



Clime Capital Limited

14 December 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 November 2021.

For further information contact:

John Abernethy

Chairman  
Clime Capital Limited

(02) 8917 2107

**Clime Capital Limited**

Level 12, 20 Hunter Street Sydney, NSW 2000, Australia | PO Box H90, Australia Square, NSW 1215  
ABN 99 106 282 777 P 02 8917 2100 W [www.clime.com.au](http://www.clime.com.au) T @climeinvest



# About Clime Capital Limited

## 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.

## 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

## 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

## 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.



**Adrian Ezquerro**  
Head of Investments



**Ronni Chalmers**  
Portfolio Manager  
All Cap Australian Equities



**Vincent Cook**  
Portfolio Manager  
Large Caps



**Jonathan Wilson**  
Portfolio Manager  
Small Caps

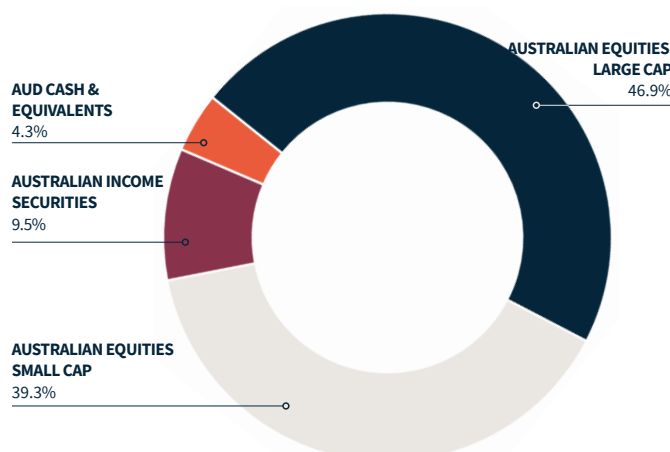
NTA before tax (CUM Dividend)	NTA after tax (CUM Dividend)	Gross Portfolio Value	Rolling 12 Month Dividend	Historical 12 Month Dividend Yield	Historical 12 Month Dividend Yield including Franking credits
\$0.920 as at 30 Nov 2021	\$0.915 as at 30 Nov 2021	\$150.3 m	5.25 cents per share	5.8%	8.3%

## Portfolio Asset Allocation

Assets	\$M
Australian Equities	129.7
Australian Income Securities	14.3
AUD Cash & Equivalents	6.3
Gross Portfolio Valuation	150.3
Convertible Notes (CAMG)*	-21.4
Net Tangible Assets Before Tax	128.9

Share price as at  
13 December 2021: **\$0.895**

## Gross Asset Allocation



## Top 20 Holdings

(in alphabetical order)

Company	ASX Code
Adairs	ADH
Australia & New Zealand Banking Group	ANZ
BHP Group	BHP
Hansen Technologies	HSN
Insurance Australia Group	IAG
Integral Diagnostics	IDX
Jumbo Interactive	JIN
Lycopodium	LYL
Mach7 Technologies	M7T
Mineral Resources	MIN
Macquarie Group	MQG
National Australia Bank	NAB
Nick Scali	NCK
Navigator Global Investments	NGI
Oz Minerals	OZL
Resmed Inc CDI's	RMD
RPM Global Holdings	RUL
Sonic Healthcare	SHL
Seven Group Holdings	SVW
Westpac Banking Corporation	WBC

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



## Net Tangible Assets (NTA)

2021	Nov <sup>1</sup>	Oct <sup>2</sup>	Sep <sup>2</sup>
NTA before tax (CUM Dividend)	\$0.920	\$0.940	\$0.965
NTA after tax (CUM Dividend)	\$0.915	\$0.930	\$0.950

<sup>1</sup> On 22 November 2021, the Board declared a fully franked dividend of 1.28 cents per share in respect of the Company's ordinary shares for the period 1 October to 31 December 2021, payable on 28 January 2022. NTA before and after tax disclosed above for November 2021 are before the effect of this dividend payment.

<sup>2</sup> 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 2021 to 30 September 2021, payable on 28 October 2021. NTA before and after tax disclosed above for October 2021 is after the effect of this dividend payment, whereas for September 2021 is before the effect of this dividend payment.

## Market Commentary

Share markets were volatile during November. The ASX 200 Accumulation Index fell by 0.5%, whereas in the US, the S&P 500 was down 0.8%, and the Nasdaq fell 1.8%. European and Japanese markets were likewise weak. Bond yields were lower, as were energy prices and agricultural commodities. The Australian dollar fell from USD0.75 to USD0.71 over the month.

During the first 3 weeks of November, markets were focused on issues relating to inflation, supply-chain logistics, tapering of quantitative easing, timing of interest rate rises, and the pace of recovery. In the final week, attention shifted to the potential dangers of Omicron. While the numbers of new cases appear to be rapidly rising, important questions remain:

- Will Omicron be controlled by existing vaccines?
- Is it more transmissible or more dangerous than previous variants, and more likely to result in severe illness or death?
- Will existing medications be effective against Omicron?

At this stage, the answers are still unknown.

We learned from Delta that it is hard to stop the spread of virulent new variants. While many countries (including Australia) have already imposed restrictions on travel to and from Southern Africa, this will not prevent it from spreading to other countries. Different approaches to managing the virus have emerged, with some countries adopting an approach of "learning to live with the virus", whereas others such as China are intent on maintaining a zero COVID-19 strategy. Zero COVID-19 would mean localised lockdowns as outbreaks emerge, tighter restrictions on regional travel, and a greater likelihood of port shutdowns.

The global economic backdrop is different now than in previous waves of the virus. Supply chains are already stretched, and a virus-related surge in goods spending, or port closures would exacerbate existing supply stresses and add upward pressure to goods inflation. How does the prospect of further pandemic disruptions feed into the inflation picture? Social distancing has seen consumer spending being funnelled into goods, rather than services, and as a result, has over-stretched supply chains. Goods inflation is running far ahead of inflation for services. Further pandemic delays and stoppages would likely translate into higher goods inflation.

All of this will complicate the policy response, and the threat of a new, more serious, variant of the virus may be reason enough for central banks to postpone plans to raise interest rates until the outlook becomes clearer.

Markets responded with alarm to the news about Omicron, with many markets experiencing their largest one day falls since the beginning of the year. Nervousness was also reflected in bond prices, where according to Factset, 10-year US Treasuries fell from 1.55% to 1.44%, and Australian 10-year bonds fell from 2.08% to 1.70%.

As we near the end of the calendar year, it is appropriate to consider prospects for 2022. Much will depend on the course of the pandemic, and whether Omicron represents a significant challenge or not. The global economic recovery will continue at a slower pace, as supply constraints act as a drag on growth. We are particularly concerned about China, as its property sector continues to weaken under the pressure of excessive debt. Slower growth in China will impact Australia's commodity exports.

The outlook for growth assets is somewhat less bright than it was a few months ago, and there now appears limited room for global growth to surprise on the upside. Valuations in many areas (technology stocks, residential property, electric vehicle-related sectors) seem stretched, and rising bond yields are expected to be a headwind going forward. Rising bond yields may provide some opportunities in the financial sector, but energy and materials stocks could struggle if commodity prices weaken.

## Portfolio Commentary

Key **large cap contributors**: BHP Group (BHP), Mineral Resources (MIN) and Sonic Healthcare (SHL), **detractors**: Zip Co (Z1P) and Westpac Banking Corporation (WBC).

Key **small cap contributors**: Lycopodium (LYL) and RPM Global (RUL), **detractors**: Electro Optic Systems (EOS) and Navigator Global Investments (NGI).

**BHP** returned +5.9% as the iron ore price rallied in the second half of the month on indications of increased policy support for the property market in China, a key source of demand.

**MIN** returned +17.3%, also benefiting from increased confidence in the iron ore demand outlook as well as continued strength in the lithium price. The company signed an agreement with Hancock Prospecting and Roy Hill which may lead to further long-term growth opportunities.

**SHL** returned +6.7% as an increased rate of COVID-19 infections globally is flowing through to SHL's PCR testing activity. A nascent travel recovery is also supporting demand.

**LYL** returned +21.3%, with management providing a particularly strong AGM update during the month. Both revenue and earnings estimates were subsequently revised upwards, with the company expecting to deliver revenue of approximately \$250 million and NPAT between \$19-20 million in FY22.

**RUL** returned +4.6% for the month. On 25 November RUL announced financial year to date (FYTD) Total Contract Value from software sales had reached \$20 million, up from \$10.2 million reported on 28 October. This represents 217% growth over the same period last financial year.

**Z1P** returned -20.5% after the company's fourth quarter FY2021 trading update fell short of market revenue growth expectations in the US and Australia, notwithstanding that revenue growth continues to be strong in absolute terms.

**WBC** returned -17.7% after the company's full year result showed a sharp fall in net interest margins. This reflects intense competition for mortgage lending.

**EOS** returned -22.6% in November. EOS made no announcements during the month. The company is finalising its first tranche of funding for SpaceLink, likely to be approximately US\$100 million including a US\$25 million cornerstone investment from OHB Systems.

**NGI** returned -9.6% for the month. NGI's recent September quarter report highlighted strong outperformance and positive inflows. NGI trades on a free cash flow yield of 14% despite growth options within its Lighthouse hedge funds business and new investments within the NGI Strategic division.

*All statistics referenced are sourced from the named Company's ASX announcements or share prices unless otherwise stated.*



**Invest in people, who invest in you.**

Client Services 1300 788 568 | [info@clime.com.au](mailto:info@clime.com.au) | [climecapital.com.au](http://climecapital.com.au)

The information contained in this document is published by CAM's Investment Manager, Clime Asset Management Pty Limited ABN 72 098 420 770 AFSL 221146 (Clime).

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