Clime International Fund

Quarterly Investment Report - December 2015

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$116.0 million 4 March 2014
Fund Size - Retail Inception Date	A$4.46 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 December 2015

	AUD Portfolio Return		
	Wholesale	Retail	Hurdle
1 month	-1.35%	-1.57%	0.79%
3 months	0.19%	-0.04%	2.43%
6 months	4.89%	4.64%	4.89%
1 year	11.26%	-	10.00%
Inception*	11.30%	3.48%	-

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%	-	-	-	-	-	-	**4.89%**	4.92%

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%	-	-	-	-	-	-	**4.64%**	4.92%

#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

December was a month of choppy price moves in most asset classes as central bank policy continued to diverge across geographies. The main event was the widely anticipated first US interest rate increase in nearly a decade, where Federal Reserve chair Janet Yellen announced a 25 basis point movement, bringing the target range that US banks can borrow at to 0.25-0.50%. While this move dominated the headlines the fact that it was broadly expected meant that it sparked little in the way of volatility. The European Central Bank, on the other hand, had primed the market for aggressive further stimulus.

While they did follow through with a further reduction in interest rates and an extension of their bond purchasing program, this was insufficient to meet the lofty expectations of the market and sparked a sell off in risky assets.

The equity asset class lacked direction during the month swinging from negative to positive before running out of steam in the final week with most markets closing down about 2% in their respective local currencies.

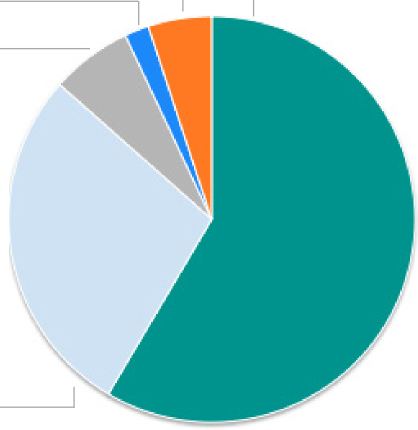
In the UK, soft GDP data and dovish commentary from central bank commentators led to a sell off in sterling, hitting its weakest level since April at under $1.48/£. The euro and the yen were two of the best performing currencies as respective central bank rhetoric failed to meet the extreme expectations of the market.

During the month we re-initiated Stryker, bought Cognizant and Moody's, and topped up American Express. 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.

Fund Analysis to 31 December 2015

Asset Allocation



* Majority of cash is held in US$

Top Holdings

Stock	Market	Ticker
Amgen Inc	US	AMGN US
Johnson & Johnson	US	JNJ US
American Express Company	US	AXP US
Proctor & Gamble Co	US	PG US
Oracle Corporation	US	ORCL US
Diageo PLC	UK	DGE LN
Yum! Brands	US	YUM US
Baidu Inc ADR	ASIA	BIDU US
Stryker Corp	US	SYK US
Samsung Electronics	ASIA	SMSM LI

Performance Summary

The fund's substantial U.S. dollar cash position was beneficial to the fund in the last quarter of 2015, with the USD appreciating almost 4%.

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
Baidu Inc ADR	32.4%
Microsoft Corp (sold 23.10.15)	21.4%
Alphabet	20.0%
Amgen Inc	13.5%

*Returns from October 1 - December 31, 2015

Some noticeable weak performers during the quarter include:

Stock	Total % returns* in AUD
Burberry	-27.5%
Yum! Brands	-11.5%

* Returns from October 1 - December 31, 2015

Positions Purchased

We originally purchased **Stryker Corp (SYK.N)** back in February but took profits in July. However since then the name has pulled back and throughout December we re-initiated and have been adding to the position. Our investment case on Stryker still remains in tact. It is one of the world's leading medical technology companies that specialises in a wide variety of segments, with no one division being more than 16% of total sales. As such, they look set to take advantage of increased global healthcare spending, with Emerging Markets driving this growth. Indeed, their acquisition of Chinese orthopaedic product manufacturer, Trauson, is evidence of this strategy.

Cognizant Technology Solutions Corp (CTSH.OQ) is a leading provider of information technology, consulting, IT infrastructure and business process outsourcing services. We believe that they are well placed to take advantage of increased discretionary IT spending on cloud based applications and solutions. We initiated a position in December.

Moody's Corporation (MCO.N) is a credit rating, research, and risk analysis firm. The company provides credit ratings and related research, data and analytical tools, quantitative credit risk measures, risk scoring software, and credit portfolio management solutions and securities pricing software and valuation models. As one of the leading and most trusted brands in the industry, Moody's serves a wide range of customers and is able to lever its scale through a strong global distribution network. In our view, this is a high quality business which has developed an attractive economic moat through strong industry characteristics, inelastic pricing and high barriers to entry. We initiated a position in December.

Positions Sold

Intertek Group PLC (ITRK.L) continues to trade in a range and we are more than happy to buy in and out of this name. In October we sold at £25.82 and we are again waiting for an attractive entry point. We have bought and sold out of this position twice during 2015, making a 10% profit each time.

McDonald's Corporation (MCD.N) was a great performer throughout 2015, up 25.4% in AUD to when we sold in October. This produced a 14.6% outperformance of the MSCI TR index. Their one year forward PE ratio rerated from 17 times to over 21 times in 2015. Notwithstanding, consensus one year forward estimates for sales and earnings have significantly moved south. With the general move towards more healthy living acting as a permanent headwind, we felt as though this was a good opportunity to take profits in the name.

Microsoft Corporation (MSFT.OQ) has been a stellar performer in 2015, gaining 31.4% in AUD from the beginning of the year to when we sold in October. This compares very favourably to the MSCI TR World Index which grew 14.7% in AUD over the same period. Microsoft is currently transitioning towards becoming a cloud and ecosystem company and as such there are risks associated to this. We feel as though the re-rating was unjustified given this continued risk and therefore felt it was a good opportunity to exit the name. If Microsoft drifts back below $50 we would look to add again.

Alphabet (GOOGL.OQ) formerly Google, has been a stellar performer since we bought this into the portfolios on the 5th February 2015. Since then the shares have returned 51.6% (in AUD terms), outperforming the MSCI World Net Index by 41.9% (in AUD terms). Moreover, the shares are trading at 26 times current year's earnings and 22 times 2016 earnings. This is a 40% premium to the levels we bought at in February and whilst our thesis remains intact that Alphabet remains a winner long term, as a market disruptor all the short term good news is currently discounted in the share's valuation levels. If it drifts below 700 we will look to re-initiate a position.

In late October, **Coca-Cola Co (KO.N)** hit levels of $43.75 which is beyond our target price of $42. Given that the company has various challenges, we felt this was a good opportunity to exit at a profit. Our biggest concern with Coca-Cola is margin degradation from channel mix and shifts into non-carbonated beverages around the world. This is particularly a concern in Latin America, where Coke has almost 60% margins.

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