

December 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.

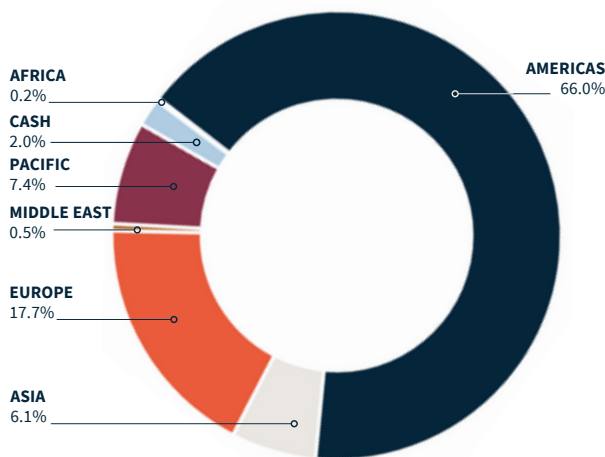
Risk Management

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 | 4.4 |
| Amazon.Com, Inc. | 3.3 |
| Apple Inc. | 3.2 |
| UnitedHealth Group Inc. | 2.0 |
| Alphabet Inc. | 1.3 |

Regional Allocation



Asset Allocation by Industry

| Industry | Weighting (%) |
|------------------------|---------------|
| Communication Services | 5.9 |
| Consumer Discretionary | 13.3 |
| Consumer Staples | 4.6 |
| Energy | 5.1 |
| Financials | 12.9 |
| Health Care | 13.3 |
| Industrials | 10.9 |
| Information Technology | 21.9 |
| Materials | 6.4 |
| Real Estate | 1.6 |
| Utilities | 2.1 |

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)* | -5.3% | 3.9% | 3.5% | -13.8% | 2.1% | 5.6% | 5.8% | 7.0% |
| Benchmark ^ | -5.2% | 4.0% | 3.6% | -12.7% | 5.3% | 8.0% | 8.6% | 8.8% |

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

The third quarter of 2022 began with a strong rally in July, however, was followed by a moderate decline in August and a broad based sell-off in September. US Federal Reserve chair Jerome Powell reasserted that monetary policy will be tighter for longer, if needed, during his speech at Jackson Hole. Economic data continued to deteriorate over the quarter with most countries reporting higher than expected inflation and labour markets remained tight.

Global equity market performance declined over the third quarter, similarly, the AUD depreciated against all major developed currencies, which provided some downside protection to unhedged investors. The MSCI All Country World ex-Australia Net Total Return Index returned -0.3% for the quarter. The strongest performing sectors were Energy (5.3%) and Consumer Discretionary (4.0%), while Communication Services (-8.0%) and Real Estate (-6.3%) were the worst performers.

Other global share indexes were mixed with the MSCI Small Caps (TR) Index up 1.3% whilst the MSCI Emerging Markets (NR) Index was down -5.4% over the quarter, all in AUD terms.

Portfolio Commentary

Over the month, the Fund returned -0.3% (after fees), performing in line with its benchmark. Over the quarter both Ironbark Royal London and William Blair marginally outperformed the benchmark.

Royal London

Key contributors and detractors include:

| Contributors | Comment |
|-----------------------|---|
| Steel Dynamics | Gained on the back of elevated steel prices which persist well above the pre-pandemic average with margins remaining elevated. |
| HCA Healthcare | HCA, the hospital giant, actively managed higher labour costs, which have been increasing over the past few quarters. HCA ultimately benefits from unparalleled scale and high barriers to entry. |
| Reliance Steel | Reliance has been ploughing cash into share buybacks for the past 12 months with further approval for a further \$1 billion of buybacks, this has supported the stock's price. |
| Detractors | Comment |
| Lithia Motors | The company's stock price declined on the back of concerns about declining second-hand car values and the continued shortage of new cars. With competitors' announcing poor results there are concerns the environment could deteriorate further. |
| KB Financial | The Korean Banking group's price fell as the Korean Won weakened due to fears of a global cyclical slowdown with the bank's stock pricing in the risk of higher credit losses. |
| Tesla | Not holding Tesla was a detractor as Tesla shares rose over the quarter. |



William Blair

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| Contributors | Comment |
|----------------------|--|
| Costar Group | The company reported robust Q2 results with revenue exceeding expectations. |
| United Health | The company delivered strong results with top and bottom lines coming ahead of expectations. |
| Ulta Beauty | The company has been benefiting from the shift away from department stores, strong user activation and engagement, and an expanding portfolio with a higher mix of prestige brands and skin care products. |

| Detractors | Comment |
|--------------|---|
| Nike | The share price declined as fiscal year sales growth guidance has lowered. |
| DSV | The share price declined due to cyclical headwinds. |
| Adobe | The share price declined after Adobe announced plans to acquire Figma at what the market perceived to be an overpriced valuation. |

Portfolio Activity

| BUY | Comment |
|-------------------------------|----------------------|
| Zurich Insurance Group | Attractive valuation |
| Watsco | Attractive valuation |
| Enphase | Attractive valuation |
| Linde | Attractive valuation |

| SELL | Comment |
|-----------------|-----------------|
| Aptive | Lost conviction |
| Adobe | Lost conviction |
| Ecolab | Lost conviction |
| Rational | 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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