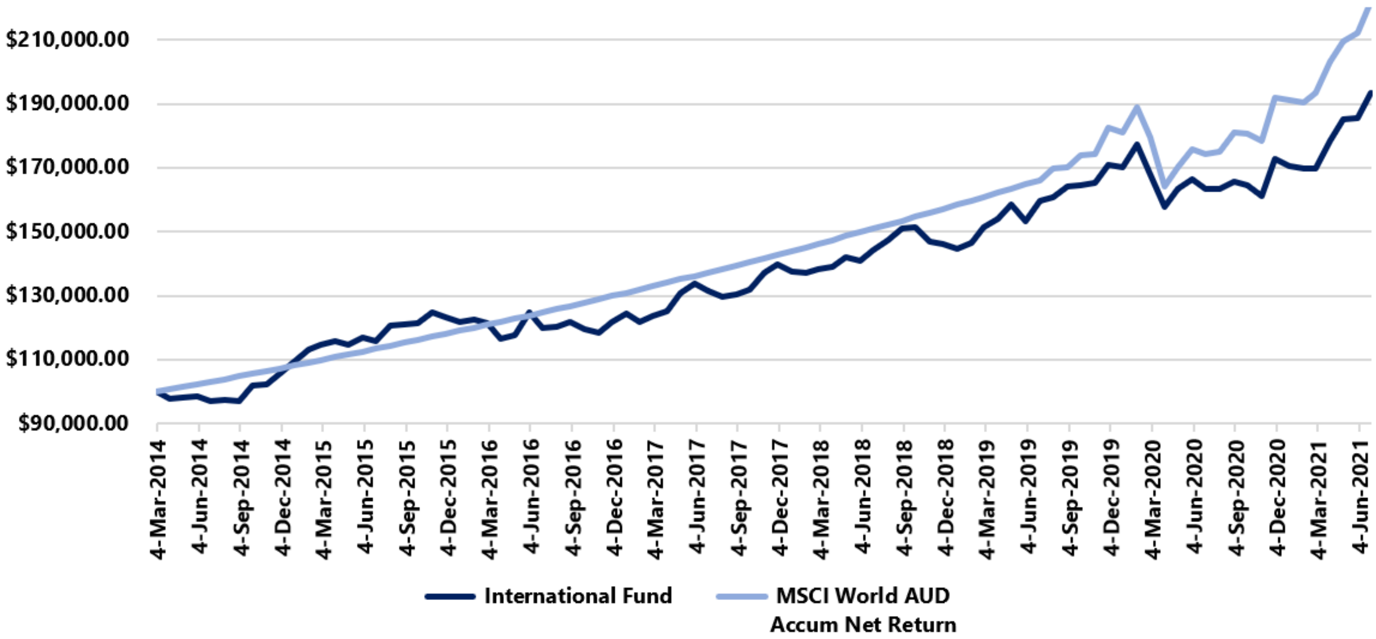
Clime International Fund (Wholesale)

Fund Performamce | June 2021

The objective of the Fund is to provide consistent capital growth and a growing level of income over the medium term (3-5 years) by investing in publicly-listed equity securities listed on a global basis, focussing predominantly on companies with a market capitalisation in excess of USD 1 billion.

Quarter Net Return (Wholesale)*	1 Year Net Return (Wholesale)*	Inception p.a. Net Return (Wholesale)*	Total Fund Size
8.3%	18.3%	9.4%	$103.8m



	1 m	3 m	6 m	1 y	3 y p.a.*	5 y p.a.*	Inception p.a.*
Fund Net Return (Wholesale)*	4.2%	8.3%	13.3%	18.3%	10.3%	10.1%	9.4%
MSCI All Country World ex Australia NR ^	4.5%	9.3%	16.2%	27.5%	13.7%	12.2%	11.5%

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.
^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

Fund Facts

Portfolio Managers	Mercer Australia
Fund Inception	March 2014
Fund Size	$103.8m
Cash Distributions	Annually
Eligibility	Wholesale

Top 5 Holdings

Company	Weight %
Microsoft Corporation	3.4
Amazon.Com, Inc.	2.8
Apple Inc.	2.1
Alphabet Inc	1.9
Naspers Limited	1.6

Fund Commentary

Re-openings in the developed world are unleashing a mini-boom of activity and have broadened the recovery to include service sector firms. Corporate earnings continue to surprise on the upside, and manufacturing PMIs suggest that the expansion is likely to continue in the second half of the year. Global equities continued to move higher in Q2, with the MSCI AC World ex Australia Net Total Return Index gaining 9.3% for the quarter. Emerging market equities rose 6.3% in Q2 in AUD terms. Within emerging markets, European and Middle Eastern emerging markets produced the best results year-to-date.

Over the month, the Clime International Fund returned 4.2% (net) and for the quarter, the Fund returned 8.3% (net). Unfortunately, over the quarter the Fund underperformed the MSCI AC World ex Australia Net Return Index by 0.9%. Over May the Fund transitioned its assets from Sanlam Private Investments UK Limited to the new multi manager fund structure managed by Mercer Investments (Australia) Limited. The impact of the timing and number of transition tranches that occurred over May, resulted in the underperformance over May and contributing to the underperformance over the quarter. However, over June we have seen improved relative performance.

The Ironbark Royal London Concentrated Global Share Fund returned 3.5% (net) over the month of June and 9.4% (net) for the quarter.

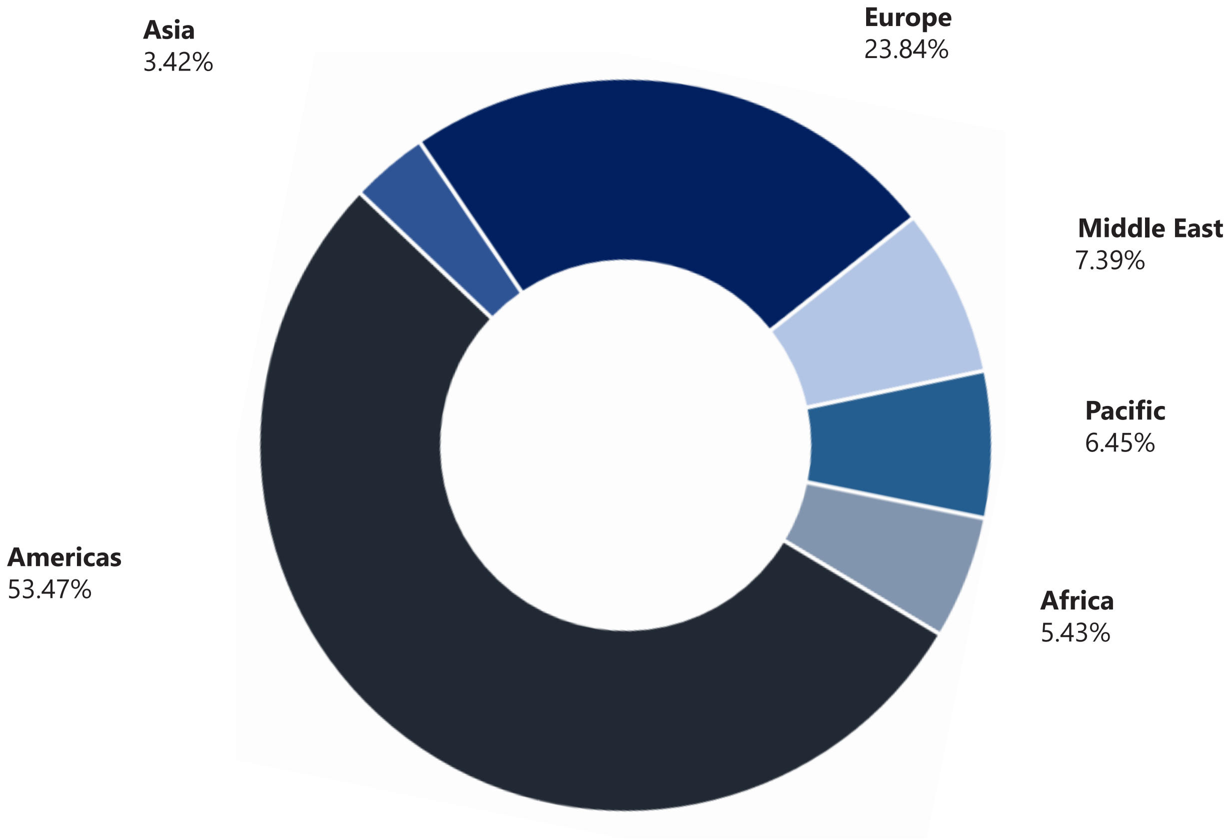
Eli Lilly, Steel Dynamics and Bridgestone were strong contributors to returns in the second quarter. Eli Lilly, the US pharmaceutical company that is in the ('Accelerating') category of the investment manager's corporate Life Cycle, performed strongly after a drug from rival Biogen was approved under the FDA's accelerated approval programme. In light of this, Eli Lilly will seek accelerated approval for its own drug to treat Alzheimer's, a condition with few treatment options that represents a large potential market. Steel Dynamics ('Mature') gained on the back of a combination of strong end user demand and national shortages of steel, resulting historically high steel prices. Based in Fort Wayne, the steel company is among the leading steel producers and metal recyclers in the US. It processes and sells recycled ferrous and nonferrous metals as well as making steel joists. Steel Dynamics has a number of positive ESG credentials with 83% of its inputs being recycled and 77% of these are sourced within 250 miles of a mill therefore reducing carbon footprints. The company has a new plant coming on stream later this year in Sinton, Texas which is well timed to help meet supply shortages and future anticipated demand from infrastructure spending. Bridgestone ('Turnaround') had a very good quarter as global tyre demand has largely recovered and cost saving initiatives under the mid-term business plan (2021-23) are an appropriate strategy for mature businesses in the Life Cycle to drive wealth creation. The investment manager feels the outlook for the rest of 2021 is bright.

Samsung, Micron Technology and Verizon detracted from returns over the period. Samsung ('Mature') and Micron Technology ('Turnaround') retrenched as the recent strong recovery in DRAM prices plateaued, though operations remain very profitable at current DRAM prices, unlike in previous cycles. Meanwhile, Verizon's ('Turnaround') defensive cash flow streams, that were highly valued in the downturn, are less valued in the cyclical rebound that the economy is currently enjoying. There is also an overhang from the $53 billion expenditure on spectrum at the March Federal Communications Commission auction, which was higher than expected.

The William Blair Global Equity Fund returned 4.7% (net) over the month of June and 11.3% (net) for the quarter

Second quarter outperformance versus the MSCI AC World ex Australia Net Total Return Index was primarily driven by positive stock selection across most sectors. The Health Care and Consumer Discretionary sectors were the most notable contributors to relative return. Within the Health Care sector, Charles River Laboratories contributed to relative results. Charles River is a contract research organization (CRO) that has evolved to be the global leader in the early stage portion of the research market with a dominant market share lead, working on 85% of all FDA-approved drugs in both 2018 and 2019. The company has several key competitive advantages that support its market-leading position including a global network, strong brand reputation, and broad product/service portfolio. Aristocrat Leisure within Consumer Discretionary was an additional source of outperformance. The company is a leading content and equipment supplier in the global slot machine market, with an expanding share in the higher-margin revenue-sharing segment thanks to strong performance of innovative products. Digital has been a new growth driver for Aristocrat, with in-house games and M&A steadily casinos for sustainable longer-term growth. The company is recovering faster than market expectations where revenues have normalized close to pre-COVID levels. Partially offsetting these effects was an overweight allocation to the Europe ex-UK region, coupled with below average stock selection within the Information Technology sector. Within Information Technology, Infineon Technologies, a leading semiconductor company based in Germany, hampered relative performance. Infineon is a leader in structural opportunities in automotive and power markets. This should continue to enable superior growth driven by content gains and supportive regulation. Infineon's share price softened primarily due to capacity constraints/supply shortages from the automotive segment of their business.

Asset Allocation by Region



Asset Allocation by Sector

Sector	Weighting
Communications Services	8.16%
Consumer Discretionary	12.30%
Consumer Staples	3.92%
Energy	5.03%
Financials	17.40%
Health Care	10.24%
Industrials	11.08%
Information Technology	19.45%
Materials	9.29%
Real Estate	1.56%
Utilities	1.52%
Excluded	0.06%

Outlook

The medium term macro outlook remains positive. Vaccines have been rolled at a tremendous pace in the US and UK. The EU and Japan have been catching up and roll-out has started in a number of emerging market countries. Re-openings have broadened the recovery as the service sector is increasingly benefiting from the rebound. Although the recovery has had a good run, forward-looking indicators such as purchasing manager indices are still at their highest levels in decades whilst labor markets have been tightening, most notably in the US. Even as the growth rates in the US and UK are expected to peak over the Northern Hemisphere summer, the Eurozone still has room to accelerate, given later and slower re-openings. This leaves room for the expansion to continue on a global basis.

The rebound in inflation has topped even elevated expectations, driven by base effects, supply chain pressure and the tightening labor market. This has led to some worries about monetary accommodation ending earlier than expected. The Federal Reserve's June statement that was less dovish than expected, but subsequent communications gave a more dovish message. We still expect any tapering to occur gradually and policy rates will not increase for at least another year. We expect the large gap between ultra-accommodative monetary policy and economic conditions will continue to be a tailwind for markets for at least another year.

Fiscal support is slowing but not going away. The expiration of enhanced employment benefits in the US by September and furlough programs across the UK and Europe come at a time when labor markets are tightening rapidly. Therefore, they should not have a major negative impact on economic growth. The $1.2 trillion US infrastructure program that has been agreed to by a bipartisan group of senators would be a further addition to aggregate demand, although spread over several years. This informs our view that the tapering of fiscal stimulus will not become a headwind for growth as the recovery has become self-sustaining

For companies, this means strong earnings growth over at least the next couple of years, which is most beneficial for equities. At the same time, the unusual constellation of lose monetary policy and strong economic growth has recently led to an inflation rebound, which may or may not turn out to be transitory. We expect this to eventually put pressure on bond yields, which creates an adverse environment for duration assets. We retain our overweight position to emerging markets equities within the global equities portfolio. Investor caution has impacted year to date returns for the sector which has improved valuations, strengthening emerging markets equities' position as the most attractive of all sectors.