INTERMEDE INVESTMENT PARTNERS

Intermede Global Equities Fund

Monthly Report 31 October 2021

Performance

Period ending 31 October 2021	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)	Since inception (% pa)
Intermede Global Equities Fund	1.13	-0.21	9.53	24.67	21.21	19.06	14.60
MSCI All Country World Index (Net Dividends Reinvested) ($A)	1.08	1.08	10.05	28.35	15.22	15.02	11.27
Out/(under) performance	0.05	-1.29	-0.52	-3.68	5.99	4.04	3.33

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 October, we closed one position and opened one position. The position we closed was Match Group and the newly opened position was Applied Materials.

We closed our position in Match during October after a period of outperformance where the shares reached our internal price target. The company is now seeing a recovery in its business as users are returning to normal use of its dating apps, as reflected in subscriber and ARPU trends. Additionally, the stock is benefiting from market expectations that the fee rate that Match pays to its app distribution partners (largely Apple and Google) will be reduced going forward, which will translate to a direct boost to gross margins. Given the positive signals, the share price rose to levels where we saw limited remaining upside opportunity at market valuation, and we have decided to reallocate capital to other opportunities.

We opened a new position in Applied Materials during October. Applied Materials is a global leading supplier of manufacturing equipment for the semiconductor industry, with a diversified portfolio of products that serve a range of functions across the manufacturing process. The company is a key enabler to the production of evermore powerful and power efficient semiconductors, which are the critical building blocks required by the broader technology industry to deliver new digital services such as cloud computing, artificial intelligence, mobile computing, and Internet of things. Given the accelerating adoption for such services, we expect the company to benefit from sustained demand for its equipment from all around the world.

Market Outlook

October was a busy month for corporate results, and while the financial performance of our portfolio companies remained strong, we also noted a pattern that an increased number of businesses (illustratively in recent days including manufacturers of semiconductors, medical devices, and locks and security systems) were reporting an elevated level of challenges with regard to input price costs and supply chain snare ups. While company reporting also remains consistent that we should see these challenges roll off in due course, and also that where necessary price increases are being passed on successfully, consistent grass roots evidence of surging prices is naturally also showing up in inflation statistics globally. In recent weeks this has led to a widespread increased hawkishness from both markets (with bond prices at the short end of the curve rallying sharply in most major markets) and central banks.

In September the Bank of Norway was the first developed market central bank to raise rates, and a few weeks later in October the Bank of Canada abruptly scrapped its quantitative easing program. At the time of writing in early November, the Bank of England is understood to be considering an imminent rate hike, in Australia the RBA has just ended its policy of yield curve control (letting rates float free at the short end), and the Federal Reserve, which will also update markets imminently following the conclusion of its November meeting, is also widely understood to be considering a more aggressive tapering of its asset purchases. While Christine Lagarde of the ECB remains tight-lipped with respect to any possible action on rates, markets are sceptical, pricing in a 90% probability of a rate hike in 2022, an impression that was reinforced by the ECB's confirmation in late October that it would cease its €1.85tn COVID-era bond buying program in March 2022. Overall, an estimate from Bank of America notes that in total, central banks globally have now purchased US$23tn of financial assets since the collapse of Lehman Brothers, a buying process that now appears to be slowing materially.

For an investment manager of a portfolio of durable, high quality companies for which much economic value resides in the future, the potential for rising rates naturally invites questions about the potential impact of discount rates, for which 'the risk free rate' is a direct input. First, we would

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.

observe that a central aspect of Intermede's approach is to maintain valuation discipline and avoid positions in the most speculative, most richly valued, companies in the market. This has proved painful on occasions in recent years, as it is often exactly the highest-valued stocks (relative to fundamentals) that have at times performed best. However, our central aim is long term capital appreciation for our clients, which is supported by the avoidance of material capital loss (which is exactly what such stocks can provide in more conservative market environments), so we continue to believe that adherence to our valuation discipline makes long term sense (as has been borne out by since inception statistics on downside capture).

Secondly, a core tenet of our approach is the management of risk by knowing our companies extremely well. At present, as we look through the portfolio we believe that the capacity for continued reliable growth in earnings and cash flows (which should drive share prices over the long term), remains intact, and we also continue to identify compelling new ideas in certain pockets of the market.

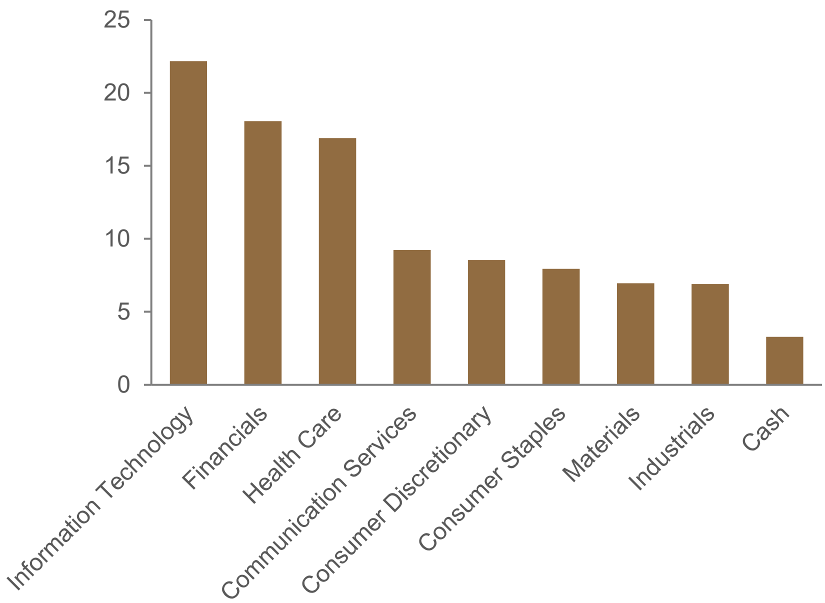
Thirdly, while we always state clearly in discussions with investors that we are not macroeconomic specialists, in an environment where rate rises (from an extremely low base) perhaps appear likelier than not, and for a situation in which we own a company whose business fundamentals are directly and positively impacted by rising rates, it makes sense for our portfolio to have material exposure to that business. The second largest position in the portfolio is therefore currently Charles Schwab, the dominant US discount brokerage, which derives a substantial portion of its earnings from interest paid on client cash balances, and which therefore has significant positive exposure to rising rates.

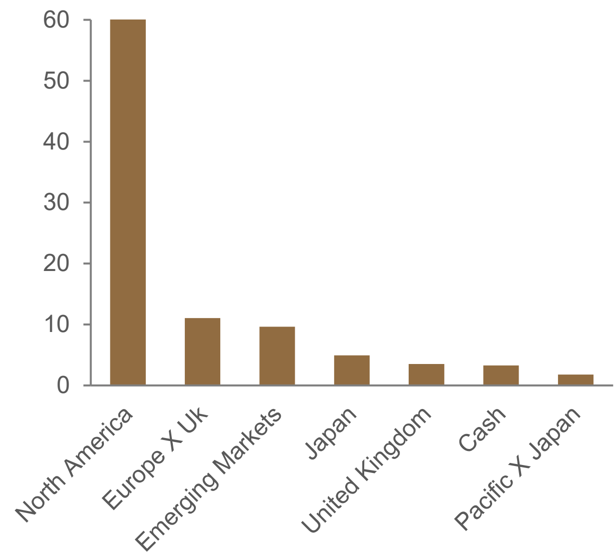
Overall, it remains business as usual at Intermede and, as always, our primary mission remains to identify and understand high quality growth businesses in possession of defensible competitive moats, and to purchase them at attractive valuations. We believe this remains the most prudent path to capital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

Top 10 Holdings

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

Sector and Regional Weights %





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Sector Positioning

Most active overweight owned sectors for October 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 October 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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