



Net Tangible Assets Report

October 2018



Portfolio Update

At the start of calendar 2018, investors were filled with optimism. This was driven by an investing backdrop of synchronized global growth, accommodative interest rates, and at the time two years of strong share market advances with barely a blip or a stumble. Most of the world's supportive economic and financial news came from the United States, including robust growth, a buoyant job market and inflation still very much contained. While disconcerting to many, political dramas in Washington DC proved little more than distracting noise, and trade conflicts had yet to meaningfully surface. The S&P 500 Index reached new highs and corporate earnings rose on vigorous business conditions and tax cuts.

As is inevitably the case, good times do not last forever, and since the end of September, global investment markets have tossed and turned violently. Equity investors were figuratively 'smacked in the face' over the month of October, with waves of selling hitting sharemarkets across the globe. Most equity markets recorded their worst one month returns in nine years – since the depths of the GFC in 2009. Unlike the financial crisis, we don't see contagion across currency, credit (fixed interest) and commodity markets. Rather the October selloff was largely driven by US equities. Tighter financial conditions, trade wars, geopolitical concerns, high valuations and general uncertainty have challenged investor confidence and erased year to date returns. Notwithstanding the recent selloff, valuations in many market segments remain elevated.

The central question for many investors through to the end of this year will be the extent of tightening financial conditions and the path for US interest rates in 2019. Most expect the Federal Reserve (the Fed) under Chair Jerome Powell to continue gradually tightening policy. Complaints from the President ("Tightening now hurts all that we have done"), falling sharemarkets and rising trade tensions seem unlikely to slow the Fed's current pace and considered path forward. Other concerns for Australian investors include the slowdown in China, falling residential property markets and a likely change of Government at the next Federal Election and the uncertainty that will entail.

While there are many developments to keep a keen eye on, we remain disciplined in the application of our investment processes. We are utilising more volatile market conditions to invest in high quality investments trading at attractive prices, where we believe risk taken is appropriately compensated.

We maintain our view that longer-term bond yields will gradually move higher (and bond prices lower), notwithstanding oscillation driven by increased volatility and investor uncertainty, and amplified by reduced central bank buying support.

Our view is that the market environment remains supportive of steady but not spectacular growth. We've used opportunities created by market volatility in October (and over calendar 2018 to date) to selectively build out exposures across quality investments.

Within the portfolio, capital allocation decisions are made across a number of asset classes. These are Australian Equities, International Equities, Hybrids and Interest Bearing Securities and both AUD and USD Cash and Equivalents. The Australian Equity asset class exposure encompasses three sub-portfolios: Large Cap, Mid Cap and Small Cap.

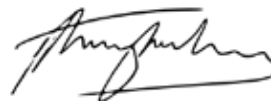
The following changes were made to the portfolio for the month of October:

- **Australian Equity Large Cap Sub-Portfolio:** Added to existing positions in Amcor (AMC), BHP (BHP) & CSL (CSL).
- **Australian Equity Mid Cap Sub-Portfolio:** Added to existing positions in Credit Corp (CCP), Orora (ORA) & Reliance Worldwide (RWC).
- **Australian Equity Small Cap Sub-Portfolio:** Added to existing positions in HUB24 (HUB) & Navigator Global Investments (NGI), reduced exposure to Collins Foods (CKF) and exited residual position in Nick Scali (NCK).
- **International Equity Sub-Portfolio:** No changes.

Key contributors and detractors to the CAM return for the month were:

- **Australian Equity Large Cap Sub-Portfolio:** Key detractors Stockland (-13.0%), ANZ Banking Group (-8.0%) & BHP (-7.0%).
- **Australian Equity Mid Cap Sub-Portfolio:** Key detractors Afterpay Touch Group (-30.4%), Bingo Industries (-23.9%) & Boral (-18.8%).
- **Australian Equity Small Cap Sub-Portfolio:** Positive contributors Citadel Group (+5.1%), Collins Foods (+3.6%) & Folkestone (+3.3%), key detractors Veris (-42.9%), LiveTiles (-33.0%) & Navigator Global Investments (-16.0%).
- **International Equity Sub-Portfolio:** International Equity Sub-Portfolio: Key detractors Baidu Inc. (-15.2%), Reckitt Benckiser (-9.6%) & Facebook (-5.8%).

Thank you for your continued support of Clime.



Anthony Golowenko
Chief Investment Officer

Net Tangible Assets (NTA)

	October	September	August
NTA before tax	\$0.88 ¹	\$0.98 ^{1,2}	\$1.02
NTA after tax	\$0.88	\$0.95	\$0.98
CAM Share Price	\$0.88	\$0.95	\$0.935
Yield Excl. Franking	5.7%	5.3%	5.3%
Yield Incl. Franking	8.1%	7.5%	7.6%

¹ On 5 September 2018, the Board declared a fully franked dividend of 1.25 cents per share in respect of the Company's ordinary shares for the period 1 July 2018 to 30 September 2018. This dividend was paid on 26 October 2018. NTA before and after tax disclosed above for October 2018 is after, and September is before, the effect of this dividend payment.

² On 17 July 2018, the company declared a bonus issue of ordinary shares on a 1 for 40 basis. These shares were issued on 24th September 2018 and were entitled to the September quarter dividend. CAMG Notes accrued the bonus issue and upon conversion will receive 1.025 Ordinary shares for every Convertible Note.

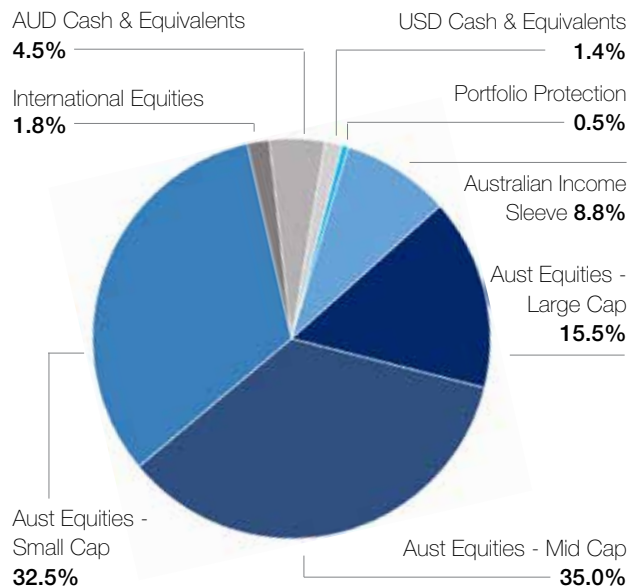
Company Overview (\$m)

Australian Equities	\$84.57
Australian Income Sleeve	\$8.96
International Securities	\$2.31
AUD Cash & Equivalents	\$4.57
USD Cash & Equivalents	\$1.40
Total Portfolio including Cash	\$101.81
Notes Payable at face value of \$0.96	(\$21.39)
Net Tangible Assets	\$80.42

“Armed with a medium-term investment horizon, an absolute result-based approach, and the discipline to judiciously build (or reduce) positions, we were able to selectively adjust portfolio positionings to deliver strong risk-adjusted total returns for our shareholders.”



Gross Asset Allocation



Top Holdings (% of Gross Assets)

Australian Equities - Large Cap

Rio Tinto Limited	3.63
Amcor Limited	2.92
Commonwealth Bank	2.58

Australian Equities - Mid Cap

Webjet Limited	3.72
Janus Henderson Group	3.40
Afterpay Touch Group	3.40
Bingo Industries Limited	3.36

Australian Equities - Small Cap

Jumbo Interactive Limited	3.60
Collins Foods Limited	3.38
Citadel Group Limited	3.24

International Equities

Reckitt Benckiser	0.85
Facebook Inc-A	0.62
Baidu	0.32

AUD Cash

4.49

USD Cash

1.37
