Clime International Fund

Quarterly Investment Report - March 2015

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 Inception Date	A$65.36 million 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 March 2015

	AUD Portfolio Return	Hurdle
1 month	0.95%	0.81%
3 months	5.94%	2.38%
6 months	13.64%	4.86%
1 year	18.30%	9.99%
Inception	14.64%	10.00%

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.

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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%				**19.43%**	7.41%

#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

Over the course of March, the UK equity markets hit record levels before coming back to end the monthly roughly flat. However, overseas equity markets continued upwards with the MSCI World gaining 2.4% and the MSCI Japan the big mover at a 5.6% rise. In the fixed income market, the month started with the continuation of February's sell off. However, this trend reversed with US treasuries and UK gilts both rallying strongly. In terms of currencies, the pound weakened against the US dollar and remained fairly constant with the euro.

Much to the delight of the neo-Keynesians, 9 March saw the official commencement of Quantitative Easing (QE) by the European Central Bank (ECB). This had a positive effect on markets worldwide, with the excess liquidity causing the MSCI Europe ex. UK index to rise 4% over the following ten days. Perhaps the most interesting detail associated with Mario Draghi's QE programme was the ECB's willingness to buy government bonds with negative yields (however, they did say that they would not buy bonds below a yield of -0.2%). It should also be noted that Draghi has not ruled out continuing the buying programme beyond September 2016, should inflation not rise to appropriate levels.

The price of Brent crude oil began the month at $62 before falling to $52. However, military action by Saudi Arabia in Yemen has affected the supply of oil, pushing the price back up to near $60.

This month we trimmed our position in Samsung. We topped up our position in American Express, Coca- Cola, Johnson & Johnson, Microsoft and Twenty- First Century Fox. We bought into British American Tobacco.

Over the course of March, the Fund achieved a net return of 0.95% 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.

Performance Summary

The fund's substantial US dollar cash position was very beneficial to the fund in the first quarter. The fund returned a positive 5.95%, helped by a weak Australian dollar.

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

Stock	Total returns in AUD incl. dividends
Yum! Brands	16.47
Samsung Electronics Co Ltd	15.32
McDonald's Corporation	12.41
Google Inc	12.04

* Returns from Dec 31, 2014 - Mar 31, 2015

Some noticeable weak performers during the quarter include:

Stock	Total returns in AUD incl. dividends
Microsoft Corporation	-5.22
Proctor & Gamble	-2.90

* Returns from Dec 31, 2014 - Mar 31, 2015

Positions Purchased

Bought **Microsoft (MSFT.US)** - We exited our position in full during the fourth quarter of 2014 at $49. We were able to take advantage of share price weakness in Microsoft in the early part of 2015 by buying the name in January and topping up consistently throughout the quarter at levels of $43 or below. Microsoft offers a 7.3% free cash flow yield for 2015, a very attractive level for a business with an increasing percentage of their revenues being recurring. During Q2 2015 they returned $4.5 billion to shareholders and announced that they intend to accelerate share repurchases, with $31 billion to be returned over the next 2 years.

Bought **Procter & Gamble (PG.US)** - We view PG as a high quality business with substantial opportunity to unlock value from its strong portfolio of brands, which serves approximately 4.8 billion people worldwide. We bought the name at $85, and continue to be buyers at any level around $80 and lower. We are encouraged by PG's announcement that they intend to focus on its strongest 70-80 brands, although are aware that foreign exchange headwinds remain a concern in the short term.

Bought **Twenty-First Century Fox (FOXA.US)** - A global media and entertainment company with operations in five industry segments: Cable Network Programming; Television; Filmed Entertainment; Direct Broadcast Satellite Television; and Other, Corporate and Eliminations. The company is well positioned to drive its strong position in media content and the delivery of this media content over various platforms, which was built over many years. An attractive return on equity of 18% combined with consistent earnings growth of high single digits over the next few years attracts us to this business and we feel that our intrinsic value of $40 per share is well rooted.

Bought **Bureau Veritas (BVI.FP)** - BVI is a global company in testing, inspection and certification services. Their exposure to cyclically low areas, such as Marine and Construction, and an overweight position in their domestic economy of France, offer some profit potential that is absent in other areas of the testing and inspection industry.

Bought **American Express Company (AXP.US)** - AXP is a fundamentally attractive name with appealing earnings per share growth, which has compounded at 13% during the past three years. We find AXP's normalised return on equity attractive and believe that it will be at least in line with its historic 8 year average of 26%, supported by increasing free cash flow and progressive share repurchases.

Bought **Johnson & Johnson (JNJ.US)** - We are very attracted by JNJ's free cash flow conversion of greater than 90%. This provides management with the capacity to return cash to shareholders through dividends and share buy backs. Furthermore the name has suffered some share price weakness in the early part of this quarter and we remain buyers below $97. The company recently reported earnings for the first quarter of 2015 and we were impressed by the growth of the pharmaceuticals business. In particular, US sales increased by 3% against the same period last year and international sales by the same margin, excluding the impact of negative foreign exchange translations.

Bought **Coca-Cola Company (KO.US)** - Management at KO are concentrating on *"disciplined growth investments, refocusing on the core business model, efficiency drives and streamlining operations"*. Q4 revenues beat expectations by 1.1% and they are targeting net share repurchases of $2 - $3bn in 2015.

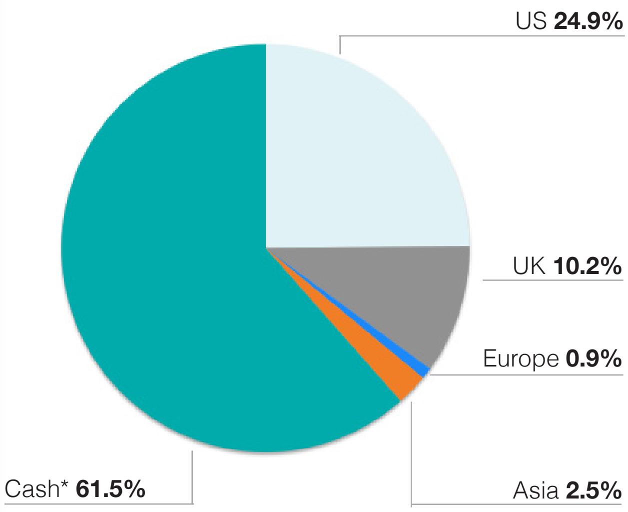
Bought **Stryker Corp (SYK.US)** - SYK is a leading medical technology company which had strong diversification protection, with no single business segment representing more than 16% of total revenue. We believe that the combination of an ageing population and higher health insurance enrolment in the US, from Obamacare reforms, will prove a net positive, as the industry's customer base will expand.

Positions Sold

Sold **Intertek Group (ITRK.L)** - We bought ITRK early in the quarter on the back of share price weakness (£22.66), which was a response to commodity price concerns. We then locked in those gains later in the quarter as the name moved to breach our price target, with gains of 15% enabling us to exit the position.

Fund Analysis to 31 March 2015

Asset Allocation



* Majority of cash is held in US$

Top Holdings

Stock	Market	Ticker
Diageo PLC	UK	DGE LN
Johnson & Johnson	US	JNJ US
BP PLC	UK	BP LN
Microsoft Corporation	US	MSFT US
American Express Company	US	AXP US
Oracle Corporation	US	ORCL US
Samsung Electronics	South Korea (GDR)	SMSN LI
Yum! Brands Inc	US	YUM US
The Coca Cola Company	US	KO US
British American Tobacco	UK	BATS UK

Fund Outlook

This quarter saw much activity in Greece with finance minister Yanis Varoufakis going on a charm offensive tour of Europe. Eventually a deal was reached at a make-or-break meeting of eurozone finance ministers on Friday 20 February. However several important issues were left undecided with the question as to what reform measures Athens must adopt in order to get €7.2 billion in aid that comes with completing the current programme still being unanswered. In reality the deal reached was a delay tactic with Greece's EU bailout being extended by another four months.

Q1 also saw great levels of anticipation leading up to the Federal Reserve's (the Fed) statement on the 18th March. It was expected before the announcement that a rate rise in June would be heavily mooted. However, despite removing the word "patience", the rest of the statement was notably noncommittal to the commencement of tightening, with the market now pricing in a late 2015 rate rise. This news caused the dollar to halt its relentless rise, weakening against both the pound (-2.67%) and the euro (-3.5%) the following day.

The other piece of news that shook the markets was the Swiss National Bank (SNB) surprisingly removing its 1.20 currency ceiling against the Euro, while also lowering their benchmark interest rate to -0.75% (from -0.25%). This news immediately caused the Swiss Franc to appreciate 30% against the Euro, eventually closing the day 15% higher. Off the back of this global bonds rallied with the effective yield on the Merril Lynch Global Broad Index dropping to 1.15%, a record low. The U.S. 10-year yield fell to 1.70, its lowest level since May 2013.

Having dipped below $50 in January, the oil price stabled at just below $60 for much of the quarter.

The cornerstone of our approach is to focus on owning high quality companies (sustainable, durable businesses, significant free cash flow after capital expenditure, solid balance sheets and strong management teams). We believe these stocks should produce sustainable growth, above average returns over the longer term and prove to be attractive alpha generating investments.