



Performance to 31 March 2022

	Since inception p.a.	5 Years p.a.	3 Years p.a.	1 Year	6 Months	3 Months
Portfolio return (AUD)	14.8%	16.5%	17.5%	18.6%	-0.2%	-10.8%
MSCI AC World Accum Index ex-Aust (AUD)	11.8%	12.1%	11.7%	8.7%	-3.0%	-8.6%
Excess return	3.0%	4.5%	5.8%	9.9%	2.8%	-2.2%

Benchmark is MSCI All Countries World Index Ex-Australia (AS). Performance is net of investment management fees. Inception date is 18th February 2014. Numbers may not sum due to rounding. Since inception return is annualized and assumes reinvestment of distributions. Past performance should not be taken as an indication of future performance.

Market commentary

Global equity markets fell 8.6% over the quarter (all figures are in AUD unless noted otherwise), driven lower by Russia's invasion of Ukraine, an associated oil price shock, higher than expected inflation and a marked increase in short-term interest rates. However, Australia's large exposure to energy stocks saw local markets benefit from rising commodity prices, rising 3.8% over the same period.

US equities saw an 8.3% decline in the quarter, with the impact from the war, including further inflationary pressures rippling through the economy, most notably at the gas pump. The annual US inflation rate hit 7.9% in February. However, the economy remained robust with unemployment at 3.8%. Being caught between the risk to growth from geopolitical uncertainty and the risk of inflation, the Federal Reserve lent towards addressing inflation. The Fed increased its Target Rate by 0.25% and signaled ongoing rate hikes over the short-to-medium-term. These expectations were reflected in the large move in the US 2-year Treasury yield, from 0.73% at the end of December, to 2.33% at the end of March. The US 10-year Treasury yield closed the quarter at 2.34%, up from 1.51% in early January, placing further pressure on equity markets, particularly among technology stocks with longer-dated earnings profiles. The flattening of the yield curve, often a signal of a weakening growth environment, highlighted economic risks in the medium term. Unsurprisingly, energy and utilities companies were among the best performers.

European markets felt a sharper impact from the shock of the war within the region, falling 10.3%. There was a strong focus on the region's reliance on Russian oil and gas. With higher energy prices weighing on business and consumer sentiment. The largest impacts were seen across the consumer discretionary and information technology sectors, with supply chain disruptions also leading to lower parts availability. The European Central Bank suggested that rate hikes could come in the back of the year but stressed that it would be some time after asset purchases had concluded

in September. Despite the prevailing war in Ukraine, economic statistics, including labour market metrics, remain strong in Europe.

UK equities were resilient in the March quarter, holding up well on a relative basis, down a modest 1.4%. The markets were led by energy and banking stocks, with the strength in the latter driven by expectations around rising interest rates. The Bank of England increased rates by 50 basis points, comprised of two 25 basis point hikes. These hikes were implemented in a bid to curb the inflationary pressures in the region, with the inflation rate expected to hit almost 9% this year.

Emerging market equities were mixed in the quarter, varying greatly by country exposure, but posted a 9.9% decline on an aggregated basis. The war in Ukraine saw geopolitical tensions rise, energy prices surge, and general inflationary pressures continue to persist. The Latin American markets, however, witnessed strong gains given their large exposure to commodities, led by Brazil (+31.6%). The China A equities market fell sharply, down 17.0%, as the country succumbed to a large spike in COVID-19 cases. Given the government's strict zero-COVID policy, fears escalated that targeted lockdowns would become much more widespread across the country, severely impacting economic activity. Russia was removed from the MSCI Emerging Markets Index in March.

Unsurprisingly, Energy was the only sector to post gains in the quarter, rising 17.3%. Commodity prices rose strongly across the board, notably in oil and gas, but also in key agriculture components such as wheat and corn (Russia and Ukraine account for roughly 30% of the world's wheat exports). Consumer Discretionary (down 14.2%) and Information Technology (down 13.1%) were among the largest detractors as consumer confidence declined and interest rates began to rise in a bid to combat persistent inflationary pressures across the globe.

Fund details

Strategy FUM	+\$1.2 Billion
Number of Stocks	10-15
Maximum Single Stock Weighting	10%
Maximum Cash Weighting	10%
Minimum Investment	\$20,000
Investment Management Fee	1.25%
Performance Fee	Zero

Top five holdings as at 31 March 2022

Top five	Region	Sector
Agilent Technologies	US	Healthcare
Alphabet	US	Information Technology
Microsoft	US	Information Technology
Steris	US	Healthcare
Visa	US	Financial Services

Please note the top five holdings of the portfolio are in alphabetical order.

Portfolio characteristics – 3 years to March 2022

Standard deviation	12.6%
Realised beta	1.06
Tracking error	5.7%
Upside capture ratio	1.22
Downside capture ratio	0.90



Composition of Portfolio performance

	Since inception p.a.	5 Years p.a.	3 Years p.a.	1 Year	6 Months	3 Months
Local currency return	13.7%	15.8%	19.2%	17.1%	3.6%	-7.6%
+/- currency impact on return	1.1%	0.8%	-1.7%	1.5%	-3.8%	-3.2%
Portfolio return (AUD)	14.8%	16.5%	17.5%	18.6%	-0.2%	-10.8%

Performance is net of investment management fees. Inception date is 18th February 2014. Numbers may not sum due to rounding. Since inception return is annualized and assumes reinvestment of distributions. Past performance should not be taken as an indication of future performance.

Portfolio performance

The Claremont Global Fund fell 10.8% during the quarter, underperforming the broader market by 2.2%, which saw an 8.6% decrease on a net basis (numbers may not add due to rounding).

There were two notable headwinds for our “quality” portfolio during the quarter: 1) As described above, the Oil and Gas sector was strong, where we have consistently had zero exposure (due to the inherent cyclicality); and 2) during the first part of the quarter there was a rotation to “value” stocks. As might be expected in more difficult environments, the portfolio outperformed its benchmark in the last six weeks of the quarter, as uncertainty and volatility increased.

The portfolio's strong organic revenue growth, pricing power (the portfolio's weighted average gross margin is c.55%, compared with the market at c.35%), limited company debt and capital light businesses, provide us confidence the portfolio can weather an ongoing inflationary environment, if that does eventuate, but regardless will hold the portfolio in good stead across a wide range of economic conditions.

Key contributors to performance for the quarter were **Aon** and **LVMH**:

- Aon (AON-US)** – the company delivered a healthy Q4 and FY21 result, delivering 10% organic growth for the quarter and 9% across the full year. They were able to drive 160 basis points of margin expansion and 15% growth in free cash flow (excluding the termination fee for the proposed merger). Pleasingly, management indicated that employee engagement scores were at all-time highs, signalling the disruption surrounding the merger is well behind them. They confirmed medium-term guidance of mid-single digit organic growth and double-digit free cash flow growth. AON is a beneficiary of asset price inflation and well positioned in the current inflationary environment.

- LVMH (MC-FR)** – was a recent addition to the portfolio, with a stake acquired at the mid-March share price lows, and the share price recovered into the quarter end. The company posted a strong FY21 result during the quarter, delivering organic growth of 36% (+14% over FY19), which was driven by a robust result from the Fashion & Leather division. This business makes up 75% of the company's operating profit and revenue was up 47% year-on-year, while posting a record margin of approximately 42%. Management indicated that momentum is expected to continue. Towards the end of the quarter management implemented mid-single-digit price increases for Louis Vuitton, again demonstrating the pricing power within the group.

The key detractor to performance for the quarter was **Lowe's**:

- Lowe's (LOW-US)** – the company posted their Q4 result with comparable sales up 5% in the quarter and 7% for the full year. It has been hard to fault management's execution over the last 24 months and their continued confidence in the company, and the industry backdrop, led to a guidance upgrade for FY22. Management now expects low-single-digit top line growth (previously flat) and 8-13% earnings per share growth. The share price has been weaker due to concerns around the economic environment, notably rising interest rates and the withdrawal of stimulus payments made to US consumers. However, we remain confident in the company's ability to continue to execute on its strategy, driving margin and improving efficiency across its business.

Fund details

APIR Code	ETLO390AU
ARSN	166 708 792
Responsible Entity	Equity Trustees
Administrator	Mainstream
Custodian	JP Morgan
Currency Exposure	Unhedged
Fund Inception	18th February 2014
Buy/Sell Spread	0.10% / 0.10%

Contribution to portfolio return – Quarter March 2022 (%)

Top Three	%
Aon	0.50
LVMH Moet	0.27
Adobe	0.17
Bottom Three	%
Lowe's	-1.96
Nike	-1.87
Agilent Technologies	-1.54

Numbers represent contribution in percentages of each stock to the percentage change in portfolio value.



Portfolio additions

Louis Vuitton Moet Hennessy (MC-FR) – recent share price weakness, related primarily to geopolitical concerns, provided an opportunity to bring the company back into the portfolio (which had been previously sold on relative valuation grounds). We remain impressed by management’s consistent execution and are attracted to the growth and margin opportunity within the Fashion and Leather segment, including that associated with the company’s Dior franchise. As a global leader in the luxury goods market, over the long-term, we expect the company to continue to build on its strong market positioning and have confidence in the high quality, experienced, management team.

Adobe (ADBE-US) – we also initiated a position in Adobe during the quarter, a global leader in the creative and digital media industry. For many creatives, Adobe is as essential as Microsoft Office is for knowledge workers. The company’s dominant position within creative media is evident in their leading position over the last three decades, with the company boasting greater than 90% subscription revenue and very high incremental margins. Adobe’s high value-to-cost ratio (indicating it adds a lot of value to users), has enabled the company to significantly grow its user base, with the rise of digital media consumption fueling growth. The quality of the business is highlighted when looking at the company’s historical performance over the five years to the end of 2021, with 22% revenue growth, 36% adjusted earnings per share, and 28% free cash flow growth per annum.

Portfolio removals

Sherwin-Williams (SHW-US) – we exited our position in the company on valuation grounds. We remain confident in the quality of the business and its continued strength within its respective industry, however, we believed there were more attractive investment propositions elsewhere.

Diageo (DGE-LON) – we exited our position in the company as we looked to fund the purchase of LVMH. With both companies trading at similar valuations, we believe the quality of the LVMH business is higher in terms of brand heritage, organic growth, and pricing power.

Securities movements for the quarter of March

Bought in	Adobe, LVMH
Sold out	Diageo, Sherwin-Williams
Increased holding	Agilent, Nike, Microsoft, Google, Broadridge, Ross Stores, Aon
Decreased holding	Steris, Automatic Data Processing, CME, Lowe’s

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Strategy Inception	Companies Held	Strategy FUM	5-year total return per annum (net)	5-year alpha per annum (net)
2011	10 - 15	+\$1.2bn	16.5%	4.5%
<small>Past performance is not a reliable indicator of future performance. Returns assume reinvestment of distributions and is net of fees.</small>				

Important information

This report has been prepared by Claremont Funds Management Pty Ltd (Investment Manager) (ACN 649 280 142, ABN 38 649 280 142, CAR No. 001289207), as investment manager for the Claremont Global Fund (ARSN 166 708 792) and Claremont Global Fund (Hedged) (ARSN 166 708 407), which are together referred to as the 'Funds'. Equity Trustees Limited (ACN 004 031 298, AFSL 240957) ("Equity Trustees") is the Responsible Entity of the Funds. For further information on the Funds please refer to each Fund's PDS which is available at www.claremontglobal.com.au. The Target Market Determination for the product can be available by contacting your adviser. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed. This report may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs. Past performance is not a reliable indicator of future performance. Future performance and return of capital is not guaranteed. The information may be confidential and is intended solely for the addressee. If you are not the intended recipient, any use, disclosure or copying of this information is unauthorised and prohibited. If you receive this e-mail in error please notify the sender and delete the e-mail (and attachments). This report may contain statements, opinions, projections, forecasts and other material (forward-looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. The Investment Manager and its advisers (including all of their respective directors, consultants and/or employees, related bodies corporate and the directors, shareholders, managers, employees or agents of them) (Parties) do not make any representation as to the accuracy or likelihood of fulfilment of the forward-looking statements or any of the assumptions upon which they are based. Claremont Funds Management Pty Ltd is a wholly owned subsidiary of E&P Financial Group Limited (ABN 54 609 913 457), a signatory to the United Nations Principles for Responsible Investment (UNPRI). Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and the Parties assume no obligation to update that information. The Parties give no warranty, representation or guarantee as to the accuracy, completeness or reliability of the information contained in this report. The Parties do not accept, except to the extent permitted by law, responsibility for any loss, claim, damages, costs or expenses arising out of, or in connection with, the information contained in this report. Any recipient of this report should independently satisfy themselves as to the accuracy of all information contained in this report. MSCI indices source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representation with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent. Annualised performance as at December 2021, FUM figures in AUD.

[Research ratings disclaimer](#)

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About Claremont Global

Claremont Global is a boutique fund manager located in Sydney, Australia. We run a high-conviction, fundamental strategy and only invest in international equities. Our evidence based and rigorous bottom-up approach allows us to identify the world's best companies. If these businesses satisfy our specific criteria and strict valuation methodology the team will consider to invest in them for the long term.

Our Philosophy

Our investment philosophy can be described as buying quality growth businesses at a reasonable price. We look to acquire these securities at a discount to our estimate of their intrinsic value. We explicitly exclude specific industries and areas of the market. We invest in companies whose earnings growth drives intrinsic value, whilst their inherent quality (high margins, strong balance sheets and cash flow) will help to protect client capital in difficult markets.

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