

CLIME CAPITAL LIMITED (“CAM”)

Half Year Results 2017/18 Net Profit of \$5.57 million March Quarter Dividend Declaration

The Board of Clime Capital Limited (“CAM”) presents the half-year’s result to 31 December 2017.

CAM reported a strong interim net profit after tax of **\$5.57 million** for the period. NTA post tax per share was **94 cents** at 31 December 2017.

CAM gross assets rose to **\$107.3 million** following the raising of \$21 million of convertible notes (“Notes”) in December 2017. The Notes carry coupon rate of 6.25% p.a. paid quarterly. The Notes were issued at 96 cents.

The Board is pleased to declare **fully franked** March quarter dividends of **1.25 cents per ordinary share**.

CAM ordinary shares over the six months to 31st December 2017 delivered a **total shareholder pretax return of 8.13%** (including franking credits).

Half Year Highlights

- Interim Pretax profit of \$7.55 million;
- \$6.89 million net realised and unrealised profits on financial assets;
- \$1.87 million of fully franked cash dividends paid out net of DRP; and
- \$1.47 million investment income earned from dividends and interest.

Net Asset movement

Over the 6 months from 30 June 2017 the net asset value of the company increased from \$79.9 million to \$83.7 million. Gross assets increased from \$82.3 million to \$107.3 million.

The increase is explained by the following components:

- Net investment returns \$8.36 million;
- Net cash dividends paid (\$1.87 million);
- Tax Expenses (\$1.98 million);
- Operating costs (\$0.81 million); and
- Buy backs (\$0.07 million)
- Option premium on convertible notes \$0.20 million

Clime Capital Limited

Portfolio Review

As at 31 December the portfolio was allocated as follows
(All in AUD at exchange rate 31 December 2017):

- Australian securities: \$82.68 million;
- US securities: \$8.55 million;
- Australian cash: \$13.60 million; and
- US dollars: \$1.48 million.

The overall portfolio produced a return over the six months (pre-fees and tax) of 10.6%.

The portfolio return benefitted from judicious Australian stock selection. The Australian portfolio generated a return of 12.2% pre-fees and costs. At 31 December AUD investments represented 90.6% of total assets, the bulk of which is invested in Australian large, mid and small cap listed equities.

Inside the Australian portfolio the manager has built out a sub portfolio of syndicated direct property and income-generating investments that offer both attractive yields and potential for capital gains. At 31 December AUD \$6 million was invested in direct (not listed) funds.

The International portfolio produced an AUD return over the six months of 3.5% on average invested funds of AUD-equivalent \$6.2 million. Towards the end of the interim period a rise in AUD dampened returns but the offshore portfolio exposure of CAM remains measured at approximately 9.4% of total assets. The USD portfolio remains un-hedged.

Looking forward the manager perceives that Australia's economic growth will be reasonable but remain below historic averages. More positive and supportive of equity markets is the growth being observed across the major developed and developing economies. The IMF recently upgraded world growth expectations to 3.8% in 2018.

This synchronised growth has supported a recovery in commodity, metals and energy prices. In turn this has enhanced the value of the AUD against a weakening USD. This cyclical bounce in the AUD will offer an opportunity for CAM to selectively allocate more of the portfolio to USD assets and capture the cyclical reversion in the currency that we believe will inevitably follow.

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 likely present in what we see as a more volatile investing environment in the year ahead. We believe this volatility brings with it opportunity to selectively deploy capital and it is the ability of CAM to access AUD, USD and selective direct investment opportunities that provides a unique offer for our shareholders.

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 sustainable yield;
2. Selectively increasing the exposure of the US portfolio should the AUDUSD move to a level that is perceived to be excessive based on market and macro analysis. The level of the invested portfolio in USD will continue to be evaluated based on market movements and perception of value, where 10% of the total portfolio would represent an appropriate review point.
3. Trading activity in Australian equities over recent months suggests a rotation away from interest-rate sensitive and defensive yield exposure towards resources and higher growth mid and small-cap opportunities. We continue to believe selective opportunities are on balance more likely to present within the small and mid-cap sub portfolios. The large-cap sub portfolio will continue to primarily target solid (preferably franked) yield.

The above should be considered as a guide to the structure of the portfolio in coming months. Sharp market moves may cause a change in the portfolio's composition 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 \$0.5 million in franking credits and had \$12.16 million in profit reserves from which to declare dividends.

Portfolio Holdings - 31 January 2018

Major Australian holdings

Listed shares (% of total portfolio)

Australian Equities – Large Cap

National Australia Bank	3.26%
Australia & New Zealand Banking Group	2.97%
Ramsay Healthcare Limited	2.90%
Commonwealth Bank of Australia	1.88%
CSL Limited	1.52%

Australian Equities – Mid Cap

Janus Henderson Group Plc	2.93%
Qube Holdings Limited	2.43%
Credit Corp Group	2.42%
Boral Limited	2.30%
Seek Limited	2.14%

Major International holdings

International Equities

Priceline.com	1.56%
Alphabet	1.13%
Cognizant Tech	0.91%
Fresenius Medical Care	0.89%
Facebook Inc	0.87%

Australian Equities – Small Cap

Navigator Global Investments Limited	3.66%
Collins Foods Ltd	2.97%
Citadel Group Ltd	2.55%
Jumbo Interactive Ltd	2.33%
Speedcast International Limited	2.23%

Dividend for Ordinary Shares for the quarter ending 31 March 2018

The Directors are pleased to declare a **fully franked ordinary dividend of 1.25 cent per share** for CAM ordinary shares (ASX Code: CAM) for the quarter ending 31 March 2018.

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