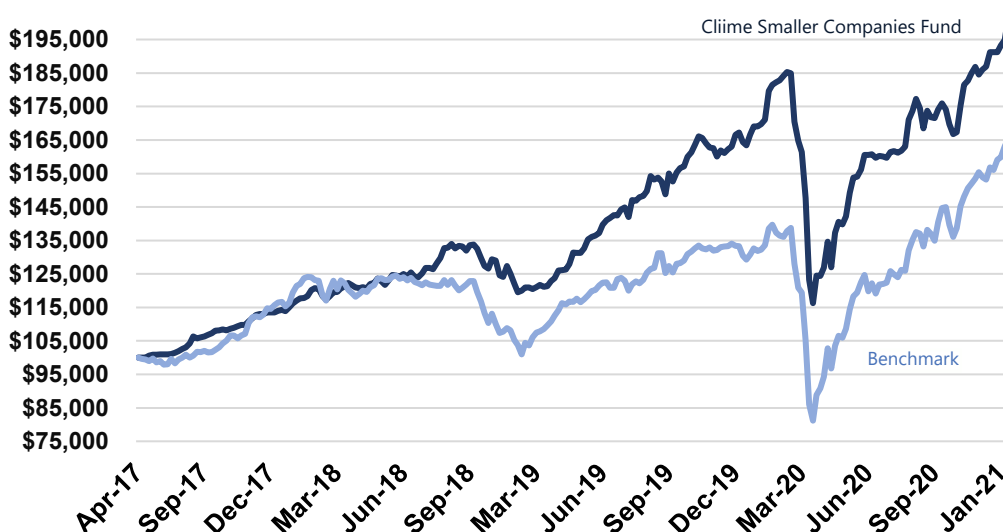




Monthly Report January 2021

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)*	Inception p.a. Net Return (Wholesale)	Inception Total Return	Total Fund Size
2.3%	19.4%	95.6%	\$63.4m



	1 month	3 months	6 months	1 year	2 years	3 years	Inception p.a.	Inception Total
Fund Net Return (Wholesale)*	2.3%	17.6%	21.3%	7.0%	27.0%	17.5%	19.4%	95.6%
ASX Small Ords Accumulation	-0.3%	13.0%	18.3%	5.4%	11.9%	6.7%	10.1%	43.6%
Benchmark^	1.8%	16.7%	28.1%	16.5%	15.7%	13.7%	12.9%	58.1%

*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	\$63.4m
Number of Stocks	15-40
Cash Distributions	Annually
Eligibility	Wholesale & Retail

Top 5 Holdings (Alphabetical)

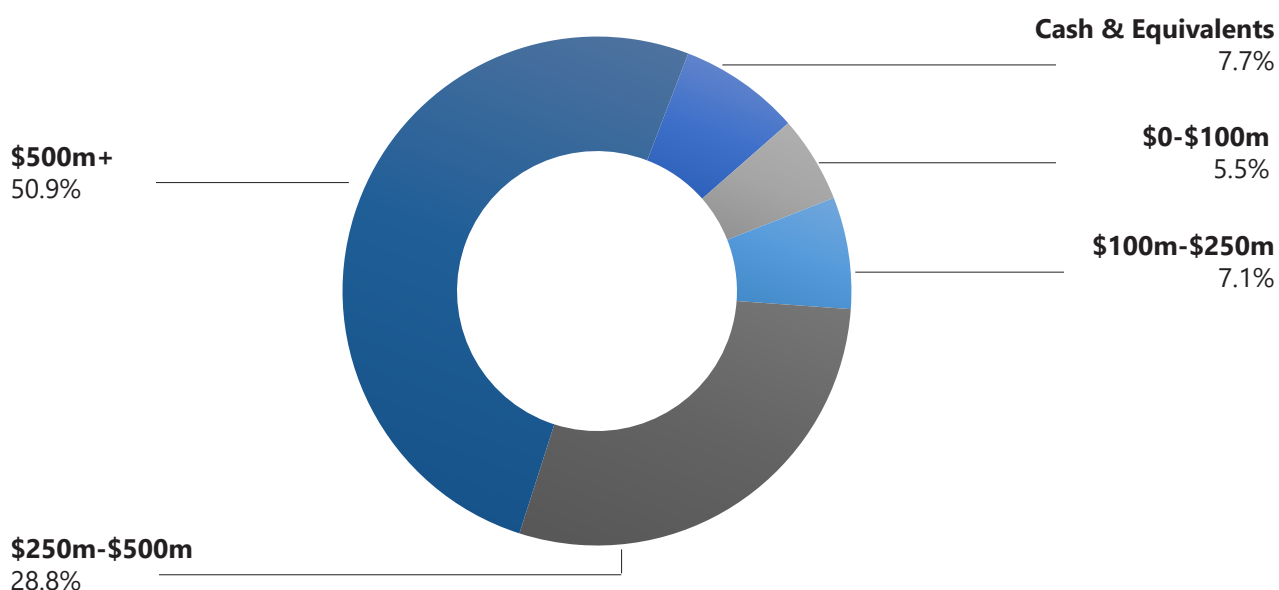
Company	ASX Code
City Chic Collective	CCX
Hansen Technologies	HSN
Jumbo Interactive	JIN
Mach7 Technologies	M7T
RPM Global Holdings	RUL



Unit Price

Date	Wholesale Unit (exit)
29/01/2021	\$1.7713

Asset Allocation by Market Capitalisation



Asset Allocation by Sector

Industry	Weighting
Software & Services	33.1%
Retailing	14.7%
Healthcare Equipment & Services	12.1%
Diversified Financials	9.9%
Consumer Services	6.8%
Media & Entertainment	4.4%
Communication Services	3.9%
Technology Hardware & Equipment	3.1%
Capital Goods	2.9%
Semiconductors & Semiconductor Equipment	1.4%
Cash & Equivalents	7.7%



Portfolio Commentary

The Clime Smaller Companies Fund (CSCF) portfolio returned +2.3% in January, versus the Benchmark return of +1.8%. The Fund has delivered +19.4% per annum after fees since inception, above the Benchmark return of +12.9% per annum.

Again we witnessed a divergence in fortunes between various segments of the ASX during the month of January. The Small Ordinaries Accumulation Index delivered a negative return for the month (-0.3%), in contrast to positive returns from the S&P/ASX200 Accumulation Index (+0.3%) and the more volatile, resource heavy Emerging Companies Accumulation Index (+3.9%).

The ASX marginally outperformed major developed market indices, with the S&P 500 down -1.1% for the month, but underperformed the NASDAQ, US small caps and most major Asian indices. Domestically, Consumer Discretionary (+4.8%) and Banks (+4.0%) led the way for the month, while the Real Estate (-4.3%) and Transport (-5.3%) sectors lagged.

Signs of frothiness in markets in late January caused concerns among more conservative investors. These jitters could trigger a profit-taking correction; however the fundamental picture still looks favourable for risk assets over the next 12 months. Mass vaccinations (in most countries, but not yet in Australia) leading to an expected return to normality and strong growth in the second half, with monetary and fiscal policy staying highly accommodative, remains the most probable path ahead.

With so much liquidity sloshing around financial markets, it is hardly surprising that it is popping out in unexpected places. After the runup in Bitcoin, speculative stocks, and commodities like Lithium, late January saw a bubble in highly shorted stocks such as GameStop in the US, where day traders created a short squeeze stock price spike. But it is unlikely that such activities will materially disrupt conventional markets for any considerable time, nor create systemic risk for serious investors.

January Attribution & The Outlook

Key contributors for the month included Mach7 Technologies (M7T), Straker Translations (STG), Navigator Global Investments (NGI), Adairs (ADH) & Lycopodium (LYL), while City Chic Collective (CCX) & Electro Optic Systems (EOS) were key detractors.

The positive news flow for M7T continued in January, with the release of a solid quarterly update as well as the announcement of a new contract win. In what is an important strategic win, M7T has been contracted by US-based Adventist Health System to implement the group's Picture Archive Communication System (PACS) solution across all 22 of its hospitals. We continue to see long term opportunity in M7T, the realisation of which will of course require focused execution by management.

Similarly, NGI rallied strongly for the month, after upgrading its FY21 earnings guidance and delivering a better than expected December quarter assets under management (AUM) update.

This remains an environment in which risk assets such as equities and real property are likely to continue to do relatively well. With rates so low, investors see cash and fixed-income instruments as unattractive. While equities may screen as superficially expensive, with the forward PE ratios appearing elevated, they are still attractive versus bonds.

We now look ahead to the February reporting season with great interest. Earnings forecasts for the next 12 months across most sectors are bouncing strongly, notably led by the resources, financials, energy, and retail sectors. Despite this, we still anticipate outlook statements to remain relatively cautious, given the degree of economic uncertainty that remains on the horizon.

Jonathan Wilson **Adrian Ezquerro**
Portfolio Manager 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

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	\$63.4m	Platform Availability	Netwealth, HUB24

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