

DIVERSIFIED UNITED INVESTMENT LIMITED

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HALF YEARLY REPORT TO SHAREHOLDERS

Dear Shareholder,

Dividend Payment

The 7.0 cents 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 2022: \$5.10 per share

At 28 February 2022 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 cents per share was \$5.10 per share, or \$4.24 per share after providing for estimated tax on unrealised portfolio gains.

Results for Half Year Ended 31 December 2021

On 16 February 2022, the Directors made the following report to the Australian Securities Exchange concerning the Company's performance and the interim dividend:

Financial Results and Dividend Announcement for the Half Year Ended 31 December 2021

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 2021 was \$19,238,000 (previous corresponding period: \$13,073,000), an increase of 47.2%.

Profit after tax includes unrealised losses on unlisted managed fund investments of \$720,000 after tax (previous corresponding period: gain of \$3,801,000) and special dividends of \$1,178,000 after

tax (previous corresponding period: \$88,000). Excluding these items, profit after tax rose by 104.5%¹.

Net profit has improved as a result of the broader recovery in dividend income seen throughout the market and significant dividends received from BHP and Rio Tinto following strong iron ore prices through early to mid 2021.

The profit for the half year excludes net realised gains and losses on listed investments which are transferred directly to the Realisation Reserve. The net realised losses on the listed investment portfolio after tax for the half year were \$2,216,000 (previous corresponding period: loss of \$9,013,000).

Earnings Per Share

Earnings per share based on profit after tax was 9.0 cents (previous corresponding period: 6.2 cents). Excluding unrealised losses on unlisted managed fund investments and special dividends received, earnings per share increased 104.7% to 8.8¹ cents per share (previous corresponding period: 4.3 cents).

The weighted average number of ordinary shares for the half year was 213,132,809 (previous corresponding period: 212,224,731) taking into account the shares issued in the dividend reinvestment plan.

Dividends

The Directors have declared an interim dividend of 7.0 cents per share fully franked at 30% to shareholders registered on 24 February 2022, to be paid on 18 March 2022. The comparable 2021 interim dividend was 7.0 cents per share fully franked at 30%.

LIC Capital Gains

The interim 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 23 February 2022 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 25 February 2022.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$5.45 at 31 December 2021 and \$5.15 at 31 January 2022. 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.

¹ Additional non-IFRS information.

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 \$4.49 at 31 December 2021 and \$4.28 at 31 January 2022.

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 2021 was a rise of 3.4% while the S&P/ASX 200 accumulation index rose 3.8% 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 for shareholders who can fully utilise them, the Company's accumulation return for the half year to 31 December 2021 was an increase of 4.1% compared to an increase of 4.6% in the S&P/ASX 200 Franking Credit Adjusted Total Return Index.

The Company's relative performance for the half year was assisted by overweight allocations to Sydney Airport, IDP Education and exposure to US markets, and underweight allocation to the domestic Information Technology sector.

Relative performance was held back by overweight allocations to Rio Tinto, Washington Soul Pattinson and Transurban, and underweight allocation to the Utilities and Real Estate sectors.

Management Expense Ratio

At 31 December 2021, annualised operating expenses (excluding finance costs) were 0.12% of the average market value of the portfolio (previous corresponding period: 0.13%). 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% (previous corresponding period: 0.18%).

Portfolio

The Company made net investments during the half year of around \$41M financed by reducing our funds held in cash and short-term receivables by around \$13.5M and increasing borrowings by \$27.5M.

Portfolio turnover for the half year to 31 December 2021 was 2.8%. The largest additions to and sales from the portfolio for the half year were as follows:

Purchases		Sales	
<i>BHP ⁽¹⁾</i>	<i>\$20.3M</i>	<i>LendLease ⁽²⁾</i>	<i>\$9.7M</i>
<i>Perpetual ⁽¹⁾</i>	<i>\$11.4M</i>	<i>Origin Energy ⁽²⁾</i>	<i>\$6.2M</i>
<i>Transurban ⁽¹⁾</i>	<i>\$9.9M</i>	<i>Aurizon ⁽²⁾</i>	<i>\$6.1M</i>
<i>Ramsay Health ⁽¹⁾</i>	<i>\$9.7M</i>	<i>Australian Unity Office Fund ⁽²⁾</i>	<i>\$4.9M</i>
<i>CSL ⁽¹⁾</i>	<i>\$8.0M</i>	<i>Napier Ports ⁽²⁾</i>	<i>\$4.5M</i>

(1) Additions to existing positions.

(2) Fully disposed of holding.

At 31 December bank facilities were \$150M, drawn as to \$145M, and cash and short-term receivables were \$6.1M. 19.3% of the portfolio was invested in international equities through Exchange Traded Index Funds and four unlisted managed funds.

Outlook

The outlook for the current financial year is considered to be a cautionary one, with economic recovery from the COVID-19 pandemic and higher oil, gas and metal prices in an environment of concern as to inflation, higher interest rates, government deficits and geopolitical tensions.

Investment Portfolio

As at 31 December 2021 the twenty-five largest shareholdings of the company, at market values were:

	Market Value \$'000	% of Total Investments
Australian Equities		
CSL Ltd	172,756	13.2%
Commonwealth Bank of Australia Ltd	101,000	7.7%
Transurban Group	86,375	6.6%
BHP Billiton Ltd	74,700	5.7%
Australia & New Zealand Banking Group Ltd	55,020	4.2%
Rio Tinto Ltd	50,055	3.8%
Sydney Airport Group	38,626	2.9%
Westpac Banking Corporation	38,430	2.9%
Aristocrat Leisure Ltd	34,856	2.7%
Washington H Soul Pattinson & Company Ltd	29,610	2.3%
Wesfarmers Ltd	28,760	2.2%
Ramsay Health Care Ltd	28,600	2.2%
Atlas Arteria Ltd Ordinary Stapled Sec	27,680	2.1%
Woodside Petroleum Ltd	26,974	2.1%
Computershare Ltd	26,500	2.0%
Sonic Healthcare Ltd	23,315	1.8%
Woolworths Ltd	20,906	1.6%
Perpetual Ltd	18,205	1.4%
Resmed Inc	17,890	1.4%
Total Australian Equities in Top 25:	900,258	68.8%
 International Equities		
Vanguard US Total Market	53,381	4.1%
Vanguard Information Tech ETF	47,345	3.6%
Vanguard All World Ex- US	43,095	3.3%
iShares TR MSCI USA Min Vol ETF	31,210	2.4%
Northcape Capital Global Emerging Market Fund	23,651	1.8%
iShares Global Healthcare ETF	18,673	1.4%
Total International Equities in Top 25:	217,355	16.6%
Total Top 25 Australian & International Equities	1,117,613	85.4%
Total Investments at Market Value, Net Short-Term Receivables and Cash	1,309,029	