December 2025

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Your International **Fund**

Clever investing made *easy*

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.

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 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.

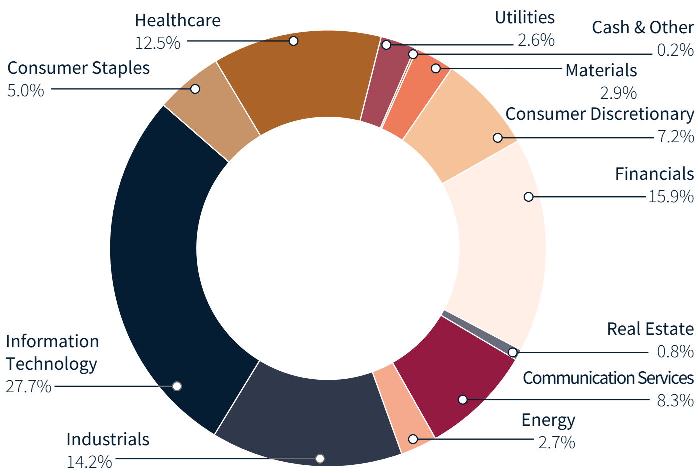
Risk Management

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 (%)
Milford Global Opportunities	27.00%
Macquarie Hedged Index International Equities	23.00%
Macquarie True Index International Equities	16.00%
VanEck MSCI International Quality (AUD Hedged) ETF	12.00%
Vaneck MSCI International Quality (AUD Hdg) ETF	11.00%

Sector 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)**	-0.26%	2.16%	6.15%	8.27%	17.25%	11.29%	10.51%	8.64%	145.03%
Benchmark^	-0.66%	2.72%	9.38%	13.70%	21.52%	14.70%	13.28%	12.11%	244.16%

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 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.

Portfolio Commentary

The portfolio declined 0.26% in December, outperforming the benchmark's 0.66% fall, as diversification and currency hedged exposures helped limit downside in a mixed end of year environment. For the full year, the portfolio returned 8.35%, lagging the benchmark's 13.70% in a period dominated by strong equity beta and momentum driven markets. Performance reflected portfolio construction and the timing of allocations, with a more diversified, risk aware positioning as valuations remain elevated heading into 2026.

Positive Attributors	Comment
Macquarie Hedged Index International Equities	A weighted contribution of 3.96% for the year, driven by broad developed market equity gains, particularly in the US, with currency hedging adding value as the AU strengthened throughout the year.
Macquarie True Index International Equities	A weighted contribution of 1.81% benefited from solid global equity performance across developed markets, capturing broad market returns in a year dominated by equity beta.
Negative Attributors	**Comment**
iShares S&P Small Cap ETF	A weighted contribution of -0.25%, materially underperformed large cap markets as higher rates and investor preference for scale and earnings certainty weighed on small caps.
Global X Euro Stoxx 50 ETF	A weighted contribution of 0.46%, the fund delivered a positive absolute return, its contribution lagged stronger performing regions such as the US and Japan, limiting relative impact in a very strong equity year.

Portfolio Activity

Buy	Comment
No trades	
Sell	**Comment**
No trades	

Market Commentary

December marked the consolidation of the strong gains achieved by most global share markets and asset classes over the course of 2025. Concerns about high valuations and an artificial intelligence bubble, increases in inflationary pressures and a pause in central bank rate cuts, geopolitical and trade tensions between the US and China, tariff disruptions to trade – none of these factors were enough to halt the bull market and a third straight year of positive returns.

Instead of focusing on returns for the month of December, we will note returns over the calendar year of 2025. The key US index, the S&P 500, was up 16.5%. The Dow Jones Index was up 12.97%, while the Nasdaq rose 20.1%.

Japanese stocks were strong, and the Nikkei 225 rose approximately 26%. European markets showed excellent gains for the year: Great Britain +21.5%, Germany +23.0%, France +10.4%, Italy +30.9%, Spain +49.3%. In China, the Shanghai index gained 18.4%.

The Australian share market has lagged the US, Asian, and most European markets this year for reasons we have noted in earlier reports. The ASX 200 rose 10.32% over the calendar year – solid growth but lacking the sparkle of most other developed markets.

In the United States, Economic Data Remains Resilient

With new data emerging following the government shutdown, the US economy looks resilient, in stark contrast to the recession predicted a year ago. There has been a massive boom in artificial intelligence (AI)-related investments, a remarkable feature of 2025. A positive sign for US share markets is that the bull market rally is steadily broadening to include many other sectors, including industrials, mid-caps, small caps, health, and transport. While uncertainties and disruptions caused by President Trump's tariffs and other policies remain in the daily news, corporate profitability continues to grow and expand, which goes some way to justifying high asset prices. Most commentators expect the positive investment environment to continue into 2026, but as usual there are no guarantees.

Despite the noise of the daily news cycle, the US economy has much going right for it: expected further monetary easing by the Fed; fiscal stimulus still in the pipeline; solid household and corporate balance sheets; easy financial conditions; and strong capital expenditures relating to AI, technology more generally, and energy infrastructure. Markets expect that inflation has peaked and will start to fall as the base effects of tariffs wane, and as technology-driven productivity gains reduce costs and unlock new efficiencies.

However, there are always caveats: various geopolitical headwinds – like a worsening of China-US trade tensions, the US capture of Nicolás Maduro in Venezuela, expansion of the Russia-Ukraine conflict that spills across more Eastern European countries, further fighting in the Middle East, tensions over Taiwan. Each and any of these factors could create unintended consequences that serve to disrupt the global economy. Fortunately, such shocks have largely been contained, and we hope they remain so. But as we've often said, high valuations mean that any potential correction could be severe.

Australian Market and Economic Data

Australian markets have severely lagged other developed markets over the past few years. For example, the US market has more than doubled since the start of 2020 (pre the COVID pandemic), while the Australian share market is up by only a third over the same period. This reflects the relatively poorer underlying fundamentals in Australia versus the US (in terms of profits, dividend growth, returns on equity, productivity, and indeed the structure and lack of dynamism in our economy).

In broad terms, the global share market rose around 21.60% over the year, whereas Australia managed only 10.32%. And this repeats a similar story for 2023 and 2024, so it is hard to conclude this is simply "a base effect". In 2025 the ASX was lifted by the big iron ore miners (BHP, RIO, Fortescue), with iron ore prices rising approximately 8.3% for the year despite flat-lined steel production in China and growing stockpiles.

The big banks managed to edge ahead into what we regard as overvalued territory in 2025: big bank profits and dividends have done little over the last decade (and have fallen significantly in real terms after inflation), so there are few fundamental reasons for their share price surges in recent years other than the ever-growing superannuation reservoir of funds and index tracking. Based on next year's forecast earnings, the ASX is trading on 21.8x Price-to-earnings multiple, significantly higher than the long-term average but not at such an extreme level as to cause great concern.

Bond Markets, Currencies and Commodity Prices

The US 10-year Treasury yield ended the year back above 4% as investors recalibrated expectations for the timing and size of future cuts. Investors focused on Fed Chair Powell's comment that another cut this year is not a "foregone conclusion." The 10-year Treasury note finished December at 4.17%. The Australian 10-year bond was sharply higher as well, at 4.74%, reaching its highest level since last January. The increase in yields was prompted by fading hopes of further policy easing, large fiscal deficits, and low expectations of governments' abilities to rein in spending.

Not surprisingly, with their central banks in dissimilar stages of monetary policy, the Australian dollar rose almost 8% to AUD$0.667, supported by robust economic data that has heightened some expectations of potential interest rate hikes by the RBA next year.

Some commodities markets were extremely strong, particularly the precious metals, with silver, platinum and gold all soaring. Silver was up 139.8% for the year, gold +54.5%, platinum +124.5%; industrial metals were likewise firm, with copper +42%, lithium +58%. As we have noted previously, with risks of a global recession having fallen away since the beginning of last year, the diversification benefits of commodities are attractive, and precious metals have become apparent.

Iron ore managed to hold above the US$100/tonne level, but the price of a barrel of oil was weaker by around 20%, with Brent at US$60 per barrel (down 20% over the year).

Conclusion

A year of gains for commodity markets and share markets, with volatility in bonds. Sticky inflation is creating uncertainty amongst central bankers, and we expect that the RBA will not follow the Fed with a further cut in rates anytime soon. As markets are still relatively expensive, we remind investors of the importance of prudent stock selection based on fundamental metrics rather than chasing momentum trade.

Optimism towards US equities is widespread, with strategists almost all expecting positive returns for the S&P 500 in 2026. While that's troubling for the bulls (a contrarian warning signal), the macro outlook remains supportive, given a backdrop of ongoing Fed rate cuts, improving liquidity, and accelerating global economic and earnings growth.

Risks, as always, are multiple. 2026 is a mid-term election year in the US (which has historically been marked by bouts of volatility). Furthermore, it is rare for the bellwether index (the S&P 500) to deliver four consecutive years of strong gains (i.e. after robust annual returns in 2023, 2024 and 2025). None of those factors, though, are useful timing tools, and so we continue to encourage investors to monitor and diversify their asset allocations and ensure portfolios remain fit for purpose.