Clime Capital Limited

14 February 2022

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 2022.

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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	NTA after tax	Gross Portfolio Value	Rolling 12 Month Dividend	Historical 12 Month Dividend Yield	Historical 12 Month Dividend Yield including Franking credits
$0.850 as at 31 Jan 2022	$0.870 as at 31 Jan 2022	$156.2 m	5.33 cents per share	6.1%	8.8%

Top 20 Holdings

(in alphabetical order)

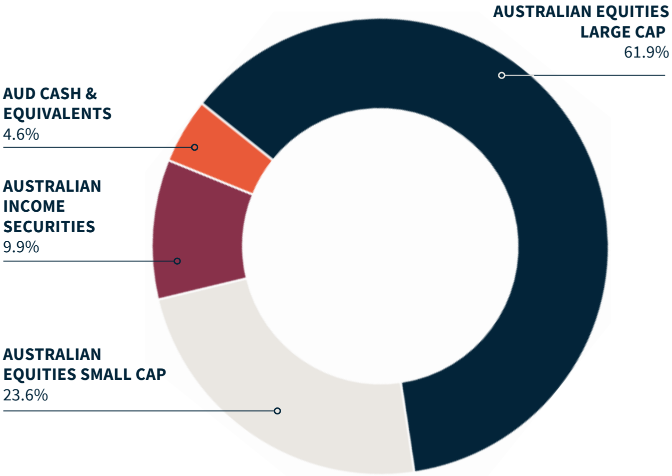
Company	ASX Code
Australia & New Zealand Banking Group	ANZ
BHP Group	BHP
Coles Group	COL
Hansen Technologies	HSN
Insurance Australia Group	IAG
Jumbo Interactive	JIN
Mach7 Technologies	M7T
Mineral Resources	MIN
Macquarie Group	MQG
National Australia Bank	NAB
Navigator Global Investments	NGI
Oz Minerals	OZL
Resmed	RMD
Regis Resources	RRL
RPM Global	RUL
Sonic Healthcare	SHL
Seven Group Holdings	SVW
Westpac Banking Corporation	WBC
Worley	WOR
Woodside Petroleum	WPL

Portfolio Asset Allocation

Assets	$M
Australian Equities	133.6
Australian Income Securities	15.4
AUD Cash & Equivalents	7.2
Gross Portfolio Valuation	156.2
Convertible Notes (CAMG)*	-36.5
Net Tangible Assets Before Tax	119.7

Share price as at 11 February 2022: $0.870

Gross Asset Allocation



**CAMG are unsecured, convertible notes in CAM which, if redeemed, would need to be paid out at face value of $1.*

Net Tangible Assets (NTA)

2021/2022	Jan[1,2]	Dec[1]	Nov[1]
NTA before tax	$0.850	$0.945	$0.920
NTA after tax	$0.870	$0.935	$0.915

[1] On 18 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, was paid on 28 January 2022. NTA before and after tax disclosed above for November 2021 and December 2021 are before the effect of this dividend payment, and for January 2022 was after the effect of this dividend payment.

[2] In accordance with the on-market buy-back scheme, the Company bought back 231,759 ordinary shares at an average price of $0.88 during the month.

Market Commentary

Share markets were volatile during January and generally sold off by around 10%, with particular market sectors such as technology and healthcare selling off by more than that.

The ASX 200 Accumulation Index fell by 6.4% in January, with the speculative end of the market falling considerably more. In the US, the S&P 500 was down 5.2%. Big falls were recorded by tech names, reversing previous large gains made last year. European and Japanese market returns were likewise weak, and bond yields rose as inflation pressures intensified. As we noted in our last update, it is our view that the rise in interest rates will produce a significant test for markets over the coming year. However, it is well anticipated, and markets are already adjusting.

Underneath the volatility, markets tend to be forward-looking. The path forward appears somewhat problematic, which is disturbing some market participants. Within 3 months, the US Federal Reserve (Fed) will commence its rate rising program. The pivot to higher rates could endure for the next 2 years or so. Inflationary pressures have surprised on the upside and could worsen if energy costs and wages continue to accelerate.

Global institutions including the International Monetary Fund (IMF) and the World Bank lowered their forecasts for global growth, with particular emphasis on growth in the US and China, the world's largest two economies. Expectations are that US growth in GDP will fall from 5.7% to 3.7% in 2022, and in China from 8.0% to 5.0%. In the US, forecasters have focused on the difficulty that the Biden Administration is experiencing in passing further fiscal stimulation through Congress. In China, concerns hinge on problematic over leverage in the property and construction sectors.

It is now clear that the almost free money that has supported share market, bond, and property prices since the pandemic low in March 2020 is diminishing. Markets are nervous that corporate profits will be squeezed at two ends – from declining revenue growth in a slowing economy, and from rising wages and energy costs. As always, there are reasons to be wary.

As often occurs during market corrections, some will overreact and make poor decisions. Yet it is worth remembering that pullbacks or corrections are a normal part of market behaviour. Indeed, the ASX has had intra-year falls of more than 10% in 16 out of the last 28 years. History shows that corrections typically last about 3 months and the median decline is about 17% outside of recessions.

Despite the uncertainties, there are several reasons to be reasonably positive with the current outlook:

- Interest rates will rise from almost zero, but they are not likely to go much above 2.0% with central banks expected to be extremely careful not to upset markets.
- Following the recent adjustment in prices, many quality companies are once again offering sound long-term value.
- Even with growth slowing in parts of the world, there are few signs of recession, and re-openings post the pandemic will likely begin in earnest later this year.

Much will depend on the course of the pandemic. On balance, we expect the global economic recovery will continue, albeit at a slower pace. The outlook is challenging for highly priced growth assets and companies with good prospects but no current profitability; their values will be tested by higher bond yields. Solid businesses that benefit from inflation and moderate economic growth will continue to do well. With markets having pulled back considerably, these companies now exhibit attractive yields and sound prospects.

Increased volatility in markets will be utilised to acquire appropriate high quality investments.

Portfolio Commentary

Key contributors to the portfolio return for the month were:

Australian Equity Large Cap contributors: BHP Group (BHP), Amcor CDI (AMC) **detractors**: Sonic Healthcare Limited (SHL), OZ Minerals Limited (OZL).

Australian Equity Small Cap contributors: Straker Translations (STG) **detractors**: RPMGlobal (RUL), Adairs (ADH), and Navigator Global Investments (NGI).

BHP returned 11.7% in January, following a continued recovery in the iron ore price, which gained 23.7% for the month and was further supported by a -2.7% move in the AUDUSD exchange rate.

STG returned 3.2% in January after a strong quarterly update and announcing a small bolt-on acquisition of IDEST, a Brussel based translations company. STG's quarterly update provided further evidence that the company is gaining market share, increasing wallet share from existing clients, and acquisitions.

AMC returned 1.8% in the context of a broad sell off for equities, given the defensive nature of AMC's business and undemanding market valuation. Almost all of AMC's sales are for consumer staples or healthcare products, which results in a stable demand profile. AMC has effective pass through mechanisms to respond to cost pressures.

NGI returned -13.2% after releasing its 2Q22 Assets Under Management and Advice (AUMA) report. Total AUM was flat, with a slight decline within Lighthouse Partners, NGI's wholly owned hedge funds subsidiary, offset by the NGI Strategic Portfolio AUM increasing to US$7.1bn. We estimate NGI will exit FY22 ~$85m net cash that can be deployed to build NGI Strategic. The stock currently trades at an ex-cash free cash flow yield of 15%.

RUL returned -11.6% reflecting the general global sell off in technology stocks. During the month, the Investment Manager reduced its substantial holding in RUL, reflecting a strategic asset reallocation towards large caps across Clime's all cap strategies.

OZL returned -14.3% following its 4Q2021 production report, which included higher cost guidance for the year ahead. Copper production for the quarter was up 11% on the same period in the previous year. OZL's copper exposure is attractive for the long term thematic of the energy transition.

SHL returned -18.7% given increasing adoption of rapid antigen testing and waning demand for PCR testing which SHL provides. The portfolio position in SHL was reduced during the month.

ADH returned -23.3% after announcing its 1H22 trading update on 24 January. Management guided to underlying EBIT for the half of $32-33 million with mandated store closures in 1Q22 resulting in an estimated reduction of $14-18m. We believe that future periods are unlikely to see COVID induced disruptions of the same degree. On this basis, a rebound in 2H22 should bring FY22 EBIT closer to $80m.