Integrity Transparency Conviction

Clime International Fund

Quarterly Investment Report - December 2017

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Investment Objective

The Clime International Fund (the Fund) aims to achieve a 10% annualised return in Australian dollars after all fees and expenses measured over a rolling 5 year period.

The Fund seeks attractive returns, through investing in a portfolio of International listed securities. The Fund's goal is to select high quality individual investments that allow the creation of a best ideas global portfolio. The Fund follows a value based methodology and will only invest in equities when an appropriate margin of safety against value is perceived.

Investment Strategy

The Fund is based on absolute return seeking attractive capital growth and good capital preservation over the long term, from a portfolio of International listed securities.

Sanlam Private Investments (SPI), the Fund's sub-investment manager, believes that by constantly monitoring investment markets, SPI will eventually find assets that it percieves to be incorrectly priced. For SPI, this is the best opportunity to invest. Through rigorous and disciplined research, a sensible approach to risk control and conviction, the Fund seeks to add real value to its investors in a world of low returns punctuated by periods of volatility.

Fund Profile

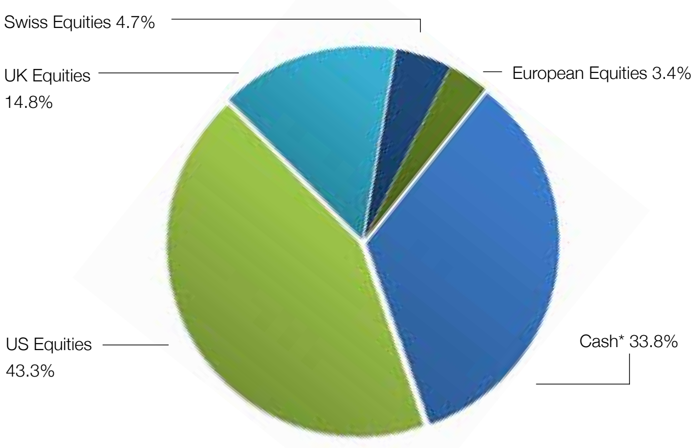
Investment Manager	Clime Asset Management Pty Limited
Sub Investment Manager	Sanlam Private Investments (UK) Ltd
Fund Size - Wholesale Inception Date	A$93.01 million 4 March 2014
Fund Size - Retail Inception Date	A$5.15 million 11 March 2015
Distributions	Annual
Management Fee	1.54% p.a. for Wholesale Units. 1.69% p.a. for Retail Units. Calculated and paid monthly in arrears on the last business day of the month.
Entry Fee	Nil
Contribution Fee	Nil
Expenses	0.21% p.a.
Withdrawal Fee	Nil
Performance Fee	20% of any amount by which the Fund outperforms the rate of 10% per annum
Buy / Sell Spread	0.25% / 0.25%
Investment Horizon	5 years

Fund Performance (31/12/17)

	Wholesale (AUD Portfolio Return)	Retail (AUD Portfolio Return)	Hurdle
1 month	-1.71%	-1.74%	0.79%
3 months	4.21%	4.15%	2.43%
6 months	4.54%	4.44%	4.92%
1 year	10.50%	10.32%	10.00%
2 years*	6.34%	6.18%	10.00%
3 years*	7.96%	-	10.00%
Inception*	8.68%	5.63%	10.00%

Inception: Wholesale Units: 4 March 2014. Retail Units: 11 March 2015.
*Performance figures for more than 1 year are annualised, calculated after all applicable fees and taxes. Performance figures compare unit price to unit price forthe given period.

Asset Allocation



* Majority of cash is held in US$

Distributions

Period Ending	Wholesale Units (cents per unit)	Retail Units (cents per unit)
30 June 2017	3.9597	3.3798
30 June 2016	9.0831	7.5602
30 June 2015	4.9010	5.9905

Wholesale Units - Monthly Returns (since inception)

Financial Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	CIF FYTD	Hurdle# FYTD
2013 - 14	-	-	-	-	-	-	-	-	-2.11%*	0.45%	0.30%	-1.70%	**-3.04%**	3.13%
2014 - 15	0.48%	-0.36%	4.97%	0.45%	3.17%	3.50%	3.68%	1.23%	0.95%	-0.88%	1.86%	-0.83%	**19.58%**	10.00%
2015 - 16	4.05%	0.43%	0.18%	2.78%	-1.19%	-1.35%	0.71%	-0.74%	-4.18%	0.89%	6.01%	-3.89%	**3.28%**	10.00%
2016 - 17	0.51%	1.20%	-1.77%	-0.90%	2.63%	2.29%	-2.07%	1.34%	1.41%	4.53%	2.30%	-1.77%	**9.87%**	10.00%
2017 - 18	-1.49%	0.57%	1.25%	3.88%	2.07%	-1.71%							**4.54%**	4.92%

Retails Units - Monthly Returns (since inception)

Financial Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	CIF FYTD	Hurdle# FYTD
2014 - 15	-	-	-	-	-	-	-	-	-0.52%	-1.35%	2.0%	-1.21%	**-1.11%**	2.43%
2015 - 16	4.05%	0.43%	0.18%	2.77%	-1.19%	-1.57%	0.69%	-0.75%	-4.19%	0.88%	6.00%	-3.90%	**2.95%**	10.0%
2016 - 17	0.51%	1.20%	-1.80%	-0.91%	2.61%	2.27%	-2.09%	1.33%	1.38%	4.55%	2.28%	-1.78%	**9.72%**	10.0%
2017 - 18	-1.50%	0.56%	1.24%	3.86%	2.06%	-1.74%							**4.44%**	4.92%

#Hurdle represents the 10% per annum benchmark returns. FYTD represents net return for the given financial year, calculated after all applicable fees and taxes. Performance figures compare unit price to unit price for the given period. Performance figures for more than 1 year are annualised.
* Inception date as at 4 March 2014 (Wholesale), 11 March 2015 (Retail), at which point the Fund's units NAV was struck at an inception price of AUD 1.00.

Top 10 Holdings

Stock	Market	Ticker
Microsoft Corporation	US	MSFT US
Diageo Plc	UK	DGE LN
American Express Company	US	AXP US
Oracle Corp	US	ORCL US
Roche Holding AG-Genusschein	SW	ROG SW
Cognizant Tech Solutions	US	CTSH US
Alphabet Inc Class C	US	GOOG US
Yum! Brands Inc	US	YUM US
Medtronic Plc	US	MDT US
Reckitt Benckiser Group Plc	UK	RB/ LN

Quarterly Performance Summary

For our International Fund, Clime has an objective of holding a diversified portfolio of approximately 25 to 30 listed companies displaying characteristics including:

- High returns on equity or the potential to achieve this;
- An easily understood and sustainable business model;
- Competent and experienced management whose interests are aligned with shareholders;
- A well-funded balance sheet not overly burdened with debt; and
- Strong track record of dividend and earnings growth.

The acceleration of global economic growth– especially in Europe, China, and to a lesser extent, the US, meant that nothing was able to divert equity markets from a positive growth story. Indeed, it has been over 18 months since there was a 5% equity sell-off, 23 months since there was a 10% correction, and we're now heading into our ninth year of this bull market.

Europe was one of 2017's big surprises. At the start of the year, investors were nervous about the rise of populism. But as Germany, France and Belgium went to the polls, their fears proved largely unfounded, and it ended up being one of the best places to invest this year. European equities have returned 18% year to date, versus 11% returned by global equities.

In the US, Donald Trump's corporate tax cut bill gained political momentum. Businesses remain convinced he will deliver on his promise, and companies that earn most of their revenue in the US have seen their share prices jump in anticipation of more of this flowing through to the shareholder. If the cuts are approved, it will be a major boost to the global economy.

China had a great 2017, but it's likely they will experience something of a slowdown in 2018. That could mean less spend on infrastructure and therefore less demand for commodities, such as steel.

The UK continues to deal with the repercussions of Brexit. Growth in the UK is now predicted to remain subdued for at least the next couple of years until perhaps the early 2020s.

During the December quarter, the following stocks brought strong returns to the portfolio:

Stock	Total % returns* in AUD
Microsoft	15.8%
Diageo	12.6%

*Returns from 30 September - 31 December 2017

Some noticeable weak performers during the quarter are highlighted in the table below.

Stock	Total % returns* in AUD
Priceline	-4.7%
Unilever	-2.5%

*Returns from 30 September - 31 December 2017

Positions Purchased

We added to our position in Reckitt Benckiser (RB), a company which has historically rewarded shareholders with phenomenal returns and has a well-earned reputation for its strong cash generation. RB has a free cash flow yield of 4.5% and a free cash flow conversion ratio in excess of 90% over the last 5 years. Reckitt has been able to deliver a decade of superior earnings growth with best-in-class working capital and margins. Adjusted operating margins increased over 600bps over the last seven years to 28.1%. The fundamental strengths of the Health and Hygiene segments, the strong track record in innovation and a recovery in the emerging markets could drive further margin expansion, but we don't model this to be the case going forward. With no clear structural decline in their core segments and main market, we believe RB can maintain the earnings growth they achieved in the past. The Mead Johnson (MJN) deal will increase their exposure to Health, as well as add to their emerging market presence.

In the first half of the quarter Reckitt Benckiser trended lower on the back of a slowdown in organic growth and fears over their Mead Johnson execution. We took this opportunity to add to the name.

We bought Wells Fargo & Company (NYSE: WFC) which is a diversified, community-based financial services company with $1.9 trillion in assets. Founded in 1852, Wells Fargo provides banking, insurance, investments, mortgage, and consumer and commercial financial services through more than 8,500 locations, 13,000 ATMs, online (wellsfargo.com), and mobile devices. They are headquartered in San Francisco, but are decentralized so every local Wells Fargo location is a headquarters for satisfying customers' financial needs and helping them succeed financially.

Over the last few years Wells Fargo has been embroiled in litigation and scandals related to fake bank accounts that were set up for customers without their knowledge or any need for them and fees charged against them. The company took $1 billion reserve for mortgage backed security litigation late last year and set aside another $ 1 billion to settle these fines after an investigation into their malpractices. The firm has put in place many measures to combat these practises going forward most notably a new remuneration models that are not target focussed.

We believe the business model for Wells Fargo is in tact and that the company is well positioned to capture growth in the wider mortgage related and commercial property related markets.

Historically the business was managed on a conservative basis and we believe that will continue to be the case as the company grows slowly but steadily while controlling costs.

The stock is trading at 1.5 times book value and offers a 11% return on equity. At our initial purchase level of $55 per share we see 15% upside based on our conservative models for profitability and growth estimates.

We increased our position in The Priceline Group, an online travel agency (OTA) that are perfectly positioned to take advantage of the migration of travel bookings from offline to online. Online bookings currently account for less than 40% of total bookings. We believe that online bookings will begin to moderate at the 60% mark. The travel market is currently $1.3 trillion and growing at 5% per year. With only mid-single digit market share, Priceline has a large runway for growth. Add to this that Priceline are significantly more exposed to the more profitable sub-segment of accommodation than their only global rival Expedia, then we can see that the picture for Priceline is a positive one.

After the company's Q3 results in November the share sold off after some typically weak guidance. We view the share reaction as overdone and took the opportunity to top up on the name.

Positions Sold

When we initially invested in Hengan in the middle of 2016 the stock traded at a ~24% discount to its historic average forward PE and almost 2 std. deviations below its average. Back then competition was fierce (and still is) and the top line slowed down together with margins coming under pressure due to management getting the product mix wrong. We were of the belief that these were short-term concerns and not structural issues in the business. These concerns were largely priced into the share and we took the opportunity to buy a good business at below what we thought it was worth. Management then started focussing their efforts on high-end products with much more favourable margins and faster growth as well. This, together with the new Amoeba sales structure (decentralised) implemented this year, turned the corner for Hengan. We then started to see some positive upgrades from the sell-side.

With the stock trading at our DCF target price of HKD77 and the discount evaporating from 24% to a mere 4% and trading on 20x PE F18, we felt that the stock had served its purpose and decided to exit.

At the end of October we trimmed Microsoft as it continues to trade at the top end of our valuation.

NetEase had been range bound for a few months as the market was trying to work out where margins were going to end up. NetEase had up until recently been a pure play online gaming company. That is no longer the case as their e-commerce division is growing quickly. This will help the top line at the expense of margins but, due to a lack of clarity in their disclosure (e-commerce is not even its own segment), it is difficult to ascertain with certainty how large an impact e-commerce will have.

Due to this uncertainty, compared to the Chinese internet sector NetEase is essentially a value play. Their Q3 results were generally as expected with a couple of bright spots (new buyback scheme, 5% earnings beat due to tax credit), and this was enough to get the market very excited. Our price target is $315 and as such we sold out of the position at $360, having got in (for a second time) on the 3rd May at $267. This represented an AUD gain of 28%.