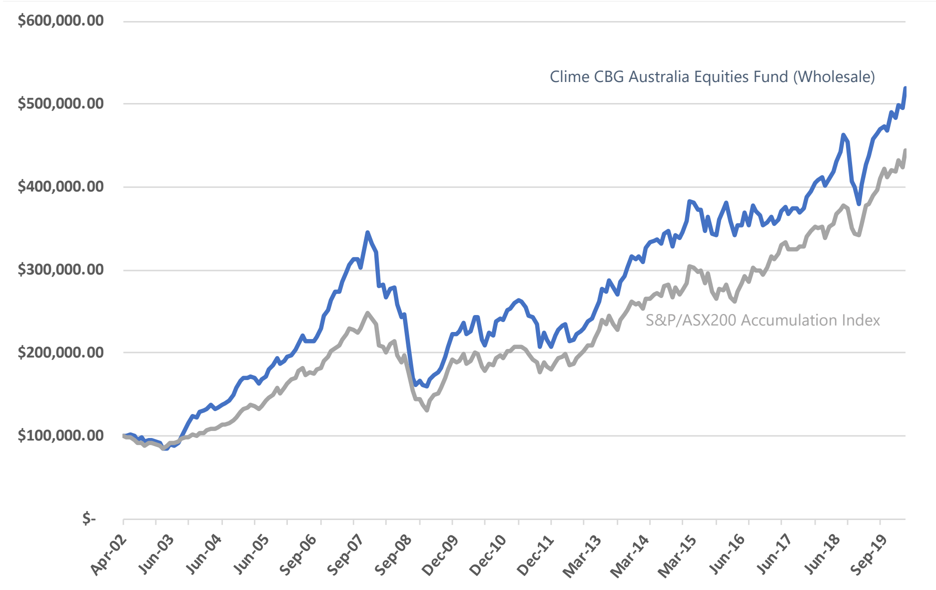
Clime Australian All Cap Equities Fund (Wholesale)
(Formerly Clime CBG Australian Equities Fund)

Monthly Report January 2020

The Clime Australian All Cap Equities Fund (Wholesale) seeks to deliver strong risk-adjusted returns by investing in a portfolio of high quality large, mid and small cap Australian companies that are attractively priced. Its objective is to achieve returns in excess of the ASX200 Accumulation index.

1 Month Net Return (Wholesale)*	1 - Year Net Return (Wholesale)*	Inception p.a. Net Return (Wholesale)*	Total Fund Size
4.8%	28.9%	9.7%	$68.9m



	1 month	3 months	6 months	FYTD	1-year	2-years*	3-years*	5-years*	10- years*	Inception p.a.	Inception Total
Fund Net Return (Wholesale)*	4.8%	7.6%	9.8%	10.6%	28.9%	12.7%	13.4%	7.7%	8.8%	9.7%	419.9%
Benchmark	5.0%	6.1%	5.1%	8.2%	24.7%	12.5%	12.4%	9.3%	9.1%	8.8%	350.9%

Inception: 9 April 2002.
*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. The returns exclude the impact of imputation.
^Benchmark refers to S&P / ASX200 Accumulation Index

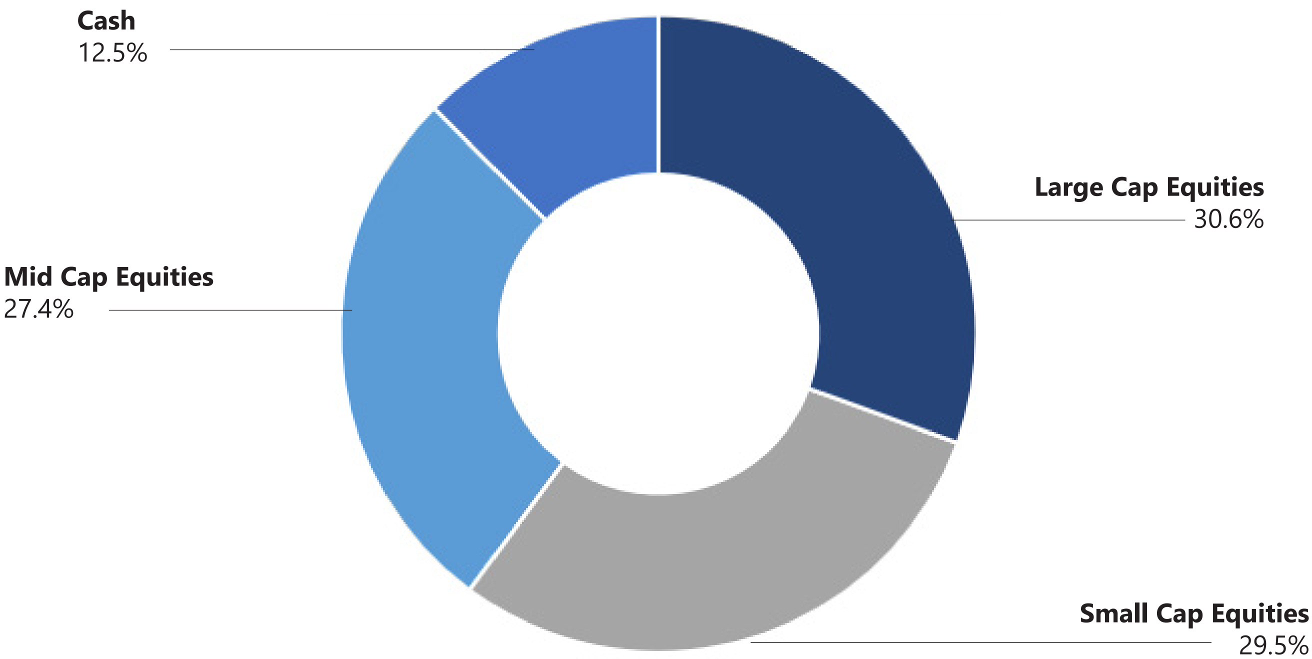
Fund Facts

Portfolio Managers	Adrian Ezquerro, Ronni Chalmers, Jonathan Wilson, Vincent Cook & David Walker
Fund Inception	April 2002
Fund Size	$68.9m
Number of Stocks	25-40
Cash Distributions	Half Yearly
Eligibility	Wholesale

Top 5 Holdings (Alphabetical)

Company	ASX Code
Amcor	AMC
BHP Group	BHP
CSL	CSL
Webjet	WEB
Westpac Banking Corporation	WBC

Asset Allocation by Market Capitalisation



Asset Allocation by Sector

Industry	Weighting
Financials	20.2%
Information Technology	19.9%
Materials	12.9%
Consumer Discretionary	11.9%
Health Care	7.3%
Industrials	6.6%
Real Estate	2.2%
Utilities	2.1%
Energy	2.0%
Communication Services	1.5%
Cash	13.4%

Portfolio Commentary

The portfolio returned 4.8% in January, compared to a 5.0% return for the S&P/ASX200 Accumulation Index and a 3.4% return for the S&P/ASX Small Ordinaries Accumulation Index.

While the domestic market delivered a strong return during the month, global markets were mixed as Coronavirus fears grew, highlighted by a -6.7% return from the Hang Seng. Expectations for a slow down in Chinese demand proved a headwind for commodities, with Brent Oil and Copper receding 16.4% and 9.5% respectively.

On the flipside, healthcare significantly outperformed during the month, led by a surging CSL (+13.2%). The technology sector also delivered strongly during January, with Afterpay (APT) advancing 31.7%.

Key contributors and detractors to the portfolio return for the month were:

- **Australian Equity Large Cap Sub-Portfolio:** Positive contributor CSL (CSL), detractor Treasury Wine Estates (TWE).
- **Australian Equity Mid Cap Sub-Portfolio:** Positive contributors Afterpay (APT), Credit Corp (CCP), Appen (APX) & EML Payments (EML), detractors Jumbo Interactive (JIN) & Webjet (WEB).
- **Australian Equity Small Cap Sub-Portfolio:** Positive contributors Electro Optic Systems (EOS), RPMGlobal (RUL), Macquarie Telecom (MAQ) & Mach7 Technologies (M7T), detractors Helloworld (HLO) & Lovisa Holdings (LOV).

CSL continues to rally into the first half result, off the back of continued strength in its core immunoglobulin (IG) market. TWE downgraded earnings guidance for both FY2020 and FY2021, largely reflecting commercial wine oversupply and associated aggressive discounting in the Americas market.

Expectations for significant growth continue to build for APT, while CCP delivered a strong first half result in late January. With significant domestic market share, the key attraction of CCP is the potential for the US debt ledger segment to become a much larger business over the medium to long term.

Travel and retail companies felt the impacts of bushfires and the early stages of the Coronavirus, with WEB, HLO and LOV all softening as a result. While acknowledging the near term risk to earnings, we retain conviction in the strength and longer term outlook for each of these companies.

EOS, a niche leader in remote defence systems and space technologies, rallied over the new year period on the back of a flurry of business updates. Whilst we're pleased with progress in defence systems, we look forward to potential opportunities in the Space sector, where EOS has leading and highly coveted Space monitoring and defence technology.

Adrian Ezquerro
Head of Investments

Ronni Chalmers
Investment Director

Jonathan Wilson
Portfolio Manager

Vincent Cook
Potfolio Manager

David Walker
Portfolio Manager

Market Commentary

The year has started with mixed economic news: China and the US have agreed on a phase one trade deal, global central banks have maintained low interest rate settings and global manufacturing activity appears to be picking up. The IMF has stated that the global economic downturn in trade and manufacturing is bottoming out. Domestically however, the Australian economy continues to operate at below trend growth.

The S&P/ASX200 Accumulation, All Ordinaries Accumulation and Small Ordinaries Accumulation delivered returns of 5.0%, 4.7% and 3.4% respectively for the month. The robust returns generated by the Australian sharemarket in January largely reflect multiple expansion as aggregate earnings forecasts continue to be downgraded.

Economic fundamentals in Australia have deteriorated somewhat on the back of two recent factors; bushfires and the coronavirus pandemic. The bushfires have damaged huge swathes of the countryside, and will impact agriculture, tourism, and the local economies of many small and regional country towns. They have also damaged consumer confidence, which in turn is likely to further impact the retail sector.

The outbreak of coronavirus in China and its spreading across the world is a threat to inflows of international tourists, and to Australia's services trade account. The virus outbreak adds to the inevitable travel downturn caused by the bushfires.

In 2018, the Australian economy benefited from the visits of more than 1.4 million visitors from China. We expect this influx will now be severely checked and the next 6 months will be difficult for Australian companies exposed to this (such as tourism operators, education providers and the luxury retail sector). At this stage, the severity of the pandemic can only be roughly estimated – no one really knows the extent to which the Chinese economy will be impacted, or the flow-on effects for Australia.

In Australia, the east coast residential property market is back in full swing. CoreLogic housing prices for December showed strong gains in Sydney and Melbourne. Rising housing and share prices should be a positive catalyst for consumer sentiment. The latest job figures saw the unemployment rate fall to end 2019 at 5.1%, the lowest level since March last year. Other positives on the domestic front have been rising commodity prices, especially iron ore. On interest rates, Reserve Bank Governor Philip Lowe has stated that he expects rates will be "lower for longer".

Internationally, some of the key questions for 2020 are: have central banks laid the groundwork for an extension of the economic growth cycle, will corporate earnings rebound or does the business cycle turn down, who will President Trump fight against in the US Presidential election, and just how severe will the impact be of the coronavirus pandemic. We anticipate that the mood of the market will wax and wane over coming months, as the answers to these questions start to become clear. By extension, we expect markets to remain volatile.

Despite the various issues confronting markets, valuations are stretched on most fundamental measures. Thus, plenty of good news appears to be accounted for in equity market valuations. Ahead of what may be a volatile February reporting season, Clime portfolios are positioned somewhat more conservatively with slightly elevated cash positions.

Adrian Ezquerro
Head of Investments

Fund Information

Investment Objective

The Clime CBG Australian Equities Fund (Wholesale) is a concentrated portfolio providing a balanced exposure to high quality companies across the large, mid and small cap segments of the ASX.

The Fund invests in leaders that have good economics, strong balance sheets, and significant growth prospects. The Fund is managed to generate a sound balance of capital growth and income.

Its objective is to achieve returns in excess of the ASX200 Accumulation index.

Investment Methodology

The Clime CBG Australian Equities Fund (Wholesale) has a quality focus with a valuation discipline. Fund holdings are characterised by:

- A competitive advantage, leadership within a specific niche
- High levels of profitability and margin
- Low financial leverage
- Capital-efficient growth and cash generation
- Capable management aligned with shareholders
- Sustainable long-term growth
- Attractive share prices relative to assessed value

Position sizing reflects not only our assessment of valuation and quality, but also the degree of strategy execution.

Portfolio Managers

Adrian Ezquerro
Head of Investments

Ronni Chalmers
Investment Director

Jonathan Wilson
Portfolio Manager - Small Caps

Vincent Cook
Potfolio Manager - Mid Caps

David Walker
Portfolio Manager - Large Caps

Fund Information

Name	Clime Australian All Cap Equity Fund (Wholesale)	**Investor Eligibility**	Wholesale
Structure	Managed Investment Scheme	**Minimum Investment**	Wholesale: $100,000
Investment Universe	Ex-ASX 200 at initial investment	**Liquidity**	Weekly Unit Pricing Applications and Redemptions
Benchmark	S&P/ASX200 Accumulation Index	**Fees**	Wholesale: 1.03% management and 20.5% performance
Stock Holdings	25-40	**Admin**	Link Fund Solutions
Fund Size	$68.9m	**Stock Limit**	15% at cost

Contact Information

Investor information
Clime Asset Management
Ph: 1300 788 568
Email: info@clime.com.au

Administrator
Link Fund Solutions
Ph: +61 2 9547 4311
Email: LFS_registry@linkgroup.com