

CLIME CAPITAL LIMITED (“CAM”)

Half Year Results 2016/17 Record Interim Profit March Quarter Dividend Declaration

The Board of Clime Capital Limited (“CAM”) present the half-year’s result to 31 December 2016.

CAM reported a record interim net profit after tax of **\$5.97 million** for the period. This is particularly pleasing as it has been achieved from a lower relative capital base. CAM had reduced its capital base over calendar year 2016 due to capital management in the forms of buybacks of both ordinary and preference shares.

The Board is pleased to declare fully franked March Quarter dividends of **1.2 cents per ordinary share and 4.5 cents per converting preference share**.

CAM investors will be aware of the narrowing in discount to NTA, where over the six months to 31st December 2016 ordinary shares delivered a total shareholder return of 17%; 18% (including franking credits).

Half Year Highlights

- Interim net profit after tax of \$5.97 million;
- \$7.16 million net realised and unrealised profits on financial assets;
- \$2.18 million of fully franked dividends paid net of DRP;
- \$1.55 million income received from dividends and interest; and
- \$0.41 million of shares bought back and cancelled.

Net Asset movement

Over the 6 months from 30 June 2016 the net asset value of the company increased from \$79.48 million to \$82.85 million.

The increase is explained by the following components:

- Net investment returns \$8.73 million;
- Net cash dividends paid (\$2.18 million);
- Tax Expenses (\$1.99 million);
- Operating costs (\$0.78 million); and
- Buy backs (\$0.41 million)

Clime Capital Limited

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Portfolio Review

As at 31 December the portfolio was allocated as follows
(All in AUD at exchange rate 31 December 2016):

- Australian listed securities: \$55.56 million;
- Australian cash: \$19.36 million;
- US securities: \$6.00 million; and
- US dollars: \$3.00 million.

The overall portfolio produced a return over the six months (pre fees and expenses) of 11.24%. The portfolio return benefitted from judicious Australian stock selection and active management in the USD portfolio.

The International portfolio produced a solid return over the six months with the tailwind of a weakening AUD – that has since reversed. At this point the USD portfolio remains un-hedged and its weighting was reduced to 11% of the total portfolio at 31 December (this compares with 15% International portfolio weighting as at 30 September 2016). The remaining balance was primarily invested listed Australian securities.

Looking forward the manager perceives that Australia's economic growth will remain below trend for calendar 2017. A stimulation to growth would occur from a weaker \$A and this may result subsequent to the long-anticipated tightening of US interest rates. However, the recent unexpected lift in Australia's major commodity exports effectively is placing a trade account floor under the \$A whilst the US Federal Reserve procrastinates.

Whilst the risk of an Australian economic downturn has been tempered by the recovery in commodity prices and the surge in inbound tourism, there continues to be significant uncertainties emanating from Europe and Japan. Further, the interaction between the new US Administration and the Chinese Administration is yet to settle and this is crucial for Australia's economic outlook.

Given the above observations the manager will continue to dynamically adjust the portfolio based on the evolving macroeconomic landscape and pursue valued based opportunities that will present in volatile markets. We believe this volatility brings with it opportunity to selectively deploy capital. These portfolio adjustments may include the following:

1. Increasing the invested portfolio in Australia as opportunity presents but with a continuing focus upon quality companies, genuine earnings growth and yield; and
2. Increasing the exposure of the US portfolio should the \$A move to a level that is perceived to be excessive based on macro analysis. However, the level of the invested portfolio to USD will be monitored based on market movements and perception of value.
3. Trading activity in Australian equities over recent months suggests a rotation away from small and mid-caps to the larger end of the capitalisation spectrum. As a result, we believe selective opportunities are on balance more likely to present with the small and mid-cap sub portfolios. The large-cap sub portfolio will continue to target solid (preferably franked) yield.

The above should be considered a guide to the structure of the portfolio in coming months. Sharp market moves may cause a change of portfolio construction and shareholders should monitor the portfolio performance and allocation through the NTA statements released to the ASX each month.

Franking Credits

As at the 31 December CAM retained \$1.42 million in franking credits and had \$11.40 million in profit reserves from which to declare dividends.

Portfolio Holdings - 31 January 2017

Major Australian holdings

Listed US holdings

Listed shares (% of total portfolio)

Crown Limited	4.26%	iShares Russell	1.10%
APN Outdoor Group	4.19%	China Mobile	1.02%
Henderson Group	3.97%	Oracle Corp	0.98%
Qube Holdings	3.56%	Cognizant Tech	0.86%
Ardent Leisure Trust	3.55%	Yum Brands	0.79%
Nick Scali Ltd	3.40%	Medtronic PLC	0.76%
Australia & New Zealand Banking Group	3.34%	Proshares Short	0.76%
Gateway Lifestyle	3.25%	Alphabet Inc	0.32%
Speedcast International	3.08%		
Collins Foods	3.08%		
Seek Limited	2.98%		
Automotive Holdings	2.64%		
Betashares Australian	2.51%		
Citadel Group	2.30%		
Elanor Investors Group	2.16%		
IPH Limited	2.09%		
Folkestone Ltd	2.06%		
RCG Corporation	1.99%		
HFA Holdings	1.95%		
Bentham IMF Ltd	1.92%		
National Australian Bank Limited	1.70%		
APN Property Group	1.57%		



Clime Capital Limited

Dividend for Ordinary Shares and Converting Preference Shares for the Quarter ending 31 March 2017

The Directors are pleased to declare a **fully franked ordinary dividend of 1.2 cent per share** for its ordinary shares (ASX Code: CAM) for the quarter ending 31 March 2017.

The Directors are also pleased to declare a **fully franked quarterly dividend of 4.5 cents per share** for its converting preference shares (ASX Code: CAMPA).

Please refer to separate ASX announcement on March quarter dividend for specific details of dates and related information.

CAM reports its NTA monthly to shareholders and we refer shareholders and interested parties to these regular announcements.

On behalf of the Board,

John Abernethy

Chairman

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