

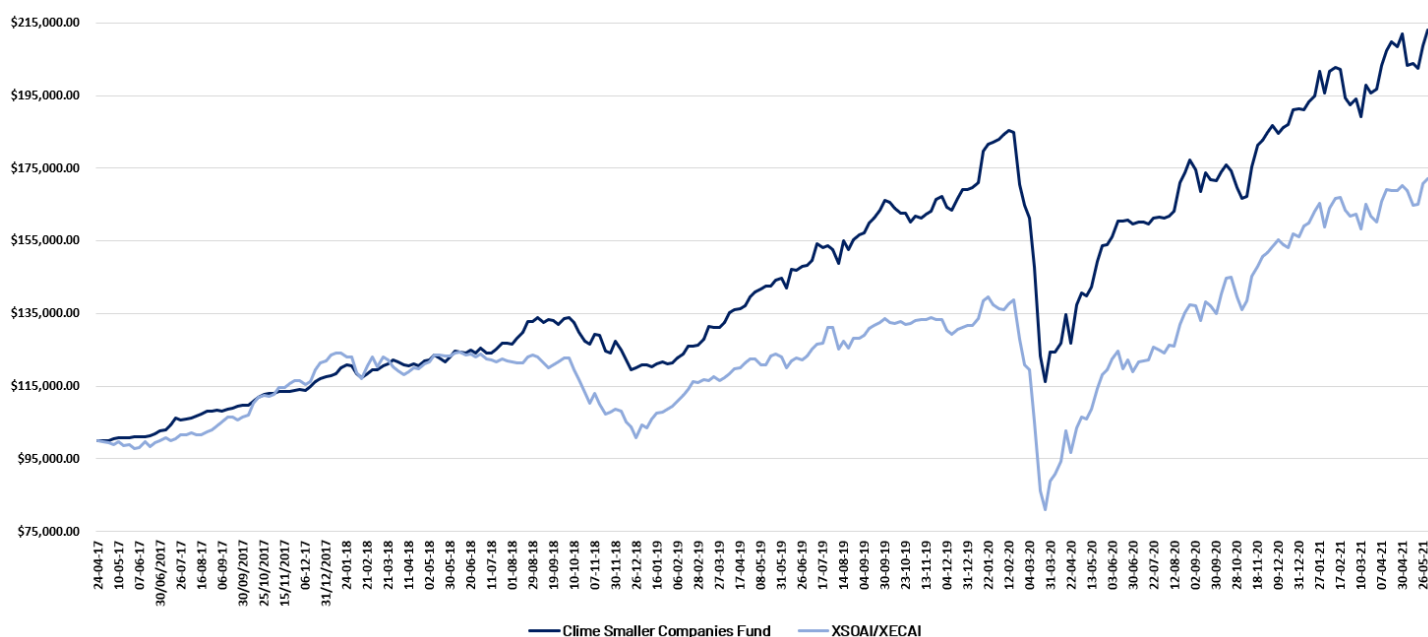
Clime Smaller Companies Fund (Wholesale)



Fund Performance | May 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.

Month Net Return (Wholesale)*	Inception p.a. Net Return (Wholesale)*	Inception Total Net Return (Wholesale)*	Total Fund Size
0.5%	20.2%	112.9%	\$85.3m



	1 month	3 months	6 months	1 year	2 years	3 years	Inception p.a.	Inception Total
Fund Net Return (Wholesale)	0.5%	10.7%	15.2%	38.3%	21.3%	19.5%	20.2%	112.9%
ASX Small Ords Accumulation	0.3%	6.1%	10.4%	26.7%	10.9%	7.9%	11.2%	54.7%
Benchmark	1.1%	6.4%	13.3%	44.1%	18.6%	15.6%	14.0%	71.3%

*Net returns are after all fees, taxes, and costs

Fund Facts

Portfolio Managers	Jonathan Wilson & Adrian Ezquerro
Fund Inception	April 2017
Fund Size	\$85.3m
Number of Stocks	15-40
Cash Distributions	Annually
Eligibility	Wholesale

Top 5 Holdings (Alphabetical)

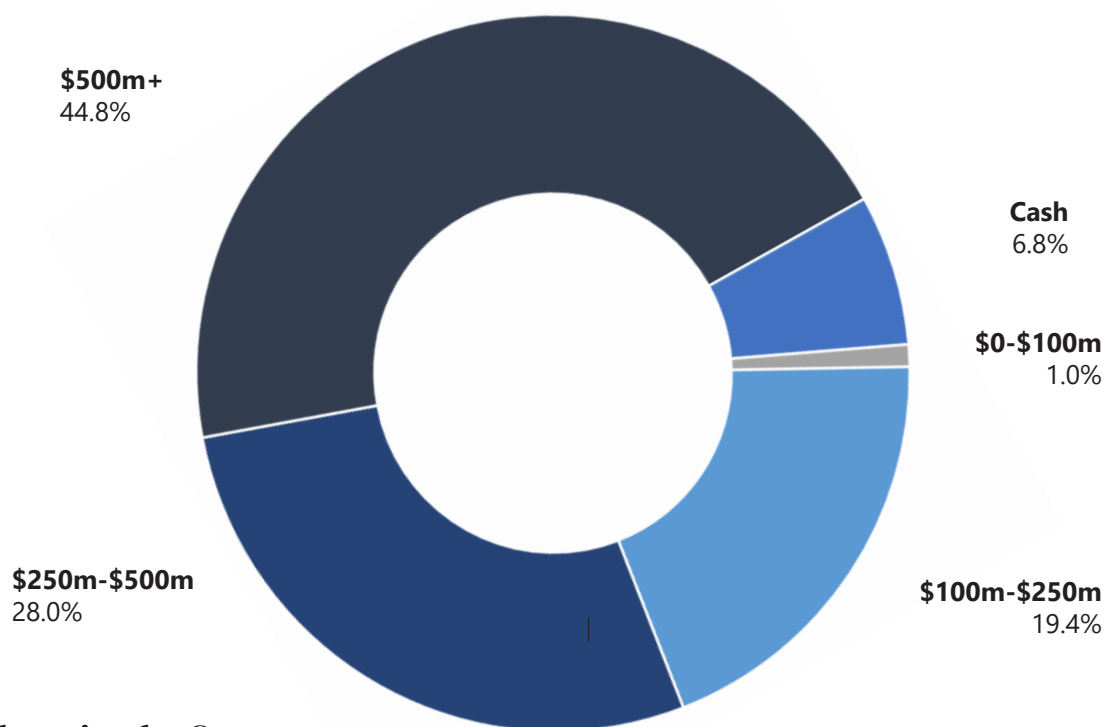
Company	ASX Code
City Chic Collective	CCX
Electro Optic Systems Holdings	EOS
Jumbo Interactive	JIN
Mach7 Technologies	M7T
RPM Global Holdings	RUL



Unit Price

Date	Wholesale Unit (exit)
31/05/2021	\$1.9285

Asset Allocation by Market Capitalisation



Asset Allocation by Sector

Industry	Weighting
Software & Services	21.1%
Retailing	15.8%
Diversified Financials	10.6%
Health Care Equipment & Services	9.6%
Technology Hardware & Equipment	9.0%
Capital Goods	8.9%
Media & Entertainment	7.8%
Consumer Services	6.4%
Semiconductors & Semiconductor Equipment	2.1%
Communication Services	1.9%
Cash	6.8%



Portfolio Commentary

The Clime Smaller Companies Fund returned 0.5% for the month, versus respective Small Ordinaries Accumulation Index and Benchmark returns of 0.3% and 1.1%. Since inception, the Clime Smaller Companies Fund has returned 20.2% per annum after all fees, ahead of the respective Small Ordinaries Accumulation Index and Benchmark returns of 11.2% and 14.0% per annum.

Some notable recent trends continued into the month of May. As highlighted above, the Small Ordinaries Accumulation Index (XSOAI), which constitutes larger, more established smaller companies, returned 0.3%. Within this, Industrials produced a negative return while the Small Resources Index delivered +4.2% for the month. The ASX Technology Index also fell by -9.9%. In contrast, the smaller half of the CSCF's benchmark, the ASX Emerging Companies Accumulation Index (XECAI), returned 2.0%.

The divergence in May returns between the XSO and the XEC reflects a wider theme throughout 2020 and 2021 of increasing appetite for risk as well as commodities in response to low interest rates and now expectations of higher inflation. For the Financial Year to Date (FYTD), the mining heavy XEC has returned 61%, more than double the XSO's return of 29%. We believe the divergence is an aberration in the long-term trend, and that heat will inevitably come out of the more speculative parts of the market over time.

We enter the final month of what has been an extraordinary financial year. While we maintain a constructive stance on exposure to risk assets, given risks associated with valuation, inflation and monetary policy, a selective approach focused on quality remains paramount.

The Fund finished the month with 6.8% held in cash.

The key contributors were:

APN Property Group (APD), Straker Translations (STG), and Integral Diagnostics (IDX)

APN Property (APD) returned 59% for the month after announcing on 11 May it had entered into a scheme implementation deed with Dexus (DXS), under which Dexus will acquire 100% of APD. The proposed acquisition is for cash consideration of \$320 million at 91.5 cents, a 50% premium over APN's previous closing price of 61.0 cents.

Straker Translations (STG) returned 30% for the month on a positive FY21 result for the financial year ended 31 March. STG is guiding to over 60% revenue growth in FY22 to \$50 million, evenly split between organic growth and M&A. Positive operating momentum is supported by STG's recent appointment by IBM as strategic translations provider.

Integral Diagnostics (IDX) returned 8% over the month on the back of a continuing and strong rebound in diagnostic imaging volumes. Across IDX key states of Victoria, Queensland, and Western Australia, FYTD volumes are up 14% in aggregate, with Victoria yet to accelerate. IDX trades on a free cash flow yield of 5% and retains significant balance capacity for acquisitions in what is still a fragmented market.

The key detractors were:

Mach7 Technologies (M7T), Pivotal Systems (PVS), and Electro Optic Systems (EOS).

Mach7 Technologies (M7T) finished the month -14% on no news. M7T announced on 6 May that current Mach7 Platform customer, University of Vermont (UVM), had chosen M7T's eUnity Enterprise Viewer. Reflecting a large cross sell opportunity, UVM is just the 15th of M7T's 130 customers to adopt both solutions.

Pivotal Systems (PVS) returned -12.0%. We expect demand for PVS's disruptive gas flow controllers to rise from a low base of approximately 3% share currently as countries such as Korea and the US onshore production of high-end chips to reduce reliance on Taiwan. At its May AGM, PVS reiterated guidance for FY21 revenue growth of between 35% and 45% (to US\$30-32 million), well above industry growth of 21%. Reflecting the operating leverage inherent to PVS, headcount will remain steady at around 45 staff.

Electro Optic Systems (EOS) receded -11% in May, with weakness continuing in the share price after the company's March quarterly release on 30 April. Negative sentiment persists, despite EOS subsequently announcing on 12 May cash receipts of \$43 million since 1 April, and net cash of \$60 million (up from \$41.5 million) at the AGM on 28 May. We think shares grossly undervalue EOS's contract pipeline and Spacelink business, both of which are near term catalysts.



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.

Portfolio Managers

Jonathan Wilson

Jonathan has 7 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 14 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	Minimum Investment	Wholesale: \$100,000
Structure	Managed Investment Scheme	Liquidity	Weekly Unit Pricing Applications and Redemptions
Investment Universe	Ex-ASX 200 at initial investment	Fees	Wholesale: 1.03% p.a. management and 20% performance (against benchmark)
Benchmark	50% of the ASX Small Ordinaries Accumulation Index & 50% of the ASX Emerging Companies Accumulation Index	Admin	Mainstream Fund Services Pty Ltd
Stock Holdings	15-40	APIR Code	Wholesale: CLA1557AU
Stock Limit	15% at cost	Platform Availability	BT Panorama, Onevue, Praemium, Netwealth, HUB24

Contact Information

Investor information

Clime Asset Management Pty Ltd
Ph: 1300 788 568
Email: info@clime.com.au

Administrator

Mainstream Fund Services Pty Ltd
Ph: 1300 133 451
Email: registry@mainstreamgroup.com

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