

## 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.

## Net Tangible Assets (NTA)

	July	June	May
NTA before tax	\$0.97 <sup>1</sup>	\$0.96 <sup>1</sup>	\$0.94 <sup>1</sup>
NTA after tax	\$0.95	\$0.94	\$0.93
CAM Share Price	\$0.89	\$0.865	\$0.845
Trailing 12 months dividends	5.00 cents	5.00 cents	5.00 cents
Yield Excl. Franking	5.6%	5.8%	5.9%
Yield Incl. Franking	8.0%	8.3%	8.5%

<sup>1</sup> On 5 June 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 April 2018 to 30 June 2018. This dividend was paid on 27th July 2018. NTA before and after tax disclosed above for June and May 2018 is before the effect of this dividend payment. NTA before and after tax disclosed above for July 2018 is after the effect of this dividend payment.

## Company Overview (\$m)

Australian Securities	\$94.47
International Securities	\$3.53
AUD Cash & Equivalents	\$8.87
USD Cash & Equivalents	\$0.91
Gross Portfolio including Cash	\$107.78
Notes Payable at face value of \$0.96	(\$21.39)
Net Tangible Assets	\$86.39

## Ordinary Shares Overview (ASX:CAM)

Share Price (at month end)	\$0.89
Rolling 12 Month Dividend	5.0cps
Historical Dividend Yield	5.6%
Percentage Franked	100%
Grossed Up Yield	8.00%
Dividend Reinvestment Plan ("DRP")	Yes <sup>2</sup>

<sup>2</sup> DPR operates at 1% discount to weighted average price of shares sold on the record date and the three preceding dates.

## Quarterly Dividends - CAM

CAM currently pays quarterly dividends. On 5 June 2018, the Board declared a fully franked dividend of 1.25cps for the period 1 April 2018 to 30 June 2018, paid on 27 July 2018. CAM quarterly dividends are generally paid in the months of January, April, July and October.

## Quarterly Interest - CAMG

CAM pays quarterly interest to CAM Convertible Note Holders at a coupon rate of 6.25% per annum. The next interest payment of 1.512 cents per note will be made on 12 September 2018 for the period 1 June 2018 to 31 August 2018. CAMG quarterly interests are scheduled to be paid in arrears on the 10th Business day following the quarterly periods ending 28 February, 31 May, 31 August and 30 November each year during the term of the Notes.

## Portfolio Update

The Clime Capital portfolio delivered a return (net of fees) of 2.3% for the month. This is a solid start to the new financial year, following on from a constructive FY 2018. Full details of the Clime Capital FY 2018 accounts will soon be released to the ASX.

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 July:

- Australian Equity Large Cap Sub-Portfolio: Added to existing position in Rio Tinto (RIO), incrementally reduced exposure to ANZ Banking Group (ANZ).
- Australian Equity Mid Cap Sub-Portfolio: Added to existing position in Bingo (BIN) and Credit Corp (CCP), reduced exposure to IPH Ltd (IPH) and Orora (ORA), exited position in Qube Holdings (QUB).
- Australian Equity Small Cap Sub-Portfolio: Added to existing positions in Bravura Solutions (BVS) & Jumbo Interactive (JIN), marginally reduced exposure to Navigator Global Investments (NGI) & Nick Scali (NCK) and exited position in Shriro (SHM).
- International Equity Sub-Portfolio: Introduced new position in Facebook (FB), exited position in Tencent Holdings (TCEHY).

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 Amcor (+4.6%), Stockland (+4.5%), Ramsay Health Care (+4.2%) & ANZ Banking Group (+3.8%), Rio Tinto (-2.7%) only detractor.

**Australian Equity Mid Cap Sub-Portfolio:** Positive contributors Afterpay Touch (+51.7%), Credit Corp (+13.9%) & IPH (+10.1%), detractors Eclipx (-3.2%) & Seek (-2.0%).

**Australian Equity Small Cap Sub-Portfolio:** Positive contributors Citadel Group (+8.5%), Navigator Global Investments (+8.4%), Hansen Technologies (+7.3%) & 1300 Smiles (+7.0%), detractors Jumbo Interactive (-19.0%), Nick Scali (-8.2%) & Kangaroo Island Plantation Timbers (-6.5%).

**International Equity Sub-Portfolio:** Positive contributors Alphabet Inc (+8.0%) & Reckitt Benckiser (+7.6%), detractors Tencent Holdings (-10.4%) & Fresenius Medical (-4.0%).

Economic data releases across major economies, and earnings reports at the underlying company level in the US, continue to support what we see as an environment of steady, if not spectacular, growth. Geopolitical turbulence, most notably (and very publicly) promoted by President Trump remain of concern to investors. While we view the likelihood of an escalation in current trade tensions to a more amplified trade war as being low, we believe any solution will ultimately need to be reached via some degree of compromise, diplomacy and (essentially non-public) negotiations.

The US Federal Reserve's gradual interest rate raising program remains on track. Over time, by providing greater stability in global financial markets, and thus supporting more efficient capital allocation decisions, we believe this will ultimately be beneficial for all investors.

We see European Central Bank discussions of reducing bond purchases needing to be accompanied by appropriate action, an issue we continue to monitor as part of the current market and macroeconomic landscape. We anticipate 'no change' from Bank of Japan's Governor Kuroda, 'patiently maintaining their powerful monetary easing'.

Consistent with the above views and observations, we expect longer-term bonds (driven by the US yield curve) continuing to gradually move higher, albeit with some oscillation based on investor uncertainty and geopolitical tensions. At the time of writing, Turkey is seemingly the latest nation caught up in a currency crisis, and with tough US trade tariffs applied to exports of Turkish steel and aluminium.

The primary driver across major currency markets continues to be the USD's superior interest rate differentials. The US 2-year bond offering an equivalent yield to the AUD 10-year, when coupled with an 'on hold for now' RBA Cash Rate, presents a case of limited upside and likely further AUD/USD weakness as we start the new financial year.

Locally, the banking sector remains of great interest to investors. An economic backdrop of high levels of household debt, easing East Coast residential property prices and a simplification drive in core banking operations to increasingly become 'lending machines' come together to solidify our view of major ASX-listed banks as steady providers of fully franked dividends. The key tenet of Clime's Australian equity sub-portfolio approach - finding meaningful growth outside of tradition large caps (ASX50 universe) - continues to be demonstrated in strong portfolio results - specifically the constructive results in mid (ASX200 ex ASX50) and small cap (ex-ASX200) sub-portfolios over recent months.

We continue to utilise opportunities created by market volatility to selectively build exposures across high-quality International and large, mid and small cap Australian equities.

## Top Holdings (% of Gross Assets)

<i>Australian Equities - Large Cap</i>	
Australian & New Zealand Banking Group	2.93
National Australia Bank	2.90
Commonwealth Bank	2.63
<i>Australian Equities - Mid Cap</i>	
Janus Henderson Group	3.66
Webjet Limited	3.57
Afterpay Touch Group	3.25
Credit Corp Group	3.25
<i>Australian Equities - Small Cap</i>	
Navigator Global Investments Limited	3.03
Collins Foods Limited	2.88
Hansen Technologies Limited	2.74
<i>International Equities</i>	
Reckitt Benckiser	0.84
Alphabet Inc	0.77
Facebook Inc-A	0.63
<i>AUD Cash</i>	<b>8.23</b>
<i>USD Cash</i>	<b>0.84</b>

## Gross Asset Allocation

