



Clime Capital Limited

24 November 2023

ASX: CAM

**Chairman's Address
2023 Annual General Meeting**

The accounts and financial report of Clime Capital Limited (CAM or the Company) for Financial Year 2023 have been distributed to shareholders before this meeting.

The announcements in relation to annual results, the quarterly dividends and the NTA updates have been previously made on the ASX.

Therefore, in this Chairman's address, I plan to briefly comment on the following:

1. An update on portfolio performance in the year to date;
2. Some background on the Company's profit reserves and franking account; and
3. Declaration of quarter dividend.

Portfolio Performance FY23

Regarding the portfolio, I can inform shareholders that as of 23 November 2023, the pre-tax portfolio size of CAM is approximately \$152 million.

The gross portfolio has moved from about \$155 million as of 30 June with the company undertaking the following:

1. A SPP that raised approximately \$4.5 million;
2. Payments of dividends of \$3.84 million;
3. Payments of note interest of \$0.47 million;
4. Payment of tax of \$2.4 million
5. Share and note buybacks of \$ 0.60 million.

Following a volatile period in the Australian equity market during the June half, markets have continued with the same lack of trend over the last four months. The Australian index is mildly down since 30 June but more significantly down since the end of July.

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However, recent economic data and inflation readings from the US suggest that equity markets should gather support into 2024. Mild and declining inflation readings suggest that current interest rate settings in the US are too high. Meanwhile the US economy shows resilience, and these observations support the recent recovery in the US equity market that has followed a sharp correction of October.

The investment manager believes that the Australian economy and inflation will exhibit similar trends to the US but with a 6-month delay. Therefore, interest rates will not rise to current US levels, nor will they lift much further in the face of lower inflation readings in 2024.

This suggests a solid outlook for the Australian equity market that will be strongly supported by economic growth emanating from robust population growth (particularly boosted by immigration), strong tourism, growing student visas and a recovery in wages.

This outlook supported the directors view that September presented a good time to offer shareholders the opportunity to invest further capital to support CAM access market opportunities in at an attractively priced level in the market.

CAM retained earnings and franking

As at 31 October, your Company has over \$39 million in profit reserves, representing over 5 years of dividend capacity at current rates of dividend payment. Of course, the Company can add to the profit reserves each year when it trades profitably and therefore, the Board regards the level of profit reserves as very comfortable.

The Company's franking account as 23 November was \$2.06 million. The franking account is expected to be bolstered by dividend receipts in the March quarter 2024.

December Quarter dividend declaration

Following the company's announcement on 3 November 2023, the Board is pleased to declare a December quarter dividend of 1.35 cents per share fully franked. The record date is 4 January 2024 and the dividend is payable in late January 2024.

Marketing, NTA information and Year to date performance

I trust that shareholders continue to monitor the Company's performance through our monthly Net Tangible Assets (NTA) announcements.

Further, the Investment Manager produces a weekly pre-tax NTA estimate on the ASX and distributes this information to shareholders and investors.

The CAM monthly ASX NTA announcement includes the top twenty holdings.

All these initiatives have been undertaken to ensure that CAM shares and convertible notes trade in a market that has an abundance of up-to-date information. In particular, the Board is pleased to see that the CAM share price trades close to its NTA.

The CAM investment proposition

In the coming weeks Clime will distribute our end of year “Letter to Investors”. This letter outlines our view of investment markets in 2024 and provides more background regarding our positive outlook for investment markets in 2024.

In essence we at Clime are strongly of the view that investors will benefit from the elevated levels of income available from debt, hybrid, property and equity markets. This supports the ability of CAM to steadily grow dividends to shareholders in in the medium term.

Following well attended Clime Investor updates in Perth and Brisbane, further meetings are to be held in Sydney and Melbourne in coming weeks. Please watch out for our email notifications regarding these presentations and register as soon as possible to attend.

I would like to reiterate that CAM is purposely managed as an income LIC. Its portfolio design is to create income flows that can be distributed quarterly to shareholders. Whilst total return is important our focus is more towards income generation than chasing growth.

Importantly shareholders on receipt of this income have choices. They can utilize the dividend as a source of pension payments in their SMSF portfolio. They can reinvest the dividend (and utilize the attached franking credit) back into CAM or back into the market to generate compounded returns.

With this understanding I can restate the benefits to CAM shareholders that we have presented in previous years. These benefits are:

1. A dividend payment yield that has been consistently higher than that achieved by the ASX All Ordinaries index;

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2. A dividend franking rate that is consistently higher than the ASX All Ordinaries index; and
3. Total portfolio returns that are consistent with the ASX index without exposing the portfolio fully to market risk.

I believe this analysis is important for shareholders to note, because the outperformance of market dividend yield is as important as the outperformance of the market indices.

CAM's focus has always been on capital maintenance, a steady growth in dividends and the capturing of capital growth without exposing the portfolio to excessive risk.

Before closing, I would like to thank foundation director Julian Gosse who retires today after more than 20 years of serving as a director. Julian has deep investment and corporate industry experience which served the shareholders well over all aspects of the investment cycles that we experienced since your appointment in September 2003.

John Abernethy – Chairman

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Approved for release by the Board of Clime Capital Limited