DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE TWENTY FIRST ANNUAL GENERAL MEETING OF THE COMPANY HELD AT 147 COLLINS STREET, MELBOURNE ON THURSDAY 11 OCTOBER 2012 AT 9.00 AM

Ladies and Gentlemen,

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

I would particularly like to welcome Mr Stephen Hiscock and Mr Pierre Prentice to their first Annual General Meeting. Stephen and Pierre both bring many years of experience in successful portfolio management to the Board. Details of their qualifications and experience are set out in the Annual Report. I would also like to again thank Martyn Myer and Rupert Myer, who retired this year, for their long and dedicated service to the Company.

Turning to the latest financial year, we saw a decline in net asset value per share and a modest increase in our dividend income and profit.

The net asset backing per share plus dividends paid fell 7.5%, which was slightly more than the fall in the ASX 300 Accumulation Index of 7%.

The operating profit after income tax was $21.7 million in the period to 30 June 2012 an increase of 4% or an increase of 6.3% if special dividends are excluded. The year's result reflects a 2.5% increase in income from dividends and trust income; slightly higher options premium and sub-underwriting income; and a 3% increase in net interest paid.

The weighted average number of ordinary shares on issue for the year was 166 million as against 164 million in the previous year, an increase of 1.5%.

The operating earnings per share were 13.1 cents, compared to 12.8 cents for the previous year. There were no special dividends received this year. Last year special dividends totalling $527,000 were received from Orica, Healthscope and Washington H Soul Pattinson. Excluding special dividends, earnings per share were 13.1 cents, compared to 12.5 cents for the previous year, an increase of 5%.

Bank borrowings were $65 million at the end of the financial year, unchanged from last year, amounting to around 12.5% of the investment portfolio at market values.

At this level of borrowings our annual interest expense was covered 6 times by investment revenue. Cash on hand at the end of the financial year was $23M.

Operating expenses, excluding borrowing costs, represented 0.17% of the average market value of the portfolio unchanged from last year.

A final fully franked dividend of 7 cents per share has been paid which with the fully franked interim dividend of 6 cents brought the total dividend for the year to 13 cents per share fully franked, which was steady on last year.

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 realised gains, but not net unrealised gains and losses, fell from $3.01 at 30 June 2011 to $2.65 at 30 June, 2012, a decrease of 12%.

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This decrease was in a year in which the Australian S&P/ASX 200 Price Index fell by 11%, while in the USA the Dow Jones Index rose 3.8%, the UK Financial Times 100 Index fell 6.3%, and the Japan Nikkei – 225 Index fell 8.2%.

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

To 30 June 2012	DUI Net Asset Backing Accumulation % p.a.	DUI Share Price Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	(7.5)	(7.7)	(7.0)
3 Years	5.0	1.6	5.6
5 Years	(4.3)	(5.9)	(4.2)
10 Years	7.5	6.2	6.9

The Company's net asset backing accumulation performance is after tax and expenses and the impact of the Company's gearing for which no allowance is made in the index. The Board is mindful of the Company's relative performance and is continuing to review and adjust the portfolio's composition and weightings carefully.

The Annual Report provides details of the investments of the Company at 30 June 2012 and 30 June 2011, and the proportion of the market value of the investment portfolio held in each company.

At 30 June 2012 we were 95.5% invested in 42 Australian listed companies or trusts and 4.5% in cash and short term receivables.

The largest 25 equity investments comprised 87% of the portfolio and the details are set out on page four of the Annual Report.

The largest industry sectors were Banking 30%; Resources 27%; Transportation 7%; and Diversified Financials 6%.

Since the end of the financial year, we have sold our holdings in Resmed and Sonic Healthcare and we have reduced our holdings in Australian Infrastructure Fund and K & S Corporation. We have added to our holdings in Brambles, Origin Energy, Computershare and Monadelphous and added holdings in Seven Group and Commonwealth Property Office Fund.

At 30 September 2012 our borrowings were $65M while cash and short term investments were $22M. The portfolio was invested in the Banking sector as to 31%, Resources 26%, Food and Staples Retailing 7%, Transportation 7%, Diversified Financials 6%, Insurance 5%, Healthcare and Medical related 5%, Real Estate 3%, while smaller allocations to other sectors represented 6% of the portfolio, and cash 4%.

Our net asset backing per share based on investments at market values and after provision for tax on realised gains, but not net unrealised gains and losses, and after allowing for the final dividend was $2.65 at 30 June 2012 and $2.89 at 30 September, 2012

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 after allowing for the final dividend, was $2.44 at 30 June 2011 and at 30 September 2012 was $2.62.

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Outlook:

In looking to the year ahead there are more uncertainties than we are used to, and we only have to reflect on Syria; the rising nuclear capacity of Iran; the dispute in relation to the islands in the China Sea; the rising community protests around the world as people face austerity measures required for them to live within their means and not through increased borrowings; the spread of sovereign risk to developed countries as governments embark on new regulations and taxes; and we could go on. We are living in uncertain, difficult times and the risk levels are high. It is not surprising that people are cautious. Many governments have only the ability to create more money in their armoury to stimulate the economy. Yet as Keynes said, in cautious conditions you can lead a horse to water but you cannot make it drink. People are more prone to save or reduce debt than to spend. Growth will be hard to recapture and it will take years.

Measures to address the current problems will take time to work through the system. Policies which offer quick solutions are likely to be the source of our future problems. In Australia in particular we should be wary of popular policies offering benefits we would all like to have available in our society, but which we cannot afford. It has never been more relevant than now for us to have a responsible government and for the electorate to ask how new policies will be funded.

In the years ahead it may well be that the share market will rise despite the gloomy outlook for economies, as investors faced with low interest rates move into more risky investments in higher yielding but lower grade interest bearing securities, shares and property.

Some investors will worry about higher inflation in future years when the money created by governments and central banks becomes more active and this too may encourage them to move from interest bearing securities into shares

We hope to maintain our dividend in the year ahead and to have it fully or nearly fully franked. Further predictions we will leave to the brave or the foolhardy. We hope numerous horrific scenarios do not come to pass and world economies muddle through and buy time for responsible policies to gradually restore economic growth.

Charles Goode
Chairman