

# Clime International Fund

Monthly Investment Report - July 2014

## 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	A\$39.47 million
Inception Date	4 March 2014
Distributions	Annual
Management Fee	1.54% p.a. Wholesale 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 July 2014

	AUD Portfolio Return	Hurdle
1 month	0.48%	0.81%
3 month	-0.92%	2.43%
Inception	-2.57%	3.96%

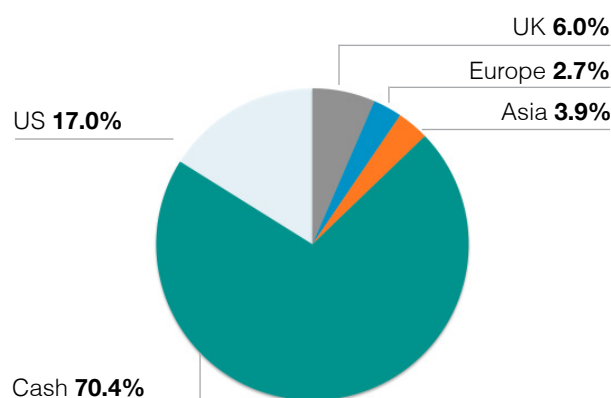
Inception: Wholesale Units: 4 March 2014 .Performance figures for more than 1 year are annualised, calculated after all applicable fees and taxes. Performance figures compare unit price to unit price for the given period.

## Portfolio Attribution to 31 July 2014

	Underlying Portfolio Return	Currency Effect	AUD Portfolio Return
1 month	-0.82%	1.30%	0.48%
3 month	-0.50%	-0.42%	-0.92%
Inception	0.70%	-3.27%	-2.57%

## Top Holdings

Stock	Market	Ticker
Mastercard Inc	US	MA US
Samsung Electronics	South Korea (GDR)	SMSN LI
Burberry Group	(UK)	BRBY LN
Oracle Corporation	US	ORCL US
Microsoft Corp	US	MSFT US
Anheuser-Busch InBev	Europe	ABI BB
Diageo PLC	UK	DGE LN
McDonald's Corp	US	MCD US
Yum! Brands Inc	US	YUM US
Accenture PLC	US	ACN US
The Coca-Cola Company	US	KO US



### 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%												<b>0.48%</b>	0.80%

#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, at which point the wholesale unit's NAV was struck at an inception price of AUD 1.00.

## Summary

The start of the month saw a new high in US equity markets with the Dow Jones breaching the 17,000 mark for the first time. The index was spurred on by a buoyant job market, where unemployment came in lower than expected at 6.1% and the important nonfarm payrolls figure revealed that 288,000 new jobs had been added in June. As the month progressed, the Federal Reserve confirmed that the phasing out of quantitative easing would be complete by October, if the US economy remains on its current trajectory.

Towards the end of the month, the "bad news is good news" mantra began to take hold again, with the US economy looking resurgent at 4% annualised growth and a sharp rise in labour costs yet the S&P 500 dropped 2% in a single day's trading. The index finished the month at 1930.67, down 1.5%.

Whilst the possible withdrawal of accommodative monetary policy led investor fears in the US, European investors were faced with a crisis at Banco Espirito Santo, Portugal's second largest bank. The bank's shares were suspended from trading at the request of the regulator after financial problems emerged, exacerbated by the family-controlled group ownership structure. By the end of the month, the equity and subordinated debt holders had been wiped out, and Banco Espirito Santo had been split into a good and a bad bank. A combination of greater stock specific volatility, mixed earnings releases and some adverse headlines presented opportunities to strengthen further our existing positions. Broadly speaking, however, we remain cautious in investing the Fund's cash.

We added to the positions in Oracle, Samsung, McDonald's and Yum! in July. The latter saw weakness initially on the announcement of a food hygiene issue in China, and once more after confirming that the issue had slowed same-store sales growth in China. We remain confident of the long term opportunity for Yum!, and see these short term sell-offs as opportunities to invest new cash.

Over the course of July, the Fund has achieved a net return of 0.48% (wholesale units) against the Fund's monthly target return of +0.8% (AUD). 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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