

24 February 2023

Company Announcements
Australian Securities Exchange



CLIME INVESTMENT MANAGEMENT LIMITED (ASX:CIW)

Half Year Results

Clime Investment Management Limited (Clime, Clime Group) announces a \$236k statutory net profit after tax for the half year ended 31 December 2022.

The first half result is lower than prior period due to planned integration costs of recent strategic acquisitions with synergies expected to contribute to the second half FY2023, and strongly into FY2024.

Given recent disruption and consolidation in the financial services sector, the Group foresees a range of highly attractive opportunities. To be an active participant in the industry consolidation, the Clime Board has elected to reserve capital in the first half of FY2023 and not pay a first half dividend.

Key Results and FUM&A Highlights

- ◆ Gross income up 27% to \$8.8 million over the pcip, including a strong contribution from the MTIS Wealth Management (MTIS) business acquired during the half
- ◆ Strong funds outperformance delivering and accruing \$1.4 million of performance fees
- ◆ Funds under management and advice increased by 8% to \$5.5 billion since 30 June 2022
- ◆ Acquisition of MTIS and Ralton Asset Management in line with the strategic growth objectives
- ◆ Continued growth in Managed Account solutions via strategic alliances (Marcus Today, bespoke managed accounts)

(\$'000)	31 December 2022	31 December 2021	Change
Gross income	8,790	6,935	27%
Expenses	8,748	6,066	44%
Operating profit	42	869	(95%)
Investment income	218	174	25%
Cash earnings	260	1,043	(75%)
Mark to Market (MTM) Investments	318	(191)	n/m
Non—recurring income / (expenses)	119	80	49%
Profit before depreciation, amortisation & tax	698	932	(25%)
Statutory profit after tax	236	445	(47%)

n/m = not meaningful

(\$m)	31 December 2022	30 June 2022	Change
Funds under management (FUM)	1,305	1,207	8%
Funds under advice (FUA)	4,202	3,915	7%
Total FUM & A	5,507	5,122	8%

Financial performance for the half year ended 31 December 2022

- ◆ Gross income up 27% to \$8.8 million over the pcg
- ◆ Funds management fee income of \$4.5 million down \$0.7 million on pcg impacted by the timing of net outflows and inflows through the half
- ◆ Madison revenue of \$1.4 million broadly in line with pcg but affected by higher costs of doing business
- ◆ Private Wealth income of \$1.4 million up \$1.3 million benefiting from the MTIS acquisition during the half
- ◆ Accrued and received Performance fees of \$1.4 million from the Clime Capital LIC and the Clime All Cap Australian Equity fund, with respective out performance by both the funds against benchmarks
- ◆ Group expenses were elevated in the half due to additional investment in technology and operational infrastructure in line with the new growth opportunities including MTIS, Ralton Asset Management and a focus on supporting strategic alliances (i.e, Torica Capital and Marcus Today)

As reported in the Quarterly trading update, Funds Under Management and Advice (FUM&A) as at 31 December exceeds \$5.5 billion

- ◆ Direct funds under management via Individually Managed Accounts (IMAs), Separately Managed Accounts (SMAs) and managed funds added \$98 million or 8% to \$1.3 billion since 30 June 2022, benefiting from strong performance.
- ◆ Funds under advice (FUA) grew by \$287 million or 7% to \$4.2 billion again benefiting from strong performance since 30 June 2022

Investment Performance

The highlight for the half year has been the outperformance from our listed investment company, Clime Capital (CAM.ASX) delivering sector leading performance of +17.6% return on fund investments in the six months to 31 December 2022, +7.9% ahead of the All Ordinaries Accumulated Index. These strong investment returns for CAM are a result of both a strong sector and stock selection with investors benefiting from our high conviction portfolio construction.

Out of the 14 portfolios managed by the Clime investment team, 10 are outperforming benchmarks over the half year ended 31 December 2022 reflecting superior returns across almost all sectors. This includes all IMA portfolios outperforming benchmark over this period. The Ralton Concentrated Australian Equity portfolio continued to deliver excellent returns of +10.8% in the half year, also outperforming benchmark.

Our investment management team remains focused on delivering investment solutions to our clients with portfolios available across Managed Account and fund structures. Our expanding multi asset strategy suite leverages our competitive advantage in portfolio solution design, investment capability and scale to enable access to global leading managers. We will continue to invest in this growing segment and expect the Managed Account market to be a core driver of Clime going forward.

Madison Financial Group

The half year result for Madison was highlighted by funds under advice (FUA) growth of \$287 million, taking the total FUA to \$4.2 billion for the half year ended December 2022.

The reported EBIT result in the half year was disappointing as this was impacted by rising costs due to regulatory change implementation and acquisition integration costs. Legal costs were also higher than expected in the half. A proportion of these costs have been provisioned and expected to be recovered. These are not expected to be repeated in the second half.

However, the Group is seeing growing demand for tailored investment and managed accounts solutions as practices seek to provide better outcomes for target client segments and increasing practice efficiency.

We continue to see interest from prospective advisers and self-licensed practices to join the Madison community.

Strategic opportunities

As announced in the December quarterly market update, Clime finalised the full acquisition of Ralton Asset Management (RAM) which is now a fully owned subsidiary of the Group. The partnership between Clime Group and Ralton continues to produce excellent outcomes, with all four equity Separately Managed Accounts strategies surpassing their respective benchmarks.

The integration of MTIS Wealth Management (MTIS) into Clime Group is progressing as planned, and the group continues to deliver on the strategic and financial goals established at the time of the merger. Throughout the half, various events were organised for MTIS clients that were well-received, indicating the Group's capacity to take advantage of its educational expertise and capabilities.

Investors and advisers are increasingly seeking bespoke investment solutions and portfolios from Clime. The partnership yields economies of scale throughout the investment management process, which enables advisers to simplify operations, enhance compliance, and serve their clients more efficiently.

Clime Group continues to leverage our investment consulting expertise to create synergies. Additionally, strategic alliances with Marcus Today and Torica Capital are generating commercial and client opportunities, which, in turn, are driving client growth, increasing assets under management, and private wealth services. As part of the medium to long term strategic plan, Clime has identified synergies in client and investment management resulting from these partnerships.

Clime Group continues to explore growth opportunities subject to strategy alignment.

Outlook for second half of FY23

A growing industry demand for managed accounts, the private wealth merger with MTIS, the full acquisition of Ralton, and the strategic alliances with Torica and Marcus Today positions the Clime Group to provide high quality, diversified investment solutions across market segments.

In addition to the strategic partnerships, our Distribution and Investment teams have collaborated with external Asset Consultants to identify opportunities for expanding the Group's SMA and investment solutions.

The robust performance of the CAM portfolio resulted in the recovery of the CAM share price and company's out performance that may result in performance fees for Clime in FY23. The Group has planned multiple

events for clients and advisers throughout the year, beginning in February, as part of the ongoing education program.

We thank shareholders, investors, clients, employees, and advisers for their ongoing support of Clime.

This announcement is approved by the Board of Directors of Clime Investment Management Limited for release to the ASX.

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