

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

LEVEL 20
101 COLLINS STREET
MELBOURNE VIC 3000
AUSTRALIA

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18 October 2023

ASX Announcement

2023 Annual General Meeting (AGM) **Chairman's Address and Presentation**

In accordance with the ASX Listing Rules, attached for release to the market is the Chairman's Address and Presentation which will be delivered to shareholders today at the Company's 2023 Annual General Meeting.

Authorised for release by James Pollard, Company Secretary.

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Chairman's Address

Delivered by Mr Charles Goode at the 69th Annual General Meeting of the Company, held at 171 Collins Street, Melbourne and by audio webcast on Wednesday 18th October 2023 at 11.00am.

For the financial year ended 30 June 2023, the Company's operating profit after income tax was \$56.4 million compared to \$72 million in the previous year – a decrease of 22%. Prior year profit after tax includes a one-off in-specie dividend from BHP of \$14.5 million, received as a result of the merger of Woodside and BHP Petroleum. If special dividends in both periods are excluded, profit increased 8% to \$55.2 million.

A fully franked final dividend of 20 cents per share was paid in September which, with the fully franked interim dividend of 17 cents per share, brought the total dividend for the year to 37 cents per share fully franked, in line with last year. AUI has maintained or increased its dividend paid per share every year since 1994.

AUI's operating expenses (excluding borrowing costs) were equivalent to 0.10% of the average market value of the portfolio, unchanged from last year.

Bank borrowing facilities were \$195 million, drawn as to \$86 million at the end of the financial year. Drawn debt was reduced following the rise in interest rates during the year and in line with our cautious outlook. Our debt capacity puts us in a good position to invest in quality companies as opportunities arise.

The performance of an investment in AUI based on net asset backing per share, and separately on share price, assuming all dividends were re-invested, compared to the S&P/ASX 200 Accumulation Index in each of the past one, three, five and ten year periods is as shown on the slides.

For the year ended 30 June 2023 the Net Tangible Asset Accumulation for the Company increased by 13.6%. We underperformed the ASX200 Accumulation Index by 1.2% which arose partly from not having a wide range of investments in the mining sector. We have significant investments in BHP and Rio Tinto but are not invested in Fortescue Metals Group, Pilbara Minerals, Liontown Resources, IGO, Allkem, Newcrest or Mineral Resources all of which outperformed the index. We were also not invested in certain high technology companies such as Wisetech Global and Xero. Our long-term, conservative investment approach leads us to favour well established companies with a dividend paying record.

Within our investment portfolio our investments in Ramsay Health Care, Atlas Arteria, Transurban, EVT, CSL and Link Administration underperformed the index.

The composition of the portfolio by sector at 30 September is as shown in the slides. Since the end of the financial year, we have increased our holding in Resmed and sold our holding in Alumina.

As part of our ongoing investment management, the Board regularly meets with management of companies in which we invest. During the 2023 financial year, the Board met:

- four times with one of our investee companies,
- two times with six of our investee companies, and
- one time with twelve of our investee companies.

Outlook

We are cautious in respect to the year ahead for four broad reasons.

Firstly, the major force for world economic growth and containing inflation in recent years has been China. That country's economic growth has slowed considerably, and it faces an aging population, 20% youth unemployment, an over-built property sector, an over-extended domestic banking and non-banking financial system, domestic political regulation of its social media industries, and some international restrictions on its imports in the high technology areas. We are surprised that so many in western capitalist countries are confident that an autocratic government can successfully reverse a decline in the rate of growth of a middle-income economy.

Secondly, we are enjoying historically favourable terms of trade with our mineral and agricultural products enjoying high Australian dollar prices.

Thirdly, local general consumption is being restricted by higher electricity and gas charges and higher petrol prices, insurance costs, rent and mortgage interest charges.

Fourthly, inflation has led to a rapid increase in interest rates and a tightening of liquidity from a Government facing current and future budget deficits. The community relied on the support of the Government during the Covid crisis and now continues to look to the Government to spend more on health, education, NDIS, infrastructure, and defence but the Government's capability to do so is constrained by its responsibility to move to a balanced budget.

While we expect inflation to moderate due to supply shortages being resolved and more subdued demand, we expect interest rates to remain around current levels for some time and for us to move towards positive real interest rates (the interest rate less inflation).

We have been surprised at the resilience of our economy to adjust to the high interest rate environment and this is being assisted by inflation moderating due to supply coming forward to meet demand and thus allowing the maintenance of a high level of employment. However the Household Savings rate in Australia was down to 3.2% in June 2023, its lowest level in 15 years so there is not much scope for increased consumer demand. We anticipate a period of slow growth rather than a recession.

The current level of the share market may well be justified by those looking across the valley to better times ahead but in our opinion, the various risks and uncertainties are not fully reflected in current share prices.

We remain fully invested, although we have reduced our borrowings. Our dividend income is expected to be lower in the year ahead mainly due to expected lower dividends from the major mining companies. Dividends we received from BHP, Rio Tinto and Woodside made up 39% of our total investment income in the 2023 year. Based on broker consensus forecasts for the current period, this is forecast to fall to 29% of our total income. We do however expect to be able to maintain a steady dividend rate to our shareholders.

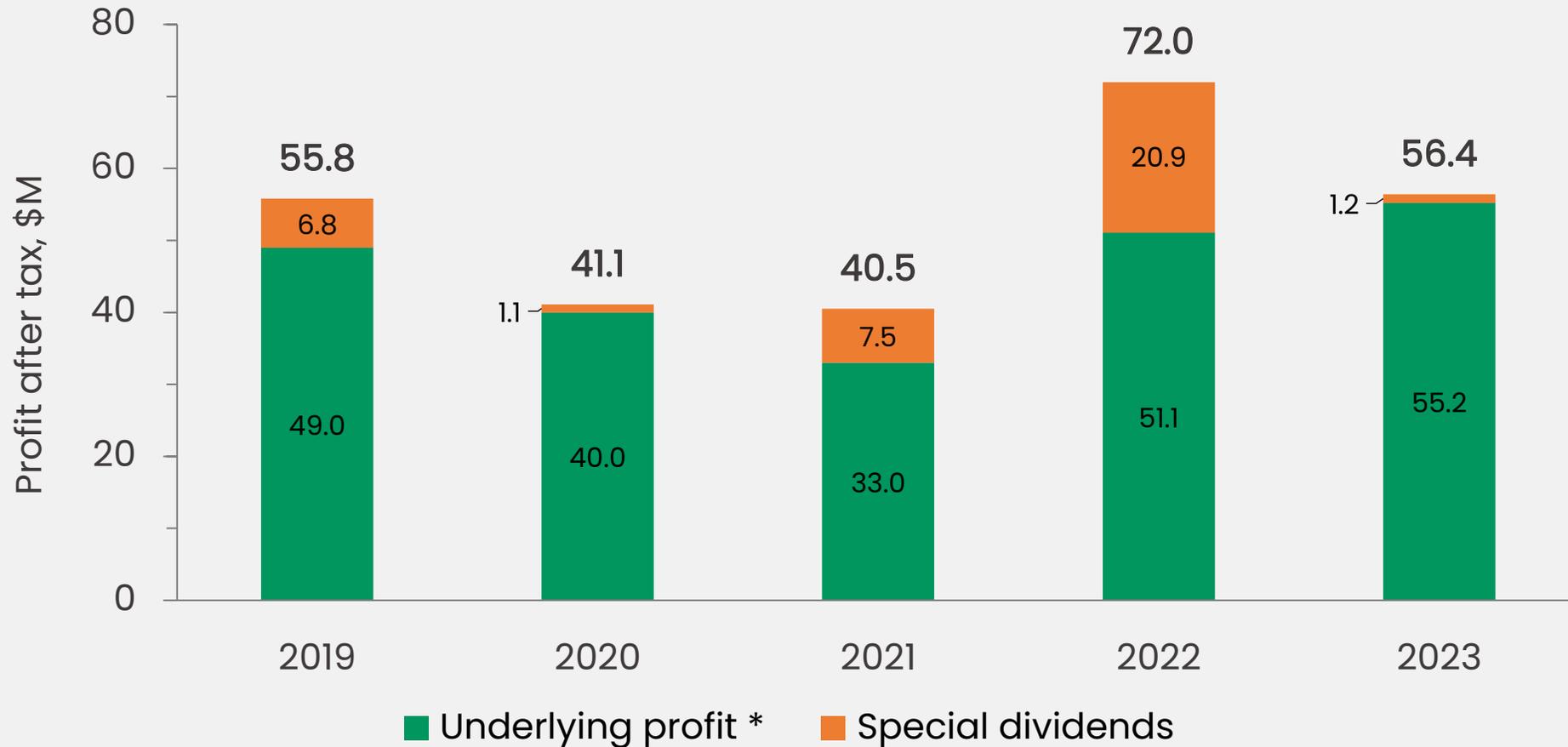
Charles Goode
Chairman



Australian United Investment Company Limited

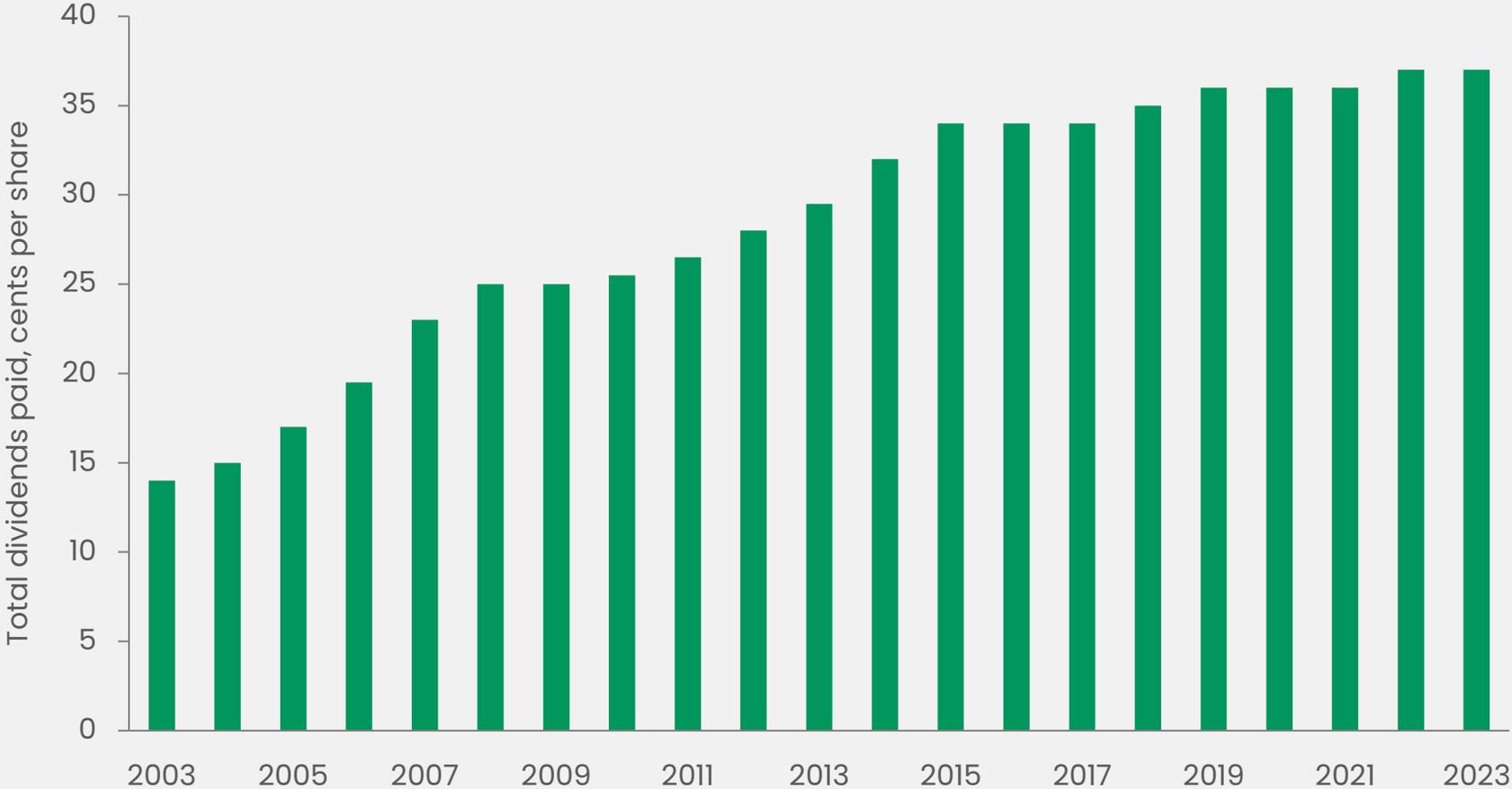
2023 Annual General Meeting

Profit after tax



* Statutory profit less special dividends.

Dividends Paid

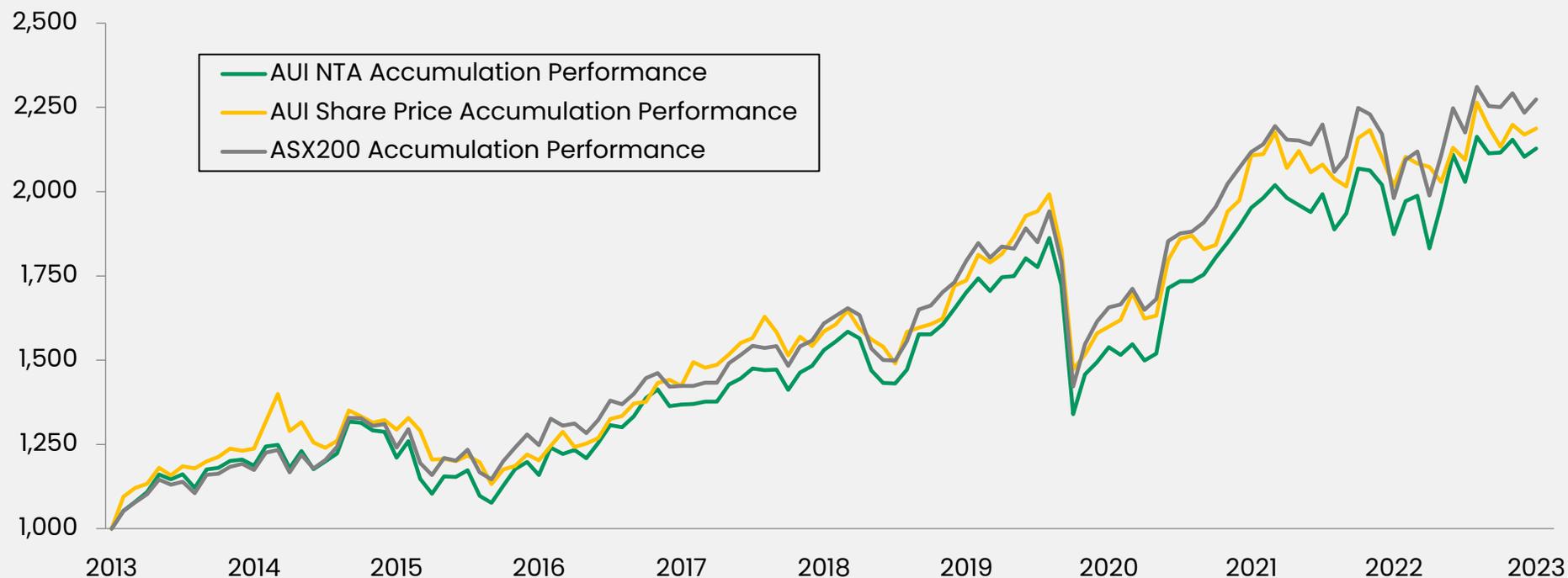


At 30 June 2023

	FY23	FY22
Operating expenses	0.10%	0.10%
Bank borrowing facilities	\$195M	\$170M
Bank borrowings drawn	\$86M	\$167.5M
Net debt / portfolio ex-cash	5.3%	11.3%

NTA Accumulation Performance

10 years to 30 June 2023



Source: Evans and Partners

	1 year	3 years	5 years	10 years
AUI NTA Accum. % p.a.	13.6	11.4	6.8	7.8
AUI Share price Accum. % p.a.	8.4	11.0	6.6	8.1
S&P/ASX2000 Accum. Index % p.a.	14.8	11.1	7.2	8.6

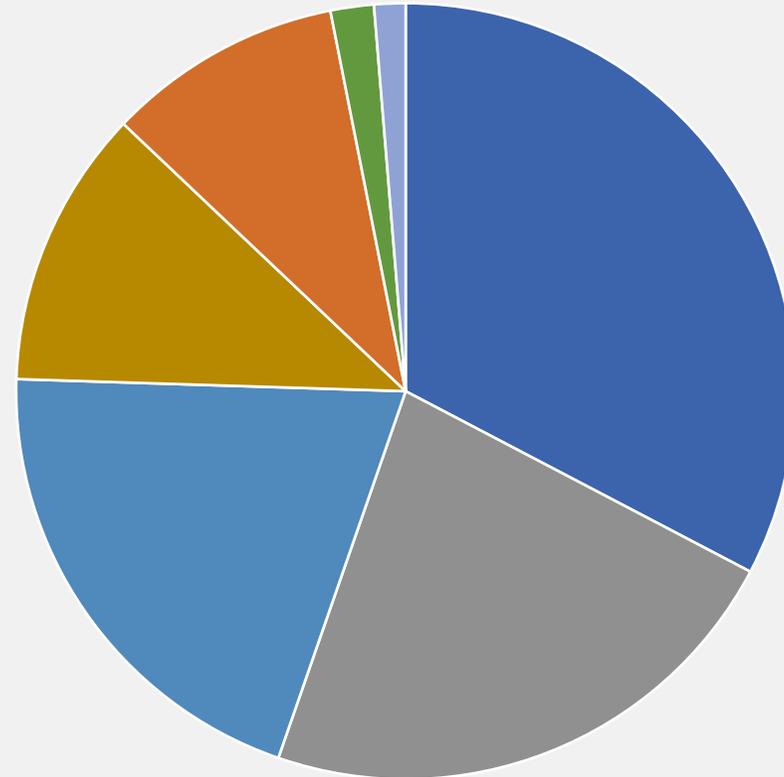
2023 Annual General Meeting

Australian United Investment Company Limited

Sector Allocations

As at 30 September 2023

- Banks and Other Financials - 32.7%
- Mining and Energy - 22.6%
- Consumer - 20.2%
- Healthcare - 11.6%
- Infrastructure and Industrials - 9.8%
- Property - 1.8%
- Cash - 1.3%



2023 Annual General Meeting

Australian United Investment Company Limited



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2023 Annual General Meeting

Resolution 2

Remuneration Report

That the Remuneration Report that forms part of the Directors' Report for the Company for the financial year ended 30 June 2023 be adopted.

Proxy votes received prior to the meeting are as follows:

For	Open	Against	Abstain
74,728,859	397,734	356,194	151,187
99.0%	0.5%	0.5%	

Resolution 3

Re-election of Mr Fred Grimwade

That Mr Fred Grimwade, a Director retiring from office by rotation in accordance with clause 65 of the Constitution, being eligible, is re-elected as a Director of the Company.

Proxy votes received prior to the meeting are as follows:

For	Open	Against	Abstain
75,121,959	387,734	62,392	86,678
99.4%	0.5%	0.1%	



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2023 Annual General Meeting