

June 2023

“Global markets ended June stronger despite concerns that persistent inflation would mean interest rates remain higher for longer. .

Your International **Fund**





About your International Fund

Fund Facts

The Clime International Fund (“Fund”) (APIR Retail SLT0055AU APIR Wholesale CLA0001AU) 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.

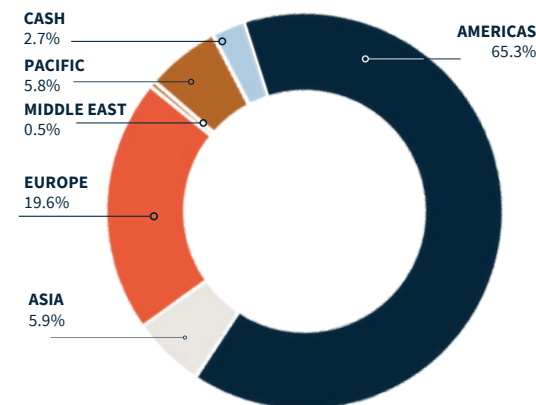
Risk Management

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	5.3
Apple Inc.	3.8
Amazon.com	2.9
UnitedHealth Group Incorporated	1.8
Alphabet Inc.	1.8

Regional Allocation



Asset Allocation by Industry

Industry	Weighting (%)
Communication Services	5.7
Consumer Discretionary	11.9
Consumer Staples	5.0
Energy	4.7
Financials	13.8
Health Care	12.9
Industrials	13.5
Information Technology	21.5
Materials	5.3
Real Estate	1.4
Utilities	1.6
Cash	2.7

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)*	2.5%	7.0%	17.5%	21.7%	9.2%	8.1%	8.6%	8.4%
Benchmark [^]	2.9%	6.9%	16.3%	20.5%	12.2%	10.2%	10.2%	10.1%

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

During the second quarter, the global economy displayed remarkable resilience, notwithstanding a slowdown in China. The US experienced decent economic activity, with its labour market remaining robust with a substantial number of new jobs and stable wages. In contrast, Europe witnessed a slight softening in economic growth, barely maintaining positive territory. Economic growth in China, after a robust start to the year, slowed, primarily due to weakness in its manufacturing sector and renewed signs of fragility in the property market.

Global inflation rates experienced a decline at the headline level, albeit showing less significant reductions at the core level in various regions. Consequently, central banks in developed countries continued to raise interest rates. Meanwhile, global equity markets demonstrated strong growth during the June quarter, mainly driven by the receding inflationary expectations. Valuations deteriorated from already elevated levels.

The quarter witnessed a narrow leadership in equity returns, rendering them susceptible to a potential shift in momentum, particularly in the tech sector. The MSCI All Country World ex-Australia Net Total Return Index performed well, recording a return of 6.9% for the quarter. Notably, Information Technology (14.4%) and Communication Discretionary (8.9%) sectors exhibited the strongest performance, while Materials (-0.2%) and Utilities (0.5%) emerged as the worst performers, all in AUD terms.

Portfolio Commentary

Over the quarter, the Fund returned 7.0% (after fees), outperforming its benchmark by 0.2%. Over the quarter both Ironbark Royal London and William Blair outperformed the benchmark.

Royal London

Key contributors and detractors include:

Contributors	Comment
Eli Lilly	Share price rose on the back of the company's new diabetes drug Mounjaro, which has already been approved for diabetes, and regulators are currently reviewing it as a treatment for obesity.
Delta Airlines	Share price rose benefitting from falling fuel prices and strong demand over the second quarter.
Lithia Motors	Share price rose on the back of used car prices remaining very elevated versus long-term prices, and the valuation pay-off on the business being attractive.
Detractors	Comment
Anglo American	Share price declined given cost inflation has been an impediment to margins and cash generation.
UPM	Share price declined given the challenging operating environment and market concerns around demand.
Apple	The underweight position in Apple detracted from performance as the company continued to repurchase its own shares at a rate of circa 3% per annum, helping support the share price.

William Blair

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Old Dominion	The share price rose during the month driven by increasing network density and its impact on the company's competitive position.
MTU Aero Engines	The share price rose during the month following an increase to year-on-year guidance.
Airbus	The share price rose during the month driven by improvements in supply chain visibility/reliability and built in 4–6-week buffers on parts.

Detractors	Comment
Synopsys	Share price declined amid a slowdown in demand in technology and financial services end markets.
Salesforce	Share price declined despite broad based growth across segments and beating expectations during the quarter. However, North America saw a deceleration in growth due to slower demand.
Lonza Group	Share price declined driven by softer demand in cell and gene therapy funding and capsules and health ingredients impacted demand and performance.

Portfolio Activity

BUY	Comment
Booz Allen Hamilton	Attractive valuation.
Chevron	Attractive valuation.
Inspire Medical	Attractive valuation.
Vinci	Attractive valuation.

SELL	Comment
BlackRock	Lost conviction.



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All statistics and information referenced are sourced from Clime, or the named Company's relevant securities exchange announcements, share prices, website, or discussions with Clime, unless otherwise stated.

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