Clime Capital Limited

13 May 2022

Company Announcements
Australian Securities Exchange

<u>Net Tangible Asset Backing</u>

Please find attached Net Tangible Assets report of Clime Capital Limited (ASX: CAM) as at the close of business on 30 April 2022.

For further information contact:

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Chairman
Clime Capital Limited

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About Clime Capital Limited

Will Riggall
Chief Investment Officer

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

Ronni Chalmers
Portfolio Manager
All Cap Australian Equities

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.

Vincent Cook
Portfolio Manager
Large Caps

NTA before tax	NTA after tax	Total Portfolio Including Cash	Cash Dividend (1.28 cents * 4 quarters)	Running Yield	Grossed up Running Yield - Pre Tax
$0.890 as at 30 April 2022	$0.900 as at 30 April 2022	$161.7 m	5.12 fully franked	6.1% fully franked	8.8%

Top 20 Holdings
(in alphabetical order)

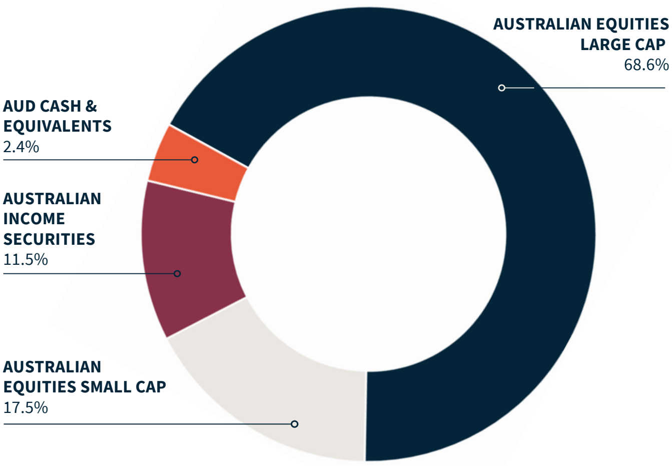
Company	ASX Code
Australia & New Zealand Banking Group	ANZ
APA Group	APA
BHP Group	BHP
Brickworks	BKW
Coles Group	COL
Hansen Technologies	HSN
Incitec Pivot	IPL
Jumbo Interactive	JIN
Mach7 Technologies	M7T
Mineral Resources	MIN
Macquarie Group	MQG
National Australia Bank	NAB
Navigator Global Investments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

Portfolio Asset Allocation

Assets	$M
Australian Equities	139.2
Australian Income Securities	18.7
AUD Cash & Equivalents	3.8
Gross Portfolio Valuation	161.7
Convertible Notes (CAMG)*	-36.5
Net Tangible Assets Before Tax	125.2

Share price as at 12 May 2022: $0.835

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)

2022	Apr[1]	Mar[1]	Feb[1]
NTA before tax	$0.890	$0.914	$0.855
NTA after tax	$0.900	$0.916	$0.870

[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, was paid on 28 April 2022. NTA before and after tax disclosed above for February 2022 and March 2022 are before the effect of this dividend payment, and for April 2022 was after the effect of this dividend payment.

Market Commentary

Share markets ended April weaker. The ASX200 Accumulation Index fell by -0.9%, in the US, the S&P500 was lower by –8.7%, the Nasdaq by –13.2%, and the Dow Jones by –4.8%. With greater uncertainty keeping markets nervous, the VIX volatility index rose to 33.4 by month end whilst so-called "safe haven" assets such as gold were mostly off their highs.

In mid-April, the World Bank cut its global growth forecast for 2022 from 4.1% to 3.2% highlighting two factors leading to lower global growth expectations:

- the damage done by Russia's invasion of Ukraine
- surges in food and energy prices

The IMF added to this by warning countries that substantial amounts of private debt accumulated during the pandemic by companies and low-income households were likely to significantly slow the recovery in the years ahead. It singled out China as an area of risk.

Whilst increasing vaccinations offered hope that the pandemic was finally ending, the war in Ukraine disrupted global economic recovery. The most recent visible effect has been the acceleration of food and fertiliser prices. Triggering concerns about food shortages and social unrest. Governments are under pressure to deal with these new risks. To alleviate the burden on households, ensure food security, and pre-empt social unrest, many governments have announced measures to limit the rise in domestic prices. Such actions could have large fiscal costs and exacerbate global demand and supply mismatches.

The Morrison Government's Pre-Election Economic and Fiscal Outlook (PEFO) noted the outlook has not materially changed since the March Federal Budget. It is hard to see any significant implications for Australian financial markets emanating from the upcoming Federal election. With the exception of climate policies, we do not anticipate a significant impact on investment markets from a change in government.

The global economic recovery from the pandemic will continue, but at a slower pace.

With inflation rising at a time of slowing growth, the risks of central banks raising rates higher and faster than markets anticipate are a growing concern. The Fed and other Central Banks will have a difficult balancing act to perform this year.

Investments vulnerable to a rising rate environment include those with weak cash flows or profits, high balance sheet leverage or funding issues, and securities with overly expensive valuations. While the outlook for highly priced growth assets is challenging, solid businesses that benefit from inflation and moderate economic growth will continue to do well. Similarly, premium real estate will continue to provide attractive returns.

Portfolio Commentary

The below table indicates the key stock **contributors** and **detractors** for the month.

Contributors	Comment
Mineral Resources Ltd (MIN)	The insatiable demand for lithium in the electric vehicle market along with tight supply has seen prices for the key battery metal surge. Lithium prices are expected to remain strong during the current quarter which bodes well for MIN.
Lycopodium Ltd (LYL)	On the back of rising commodity prices, Lycopodium has been well placed to take advantage of prevailing markets. The engineering firm won a number of contracts during the March quarter, including Talison and Tianqi, both in Western Australia. This success in teaming with lithium miners bodes well for Lycopodium, with significant projects on the horizon in Australia.
Worley (WOR)	Worley Limited share price continues to perform strongly as high commodity prices should strengthen the outlook for the company with increase activity. Moreover the next decade will see a surge in capex to drive the de-carbonisaiton transition. With further upside to out target price we remain overweight.
Detractors	**Comment**
BHP Group Ltd (BHP)	The March quarterly highlighted strong iron ore volumes, 2% above the previous quarter, and metallurgical coal volumes, 10% above expectations. BHP's copper division was the only soft spot in the result with output 10% below expectations. BHP currently trades on a free cashflow yield of 19% and we maintain our positive position in the stock.
OZ Minerals Ltd (OZL)	We reduced the portfolios holding as a weaker than expected 3Q result increases near term earnings risk, further the current lockdowns in China are likely to weight on sentiment. We utlised the raised capital to invest in defensive growth names expected to trade well in a more volatile environment.
Northern Star Resources Ltd (NST)	Northern Star released a mixed March quarterly. Pogo, their North American asset reported higher production but with higher costs. The company's Kalgoorlie assets which are low cost, reported production and costs in line with expectations. In addition during the month the company sold two non-core assets namely Paulsens and Western Tanami for $44 million.

Portfolio Activity

BUY	Comment
Aurizon Holdings Ltd (AZJ)	The company operates Australia's largest coal rail network. It connects about 50 coal mines to three of Queensland's major ports. Sanctions placed on Russia following its invasion of Ukraine has disrupted the global supply of coal pushing other nations to turn to Australian coal to fill the gap. The company's recent acquisition of One Rail Australia extends the company's reach, opening up new opportunities in bulk haulage related to green metals.
Stanmore Resources Ltd (SMR)	SMR is acquiring the adjacent metalurgical coal assets from BHP. It is a low risk deal that will increase production capacity from 2.4Mt to 8.27Mtpa forecast in CY22 with room to grow. Additionally, the supply of metallurgical coal is tight and almost no Capex is being spent to expand supply globally. On this basis, SMR is positioned strongly to re-rate.
Navigator Global Investments Ltd (NGI)	We participated in a AUD $47m NGI capital raise at $1.55 per share, so the company could acquire a 16.83% stake in US multi-family real estate developer and operator Marble Capital for US$100m. The transaction is the first deal introduced from Dyal and looks set to add growth and diversificaiton.
SELL	**Comment**
OZ Minerals Ltd (OZL)	We reduced the portfolios holding as a weaker than expected 3Q result increases near term earnings risk, further the current lockdowns in China are likely to weight on sentiment. We utlised the raised capital to invest in defensive growth names expected to trade well in a more volatile environment.
Nick Scali Ltd (NCK)	Nick Scali is remains one of the premier retailers in Australia. However, pressure is continuing to mount on the Australian consumer, with interest rate rises, inflation and a lower savings rate with the return to work.
RPMGlobal Holdings Ltd (RUL)	While we are attracted to the annuity style contracts held by RPMGlobal, the risk of PE contraciton and a low yield saw us reduce the positon over the month.