

Clime Australian Income Fund

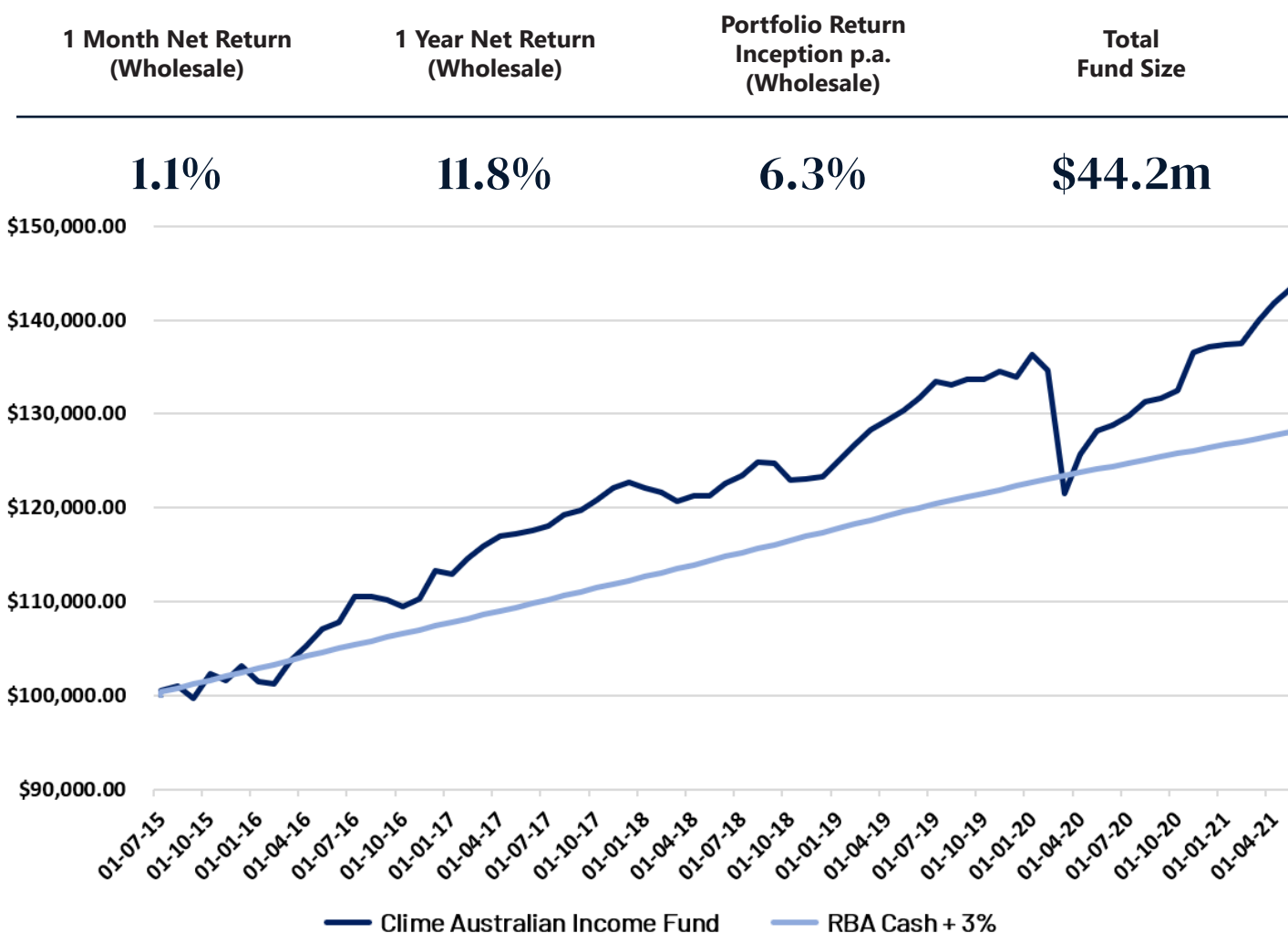


Fund Performance | May 2021

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).



Fund Facts

Portfolio Manager	Dr Vincent Chin
Fund Inception	1 July 2015
Fund Size	\$44.2m
Cash Distributions	Quarterly

Top 5 Holdings

Security	Weight%
Telstra Corporation Limited (TLS)	2.2%
Spark Infrastructure (SKI)	2.1%
Growth Point Property Group (GOZ)	2.0%
Commonwealth Bank PERL VII (CBAPD)	1.9%
Charter Hall Social Infrastructure Trust (CQE)	1.9%



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.

Performance

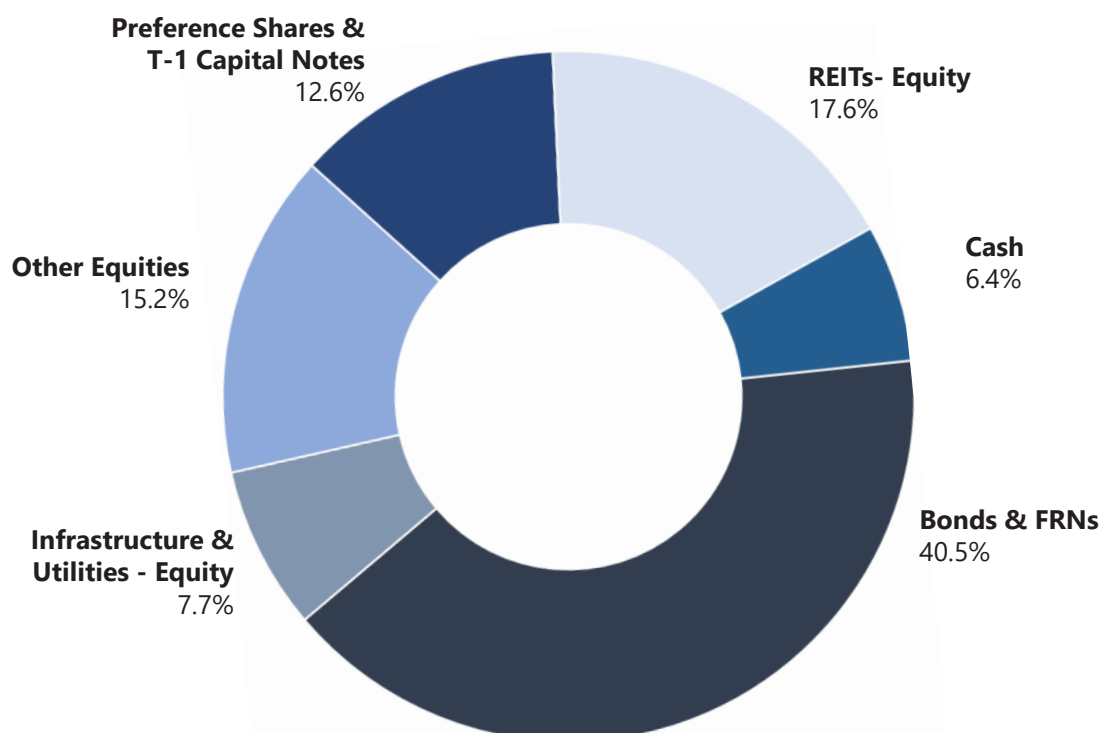
	1 month	3 months	6 months	1 year	3 years (pa)*	5 years (pa)*	Since Inception (pa)*
Net Portfolio Return (Wholesale)	1.1%	4.3%	5.0%	11.8%	5.70%	6.0%	6.3%
Income	0.0%	0.7%	1.0%	2.7%	3.50%	3.8%	3.5%
Capital growth	1.1%	3.6%	4.0%	9.1%	2.20%	2.3%	2.8%
Volatility	-	-	-	3.9%	5.4%	4.6%	4.6%

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.

Asset Allocation





Portfolio Commentary

The Australian equity market rose strongly as the local economy continued to strengthen. With elevated consumer and businesses confidence, dwelling prices lifted by an average of 2.3% in May across the eight capital cities in Australia. The wealth effect is likely to result in further positive sentiment in the near term that will flow into the economy. Nevertheless, it is important to put this into a global context as COVID-19 is far from over, with highly dangerous and contagious variants appearing. The equity market as measured by the ASX200 gained 10.4% over the first five months of 2021. There is a need to guard against a possible set back to economic activities due to COVID-19, such as the recent outbreak in Victoria.

Last month, the ASX200 accumulation index clocked up another 2.3% on top of the 3.5% gain in April 2021. In May 2021, the Financial, Consumer Discretionary and Healthcare sectors outperformed but the Information Technology and Utilities were much weaker in the continued rotation from growth to cyclical. The bond market was subdued with the 10y bond yields hardly deviating more than 0.05%, which provided added enthusiasm to the equity market. The 10y finished the month of May 2021 at 1.66%, 0.04% down on April's close.

In May 2021, for fixed income asset class, we participated in the Auswide Bank subordinate T2 FRN and Peet Limited Bond raise. These debt papers were highly sought after, and were scaled back significantly. In line with our preference of equities and REITs over Utilities & Infrastructure, we have participated in the sell down of Centuria Capital (CNI) by a substantial holder. To boost our income generation, we have invested in the Primewest Agriculture Trust #1, which is set to provide a yield of 7.25%. We think this is an attractive income return. Moreover, there is a strong demand for agriculture properties as witnessed by the hotly contested bid for Vitaharvest assets (VTH). This has resulted in the price for VTH increasing by 30% since the first bid. Lastly, we have participated in the entitlement and placement offer by MyState limited (MYS).

As we are fully invested, to assist with funding these purchases, we have sold the BEN 3y senior and Sunland 6.1% fixed rate bond, while the Maurice Blackburn HY bond was redeemed early. Following a review we have the least preference for U&I over the longer term, and have reduced our holding in Transurban Group (TCL) as a result. We have also sold a small parcel of Arena REIT (ARF) as it ran up sharply following news in the May Budget directing more funds to childcare sectors. Some minor rebalancing was also executed for WBC and GPT to lower our equity risk as they have also run hard.

In their May meeting, the RBA left interest rates unchanged at a record low of 0.1%. There were no changes to its quantitative easing or yield curve control policy, even though they believe the economy is recovering stronger than earlier expected. Any changes to the bond buying programs will be considered at the July meeting following the completion of the current second \$100b purchased in September 2021.

We remain vigilant of market volatility while focusing on certainty of income from quality securities. We continue to increase our exposure to cyclical growth with strong income yield and remain ready to seize any short term opportunities to generate income when 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 as we have witnessed from three of the four major banks during the recent reporting.



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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