January 2022

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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.

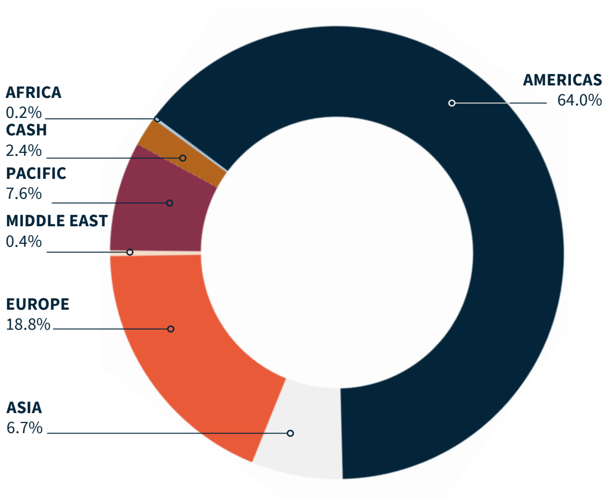
Risk Management

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	4.3%
Amazon.Com, Inc.	3.1%
Apple Inc.	3.0%
Alphabet Inc.	2.2%
Meta Platforms Inc.	1.8%

Regional Allocation



Asset Allocation by Industry

Industry	Weight
Communication Services	7.7%
Consumer Discretionary	11.5%
Consumer Staples	4.5%
Energy	3.7%
Financials	13.4%
Health Care	11.8%
Industrials	11.3%
Information Technology	23.5%
Materials	6.9%
Real Estate	1.6%
Utilities	1.8%
Cash	2.4%

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%	1.7%	2.3%	20.5%	11.7%	10.9%	9.4%
Benchmark ^	-1.8%	3.0%	4.2%	25.0%	14.2%	12.5%	11.6%

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 to start the year as market volatility, measured by the VIX index, spiked over geopolitical concerns and the planned acceleration in monetary tightening as inflation continued to soar. US equities fared worst among major regions due to their high exposure to longer duration growth stocks, which bore the brunt of the sell-off. Country indices with high commodity exposure such as the UK and some emerging markets did well.

Monetary policy and the Russia-NATO standoff over Ukraine were the main drivers of elevated volatility during the month. COVID-19 also played a role as reluctance by some consumers to go out hit the service industry, while mandatory quarantines exacerbated labour shortages and led to disruptions in some sectors such as airlines.

Over the month, value orientated stocks outperformed growth by a significant margin, as investors sold equities with longer implied duration in the tightening policy environment. The most speculative US small cap growth stocks were hit hardest.

The MSCI All Country World ex-Australia Net Total Return Index returned -1.8% for the month. The strongest performing sectors were Energy (16.7%) and Financials (4.6%), while Information Technology (-5.2%) and Consumer Discretionary (-5.1%) were the worst performers. Other global market shares were mixed with the MSCI Small Caps (TR) Index down 4.6% whilst the MSCI Emerging Markets (NR) Index up 1.2% for the month, all in AUD terms.

Portfolio Commentary

Over the month, the Fund returned -2.6% (after fees), underperforming its benchmark by 0.8%. Whilst the Ironbark Royal London Concentrated Global Share Fund (Royal London) outperformed over the month the William Blair Global Equity Fund (William Blair) significantly underperformed which led to the Fund's overall performance.

For Ironbark Royal London, its Life Cycle approach was evident in two ways:

1) the investment manager was not unduly exposed to any particular style and

2) the investment manager's stock picking held up across both ends of the Life Cycle (positive stock selection contribution to performance in Turnaround, Mature, Compounding, and Accelerating stages). Suncor Energy, Anglo American, and Progressive were strong contributors to returns during January whereas Old Dominion Freight Line (ODFL), Legrand, and Steel Dynamics were the largest detractors.

Ironbark Royal London remains focused on investing in wealth-creating companies at attractive valuations, as they believe that this will deliver superior risk-adjusted returns for investors over the long term.

Suncor (Turnaround) gained as oil prices extended their gains. The company, Canada's No.2 oil and gas producer, has generated strong free cash flow as energy prices soared on tight supplies and growing global fuel demand.

Anglo American (Mature) gained as growth stocks were hit particularly hard as the recent style rotation in markets saw value strongly outperform, which helped sectors such as commodities and financials.

Progressive (Slowing & Maturing) gained amid stabilising margins in their auto business. The increase in the value of used cars has pushed up costs and impacted margins, though this is beginning to normalise. Royal London believes the business has a long-term competitive advantage based on its low-cost model and superior data analytics.

ODFL (Accelerating) is the less than truck load (LTL) freight delivery company that has performed strongly amid the current shortage of truckers, however, the valuation payoff is more challenged and the position in the portfolio is smaller than it has been historically.

Legrand (Slowing & Maturing) the low voltage electrical fittings supplier declined, there was a general sell off for industrial holdings over the month, in part due to fears of input costs inflation. Royal London believes that given the strength of Legrand's business model they should be able to pass these costs on.

Steel Dynamics (Mature) detracted as extra supply continues to have a cooling effect on steel prices. Imports will be important to watch following President Biden's deal with the EU last year over steel tariffs imposed by the Trump administration.

For William Blair, the underperformance was primarily driven by a combination of allocation and selection effects. The underweight allocation to financials and energy, coupled with negative stock selection within healthcare and industrials were the largest impact on relative returns.

Within healthcare, **Idexx Laboratories** and **Lonza Group** hindered relative returns. **Nihon M&A Center**, within industrials, was also negative.

Partially offsetting these effects was an underweight allocation to the US and an overweight allocation to Latin America, coupled with positive stock selection within communication services. **Tencent**, within communication services, aided in positive performance.

During the period, consumer discretionary exposure was increased while healthcare exposure decreased. From a geographic perspective, a notable adjustment was an increase to Emerging Asia, offset by a decrease in exposure to Japan.