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)

	January	*December*	*November*
NTA before tax	$0.94[1]	$0.95[1]	$0.94[1]
NTA after tax	$0.93	$0.93	$0.92
CAM Share Price	$0.885	$0.905	$0.870
Trailing 12 months dividends	4.95 cents	4.95 cents	4.95 cents
Yield Excl. Franking	5.6%	5.5%	5.7%
Yield Incl. Franking	8.0%	7.8%	8.1%

1 On 29th November 2017, 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 October 2017 to 31 December 2017. This dividend was paid on 25th January 2018. NTA before and after tax disclosed above for January 2018 is after the effect of this dividend payment. NTA before and after tax for November and December 2017 is before the effect of this dividend payment.

Company Overview ($m)

Australian Securities	$84.85
International Securities	$9.26
AUD Cash & Equivalents	$9.82
USD Cash & Equivalents	$2.35
Gross Portfolio including Cash	$106.28
Notes Payable at face value of $0.96	($21.39)
Net Tangible Assets	$84.89

Ordinary Shares Overview (ASX:CAM)

Share Price (at month end)	$0.885
Rolling 12 Month Dividend	4.95cps
Historical Dividend Yield	5.6%
Percentage Franked	100%
Grossed Up Yield	8.0%
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.

Portfolio Update

The Clime Capital (CAM) portfolio performed solidly during January, delivering a return (net of fees) of 0.6% for the month. For the financial year to date, the Clime Capital portfolio has provided a total return (net of fees) of 10.3%.

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 January:

- Australian Equity Large Cap Sub-Portfolio: Introduced new position in SGP.
- Australian Equity Mid Cap Sub-Portfolio: Added to existing positions in CCP & ECX.
- Australian Equity Small Cap Sub-Portfolio: Incrementally added to existing positions in CKF & KPT, reduced exposure to IDR, IMF & MUA.
- International Equity Sub-Portfolio: No changes.

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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 CSL (+3.6%) & SGP (+1.4%), detractors RHC (-2.5%) & CBA (-1.8%).
- Australian Equity Mid Cap Sub-Portfolio: Positive contributors SEK (+2.8%), BLD (+2.7%) & SDA (+1.9%), detractors APO (-7.1%), CCP (-5.2%) & ORA (-3.8%).
- Australian Equity Small Cap Sub-Portfolio: Positive contributors APT (+23.3%), BVS (+16.8%), NGI (+14.2%) & CGL (+13.1%), detractors FLK (-9.5%), ENN (-7.4%) & APD (-6.3%).
- International Equity Sub-Portfolio: Positive contributors TCEHY (+10.2%), GOOGL (+8.4%), PCLN (+6.3%) & CTSH (+6.1%), no meaningful detractors.

As Clime has written over recent months, we appear to be at a critical juncture for global investment markets. In a departure from the broader dynamic seen over recent years where prices of both equities and long-term bonds have increased (bond yields compressing), longer-term bond yields – particularly in the US – now seem to be on the move higher (bond prices lower). With the 'synchronised global growth' story gathering pace, coupled with tax reforms in the US, investor optimism surged over the past few months as did prices across many global equity markets.

Locally, we've seen a marked rotation away from interest rate sensitive and defensive yield market sub-segments (notably A-REIT and Infrastructure & Utility sectors) towards growth exposure. This global growth thematic is reflected in the broader Resource sector, and more relevant for the portfolio, in select mid- and small-cap opportunities.

At the time of writing we've witnessed a return to a more volatile investing landscape. The equity sell-off over recent days has been driven by the speculative tone set by low / no cost of money also starting to be re-evaluated. We believe the extent of the sell-off has been magnified by a reversal in risk appetite by market participants succumbing to the desire to 'just keep buying' more risky assets and market index tracking funds.

We see the resulting volatility from the market re-evaluating the price it pays for future growth, earnings and distributions as providing the opportunity to meaningfully build portfolio exposure in our most favoured securities. This is the core of Clime's value-based investment approach which seeks to grow invested capital, guard it along the way and generate meaningful income.

We continue to believe the current environment creates an elevated potential for the erosion of capital. We encourage investors to remain aware of valuation as well as risks taken to achieve desired outcomes.

The Clime Capital portfolio is building out a solid return profile for FY2018. The portfolio's positioning aligns with our view of an investing landscape where appropriately priced, genuine growth remains difficult to find. Broadly speaking, we continue to remain constructive on harnessing yield in the larger part of the ASX investment universe and seeking out growth opportunities outside of ASX large caps (and internationally) in selective high quality businesses.

Top Holdings (% of Gross Assets)

Australian Equities - Large Cap	
National Australia Bank	3.26
Australia & New Zealand Banking Group	2.97
Ramsay Healthcare Limited	2.90
Australian Equities - Mid Cap	
Janus Henderson Group Plc	2.93
Qube Holdings Limited	2.43
Credit Corp Group	2.42
Boral Limited	2.30
Australian Equities - Small Cap	
Navigator Global Investments Limited	3.66
Collins Foods Limited	2.97
Citadel Group Limited	2.55
International Equities	
Priceline.com Inc	1.56
Alphabet Inc	1.13
Cognizant Tech Solutions	0.91
AUD Cash	*9.23*
USD Cash	*2.21*

Gross Asset Allocation