

# Clime International Fund

Monthly Investment Report - July 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	A\$112.05 million
Inception Date	4 March 2014
Fund Size - Retail	A\$5.03 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
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

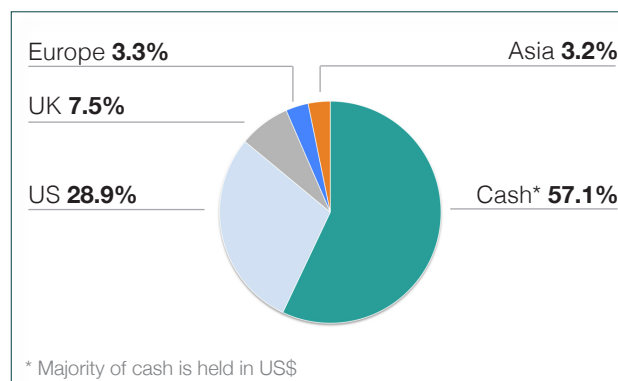
## Fund Performance to 31 July 2016

	AUD Portfolio Return		Hurdle
	Wholesale	Retail	
1 month	0.51%	0.51%	0.81%
3 months	2.40%	2.37%	2.43%
6 months	-1.73%	-1.80%	4.89%
1 year	-0.24%	-0.56%	10.00%
2 years*	11.15%	-	10.00%
Inception*	7.99%	1.66%	-

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
Microsoft Corporation	US	MSFT US
Diageo PLC	UK	DGE LN
Amgen Inc	US	AMGN US
Alphabet Inc	US	GOOG US
Roche Holding AG	EU	ROG VX
Baidu Inc ADR	ASIA	BIDU US
Oracle Corporation	US	ORCL US
American Express	US	AMEX US
Moody's Corporation	US	MXO US
Cognizant Tech Solutions	US	CTSH US

## Distributions

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

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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%	-0.74%	-4.18%	0.89%	6.01%	-3.89%	<b>3.28%</b>	10.00%
2016 - 17	0.51%												<b>0.51%</b>	0.81%

## 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%	-0.75%	-4.19%	0.88%	6.00%	-3.90%	<b>2.95%</b>	10.00%
2016 - 17	0.51%												<b>0.51%</b>	0.81%

# 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

There's something of a dichotomy occurring in financial markets. On the one hand, government bond yields have fallen to historically low levels, indicating that fixed interest markets are worried about economic growth and are less concerned about inflation. On the other hand, equity markets have recovered well after the 'Brexit' sell-off, with the US market performing particularly strongly – a sign of increased confidence. So what should we believe? Are equity markets showing misplaced confidence, or are fixed interest markets too pessimistic? In reality, the answer is probably somewhere in the middle. There's no doubt that the global economy is fragile, but it's not imploding, and we're unlikely to be heading towards a financial crisis akin to the 'credit crunch' of 2008. Since safer assets (such as bonds) are offering little in the way of return, investors are forced to look elsewhere and are instead finding opportunity within equity markets.

Within equity markets themselves, there is another dichotomy emerging between the winners and the losers. While some sectors are showing signs of a good recovery (such as oil & gas and mining), other sectors have suffered large losses, in particular those with significant exposure to the UK economy (such as the UK banking industry). The good news is that large adjustments across sectors as a whole can often give rise to opportunity, as businesses with strong fundamentals are swept along with the negative sentiment. An example of this includes local companies that earn a high proportion of their income offshore.

These shares fell immediately after the vote as investors sold all UK stocks, and then proceeded to recover to an all-time high as the market realised that offshore earnings were not under threat.

During the month we added to our positions in Microsoft and Aberdeen Asset Management. We trimmed our position in Diageo, and sold out of BP, Yum! Brands, PayPal and Samsung.

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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