

14 November 2019

Annual General Meeting 2019 – Chairman’s Statement

Dear Fellow Shareholders,

For the financial year ended 30 June 2019, the Company recorded an after-tax loss of \$1.06 million which signified the first loss for the Company since its inception. The Company declared a total 5.25 cents per share of fully franked dividends for the FY19 financial year, maintaining the previous year’s dividend, and paid from the profit reserves generated in times of stronger performance.

Since listing, the Company has declared an aggregate 22.25 cents per share of fully franked dividends. The Board continues to be mindful of providing shareholders a regular, growing stream of fully franked dividends over the longer term whilst building a profit reserve which can be utilised in periods where strong positive performance is harder to achieve.

The end of financial year marked the first year of quarterly dividend payments to shareholders. We believe this provides shareholders with a Listed Investment Company which is highly differentiated in the market not only by its investment strategy but also by the frequency of its dividend payments.

The investment strategy of the Company aims to provide shareholders with access to a carefully selected, concentrated group of high quality, undervalued midcap companies with an industrial bias. Investment opportunities are assessed based on their potential to generate meaningful long-term performance with lower downside risk than the broader market. The investment portfolio produced a return of –2.86% for the financial year ended 30 June 2019, underperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which produced a positive return of +10.54%.

It was a challenging year in markets and particularly challenging for investors who had an active approach with a bias towards value investing. It remains the opinion of the Board that the companies held in the portfolio offer good value.

The investment manager has redoubled efforts to work proactively with the Boards and management teams of all the portfolio companies as part of their continuing due diligence. Given the index unaware approach and the concentrated nature of the portfolio, performance differing to the broader market from time to time will occur. While recognising the first instance of annual negative performance of the portfolio we do also emphasise that the manager maintains a rigorous investment process focused on capital preservation over the longer term and continues to target capital growth above the benchmark with a lower volatility. We are confident that by maintaining a disciplined approach, the portfolio holdings will allow shareholders to look forward to positive performance in the future.

The share price closed the financial year at \$0.825 which represented a significant discount to pre-tax net tangible asset backing (NTA) of 17.50%; this caused the share price to lag the investment portfolio performance, which decreased by 2.86% over the financial year.

The pre-tax NTA of the Company fell from \$1.11 to \$1.00 over the financial year with the decline mainly attributed to the negative performance of the investment portfolio as well as the payment of dividends to shareholders. For those investors who participate in the Dividend Reinvestment Plan ('DRP'), it is important to note that the Company did not issue shares at a discount to NTA but acquired shares on-market to ensure this capital management activity was completed without any potential dilution for existing shareholders.

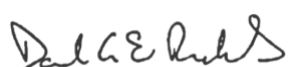
Feedback from shareholders prompted the Board to consider an on-market buy-back (Buy-Back Program) to assist in addressing the persistent discount to NTA. Consequently, the Company was pleased to announce the Buy-Back Program during May 2019. As the buy-back of shares by the Company at a discount is accretive to NTA per share, the Board considers the Buy-Back Program to be an effective use of the Company's capital and in the interests of all shareholders.

During January the Company announced the appointment of Ms Sarah Williams as an Independent Director. Sarah has over 25 years' experience in executive management, leadership, IT and risk management within the financial services and IT industries. The Company is very fortunate to have such a skilled person join the Board, Sarah provides a major addition to the skills and experience that the Board currently has.

Directors increased their holdings over the financial year whilst also taking advantage of the Dividend Reinvestment Plan; and now hold a cumulative 7.53 million shares, continuing to align their interests with those of shareholders.

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

The Board would like to thank all shareholders for their continued support and we warmly welcome all new shareholders who joined the Company during the financial year 2019.



David Rickards
Independent Chairman