Clime Capital Limited

14 October 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 30 September 2021.

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About Clime Capital Limited

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Facts

Clime Capital Limited (ASX: CAM) is an actively managed, Listed Investment Company (LIC) providing exposure to high quality large caps, small caps and income securities. CAM's core objective is to provide investors with a dividend yield and franking rate that is consistently higher than that achieved by the S&P/ASX 200 Index. CAM has paid a quarterly fully franked dividend to shareholders every quarter since 2009.

Investor Suitability

CAM is designed for investors who are seeking:
- Long-term capital preservation when measured against inflation
- Access to quarterly income with the added benefit of franking credits
- The expertise of a professional Investment Manager, focused on quality and value
- Have a minimum of 5 years to invest

Benefits

CAM offers a number of key advantages to investors:
- Quarterly fully franked dividends
- A disciplined investment process with a bespoke focus on quality and value
- Daily liquidity provided by the Listed Investment Company (LIC) structure
- Professional portfolio management services from a dedicated investment team

Risk Management

Although a diversified portfolio, investing in CAM is considered high risk. The risks associated with investing in a LIC that should be considered include liquidity risks, regulatory and tax risk, and manager risk. Risk management and capital preservation has long been a cornerstone of the Clime Asset Management Pty Ltd (Clime) investment philosophy. The Clime investment team applies a rigorous valuation methodology, coupled with sound portfolio construction principles, to identify upside whilst mitigating downside risk.

NTA before tax (CUM Dividend)	NTA after tax (CUM Dividend)	Gross Portfolio Value	Rolling 12 Month Dividend	Historical 12 Month Dividend Yield	Historical 12 Month Dividend Yield including Franking credits
$0.965 as at 30 Sep 2021	$0.950 as at 30 Sep 2021	$157.2 m	5.15 cents per share	5.7%	8.1%

Top 20 Holdings

(in alphabetical order)

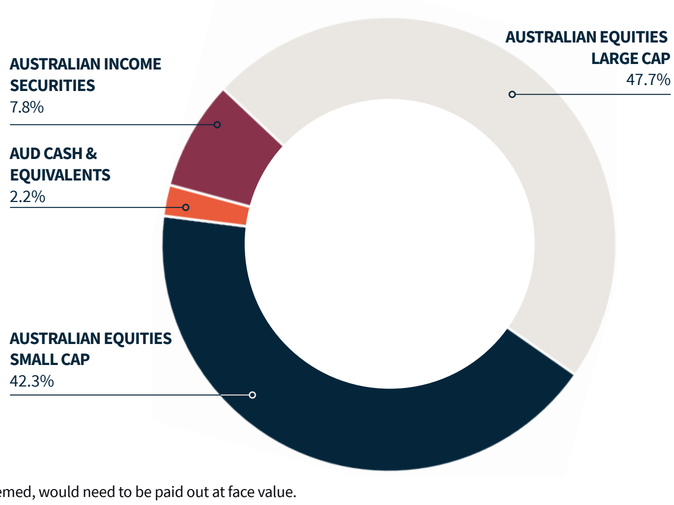
Company	ASX Code
Adairs	ADH
Amcor	AMC
Australia & New Zealand Banking Group	ANZ
BHP Group	BHP
Brickworks	BKW
Electro Optic Systems	EOS
Hansen Technologies	HSN
Integral Diagnostics	IDX
Jumbo Interactive	JIN
Mach7 Technologies	M7T
Macquarie Group	MQG
National Australia Bank	NAB
Navigator Global Investments	NGI
Oz Minerals	OZL
Rhipe	RHP
Resmed	RMD
RPM Global	RUL
Sonic Healthcare	SHL
Seven Group	SVW
Westpac Banking Corporation	WBC

Portfolio Asset Allocation

Assets	$M
Australian Equities	141.4
Australian Income Securities	12.3
AUD Cash & Equivalents	3.5
Gross Portfolio Valuation	157.2
Convertible Notes (CAMG)*	-21.7
Net Tangible Assets Before Tax	135.5

Share price as at 13 October 2021: $0.91

Gross Asset Allocation



*CAMG are unsecured, convertible notes in CAM which, if redeemed, would need to be paid out at face value.

Net Tangible Assets (NTA)

2021	Sep[1]	Aug[1]	Jul
NTA before tax (CUM Dividend)	$0.965	$0.995	$1.005
NTA after tax (CUM Dividend)	$0.950	$0.970	$0.970

[1] On 17 August 2021, the Board declared a fully franked dividend of 1.27 cents per share and a special dividend of 0.25 cents per share in respect of the Company's ordinary shares for the period 1 July to 30 September 2021, payable on 28 October 2021. NTA before and after tax disclosed above for August 2021 and September 2021 are before the effect of this dividend payment.

Market Commentary

Concerns related to the pandemic delta wave, supply chains, iron ore pricing and the Evergrande crisis sent most global market sharply lower during the month. The MSCI AC World index was down 3.5% last month, with the US and China equity markets both falling close to 5% in September.

During their September meeting, US Federal Reserve (Fed) officials indicated that they expect to soon slow the asset purchases they have been using to support the economy and predicted they might raise interest rates next year. This sent a clear signal that policymakers are preparing to curtail emergency monetary help.

Yet the virus persists, and many remain unvaccinated, preventing a complete return to normal activity. External threats also loom, including tremors in China's real estate market that have put financial markets on edge.

Inflation has moved sharply higher in recent months, elevated by supply chain disruptions and other consequences of the pandemic. Fed officials expected inflation to average 4.2% in the final quarter of 2021, before falling to 2.2% in 2022.

Evergrande epitomises the vulnerability of China's economy. Property development has been a huge factor in China's economic growth and accounts for around 28% of GDP. Ultimately, thanks to state intervention, the chances are slim of a disorderly bankruptcy, however it is also likely to slow down China's economic growth, which may become a problem , especially for Australia's commodity exporters.

Yields on long-term US Treasuries surged the most in 18 months as traders brought forward their expectations for the first hike by the Fed to the end of 2022. Yields on 30-year US Treasuries jumped 24 basis points, the most since the onset of the pandemic in March 2020, to 2.14% today.

Yields on 10-year Australian bonds rose by 22 basis points, to end September at 1.50%. The rise in global bond yields is part of a world-wide bond sell-off as central banks move to reduce pandemic stimulus. The Bank of England in the last week of the month raised the prospect of increasing interest rates as soon as November. Norway delivered the first post-crisis hike among advanced countries, and officials signalled an accelerated cycle to come.

Given current equity pricing, the positives of economic and earnings recovery now appears to be more finely balanced with the risks associated with the pandemic, supply chain disruptions and other inflationary pressures. We therefore maintain a constructive stance towards high quality companies.

Portfolio Commentary

The portfolio returned -0.56% (pre-tax net of fees) in the September quarter, compared to a 2.05% return for the S&P/ASX200 Accumulation Index. A confluence of recent events have adversely impacted the trajectory of the global economic recovery, in turn acting to reduce aggregate FY2022 earnings forecasts.

Key contributors to the portfolio return for the September quarter were:

- **Australian Equity Large Cap Sub-Portfolio:** Key contributors Macquarie Group (MQG) and ResMed (RMD), key detractors BHP Group (BHP) and Codan (CDA).
- **Australian Equity Small Cap Sub-Portfolio:** Key contributors Rhipe (RHP), RPM Global (RUL), Family Zone (FZO) and City Chic Collective (CCX), key detractor Electro Optic Systems (EOS).

Over the quarter we introduced two new portfolio holdings in Insurance Australia Group (IAG) and Pendal Group (PDL). The detail of the new inclusions and of the contributors and detractors is below.

Macquarie Group (MQG) returned +16.3% for the quarter following an upbeat trading update in September. MQG indicated that first half profit would be materially ahead of consensus expectations, assisted by strong commodities and global markets activity and asset sales.

ResMed (RMD) returned +13.8% following a strong fourth quarter. This included an initial benefit from the recall by competitor Philips. RMD is well placed to further capitalise on this recall over the next year and beyond.

BHP Group (BHP) returned -17.0% as the iron ore price saw a rapid decline. The fall in the iron ore price has been driven by steel production cuts in China along with concerns around the Chinese property market outlook, given developer debt woes. BHP's free cashflow yield remains attractive.

Codan (CDA) returned -28.3% for the quarter, while the stock remains up 16.6% for the calendar year to date. CDA delivered 40% net profit growth for FY2021 and retains a solid growth outlook.

Insurance Australia Group (IAG) stands to benefit from an improving outlook for general insurers, following two years which were impacted by declining interest rates and COVID-19 related business interruption insurance claim provisions. The sector is now increasing premiums to restore margins.

Pendal Group (PDL), formerly BT Investment Management, is a global funds management business that stands out from locally listed peers with its strengthening new business flows, supported by strong performance.

Rhipe (RHP) returned +18.6% for the quarter after receiving a takeover offer from Norway's Crayon (Oslo: CRAYON) on 1 July (Scheme). The Scheme received Foreign Investment Review Board approval on 30 September.

Family Zone (FZO) returned +23.1% for the quarter following its $146m acquisition of UK peer Smoothwall. In addition to cross-sell opportunities from the acquisition, we see a significant organic growth potential in FZO's Parental Controls solution, which is set for full US launch in early 2022.

City Chic Collective (CCX) returned +18.4% after acquiring Novabi, which provides a strategic foothold in the European plus-size ladies fashion market. CCX delivered 81% profit growth in FY21 and is well positioned for the busy Christmas shopping period.

Electro Optic Systems (EOS) returned -20.4% due to further delays in monetising over $100m in contract assets from an offshore customer, as well as delays in announcing SpaceLink manufacturing selection and associated funding. The share price reflects frustration around these delays.