

10 November 2017

Annual General Meeting 2017 – Chairman’s Statement

Dear Fellow Shareholders,

For the financial year ended 30 June 2017, the Company recorded an after-tax profit of \$1.08 million. The Company also paid a 5 cent fully franked dividend over this period, representing a 4.83% dividend yield and bringing with it the third consecutive year of dividend growth.

The Directors are mindful of protecting the Company’s ability to continue to pay a sustainable stream of fully franked dividends over the long term, whilst also growing the Net Tangible Assets (‘NTA’) of the Company in a way that allows the Investment Manager to maximise the potential for future outperformance.

The total shareholder return (‘TSR’), which includes share price growth and dividends paid, but not the benefits of franking credits, was +8.14% and notably was ahead of the investment portfolio performance, which increased by +6.69% over the financial year.

The NTA of the Company rose by \$24.24 million over the financial year, which was driven in the main by successful capital management initiatives. Firstly, over 98% of options issued at IPO were exercised prior to their expiry on 30 November 2016. The Company also raised \$10.5m through a successful placement and share purchase plan (‘SPP’) in March 2017. These initiatives have helped to scale the Company and provide benefits to all shareholders through improved liquidity via a wider shareholder base and an increased market profile. It is important to note that the placement and SPP were completed at the post-tax NTA, which eliminated any potential dilution for existing shareholders. We would like to thank all option holders who exercised their holdings, and also all participants of the Share Placement and SPP for their ongoing support.

The investment strategy of the Company aims to provide shareholders with access to a carefully selected, concentrated group of high quality, undervalued mid-cap companies with an industrial bias in a concentrated structure. Investment opportunities are assessed based on their potential to generate meaningful long-term performance with lower downside risk than traditional equity managers. The Company also has the unique ability to selectively short sell what the Manager believes are low quality, overvalued businesses with unsustainable business models, therefore increasing the opportunity set and the potential for positive portfolio performance.

The Company continues to not only place a strong emphasis on sustainable performance together with capital management initiatives; but also on providing current and future shareholders with high quality, timely and constructive information on the Company through our shareholder communication activities. These initiatives include bi-annual investor roadshows in each capital city, monthly NTA reports, a monthly insights newsletter and quarterly shareholder calls. Pleasingly this has translated into a number of new shareholders joining the share register, with the number of shareholders standing at 831 at the end of FY2017, compared to 442 at the end of FY2016.

All Directors took advantage of the SPP and the dividend re-investment plan to increase their holdings throughout the financial year and now hold a cumulative 6.69 million shares, continuing to align our interests with our shareholders.

On behalf of the Board of Directors I would like to thank all the staff of the Investment Manager for their continued efforts and dedication throughout the year.

The Board would also like to thank all our shareholders for their continued support and we warmly welcome all new shareholders who joined the Company over the financial year 2017.

David Rickards
Independent Chairman