

Clime International Fund

Monthly Investment Report - May 2017

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 perceives 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	A\$96.73 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
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

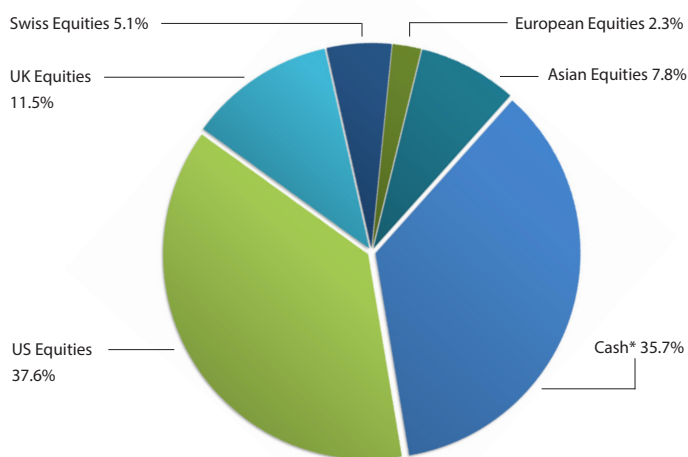
Fund Performance (31/05/17)

	Wholesale (AUD Portfolio Return)	Retail (AUD Portfolio Return)	Hurdle
1 month	2.30%	2.28%	0.81%
3 months	8.44%	8.40%	2.43%
6 months	10.07%	9.99%	4.86%
1 year	7.50%	7.35%	10.00%
2 years*	7.03%	6.58%	10.00%
3 years*	10.74%	-	10.00%
Inception*	9.43%	5.92%	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 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%		11.86%	9.14%

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%	-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%	10.00%
2016 - 17	0.51%	1.20%	-1.80%	-0.91%	2.61%	2.27%	-2.09%	1.33%	1.38%	4.55%	2.28%		11.70%	9.14%

#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
Roche Holding AG-Genusschein	EU	ROGVX
Proshares Short S&P 500	US	SH US
Oracle Corp	US	ORCL US
Cognizant Tech Solutions	US	CTSH US
Baidu.com Sponsored ADRs	ASIA	BIDU US
Diageo Plc	UK	DGE LN
American Express Company	US	AXP US
Medtronic Plc	US	MDT US
Yum! Brands Inc	US	YUM US

Summary

US equities have been enjoying a prolonged purple patch, with trillions of dollars flooding into the S&P 500 over recent years. The US has outperformed most other equity markets since 2009, by properly addressing the issues created by the 2008 financial crisis, allowing it to benefit from superior business performance, while the rest of the world failed to get its collective act together.

But times are changing. Prior to the financial crisis, US businesses made up around 50% of the MSCI World - an index that tracks the performance of the world's leading businesses. At the start of this year, that figure stood at a remarkable 64%. Today, however, it has fallen back to 57%. This is not necessarily due to fears for the US economy, but more that US equities have become too expensive relative to other markets. Now that other global economies are starting to recover, the investment momentum has shifted in their favour.

Over the last few years, the US offered a welcome source of reasonable growth and stability, attracting the lion's share of investment flows and, consequently, inflating prices. As the economies in other regions (such as Europe, emerging markets and Japan), continue to come back to life, active fund managers are able to act upon new opportunities with increased confidence, and are allocating to these regions at the expense of the US.

Of course, we're not writing off the US just yet. Trump's agenda of tax cuts and de-regulation should support economic growth and therefore company earnings. Also, even if Trump fails to achieve any of his agenda points, we know that regulation and taxes aren't going to get any worse. But much of this optimism is already reflected in share prices. Against this stable but expensive backdrop, investors are more comfortable with the global economic outlook.

During the month we added to our position in Hengan, and reinitiated a position in NetEase. We trimmed our position in Alphabet, and exited our position in Yum! China.

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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