

CLIME CAPITAL LIMITED (“CAM”)**Half Year Results 2014/15****Review and Outlook**

Whilst the Statutory half year result was disappointing (net loss of \$1.6 million) it is pleasing to report that as at the date of this report the company has **recovered the losses that were posted in this result in the first 6 weeks of 2015.**

The manager has continued to invest capital into foreign markets with the bulk of the investments focused upon US investments. At the date of this report about 15% of gross assets are in US equities or US dollar cash. Over the last 9 months the bulk of this asset allocation came from the high level of Australian cash. The International portfolio continues to produce a positive return with a strong tailwind coming from a weakening \$A. At this point the portfolio remains un-hedged.

In the Australian portfolio an increased exposure to higher yielding equities has occurred with a focus on financial and telecommunication companies. Overall cash levels have decreased as the portfolio was adjusted in response to lower cash rates and the weakening \$A.

The company retains a high level of franking credits which as at 31 December 2014 was \$2.5m.

Whilst the manager perceives that Australia’s economic growth will remain below trend for the next year it is clear that the weakening \$A plus lower petrol prices and interest rates will support consumption growth. Whilst the risk of an Australian economic downturn has been tempered somewhat by these developments there remain significant economic headwinds in Europe and Japan to suggest that markets will be confronted by problems on a regular basis. Given the low interest rate settings it is the intention of the manager to increase invested capital from the current 79% to at least 90% by 30 June if the market presents opportunity.

Clime Capital Limited

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Results Highlights

- \$1.86 million dividend paid to ordinary shareholders;
- \$0.73 million dividend paid to preference shareholders;
- \$2.24 million of total dividends paid net of DRP;
- \$1.85 million income earned from dividends and interest;
- \$1.36 million net realised profits on disposal of financial assets;
- \$5.16 million net unrealised losses on portfolio at market prices on 31 December 2014; and
- Net loss after tax of \$1.59 million.

Gross Asset movement

Over the 6 months from 30 June 2014 the gross asset value of the company declined from \$96.35 million to \$90.76 million (pre January dividend payments). The decline was caused by net unrealised losses, dividend and tax payments.

As at the 18 February the gross asset value had lifted to in excess of \$93 million (ex January dividend payments).

Dividends

The Directors currently anticipate maintaining the dividend rate of 1.15 cents per quarter (fully franked). The current dividend annual rate on ordinary shares is thus 4.6 cents per annum.

Portfolio Structure

As at 31 January 2015 CAM's portfolio was split as follows:

- Australian listed securities: 70%
- Australian cash: 17%
- International listed securities: 9%
- US dollar cash: 4%

The major Australian share investments (over 2% portfolio weightings) as at 31 January 2015 were as follows:

Australia & New Zealand Banking Group Limited
Woolworths Limited
BHP Billiton Limited
Adelaide Brighton Limited
Macquarie Perp Notes
National Bank FRN 08/49
Multiplex Convertible Note 31/12/2049
SMS Management & Technology
McMillan Shakespeare Limited
Brickworks Limited
The Reject Shop
Telstra Corporation Limited
Westpac Banking Corporation
Ainsworth Game Technology Ltd
National Australia Bank Limited
New Hope Corporation
Seven Group Hld Conv Note

The offshore listed investments were as follows:

McDonald's Corporation
General Motors Co
Exxon Mobil Corp
American International Group
Gazprom OAO-SPON ADR
Chevron Group
American Express Company
Wells Fargo & Company
Emerson Electric Co
Estee Lauder Companies - CL A



Clime Capital Limited

CAM reports its NTA monthly to shareholders and we refer shareholders and interested parties to these regular announcements.

For further information

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