

Investment Approach

Clime's investment approach seeks to deliver strong risk adjusted total returns to investors over the long term. Clime focuses on delivering consistent strong results by identifying undervalued companies and, via the macroeconomic overlay, enhancing return and managing risk. We strive to ensure that risks taken in the portfolio are appropriately compensated and employ a decision framework of:

- Capital deployed;
- At what risk;
- For what likely outcome.

Net Tangible Assets (NTA)

	June	May	April
NTA before tax	\$0.96 ¹	\$0.94 ¹	\$0.91
NTA after tax	\$0.94	\$0.93	\$0.91
CAM Share Price	\$0.865	\$0.845	\$0.85
Trailing 12 months dividends	5.00 cents	5.00 cents	5.00 cents
Yield Excl. Franking	5.8%	5.9%	5.9%
Yield Incl. Franking	8.3%	8.5%	8.4%

¹ On 5 June 2018, the Board declared a fully franked dividend of 1.25 cents per share in respect of the Company's ordinary shares for the period 1 April 2018 to 30 June 2018. This dividend will be paid on 27th July 2018. NTA before and after tax disclosed above for June and May 2018 is before the effect of this dividend payment.

Company Overview - Cum dividend (\$m)

Australian Securities	\$91.11
International Securities	\$3.20
AUD Cash & Equivalents	\$11.45
USD Cash & Equivalents	\$1.19
Gross Portfolio including Cash	\$106.95*
Notes Payable at face value of \$0.96	(\$21.39)
Net Tangible Assets	\$85.56

* In accordance with the on-market buyback scheme, during the month, the Company bought back 423,121 ordinary shares at an average price of \$0.86 per share.

Ordinary Shares Overview (ASX:CAM)

Share Price (at month end)	\$0.865
Rolling 12 Month Dividend	5.0cps
Historical Dividend Yield	5.8%
Percentage Franked	100%
Grossed Up Yield	8.3%
Dividend Reinvestment Plan ("DRP")	Yes ²

² DPR operates at 1% discount to weighted average price of shares sold on the record date and the three preceding dates.

Quarterly Dividends - CAM

CAM currently pays quarterly dividends. On 5 June 2018, the Board declared a fully franked dividend of 1.25cps for the period 1 April 2018 to 30 June 2018 to be paid 27 July 2018. CAM quarterly dividends are generally paid in the months of January, April, July and October.

Quarterly Interest - CAMG

CAM pays quarterly interest to CAM Convertible Note Holders at a coupon rate of 6.25% per annum. The second interest payment of 1.512 cents per note was made on 12 June 2018 for the period 1 March 2018 to 31 May 2018. CAMG quarterly interests are scheduled to be paid in arrears on the 10th Business day following the quarterly periods ending 28 February, 31 May, 31 August and 30 November each year during the term of the Notes.

Portfolio Update

The Clime Capital portfolio delivered a return (net of fees) of 1.6% for the month. For financial year 2018, the Clime Capital portfolio generated a total return net of fees of 12.9%.

Within the portfolio, capital allocation decisions are made across a number of asset classes. These are Australian Equities, International Equities, Hybrids and Interest Bearing Securities and both AUD and USD Cash and Equivalents. The Australian Equity asset class exposure encompasses three sub-portfolios: Large Cap, Mid Cap and Small Cap.

The following changes were made to the portfolio for the month of June:

- Australian Equity Large Cap Sub-Portfolio: Added to existing position in Amcor (AMC), reduced exposure to CSL (CSL).
- Australian Equity Mid Cap Sub-Portfolio: Added to existing position in Bingo (BIN), reduced exposure to QUBE Holdings (QUB).
- Australian Equity Small Cap Sub-Portfolio: Added to existing positions in Axsesstoday (AXL), Hansen Technologies (HSN) & 1300 Smiles (ONT), reduced exposure to Navigator Global Investments (NGI) & Shriro (SHM).
- International Equity Sub-Portfolio: Reduced exposure to Alphabet Inc (GOOGL), Fresenius Medical (FMS) & Tencent Holdings (TCEHY).

We segment the Company into four sub-portfolios with each component portfolio purposefully designed to deliver stated investment objectives. Key contributors and detractors to the CAM return for the month were:

Australian Equity Large Cap Sub-Portfolio: Positive contributors Commonwealth Bank (5.2%), ANZ Bank (+3.8%) & CSL (+3.6%), only meaningful detractor Ramsay Health Care (-12.0%).

Australian Equity Mid Cap Sub-Portfolio: Positive contributors Seek (+8.0%), Webjet (+7.8%) & Boral (+4.2%), detractors Eclipx (-5.5%) & Credit Corp (-4.7%).

Australian Equity Small Cap Sub-Portfolio: Positive contributors Afterpay (+19.6%), Navigator Global Investments (+16.1%), Jumbo Interactive (+9.3%) & Veris (+8.9%), detractors Hansen Technologies (-30.0%), Axsesstoday (-7.6%) and RPM Global (-4.6%).

International Equity Sub-Portfolio: Positive contributors Netease (+13.3%), Reckitt Benckiser (+10.0%) & Alphabet Inc Class A (+5.1%), no meaningful detractors.

While geopolitical trade tensions remain concerning, supportive economic data releases and constructive underlying company earnings across major regions, coupled with generally positive investor sentiment has seen broader equity markets continue on their steadily upwards trajectory.

The leadership position of the US Federal Reserve and its Chair Jerome Powell in maintaining their resolve to gradually increase interest rates sets a tone for what we believe will over time ultimately provide greater stability in global financial markets and hence support more efficient (medium-term) capital allocation decisions. The European Central Bank over the quarter provided its clearest signs to date of developing a program to ease and ultimately end its bond buying stimulus program.

This supports our view of longer-term bond yields gradually moving higher (bond prices lower), notwithstanding some oscillation – as was the case over the June quarter – driven by increased volatility and investor uncertainty.

The unconventional policy actions of the Trump Administration continue to be a cause for investor concern. While history will ultimately determine the effectiveness of these policy actions, Trump's 'doubling down' on stimulatory tax cuts in the latter part of 2017 at the time of US Fed Reserve rate rises, and continued rhetoric on tariffs and trade restrictions in 2018 to date have most certainly been a key driver of global investment markets and amplified global market uncertainty and hence volatility.

On global currency markets, the primary driver continues to be the USD's superior interest rate differentials right across the yield curve, which over the June quarter seem to have finally caught up with the currency and driven its strength. The AUDUSD fell from 0.7670 to 0.7346 over the quarter, representing a move of -4.2% (source: FactSet / Bloomberg).

Domestically, investors seem to be steadily moving beyond the fallout from the Financial Services Royal Commission's 'banking behavior in the spotlight' with major banks recovering strongly during the month of June. Proposed political policy, most notably from the Federal Opposition, continue to provide a source of considerable investor concern. Beyond the cessation of franking credit refunds, further concerns resulted from an initial pledge to repeal small business tax cuts from the Federal Labor Party.

Australian equities ended financial year 2018 with a flurry, driven by what we see was global, regional and local buying support, particularly during the latter part of the month of June.

Our view is that the broader market environment remains supportive of steady, if not spectacular growth. We've used opportunities created by market volatility over 2018 to date to selectively build out exposure across high-quality large, mid and small cap Australian equities and will continue to do so. We believe prerequisites for the effective deployment of capital include a clear valuation framework, resolve and discipline in implementation, an awareness of the prevailing market / macro environment, as well as an appropriate horizon to allow an investment thesis the time to play out.

Top Holdings (% of Gross Assets)

<i>Australian Equities - Large Cap</i>	
Australian & New Zealand Banking Group	3.24
National Australia Bank	2.82
Commonwealth Bank	2.58
<i>Australian Equities - Mid Cap</i>	
Webjet Limited	3.62
Janus Henderson Group	3.52
Boral Limited	2.73
Credit Corp Group	2.67
<i>Australian Equities - Small Cap</i>	
Navigator Global Investments Limited	3.49
Collins Foods Limited	3.03
Jumbo Interactive Limited	2.70
<i>International Equities</i>	
Reckitt Benckiser	0.79
Alphabet Inc	0.71
Fresenius Medical Care	0.64
AUD Cash	10.70
USD Cash	1.11

Gross Asset Allocation

