

June 2026

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Your International Fund





About your International Fund

Fund Facts

The Clime International Fund ("Fund") (APIR Retail SLT0055AU APIR Wholesale CLA0001AU) 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 predominantly in developed markets it may also have an allocation to shares in emerging markets.

Fund Benefits

The Fund provides 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.

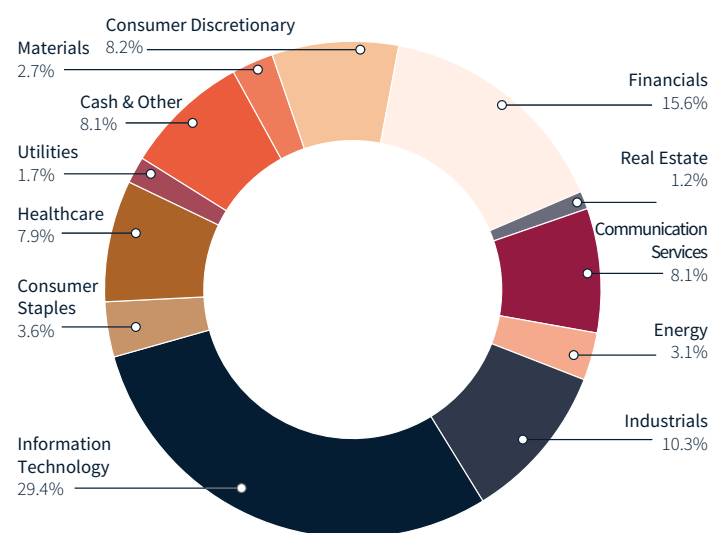
Risk Management

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 Active Holdings

Company	Weight (%)
Macquarie True Index International Equities	35.28%
Macquarie Hedged Index International Equities	13.28%
Arrowstreet Global Equity Fund (Hedged)	10.21%
Schroder Global Core Fund	8.26%
Ironbark Global Systematic Equity A	7.50%

Active Allocation Sector Exposure



Performance

	1 Month	3 Months	6 Months	1 Year	3 Years p.a.*	5 Years p.a.*	7 Years p.a.*	Since Inception p.a.*	Inception Total
Net Portfolio Return (Retail)**	2.50%	11.99%	6.97%	13.62%	13.76%	10.13%	10.08%	9.70%	213.09%
Benchmark [^]	3.10%	13.54%	7.30%	17.36%	18.30%	12.89%	13.66%	12.05%	306.95%

Note: 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. Past results are not a reliable indicator of future performance and results.

** The returns shown above are reflective of the Retail class only. Returns for the Wholesale class will be higher due to the lower fees associated with this investor class.

* Inception date: 11/03/2015

[^] 10% p.a. from the 11th March 2015, 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 and Morningstar Global Markets ex-Australia NR AUD from 31st December 2025.

Portfolio Commentary

The portfolio returned 2.50% in June, underperforming its benchmark return of 3.10%. Global equity markets remained resilient despite heightened geopolitical tensions following the US-Iran conflict, with easing concerns over disruption to the Strait of Hormuz helping oil prices retrace from their highs. Developed markets were supported by resilient corporate earnings, although emerging markets lagged. The Australian dollar weakened against the US dollar during the month, benefiting unhedged international equity exposures, while cash holdings and emerging market allocations detracted from relative performance.

Positive Attributors	Comment
Macquarie True Index International Equities	The Macquarie True Index Global Shares Fund was the largest contributor to performance, adding approximately 1.11%. The fund benefited from continued strength across developed markets, particularly US large-cap technology stocks, with the weaker Australian dollar further boosting unhedged returns.
Franklin Global Systematic Eq Act ETF	The Franklin Global Systematic Equity Active ETF was the second-largest contributor, adding approximately 0.34%. Strong performance from global developed markets and the strategy's diversified quantitative approach supported returns during the month.
Negative Attributors	Comment
Pzena Emerging Markets Value Wholesale	The Pzena Emerging Markets Value Wholesale Fund was the largest detractor, reducing performance by approximately 0.07%. Emerging markets underperformed developed markets during June as investors remained cautious on China's economic outlook and broader geopolitical uncertainty.
Macquarie Hedged Index International Eqs	The Macquarie Hedged Index International Eqs Fund made only a negligible positive contribution, making it the second weakest performer. While developed markets performed well, the weakening Australian dollar meant the currency hedge largely offset equity market gains.

Portfolio Activity

Buy	Comment
Vanguard MSCI International ETF	Proceeds from the partial sale of Macquarie True Index International Equities fund used to increase liquidity profile in the lead up to end of financial year and potential distribution requirements.
Vanguard MSCI International Hedged ETF	Proceeds from the partial sale of Macquarie Hedged True Index International Equities fund used to increase liquidity profile in the lead up to end of financial year and potential distribution requirements.
Sell	Comment
Macquarie True Index International Equities	Partial sell to increase liquidity in the portfolio in the lead up to end of financial year.
Macquarie Hedged Index International Eqs	Partial sell to increase liquidity in the portfolio in the lead up to end of financial year.

Market Commentary

Global equity markets delivered mixed performance in June with rotation out of Mega AI/Tech to cyclical, value, and small-cap stocks. The S&P 500 major US index fell 1.1% in June – and has risen by 22% across the last 12 months. The Global MSCI index was also down 0.8% for June and up 21% for the 12 months to June 2026.

The US market was being powered by the American technology giants and the AI boom, plus remarkable corporate earnings growth. Once again, the USA has found a way to reinvent itself by developing new technologies to increase its profits over the trailing 12 months to June 2026, with EPS growth of between 20% and 24% p.a.



The Global Outlook

While the US continues to lead the world with its technological advancements, the world economy is generally looking at higher inflation and potential issues of stagflation and recession. Growth through 2026 will be challenged by the Iran, Middle East and Ukraine wars, but we are hopefully seeing improvements on the Iran side, with a settlement potentially on the cards with a 60-day ceasefire period and opening of the Strait of Hormuz.

As a result, we saw the oil price fall dramatically in June 26, from a high of \$USD 95 to \$USD 73, a fall of over 23%. It will take a while for oil markets to normalise, even if the Iran war settles.

The 'risk-free' rate has risen and fallen over the last few months, sustaining the major expansion in equity valuations. It is unclear what might trigger a change in this trend, and it is more likely than not that we will see continued strength in equity values, albeit at historically high P/E multiples.

Most developed world share markets had mixed results in June. As mentioned above, the S&P 500 was down 1.1%. The Nasdaq was down 2.8%, while the Dow Jones was up 2.7%. Japan rose 5.7%, while Germany fell 2.8%. Britain was flat, France up 0.44%, and Australia up 0.55%, with Korea down 3.55% (an extremely volatile month for Korean shares) and Shanghai up 0.9%.

Annual Returns to June 2026

Major markets had very different returns for the last 12 months, as shown in the table below. Interestingly, as the AUD has strengthened over the last 12 months, the high returns in most markets have been reduced by the impact of the \$AUD movement over 12 months.

This not only highlights the benefits of diversification but also the impact of currency movements. The Australian share market may have lagged other markets, but after currency effects, dividends and franking, the difference is reduced significantly.

Most notable are the strong returns of Korea and Japan.

Market	12-Month Return to June 2026 (Local Currency)	12-Month Currency Impact	12-Month Return in AUD
MSCI Global	20.8%	9.2%	10.7%
Dow Jones	15.7%	9.2%	6.0%
SP500	22.2%	9.2%	11.9%
Nasdaq	32.4%	9.2%	21.3%
Germany	5.0%	10.4%	-4.9%
Britain	18.8%	11.4%	6.7%
France	6.8%	10.4%	-3.3%
Japan	76.0%	20.7%	35.7%
Korea	175.9%	21.6%	126.9%
China	18.1%	3.1%	14.5%
Australia	2.2%	0.0%	2.2%

Australia Lagging Behind

The Australian share market has lagged peers over the year to June 2026. From the table above part of this can be made up from the appreciation of the \$AUD over the period. Past that, Australia has had lower GDP growth and weaker productivity, which are showing in the returns in Australian stocks. Return on equity and EPS growth has been falling for some time and this is being reflected in the overall performance of the Australian Index. Further detractors include higher energy costs and high labour costs continue to make it hard for Australian Companies to outperform. Australia does not currently have the growth dominance that we see in US Tech and AI businesses, which not only perform well themselves, but also support associated businesses (e.g. growth in data centres) which provide additional economic activity in the building space and other areas of the economy.

For the 12 months to 30 June 2026, we saw large movements in different sectors of the Australian market as follows:

Sector	12-Month Return to 30 June 2026
Materials	47%
Consumer Staples	10%
Energy	9%
Utilities	6%
Industrials	2%
Financials	-2%
Consumer Discretionary	-4%
A-REITS	-5%
Communication Services	-12%
Information Technology	-37%
Health Care	-37%

Again, this highlights the benefits of diversification, especially in markets like Australia where the market is dominated by Banks/Financials and Materials.

Australian Economy and Federal Budget

The Australian economy still has some headwinds, with lower GDP Growth, higher inflation, weak productivity, housing affordability is an issue and pressure on real wages. This cocktail of factors is causing a stagflation risk, and a potential recessionary environment, especially in the household sector where the impacts of increasing interest rates are felt the most.

The Australian Federal Budget marked one of the more consequential shifts in wealth, tax and investment policy in years. The objective here seems to be standardising the tax on all sources of revenue (Personal, Corporate and Family Trusts) so that a minimum of 30% is paid on all capital gains. Corporate entities seem to be the favoured vehicle going forward, shifting the focus from family trusts.

The Australian Federal Budget also included a tightening of negative gearing rules for residential housing, which is likely to focus gearing strategies to equities and other business investments. Whilst negative gearing remains for grandfathered arrangements and new housing stock, the traditional use of negative gearing for real estate may be on the way out.

These budget measures have now been passed through parliament with minor changes.

Key Economic Indicators

Australian Inflation is sitting at around 4%, above the government's desired range of 2% to 3% p.a.

Whilst GDP growth is at around 2%, the GDP per capita growth is still negative over the last 4 ½ years, i.e. since December 2021.

The combination of these two factors is causing investors and economic commentators concern, and this is showing in the real economy, where there are risks in different parts of the economy, including first home buyers and mortgage holders. The corporate sector seems to be adapting to the economic slowdown, but this can only be managed for so long, before the corporate sector shows additional weakness. Clearly materials are still performing well, and this is a key factor in keeping the Australian corporate sector in the positive.

Commodity Markets – Focus on All Materials

Materials have strongly benefited from the surging growth in Tech and AI and the Energy transition from Coal and Petrol to Renewables and EVs. Materials like Copper and Lithium are essential in these new technologies and other materials will continue to benefit over time.

What is also interesting is the flow on activities from these growth sectors, where various parts of the supply chain benefit from this growth. Data centre growth is a great example, and it directly benefits building construction and computer hardware and services sectors, for example.



Commodity prices were mixed across June, with crude oil down 23%, gold down 12%, copper down 2%, and iron ore managed to stay just above US\$100/t.

Australia benefits from these strong price levels, and this is expected to continue over the near to medium term.

Government Bonds

Global sovereign yields were largely unchanged over the month, but with a positive tone as markets factored in the falling price of oil. US 10-year Treasuries ended June at 4.422% (down 3bp), Australian 10 years at 4.77% (down 6bp), UK gilts at 4.77% (down 4bp), and German bunds at 2.86% (down 7bp). With the uncertainty created by the war, we expect ongoing volatility in bond markets as oil prices, inflationary pressures, hits to confidence, and supply disruptions endure.

The Australian dollar was barely changed against the USD and ended the month at US\$0.689.

Conclusion

Australia has lagged global share market returns but performed “OK” due mainly to mineral prices, in comparison to the USA which has shown strong gains in earnings due to the continued Tech and AI boom. Index PE Ratios are historically high in both the US and Australia due to low interest rates in both markets, with the USA having much stronger EPS growth to justify the current PE Ratios. Australia has lower EPS growth caused by structural issues in the local economy as outlined above.

- SP500 has a current average PE ratio of 25.5 x (27.9 in June 2025)
- Nasdaq has a current average PE ratio of 31.8 x (33.8x in June 2025)
- ASX 200 has a current average PE ratio of 20.1 x (19.7 in June 2025)

With the likely (hopefully) end to the Iran/Middle East War, we should see lower volatility and more stability in global markets. That said, markets are at historical highs on several metrics, and caution should be observed. As always, we suggest a prudent policy of asset class diversification, a focus on quality and sustainable yield, and a strategy of riding out short-term market volatility by focusing on long term performance.

Investors should always focus on quality, cashflow and sustainable yield. Whilst in past years momentum and growth stocks were in favour, we believe that Value Investing is now once again the prudent way to invest. Whilst interest rates could fall further (especially in the USA), investors should position portfolios to be more resilient to rising interest rates, higher inflation and geopolitical tensions.



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