Chairman's Address
2021 Annual General Meeting

The accounts and financial report of Clime Capital Limited (CAM or the Company) for Financial Year 2021 have been distributed to shareholders before this meeting.

The announcements in relation to declared record profit, the increase in quarterly dividends and the declaration of a special dividend have been previously made on the ASX.

Therefore, in this Chairman's address, I plan to briefly comment on the following:

1. An update on portfolio performance in the year to date;
2. The background to the rolling and expansion of the Clime Capital Convertible notes;
3. Some background on the Company's retained earnings and franking account; and
4. Declaration of quarter dividend.

Portfolio Performance FY22

Regarding the portfolio, I can inform shareholders that as at 17 November 2021, the pre-tax portfolio size of CAM is approximately $154 million.

The portfolio has decreased from about $160m as at 30 June, due to dividend and interest payments, tax payments as well as a small loss being recorded in the financial year to date.

Since 30 June, CAM has paid cash dividends of $3.3 million, convertible note interest of $0.4 million, tax of $0.6 million and bought back shares to the value of $0.2 million.

After a very strong June quarter in FY21 and a solid July return, the last three months have seen the portfolio underperform the market indices. In particular, some emerging growth stocks that rerated strongly in FY21 have reversed in FY22. The Investment Manager is monitoring these positions and appropriately adjusting the portfolio.

Importantly for shareholders, in spite of the above, the net equity of the Company has increased from approximately $128.7 million at 30 June to approximately $132.2 million as at 31 October.

Also, the redemption value of the convertible notes (CAMG) has decreased from $27.2 million at 30 June to $21.7 million as at 31 October, due to conversions of approximately $5.5 million notes into shares.

Convertible Note roll and expansion

The decision to offer a new convertible note and expand the size of same has primarily been done to continue to increase the size of the Company's assets, and therefore allow it to benefit from economies of scale and a lower overall management expense ratio.

The existing CAMG will mature on 30 November, and current Noteholders are being offered the opportunity to either roll into the new note series, redeem their note holdings for cash, or convert into CAM shares.

The maturing notes paid interest at a rate of 6.25% per annum and were issued at 96 cents. These notes also had accrued a 1 for 40 bonus issue, meaning they were converted at 1.025 shares per note.

The new notes will be issued at $1.00, have an interest rate of 5.25% per annum, and be convertible into shares on the basis of one share for each note.

Assuming approval is given by Shareholders at this meeting, and Noteholders at the EGM to follow, the new issue of notes will result in gross assets of the Company being approximately $167 million, with convertible note debt representing approximately 21% of total assets.

The servicing of notes, through payment of interest, will approximate $1.8 million per annum or just 1.1% of total assets. Note interest is also a tax-deductible expense of the Company.

After servicing note interest and the payment of expenses, all remaining cash flows accrue to shareholders and that creates a slightly enhanced and leveraged return to them.

CAM retained earnings and franking

As at 31 October, your Company has over $31 million in profit reserves, representing over 3 years of dividend capacity at current rates of dividend payment. Of course, the Company can add to the profit reserves each year when it trades profitably and therefore, the Board regards the level of profit reserves as very comfortable.

The Company's franking account as 17 November was $1.1 million. The franking account is expected to be bolstered by tax payments to be made over the realised gains taken by the Company during the year. Also, the Company receives franked income from many companies it is invested in.

December Quarter dividend declaration

The Board is pleased to declare a December quarter dividend, payable in late January of ***1.28 cents per share fully franked.***

This dividend represents the sixth straight increase in quarterly dividend since the COVID-19 crisis.

Marketing, NTA information and Year to date performance

I trust that shareholders continue to monitor the Company's performance through our monthly Net Tangible Assets (NTA) announcements.

Further, the Investment Manager produces a weekly NTA estimate on the ASX and distributes this information to shareholders and investors. The CAM monthly ASX NTA announcement includes the top twenty holdings.

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

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 an online Clime Investor Update will be held on 3rd December with the opportunity to ask questions to the investment management team.

Before closing, I would like to reiterate the benefits to CAM 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 outperformance of market dividend yield is as important as the outperformance 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 Directors for their tireless support.

Finally, I would like to thank the staff at Clime Investment Management Limited 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