

Clime Australian Income Fund



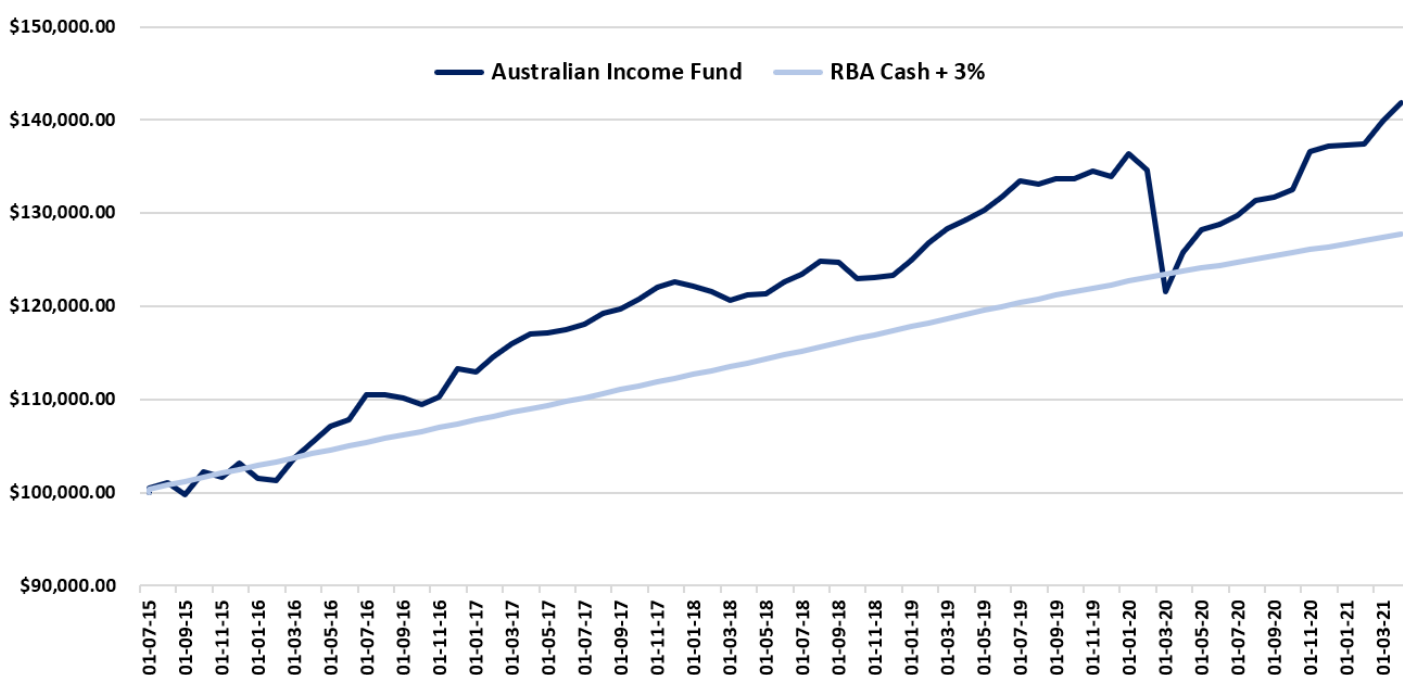
Fund Performance | April 2021

The Clime Australian Income Fund is a multi-asset class portfolio that invests in high-quality income generating assets. The Fund provides exposure to higher yielding securities in both listed and over the counter (OTC) markets. The Fund aims to achieve a total return of RBA cash rate + 3% p.a. whilst maintaining price stability.

Risk and return are considered to be equally important. As such, we construct the portfolio such that the risk, as defined by the annualised volatility of the change in the unit price, is in the 3% to 5% range (or 4.0% \pm 1.0%). The Fund pays regular quarterly income distributions in September, December, March and June.

The three interim distributions (September, December and March) are consistent and the final distribution for the financial year (June) includes capital gains and franking credits (if any).

Portfolio Quarter Net Return (Wholesale)	Portfolio 1 Year Net Return (Wholesale)	Portfolio Return Inception p.a. (Wholesale)	Total Fund Size
3.2%	12.8%	6.2%	\$42.7m



Fund Facts

Portfolio Manager	Dr Vincent Chin
Fund Inception	1 July 2015
Fund Size	\$42.7m
Cash Distributions	Quarterly

Top 5 Holdings

Security	Weight%
Telstra Corporation Limited (TLS)	2.1%
Spark Infrastructure (SKI)	2.1%
Commonwealth Bank PERL VII (CBAPD)	1.9%
Growth Point Property Group	1.9%
AusNet Services Limited	1.8%



Summary

April was generally a strong month for financial markets. The progression of the economic recovery will be the key driver of markets, and the ability to leave pandemic lockdowns behind a most important factor. China was an early beneficiary of “early in, and early out” and will continue to be a vital economic growth engine; however following massive fiscal support, the US will take over the reins, with growth in the American economy set to rise to levels not seen for 40 years.

The world economy is recovering more quickly than was expected just 6 months ago and Australian equities have recouped all the ground lost from the all-time high of last March - reached just before COVID-19 was designated a global pandemic by the World Health Organization. Yet the ASX has been less impressive than many of its developed market peers, and still trails the US in performance. In April, the ASX200 accumulation index was up 3.5%, with the technology and materials sectors outperforming but energy and consumer staples weaker. In the bond market, 10y bond yields stabilised and drifted back to close around 1.7%.

The rally in equity markets has become more mature, and to an extent “front-run” the strong recovery in company earnings. Nevertheless, we still see attractive fundamental value in the financial and resource sectors. Although the utilities and infrastructure sector has offered reasonable income yield, at present we prefer REITs and financials (especially the major banks) because they suffered bigger draw-downs during the pandemic and have further to rebound in the near term.

In April 2021, we participated in the Victoria Power Network 5y floating rate notes (FRN) and Bank of Queensland subordinated Tier 2 FRN. We also participated in the Centuria 5y senior secured listed FRN (C2FHA) and the CBA PERL XIII (CBAPI) which listed in early April. All these fixed income securities were highly sought after and resulted in substantial scaling down of applications indicating that there is strong demand for good quality debt. During the month, one of the Centuria bonds matured while the fixed rate 6.5% OTC 2023 bond was redeemed; as the latter bond was called back early, Centuria paid an extra 1.5% for the privilege.

In their April meeting, the RBA revised down their forecasts for the unemployment rate to be 5.0% by the end of 2021 (from 6.0%) and 4.5% by the end of 2022 (from 5.5%). The RBA revised their forecast for underlying inflation to be 2.0% in mid-2023 (from 1.75%). This indicates that they are becoming more positive on the outlook for the economy. As expected, the RBA has kept the cash rate at 0.10% as inflation is still a long way off hitting its target of 2-3%.

We remain vigilant of market volatility while focusing on certainty of income from quality securities. We incrementally increased our exposure to cyclical growth with strong income yield, and remain ready to seize any short term opportunities to generate income if they present themselves. We are confident of the Fund’s ability to provide regular quarterly distributions. As the pandemic subsides and the economy opens up, companies will have more confidence to increase their dividends. For example, during their 1H21 results, WBC announced an 87% increase in the dividend compared to the previous half. We are confident that the Fund’s distributions should gradually move up over time too.

	1 month	3 months	6 months	1 year	3 years (pa)	5 years (pa)	Since Inception (pa)*
Net Portfolio Return** (Wholesale)	1.3%	3.2%	7.0%	12.8%	5.4%	6.1%	6.2%
Income	0.0%	0.6%	0.9%	2.4%	3.4%	3.7%	3.4%
Capital Growth	1.3%	2.6%	6.0%	10.1%	1.9%	2.4%	2.7%
Volatility	-	-	-	3.8%	5.4%	4.6%	4.6%

Note: Compound (geometric) returns are used in the above table’s segmentation of Income and Capital Growth. This may result in small differences when compared with a simple addition of Income and Capital Growth components. Performance figures for more than 1 year are annualised, calculated after all applicable fees and taxes. Compound (geometric) returns are used in the above table’s segmentation of Income and Capital Growth. This may result in small differences when compared with a simple addition of Income and Capital Growth components.

*1 July 2015.

**Portfolio return is based on the change of the unit price including distributions but excluding franking credits. Franking credits will enhance portfolio returns and historically, have added about 0.2% pa to Fund returns.

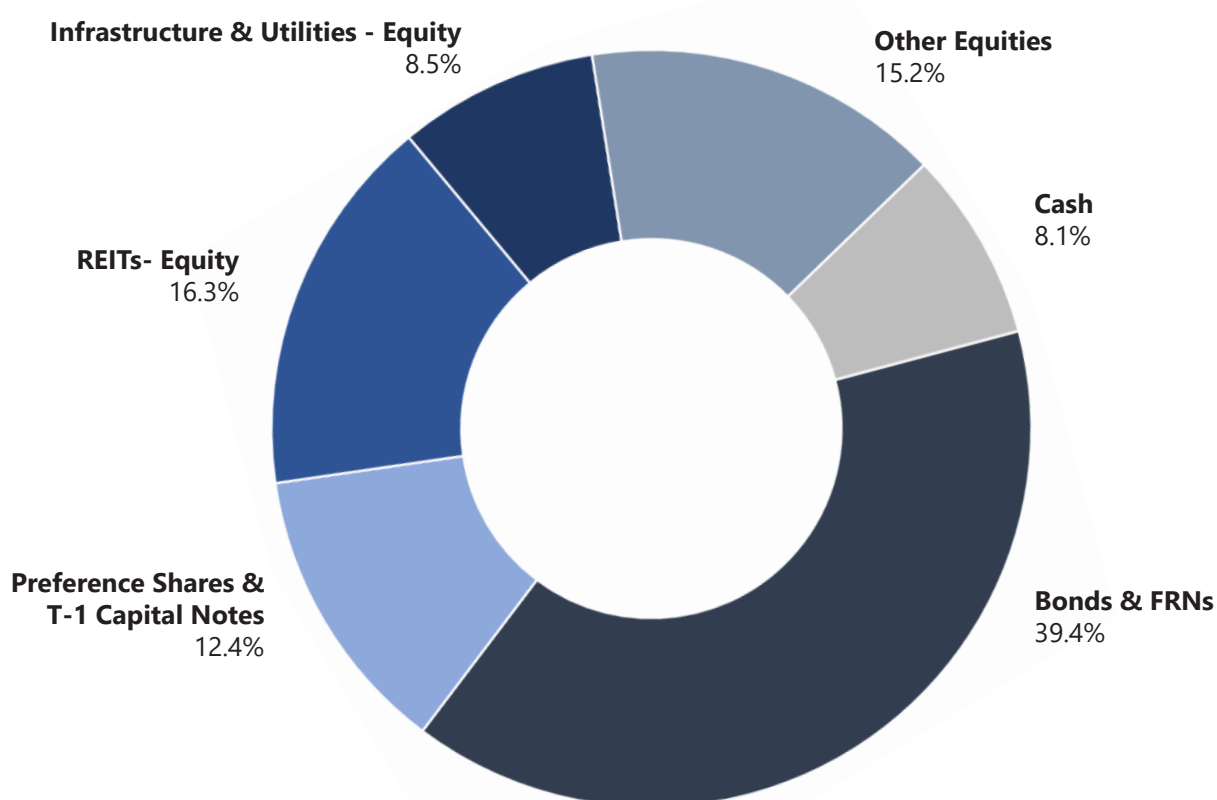


Distributions

Period Ending	Wholesale Units (cents)*
31 March 2021	0.6265
31 December 2020	0.3008
30 September 2020	0.4011
30 June 2020	1.2385 +0.1426 franking credits

*The distributions and franking credits shown above are reflective of the returns for the Wholesale class only. Returns for the Retail class will be lower due to the higher fees associated with this investor class.

Asset Allocation





Fund Information

Investment Objective

The Fund's objective is to provide regular income in the form of quarterly cash distributions, and it aims to achieve a return of the RBA cash rate + 3.0% pa. It seeks to deliver strong risk-adjusted total returns and is expected to have a level of volatility of returns significantly less than equity indices, with unit price stability along the way. The Fund's risk objective (as defined by the annualised standard deviation of its unit price) is 4.0% ± 1.0%, a relative risk measure of less than 40% of the S&P/ASX 200 Index. In order to maximize the chances of achieving these objectives, the recommended investment time frame is at least 3 to 5 years.

Investment Methodology

The Clime Australian Income Fund seeks to provide an income stream above the RBA cash rate from a portfolio of Australian listed and over the counter (OTC) securities, with a view to price stability. The portfolio will invest in selected high-quality individual securities with consistent income generation. Portfolio yield is likely to be the bulk of the portfolio return and will likely be enhanced by franking credits.

Portfolio Managers

Dr Vincent Chin

Vincent has been with Clime for more than 12 years of his 22-year in financial services spanning both Fixed Income and Equities. Due to client demand, he established a goals-based investment style using quantitative analysis with qualitative top-down process which is utilised in the Clime Income strategies. Vincent is passionate about sustainable ethical investing which forms part of his investment philosophy. Prior to working in financial services, Vincent worked as a scientist specialising in infrared and photovoltaic solar cells. In this time Vincent produced about 50 internationally peer reviewed scientific and technical papers. Vincent holds a PhD in Physics from the University of New South Wales.



Name	Clime Australian Income Fund	Investor Eligibility	Retail & Wholesale
Structure	Managed Investment Scheme	Minimum Investment	Retail: \$10,000 Wholesale: \$100,000
Investment Universe	Listed and OTC Markets	Liquidity	Daily Unit Pricing Applications and Redemptions
Benchmark	3% p.a. above RBA cash rate	Fees	Retail: 1.13% p.a. management fee Wholesale: 1.03% p.a. management fee
Number of Positions	60-80	Admin	Mainstream Fund Services Pty Ltd
Platform Availability	Netwealth, HUB24, OneVue, Praemium & Wealth Portal	APIR Code	Retail: SLT1239AU Wholesale: CLA0002AU

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