DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE NINETEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT 147 COLLINS STREET, MELBOURNE ON THURSDAY 14 OCTOBER 2010 AT 9.00 AM

Ladies and Gentlemen,

Welcome to the nineteenth Annual General Meeting of Diversified United Investment Limited.

The latest financial year saw a significant recovery in asset values but dividend income remained subdued following the Global Financial Crisis. The Company's operating profit (before special dividends received and realised and unrealised losses) again fell slightly. However, the accumulation of the net asset backing per share plus dividends paid rose 14.6%, ahead of the comparable index rise of 13.1%.

The operating profit after income tax and before net losses on long term investments was $17.4 million in the period to 30 June 2010, a decrease of 4%, or, if special dividends received in both periods are excluded, $17.2M which is a decrease of 4.4%. Leaving aside special dividends, the year's result reflects a 3% increase in income from dividends and trust distributions, lower interest income and an increase in interest expense. We also generated some option premium income in the process of selling some holdings.

In April 2010, $22.9 million of new equity was raised through a share placement at $3.18 per share. Since the end of the financial year, we have also raised $6.6M through the Share Purchase Plan offer to all shareholders at $2.81 per share.

The weighted average number of ordinary shares on issue for the year was 155 million as against 144 million in the previous year, an increase of 7.6%.

The operating earnings per share excluding realised losses on sale of long term investments was 11.2 cents, compared to 12.6 cents for the previous year. This year a special dividend of $150,000 was received from Washington H Soul Pattinson & Company. Last year a special dividend totalling $105,000 was received from St George Bank. Excluding special dividends, earnings per share were 11.1 cents, compared to 12.5 cents for the previous year.

The total result for the year was a profit of $16.3 million compared to a loss of $244,000 last year. Last year the accounting standards required both realised and some unrealised losses to be included in the calculation of total profit. This year only realised gains and losses to the date of adoption of AASB 9 on 7 December 2009 were included in the income statement. After that date, under the new accounting standards, realised gains and losses are transferred directly to the Asset Realisation Reserve.

Bank borrowings were $65 million at the end of the financial year, unchanged from last year, amounting to around 12% of the investment portfolio at market values. At this level of borrowings our annual interest expense was covered 5 times by investment revenue. Cash on hand at the end of the financial year was $7M.

Operating expenses represented 0.20% of the average market value of the portfolio compared to 0.19% last year.

A final fully franked dividend of 7 cents per share has been paid which with the interim dividend of 6 cents brought the dividend for the year to 13 cents per share, steady on last year. This is the second year the dividend has not been increased, but we have been pleased to be able to maintain our dividend rate through a period of lower dividend income.

This year the final dividend did not include any Listed Investment Company capital gain dividend.

The net tangible asset backing per share after provision for the final dividend and based on investments at market values and after provision for tax on net realised gains, but not unrealised gains, rose from $2.60 at 30 June 2009 to $2.87 at 30 June, 2010, a increase of over 10%.

This increase was in a year in which the Australian S&P/ASX 200 Price Index rose by 9%, while in the USA the Dow Jones Index rose 16% and the Standard and Poors 500 rose 12%, the UK Financial Times 100 Index rose 16%, but the Japan Nikkei – 225 Index fell 6%.

The performance of an investment in DUI based on the Net Asset Backing per share, assuming all dividends were reinvested, compared to the S&P/ASX 300 Accumulation Index over the one, three and five year periods is as follows:

To 30 June 2010	DUI Net Asset Backing Accumulation % p.a.	DUI Share Price Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	14.6	15.8	13.1
3 Years	(7.4)	(6.7)	(8.1)
5 Years	5.6	7.6	4.5

The Annual Report provides details of the investments of the Company at 30 June 2010 and 30 June 2009, and the proportion of the market value of the investment portfolio held in each company.

Continued Over

At 30 June 2010 we were 98.6% invested in 37 Australian listed companies or trusts and 1.4% in cash and short term receivables.

The largest 25 equity investments comprised 92.1% of the portfolio and the details are set out on page four of the Annual Report.

The largest industry sectors were Resources 30%; Banking 28%; Retailing 6%; Healthcare 6%; and Insurance 6%.

Since the end of the financial year, we have sold our Dulux holding which was received by way of distribution from Orica. We have added to our holding in Origin Energy and sold our holding in Metcash.

At 30 September 2010 our borrowings were $65M while cash and short term investments were $8M, plus $6.6M received in early October from the Share Purchase Plan. The portfolio was invested in the Resources sector as to 32%, Banking 29%, Retailing 6%, Healthcare 6% and Insurance 5%.

Our net asset backing per share based on investments at market values and after provision for tax on net realised gains, but not unrealised gains, and after provision for the final dividend was $2.87 at 30 June 2010 and $3.10 at 30 September, 2010.

DUI is a long term investor and does not intend disposing of its total portfolio. However, under current accounting standards, the Company is required to provide for estimated tax that would arise on a theoretical disposal of the entire portfolio. After deducting this provision the net asset backing per share was $2.56 at 30 June 2010 and at 30 September 2010 was $2.74.

<u>Outlook</u>:

We see a reasonable growth in the world economy in the year ahead based on growth in Asia, and in particular China, and in Australia. There are however continuing imbalances in trade accounts between countries and in the alignment of currencies as well as unemployment and budget deficits.

We see a modest recovery in USA with the stimulus of increased government expenditure, low interest rates and quantitative easing offsetting the difficulties the country faces in high unemployment, over-capacity in housing, and the need to add to savings and reduce consumption. We do not see a double-dip but there are plenty of uncertainties which will lead to a stuttered and slow recovery.

In Europe there are policies to reduce government expenditure, maintain relatively higher interest rates, and fiscal rectitude to restore confidence in the governments and currencies. With current high unemployment and budget deficits, we can only see the recovery being slow and over an extended period.

In Australia we see a strong growing economy, low unemployment, firm to rising interest rates, and a budget balance being restored.

At the world level there is a difference between economists as to whether we are facing inflation or deflation and whether governments should spend to stimulate the economy or rein in budget deficits to restore confidence in governments and currencies.

At least in Australia we know the risk is inflation and the task is fiscal restraint.

We do however have some concerns. The election campaign and the agreement between the Labor Parliamentary Party and the Independent Members of Parliament does not encourage us to expect reforms related to increasing our productivity. Our policies seem more concerned about the redistribution of income than seeking to establish a competitive Australia in a globalised market.

Also in managing our investment portfolio we have become more conscious of government interference in many industries including telecommunications, pathology, mining, carbon intensive industries and banking.

However on balance, based on the considerations of interest rates, earnings outlook, and sentiment, we consider the market has scope for appreciation. There is considerable adverse news already in the market. So, in an uncertain world we are looking for a modest increase in our dividend income and are hopeful of a reasonable increase in our net asset backing per share.

Graeme Moir has advised us of his intention to retire at the conclusion of this Annual General Meeting. Graeme has been a director since the Company was listed in 1991 and has made a significant contribution to the management of the Company's share portfolio. We thank him for his insightful views on the share market over many years and we wish him well.

Charles Goode
Chairman