

December 2021



Soaring inflation forced some major central banks in developed and emerging economies to accelerate their exit strategies from ultra-loose monetary policies.

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.

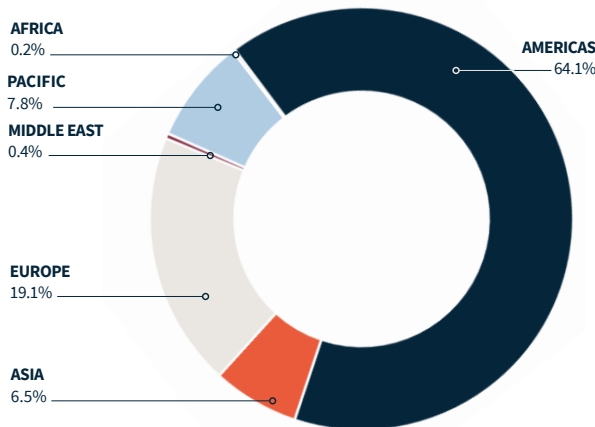
Risk Management

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	4.5%
Amazon.Com, Inc.	3.1%
Apple Inc.	3.0%
Alphabet Inc	1.8%
Unitedhealth Group Inc	1.7%

Regional Allocation



Asset Allocation by Industry

Industry	Weight
Communication Services	7.0%
Consumer Discretionary	11.6%
Consumer Staples	4.4%
Energy	3.0%
Financials	13.3%
Health Care	12.7%
Industrials	11.8%
Information Technology	24.0%
Materials	6.7%
Real Estate	1.7%
Utilities	1.7%
Cash	2.0%

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)*	1.7%	5.7%	8.6%	23.0%	13.3%	11.0%	9.9%
Benchmark ^	1.4%	6.1%	9.1%	26.7%	15.2%	13.1%	12.0%

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

The fourth quarter of 2021 came with a number of challenges. Global supply chains remained stretched and some countries in continental Europe reintroduced COVID-19 related restrictions. This intensified with the discovery of a new variant, Omicron, mid-quarter. To make it worse, soaring inflation forced some major central banks in developed and emerging economies to accelerate their exit strategies from ultra-loose monetary policies.

Global equity market performance was strong over the fourth quarter. The MSCI All Country World ex-Australia Net Total Return Index returned 6.1% for the quarter. The strongest performing sectors were Information Technology (12.6%) and Utilities (10.5%), while Communication Services (-2.4%) and Financials (3.4%) were the worst performers. Other global shares were mixed as the MSCI Small Caps (TR) Index returned 1.7% and the MSCI Emerging Markets (NR) Index returned -1.9% over the quarter, all in AUD terms.

Portfolio Commentary

Over the quarter, the Fund returned 5.7% (after fees), underperforming its Benchmark by 0.4%. Over quarter, the Ironbark Royal London Concentrated Global Share Fund (Royal London) outperformed its Benchmark whilst the William Blair Global Equity Fund (William Blair) was a key detractor.

For Royal London, key contributors for the month included Nvidia, Old Dominion Freight Line and UnitedHealthcare. Key detractors were Safran, Sanwa and Bridgestone. 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, achieved a very

strong quarter. Nvidia is benefiting from a refresh cycle in gaming and cryptocurrencies as well as huge demand growth for its computer chips used in data centres.

Old Dominion, the 'accelerating' less than truck load (LTL) freight delivery company performed strongly amid the current shortage of truckers. The US has been grappling with a chronic lack of drivers for years, but the shortage reached crisis levels during the pandemic, which also sent demand for shipped goods soaring.

UnitedHealthcare, in the 'slowing & maturing' category of the corporate life cycle, gained during the period as the Optum healthcare arm of the business continued to grow at a fast trajectory. The company's third quarter results highlighted the continued evidence of the better integration of UnitedHealthcare (health insurance) and Optum (health services) to deliver superior outcomes at cheaper costs.

Safran, a 'slowing & maturing' company, detracted as Omicron travel restrictions reduced demand for air travel and created further uncertainty for international travel. Still, the company's valuation remains attractive, and it is well placed to benefit from a recovery in the airline industry.

Sanwa, which is in the 'mature' category is a Japanese listed manufacture of steel shutters. The company took a hit amid parts shortages, labour shortages and production constraints, meaning it was unable to fulfil certain customer orders. However, many of these issues are affecting the industry overall and are widely cyclical in nature, the valuation pay-off remains very attractive.

Bridgestone, a 'turnaround' company detracted amid higher input energy costs and raw material costs which created a headwind to improving margins.

For **William Blair**, underperformance versus the benchmark was primarily driven by negative stock selection within the Information Technology sector. Within Information Technology, unowned

Apple was the largest source of relative underperformance. **PayPal**, also within Information Technology, detracted from performance after the company reported softer third quarter revenue and lowered guidance for 2022.

In addition, Industrial's stock selection detracted, hampered primarily by:

Nihon M&A Center Holdings a high-quality Japanese growth company that provides advisory services to small and midsize businesses facing succession-oriented challenges, which is common given Japan's aging demographics. The share price softened in the fourth quarter following news of potential accounting irregularities regarding the attribution period of sales at subsidiary Nihon M&A Center Inc.

Partially offsetting these effects was an overweight allocation to Information Technology coupled with positive stock selection within Health Care.

Zoetis, a leading animal health care provider, bolstered performance within the portfolio's Health Care allocation. The company continues to execute well in the attractive animal health market where they remain a clear industry leader.

During the period, Information Technology exposure was increased through the purchase of **Synopsys Inc.** Synopsys is a leading provider of software tools used for designing and developing semiconductors. Industrial's exposure was reduced through the liquidation of **Lockheed Martin** due to lower future growth expectations. Consumer Discretionary exposure was reduced through the liquidation of **Alibaba Group** holdings.

From a geographic perspective, notable adjustments were decreases to Europe ex-UK and Japan offset by increases to the US and UK. The William Blair portfolio's weighting in Emerging Markets approximated 8.5% at the end of the period.



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