



Individually Managed Account

A guide to the administration service

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What is the Clime Individually Managed Account Service?

The service is an individually managed account for high net worth individuals.

Simply, rather than being part of a large amalgam of monies and/or investment pool, your Portfolio is owned by you and managed entirely for you, and you alone. As a fund manager specialising in value investing, the construction of the Portfolio will follow Clime's principles of seeking value, appropriate diversification and sensible risk management to meet your investment requirements. Your Portfolio will be managed in a disciplined and consistent manner and be overseen by a team who has many years of experience in the industry.

With an Individually Managed Account, not only will you be the owner of the Portfolio (and shares), you will enjoy the owner benefits (such as franking credits) and will have the ability to see the exact make up and value of the Portfolio at any time (via our online service).

Why use the Individually Managed Account Service?

At Clime, we know how important it is to invest with someone you can trust. Equally we know that you need to have knowledge of what it is happening in your Portfolio.

At the core of Clime's funds management process is a dedication to transparency. Our service has been developed so that you will know exactly what is happening to your money, and with this service, you have direct access to your fund manager. Our whole investing philosophy is available on our website www.clime.com.au.

Our investing philosophy is proven, and we have strong portfolio performance figures over a 3 to 5 year period, and longer. We can provide you with performance data.

At Clime we believe investors should be seeking to achieve absolute returns of CPI (Australian Consumer Price Index) plus 6% per annum.

Who should use the Individually Managed Account Service?

If you are time poor, not confident about investing yourself, or would just prefer to have professionals do it for you, then the Clime Individually Managed Account Service is your solution.

If you are a high net worth individual or institutional investor who has decided you would like to let a trusted company handle your investments Clime's Individually Managed Account Service may be right for you.

Applying a consistent, disciplined investment approach, Clime has provided superior returns for our clients in both good and bad economic climates over the years.

About Clime

Clime Asset Management is a wholly-owned subsidiary of Clime Investment Management Limited. Clime Investment Management Limited (ASX Code: CIW) is a publicly listed, boutique financial services group.

The Clime Group complements its core funds management service by offering a cost effective self-managed super fund administration and account service as well as providing investment education for its clients.

Clime Asset Management is an Australian-based fund manager specialising in Australian equities investing. Clime Asset Management manages in excess of \$600 million through discrete mandates for families, individuals, charities, managed funds, and the listed investment company Clime Capital Limited. Clime's investment methodology is implemented with the aim of achieving absolute returns for investors.

Investment options

At Clime, we understand that your investment decisions may vary depending on your stage of life. If you are younger, you may be looking for a growth option with a measured degree of risk, while mature investors may be looking for a reliable income stream with minimal risk.

We cannot give you specific advice as to which option you should be looking for, but we can offer a Portfolio option for either requirement.

Discrete Share Portfolio – Growth

Our Discrete Share Portfolio - Growth service is designed to deliver solid capital growth, investing in shares and securities of highly profitable ASX listed companies.

Discrete Share Portfolio - Global

Our Discrete Share Portfolio - Global service is designed to deliver solid capital growth, investing in shares in highly profitable global best of breed listed companies. The minimum investment amount for DSP Global is AU\$1 million. For amounts up to \$1million, you may wish to purchase an allocation in our Clime International Fund. Please read the Product Disclosure Statement of the Fund for all terms and conditions.

Discrete Share Portfolio – Income

Our Discrete Share Portfolio – Income service is a portfolio of solid ASX listed securities designed to deliver an income stream above that otherwise attainable in term deposits or other cash investments. The minimum investment amount for DSP Income is AU\$500,000. For amounts up to \$500,000, you may wish to purchase an allocation in our Clime Australian Income Fund. Please read the Information Memorandum of the Fund for all terms and conditions.

We may also offer investments in our unitised products; The Clime Smaller Companies Fund, The Clime International Fund, The Clime Australian Income Fund, The Clime Australian Value Fund and Unlisted Direct Property Trusts where appropriate to achieve desired portfolio performance, but if we do, you will not be charged two sets of management fees.

How does the Individually Managed Account investing process work?

Setting up your Individually Managed Account

When setting up your Individually Managed Account, Clime is happy to receive cash or ASX listed shares if you choose to transfer “in specie” currently held shares.

Our goal is that in time the Portfolio’s will be fully invested, subject to model portfolio cash levels. This initial process may take 3 to 9 months. Clime will not just buy immediately to the model portfolio; rather Clime will do this as we identify investment opportunities we consider appropriate. Protection of capital is a principal tenet of Clime’s philosophy. Therefore the price has to be right for the right investments!

Cash usually represents a minimum of 5% of the Portfolio, although cash holdings depend on investment opportunities which we consider appropriate being available.

If you are transferring an existing share portfolio to the service (possibly in combination with cash) then where appropriate we will over time sell those investments with the goal of optimising the proceeds and aligning your Portfolio to the Clime model portfolio.

A focused holding

Within each of our Portfolios we hold a fairly limited range of shares. The target Portfolio size is usually 20-30 securities. We do not believe that holding a largely diversified portfolio makes investing sense.

When constructing and managing the Portfolios, usually:

- The maximum weight we allow for any one investment is 10%; and
- The minimum market capitalisation we seek for any investment is \$50 million.

We look for opportunities we consider the best and don't set any particular minimum or maximum exposures to any particular sectors.

Active Management

We actively manage the Portfolios. This includes monitoring stock exposures and the liquidity of various positions. Portfolio management includes utilising short term sharp price gyrations which present buying or selling opportunities. When trading we are mindful of the realisation of capital gains tax.

Fees and Expenses

Management Fee

The management fee for the Discrete Share Portfolio - Growth is 1.65% per annum (inclusive of GST), plus performance fee. Clients may alternatively pay a management fee for the Discrete Share Portfolio - Growth of 2.20% per annum (inclusive of GST), with no performance fee.

The management fee for the Discrete Share Portfolio - Global is 1.65% per annum (inclusive of GST), plus performance fee. Clients may alternatively pay a management fee for the Discrete Share Portfolio - Global of 2.20% per annum (inclusive of GST), with no performance fee.

The management fee for the Discrete Share Portfolio - Income is 1.65% per annum (inclusive of GST). No performance fee is applicable for DSP - Income.

Fees are charged monthly, in arrears, calculated on your Portfolio's daily balance and covers Clime's overhead expenses as well as all brokerage.

Administration Fee

We charge a portfolio administration fee, which covers matters such as statements, transaction settlements, funds clearance, custodial services and online portfolio access. This fee is charged monthly in arrears based on your Portfolio's daily balance. The rates are:

Account Balance	Administration Fee
0 - \$10 million	0.22% inclusive of net GST
Over \$10 million	0.11% inclusive of net GST

Performance Fee

Only charged on the Discrete Share Portfolio - Growth & Global, not Income.

Clime's share of outperformance is equal to 20% (plus GST) of the gains in the value of the Portfolio above the CPI + 6% target.

We only charge a performance fee where there are both:

- outperformance of the target; and
- a positive gain in the Portfolio since the last time the fee was calculated.

We calculate the fee on the anniversary of your initial investment and then on exit. Adjusted for additions to the Portfolio and part withdrawals.

This example assumes the following Growth Portfolio performance (after management and administration fees) over the period, where the starting balance was \$1,000,000, rising to \$1,100,000. Assuming CPI at this time is 2% and there were no additions to or withdrawals from the Portfolio:

CPI + 6% Benchmark	DSP Performance	Outperformance	Performance Fee Charged
CPI + 6% = 8%	+10%	2%	20% of the 2% positive outperformance (plus GST)
\$80,000	+\$100,000	\$20,000	\$4,000 being 20% of the \$20,000 positive outperformance (plus GST)

Exit Fees

If you decide to leave the service within 12 months of joining then we will charge a fee of 1% (plus GST) of your closing balance.

If you choose to leave the service after 12 months of joining we will dispose of your Portfolio and transfer the funds to a nominated account. No exit fees will be levied.

If at any time you decide to close your account and request to take your Portfolio with you we will charge a fee of 1% (plus GST) of the value of stock transferred.

Expenses

All fees relating to your Portfolio are deducted from your Portfolio.

We pay all brokerage expenses and usually no other expenses are applicable.

If individual clients request tailored services further costs may apply.

How does the service operate?

What assets types comprise my portfolio?

Our focus is on listed securities. We don't borrow or use derivatives.

Investment Management

You appoint us to act in relation to investments in your Portfolio. We make the investment decisions for you. It's a discretionary service, so you do not need to instruct us regarding which investments to buy or sell.

So that you earn the best interest rates, cash in your account is held in a single cash management account where we keep an accurate record of your balance. It is from this cash hub that fees and expenses relating to your account are paid, and to which income and proceeds from realising investments are credited.

Custody

We are also the custodian of the assets in your Portfolio.

We have appointed JPMorgan, one of the world's leading custody providers as our sub-custodian. JPMorgan will provide all the day to day safekeeping of assets & securities, arrange settlement of any purchases, sales and income and administer corporate actions. Clients cannot instruct or deal with JPMorgan themselves.

You remain the beneficial owner of the assets and have absolute indefeasible entitlement to the assets and to the income they provide.

Administration

We act as administrator of your Portfolio.

We have appointed FundBPO, one of Australia's leading administration providers, to assist us. Fund BPO records and reconciles the transactions in your Portfolio as well as your cash holding, it processes payments, receives income and maintains the reporting process and online access, as well as quarterly reports, annual reports and tax reporting.

We take care of corporate actions like rights issues as we think best. No more seemingly endless paper trail of things for you to do for each investment.

All fees, charges, taxes and other liabilities relating to your Portfolio are deducted from your Portfolio.

Reporting and online access

Keeping you informed

You will receive:

- quarterly portfolio valuation and transaction reports;
- annual tax reports, portfolio valuation and transaction reports; and
- internet access to your account.

Because we make the investment decisions, you will not receive any offer documents for investments represented in your Portfolio.

Tax information in the annual tax report is only as accurate as the information supplied to us when you transfer any existing assets into our control.

Online access

Online access will be by username and a password we will issue to you. Keep these secret. If you forget them, contact us. Online you will find details of your account. Note that all asset values are historical figures based on our most recent valuations. Asset values shown may not be current.

Further information

For further information, speak to our Customer Service Team, visit www.clime.com.au or contact us. Our financial services guide is available at our website as well as our privacy policy. We protect your personal information under our Privacy Policy, available at www.clime.com.au.

Risks

Many factors impact on returns and capital value. You can lose as well as make money. Neither capital nor performance is guaranteed. Be patient and look to invest for at least 3 years.

The main risks associated with investing in listed equity securities are set out below.

Market Risk

The risk of gain or loss by reason of movements in the share market generally. This may be caused by a range of factors, including general market and economic conditions, interest rates, investor sentiment, currency movements, global events and changes to social, technological, taxation and regulatory environments.

Global Risk

The vulnerability of an investment to international events or international market factors (for example, exchange-rate fluctuations, changes in international stock, credit or bond markets).

Sector Risk

The Portfolios are sector unaware and as a result the portfolios may have a concentrated or no exposure to a specific sector.

Specific Asset Risk

Risks associated with the specific investment (for example, quality of the company's directors; the strength of management and key personnel; profitability and asset base; debt level and fixed-cost structure; litigation; competition levels; liquidity of the investment).

Research Limitations

The research that we use in managing your Portfolio is based on the opinions of Clime's analysts and portfolio managers. It can never be guaranteed, is only valid for a limited time and is often subject to market movements.

Liquidity Risk

Clime may be unable to sell shares in a timely manner or at a reasonable price due to a lack of buyers in the market.

Service Risk

Risks associated with the service itself include that we may make an error of judgment in selecting securities, the investment portfolios may not perform as hoped, the service could change or terminate, your Clime Adviser, the investment team and fees & expenses may change and our systems or those on whom we or you rely could fail.

Interest Rate Risk

This is the risk that changes in interest rate can have a negative impact on investment values or returns.

Who can invest?

You need to be a wholesale client to invest (the Corporations Act defines this). Usually we require \$1,000,000 to open a portfolio for you. Investing at least \$750,000 yourself or together with associates or with entities you control (often your super fund) will qualify you as a wholesale client.

Acceptance of applications is at our discretion, and clients usually need to be at least 18 years of age.

How do I start?

1. Read this guide and speak to your Private Client Director;
2. complete the Application Form;
3. if you are a new Clime client, identify yourself to us by giving certified copies of the required documents; and
4. give us an initial sum to invest and/or your existing share portfolio to manage

We will open an account for you and send you details so that you can access your account online.

You can pay by cheque or electronic funds transfer. Details are in the application form. If you are transferring assets into your account, additional forms will need to be completed and your Clime Private Client Director will be able to help you.

There is no cooling off period.

How do I withdraw money?

Speak to your Clime Private Client Director. There isn't a minimum withdrawal amount but keep in mind that usually we require a minimum account balance of \$1,000,000.

We will need confirmation of your instructions in writing.

We usually pay withdrawals (net of any fees, charges and taxes) to your nominated account within 5 days of receiving your instructions. If you haven't given us your bank account details, you will need to do that.

There can sometimes be delays for example, there may not be buyers for your investments or trading may be suspended.

We will sell investments as necessary to fund your withdrawal.

If you prefer investments to be transferred in place of cash, speak to your Clime Private Client Director.

What about tax?

Tax is a fact of life for almost everyone. Buying and selling investments has tax consequences whether you invest yourself or use this service.

We are mindful of tax when managing your Portfolio, but we don't take your circumstances into account.

We recommend you seek professional tax advice before using or changing your use of the service.

We work to a first in first out rule for asset transactions for tax reporting.

Responsibilities

Our obligations

We must act honestly and with reasonable care and diligence in managing and supervising the Portfolio. Clime will not deal with or transfer any part of the Portfolio other than for a purpose contemplated under this agreement.

In the absence of gross negligence, fraud or dishonesty, Clime will not be in any way whatsoever responsible for any loss, costs, damages or inconvenience that may result from the exercise or failure to exercise its powers, authorities and discretions.

Clime is not liable to clients for indirect and consequential losses by clients or anything beyond its reasonable control.

Neither JPMorgan nor FundBPO have any duty or liability to any client, and neither is in any way responsible for this service (this includes having no responsibility for indirect or consequential loss incurred by clients).

Your obligations

You must act honestly with us and in compliance with all laws, reasonably co-operate with us, and act with appropriate authority. If you are a trustee, you must be comfortable that your investment is consistent with the investment strategy for your fund, and promptly provide us with such information as we reasonably require for example for us to comply with anti-money laundering laws.

You indemnify us for any loss we suffer because you have breached any of your obligations, and for all fees, charges, taxes and other liabilities relating to your Portfolio, except to the extent the loss may have been our fault. We are entitled to deduct these from your account or any money we are paying to you.

Legal

Changes

We can change our agreement with you about the Clime Individually Managed Account Service by reasonable notice to you - generally at least 30 days. We can arrange for someone else to take over the service from us and need not ask you first but we would of course keep you informed. You cannot deal with your rights under this agreement without our agreement.

Closing your Account

Either you or Clime may terminate this agreement at any time by giving the other at least 10 Sydney business days written notice. A party may terminate immediately for material breach by, or insolvency event of, the other party.

On termination we will arrange for your investments to be realised and pay the proceeds to your nominated bank account (net of all fees and expenses) as soon as is practicable. See the **Withdrawals** section above which discusses timing matters.

The usual fees and relevant expenses are payable through this period. We may be able to transfer some assets to you or a new service provider - speak to your Clime Private Client Director about this and remember there could be costs including tax payable.

Disputes

Contact us if you have problems and we will meet with you. If we can't agree a solution within 30 days we will tell you what your other options are.

GST

Unless otherwise stated, all figures are in Australian dollars and are inclusive of the impact of GST.

Regulation

Although this service is regulated mainly under the Corporations Act, it is not regulated as an investor directed portfolio platform (**IDPS**) or IDPS-like platform nor a retail managed discretionary account as the Australian Securities and Investments Commission (**ASIC**) defines this. It is a wholesale financial product. ASIC takes no responsibility for this guide or the service. This agreement is governed by the laws of NSW and you and we submit to the non-exclusive jurisdiction of the courts there.

About this guide

Clime is the issuer and is responsible for this guide.

This guide for the service governs your investment. If we issue a new guide or supplement it, a copy will be made available to you, and we recommend that you read it carefully. Copies are always available free by contacting us.

This guide is available only to persons receiving it in Australia (electronically or otherwise). If you received this guide electronically, we will provide a paper copy free of charge upon request.



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