Integrity Transparency Conviction

Clime International Fund

Quarterly Investment Report - June 2017

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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 based on absolute return seeking attractive capital growth and good capital preservation over the long term, from a portfolio of International listed securities.

Sanlam Private Investments (SPI), the Fund's sub-investment manager, believes that by constantly monitoring investment markets, SPI will eventually find assets that it percieves 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

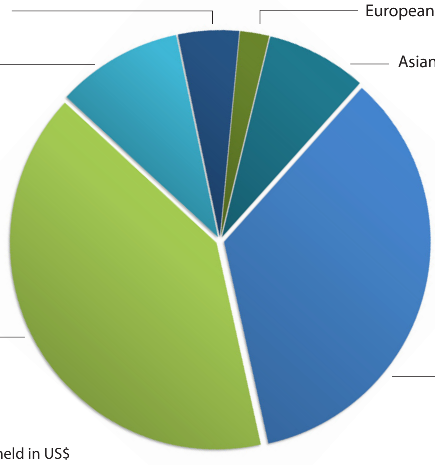
Investment Manager	Clime Asset Management Pty Limited
Sub Investment Manager	Sanlam Private Investments (UK) Ltd
Fund Size - Wholesale Inception Date	A$93.81 million 4 March 2014
Fund Size - Retail Inception Date	A$5.12 million 11 March 2015
Distributions	Annual
Management Fee	1.54% p.a. for Wholesale 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 out-performs the rate of 10% per annum
Buy / Sell Spread	0.25% / 0.25%
Investment Horizon	5 years

Fund Performance (30/06/17)

	Wholesale (AUD Portfolio Return)	Retail (AUD Portfolio Return)	Hurdle
1 month	-1.77%	-1.78%	0.81%
3 months	5.03%	5.03%	2.43%
6 months	5.70%	5.64%	4.86%
1 year	9.87%	9.72%	10.00%
2 years*	6.52%	6.28%	10.00%
3 years*	10.71%	-	10.00%
Inception*	8.60%	4.91%	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%

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%	10.00%
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%	10.00%

#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
Oracle Corp	US	ORCL US
Microsoft Corporation	US	MSFT US
Roche Holding AG-Genusschein	EU	ROG VX
Proshares Short S&P 500	US	SH US
Cognizant Tech Solutions	US	CTSH US
American Express Company	US	AXP US
Diageo Plc	UK	DGE LN
Baidu.com Sponsored ADRs	ASIA	BIDU US
Medtronic Plc	US	MDT US
Yum! Brands Inc	US	YUM 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 debt; and
- Strong track record of dividend and earnings growth.

Over the last few years, the US has offered a welcome source of growth and stability to investors, and has consequently benefitted from significant investment inflows, which have steadily inflated prices. So far this year, we've been enjoying something of a global resurgence, especially in Europe and across emerging markets. We've been well positioned to take advantage of this, while moving away from the more expensive US. Despite this optimism, we're still in a low-return environment and, as a result, we remain cautious about the future.

The US: Awaiting clarity on policy

To achieve the highly anticipated economic expansion in the US, the Trump administration needs to turn the promise of tax reform and government infrastructure plans into reality. If it can do this, it will deliver immediate results for company bottom lines, helping to justify current stock prices. But if the tax cuts are not realised, it may take longer than the market expects for the company earnings to get to this point. With valuations high, we are selective in our weightings in this region, preferring to own US businesses that are exposed to global markets and operate in attractive industries.

The UK: Disappointing economic performance

The UK's economic performance has been disappointing, given that the weakness of the sterling should have supported export-oriented manufacturers and those locally focussed businesses that compete with imports. Despite low interest rates, businesses continue to be reluctant to invest in growth (which is understandable, given Brexit uncertainty), and the government is holding back on infrastructure spending in an attempt to control the budget deficit. The general election in June was a further set-back for the sterling, with rumours of an interest rate rise in the offering, something we think is unlikely unless the economy finds itself on surer footing.

Europe: Improving fundamentals

2017 has been a year of steadily improving fundamentals for Europe. Economic performance has been good, and all indications are that this will continue, prompting the European Central Bank (ECB) to begin preparing the market for an end to its massive stimulus package. Improvements in company earnings and the outlook for inflation are positive indicators for Europe. As money has flown back into the region, the euro has been strong, and European stocks have outperformed global markets by about 6% so far this year.

Emerging markets: Stabilisation and attractive valuations

The longer-term outlook for emerging markets is positive, with valuations appearing cheap enough to compensate for the additional risk, and growth rates generally looking good. The Asian region is particularly exciting, with the emergence of the Chinese consumer, and reforms in economies like India. While a cautious approach is necessary, there are some excellent companies in these regions, experiencing better growth and trading at more attractive prices than their developed-market peers. A great example is the growth in mobile payments in India, where the population is moving from cash to cashless without using banks.

During the June quarter, the following stocks brought strong returns to the portfolio:

Stock	Total % returns* in AUD
Yum China	44.4%
PayPal	24.2%
Yum! Brands	15.5%

*Returns from 31 March - 30 June 2017
Note: Yum China position was sold on 18 May 2017, and PayPal position was sold on 27 April 2017.

Some noticeable weak performers during the quarter are highlighted in the table below.

Stock	Total % returns* in AUD
Twenty-First Century Fox	-12.9%
Roche	-0.9%

*Returns from 31 March - 30 June 2017

Positions Purchased

The Priceline Group is an online travel agency (OTA) that is perfectly positioned to take advantage of the migration of travel bookings from offline to online. Online bookings currently account for less than 40% of total bookings. We believe that online bookings will begin to moderate at the 60% mark. The travel market is currently $1.3 trillion and growing at 5% per year. With only mid-single digit market share, Priceline has a large runway for growth. Add to this that Priceline is significantly more exposed to the more profitable sub-segment of accommodation than its only global rival Expedia, then we can see that the picture for Priceline is a positive one.

NetEase is the second largest developer of online video games in China, behind Tencent. They are known for their world-class R&D department that is able to consistently produce hit games. They took full advantage of gamers transitioning from PC to mobile, and their stable of games looks set to drive growth for the foreseeable future. The Clime International Fund is a long-term admirer of NetEase and is therefore pleased to take advantage of a recent pull-back in the name.

With competition intensifying in the household products space, Hengan is not immune to this at all. Over the last couple of years we have seen international players like P&G and Kimberly-Clark increasing their footprint in the Chinese market leading to pricing pressure. We think Hengan is trading at an attractive valuation against its own long-term average and that of the China consumer staples index. We don't believe this to be a broken business; instead, the recent changes to sales channels should bode well for Hengan in the long-term.

The company is challenged in the short-term and we believe the news is reflected in the share price. With more than 90% of revenues coming from China, Hengan is a direct play on the Chinese consumer carrying more risk compared to global consumer names. We believe the market is overly focussed on the diaper business (11% of total sales) which has experienced weak growth in the last two years.

Positions Sold

Having sold out of Yum China towards the end of last year for a 17% profit, we re-initiated a position after a pull back in Q1 this year. A combination of better-than-expected Q1 results and general strength in China saw the stock surge considerably through our target price of $34 and we decided to take profits and await the next pull back.

PayPal's growth is forecast to slow from 2018 as the digital payments market matures. We factor a slower growth trajectory for the company from 2018 into our model. Some of the reasons PayPal's growth will slow include its inability to gain traction at the physical point-of sale and due to increased competition on both the Web and on mobile devices. Our DCF based intrinsic value for this business is $43.5 assuming revenue compounds roughly in line with the market during the next three years and then at 7% for the forecasted period 2020-27. Therefore, at $48, we sold out of our position.

Our position in the Henderson Group was sold in totality. The synergies that are to be extracted from the merger with Janus Capital we feel are now fully reflected in the price. As with many mergers of asset managers there are many costs and synergies that can be reduced or extracted.

During the quarter we trimmed our position in Alphabet Inc, however we continue to recommend Google as a long-term core holding, as it is the dominant global search engine with over 65% of search budgets in the US alone. The sub-industry is growing by more than 14%+ year on year for the foreseeable future and Google as the undisputed leader in this segment is well positioned to capture a disproportionate share of this growth, fuelled by mobile and international, at a time when competitors are languishing. Growth in advertising revenue is impressive over the next 5 years and should ensure a strong growing free cash flow stream for Google even as the year on year growth rates are set to drop to more normalised levels. After a 30% rally in the stock from its November 2016 lows, the stock exceeds our estimate of intrinsic value and we have reduced the position size by one third. Should the stock come under more regulatory scrutiny any material pullback in the share price will be seen as an opportunity to increase the position size again.