

DIVERSIFIED UNITED INVESTMENT LIMITED

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HALF YEARLY REPORT TO SHAREHOLDERS

14 March 2019

Dear Shareholder,

Dividend Payment

The 7.0¢ per share fully franked interim dividend has been paid today, by way of cheque, notification of direct banking, or notification of allotment of shares under the Dividend Reinvestment Plan, according to your instructions.

Net Asset Backing 28 February 2019: \$4.45 per share

At 28 February 2019 the unaudited net tangible asset backing of the Company's ordinary shares, based on investments at market value, after tax on realised gains, before any future tax benefit of realised losses, before estimated tax on net unrealised gains and losses, and after provision for the interim dividend of 7.0¢ per share was \$4.45 per share, or \$3.78 per share after providing for estimated tax on unrealised portfolio gains.

Results for Half Year Ended 31 December 2018

On 13 February 2019 the Directors made the following report to the Australian Securities Exchange concerning the Company's performance and the interim dividend:-

Profit and Realised Capital Gains

The Directors make the following report concerning the company's performance and interim dividend:-

Profit and Realised Capital Gains

Profit after income tax for the half year ended 31 December 2018 was \$17,059,000 (prior corresponding period: \$15,647,000) an increase of 9%. The profit for this period includes special dividends of \$150,000 (prior corresponding period: nil). Excluding special dividends, profit after tax rose by 8.1%. There were no capital distributions received from managed funds (prior corresponding period: nil).*

* Additional non IFRS information, not subject to external review.

The profit for the half year excludes net realised gains and losses which are transferred directly to the Asset Realisation Reserve. The net realised losses on the investment portfolio after tax for the half year were \$3,623,000 (prior corresponding period net losses: \$4,227,000).

Operating expenses (excluding interest) for the half year were 0.06% of the average market value of the portfolio (prior corresponding period: 0.06%). Including the management fees of the international exchange traded funds and managed funds in which the Company is invested, the expense ratio was 0.07% (prior corresponding period: 0.06%).

Earnings Per Share

Earnings per share excluding the special dividends received rose 6.7% to 8.0 cents per share.*

The weighted average number of ordinary shares for the period was 210,174,553 (prior corresponding period: 209,066,778) taking into account the shares issued in the dividend re-investment plan.

Dividends

The Directors have declared an interim dividend of 7.0 cents per share fully franked to shareholders registered on 25 February 2019, to be paid on 14 March 2019. The comparable 2017 interim dividend was 6.5 cents per share fully franked.

LIC Capital Gains

The interim dividend will not include any Listed Investment Company capital gain dividend.

Franking Account Balance and Franking Credit Refunds

After payment of the interim dividend, the Company will have a modest franking account balance which would fully frank approximately half the annual dividend at the current rate of dividend per share.

Directors monitor the level of the franking account carefully and are cognisant the franking credits have value to shareholders and in particular those shareholders on lower marginal tax rates, self managed superannuation funds and charities.

As the Chairman said at last year's Annual General Meeting, directors believe the Australian Labor Party's proposal to deny some shareholders franking credit refunds is an unfair policy which will potentially disadvantage many older self funded retirees while not affecting others such as those in larger superannuation funds.

There remain real uncertainties: as to whether the ALP policy will be implemented in its current form, including the results of the next Federal election and successful passage of legislation through the new parliament; and then the effective start date of the new policy.

Directors will continue to monitor developments closely and will continue to advocate against the implementation of this inequitable proposal.

** Additional non IFRS information, not subject to external review.*

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan (“DRP”) under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at the volume weighted average selling price of shares traded on the Australian Securities Exchange on the Dividend ex date of 22 February 2019 and the four business days immediately following that date. The last day for the receipt of an election notice for participation in the plan is 26 February 2019.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$4.10 at 31 December 2018 and \$4.23 at 31 January 2019. These calculations are after tax on net realised gains, but before any future tax benefit of net realised losses and before estimated tax on net unrealised gains and losses. They are also before provision for the interim dividend.

The Company is a long term investor and does not intend disposing of its total portfolio. If estimated tax on net unrealised gains were to be deducted, the above figures would be \$3.55 at 31 December 2018 and \$3.64 at 31 January 2019.

Performance

The Company’s net asset backing accumulation performance (assuming all dividends paid by the Company were reinvested in its shares, and after all expenses and tax) for the half year to 31 December 2018 was a decline of 6.5% while the S&P/ASX 200 accumulation index declined 6.8% over the same period. The Company’s accumulation performance is after tax, all expenses, and the impact of the Company’s gearing. Such items are not included in the S&P/ASX Index.

Including the value of franking credits the Company’s accumulation return for the half year to 31 December 2018 was a fall of 5.8% compared to a fall of 6.2% in the S&P/ASX 200 Franking Credit Adjusted Total Return Index.

Investment Portfolio

As at 31 December 2018 the twenty-five largest shareholdings of the company, at market values were:

	Market Value \$'000	%Market Value of Total Investments
Australian Equities		
CSL Ltd	104,615	10.9%
Commonwealth Bank of Australia Ltd	72,390	7.5%
Transurban Group	64,075	6.7%
ANZ Banking Group Ltd	48,920	5.1%
Westpac Banking Corporation Ltd	47,576	5.0%
BHP Billiton Ltd	41,076	4.3%
Rio Tinto Ltd	36,881	3.8%
National Australia Bank Ltd	36,105	3.8%
Woodside Petroleum Ltd	35,078	3.7%
Washington H Soul Pattinson & Co Ltd	27,379	2.9%
Sydney Airport	24,901	2.6%
Wesfarmers Ltd	20,943	2.2%
Woolworths Ltd	20,594	2.1%
Atlas Arteria Ltd	18,780	2.0%
IDP Education Ltd	14,805	1.5%
Lend Lease Corporation	13,956	1.5%
Computershare Ltd	12,033	1.3%
Sonic Healthcare Ltd	11,055	1.1%
Total Australian Equities in Top 25:	651,162	68.0%
International Equities		
Vanguard All-World Ex-US Shares Index ETF	32,723	3.4%
Vanguard US Total Market Shares Index ETF	28,420	3.0%
iShares TR MSCI USA Min Vol Index ETF	18,139	1.9%
Vanguard Information Technology Index ETF	17,444	1.8%
Vanguard FTSE Developed European Ex UK Index ETF	15,428	1.6%
iShares Global Healthcare Index ETF	11,865	1.2%
Northcape Capital Global Emerging Market Fund	11,340	1.2%
Total International Equities in Top 25:	135,359	14.1%
Total Top 25 Australian & International Equities	786,521	82.1%
Total Investments at Market Value, Net Short Term Receivables and Cash	957,830	

Note: 1. At 31 December bank facilities were \$115M, drawn as to \$95M, and cash and short term receivables (included in the above figure) were \$20M.
2. At 31 December 16% of the portfolio was invested in international equities principally through Exchange Traded Index Funds.

Yours faithfully,

A J Hancock
Company Secretary