

Clime Smaller Companies Fund

October was a difficult month for domestic and global markets. To provide some context for smaller ASX listed businesses, the Small Ordinaries Accumulation Index returned -9.6% for October and is now -8.6% for the Financial Year to Date (FYTD). This was the worst single month for this index since May 2012 (-10.2%). The Emerging Companies Index delivered -10.9% for the month and is now -13.1% for the FYTD.

The Clime Smaller Companies Fund returned -5.2% for October but remains positive for the FYTD at +0.9%.

Many of the macro risks that exist today certainly existed a few months ago. This includes the recent surge in long bond yields, ongoing trade tensions and broader geopolitical risks. The pricing of these risks has simply changed. With this change has come a window of opportunity.

The following was noted in recent CSCF monthly reports: *"we remain measured in our portfolio positioning and have access to significant cash reserves should we see volatility re-emerge in the coming months."* This commentary reflects our cash weighting as at 30 September of 21.2% and the focus on high quality companies with strong balance sheets.

Volatility and the impacts of company and/or sector specific adversity are amplified by gearing. As at today, approximately 82% of the portfolio is invested in either (i) companies that have net cash balance sheets, or (ii) cash. Although this is a smaller companies fund, it is not a fund that speculates on high risk ventures.

We closed the month with a cash weighting of 16.8%. We therefore put a meaningful amount of cash reserves to work during October. Looking ahead, we have no decisive view on whether the selloff continues or abates. The expectation is that volatility will likely remain in the near term. With that noted, we remain well positioned to sensibly invest should any further indiscriminate falls materialise – albeit on a measured basis and with the long-term firmly front of mind.

Distributions

Period Ending	Wholesale Units (cents per unit)
30 June 2018	4.3495
30 June 2017 (Inception 24/4/2017)	0.1372

Snapshot

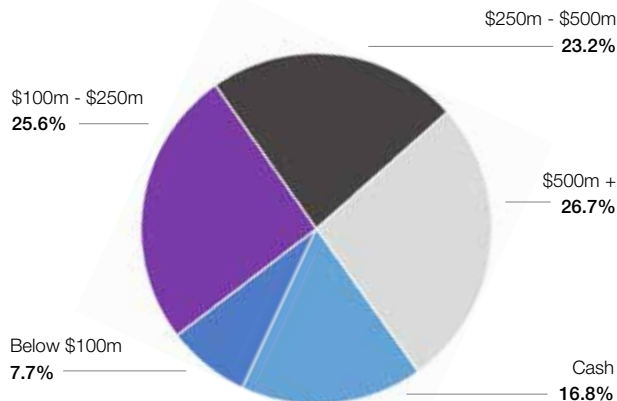
Portfolio Return (FYTD)	Portfolio Return (1 year)	Portfolio Return (Since Inception)	Fund Size
0.9%	12.0%	16.8% p.a.	\$24.3m

Performance (31/10/18)

	1 month	3 months	6 months	FYTD	1 year	Inception*	Inception (Total)
Portfolio Return	-5.19%	-0.1%	3.72%	0.91%	11.98%	16.83%	26.58%
Fund Objective ^	0.78%	2.41%	4.85%	2.41%	9.91%	9.88%	14.48%

* Inception: Wholesale Units: 24 April 2017. Performance figures for more than 1 year are annualised, calculated after all applicable fees and taxes. Returns have been calculated based on starting and ending unit prices after taking into account all ongoing fees, and assuming reinvestment of distributions. ^ CPI + 8% p.a. including GST.

Asset Allocation by Market Capitalisation



Prominent Fund Holdings (alphabetical order)

Bravura Solutions Ltd (ASX: BVS)
Citadel Group Ltd (ASX: CGL)
Hansen Technologies Ltd (ASX: HSN)
Jumbo Interactive Ltd (ASX: JIN)
Macquarie Telecom Group Ltd (ASX: MAQ)