



Clime Smaller Companies Fund



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Clime Asset Management (Clime), is a wholly-owned subsidiary of Clime Investment Management Limited, a company listed on the Australian Securities Exchange (ASX:CIW). Clime is an Australian value-based fund manager specialising in absolute return, objective-based investing.

Clime believes investment markets offer opportunities to deliver strong risk-adjusted total returns. Markets are not always efficient and this creates opportunities for value-based active investment. Clime invests with conviction, backed by rigorous research and an intuitive approach to risk management, where risks are taken must be appropriately compensated.

The Clime Smaller Companies Fund (CSCF)* seeks to deliver strong risk-adjusted total returns by investing in a portfolio of high quality smaller Australian companies whilst maintaining valuation discipline.

The Fund seeks to deliver strong risk-adjusted total returns. Its objective is to outperform a blended benchmark comprising 50% of the Small Ordinaries Accumulation Index and 50% of the Emerging Companies Accumulation Index.

The Fund intends to take advantage of what we believe to be a structurally inefficient market. The micro and small-cap segments of the market typically have limited research coverage, reflecting the lower commission potential on offer for traditional brokerage business models.

Concurrently, lower levels of liquidity prevent large institutions from meaningful participation in this market segment. The traditional institutional asset management approach continues to focus on benchmark-relative investing and maximising profitability via increasing funds under management rather than preserving high returns for clients. In aggregate, we believe this creates the opportunity for value-based, focused smaller company investors.

Significant Features

Investment Strategy	The Fund seeks to deliver strong risk-adjusted total returns by investing in a portfolio of high quality smaller Australian companies that are attractively priced.
Investment Objective	The Fund seeks to deliver strong risk adjusted total returns. Its objective is to outperform a blended benchmark comprising 50% of the Small Ordinaries Accumulation Index and 50% of the Emerging Companies Accumulation Index, measured after Investment Management Fees and Usual Expenses but before any Performance Fees.
ASX Smaller Companies Exposure	The Fund invests in those companies that are outside of the S&P/ASX200 Index at the time of establishing a position.
Suitability	This Fund may suit investors with a high-risk tolerance and investment time horizon of at least 5 years.
Investment Timeframe	Suggested minimum 5 years.
Minimum initial investment	The minimum investment amount for the Retail Client class of interests is \$10,000 and for the Wholesale Client class of interests is \$100,000.
Minimum additional investment	The minimum additional investment amount for Retail Clients is \$1,000 and Wholesale Clients is \$10,000.
Minimum balance	\$10,000 for Retail unitholders and \$100,000 for Wholesale unitholders.
Distributions	Aims to distribute income annually shortly after 30 June. Unless investors choose otherwise, distributions are automatically reinvested.
Management Costs	<p>Retail: Investment Management Fee^A of 1.23% pa. Expenses^A of 0.21% pa.</p> <p>Wholesale: Investment Management Fee^A of 1.03% pa. Expenses^A of 0.21% pa.</p> <p>Performance fees: 20% of the amount by which the Fund's performance exceeds a blend of 50% of the ASX Small Ordinaries Accumulation Index and 50% of the ASX Emerging Companies Accumulation Index, measured after Investment Management Fees and Usual Expenses but before any Performance Fees assessed and paid bi-annually. Positive returns must be generated for the relevant performance fee period and underperformance from a prior period must be recouped before a performance fee can be charged.</p>

Investment Characteristics

Through bottom-up fundamental analysis, the Fund seeks to invest in a range of high-quality Australian equities (listed and unlisted) and cash. All holdings are subject to our disciplined qualitative and quantitative selection process.

Clime's goal is to identify high-quality securities issued by businesses which possess the following characteristics:

- A competitive advantage or leadership within a specific niche;
- A strong balance sheet and/or a strong history of cash flow generation enabling the business to service debt and pay distributions comfortably;
- A high cash return on equity;
- Capital efficient growth;
- Highly capable management team aligned with creating shareholder value.

The Fund will invest in securities that are outside of the S&P/ASX200 Index at the time of entering a position. In a limited number of instances, the Fund may invest up to 10% of its value in pre-IPO opportunities where the expected time-frame to ASX listing is 6 months or less.

Risk Management

Clime has a strong and successful history of both growing and guarding investor capital. A clear focus on capital preservation has long been one of the cornerstones of Clime's investment philosophy, which in turn is reflected in its risk management process. Clime's investment process seeks to mitigate risk by acquiring a part share in a range of high quality businesses whilst maintaining valuation discipline.

The Fund is not required to be fully invested. At times, the levels of cash or cash equivalents may be high (up to 100%) where attractive investment opportunities are not apparent and/or elevated market uncertainty presents an increased risk of near-term capital loss. The Fund's cash holding seeks to preserve capital and provide the ability to pursue selective investment opportunities as they become apparent.

The Fund may be invested in cash until appropriate investment opportunities are identified. At all times, a percentage of available investment funds will be retained in cash deposits in order to meet redemptions and fund income distributions. The Fund may also periodically hold market portfolio protection instruments to hedge liquidity and market risk.

There are no specific market sector limits. Individual security positions at the time of trade shall not exceed 15% of the Fund's value. The Fund is expected to be relatively concentrated. The Fund may hold up to 40 securities. The Fund may not hold more than 10% of the total shares outstanding for any single security at the time of trade.

Manager Alignment

At Clime, we are passionate about investing alongside our clients. It is the intent of the lead Portfolio Manager to allocate a significant amount of their investable asset base to the Fund. Members of the Clime Executive will also be making a meaningful co-investment alongside our clients, and upon the same terms as clients.

Additional Information

For more information and to download information and application forms, please visit the clime website at: www.clime.com.au/cscf

Or call a Clime Client Director on:
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