, at the time of writing the market has just reacted to what we believe may be the first directly ChatGPT related profit warning, from US education company Chegg, that disclosed that usage for its student assistance services had dropped sharply since the November launch of ChatGPT, seeing the company's shares fall by more than half. No doubt it will not be the last.

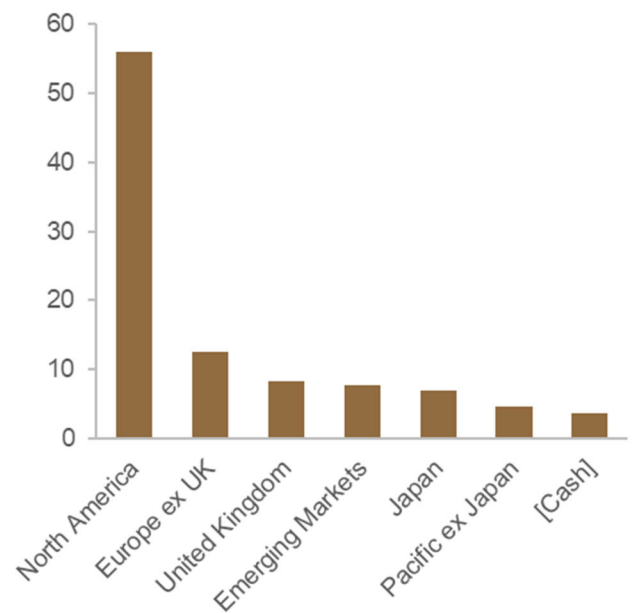
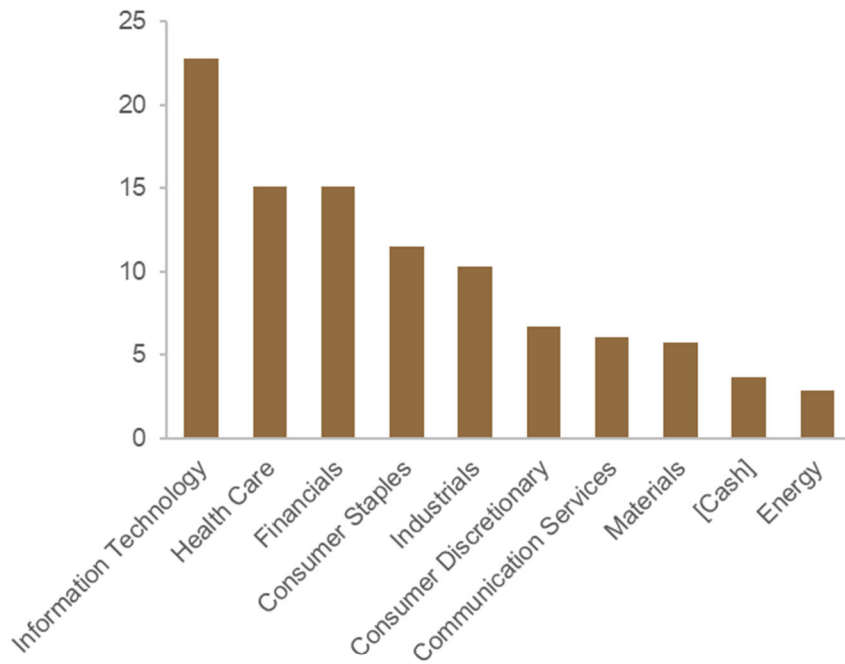
Overall, against this still uncertain macroeconomic background, now also informed by unprecedented technological change, the clarity and simplicity of our primary mission remains a significant competitive advantage. A tight focus, combined with a long perspective, frees us to emphasise what matters most to a project 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.

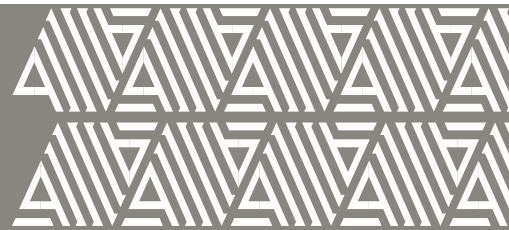


Top 10 Holdings

Company	Country of Domicile	Sector
Microsoft Corporation	United States	Information Technology
Alphabet Inc.	United States	Communication Services
Linde Plc.	United Kingdom	Materials
Haleon Plc.	United Kingdom	Consumer Staples
Housing Development Finance Corporation Limited	India	Financials
CME Group Inc.	United States	Financials
Danaher Corporation	United States	Health Care
Mastercard Incorporated	United States	Financials
Adobe Incorporated	United States	Information Technology
Schlumberger N.V.	United States	Energy

Sector and Regional Weights %





Sector Positioning

Most active overweight owned sectors for April 2023

Healthcare	<p>Given the defensive nature of the sector's revenues, we are overweight the Healthcare sector as it offers investors above-GDP growth with potentially lower risk. Whilst we are of no doubt that sectors such as pharmaceuticals and the innovation produced benefit society broadly (over the long term), the fundamentals of the pharmaceutical businesses (high competition, binary risk, patent expiries) make them relatively unattractive from an investment perspective. We find more attractive investment opportunities in businesses that help to facilitate this innovation either as part of the research and development process or the drug manufacturing (Danaher) and packaging process (West). These companies rely more on innovation occurring than on who is successful or not and typically have oligopolistic market positions. Some exceptions exist, such as our investment in Novo Nordisk, the world's largest producer of diabetes and obesity medications, where competition is more limited and the addressable market vast. We also find specific medical device markets attractive, typically mission-critical but low-cost products that are not easily substituted, such as those produced by Becton Dickinson. We find other attractive investments in animal health and optometry, given the growth in spending on pets and the global proliferation of conditions like myopia. Overall, we aim to position our portfolio to grow faster than the broad sector whilst avoiding many of the typical risks of investing in Healthcare.</p>
Consumer Staples	<p>Our consumer staples holdings are concentrated in companies with the enough pricing power to largely or entirely offset the effects of raw material cost inflation. Haleon, a consumer health company with a relatively low ratio of input costs to sales, is our top holding in the space, followed by Heineken, Nestle, Kerry and then Shiseido. Nestle's strong position in coffee and pet care, two categories with low demand elasticities, has helped the company manage through this period. Heineken has long experience managing through inflation given its substantial presence in volatile markets. For Kerry much of its business has pricing mechanisms embedded that link to raw material costs. Shiseido is the number 3 beauty company globally and has substantial presence in the Asian skincare market with Chinese consumers of key importance. The company has undergone significant transformation in recent years, the benefits of which have been masked by the effects of the pandemic. With COVID-19 restrictions easing in China the medium-term outlook for the company is much improved.</p>

Most active underweight owned sectors for April 2023

Energy	<p>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.</p>
Consumer Discretionary	<p>We continue to be highly selective within the consumer discretionary space and continue to be underweight the sector. Our top holding is Amazon, then LVMH followed by 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.</p>

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