

August 2023

“

The US outperformed most major developed and emerging market countries, while growth generally outperformed value.

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.

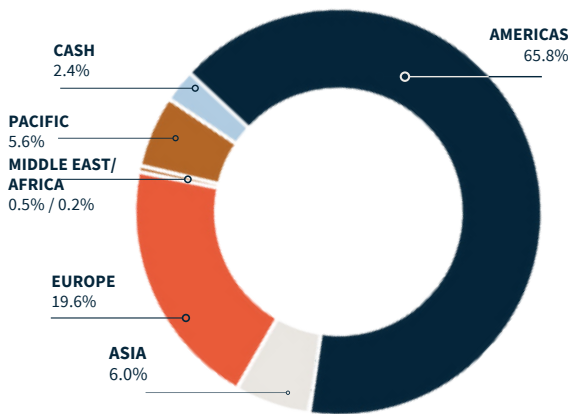
Risk Management

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	4.9
Apple Inc.	3.7
Amazon.com	3.1
Alphabet Inc.	2.1
UnitedHealth Group Incorporated	1.9

Regional Allocation



Asset Allocation by Industry

Industry	Weighting (%)
Communication Services	6.0
Consumer Discretionary	11.6
Consumer Staples	4.9
Energy	5.0
Financials	14.1
Health Care	13.0
Industrials	13.4
Information Technology	21.2
Materials	5.5
Real Estate	1.4
Utilities	1.5
Cash	2.4

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)*	1.7%	6.8%	15.5%	22.5%	10.2%	8.0%	8.9%	8.7%
Benchmark ^	1.2%	6.6%	15.1%	20.8%	12.0%	10.7%	10.5%	10.3%

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 August, equities weakened after a strong run over the past few months. The US outperformed most major developed and emerging market countries, while growth generally outperformed value. Fixed income performance was flat to negative.

Negative equity performance appears to have been driven by an absence of positive news and markets being technically overbought after a few months of strong gains. Comments by Federal Reserve Chairman Powell stating that inflation remains uncomfortably high and the Fed is prepared to raise rates further if needed also contributed to the negative sentiment. Some negative headlines such as the Fitch downgrade of US government debt and Moody's downgrading US regional banks did not lead to major market reactions. Telecommunications and energy were the only sectors with positive returns during the month.

With most S&P 500 companies having reported their Q2 earnings, FactSet is currently projecting a quarter over quarter earnings decline of around 5%, which would be the worst result in three years and the third straight quarter of declines.

Forward-looking composite purchasing manager indices (PMI) continued to fall. In the US, the composite PMI fell to a six-month low. Overseas, composite PMIs also declined for the UK, Eurozone and Australia. Japan was one of the only regions to see an increase in their PMI. Consumer confidence continues to weaken with growing signs of consumer distress, such as rising credit card and auto-loan delinquencies. Labor markets appear to be cooling off, but generally remain strong.

Headline inflation ticked up slightly in the US and dropped sharply in the UK and Eurozone, largely driven by base effects. Inflation remained unchanged in Japan and turned negative in China. Core inflation generally continued to soften for most regions. At the annual summit in Jackson Hole, central bankers expressed cautious optimism, while acknowledging that inflation remains elevated. The Bank of England raised the bank rate for the 14th consecutive month to 5.25%, while China's Central Bank introduced some easing measures.

The Australian Trade Weighted Index moved lower over August (-1.1% to 60.6). This outcome was a combination of the Australian dollar depreciating against the US Dollar (-3.9% to US\$0.648), Euro (-2.4% to EU€0.597), UK pound (-2.4% to GB£0.511) and Japanese Yen (-1.5% to JP¥94.287).

The MSCI All Country World ex-Australia Net Total Return Index returned 1.2% (gross) for the month, in AUD terms. The positive return was generated from the depreciation of the AUD over the month. The strongest performing sector was again Energy (5.3%) whereas the worst performing sector was Utilities (-1.9%). Other global shares markets saw the MSCI All Country World Small Cap (NR) Index (0.4%) lower and MSCI Emerging Markets (NR) Index (-2.4%) higher, all in AUD terms.

Portfolio Commentary

Over the month, the Fund returned 1.7% (after fees), 0.5% ahead of its benchmark.

Royal London

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

Key contributors and detractors include:

Contributors	Comment
Eli Lilly	Share price rose on the back of positive sentiment around results, driven by the positive market reception of the company's drug Mounjaro.
Admiral Group	Share price rose on the back of strong results achieved through significant price increases.
Progressive Corporation	Share price rose on the back of margins returning to historical levels which has seen an improvement in results.
Detractors	Comment
Thor Industries	Share price declined on the back of indications that RV sales remain down year on year.
UnitedHealth	Share price declined on the back of suggestions that higher costs in Medicare Advantage plans will mean lower margins for care plans.
Delta Airlines	Share price declined on the back of higher fuel prices in the recent period.



William Blair

Over the month, the William Blair Global Leaders Fund underperformed the benchmark.

Key contributors and detractors include:

Contributors	Comment
Novo Nordisk	Share price rose on the back of strong Q2 earnings and on the positive outcome from the company's SELECT trial.
Mastercard	The share price advanced during the month on the back of Q2 earnings results, with consumer spending remaining stable through the month.
MercadoLibre	The share price advanced during the month driven by the company reporting continued market share gains in Latin America, which is supportive of growth and is a result of investments into logistics improvement, user experience, and technology expansion.
Detractors	Comment
Ayden	Share price declined during the month following a disappointing H1 earnings result in which the company reported an 8% miss on volumes.
Infineon Technologies	Share price declined during the month as the first signs of rising cyclical risk was reflected in year-over-year revenue growth deceleration and next quarter guidance was lowered further.
Inspire Medical	Share price declined during the month despite the company showing strong growth in both new center adds and importantly, utilization (procedure per center).

Portfolio Activity

BUY	Comment
Monster Beverage	Improving valuation.
SELL	Comment
Estee Lauder	Lost conviction in the stock.



Invest in people, who invest in you.

Client Services 1300 788 568 | info@clime.com.au | clime.com.au

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.

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the Clime International Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

This publication has been prepared by Clime Asset Management Pty Limited ABN 72 098 420 770, AFSL 221146, to provide you with general information only. In preparing this report, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Clime Asset Management Pty Ltd, Equity Trustees nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product. You can access the Fund's Target Market Determination [here](#).