Clime Capital Limited

14 April 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 31st March 2023.

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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.

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

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.

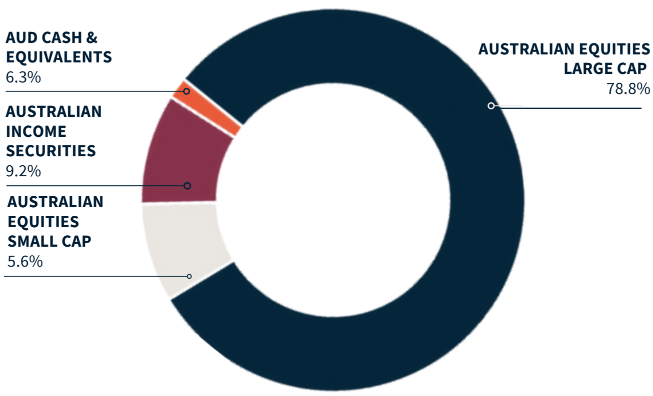
Ronni Chalmers
Portfolio Manager
All Cap Australian Equities

NTA before tax (CUM dividend)	NTA after tax (CUM dividend)	Total Portfolio Including Cash	Cash Dividend**	Running Yield	Grossed up Running Yield - Pre Tax
$0.875 as at 31 March 2023	$0.865 as at 31 March 2023	$122.7m	5.18 cents fully franked	6.2% fully franked	8.9%

Portfolio Asset Allocation

Assets	$M
Australian Equities	133.9
Australian Income Securities	14.6
AUD Cash & Equivalents	10.0
Gross Portfolio Valuation	158.5
Convertible Notes (CAMG)*	-35.8
Net Tangible Assets Before Tax	122.7

Gross Asset Allocation



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
GPT Group Property Trust	GPT
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
Telstra Group	TLS
Westpac Banking Corporation	WBC
Woodside Energy Group	WDS
Worley	WOR

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	-1.5%	0.8%	12.4%	2.6%	7.6%	7.7%	6.2%	10.8%
Benchmark Return	-0.2%	3.6%	12.7%	-1.1%	6.9%	8.8%	8.3%	10.4%
Active Return (Gross)	-1.3%	-2.8%	-0.3%	3.6%	0.7%	-1.1%	-2.1%	0.4%

**CAMG are unsecured, convertible notes in CAM which, if redeemed, would need to be paid out at face value of $1.*
*** Cash dividend includes: Sep-23: 1.28 cents; Jun-23: 1.28 cents; Dec-22: 1.30 cents; March-23: 1.32 cents.*

Net Tangible Assets (NTA)

2023	Mar[1]	Feb[1]	Jan[2]
NTA before tax (CUM dividend)	$0.875	$0.865	$0.895
NTA after tax (CUM dividend)	$0.865	$0.870	$0.895

1 On 23 February 2023, the Board declared a fully franked dividend of 1.32 cents per share in respect of the Company's ordinary shares for the period 1 January 2023 to 31 March 2023, payable on 28 April 2023. NTA before and after tax disclosed above for February 2023 and March 2023 is before 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, and was paid on 25 January 2023. NTA before and after tax disclosed above for January 2023 is after the effect of this dividend payment.

Market Commentary

Global markets ended March mixed following a volatile month disturbed by concerns about financial stability and the banking sector. The ASX 200 Accumulation Index fell by -1.11% in March. In the US, major indexes were higher, with the S&P 500 up by 3.51%, the Dow Jones up by 1.89%, and the tech-heavy Nasdaq strongly higher, up 9.46%. European markets were little changed. Germany's DAX was up 1.72%, the French CAC was up 0.83%, but the British FTSE was down -3.10%.

Global bonds were strong performers over the month, with yields falling sharply and prices rising. This reflected the view that central banks might pause further interest rate increases in order to help stabilise the banking sector, amidst the failures of Silicon Valley Bank in the US and Credit Suisse in Switzerland.

US Treasuries rallied in price, with yields on benchmark 10-year Treasuries falling to close March around 3.48%. Australian 10-year bond prices likewise rallied, and yields fell from 3.83% to end the month at 3.24%. Global bond markets completed their best back-to-back quarterly gain in seven years. Bloomberg's gauge of global fixed-income assets generated a 7.7% return since 30 September 2022, although markets were highly volatile at times. Indeed, there is still nervousness with investors hoping that policymakers are about to pivot toward pausing rate rises, or even signalling rate cuts, despite inflation pressures. OPEC+'s decision to cut oil production by 1 million barrels a day is likely to underscore such concerns.

The Australian dollar traded in a wide range and ended March weaker, falling from USD 0.6759 to USD 0.6688. Gold was stronger in the month, starting to perform its traditional "safe haven" role. Crude oil (WTI) was volatile across the month but ended March only about USD3 off at USD75 per barrel.

Stocks ended the March quarter on a positive note following a stormy three months in which markets were battered by strains in the banking system. Investors are recalibrating after a tumultuous few weeks in mid-March, during which global markets confronted the sudden collapse of several regional US and a major Swiss bank. The US Federal Reserve (Fed) and the Swiss National Bank (SNB) quickly stepped up; the Fed signalled that it could pause interest-rate increases if required to ensure financial stability, and the SNB arranged for Credit Suisse to be taken over by UBS.

The Fed indicated that the banking turmoil was causing a pullback in credit growth, effectively functioning similarly to a rate increase. By month end, bank stocks staged a partial recovery, helped by regulators stepping in with emergency measures to protect depositors and offer banks additional liquidity. Fortunately, Australia's banking sector is well regulated and supervised; the four major banks are unquestionably strong and well capitalised and were left relatively unscathed by the global banking ructions.

Australian economic data

Inflation in Australia fell to 6.8% in February, providing further evidence that price pressures have peaked and setting the scene for the Reserve Bank of Australia's (RBA) board meeting. This is reflected in the RBA pause announced post the April meeting on Tuesday 4 April 2023. Leading up to the April meeting, economists and markets were uncertain over the likelihood of an 11th straight interest rate rise, or whether the RBA would choose to pause and observe the forthcoming data over the next month. Given the RBA pause, the official interest rate of 3.6% remains, this is well below comparable central banks in the US (5%), New Zealand (4.75%), Canada (4.5%) and England (4.25%).

Data released early in March showed the unemployment rate fell back to a near 50-year low of 3.5%, while surveyed business conditions remained close to historic highs. Retail sales increased 0.2% in February, but spending was unchanged from five months ago in a sign that households are easing up on discretionary spending.

The RBA expects the economy to slow further as higher interest rates take their toll on household budgets. Annual GDP growth, currently running at 2.7%, is tipped to fall to 1.6% by the end of the year according to the central bank's latest forecasts.

The US

The yield on 10-year US Treasury notes, seen as a proxy for borrowing costs worldwide, eased as investors digested the latest economic data for hints that the Fed may have completed its tightening policy. Instability in the US financial sector likewise drove investors to pile into the safety of government debt.

The Core Personal Consumption Expenditures Index (Core PCE), the Fed's preferred gauge to measure inflation in the US economy, rose by a lower than expected 0.3% in February, easing pressure on the central bank to increase borrowing costs. The Core PCE rose 5.0% on an annual basis, down from 5.3% percent in January, and the lowest reading for the measure since September 2021.

The data provides the latest evidence that inflation has turned a corner and is decelerating, though the process is gradual and bumpy. Of course, the Core PCE report is one of many reports that Fed officials will take into account as they approach their next interest rate decision on 3 May.

China

After surprising to the upside of consensus forecasts in February, the Chinese NBS Purchasing Manufacturing Index (PMI) beat market expectations again in March. Both the services PMI and the construction PMI reached their highest levels since the series started in 2012. The NBS highlighted that retail sales, transportation, and leasing and commercial services PMIs were above 60 in March. This confirms that services sectors that were most impacted under the zero-Covid policy last year are recovering the fastest this year after reopening. Government-led infrastructure building remains robust and suggests policymakers are unlikely to withdraw support in the near term.

Portfolio Commentary

The portfolio returned -1.5% for the month of March, underperforming its benchmark which returned -0.2%. The key drivers of portfolio performance and major portfolio changes are outlined in the tables below.

Positive Attributors	Portfolio Return	Comment
Northern Star Resources Ltd (NST)	18.7%	NST rose 18.7% in the month benefitting from the 9.3% rise in the gold price. The company, which is rated Investment Grade by external credit rating agencies, issued USD600 million of long maturity debt securities at a very favourable interest rate of 6.1%. This capital raising could be a sign that the company will go ahead with the expansion of the operations at KCMG in West Australia. The company announced that their operations at Pogo in Alaska will be suspended which will cost them 30,000 ounces of gold production in FY23. This represents only 2% of the annual production and at this stage their FY24 forecasts remain unchanged.
Sonic Healthcare Limited (SHL)	9.5%	SHL's 1H23 result, released in February, was below our top of the market expectations but exceeded consensus forecasts. Management revealed base business activity has continued to grow strongly with January 2023 revenues increasing 14% year on year and being 10% higher than pre-COVID levels. While SHL's stock price enjoyed a strong bounce, we continue to believe it is undervalued.
BHP Group Ltd (BHP)	7.5%	BHP's share price strength continued in March following the strong quarterly published in February which included strong growth in output from iron ore, coal and copper. We continue to see a positive long term supply demand outlook for copper which is supportive of the Oz Minerals (ASX: OZL) acquisition.

Negative Attributors	Portfolio Return	Comment
National Australia Bank Limited (NAB)	-7.6%	Banks were heavily impacted by the US banking failures as well as the Credit Suisse takeover by UBS. Positively, Australian banks are well insulated from a liquidity and capital perspective but are incurring well known pressures affecting funding, competitive asset and liability growth pressures. All banks are in a similar position with the majors winning the largest share in refinancings. Positively, NAB being more heavily skewed to the higher margin business loan segment, is not chasing retail loans as hard as its competitors, maintaining margins. Although the competitive pressures in business banking have grown materially as competitors attempt to close the gap. The NAB share price was 7.6% lower for March compared to -3.2% for the Bank subsector.
Incitec Pivot Limited (IPL)	-9.0%	IPL continues to decline amid a relatively strong market as its key product ammonia declined. Ammonia demand has remained depressed after the warmer than expected European winter. We expect commodity prices to stabilise and the strong farming demand environment to drive strong growth going forward.
ANZ Group Holdings Limited (ANZ)	-7.0%	Banks were heavily impacted by the US regional banking failures as well as the Credit Suisse takeover by UBS. Positively, Australian banks are well insulated from a liquidity and capital perspective but are incurring well known pressures affecting funding, competitive asset and liability growth pressures which are crimping net interest margins. Refinancing activity is up 65% which now accounts for more than 50% of flows as customers transition from fixed to variable loans or attempt to find a better deal. All banks are in a similar position with the majors winning the largest share in refinancings. Positively for ANZ, it is gaining market share in loans and deposits, it has the lowest funding requirement out of the big four and has the best online deposit rate under its ANZPlus banner. ANZ's share price was 7% lower in the month below the Banks subsector performance of -3.2%.

Portfolio Activity

BUY	Comment
Mineral Resources Limited (MIN)	During the month, Mineral Resources completed their $420m takeover of Norwest Energy which has a substantial energy portfolio in the North Perth Basin. However, both lithium and spodumene prices continued to trend down in the 2023 on the back of weaker (short term) Electric Vehicles (EV) sales but we remain convinced of the positive long term take up by the consumer of this product. It is expected that European and Chinese penetration of EV sales by 2028 will be 70%. On the back of that expectation, 2025 forecasts for these two commodities have actually risen by 20% this year. We remain positive on the long term outlook for Mineral Resources.

SELL	Comment
Lycopodium Limited (LYL)	Following a rally in the share price on the back of a set of solid 1H23 results, we took the opportunity to exit our LYL position in March. Although we like the story and the outlook, the decision was made as part of a wider tactical asset allocation approach whereby we have reweighted small cap exposure in favour of more formidable mid and large cap companies.
New Hope Corporation Limited (NHC)	NHC released a strong 1H result during the month. Revenue rose 54% to $1.58 billion, cashflow from operations rose 117% to $983 million and net profit after tax rose was $669 million up 103%. NHC finished the half year with over $1 billion of cash. The dividend of 40 cents per share slightly disappointed the market. Mine costs at Bengalla rose 34% while at Acland they rose 65% but these operations still represent low cost mines compared to its industry peers. During the period the company continued to buy back shares and convertible notes to the value of $105 million. Coal prices rose sharply over the half year although we do note they have fallen somewhat in the last two months. The company flagged a potential acquisition in the near term but we also note that they have considerable organic growth through New Acland Stage 3, higher volumes at Bengalla and first volumes at Malabar later this year. We took some profit in the month and reduced our position.