

Clime Fixed Interest Fund



Fund Performance - December Quarter 2019

The Clime Fixed Interest Fund's primary objective is capital preservation. It aims to generate income returns above the RBA cash rate in the form of monthly income distributions. Its return objective is to outperform the benchmark of the RBA cash rate +2.0% p.a. The Fund's risk objective is set at 1.5% ± 1.0%, as defined by the weekly change of the annualised standard deviation of the unit price movement.

Portfolio Quarter Net Return	Portfolio 6-Month Net Return	Portfolio Net Return Inception p.a.	Fund Size
0.5%	1.2%	2.1%	\$17.5m

	1 month	3 months	FYTD	Since Inception*
Portfolio Net Return**	0.1%	0.5%	1.2%	2.1%
Risk	-	-	0.4%	0.6%

*Inception date: 17 April 2019

**Portfolio return is based on the change of the unit price including distributions and franking.

^The volatility of return is based on the change in the weekly unit price. Since the Fund is less than 6 months old, it is likely that risk indicated here is only an approximation.

The Fund achieved a return of 0.5% in the December quarter and 2.1% since inception in April 2019. With cash of more than 15%, the Fund is not quite fully invested. Moreover, it was set up at a time when interest rates were rapidly declining, creating an environment where coupons for floating rate notes were likewise reducing sharply in anticipation of further rate cuts.

As the Fund is less than 12 months old, we have estimated that the risk as defined by the annualised weekly change in the unit price is 0.4% for FYTD and 0.6% since inception. Whilst the Fund has not been long established, the preliminary risk data has provided a preview of the level of risk of the portfolio. A 0.6% risk is at the lower bound of the risk range of 0.5% to 2.5% which the Fund is aiming for.

The equity market turned more volatile in August and remained volatile during the December quarter 2019. In contrast, the Fund avoided and minimised much of the market volatility. Naturally, past trends are no guarantee of the future.

Distributions

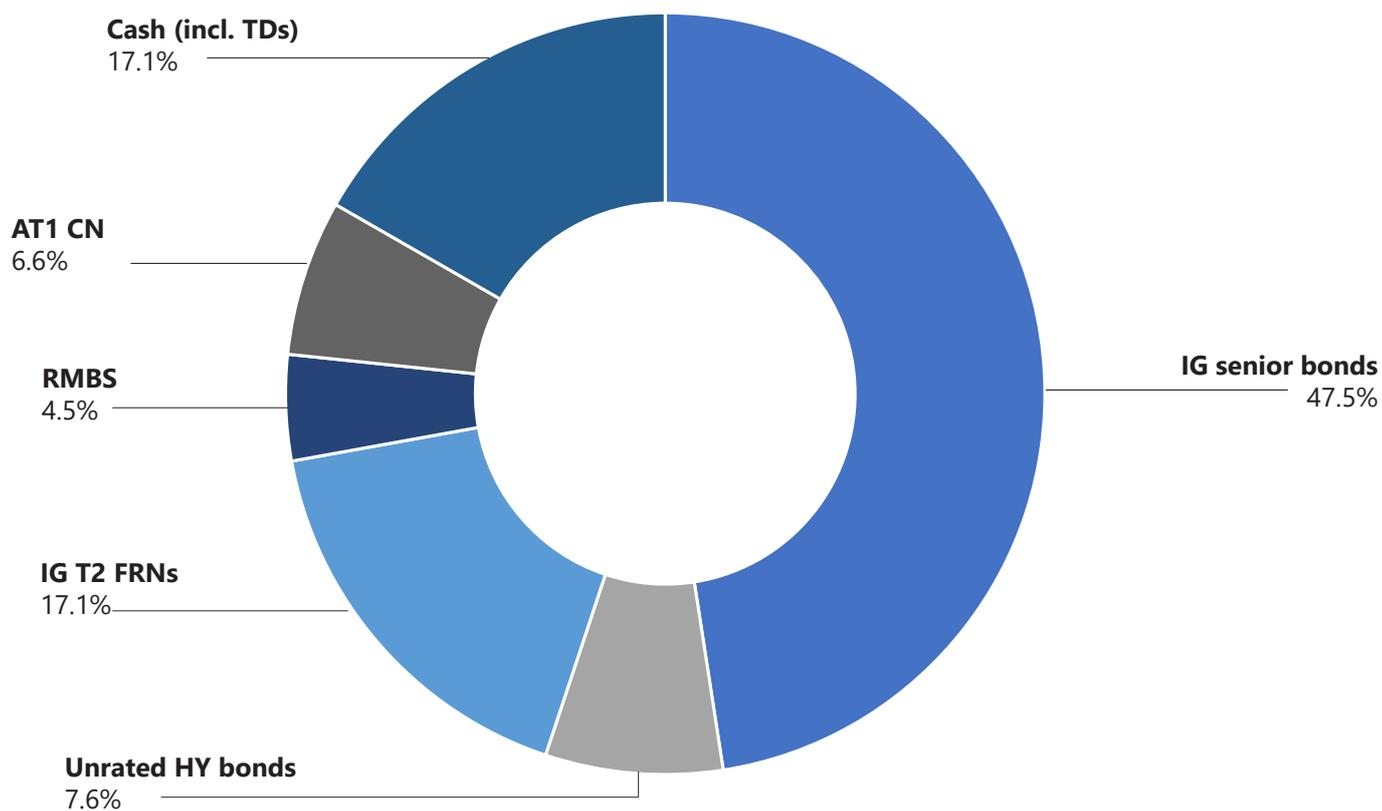
The Fund distributes monthly on a cash basis (if any). In other words, all interest available for the month once received is distributed. For the December quarter, we distributed a total of 0.2340 cent / unit, with the latest distribution of 0.0899 cent / unit for the month of December 2019.

Fund Facts

Portfolio Manager	Dr Vincent Chin
Fund Inception	April 2019
Fund Size	\$17.5m
Cash Distributions	Monthly



Asset Allocation





Portfolio Commentary

At 31 December 2019, the Clime Fixed Interest Fund was diversified across investment grade (IG) senior and IG subordinated debt, high yield bonds, RMBS and AT1 Capital Notes / Hybrids. We have yet to invest in income notes or asset backed securities. The highest portion of the portfolio is in investment grade FRNs and fixed rate bonds at around 65%. This is core to our investment strategy as this will likely provide the capital preservation / price stability required by the Fund while earning interest above that of the cash rate. The objective of these coupons is to provide steady and regular monthly income distributions. Beyond that, we endeavour to be selective with HY bonds, capital notes and RMBS. These other asset classes usually have a higher yield but come with higher risk. To mitigate risk further, we restrain from taking larger exposures at the individual security level.

During the quarter, we invested mainly through primary issues. In anticipation of rates dropping further, primary issues were in high demand. We had an active quarter across various debt and credit debt securities.

For senior investment financial debt, we participated in the following:

- Australian Unity series D bond – due to strong demand, we only managed to secure a small parcel of the 7y FRN. It was priced at 2.80% over the BBSW.
- Teacher Mutual Bank's senior debt – a new 3-year FRN priced at 0.90% over the BBSW.
- Citibank – a new 3-year FRN priced at 0.72% over the BBSW.
- Credit Union Australia – a new 5-year FRN priced at 1.27% over the BBSW.
- Bank Australia Green sustainable bond – we bought our first green sustainable bond from Bank Australia. This is a 3-year FRN priced at 0.90% over the BBSW.

We ventured into senior investment grade Corporate Mid-Term Notes for the first time this quarter. We participated in the following primary issuance:

- Origin Energy – an 8-year 2.65% fixed rate bond. Origin Energy came back to the local debt capital markets after an absence as they have mainly raised money overseas.
- Endeavour Energy is the NSW power distribution network which is 49.6% owned by the NSW Government. We participated in their 2.25% 7-year fixed rate bond.
- Port of Melbourne is owned by a consortium of superannuation funds, including the Future Fund. We took part in their 7-year 2.45% fixed rate bond.

In the investment grade financial subordinated FRN, we participated in the Westpac and National Australia Bank Tier 2 subordinated FRNs priced at 1.98% and 2.02% over the BBSW respectively. A short duration Commonwealth Bank Tier 2 bought earlier was called back in November 2019.

We selectively took part in three HY bonds. They are:

- The Woolworth Holdings Limited (DJ Finance) 3y non-call 6y maturity FRN. It was priced at 3.75% over the BBSW. The bond is a senior bond secured predominantly against its property assets.
- IMF Limited – a 5.65% fixed rate 6-year bond.
- Seek Limited – a 3.5y non call 6.5y maturity FRN priced at 3.70% over the BBSW.

In the Capital Notes asset class, we participated in CBA PERL XII (ASX: CBAPI), priced at 3.00 over the BBSW, AMP AT1 CN series 2 (ASX: AMPPB) priced at 4.50% over the BBSW, and a new OTC NAB 10y fixed rate AT1 CN priced at 4.95%. Since this asset class is somewhat higher risk compared to normal debt, we have limited Fund exposure to around 6% and do not anticipate moving above 10% at this stage.

Lastly, we participated in the RMBS issued by CBA's medallion 2019 series.

Other than the AT1 Capital Notes asset class, we kept the average duration of each of the asset class buckets (senior, subordinated, unrated

et. al.) at the shorter side, i.e. around 3.5 to 5 years, to minimise credit duration risk. This is shown in the table below. As most of these debt securities are FRNs, we have not taken much interest rate risk.

During the previous quarter, we noted that we intend to favour duration and will consider fixed rate bonds in an environment where we believe interest rates are yet to bottom. Thus we have taken a small exposure on fixed rate bonds as described above. While it is not our base case (yet), the RBA may implement unconventional monetary policy (more later). In the event that this occurs, having a small exposure to fixed rate bonds would be positive for the portfolio.

Asset Type	Average Duration (years)
IG Senior Bonds	4.2
IG Tier 2 FRN's	4.5
Unrated HY bonds	3.3
RMBS	2.0
AT1 Capital Notes	7.9

The table below show the breakdown of the credit rating of the IG senior debt. As seen, about 65% of these senior debts are in the high investment rated papers (BBB+ or higher). We further note that all the investment grade Tier 2 subordinated FRNs are rated BBB or equivalent or higher as the Big 4 major banks' AT1 capital notes and subordinated Tier 2 were updated by one notch from BB+ to BBB- and BBB to BBB+ respectively.

Rating	Allocation
A+	3.3%
A	8.6%
A-	1.7%
AA	3.3%
AA-	10.0%
BB	2.7%
BBB+	38.0%
BBB	14.9%
BBB-	5.0%
NR	12.6%

Since the Fund was set up, we have been fairly risk-averse. Capital preservation remains a primary focus. We believe this is a prudent approach for a new fund given that the current expansion cycle has been very extended. We intend to maintain a cautious stance in the current environment, staying predominantly with high credit papers.

Outlook

We see geopolitical risk as the most significant risk for 2020 and beyond, with slower growth and muted inflation in the near to medium-term future. The bond market is signalling expectations of subdued economic growth and low inflation for the foreseeable future. We do not expect the all-time low of 0.86% for the Australian 10y bond rate to be breached this cycle, as we see 10y bonds trading in the 1.00% to 1.50% level (still low by historical standards).

We reiterate that investors should lower their expectations of high returns over the medium-term, noting that the RBA cut cash rates again in December (from 1.00% to 0.75%) and consensus has pencilled in one to two more cuts this calendar year. Beyond that, unconventional monetary policy could be implemented.

Over the quarter, the Australian 10y bond price weakened from 1.01% to 1.37%, reversing the previous quarter's movement. Similarly, US 10y Treasuries were at 1.68% and finished at 1.92%, once again reversing the previous quarter's movement as recession fears eased.



The global economy is stuck in a low growth environment. This is caused by structural factors which will remain in place for many more years. We summarise some of these factors here:

- US-Sino trade tensions will take longer to resolve. We see further downside risks as rivalry between the top two economic powers for technology supremacy ratchets up. This will take many years to “play out”. To this we add “currency wars” as sovereign nations tamper with their interest rates to weaken their currencies in order to remain competitive;
- high debt levels and negative demographics;
- changing climate patterns disrupting economies;
- with ultra-low interest rates, central banks have little room to cut in the event of even slower growth using conventional monetary policy. In addition to QE, more unconventional monetary policies may be deployed, increasing the risk of unintended consequences;
- the divergence between the privileged rich and the poor, eroding the fabric of society and increasing social and political tensions.

Investing in such an environment requires extra care. This year is also an election year in the US, and with increasing polarisation of the Republicans and Democrats’ views, equity markets may become increasingly volatile leading up to the election in November.

These macro themes inform our asset allocation decisions. We actively tilt our asset allocation to maximise returns and minimise risk in a dynamic manner, while remaining focused on the primary goals of capital preservation and income generations slightly above cash rate.

The Australian economy remains on a slow path but is neither contracting nor showing any sign of major improvement. Inflation remains subdued and unemployment (and particularly, under-employment) remains on the high side. This implies over capacity which is the underlying cause of low inflationary pressures. Similarly, the Chinese economy (upon which Australia is heavily dependent) is showing increasing signs of weakness.

Australian economic data indicate that the tax cuts for lower income individuals and households have not been spent to boost the economy; instead, most recipients have chosen to pay down debt. While this is positive for the longer term, in the short term this will be negative for economic growth. With the major bushfires and severe drought, this will have a material impact on an already fragile consumer. More positively, the Commonwealth Government has announced several aid packages to assist with bushfire relief and that will have some impact over the next quarter.

The RBA under Governor Philip Lowe is increasingly being forced to consider unconventional monetary policies (like QE) to meet its inflation and unemployment targets, similar to the US Fed, and the European, UK and Japanese central banks. In reality, we have had a preview of this over the past 9 months when our bank term deposits rates began to drop sharply in anticipation of further RBA rate cuts.

The RBA has signalled that interest rates will have to reach 0.25% before any unconventional monetary policy will be implemented. The cash rate is now at 0.75%, which implies at least two more cuts to go before unconventional monetary strategies are considered. The good news is that the RBA has rejected negative interest rates, having learnt from the European and Japanese experiments. This leaves QE as the only option in the Reserve Bank’s toolkit if an unconventional approach is applied in the near term.

Let us provide a quick summary here with regards to possible QE in Australia:

When is the likely timing? Most likely late 2020 to early 2021 if it gets implemented, because the RBA would have run out of interest rate cuts (provided inflation and unemployment do not improve).

What will the RBA buy with the QE? If it is implemented, it is likely that they will buy Commonwealth Government and some Semi-Government Bonds to attempt to lower the yield curve (and thus make borrowing

cheaper).

What are the consequences? Given that we do not have a deep Government Bond market, this will be positive for bonds as demand will likely outstrip supply in the short term, unless the Commonwealth and State Governments issue more bonds. This tampering of the yield curve (forcing yields down) by the Reserve Bank will impact all other financial assets, so it will be positive for most asset classes. We believe that investors are partially pricing in this possible impact, as the market seems to be resilient to downside risk even though the economy and the earnings outlook are weak.

How much does the RBA need to implement? If the RBA is going down the path of QE, they have to make a conscious effort to get inflation back to 2% and the unemployment rate to get to 4.5%. According to several sources, based on overseas QE experience, they would require (to buy) the equivalent of about 6% of GDP, or about \$100 billion of bonds.

Will it work? Based on overseas experiences, we do not think QE is effective to bring about real growth. QE however appears to be effective during crisis in conjunction with other constructive tools, (such as during the worst of the GFC in 2009), to jump start credit markets. Beyond that, QE appears less effective in bringing about real growth.

Will they pull the trigger? The Governor of the RBA has suggested that QE will be the last resort and its implementation would require a high hurdle rate compared to conventional interest rate policy. In probability terms, we believe the chance of QE policies being implemented in Australian are less than 50% at this stage. QE is not our base case at the moment.

That said, for the Fund, we need to plan for this possibility just in case. We are doing this by adding a small exposure to fixed rate debt securities. Investing in such an environment requires extra care. These macro themes inform our asset allocation decisions. We actively tilt our asset allocation to maximise returns while minimising risk in a dynamic manner.

For the Fund, as we see risk increasing, we will focus on capital preservation as the first priority while generating income higher than the RBA cash rate.

Thank you for your on-going support,

Dr Vincent Chin
Portfolio Manager



Market Commentary

The S&P/ASX 200 Accumulation Index delivered a strong 23.4% return in 2019, while the S&P/ASX Small Ordinaries Accumulation Index delivered a return of +21.4% for the year. Though impressive, the ASX actually lagged most other developed countries sharemarkets. The healthcare and technology sectors performed particularly well, but the large banking sector was relatively weak.

A point made on Clime's end of year roadshows was the bifurcation in domestic earnings trends. Earnings revisions were in aggregate negative for the year, with initial projections for large capitalisation company earning growth receding from 8.8% to just 1.7% for FY2020. Smaller company earnings expectations remain significantly more robust, reinforcing our positive stance on an 'All Cap' approach to Australian equity investing, one focused on quality with strong valuation discipline.

Central bank policy and interest rate settings were significant drivers of risk asset returns during 2019. The Federal Reserve's dovish 'pivot' in early 2019, whereby the trajectory of US interest rates pivoted from higher to lower, calmed markets after a tumultuous December 2018 quarter and set investors up for a productive year.

It is however notable that much of these returns were generated in the first half of the calendar year, with mediocre domestic earnings trends and somewhat stretched valuations combining to halt the advance of Australian shares as the year progressed. The S&P/ASX 200 Accumulation Index delivered returns of 0.7% and 3.1% for the December quarter and six-month period respectively.

While financial markets are strong, economic fundamentals remain relatively soft. Since the start of 2019, Australian consumers have benefited from three interest rate cuts, tax cuts, strong commodity prices and a bottoming in the housing market. Nevertheless, wages growth has been absent, consumer confidence weak, and retail spending flat. Drought, bushfires and "eco-anxiety" have certainly not helped, and further revelations about banks behaving badly coupled with recent soft profit results have soured the mood of bank shareholders.

Downturn ending, but recovery weak

Financial markets experienced an upbeat year end, signalling rising optimism; this was somewhat surprising, coming only a few weeks after the IMF described the global economy as "precarious". Indeed, 2019 looks likely to post the weakest global economic performance for a decade. This reflects rising US-China trade tensions, their dampening impact on exports, industrial production, and a global manufacturing recession; yet investors are appearing to see green shoots of recovery next year.

The IMF and other forecasters expect to see an improvement in 2020, but mixed data in recent weeks raise the question whether the outlook is much improved. It is possible that investors' enthusiasm may be overblown. So far, the evidence of a robust recovery in the global economy is unconvincing; while most data suggest the slide in the global economy is coming to an end, the pace of recovery in the new year is expected to be weak.

Financial markets are forward-looking, generally catching on to trends before they become obvious in the economic data. Markets have been pointing towards a broad recovery, and many are close to all-time highs. There are two broad explanations for this: firstly, there are few alternative investments available, with rates so low; and secondly, investors expect that prospects for corporate profitability have improved in recent months.

Government bond yields, usually a good indicator of economic momentum, have risen slightly across advanced economies. Global trade is showing signs of stabilisation. Much of the nervousness regarding the global economy in the last quarter of 2019 stemmed from the fear that global trade wars would intensify. Yet during the last couple of months, the news has been mostly positive.

A disruptive no-deal Brexit now looks less likely, and while tensions

between the US and China ebb and flow on a daily basis, the most recent news suggests a deal will be signed in coming weeks. We expect ultimately it will be in both sides' interests to agree to a deal. A recent uptick in Middle East tensions following the US assassination in early January of a leading Iranian general may however create further market volatility: we noted spikes in the oil and gold prices following this development.

More positive trends have become visible in global trade data, with volumes growing in recent months. In November, investment bank JP Morgan noted that its index of global purchasing managers' orders improved by the largest amount in four years — albeit from a low base.

Australian Economy

Going into the new year, the Reserve Bank of Australia continued to provide an upbeat refrain: the Australian economy is benefiting from low levels of interest rates, tax cuts, spending on infrastructure, the upswing in housing prices, and a brighter outlook for resources. Given the significant reductions in interest rates over the past six months and long lags, the RBA made its intention clear to hold the cash rate steady as it assesses the growth momentum both here and elsewhere around the world.

The RBA is "committed to maintaining interest rates at low levels until it is confident that inflation is sustainably within the 2 to 3 per cent target range". It sees the central scenario for the Australian economy for economic growth to pick up and reach around 3% in 2021. This pick-up in growth should see a reduction in the unemployment rate and a lift in inflation. However, we point out that the RBA has consistently been too optimistic in its growth forecasts.

Nevertheless, the important statement for the markets remains the following: "Interest rates will remain low for an extended period – certainly, much lower, on average, than before the global financial crisis", as stated by Governor Lowe.

Australia's service and manufactured exports have continued to grow steadily, supported by a depreciation of the Australian dollar over the past year, reasonable growth in our trading partners and, in the case of service exports, an increase in student and tourist arrivals. However the support provided by a declining currency may be coming to an end – the AUD looks like it bottomed at around US\$0.67.

One downside risk to the Australian economy is housing construction activity. A larger-than-expected contraction in investment could delay the gradual improvement in GDP growth. In the year to the end of September, the economy managed to grow at just 1.7% - well below the long-run average of around 3.3%. Looking forward, the outlook is more balanced. Mining activity has some upside risk. That said, the overall outlook for the Australian economy is unexciting, and the devastating bushfires around the country coupled with a general lack of rain will probably have a depressing effect on consumer spending.

Mixed picture overseas - trade war cools

Somewhat against expectations for an early resolution, the trade war between the US and China intensified during the course of 2019, although recent announcements suggest at least a partial "Phase One" resolution. Yet it remains possible that trade disputes could flare once again, and in such circumstances, many companies may be forced to make disruptive adjustments which threaten to spill over into the broader economy.

A serious and protracted trade-war could cause a global recession, but most forecasters and economic indicators still suggest this is improbable. Tariffs, like other disruptions (such as an oil shock) could become inflationary, a dangerous accompaniment to a slow global economy. To date, the most obvious effects of the trade war have been declining business confidence, a global manufacturing slump and lacklustre investment trends. Inflation expectations have been steadily falling, as have long-term interest rates.

International trade tends to be a good barometer of how the world economy is doing and where it is headed. This is why twists and turns in the US-China trade war, and other developments in world trade, receive so much attention.



What do recent trade data portend?

Much will depend on US trade policy and the political cycle, and whether the Trump administration chooses to settle or further escalate its trade disputes, not just with China, but with other major US trading partners.

International trade volumes tend to grow in line with or slightly faster than global GDP growth. The World Trade Organization late last year slashed its forecast for global trade growth in 2019 from 2.6% to just 1.2%. For 2020, the forecast has been cut from 3.0% to 2.7%. The Baltic Dry Index, a closely-watched indicator based on bulk commodities shipping that serves as a reliable indicator of future trade activity, has fallen by nearly 50% since August (after doubling in the first eight months of the year), suggesting hopes for a rebound in global trade may be unduly optimistic.

The level of uncertainty about macroeconomic growth prospects, exacerbated by trade tensions, has driven down business investment around the world. This has had adverse effects on cross-border trade of machinery and equipment. While household consumption has remained strong in most major economies, due to high levels of employment, the stagnation of trade portends a weakening in this key driver of GDP growth.

Slow global growth means that economies need ongoing stimulus. The US Federal Reserve has already cut interest rates aggressively, the European Central Bank has re-started quantitative easing, and Chinese and Japanese policymakers have eased both monetary and fiscal policy. Yet developed world central banks are running up against limits on monetary policy: rates in many places are already negative or close to zero, central banks cannot buy bonds for ever, and the Fed has little room to cut rates further.

The USA

In the US, the seasonally adjusted manufacturing Purchasing Managers' Index posted 52.6 in November, up from 51.3 in October, to signal the strongest improvement in the health of the manufacturing sector in 6 months. US manufacturers have been under pressure amid slower economic growth globally, while prolonged trade negotiations between the US and China have weighed on business confidence.

November & December data indicated a slightly faster rate of improvement in operating conditions across the US manufacturing sector. Overall growth was supported by expansions in production and new orders, with both domestic and foreign client demand strengthening. Manufacturers also increased their workforce numbers. Yet business confidence remained muted as global economic uncertainty continued to weigh on expectations.

The manufacturing sector's struggles contrast with the larger services sector, whose growth accelerated in October versus the prior month, and upbeat consumer spending signals, creating a mixed bag of US economic data. Overall the US economy grew at an annualised rate of 2.1% in the third quarter, compared with 2.0% in the previous quarter.

China

Factory activity in China unexpectedly returned to growth in November for the first time in seven months, as domestic demand picked up on Beijing's accelerated stimulus measures. But gains were slight, and export demand remained sluggish. More US tariffs loom while Beijing and Washington are still haggling over a trade deal. With China's economic growth cooling to near 30-year lows and industrial profits shrinking, speculation has been mounting that Beijing needs to roll out stimulus more aggressively, even if it risks adding to high debt levels.

On New Year's Day, Beijing announced that the People's Bank of China would inject about US\$115 billion into the economy by freeing up banks to lend more money. This stimulus is relatively modest given the overall size of the Chinese economy, but the timing suggests that the Beijing leadership is on high alert for any signs of further slowdown.

Recent developments in China underscore rising uncertainties in the trade

conflict, which bodes ill for the outlook for external demand. New export orders fell for an 18th straight month in November, albeit at a slower pace. China's GDP growth in the year to end September was 6.0%, the slowest rate since 1992. China's gross domestic product growth is expected to slow further in 2020 – albeit off a much larger base.

Europe

Eurozone economic growth has been barely positive for the last 6 months; it was 0.2% in the third quarter of 2019, the same as in the previous quarter. Among the Euro bloc's largest economies, Germany narrowly avoided entering recession in the third quarter, largely driven by public and private consumption, while GDP growth rates were unchanged in France, Italy and Spain. The GDP growth rate in the Euro area has been moribund for 25 years: it has averaged just 0.4% pa from 1995 to 2019.

Christine Lagarde, the new president of the European Central Bank (ECB), speaking before members of the European Parliament's Economic and Monetary Affairs Committee, tried to explain why. The problem, she explained, is that "the world economy outlook remains sluggish and uncertain. This lowers demand for euro area goods and services and also affects business sentiment and investment."

As a solution, Lagarde offered that the ECB could "respond effectively even when growth is being dampened by external factors... by ensuring favourable financing conditions for all sectors of the economy and providing visibility on those conditions into the future." Presumably, this means that she wants to help banks get credit flowing strongly. One wonders, however, if this is anything different from her predecessors.

Conclusion & Outlook

What will 2020 bring?

What are our expectations for next year? We will have more to say in due course, but for now, we highlight in abridged and point form our thoughts.

The developed world has entered a period of Japan-style low growth. Thus, we expect the following:

- Periods of low growth to remain followed by mild downturns
- Bond yields stay low, the yield on quality assets is bid lower, followed by yields falling for inferior quality assets
- Equities are bid up (PE expansion) as required returns decline, albeit to a smaller extent than CY2019, and the time horizon is extended to value high growth opportunities, and
- Volatility increases but quality stands out and will generate superior returns.

A recession in 2020 is not probable. In many countries, especially America, healthy labour markets and confident consumers are bulwarks against a recession occurring. Yet these defences are beginning to show some vulnerabilities. In a worst-case scenario, the trade war intensifies, and becomes inflationary even as growth slows. The world economy in such circumstances could be subject to an unfamiliar type of downturn, with central banks out of ammunition.

The recent modest uptick in data does not yet provide convincing evidence for a broad-based global recovery. While we expect global growth to edge up over the course of 2020, the pace of recovery will probably be weak, and monetary and fiscal policies will have to remain accommodative. There needs to be a lot more movement in the data before economists will join financial markets in believing the worst of the global economic slowdown is over.

With this noted, investor sentiment is far from exuberant. As John Templeton said, "Bull markets ... die on euphoria". Currently, although markets are somewhat fully priced on various earnings multiples, and many are near all-time highs, we remain far away from euphoria. Cash positions of global fund managers remain well above average, and in general, investor positioning is defensive. Credit spreads are also within



normal ranges. If anything, exuberance seems to have skipped equities and moved to less liquid, alternative investments like residential property, leveraged loans and private equity.

Indeed, equities do not look extravagantly expensive in a multi-asset world. While equity pricing remains elevated, this largely reflects record low global bond yields.

In the shorter term, a focus on rational asset allocation and on yield is essential. Compounding of returns will reward patience, but will also require active management across and inside asset classes to ensure that capital is neither lost nor devalued. As always, a watchful eye must be diligently maintained, but we perceive that the risk of a major market retraction is fairly low because interest rates are low and unlikely to rise. The offset is that returns will be lower than the historical norm.

Thank you for your ongoing support.

Adrian Ezquerro
Head of Investments



Fund Information

Investment Objective

The Fund’s main objective is capital preservation. In addition, we aim to generate income returns above the RBA cash rate in the form of monthly income distributions, with a target of 2% over the RBA cash rate (including franking if available). The Fund’s risk objective is set at 1.5% ± 1.0%, as defined by weekly changes of the annualised standard deviation, which is substantially lower than the equity market. In order to maximize the chance of achieving these objectives, the recommended investing time frame is at least 2 years.

Investment Methodology

The Clime Fixed Interest Fund seeks to provide an income stream above the RBA cash rate by investing mainly in the over the counter (OTC) market from a range of investment grade senior and subordinated debts, high yield bonds, asset backed securities, RMBS, income notes, capital notes and other fixed income / hybrids securities with a strong capital preservation focus. The portfolio will invest in selected high-quality individual debt and hybrid securities with consistent income generation.

Portfolio Manager

Dr Vincent Chin

Vincent joined Clime in February 2009. He has a wide range of investment experience spanning fixed income to equity. He has more than 10 years of portfolio construction and managing risk across multi-asset classes. Before joining Clime, he gained his investment experience in the late 1990s to 2000s at Ausbil Dexia and Maxim Asset Management (now wholly subsidiary of Charter Hall) where he has developed multi-factors quantitative models for stock selections and attribution performance analysis. Vincent is passionate about ethical investment across any assets including alternate investments. Prior to this, Vincent worked in semiconductor device and material research in academia and industry for more than 15 years. His research spanned III-V and IV groups semiconductor materials and its application. He specialised in transport properties (numerical modelling and characterisation) in these semiconductors for devices and solar cells applications. He has published about 50 international refereed scientific publications and co-edited a proceeding in opto-electronics.



Fund Information

Name	Clime Fixed Interest Fund	Investor Eligibility	Wholesale
Structure	Managed Investment Scheme	Minimum Investment	100,000
Investment Universe	< 90 to 95% over the counter (OTC) in the capital debt market, AUD denominated only	Liquidity	Weekly Unit Pricing Applications and Redemption
Benchmark	Return : RBA cash rate + 2.0%; Risk : 1.5% ± 1.0%	Fees	0.41%
Fund Size	\$17.5m	Admin	Mainstream Fund Services Pty Ltd
APIR Code	CLA0724AU		

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