

2019 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS

I am pleased to present the results of Clime Investment Management Limited and its controlled entities (Clime) for the financial year ended 30 June 2019.

This year has seen unprecedented change in the financial services industry, precipitated by the Royal Commission into Banking and Financial Services. One of the key themes of the Royal Commission was a conflict between “people and profits”.

This conflict and the resulting unedifying sight of major financial services organisations and their management practices under the microscope, will be one that will be remembered for some time by consumers and regulators.

At Clime, we find it difficult to see the need for this conflict to exist and manage it closely. We take our role as a responsible and compliant provider of financial services seriously and ensure our management team put our clients at the forefront of our thinking. This includes rewarding and recognising staff on the basis of both financial and non-financial metrics that take into account compliance, culture and client feedback. These measures create and sustain a client-facing culture that positions Clime as a trusted adviser for all our clients.

The 2019 financial year was significant for us on a number of fronts. As part of our executive succession plan, in September 2018 we announced the appointment of Mr. Rod Bristow as Group Chief Executive Officer reporting to the Board. Rod spent the 2019 financial year working closely with former Managing Director and Founder John Abernethy, the Board and management team to develop and implement a clear 3-year strategy to successfully position the business for the future, building on the strong foundations already in place.

Long-term business performance and therefore shareholder return needs to be carefully planned and successfully implemented. The Board of Clime has been deeply involved with the CEO to ensure the current 3-year strategic planning horizon will simplify and streamline the business and introduce new initiatives that will grow and diversify revenue. The focus in the first 3-year planning horizon is to scale- now and into the future.

Rod and his senior management team have already achieved much in the past financial year. This included launching Private Wealth Advisory services in November 2018, in response to feedback from clients who wanted deeper engagement with Clime as their trusted financial partner. We varied our Australian Financial Services License (AFSL) to allow us to provide tailored Private Wealth Advice for clients. We now have five experienced Private Wealth Advisers delivering tailored financial advice to wholesale and sophisticated investor clients from our offices in Sydney, Melbourne and Brisbane and via satellite offices in Perth and Adelaide.

During FY19 Clime launched a new initiative called Third Party Distribution. This initiative will see Clime distributing our investment products and services to the Australian financial adviser community. We have been successful in having four of our Managed Funds rated by an independent ratings agency. These Funds are available to financial advisers licensed by AFSL aggregator groups (called 'dealer groups') by being listed on their Approved Product List. A number of these Funds are also listed on investment platforms Hub24 (ASX: HUB) and Netwealth (ASX: NWL). This initiative will provide the impetus to scale the growth of assets under management for the group, as financial advisers external to Clime see the benefit of investing their clients' assets into our high-performing products and services.

Following the acquisition of CBG Asset Management in 2017, the final integration of this business with Clime Investment Management was completed during FY19. This included alignment and evolution of the group investment process and methodology - to focus on identifying and selecting high quality companies and ensuring these companies were acquired with a strong valuation discipline. Despite a difficult December quarter for markets in 2018 calendar year, Clime Group investment performance for the financial year was positive across all client portfolios as a result of the focus, delivering positive performance fees.

Recognising that interest rates will be 'lower for longer', our investment and operations teams launched the Clime Fixed Interest Fund. This new investment product aims to deliver a target return up to 2% in excess of the RBA Cash Rate through investing in a range of fixed income

opportunities. The product has been warmly received and supported by clients of our Private Wealth business, being a way to increase yield from their portfolios at a time when term deposit yields are extremely low.

Financially, the results for 2019 were good. The underlying cash profit for the group was \$3.22 million, up \$1.01 million or 46% on the prior corresponding period (PCP). Statutory profit before income tax was \$2.10 million, up \$0.73 million or 54% on PCP. Statutory profit after income tax was \$1.46 million, up \$0.40 million or 37% on PCP.

Total revenue for the year of \$12.45 million was a 15% increase over the prior financial year, boosted by a \$1.65 million increase in performance fees and a pleasing \$0.17 million increase in management fees and commissions. Client retention and growth in assets under management improved as a result of the implementation of our Private Wealth Advice strategy: as well as providing a new revenue line being Advice and Client Service Fees.

The total Gross Assets Under Management (AUM) was \$924 million as at 30 June 2019, up 8.1% from \$855 million at 30 June 2018. This trend has continued into the new financial year, with AUM up a further 4% to \$961 million as at 30 September. These are pleasing results in a year where so much was achieved in repositioning our business for future growth through the new initiatives.

I now want to take the opportunity to comment on the formal resolution in the Notice of Meeting relating to introduction of a new Equity Incentive Plan.

Shareholders had originally approved a share-based incentive scheme (called the Employee Incentive Scheme or EIS) in October 2007. However, with the passage of time, it has been identified the EIS is not meeting its original intent of securing and retaining high quality executive management to help the company deliver its strategic objectives. As a result, this year the Board agreed to 'sunset' the original scheme and issue no further options under the plan.

The original intent of having a share-based incentive scheme in place remains, that is, to attract and retain high quality executive management who create and sustain value for Clime shareholders. As a result, the Board commissioned the development of a new Equity Incentive Plan. The Plan governs the terms and conditions of issue of Performance Rights, convertible to shares in the company based on meeting defined performance hurdles associated with long-term shareholder value.

In practice, Performance Rights under the Plan would be granted to Eligible Persons in accordance with a written invitation to participate. The Board has absolute discretion as to what is included in each invitation to participate, including vesting conditions. Performance against vesting conditions will be evaluated and aligned to the achievement of goals associated with long term shareholder value creation. If vesting conditions are met, shares are issued. These shares will be held in escrow for a period by a Trust established for this purpose. The shares are then transferred to the Eligible Person Provided the Eligible Person meets the Board's criteria.

The Board recommends the Incentive Plan to shareholders for approval.

In conclusion, I would like to thank my fellow Directors who have put in considerable effort over the past year including the selection process for the CEO. I thank our Founder John Abernethy for his guidance and support in assisting Rod Bristow transition into the role, and our new CEO himself. Rod has worked hard and closely with the Board to develop and implement our current 3-year strategy as part of becoming a larger and more diversified financial services provider.

Finally, on behalf of the Board and shareholders, I wish to thank all of our staff at Clime. Their continued contribution to the ongoing progress of the company during this time of transition and their enthusiasm about the changes is a good omen for the future. These are the people who will deliver the future success of our business. Thank you.

I now invite our CEO Rod Bristow to make his presentation and on completion, I will invite shareholders to ask questions.

Donald McLay
Chairman