Chairman's Address
2020 Annual General Meeting

The accounts and financial report of Clime Capital Limited (CAM) for the year 2019/20 have been distributed to shareholders before this meeting.

Therefore, in this Chairman's address, I plan to briefly comment on these results with a particular emphasis on the board decisions regarding quarterly dividend declarations. I will also update you on the performance and balance sheet of CAM following the first four months of trading in the current financial year. Then to conclude I would like to comment on why I believe that CAM is a unique but focused Listed investment Company (LIC).

In summary, markets and indeed economies started well in FY20 but then suffered greatly with the onset of COVID-19.

CAM had a solid first half to the year, so much so that an increased quarterly dividend was declared for the March quarter of 1.3 cents fully franked. This was an increase on the 1.25 cents quarterly run rate of the prior eleven quarters.

In the June quarter, directly due to a sharp economic downturn and the withdrawal of dividend guidance by many large companies, the board decided to adjust the declared quarterly dividend down to 1.05 cents per share.

It is worth noting that for the September quarter we raised our dividend to 1.125c fully franked and we are pleased to inform you that for our December quarter we have again raised the quarterly dividend to 1.175c fully franked.

This decision was not taken lightly and shareholders will remember that in June that Victoria entered a total shut down that made economic recovery very difficult to predict.

Over FY20 dividend payments to shareholders amounted to 4.85 cents per share fully franked. The dividend decreased by 3% a share on the previous year but importantly the yield on CAM shares was well above the market dividend yield. This is true both on a comparison to CAM Net Tangible Assets (NTA) and the CAM share price.

Approximately $5.5 million of fully franked dividends were declared in FY20. After the $0.7 million of dividend reinvestment, approximately $4.8 million was paid in cash dividends.

In December 2017, CAM issued $20.8 million of listed unsecured convertible notes (CAMG). These notes were issued at 96 cents, mature in November 2021 and pay quarterly interest at the rate of 6.25% per annum. The notes also accrue the 1 for 40 bonus issue until and if they are converted by the holder into ordinary shares. This means that each CAMG converts into 1.025 CAM shares.

Following the issue of convertible notes as part consideration for CBG Limited in 2019 the convertible debt represents about 23% of total assets as 31 October 2020. This is well below the 40% gearing ratio allowed under the trust deed of the notes issuance.

Marketing, NTA information and Year to date performance

I trust that shareholders continue to monitor the company's performance through our monthly interim gross asset announcements and our monthly Net Tangible Assets (NTA) announcements. Further, the manager has introduced a weekly NTA estimate on the ASX and distributed this information to shareholders and investors through a marketing program. More recently the CAM monthly ASX NTA announcement has been enhanced to include the top twenty holdings.

All of these initiatives have been undertaken to ensure that CAM shares and notes trade in a market that has abundant up to date information. In particular the Board is keen to see that the CAM share price trades close to NTA.

As at the close of business on 24 November 2020, the gross value of CAM's investment portfolio was approximately $126 million. This figure is after a cash dividend (ex DRP) of $1.09 million paid in late October.

This compares to the $121 million of CAM gross assets as reported as at 30 June 2020.

Since 30 June CAM has paid cash dividends of $2.1 million, convertible note interest of $0.4 million, tax of $0.8 million and bought back shares and notes to the value of $0.5 million.

Buyback of shares

The Company's on-market buyback remains active. Historically, the buyback operates at a minimum 5% to 10% discount to underlying pretax NTA and the intention is to at least buy back the shares issued under the Dividend Reinvestment Plan (DRP). By undertaking the buyback, we believe that the company should be able to steadily and prudently grow fully franked dividends for shareholders.

Since 30 June 2020, the company has bought back 659,328 shares at an average price of 77 cents. Over the same period the company has issued 425,162 shares at an average price of 80 cents per share.

It is worth noting that CAM has also bought back (on market) some convertible notes when they traded at a discount to redemption price (including accrued interest). Since 30 June 25,000 notes have been bought back at an average price of 97.6 cents.

Current offer to Clime Managed Funds investors

Shareholders will have noted the current offer to unit holders of both Clime Australian Value Fund and CBG Retail Fund to invest in CAM shares and notes based on pre-tax NTA of $0.80 as at 4 November 2020. The unit holders are currently receiving redemption funds from the closure of their funds and the Manager approached the CAM independent directors with this proposal.

The cost of this small raising is substantially born by the Manager with current expectations for approximately $4.5 million in funds to be raised.

The CAM investment proposition

Given the difficulty created by COVID-19 restrictions on company meetings there will be no formal investment update following this meeting.

However, I am pleased to advise that a online Clime Investor Update will be held next Tuesday 1st December with the opportunity to ask questions to both myself and Adrian Ezquerro the Clime Head of Investments. The details of the online seminar are provided here https://attendee.gotowebinar.com/register/1720934020589606667.

Before closing I would like to reiterate the benefits to Clime shareholders that we have presented in previous years when reflecting on the last decade. These benefits are:

1. A dividend payment yield that has been consistently higher than that achieved by the ASX index;
2. A dividend franking rate that is consistently higher than the ASX index; and
3. Portfolio growth returns that are consistent with the ASX capital growth index without exposing the portfolio fully to market risk.

I believe this analysis is important for shareholders to note because the out performance of market dividend yield is as important as the out performance of the market indices and particularly in an era of rapidly declining yields.

CAM's focus has always been on capital maintenance, a steady growth in dividends and the capturing of capital growth without exposing the portfolio to excessive risk.

In Conclusion

I wish to thank you for your ongoing support of Clime Capital.

I also wish to thank our recently retired Director Brett Spork for his many years of significant contribution. In particular he was instrumental in working on various prospectuses and takeover documentation for CAM over the last five years.

I also welcome Mark Schwartz to the CAM board and I am sure you will be greatly interested in his short presentation regarding his impressive background.

Finally, I would like to thank the staff at Clime for their hard work and particularly their marketing initiatives over recent months.

Looking forward, I see the company as being well placed to purposefully deploy your capital as opportunities present while maintaining a sound level of dividend distributions to all shareholders.

John Abernethy
Chairman