

Clime Smaller Companies Fund



Monthly Report January 2020

The Clime Smaller Companies Fund is a concentrated portfolio of high-quality businesses that are outside the ASX200 at the time of initial investment. The Fund invests in niche leaders that have superior business economics, strong balance sheets and significant growth prospects, provided they are attractively priced relative to assessed value. The Fund is designed to take advantage of the structurally inefficient and under-researched market segment of small capitalisation stocks.

1 Month Net Return (Wholesale)*	1 - Year Net Return (Wholesale)*	Inception p.a. Net Return (Wholesale)*	Total Fund Size
8.2%	50.7%	24.3%	\$49.3m



	1 month	3 months	6 months	1 year	Inception p.a.	Inception Total
Fund Net Return (Wholesale)*	8.2%	12.9%	19.8%	50.7%	24.3%	82.8%
Benchmark[^]	3.5%	2.6%	4.0%	14.9%	11.7%	35.8%

*Net returns are after all fees, taxes, and costs

[^] CPI Trimmed Mean + 8% p.a. from 24th April 2017 and then 50% of the ASX Small Ordinaries Accumulation Index (XSOAI) and 50% of the ASX Emerging Companies Accumulation Index (XECAI) from the 30th June 2019

Fund Facts

Portfolio Managers	Jonathan Wilson & Adrian Ezquerro
Fund Inception	April 2017
Fund Size	\$49.3m
Number of Stocks	15-40
Cash Distributions	Annually
Eligibility	Wholesale & Retail

Top 5 Holdings (Alphabetical)

Company	ASX Code
Afterpay	APT
Audinate	AD8
Electro Optic Systems	EOS
Macquarie Telecom	MAQ
RPMGlobal	RUL



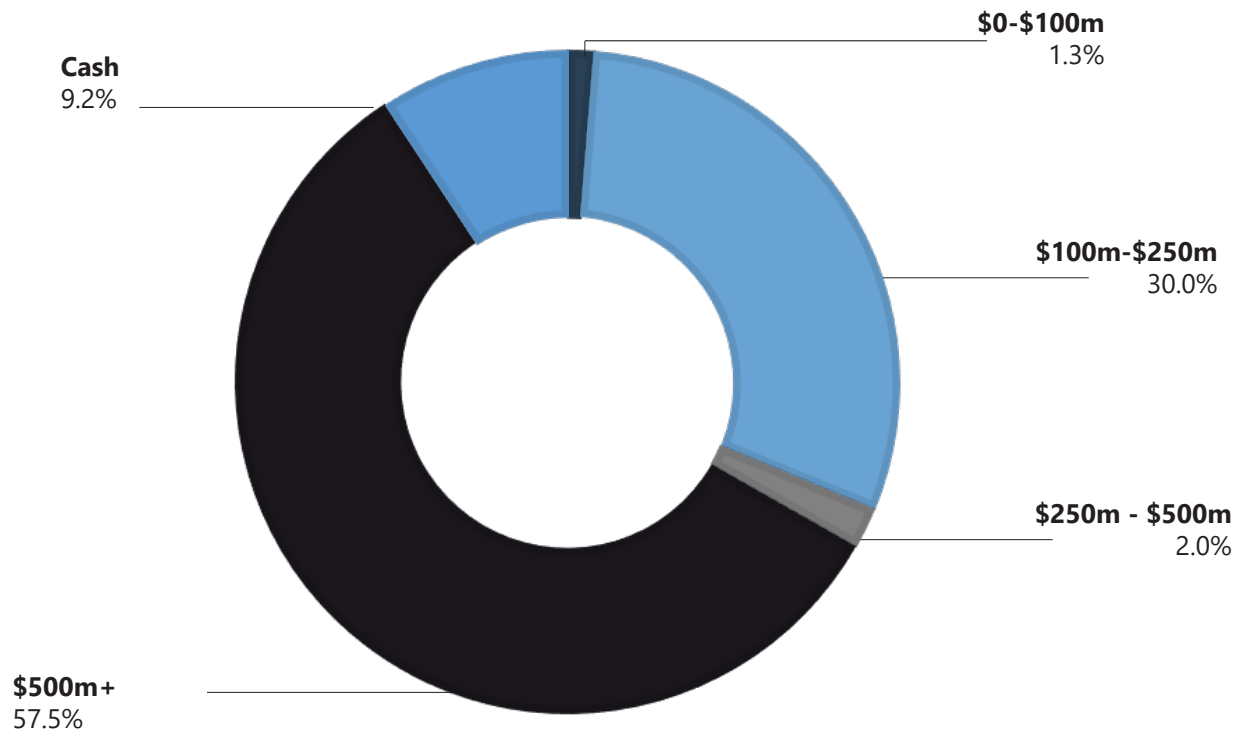
Unit Price

Date	Wholesale Unit (exit)
31 January 2020	1.6556

Distributions

Period Ended	Wholesale Units (cents)
30 June 2019	8.2837

Asset Allocation by Market Capitalisation



Asset Allocation by Sector

Industry	Weighting
Software & Services	30.4%
Healthcare Equipment & Services	10.5%
Diversified Financials	8.9%
Technology Hardware & Equipment	8.1%
Capital Goods	7.5%
Telecommunication Services	5.9%
Retail	5.7%
Consumer Services	5.6%
Commercial & Professional Services	4.1%
Real Estate	4.0%
Cash	9.3%



Portfolio Commentary

The Clime Smaller Companies Fund (CSCF) returned +8.2% net of fees in January, above the Benchmark return of +3.5%. The Fund has delivered 24.3% per annum after fees since inception.

In January, the strongest contributors were:

Electro Optic Systems (EOS), Afterpay (APT), RPMGlobal (RUL), Macquarie Telecom (MAQ), Mach7 Technologies (M7T), City Chic Collective (CCX), Lycopodium (LYL), Bravura Solutions (BVS) and EML Payments (EML).

EOS appointed a number of high-calibre Directors to its US subsidiary, EOS Defense Systems USA Inc (EOSDS), which should permit EOSDS to undertake classified contracts in the US.

Mining operations software provider, RUL, remains on a solid growth trajectory, announcing Annualised Recurring Revenue of \$10 million, up from \$8 million in November.

Medical imaging software company M7T generated positive cash flow for 2Q20 and is well positioned for growth in 2020 with \$23 million net cash and a healthy contract pipeline.

Mining services provider LYL announced that Mondium, its JV with Monadelphous, was awarded a \$400m design and construction contract with Rio Tinto for a mine in Western Australia.

The largest detractors were:

Helloworld (HLO), the travel services firm, was sold off on near term demand risks to both inbound and outbound travel caused by the Australian bushfires and international coronavirus crises.

Jonathan Wilson
Portfolio Manager

Adrian Ezquerro
Head of Investments



Fund Information

Investment Objective

The Clime Smaller Companies Fund is a concentrated portfolio of high-quality businesses that are outside the ASX200 at the time of initial investment.

The Fund invests in niche leaders that have superior business economics, strong balance sheets, and significant growth prospects, provided they are attractively priced relative to assessed value. The Fund is designed to take advantage of the structurally inefficient and under-researched market segment of small capitalisation stocks.

Its objective is to outperform a blended benchmark comprising 50% of the Small Ordinaries Accumulation Index and 50% of the Emerging Companies Accumulation Index.

Investment Methodology

The Clime Smaller Companies Fund has a quality focus with a valuation discipline. Fund holdings are characterised by:

- A competitive advantage, niche leadership
- 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

Jonathan Wilson

Jonathan has 6 years of investment experience, specialising in growth strategies. He was the founding Co-Portfolio Manager of the Clime Smaller Companies Fund. Jonathan holds a Bachelor of Engineering, Bachelor of Commerce from the Australian National University and is a CFA Charterholder.



Adrian Ezquerro

Adrian, Clime's Head of Investments, has 13 years of investment experience. Adrian was the founding Portfolio Manager of the Clime Smaller Companies Fund. Adrian holds a Bachelor of Science from the University of Wollongong, and a Graduate Diploma of Applied Finance from Kaplan Professional.



Fund Information

Name	Clime Smaller Companies Fund	Investor Eligibility	Retail & Wholesale
Structure	Managed Investment Scheme	Minimum Investment	Retail: \$10,000 Wholesale: \$100,000
Investment Universe	Ex-ASX 200 at initial investment	Liquidity	Weekly Unit Pricing Applications and Redemptions
Benchmark	50% of the ASX Small Ordinaries Accumulation Index & 50% of the ASX Emerging Companies Accumulation Index	Fees	Retail: 1.23% management and 20% performance Wholesale: 1.03% management and 20% performance
Stock Holdings	15-40	Admin	Mainstream Fund Services Pty Ltd
Stock Limit	15% at cost	APIR Code	Retail: SLT5667AU Wholesale: CLA1557AU
Fund Size	\$49.3m	Platform Availability	Netwealth, HUB24

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Investor information

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