

Performance

Period ending 28 February 2022	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)	Since inception (% pa)
Intermede Global Equities Fund	-7.28	-9.15	-8.66	11.50	16.87	16.08	12.78
MSCI All Country World Index (Net Dividends Reinvested) (\$A)	-5.42	-5.87	-4.59	15.02	12.67	12.73	10.28
Out/(under) performance	-1.86	-3.28	-4.07	-3.52	4.20	3.35	2.50

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 February there were no newly opened or closed positions.

Market Outlook

The Russian invasion of Ukraine is the most significant military event in Europe since the Battle of Berlin in 1945, and the human cost, already appalling, appears likely to escalate as a faltering initial Russian advance solidifies into more sustained artillery bombardment of Ukrainian cities. The number of refugees that have fled the country now exceeds 1m and will continue to rise.

While it has been widely noted that Russian GDP equates to only 3% of the global total (less than half of California's own GDP), and that following earlier sanctions in the wake of the 2014 Crimea invasion the Russian system was already partially isolated, the potential uncertainty introduced to global markets and economies by the invasion of Ukraine is more significant than this number would imply.

The remarkable unanimity, speed and severity of financial sanctions against Russia and its prominent wealthy citizens have seen the Russian stock market closed since the invasion, the secondary sovereign debt market severely sanctioned, much of the country's US\$630bn of reserves rendered inaccessible by a freeze on the Bank of Russia's assets, the Nord Stream 2 pipeline cancelled, Russia's ability to transact in foreign currencies limited by the EU, US and other G7 partners, and prominent Russian banks removed from the Swift payments network. The rouble fell more than 30% against the US dollar on the first full trading day after the invasion, leaving it worth less than US\$0.01. Among many examples of rapid political action were Germany's immediate decisions to create a €100bn fund for defence investments, to enact a permanent increase of military spending to 2% of GDP annually (from 1.5% previously), and to undertake extensive donations of anti-tank and anti-aircraft armaments to the Ukrainian cause.

Commodity traders are also currently applying a self-imposed embargo on purchases of Russian oil and gas, both seeking to avoid negative reputational impact, and the risk of further sanctions. As a result, the cost of oil and gas is likely to be higher for longer. The significant role of Russia and Ukraine in the production of soft commodities such as wheat may also impact global food prices.

Such additional inflationary pressures are likely to make life more difficult for central banks, with heightened volatility in government bond markets since the invasion being driven by investor belief that the economic fallout from the invasion will push central banks to raise rates at a slower pace than previously anticipated. To provide a concrete sense of the extent of some of the moves seen, UK 10 year yields fell by 0.28% in a single day to 1.13%, the biggest one day decline since the Brexit referendum, and in the EU derivatives linked to short term interest rates show that investors only expect the ECB to lift rates by less than 0.2% by year end (less than half of expectations just two weeks previously).

Despite the alarming geopolitical conditions, our primary responsibility remains to be responsible stewards of our clients' capital. We note that the direct impact on Intermede's global equity portfolio is limited. No Russian securities have been held since inception, and the percentage of revenues our companies derive from Russia is minimal. To reconfirm that our data on this exposure is current and accurate, the investment team have swiftly re-examined the whole portfolio, confirming that in most cases it was close to zero, with a handful of companies exposed at a mid-single-digit percentage level in revenue terms (we would be glad to share additional details of this work with any investors who would like to understand more).

Overall, as we noted at the start of the COVID panic, unpredictable times are exactly when a prudent and clearly defined investment approach can be most helpful. Therefore, 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.

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)

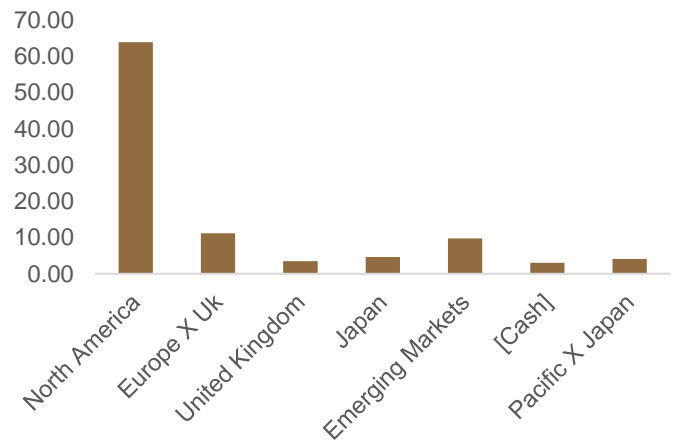
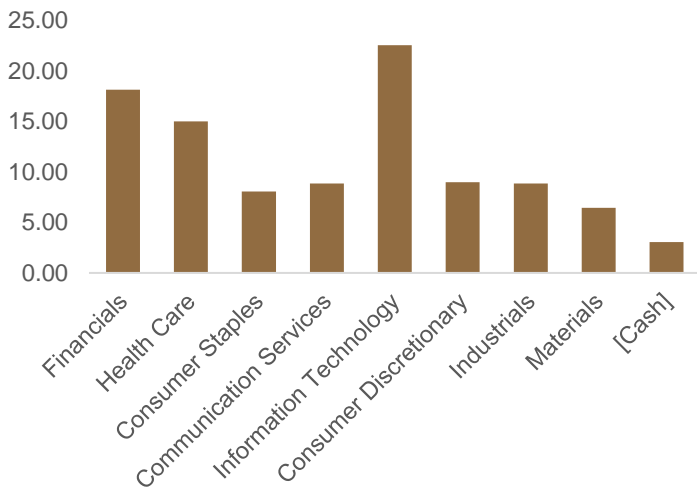
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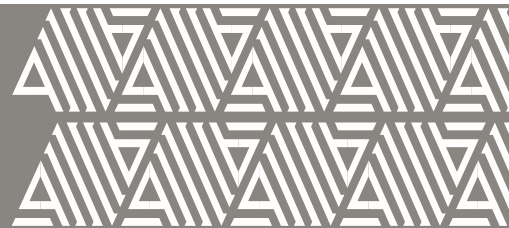


Top 10 Holdings

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

Sector and Regional Weights %





Sector Positioning

Most active overweight owned sectors for February 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.
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 February 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 global economy continues to lift Covid restrictions, which is positive for end markets such as travel and hospitality. However, the pandemic has resulted in prolonged supply chain challenges that are likely to last into the second half of 2022 or 2023. This has slowed production and resulted in rising input costs and commodity inflation, further exacerbated by the Russian invasion of Ukraine. 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 remain modestly underweight the sector. Our two top holdings are the leading ecommerce firms in the two largest ecommerce markets – Amazon and Alibaba in the US and China. Our third largest holding is Dollar Tree a leading discount retailer in the US currently undergoing a major change in pricing architecture.

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