24 November 2023
ASX: CIW

2023 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS

Welcome to Clime's 2023 Annual General Meeting.

In this address, I will briefly review FY23 and reflect on our business transformation over the last 9 years and particularly on the changes that are occurring now. I will then update you on the year-to-date trading of Clime Investment Management Limited (the Company) and its controlled entities (Clime) this financial year.

I will also update you on our strategic initiatives that will move Clime forward in coming years.

Shareholders have received our audited results for FY23. As stated in our Annual Report the directors regarded the results as unsatisfactory and requiring of a significant review and a reset of our business strategy.

A bit of history to bring us to the present and our plans.

Up till 2014 CIW was essentially a "value based Australian equity investment group". We grew both our FUM, our revenue and our profit from our transparent approach to investing. We actively educated investors and through this engaged with potential clients. CIW was a successful small micro listed company.

Shareholders will recall that inside our business we held a substantial stake in Jasco Holdings Limited which was a successful legacy investment from our period as a development capital company. Jasco was an investment made in 1995 and over 28 years has never failed to pay a quarterly dividend. Up and until 2016 it was a steady generator of income through dividends that helped fund Clime and allowed us (in turn) to pay steady dividends.

In 2016 we distributed Jasco shares via the creation of Clime Private Limited and it continues to pay steady dividends. Indeed, today Clime Private Limited will announce at its AGM a record final dividend to its shareholders of 0.4 cents for FY23. Many CIW shareholders still retain their Clime Private Limited shares.

In 2018 Clime embarked on its strategy to offer both a diversified product range and investment solutions to its client base. By moving across asset classes (for instance income, property and international) Clime was naturally required to introduce advice into its services so that clients understood both multi asset risk and asset allocation to achieve their investment goals. Therefore, Clime Private Wealth was formed.

Since 2016 Clime Group has grown through a range of acquisitions that included CBG Asset Management (2017), Madison Financial Group (2020) and MTIS (2022).

Today Clime Group directly advises clients with total funds under advice and management approximating $1.0 billion. We manage through our listed investment company, SMAs and managed funds another $300 million of external (non-direct client funds). Our Licensee business (Madison) licenses advisers who provide financial advice on over $4 billion of assets. Thus, either directly or indirectly, we touch clients with well over $5 billion to invest.

So why are we not profitable at present?

To answer that question directly I put forward the following observations and comments:

1. We have not appropriately benefitted from the aggregation of these businesses;
2. To attain the proper synergies from these businesses required a greater reset of business practices (across our Group) then we originally envisaged;
3. The costs of the reset have been greater than expected and will continue through FY24; and
4. The market has and continues to change inside the advisory landscape presenting both challenges and opportunity that are now being acknowledged and grasped in our business planning.

So, whilst we are currently not profitable and expect to report a loss at our half year, we are confident that the business reset will pay reasonable returns that will begin during the second half of FY24 and then generate meaningful returns from that point.

What are these resets and plans?

In no particular order I can share with you the following:

- Our Private Wealth offer is undergoing a business reset to move the bulk of our advised or managed business to a SMA solution with a compatible client administrative solution. A better solution for clients with better access to information that allows for significant productivity improvements to occur in our business. We have undertaken a trial of this business reset in our QLD joint venture and have generated strong returns in productivity that has in turn driven growth in that business. Clients are acknowledging the better solution with satisfaction levels rising and more funds being directed to the adviser.

- Included in the above is a reset of our MTIS service offer that will move the business from direct equities to SMA solutions which will create capacity for our advisers, allowing them to have more productive conversations with our existing clients and free up time to reach out to potential clients.

- Over the last year we have introduced fixed income solutions to our wealth offer. We have formed a strategic distribution arrangement with Torica Capital. Torica has been awarded accolades in their specific investment categories and we are pleased that our clients are benefiting from their expertise in a period where interest rates have re-emerged after a period on very low yields during and before Covid.

- We have undertaken both strategic reviews and discussions with the Madison adviser community as well engaging with meaningful discussions with other small AFSLs aimed at achieving appropriate scale. We are confronted by an industry that is suffering an outflow of advisers and competition in the AFSL licensing by listed entities. Many of these groups seem focused on aggressively accumulating advisers and practices without a real concern for the diseconomies of scale that will eventuate. In our case we acknowledge that Madison needs more scale, and our collective view (with the Madison Adviser Council) is that the AFSL should be more substantially owned and controlled by advisers. The benefit of this is that the advisers will determine the partners in their community; design and direct their service offerings across their community via appropriate collaboration plus achieve cost benefits through their dealer group which will attract advisers with aligned values.

- In response to the rising costs of doing business we have designed and are now undertaking a significant cost adjustment to our business. Our plan will reduce our costs by an annualized $1.5 million per annum with the costs of adjustment to be expensed in this half year. Consultant costs focussed on changed work practices (technology, data and business intelligence systems, financial and client administration) will be largely completed before Christmas with these direct expenses taken to the accounts.

In summary our half year will report a loss that will be swelled by “one off” costs to achieve our reset as well as our normal expense of non-cash amortization charges that approximate $500k each 6 months.

Strategic Discussions

Shareholders no doubt observe that there is a plethora of mergers and acquisitions occurring across the small capitalization and private businesses engaged in the wealth management and advice sectors.

Operating under scale has become an issue for many small participants as costs have accelerated greater than revenue lines. These cost imposts that mainly flow from regulation, insurance, and compliance add to the general cost pressures across the economy that have flowed following Covid.

Your Board has and continues to entertain exploratory discussions with a range of market participants, and we remain open to approaches that acknowledge both the inherent value in the business we have built and the reset of our business that will benefit from clear productivity enhancements.

Current economic outlook

There is no doubt that current economic circumstances create a challenging outlook for many businesses.

Further, the observations of elevated inflation and costs of doing business, clean energy transformation, superannuation taxation changes and franking restrictions, all and to some extent, affect the business of Clime. However, we are not alone, and our job is to think through these issues, to develop business plans or outcomes and access opportunities to enhance our business.

Further, we will be a voice of reason in many of the wealth and savings policy debates. We have and will continue to call out the role of conflicted or vested interests that slant debate towards their benefit.

We intend to maintain our focus on self-directed retirees and the provision of quality advice to this market. We note the desire of large funds to upset the confidence in the management of SMSFs in Australia. We will help pushback against the excessive overreach of these large entities who are and will suffer diseconomies of scale with regards to service or advice levels.

The value of Clime as a brand in terms of advocating for the self-directed retirement market is acknowledged through our regular writings across the AFR, The Australian, First Links and Livewire. We are also regular invitees to Ausbiz, Marcus Today and Sky Channel for extensive interviews.

In conclusion

I would like to thank our CEO (Annick Donat) the executive team and employees for their dedication and commitment over the course of FY23 and for initiating and now undertaking the business reset that is being extensively undertaken.

I would also like to thank our shareholders for their continued support and in particular their confidence in Clime Group.

To my fellow board members, I acknowledge their support and good council over the last year.
I now invite shareholders to ask questions.

John Abernethy – Chairman
Email: info@clime.com.au.
Approved for release by the Board of Clime Investment Management Limited

CIW FY23 AGM update

In FY23 we:

- Acquired MTIS, Ralton
- JVs - TiP, Torica & Marcus Today
- Increased cyber security and systems rationalisation

In FY24 we will:

- Grow Private Wealth
- Rationalise expenses
- Equity participate
- Grow AUM

CIW Group

We help Australians truly understand and manage their wealth.

Business intelligence, AI and analytics

Clime Asset Management

SMAs & Funds

Promote to direct clients and increase AUM

- Increase in invested clients
- Increase in AUM

Custom Portfolios

Increased focus on NFPs, HNWs and Endowments

- Increase in investment revenues
- AUM and portfolio growth

Clime Private Wealth

Grow current business

Merge MTIS into Clime Private Wealth and grow

- Improve operating effectiveness
- Grow client and AUM

Establish new business

Equity interests and JVs (Qld pilot)

- Grow AUM through equity ownership
- Participates in revenue & practice growth

Madison Financial Group

Advice Group Co-op

Advisers empowered through ownership

- Improved risk management
- Values aligned community

Shared Services

Profit-for-member shared services group

- Participation in distributions and value
- Participation through equity positions

Adviser and Investor education

Shared & Specialist services