

Clime Smaller Companies Fund

Monthly Investment Report - March 2018

Investment Objective

The objective of the Fund is to generate sustainable long-term capital growth. The Fund seeks to achieve an annual total return of 8% above the Australian Consumer Price Index (CPI) over rolling five to seven year investment periods after management fees.

Investment Strategy

The Clime Smaller Companies Fund seeks to deliver strong risk-adjusted total returns by investing in a portfolio of high quality smaller Australian companies that are attractively priced.

Fund Profile (Wholesale[^])

Investment Manager	Clime Asset Management Pty Limited
Investments	The Fund invests in those companies that are outside of the S&P/ASX200 Index and above \$50m market capitalisation at the time of establishing a position.
Inception Date	24 April 2017
Income Distributions	Annual. Unless otherwise requested, distributions are automatically reinvested.
Management Fee	1.03% p.a. ^{^^}
Contribution Fee	Nil
Minimum initial investment	\$100,000
Minimum additional investment	\$10,000
Minimum balance	\$100,000
Expenses	0.21% p.a.
Withdrawal Fee	Nil
Performance Fee	Performance Fee of 20% of Fund's total return above investment objective of CPI ^{^^^} + 8% pa inc. GST.
Investment Horizon	Suggested minimum 5 years

[^]As defined by the Corporations Act

^{^^}The Clime Smaller Companies Fund is currently in the incubation phase, during which time the manager will be charging reduced management fees. Full rate management fee will be charged with effect from 1 April 2018.

^{^^^}Trimmed mean Consumer Price Index as measured by the Reserve Bank of Australia

Portfolio Total Return (31/03/18)

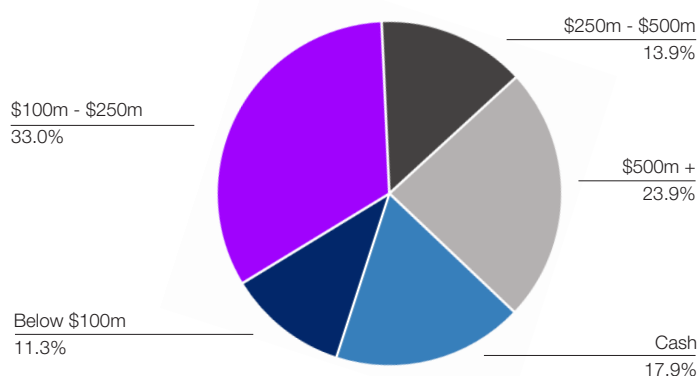
	Portfolio Return	Fund Objective [^]
1 month	1.73%	0.85%
3 months	3.33%	2.47%
6 months	10.82%	5.07%
1 year	-	-
Inception*	21.62%	9.66%

* 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.


Distributions

Period Ending	Wholesale Units (cents per unit)
30 June 2017	0.1564

Asset Allocation by Market Capitalisation



Prominent Fund Holdings (alphabetical order)

	Bravura Solutions Limited (ASX: BVS)
	Elanor Investors Group (ASX: ENN)
	Hansen Technologies Limited (ASX: HSN)
	Jumbo Interactive Limited (ASX: JIN)
	Navigator Global Investments Limited (ASX: NGI)

Summary

The Clime Smaller Companies Fund (CSCF) continued its steady progress during March, delivering a return of 1.7% (net of all fees) for the month. The CSCF delivered a return of 3.3% (net of all fees) for the March quarter. A broad range of portfolio constituents contributed positively to March portfolio returns, the most notable contributors were Bravura Solutions (BVS), Macquarie Telecom Group (MAQ), Jumbo Interactive (JIN) and Veris (VRS).

While our focus remains firmly set on the achievement of sound absolute returns over a long-term horizon, the monthly and quarterly results were pleasing in the context of a more challenging market environment. The headline S&P/ASX 200 Index finished the month at a five-month low, having receded -4.3% and -5.0% for the month and quarter respectively. Investors have only experienced two worse March quarters over the past 25 years, a -15.5% loss in 2008 and a -6.3% fall in 1994 (Source: Evans & Partners and S&P/ASX).

As we have noted in recent monthly reports, the arrival of calendar year 2018 has brought with it a return to a more volatile investing landscape. The speculative tone that was particularly apparent towards the end of 2017 appears to have been re-evaluated by many investors, with recent trade tensions between the US and China only adding to broader market uncertainty.

Ultimately, we believe a negotiated solution between China and the United States remains probable. However, until such an agreement is reached, we would suggest financial market volatility is likely to remain. In such a scenario, we seek to sensibly access the opportunity brought about by volatility via the selective deployment of capital into high quality smaller companies. We believe the Fund remains well positioned to take advantage of further select opportunities, as and when they arise.

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