

DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

LEVEL 20
101 COLLINS STREET
MELBOURNE VIC 3000
AUSTRALIA

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18 August 2020

The General Manager
Australian Securities Exchange Ltd
10th Floor
20 Bond Street
Sydney NSW 2000

Financial Results and Dividend Announcement **Correction to announcement - AGM**

The nominations for election of directors will close at 5.00pm on **Wednesday, 26 August 2020** (not Monday, 31 August 2020).

The revised letter is attached.

Authorised by
AJ Hancock
Company Secretary

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The General Manager
Australian Securities Exchange Ltd
10th Floor
20 Bond Street
Sydney NSW 2000

Dear Sir,

Financial Results and Dividend Announcement
for the Financial Year Ended 30 June 2020

The Directors make the following report concerning the Company's performance and final dividend.

Profit and Realised Capital Gains

Profit after income tax for the year ended 30 June 2020 was \$30,070,000 (last year: \$38,018,000) a fall of 20.9%.

Profit after income tax includes special dividends received and capital gains distributed from managed funds in which the Company invests of \$2,448,000 (last year: \$4,653,000). Excluding these items profit after tax fell 17.2%*.

Excluding the special dividends and capital gains distributions, the Company's revenue fell 17.1% on last year. During the second half of the financial year the COVID-19 pandemic affected the operations and outlook for many of the investee companies and a number of dividends and distributions were deferred, reduced or cancelled.

The profit for the year excludes net realised gains and losses on the Company's direct investment portfolio which are transferred directly to the Asset Realisation Reserve. The net realised losses on the investment portfolio after tax for the year were \$1,561,000 (last year: losses of \$2,148,000).

Operating expenses (excluding interest) were 0.13% of the average market value of the portfolio (last year: 0.12%). Including the management fees of the International Exchange Traded Funds and Managed Funds in which the Company is invested, the expense ratio was 0.17% (last year: 0.16%).

Earnings Per Share

Earnings per share fell 21.5% to 14.2 cents per share, or 17.6% to 13.1 cents* excluding the special dividends and capital gains received as income.

The weighted average number of ordinary shares for the year was 211,502,436 against 210,464,960 last year, an increase of 0.5%.

* Additional non IFRS information.

- 2 -

Dividends and Franking

The Directors have declared a final dividend of 8.5 cents per share fully franked at 30% to shareholders registered on 3 September 2020, to be paid on 22 September 2020. The comparable 2019 final dividend was 8.5 cents per share fully franked at 30%. Together with the interim dividend of 7.0 cents per share, total dividends for the year are 15.5 cents per share fully franked, compared to 15.5 cents per share fully franked last year.

The directors have decided to maintain the final dividend even though total dividends for year ended 30 June 2020 are not covered by earnings in the year. Over the previous years, the Company has accumulated retained earnings, particularly by the retention of special dividends received. A modest drawdown of retained earnings has been made to maintain the final dividend. The Company has adequate franking credits to fully frank the final dividend.

Due to the continuing economic effects of the COVID-19 pandemic, the Company expects a further reduction in dividend income in the current financial year ending 30 June 2021. The Company will assess the dividend policy for the year ended 30 June 2021, having regard to the actual earnings outcome and the medium term earnings and future outlook.

LIC Capital Gains

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

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 2 September 2020 and the four business days immediately following that date, without any discount. The last day for the receipt of an election notice for participation in the plan is 4 September 2020.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$4.45 at 30 June 2020 and \$4.39 at 31 July 2020. These calculations are after tax on net realised gains, before any future tax benefit of net realised losses, before estimated tax on net unrealised gains and losses, and before provision for the final 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 \$3.80 at 30 June 2020 and \$3.75 at 31 July 2020.

Asset Allocation

At 30 June 2020, 78.4% of the portfolio was invested in Australian equities, and 17.9% in international equities principally through Exchange Traded Index Funds, and through some managed funds. Cash and short term receivables were 3.7%.

At 30 June 2020 bank facilities were \$115M drawn as to \$72.5M (30 June 2019 \$115M drawn as to \$95M) and cash and net short term receivables were \$38.1M (30 June 2019 \$80M).

- 3 -

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 year to 30 June 2020 was a fall of 4.7% while the S&P/ASX 200 accumulation index declined by 7.7% over the same period. The Company's accumulation performance is after all expenses, tax, and the impact of the Company's gearing. Such items are not included in the S&P/ASX index.

Including the benefit of franking credits for shareholders who can fully utilise them, the Company's accumulation return for the year to 30 June 2020 was a fall of 3.6% compared to a fall of 6.6% in the S&P/ASX 200 franking credit adjusted return.

The Company's performance for the year was assisted by overweight positions in healthcare stocks (including CSL), consumer stocks and Transurban. Performance was held back by overweight positions in the energy sector and underweight positions in the strongly performing technology and gold sectors. In Australian dollar terms the international portfolio also contributed significantly to outperformance.

Annual General Meeting

The Annual General Meeting of the Company will be held as a virtual meeting on Thursday 15 October 2020 at 9.00 am. Further details will be announced closer to the date of the meeting. Nominations for elections of directors will close at 5.00pm on Wednesday, 26 August 2020.

Outlook

As the effects of the COVID-19 pandemic unfold the outlook for economies and businesses remains uncertain. Financial markets are likely to remain volatile and dependant on central bank and government actions, and the success or otherwise of the containment of COVID-19. It can be expected that company profits and dividend distributions will in aggregate be at significantly lower levels for the financial year to 30 June 2021.

- 4 -

Investment Portfolio

As at 30 June 2020 the twenty-five largest shareholdings of the Company, at market values were:

	Market Value \$'000	%Market Value of Total Investments
<i>Australian Equities</i>		
CSL Ltd	162,155	15.9%
Transurban Group	77,715	7.6%
Commonwealth Bank of Australia Ltd	69,420	6.8%
Rio Tinto Ltd	46,041	4.5%
BHP Group Ltd	42,984	4.2%
Westpac Banking Corporation Ltd	42,236	4.2%
Australia & New Zealand Banking Group Ltd	37,280	3.7%
Atlas Arteria Ltd	33,100	3.3%
Woodside Petroleum Ltd	26,630	2.6%
Sydney Airport	20,979	2.1%
National Australia Bank Ltd	20,315	2.0%
Wesfarmers Ltd	19,725	1.9%
Washington H Soul Pattinson & Company Ltd	19,530	1.9%
Woolworths Group Ltd	18,640	1.8%
Ramsay Health Care Ltd	16,963	1.75
Sonic Healthcare Ltd	15,215	1.5%
Resmed Inc	13,770	1.4%
Computershare Ltd	13,250	1.3%
<i>Total Australian Equities in Top 25:</i>	695,948	68.4%
<i>International Equities</i>		
Vanguard US Total Market Shares Index ETF	35,271	3.5%
Vanguard All-World Ex-US Shares Index ETF	34,990	3.4%
Vanguard Information Technology Index ETF	29,934	2.9%
iShares TR MSCI USA Min Vol Index ETF	21,750	2.1%
Northcape Capital Global Emerging Market Fund	16,749	1.8%
iShares Global Healthcare Index ETF	14,771	1.5%
Vanguard FTSE Developed European Ex UK Index ETF	10,666	1.0%
<i>Total International Equities in Top 25:</i>	164,131	16.1%
Total Top 25 Australian & International Equities	860,079	84.6%
Total Investments at Market Value, Net Short Term Receivables and Cash	1,017,207	

Yours faithfully,

A J Hancock
Company Secretary