

July 2023

“*Despite central banks pushing rates higher, global equities had a strong July supported by diminishing risks of a US recession..*”

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.

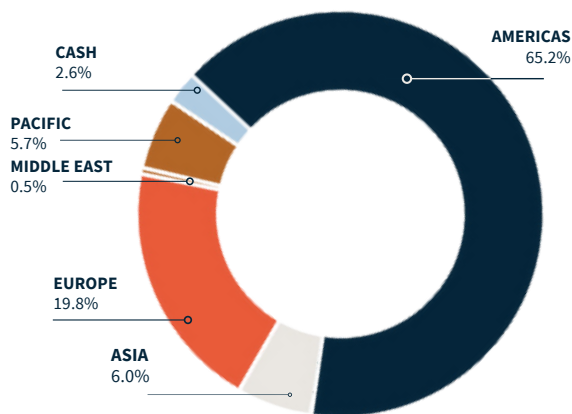
Risk Management

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	5.1
Apple Inc.	3.7
Amazon.com	2.9
UnitedHealth Group Incorporated	2.0
Alphabet Inc.	2.0

Regional Allocation



Asset Allocation by Industry

Industry	Weighting (%)
Communication Services	5.9
Consumer Discretionary	11.8
Consumer Staples	4.9
Energy	4.8
Financials	14.1
Health Care	12.7
Industrials	13.5
Information Technology	21.2
Materials	5.5
Real Estate	1.4
Utilities	1.6
Cash	2.6

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)*	2.4%	4.9%	14.0%	15.6%	9.5%	7.9%	8.6%	8.4%
Benchmark [^]	2.4%	6.5%	15.5%	17.0%	12.8%	10.6%	10.4%	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

In July, equities continued their run of strong performance with most regions delivering midsingle digit returns. Fixed income performance was mixed with riskier parts of the market faring better.

Equity returns were positive with value modestly outperforming growth during the month. US equities performed in line with international developed markets, while emerging markets outperformed. While the S&P 500 is set to report an earnings decline for the second quarter, most companies that have reported so far have announced better than expected results.

The MSCI All Country World ex-Australia Net Total Return Index returned 2.4% (gross) for the month, in AUD terms. The strongest performing sector was Energy (5.3%) whereas the worst performing sector was Healthcare (0.2%). Other global shares markets saw the MSCI All Country World Small Cap (NR) Index (3.8%) lower and MSCI Emerging Markets (NR) Index (4.84%) higher, all in AUD terms.

Portfolio Commentary

Over the quarter, the Fund returned 2.4% (after fees), inline with its benchmark.

Royal London

Key contributors and detractors include:

Contributors	Comment
Thor Industries	Share price rose on the back of reported Q2 earnings that were significantly ahead of expectations and raised earnings guidance for the full year.
Old Dominion Freight	Share price rose on the back of the company's rising market share driven by the ceasing of operations and impending bankruptcy of competitor Yellow.
Korean Bank	Share price rose on the back of reported quarterly results which were ahead of expectations along with an improvement in interest margins and fee income.
Detractors	Comment
HCA Healthcare	Share price declined on the back of reported earnings which were below market expectations.
Progressive Corporation	Share price declined on the back of weak second quarter results which were hit by higher costs associated with meeting insurance claims, especially those related to damage sustained during hurricanes last year.
Steel Dynamics	Share price declined on the back of a company announcement early in the month surrounding an outage at their Sinton Steel mill in Texas, associated with equipment failure.



William Blair

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Old Dominion Freight	Share price rose on the back of the company's rising market share driven by the ceasing of operations and impending bankruptcy of competitor Yellow.
Partners Group	The share price advanced during the month following reported earnings which exceeded expectations.
Alphabet	The share price advanced during the month driven by a continued focus on efficiencies which raised market confidence in free cash flow growth recovery and tailwinds from generative AI as Alphabet will look to bring several AI products to market.
Detractors	Comment
Hexagon	Share price declined during the month following a short sell report with accusations focused on governance issues and aggressive accounting practices. Under review by manager.
MTU Aero Engines	Share price declined during the month due to headlines surrounding an issue within GTF manufacturing which brought near-term overhang for MTU Aero.
Compass Group	Share price declined during the month due to the company expecting their basket of cost inflation to be above CPI and historical levels for some time, which creates a negative drag to margins.

Portfolio Activity

BUY	Comment
Dassault Systèmes	Improving valuation.
SELL	Comment
No sells during the period	



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