

Dear Shareholder,

Clime Asset Management P/L (Clime) whom is the manager of Clime Capital Limited (CAM) is pleased to update shareholders of the development of CAM's international portfolio.

As at the date of this report the international portfolio represented some \$20.7 million in assets. This approximates 22% of CAM's gross assets. The portfolio is totally in \$US and remains unhedged.

The rationale for creating the international portfolio inside CAM is worth restating. The decision evolved for a number of key reasons:

1. From early 2012 international equity markets reacted positively to the advent of zero interest rates, negative interest rates and quantitative easing. However, in more recent times the U.S. Federal Reserve warned markets that it intends to begin its tightening cycle some time later this year and most world economies, including Australia, are still operating under a loosening policy. This suggests that the \$A has entered a period of weakness which may last for a sustained period;
2. Further to point 1 above the significant commodity downturn and the slowing of capital investment growth in China suggests that Australian investors need to diversify away from the Australian equity market that is dominated by resource companies and financials; and
3. Further and flowing from point 2. above it seems clear that for the foreseeable future that world growth will be substantially driven by the emerging Chinese consumer class and the recovering US consumer/household sector. Simply stated Australian companies listed on the ASX offer limited exposure to these growth elements.

The capacity of Clime to undertake the international investment strategy has been supported by its strategic alliance with Sanlam Private Wealth Management operating out of London. In early 2014, Clime Asset Management launched the Clime International Fund (CIF) in response to the evolving thematic notes above. CIF achieved a return to its investors of 16.73% in the year ended 30th April 2015.

By utilizing much of the research and modelling that is produced to invest by CIF has allowed Clime to build an international portfolio inside CAM that is consistent with the strict valuation methodology adopted in the Australian portfolio. As previously advised to shareholders the allocation to the international portfolio has two key elements:

1. An allocation to \$US (in the main) dependent on our view on the relative macro outlook of the Australian economy. This currency exposure can be hedged by converting back to \$A; and
2. The investment of this capital into high quality companies when they present at compelling value against a view of their current and future value growth. This portfolio can be hedged by the manager.

## PORTFOLIO DISCUSSION

Of the invested part of the portfolio the largest holdings are:

- McDonalds Corporation (MCD.N),
- American International Group (AIG.N)
- General Motors (GM.N) and
- American Express Company (AXP.N)

Each accounts for just over 1% of the total CAM portfolio.

Based on our current macro view, the manager believes the fair value of AUD is between US\$0.70 to US\$0.75.

In forming this view we are particularly influenced by the weakness in Australia's terms of trade, the restructuring of the Chinese growth settings and the weakening bias in monetary policy by the RBA.

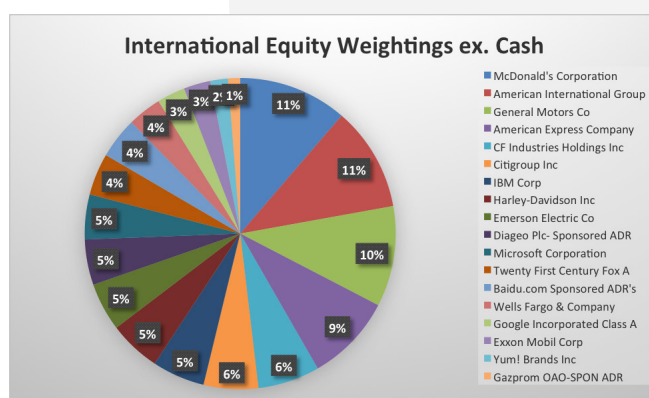
We note that recently the \$A has become quite volatile trading between US76c and US82c. During the periods of strength we have moved more \$A to \$US and today the US cash exposure approximates US\$9 million.

The intention is deploy this capital as value appears. The international portfolio has been steadily built over the last six months and the following charts describe the current weightings.

## PORTFOLIO as at 30 April 2015

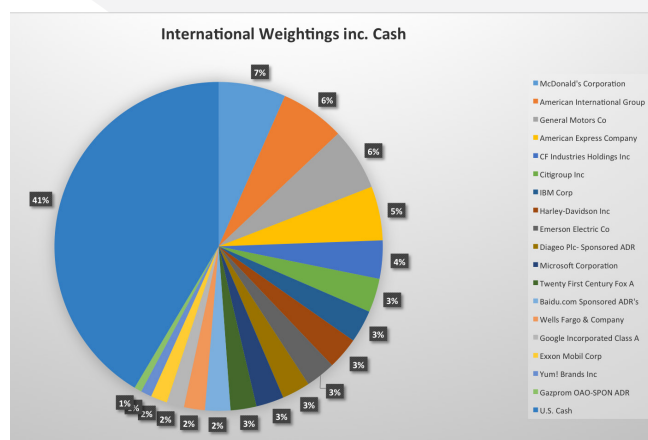
Invested Portfolio weights (International Portfolio only)

Company	% International Holdings
McDonald's Corporation	11.31%
American International Group	10.85%
General Motors	10.45%
American Express Company	9.07%
CF Industries Holdings Inc	6.43%
Citigroup Inc	5.68%
IBM Corp	5.47%
Harley-Davidson Inc	5.39%
Emerson Electric Co	5.01%
Diageo Plc- Sponsored ADR	4.73%
Microsoft Corporation	4.66%
Twenty First Century Fox A	4.36%
Baidu.com Sponsored ADR's	4.27%
Wells Fargo & Company	3.52%
Google Incorporated Class A	2.92%
Exxon Mobil Corp	2.79%
Yum! Brands Inc	1.83%
Gazprom OAO-SPON ADR	1.25%



## Portfolio weights (International only) including cash

Company	% International Holdings
U.S. Cash	41.45%
McDonald's Corporation	6.62%
American International Group	6.35%
General Motors	6.12%
American Express Company	5.31%
CF Industries Holdings Inc	3.76%
Citigroup Inc	3.32%
IBM Corp	3.20%
Harley-Davidson Inc	3.15%
Emerson Electric Co	2.93%
Diageo Plc- Sponsored ADR	2.77%
Microsoft Corporation	2.73%
Twenty First Century Fox A	2.55%
Baidu.com Sponsored ADR's	2.50%
Wells Fargo & Company	2.06%
Google Incorporated Class A	1.71%
Exxon Mobil Corp	1.63%
Yum! Brands Inc	1.07%
Gazprom OAO-SPON ADR	0.73%



## For further information contact

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