



## 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)

	August	July	June
NTA before tax	\$0.88 <sup>1</sup>	\$0.87	\$0.89
NTA after tax	\$0.88	\$0.87	\$0.90
CAM Share Price	\$0.865	\$0.880	\$0.870
Trailing 12 months dividends	4.9 cents	4.85 cents	4.85 cents
Yield Excl. Franking	5.7%	5.5%	5.6%
Yield Incl. Franking	8.1%	7.9%	8.0%

<sup>1</sup> On 18 August 2017, 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 2017 to 30 September 2017. This dividend is payable on 27 October 2017. NTA before and after tax disclosed above for August 2017 is before the effect of this dividend payment.

## Portfolio Update

The Clime Capital (CAM) portfolio continued its steady start to the new financial year and delivered a return (net of fees) of 0.9% for the month. For the financial year to date, the Clime Capital portfolio has delivered a total return (net of fees) of 0.4%.

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 August:

- **Australian Equity Large Cap Sub-Portfolio:** Added to existing position in CSL, reduced position in RHC.
- **Australian Equity Mid Cap Sub-Portfolio:** Added to existing positions in CCP, OML, ORA & SDA, reduced exposure to AHG, GTY & JHG, exited position in CWN.
- **Australian Equity Small Cap Sub-Portfolio:** Introduced new positions in BVS & SHM, added to existing positions in HSN, IDR & RUL, marginally reduced exposure to FLK, HFA & RFF.
- **International Equity Sub-Portfolio:** Introduced a new position in FMS. Added to existing positions in FB, NTES & PCLN.

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 CSL (2.0%) & NAB (0.8%), detractors VCX (-4.7%) & RHC (-3.2%).
- **Australian Equity Mid Cap Sub-Portfolio:** Positive contributors ORA (12.3%), GTY (8.0%) & JHG (4.9%), detractors AHG (-16.5%) & QUB (-5.3%).
- **Australian Equity Small Cap Sub-Portfolio:** Positive contributors VRS (20.0%), RUL (18.0%), BVS (12.1%), IDR (8.8%) & RFF (8.8%), detractors HSN (-16.0%) & CRR (-3.4%).
- **International Equity Sub-Portfolio:** Positive contributors CHL (7.3%), CTSH (3.0%) & YUM (2.4%), detractors PCLN (-8.1%) & NTES (-10.5%).

The core of Clime's value-based investment approach is seeking out well managed, profitable businesses with strong cash flows, low debt and genuine growth at an attractive valuation.

February and August each year provide the opportunity for the majority of ASX listed companies to provide an update on their business via their full or half-yearly results. This wave of new information also provides the opportunity for investors to re-examine their investment theses and evaluate critical underlying assumptions for businesses' expected journeys ahead.

Having navigated the most recent August reporting season, I wanted to take this opportunity to provide you with an update across each of the three Australian equity growth sub-portfolios and highlight what we saw as key themes across the Australian Equity investment universe.

**Australian Equity Large Cap Sub-Portfolio:** Solid results and trading updates from ANZ, CSL and NAB.

A significant theme across the large cap sub-portfolio universe has been industrial companies' acknowledgement of modest expected top-line growth, and the resulting need to re-invest to grow future earnings. TLS (not held) cut its dividend, ANZ intensified its need to get more 'Agile', while CSL (which is experiencing strong top-line growth) announced a pause in its on-market share buyback program to focus on future growth opportunities. Commodity prices remain elevated leading to significant cash generation amongst the major miners (not held).

Notwithstanding current positions in CSL and RHC, the Australian equity large cap sub-portfolio's primary role is to consistently generate meaningful (preferably franked) income and some growth.

**Australian Equity Mid Cap Sub-Portfolio:** Solid results and trading updates from APO, CCP, JHG and ORA, disappointing result from AHG.

A key observation over the August reporting season across the mid cap sub-portfolio universe has been at times the dramatic turnaround from what was a positive market reaction on results day to a reversal – in some cases an actual decline below pre-result levels – the following day. Within the Clime Capital portfolio, this was the case for both APO and QUB. Having a longer-term investment horizon, Clime's investment approach will selectively utilise short-term volatility to further build out positions.

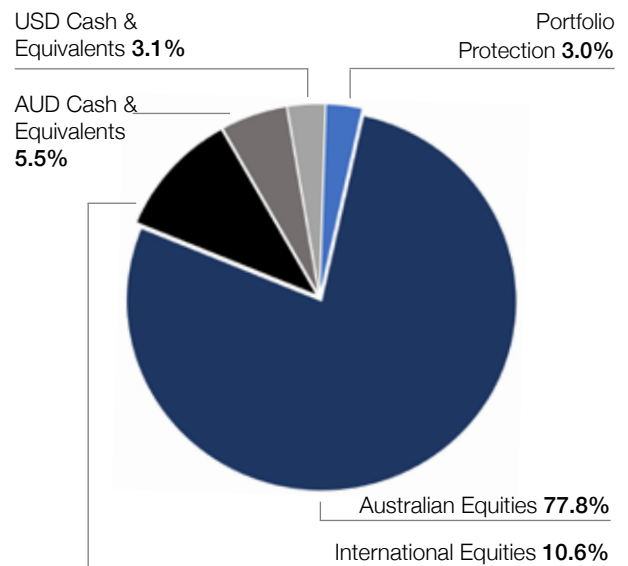
The role of the Australian equity mid cap sub-portfolio is to consistently deliver a combination of sound growth and some income.

**Small cap sub-portfolio:** Solid results and trading updates from APD, CGL, ENN, FLK, HFA, IMF, NCK and VRS.

Consistent with Clime's purposeful approach, the Australian equity small cap sub-portfolio's primary role is to consistently deliver solid growth. With the generally lackluster future growth profile across many large cap industrial companies, the portfolio's smaller companies emerged in many ways as the 'stars' of the August reporting season. We observed across the small cap sub-portfolio universe the market's continued intolerance for uncertainty in the retail outlook. This was evident for NCK, which after delivering what we saw as one of the strongest results of the August reporting season, was sharply sold down based on their very measured assessment of FY18 same-store sales growth, and acknowledgement of the discretionary nature of their furniture business. We re-iterate our perspective of short-term volatility providing opportunity for those investors with a longer-term investment horizon.

I am pleased with the Clime Capital portfolio's positioning and navigation of the August reporting season. We continue to seek out compelling opportunities and selectively deploy capital in the most favoured of these investments.

## Asset Allocation



## Top Holdings (Weightings %)

<b>Australian Equities - Large Cap</b>	
Australia & New Zealand Banking Group	4.71
National Australia Bank	4.54
Ramsay Healthcare Limited	3.18
<b>Australian Equities - Mid Cap</b>	
Janus Henderson Group Plc	4.01
APN Outdoor Group	3.76
Qube Holdings Limited	3.69
SEEK Limited	3.07
<b>Australian Equities - Small Cap</b>	
Collins Foods Limited	3.23
HFA Holdings Limited	3.06
Citadel Group Limited	2.63
<b>International Equities</b>	
Priceline.com Inc	2.07
Netease.com Inc	1.45
Alphabet Inc	1.26
<b>AUD Cash</b>	
	5.52
<b>USD Cash</b>	
	3.12

## Ordinary Shares Overview (ASX:CAM)

Share Price (at month end)	\$0.865
Rolling 12 Month Dividend	4.90cps
Historical Dividend Yield	5.7%
Percentage Franked	100%
Grossed Up Yield	8.1%
Dividend Reinvestment Plan ("DRP")	Yes <sup>2</sup>

## Company Overview (\$m)

Australian Securities	\$63.87
International Securities	\$8.40
AUD Cash & Equivalents	\$4.37
USD Cash & Equivalents	\$2.46
<b>Total Portfolio including Cash</b>	<b>\$79.10</b>

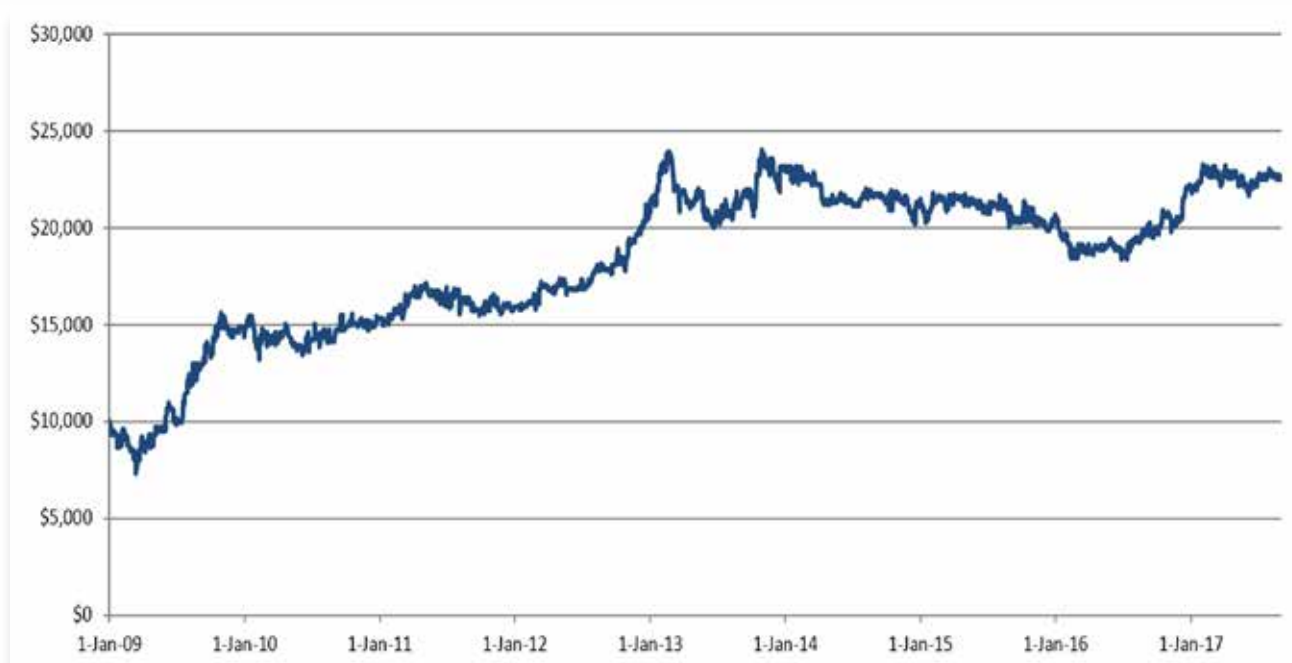
## Quarterly Fully Franked Dividend

The company announced a fully franked quarterly dividend of 1.25c per share.

### Key dates for Sept 2017 Quarterly Dividend

Dividend ex-date	03/10/2017
Record date	04/10/2017
Last election date for DRP	05/10/2017
Payment date	27/10/2017

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



Clime Capital Limited (ASX:CAM)

Data Source: Thomson Reuters

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

Copyright © 2017 Clime Capital Limited (ASX:CAM). All rights reserved. The information provided in this document and climecapital.com.au is intended for general use only. The information presented does not take into account the investment objectives, financial situation and advisory needs of any particular person nor does the information provided constitute investment advice. Under no circumstances should investments be based solely on the information herein. Climecapital.com.au is intended to provide educational information only. Please be aware that investing involves the risk of capital loss. Data for graphs, chart and quoted indices contained in this report has been sourced by FactSet, IRESS Market Technology, Thomson Reuters, Clime Asset Management and StocksInValue unless otherwise stated. Past performance is no guarantee of future returns.