

13 December 2019

Company Announcements
Australian Securities Exchange

Net Tangible Asset Backing

Please find attached Net Tangible Assets report of Clime Capital Limited (ASX: CAM) as at the close of business on 30 November 2019.

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Net Tangible Assets Report

November 2019



Market Commentary - November 2019

The S&P/ASX 200 delivered a strong 3.3% return in November. The trend of negative forecast earnings revisions continued into the month yet equity valuations remain elevated. The 12-month forward P/E for the Australian market sits at 17.4x, though the context of historically low global bond yields also remains.

While financial markets are strong, economic fundamentals remain relatively soft. Since the start of 2019, Australian consumers have benefited from three interest rate cuts, tax cuts, strong commodity prices and a bottoming in the housing market. Nevertheless, wages growth has been absent, consumer confidence weak, and retail spending soft. Drought, fires and “eco-anxiety” have certainly not helped, and further revelations about banks behaving poorly coupled with subdued recent profit results have soured the mood of shareholders.

Financial markets experienced an upbeat month, signaling rising optimism - this is somewhat surprising, coming only a few weeks after the IMF described the global economy as “precarious”. Indeed, 2019 looks likely to post the weakest annual global economic growth for a decade. This reflects rising US-China trade tensions, their dampening impact on exports and industrial production and a global manufacturing recession; and yet investors are expecting to see green shoots of recovery next year.

The IMF and other forecasters expect 2020 to show an economic improvement over 2019, but market moves in recent weeks raise the question whether the outlook is much improved. Investors’ enthusiasm may be overblown. So far the evidence is mixed; some data suggests the softening in the global economy is coming to an end, but the pace of recovery is expected to be muted.

Financial markets are forward-looking, generally catching on to trends before they become obvious in the economic data. Markets have been pointing towards a broad recovery, with many equity markets at or close to all-time highs. There are two broad explanations for this: firstly, there are few alternative investments available, with rates so low, and secondly, investors probably expect that prospects for corporate profitability have improved over the last few months.

Government bond yields, usually a good indicator of economic momentum, have risen modestly across advanced economies. Global trade is showing signs of stabilisation. Much of the fear regarding the global economy in October stemmed from the fear that global trade wars would intensify. Yet during November, the news was mostly positive. A disruptive no-deal Brexit looks less likely after PM Boris Johnson withdrew objections to a customs border in the Irish Sea. And while tensions between the US and China ebb and flow on a daily basis, we expect ultimately it will be in both sides’ interests to agree a deal.

More positive trends have become visible in trade data, with volumes growing in recent months. In November, investment bank JP Morgan noted that its index of global purchasing managers’ orders improved by the largest amount in four years – albeit from a low base.

In the shorter term, a focus on rational asset allocation and on yield is essential. Compounding of returns will reward patience, but will require active management across and inside asset classes to ensure that capital is neither lost nor devalued. As always, a watchful eye must be diligently maintained, but we perceive that the risk of a major market retraction is fairly low because interest rates are low and unlikely to rise substantially in the short term. The offset is that returns will be lower than the historical norm.

NTA before tax	Total Portfolio Including Cash	Rolling 12 Month Dividend	Historical Dividend Yield
\$1.00	\$142.0m	5.0cps	5.3%

Portfolio Commentary

The CAM portfolio pre-tax net return was 4.1% in November, compared to a 3.1% return for the S&P/ASX All Ordinaries Accumulation Index, while the CBC portfolio pre-tax net return was 3.6%, compared to a 3.3% return for the S&P/ASX200 Accumulation Index.

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

- **Australian Equity Large Cap Sub-Portfolio:** Positive contributors Amcor (AMC), BHP Group (BHP), CSL (CSL) & Woodside (WPL), detractors Westpac Banking Corporation (WBC), Australia and New Zealand Banking Group (ANZ) & National Australia Bank (NAB).
- **Australian Equity Mid Cap Sub-Portfolio:** Positive contributors Bravura Solutions (BVS), Webjet (WEB), Afterpay (APT) and Credit Corp (CCP), detractor HUB24 (HUB).
- **Australian Equity Small Cap Sub-Portfolio:** Positive contributors Audinate (AD8), Citadel Group (CGL), Navigator Global Investments (NGI) & APN Property Group (APD), detractor Lovisa Holdings (LOV).

The Australian equity market delivered a strong return for the month of November, with the technology (+10.6%), health (+8.8%) and consumer staples (+8.1%) sectors the standouts.

The portfolio traversed 'AGM season' reasonably well, with a large range of companies presenting generally positive updates. As a result, a broad range of portfolio constituents contributed positively to the monthly return.

Banks were the key laggard for the month, with WBC, ANZ and NAB all detracting, generally owing to a continuation of weak operating trends coupled with considerable regulatory concerns. The portfolio does however remain notably underweight the banking sector. In more positive news, BVS issued refreshed FY20 guidance that was higher than expectations while CGL's 1Q20 trading update confirmed that deferred contracts from 4Q19 have been secured and will contribute to FY20 results, removing a key concern.

The portfolio enters the Christmas period well positioned, with a sound blend of growth and income generation evident across the large, mid, small cap and income sub-portfolios.

Net Tangible Assets (NTA)

	November	October	September
NTA before tax	\$1.00 ¹	\$0.96 ²	\$0.99 ²
NTA after tax	\$0.97	\$0.93	\$0.96
CAM Share Price	\$0.95	\$0.91	\$0.94
Yield Excl. Franking	5.3%	5.5%	5.3%
Yield Incl. Franking	7.5%	7.9%	7.6%

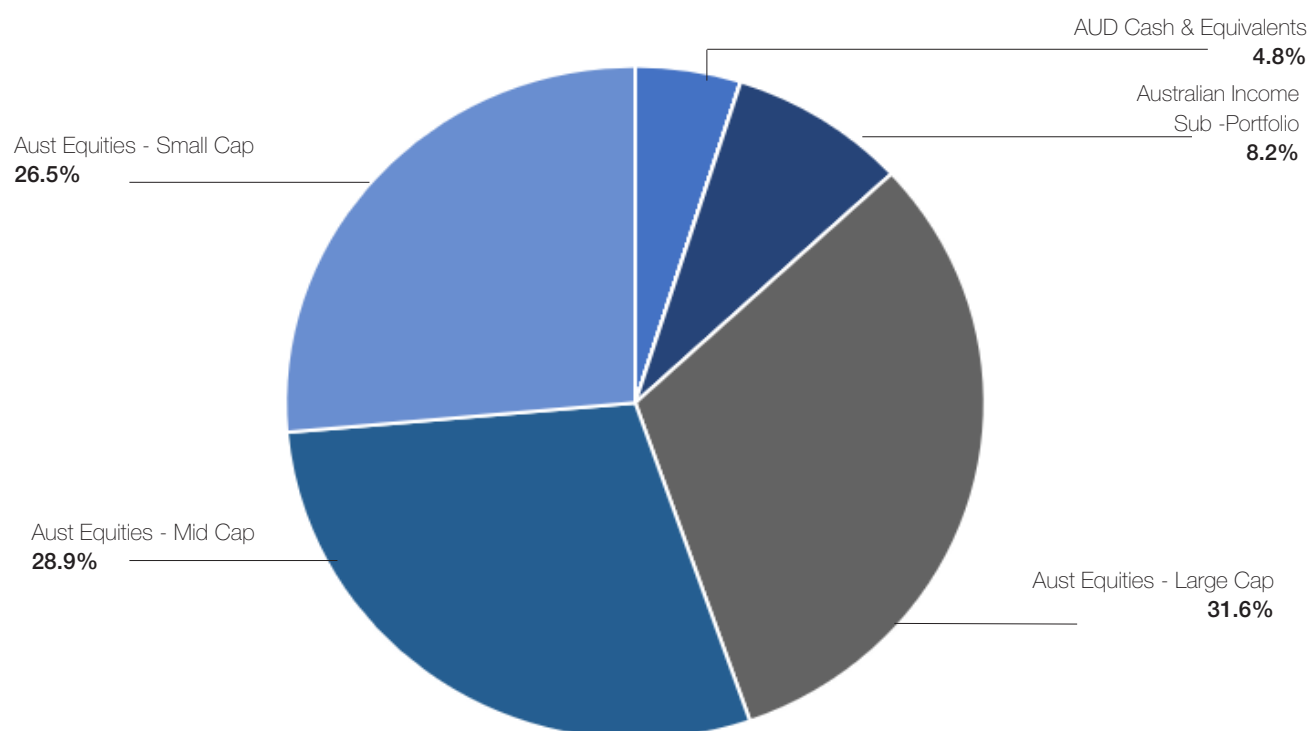
¹ On 22 November 2019, the Board declared a fully franked dividend of 1.25 cents per share in respect of the Company's ordinary shares for the period 1 October to 31 December 2019, payable on 24 January 2020. NTA before and after tax disclosed above for November 2019 is before the effect of this dividend payment.

² On 27 August 2019, 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 to 30 September 2019, paid on 25 October 2019. NTA before and after tax disclosed above for October 2019 is after, and September 2019 is before the effect of this dividend payment.

Net Tangible Assets Report

Stock Code	Company	% of Assets
BHP	BHP Group Limited	5.2%
AMC	Ancor PLC	5.2%
WEB	Webjet Limited	3.8%
BVS	Bravura Solutions Limited	3.6%
WBC	Westpac Banking Corp	3.5%

Gross Asset Allocation



Company Overview (\$m) (Cum Dividend)

Assets	\$M
Australian Equities	\$123.6
Australian Income Sub - Portfolio	\$11.7
AUD Cash & Equivalents	\$6.7
Total Portfolio Including cash	\$142.0
Notes Payable at face value of \$0.96	(\$28.2)
Net Tangible Assets	\$113.8