



Clime Australian Income Fund

Monthly Investment Report - January 2018

Investment Objective

The Fund's objective is to provide a level of income of 3% p.a. above the RBA cash rate and to grow capital in line with CPI. It seeks to deliver a strong risk-adjusted total return and is expected to have a level of total volatility of returns of less than half traditional equity indices.

Investment Strategy

The Clime Australian Income Fund seeks to provide an income stream above the RBA cash rate from a portfolio of Australian listed and unlisted securities, with a strong view towards capital preservation.

The portfolio will invest in select high quality individual investments which in aggregate create a best ideas portfolio for income generation. Portfolio yield is likely to be incrementally enhanced via franking credits.

Fund Profile

| | |
|--------------------------------------|--|
| Investment Manager | Clime Asset Management Pty Limited |
| Investments | The Fund's goal is to select high quality individual investments that allow the creation of a best ideas portfolio for income generation. |
| Fund Size - Wholesale Inception Date | A\$15.7 million 1 July 2015 |
| Income Distributions | Quarterly. Unless otherwise requested, distributions are automatically re-invested. |
| Management Fee | 1.03% p.a. [^] |
| Contribution Fee | Nil |
| Minimum initial investment | \$200,000 |
| Minimum additional investment | \$10,000 |
| Expenses | 0.21% p.a. |
| Withdrawal Fee | Nil |
| Benchmark | Achieve a return of 3% p.a. above the RBA cash rate and to grow capital in line with CPI with volatility of returns less than half S&P/ASX200 Index. |
| Investment Horizon | Minimum 3 years |

[^]The Australian Income Fund is currently in the incubation phase and at this time the manager is not charging the full management fee. With effect from 1 January 2018, the management fee was revised to 0.871% pa, which will be reviewed on a quarterly basis.

Performance and Volatility of Return (31/01/18)

| | Portfolio Return [^] | Income | Capital Growth | Volatility ^{**} |
|------------|-------------------------------|--------|----------------|--------------------------|
| 1 month | -0.45% | 0.00% | -0.45% | - |
| 3 months | 1.11% | 0.68% | 0.43% | - |
| 6 months | 3.46% | 1.22% | 2.20% | 1.64% |
| 1 year | 8.15% | 3.89% | 4.10% | 2.05% |
| 2 years* | 9.53% | 3.97% | 5.35% | 3.14% |
| Inception* | 7.93% | 3.37% | 4.42% | 3.44% |

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.

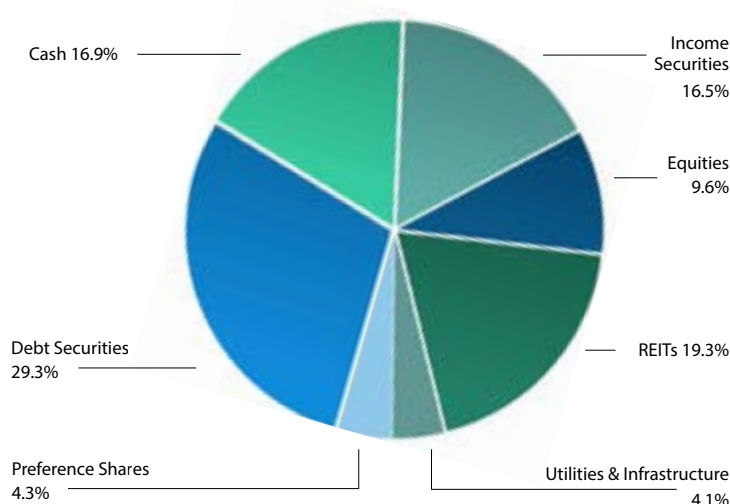
[^]Portfolio return is based on the change of the unit price including distributions but excluding franking credits. Franking credits will enhance this portfolio return, and historically this has added about 0.30% pa to the return of the Fund.

*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.

The 1 year volatility of the S&P/ASX200 is 9.3% over the same weekly measurement period; placing the Clime Australian Income Fund volatility significantly below that of the Australian traditional equity index. This is consistent with the Fund objective of providing capital stability while generating regular quarterly income.

Asset Allocation



Wholesale Units - Monthly Returns (since inception*)

| Financial Year | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | CAIF FYTD |
|----------------|------|-------|-------|-------|-------|------|-------|-------|------|------|------|------|-----------|
| 2015 - 16 | 0.5% | 0.6% | -1.3% | 2.5% | -0.6% | 1.5% | -1.6% | -0.3% | 2.5% | 1.3% | 1.7% | 0.7% | 7.6% |
| 2016 - 17 | 2.5% | -0.0% | -0.3% | -0.7% | 0.8% | 2.7% | -0.3% | 1.5% | 1.2% | 0.9% | 0.1% | 0.3% | 9.0% |
| 2017 - 18 | 0.4% | 1.1% | 0.4% | 0.9% | 1.06% | 0.5% | -0.5% | | | | | | 3.9% |

*Inception date as at 1 July 2015 (Wholesale) at which point the Fund's units NAV was struck at an inception price of AUD 1.00.

Note: FYTD represents net return for the given financial year, calculated after all applicable fees and taxes. Performance figures compare unit price to unit price for the given period.

Distributions

| Quarter Ending | Wholesale Units (cents per unit) |
|-------------------|-------------------------------------|
| 31 December 2017 | 0.7602 |
| 30 September 2017 | 0.6015 |
| 30 June 2017 | 1.8451 +0.3189 franking credits |
| 31 March 2017 | 1.0082 |
| 31 December 2016 | 0.9706 |
| 30 September 2016 | 0.5123 |
| 30 June 2016 | 2.1483 +0.3153 franking credits |
| 31 March 2016 | 0.8246 |
| 31 December 2015 | 0.2390 |
| 30 September 2015 | 0.5383 |

Top 5 Holdings

| Security | Weight% |
|--------------------------|---------|
| Elanor 7.1% 171022 Bond | 3.3% |
| Macquarie Perp Notes | 3.2% |
| National Bank NABHA FRN | 3.2% |
| Challenger Life Float | 2.6% |
| CBA Convertible Note VII | 2.2% |