
CHAIRMANS ADDRESS

I am pleased to present the results of Clime Investment Management Limited and its controlled entities for the financial year ended 30 June 2016 and again share our outlook for the future. The Group (Clime) currently includes Clime Investment Management, Stocks in Value and the 20.9% stake in Jasco Holdings Ltd that is equity accounted.

Before we discuss the proposed changes that are flagged in the Notice of Meeting, I would like to remind shareholders of the background to this transaction. Clime has progressed from its original roots as an overcapitalized investment company to a slimmed down operating business providing investment and wealth management services to high net worth individuals.

The company has distributed the equivalent of \$19 million in pretax cash to shareholders (including franking credits) over the past four years when tangible shareholder's equity was \$19.5 million and after this massive payout relative to our size, the tangible shareholder's equity of the Group as at June 30, 2016 was still \$16.5 million. The payout comprised \$10.5 million in fully franked dividends and \$4 million in capital returns. If shareholders approve Resolution 5 today, being the distribution of the 20.9% stake in Jasco Holdings Limited through the in-specie distribution of Clime Private Limited, the total distributions to shareholders will increase by a further \$7.8 million.

Passing Resolution 5 completes the transition of the Group into a single focus service organization dedicated to building and managing wealth for its clients.

Last year, I said Directors and management expected 2016 to be a year of consolidation due to considerable volatility returning to financial markets. This proved to be true and Clime was not immune to the issues facing most fund managers, being performance volatility, client churn and wide swings in market sentiment within a sideways trading range.

The Group recorded an after-tax profit attributable to members of \$1,065,330 for the year to 30 June 2016 compared with \$3,288,651 in 30 June 2015. As outlined in the Board Report, the principal differences come from performance fees not being achieved and normal returns from our associate, Jasco Holdings. In FY 2015 Jasco had delivered exceptional results from the disposal of a trading division.

Investment Management fees decreased from \$7.8 million to \$7.4 million on nominally lower funds under management (FUM). The Group's gross FUM was \$610 million at 30 June 2016, compared with \$614 million at 30 June 2015.

The contribution from Balance Sheet investments and Associates fell from \$1.9 million to \$0.4 million. The reasons for this fall are primarily from the non-recurring profits in 2015 from the sale of a trading division by Jasco and a negative swing of \$0.3 million in income plus realised and unrealised capital gains and losses.

Group profit before income tax for the financial year ended 30 June 2016 (FY6) was \$1.34 million and compares to \$4.23 million in the previous comparable period (FY15). Total Equity at balance date amounted to \$23.52 million or 48.0 cents per share. This includes approximately 14.2 cents of intangible assets, being principally the capitalization of the long-term management contract with Clime Capital Limited and acquired FUM. We also have 1.5 cents of deferred tax assets. This gives Net Tangible Assets of 32.3 cents per share.

Strategically, the board and senior management has spent the year focusing on avenues for growth, particularly acquisition of new clients and distribution networks. A merger approach from a similar sized organization looked promising and took considerable management time early in the financial year. It failed to materialize due to conflicting objectives that became evident as the proposal progressed. With this experience in mind, the board has sought and engaged consultants to assist Clime to identify and engage with

prospective organisations that meet our strategic objectives and offer an opportunity for additional synergistic benefits within the wealth management/advisory industry.

To anticipate this move, I am pleased to announce a reorganization of senior management roles and accountabilities that will take effect from November 1.

Richard Proctor resigned as an Executive Director on June 21, 2016 and will step down as Chief Operating Officer (COO) for personal reasons. Richard has been with the company for nearly 8 years and we are grateful for the way he has shepherded the business during that time. Richard will remain with the company and will undertake specific projects in acquisition implementation and systems development.

Rob Hardy, currently Head of Marketing and Sales, will take over the role of COO in addition to his existing accountabilities. Rob has successfully managed his current role which was previously run by two executives and has the corporate experience to provide the increased capability required as the business expands.

Anthony Golowenko joined Clime as Head of Investments in June this year. Anthony has 17 years' experience in portfolio construction and risk management at State Street Global Advisors. He leads the portfolio management team and analysts and brings new concepts in aligning client risk preferences with portfolio objectives.

Finally, John Abernethy's title will change from Executive Director to Managing Director to better reflect his new strategic focus – both from an investment as well as a corporate perspective. John is the founder of the business and is passionate about giving all Australians the opportunity to build and grow their assets for their eventual retirement needs and lifestyle. He will continue to be a prominent face for Clime with his big-picture approach to financial markets as well as driving opportunities to grow and expand.



I thank my fellow Directors, particularly our Executive Directors John and Richard and their management team for their stewardship of the company as we start the transition. Also, on behalf of the Board and shareholders, I wish to thank all our employees for their continued contribution to the ongoing progress of the company.

I now invite shareholders to ask questions.

Donald McLay
Chairman