



clime direct

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Simon Duivenvoorde
National Manager –
Clime Direct

Clime Direct – Key Features & coverage

- Clime overlays its qualitative and quantitative matrix on 360 ASX companies, this includes coverage of 180 Australian equities within the ASX300
- Thompson Reuters data-feed provides consensus market broker data
- Clime's investment team all-cap research process covers historic and forecast equity valuations that reflect its equity multiplier
- Knowledge, insights and education from an investment team that possesses 150 years of combined markets experience.
- Direct support via phone or email on NSW business days

Financial Health Rating

- Clime's Financial health rating measures the likelihood of a company experiencing a 'capital event'; a value destroying dilutive equity injection or insolvency.
- The ratings have been back-tested and correlate strongly with share holder returns.
- The Financial health rating is determined by a proprietary formula that uses an extensive range of balance sheet, profit & loss and cash-flow ratios, based on 70 data points taken from these accounts



Financial Health Considerations

- Coverage of debt and other liabilities by operating cashflows, assets and shareholders' equity
- Liquidity, or how easily the company can meet its immediate obligations
- Profitability & Gearing
- Ability to self-fund growth from cashflows without excessive gearing
- Earnings manipulation – the overstatement of earnings and assets – by management.

Financial Risk

All companies covered in Clime Direct have a 'low', 'medium' or 'high' business risk rating which reflects the potential for a sustained major reduction in value.



Risk Sources:

- Financial Health
- Competitive Advantage
- Corporate Strategy and risk Management
- Dependence on favorable government policy or regulation
- Market Capitalization and time since listing

Attractive Quantitative Company Metrics

- ▶ EBIT margins
- ▶ The effective corporate tax rate paid
- ▶ Return on equity
- ▶ The dividend payout ratio
- ▶ Net debt to equity
- ▶ Retained earnings to shareholders equity

Attractive Qualitative Company Metrics

- ✓ Presence in a growing industry
- ✓ competitive advantages
- ✓ Recognizable brand(s)
- ✓ Favorable foreseeable market conditions
- ✓ Emphasis on the use of new technology
- ✓ Investment in Research and Development
- ✓ Management – Solid governance / integrity / management ownership

Why Clime prefers quality companies

- ✓ More likely to grow revenue year-on-year
- ✓ More likely to re-invest that revenue to grow the business
- ✓ Less likely to have volatile earnings
- ✓ Less likely to disappoint market when reporting

Clime Quality Score

Table 2: All Ordinaries stock returns by Clime Quality Score from 31 August 2018 to 30 June 2019

Clime Quality Score outcomes	Average total return for investors
All Ordinaries companies achieving a Clime Quality Score in the top 10%	18.7%
All Ordinaries companies achieving a Clime Quality Score in the top 50%	3.7%
All Ordinaries companies achieving a Clime Quality Score in the bottom 50%	-9.1%
All Ordinaries companies achieving a Clime Quality Score in the bottom 10%	-16.6%

Source: Factset, Clime Research

WALK-THROUGH OF CLIME DIRECT

QUESTIONS



A dark blue-tinted photograph of a city skyline, likely New York City, viewed from across a body of water. The buildings are silhouetted against a lighter sky. The text "Thank you" is centered in white, with a thin white horizontal line underneath it. In the bottom right corner, there is a decorative graphic of a grid of white lines that curves upwards and to the right.

Thank you