



Clime Capital Limited

12 November 2021

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 31 October 2021.

For further information contact:

John Abernethy

Chairman
Clime Capital Limited

(02) 8917 2107

Clime Capital Limited

Level 12, 20 Hunter Street Sydney, NSW 2000, Australia | PO Box H90, Australia Square, NSW 1215
ABN 99 106 282 777 P 02 8917 2100 W www.clime.com.au T @climeinvest



About Clime Capital Limited

Facts

Clime Capital Limited (ASX: CAM) is an actively managed, Listed Investment Company (LIC) providing exposure to high quality large caps, small caps and income securities. CAM's core objective is to provide investors with a dividend yield and franking rate that is consistently higher than that achieved by the S&P/ASX 200 Index. CAM has paid a quarterly fully franked dividend to shareholders every quarter since 2009.

Benefits

CAM offers a number of key advantages to investors:

- Quarterly fully franked dividends
- A disciplined investment process with a bespoke focus on quality and value
- Daily liquidity provided by the Listed Investment Company (LIC) structure
- Professional portfolio management services from a dedicated investment team

Investor Suitability

CAM is designed for investors who are seeking:

- Long-term capital preservation when measured against inflation
- Access to quarterly income with the added benefit of franking credits
- The expertise of a professional Investment Manager, focused on quality and value
- Have a minimum of 5 years to invest

Risk Management

Although a diversified portfolio, investing in CAM is considered high risk. The risks associated with investing in a LIC that should be considered include liquidity risks, regulatory and tax risk, and manager risk. Risk management and capital preservation has long been a cornerstone of the Clime Asset Management Pty Ltd (Clime) investment philosophy. The Clime investment team applies a rigorous valuation methodology, coupled with sound portfolio construction principles, to identify upside whilst mitigating downside risk.



Adrian Ezquerro
Head of Investments



Ronni Chalmers
Portfolio Manager
All Cap Australian Equities



Vincent Cook
Portfolio Manager
Large Caps



Jonathan Wilson
Portfolio Manager
Small Caps

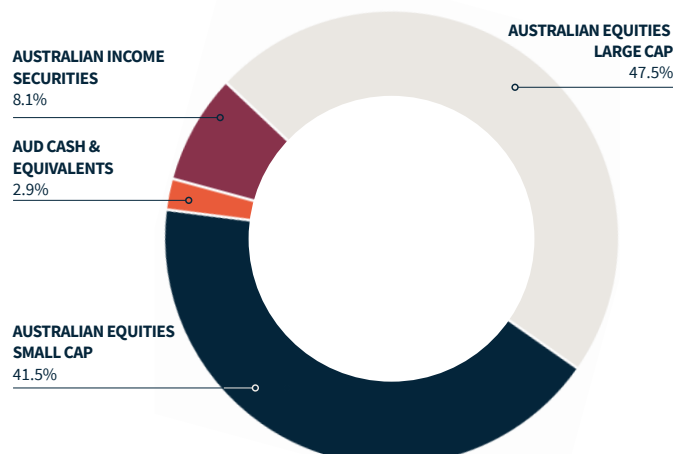
NTA before tax as at 31 Oct 2021	NTA after tax as at 31 Oct 2021	Gross Portfolio Value	Rolling 12 Month Dividend cents per share	Historical 12 Month Dividend Yield	Historical 12 Month Dividend Yield including Franking credits
\$0.940	\$0.930	\$153.8 m	5.15	5.6%	8.0%

Portfolio Asset Allocation

Assets	\$M
Australian Equities	136.9
Australian Income Securities	12.4
AUD Cash & Equivalents	4.5
Gross Portfolio Valuation	153.8
Convertible Notes (CAMG)*	-21.7
Net Tangible Assets Before Tax	132.1

Share price as at
11 November 2021: **\$0.91**

Gross Asset Allocation



Top 20 Holdings

(in alphabetical order)

Company	ASX Code
Adairs	ADH
Australia & New Zealand Banking Group	ANZ
BHP Group	BHP
Electro Optic System	EOS
Hansen Technologies	HSN
Insurance Australia Group	IAG
Integral Diagnostics	IDX
Jumbo Interactive	JIN
Mach7 Technologies	M7T
Macquarie Group	MQG
National Australia Bank	NAB
Nick Scali	NCK
Navigator Global Investments	NGI
Oz Minerals	OZL
Rhipe	RHP
Resmed	RMD
RPM Global	RUL
Sonic Healthcare	SHL
Seven Group	SVW
Westpac Banking Corporation	WBC

*CAMG are unsecured, convertible notes in CAM which, if redeemed, would need to be paid out at face value.



Net Tangible Assets (NTA)

2021	Oct	Sep ¹	Aug ¹
NTA before tax	\$0.940	\$0.965	\$0.995
NTA after tax	\$0.930	\$0.950	\$0.970

¹ On 17 August 2021, the Board declared a fully franked dividend of 1.27 cents per share and a special dividend of 0.25 cents per share in respect of the Company's ordinary shares for the period 1 July to 30 September 2021, was paid on 28 October 2021. NTA before and after tax disclosed above for August 2021 and September 2021 are before the effect of this dividend payment, and for October was after the effect of this dividend payment.

Market Commentary

Global share markets closed out the month of October with reasonable gains, following a shaky September that saw major indices pull back. Investor concerns about the pandemic, inflation, supply-chain difficulties, and the direction of fiscal and monetary policy, were seemingly brushed aside on the strength of corporate earnings, re-openings, and robust consumer demand.

While the Australian market fell marginally (-0.1%), global markets surged higher during the month, with the MSCI AC World up +5.0%, the S&P 500 up +6.9% and the tech heavy Nasdaq up +7.3%. This strength came as concerns around China were allayed as Evergrande made bond payments while slowing global growth fears were eased by strong US corporate earnings.

Closer to home, more obscure pockets within the Australian market also delivered strongly during October. The microcap-focused S&P/ASX Emerging Companies Index was up +4.2%, while the S&P/ASX Small Ordinaries Resources Index delivered +6.3%. Both benefitted strongly from the rally in lithium, gold, and base metals. Eight out of the top ten contributors to small cap returns in October were linked to resources.

During the first 3 weeks of October, investors appeared to relax their view that logistical problems relating to post-pandemic re-openings were likely to be largely transitory. The global economy has been operating in a low inflation environment for the last decade or more, with central banks undershooting inflation targets.

But in the final week of October, the mood shifted markedly amidst signs that an inflation break-out could mean that monetary largesse would soon be withdrawn. This was reflected in long bond prices, where both the US 10-year Treasuries rose 1.70%, before falling back

to end the month at 1.55%, and Australian 10-year bonds surged to 2.09%. This spike in yields was also reflected at the shorter end of the yield curve, as Australian money markets begin to doubt the Reserve Bank of Australia's (RBA) yield curve control program, and its assurances that cash rates were likely on hold until 2024.

Looking ahead, amongst the most important factors to monitor will be the trend in labour markets and wages growth. The employment situation in many developed economies has been impacted by labour shortages and low participation rates, particularly in the US, where the pandemic experience has dented the willingness to return to work, driving up wages and constraining activity.

The implications for investment markets are stark. The current bout of inflation could be part of a general structural change in global macroeconomic settings. While the US Federal Reserve, the RBA and other central banks may look through some of the rise in underlying inflation, for now, price pressures are building, and rate hikes are getting closer.

While we are of the view that inflation is not about to become too disorderly, inflation will probably be higher over the next few years compared to the pre-pandemic environment. Most central banks are likely to start lifting interest rates in late 2022 or early 2023, and global bond yields will probably continue to rise. Given the low starting point for bond yields, share markets and yields can still rise together for now, especially while the global economy re-opens and corporate profit growth remains strong.

It should be noted that moderately higher inflation is not always problematic, nor always the death knell for bull markets. Moderate inflation will help reduce the very high public debt burdens rather than governments reducing spending or increasing taxes. Inflation only becomes a far more serious problem if central banks believe it is becoming so persistent that they are forced to implement sharp monetary contraction policies and raise rates much higher than is anticipated.

Portfolio Commentary

Key contributors to the portfolio return for the month were:

Australian Equity Large Cap contributors: Oz Minerals (OZL) and Macquarie Group (MQG), detractors: Codan (CDA) and Pental Group (PDL).

Australian Equity Small Cap contributors: Nick Scali (NCK) and Hansen Technologies (HSN), detractor: Mach7 Technologies (M7T).

OZL returned +11.6%, reflecting strength in the copper price, which gained +9.7% over the month. OZL affirmed their full year copper production guidance and upgraded gold production guidance on higher grades.

MQG returned +8.7% following upgraded guidance for first half earnings, supported by commodities and global market activity and asset realisations. MQG is well placed to benefit from the green energy transition, given its leading infrastructure expertise.

CDA returned -21.3% on a perceived reduction in growth following a strong year that benefited from the pandemic. CDA delivered 40% net profit growth for FY2021, and we view CDA as well placed for future growth.

PDL returned -19.6% following a disappointing update on fund flows and near term performance. However, performance has been strong over longer periods and flows have been on an improving trend, while offering a forecast 7.2% dividend yield.

NCK returned +30.3% on the back of a \$103m acquisition of Plush and a better than expected trading update. Plush adds 46 stores to NCK's current network of 62 stores. Management aims to grow the combined store count by over 60% in the coming years. Despite shipping and lockdown delays, September quarter sales were in-line with the previous year, as were margins.

HSN returned +14.3%, recovering after a brief sell-off following the withdrawal of an acquisition proposal by Bligh Resources.

M7T returned -10.0% despite delivering record quarterly sales orders of \$16.2m, up 368%, and securing a major contract with Trinity Health, one of the top 5 health systems in the US. Contracted Recurring Revenues of \$16.8 now approach 80% of M7T's cost base. We expect to see M7T's powerful operating leverage deliver significant earnings growth over the medium term.



Invest in people, who invest in you.

Client Services 1300 788 568 | info@clime.com.au | climecapital.com.au

The information contained in this document is published by CAM's Investment Manager, Clime Asset Management Pty Limited ABN 72 098 420 770 AFSL 221146 (Clime).

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