October 2021

"Inflation, monetary tightening, and supply chain woes continue to weigh on economic growth in the short term

Your International **Fund**

clime

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 predominately in developed markets it may also have an allocation to shares in emerging markets.

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.

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.

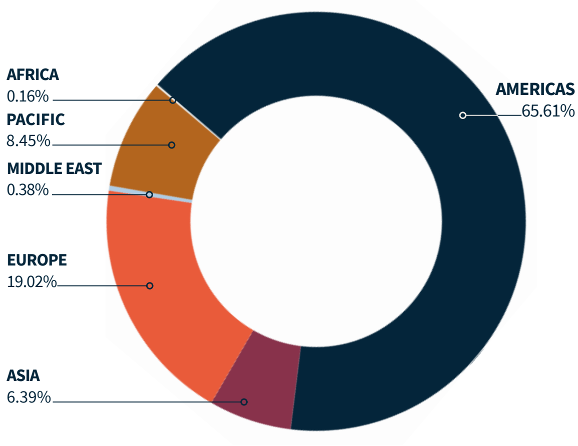
Risk Management

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.	3.1%
Apple Inc.	2.8%
Alphabet Inc	2.0%
UnitedHealth Group Incorporated	1.8%

Regional Allocation



Asset Allocation by Industry

Industry	Weight
Microsoft Corporation	7.54%
Amazon.Com, Inc.	12.27%
Apple Inc.	4.44%
Alphabet Inc	3.08%
UnitedHealth Group Incorporated	13.32%
Health Care	12.56%
Industrials	12.42%
Information Technology	23.68%
Materials	7.23%
Real Estate	1.75%
Utilities	1.71%

Performance

	1 month	3 months	6 months	1 year	3 years p.a*	5 years p.a*	Since Inception p.a*
Net Portfolio Return (Wholesale)*	1.3%	0.6%	8.5%	24.8%	11.0%	11.1%	9.5%
Benchmark ^	1.1%	1.1%	10.1%	29.3%	14.0%	12.4%	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. 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

Market Commentary

Global equity markets rebounded after last month's retreat. The MSCI AC World ex Australia Net Total Return Index (Benchmark) returned 1.1% for October. Inflation, monetary tightening, and supply chain woes continue to weigh on economic growth in the short term, but a strong start to the Q3 earnings season helped make investors look beyond that. Equity volatility declined significantly over the month. The US outperformed global markets by a significant margin due to its high exposure to growth stocks. Returns for emerging market equities were positive but lower than for developed market equities. Strong performance in China was offset by weaker performance across the rest of Asia and Brazil.

Portfolio Commentary

Over the month, the Fund returned 1.3% (after fees) marginally outperforming the Benchmark by 0.2%. Over October, two holdings within your Fund - the Ironbark Royal London Concentrated Global Share Fund (Royal London) and William Blair Global Equity Fund (William Blair), outperformed the Benchmark.

For Royal London, key contributors for the month include Suncor Energy, Microsoft, and UnitedHealth. Key detractors were Bridgestone and Sumitomo Mitsui Financial Group. Royal London remains focused on investing in wealth-creating companies at attractive valuations.

Suncor Energy, a 'turnaround' Canadian producer of synthetic crude from oil sands, delivered excellent results for 3Q. While having different drivers from more mainstream oil companies, it benefitted from the overall recovery in oil prices and announced strong earnings, a reduction in net debt, an increased dividend (back to 2019 levels), and an enhanced share buyback program.

Microsoft, an 'accelerator' company, again became the world's largest company at month-end, having reported strong results. All of its underlying businesses are performing well as the shift to cloud-based and hybrid work continues. Microsoft Teams is a key area of innovation and growth with the usage of Teams at an all-time high and continuing to rise.

UnitedHealth, a 'slowing and maturing' US multinational managed healthcare and insurance company reported strong results. Underlying growth and cash flow were very strong, with their results full of references to innovation, better outcomes, and increased value for money. The company's near US$8bn acquisition of Change Healthcare, announced in March, remains on track to close in early 2022.

Bridgestone, a 'turnaround' Japanese vehicle tyre manufacturer, was impacted by concerns about rising energy and input costs as oil prices continued to rise. Tyre manufacturers have been less impacted by chip shortages than other auto component manufacturers; however, rising oil prices may be a cause for concern. Good pricing power in core markets coupled with the potential for technological developments as electric vehicle growth accelerates alleviate concerns about this holding.

Sumitomo Mitsui Financial Group, the 'turnaround' company marginally underperformed the index. The company is due to announce its 2Q results in November. It is expected that credit cost provisions for bad debts will be lowered, which would be positive for the stock price.

For William Blair, outperformance was primarily driven by positive stock selection across most sectors.

Key contributors for the month include holdings in the Health Care sector with **UnitedHealth Group** and **Novo Nordisk** adding to relative performance. Partially offsetting these effects was underweight allocation to the US, coupled with below-average stock selection within the Industrials and Consumer Discretionary sectors. Within Industrials, **Airbus** hampered relative results. **MercadoLibre**, within Consumer Discretionary, was also negative.

During the period, Information Technology exposure was increased through the purchase of **Synopsys**. Industrials and Consumer Discretionary exposure was reduced during the period. From a geographic perspective, a notable adjustment was an increase to the US, offset by a decrease to Europe ex UK.