

Clime International Fund

Monthly Investment Report - May 2018

Investment Objective

The objective of the Clime International Fund is to generate sustainable long-term capital growth. The Fund seeks to achieve an annual total return of 10%, measured in Australian dollars, over rolling five to seven year investment periods after management fees.

Investment Strategy

The Clime International Fund seeks to deliver strong risk-adjusted total returns by investing in a portfolio of high quality International listed companies that are attractively priced. The Fund's sub-investment manager Sanlam Private Wealth, is a value-based active fund manager who seeks out compelling investment opportunities where risk taken is appropriately compensated.

Fund Performance (31/05/18)

	Wholesale (AUD Portfolio Return)	Retail (AUD Portfolio Return)	Hurdle
1 month	-0.86%	-0.88%	0.81%
3 months	2.02%	1.98%	2.45%
6 months	0.73%	0.64%	4.96%
1 year	5.23%	5.06%	10.00%
2 years*	6.36%	6.20%	10.00%
3 years*	6.43%	6.08%	10.00%
Inception*	8.42%	5.65%	10.00%

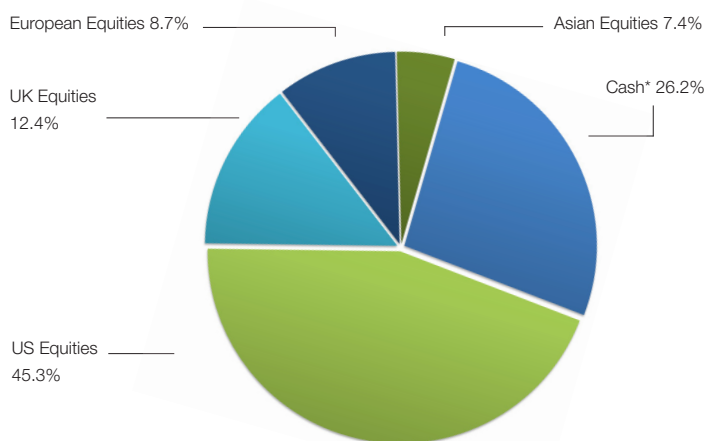
Inception: Wholesale Units: 4 March 2014. Retail Units: 11 March 2015.

*Performance figures for more than 1 year are annualised, calculated after all applicable fees and taxes. Performance figures compare unit price to unit price for the given period.

Fund Profile

Investment Manager	Clime Asset Management Pty Limited
Sub Investment Manager	Sanlam Private Investments (UK) Ltd
Fund Size - Wholesale	A\$92.22 million
Inception Date	4 March 2014
Fund Size - Retail	A\$5.13 million
Inception Date	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

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%	2.21%	-0.86%		7.14%	9.14%

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%	2.20%	-0.88%		6.97%	9.14%

#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	Ticker
Microsoft Corporation	MSFT US
Oracle Corp	ORCL US
Alphabet Inc Class C	GOOG US
Medtronic PLC	MDT US
Cognizant Tech Solutions	CTSH US
Yum! Brands Inc	YUM US
Booking Holdings Inc	BKNG US
Roche Holding AG-Genusschein	ROG SW
Fresenius Medical Care AG	FME GY
Samsung Electr-GDR	SMSN LI

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 debt; and
- Strong track record of dividend and earnings growth.

As the global economy continues to enjoy strong growth, our macroeconomic outlook is one of cautious optimism. We're optimistic because company earnings growth is solid thanks to supportive US fiscal and monetary policy, and this trend looks set to continue. At the same time, interest rates in the US, Europe and Japan are still well below levels that could tip the global economy into a recession. On the other hand, we are exercising

a degree of caution because there are concerns that economic growth could be nearing its peak, and no-one can be sure how the large-scale reversal in monetary policy will play out over the coming months. So far this normalisation in monetary policy has continued to push up US bond yields, and the Federal Reserve looks set to implement at least three interest rate hikes this year. We expect to see equities remain volatile as the market adjusts to this change, which could lead to good buying opportunities. The strength of the dollar has also caused some weakness in emerging markets making them particularly attractive. With the US firing on all cylinders, we're seeing an increasing divergence between there and the UK. The Bank of England faces falling inflation and a stagnating economy, which means they must hold off increasing interest rates, and getting the economy back on a surer footing. Ironically the UK equity market recovered strongly in April, as sluggish economic growth and falling consumer spending deferred the potential interest rate rise, and prompted Sterling to depreciate sharply, giving up most of the gains it had made last year. Weaker Sterling and a stronger oil price helped drive up UK equity prices in sterling.

So, while investors enjoy a global economy in full bloom, in the short-term we continue to expect volatility as the battle of rising bond yields versus a strong but diverging global economy plays out. Over the longer term, it's important we position ourselves for the next stage of the economic cycle.

During the month we initiated new positions PepsiCo and Yum China, and trimmed our position in Diageo. We exited our positions in Sage and American Express.

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