



Clime Capital Limited

14 March 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 28 February 2022.

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Clime Capital Limited

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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.



Will Riggall
Chief Investment Officer



Ronni Chalmers
Portfolio Manager
All Cap Australian Equities



Vincent Cook
Portfolio Manager
Large Caps

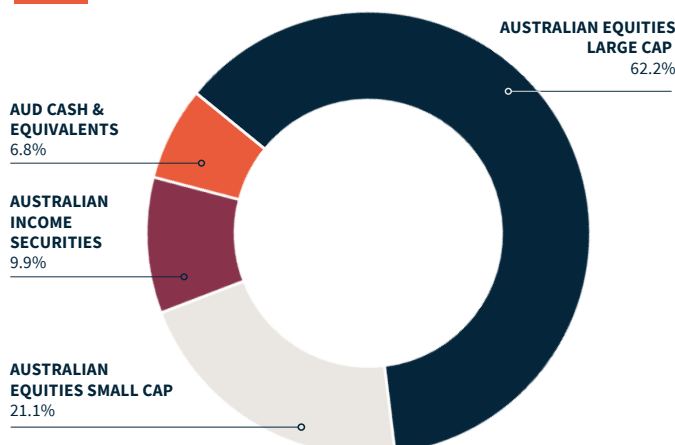
NTA before tax (CUM Dividend)	NTA after tax (CUM Dividend)	Gross Portfolio Value	Rolling 12 Month Dividend	Historical 12 Month Dividend Yield	Historical 12 Month Dividend Yield including Franking credits
\$0.855 as at 28 Feb 2022	\$0.870 as at 28 Feb 2022	\$156.6 m	5.33 cents per share	6.2%	8.8%

Portfolio Asset Allocation

Assets	\$M
Australian Equities	130.4
Australian Income Securities	15.5
AUD Cash & Equivalents	10.7
Gross Portfolio Valuation	156.6
Convertible Notes (CAMG)*	-36.5
Net Tangible Assets Before Tax	120.1

Share price as at
11 March 2022: **\$0.865**

Gross Asset Allocation



Top 20 Holdings

(in alphabetical order)

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

*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	Feb ¹	Jan ²	Dec ²
NTA before tax (CUM Dividend)	\$0.855	\$0.850	\$0.945
NTA after tax (CUM Dividend)	\$0.870	\$0.870	\$0.935

¹ On 10 February 2022, 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 January to 31 March 2022, payable on 28 April 2022. NTA before and after tax disclosed above for February 2022 is before the effect of this dividend payment.

² 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 December 2021 was before the effect of this dividend payment, and for January was after the effect of this dividend payment.

Market Commentary

Share markets ended the month sharply lower following the shock of the Russian invasion of Ukraine, which commenced on 24 February 2022. The ASX 200 Accumulation Index gained 2.1%. European markets were particularly hard hit, with the German DAX down 6.5%. In the US, the S&P 500 was down 3.0%, the Nasdaq fell by 3.4%, and the Dow Jones was lower by 3.3%. There were large rises in the prices of oil, gas, grains, metals, and the VIX volatility index. Safe haven assets including the US dollar, US Treasuries, and gold rose in value.

Russia's invasion of Ukraine has been rapid and dramatic, but the likely economic consequences will be slower to materialise and by nature less spectacular. The war itself is terribly tragic, foremost for the Ukrainian people, but also for ordinary Russians – many of whom do not support it. Sadly, the “peace dividend” that western Europe enjoyed after the Berlin Wall fell in 1989 will now reverse. Defence budgets will rise in Europe, the US, Australia, and other countries to reflect the increasingly dangerous global situation. This will not reduce GDP growth, but it will reduce people's well-being because resources dedicated to defence are resources diverted from consumption or investment in education, health care, and infrastructure.

Global food prices are spiking. Russia and Ukraine account for the majority of the world's sunflower-seed oil exports, while Russia is the world's largest wheat exporter. Russia is also the world's largest exporter of fertiliser. According to the NY Times, combined, Ukraine and Russia were responsible for 26% of global wheat exports in 2020.

Food prices have skyrocketed globally not only because of the war disruption, but because of the global supply chain issues during the pandemic, adverse weather, and rising energy and fertiliser costs.

Food price increases are burdening poorer people globally and threatening to stoke social unrest in areas such as the Middle East and north and central Africa.

Apart from the shock of disruption to trade, global central banks are still intent on raising interest rates to combat inflation. The war in Ukraine may give central banks momentary pause, but the era of “almost free” money that has supported share markets, and bond and property prices since the pandemic low in March 2020 is surely drawing to a close. Markets are wary that corporate profits will be squeezed from two sides - from declining margins and revenue growth in a war-disrupted and slowing global economy, and from rising inflation propelled by surging wages, food and energy costs. As always, there are reasons to be cautious.

Yet pullbacks or corrections in financial markets 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 once corrections are out of the way, markets recover and move forward. After the recent adjustment in prices, many high quality companies are once again offering sound long term value. And in rare positive news, the recovery from the pandemic seems to be becoming entrenched.

Domestically, we are deeply concerned with the terrible floods that have occurred in large parts of Queensland and New South Wales and will be carefully monitoring for the financial implications. Of course, our deepest sympathies with those directly affected.

On balance, the global economic recovery will continue, but at a slower pace. With inflation rising at a time of slowing growth, the risk of stagflation will increase – but it is yet to constitute our base case. While the outlook for highly priced growth assets is challenging, quality businesses that benefit from inflation and moderate economic growth will continue to do well. Given markets have pulled back quite considerably, these companies now exhibit attractive yields and are sound prospects. Similarly, well-tenanted properties occupied by solid businesses will provide attractive returns for their owners.

Clime will continue to utilise the increased volatility in markets to acquire appropriate high quality investments for clients.

Portfolio Commentary

Key **contributors** to the portfolio return for the month were Woodside (WPL), Westpac Banking Corporation (WBC), and Regis Resources (RRL). Key **detractors** included Mineral Resources (MIN), Sonic Healthcare (SHL), and Mach7 Technologies (M7T).

WPL returned +19.8% on the back of very strong FY21 results. WPL rewarded its shareholders with a fully franked final dividend of US 105 cps, bringing the full-year dividend to US 135 cps, up 255% for the year.

Clime expects further upside in FY22 as rising oil prices constrain supply dynamics, which is now exacerbated by the Russia / Ukraine conflict.

WBC returned 12.4% following a quarterly update which demonstrated solid progress on cost cutting. Operating expenses were 7% lower than the average of the previous half year, with savings across a number of areas. WBC management has set an ambitious target to reduce operating expenses. The cost out program is anticipated to be a key earnings driver for WBC and achieving the target would represent meaningful upside to consensus expectations.

RRL returned 15% for the month, benefiting from buoyant upwards moves in the gold price. Despite a softer first half result, RRL has maintained guidance for FY22, implying a stronger second half to the year. In January, RRL was sold off by worried investors due to the wall slip at the Rosemont Main pit. However, the resulting impact of this geotechnical incident was minimal, only impacting 8% of Duketon South ore with no ongoing impact to medium/long term production rates for the broader business. Key catalysts for this year include the McPhillamys regulatory decision, which if successful will add an additional 200koz per year of gold production.

MIN returned -18.34% on softer results than expected, with the company citing higher transport and shipping costs hurt the H1 results. The dividend was cut to zero. We expect the H2 dividend to be around 20c per share. Mining Services remains the engine to the business which recorded a \$281m EBITDA. Group EBITDA was “only” \$156m so this means the rest of the business performed poorly. MIN has strong growth prospects; by 2027 MIN will be producing 100,000 tonnes per annum of lithium hydroxide and has made a sizable gas discovery in the Perth Basin. We are expecting a much stronger H2.

SHL returned -7.5% as authorities across SHL's geographies of operation are increasingly adopting rapid antigen testing rather than PCR tests for which SHL is the leading provider. Earnings expectations were largely unchanged post the result, bringing an end to an 18 month upgrade cycle. COVID-19 related earnings are expected to fall to a much lower baseline from FY23. SHL has a long and successful track record of making accretive acquisitions and we estimate the company could achieve mid-teens earnings per share accretion by deploying excess capital. The SHL position was reduced in January on increasing evidence of peak PCR testing revenues, while a long term holding remains.

M7T returned -8.0% in February. M7T has demonstrated an ability to win contracts and grow revenues consistently in the radiology imaging software industry. However, the company remains loss making. The company retains a net cash balance sheet and we continue to expect long term success for the business. M7T's position in the portfolio has been replaced with an increased allocation to cash generative businesses, which are better placed in the current environment.



Invest in people, who invest in you.

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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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