

**22 November 2024**

**ASX: CIW**

## **2024 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS**

Prior to this meeting, shareholders have received our audited results for FY24.

Clearly the results were unsatisfactory and required urgent corrective actions. These have been undertaken and communicated to shareholders, clients and to the market via our Annual Report and various ASX announcements.

In this address, I will review FY24 and reflect on the changes and purposeful redirection of the business that is well under way.

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; and

I will introduce our Managing Director Michael Baragwanath and welcome our new board members.

Michael will then present our view of our prospects in 2025 and beyond given recent announcements and opportunities that have been identified.

## **CIW history**

Like last year, I will outline the brief history of CIW to position the present and outline the opportunities that present for our business.

Up until 2014, CIW was 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 listed but small micro listed company.

In 2018 Clime embarked on its strategy to offer both a diversified product range and investment solutions to its client base and grew through acquisition.

In 2020 we acquired Madison Financial (Madison) as a potential means to grow our distribution footprint.

When it became apparent that Madison was detracting from the CIW business - we sold it. Therefore, following the sale of Madison, we return to the core offering that had grown our business – these are bespoke portfolios for clients and value creation for investors through our range of products.

## **Why restructure, sell Madison and the reset the business of CIW?**

During calendar 2023 it became increasingly clear to the Board that Madison was not a scalable operation, its complexity and inherent risk was detracting from CIW's core funds management business. Importantly, it was losing money and consuming an excessive amount of management time. In the September quarter 2023 your Company lost about \$500k, necessitating a cost out program, but one that was undertaken, at that time, without a clear strategy of returning the company to profit.

In December 2023, Infocus Financial Group confidentially approached CIW to explore potential synergies that could enhance our businesses. This strategic dialogue coincided with a challenging period, marked by a shareholder's call for a s249 meeting to consider changes to the CIW board.

This requisition was a symptom of broader concerns among our shareholders, and which I, as Chair, took seriously. I listened to these concerns and acted prudently to bring about the necessary changes that would strengthen our company.

I am pleased to report that in early April 2024, CIW successfully negotiated the sale of Madison to Infocus for approximately \$2 million via a convertible note. This transaction, effective 30 June, has already yielded positive financial returns for both CIW and Infocus. Our collaboration with Infocus is not just a transaction - it is a strategic partnership that positions us for future growth.

Notably, Infocus now also enhances our compliance framework, ensuring robust support and objective supervision of our Private Wealth business.

Ex the sale of Madison, 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 \$500 million of external (non-direct client funds).

Importantly the full reset of CIW following the sale of Madison is expected on a “steady state basis” to:

1. Reduce operating losses of \$500k per annum (direct Madison losses);
2. Reduce executive overheads by approximately \$1.3 million per annum (which include lower director fees); and
3. Reduce inefficient external services by approximately \$500k per annum

The gross savings will allow CIW to reinvest approximately \$1.0 million per annum in front line and client services staff to strongly bolster our offer in Clime Private Wealth.

I can report that renewed staff enthusiasm and staff leadership has allowed a merger of MTIS and CPW to finally occur. CIW has fully settled the MTIS acquisition and has moved to 50% ownership of the fast-growing CPW QLD joint venture.

The Clime funds management team has been strengthened and strong FUM flow has been seen into our Clime Australian Income Fund (CAIF).

Noteworthy is that CAIF has been restructured with a lower management fee and a purposeful reset. Today this fund has grown to about \$112 million from \$40 million as at May.

The Clime Direct offer is being reconfigured using latest technology and will be reoffered to the market in the June Quarter 2025.

### **Current economic outlook**

There is no doubt that current economic circumstances create a challenging outlook for many businesses. However, the continuing growth in funds flowing into the self-directed retirement funds (nearing \$1 trillion) is a tail wind for CIW if we can appropriately meet the opportunity.

We intend to maintain our focus on self-directed retirees and with strategic partners through the provision of quality products and advice. We note the desire of large superannuation funds to upset the confidence in the management of SMSFs in Australia and the distortions occurring in our market because of manager concentration. Larger participants are suffering diseconomies of scale with regards to both service and advice levels creating both investment and distribution opportunities for CIW.

In our view CIW meets the immense market opportunity by:

- Enhancing and extending our product offerings (in-house and third party).
- Focusing on client services that front a range of advice solutions; and
- Maintaining our voice in many of the wealth and savings policy debates.

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.

### **Trading in FY25**

I would like to acknowledge the appointment of Michael Baragwanath as the Clime Group Managing Director. His nomination to the Board, by major shareholders, allowed CIW to quickly develop our restructure and business reset plans as Madison was sold.

The September Quarter just completed, was by necessity, used to undertake the cost out restructure and assess other cost out initiatives particularly with third party providers. Clearly there is a cost to restructuring and I am pleased to report that the bulk of these costs have occurred as of now.

Importantly, we have identified a further \$500k of annual external costs that will be worked out of our continuing business by May 2025.

In terms of trading, the operating cash flow for the September quarter was positive. The payment of redundancies has drawn from cashflows. The final consideration for the MTIS acquisition was settled in October.

Thus, we expect to announce a return to operating profits (before redundancies and transition costs) in the December half. We also expect that operating profits will be significantly stronger in the June half as costs continue to be reduced. Further, the outlook for FY26 looks promising when the full benefits of the restructure are seen.

The Board is committed to returning to dividend payments, but this remains a consideration dependent upon cashflows.

The Board and management continue to review a range of opportunities. The Board believes that we will be able to negotiate transactions and alliances, over coming months that will add to business momentum. Announcements will be made when appropriate.

At the date of this AGM CIW retains approximately \$5 million of investment capital made up of cash, CAM shares and Infocus convertible notes. We have no debt.

## **Appointment of Managing Director**

I will take a moment to introduce Michael Baragwanath, our Managing Director, and discuss his remuneration package, as the proposed options are a voting matter for the shareholders.

Michael as a consultant and then as a director, has been instrumental in shaping our company's strategy and addressing the need for change even before his official start as Managing Director.

He identified our structural costs as a significant barrier to a return to profit and thus dividends.

It was Michael that proposed to the Board (and now to be voted upon by shareholders) a remuneration arrangement that prioritizes long-term company performance over personal gain.

To provide some context, Michael's salary is around 50% of what is normally offered by comparable companies to Clime. He is entitled to a bonus at the discretion of the board, however this amount, if awarded, would align his income the base of his peers.

The remuneration package also includes options set at or near the current share price, along with two additional parcels at significantly higher prices. This structure is designed to offer Michael substantial incentive, should the company's full value increase and be recognized by the market.

It is important for shareholders to note some key aspects of these options.

1. The strike prices are 35 cents, 45 cents and 60 cents;
2. The first tranche of options (at 35 cents) must be exercised by 30 June 2025; and
3. All shares issued to Michael, upon exercise, must be held for a minimum of 2 years.

In conversations with Michael, he emphasized the importance of leading by example and ensuring that our business remains focused on shareholder value.



**Thank you to our staff and shareholders**

Before introducing Michael, I would like to acknowledge the services of the Board members who recently retired. They served in a turbulent period for Clime and I thank them on behalf of shareholders.

I welcome our new directors who stand before you today. Will Riggall is the company's Chief Investment Officer and Henry Davis is a highly experienced lawyer.

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

Finally, to our staff, my sincere gratitude for your patience and support over the recent months as the sale of Madison, the restructure and reset of our business was undertaken. With a proposed Employee share issue I welcome you all to our register.

I will hand over to Michael for some further comments.

**John Abernethy - CHAIRMAN**

## Letter from Managing Director to Shareholders

Dear Valued Investors,

My name is Michael Baragwanath, and I am honoured to serve as the Managing Director of Clime. I would like to express my sincere gratitude for your continued support and for taking the time to engage with us today, whether in person or reviewing this document in your own time.

Today, I will briefly discuss our plans and the progress we are making in positioning Clime for a successful future. Clime has been a stalwart on the ASX for over two decades, consistently paying regular dividends. Recent times have presented challenges, notably with our investment in Madison, which has been addressed by our Chair.

### Financial Position

Looking at our current financial position, we manage approximately \$1.6 billion in funds, which include, but are not limited to, Australian shares. This means our earnings are not simply a derivative of the market like many of our peers. We expect our revenue to decline with the sale of Madison, but our costs have reduced significantly, driving a sharp turnaround in fortunes. We have reserved for legacy costs and risks from Madison.

Our cost-reduction exercise focused on the executive layer, reallocating those savings to strengthen our frontline capabilities. These efforts are aiming to bring Clime back into profitability by December 2024 / Q1 2025 and improve our service offering.

The core of our strategy is to refine and differentiate our products and to distribute those products through client education and direct engagement. While we are investing in new technologies and systems to assist, we remain in the business of trust and confidence. Our people remain key to our success and we have bolstered our team recently.

### Our Products

Our product offerings at Clime are diverse and comprehensive, which I believe gives us a unique competitive edge. We are a multi-asset manager, actively engaging in the creation and management of both listed funds and retail offerings with a broad range of products that serve varying client needs. From individually managed accounts, managed funds, separately managed accounts on platforms, and more, we offer an array of products that facilitate easy access to our investment thinking.

A particular area of focus and passion for us is our income fund. Fixed income is an area where we can differentiate, and looking ahead, we see significant growth opportunities in this asset class.

Our private client advisory service is an offering we intend to grow nationally. We know many of our direct clients often have personal questions, and a bespoke advice offering allows us to build and maintain a deeper relationship.

This multi-faceted approach ensures that self-directed investors can access additional support if they need it, while our regular advice clients can also directly connect with our funds management team.

### **The Year Ahead**

Our key strategic objectives for the next 12 months revolve around growth through self-directed investors and institutions while maintaining a high-quality advice service. We are optimising our governance structures to ensure transparency and accountability, exploring efficiencies through bespoke technological solutions, and strengthening our back-end systems for improved client interaction.

Moreover, we're enhancing our distribution capabilities, channelling savings into bolstering our key accounts and investment specialist teams. Distribution is a contact sport, and we are playing to win.

In my personal view, the market is ripe for strategic partnerships and acquisitions, and Clime is well-positioned to benefit from this opportunity.

Our broad range of offerings allows us to deliver real benefits to strategic partners quickly. That same team has the capacity to digest acquisitions should they be supported by you, our shareholders.

This communication is indeed a brief overview of a much more expansive plan supported by diligent work and dedication from our team. I am pleased to be steering Clime towards a bright future, built on a solid foundation and time in the market. I am confident about our future, and I thank you for your time.

Kindest regards

**Michael Baragwanath**  
**Managing Director**

# Clime Investment Management Limited

2024 Annual General Meeting



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NOVEMBER 2024

*John Abernethy*



# Chairperson address



# Our Board



**John Abernethy**

Chair  
of the board

*Founder and chair of Clime, over 40 years of funds management experience across all asset classes.*



**Michael Baragwanath**

Managing  
Director

*18 years of financial services experience in advice, product, distribution, compliance commercial finance and international business.*



**Will Riggall**

Executive  
Director

*Chief Investment Officer and director of Clime managing portfolio of products including IMA, SMA and fund offerings. 15 years of Funds management experience*



**Henry Davis**

Non-Executive  
Director

*Practicing specialist tax lawyer, CBD city councillor and charitable trust board director.*



**Tushar Kale/  
Angela Wang**

Joint Company  
Secretary

**Tushar** – Chief Financial Officer, leader of Clime's finance team, extensive experience in senior banking, wealth and advisory businesses. **Angela** – practicing lawyer dealing in international business.



NOVEMBER 2024

*Michael Baragwanath*



## Managing Directors Presentation



# Financial position

|          | FY2024 Q1<br>(\$m) | FY2024<br>(\$m) | FY2025 Q1<br>(\$m) |
|----------|--------------------|-----------------|--------------------|
|          | Unaudited          | Audited         | Unaudited          |
| Revenue  | 3.4                | 14.9            | 2.7                |
| EBITDA*  | (0.9)              | (0.7)           | 0.1                |
| EBITDA % | -26%               | -5%             | 4%                 |

\* Reported results exclude non-recurring expenses and redundancy costs.

Key performance drivers compared to FY 2024:

- Madison divestment completed.
- Cost out initiatives and investment in front-line capability underway.
- Increased operating profitability expected in second half of FY25 as legacy costs cease.



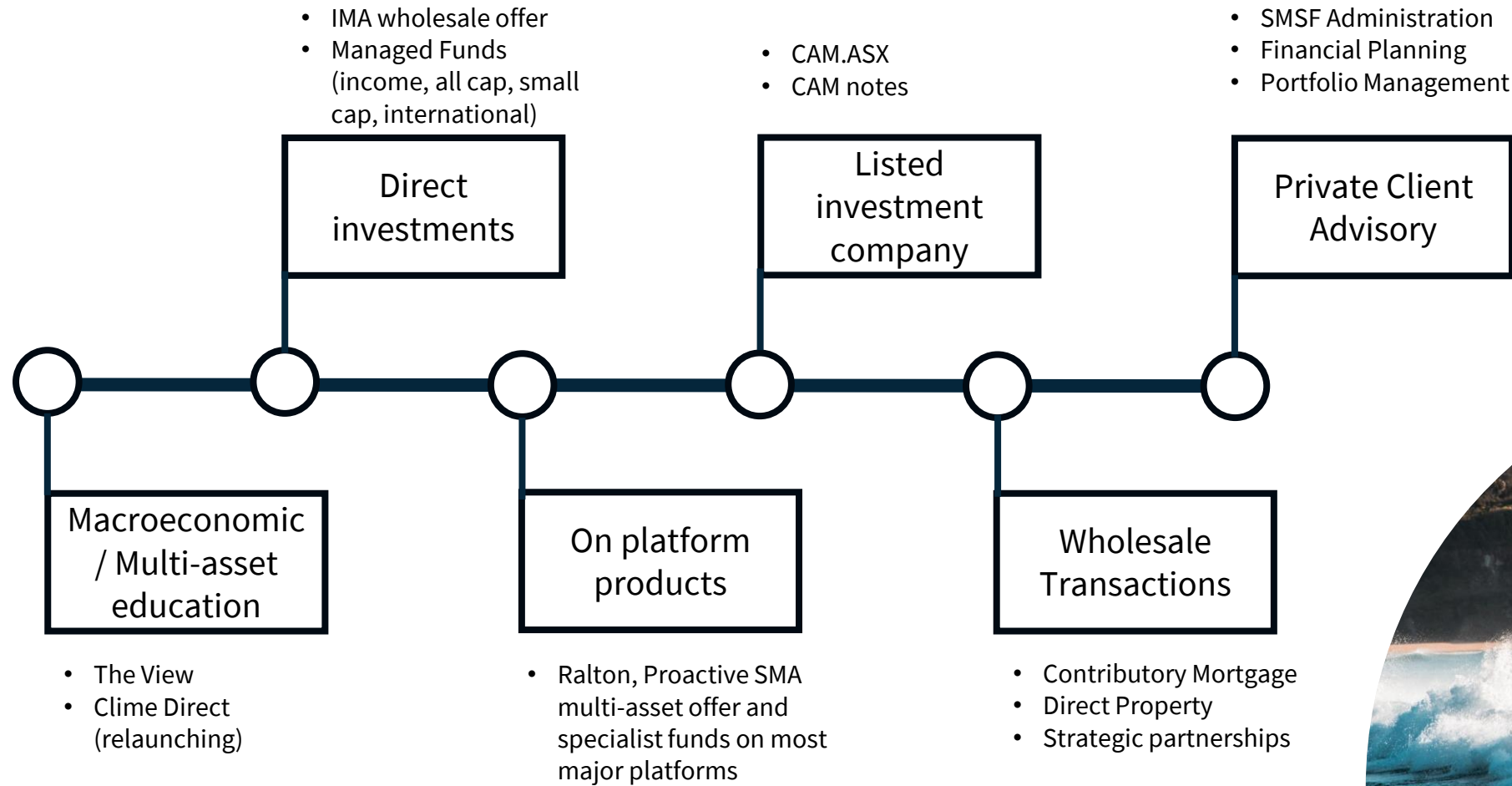
Funds Under  
Management

**\$1,663m**  
at 30 September 2024

**\$1,659m**  
at 30 June 2024

**+\$4m (0.2%)**

# Clever investing made *easy*



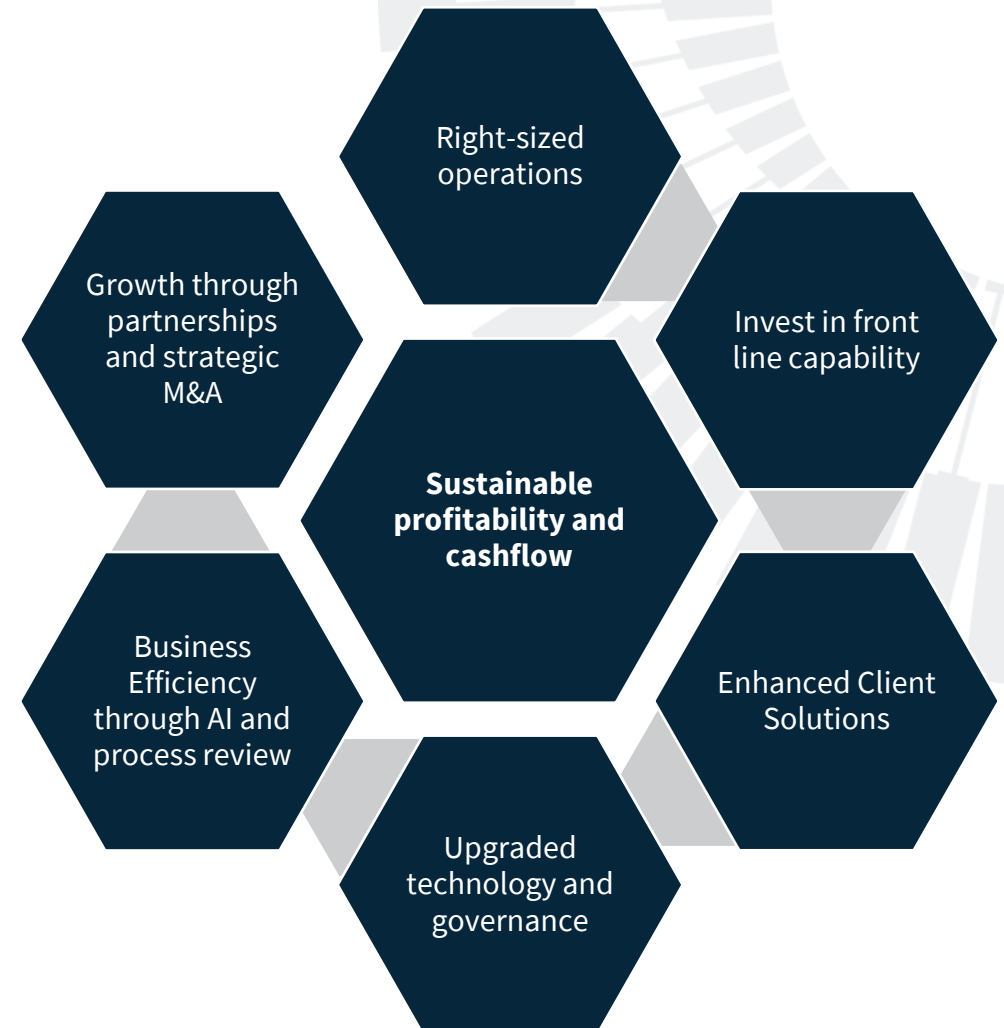
”  
*Clime offers investors a comprehensive suite of products and services*



# FY 2025 Outlook and Management Objectives

| Governance   | Efficiency   | Distribution   |
|--|--|--|
| <ul style="list-style-type: none"><li>• Social good</li><li>• Clear structure</li><li>• Accountability framework</li></ul> | <ul style="list-style-type: none"><li>• Transcription and LLM</li><li>• CRM/System rebuild</li></ul> | <ul style="list-style-type: none"><li>• Key Accounts</li><li>• Direct</li><li>• Advice support</li></ul> |

Our strategy is to **grow** the company by **directly** engaging with **self-directed investors** and **institutions**. Advice is an important **secondary** service designed to deepen client relationships. We aim to deliver a seamless, comprehensive offer with differentiated products.





Clever investing made *easy*.

Adviser Services 1300 789 575 | Investor Services 1300 788 568 | [info@clime.com.au](mailto:info@clime.com.au) | [clime.com.au](https://clime.com.au)