



## **Chairman's Address – Annual General Meeting**

**Friday 30 October 2020**

Ladies and Gentlemen, it gives me great pleasure to present the Annual Chairman's Report of ECP Emerging Growth Limited.

### **THE YEAR IN REVIEW**

2020 will forever be synonymous with COVID-19, a global pandemic that has had an impact upon all aspects of society. Since the first case was announced, governments and medical organisations across the world have been working to understand the virus and develop a vaccine and thereby minimise the damage to the health of us all. That said, the isolation and social distancing measures implemented to protect the population have come at a cost and caused havoc on the earning power of many businesses and individuals. To minimise the impact, there have been a range of fiscal stimuli by governments and central banks. In Australia, as part of the governments' stimulus commitment and recently announced Federal Budget, the measures continue in a scaled-back and targeted approach, geared towards strategic industry investment and increased household disposable income to encourage consumption in the economy.

Generally, it seems the economic support measures have helped to counterbalance some of the impact of the COVID-19 isolation measures, and, anecdotally many businesses have recovered and resumed operations. The recent labour force report showed that employment declined nationally during the quarter but by less than expectations creating somewhat positive news about the road to recovery. There still remains a question about future lockdown scenarios particularly as we observe the stance taken in Victoria, but from the business community it seems that everyone is eager to implement sensible safety measures while still conducting business.

In terms of the equities market, over the 12 months to June 2020 the ASX All Ordinaries Index dropped by 10.4% despite having increased by 1.5% for the six months July 2019 to December 2019. The volatility that was experienced from March 2020 to June 2020 was indicative of the fragile situation in which the whole world was operating and the diminished earnings forecasts and uncertainty of future conditions were difficult inputs for any analysis. Over the financial year, our portfolio increased by 22.7%, which was an exceptional result considering the circumstances.

The key contributor to this success is the diligent application of the investment process executed by our Manager, ECP Asset Management. On behalf of all Shareholders, I am grateful for the efforts of our Manager, for their disciplined stewardship of our assets and the returns we continue to enjoy.

# ECP

## DIVIDEND

As a listed investment company, ECP Emerging Growth Limited relies on dividend income as its primary revenue source. With many companies delaying, reducing or cancelling dividends to preserve cash, our revenue in the second half of the year reduced below expectations. This theme continued in the recent reporting season and is expected to continue for the remainder of the year. Given this turbulent time the Board has been cautious about the distribution of capital and therefore decided to reduce the final dividend to 0.6 cents per share, which is equivalent to the dividends received over the last 6 months. However, with the market beating performance of our investments, there was also a special dividend paid of 1.65 cents per share.

This means the total year end payment to Shareholders was 2.25 cents per share, the same as the prior year. The decision to maintain the overall dividend was not taken lightly and reflects a desire to maintain a sustainable dividend during this period of uncertainty. Our reserves are still reasonable and we believe our approach will allow us to maintain the dividend in the years to come.

## THE BOARD

I wish to record my appreciation for my fellow Board members for their support and input throughout the past year. In a climate of volatility where there are new risks to consider, I am confident that the rigour and commitment from our Board ensures the best interests of Shareholders and other stakeholders are managed and protected.

In conclusion, I sincerely thank our Shareholders for their on-going support. Long-term, supportive Shareholders are the backbone of any business, they understand the operations, command management accountability and focus on long-term results, we are humbled to serve our dedicated Shareholders.



**Murray d'Almeida**

Chairman

30 October 2020