



Clime Capital Limited

14 June 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 May 2022.

For further information contact:

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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

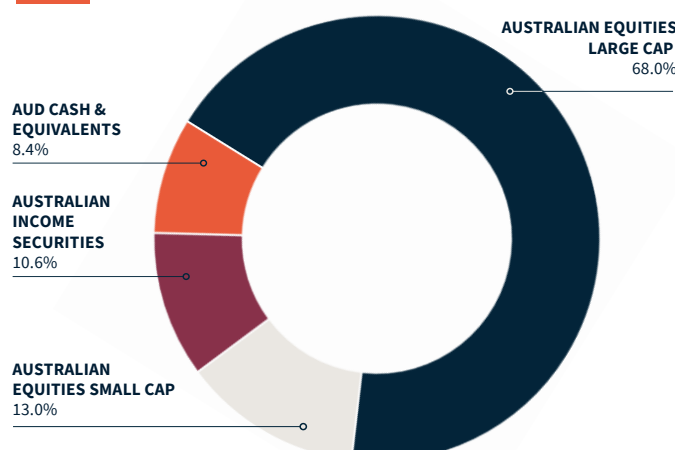
NTA before tax (CUM Dividend)	NTA after tax (CUM Dividend)	Total Portfolio Including Cash	Cash Dividend (1.28 cents * 4 quarters)	Running Yield	Grossed up Running Yield - Pre Tax
\$0.865	\$0.880	\$158.3 m	5.12	6.0%	8.5%
as at 31 May 2022	as at 31 May 2022		fully franked	fully franked	

Portfolio Asset Allocation

Assets	\$M
Australian Equities	128.3
Australian Income Securities	16.8
AUD Cash & Equivalents	13.2
Gross Portfolio Valuation	158.3
Convertible Notes (CAMG)*	-36.5
Net Tangible Assets Before Tax	121.8

Share price as at
10 June 2022: **\$0.860**

Gross Asset Allocation



Top 20 Holdings

(in alphabetical order)

Company	ASX Code
Arcor	AMC
Australia & New Zealand Banking Group	ANZ
APA Group	APA
Aurizon Holdings	AZJ
BHP Group	BHP
Brickworks	BKW
Coles Group	COL
Incitec Pivot	IPL
Jumbo Interactive	JIN
Lycopodium	LYL
Mach7 Technologies	M7T
Mineral Resources	MIN
Macquarie Group	MQG
National Australia Bank	NAB
Navigator Global Investments	NGI
Sonic Healthcare	SHL
Seven Group Holdings	SVW
Westpac Banking Corporation	WBC
Woodside Energy Group	WDS
Worley	WOR

*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	May ^{1, 3}	Apr ²	Mar ²
NTA before tax (CUM Dividend)	\$0.865	\$0.890	\$0.914
NTA after tax (CUM Dividend)	\$0.880	\$0.900	\$0.916

¹ On 19 May 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 April to 30 June 2022, payable on 28 July 2022. NTA before and after tax disclosed above for May 2022 is before the effect of this dividend payment.

² 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 March 2022 was before the effect of this dividend payment, and for April 2022 was after the effect of this dividend payment.

³ In accordance with the on-market buyback scheme, during the month, the Company bought back 225,000 ordinary shares at an average price of \$0.85 per share.

Market Commentary

Global share markets ended May stronger following two months of correction. The ASX200 Accumulation Index fell by -2.6%. In the US, major indexes were largely flat, with the S&P 500 up by 0.2%, and the Dow Jones up by 0.3%. European markets also climbed. So-called "safe haven" assets such as gold were mostly off their highs, but US Treasuries performed strongly in price, whilst yields on benchmark bonds declined.

The pace of global economic growth is slowing. The broad-based tightening in global monetary and financial conditions is acting to slow spending growth, accentuated by the high cost of basic food and energy staples. European geopolitical uncertainty is also weighing heavily on business confidence and investment intentions worldwide.

Central banks have made it clear that they will be raising rates in the most widespread tightening for more than two decades. Monetary policy is responding to inflation reaching multi-decade highs in many countries, fueled by supply chain disruptions during pandemic lockdowns, and soaring energy and food costs since Russia invaded Ukraine in February. Despite some confidence that the worst may be behind us, three issues remain of concern.

1. The risk of the US Federal Reserve (Fed) overtightening. With US inflation running higher than 8% and a policy rate of 1%, the risk looks small at present. However, headline inflation numbers are still heavily affected by post-lockdown supply shocks.

2. Europe faces a larger problem as the central bank is forced into action by high inflation, just as the war in Ukraine and the resultant sanctions aimed at Russia have exposed the continent to further supply shocks. Our view is that Europe is at greater risk of stagflation⁴ than the US.

3. In contrast to the US and Australia where economic indicators are holding up well, China has been on an economic slide since its property clampdown 12 months ago. Unemployment is rising and could reach levels not seen in many years.

Inflation in Australia increased to a headline rate of 2.1% in the March quarter and 5.1% over the year. Fuel and new housing costs accounted for around half of the quarterly increase. We expect reported inflation to peak at around 6%, before retreating to 3.5% next year, and cash rates to reach a terminal rate of around 2%. In this scenario, we would expect mortgage rates to rise by 2%, which will drag down residential property by around 10%. The good news is that Australian export income should continue to be buoyed by sustained commodity prices and agricultural exports. There are solid reasons to expect that Australian corporate earnings will remain relatively robust. Australian earnings are on track for around 20% growth in the current financial year, roughly double the forecast growth in the rest of the world. Resources dominate growth forecasts for FY22 but are conservative for FY23. Consensus forecasts for iron ore for FY23 are around \$US90-95 per tonne so if the price stays above the current level of around \$130 per tonne, further upgrades are assured.

This does not mean there is no earnings risk in the Australian economy. Some slowdown is inevitable, particularly in those sectors most vulnerable to rising interest rates. We anticipate the ASX All Ordinaries Accumulation index to provide a return similar to its long term average of around 8%.

We remain confident that solid investments/businesses that benefit from inflation and moderate economic growth will continue to do well. Similarly, premium real estate will continue to provide attractive returns.

⁴ High inflation, low growth

Portfolio Commentary

Having seen a relief rally post the US Fed's first rate increase in March we now look to whether financial tightening has managed to reduce inflation without sending the US into recession. Early data indicates that inflation may be peaking and if so, we expect the markets to find their bottom and move higher.

We remain focused on the beneficiaries of inflation including key exposures to Resources and Energy as well as to those companies set to benefit from increased sector activity. We expect commodity prices to remain elevated primarily due to ongoing supply tightness, with the result being ongoing inflation.

While we are seeing a resurgence in fossil fuel companies, our view is that the elevated prices will drive a faster rotation to the new energy sources. As such, within the portfolio, we are focused on groups that contribute to the creation of a circular economy, provide necessary raw materials, and companies that will build the decarbonized economy.

Our focus on quality means we look to invest in businesses that maintain returns in the face of higher input costs. Moreover, the de-rate of growth stocks to more sustainable valuations is increasing the universe of opportunities where quality and growth are now trading close to intrinsic value. We are selectively adding to several long-term holdings.

We expect continued volatility, however with tempering inflation and signs that China is set to stimulate its economy, we are increasingly positive on the outlook for the portfolio, holding a suite of companies at attractive valuations set to deliver sustainable growth in earnings as well as dividends.



Portfolio Commentary (continued)

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

Contributors	Comment
Mineral Resources (MIN) 9.1%	Strong lithium prices and tightening price discounts for low grade iron ore has supported stronger price realisation expectations for the diversified miner. MIN achieved its first lithium sale at its Wodgina lithium train during the month. We see further upside to its significant Perth Basin gas discovery.
Amcor (AMC) 9.5%	Following on from a strong April, AMC again outperformed a weak market in May. The catalyst was a better than expected 3Q trading update where the group flagged double-digit revenue allowed the company to upgrade its earnings guidance. AMC continues to play a key role in the delivery of earnings growth and dividends for investors in the strategy.
BHP Group (BHP) 4.2%	The stock gained despite uncertainty around China's ability to support its economy, and hence steel production while maintaining a COVID-zero policy. Additionally, BHP's Western Australia Iron Ore business upgraded its export license to 330mtpa and is targeting a 1% lift in iron ore grade.
Detractors	Comment
Coles Group (COL) -6.30%	COL has not been immune to the inflationary impacts of supply chain disruptions, elevated fuel costs and impacts from the recent floods but has fared better than key competitors including Woolworths. We believe COL remains well placed to recover from the inflationary impacts over the medium to long term by driving operational efficiencies into 2023 and beyond.
Brickworks (BKW) -12.50%	Despite a better than expected February result, elevated energy and input costs weigh on the share price as the market assesses the impact on its housing division. We are factoring in an impact to earnings in our forecasts but see potential sale of undervalued property assets and high cash flow from the NHC shareholding to drive continued earnings.
Incitec Pivot (IPL) -8.80%	Despite a continuing strong growth outlook IPLs share price declined in May as the market took a negative view of the merits of the announced separation of its fertiliser and explosives business. Both businesses have strong outlooks, however, the company's view is great value would be realised if traded separately, offsetting higher net costs. We continue to see IPL as a beneficiary of strong agriculture and commodity markets, the supply chain issues driving these are unlikely to recede.

Portfolio Activity

BUY	Comment
Woodside Energy Group (WDS previously WPL)	WPL merged with BHP Petroleum on 25 May. The now top 10 world oil and gas producer has been renamed Woodside Energy Group Limited (WDS). The enlarged group has many more options and a stronger balance sheet to pursue growth at a time when oil and gas prices are expected to be higher for longer due to the Ukraine/Russia conflict.
SELL	Comment
Electro Optic Systems (EOS)	We took advantage of share price strength over the last quarter to exit EOS. In March management announced that EOS would be undertaking a strategic review in an effort to extract asset value, resulting in strong performance. The binary nature of the outcome remains high risk and we exit the position to enhance the stability and yield of the portfolio.
RPMGlobal (RUL)	RPM Global has been a strong performer, increasing significantly since acquisition. With the company trading close to our revised target price and a re-focusing of the portfolio on growing income generators, we exit the stock to reinvest in a number of high conviction ideas.
Hansen Technologies (HSN)	HSN has been a consistent performer, with the company continuing to successfully execute on its acquisition strategy whilst winning substantial contracts from new customers. We continue to have conviction in the company's strategy. However, the opportunity to invest in equities more aligned with the portfolios yield objectives was taken, with capital utilised from the HSN position.