Intermede uses an investment approach that its Portfolio Manager, Barry Dargan, has applied to managing global share funds for many years, through many types of market conditions including the global financial crisis.

Intermede believes that by using this investment approach, the portfolio can outperform its market benchmark.

Key facts
- Manages global shares for MLC since December 2015
- Manages approximately $2 billion (including the MLC mandate) across the world as of 30 November 2015
- Established in 2014
- Based in London
- Majority owned by its employees
- NAB Asset Management has a minority interest. MLC and NAB Asset Management are members of the NAB group of companies

Why MLC has chosen Intermede
MLC has appointed Intermede Investment Partners Ltd (Intermede) to manage a global shares strategy because of the quality and considerable experience of Intermede’s investment team.

Prior to establishing Intermede, most members of the investment team worked together, applying a consistent investment approach to managing global share funds. They bring this same approach and philosophy to their new business.

Philosophy on investing
Intermede have a single focus - global shares - as they believe this will deliver the best outcomes for their clients.

Intermede believes that companies with good management and strong market positions in attractive industries will outperform if their shares are bought at the right price. They look for companies with a demonstrated long-term sustainable competitive advantage as this gives them the confidence that these high rates of growth and return will be maintained in the future.

Intermede buys companies for the portfolio with the intention of holding them for the long term. They tend to manage a concentrated portfolio of approximately 40-50 companies.
Investment process

The team engages in intensive, bottom-up, fundamental research to find investment opportunities in mid and large capitalisation companies, across developed and emerging markets.

Intermede use proprietary screening to identify companies with long-term growth and return metrics that meet some or all of the following four key criteria:

1. A sustainable competitive advantage

Here Intermede identifies a company’s competitive advantage - identifying its “franchise”. This gives them the confidence that high rates of growth and return will be maintained in the future.

These are likely to include at least some of the following:

- **scale**: the wider the geographic footprint and client base the better
- **dominant market position**: oligopolistic business
- **high barriers to entry**
- **first mover advantage**: innovation is so often key
- **high switching costs**: it’s just too expensive to make them go away
- **differentiated product or service**

Once Intermede has identified what gives a company its edge within an industry, they are confident of its ability to deliver better pricing, higher volume growth and, as a result, outperform its peer group.

2. A superior business model

This relates to the financial aspects of the business. It should offer higher returns and growth, via:

- **high free cash flow**
- **low capital employed/high Return on Equity (RoE)**
- **leverage-able business model**: costs grow slower than revenues over time to deliver rising RoE
- **consistency of cash flows**
- **best in class profit margins**: they keep more of every dollar they earn

It’s important that the business has **high and increasing returns**. This generally goes with high free cash flow, but it should also mean high margins and returns generated by them.

3. An excellent management team

Financial outcomes and shareholder value creation comes from excellent management teams. These teams should consist of trustworthy people who can execute business plans to drive the business forward. Important factors Intermede look for include:

- **proven track record**
- **clear strategy for growth** (believable vision for the future)
- **insider ownership**
- **good capital allocation**
- **integrity**
- **a history of using shareholder funds wisely** (no dilutive acquisitions). Companies buy-back stock, but sometimes the number of shares outstanding never seems to shrink because companies are also busy issuing shares to employees. Employee share participation needs to be balanced with the total number of shares outstanding over time.
4. A price lower than Intermede’s valuation for the company

The price paid to own a great company is critical. Intermede consider both static multiples as well as a discounted cash flow (DCF) valuation to get the intrinsic value range. They use the following to identify shares in companies at a valuation which does not fully value their long-term potential:

- static multiples to not exceed averages for the company’s share price trading history
- static multiples relative to global industry peers’ multiples
- DCF valuation to be in excess of the current share price valuation by at least 20%
- earnings and cash flow yield of the company’s equity to be greater than alternative investment opportunities of a similar class.

Intermede look beyond the immediate one or two year forecasts, as the high growth, if sustained, will drive the multiple down rapidly. They focus on when the company’s earnings multiple falls below the market’s average price-to-earnings P/E ratio.

Portfolio biases

Given Intermede’s investment approach, it’s likely their portfolio will be biased in several ways:

1. They’ll tend to manage a 40-50 name concentrated portfolio comprising of the stocks in which they have the highest conviction and which they believe offer the greatest upside.
2. They’ll tend to be overweight in industries which, over the long term, grow faster than global GDP. For example, consumer-related, technology, capital goods and healthcare.
3. Display a preference for companies which sell many small ticket items to a lot of people. These companies may find it relatively easier to raise prices and volumes than companies that sell big ticket items to a few sophisticated customers.
4. Biased towards companies that sell low priced, but high value, business critical items.

Investment people

Intermede’s investment team have extensive investment experience and most members have worked together previously, delivering long-term solid investment results.

Biographies

**Barry Dargan, CEO & Portfolio Manager**

Barry is the lead portfolio manager and has 30 years’ experience as an investment professional, 12 years of which were as a global share portfolio manager.

Prior to Intermede, Barry was partner, managing director and portfolio manager at Artisan Partners in London. He also worked in London, Boston and Tokyo during his 14 year tenure at MFS Investment Management.

**Chris Smith, Investment Analyst**

Chris is an investment analyst with 15 years’ investment experience and covers consumer sectors. Working alongside Barry at Artisan Partners in London, he was a global sector analyst.

Prior to this he worked for investment managers in the US covering drug retail and healthcare distribution, global consumer sectors and consumer finance companies.

**James Kim, Investment Analyst**

James is an investment analyst covering technology stocks and has 15 years of investment experience working in New York and Tokyo.

Prior to Intermede, James worked for Fidelity Management Research in Japan.
Nicholas Midgley, Investment Analyst
An investment analyst focussed on the capital goods sector, Nicholas has eight years of investment experience. Previously working at Artisan Partners in London, Nicholas was a global sector analyst. He also covered European capital goods as an analyst at Jeffries, London.

Charles Cooper, Investment Associate
An investment associate, Charles completes the team’s research capability, focussing on the Healthcare sector. Previously employed at Berenberg Bank in London he covered biotech/mid cap pharmaceutical companies.

Richard Thompson, Investment Associate
As an investment associate, Richard completes the team’s research capability, focussing on the Financial Services sector. Previously, he was employed at Deutsche Bank and Gladstone Capital. Richard is a Chartered Accountant.

Important information
This information is provided by MLC Investments Limited (ABN 30 002 641 661, AFSL 230705) and MLC Limited (ABN 90 000 000 402, AFSL 230694), the latter as administrator of The Universal Super Scheme (ABN 44 928 361 101) (“TUSS”), both members of the National Australia Bank (ABN 12 004 044 4397, AFSL 230 686) group of companies, 105–153 Miller Street, North Sydney 2060.

This information may constitute general advice. It has been prepared without taking account of individual objectives, financial situation or needs and because of that you should, before acting on the advice, consider the appropriateness of the advice having regard to your personal objectives, financial situation and needs.

This communication is intended only for residents of Australia. It is not intended to be a solicitation from Intermede Investment Partners Ltd to invest in any of its products directly, or to engage Intermede Investment Partners Ltd directly.

The information is current as at 7 December 2015, except for the amount managed which is updated as stated.

You should obtain a Product Disclosure Statement or other disclosure document relating to any financial product (for which Intermede is a manager) which is issued by MLC Investments Limited and MLC Nominees Pty Ltd (ABN 93 002 814 959) as trustee of TUSS, and consider it before making any decision about whether to acquire or continue to hold the product. A copy of the Product Disclosure Statement or other disclosure document is available upon request by phoning the MLC call centre on 132 652 or on our website at mlc.com.au.

An investment in any product offered by a member company of the National Australia Bank group of companies does not represent a deposit with or a liability of the National Australia Bank Limited (ABN 12 004 044 937) or its subsidiaries.

MLC Investments Limited and MLC Limited rely on third parties to provide certain information and are not responsible for its accuracy. MLC Investments Limited and MLC Limited are not liable for any loss arising from person relying on information provided by third parties.

The investment manager is current as at the date this communication was prepared. Investment managers are regularly reviewed and may be appointed or removed at any time without prior notice to you.