

RYDER CAPITAL LIMITED

22 October 2020

Market Announcements Platform
Australia Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

2020 Annual General Meeting – Chairman’s Address

Please find attached the Chairman’s address for Ryder Capital Limited’s Annual General Meeting held today.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'D Bottomley', with a stylized flourish at the end.

David Bottomley
Director and Company Secretary

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2020 Annual General Meeting – Chairman’s Address

On behalf of the Board, I would like to welcome all Ryder Capital Limited (Ryder or Company) shareholders and other visitors present to our fifth Annual General Meeting. As we have a quorum, I now declare the Annual General Meeting open.

My name is Peter Constable and I am Chairman of Ryder. Our Board present here today consists of David Bottomley, Executive Director and Ray Kellerman, Non-Executive Director.

I am pleased to report Ryder has completed another successful year, its fifth year since establishment in September 2015. On a net pre-tax basis, Ryder continues to outperform both its absolute performance benchmark and that of the ASX Small and All Ordinaries accumulation indices over all time frames. With 5 years now under our belt, comparative performance data for a patient long only strategy such as Ryder’s becomes more relevant and on this count Ryder has materially outperformed with a 5 year net return after all fees and expenses before tax to 30 September 2020 of 15.53% p.a. compared to the ASX Small Ordinaries Accumulation of 9.97% p.a. and All Ordinaries Accumulation of 7.73%. When adjusted for risk, this outperformance is amplified as in its simplest form Ryder has taken substantially less risk in achieving these excess returns by holding on average 27.2% cash since inception.

FY20 was punctuated by the COVID-19 Pandemic, which drove unprecedented falls and volatility in equity markets. Pleasingly, Ryder was well placed with substantial cash on hand leading into the crisis and whilst we can be critical in hindsight for not deploying any meaningful cash when markets were plumbing their lows, we still managed to outperform through this period generating a year to 30 June gross portfolio return of 16.09% and a net undiluted pre-tax return of 12.34%.

Gross assets continue to grow and as at 30 September were \$107.8m, up from \$98.9m at 30 September 2019. The Company continued to operate its share buyback, acquiring 639,598 ordinary shares for an outlay of \$827,182 equating to an average buyback price of \$1.29 per share, providing accretion to the Company’s Net Tangible Assets (NTA).

As in prior years, I would like to reinforce what our investment strategy and objectives are.

Our strategy is to build and manage a concentrated portfolio of stocks with a bias towards micro and small caps. We focus on both value (including deep value and out of favour businesses) together with

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growth opportunities where we see a material discount to our assessment of intrinsic value. We take a long-term view requiring conviction and patience.

Our investment objective is to provide shareholders with consistent long-term capital growth above our absolute benchmark which is the RBA Cash Rate plus 4.25%. In this year's Annual Report, we provided detailed risk and return commentary together with additional statistical analysis around investment returns and associated risk measures that provide shareholders with a more complete insight into Ryder's performance.

Investment Performance

As at 30 September 2020, Ryder had just completed its fifth anniversary as a listed investment company and continues to meaningfully outperform its benchmark and that of comparative proxies in the ASX Small Ordinaries Accumulation and All Ordinaries Accumulation indices across all time frames and after all fees and expenses as summarised below:

	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (% per annum)	5 Years (% per annum)	Since Inception ⁽⁴⁾ (%)	Since Inception ⁽⁴⁾ (% per annum)
Gross Portfolio Performance	14.27	40.39	16.91	21.29	21.01	158.61	20.80
Pre-tax Undiluted NTA Return⁽¹⁾	8.47	30.87	10.16	15.14	15.53	105.63	15.42
Pre-tax NTA Return⁽²⁾	8.05	30.35	9.89	12.08	13.69	89.74	13.59
Hurdle (RBA Cash Rate + 4.25%)	1.12	2.23	4.74	5.36	5.59	31.42	5.59
Excess Return Pre-tax Undiluted NTA Return ⁽¹⁾ - (RBA Cash Rate + 4.25%) ⁽³⁾	7.36	28.64	5.42	9.78	9.94	74.21	9.83
Small Ords Accumulation Index	5.67	30.93	-3.33	6.53	9.97	61.51	10.01
All Ords Accumulation Index	1.10	19.05	-8.76	5.46	7.73	43.12	7.39

1. Pre-tax NTA return adjusted for the dilution of the exercised 26.7m RYDO options and 1.7m RYDOA options.

2. Unaudited investment performance less all costs of operating Ryder Capital Ltd including investment management and performance fees and ignoring the dilutionary impact of unexercised outstanding RYDOA options.

3. Excess Return will be calculated with reference to undiluted NTA return as of February 2019 to better reflect underlying fund performance consistent with the Manager's performance measurement.

4. Inception Date is 22 September 2015.

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Dividends

With continued strong investment performance, large realised capital gains flowing through to the capital profits reserve and a positive start to FY21 the Board declared a \$0.03 fully franked final dividend bringing the full year FY20 dividend to \$0.05 per share fully franked, an increase of 25% from FY19.

With approximately \$0.321 cents per share of distributable profits at 30 June 2020, the Company is in a healthy position to continue to pay steady to increasing fully franked dividends over time.

Share Price and NTA Discount

The Company's share price increased \$0.075 to \$1.325 in FY20. Inclusive of the \$0.05 cents in fully franked dividends paid during the year, total shareholder return was 10.0%, compared to the undiluted pre-tax return of 12.34%, resulting in a slight widening of the share price discount to undiluted NTA. This conventional view ignores an increasingly relevant and material element of Ryder's capital structure being the Ryder Secondary Options (RYDOA). Ryder's NTA is now meaningfully above the RYDOA option strike price of \$1.50 and accordingly the share price increasingly reflects the likelihood of the dilutionary impact of an expanded capital base come the expiry of the RYDOA in December 2021. On this basis, and prior to the expiry of the RYDOA, a more accurate approach to measuring the share price discount or premium to NTA and its movement period to period is to look at the RYD share price and RYDOA share price as one and then compare that to the fully diluted pre-tax NTA and its movement period to period.

At 30 June 2019 the fully diluted pre-tax NTA was \$1.5022 and the RYD and RYDOA share values were \$1.35 when added together, equivalent to a discount of 10.13%. As of 30 June 2020 the combined equity and option value of Ryder was \$1.375, equivalent to a discount of 13.79%. As of 30 September 2020, the combined equity and option value of Ryder was \$1.675, equivalent to a minor premium of +0.32% to the fully diluted pre-tax NTA of \$1.6696.

I believe this narrowing of the Company's discount to the fully diluted NTA reflects a number of things including Ryder's consistent medium to longer term nominal and risk-adjusted investment performance, increasing fully franked dividends supported by a large and growing distributable profits reserve and gross assets surpassing \$100m.

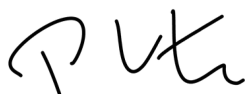
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Outlook

The Company's Portfolio has started this financial year well, recording a pre-tax return to NTA of 8.47% for the quarter ending 30 September. The Portfolio continues to have exposure to several deep value situations where we have built significant exposures that are capable of making material contributions to NTA going forward.

Our unlisted investment in Updater Inc. recently reported on their June quarter, providing insight to operational progress and commentary around a nearer term liquidity event which, if executed, would provide an opportunity to review the investment carrying value.

With the upcoming US Election as the immediate backdrop, second and third waves of the COVID-19 Pandemic accelerating around the world, and uncertainty as to timing and eventual effectiveness of any vaccine, we remain overtly cautious. Practically, this means we are increasing cash weighting and trimming fair value investments while maintaining our proxy exposure to gold via domestic producers.



Peter Constable

Chairman

22 October 2020