Clime International Fund

Quarterly Investment Report - March 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 Inception Date	A$116.64 million 4 March 2014
Fund Size - Retail Inception Date	A$4.51 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
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 March 2016

	AUD Portfolio Return		
	Wholesale	Retail	Hurdle
1 month	-4.18%	-4.19%	0.81%
3 months	-4.22%	-4.25%	2.40%
6 months	-4.03%	-4.30%	4.89%
1 year	0.59%	-0.40%	10.00%
2 years	9.09%	-	-
Inception*	7.63%	-0.87%	-

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.

Distributions

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

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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%	**-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%	-	-	-	**0.47%**	7.44%

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%	2.00%	-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%	-	-	-	**0.19%**	7.44%

#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

Despite the Bank of Japan's move to negative interest rates at the end of January, global risk markets were not even able to sustain a rally for two consecutive days. This was indicative of the willingness of the market to take any rally as an opportunity to reduce risk; ultimately starting another sell-off into the middle of the month. This was exacerbated by weak oil prices where fixation on the oil price continued to drive risk sentiment as investors feared that contagion from energy related defaults would have widespread ramifications. The upside to this correlation was realised when Saudi Arabia, Russia and other OPEC members agreed to cap output, leading a gradual recovery in both oil prices and global equities. Many of the returns quoted in sterling were flattered by the extremely weak pound caused by "Brexit" concerns.

In currency markets the Japanese yen staged a strong rally with low inflation expectations and a flight to safety overcoming stimulatory central bank policy. In the UK, the uncertainty surrounding the possible "Brexit" vote weighed heavily on sterling which lost ground to all major trading partners, making for some pretty awful 3 month numbers. This performance is only trumped by the dismal month experienced by the Japanese stock market, which was down in sterling despite being flattered by a 9% favourable currency movement as the prospect of negative interest rates weighed heavily on Japanese Banks. Most other equity indices, in particular emerging markets, benefitted from a sharp recovery in basic material shares, albeit off an extremely low base.

The likelihood of the US Federal Reserve raising rates as initially anticipated seems to diminish by the day. When one views this together with the weak macroeconomic data in Britain, further stimulus in Europe & China and the move to negative rates in Japan, it should be no surprise that yet again core government bonds are hitting new highs and negative yields on medium term issues become the norm. While we have seen better liquidity and tightening spreads in the higher yielding space, uncertainty remains and credit spreads remain wide by historical standards. In the UK the IBOXX corporate bond Index underperformed its larger global peers as its composition has a higher weighting to financial sector issues that investors are steering clear of as a result of the "Brexit" uncertainty.

During the month we initiated Medtronic, and added to our position in Roche. We trimmed Yum Brands! and sold out of our positions in Berkshire Hathaway, Coca Cola and MasterCard.

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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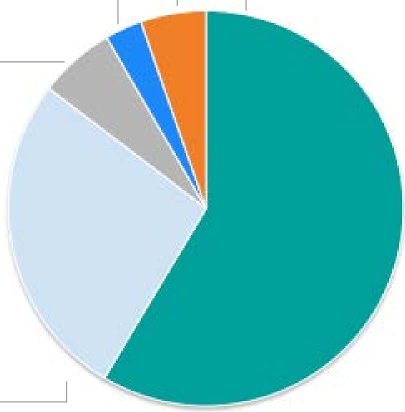
Fund Analysis to 31 March 2016

Asset Allocation



* Majority of cash is held in US$

Top Holdings

Stock	Market	Ticker
Johnson & Johnson	US	JNJ US
Oracle Corporation	US	ORCL US
Roche Holding AG	EUROPE	ROG VX
Amgen Inc	US	AMGN US
Baidu Inc ADR	ASIA	BIDU US
Diageo PLC	UK	DGE LN
American Express Company	US	AXP US
Samsung Electronics	ASIA	SMSM LI
Alphabet Inc	US	GOOG US
Yum! Brands	US	YUM US

Performance Summary

The fund has a substantial US dollar cash position which has been a drag on the portfolio over the last quarter while the Australian dollar has strengthened. However, we still feel the fundamentals are in place for the AUD to weaken long-term against the USD.

The portfolio returns were also helped by strong returns from some of the larger positions in the Fund, which is highlighted in the table below.

Stock	Total % returns* in AUD
Stryker	10.1%
Oracle	6.9%
Burberry	6.0%

*Returns from January 1 - March 31, 2016

Some noticeable weak performers during the quarter include:

Stock	Total % returns* in AUD
Citigroup	-23.2%
American Express	-15.7%

*Returns from January 1 - March 31, 2016

Positions Purchased

Having originally bought and sold **NetEase Inc (NTES)** last year, we reinitiated a position in February. The investment case and growth opportunities are still in place for NetEase. The majority of their revenues (80%) come from their online games segment where they enjoy industry leading R&D capabilities, a strong existing PC game pipeline, and an impressive uptake of their mobile game releases. We believe there is untapped value to be gained from their advertising and e-commerce segments and are drawn to their free cash flow generation, and progressive dividend policy. NetEase has cash balances equalling $4bn vs a market capitalisation of $18bn today.

Microsoft Corporation (MSFT) is another name we have owned before but sold on valuation grounds. However January provided us with an opportunity to reinitiate on the name, an opportunity we did not miss. With the company having gone through a major restructuring for the past couple of years, Microsoft is beginning to see the fruits of their labour. With an annualised run rate of cloud sales equalling $9.5 billion their transition is clearly gaining traction whilst they are targeting $20bn by 2018.

Positions Sold

Stryker Corporation (SYK) had a very strong start to 2016 and reached our target price of 100 at the end of February. As such we locked gains of over 10% since early January. The fundamentals for Stryker are strong and we await a pull back as it is a name we would like to invest in again.

Proctor & Gamble Co (PG) are a high quality company business with an excellent portfolio of brands. They have managed to increase their dividend for 59 consecutive years and have a cash flow conversion ratio of 100%. That said we saw the valuation become too rich, and with PG up 6.9% in AUD year to date, with the market down 6.0%, we decided to lock in profits.

Positions Traded

We sold our position in **Cognizant Technology Solutions Corp (CTSH)** at $62.70 in January, based on a stretched valuation. However, after their results update which the market did not favour the stock pulled back and we were able to invest back into the name at $53.20 in February. Cognizant's exposure to areas like digital and mobility applications put them in a strong industry position going forward.

Alphabet, formerly Google (GOOG) is another name where we still believe in the fundamental growth opportunity within digital advertising. However at $781 we decided to lock in profits and await a pull-back to re-invest. The pull-back in fact materialised quicker than we hoped for and we were able to reinitiate our position at $695.

Medtronic Inc (MDT) is a global leader in medical technology, operating in over 160 countries. We believe they are competitively well placed, holding the number one position in almost every product category it is involved in. We sold out of our position in January at $75.20 and then reinitiated at lower levels when the market corrected during the first 5 weeks of the year.

We purchased **Coca-Cola Co (KO)** in mid January at a level of $41 after a severe short term pull back in the market. However with a continued rally into high quality names Coke reached $46 by the end of March so we decided to take profits and await a pull back. Gains of 10% or more has to be referenced against a market which are down in US$ terms after the first 12 weeks of the year.

MasterCard Inc (MA) was a name where we had to be very patient. Having sold our position in the name in October 2014 for $81, we waited until February this year to reinitiate at $80. However, with the name rerating throughout the quarter we decided to lock in profits of 9% in AUD close to $90.

Having traded **Bureau Veritas SA (BVI)** last year we felt as though we have a good understanding of where the favourable entry and exit points are. The company is one of the top 3 global leaders in the inspection and testing industry with large barriers to entry. We were able to invest at €16 at which time the name rapidly recovered towards €18 and we excited on valuation grounds.