Clime International Fund

Quarterly Investment Report - June 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 Inception Date	A$115.54 million 4 March 2014
Fund Size - Retail Inception Date	A$5.02 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
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 30 June 2016

	AUD Portfolio Return		
	Wholesale	Retail	Hurdle
1 month	-3.89%	-3.90%	0.79%
3 months	2.80%	2.75%	2.40%
6 months	-1.54%	-1.62%	4.86%
1 year	3.28%	2.95%	10.00%
2 years*	11.13%	-	10.00%
Inception*	8.05%	1.38%	-

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.

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

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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%

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%	2.00%	-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%

#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

In the early hours of Friday 24 June, the UK made what was perhaps its biggest decision of the past 75 years. The return of a 'Leave' vote came as a huge shock to a vast number of people, including many who had campaigned for Brexit, and it has subsequently caused significant economic and political dislocation.

While the coming weeks and months will lead to a period of national soul-searching, history has repeatedly demonstrated that markets rebound and that periods of volatility can bring investment opportunities. We have been sceptical of the equity markets' recent strength and had positioned our portfolios conservatively, believing a market correction was possible for some time. As it turns out, the European Union (EU) referendum result could ultimately prove to be the 'straw that broke the camel's back', and we believe we're well positioned to take advantage of this.

Currency has borne the brunt, and should continue to do so. Sterling acted as expected when the EU referendum result was announced: as a shock absorber. While we expect it to continue to protect other asset classes, the sterling is likely to stay weak for some time, giving rise to winners and losers. In this case, tourism, manufacturers and exporters will be the benefactors of a weak pound, while those relying on imports will see prices rise. Either way, the UK can take solace from the fact that negotiating an exit from the EU won't be further complicated by an exit from the euro.

Current market volatility is largely down to uncertainty about what the future holds. In the words of former US Secretary of Defence Donald Rumsfeld, there are known knowns, known unknowns and unknown unknowns. Investors are extremely sensitive to announcements and changes, as they are forced to react quickly and decisively to a changing landscape. But as with other catastrophic events, such as 9/11 and the banking crisis, we believe that, over time, markets will again prove their resilience.

Central banks will be forced to proceed with extreme caution, and interest rates are likely to remain low for the foreseeable future. On June 30, Bank of England (BOE) Governor, Mark Carney hinted that UK rates could be cut further from their historically low level of 0.5%. This should prove positive for the entire domestic economy, particularly those taking out mortgages. It is also possible that the BOE will pursue another round of quantitative easing to help stave off a recession. Negotiations will be difficult, but Europe still needs the UK.

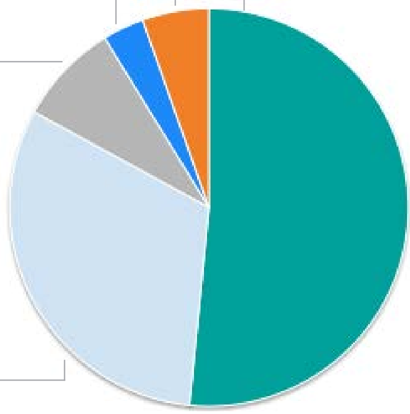
It is difficult to see how the UK can retain access to the single market without conceding free movement of labour. But Europe has a lot to lose here too, and the eventual deal will contain many compromises from both parties, which should be good for markets. Maybe not as good as if we had never heard of Brexit, but from the extremely negative environment we are currently in, things don't have to be very good before they get better.

During the month, we initiated positions on Aberdeen Asset Management, Cognizant and PayPal, and added to positions in Diageo, American Express, Microsoft, Moody's and Baidu. We trimmed our position in Samsung, and sold our position in Medtronic. 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.

Fund Analysis to 30 June 2016

Asset Allocation



* Majority of cash is held in US$

Top Holdings

Stock	Market	Ticker
Microsoft Corporation	US	MSFT US
Diageo PLC	UK	DGE LN
Roche Holding AG	EUROPE	ROG VX
Baidu Inc ADR	ASIA	BIDU US
Oracle Corporation	US	ORCL US
Alphabet Inc	US	GOOG US
Amgen Inc	US	AMGN US
American Express Company	US	AXP US
PayPal Holdings	US	PYPL US
Yum! Brands	US	YUM US

Performance Summary

The fund has a substantial US dollar cash position which has been a drag on the portfolio over the last quarter. However it was an advantage holding US cash over AUD cash. However we still feel the fundamentals are in place for the AUD to weaken long-term against the USD.

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
NetEase	39.2%
Medtronic	19.3%
Johnson & Johnson	16.3%

*Returns from April 1 - June 30, 2016.

Some noticeable weak performers during the quarter include:

Stock	Total % returns* in AUD
Burberry	-19.3%
Baidu	-10.9%

*Returns from April 1 - June 30, 2016.

Positions Purchased

Having watched the name for some time we decided to initiate a small position in **Priceline Group (PCLN)** during May. Priceline is an online travel agency that operate through six brands, with the “crown jewel” asset being bookings.com. We feel as though the company are well placed to take advantage of the shift of travel bookings from offline to online, where still only around 35% of bookings are done. With an OTA-leading amount of bookable hotels on their websites (493k+) they managed to book an industry-leading 432m room nights in 2015. The multitude of relationships that Priceline has built up with these hotels provides a substantial barrier to entry which should help the company maintain their growth for the foreseeable future.

On June 24, the day it was announced that Britain has voted to leave the EU, we decided to build a position in **Aberdeen Asset Management (ADN)** after it has dropped 16% in AUD on the day. Aberdeen is a UK based asset managers with high levels of exposure to emerging markets. As a result the name often trades in line with EM. From a portfolio construction point-of-view we see Aberdeen as a good hedge in case of a continued EM rebound.

Again, after the Brexit vote, we decided to initiate in online payments processor, **PayPal (PYPL)**. In 2015, PayPal split from online platform eBay in a move considered value accretive for shareholders. PayPal pioneered online business to consumer ("B2C") payments and is the preferred payment choice for digital commerce, a market forecasted to grow 19% annually through 2017. This should drive 16% compound growth in their top line over the next three years.

Positions Sold

Although having initiated in **NetEase (NTES)** in Q1, the name rerated to the upside dramatically and we therefore felt inclined to take the profits on offer. Having purchased the name at a low of $134, we managed to sell for a significant profit at $153.

Having reinitiated in **Medtronic (MDT)** in Q1 at levels of $73, Medtronic has been a good performer and we decided to take profits in the name on 10th June at a price level of $86. It is a name we like and given the opportunity, valuation-wise, we would like to be reinvested in the company.

Positions Traded

On May 10, we took the opportunity to sell our position in **Cognizant Technology Solutions Corp (CTSH)** for $62. However, a few weeks later the name pulled back to $59 and we decided to reinitiate. Cognizant's exposure to areas like digital and mobility applications put them in a strong industry position going forward.