

# Clime International Fund

Monthly Investment Report - May 2016

## 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 an absolute return fund which seeks attractive capital growth over the long term from a portfolio of International listed securities, with a view to capital preservation.

Sanlam Private Investments (SPI), the Fund's sub-investment manager, believes investment markets continually offer opportunities for it to exploit. Markets are inefficient, driven by human emotion as well as logic. In the end, logic wins. However, in the periods where emotion rules, assets can become incorrectly priced. This provides the opportunity to invest.

SPI is an active investment manager and monitors markets constantly. SPI invests with conviction, backed up by rigorous and disciplined research and a sensible approach to risk control. In this way 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	A\$122.12 million
Inception Date	4 March 2014
Fund Size - Retail	A\$5.21 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
Benchmark / Hurdle	10%
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

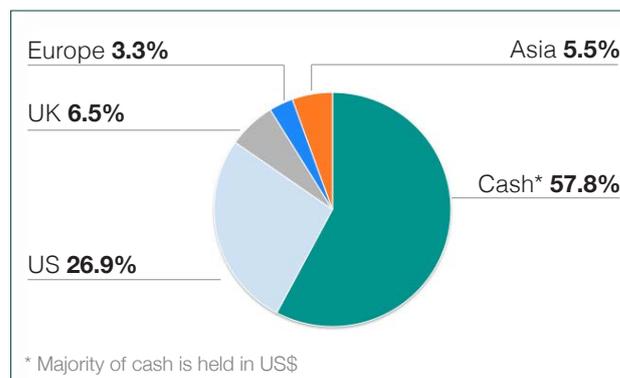
## Fund Performance to 31 May 2016

	AUD Portfolio Return		Hurdle
	Wholesale	Retail	
1 month	6.01%	6.00%	0.81%
3 months	2.49%	2.44%	2.43%
6 months	1.06%	0.77%	4.89%
1 year	6.57%	5.84%	10.00%
2 years*	12.39%	-	-
Inception*	10.30%	4.82%	-

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



## Top Holdings

Stock	Market	Ticker
Roche Holding AG	EU	ROG VX
Diageo PLC	UK	DGE LN
Alphabet Inc	US	GOOG US
Microsoft Corporation	US	MSFT US
Amgen Inc	US	AMGN US
Baidu Inc ADR	ASIA	BIDU US
Oracle Corporation	US	ORCL US
American Express	US	AMEX US
Yum! Brands	US	YUM US
Samsung Electronics	ASIA	SMSN LI

## Distributions

Period Ending	Wholesale Units (cents per unit)	Retail Units (cents per unit)
30 June 2015	4.9010	5.9905

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## 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%	-	<b>7.46%</b>	9.16%

## Retail 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%	-	<b>7.13%</b>	9.16%

# 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.

\* 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.

## Summary

While we've been experiencing a rally in equity markets since the dark days of February, we cannot be sure that this is anything more than a 'bounce in a bear market'. We're paying particular attention to:

- The ongoing battle between weak global growth and the unprecedented steps that central banks have taken to combat this (through the injection of liquidity into the system and keeping interest rates low). At some point, financial markets are going to have to stand on their own two feet, and this could prove painful in the form of a market correction.
- Company earnings forecasts continue to be adjusted downwards and, while businesses have been able to manage profits by controlling costs, weaker-than-expected sales are giving cause for concern, as future profits will be impacted.
- The outcome of the European Union (EU) referendum vote is hard to call, but if the vote is in favour of an EU exit, the ultimate impact on the UK economy will be even harder to predict.

### The role of the central banks

Since the credit crisis in 2007/8, the role of central banks has been critical in growing and stimulating the global economy. Indeed, markets have been relying heavily on central bank policy. Perhaps too heavily, some would say. At some point, financial markets will have to wean themselves off this dependency and fend for themselves.

In the meantime, the historically low interest rates we are currently experiencing are unlikely to normalise (increase) quickly. This is

because central banks will have limited options should the fragile recovery disintegrate and further measures be needed. Our view is that central bank policy is likely to err on the side of caution, and there will need to be definitive signs of enduring inflation and growth before interest rates will increase.

### EU Referendum

There's no doubt that the EU referendum is making people nervous about investing in the UK. If the vote goes in favour of leaving Europe, then we enter uncharted territory, and we all know that markets don't react well to that kind of uncertainty. That said, there's a general feeling that Europe needs the UK and vice versa, so, one way or another, we should be able to find a way of doing business together. But in the short term, this is having a negative impact on sterling, and it looks set to continue, at least until the vote in June.

During the month we sold out of Cognizant and Netease, and exited our short position in the S&P 500. We added to Baidu, and initiated a position in Priceline.

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.

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