



A Letter from the Chairman

Clime Capital Limited Preference share conversion

Dear Fellow Shareholders

I am pleased to advise that on 1 May 2017 the company's converting preference shares (ASX code CAMPA) were mandatorily converted into ordinary shares (CAM). CAMPA were issued in April 2007 and had a ten year trading period.

I welcome CAMPA holders to the CAM ordinary share register.

So all shareholders can fully understand the impact of CAMPA being converted into CAM ordinary shares, the following facts are outlined:

1. Prior to conversion there were 7.151 million CAMPA on issue;
2. The yearly dividend on these shares was approximately \$1.29 million fully franked;
3. The CAMPA have converted into 9.919 million ordinary CAM shares;
4. Following conversion there are approximately 89.5 million ordinary CAM on issue.

The conversion of the CAMPA relieves the company of a significant obligation to pay large franked dividends to their owners.

To clearly demonstrate the influence of CAMPA (on the assumption of the maintenance of the current rate of ordinary dividend) the following can be derived:

- a. CAMPA dividend \$1.29 million per annum;
- b. CAM dividend on converted CAMPA \$476k per annum (4.8 cents per annum);
- c. Notional saving in dividends \$814k per annum.

Over the ten years, approximately \$10 million fully franked was paid to CAMPA owners without any DRP operating. These dividend payments drew significant capital out of the company and arguably affected our portfolio returns. Further, the high preference dividends have presented challenges in the analysis and presentation of the annual and longer term portfolio results.

The conversion allows the directors of CAM to consider dividend payments free of the CAMPA obligation, taking into account the profitability of the company, retained earnings and franking balances.

The next quarterly dividend announcement will occur in early June for payment in July 2017.

John Abernethy
Chairman

Investment Approach

Clime's investment approach seeks to deliver strong risk adjusted total returns to investors over the long term. Clime focuses on delivering consistent strong results by identifying undervalued companies and, via the macroeconomic overlay, enhancing return and managing risk.

We strive to ensure that risks taken in the portfolio are appropriately compensated and employ a decision framework of:

- Capital deployed;
- At what risk;
- For what likely outcome.

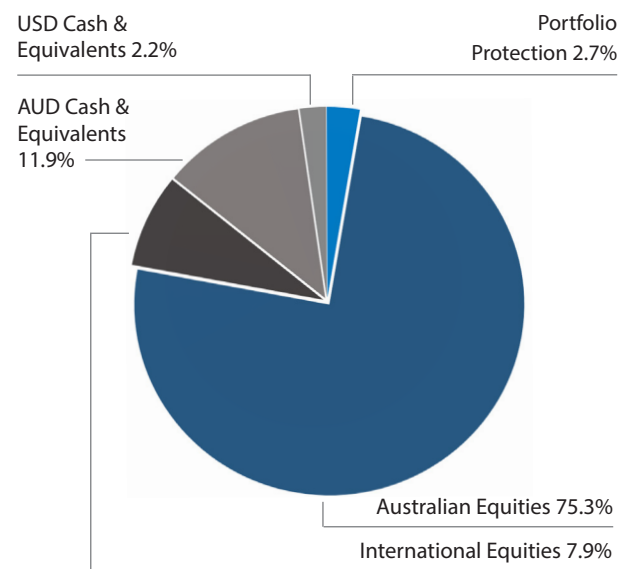
Top Holdings (Weightings %)

Australian Equities - Large Cap	
National Australia Bank	4.99
Australia & New Zealand Banking Group	4.97
Ramsay Healthcare Limited	3.86
Australian Equities - Mid Cap	
Henderson Group	4.62
Crown Resorts Limited	4.06
APN Outdoor Group	3.89
Gateway Lifestyle Group	3.84
Australian Equities - Small Cap	
Collins Foods Limited	3.39
Nick Scali Limited	3.38
Speedcast International Limited	2.61
International Equities	
Medtronic Plc	1.15
iShares Russell 2000 ETF	1.15
Cognizant Tech Solutions	1.00
AUD Cash	11.92
USD Cash	2.17

Net Tangible Assets (NTA)

	April	March	February
NTA before tax	\$0.90 ^{1,2,3}	\$0.91 ^{1,2}	\$0.90 ^{1,2}
NTA after tax	\$0.91	\$0.92	\$0.91
CAM Share Price	\$0.880	\$0.895	\$0.900
Yield Excl. Franking	5.5%	5.4%	5.3%

Asset Allocation



Company Overview (\$m)

Australian Securities	\$63.11
International Securities	\$6.39
AUD Cash & Equivalents	\$9.64
USD Cash & Equivalents	\$1.75
Total Portfolio including Cash	\$80.89

¹ Fully diluted NTA per share incorporates the fully paid ordinary shares, converting preference shares on issue and bonus entitlements due to be paid on conversion of the preference shares. Converting Preference shareholders were mandatorily converted into ordinary shares on 30 April 2017 at a conversion ratio of 1.387118 ordinary shares for each Converting Preference Shares. Accordingly 9,919,524 ordinary shares were issued on conversion of Converting Preference Shares.

² On 21 February 2017, the Board declared a fully franked dividend of 4.5 cents per share in respect of the Company's converting preference shares and a fully franked ordinary dividend of 1.20 cents per share for ordinary shareholders for the quarter ending 31 March 2017. These dividends were payable on 27 and 28 April 2017. NTA before and after tax disclosed above for April is after the effect of this dividend payment and for February and March is before the effect of this dividend payment.

³ On 21 April 2017, the Board declared a final fully franked dividend of 1.5 cents per share in respect of the Company's converting preference shares for the period 1 April 2017 to 30 April 2017 being the date of conversion of Convertible Preference shares. This dividend is payable on 12 May 2017. NTA before and after tax disclosed above for April is before the effect of this dividend payment.

Ordinary Shares Overview (ASX:CAM)

Share Price (at month end)	\$0.880
Rolling 12 Month Dividend	4.8cps
Historical Dividend Yield	5.5%
Percentage Franked	100%
Grossed Up Yield	7.8%
Dividend Reinvestment Plan	Yes

Total Shareholder Returns, January 2009 to April 2017: \$10,000



Clime Capital Limited (ASX:CAM)

Data Source: Thomson Reuters

Summary

The Clime Capital (CAM) portfolio delivered a return (net of fees) of 0.6% for the month. On a financial year to date basis, the Clime Capital portfolio has delivered a total return (net of fees) of 8.8%.

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 April:

- Australian Equity Large Cap Sub-Portfolio: Added to existing positions in ANZ & NAB, marginally reduced position in SEK.
- Australian Equity Mid Cap Sub-Portfolio: Added to existing position in APO, reduced exposure to CWN & QUB.
- Australian Equity Small Cap Sub-Portfolio: Incrementally added to existing positions in HFA, JIN, MUA & RCG, marginally reduced positions in IMF & SDA.
- International Equity Sub-Portfolio: Added to existing positions in GOOGL, IBM, MDT.

We segment the Company into four sub-portfolios with each component portfolio purposefully designed to deliver stated investment objectives. Key contributors and detractors to the CAM return for the month were:

- Australian Equity Large Cap Sub-Portfolio: Positive contributors SEK (7.0%), ANZ (3.0%), RHC (2.6%), no detractors.
- Australian Equity Mid Cap Sub-Portfolio: Positive contributors HGG (5.8%), CWN (5.8%), QUB (2.7%), detractors AHG (-9.5%), APO (-4.4%), ISD (-3.3%).
- Australian Equity Small Cap Sub-Portfolio: Positive contributors JIN (21.2%), SDA (9.2%), HFA (8.1%), detractors RCG (-23.9%), CGL (-5.0%), APD (-4.8%).
- International Equity Sub-Portfolio: Positive contributors GOOGL (11.2%), YUM (5.5%), MDT (5.2%), only detractor of note IBM (-6.1%).

Global markets surged following the first round results, and subsequent election of centrist pro-European Emmanuel Macron. A result that acted to strengthen France's position as a central pillar of the EU. Geopolitical tensions in the Asian region provided the opportunity for US Vice-President Pence to demonstrate a more balanced, calmer face to the Republican leadership team. Domestically, despite some cracks appearing in bulk commodity pricing, we continue to observe the continued transition of capital away from the small and mid-market towards Australia's top-heavy large caps. As a result, many constituents of the ASX20 have rallied on relatively little new information.

Our view remains that many large cap companies continue to trade at or above intrinsic value, thus presenting a less favourable risk-reward potential. Concurrently, we believe pockets of clear value are starting to appear across areas of the small and mid-cap market segments where we have been selectively building out exposure. We maintain our view that the Clime Capital portfolio remains well positioned with sufficient market exposure, while also retaining a reasonable level of cash available for deployment and a degree of portfolio protection. The more measured bulk commodity outlook, coupled with a continuing US rate rising program has seen the AUD-USD fall from recent highs. This has provided an additional benefit to the return contribution of Clime Capital's international exposure. Current portfolio positioning will allow the manager to access select opportunities as and when they arise in the future.

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