PITT STREET RESEARCH

Clime Investment Management
ASX:CIW

INITIATION

A unique investment manager

ASX: CIW · Sector: Financials · 5 November 2026 Share Price **A$0.27**

Clime Investment Management is a Sydney-based investment manager and asset-consulting business that allocates and advises capital for private investors, family offices, institutions and other capital owners. It is also the operator of Clime Capital (ASX:CAM), an LIC which we have published a separate report on. Clime's investment teams construct portfolios with a flexible, active approach that seeks valuable long-term holdings while remaining willing to exploit shorter-term opportunities created by market movements.

A long evolution is complete

Clime Investment Management has evolved from a historically product-driven model into a mandate-led investment organisation that manages capital across both Australian and international equities, income securities and multi-asset portfolios. Over the past eighteen months Clime has sold non-core funds, exited retail advice, restructured SMA and MDA products into a joint venture and consolidated private-wealth operations into strategic partnerships. Its product offering is unmatched by other fund managers: larger firms are too rigid to offer such flexibility in portfolio construction, while mid-tier managers lack the necessary multi-asset capabilities.

Clime Investment Management is reaping dividends

Clime Investment Management is now beginning to reap the dividends of its simplification, with cleaner economics, stronger investment performance and a recurring-revenue base that expands as mandates deepen. These improvements are structural rather than cyclical, and the operating leverage embedded in the new model means the benefits should continue to manifest in its financial results and Funds Under Administration which is currently $2.5bn.

Valuation of $0.34-0.40 per share

We value Clime Investment Management at $0.34 per share in a base case and $0.40 per share in a bull case scenario based on an EV/EBITDA multiple predicated on assumptions on FY27 revenue growth and EBITDA margins. **Please see p.19 for further details and p.22 for the key risks to our thesis.**

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Key Metrics

Market cap. (A$m)	**21.8**
Shares outstanding (m)	**82.3**
Shares fully diluted (m)	**82.3**
Market cap ful. dil. (A$m)	**21.8**
Free float	**100%**
52-week high / low (A$)	**0.39 / 0.25**
Avg. 12M daily volume ('000)	**8.1**

Share Price (A$, l.h.s.) & Volume (k, r.h.s.)



Source: Refinitiv Eikon, Pitt Street Research

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Introduction to Clime Investment Management

Note: This report is about Clime Investment Management. We allude to Clime Capital where it is relevant to the investment management company, but have published a separate note on Clime Capital and strongly encourage investors reading this note to read the other in conjunction with this one.

Clime Investment Management is a Sydney-based investment manager and asset-consulting business that allocates and advises capital for private investors, family offices, institutions and other investors. It was founded in 1996 as Loftus Capital Partners, listing on the ASX in 2000 and adopting its current name in 2006.

Clime has undergone a significant strategic evolution in the last 18 months.

Over the past eighteen months Clime has undergone a significant strategic evolution. It has sold non-core funds, exited retail financial advice, restructured SMA and MDA products into a joint venture and consolidated private-wealth operations into strategic partnerships. This has materially reduced operational complexity and repositioned Clime as a mandate-led investment organisation focused on recurring institutional revenue (as opposed to revenue from products on platforms), stronger governance and disciplined capital allocation. Clime is a cleaner, more scalable business with approximately $2.5bn under management and advice, supported by improving investment performance across the group.

Clime is focused on recurring institutional revenue than through revenue from products on platforms.

What makes Clime stand out from other fund managers? It offers what they do not: a genuine multi-asset capability delivered through bespoke structures rather than mass-market products. Capital owners appoint Clime because they can access equities, income securities, private credit and multi-asset portfolios through a single investment engine with a consistent philosophy and disciplined governance. Unlike model-portfolio factories, Clime constructs portfolios around the capital owner's objectives, constraints, liquidity needs and tax considerations. Existing holdings can be incorporated rather than liquidated, mandates can be customised rather than standardised, and clients have direct access to the investment team rather than intermediaries. CAM's long-term track record provides a public proof-point of capability, reinforcing confidence among wholesale clients.

What is going on with Clime's audits? Is it true that the auditor could not verify the valuations in its most recent report? The short answer is that in relation to $36.2m of Clime's gross portfolio value, which constitutes 23% of its $154.2m portfolio value; KPMG issued a qualified audit opinion on Clime Capital's FY26 accounts after stating it was unable to obtain sufficient appropriate audit evidence to verify the fair value of approximately $36.2m of unlisted unit trusts and associated income and fee calculations.

KPMG did not conclude that the assets were overstated or impaired, nor did it determine impairments or adjustments were necessary. If KPMG had made that conclusion, Clime would have no choice but to have make the impairments. Rather, KPMG concluded that it could not independently verify the carrying values using the information available during the audit process. Clime does believe it has a reasonable evidentiary basis for signing the accounts and the ASX reinstated it to trading once these were lodged.

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This issue comes amidst general guidance from ASIC earlier this year concerning private credit valuations and whether or not they were lagging economic reality as borrower conditions weakened and default risks increased. ASIC called on funds, boards and auditors to take greater scrutiny on their valuations[1]. As a consequence, KPMG requested significant additional information, including updated valuations and supporting evidence, and not all of that information could be assembled before the audit deadline. So, it is simply a case of KPMG would've verified the values had it had a few more weeks? It is plausible but we cannot conclude that with certainty given how quickly that market is moving. But the takeaway for investors is that it is not the case that KPMG found the assets were overstated and demanded a write-down. It is that KPMA cannot prove what the assets (which are 23% of Clime's total portfolio) are worth.

So what does this mean and what could it mean? The valuation of the portfolio will inevitably affect management fees and performance fees such as the % fee of outperformance on the portfolio. We have applied a 30% discount to those assets, which is an $11.95m cut, leading to a valuation of $24.3m for those assets and a Gross Portfolio Value of $142.3m (8% down from $154.2m value we noted above) and this influences the management and performance fees which we've outlined in our valuation section. We considered not valuing those assets at all but thought that this would be too extreme in the absence of evidence that it is a 'disaster case' (i.e. if KPMG concluded they were worthless which it didn't).

The key reasons to look at Clime

1. **Clime has completed a major structural transformation and is different to what it was 18 months ago.** Clime has moved from a product-manufacturing model to a mandate-driven investment and asset-consulting business. Indeed, this is nearly $1.7bn of the group's $2.5bn total FUM. These relationships deepen over time and provide stable, predictable revenue less exposed to platform decisions.

2. **Clime is now focused on the areas it has strategic advantages and where it can scale**. It is focused on segments where its multi-asset capability, long-standing investment culture and flexible portfolio construction give it a clear edge, an offering that nether smaller or larger fund managers can make. Strategic partnerships in private wealth and SMA/MDA solutions further ensure scalability by reducing fixed cost while preserving economics. The result is a cleaner, more disciplined organisation centred on the capabilities where it competes most effectively.

3. **Clime has recorded a consistently strong investment performance**. FY26 saw materially stronger outcomes, headlined by CAM's 17% gross return which was a 12% benchmark outperformance. Performance fees are expected to exceed $1m, demonstrating Clime's capability and commercial impact. Since its February 2009 inception. CAM has achieved a 10.38% p.a. pre-tax return. Clime has also recorded strong performances across its SMAs and Managed Funds as well.

[1] https://www.hsfkramer.com/notes/fsraustralia/2026-posts/funds-update-19-june-2026

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4. **Clime has a strong investment capability across several asset classes**. Clime's teams allocate across equities, income securities and multi-asset portfolios with a flexible, active approach. Using diversification to reduce risk is a key part of its philosophy and investors can see the results speak for themselves.

5. **Clime's LIC Clime Capital (ASX:CAM) serves as a structural engine**. It provides a permanent pool of capital that does not face redemptions in the same way ETFs do. This allows Clime to manage the portfolio with discipline, patience and opportunism. This structure supports long-term value creation because the manager can hold positions through volatility, maintain elevated liquidity when conditions warrant caution and deploy capital decisively when markets misprice assets. CAM's strong FY26 performance demonstrates how permanent capital enhances Clime's commercial model.

Clime's LIC provides a permanent pool of capital that does not face redemptions in the way ETFs do.

6. **Clime can expand while remaining capital light as strategic partnerships reduce fixed costs and provide operating leverage.** The step of restructuring SMA/MDA products into a joint venture and consolidating private-wealth operations into strategic partnerships has lowered operating complexity while preserving economics. Clime's simplified model allows FUM growth without proportionally increasing cost. Mandates, IMAs and CAM all draw on the same investment capability, creating genuine operating leverage. To make a long-story short, it can add mandates without adding new staff – fixed costs are low, but the incremental margin is high.

7. **Clime boasts an experienced and qualified management team**. The company's transformation has been executed by a management group with a clear understanding of capital-owner needs, scalable operating models and disciplined investment processes. Moreover, Clime's management has meaningful equity exposure through shareholdings and long-term incentive structure which should strengthen confidence in the strategic direction and reduces the risk of short-term decision-making.

8. **Clime is undervalued and has a credible path to re-rate**. With simplification complete, performance improving and recurring revenue expanding, Clime is positioned for stronger profitability and improved market recognition as FY27 unfolds. We've valued Clime at $0.40 per share in our base case and $0.47 per share in our bull case, and we see a credible path to a re-rating if it can continue to outperform, grow its funds under management as well as its top and bottom lines. The company has completed the necessary steps to re-rate, now it is a case of executing.

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Overview of Clime Investment Management

Clime's business model

Many long-term investors will be familiar with the Clime brand but not so familiar with the new business model it has today.

Clime has spent the past eighteen months reshaping itself into a cleaner, more focused investment organisation. The company has deliberately exited the areas that created operational drag, duplication and sub-scale economics. Between mid-2025 and mid-2026 it sold the Clime International Fund and the Clime All Cap Fund, divested the retail client book, transferred 30% of James Street Private Wealth back to its founder, consolidated Clime Private Wealth and MTIS into a strategic private-wealth group and restructured its SMA and MDA product solutions into a joint venture.

Clime's actions removed legacy businesses that consumed management bandwidth without contributing meaningfully to profitability. They also reduced regulatory complexity and allowed Clime to concentrate on the areas where it holds a genuine strategic advantage. Clime is now a materially simplified organisation with clearer governance, lower fixed cost, a sharper commercial identity and a new business model that has cut out margin-eating intermediaries.

Clime's actions enabled it to focus on the areas where it holds a genuine strategic advantage.

What has not changed is Clime's investment philosophy. Everything the firm does reflects a disciplined, valuation-driven approach that prioritises capital preservation, steady compounding and opportunistic deployment when markets misprice assets. The philosophy is long-standing, shaped over nearly three decades, and is one of the reasons Clime's investment capabilities have remained consistent even as the business has undergone structural change. Its track record was never a problem, and it speaks for itself. What was a problem were the ways in which it delivered its services and there are two changes that Clime has made to its business model.

The two key changes

From Retail Advice to Private Wealth Partnerships

Clime previously operated retail financial advice businesses that required licensing, compliance, adviser supervision, client-book management, technology systems and administrative staff. These functions are costly and are heavily regulated – they were even prior to the Financial Services Advice Royal Commission, and the aftermath saw regulation and paperwork tightened to the point where many providers couldn't make the economics anymore. Clime's management also found it distracted from its core capability of managing capital for institutions, wholesale investors and CAM.

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By consolidating private-wealth operations into strategic partnerships, Clime has removed the regulatory and administrative burden while retaining the strategic influence and economic participation. The partner firms handle advice delivery, compliance, client onboarding and day-to-day administration while Clime focuses on investment capability, mandate solutions and portfolio construction.

Clime has kept the economic upside but has offloaded the regulatory and administrative burdens to partner firms.

This structure reduces fixed cost because Clime no longer carries adviser salaries, compliance overhead or retail-client servicing infrastructure. It preserves economics because Clime still earns fees through investment-management agreements, model portfolios and mandate solutions used by the partner firms. The partnership model also expands distribution reach without requiring Clime to build or maintain a retail network.

Moreover, asset consulting, IMAs, CAM and specialist strategies all draw on the same research, portfolio-construction and investment-governance infrastructure. Adding a new mandate or IMA does not require hiring a new team or building new systems. The incremental cost of additional FUM is low. In other words, as FUM grows, Clime's revenue expands across asset consulting, IMAs, CAM and specialist strategies, while the cost base remains lean. The simplified structure, permanent capital, capital-light partnerships and mandate-led model combine to create genuine operating leverage.

From Platform Dependence to Direct Distribution and Mandate Revenue

Clime's shift toward direct distribution is another structural change that strengthens the economics of the business. Historically, Clime relied on external platforms and retail distribution channels to access investors. Examples include Netwealth, Hub24, Praemium and AMP's North. Distributing on platforms such as these requires paying platform fees, meeting compliance requirements of each and every individual platform, maintaining product structures designed for retail flows and supporting adviser networks that were not always aligned with Clime's investment philosophy. These channels were expensive, operationally heavy and exposed Clime to platform decisions that could affect flows overnight.

Clime has moved from distributing its products on several individual platforms to direct distribution.

Clime has moved to direct distribution (through joint venture partnerships such as with MTIS Wealth Management) and this has removed much of this cost and volatility. When Clime distributes investment solutions directly to wholesale clients, family offices and institutions, it bypasses platform fees, retail-advice overhead and the administrative burden of maintaining platform-compatible products. The relationship is between Clime and the capital owner, not mediated by a platform. This reduces fixed cost because Clime no longer needs to maintain retail-grade reporting systems, adviser-support functions or platform-specific compliance frameworks. It also reduces variable cost because flows are not dependent on platform inclusion, adviser recommendations or retail sentiment.

Direct distribution preserves economics because Clime retains the full management-fee margin rather than sharing it with a platform. It also strengthens pricing power. Mandates, IMAs and bespoke portfolio solutions are negotiated directly with clients, allowing Clime to price based on capability and value rather than platform

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conventions. This creates a cleaner, more profitable revenue stream that reflects Clime's investment expertise rather than the economics of retail distribution.

The bottom line is that Clime's pivot means its revenue is now more stable, scalable high-margin and less exposed to external forces. It is built around capital-owner relationships, multi-asset capability and permanent capital, all supported by a simplified organisational structure that allows management to focus on investment outcomes and mandate growth.

Clime's pivot means it is more stable, scalable, high-margin and less exposed to external forces.

The results of Clime's actions speak for themselves

Clime's turnaround over the past two years has been manifested in almost every major financial metric. Clime moved from a period of operational losses, elevated expenses and legacy complexity in 1H24 to a materially stronger, more profitable and more focused organisation by 1H26. The financial data across the three half-year periods shows a clear and measurable shift in operating performance, balance-sheet strength and revenue quality (Figure 1).

The results of Clime's restructure have manifested in every metric.

Figure 1: Results of CIW's changes in its half-yearly results

Metric	1H24	1H25	1H26	Change
Operating profit pre-D&A & tax	–$1.60m	$0.41m	$1.06m	$2.6m
Statutory NPAT	–$1.61m	–$0.26m	$0.16m	$1.77m
Funds management revenue	$3.86m	$3.57m	$2.73m	-$1.14m
Private wealth revenue	$1.40m	$2.25m	$2.44m	$1.4m
Operating expenses	$8.06m	$5.31m	$5.82m	$2.24m
Net tangible assets per share	2.0c	5.4c	10.7c	435%
Equity	$21.68m	$20.63m	$23.73m	9%
Performance fees generated	$1.15k	$7.8k	$603.7k	>$600k

Source: Pitt Street Research, Company

The most striking improvement is in Clime's operating profit before depreciation, amortisation and tax. In 1H24, an operating loss of $1.6m was recorded as the business absorbed the cost of legacy structures, adviser attrition and declining retail flows. By 1H25, following the divestment of Madison Financial Group and WealthPortal and a broad cost-reset program, Clime's operating profit rebounded to $0.41m. Thereafter, in 1H26, operating profit rose again to $1.06m, supported by the $1.65m gain on the sale of the retail client book and a cleaner, mandate-led operating model. This represents a $2.6m swing in two years and is the clearest numerical expression of the turnaround.

Clime's bottom line turned around from negative territory to positive territory.

Clime's statutory profit followed the same trajectory – from a loss of $1.61m in 1H24, narrowing to a loss of $0.26m in 1H25, before returning to a profit of $0.16m in 1H26. The return to profitability is significant because it occurred during a period of structural

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simplification, reinvestment in private credit and operations, and the early stages of CAM's performance-fee recovery.

The balance sheet also strengthened materially. Clime's NTA increased from 2 cents in 1H24 to 5.4 cents in 1H25 and 10.7 cents in 1H26. Total equity rose from $21.68m to $23.73m over the same period, supported by capital raising, improved operating performance and higher financial-asset values. This balance-sheet repair is a critical part of evidence demonstrating the turnaround because it shows that Clime has rebuilt financial resilience while simplifying its operating footprint.

Moreover, Clime's revenue composition also improved. Private-wealth revenue increased from $1.4m to $2.44m, showing the stabilisation and growth of advisory relationships. Other line items fell – for instance funds management revenue fell from $3.86m in 1H24 to $2.73m in 1H26; but these reflect either the exit from sub-scale products or reason why Clime decided to exit.

Clime's capabilities

Clime has just over $2.5bn in FUM - $1.7bn of which comes from asset consulting mandates (Figure 2).

Asset consulting mandates are the most prominent of Clime's offerings.

Figure 2: Clime's FUM and each pillar's contribution

Pillar	FUM
Clime Capital	157
IMAs	332
MDAs	318
Mandates/Asset Consulting	1,695
Total	**2,502**

Source: Pitt Street Research, Company

Asset consulting mandates represent the most prominent of Clime's offerings. Clime advises institutions, family offices and wholesale investors on asset allocation, portfolio construction, manager selection and risk oversight. These relationships are long-term, recurring and deepen as clients entrust Clime with broader responsibility. Asset consulting revenue is stable because it is tied to advisory mandates rather than product flows. It is also scalable because the marginal cost of serving an additional mandate is low once the research, governance and portfolio-construction infrastructure is in place. They represent nearly $1.7bn of Clime's $2.5bn FUM.

Investment-management agreements (IMAs) form the second pillar. IMAs allow Clime to manage bespoke portfolios directly for wholesale clients. They are tailored to specific objectives, risk tolerances and liquidity needs. IMAs generate recurring management fees and often lead to broader advisory relationships. They also create

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operating leverage because they draw on the same investment capability that supports asset consulting and Clime Capital. The stability of IMA revenue reflects the nature of wholesale relationships: clients typically review managers periodically rather than redeeming capital in response to short-term market movements.

Managed Discretionary Accounts (MDAs) (or Separately Managed Accounts) allow advisers to trade and manage portfolio assets on behalf of clients within parameters agreed upon in advance rather than having to approve each and every individual transaction. Like IMAs, they generate recurring management fees. In this model fees are typically standardised or tiered rather than being tailored to each client and would reflect extra supervision costs for the operator or custodian to legally execute discretionary trading as opposed to being wrapped into a bespoke private wealth mandate.

MDAs, like IMAs, generate recurring management fees.

Last, but by no means least, is **Clime Capital (ASX: CAM)** - the company's permanent-capital engine. As a Listed Investment Company CAM provides a stable pool of capital that does not face redemptions in the way ETFs do[2], allowing Clime to manage the portfolio with discipline and opportunism. Permanent capital supports long-term value creation because the manager can hold positions through volatility, maintain liquidity when conditions warrant caution and deploy capital decisively when markets misprice assets. CAM generates recurring management fees and, when performance exceeds benchmarks, performance fees. FY26 demonstrated the commercial value of this structure, with CAM delivering a 17% gross return and generating a material performance fee. CAM also serves as a public proof-point of Clime's investment capability, reinforcing confidence among mandate clients.

Strategic partnerships complete the model. This includes the SMA/MDA joint venture but also private-wealth partnerships and distribution alliances. The IMA and MDA joint venture allows Clime to participate economically in product solutions without bearing the full operating cost. The private-wealth partnership consolidates advice businesses under a structure where Clime retains strategic influence but avoids the regulatory and operational burden of running retail advice. These partnerships reduce fixed cost, expand distribution reach and preserve economics. They also allow Clime to focus on investment capability rather than administrative overhead.

The bottom line is that Clime's revenue model today is cleaner, more predictable and more scalable than it was two years ago. It is built around capital-owner relationships, multi-asset capability and permanent capital, all supported by a simplified organisational structure that allows management to focus on investment outcomes and mandate growth.

[2] Investors should see our Clime Capital note for further details about the structural differences between ETFs and LICs as they relate to the current discussion.

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So why have investors under-regarded Clime?

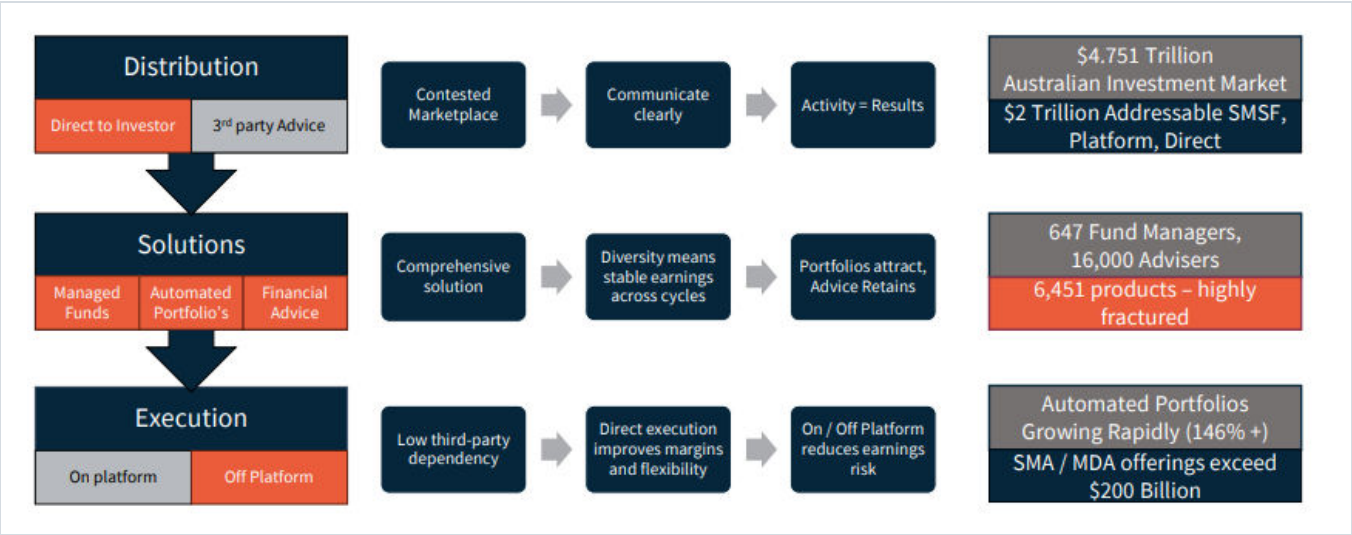
We see five reasons. First and foremost, the market still sees the 'old Clime' rather than the new Clime. The 'old Clime' was a fragmented wealth group with sub-scale products, adviser turnover and inconsistent profitability. The perception of the old Clime was correct but the perception of what Clime is now is not. Clime is now a mandate-led investment and asset-consulting business with permanent capital.
Second, we think investors don't (yet) appreciate the superior economics of a simplified platform and don't like the look of a company 'cutting down' on its offerings. Investors tend to interpret "fewer products" as "less breadth", even though the remaining products are higher-margin, lower-cost and strategically aligned.

We think investors still see the 'old Clime' rather than the new Clime and don't appreciate the superior economics of the new Clime .

Thirdly, the investment management sector has been structurally de-rated. Wealth flows favour scale and so investors have gravitated toward large, brand-dominant managers (e.g., Wilson Asset Management) and away from mid-tier firms. Smaller managers are often assumed to have weaker distribution, less sticky FUM and lower fee retention, even when the underlying economics are improving. Clime is caught in that sentiment cycle. As we noted earlier, it is difficult to stand out as a smaller player, but one of them is outperformance and we think persistent outperformance can help Clime's cause. Every fund manager can have strong one-off periods of performance, but few can maintain it over time.

Fourth, even though the results of Clime's pivot are being seen, the evolution remains ongoing and investors may want to see another one or two results in order to conclude that Clime has permanently changed for the better. And fifth, we think investors underappreciate the market opportunities (Figure 3) open to Clime. But we think all of the above can change if Clime can deliver and prove itself as truly differentiated. We believe FY27 will be important to that end.

Figure 3: Clime's competitive landscape and market opportunities



Source: Pitt Street Research, Company

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The market opportunities for Clime

Australia's managed funds pool

We see two opportunities for Clime. First of all is Australia's managed funds and investment market generally. This encompasses over $4.7tn in funds under management, which is almost 160% of GDP[3]. Key to this is the superannuation guarantee which ensures continuous, structural cash inflows – indeed over $200bn was added to the pool in 2025. This is not going anywhere any time soon and is only expected to increase. Of the grand total, nearly $3.2 trillion is inside APRA-regulated funds[4] and $2.2tn belongs to SMSFs (Self-Managed Super Funds). There is no larger discretionary capital pool in the country than SMSFs, and they are growing much faster than APRA-regulated super funds.

Australia's managed funds and investment market encompasses over $4.5tn in funds under management.

The managed funds industry is dominated of mega funds, and this has been a challenge for Clime since it cannot compete on cost or marketing reach for standard retail products and the company's commercial shift has signified this. Clime is instead targeting high-net-worth individuals, family offices and sophisticated wholesale clients. These investors favour tailored portfolio construction, private credit access, and direct engagement with investment professionals over generic retail super products – all of which aligns with Clime's model. They don't want pooled funds, they want structures like IMAs which provide direct ownership of assets, transparent fee structures, customised portfolios and tax efficient structures.

Clime is poised to benefit not just because it has the offerings that investors want, but Clime's specialty is what investors want. Clime is not the only provider of IMAs, but Clime's IMAs are truly IMAs rather than just SMAs with minor tweaks given the factors above which is what Clime provides but others do not. Why? Because Clime can run IMAs profitably in a way many others cannot because the investment team is shared across IMAs, CAM and mandates, there is a leaner cost base post-simplification and IMAs are part of a recurring revenue engine.

Clime's IMAs are truly IMAs, can be run profitably and are in line with what investors want.

The other challenge for small operators like Clime is the need to outperform consistently. Of course, any fund manager big or small needs to outperform for their own viability, but it is particularly important for smaller to medium fund managers without marketing budgets because it is by far the most practical way to stand out. But if Clime can continue to outperform, this can also represent a marketing opportunity to stand out that the larger funds may not be able to. Mega-funds often face capability constraints preventing them from investing in high-growth small or mid-cap opportunities, or at least anywhere near the extent operators like Clime can. CAM's 17% gross return for FY26 (12% ahead of the benchmark) shows that Clime is more than capable of outperforming the market. Beyond the track record, high performance also means higher performance fees.

[3] https://www.pwc.com.au/value-in-motion/superannuation.html

[4] https://www.apra.gov.au/news-and-publications/apra-releases-superannuation-statistics-december-2025

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The Great Wealth Transfer is coming, and Clime is well suited to capitalise

The so-called Great Wealth Transfer will occur over the next two decades and this is a particular opportunity for Clime. The angle investors are viewing this from change in who owns the capital and how much will be transferred – up to $3.5tn according to Productivity Commission data[5]. Of course, the transfer will be important because of the amount alone, but the reason it is a big deal is because it will also mean how that capital is managed, how advice relationships evolve and what investors expect from managers.

The Great Wealth Transfer won't just mean a change in owners of capital, but often a change in managers too.

For Clime, the implications are positive and strategically aligned with its mandate-led model. Younger capital owners behave differently from the generation before them. They are more fee-aware, more digitally native and more sceptical of legacy wealth structures. They prefer transparency, direct ownership, personalised solutions and managers who communicate clearly and consistently, not just what is said but also how it is delivered. They prefer digital-first communication, education-led content and consistent market commentary (Figure **4**).

And younger inheritors are willing to act on their preferences where the set up does not reflect them – roughly two thirds of people who receive an inheritance change advisers within 12 months[6]. Moreover, data from Cerulli Associates suggests millennials are twice as likely to choose IMAs or bespoke portfolios over pooled funds. And customisation is the top factor millennials cite when choosing an investment manager[7]. 72% of Millennials want personalised investment solutions compared with 28% of Boomers[8].

Clime's simplified operating model fits this behavioural shift. The old Clime, with multiple retail funds and platform dependence, was not built for the next generation but the new Clime (centred around mandates and IMAs) is structurally advantaged in a wealth-transfer environment. When younger inheritors consolidate assets, they often move away from retail funds and toward bespoke, goals-aligned portfolios. Clime's focus on asset consulting and IMAs positions the business directly in the path of this transition. Permanent capital through CAM also becomes more valuable, offering transparency, liquidity and governance that younger investors increasingly prioritise.

Reaching younger investors requires a different engagement model - through different communication channels that meet younger capital owners where they already are. Private-wealth partnerships will also play a central role, as advice relationships transition from parents to children and Clime's partners act as multi-generational conduits.

Reaching the next generation of capital owners will be different to reaching the current generation.

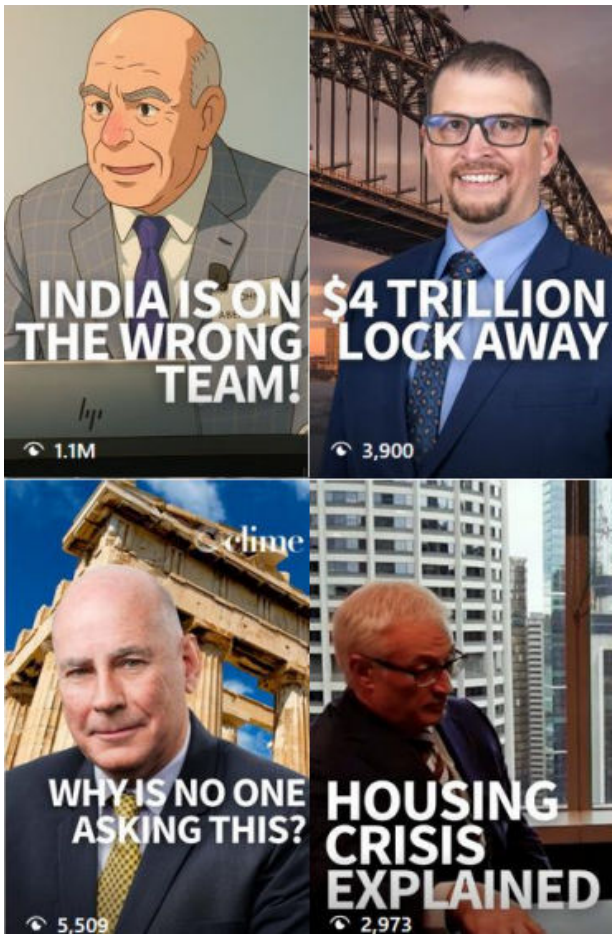
Digital outreach strategies such as through podcasts and social media stories are part of this strategy. They allow Clime to communicate in a format younger investors already consume, building trust through voice, long-form explanation and regular

[5] https://newealth.com.au/2026/07/03/great-wealth-transfer-why-families-arent-talking/
[6] https://www.moneymanagement.com.au/baby-boomers-set-to-reject-inherited-advisers-natixis-im/
[7] Deloitte Millennial Wealth Survey
[8] EY Global Wealth Research data

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cadence. For a mandate-led manager, podcasts are relationship infrastructure, help Clime articulate its investment philosophy, demonstrate capability and establish relevance with the next generation of capital owners.

Figure 4: Clime's outreach strategies



Source: Company

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The opportunity in private credit

There is also an opportunity in private credit, a market that in Australia is ~$200bn[9], $40bn of which is being used as an alternative source of business finance[10]. Australian banks, especially as the major banks, are backing away from middle-market lending due to capital requirements (especially APRA's 3% serviceability buffer) and tighter serviceability rules. This leaves a significant gap in the market which is being filled by non-banks – typically intermediated by asset managers between borrowers and end investors, which tend to be pension funds and insurance firms.

Clime comes into the picture here by offering private-credit exposure, not as a standalone product but by being an investor in it inside mandates, IMAs and multi-asset portfolios. In other words, it is already an investor in private credit and this enhances income strategies and gives it multi-asset capability and credibility. Clime targets transactions structured with robust covenant packages and asset-backed protection. Asset-consulting clients increasingly seek diversified income streams, downside protection and exposure to secured lending. IMAs allow Clime to tailor private-credit allocations to risk appetite, liquidity needs and tax considerations, making them attractive to SMSFs. SMSFs are allocating more to private credit for yield and diversification, and they prefer direct ownership, transparency and bespoke portfolio construction — all features inherent in Clime's IMA and mandate structure.

The exit of Australian banks from private credit presents an opportunity for Clime.

There are several advantages including higher returns

Private credit generally outperforms traditional income strategies, and the reasons extend well beyond higher interest rates. The core driver is the illiquidity premium: investors accept reduced liquidity in exchange for structurally higher returns. This premium has been persistent across rate cycles and is well-documented in global private-debt studies, which show private credit delivering significant premiums over listed bonds[11]. A second source of outperformance is the complexity premium. Private-credit transactions involve bespoke structuring, covenants, collateral packages and negotiated terms. Borrowers pay more for speed, flexibility and certainty of execution, and these economics are independent of base rates.

Private credit also benefits from strong downside protection. Most loans are senior secured and asset-backed, with tighter covenants than public-market credit. This reduces loss rates and improves risk-adjusted returns. Moreover, because private credit is not marked-to-market daily, it also exhibits lower volatility, meaning it often outperforms traditional income (Figure 5).

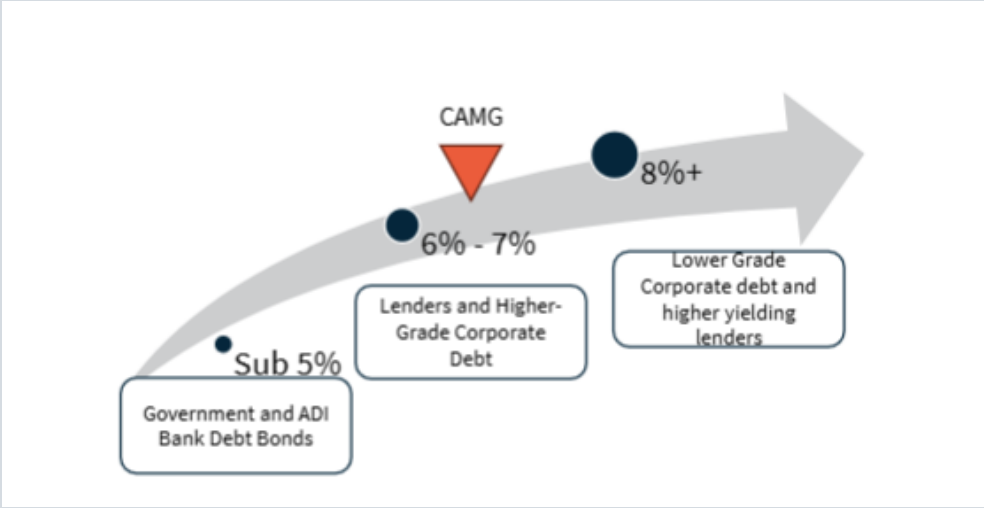
[9] https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2025-releases/25-209mr-asic-signals-opportunity-for-industry-to-lift-private-credit-standards

[10] https://www.rba.gov.au/publications/bulletin/2024/oct/growth-in-global-private-credit.html

[11] See for instance data from Endowus and Brookfield: https://endowus.com/insights/private-credit-2025-review & https://privatewealth.brookfield.com/sites/default/files/2025-12/private-credit-a-strategy-for-all-seasons.pdf

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Figure 5: Yields on debt



Source: Pitt Street Research, Company

But can Clime replicate its investment performance?

We believe Clime can. It is easy to suggest the performance is an anomaly, but it is the product of a repeatable investment process. This is not to say Clime will achieve 17% again in FY27 – indeed our models for CIW and CAM have assumed a lower outperformance, but an outperformance, nonetheless. But it would be wrong to say it is purely driven by the markets because Clime has consistently outperformed the market (10.38% since its February 2009 inception).

As we have articulated, the keys are its multi-style flexibility (in other words, the ability to allocate between different asset classes without being constrained by a single style or rigid model-portfolio architecture), its permanent capital (which removes redemption pressure) and its income capability. Clime can adapt to changing market conditions and draw from the same investment engine to underpin IMAs and mandates. These structural features increase the likelihood that FY26's momentum can continue into FY27 and beyond.

Key to Clime replicating its performance is its multi-style flexibility, permanent capital and income flexibility.

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Clime's Management Team

Paul Lahiff is Chairman. Mr Lahiff was appointed in March 2026 and boasts 40 years' experience in financial services. His resume includes a stint as CEO and Managing Director of successful mortgage broker Mortgage Choice, during which time he led its IPO as well as serving on the board of NESS Super since 2019 and being chair since 2021. He was also a former Managing Director at Permanent Trustee, and before that at the Heritage Building Society. He holds a Bachelor of Science majoring in agricultural Economics from the University of Sydney.

Paul Lahiff's resume includes a stint as CEO and Managing Director of Mortgage Choice.

Michael Baragwanath is CIW's Managing Director and began in this position in July 2024 after initially joining Clime as a consultant in late 2023. He has 20 years financial services experience, including as divisional head, various product and distribution roles, managing large scale projects, and serving as a responsible manager for several financial services licensees. He holds an MBA from the University of South Australia.

John Abernethy is an Executive Director and Director of Investments. He has over 40 years' experience in the financial industry and founded Clime in 1996 following a decade long career at NRMA Investments where he departed having reached the position of Head of Equities and Assistant General Manager of Investments and having been voted as NRMA's No.1 Investment Manager by independent financial planners during his tenure. Over his years of service, he has grown Clime to the company it is today, with $2.5bn in FUA. He holds a combined Commerce/Law degree from the University of New South Wales.

Henry Lloyd-Davis is a Non-Executive Director. He joined in October 2025 and brings experience in corporate tax strategy and compliance having served as an Adelaide City Councillor, tax lawyer and former Australian Defence force member. He holds a combined law degree from the University of Adelaide.

Anthony Kynaston is a Non-Executive Director. He joined the board in April 2025, is the host of the QAV Podcast program on Value Investing and is qualified to provide General Financial Advice on Securities. His resume includes 20-year career as an executive with Shell Australia and Coles Myer Limited and he is also a director of Charity Exchange, which provides compliance and marketing services to online raffle programs. He has a Bachelor of Science from the University of Queensland.

Tushar Kale is Chief Financial Officer, joining Clime as Strategy and Commercial Manager in May 2023 and stepping up to the CFO role in September 2023. He has a Bachelor of Economics from Macquarie University and also is a Certified Practicing Accountant as well as a Graduate of the Australian Institute of Company Directors. He has nearly 2 decades' experience in financial management positions including a decade-long stint at ANZ where for the last 6 years he was a senior member of the licensee leadership team for two ANZ owned financial planning services. Most recently, he was General Manager at Australian Unity Wealth.

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Mark Schwartz is Non-Executive Director of Clime Capital and was first appointed in late 2020. He is an experienced business leader with a successful track record. He held the position of Manager of Structured Finance Products at Macquarie Bank before becoming the Managing Director of Pascoes Pty Ltd, where he oversaw operations across multiple manufacturing sites and distributed over 400 products to leading global retailers. He is also a Director at Gelflex Laboratories, the largest contact lens manufacturer in the Southern Hemisphere, as well as at Blackfox Property, a boutique fund manager focused on real estate. He has a Bachelor of Computer Science and Mathematics from the University of Western Australia.

Mark Schwartz was Manager of Structured Finance Products at Macquarie Bank. .

Diana D'Ambra is Non-Executive Director of Clime Capital, having joined in 2022. Over a 25-year career she has built extensive experience advising on investment, M&A, capital markets and financial management, providing hands-on strategic and financial advice to organisations across their lifecycle. Her resume includes over 13 years at KPMG, as well as 5 years as Chair of the Australian Shareholders Association. Currently, she also serves on the boards of Sydney Markets, the Financial Advice Association Australia (FAAA), City West Housing and Women in Banking and Finance, and is chair of the latter two. She holds a bachelor and masters degree in Commerce from the University of New South Wales. She is a Fellow and Graduate of the Australian Institute of Company Director and also holds an FCA.

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Valuation of $0.34-0.40 per share

We've valued Clime Investment Management at $0.34 per share in our base case and $0.40 per share in our optimistic (or bull) case. Our approach uses an EV/EBITDA multiple (specifically 8x) based on revenue growth rate assumptions (Figure 6) and then we assumed a 20% margin in our base case & 25% in our bull case (Figure 7).

We've valued Clime at $0.34 per share in our base case and $0.40 per share in our bull case.

Our percentage assumptions were intended to be a midpoint of industry ranges. We would note that MDAs are typically priced lower than IMAs due to standardised models and platform infrastructure. As for our CAM assumptions, we outline them in more depth in that note, but we recall here that we modelled a 10% return in our base case and 15% in our bull case with a 5% benchmark. We modelled investment gains, interest income, dividends received, fund expenses, dividends paid and a closing value. We've replicated the valuation figure from the CAM report in Figure 8.

Investors may note our closing valuation for CAM is $154.7m which is barely up from what it is now. This is because our starting point is $142.3m reflecting the 30% discount to the $36.2m assets and the $154.7m reflects net result of our assumptions as outlined in Figure 8. So this could be a highly conservative valuation.

Figure 6: PSR's Revenue assumptions

Metrics	A$m	Underpinning Assumption
IMA Revenue	2.7	0.8% of $332m FUM from IMAs
MDA revenue	1.1	0.35% of $318m FUM from MDAs
Mandate revenue	5.9	0.35% of $1.7bn from Mandates
CAM Management fee	1.2	0.75% of $154.3m closing valuation of CAM for FY27[12]
CAM Performance fees	0.4	Based on a fee of 5% of excessive return which is $8.5m representing a 6% excess return
Private wealth	2.1	Based on $2.1bn FUA in Managed Wealth, assuming 20% CIW economic interest and an 0.5% fee yield
Implied Revenue for FY27	**12.8**	

Estimates: Pitt Street Research

[12] See p.10 of our note on Clime Capital.

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Figure 7: PSR's Valuation Approach For CIW

Valuation (A$m)	Base Case	Bull Case
Run Rate Revenue for FY27	12.8	12.8
EBITDA margin	30%	25%
Implied FY27 EBITDA (A$ m)	2.6	3.2
Multiple	8	8
Implied Operating Value (A$ m)	**21.0**	**25.7**
Cash and Investments[13]	13.3	13.3
Debt	(6.0)	(6.0)
Implied Equity Value	**28.3**	**32.9**
Shares outstanding (m)	82.3	82.3
Implied price (A$ cents)	**0.34**	**0.40**
Current price (A$ cents)	0.27	0.27
Upside (%)	30%	51%

Estimates: Pitt Street Research

Figure 8: PSR Valuation Approach for CAM

Valuation (A$m)	Base Case	Bull Case
Opening gross portfolio value[14]	142.3	142.3
Investment gains	14.2	21.3
Interest income & NIM	2.8	2.8
CAMG-funded credit assets income	4.7	5.9
Dividends received	2.9	3.6
Fund expenses	(4.8)	(4.8)
Dividends paid	(7.4)	(7.4)
Closing	**154.7**	**164.9**
Deduction for convertible bonds	(38.8)	(38.8)
Post-convertible bonds	**115.8**	**126.0**
Shares on issue (m)	140	140
NTA (A$)	**0.89**	**0.98**
Discount to NTA	10%	10%
Price per share (A$m)	**0.80**	**0.89**
Current price	0.62	0.62
Upside (%)	32%	44%

Estimates: Pitt Street Research

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Conclusion

Investors should look at Clime because it is now structurally stronger, commercially cleaner and strategically better aligned with long-term value creation than at any point in the past decade, and this is a foundation that supports a credible pathway to a re-rating. It has completed the strategic simplification and now operates as a mandate-led investment and asset-consulting business with a clearer identity, lower complexity and a cost base aligned to growth rather than legacy structures.

Clime has laid a firm foundation supporting a credible pathway to a re-rating.

Recurring mandate revenue is expanding as institutional and wholesale relationships deepen. Asset-consulting mandates now represent a large share of FUM&A (roughly two thirds), and these relationships are long-term, stable and less exposed to platform flows. IMAs continue to grow as capital owners seek bespoke portfolio solutions, and private-wealth partnerships provide a capital-light channel that preserves economics without requiring Clime to operate a retail advice network.

This shift toward recurring, mandate-based revenue gives Clime a more predictable earnings profile and reduces the volatility associated with retail products. Investment performance has also been strong both recently and over the longer-term which will mean material performance fees and should also reinforce confidence among mandate clients and supports fee stability.

And Clime Capital (ASX:CAM) is now a genuine permanent-capital engine. It provides stable management fees, potential performance fees and a public proof-point of Clime's investment capability. Permanent capital allows Clime to manage portfolios with discipline and opportunism, without redemption pressure, and it strengthens the commercial model by adding a scalable, high-margin revenue stream.

All these factors have begun to be manifest in Clime's results, but we believe the best is yet to come.

[13] Cash at hand plus $2m anticipated to be received from the sale of the Retail Fund along with financial assets on the balance sheet.

[14] Reflects 30% discount to the assets KPMG was unable to verify, reducing the figure by $11.9m.

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Trading Approach

While the valuation range used in this report may differ from the current share price, it is the responsibility of every investor to take account of market conditions and personal circumstances in making investment decisions.

Risks

1. Mandate Concentration Risk

Clime's revenue base is increasingly driven by asset-consulting and investment-management mandates. This model strengthens recurring revenue, but it also concentrates commercial risk in a smaller number of large relationships. If a major mandate were reduced or terminated, the impact on revenue and profitability would be substantial. Mandate-based businesses rely on performance, service and relationship depth; any deterioration in these areas can affect retention.

2. Performance-Fee Volatility

Clime earns performance fees from CAM and selected strategies when returns exceed benchmarks. These fees can be meaningful, but they are inherently volatile. CIW's FY26 performance is encouraging, yet performance fees cannot be assumed to recur every year. Market conditions, sector rotations or periods of underperformance can reduce or eliminate performance-fee income, affecting earnings and dividend capacity.

3. Market-Linked Earnings Exposure

Clime's investment capability spans equities, income securities and multi-asset portfolios. This breadth provides diversification, but earnings remain sensitive to market conditions. Prolonged equity drawdowns, reduced trading opportunities or lower income yields can affect FUM growth, mandate expansion and fee revenue. A mandate-led model reduces reliance on product flows, but it does not eliminate market-linked earnings risk.

4. Key-Person and Capability Risk

Clime's investment capability is central to its commercial model. The company relies on experienced portfolio managers, analysts and mandate specialists. Loss of key personnel, difficulty attracting talent or disruption within investment teams could affect performance, mandate retention and strategic execution.

5. Scale and Liquidity Constraints

With approximately $2.5bn under management and advice, Clime is meaningfully sized but still small relative to Australia's largest managers. Scale affects liquidity, institutional penetration and operating leverage. Clime must continue to win mandates and deepen relationships to maintain growth momentum. Failure to scale could limit margin expansion and constrain long-term profitability.

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Appendix I – Analyst Qualifications

Stuart Roberts, lead analyst on this report, has been an equities analyst since 2002.

- Stuart obtained a Master of Applied Finance and Investment from the Securities Institute of Australia in 2002. Previously, from the Securities Institute of Australia, he obtained a Certificate of Financial Markets (1994) and a Graduate Diploma in Finance and Investment (1999).
- Stuart joined Southern Cross Equities as an equities analyst in April 2001. From February 2002 to July 2013, his research speciality at Southern Cross Equities and its acquirer, Bell Potter Securities, was Healthcare and Biotechnology. During this time, he covered a variety of established healthcare companies, such as CSL, Cochlear and Resmed, as well as numerous emerging companies. Stuart was a Healthcare and Biotechnology analyst at Baillieu Holst from October 2013 to January 2015.
- After 15 months over 2015–2016 doing Investor Relations for two ASX-listed cancer drug developers, Stuart founded NDF Research in May 2016 to provide issuer-sponsored equity research on ASX-listed Life Sciences companies.
- In July 2016, with Marc Kennis, Stuart co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including Life Sciences companies.
- Since 2018, Stuart has led Pitt Street Research's Resources Sector franchise, spearheading research on both mining and energy companies.

Nick Sundich is an equities research analyst at Pitt Street Research.

- Nick obtained a Bachelor of Commerce/Bachelor of Arts from the University of Sydney in 2018 and the designation of Financial Modelling & Valuation Analyst by the Corporate Finance Institute. He has also completed the CFA Investment Foundations program.
- He joined Pitt Street Research in January 2022. Previously he worked for over three years as a financial journalist at Stockhead.
- While at university, he worked for a handful of corporate advisory firms.

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