

Clime Smaller Companies Fund

In what was a difficult close to the calendar year, the Clime Smaller Companies Fund (CSCF) delivered a return of -5.0% (net of fees) for December. While all major indices recorded losses for the month, the S&P/ASX Small Ordinaries and S&P/ASX Emerging Companies Indices in particular came under heavy selling pressure.

With general macro-economic uncertainty building in a climate also impacted by simmering geopolitical tensions, it was unsurprising to see volatility increase markedly late in the year. In turn, this appeared to drive a broader rotation of capital from smaller and emerging companies to their larger, more liquid counterparts (and/or cash).

With calendar year 2018 coming to a close, it's worthwhile reflecting on the year that has been. The CSCF generated a modestly positive return of 2.8%, which on a rolling 12-month basis is below our absolute return target. However, it is noteworthy that the two most relevant comparative indices, the Small Ordinaries Accumulation Index and the Emerging Companies Index, delivered total returns of -8.7% and -19.9% respectively for CY2018.

Generating a sound through-the-cycle absolute return will always be the focus for your investment managers. With that said, risk management and mitigation remain a key pillar of the investment process. In this regard, the degree of capital protection delivered during what has been a sharp correction has been pleasing.

Measured implementation of our investment process remains the focus. As such, with adequate cash reserves and an enduring emphasis on the long-term, we continue to utilise volatility to selectively build out exposure to a range of high-quality smaller companies.

Distributions

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

Snapshot

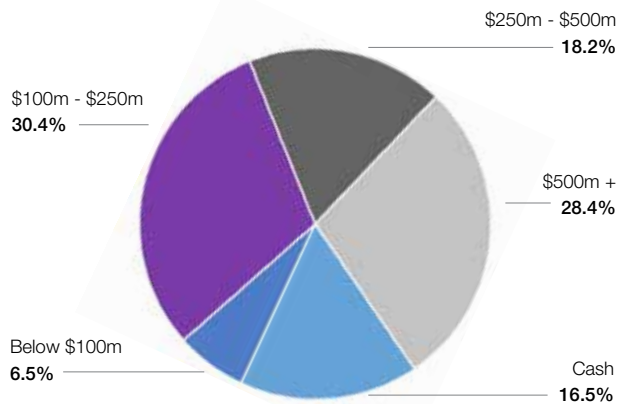
Portfolio Return (FYTD)	Portfolio Return (1 Year)	Portfolio Return (Since Inception)	Fund Size
-3.6%	2.8%	12.0% p.a.	\$25.1m

Performance (31/12/18)

	1 month	3 months	6 months	FYTD	1 year	Inception*	Inception (Total)
Portfolio Return	-5.01%	-9.41%	-3.57%	-3.57%	2.76%	11.97%	20.95%
Fund Objective ^	0.80%	2.39%	4.86%	4.86%	9.89%	9.87%	17.21%

* 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)

Citadel Group Ltd (ASX: CGL)
Hansen Technologies Ltd (ASX: HSN)
Jumbo Interactive Ltd (ASX: JIN)
Macquarie Telecom Group Ltd (ASX: MAQ)
Navigator Global Investments Ltd (ASX: NGI)