

2020 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS

Welcome to your company Clime's 2020 Annual General Meeting. I would like to present the financial results of Clime Investment Management Limited and its controlled entities (Clime) for the financial year ended 30 June 2020, and to also discuss some of the equally important non-financial developments.

This year our AGM is a little different to prior years, but I suspect that some of you have now experienced a few of these virtual AGMs, so I hope it's a pleasant experience for everyone. I know that there have been concerns at some AGMs that all questions may not have been responded to, and so I want to say that we will do all that we can to answer any and all of your questions, as best as we possibly can, today.

It's also different because 2019-20 was an extraordinary year – one in which investment markets were shaken, rattled and rolled, and when our people had to work closely as teams even though they were not always physically close together. It was also a year when we substantially increased our business and client footprint through the acquisition of Madison Financial Group.

Madison is an Australian Financial Services licensee, who provide professional services and governance oversight to authorised Financial Advice Practices. These services are provided to 70 firms, comprising approximately 90 Advice professionals, with \$4 billion under advice on behalf of their clients. We acquired it for a total of \$4.4 million plus a small working capital adjustment.

Madison fits right into our strategy to be a significant and highly regarded compliant integrated wealth manager – acutely aware of our responsibilities to act with our clients' interests first and foremost – fulfilling our best interests duty at all times.

As a result, Clime now offers investor education, advice and investment opportunities to a substantially increased number of retail and wholesale clients. We are committed to delivering excellent service and providing great outcomes for all our clients in the belief that our success is inexorably linked to theirs. In 2019-20 that commitment to service was also reflected in obtaining redress (after a lengthy legal process) for some of our clients who lost money in an ASX listed

Clime Investment Management Limited

Level 12, 20 Hunter Street, Sydney NSW 2000 Australia | PO Box H90, Australia Square, NSW 1215
ABN 37 067 185 899 P 02 8917 2100 F 02 8917 2155 W www.clime.com.au T @climeinvest

company as a result of alleged corporate misbehaviour; specifically through Clime Capital Limited as applicant for a class action negotiating a settlement against UGL. Most of that cash from settlement has now already been distributed to investors.

Our financial results for 2019-20 were mixed. Revenues were down only slightly (4% or around \$500,000), reflecting a temporary reduction in funds under management post the February crash in equity prices, and reduced performance fees, which were partly offset by \$360,000 received as part of Covid-19 related government support measures.

Profit after tax was \$397,428 compared with \$1,461,444 the previous year.

Of more relevance is the operating profit before the effect of market price moves on our investments. On this basis operating earnings were \$ 1,053,900 compared to \$ 567,959 in the previous year.

Therefore, and clearly the largest contributor to this reduced reported result was the impact of both realised and unrealised losses incurred on the company's capital invested in financial assets, principally via our investment in Clime Capital Limited (from which Clime receives management fees).

These losses came to \$1,156,990 in 2019-20, compared with a corresponding gain of \$759,272 in 2018-19. In the September quarter of this year the company's investments in financial assets have generated around \$180,000 positive return, and Clime Capital Limited is providing a fully franked yield to investors of around 5%. While this volatility in investment outcomes has been within agreed company risk parameters, the Board is now reconsidering our volatility tolerance as well as our overall approach to capital management.

Total Gross Assets under Management and Advice (a key performance indicator) stood at \$4.9 billion as at 30 September 2020, up 7.5% from \$4.6 billion at 30 June 2020. It's early days of course, but we are pleased by this growth which positions your company well for 2020-2021.

Since 30 June Clime has undergone a process of board renewal, and we will be voting to approve three directors here today. I'd like to acknowledge the positive contribution both of Don McLay, our

Chairman of over 5 years and Allyn Chant, our Director of even longer. They have both been committed to Clime and the company has benefitted through their expertise and experience. We thank them for their service.

Today we are fortunate to be able to publicly introduce two new directors in Peter Beaumont and Brett Spork. Their impressive resumes have been attached to the AGM papers, and I will ask each of them to talk briefly when we consider their nomination for reappointment to the Board. They both see Clime as having very considerable unrealised potential.

I would like to thank our executive team for their dedication and commitment over the course of 2019-20 and since. They have handled change, most recently the resignation of our CEO, Rod Bristow, and the challenges that come with change, incredibly well. And they have all made significant sacrifices throughout the year, including one off income adjustments, which allowed Clime to maintain staffing levels when the company's business was so impacted by the Coronavirus and the related dive in equity market prices. More recently two teams, Clime and Madison, have come together as one, and we are already starting to reap the benefits of that.

I want to thank them all personally, and on behalf of each of my fellow directors. I am proud of their accomplishments, and very confident in their abilities to build successfully on the strong platform that Clime represents today.

The new Board met on 13 November to consider and affirm our 3 year strategy, designed to grow our Asset Management business and expand Clime's presence in the Dealer group space. The core of our strategy remains unchanged. With a focus on engaging and growing our people, providing extraordinary service to our clients, controlling our costs, managing our risks, and being prepared to make and learn from our mistakes, we are confident that sustainable growth will result in value creation for all our stakeholders.

I now invite shareholders to ask questions

Neil Schafer
Chairman