

June 2022



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# Your International Fund





# About your International Fund

## Fund Facts

The Clime International Fund ("Fund") aims to provide consistent capital growth and income over the long term (5-7 years) by providing investors with exposure to international share markets. Whilst the Fund invests predominantly in developed markets it may also have an allocation to shares in emerging markets.

## Fund Benefits

The Fund brings together the aligned investment beliefs of Mercer and Clime, best ideas and research to provide investors with access to:

- a portfolio that is diversified across investment managers and styles to smooth market volatility;
- exposure to both active and passive management through local and global managers; and
- dynamic asset allocation strategy involving medium term portfolio changes in response to changing market conditions.

## Investor Suitability

This Fund is designed for investors who:

- are looking for exposure to international equities using a multi-manager approach; and
- have a minimum of 5 years to invest.

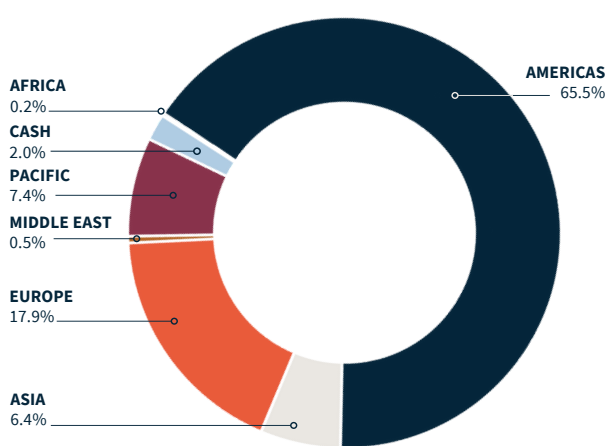
## Risk Management

This Fund is a medium to high risk rating investment given the exposure to global markets. International investments may be more affected by political and economic uncertainties, lower regulatory supervision, movements in currency and interest rates and possibly more volatile, less liquid markets. Our multi-manager approach involves selecting optimal combinations of investment managers to achieve a level of diversification to mitigate risks.

## Top 5 Holdings

Company	Weight (%)
Microsoft Corporation	4.8
Amazon.Com, Inc.	3.0
Apple Inc.	3.0
Alphabet Inc.	2.4
Unitedhealth Group Inc.	2.1

## Regional Allocation



## Asset Allocation by Industry

Industry	Weighting (%)
Communication Services	6.5
Consumer Discretionary	11.4
Consumer Staples	4.6
Energy	4.5
Financials	12.7
Health Care	13.6
Industrials	11.2
Information Technology	23.0
Materials	6.7
Real Estate	1.7
Utilities	2.1
Cash	2.0

## Performance

	1 month	3 months	6 months	1 year	3 years p.a.*	5 years p.a.*	7 years p.a.*	Since Inception p.a.*
Net Portfolio Return (Wholesale)*	-4.9%	-8.8%	-16.7%	-9.6%	3.0%	5.8%	6.0%	6.9%
Benchmark ^	-4.4%	-7.8%	-15.8%	-8.1%	7.1%	8.2%	8.7%	8.9%

Inception: Wholesale Units: 4 March 2014.

\*Performance figures for more than 1 year are annualised, calculated after all applicable fees and taxes. Performance figures compare unit price to unit price for the given period. The returns shown above are reflective of the Wholesale class only. Returns for the Retail class will be lower due to the higher fees associated with this investor class.

^10% p.a. from the 4th March 2014, the MSCI World Net Total Return Index in AUD from 30th June 2019, the MSCI All Country World ex Australia Net Total Return Index in AUD from 30th April 2021

Past results are not a reliable indicator of future performance and results.



## Market Commentary

Markets sold off broadly over the second quarter of 2022. Asset prices were challenged by central bank tightening, economic growth momentum fading and the earnings outlook becoming more challenged. Inflation in the US came in above expectation this quarter with other regions continuing to experience persistent, elevated inflation.

Economic data hinted at a slowdown and led to increased recession fears. Global equity market performance declined over the second quarter. The MSCI All Country World ex-Australia Net Total Return Index returned -7.8% for the quarter. The strongest performing sectors were Energy (2.4%) and Consumer Staples

(2.4%), while Information Technology (-14.5%) and Consumer Discretionary (-12.9%) were the worst performers. Other global shares indexes were down as well with the MSCI Small Caps (TR) Index down -9.5% and the MSCI Emerging Markets (NR) Index down -3.3% over the quarter, all in AUD terms.

## Portfolio Commentary

Over the month, the Fund returned -1.1% (after fees), marginal underperforming its benchmark by 0.03%. Over the quarter, the Ironbark Royal London Concentrated Global Share Fund (Royal London) again outperformed, however, this was offset by the underperformance of William Blair as growth stocks continued to be sold down.

### Royal London's key contributors and detractors

Contributors	Comment
<b>Eli Lilly</b>	Gained on the back of positive reception to its recently FDA-approved drug Mounjaro, having demonstrated market-leading efficacy in terms of weight loss. The drug has a strong ability to gain market share from the current options available in the market.
<b>Progressive Corp</b>	Continues to increase its share of the US auto insurance market. This is expected to be driven by higher insurance premiums which will help Progressive take market share. High prices are in part due to the cost of used cars and spare parts spurring higher claims costs. Higher interest rates should also improve returns.
<b>Ollie's Bargain Outlet</b>	Gained in the aftermath of their first-quarter results – in particular, the market reacted well to the guidance the company offered. It is a highly scalable business model delivering consistently strong sales in the past.
Detractors	Comment
<b>Anglo American</b>	Pulled back as fears mount for weaker commodity prices amid looming fears of a recession. Miners are also vulnerable to higher energy costs as well as navigating the territory of decarbonisation.
<b>HCA Healthcare</b>	Pulled back owing to ongoing high labour costs amid a realisation that these could continue for some time to come.
<b>Amazon</b>	Detracted as customers continued to revert to pre-pandemic shopping trends.



## William Blair

Underperformance continues as the fund is impacted by the selloff of growth companies across global markets.

### William Blair's key contributors and detractors

Contributors	Comment
<b>Ecolab</b>	Recent disposal of the upstream energy chemicals business as well as the likely implications for commercial hygiene products post-COVID-19 should serve as near-term catalysts for the company which has been reflected in the stock price.
<b>Reliance Industries</b>	Having benefitted from the COVID re-opening in India, this has led to positive operating leverage across its businesses and record earnings.

Detractors	Comment
<b>IDEXX Laboratories</b>	The share price came under pressure in the second quarter after the company reduced its full-year organic growth guidance by 200-250 basis points. Management attributed the reduced guidance primarily to a decline in clinical visits and vet practice capacity/staffing challenges.
<b>DSV</b>	Reported strong first quarter results with earnings growth across all divisions and a strong cash flow, the impact of tighter capacity and lockdowns in China coupled with the stock's high P/E multiple led to share price contraction in the second quarter.

## Portfolio Activity

BUYS	Comment
<b>Shell PLC</b>	Increased energy exposure, attractive valuation and risk mitigation trade, and solid assets that are undervalued.

SELLS	Comment
<b>Kubota Corporation</b>	Lost conviction on the company's ability to pass on inflationary pressures to consumers.
<b>Otsuka Corporation</b>	Lost conviction in the stock and was a very small holding in the portfolio.



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All statistics referenced are sourced from the named Company's ASX announcements or share prices unless otherwise stated.

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