



Clime Capital Limited

14 February 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 January 2023.

For further information contact:

John Abernethy

Chairman  
Clime Capital Limited

Phone : 1300 788 568

Email : [info@clime.com.au](mailto: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](http://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.



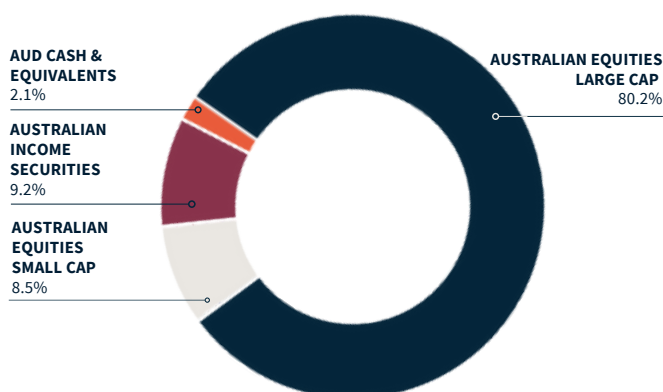
**Ronni Chalmers**  
Portfolio Manager  
All Cap Australian Equities

NTA before tax	NTA after tax	Total Portfolio Including Cash	Cash Dividend**	Running Yield	Grossed up Running Yield - Pre Tax
\$0.895	\$0.895	\$125.7m	5.14 cents	6.1%	8.7%
as at 31 January 2023	as at 31 January 2023		fully franked	fully franked	

## Portfolio Asset Allocation

Assets	\$M
Australian Equities	143.3
Australian Income Securities	14.8
AUD Cash & Equivalents	3.49
Gross Portfolio Valuation	161.6
Convertible Notes (CAMG)*	(35.9)
Net Tangible Assets Before Tax	125.7

## 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.
<b>Gross Return</b>	5.6%	9.2%	15.5%	15.5%	12.4%	8.2%	7.0%	11.3%
<b>Benchmark Return</b>	6.4%	9.6%	9.7%	10.5%	10.1%	8.6%	8.9%	10.7%
<b>Active Return (Gross)</b>	-0.8%	-0.4%	5.8%	5.0%	2.3%	-0.4%	-1.9%	0.6%

\*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
Australia & New Zealand Banking Group	ANZ
APA Group	APA
Aurizon Holdings	AZJ
BHP Group	BHP
Brickworks	BKW
Coles Group	COL
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 Group	TLS
Westpac Banking Corporation	WBC
Woodside Energy Group	WDS
Worley	WOR



## Net Tangible Assets (NTA)

2022/2023	Jan <sup>1</sup>	Dec <sup>1</sup>	Nov <sup>1</sup>
NTA before tax	\$0.895	\$0.860	\$0.885
NTA after tax	\$0.895	\$0.870	\$0.885

<sup>1</sup> 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, and was paid 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 and for January 2023 is after the effect of this dividend payment.

## Market Commentary

Global share markets ended January substantially higher, continuing a broad recovery that commenced in the last quarter of 2022. Global bonds likewise had a strong month, with bond traders forecasting that central banks are getting close to the end of their rate rising cycle.

In a positive report issued at the end of January, the IMF raised its growth outlook for the first time in a year, saying it sees a "turning point" for the global economy. It expects global growth to slow from 3.4% in 2022 to 2.9% in 2023, and then rebound to 3.1% in 2024. The risk of a global recession remains, as well as one in the US, but it is diminishing, thanks to resilient US consumer spending and China's reopening. This is a major turnaround from last year when the IMF cut its 2023 outlook three times.

Economic growth data has proved surprisingly resilient in the last month, with strong labour markets, robust household consumption and business investment, and a better-than-expected response to the energy crisis in Europe. Inflation showed improvement, with overall measures now decreasing in most countries. Even if core inflation in some regions has yet to peak.

Elsewhere, China's re-opening paves the way for a rapid rebound in activity. This has helped spur commodity prices. Global financial conditions have improved as inflation pressures started to abate. And a weakening of the US dollar from its November high provided welcome relief to developing countries.

### Australia's prospects

Australia's economic prospects remain good. We do not expect rate rises in Australia to unduly stifle growth, and therefore do not anticipate a domestic recession. We think that inflationary pressures will soon start to abate, and retreat to more moderate levels over 2023, allowing the RBA to end its rate rises within the next few months.

Mortgage rates will rise further, 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.

Key themes to watch in the FY23 earnings reporting season unfolding now include:

- changing trends in consumer demand and consumer confidence levels
- the impact of the currency
- positioning in resources
- cost inflation
- shortages in labour and supply line issues
- balance sheet strength.

Company outlook statements and dividend payout ratios are sure to be closely scrutinised. Quality of earnings, revenue growth, margins, and so on will be analysts' focus as the macroeconomic background takes a back seat to company fundamentals.

The resource sector has responded strongly to the China re-opening theme. Discretionary retail earnings are vulnerable to rising rates, with 10% of Australian households potentially affected by the looming "fixed rate mortgage cliff". Healthcare stocks could be an area of disappointment due to the effects of the pandemic (e.g., lower rates of covid testing, and skilled labour shortages).

The broad valuation de-rating in 2022 will give some comfort that valuation metrics are not too far from long-term averages. While the index has surged some 16% since October, the forward PE now sits around 14.8x, not far above its long-term average of 14.5x.

### Outlook

We think the peak in global inflation is behind us, and 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 somewhat in 2023, reflecting higher interest rates. We expect the Federal Reserve 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 have been pleasantly surprised by the resilience of the economy in the face of the energy crisis with recession appearing to have been avoided to date.

In China, we expect a sharp recovery of at least 5.0% in 2023, driven by China's rapid reopening, weighted towards the second half of the year.

Market valuations are far more attractive than they were a year ago. We remain confident that solid well managed and profitable businesses will continue to do well. Similarly, premium real estate continues to provide attractive returns. Investment markets are forward-looking meaning the improving global economic outlook for next year and beyond should provide a tailwind for both equity and property markets.



## Portfolio Commentary

Positive Attributors	Portfolio Return	Comment
<b>Northern Star Resources (NST)</b>	15.0%	Northern Star reported its December quarterly which saw a rise in gold production from the September quarter of 367k oz to 398k oz. What was pleasing was a drop in the cost of mining per oz from \$1,791 in the previous quarter to \$1,750 for the December quarter. We expect the next two quarters to continue to see growing production particularly from Yandal and Pogo. The company has also reiterated its medium term goal of growing its annual production to 2 million oz per annum by FY26. This expansion is fully funded with the company currently debt free and having an undrawn debt facility of \$650million.
<b>Australia and New Zealand Banking Group (ANZ)</b>	6.0%	It was a solid month for the index and banks were no exception. Headwinds for the sector are slowly materialising including a slowdown in loan growth and loan repayments and increasing wholesale funding pressures resulting in stiffer deposit competition amongst the majors. Positively, funding pressures are expected to be minimal, and ANZ has a lower funding requirement relative to its peers given its lower mortgage book size. ANZ remains well capitalised and is set to regain lost momentum in loan and deposit growth assisted by its ANZ Plus retail platform, but operational costs are expected to be 5% higher in FY23 given its Suncorp Bank acquisition aspirations and further technological spend.
Negative Attributors	Portfolio Return	Comment
<b>IPH Ltd (IPH)</b>	-2.6%	IPH underperformed the market during the month off the back of a strengthening Australian dollar and rotation to growth stocks. We remain confident in IPH's dominant Australian and Asian businesses and anticipate the recent Canadian Smart & Biggar acquisition to perform in line with expectations.
<b>Straker Translations Ltd (STG)</b>	-16.4%	STG released its quarterly report for the December quarter, showing a slowdown in its European exposed subsidiaries and a delay in one of its IBM projects. Management have indicated that the slowdown was due to the general macro environment in Europe, with no loss of customers but rather a delaying of jobs being responsible for the miss. We remain positive on the medium-long term opportunity to consolidate a large part of the translations market, despite the recent hiccup.
<b>Commonwealth Bank of Australia (CBA)</b>	7.3%	CBA rallied in January reaching an all time high price of \$111.15 on 3/02/23. The bank is now trading at a 9% premium to its 5 year average price to earnings ratio whilst its peers are trading at a discount ranging from 5-18%. CBA's operational performance versus peers has been a standout however having the largest residential mortgage share means it is more exposed to headwinds including price competition and asset quality deterioration given rising cost of living pressures. CBA is committed to lower costs over the long term and has the lowest cost to income ratio amongst its peers. Investment spend has been high over the last few years which has supported volume growth and remains at comfortable levels.

## Portfolio Activity

BUY	Comment
N/A	
SELL	Comment
<b>Computershare (CPU)</b>	We entered CPU as a play on higher interest rates, which occurred at the fastest rate in history throughout 2022. Given the pace in which this occurred, we view that our original investment thesis has changed as future interest rate and inflation expectations look to have peaked earlier than we originally anticipated and therefore, pressuring CPU's future margin income. Our analysis shows CPU's high earnings are sensitive to long duration US Government bonds and thus, we exited the position as we see limited upside, benign future industry growth and assign a higher probability of risk to future earnings downgrades.