Clime Capital Limited

12 February 2021

Company Announcements
Australian Securities Exchange

Net Tangible Asset Backing

Please find attached Net Tangible Assets report of Clime Capital Limited (ASX: CAM) as at the close of business on 31 January 2021.

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Clime Capital Limited (ASX: CAM)

NTA Report January 2021

NTA before tax	NTA after tax	Total Portfolio Including Cash	Rolling 12 Month Dividend	Historical 12 Month Dividend Yield	Historical 12 Month Dividend Yield Including Franking
$0.88	$0.88	$132.2m	4.55cps	5.4%	7.6%

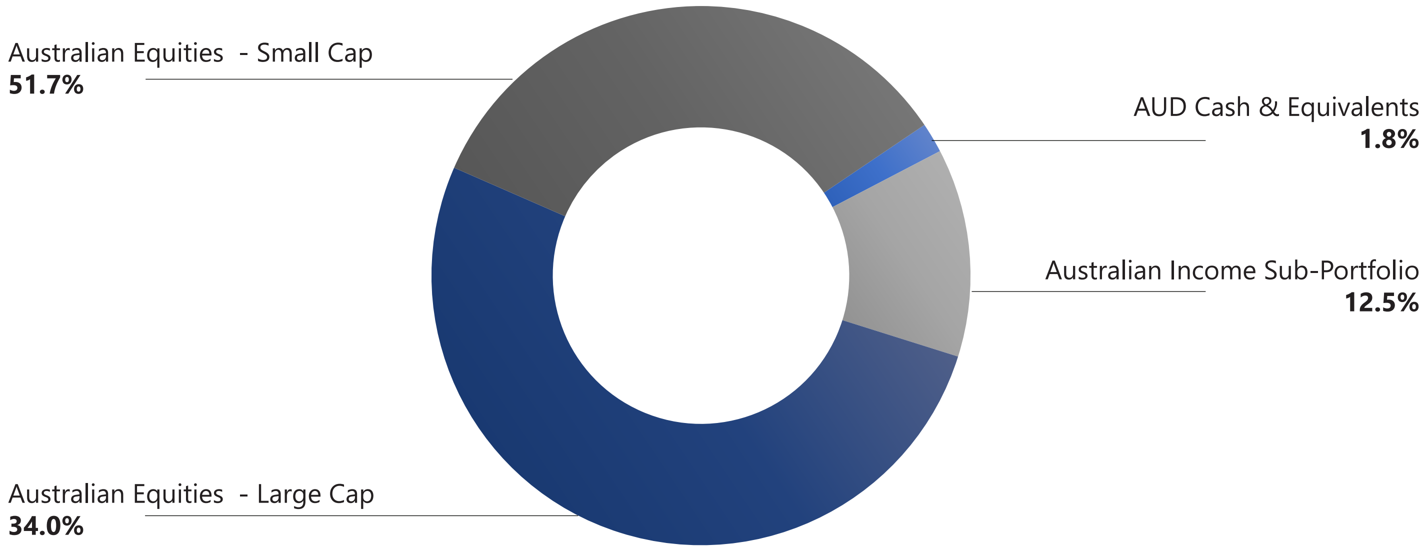
Net Tangible Assets (NTA)

	January[1]	December[2]	November[2]
NTA before tax	$0.88	$0.88	$0.87
NTA after tax	$0.88	$0.87	$0.86
CAM Share Price	$0.85	$0.90	$0.83
Historical 12 Month Yield Excl. Franking	5.4%	5.2%	5.6%
Historical 12 Month Yield Incl. Franking	7.6%	7.4%	8.0%

1 On 2 February 2021, the Board declared a fully franked dividend of 1.20 cents per share in respect of the Company's ordinary shares for the period 1 January 2021 to 31 March 2021, payable on 29 April 2021, . NTA before and after tax disclosed above for January 2021 is before the effect of this dividend payment.

2 On 9 November 2020, the Board declared a fully franked dividend of 1.175 cents per share in respect of the Company's ordinary shares for the period 1 October to 31 December 2020, payable on 29 January 2021. NTA before and after tax disclosed above for November and December is before the effect of this dividend payment.

Gross Asset Allocation



Company Overview ($m) Cum - Dividend

Assets	$M
Australian Equities	$113.3
Australian Income Sub-Portfolio	$16.4
AUD Cash & Equivalents	$2.5
Total Portfolio including cash	$132.2
Convertible Notes (CAMG)	($28.5)
Net Tangible Assets Before Tax	$103.7

Top 20 Holdings (in alphabetical order)

Adairs	ADH	**Lycopodium**	LYL
APN Property Group	APD	**Mach7 Technologies**	M7T
BHP Group	BHP	**Macquarie Group**	MQG
City Chic Collective	CCX	**Macquarie Telecom**	MAQ
Codan	CDA	**National Australia Bank**	NAB
Electro Optic Systems	EOS	**Navigator Global Investments**	NGI
Fortescue Metals Group	FMG	**Nick Scali**	NCK
Hansen Technologies	HSN	**RPM Global Holdings**	RUL
Integral Diagnostics	IDX	**Sonic Healthcare**	SHL
Jumbo Interactive	JIN	**Westpac Banking Corporation**	WBC

Portfolio Commentary

The portfolio returned 1.6% in the month of January (pre-tax net of fees), compared to a 0.3% return for both the S&P/ASX200 Accumulation Index and the All Ordinaries Accumulation Index. The ASX marginally outperformed major developed market indices, with the S&P 500 down -1.1% for the month, but underperformed the NASDAQ, US small caps and most major Asian indices.

Domestically, Consumer Discretionary (+4.8%) and Banks (+4.0%) led the way for the month, while the Real Estate (-4.3%) and Transport (-5.3%) sectors lagged.

Key contributors and detractors to the portfolio return for the month were:

- **Australian Equity Large Cap Sub-Portfolio:** Key contributors included Westpac (WBC), BHP Group (BHP) & Sonic Healthcare (SHL), only detractor of note Macquarie Group (MQG).
- **Australian Equity Small Cap Sub-Portfolio:** Key contributors included Mach7 Technologies (M7T), Navigator Global Investments (NGI) & Lycopodium (LYL), detractors City Chic Collective (CCX) & Electro Optic Systems (EOS).

Earnings upgrades for the banking sector gathered pace during January, largely reflecting the growing expectation for lower bad debt expenses, as well as the spike in bond yields. When coupled with the relaxation of dividend restrictions, we now observe a more constructive environment for bank earnings and dividend growth over the coming 12 months. While the whole sector rallied during the month, WBC led the gains.

There were no surprises in BHP's quarterly activities report delivered during the month, with the resource giant's pillars of iron ore, copper and energy all enjoying the positive impacts of more buoyant commodity pricing. Earnings forecasts for SHL continue to be upgraded, owing to the improving operational trends for the group's pathology and imaging businesses, coupled with ongoing strength in Covid testing volumes.

The positive news flow for M7T continued in January, with the release of a solid quarterly update as well as the announcement of a new contract win. In what is an important strategic win, M7T has been contracted by US-based Adventist Health System to implement the group's Picture Archive Communication System (PACS) solution across all 22 of its hospitals. We continue to see long term opportunity in M7T, the realisation of which will of course require focused execution by management.

Similarly, NGI rallied strongly for the month, after upgrading its FY21 earnings guidance and delivering a better than expected December quarter assets under management (AUM) update.

We now look ahead to the February reporting season with great interest. Earnings forecasts for the next 12 months across most sectors are bouncing strongly, notably led by the resources, financials, energy, and retail sectors. Despite this, we still anticipate outlook statements to remain relatively cautious, given the degree of economic uncertainty that remains on the horizon.

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Portfolio Manager - Australian Equity

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Market Commentary

Signs of frothiness in markets in late January caused concerns among more conservative investors. These jitters could trigger a profit-taking correction; however the fundamental picture still looks favourable for risk assets over the next 12 months. Mass vaccinations (in most countries, but not yet in Australia) leading to a return to normality and strong growth in the second half, with monetary and fiscal policy staying highly accommodative, is the most probable path ahead.

With so much liquidity sloshing around financial markets, it is hardly surprising that it is popping out in unexpected places. After the runup in Bitcoin, speculative stocks, and commodities like Lithium, late January saw a bubble in highly shorted stocks such as GameStop in the US, where day traders created a short squeeze stock price spike. But it is unlikely that such activities will materially disrupt conventional markets for any considerable time, nor create systemic risk for serious investors.

Meanwhile, the global vaccination program against covid-19 is progressing fairly smoothly, despite some logistical hiccups. In total, 80 million people have been vaccinated worldwide in just six weeks, with 30% of the population in Israel, 11% of the UK and 7% in the US, having received at least one dose. And, while the pandemic remains a millstone on economic growth for now, at least coronavirus cases have peaked in most countries, and covid-19 deaths have started to fall sharply. It is likely that enough people in the large, northern hemisphere developed countries will have been vaccinated by mid-year to allow a return to near-normal consumer behaviour in the second half.

More good news for investors: despite the pandemic peaking, central banks and fiscal authorities will not rein back on stimulus for some time. In the US, after the $900 billion additional package passed in December, the Biden administration has proposed a further $1.9 trillion. If this passes, it will bring total fiscal stimulus in the past year to 25% of GDP, more than five times the size of that during the GFC (although we expect the $1.9 trillion will be whittled down in an attempt to garner bipartisan support). Moreover, with the US savings rate at 13%, there is around $1.5 trillion in cumulative excess savings for consumers to spend when they are able to do so again. In Europe and elsewhere, outright fiscal stimulus is not so evident, but widespread extensions of wage-replacement schemes will continue to cushion consumption.

Monetary policy remains likewise exceedingly supportive. In January, when US 10-year Treasury yields rose from 92 basis points to 115 bps in less than a week, the Federal Reserve was quick to push back against any idea that it plans to tighten soon. Chairman Jay Powell said: "A lesson of the Global Financial Crisis is: Be careful not to exit too early… The economy is far from our goals... and we are strongly committed to using our monetary policy tools until the job is well and truly done."

The Fed has been transparent about its criteria for tightening: inflation must be 2% or higher, and on track to moderately exceed 2% for some time, and labour market conditions must have reached levels consistent with the Fed's assessment of maximum employment. This means it will look through any short-term spike in inflation (and, because of the base effect, April inflation data will likely spike to 3% year-on-year). None of these criteria look probable in the next 12 (or even 18) months.

In Australia, the Morrison government and the RBA remain committed to supporting the recovery. New housing finance continues to accelerate, and points to a further pickup in construction. As in the US, households have accumulated savings to support future consumption. Capital goods imports are rising, a sign that business investment is firming. In commodity markets, iron ore has remained high on Chinese demand, and other commodity prices including oil have been strong.

This remains an environment in which risk assets such as equities and real property are likely to continue to do relatively well. With rates so low, investors see cash and fixed-income instruments as unattractive. While equities may screen as superficially expensive, with the forward PE ratios appearing elevated, they are still attractive versus bonds.

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