

Performance

Period ending 30 April 2022	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)	Since inception (% pa)
Intermede Global Equities Fund	-4.13	-13.80	-12.98	-4.69	11.17	12.61	11.33
MSCI All Country World Index (Net Dividends Reinvested) (\$A)	-2.79	-9.23	-6.60	2.78	9.06	10.58	9.40
Out/(under) performance	-1.34	-4.57	-6.38	-7.47	2.11	2.03	1.93

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 April there were no newly opened or closed positions

Market Outlook

As we frequently state, our primary focus is stock specific company analysis, and we are sceptical of our ability to add value for our clients by predicting macroeconomic outcomes. When even official economic data points are often subject to substantial revision at a later date, it makes sense for us to remain humble and stay within our circle of competence.

However, there are certain significant aspects to the current global macroeconomic picture that bear brief examination, even if only to note that they are at once unusual and potentially significant, and therefore bear close watching as we move forward through 2022.

The first of these is the risk of stagflation, the unhappy combination of rising prices and falling growth, which history has shown can be harmful to asset prices. Inflation is currently pronounced (in the 30 richest economies globally OECD data shows prices rising at 7.7% year on year in the most recently available figures for February 2022, versus just 1.7% a year before), and growth fears are being driven by a number of factors.

These include the possible effects of a China slowdown driven by both lockdowns of major cities and fears regarding the property sector, potential renewed supply chain challenges relating to such efforts to contain Omicron, commodity price increases resulting from shortages due to the Russian invasion of Ukraine, and the aggressive increases being seen in US interest rates, with the 10 year bond hitting 3% and the 30 year mortgage rate now sitting over 5%, having doubled from the lows seen during 2021.

Against this gloomy background with respect to rising costs and pressured growth, we take some comfort from our portfolio on both fronts. Regarding the former, the businesses in our portfolio are demonstrating healthy pricing power in an inflationary environment (for example both Nestle and TSMC reported material successes on this front in their most recent financial results). And against the uncertain growth background, we believe that the most resilient businesses, which our process is focused on identifying, will continue to stand out (our stock by stock growth estimates remain healthy across the portfolio). Furthermore, our avoidance of the most richly valued, long duration businesses also means we are less exposed to the sort of multiple contraction that can be driven by inflation and consequently rising rates.

While strength in the USD dollar, up almost 10% year to date when measured against a broad basket of global currencies, has been driven by surging interest rates, conversely other major currencies have declined sharply so far this year, with the euro reaching approximate parity with the dollar, and the Japanese yen reaching multi decade lows. The continued commitment to yield curve control policies demonstrated by the Bank of Japan in April turbocharged the policy divergence narrative that is currently driving currency markets.

Specifically, the Japanese central bank committed during the month to conduct daily purchases of 10 year Japanese government bonds at a yield of 0.25%, in order to maintain an effective cap on market rates. Given that Australia was forced to capitulate in its efforts at yield curve control in October 2021 after market scepticism drove the cost of the required asset purchases to maintain the cap to unacceptable levels, it is worth recalling that such policies have their natural limits. If the policy in Japan is adhered to in the face of extreme market pressure with the printing of fresh currency, the decline of the yen could continue to ever lower levels (which could be good for Japanese exporters without significant external costs, but would likely also drive inflation higher). And if rates are allowed to rise, the sheer scale of government debt in Japan (at around 265% of GDP, the largest in the world by a significant margin) would quickly lead to some difficult repayment arithmetic.

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.



In short, the above factors (even in the absence of detailed discussion of the uncertainties introduced by the ongoing war in Ukraine) present a gloomy picture.

However relative to the periods preceding earlier market dislocations such as the late 90s tech bubble and the period following the GFC, a material positive difference can be seen in private sector financial balances (the difference between total income and total spending) in the US. An interesting research note produced by Goldman Sachs shows that, even adjusted for the extraordinary boost that came from pandemic stimulus, US households and corporations occupy a very healthy financial position at present, with higher wages and corporate profits bolstering a position that was already strong after three trillion dollars in excess savings were accumulated during the early phase of the pandemic. The US household sector is on a particularly strong footing, enjoying a surplus position during Q4 worth over 4% of US GDP (this is substantially in excess of long term historic averages). Given that the US consumer still accounts for approximately 70% of the largest economy in the world, this is not trivial news and should temper excessive pessimism.

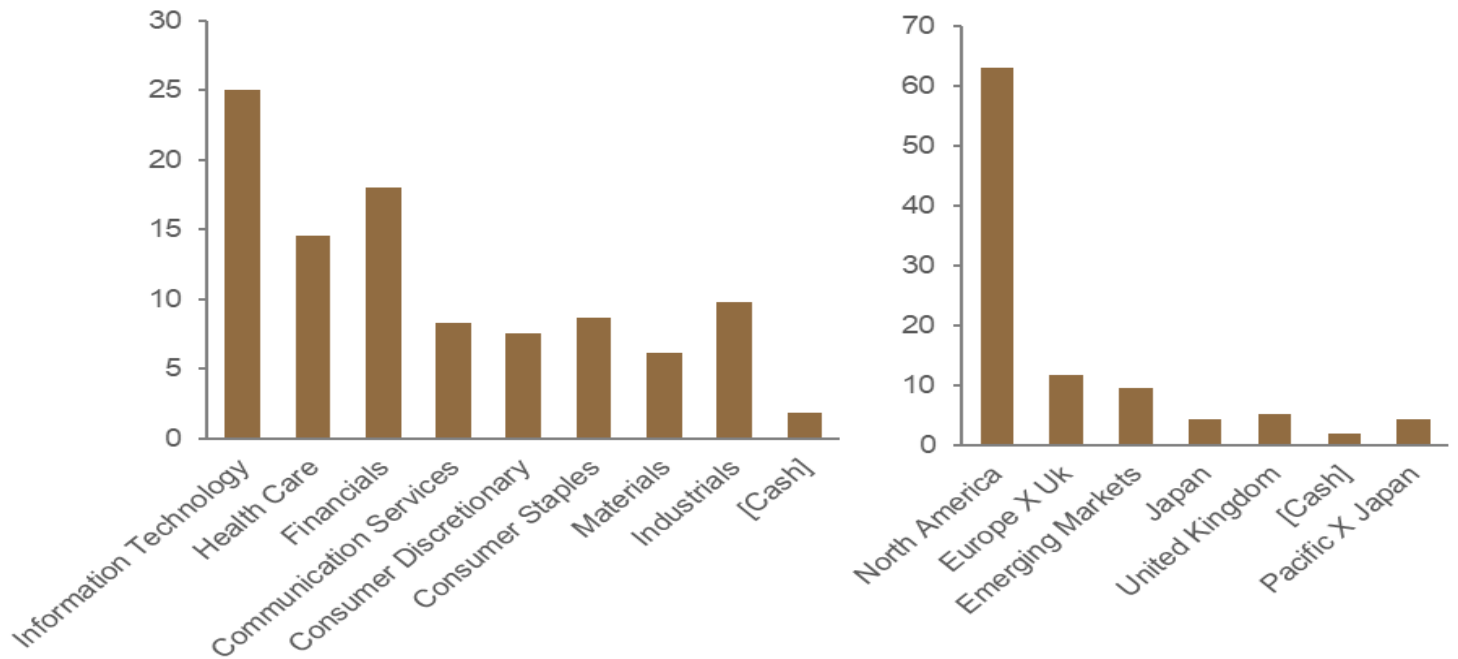
As always, our primary mission remains to identify and understand high quality growth businesses in possession of defensible competitive moats, and to purchase them at attractive valuations. We believe this remains the most prudent path to capital appreciation in the long term.



Top 10 Holdings

Company	Country of Domicile	Sector
Nestle S.A.	Switzerland	Consumer Staples
Alphabet Inc.	United States	Communication Services
Charles Schwab Corporation	United States	Financials
Linde Plc	United States	Materials
CME Group Inc.	United States	Financials
Danaher Corporation	United States	Health Care
Zoetis Inc.	United States	Health Care
S&P Global, Inc.	United States	Financials
Fidelity National Information Services, Inc.	United States	Information Technology
Adobe Incorporated	United States	Information Technology

Sector and Regional Weights %





Sector Positioning

Most active overweight owned sectors for April 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 April, our best performing stock in the sector versus benchmark was Mastercard, as the company recovers from the negative impact of the pandemic on cross border, retail, and travel related transaction volumes on its leading payment network.

Most active underweight owned sectors for April 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 recent 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 are now more underweight the sector after closing our position in Alibaba. 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 are currently considering a variety of potential opportunities in the sector but are mindful of increasing pressures on consumers globally from elevated inflation and economic uncertainty.

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