



Clime Capital Limited

13 January 2023

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 December 2022.

For further information contact:

John Abernethy

Chairman
Clime Capital Limited

Phone : 1300 788 568

Email : info@clime.com.au

Clime Capital Limited

Level 12, 20 Hunter Street Sydney, NSW 2000, Australia | PO Box H90, Royal Exchange, NSW 1225
ABN 99 106 282 777 P 1300 788 568 W www.clime.com.au T @climeinvest



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
- 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

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



Will Riggall
Chief Investment Officer

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.



Ronni Chalmers
Portfolio Manager
All Cap Australian Equities

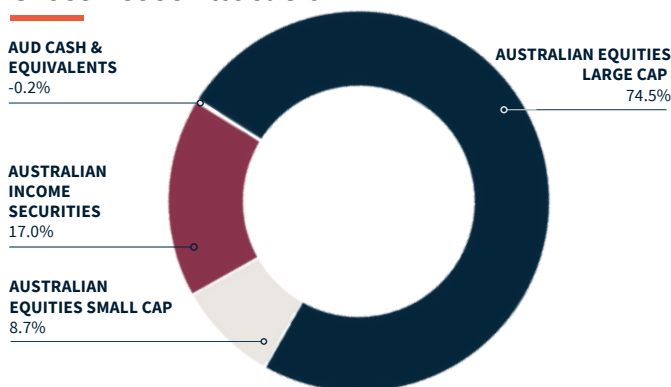
NTA before tax (CUM Dividend)	NTA after tax (CUM Dividend)	Total Portfolio Including Cash	Cash Dividend**	Running Yield	Grossed up Running Yield - Pre Tax
\$0.860	\$0.870	\$120m	5.14 cents	6.0%	8.5%
as at 31st December 2022	as at 31st December 2022		fully franked	fully franked	

Portfolio Asset Allocation

Assets	\$M
Australian Equities	130.3
Australian Income Securities	26.7
AUD Cash & Equivalents	(0.4)
Gross Portfolio Valuation	156.6
Convertible Notes (CAMG)*	(35.9)
Net Tangible Assets Before Tax	120.7

Share price as at
13 January 2023: **\$0.845**

Gross Asset Allocation



Performance

	1 month	3 months	6 months	1 year	2 years p.a.	5 years p.a.	10 years p.a.	ITD p.a.
Gross Return	-2.7%	11.5%	17.6%	1.2%	10.3%	7.2%	6.87%	11.0%
Benchmark Return	-3.3%	8.8%	9.6%	-3.0%	6.9%	7.2%	8.8%	10.3%
Active Return (Gross)	0.6%	2.7%	7.9%	4.1%	3.4%	0.0%	-1.9%	0.7%

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

** Cash dividend includes: March-22: 1.28 cents; June-22: 1.28 cents; Sept-22: 1.28 cents; Dec-22: 1.30 cents.

Top 20 Holdings

(in alphabetical order)

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



Net Tangible Assets (NTA)

2022	Dec ²	Nov ²	Oct ¹
NTA before tax (CUM Dividend)	\$0.860	\$0.885	\$0.835
NTA after tax (CUM Dividend)	\$0.870	\$0.885	\$0.850

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 October 2022 is 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 and December 2022 is before the effect of this dividend payment.

Market Commentary

Global share markets ended December lower, capping off a difficult 2022. The MSCI World Index was up 4.1% for the quarter ending 31 December 2022 but was down approximately -12.2% for the year, the worst annual performance since 2008. The ASX 200 Accumulation Index fell by -3.2% in the month of December, gained 9.4% in the quarter, and ended the year with a loss of -1.1%, solid outcome for domestic investors.

With greater certainty that central banks are committed to confronting inflation, interest rates rose across the term structure. Global bonds endured a wave of selling, and US Treasuries fell sharply in price, with yields on benchmark 10-year Treasuries rising from about 1.5% a year ago to end 2022 at around 3.9%. Australian 10-year bond yields rose from around 2% to 4%. After trading in a wide range over 2022, from a high of USD0.76 to a low of USD0.62, the Australian dollar ended the year at USD0.68.

The intensity of the year's market swings highlights the scale of change faced by global investors, who had grown accustomed to ultra-low interest rates for far too long. Higher interest rates reduce the appeal of holding assets such as shares, property, and riskier debt because investors are able to earn better returns in cash or "safe" assets such as government bonds. Since higher rates make borrowing more expensive, they also tend to place pressure on the broader economy by tightening financial conditions for individuals, companies, and businesses.

The pace of global economic growth is slowing, although regional differences are apparent. While sectors such as tourism and travel are enjoying a rebound following pandemic lockdowns, other sectors are struggling to cope with rising interest rates, such as the housing market.

Australia's prospects

We do not expect rate rises in Australia to unduly stifle growth, and therefore do not anticipate a domestic recession. We think that inflation has peaked, and that it will retreat to more moderate levels over 2023, and that cash rates will reach a "terminal rate" of around 4.0% to 5.0%. Mortgage rates will rise, which will drag down residential property, but 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 and outperform the rest of the world. The return of tourists and students, boosted by a still low AUD (Australian Dollars), will provide welcome growth. Australian earnings are on track for moderate growth in the current financial year, higher than forecasts for the rest of the world, because of high commodity prices.

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 (such as discretionary consumption and housing). However, the impact on overall earnings should be mitigated by positive factors noted above.

2023 Outlook

Globally, we expect annual average GDP growth to slow to around 2.0% in 2023, reflecting drags from tighter financial conditions, the energy crisis in Europe, and the property and COVID-related downturn in China and elsewhere. We think the peak in global inflation is behind us, and that the combination of a moderation in demand growth, improvements in goods supply, and tighter monetary policy will be sufficient to bring inflation back toward central banks' targets over the next two years.

In the US, we expect GDP growth to slow to around 1.5% in 2023, reflecting higher interest rates. We see risk of a mild recession over the next year due to continued labour market rebalancing and monetary policy tightening. We expect inflation to decline significantly to around 3.0% by end-2023, reflecting:

- an easing in supply chain constraints;
- a peak in rental inflation;
- slower wage growth and;
- an increase in the unemployment rate.

We expect the US Federal Reserve (Fed) to deliver 0.25% rate hikes in February and March, for a terminal rate of around 5.0%, before pausing to wait and watch for the impact on the data as it feeds through the system.

In the Euro area, we expect a recession driven by continued significant oil and gas supply disruptions because of the war in Ukraine and slowing growth momentum. We expect headline inflation to fall to around 4.0% in December 2023. The European Central Bank is likely to lift rates further in February and March, to reach a terminal rate of around 3.0% or 3.25%.

In China, we expect full-year real GDP growth of between 2.5% and 3.0% in 2022 before accelerating to a sharp recovery of around 5.0% in 2023. Driven by China's rapid reopening and heavily weighted towards the second half of the year.

All forecasts are inherently problematic as we do not really know what the future holds. However deeply we study the data and workshop the various scenarios. With that said, we can confidently say that market valuations are far more attractive than they were a year ago, and that the prevailing lack of confidence amongst investors is often a good sign that markets are in a bottoming process.

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

Portfolio Commentary

Looking back on the 2022 year, it was one of meaningful change as interest rates finally lifted, reversing a 30-year trend. The resulting impact on markets was seismic with fundamental changes in sector performance and valuations.

Breaking down the market drivers for the calendar year the sectors that once drove the market namely technology (-33.7%), healthcare (-7.2%) and retail (-20.8%) performed poorly while cashflow and earnings sustainability, often referred to "value" and "quality" drove the market. In 2022 it was important to be different to the market, with Banks (+5.6%), Energy (+48.5%) and Materials (+13.5%) the sectors to invest in. Fertile ground for active investment.

Looking back across the December quarter, performance was largely driven by strong stock selection. The investment team sought to minimise portfolio volatility in increasingly uncertain markets by focusing on companies with strong business models and structural themes.



Portfolio Commentary

The portfolio's exposure to Materials and Energy lifted returns, key stock drivers were Northern Star (+39.3%), Mineral Resources (+17.41%) Worley (+17.83%) and Woodside (+11.94%).

Our cash holding, while detracting from performance, was not excessive. We use the cash holding to allow us to react quickly to market opportunities. In addition, with rates again moving higher in December our holding in James Hardie (-14.4%) detracted. With rates nearing an inflexion point we are reviewing our exposure to key rate sensitive sectors.

In response to the ever-changing investment environment, we took the opportunity to position the portfolio during the quarter to take advantage of mispricing and changes in macro and policy. Post an extended period of being underweight resources we added to our exposure to allow the portfolio to benefit from the reopening of China. Moreover, with rates nearing a peak we added to REITS funded through profit taking in names which have performed strongly including Mineral Resources.

The portfolio now is more exposed to global growth as China opens post its COVID lockdown and should continue to deliver robust performance in an environment of slowing inflation. Key risks to continued performance would be a sharp return to inflation exacerbated by China policy changes and a sharper than expected recession in the US. At this point there is limited evidence of either of these events in key indicators and company commentary.

Positive Attributors	Portfolio Return	Comment
Northern Star Resources Ltd (NST)	39.3%	NST continues to grow its output across four high quality gold operations in Australia and Canada. Yandal is expected to grow from 450k oz pa to 600k oz pa by 2024 and Pogo from 220k oz pa to 300k oz pa also in 2024. NST is a low cost gold producer with costs of circa \$US1100 per oz and is a clear beneficiary of the currently rising gold price. The company is fully funded for its future growth projects and has excess cash on its balance sheet. Remain overweight.
Stanmore Resources Ltd (SMR)	36.6%	SMR saw its share price rally off the back of continuing strength in the key steel-making commodity. Recent reports that China may be looking to end its unofficial ban on Australian coal and details of potential stimulus spending were some of the key catalysts for the move. We see further upside given SMR's significant forecast cashflows and undemanding multiple.
Worley Ltd (WOR)	17.8%	WOR delivered strong performance in the quarter as weaker energy prices offset strong commodity prices with indications growth is set to accelerate. During the AGM in late October 2022, the company indicated 80% of their customers (by revenue) globally are committed to decarbonisation, a key growth pillar for WOR. The company is well positioned to meet the opportunities and challenges of the current market. The geopolitical environment is elevating the need for energy independence and security of supply. In our view, the only main concern for WOR is its management of inflationary impacts which the company appears to be handling well currently.
Negative Attributors	Portfolio Return	Comment
IPH Limited (IPH)	-8.0%	IPH undertook a transformative acquisition during the quarter, buying the largest IP firm in Canada, Smart & Biggar, beginning its expansion into the region - a strategically sound move in our eyes. The Australian IP filing volumes saw volatility year on year, however IPH maintained its leading market share. The strengthening AUD also was a headwind for the company during the quarter.
Straker Translations Ltd (STG)	-13.4%	STG saw its share price pull back during the quarter, reflecting general weakness in the small tech space. After recent communication with the company's management, we remain positive on the business' current trajectory. On its current revenue and costs path, the operating business should be on the cusp of a significant cashflow inflection. The certainty of a strong balance sheet giving us some near/mid term comfort.
Sonic Healthcare Limited (SHL)	-2.0%	SHL weakened over the quarter with a higher USD and a weaker than expected AGM update causing the stock the tread water. We remain attracted to the recovery in the core Pathology business which was up a solid 7% over the first 4 months of the year. However, COVID testing revenues are abating faster than expected. We believe the market will begin to focus on the strong core growth with earnings likely to be increased through M&A activity given the company's strong cash position.



Portfolio Activity

BUY	Comment
ANZ Group (ANZ)	Given positive market share gains with the rollout and integration of ANZ's digital platform ANZPlus across its retail banking segment along with the recent announcement of the creation of a non operating holding company to drive unconstrained technological advancements throughout the bank, we added to our position.
CSL (CSL)	CSL holds an unparalleled position in the collection, manufacture and sale of plasma derived therapies. CSL's strong competitive advantage, enables the investment of capital to drive sustainable returns. The recent FY22 result showed an improving outlook for the company with opening economies driving increased plasma collections and higher earnings growth. Moreover, the stock has de-rated from over 40x PE to a more reasonable 30x with potential catalysts evident from its R&D pipeline in the near term.
SELL	Comment
Westpac Banking Corporation (WBC)	We decided to sell WBC on the back of disappointing recent full year results with retail loan growth subdued at 0.5x system and net interest margin (NIM) improvement largely on the back of operational expense reductions related to reduced depreciation and amortisation of its non core banking segment write offs and sales. Return on equity was 7.5% for FY22 down from 7.6% in FY21. We see stronger risk/reward in peer banks NAB and ANZ.