climecapital

June 2017 Report

Investment Approach

Clime's investment approach seeks to deliver strong risk adjusted total returns to investors over the long term. Clime focuses on delivering consistent strong results by identifying undervalued companies and, via the macroeconomic overlay, enhancing return and managing risk. We strive to ensure that risks taken in the portfolio are appropriately compensated and employ a decision framework of:

- Capital deployed;
- At what risk;
- For what likely outcome.

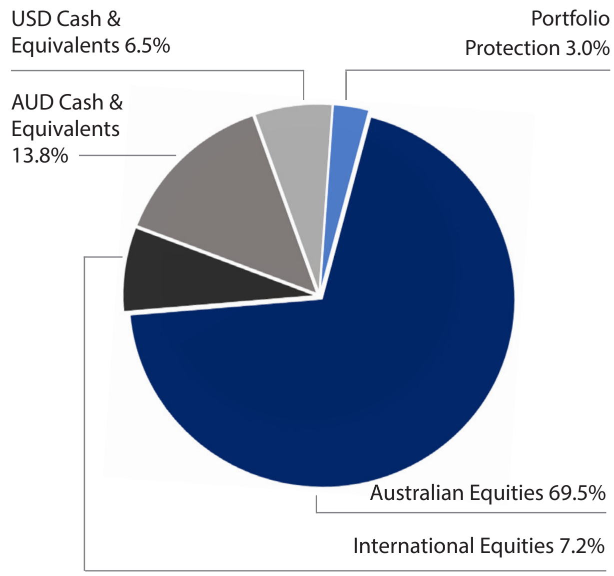
Net Tangible Assets (NTA)

	June	May	April
NTA before tax	$0.89[4]	$0.88[1,2,3]	$0.90[1,2,3]
NTA after tax	$0.90	$0.89	$0.91
CAM Share Price	$0.870	$0.860	$0.880
Yield Excl. Franking	5.6%	5.6%	5.5%

Top Holdings (Weightings %)

Australian Equities - Large Cap	
Australia & New Zealand Banking Group	4.56
National Australia Bank	4.41
Ramsay Healthcare Limited	3.75
Australian Equities - Mid Cap	
Janus Henderson Group Plc	4.63
APN Outdoor Group	4.00
Qube Holdings Limited	3.83
Gateway Lifestyle Group	3.56
Australian Equities - Small Cap	
Collins Foods Limited	3.62
HFA Holdings Limited	2.68
Citadel Group Limited	2.49
International Equities	
Medtronic Plc	1.22
Cognizant Tech Solutions	1.09
China Mobile	1.06
AUD Cash	13.79
USD Cash	6.49

Asset Allocation



1 Fully diluted NTA per share incorporates the fully paid ordinary shares, converting preference shares on issue and bonus entitlements due to be paid on conversion of the preference shares. Converting Preference Shares were mandatorily converted into ordinary shares on 30 April 2017 at a conversion ratio of 1.387118 ordinary shares for each Converting Preference Share. Accordingly 9,919,524 ordinary shares were issued on conversion of Converting Preference Shares.

2 On 21 February 2017, the Board declared a fully franked dividend of 4.5 cents per share in respect of the Company's Converting Preference Shares and a fully franked ordinary dividend of 1.20 cents per share for ordinary shareholders for the quarter ended 31 March 2017. These dividends were paid on 27 and 28 April 2017. NTA before and after tax disclosed above for April is after the effect of this dividend payment.

3 On 21 April 2017, the Board declared a final fully franked dividend of 1.5 cents per share in respect of the Company's Converting Preference Shares for the period 1 April 2017 to 30 April 2017 being the date of conversion of Convertible Preference Shares. This dividend was paid on 12 May 2017. NTA before and after tax disclosed above for April is before the effect of this dividend payment and for May is after the effect of this dividend payment.

4 On 7 June 2017, the Board declared an increased fully franked dividend of 1.25 cents per share in respect of the Company's ordinary shares for the period 1 April 2017 to 30 June 2017. This dividend is payable on 27 July 2017. NTA before and after tax disclosed above for June is before the effect of this dividend payment.

Clime Capital Limited

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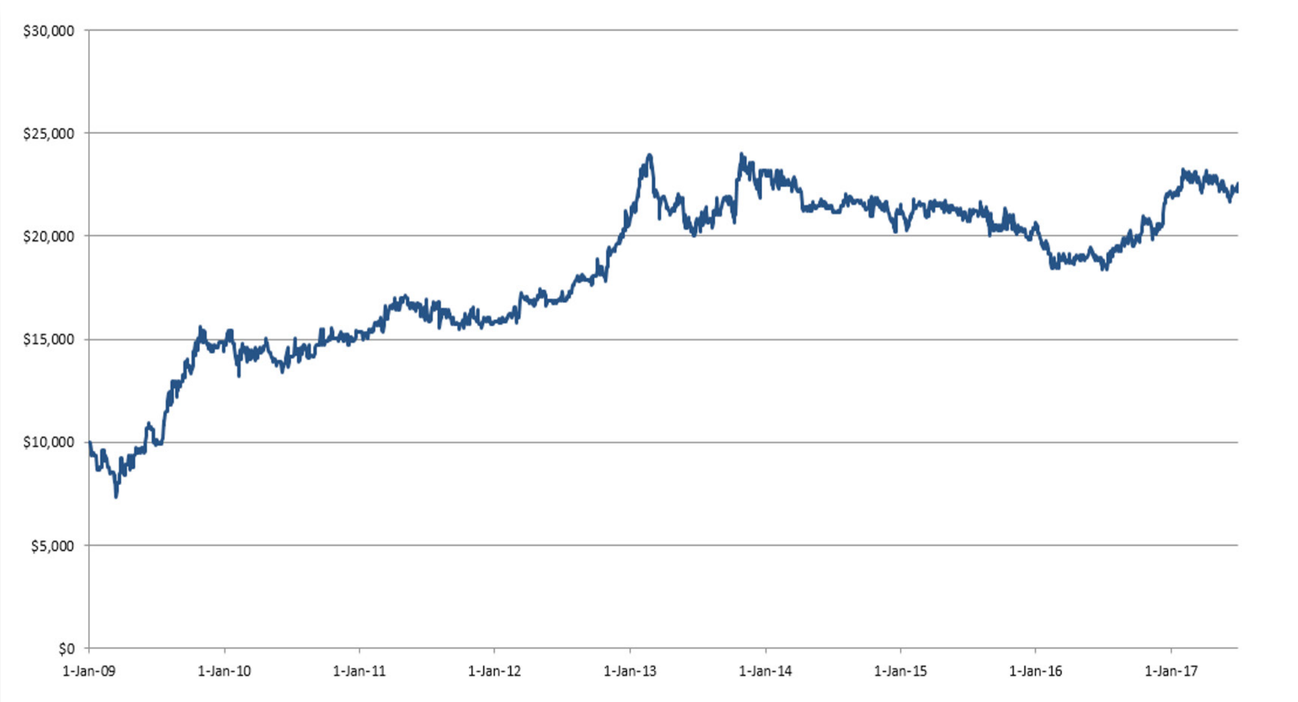
Ordinary Shares Overview (ASX:CAM)

Share Price (at month end)	$0.870
Rolling 12 Month Dividend	4.85cps
Historical Dividend Yield	5.6%
Percentage Franked	100%
Grossed Up Yield	8.0%
Dividend Reinvestment Plan	Yes

Company Overview ($m)

Australian Securities	$57.78
International Securities	$5.76
AUD Cash & Equivalents	$10.99
USD Cash & Equivalents	$5.17
Total Portfolio including Cash	$79.70

Total Shareholder Returns, January 2009 to June 2017: $10,000



Clime Capital Limited (ASX:CAM)

Data Source: Thomson Reuters

Summary

The Clime Capital (CAM) portfolio delivered a return (net of fees) of 1.4% for the month. For the financial year, the Clime Capital portfolio has delivered a total return (net of fees) of 7.6%.

Within the portfolio, capital allocation decisions are made across a number of asset classes. These are Australian Equities, International Equities, Hybrids and Interest Bearing Securities and both AUD and USD Cash and Equivalents. The Australian Equity asset class exposure encompasses three sub-portfolios: Large Cap, Mid Cap and Small Cap.

The following changes were made to the portfolio for the month of June:

- Australian Equity Large Cap Sub-Portfolio: Marginally reduced weighting in RHC.
- Australian Equity Mid Cap Sub-Portfolio: Added to existing positions in APO & QUB, reduced exposure to CWN & JHG (Janus Henderson Group), introduced a new position in ORA and exited position in ISD.
- Australian Equity Small Cap Sub-Portfolio: Added to existing positions in APD, JIN & RUL (RPMGlobal Holdings), marginally decreased weightings in IMF, NCK, RCG & SDA, introduced a new position in RFF and exited MRG.
- International Equity Sub-Portfolio: Added to existing position in BIDU, introduced a new position in PCLN and exited positions in VFH & IWM.

We segment the Company into four sub-portfolios with each component portfolio purposefully designed to deliver stated investment objectives. Key contributors and detractors to the CAM return for the month were:

- Australian Equity Large Cap Sub-Portfolio: Positive contributors RHC (6.8%) & ANZ (2.5%), detractor NAB (-1.8%).
- Australian Equity Mid Cap Sub-Portfolio: Positive contributors ISD (18.7%), AHG (13.9%) & ORA (4.8%), detractors GTY (-7.2%) & CWN (-5.2%).
- Australian Equity Small Cap Sub-Portfolio: Positive contributors RCG (43.3%), VRS (25.0%), CKF (15.7%) & HFA (11.6%), detractors MRG (-15.2%), RUL (-6.0%) & NCK (-5.6%).
- International Equity Sub-Portfolio: Positive contributors WFC (5.2%), VFH (3.5%) & MDT (2.2%), detractors GOOG (-8.6%), BIDU (-6.7%) & CHL (-6.5%).

In terms of the current portfolio positioning, while the effectiveness of the Trump administration remains to be seen, the outlook for company earnings in the US and more broadly across the globe continues to improve. There are clearer economic signs of growing resilience in the US recovery and an improving outlook in Europe. The continuation of the US Fed's rate rising program is encouraging and we urge their European and Japanese central banking counterparts to do the same. We see the paring back of overly stimulatory policy measures as being conducive to more efficient capital allocation decisions, something we believe is beneficial to all investors.

Locally, the clear challenges presented by the growing divide between the actual cost of living and what continues to be an uninspiring outlook for wage growth and hence discretionary spending are becoming more apparent in the Australian economy. Particularly amongst the large caps, the majority of future growth is forecast to be delivered via resources, which have historically provided a highly variable return profile. We maintain our stance on large caps being primarily utilised to deliver solid franked dividends within the portfolio. Despite broader domestic headwinds, we believe investment opportunities exist and generally speaking we see these as more likely to be apparent in the mid and small-cap market segments.

We continue to see the Clime Capital portfolio as being appropriately positioned with the ability to access select opportunities as they become apparent.

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