Clime Australian Income Fund

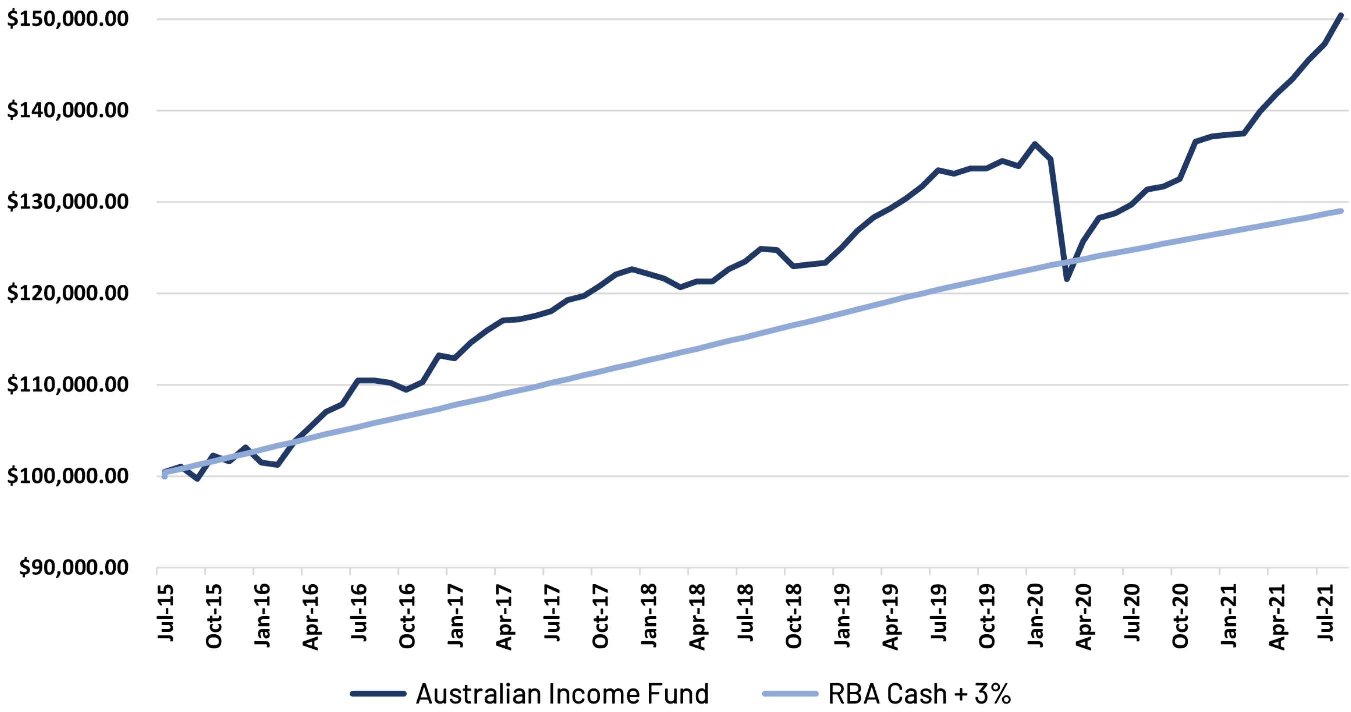
Fund Performance | August 2021

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% ±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 Month Net Return (Wholesale)	Portfolio 1 Year Net Return (Wholesale)	Portfolio Inception Total p.a Return (Wholesale)	Total Fund Size
2.1%	14.5%	6.8%	$48.0m



Fund Facts

Portfolio Manager	Dr Vincent Chin
Fund Inception	1 July 2015
Fund Size	$48.0m
Cash Distributions	Quarterly
Number of Positions	60-80

Top 5 Holdings

Security	Weight
Spark Infrastructure (SKI)	2.3%
Telstra Corporation (TLS)	2.2%
Growth Point Property Group (GOZ)	2.0%
Rural Farm Group (RFF)	2.0%
IRESS (IRE)	1.9%

Distributions

Period Ending	Wholesale Units (cents per units)
30 June 2021	1.5544 + 0.1700 franking credits
31 March 2021	0.6265
31 December 2020	0.3008
30 September 2020	0.4011

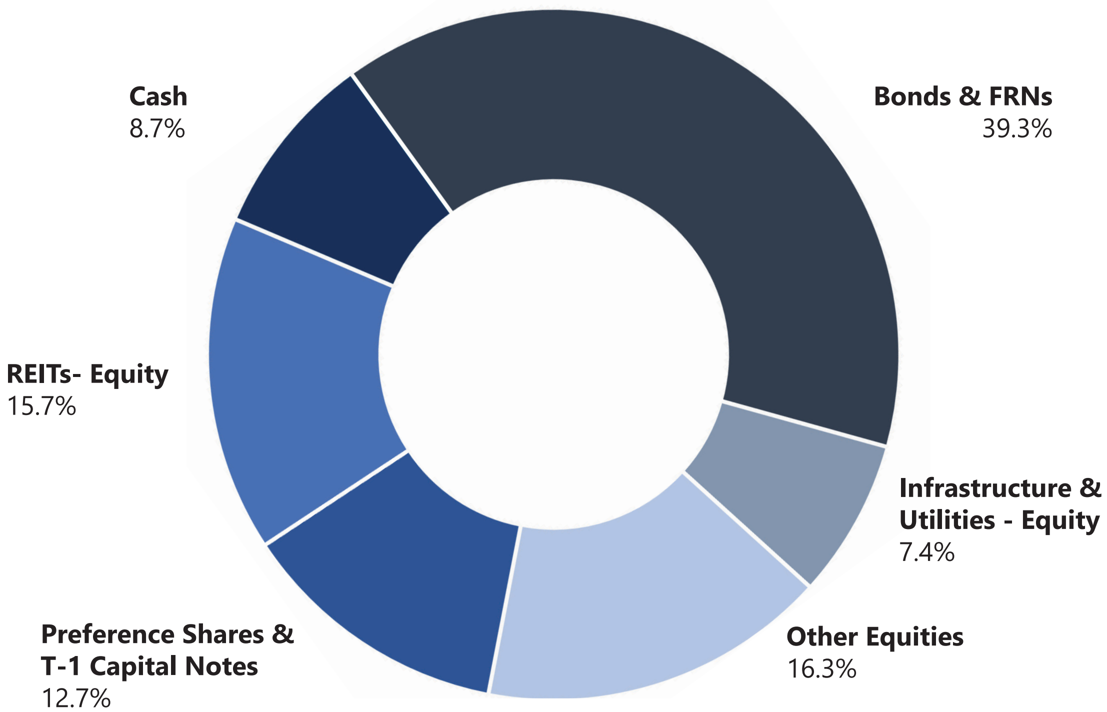
*The distributions and franking credits shown above are reflective of the returns for the Wholesale class only. Returns for the Retail class will be lower due to the higher fees associated with this investor class.

Performance

	1 month	3 months	6 months	1 year	3 years p.a.*	5 years p.a.*	Since Inception p.a.*
Net Portfolio Return (Wholesale)**	2.1%	4.9%	9.4%	14.5%	6.4%	6.4%	6.8%
Income	-	-	-	2.6%	3.3%	3.5%	3.5%
Capital Growth	-	-	-	11.6%	3.0%	2.7%	3.3%
Volatility	-	-	-	3.4%	5.5%	4.6%	4.5%

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.
*Annualised. Inception: 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 Covid pandemic and its management continues to be the defining factor on the path to economic normalisation. As high vaccination rates allow North America and Europe to return to something approaching normality, economies with low vaccination rates such as Australia and across emerging Asia are tightening their restrictions on activity once again. Over the past month, many high density centres in Australia and in countries such as South Korea, Malaysia, Indonesia, the Philippines and Thailand have imposed new public health controls in an attempt to dampen rising infection rates of the Delta variant.

While Australia has its own issues to deal with, market sentiment and direction will largely be driven by the US. Australian data showed that the private sector lost steam in August, largely because of the lockdowns. Low unemployment figures, while welcomed, were primarily achieved through depressed participation rates, and commodity prices eased sharply over the month.

Investors fully embraced the reflation story in the first half of 2021. The cyclical commodity markets have, in the main, also benefited from these trends. While we expect market strength to continue over the coming months, we anticipate that as the economy moves from recovery to mid-cycle, a more cautious and more selective portfolio approach is warranted.

By month end, the ASX200 Accumulation index had risen by 2.5% for yet another positive return. This was despite 10y bond yields having tightened by 4bp over the month. If the trend continues, we would not be surprised to see the market pull back in the near term, particularly once upward earnings revisions slow post reporting season, and the Delta variant lockdowns have a more pronounced impact on the economy.

During the month, we shaved a bit off those stocks which looked somewhat stretched post results, and increased cash slightly. This included ADI, ARF, CQE and MQG (although we continue to like these names). We exited Amcor Plc (AMC) and switched proceeds to GrainCorp (GNC) as we think there is further upside for GNC due to good rain forecasts across most of Australia. In the fixed income asset classes, we participated in CBA subordinated T2 FRN and Macquarie Bank Capital Notes (MBLPD). Heavy demand for the CBA T2 debt paper resulted in the initial pricing being compressed by 8bp to 132bp, while the MBLPD was scaled back by more than 60%. The margin offered by MBLPD was set at 290bp over the BBSW90.

The Board of Spark Infrastructure (SKI) recommended the $2.95 cash takeover offer from a consortium of private capital and the Ontario Teachers' Pension Fund in the absence of a higher bid, while EQT revised its non-binding takeover offer for Iress (IRE) to $15.91 cash (from between $15.30 and $15.50 previously). These corporate activities have assisted in a strong return for the Fund since the start of this financial year.

In their September meeting, the RBA left interest rates unchanged at a record low of 0.10%. There were no changes to its bond buying programmes as they will buy $4B per week until at least mid-February 2022.

We remain vigilant of market volatility while focusing on certainty of income from quality securities. We anticipate that until the economic picture becomes clearer, volatility will be the norm in financial markets. We remain confident of the Fund's ability to provide regular quarterly distributions.

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 Availablity	Netwealth, HUB24, OneVue, Praemium & Wealth Portal	**APIR Code**	Retail: SLT1239AU Wholesale: CLA0002AU

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