

Clime International Fund

Monthly Investment Report - August 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\$114.62 million
Inception Date	4 March 2014
Fund Size - Retail	A\$4.97 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

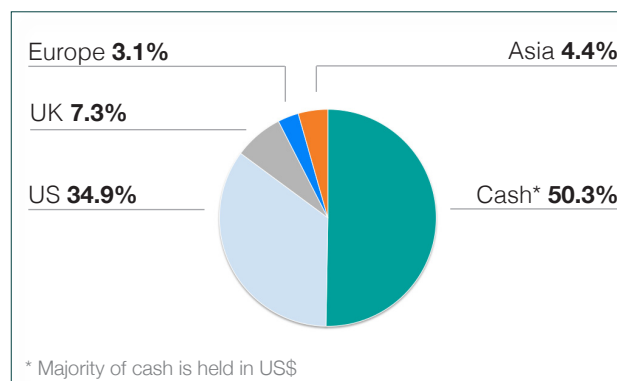
Fund Performance to 31 August 2016

	AUD Portfolio Return		Hurdle
	Wholesale	Retail	
1 month	1.20%	1.20%	0.81%
3 months	-2.24%	-2.26%	2.43%
6 months	0.19%	0.13%	4.89%
1 year	0.53%	0.20%	10.00%
2 years*	12.02%	-	10.00%
Inception*	8.22%	2.39%	-

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
Microsoft Corporation	US	MSFT US
Amgen Inc	US	AMGN US
Baidu Inc ADR	ASIA	BIDU US
Alphabet Inc	US	GOOG US
Diageo PLC	UK	DGE LN
Oracle Corporation	US	ORCL US
American Express	US	AXP US
Roche Holding AG	EU	ROG VX
Cognizent Tech Solutions	US	CTSH US
Paypal Holdings Inc	US	PYPL US

Distributions

Period Ending	Wholesale Units (cents per unit)	Retail Units (cents per unit)
30 June 2015	4.9010	5.9905
30 June 2016	9.0831	7.5602

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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%	-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%											1.72%	1.63%

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%											1.71%	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 (Wholesale), 11 March 2015 (Retail), at which point the Fund's units NAV was struck at an inception price of AUD 1.00.

Summary

Finding investments with good prospective returns in today's economic environment is a bit like searching for the Holy Grail. With interest rates and government bond yields falling to historically low levels, while equity markets are arguably over-priced, there seems to be no real 'safe haven' and few opportunities for good returns. So which way should investors turn?

At times like this, it's good to remain cautious, and our focus continues to be one of investing in quality companies that offer sustainable longer-term returns. However, amid all of the uncertainty and concern for global economic growth, there could be a glimmer of hope for those seeking decent returns – emerging markets appear to be waking from their five-year slumber.

As investors go in search of yield, year-to-date figures show that emerging markets are outperforming those of developed markets on a relative basis. While it's still too early to be anything other than cautious, in our view, emerging markets do indeed deserve some attention. Over the course of history, they have outperformed their developed peers, enjoying higher economic growth rates, better demographic trends and a more attractive risk premium. The underperformance of emerging markets relative to developed markets over the last few years means that valuations are cheaper and margins have room to improve. As a result, good investment opportunities are presenting themselves, even accounting for the added inherent risk.

When the Bank of England announced in August that it would join the European Central Bank and the Bank of Japan in lowering interest rates and introducing further aggressive quantitative easing, it had the immediate effect of increasing the price of UK corporate bonds and reducing yield for investors. While it's hard to bet against the UK central bank and its monetary stimulus programme, what we really want to see is this supported by a fiscal response in the form of taxation and regulation reform, or government policy and spending aimed at enhancing the long-term growth trajectory of the economy.

During the month we initiated positions in Hengan, PayPal and a short position in the S&P 500. We also added to our position in Cognizant Technologies.

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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