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CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Net profit after tax for the 2015 fiscal year was $3,216,865, compared with $3,497,734 in 2014. The small decrease in the profit was principally the result of a special dividend flowing from the Vodafone/Verizon demerger in the prior year.

At 30 June 2015 the net tangible asset backing per share of the Company's shares ("NTA") was 150 cents, up from 137 cents, at 30 June 2014. This was after the payment of a dividend of 4.1 cents per share in September 2014.

The TGG Portfolio return for the year was 16.7% net of fees compared to the index return of 23.7% gross. The comparable returns last year were 23.2% and 19.9% respectively. Despite underperformance in the past 12 months against the benchmark, the annualised 3 and 5 year returns are still outperforming the relevant benchmark.

The management expense ratio, or MER, for the year was 1.16% down from 1.45% in 2014, and 1.66% in 2013. This is a 50 basis point reduction over two years flowing directly to the benefit of shareholders.

A dividend of 4.1 cents per share, of which, 0.7 cents per share was fully franked, and 3.4 cents per share was unfranked, was paid on the 25th of September.

This is the first occasion on which dividends paid by the Company have not been fully franked. This was foreshadowed at the time of the capital raising. In my letter dated 1 July 2015 accompanying the Entitlement Offer Booklet, I made the following comment:

"….. TGG expects that the level of franking for any dividend/distribution paid for the period ending 30 June 2015 will be lower, and potentially substantially lower, than the level of franking applied to dividend/distribution paid for recent financial periods."

I would like to provide more detail about our capacity to frank dividends as the Company's present position in this respect may not change materially in the next year or so.

Franking credits are amassed by companies largely through one of two mechanisms, receipt of franked dividends from other Australian companies or by paying tax. In TGG's case we do not hold, or rarely hold, shares in other Australian companies therefore effectively all of our franking credits come through tax we pay the Australian Government.

There are two factors at work serving to reduce the amount of tax we pay in Australia.

The first, a permanent phenomenon, relates to the tax we pay outside of Australia.

A number of companies in which we invest are in jurisdictions that impose withholding tax on dividend payments. This withholding tax is applied as a credit against our tax obligations in Australia, reducing the amount of tax we directly pay and therefore the amount of franking credits we can accumulate. Historically the level of foreign tax credits is around 10% of our dividend income.

The second, and by far the more significant factor, is the large carry forward tax losses which accumulated in the aftermath of the global financial crisis or GFC. This is we hope a temporary phenomenon, but the losses were so great that they continue to reduce our tax liabilities today.

TGG's realised capital losses peaked in 2012 at over $34 million. At 30 June 2015 they amount to just over $5 million. We have paid no tax on all of the realised gains made in the intervening period, and as a consequence have not been able to substantially increase our level of franking credits. In fact the bank of franking credits has reduced proportionally as higher dividends have been paid on an expanded capital base.

While we remain in a tax loss position, this situation will persist. It is likely the franking credit position in respect of next year's dividend will be much the same as it was this year. Whilst we are very aware of the value shareholders attach to franking credits, the plain fact of our current carried forward capital loss tax position is the limiting factors, and essentially beyond our control.

Having said this, the dividend itself is expected to increase again next year. The target dividend/distribution for the financial year ended 30 June 2016 is 4.5 cents per share, a 10% increase on the 2015 dividend. The projected dividend for 2016 is three times the dividend per share declared in 2012.

Before I invite Peter Wilmshurst to address the meeting, I would like to make some brief comments on this year's capital raising.

Our decision to undertake another capital raising this year was prompted by the Investment Manager's conviction that there continued to be attractive investment opportunities for a long term value investor such as TGG.

Increased scale was not an end in itself, although the benefits of scale are tangible as seen by the material reduction in the MER.

The terms of the raising were designed to offer benefit to all shareholders, that is, to encourage a high participation rate and to provide the opportunity for shareholders electing not to participate to receive some form of material compensation.

This compensation could have been in the form of the sale of the rights on market, or through the payment of any excess from the shortfall bookbuild process. The downturn in global markets encountered during the rights issue did of course impact the TGG share price, the value of the rights and consequently, the compensation received by shareholders from the shortfall bookbuild.

With the benefit of hindsight the timing of the raising was not ideal, coming as it did at the end of the financial year, a critical time for planning for self funded retirees. The bank capital raisings which occurred at almost the same time as TGG’s capital raising must also have stretched investors’ resources. Nonetheless the raising was well supported by shareholders, 67% of the rights being taken up.

We do not intend to continue regular capital raisings. Capital raisings are contemplated when investment markets look compelling to a long term, deep value investor. The currency outlook for an unhedged portfolio was also a significant factor in our thinking in the past two years.

J A (Tony) Killen
Chairman

21 October 2015