Clime Capital Limited

14 December 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 30 November 2022.

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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
- Dividend Reinvestment Plan is on offer at a 1% discount to market
- 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

The risks associated with investing in CAM 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 (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
$0.885 as at 30 November 2022	$0.885 as at 30 November 2022	$124.5m	5.12 cents fully franked	6.1% fully franked	8.7%

Top 20 Holdings
(in alphabetical order)

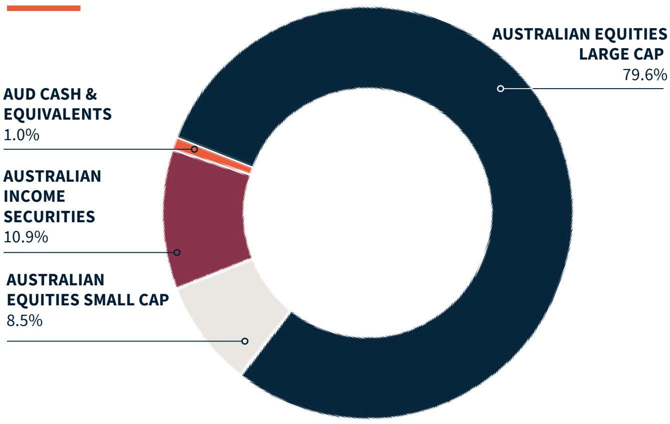
Company	ASX Code
Australia & New Zealand Banking Group	ANZ
APA Group	APA
Aurizon Holdings	AZJ
BHP Billiton	BHP
Coles Group	COL
Computershare	CPU
CSL	CSL
Incitec Pivot	IPL
Lycopodium	LYL
Mach7 Technologies	M7T
Mineral Resources	MIN
Macquarie Group	MQG
National Australia Bank	NAB
Northern Star Resources	NST
Sonic Healthcare	SHL
Stanmore Resources	SMR
Telstra Corporation	TLS
Westpac Banking Corporation	WBC
Woodside Energy Group	WDS
Worley	WOR

Portfolio Asset Allocation

Assets	$M
Australian Equities	141.3
Australian Income Securities	17.6
AUD Cash & Equivalents	1.5
Gross Portfolio Valuation	160.4
Convertible Notes (CAMG)*	-35.9
Net Tangible Assets Before Tax	124.5

Share price as at 13 December 2022: $0.84

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	Nov[2]	Oct[1]	Sept[1]
NTA before tax (CUM Dividend)	$0.885	$0.835	$0.790
NTA after tax (CUM Dividend)	$0.885	$0.850	$0.810

[1] On 22 August 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 July to 30 September 2022, and was paid on 27 October 2022. NTA before and after tax disclosed above for September 2022 was before the effect of this dividend payment and for October 2022 was after the effect of this dividend payment.

[2] On 17 November 2022, the Board declared a fully franked dividend of 1.30 cents per share in respect of the Company's ordinary shares for the period 1 October to 31 December 2022, payable on 25 January 2023. NTA before and after tax disclosed above for November 2022 was before the effect of this dividend payment.

Market Commentary

Global markets extended the October rally in November with Europe leading global equity indices, paced by the DAX up +8.6% and Euro Stoxx +9.6%. Australian equity investors also benefited with the ASX200 increasing 6.1% leading the S&P500 which gained +5.4%. These stellar returns were dwarfed by the Hang Seng index which was up +26.6%. Bond prices sold off again with US 10-year yields now at 3.60% after peaking above 4%.

The key drivers of the strong month were further indications that central banks may begin to slow the pace of rate rises along with indications of a shift in China domestic policy, primarily an easing of the COVID-zero policy and property market stimulus. Despite commentary from the US Federal Reserve (Fed) Chair Jerome Powell that the central bank, "still had a way to go", markets took the lead from a weaker than expected inflation print in the US as well as recent lower than expected rate rises in the UK and Australia. In the US, core inflation slowed more than expected with October CPI coming in below expectations at 7.7%, declining from 8.2% in September.

Global markets have been looking for a 'pivot' in central bank policy. In prior periods where a pivot has been characterised by a move to cut rates, however, given investor concerns largely on the Fed's pace of rate rises, todays pivot is marked by a reduction in the expected pace of increases. This easing has seen markets breathe a sigh of relief and with fund manager positioning remaining bearish it did not take much for markets to rally.

Locally, the RBA again delivered a 0.25% rise, however weakening data including:

- Housing finance dropping 8.2% in September
- Domestic CPI decelerated to 6.9% from 7.3% the previous month – in line with the US experience.

Conversely, labour data continues to illustrate strength with wage growth finally accelerating, increasing by 1% in the September quarter with unemployment now at 3.4%.

The outlook for Australia remains robust, which underpins our ongoing confidence that the ASX can continue to deliver returns ahead of its global counterparts. The dual positive news out of China of central government support for the property sector and early indications of an easing in COVID policy should provide further support for Australia's terms of trade as we see commodity prices supported.

This support allowed the Materials sector to lead the ASX higher in November as China exposed iron ore players Rio Tinto (RIO) and BHP Limited (BHP) both increased over 20%. In further support of the resources sector tempering US rate expectations saw the US dollar sell off, with the Australian dollar up 6% versus the worlds reserve currency. This supported gold names with the sector up in line with the broader resource sector. Moreover, lower forecast bond yields saw the REIT and Utility sector continue their march higher.

Looking forward we remain constructive on markets and see tempering interest rate expectations supporting further gains through increased certainty. Factors that would cause us to rethink our positive thesis would be the combination of inflationary risks as China re-opens, and a greater than expected downturn in company earnings. The market price to earnings (PE) did touch a 5-year, two standard deviation low of 13 times and bounced strongly to a current 1-year forward valuation of 15 times earnings.

Given the strong bounce off the lows we are of the view that the "Santa" rally did come a bit early this year, however we are increasingly positive on the number of opportunities emerging for active managers like Clime to drive strong returns over the next 12 months given the reset of valuations over the last year.

Portfolio Commentary

The recent rally has caught a number of market participants off-guard with positioning remaining bearish and sentiment weak. While perhaps prudent given markets are likely to remain volatile. Financial year to date the portfolio has benefited from the strong move higher in markets. The Clime investment team integrates an analysis of top down (macro) drivers with its rigorous focus on quality and value. In the recent period, we are finding opportunities at the intersection of the two disciplines that has enabled the portfolio to navigate the volatility.

November saw a reversal of recent periods with financials and energy giving way to Materials companies exposed to China. Within the portfolio, we have been cautious on the China outlook for growth and more recently reduced our allocation to Mineral Resources (ASX: MIN) and Woodside (ASX: WDS), crystallising strong performance. We are fast approaching a point where the market will begin to focus on the risk of recession rather than central bank hawkishness. We have moved to reposition the portfolio by adding back to real estate investment trusts (beneficiaries of lower yields) as well as rotating into Resources. The sharp move higher in China exposed names did impact performance for the month, with the portfolio delivering strong but below market performance. In the same sector, our overweight in leading gold company, Northern Star supported returns.

Despite carrying low levels of cash, we retain a lower than market beta position. Pleasingly our core principals of investing in high quality companies, at higher than market growth and returns and lower than average valuation holds. These characteristics should continue to deliver value adding returns with the team looking to take advantage of further volatility to invest in companies that are set to strengthen the outlook for portfolio performance.

Portfolio Commentary

Positive Attributors	Portfolio Return	Comment
Northern Star Resources Ltd (NST)	21.3%	NST performed strongly in November largely due to the strong returns seen in gold, as well as other commodities with the USD and long bond yields halting their strong run. Outside of the commodity price, the company delivered a strong quarterly and exploration update which underpins our preference for NST over peers.
Mineral Resources Limited (MIN)	19.5%	MIN continues to deliver stellar returns for investors as its leading position in the production of lithium sees it as our preferred exposure to the commodity. We do however see tailwinds for its mining services and iron ore division with strong signs from China that they are looking to finally ease COVID restrictions, delivering growth.
Aristocrat Leisure Limited (ALL)	-4.8%	ALL reported its FY22 results, revealing a strong set of financials, however missing the strong consensus numbers. Standing out was the continued growth of gaming machines in the US, seeing strong outright unit sales growth and margin expansion. The one light area was digital/mobile gaming, with management flagging active users below forecasts and delays to launching a new digital platform.
Negative Attributors	**Portfolio Return**	**Comment**
Fortescue Metals Group Limited (FMG)	31.8%	Fortescue surged in November as announced property sector stimulus and early signs of COVID restriction easing in China saw its key commodity Iron Ore move of its $80 lows. While we do not own FMG, the portfolio benefited from our exposure to BHP and MIN that have large mines in the Pilbara.
IPH Ltd (IPH)	-8.4%	IPH held its AGM during November, providing a 4 month trading update. The release detailed a moderating of growth in Australian industry filings after cycling a strong FY21 and continued strength in its Asian business. In our opinion, the prior period has caused some short term noise in the interpretation of total industry filings, which are expected to revert to its historical growth levels. Whilst the Smart & Biggar acquisition only completed a month prior, it was pleasing to see management reaffirm its 10% EPS accretion in its first year of ownership.
Lycopodium Ltd (LYL)	-3.8%	LYL announced $167.7m worth of deals this financial year, including two additional deals in November and another in early December. LYL trading volume is quite illiquid, and the current share price performance does not reflect the consistent positive news flow. The business offers good exposure to a strong mining sector, and as a low-capital intensive business can respond quickly to changes in the mining cycle.

Portfolio Activity

BUY	Comment
BHP Group Limited (BHP)	During November we turned more positive on global mining names exposed to China growth after a period of caution towards the pace at which China will open up. BHP remains our preferred resource name among the diversified miners due to its exposure to iron ore and its Tier 1 global copper assets. We will continue to invest in the structural growth that will emerge from the demand for a low carbon economy.
SELL	**Comment**
N/A	