

# Clime Capital Limited (CAM)

Listed Managed Investments

September 2012 Quarterly Review

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**LMI Type**  
Listed investment company

**Investment Area**  
Australia

**Investment Assets**  
Listed companies and other

**Investment Sectors**  
Diversified

**Key Investment Information**

Price as at 30 November 2012	1.00
Market cap (\$M)	50.1
Shares on issue (M)	50.1
Shares traded (\$M p.a)	5.1
12-month L/H (\$)	0.83/1.02
Listing date	February 2004
Fees	
Management Fee (%)	1.00
Performance incentives (%)	20.00*

\*20% of outperformance of S&P/ASX 200 Index

**Pre-tax NTA Performance Analytics (including dividends)**

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	(2.76)	1.84
TE (%)	8.66	9.11

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

**Dividend Yield**

	%
FY10	3.73ff
FY11	3.64ff
FY12	4.08ff

**Substantial Shareholders**

	%
Clime Investment Management Limited	11.9
Victor Plummer	6.6

As at 30 Sept 2012

## COMPANY OVERVIEW

CAM was listed in 2004. The company invests in ASX-listed securities, including stocks and bonds. The portfolio is managed by Clime Investment Management Ltd (an ASX-listed company).

## INVESTMENT OBJECTIVE

CAM seeks to generate returns for shareholders by investing in businesses with understandable economics and excellent growth and income potential that are run by capable management.

## STYLE AND PROCESS

CAM's investment process is based on three key components: Stock selection; attractive investment criteria; and risk management. (1) Stock Selection: The company filters through all companies listed on the ASX. Companies are excluded if they are deemed not to be of investment quality. From this point the remaining companies are screened using a proprietary valuation methodology. For those companies that remain after the screening process, additional research is undertaken to select a portfolio of around 25 companies. (2) Investment Criteria: Before investing in a company CAM assesses potential investments against a range of criteria, including: understandable business models, profitability, cash flow, debt levels, capital management and management and governance. (3) Risk Management: CAM manages risk through adherence to fundamental beliefs and investment philosophy, adherence to their investment process, portfolio management systems and margin of safety. The margin of safety rules impose CAM will only invest in a security if there is a sufficient margin (typically 20%+) between the current share price and CAM's valuation.

## PORTFOLIO CHARACTERISTICS

CAM holds a concentrated portfolio of 28 securities. CAM allocates the portfolio between cash and ASX-listed securities. In the event CAM cannot identify value they will hold cash. As at 30 September 2012, the cash component of the portfolio was 18.2%. The portfolio is actively managed and thus will experience portfolio rotation. The manager will liquidate a position to facilitate rotation if required. The company invests in stocks across the market, from blue chip stocks to micro cap stocks.

## INDEPENDENT INVESTMENT RESEARCH COMMENTS

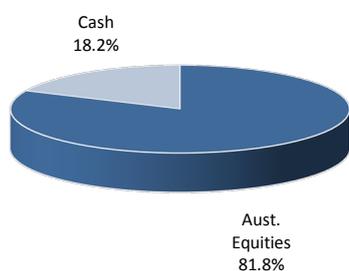
Over the 12-months to 30 September 2012, CAM outperformed the benchmark index (All Ordinaries Accumulation index), with the portfolio value (pre-tax NTA plus dividends) increasing 10.6%, compared to the benchmark index increase of 8.2%. The portfolio is concentrated and as such the performance of individual stocks within the portfolio will have a large impact on the performance of the portfolio. The company has a low dividend yield when compared to its peers. We believe the low dividend yield contributes to the significant discount the company has traded at, although the bonus share initiative appears to have assisted in narrowing the discount somewhat with the company trading at a 15.9% discount at 30 September 2012. The company has steadily increased its dividend payout over the last three financial years. On 2 October 2012, the company announced another bonus share issue. The shares will be issued in a 1 for 20 basis and are expected to be despatched on 1 November 2012. The aim of the bonus share issue is to improve liquidity and narrow the discount. Benefits to shareholders are that their position is not diluted and they are gifted additional dividends.

## SECTOR BREAKDOWN

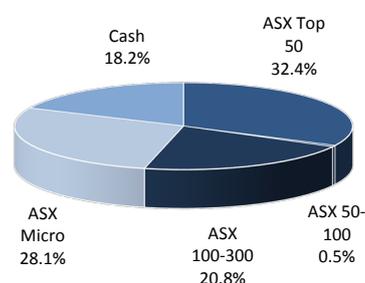
Sector	%
Energy	0.0
Materials	13.6
Industrials	19.9
Consumer Discretionary	10.5
Consumer Staples	6.1
Healthcare	0.0
Financials (ex Property)	24.2
Property	11.2
Information Technology	2.8
Telecommunication Services	7.7
Utilities	4.1

\*Sector breakdown weights do not include cash holdings.

### Asset Weighting



### Size Weighting



## BOARD OF DIRECTORS

John Abernethy	Chairman (Non-Executive)
Geoffrey Wilson	Director (Non-Executive)
Julian Gosse	Director (Non-Executive)
Brett Spork	Director (Non-Executive)

## OTHER DATA

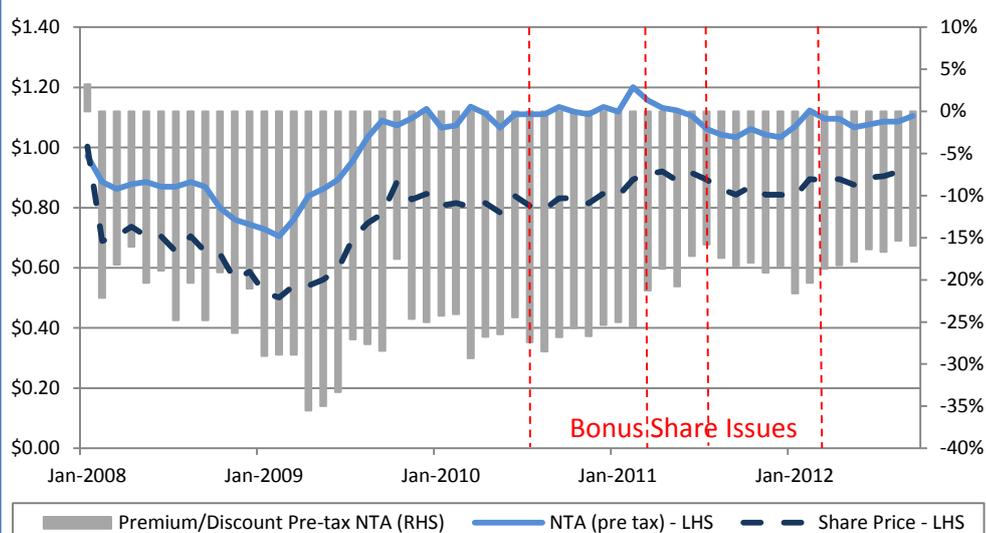
- Options – The LIC is able to manage risk via options when deemed necessary.
- Dividend policy – Quarterly dividends on ordinary and preference shares to utilise franking credits.
- Capital management policy – Bonus shares issued if share price at significant discount to NTA.
- LIC tax concessions – No
- DRP available – Yes

## CAM'S PORTFOLIO (TOP 10) WEIGHTING

Code	Portfolio (%)	All Ords Index (%)
BHP	6.9	8.8
TLS	6.3	4.0
MMS	5.8	0.1
ANZ	5.5	5.1
MXUPA	5.2	na
WOW	5.0	2.9
WBC	4.7	5.6
BKW	4.2	0.1
CBA	4.1	7.4
AAZPB	3.9	na
	51.6	34.0

Source all figures: CAM/Independent Investment Research/IRESS.  
All data as at 30 Sept 2012 unless otherwise specified.

## NTA & Share Price Performance



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