Integrity Transparency Conviction

Clime International Fund

Quarterly Investment Report - March 2018

Clime Asset Management Pty Limited
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Investment Objective

The objective of the Fund is to provide consistent capital growth and a growing level of income over the medium term (3-5 years) by investing in a portfolio of International listed securities with a focus on companies with a market capitalisation of at least USD 1 billion. The Fund may not achieve its investment objective. Returns are not guaranteed.

Investment Strategy

The Fund has an absolute return focus and seeks to achieve a return from both capital growth and income. Investments will not be undertaken by the manager unless an adequate risk adjusted return is forecast.

Sanlam Private Investments (SPI), the Fund's sub-investment manager, believes that by constantly monitoring investment markets, SPI will identify assets that it perceives to be incorrectly priced. For SPI, this is the best opportunity to invest. Through rigorous and disciplined research, a sensible approach to risk control and conviction, the Fund seeks to add real value to its investors in a world of low returns punctuated by periods of volatility.

Fund Profile

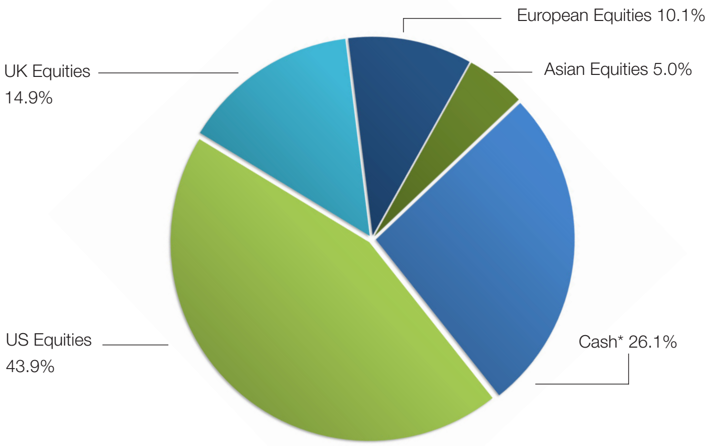
Investment Manager	Clime Asset Management Pty Limited
Sub Investment Manager	Sanlam Private Investments (UK) Ltd
Fund Size - Wholesale Inception Date	A$91.86 million 4 March 2014
Fund Size - Retail Inception Date	A$5.06 million 11 March 2015
Distributions	Annual
Management Fee	1.54% p.a. for Wholesale 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
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 (31/03/18)

	Wholesale (AUD Portfolio Return)	Retail (AUD Portfolio Return)	Hurdle
1 month	0.68%	0.66%	0.81%
3 months	1.14%	1.10%	2.45%
6 months	5.39%	5.30%	4.96%
1 year	11.04%	10.89%	10.00%
2 years*	9.27%	9.10%	10.00%
3 years*	6.30%	5.84%	10.00%
Inception*	8.43%	5.52%	10.00%

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 forthe given period.

Asset Allocation



* Majority of cash is held in US$

Distributions

Period Ending	Wholesale Units (cents per unit)	Retail Units (cents per unit)
30 June 2017	3.9597	3.3798
30 June 2016	9.0831	7.5602
30 June 2015	4.9010	5.9905

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%	**-3.04%**	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%	**19.58%**	10.00%
2015 - 16	4.05%	0.43%	0.18%	2.78%	-1.19%	-1.35%	0.71%	-0.74%	-4.18%	0.89%	6.01%	-3.89%	**3.28%**	10.00%
2016 - 17	0.51%	1.20%	-1.77%	-0.90%	2.63%	2.29%	-2.07%	1.34%	1.41%	4.53%	2.30%	-1.77%	**9.87%**	10.00%
2017 - 18	-1.49%	0.57%	1.25%	3.88%	2.07%	-1.71%	-0.18%	0.64%	0.68%				**5.73%**	7.53%

Retails 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%	**-1.11%**	2.43%
2015 - 16	4.05%	0.43%	0.18%	2.77%	-1.19%	-1.57%	0.69%	-0.75%	-4.19%	0.88%	6.00%	-3.90%	**2.95%**	10.0%
2016 - 17	0.51%	1.20%	-1.80%	-0.91%	2.61%	2.27%	-2.09%	1.33%	1.38%	4.55%	2.28%	-1.78%	**9.72%**	10.0%
2017 - 18	-1.50%	0.56%	1.24%	3.86%	2.06%	-1.74%	-0.20%	0.63%	0.66%				**5.58%**	7.53%

#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. Performance figures for more than 1 year are annualised.
* 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.

Top 10 Holdings

Stock	Market	Ticker
Diageo Plc	UK	DGE LN
Oracle Corp	US	ORCL US
Microsoft Corporation	US	MSFT US
Alphabet Inc	US	GOOG US
Cognizant Tech Solutions	US	CTSH US
Yum! Brands Inc	US	YUM US
Roche Holding AG-Genusschein	EU	ROG SW
Bookings Holdings Inc	US	BKNG US
Medtronic Plc	US	MDT US
American Express Company	US	AXP US

Quarterly Performance Summary

For our International Fund, 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 dept; and
- Strong track record of dividend and earnings growth

Investors were reminded of the importance of valuation in February and March as equity markets experienced their first major correction in two years. This was despite excellent company earnings and synchronised global growth.

The market correction was overdue, and several economic indicators created short term market pressure. These included strong wages growth and a heightened perception of the risk of inflation in the US. Strong economic growth and higher inflation led the US Federal Reserve to continue to lift interest rates and asset managers questioned the likelihood of quantitative easing being sustained.

Market participants became nervous that increased yields could threaten riskier assets and began to question the valuations of equities after years of strong returns.

It is our view that rising bond yields have a long way to traverse before they can truly threaten the global economic recovery and therefore company earnings. However, increased market volatility is likely as the market deals with the uncertainty that higher yields bring. We view this volatility as healthy because it brings basic economic fundamentals back to the fore, and it also brings opportunity.

Global growth remains strong as the US and Europe continue to show momentum – and even the UK is reaping the rewards of a buoyant global economy, despite its own domestic issues.

China looks set to deliver excellent growth, even if not quite as exceptional as before. We remain positive about emerging markets: valuations are more reasonable, demographics are better, and they are beneficiaries of strength in developed markets. As part of that outlook, we're particularly interested in any business levered to the Chinese consumer, where we see phenomenal growth spilling out into the wider region.

During the March quarter, the following stocks contributed positively to the portfolio.

Stock	Total % returns* in AUD
Booking Holdings	21.9%
Yum! Brands	6.7%
Pandora	2.0%

*Returns from 31 December 2017 - 30 March 2018

Weaker performers during the quarter were.

Stock	Total % returns* in AUD
Standard Life Aberdeen	-13.1%
Wells Fargo	-11.5%

*Returns from 31 December 2017 - 30 March 2018

Positions Purchased

Bought Samsung

Samsung Electronics manufactures a wide range of consumer and industrial electronic equipment and products such as semiconductors, personal computers, peripherals, monitors, televisions, and home appliances. The company also produces Internet access network systems and telecommunications equipment including mobile phones. Despite operating in cyclical industries Samsung is either the market leader or has a strong position in all its end markets. Share price weakness presented the Fund with a buying opportunity.

Bought Pandora

Pandora sold off significantly in 2017 over concerns of a slowdown in their largest markets, namely the US and the UK. Bearish commentary by analysts suggested that Pandora's primary product, the charm bracelet, is a fashion fad. They also point to the company's poor investor communication as another reason not to own the stock. We have taken a contrary view and believe that analysts have mistakenly ignored Pandora's growth potential with China, France and Latin America leading the way. Further the company has successfully diversified its product range into rings, earrings, necklaces and pendants.

Our assessed fair value (723 Danish Krone) gives us a comfortable margin of safety on this share and hence we have added it to the fund.

Bought NetEase

NetEase fits comfortably into our investment style with a dominant market position (the number two player behind Tencent in a Chinese online gaming duopoly), a strong management team (CEO and founder William Ding considered thought leader in the industry), high cash generation, and low leverage and capex. We used the opportunity to add to the position after the pullback in technology stocks.

Bought Procter & Gamble

We view P&G as a high-quality business with a strong opportunity to unlock value from its exceptionally strong portfolio of brands, which serves approximately 4.8 billion people worldwide. We are attracted by management's focus on value creation to drive shareholder returns through productivity and efficiency initiatives.

P&G has remarkable record of 60 consecutive years of dividend increases and we see no reason why this will not continue for the foreseeable future. This is a fundamentally robust business producing an excellent return on capital employed of at least 80%.

Our assessed fair value is over USD 90 per share and therefore the share price weakness was used to bring the stock into the portfolio.

Added to Unilever

Over the long term we remain positive on Unilever's prospects with management's continuing focus on innovation, operational efficiencies and expansion into emerging markets. Unilever remains well positioned to capture strong macro trends to drive growth.

We believe that Unilever benefits from a significant moat through its market position, strong brands in everyday consumables and global distribution footprint providing a platform for sustainable long-term growth. In our opinion, the company's strategy of disposing of subpar assets to reinvest capital into higher growth opportunities such as personal goods, is positive. Working capital management remains impressive, which contributes to the strong cash flow generation, a trend we see continue to the foreseeable future. The shares suffered in the market rotation providing a reasonable entry level into this quality compounder.

Added to Medtronic

We believe Medtronic is competitively well placed; holding the number one position in almost every product category it competes in. It is also having a leading distribution footprint, deep clinical expertise and a strong pipeline program. We are attracted to the company's emphasis on gross margin stability, operational leverage and its long-term financial goals. The company has a solid track record consistently achieved appealing cash returns on invested capital that's averaged over 50% during the past ten years. Medtronic has a prolific track record of generating free cash flow having achieved an impressive conversion rate averaging greater than 110% over the past 10 years, excluding the Covidien acquisition. Our fair value of USD 92 provides the potentially for double-digit upside.

Positions Sold

Trimmed Microsoft

We have been long term shareholders of Microsoft and regard the business highly. We believe Microsoft continues to execute on its cloud transitionary strategy and met its cloud revenue target early than management original targets. Azure, Office 365 Commercial and Dynamics CRM 365 all continue to grow at very healthy rates. However, our current one-year price target of USD 85 suggests that the share has become very keenly priced. We have reduced the very large active position in the portfolio given the current market environment.

Trimmed American Express

This is another long term holding and a business with secular tailwinds, given the growth in the cashless society. However, we remain cognizant of the competitive pressures facing Amex; within the US from the likes of the Chase Sapphire product and the costs involved in client retention. Reward expense grew +21% year on year but remains broadly in-line with prior quarterly trends as a percentage of net revenue, providing reassurance that management is keeping control expenditure. The share now trades slightly above our current fair value hence we reduced the size of the holding.

Trimmed Cognizant

Our long term view has not changed despite a few quarters' subdued operational results. We still believe this company is a high-quality business exposed to secular growth trends in enterprise technology spend over the next 5-10 years. However, the company has underperformed its peers as investors focus on the execution risk for its transformational strategy. Some activist investors have started putting pressure on management to drive operational efficiencies and increase operating margins. The company is transitioning toward slower top line growth vs. the historic average of ~21% produced over the past seven years. Nonetheless, as the business has moved to more mature growth levels the focus on operational cost savings should result in upper single digit earnings growth.