

DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

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101 COLLINS STREET
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AUSTRALIA

TEL (613) 9654 0499
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17 March 2021

Electronic Lodgement

Diversified United Investment Limited Half Yearly Report to Shareholders

Dear Sir/Madam,

Please find attach a copy of the Half Yearly Report that is being sent to Shareholders.

Authorised by:
James Pollard
Company Secretary

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Company Secretary

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HALF YEARLY REPORT TO SHAREHOLDERS

17 March 2021

Dear Shareholder,

Dividend Payment

The 7.0¢ 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 2021: \$4.78 per share

At 28 February 2021 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¢ per share was \$4.78 per share, or \$3.99 per share after providing for estimated tax on unrealised portfolio gains.

Results for Half Year Ended 31 December 2020

Financial Results and Dividend Announcement for the Financial Half Year Ended 31 December 2020

Profit and Realised Capital Gains

Profit after income tax for the half year ended 31 December 2020 was \$13,073,000 (prior corresponding period: \$17,427,000) a decrease of 25.0%. The profit includes unrealised gains on unlisted managed fund investments of \$3,801,000 after tax (prior corresponding period: nil) and special dividends of \$88,000 after tax (prior corresponding period: \$650,000). Excluding unrealised gains on unlisted managed fund investments and special dividends, profit after tax fell by 45.3%.*

The economic impact of COVID-19 continued to affect many businesses throughout the half year and many of our investee companies reduced or suspended their dividends. Banks were particularly affected, as were the property and infrastructure sectors.

The profit for the half year excludes net realised gains and losses on listed investments which are transferred directly to the Asset Realisation Reserve. The net realised losses on the listed investment portfolio after tax for the half year were \$9,013,000 (prior corresponding period net losses: \$1,763,000).

Operating expenses (excluding interest) were slightly lower for the half year compared to the first half of the previous year, but due to the fall in the market value of the portfolio were 0.07% of the average market value of the portfolio (prior corresponding period: 0.06%). Including the management fees of the international exchange traded funds and managed funds in which the Company is invested, the expense ratio was 0.09% (prior corresponding period: 0.08%).

* Additional non IFRS information, not subject to external review.

Earnings Per Share

Earnings per share excluding unrealised gains on unlisted managed fund investments and special dividends received fell 45.6% to 4.3 cents per share. In assessing the company's capacity to pay dividends, the Board focuses on this Earnings per Share figure in addition to the Company's retained reserves and the future outlook.*

The weighted average number of ordinary shares for the period was 212,224,731 (prior corresponding period: 211,272,654) taking into account the shares issued in the dividend re-investment plan.

Dividends

The Directors have declared an interim dividend of 7.0 cents per share fully franked to shareholders registered on 24 February 2021, to be paid on 17 March 2021. The comparable 2020 interim dividend was 7.0 cents per share fully franked.

The directors have decided to maintain the interim dividend even though it is not fully covered by earnings in the half-year. The Company has adequate accumulated retained earnings to draw on and sufficient franking credits to fully frank the dividend.

The Company will continue to monitor earnings results and the outlook for its investee companies when determining future dividend payments. The company's accumulated Franking Credits have been falling due to payment of dividends in excess of current earnings, unfranked dividends received from some of the Australian investments and due to the increase in proportion of the portfolio held in international investments.

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 2021 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 2021.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$4.81 at 31 December 2020 and \$4.79 at 31 January 2021. 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.

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 \$4.04 at 31 December 2020 and \$4.02 at 31 January 2021.

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 2020 was a rise of 10.2% while the S&P/ASX 200 accumulation index rose 13.2% 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 the Company's accumulation return for the half year to 31 December 2020 was an increase of 10.7% compared to an increase of 13.7% in the S&P/ASX 200 Franking Credit Adjusted Total Return Index.

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 \$26M and increasing borrowings by \$15M.

At 31 December bank facilities were \$115M, drawn as to \$87.5M, and cash and short-term receivables were \$5M. 18.8% of the portfolio was invested in international equities through Exchange Traded Index Funds and four unlisted managed funds.

Outlook

The outlook is favourably influenced by the expected success of the rollout of vaccines to address the COVID-19 disease and improving economic outlook based on low interest rates, high liquidity in the system and large Government expenditure. However, we have a buoyant share market reflected by high valuations based on historical criteria, a large number of new public offerings, high retail participation in the market, and a focus on growth and speculative shares.

We find it hard to assess the outlook for the market and expect it to fluctuate around current levels.

We are fully invested and our portfolio should move broadly with the market while noting that the portfolio is overweight CSL (which if reduced would involve a large tax payment) and with 19% of the portfolio in international investments, the company's performance is adversely affected by a rising Australian dollar.

Investment Portfolio

As at 31 December 2020 the twenty-five largest shareholdings of the company, at market values were:

	Market Value \$'000	Market Value of Total Investments
Australian Equities		
CSL Ltd	159,997	14.4%
Commonwealth Bank of Australia Ltd	82,110	7.4%
Transurban Group	75,130	6.8%
BHP Billiton Ltd	57,280	5.2%
Rio Tinto Ltd	53,500	4.8%
Australia & New Zealand Banking Group Ltd	45,400	4.1%
Westpac Banking Corporation	34,924	3.1%
Atlas Arteria Ltd Ordinary Stapled Sec	32,500	2.9%
Washington H Soul Pattinson & Company Ltd	30,090	2.7%
Sydney Airport Group	28,525	2.6%
Woodside Petroleum Ltd	27,970	2.5%
Wesfarmers Ltd	22,176	2.0%
Aristocrat Leisure Ltd	21,700	2.0%
Woolworths Ltd	19,655	1.8%
Sonic Healthcare Ltd	16,075	1.4%
Ramsay Health Care Ltd	15,856	1.4%
Stockland Units	15,675	1.4%
Computershare Ltd	14,590	1.3%
Resmed Inc	13,615	1.2%
Total Australian Equities in Top 25:	766,768	69.0%
International Equities		
Vanguard US Total Market	39,625	3.6%
Vanguard All World Ex- US	38,549	3.5%
Vanguard Information Tech ETF	33,984	3.1%
iShares TR MSCI USA Min Vol ETF	24,738	2.2%
Northcape Capital Global Emerging Market Fund	23,887	2.1%
iShares Global Healthcare ETF	14,623	1.3%
Total International Equities in Top 25:	175,406	15.8%
Total Top 25 Australian & International Equities	942,174	84.8%
Total Investments at Market Value, Net Short Term Receivables and Cash	1,111,429	

Yours faithfully,

A J Hancock
Company Secretary