


August 2022



Value outperformed growth for the broad market, as the most duration-heavy stocks suffered the brunt of markets repositioning for tighter monetary policy for longer.

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.

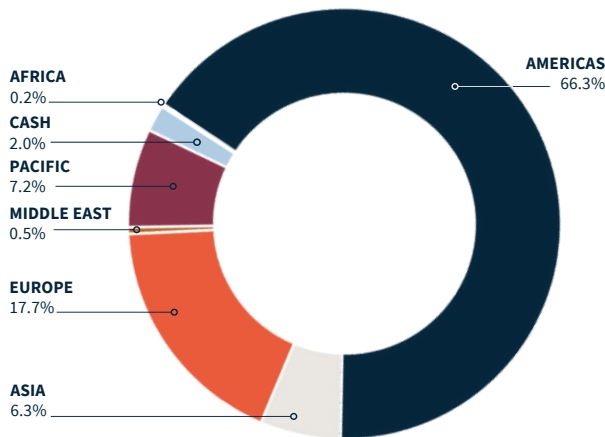
Risk Management

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	4.6
Amazon.Com, Inc.	3.3
Apple Inc.	3.3
Alphabet Inc.	2.0
Unitedhealth Group Inc.	1.8

Regional Allocation



Asset Allocation by Industry

Industry	Weighting (%)
Communication Services	6.1
Consumer Discretionary	13.6
Consumer Staples	4.5
Energy	5.0
Financials	12.3
Health Care	12.6
Industrials	10.9
Information Technology	22.7
Materials	6.4
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)*	-2.6%	-1.6%	-7.1%	-12.1%	3.3%	6.8%	5.9%	7.2%
Benchmark ^	-2.0%	-1.2%	-6.2%	-10.5%	7.4%	8.6%	9.0%	9.2%

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

Equities sold off in the second half of August. Poor economic data and the US Federal Reserve reasserting that monetary policy will be tighter for longer were the catalysts for the move downward. Investors had been hoping for a slowdown in monetary tightening following a lower than expected inflation reading, but this appears less likely following hawkish speeches at the annual symposium in Jackson Hole.

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Emerging markets proved to be a good diversifier to developed equities, closing the month with small gains. Strong performance in Brazil and India offset weakness in East Asia, while China was close to flat

Whilst the Australian dollar (AUD) held up fairly well against most major developed currencies, it appreciated or remained relatively unchanged against all major developed market currencies except for the USD (-1.8%). For unhedged investors, this provided higher returns.

The MSCI All Country World ex-Australia Net Total Return Index returned -2.0% for the month. The strongest performing sector was Energy (4.1%) whereas the worst performing sector was Healthcare (-4.2%). Other global shares markets saw the MSCI All Country World Small Cap (NR) Index (-0.8%) lower and MSCI Emerging Markets (NR) Index (2.2%) higher for the month, all in AUD terms.

Portfolio Commentary

Over the month, the Fund returned -2.6% (after fees), underperforming its benchmark by 0.6%.

Royal London

Over the quarter, the Ironbark Royal London Concentrated Global Share Fund (Royal London) outperformed.

Key contributors and detractors include:

Contributors	Comment
Steel Dynamics	Shares outperformed as steel prices remain elevated well above the long-term average.
Reliance Steel	Reliance shares outperformed as the company benefits from inflation. As the demand situation normalises the business should release working capital and generate significant cash flows.
Detractors	Comment
Old Dominion Freight Line	The company's shares underperformed in August after being exceptionally strong in July. The business is performing well, margins are at a record and higher fuel costs are passed on to customers through fuel surcharges.
Constellation Software	Another of the portfolio's holdings that saw strong share prices in July but retrench in August. The business continues to generate organic revenue growth.
Legrand	The company reported somewhat mixed results leading the share price lower. Sales growth was strong as the company benefits from pricing power, though price increases were not enough to offset costs which impacted margins. Inventories also increased, impacting short-term cash generation.



William Blair

With the rotation away from growth stocks, William Blair underperformed the benchmark driven by a combination of asset allocation and stock selection effects across most sectors. The underweight allocation to energy and overweight to technology coupled with negative stock selection within healthcare and industrials being the key detractors.

Key contributors and detractors include:

Contributors	Comment
Atlassian	The company's shares advanced as subscriptions grew 55% year-over-year and Cloud revenue was up 55%.
Ulta Beauty	After last month's pullback, the company's shares advanced again in August, Ulta is well positioned to gain share in the structurally attractive beauty category, benefiting from the continued shift away from department stores.
Detractors	Comment
Salesforce	The share price declined alongside FY23 lower guidance amid economic headwinds despite solid results with broad-based growth across products and geographies.
Charles River Laboratories	The share price declined as the company reduced 2022 guidance despite in-line results. We believe the company has emerged as the dominant leader in pre-clinical/drug discovery outsourced services.
Hexagon	Hexagon reported solid quarter requests with 6% organic growth, but the company continues to struggle as supply chain constraints impact growth.



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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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