



# Net Tangible Assets Report

August 2018



## Portfolio Update

On the domestic front, the February and August reporting seasons each year provide the opportunity for the majority of ASX listed companies to present an update on their businesses via their half or full-year results. This mass of new information also provides investors with the chance to re-examine their investment theses and evaluate critical underlying assumptions for businesses' expected journeys ahead.

The Clime Australian equity growth-focused strategies navigated the August reporting season well. A feature of the current investing landscape is the seemingly 'binary' reaction of some market participants to either handsomely reward perceived strong results (prices rapidly bid higher) or for results falling short of expectations, to pummel share prices significantly lower.

Armed with a medium-term investment horizon, an absolute value-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.

President Donald John Trump continues to be at the centre of current geopolitical concerns. Late in the month of August, President Trump claimed success in renegotiating key elements of the North American Free Trade Agreement; this was a deal with Mexico, which he referred to as the 'United States-Mexico Trade Agreement'. This followed Mr. Trump's unorthodox approach of again levelling criticism at US Federal Reserve Chair, Jerome Powell, in what he described as 'being given some help' by the Fed (and relating to the earlier comment of 'not liking all of this work that we're putting in to the economy' being offset by rates going up). And finally, the escalating Turkey trade spat and still unresolved planned tariff escalation on a further \$200bn of Chinese manufactured imported goods into the US, ensured current global investment market uncertainty remained elevated.

As previously articulated, we believe the US Federal Reserve's gradual interest rate raising program remains on track and see a September rate increase being highly probable. Over time, by providing greater stability in global financial markets, and thus supporting more efficient capital allocation decisions, we believe this will be beneficial for all market participants.

Consistent with the above views and observations, we expect longer-term bonds (driven by the US yield curve) to gradually move higher, albeit with some oscillation based on investor uncertainty and geopolitical tensions. We view the 'Bond Market Bear' concerns of what might soon be an inverted US yield curve (2-year US Treasury yield being higher than the 10-year US Treasury yield), as historically having merit, however not appropriately reflecting the degree of extraordinary stimulus measures (Central Bank bond buying programs in the long-end of the curve) still in existence today.

The AUD/USD weakened further during August, declining 2.7% for the month. This brings the calendar year to date decline to 7.5% (source: Factset). The primary driver across major currency markets remains the USD's superior interest rate differentials. The US 2-year bond now offering a higher yield than the AUD 10-year, coupled with an 'on hold for now' RBA Cash Rate, presents a case for further AUD/USD weakness in the year ahead.

The key tenet of Clime's Australian equity sub-portfolio approach - finding meaningful growth outside of the traditional large caps (ASX50 universe) – continues to be demonstrated in strong portfolio results. This was particularly evident in the Australian equity growth-focused portfolio's August results.

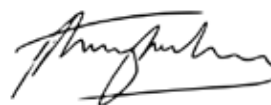
Within the portfolio, capital allocation decisions are made across a number of asset classes. These are Australian Equities, International Equities, Hybrids and Interest Bearing Securities and both AUD and USD Cash and Equivalents. The Australian Equity asset class exposure encompasses three sub-portfolios: 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 positions in Amcor (AMC) and Rio Tinto (RIO), reduced exposure to ANZ Banking Group (ANZ), CSL (CSL) and Ramsay Health Care (RHC).
- **Australian Equity Mid Cap Sub-Portfolio:** Added to existing positions in Afterpay Touch (APT), Bingo (BIN), Eclix (ECX), Seek (SEK) and Speedcast (SDA), exited position in IPH (IPH).
- **Australian Equity Small Cap Sub-Portfolio:** Added to existing positions in 1300 Smiles (ONT) & Citadel Group (OGL), marginally reduced exposure to Nick Scali (NCK) and initiated new position in LiveTiles (LVT).
- **International Equity Sub-Portfolio:** International Equity Sub-Portfolio: Introduced new position in Baidu.com (BIDU), exited position in Fresenius Medical Care (FMS).

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 contributor CSL (+15.6%), detractors Rio Tinto (-8.4%) and Amcor (-5.1%).
- **Australian Equity Mid Cap Sub-Portfolio:** Positive contributors Afterpay Touch (+27.9%), Webjet (+27.3%), IPH (+19.7%) and Credit Corp (+12.2%), detractors Speedcast (-31.6%), Eclix (-13.4%) and Janus Henderson (-10.0%).
- **Australian Equity Small Cap Sub-Portfolio:** Positive contributors Jumbo Interactive (+64.2%), Bravura Solutions (+30.6%), Folkestone (+25.0%, received takeover offer), Nick Scali (+9.2%) and Collins Foods (+8.6%), detractors Axsesstoday (-20.0%), 1300 Smiles (-6.6%) and Veris (-6.3%).
- **International Equity Sub-Portfolio:** Positive contributors Facebook (+4.8%), Alphabet Inc (+3.2%), no meaningful detractors.



**Anthony Golowenko**  
Chief Investment Officer

## Quarterly Dividends - CAM

CAM currently pays quarterly dividends. On 5 September 2018, the Board declared a fully franked dividend of 1.25cps for the period 1 July 2018 to 30 September 2018, to be paid on 26 October. 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 August quarter's interest payment of 1.512 cents per note was paid 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.

***“Armed with a medium-term investment horizon, an absolute value-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.”***

NTA after tax	Gross portfolio including cash	Rolling 12 month dividend	Historical dividend yield
<b>\$0.98</b>	<b>\$112.0m</b>	<b>5.0cps</b>	<b>5.3%</b>

## Net Tangible Assets (NTA) - Cum dividend & bonus

## Gross Asset Allocation

## Top Holdings (% of Gross Assets)

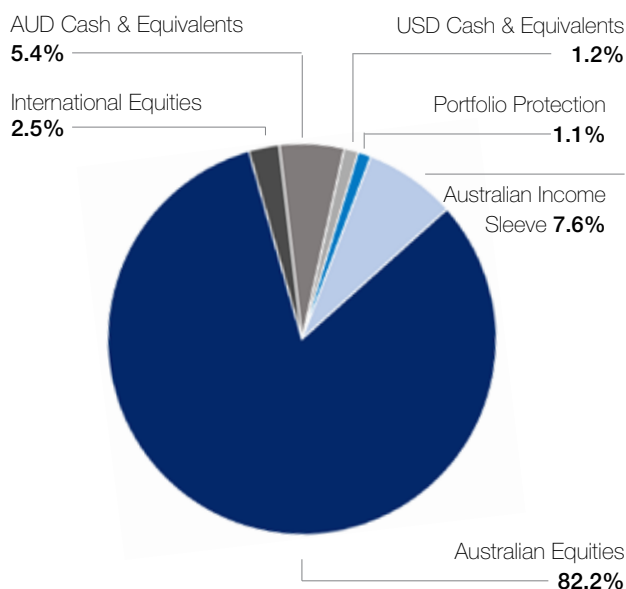
	August	July	June
NTA before tax	\$1.02 <sup>1</sup>	\$0.97	\$0.96
NTA after tax	\$0.98	\$0.95	\$0.94
CAM Share Price	\$0.935	\$0.890	\$0.865
Yield Excl. Franking	5.3%	5.6%	5.8%
Yield Incl. Franking	7.6%	8.0%	8.3%

<sup>1</sup> 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 will be paid on 26 October 2018. NTA before and after tax disclosed above for August 2018 is before the effect of this dividend payment.

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

## Company Overview (\$m) - Cum dividend & bonus

Australian Equities	\$92.87
Australian Income Sleeve	\$8.55
International Securities	\$3.21
AUD Cash & Equivalents	\$6.02
USD Cash & Equivalents	\$1.33
Gross Portfolio including Cash	\$111.98
Notes Payable at face value of \$0.96	(\$21.39)
Net Tangible Assets	\$90.59



### Australian Equities - Large Cap

National Australia Bank	2.79
Rio Tinto Limited	2.66
Commonwealth Bank	2.41

### Australian Equities - Mid Cap

Afterpay Touch Group	4.75
Webjet Limited	4.41
Bingo Industries Limited	4.25
Janus Henderson Group	3.43

### Australian Equities - Small Cap

Jumbo Interactive Limited	3.55
Collins Foods Limited	3.05
Bravura Solutions Limited	2.91

### International Equities

Reckitt Benckiser	0.80
Alphabet Inc	0.76
Facebook Inc-A	0.63

### AUD Cash

<b>5.38</b>
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### USD Cash

<b>1.18</b>
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