

Clime All Cap Australian Equities Fund (Wholesale)

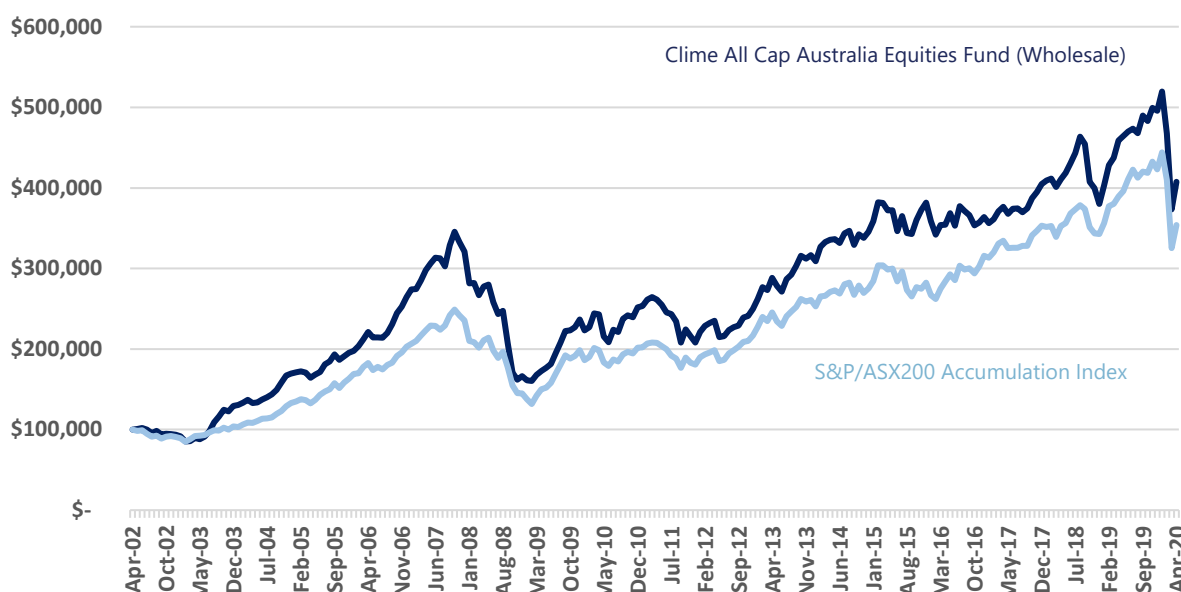
(Formerly Clime CBG Australian Equities Fund (Wholesale))



Monthly Report April 2020

The Clime All Cap Australian 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 S&P/ASX200 Accumulation index.

1-Month Net Return (Wholesale)*	1 - Year Net Return (Wholesale)*	Inception p.a. Net Return (Wholesale)*	Total Fund Size
9.2%	-11.2%	8.1%	\$54.6m



	1 month	FYTD	1-year	3-years*	5-years*	10- years*	Inception p.a.	Inception Total
Fund Net Return (Wholesale)*	9.2%	-13.2%	-11.2%	2.7%	1.8%	5.3%	8.1%	307.6%
Benchmark	8.8%	-13.8%	-9.1%	1.9%	3.5%	6.0%	7.3%	259.3%

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

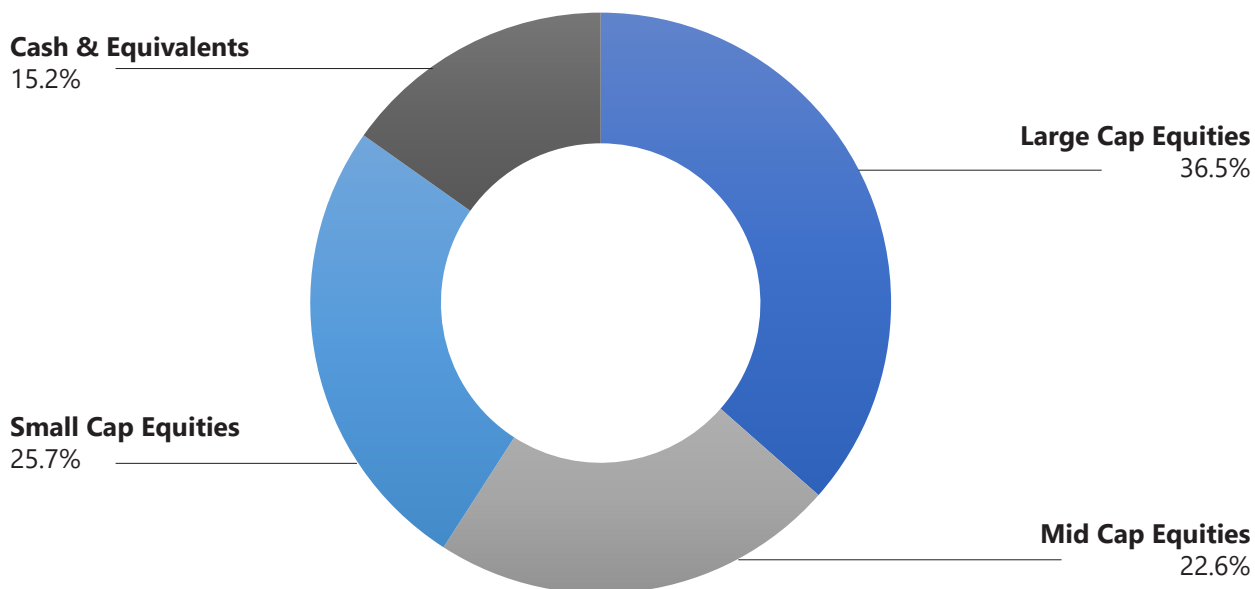
Fund Facts	
Portfolio Managers	Adrian Ezquerro, Ronni Chalmers, Jonathan Wilson, Vincent Cook & David Walker
Fund Inception	April 2002
Fund Size	\$54.6m
Number of Stocks	25-40
Cash Distributions	Annually
Eligibility	Wholesale

Top 5 Holdings (Alphabetical)

Company	ASX Code
Appen	APX
Austral	ASB
BHP Group	BHP
Bravura Solutions	BVS
CSL	CSL



Asset Allocation by Market Capitalisation



Asset Allocation by Sector

Industry	Weighting
Financials	17.5%
Information Technology	15.6%
Health Care	12.0%
Materials	11.4%
Consumer Discretionary	9.0%
Industrials	7.9%
Real Estate	7.4%
Communication Services	4.0%
Cash & Equivalents	15.2%



Portfolio Commentary

The portfolio returned 9.2% in April, compared to an 8.8% return for the S&P/ASX200 Accumulation Index and a 9.5% return for the S&P/ASX All Ordinaries Accumulation Index.

All sectors delivered positive performance in April, led by energy despite oil futures turning negative at one point. However, energy remains the worst performer over the past year. After strong outperformance during the sharp March sell-off, consumer staples (+2.6%) was an underperformer in April. Utilities (+3.2%), telecommunications (+1.0%) and healthcare (+4.9%) were other defensive sectors that lagged in a strong April rally.

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

- **Australian Equity Large Cap Sub-Portfolio:** Key contributors BHP Group (BHP), Macquarie Group (MQG), Fortescue Metals Group (FMG), GPT Group (GPT) and CSL Limited (CSL), no material detractors.
- **Australian Equity Mid Cap Sub-Portfolio:** Key contributors Appen (APX), Bravura Solutions (BVS), Jumbo Interactive (JIN), Austal (ASB) and Altium (ALU), no material detractors.
- **Australian Equity Small Cap Sub-Portfolio:** Key contributors City Chic Collective (CCX), Audinate (AD8), Integral Diagnostics (IDX), Macquarie Telecom (MAQ), RPM Global (RUL) and Electro Optic Systems (EOS), key detractors Navigator Global Investments (NGI) and Citadel Group (CGL).

While both BHP and FMG delivered solid quarterly reports, which saw the latter upgrade its production guidance, the ongoing resilience of the iron ore price was the primary driver of monthly outperformance. CSL provided a COVID-19 update during the month, with the company reaffirming FY20 constant currency profit guidance of \$2.11b to \$2.17b.

Within the mid-cap sub-portfolio, we continue to believe the likes of ALU, APX, BVS and JIN are particularly well placed to weather the COVID-19 storm. APX reaffirmed its 2020 guidance for EBITDA to be in the range of \$125m to \$130m, with management noting 'the Company's global crowd workers are fortunately and ideally situated, working from home as usual.' Typical of many portfolio companies, APX maintains a strong balance sheet, with significant cash reserves.

CCX is a specialist in plus-size ladies fashion, which is a structural growth category. CCX was already generating 65% of group sales via its online channel, suggesting the company is particularly well positioned to transition successfully to a post-COVID world. Leading mining software provider RUL provided another positive update during the month, with management noting further growth in its Annual Recurring Revenue (ARR) profile.

The portfolio retains its focus on high quality companies with strong balance sheets. In turn, this provides the portfolio with significant resilience and a platform for the delivery of sound returns to investors over the medium to long term.

Adrian Ezquerro
Head of Investments

Ronni Chalmers
Investment Director

Jonathan Wilson
Portfolio Manager - Small Caps

Vincent Cook
Senior Analyst - Mid Caps

David Walker
Senior Analyst - Large Caps



Market Commentary

Global markets recorded an extraordinary bounce from the low point on 23 March through the month of April. In local currency terms, the NASDAQ, Russell 2000 and S&P 500 each delivered returns of 15.4%, 13.7% and 12.7% respectively. Although volatile, the S&P/ASX200 Accumulation Index rallied strongly to finish up 8.8% in April, the best monthly return since 1988. This is still 23% below the high reached in February, but 21% above the low reached in late March.

While small sections of the economy may snap back relatively quickly post lockdown, most sectors after COVID-19 will probably recover at a tepid pace. Business and consumer confidence will take time to rebuild, while some restrictions may become semi-permanent.

In its baseline outlook, the RBA expects economic activity in Australia to decline by 6% in 2020 before rebounding 6% in 2021. Despite this relatively strong recovery, the RBA still expects the unemployment rate to peak around 10% and be above 7% by the end of next year. Similarly, inflation is expected to be negative in 2Q, and even in 2021 is only expected to grow at 1.0% to 1.5%, well below the RBA's target band.

Australia's Treasurer expects the shock caused by the coronavirus lockdown to dwarf the impact of the global financial crisis. Josh Frydenberg said that the restrictions introduced to minimise the spread of coronavirus would cause unemployment to double, with economic activity falling by about A\$4bn per week for as long as the lockdown remained in effect. Almost 1 million people have lost their jobs since the 14th of March following the temporary closure of businesses such as pubs, restaurants and retailers owing to social distancing rules.

The positive news is that Australia and New Zealand have so far been able to suppress COVID-19 with remarkable success. This suggests that domestic interstate travel may ease in due course, likely followed by movement between Australia and NZ. With China and most of Asia having also contained the virus reasonably well, the Asia-Pacific economies are likely to come out of the crisis earlier and ahead of Europe and the USA, possibly resulting in the strengthening of the AUD (and NZD) against a basket of international currencies.

Governments continued to undertake significant fiscal expansions. On the 14th of April, the Committee for a Responsible Budget estimated the US budget deficit will be \$3.8tn this year – some 18.7% of GDP. As expected, the Federal Open Market Committee (FOMC) left the Fed Funds rate on hold at 0.0%-0.25%. The FOMC will "maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals".

In Australia, the RBA left cash rates at 0.25% and bought \$50b of Federal and State Government Bonds in the yield targeting (QE) programme. We expect the cash rate in Australia to be on hold for an extended period.

Global bond yields remained low in April, with US 10 year government bond yields dropping another 6bp to 0.62%. In contrast, Australian 10 year government bond yields rose 13bp to 0.89%.

As the crisis unfolds, and while the economic data is yet to be presented, it is certain that the global economy (including Australia's) is already in recession. While the rate of infection growth has tapered in various geographies, the path for recovery remains uncertain, with prospective second waves of infection still a meaningful possibility.

Under this backdrop, and with company earnings guidance largely absent, it is possible that equity markets are somewhat over-confident about prospects. We remain cautious in our approach and are maintaining slightly larger cash levels than normally regarded as optimal; we will selectively invest some of this cash as and when high quality opportunity is apparent at prices that include a healthy margin of safety.

Adrian Ezquerro
Head of Investments



Fund Information

Investment Objective

The Clime All Cap 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 S&P/ASX200 Accumulation index.

Investment Methodology

The Clime All Cap 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
Portfolio Manager - Mid Caps



David Walker
Portfolio Manager - Large Caps

Fund Information

Name	Clime All Cap Australian Equities Fund (Wholesale)	Investor Eligibility	Wholesale
Structure	Managed Investment Scheme	Minimum Investment	Wholesale: \$100,000
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	\$54.6m	Stock Limit	15% at cost
Liquidity	Weekly Unit Pricing Applications and Redemptions		

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Investor information

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