

# Clime International Fund

Monthly Investment Report - August 2014

## 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\$41.30 million
Inception Date	4 March 2014
Distributions	Annual
Management Fee	1.54% p.a. Wholesale 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 August 2014

	AUD Portfolio Return	Hurdle
1 month	-0.36%	0.81%
3 month	-1.58%	2.43%
Inception	-2.93%	4.81%

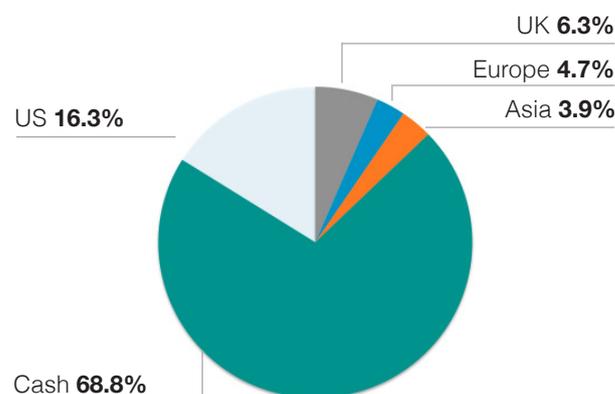
Inception: Wholesale Units: 4 March 2014 .Performance figures for more than 1 year are annualised, calculated after all applicable fees and taxes. Performance figures compare unit price to unit price for the given period.

## Portfolio Attribution to 31 August 2014

	Underlying Portfolio Return	Currency Effect	AUD Portfolio Return
1 month	0.43%	-0.79%	-0.36%
3 month	-0.86%	-0.72%	-1.58%
Inception	1.15%	-4.08%	-2.93%

## Top Holdings

Stock	Market	Ticker
Samsung Electronics	South Korea (GDR)	SMSN LI
Mastercard Inc	US	MA US
Diageo PLC	UK	DGE LN
Burberry Group	UK	BRBY LN
Microsoft Corp	US	MSFT US
Oracle Corporation	US	ORCL US
Anheuser-Busch InBev	Europe	ABI BB
Yum! Brands Inc	US	YUM US
McDonald's Corp	US	MCD US
Accenture PLC	US	ACN US



### 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%											<b>0.12%</b>	1.63%

#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, at which point the wholesale unit's NAV was struck at an inception price of AUD 1.00.

## Summary

August started ominously as geopolitical risks heightened. Israel's conflict in Gaza; Ukraine's ongoing tensions with Russia; and the emergence of ISIS all took their toll on risk appetite. Risk markets were strong throughout the month however, as focus returned to economic improvement and 'QE' from the ECB. Equity markets finished the month up strongly, rebounding from their losses in late July, and 'core' government bonds also fared exceptionally well.

US economic data released in August has been described as 'satisfactory'. Employment and manufacturing surveys disappointed, but markets focussed instead on absolute levels and longer term trends which are now firmly positive. The S&P gained 3.8% for its first monthly close above 2000.

The highlight of the month for Europe was Mario Draghi's speech at Jackson Hole. He gave the clearest indication yet that there is likely to be ABS purchases from the ECB in an effort to boost credit generation by European banks. That said, the DAX could not match the rally in bond markets, climbing 0.7% as lacklustre economic data constrained equity markets. Asian markets were on the whole weak due to poor PMI and GDP data from China, as well as anecdotal evidence of a cooling property market.

Downward momentum in consumer discretionary stocks, driven in the main by earnings and economic data from China, provided opportunities to top up Diageo and initiate a new position in LVMH. Samsung also drifted into our buying range. We exited two small positions in Coca-Cola and Procter & Gamble as the valuation at current prices no longer provides sufficient upside.

Over the course of August, the Fund has achieved a net return of -0.36% against the Fund's monthly target return of +0.8% (AUD). 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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