Clime International Fund

Quarterly Investment Report - September 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$107.81 million 4 March 2014
Fund Size - Retail Inception Date	A$4.90 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 September 2016

	AUD Portfolio Return		
	Wholesale	Retail	Hurdle
1 month	-1.77%	-1.80%	0.79%
3 months	-0.08%	-0.12%	2.40%
6 months	2.71%	2.63%	4.86%
1 year	-1.43%	-1.78%	10.00%
2 years*	8.36%	-	10.00%
Inception*	7.20%	1.08%	-

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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Clime International Fund

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%										**-0.08%**	2.40%

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%	-1.80%										**-0.12%**	2.40%

#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.

Summary

Since the UK voted to leave the European Union back in June, the world has been waiting with bated breath for a glimpse of what the future will hold, but has so far been rewarded with an information vacuum. With many unanswered questions, most of which will remain unanswered until well after Article 50 is triggered towards the end of March 2017, investors remain nervous, so we thought we would take a look at what we do know about Brexit, and why we stand by our prediction that the future doesn't look as bad as the naysayers would have us believe.

In the immediate aftermath of the vote, the consensus view was that the UK economy would fall back into recession. But many economists and forecasters are now reneging on their overly cautious views. It's probably too early to tell, as a recession is defined as two quarters of negative GDP growth, and we haven't even finished one quarter since Brexit. But it is looking less likely. The fall in the value of sterling has proved to be a significant advantage for the UK's manufacturing and export-led companies. Indeed, the seasonally adjusted UK manufacturing purchasing managers index (PMI) recovered from a 41-month low in August – showing the biggest increase in 25 years, and the highest reading since October last year. Output and incoming new orders rebounded sharply, and employment rose for the first time this year.

Initially there were fears of a slowdown in inward-bound investment due to weak sentiment. In reality, we have seen that the weak pound is a huge incentive for overseas investment, which offsets the uncertainty. If anything, we have seen a slight increase in inward-bound cross-border mergers and acquisitions, the continuation of which is dependent on the outcome of the EU negotiations after triggering Article 50 next year.

A weak pound gives UK exporters a sustainable economic advantage, and drives the prospect of future inflation, which will eventually help to reduce all economic participants' debt pile in real terms. At the same time, the UK will be in a position to benefit from a renewed focus on trade deals with non-EU partners.

We continue to take a cautious and globally diversified approach, positioning ourselves for future volatility as the realities of Brexit begin to unfold.

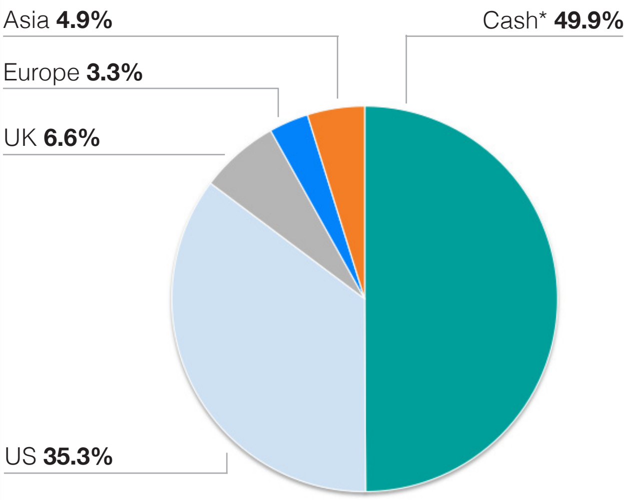
During the month we reinitiated a position in Yum! Brands, and added to our positions in Cognizant Technologies, and Oracle. We sold our positions in Burberry, Priceline and PayPal.

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 September 2016

Asset Allocation



* Majority of cash is held in US$

Top Holdings

Stock	Market	Ticker
Microsoft Corporation	US	MSFT US
Baidu Inc ADR Diageo PLC	ASIA	BIDU US
Diageo PLC	UK	DGE LN
Oracle Corporation	US	ORCL US
Alphabet Inc	US	GOOG US
Amgen Inc	US	AMGN US
Roche Holding AG	EUROPE	ROG VX
American Express Company	US	AXP US
Proshares Short S&P 500	US	SH US
Yum! Brands	US	YUM US

Performance Summary

With the market moving a little bit higher over the last 12 months the substantial cash position has been a drag on the portfolio's performance. Our decision to remain mainly invested in US$ has proven to be the correct stance vs. the other major currencies in the world although the AUD has strengthened by roughly 10% over the one year period.

In the context of global equity markets returning less than 2% in AUD over the last 12 months on a total return basis the performance of the fund is very much in line with that of the overall market. We will continue to wait patiently for opportunities to invest our cash in compelling opportunities.

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
Moody's	12.7%
Alphabet	11.1%
Aberdeen Asset Management	10.9%

*Returns from July 1 - September 30, 2016.

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

Stock	Total % returns* in AUD
Cognizant	-19.0%
American Express	-8.1%

*Returns from July 1 - September 30, 2016.

Positions Purchased

Hengan International Group Co. Ltd (1044.HK) is China's largest manufacturer of household tissue paper, woman's sanitary napkins and disposable baby diapers. The company enjoys high gross profit margins in all business segments with the fastest growing segment, sanitary napkins, having a gross margin of around 70%. The impact of strong competition and industry overcapacity is something management have been able to offset with an optimized product portfolio and enhanced economies of scale. The company has a good track record of generating free cash flow and we believe this will continue in the future. The emerging markets exposure presents an exciting opportunity with growing consumer wealth and a focus on demographic trends.

Positions Sold

Throughout June we saw a reversal of fortunes for the much malingered oil sector. Included in this was **BP**, which rerated in the latter half of the month. As such we sold out of our position at £4.41 on the first day of the quarter.

Samsung (005930.KS) has been a long-term value play for us and this decision was rewarded in Q3 as the name rerated on the back of positive emerging-market sentiment and high expectations for their new products. The name re-rated to $664 before we decided to take profits in the name. We like the company's prospects long-term, and the furore surrounding their "exploding phones", we believe could provide a good entry point.

Having initiated at a level of $1209, it was pleasing to see **Priceline (PCLN)** rerate immediately and we decided to take profits at $1461, a level it has remained at since. The company is a high growth name and if given another opportunity we would most likely build up another position.

Having seen this name work against us in the last year it was pleasing to see a rebound for **Burberry (BRBY),** mainly thanks to the Brexit vote and the subsequent devaluation of the pound. We still have our long-term concerns with both the luxury goods industry and Burberry specifically, with a continued slow-down in the Hong-Kong and Chinese markets and pricing pressure in Europe ongoing concerns. The change of management, although welcome considering the failings of Christopher Bailey, does provide a further risk. We were glad to take profits and move on. We continue to monitor the luxury good sector in an effort to determine if there is long term value in this sector when growth rates pick up again for the industry as a whole.

Positions Traded

PayPal (PYPL) is a name that we like with good long-term prospects but has been trading in a tight range since splitting from eBay last year. We have been able to take advantage of this by selling in and out of the name when it hits our upper and lower valuation ranges. We did this effectively throughout the quarter, last selling at a price of $40.60 having bought into the name at $38.

Other Trades

We trimmed our position in **Diageo (DGE)** and **Yum! Brands (YUM)** after strong rallies, as well as adding to positions in **Aberdeen Asset Management (ADN)**, **Cognizant (CTSH)**, **Microsoft (MSFT)** and **Oracle (ORCL)**on pullbacks.