

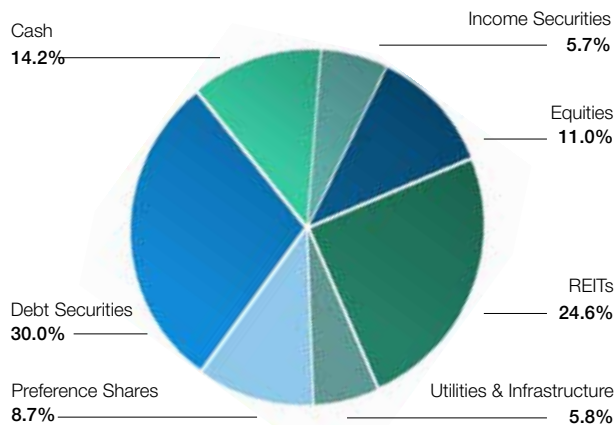
Clime Australian Income Fund

In November, the Fund participated in two floating rate notes (FRN): AMP Limited and Bendigo & Adelaide Bank T2 FRNs in order to capture their quarterly cash interest payments. They are priced at 275bp and 245bp + 90day BBSW respectively. These are both credit rated papers with 5 year non-call 10y maturity. The yield to call in both is over 5.0% which we believe are attractively priced. Following due diligence, Starwood Capital Asia revised their offer of \$2.95 (minus the intended distributions to 31 March 2019) for Australian Unity Office Trust (AOF). This implies a cash offer of \$2.87 post distributions. AOF rejected their revised offer. As we believe there is insufficient takeover premium, we agree with the manager's decision.

After touching a high of 3.24% in November, the US 10y treasury yield finished at 2.99%, likely influenced by the Fed's less hawkish comments on the economy and signaling that the "neutral" rate is near. The Australian 10y bond yield also finished lower at 2.59%. Despite this, we retain the view that the Fed will hike in December. In these uncertain times, we expect the US 10y Treasury to move up, and so the Fund's strategy is to focus on the gradual accumulation of best yield assets across the entire capital structure (debt and equity) to balance income with price stability.

Consistent with the Fund's objective of providing capital stability while generating regular quarterly income, the Fund's actual 1-year volatility of 2.65% p.a. remains markedly below that of the headline ASX200 (equity) Index (8.90% p.a. measured over the same weekly period).

Asset Allocation



Snapshot

Portfolio Return (November)	Recent Distribution	Income (Annual)	Fund Size
0.14%	0.8045 (cents per unit)	3.8%	\$20.8m

Performance and Volatility of Return (30/11/18)

	1 month	3 months	6 months	1 year	2 years	3 years	Inception
Portfolio Return [^]	0.14%	-1.39%	1.50%	0.87%	5.66%	6.51%	6.20%
Income	0.00%	0.73%	2.41%	3.81%	3.96%	3.76%	3.46%
Capital Growth	0.14%	-2.11%	-0.89%	-2.82%	1.63%	2.65%	2.65%
Volatility	-	-	-	2.65%	2.58%	3.29%	3.32%

Note: Compound (geometric) returns are used in the above table's segmentation of Income and Capital Growth. This may result in small differences when compared with a simple addition of Income and Capital Growth components.

[^]Portfolio return is based on the change of the unit price including distributions but excluding franking credits. Franking credits will enhance this portfolio return, and historically this has added about 0.30% pa to the return of the Fund.

*Inception: Wholesale Units: 1 July 2015. 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 do not include the benefit of franking credits.

** Volatility is based on the annualised standard deviation of weekly price movements.

Distributions

Period Ending	Wholesale Units (cents per unit)
30 September 2018	0.8045
30 June 2018	1.8352 (+0.2025 franking credits)
31 March 2018	0.7455
31 December 2017	0.7602

Top 5 Holdings

Security	Weight%
Multiplex convertible Notes	2.8%
National Income Securities	2.7%
Macquarie Income Securities	2.6%
Elanor 7.1% 171022	2.4%
Centuria Diversified Property	2.4%