

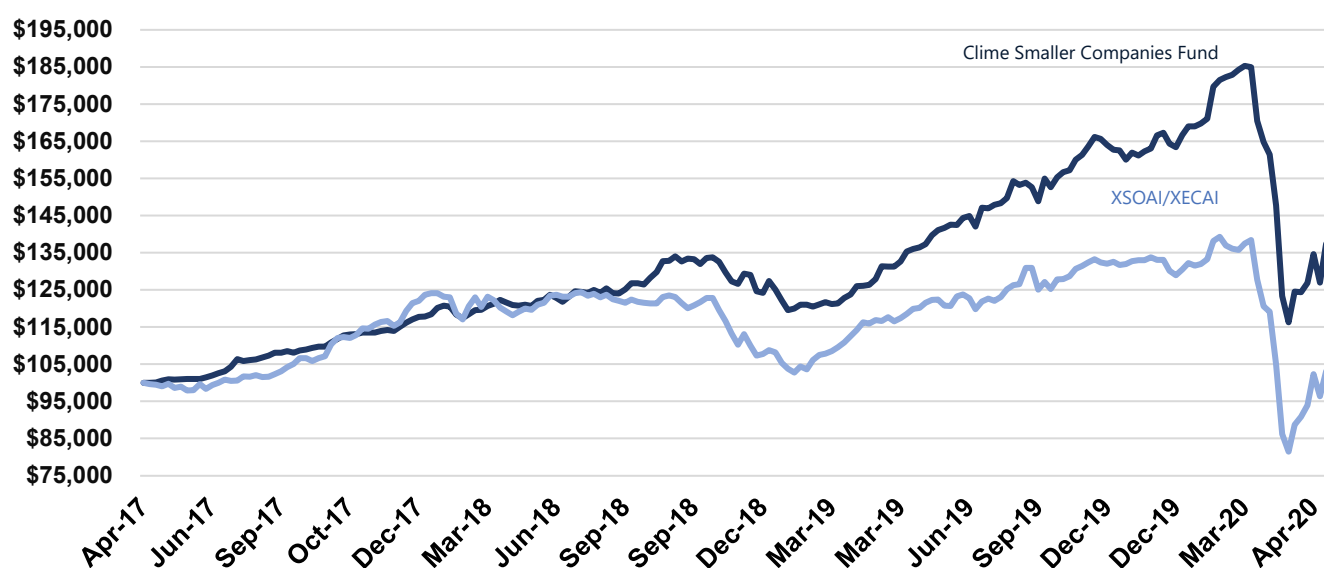
# Clime Smaller Companies Fund



## Monthly Report April 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
<b>12.9%</b>	<b>0.6%</b>	<b>11.9%</b>	<b>\$40.5m</b>



	1 month	3 months	6 months	FYTD	1 year	3 years	Inception p.a.	Inception Total
<b>Fund Net Return (Wholesale)*</b>	12.9%	-23.1%	-13.2%	-5.2%	0.6%	12.0%	11.9%	40.5%
<b>Benchmark^</b>	20.0%	-21.9%	-19.9%	-13.6%	-12.3%	1.9%	2.0%	6.0%

\*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

<b>Portfolio Managers</b>	Jonathan Wilson & Adrian Ezquerro
<b>Fund Inception</b>	April 2017
<b>Fund Size</b>	\$40.5m
<b>Number of Stocks</b>	15-40
<b>Cash Distributions</b>	Annually
<b>Eligibility</b>	Wholesale & Retail

### Top 5 Holdings (Alphabetical)

Company	ASX Code
<b>Audinate Group</b>	AD8
<b>Bravura Solutions</b>	BVS
<b>Mach7 Technologies</b>	M7T
<b>Macquarie Telecom Group</b>	MAQ
<b>RPM Global Holdings</b>	RUL



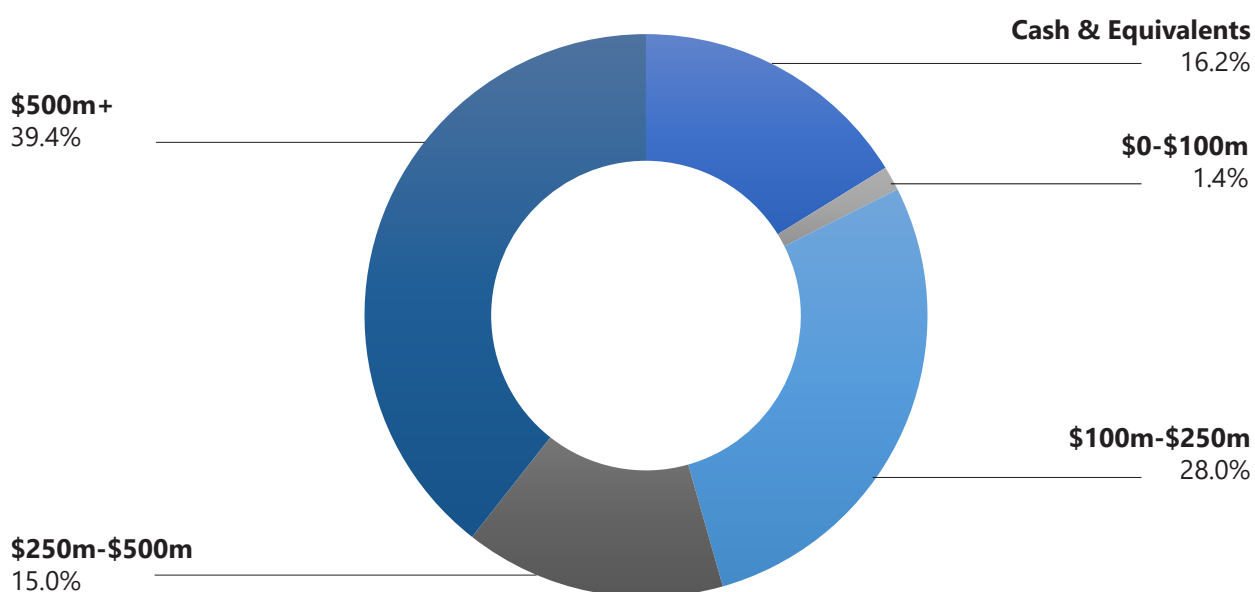
## Unit Price

Date	Wholesale Unit (exit)
30 April 2020	\$1.2726

## Distributions

Period Ended	Wholesale Units (cents)
30 June 2019	8.2837

## Asset Allocation by Market Capitalisation



## Asset Allocation by Sector

Industry	Weighting
Software & Services	27.0%
Diversified Financials	12.6%
Healthcare Equipment & Services	9.6%
Capital Goods	8.5%
Communication Services	7.4%
Technology Hardware & Equipment	7.3%
Consumer Services	5.0%
Retailing	5.0%
Media & Entertainment	1.4%
Cash & Equivalents	16.2%



## Portfolio Commentary

The Clime Smaller Companies Fund (CSCF) returned 12.9% in April, behind the Benchmark return of 20.0%. The Fund has delivered 11.9% per annum after fees since inception (April 2017), above the Benchmark return of 2.0% per annum.

The Fund finished the month with 16.2% held in cash. During the month we continued to invest in businesses with structural growth and net cash balance sheets. These are mostly in the digital space, one of the few areas that we see benefiting from the COVID-19 environment.

Monetary and fiscal support, along with improving trends in infection rates, saw confidence return to risk assets, driving a sharp market rebound. 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. We have therefore maintained cash at a relatively elevated level.

It is worth noting that the largest sector contribution to the Benchmark was Materials (resources), which along with Energy contributed one third of the return of the ASX Small Ordinaries Accumulation Index during the month. This reflects elevated speculative activity, in our view, and we will not compromise our process to chase returns in either sector.

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.

### The key contributors were:

Audinate Group (AD8), City Chic Collective (CCX), Macquarie Telecom (MAQ), RPMGlobal (RUL), Bravura Solutions (BVS), and Jumbo Interactive (JIN). Positively, these businesses have structural growth drivers and are therefore (relatively) insulated from the broader environment.

Digital audio networking technology leader AD8 faces near term headwinds from a subdued AV end market activity but remains an attractive proposition on a long-term view.

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.

Cloud provider MAQ is currently experiencing elevated demand as businesses bring-forward their digital transformation agendas.

Wealth and Funds administration software provider BVS reaffirmed its 2020 guidance for mid-teens earnings growth. Typical of many portfolio companies, BVS maintains a strong balance sheet, with significant cash reserves.

Online lotteries reseller JIN is also well placed to weather the COVID-19 storm, with growth underwritten by a structural shift in lottery ticket sales to the online channel. JIN retains a strong balance sheet with \$60m cash and no debt.

### The key detractors were:

Navigator Global Investments (NGI) and APN Property Group (APD).

Hedge fund manager NGI released a disappointing Assets Under Management (AUM) update for the March quarter. Despite outperforming its benchmarks, NGI is experiencing significant outflows. We remain positive about the longer-term prospects of APD, which in our view is one of Australia's best small cap commercial property managers.

**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, 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

### 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

<b>Name</b>	Clime Smaller Companies Fund	<b>Investor Eligibility</b>	Retail & Wholesale
<b>Structure</b>	Managed Investment Scheme	<b>Minimum Investment</b>	Retail: \$10,000 Wholesale: \$100,000
<b>Investment Universe</b>	Ex-ASX 200 at initial investment	<b>Liquidity</b>	Weekly Unit Pricing Applications and Redemptions
<b>Benchmark</b>	50% of the ASX Small Ordinaries Accumulation Index & 50% of the ASX Emerging Companies Accumulation Index	<b>Fees</b>	Retail: 1.23% management and 20% performance Wholesale: 1.03% management and 20% performance
<b>Stock Holdings</b>	15-40	<b>Admin</b>	Mainstream Fund Services Pty Ltd
<b>Stock Limit</b>	15% at cost	<b>APIR Code</b>	Retail: SLT5667AU Wholesale: CLA1557AU
<b>Fund Size</b>	\$40.5m	<b>Platform Availability</b>	Netwealth, HUB24

### Contact Information

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