

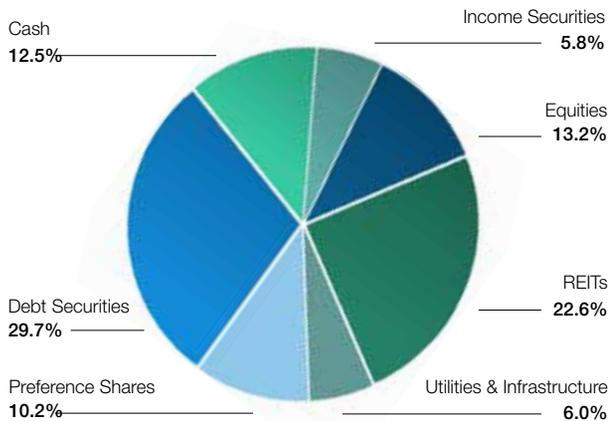
## Clime Australian Income Fund

In December, the Fund topped up on its unlisted Elanor Commercial Property Fund with a yield close to 9.9%. We decided to exit Vicinity (VCX) with a small profit. We decided to exit VCX because we like to lower the exposure to retail-sub-sector REIT given the retail sector is facing a twin challenge of cyclical negative downturn and structural threats from online disruption.

The US 10y treasury yield continued to come back (bond price went up), where it started the month at 2.99% to finish on December 2018 at 2.68%. This was likely influenced by the Fed's less hawkish comments on the economy and further signs that the slowdown globally (China, EU and Japan) is likely to have an impact on the US economy with the latest leading indicators in the US such as the ISM numbers have printed a bigger drop than anticipated. The Australian 10y bond yield also finished lower at 2.32%. Despite this, the Fed has signaled two more hikes in 2019, we think perhaps one hike closer to mid-2019 and one more toward the end of 2019. In our opinion, both anticipated hikes will likely be very data dependent. Despite these uncertain times, the Fund's strategy is to focus on the gradual accumulation of the best risk adjusted 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 2.67% p.a. remains markedly below that of the headline ASX200 (equity) Index (8.80% p.a. measured over the same weekly period).

### Asset Allocation



### Snapshot

Portfolio Return (December)	Recent Distribution	Income (Annual)	Fund Size (Cum Distribution)
0.16%	0.8859 (cents per unit)	4.0%	\$20.3m

### Performance and Volatility of Return (31/12/18)

	1 month	3 months	6 months	1 year	2 years	3 years	Inception
Portfolio Return <sup>^</sup>	0.16%	-1.13%	0.57%	0.53%	4.36%	6.04%	6.10%
Income	0.82%	0.82%	1.55%	3.95%	3.92%	3.96%	3.62%
Capital Growth	-0.65%	-1.93%	-0.97%	-3.29%	0.42%	2.00%	2.39%
Volatility	-	-	-	2.67%	2.52%	3.19%	3.31%

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.

<sup>^</sup>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)
31 December 2018	0.8859
30 September 2018	0.8045
30 June 2018	1.8352 (+0.2025 franking credits)
31 March 2018	0.7455

### Top 5 Holdings

Security	Weight%
Multiplex Convertible Note	2.9%
National Bank NABHA	2.7%
MBLHB Perp Notes	2.7%
Elanor 7.1% 171022	2.6%
Centuria Diversified Property Fund	2.6%