

November 2021

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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 predominately 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.

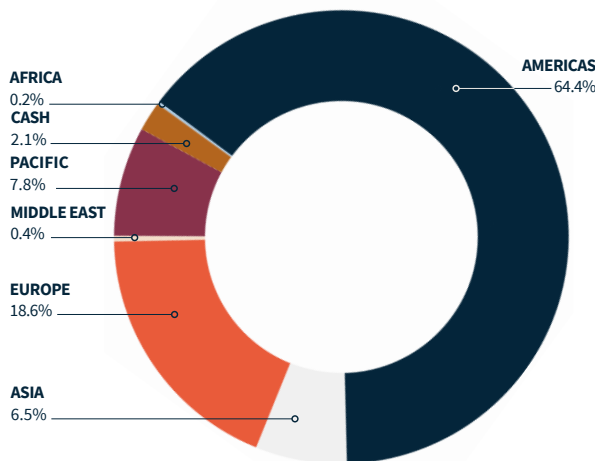
## Risk Management

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.	3.0%
Alphabet Inc	1.9%
Unitedhealth Group Inc	1.7%

## Regional Allocation



## Asset Allocation by Industry

Industry	Weight
Communication Services	7.2%
Consumer Discretionary	12.2%
Consumer Staples	4.3%
Energy	2.8%
Financials	13.4%
Health Care	11.9%
Industrials	12.0%
Information Technology	23.8%
Materials	6.8%
Real Estate	1.6%
Utilities	1.7%
Cash	2.1%

## 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)*	2.6%	0.2%	11.2%	19.4%	12.2%	11.1%	9.8%
Benchmark ^	3.5%	1.4%	12.5%	24.4%	15.0%	13.0%	11.9%

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 sold off sharply at the end of November over elevated inflation, tapering concerns and news of the latest COVID-19 variant, Omicron. Sentiment had already been gradually weakening due to a return of restrictions in some countries in continental Europe, as well as concerns that persistently high inflation rates could accelerate monetary tightening.

On a country level, the US outperformed the global index due to its higher exposure to growth stocks. The Australian dollar (AUD) depreciated over the month against all major developed market currencies with the Trade Weighted Index falling 4.6%. The depreciation of the AUD benefitted unhedged investors with the MSCI All Country World ex-Australia Net Total Return Index (Benchmark) returning 3.5% for the month. Emerging markets also posted negative returns, as commodity exporters such as Russia plummeted while returns for other large markets such as Brazil, China, India and Korea were also negative.

## Portfolio Commentary

Over the month, the Fund returned 2.6% (after fees), underperforming its Benchmark by 0.9%. Over November, the Ironbark Royal London Concentrated Global Share Fund (Royal London) outperformed the Benchmark whilst the William Blair Global Equity Fund (William Blair) was a key detractor.

For Royal London, key contributors for the month included Nvidia, Reliance Steel and Amazon. Key detractors were Safran, HCA Healthcare and Steel Dynamics. Royal London remains focused on investing in wealth-creating companies at attractive valuations

**Nvidia**, an ‘accelerator’ semiconductor supplier focused on large scale data processing and graphics, had a strong month benefiting from a refresh cycle in gaming and crypto as well as huge demand growth in data centres.

**Reliance Steel**, a ‘slowing and maturing’ company, benefited from the US economic recovery. It has gained from the strong cyclical recovery and its ability to access inventory for customers.

**Amazon**, a ‘slowing and maturing’ company had a strong November. It was reported that it will no longer accept Visa credit cards issued in the UK from 19 January. The incident shows the power of the online retailer and the willingness to take on Visa over credit card transaction fees. Amazon is also a likely beneficiary should the Omicron situation deteriorate.

**Safran**, the ‘mature’ the aircraft engine manufacturer was dealt a blow on the back of the emergence of Omicron, which is likely to reduce demand for aircraft engine maintenance due to flights being cancelled.

**HCA Healthcare**, a ‘compounding’ private hospital operator, declined slightly as it could suffer a hit to elective surgeries on the back of the Omicron emergence, amid a threat of cost increases from labour shortages.

**Steel Dynamics**, a ‘mature’ company retracted due to the decline in steel prices over the month. However, on a year-to-date basis, it is still up significantly.

For William Blair, underperformance was primarily driven by negative stock selection.

Stock selection within Information Technology was particularly weak, hurt by **Atlassian** and **Paypal**. Partially offsetting these effects was an overweight allocation to Information Technology and an underweight allocation to Financials, coupled with positive stock selection within

Communication Services, where **Meta Platforms** propelled relative performance. By region, below average stock selection in the US and Europe-Middle East-Ex UK (Sweden, Ireland, France) detracted most, whereas stock selection within Japan contributed to relative performance.

During the period, Materials and Health Care exposure were reduced. These reductions were offset primarily by an increase to Information Technology. From a geographic perspective, a notable adjustment was an increase to the US, offset by a decrease to Europe ex UK.



*Invest in people, who invest in you.*

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