

# Clime International Fund

Monthly Investment Report - January 2016

## Investment Objective

The Clime International Fund (the Fund) aims to achieve a 10% annualised return in Australian dollars after all fees and expenses measured over a rolling 5 year period.

The Fund seeks attractive returns, through investing in a portfolio of International listed securities. The Fund's goal is to select high quality individual investments that allow the creation of a best ideas global portfolio. The Fund follows a value based methodology and will only invest in equities when an appropriate margin of safety against value is perceived.

## Investment Strategy

The Fund is an absolute return fund which seeks attractive capital growth over the long term from a portfolio of International listed securities, with a view to capital preservation.

Sanlam Private Investments (SPI), the Fund's sub-investment manager, believes investment markets continually offer opportunities for it to exploit. Markets are inefficient, driven by human emotion as well as logic. In the end, logic wins. However, in the periods where emotion rules, assets can become incorrectly priced. This provides the opportunity to invest.

SPI is an active investment manager and monitors markets constantly. SPI invests with conviction, backed up by rigorous and disciplined research and a sensible approach to risk control. In this way the Fund seeks to add real value to its investors in a world of low returns punctuated by periods of volatility.

## Fund Profile

Investment Manager	Clime Asset Management Pty Limited
Sub Investment Manager	Sanlam Private Investments (UK) Ltd
Fund Size - Wholesale Inception Date	A\$117.58 million 4 March 2014
Fund Size - Retail Inception Date	A\$4.52 million 11 March 2015
Distributions	Annual
Management Fee	1.54% p.a. for Wholesale Units. 1.69% p.a. for Retail Units. Calculated and paid monthly in arrears on the last business day of the month.
Entry Fee	Nil
Contribution Fee	Nil
Expenses	0.21% p.a.
Withdrawal Fee	Nil
Benchmark / Hurdle	10%
Performance Fee	20% of any amount by which the Fund outperforms the rate of 10% per annum
Buy / Sell Spread	0.25% / 0.25%
Investment Horizon	5 years

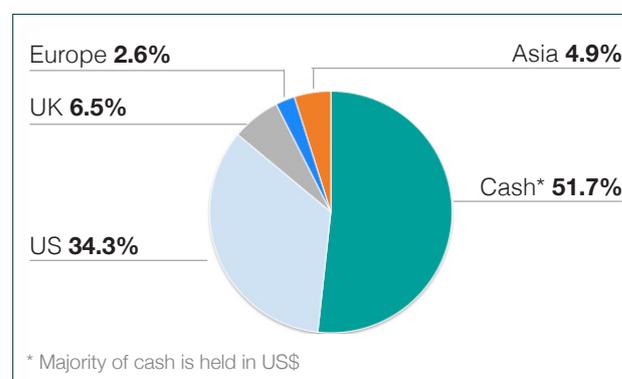
## Fund Performance to 31 January 2016

	AUD Portfolio Return		Hurdle
	Wholesale	Retail	
1 month	0.71%	0.69%	0.81%
3 months	-1.83%	-2.06%	2.43%
6 months	1.52%	1.27%	4.92%
1 year	8.08%	-	10.00%
Inception*	11.18%	4.20%	-

Inception: Wholesale Units: 4 March 2014. Retail Units: 11 March 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.

## Asset Allocation



## Top Holdings

Stock	Market	Ticker
Johnson & Johnson	US	JNJ US
Proctor & Gamble Co	US	PG US
Amgen Inc	US	AMGN US
Yum! Brands	US	YUM US
Stryker Corporation	US	SYK US
Diageo PLC	UK	DGE LN
Oracle Corporation	US	ORCL US
Baidu Inc ADR	ASIA	BIDU US
Roche Holding AG	EU	ROG VX
Alphabet Inc	US	GOOG US

## Distributions

Period Ending	Wholesale Units (cents per unit)	Retail Units (cents per unit)
30 June 2015	4.9010	5.9905

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## Wholesale Units - Monthly Returns since inception

Financial Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	CIF FYTD	#Hurdle FYTD
2013 - 14	-	-	-	-	-	-	-	-	-2.11%*	0.45%	0.30%	-1.70%	<b>-3.04%</b>	3.13%
2014 - 15	0.48%	-0.36%	4.97%	0.45%	3.17%	3.50%	3.68%	1.23%	0.95%	-0.88%	1.86%	-0.83%	<b>19.58%</b>	10.00%
2015 - 16	4.05%	0.43%	0.18%	2.78%	-1.19%	-1.35%	0.71%	-	-	-	-	-	<b>5.63%</b>	5.77%

## Retail Units - Monthly Returns since inception

Financial Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	CIF FYTD	#Hurdle FYTD
2014 - 15	-	-	-	-	-	-	-	-	-0.52%	-1.35%	2.0%	-1.21%	<b>-1.11%</b>	2.43%
2015 - 16	4.05%	0.43%	0.18%	2.77%	-1.19%	-1.57%	0.69%	-	-	-	-	-	<b>5.37%</b>	5.77%

# Hurdle represents the 10% per annum benchmark returns. 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.

\* Inception date as at 4 March 2014 (Wholesale), 11 March 2015 (Retail), at which point the Fund's units NAV was struck at an inception price of AUD 1.00.

## Summary

January was characterised by a global sell off in risky assets. The first week of 2016 was the worst on record for most major stock markets, driven by concerns around the state of the Chinese economy and the ability of the Chinese Government to manage the growing challenges facing it. The negative sentiment was further fuelled by deteriorating macroeconomic data across virtually all countries and a continuation of the dramatic sell off in the commodity markets that we saw in 2015. Risky assets stabilised mid-way through the month while remaining extremely volatile, with most stock markets enduring several dramatic intraday price swings. Markets fixated on the rapidly declining crude oil price, becoming increasingly correlated to the minute by minute moves in the oil market highlighting concerns that defaults in the energy sector would have significant contagion into the rest of the economy. As with most other occasions in recent history it was a coordinated effort by the world's major central banks that ultimately returned confidence to markets, sparking a rally into month end. In this instance, comments from the Russian energy minister that Russia was prepared to consider joining a global reduction in crude output in an attempt to increase the oil price helped reassure the market. The central banks' efforts were spearheaded by dovish statements from Mario Draghi, who said that there "are no limits" to the policy measures that the ECB would use to meet its inflation targets. Furthermore there was also a surprise rate cut from the Bank of Japan.

On the first trading day of the year new rules, designed to halt trading on the Shanghai Stock Exchange in the event of a 7%

decline, came into effect, and were immediately triggered as bears rushed through the exits before the market was closed. This set the tone for the start of the year and markets sold off aggressively for two weeks before a small reversal in crude prices and dovish central banks created a less hostile environment for equities. The fixed income markets fared the best, benefiting from a flight to quality and more dovish statements from Central Banks.

The worst performing asset was equities, as we continued to see market volatility. The 'January effect' seemed to be missing in action this year, as it has been for the last three years with US equity markets last seeing a positive start to the year in January 2013.

During the month we added Diageo, Moody's, Yum! Brands, Baidu, Roche, and reinitiated Coca-Cola, Alphabet and Microsoft. We trimmed Stryker, and sold Cognizant, Medtronic and Procter and Gamble. Clime has an objective of holding a diversified portfolio of approximately 25 to 30 listed companies displaying characteristics including:

- High returns on equity or the potential to achieve this;
- An easily understood and sustainable business model;
- Competent and experienced management whose interests are aligned with shareholders;
- A well-funded balance sheet not overly burdened with debt; and
- Strong track record of dividend and earnings growth.

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