



Clime CBG

Australian

Equities

Fund

Integrity • Transparency • Conviction

## Clime CBG Australian Wholesale Equities Fund

The manager, CBG Asset Management (Clime CBG), is a wholly owned subsidiary of Clime Investment Management Limited, a company listed on the Australian Securities Exchange (ASX: CIW). Clime is an Australian value-based multi-asset fund manager specialising in absolute return, objective-based investing.

We believe that in the short-term, markets are inefficient and investors are irrational, creating pricing inefficiencies. Therefore, a disciplined active investment management, with strong analytical ability and considerable experience can add value through the economic and market cycle to generate sustainable returns.

Over a rolling three to five-year investment horizon we seek to achieve a total return of 7% p.a. beyond the Consumer Price Index (CPI). The Fund aims to achieve a return higher than the broader market benchmark (the S&P/ASX200 Accumulation Index) while assuming a similar level of total risk.

We are particularly interested in stock mispricing that occurs because of the shorter-term focus of the market. The fund aims for an investment time horizon of at least 2-3 years. We believe that the focus of the market overall is shorter than this, so that long term intrinsic value is often not reflected in market prices. This is supported by the fact that turnover in the Australian market is typically greater than 80% per annum, which compares to historic average turnover for the fund of 25% - 40% p.a. We have found that when a company is identified with the combination of quality management, strong business model and attractive valuation, the re-rating process can often last longer than 12 months.

We also consider that market pricing is less efficient outside the ASX 100, given less institutional focus on these companies. Consistent with this philosophy, the fund has a strong focus on companies ASX 100 to 300. We believe that these companies often have the following qualities:

- They are less researched than stocks in the ASX 100.
- The company is large enough to have a strong management team, good systems, barriers to entry and strong alignment of share ownership by the board, but small enough to have significant growth potential.

The potential that this inefficiency presents for outperformance is compounded by the fact that the largest capitalisation stocks dominate traditional market index returns i.e. benchmark returns largely reflect just the more efficiently priced stocks. Consequently, to achieve sustainable outperformance, a fund needs to be of a size

that it can take meaningful positions outside the largest stocks and needs to be willing to hold a significant active share. In line with this, the FUM of CBG Asset Management equates to approximately 0.01% of the ASX200 and the CBG Australian Equities Fund has consistently held a high active share, ranging from 56%-69%, over the past 5 years.

## Significant Features

|                               |  |
|-------------------------------|--|
| Investment strategy           | The Fund seeks attractive returns, over the long-term, through investing in a portfolio S&P/ASX 200 securities that display high quality/growth traits.      |
| Investment objective          | The Fund aims to deliver a return beyond the S&P/ASX 200 Accumulation Index over the medium-term, while assuming an equivalent or lower level of total risk. |
| Investments                   | The Fund's goal is to select high quality individual investments that allow the creation of a best ideas portfolio with a key aim of capital growth.         |
| Suitability                   | Those investors seeking capital growth over the medium to long-term.   |
| Investment timeframe          | Suggested minimum 3 years.   |
| Minimum initial investment    | \$100,000 (wholesale)  |
| Minimum balance               | \$100,000 (wholesale)  |
| Minimum additional investment | \$10,000 (wholesale)   |
| Distributions                 | Annual distributions and, unless you choose otherwise, all distributions are automatically reinvested.   |
| Applications & Withdrawals    | Monthly, priced as at the last business day of the month.  |
| Management costs              | Investment Management Fee of 1.0% pa of the net asset value of the Fund.<br>Performance Fee of 20.0% of Fund's total return above the Benchmark.             |

## Investment Process

---

The Clime CBG Australian Equities Wholesale Fund applies an objective-based investing approach to deliver investors a strong risk-adjusted return relative to its benchmark and in the context of delivering CPI +7% p.a. after fees over the medium to long-term.

The fund invests across the market (an “all-cap” strategy) but typically holds a minimum weight in the S&P/ASX200 constituents of 75%. The strategy enables strong ideas and positions to grow with a company’s success rather than selling due to artificial investment restrictions centred on market capitalisation.

Construction of the portfolio and investment returns are the responsibility of the Portfolio Manager who is supported by a team of eight investment analysts with research responsibilities for specific industry sectors.

Investment decisions are driven by bottom-up stock analysis, overlaid with macroeconomic and industry level considerations intended to maintain awareness of and limit, correlated positions and risks. We focus on companies with a strong business model which is defensible, where impacts from factors outside the company’s control can be minimised, ideally based on internally generated growth, and with a strong management and governance track record.

Idea generation is a result of close monitoring and evaluation of stocks within each industry sector and screening the investment universe based on quantitative and qualitative attributes. The investment team draws on a range of sources of information to assist this process, including historical and forecast financial metrics for stocks in the investment universe; regular meetings with company management and attendance of company presentations; analysis of company announcements, news media, industry publications, contact with a network of sell-side analysts; and statistical data.

When a stock is considered for investment, a detailed report is prepared including Clime CBG financial forecasts, intrinsic future valuation and an investment recommendation. Integral to this process are meetings with senior management of the subject company. Investment recommendations are presented to and discussed by the investment team, with the Portfolio Manager making final portfolio decisions.

Stocks included in the portfolio are then subject to ongoing monitoring, with Clime CBG producing internal research reports and maintaining regular contact with company management. If a stock reaches its price target or records a material share price decline this triggers a review of the position.

Risk management includes the rigorous selection and monitoring process and avoiding or minimising exposure to companies and sectors that do not meet Clime CBG’s criteria around valuation and quality including corporate governance and social and environmental impact risks. Portfolio weights are managed based on the investment team’s analysis of the risk/return characteristics of the stock and how it affects overall portfolio composition.

Clime CBG reviews attribution analysis of past performance and monitors historical and forecast portfolio risk/return metrics to enable an evolutionary process of quality improvement in investment decisions.

## Risk Management

---

Risks within the fund are managed through quantitative monitoring of risk measures, diversification of positions (typically 30 – 40 securities held), position size relative to investment conviction, assessed business model and management quality, minimum and maximum position size constraints based on company size and proportion owned by entities within the Clime group. Finally, in periods of significant market dislocation, the fund can hold up to 50% in cash should circumstances warrant. Typically, the fund holds 2 – 5% in cash.

### Additional Information

---

For more information and to download information and application forms, please visit the Clime website at: [www.clime.com.au/caef](http://www.clime.com.au/caef)

Or call a Clime Client Director on:

**1300 788 568**

# Clime Asset Management Pty Ltd

ABN 72 098 420 770 | AFSL Number 221146



Level 7, 1 Market Street  
Sydney NSW 2000 Australia



1300 788 568



PO Box Q1286 Queen Victoria Building  
NSW 1230 Australia



+61 2 8917 2155



[www.clime.com.au](http://www.clime.com.au)



[info@clime.com.au](mailto:info@clime.com.au)

Clime Asset Management Pty Ltd and its group companies do not take into account the investment objectives, financial situation and advisory needs of any particular person, nor does the information provided constitute investment advice. Any information, material or commentary is intended to provide general information only. Please be aware investing involves risk of capital loss. Please consider our Product's Information Memorandum and Financial Services Guide before investing in one of our products. Past performance is not a reliable indicator of future performance.

Printed July 2018