

Clime Capital Limited (CAM)

Listed Managed Investments

March 2013 Quarterly Review

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Rating



LMI Type

Listed investment company

Investment Area

Australia

Investment Assets

Listed companies and other

Investment Sectors

Diversified

Key Investment Information

Price (\$) as at 13 May 2013	1.085
Market cap (\$M)	72.8
Shares on issue (M)	67.1
Shares traded (\$M p.a)	9.2
12-month L/H (\$)	0.84/1.18
Listing date	February 2004

Fees

Management Fee (%)	1.00
Performance incentives (%)	20.00*

*20% of outperformance of All Ords Acc Index.

Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	(1.37)	0.84
TE (%)	7.21	9.41

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
Mr Victor John Plummer	6.6

As at 31 March 2013

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 20 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 around 30 securities. CAM allocates the portfolio between cash and ASX-listed securities. In the event CAM cannot identify value they will hold cash. As at 31 December 2012, the cash component of the portfolio was 16.7%. 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.

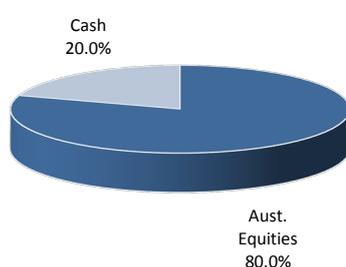
INDEPENDENT INVESTMENT RESEARCH COMMENTS

Over the 12-months to 31 March 2013, CAM's portfolio (pre-tax NTA plus dividends) has underperformed the benchmark index (All Ordinaries Accumulation index), with the portfolio value increasing 16.4%, compared to the benchmark index increase of 17.8%. Whilst the portfolio has underperformed in the short-term, over the longer-term the portfolio has outperformed the benchmark index. Over the five years to 31 March 2013, the portfolio has outperformed the benchmark index by 7.2% per annum, with significantly less volatility. 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 compared to its peers, which we attribute to the historically high discount. The company has issued bonus shares on five occasions over the past two and a half years which appears to have assisted in narrowing the discount with the company trading at a 7.9% discount at 31 March 2013, well below the three year average of 19.2%. The company completed a Renounceable Rights Issue in April 2013 on a 1 for 4 basis at \$1.00 per share, raising \$13.4M. This is in addition to a placement to sophisticated investors in February which raised \$3.9M. The recent capital raisings have resulted in the company having a large cash holding to take advantage of new opportunities.

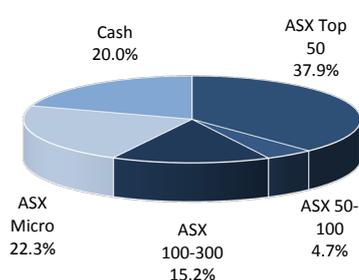
Sector Breakdown (ex cash)

Sector	%
Energy	0.0
Materials	14.9
Industrials	20.1
Consumer Discretionary	4.4
Consumer Staples	5.2
Healthcare	0.0
Financials (ex Property)	33.9
Property	9.1
Information Technology	3.7
Telecommunication Services	7.1
Utilities	1.7

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

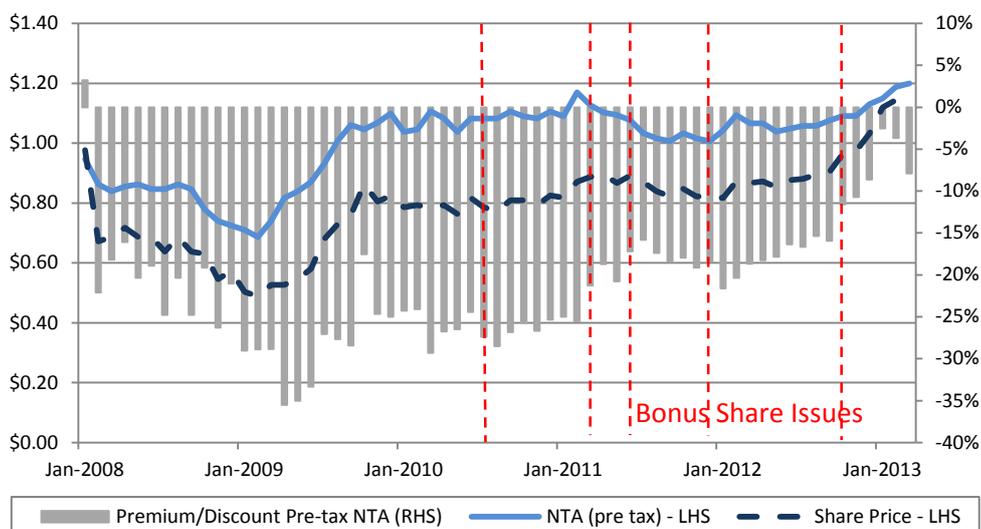
- ◆ **Options** – The LIC is able to manage risk via options when deemed necessary.
- ◆ **Dividend policy** – Quarterly dividends on ordinary and preference shares to utilise franking credits.
- ◆ **Capital management policy** – Bonus shares issued if share price at significant discount to NTA.
- ◆ **LIC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

CAM's Portfolio (Top 10) Weighting

Code	Portfolio (%)	All Ords Index (%)
BHP	7.2	7.5
ANZ	5.9	5.6
WBC	5.9	6.8
TLS	5.6	4.0
MXUPA	5.1	na
MMS	5.0	0.1
BKW	4.8	0.1
CBA	4.8	7.8
NAB	4.3	5.1
WOW	4.2	3.0
	52.7	40.1

Source all figures: CAM/Independent Investment Research/IRESS.
All data as at 31 March 2013 unless otherwise specified.

NTA & Share Price Performance



APPENDIX – RATINGS PROCESS

Independent Investment Research Pty Ltd “IIR” rating system.

IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
<p>Highly Recommended</p> 	<p>83 and above</p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>
<p>Recommended +</p> 	<p>79–82</p> <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>
<p>Recommended</p> 	<p>60–78</p> <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>
<p>Not Recommended</p> 	<p><60</p> <p>This rating indicates that IIR believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation criteria. The product provides some unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off and should generate risk adjusted returns in line with stated investment objectives. However, concerns over one or more features mean that it may not be suitable for most investors.</p>

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