

February 2022

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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.

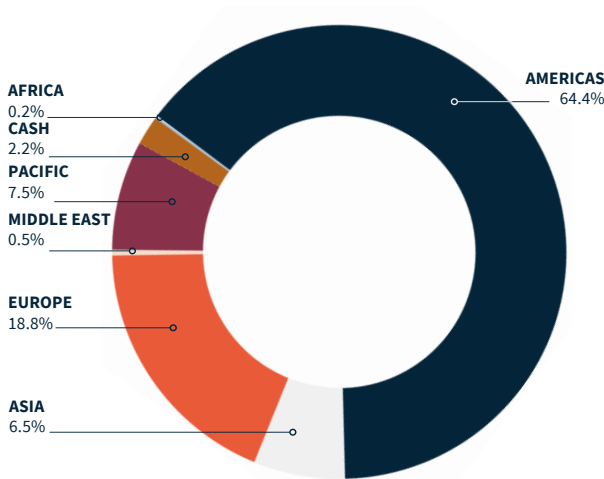
Risk Management

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	4.2%
Amazon.Com, Inc.	3.1%
Apple Inc.	3.0%
Alphabet Inc.	2.3%
Unitedhealth Group Inc.	1.7%

Regional Allocation



Asset Allocation by Industry

Industry	Weight
Communication Services	7.3%
Consumer Discretionary	12.3%
Consumer Staples	4.5%
Energy	3.8%
Financials	13.2%
Health Care	12.0%
Industrials	11.1%
Information Technology	22.7%
Materials	7.5%
Real Estate	1.6%
Utilities	1.8%
Cash	2.2%

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)*	-4.7%	-5.6%	-5.4%	14.8%	8.8%	9.5%	8.7%
Benchmark ^	-5.6%	-6.0%	-4.6%	16.1%	11.8%	11.1%	10.6%

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 and the US S&P 500 briefly entered correction territory during February, driven by monetary tightening and uncertainty stemming from Russia's invasion of Ukraine. Equity volatility was elevated in late February. Investors feared that the war and sanctions against Russia could lead to a material reduction in the global supply of energy and agricultural commodities. US equities slightly underperformed global equities due to higher exposure to growth stocks. Emerging markets also underperformed global equities. Russian equities plummeted by over 50% and other EM heavyweights such as China and India also posted negative returns.

The MSCI All Country World ex-Australia Net Total Return Index returned -5.6% for the month. The strongest performing sectors were Materials (-0.5%) and Energy (-1.0%), while Communication Services (-8.2%), Consumer Discretionary (-7.5%) and Information Technology (-7.3%) were the worst performers. Other global shares markets were mixed with the MSCI All Country World Small Cap (NR) Index down 3.0% whilst the MSCI Emerging Markets (NR) Index down 5.8% for the month, all in AUD terms.

Portfolio Commentary

For the month, the Fund returned -4.7%. Over the month, the Fund returned -4.7% (after fees), outperforming its benchmark by 0.9%. Over the month we again saw William Blair struggle, this was countered by strong outperformance from Ironbark Royal London leading to the outperformance over the month. For Ironbark Royal London, outperformance over the month stemmed from positive stock selection.

Steel Dynamics, Anglo American and Reliance Steele strongly contributed to returns whilst, Bridgestone Corporation, Taiwan Semiconductor and Meta Platforms detracted.

Steel Dynamics (Slowing & Maturing) performed strongly as steel prices rose to post-Global Financial Crisis highs. End market demand is strong, yet domestic US steel production remains constrained, and the company is benefitting from the upswing in pricing.

Anglo American (Mature) gained from buoyant commodity prices. The standout divisional performance in the company's latest results was its copper division.

Reliance Steel (Slowing & Maturing) had a strong fourth quarter, with gross profit increasing 83.6% year on year driven by a record high pricing despite only modest increases in volumes.

Bridgestone Corporation (Turnaround) detracted in response to higher input energy and raw material costs which are a headwind to improving margins.

Taiwan Semiconductor (Compounder) detracted following its biggest price hike in a decade. Royal London believes the price of semiconductors is set to increase over 2022 in which Taiwan Semiconductors will benefit.

Meta Platform (Slowing & Maturing) detracted following a sharp sell down over the month. This was a newly initiated position where Royal London saw the wealth creation and valuation opportunity attractive. The investment thesis is, while in the 'Slowing & Maturing' category, that the core business has the potential to continue to compound success for 3-5 years.

For William Blair, underperformance was primarily driven by a combination of allocation and stock selection effects. The underweight allocation to Materials, coupled with negative stock selection within Information Technology and Communication Services were the largest impact to relative returns.

Within Information Technology, Paypal and Infineon Technologies hindered performance. Whilst, Meta Platforms, within Communication Services, detracted from relative return.

Partially offsetting these effects was an overweight allocation to Asia ex Japan, Industrials, and Healthcare, coupled with positive stock selection within Consumer Discretionary. **Compass Group** and **Ulta Beauty**, within Consumer Discretionary, bolstered positive performance.

During the period, Consumer Discretionary exposure increased while Information Technology exposure decreased. From a geographic perspective, a notable adjustment was an increase to UK and Latin America, offset by a decrease to Japan and US.



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