

# Clime International Fund

Monthly Investment Report - April 2018

## Investment Objective

The objective of the Clime International Fund is to generate sustainable long-term capital growth. The Fund seeks to achieve an annual total return of 10%, measured in Australian dollars, over rolling five to seven year investment periods after management fees.

## Investment Strategy

The Clime International Fund seeks to deliver strong risk-adjusted total returns by investing in a portfolio of high quality International listed companies that are attractively priced. The Fund's sub-investment manager Sanlam Private Wealth, is a value-based active fund manager who seeks out compelling investment opportunities where risk taken is appropriately compensated.

## Fund Profile

Investment Manager	Clime Asset Management Pty Limited
Sub Investment Manager	Sanlam Private Investments (UK) Ltd
Fund Size - Wholesale	A\$93.95 million
Inception Date	4 March 2014
Fund Size - Retail	A\$5.17 million
Inception Date	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

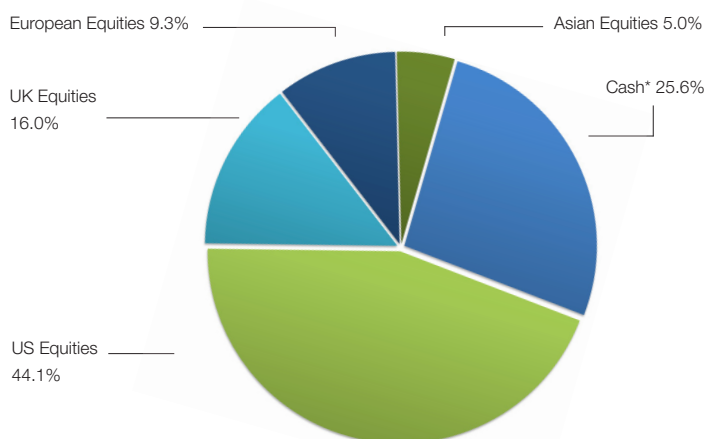
## Fund Performance (30/04/18)

	Wholesale (AUD Portfolio Return)	Retail (AUD Portfolio Return)	Hurdle
1 month	2.21%	2.20%	0.81%
3 months	3.57%	3.53%	2.45%
6 months	3.71%	3.62%	4.96%
1 year	8.58%	8.40%	10.00%
2 years*	9.99%	9.82%	10.00%
3 years*	7.39%	-	10.00%
Inception*	8.83%	6.11%	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 for the 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%	<b>-3.04%</b>	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%	<b>19.58%</b>	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%	<b>3.28%</b>	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%	<b>9.87%</b>	10.00%
2017 - 18	-1.49%	0.57%	1.25%	3.88%	2.07%	-1.71%	-0.18%	0.64%	0.68%	2.21%			<b>8.07%</b>	8.40%

## 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%	<b>-1.11%</b>	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%	<b>2.95%</b>	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%	<b>9.72%</b>	10.0%
2017 - 18	-1.50%	0.56%	1.24%	3.86%	2.06%	-1.74%	-0.20%	0.63%	0.66%	2.20%			<b>7.91%</b>	8.40%

#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
Diageo Plc	US	DGE LN
Microsoft Corporation	US	MSFT US
Oracle Corp	UK	ORCL US
Cognizant Tech Solutions	US	CTSH US
Alphabet Inc Class C	US	GOOG US
Yum! Brands Inc	EU	YUM US
Booking Holdings Inc	US	BKNG US
Roche Holding AG-Genusschein	US	ROG SW
Medtronic PLC	US	MDT US
American Express Company	US	AXP US

## 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.

Like any chemistry teacher will tell you, equilibrium isn't always the optimum state. It can lack energy, opportunity and excitement. The relative calm of equity markets over the last few years may have led to happy investors, but it was driven by artificially low interest rates and, at some point, something had to give. It certainly looks like the so called "Goldilocks" era of moderate growth and easy conditions is coming to an end, and we think

investors should prepare themselves for a period of higher volatility. But as we will explain, that's not necessarily bad news.

There are several factors pushing bond yields off their record low levels. Primarily, it's a change in supply and demand. A year ago, central banks were buying \$3bn worth of bonds per day, but this has started to reverse so that by the end of this year they will be selling \$2bn a day. Because of this change in monetary policy, bond yields continue to rise and are threatening the relative attractiveness of riskier assets. Analysts are predicting US Government bond yields could reach 4% – levels not seen since 2010 – and equity investors are understandably nervous. This is further fuelled by President Trump's borrowing frenzy, taking US deficit levels to new highs (or lows, depending on which way you want to look at it).

In the meantime, there are several inflationary forces adding fuel to the fire: President Trump's spending and tax-reduction policies; low global unemployment giving rise to real wage growth; and a robust economy. The price of oil is on the rise, trading at \$75 a barrel – the highest it has been for four years, and defying those who predicted it would never rise beyond \$50 again. With global inflation rising, central banks will be forced to increase interest rates. Nobody knows how the rising cost of debt will affect asset prices, but it makes for uncertain times for equity markets.

During the month we initiated new positions in Sabre, and Sage. We trimmed our positions in Pandora and American Express, and added to our existing position in NetEase.

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