



Clime International Fund

Monthly Investment Report - October 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 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

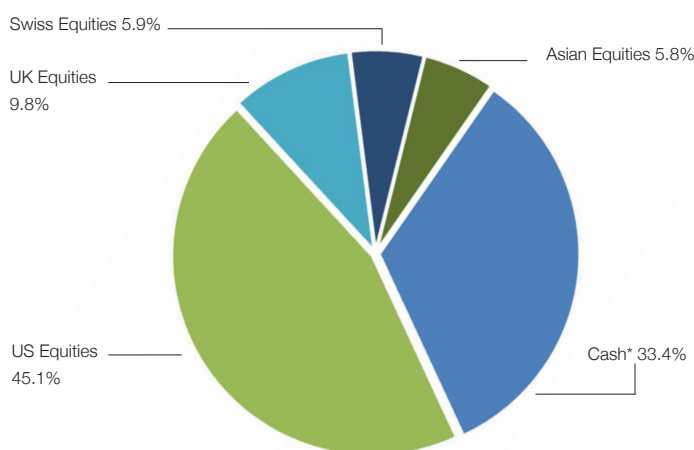
Investment Manager	Clime Asset Management Pty Limited
Sub Investment Manager	Sanlam Private Investments (UK) Ltd
Fund Size - Wholesale	A\$104.57 million
Inception Date	4 March 2014
Fund Size - Retail	A\$4.82 million
Inception Date	11 March 2015
Distributions	Annual
Management Fee	1.54% p.a. for Wholesale 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 (31/10/16)

	Wholesale (AUD Portfolio Return)	Retail (AUD Portfolio Return)	Hurdle
1 month	-0.90%	-0.91%	0.79%
3 months	-1.49%	-1.53%	2.40%
6 months	0.88%	0.81%	4.86%
1 year	-4.96%	-5.29%	10.00%
2 years*	7.63%	-	10.00%
Inception*	6.60%	0.46%	-

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%									-0.98%	3.26%

Retails 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%									-1.03%	3.26%

#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
Proshares Short S&P 500	US	SH US
Yum! Brands Inc	US	YUM US
Roche Holding AG	EU	ROG VX
Baidu.com Sponsored ADRs	ASIA	BIDU US
Alphabet Inc Class C	US	GOOG US
Oracle Corp	US	ORCL US
Diageo Plc	UK	DGE LN
American Express Company	US	AXP US
Medtronic PLC	US	MDT US
Cognizant Tech Solutions		CTSH US
Amgen Inc		AMGN US
Moody's Corporation		MXO US

Summary

For investors, news filtering through of the UK-EU exit negotiations will have made for uneasy reading. Over the past month expectations have shifted to talk of a hard landing for the UK economy as the government's hopes of retaining full access to the single market have gradually dissipated.

A trade-off is now the most likely outcome, with both sides having to concede ground on their original demands. In order for the UK to retain partial access to the European free trade area it will probably have to agree to a degree of freedom of movement for EU workers. An open economy, providing access to diverse labour skillsets is critical to growth, and we'd see this as a relatively positive outcome for the UK's long-term prospects.

In the meantime, speculation surrounding the health of the economy is likely to intensify, especially as multinationals grow more vocal about relocating assets and personnel overseas. Rising inflation, caused by the weak currency, will be a concern for the markets; however, like us, the Bank of England will view the pound's sell-off as a one-off shock that will play itself out over a couple of years rather than a long-term inflationary threat. The Bank will allow inflation to

run hotter for now – and we expect CPI to climb above 2.5% fairly soon – but it will be keeping an eye on consumers taking excessive risks in the low interest rate environment. This could push inflation higher still, and the Bank may be forced to raise rates if this were to become the case.

As America heads to the voting booth, polling activity in key swing states points towards a decisive win for Hillary Clinton. As Brexit has taught us, nothing is guaranteed. Yet, having further ostracised female and ethnic minority voters, sheer demographics weigh heavily against Donald Trump's chances of victory. Nevertheless, it's worth considering the potential impact of both scenarios.

With victory all but secured, the Clinton campaign trail has been diverted from the swing states towards the US Senate and Capital Hill. A clean sweep of the White House, the Senate and Congress would allow the Democrats scope to drive real change, though it's more likely to be a case of business as usual. Either way, America will be in safe(r) hands, but much will depend on the individuals Clinton appoints around her. We expect her to play it safe and to opt for the tried and tested in key seats – the markets will breathe a sigh of relief.

Donald Trump would be a wildcard president and one that few investors would want to see. Attacks on the US Federal Reserve have been a familiar sound bite of the Trump campaign. The Fed's independence is a cornerstone of the US economy and to undermine it would destabilise the financial system severely. Trump's aggressive foreign policy would also damage relations

with key trade partners, including China and Mexico, though Russia could come in from the cold. There could be upsides for US corporations as well, as Trump has vowed to address taxes on company profits earned overseas – a sudden repatriation of wealth would partly mitigate the wider disruption to the economy.

Though we maintain that a Clinton victory is highly likely, we are positioned for either scenario. Our investments are highly diversified and the companies in our portfolios are positioned all over the world.

During the month we initiated a position in Henderson Group, Unilever, and Swatch Group. We reinitiated positions in Medtronic and PayPal, and we added to our positions in Hengan, Yum! Brands, and Roche.

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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