

Company Announcements  
Australia Stock Exchange  
by e-lodgement

8 February 2012

## Net Tangible Assets (NTA) Update

### **NTA \$1.18 before tax and \$1.16 after tax (ex dividend)**

The Clime Capital board is pleased to report the NTA of Clime Capital Limited as at 31 January 2012.

Investments	30 November 11	31 December 2011	31 January 2012
Equities	\$51.2m	\$52.5m	\$53.5m
Cash	\$10.5m	\$9.6m	\$10.0m
Net Assets	\$61.7m	\$61.2m	\$63.4m
<b>NTA before tax per share</b>	<b>\$1.15<sup>1</sup></b>	<b>\$1.14<sup>1,2</sup></b>	<b>\$1.18<sup>1,2</sup></b>

<sup>1</sup> Fully Diluted NTA per share incorporates both the fully paid ordinary shares and converting preference shares on issue and bonus entitlements due to be paid on conversion of the preference shares

<sup>2</sup> Dividend of \$813,869 provided 31/12/11 and paid on 18/1/12

	3 months	1 year	2 years*	3 years*	4 years*
Clime Capital Limited	1.79%	0.87%	4.65%	18.55%	5.63%
ASX All Ordinaries Acc. Index	0.01%	-6.86%	1.12%	12.23%	-2.53%
<b>Outperformance</b>	<b>1.78%</b>	<b>7.73%</b>	<b>3.52%</b>	<b>6.32%</b>	<b>8.15%</b>

\* Annualised investment performance to 31 January 2012.

## Top Ten Portfolio Holdings – 31 January 2012

ASX Code	Company Name	Portfolio Weighting (%)
TLS	Telstra Corporation Limited	8.75
MMS	McMillan Shakespeare Limited	7.89
BHP	BHP Billiton Limited	7.81
AAZPB	Australand Convertible Notes 31/12/2049	6.35
EPX	Ethane Pipeline Income Fund	6.33
MXUPA	Multiplex Convertible Note 31/12/2049	5.19
ANZ	Australia & New Zealand Banking Group Limited	5.05
WOW	Woolworths Limited	4.76
BKW	Brickworks Limited	4.41
WBC	Westpac Banking Corporation	4.12

### Investment Update

The world is being pumped full of liquidity with Central Banks across the US, Europe and Japan offering either unlimited funding to their banking systems or buying sub-prime government bonds. So is this a problem in the making or a resolution of structural weaknesses? Is there a new economic paradigm that rebuffs long held monetarist theory? Is the spin so pervasive that no one is capable of understanding the current situation?

In our view the "liquidity pump flow" environment is just the way it is. When the house is on fire, drench it and don't worry about the water damage. The liquidity pump flow was and continues to be essential. It is becoming increasingly imprudent to question it. Without knowing what would have occurred without it, it is difficult to acknowledge its success. Indeed the many commentators who are forecasting the collapse of markets appear to be forecasting what would have happened if there was no responsive policy.

We maintain our view that the developed world has entered a prolonged period of slow economic growth dominated by debt repayment and high unemployment. In this environment the expectations for investment returns must be lowered to well below historic norms. An investor can no longer expect that markets will over the medium term deliver capital gains. Rather it will require judicious asset allocation and value-focused stock selection to achieve adequate returns. Good companies and good assets with strong cash flows will continue to do well. The trick will be to differentiate the quality companies from the mediocre and to buy them at a discount to value.

This year, the outlook for the Australian equity market continues to be difficult. The consequences of the economic policies of overseas governments and central banks is to force up the value of the A\$ and drive our bond yields lower. Economic growth in Australia is well above other Western countries but it is not being reflected in an even spread of growing profits across the economy. The current rally in the equity market is justifiable because Australian equities have been oversold due to negative investor sentiment and the overseas effects. We anticipate that the market will rise back to fair value as it becomes increasingly obvious that a major economic downturn has been avoided in the US and Europe. However, after that it will be a stock specific market in terms of capital growth.

At Clime, we don't invest in the indices – we invest in carefully selected companies that fall within our strict value criteria. This has helped us significantly outperform the major Australian share market indices by a significant margin over virtually all time periods over the past 5 years. Volatility in markets creates opportunities for us to buy shares of quality companies on your behalf - at attractive discounts, and sell those which are trading at unsustainable premiums. Despite challenges in the environment, we are confident we can continue to provide attractive medium and long term returns to our investors through adhering to our value-based investment style and philosophy.

Kind regards

John Abernethy  
Chairman

Clime Capital Limited