Integrity Transparency Conviction

Clime International Fund

Quartery Investment Report - December 2016

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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 percieves 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

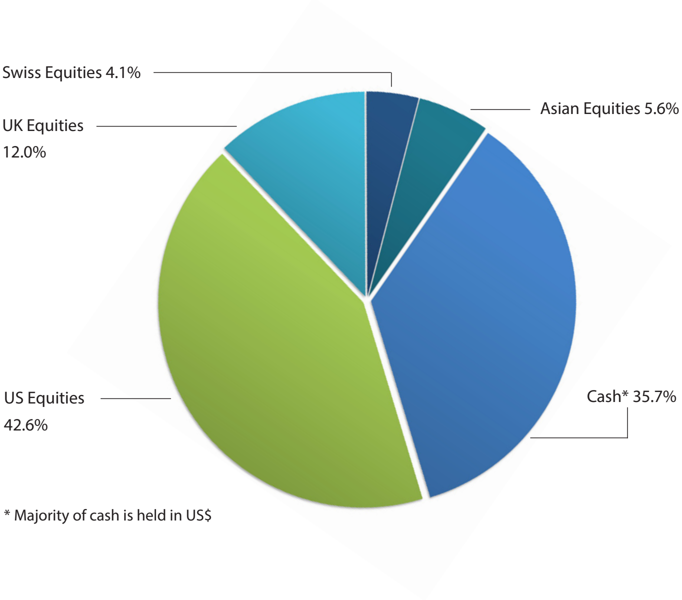
Investment Manager	Clime Asset Management Pty Limited
Sub Investment Manager	Sanlam Private Investments (UK) Ltd
Fund Size - Wholesale Inception Date	A$104.32 million 4 March 2014
Fund Size - Retail Inception Date	A$4.91 million 11 March 2015
Distributions	Annual
Management Fee	1.54% p.a. for Wholesale 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 out-performs the rate of 10% per annum
Buy / Sell Spread	0.25% / 0.25%
Investment Horizon	5 years

Fund Performance (31/12/16)

	Wholesale (AUD Portfolio Return)	Retail (AUD Portfolio Return)	Hurdle
1 month	2.29%	2.27%	0.79%
3 months	4.03%	3.99%	2.43%
6 months	3.94%	3.86%	4.92%
1 year	2.34%	2.18%	10.00%
2 years*	6.71%	-	10.00%
Inception*	8.04%	3.13%	-

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 forthe 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%							3.94%	4.92%

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%	2.61%	2.27%							3.86%	4.92%

#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
Proshares Short S&P 500	US	SH US
Microsoft Corporation	US	MSFT US
American Express Company	US	AXP US
Unilever Plc	EU	ULVR LN
Roche Holding AG	EU	ROG VX
Alphabet Inc Class C	US	GOOG US
Oracle Corp	US	ORCL US
Baidu.com Sponsored ADRs	ASIA	BIDU US
Diageo Plc	UK	DGE LN
Cognizant Tech Solutions	US	CTSH US

Summary

It is with some surprise that we witnessed a very strong rally in risky areas of the market like European financials which rallied up to 50% in the space of a few weeks as the markets digested Trump's words of "making the banks lend again". Of course this is easier said than done when Europe continues to struggle with solvency issues in regions like Italy and Eastern Europe.

It is noteworthy that with the exception of some markets like Russia and Brazil, most developed markets outside of the US delivered low single digit returns in AUD (Europe, Japan) or in some cases a negative return (FTSE – UK). The bulk of global equity returns were again delivered by double digit gains in the US even though that region already traded at a premium to other markets by the beginning of 2016.

2016 was a year where cyclical sectors of the market outperformed strongly whilst so called defensive sectors including healthcare and consumer staples underperformed. The best performing sectors included the energy sector (up 28.9%) as well as the materials sector (up 24.2%) followed by the industrials and financials sectors with gains above 14% each. It seems clear that an investor who did not have significant exposure to very cyclical areas of the market would have struggled to achieve double digit returns for the year.

During the month we initiated a position in Henderson and PayPal, and added to our positions in Yum China, Hengan, Proshares and American Express. We sold our positions in Citigroup and Microsoft.

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.

Quarterly Performance Summary

The last quarter of 2016's performance was encouraging as some of our names in the technology, financials and media sectors started to recover from very depressed levels including Cognizant, American Express, Citigroup and 21st Century Fox which all gained between 22% and 35% respectively.

The strong gains in some of our names and a slightly weaker AUD helped the fund to gain 4.03% in the fourth quarter ahead of the benchmark return of 2.41%.

The overall performance of the fund in 2016 was subdued at 2% for the full year with most of the equity market returns coming through in the last few weeks of the year and the AUD essentially unchanged vs. the US$ for the full year.

Since inception the annualised return of the Clime International Fund is around 8% per annum after nearly three years net of all fees. This is a pleasing outcome in the context of the low volatility of the fund relative to global equity markets as well as the cash buffer which allows the fund to invest opportunistically when volatility inevitably returns to global equity markets again.

The portfolio returns were also helped by strong returns from some of the larger positions in the fund, which is highlighted in the following table.

Stock	Total % returns* in AUD
Cognizant Tech Solutions	24.7%
American Express Company	23.4%
Twenty-First Century Fox	22.9%

*Returns from 30 September - 31 December 2016
Note: Citigroup was sold during the quarter and gained more than 30% in the fourth quarter before being sold.

Some noticeable weak performers during the quarter are highlighted in the table below.

Stock	Total % returns* in AUD
Aberdeen Asset Management	-16.7%
Medtronics	-11.9%

*Returns from 30 September - 31 December 2016

Positions Purchased

We reinvested in Medtronic in early October and topped up throughout the month. This was done to take advantage of softer than expected quarterly results. Management commented that their slower than expected growth was due to gaps in their new product launches, gaps that will be filled in the second half of the year. We still believe that Medtronic are competitively well placed with a strong pipeline program. We are attracted to the company's emphasis on gross margin stability, operational leverage, its focus on the long-term and management's disciplined approach to allocating capital.

Along with much of the global pharma universe, Roche has struggled throughout the later half of the year. This was initially due to the increasing likelihood of a Clinton victory in November's US Elections and the fact that she had spoken aggressively about drug pricing. After Trump's victory we saw a mini recovery. However, since 8 November, Trump has also talked negatively about pricing which has weighed heavily on the sector. We still are positive on the name and believe that their exciting pipeline can replace their current aging portfolio. We topped up our position in the name on 18 October at SFr 233.

In mid October we initiated on Unilever and continued to top up throughout the quarter as sterling stabilised and the market rotated out of yield plays. From the beginning of the quarter to a week after Trump's victory, Unilever sold off 19% in USD terms, an enormous rerating for such a traditional blue chip. This gave us the perfect opportunity to get fully invested.

Throughout the quarter we initiated in Henderson, reinitiated in PayPal and topped up Yum! Brands before the split (see right) and Hengan.

Positions Sold

After the Trump election victory the market saw a massive rotation. No sector was more positively affected than that of Financials which rose on the back of potential rate rises in the US. Citigroup benefited from this, rising 27% in AUD from 8 November to when we sold on 16 December. It is worth noting that the stock is up 67% in AUD from the lows in February. We saw this as a great opportunity to sell out of the position and currently see a lot of hope baked into this valuation.

Microsoft's turnaround from a few years ago has been astounding and at levels of $60.40 we felt it prudent to trim back our position and in doing so take some profits.

Positions Traded

With major concerns over their inventory and wider concerns as to a slow down in the luxury goods sector, Swatch had been a laggard for the majority of this year. As a result we have seen the stock trading at a major discount to their peers. With valuations at historical lows, and the market pricing in trough margins for many years to come, we decided to invest in the name. Towards the end of the quarter, with the stock moving 7% in AUD we decided to take profits and move on.

On 1 November Yum! Brands split off its Chinese business into a listed separate entity: Yum China. We believed that the split was a good move from management, giving Yum! Brands the opportunity to turn itself into a lean, stable franchise company, while giving Yum China the opportunity to grow aggressively on mainland China. With the stock jumping around in the early days of trading, we took advantage of market uncertainty to top up our position in Yum China on 15 November for $25.70. Interest in the stock then took off and we sold our entire position for $30 seven days later. It is worth noting that the name is now trading considerably lower at $26.12.

We reinitiated our position in Bureau Veritas on 9 November at €16.99 and sold out on 8 December for €17.88.