DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE TWENTY SECOND ANNUAL GENERAL MEETING OF THE COMPANY HELD AT 147 COLLINS STREET, MELBOURNE ON TUESDAY 15 OCTOBER 2013 AT 9.00 AM

Ladies and Gentlemen,

Welcome to the twenty-second Annual General Meeting of Diversified United Investment Limited. We are very proud that during this period we have never reduced the dividend rate and in the twenty-one years it has been increased in 17 of the years and held constant in four of the years. We are pleased that in the latest year we were able to have a modest increase in the dividend rate.

The last year saw a strong rise in our net asset value per share, an increase in our profit, and an increase in the dividend paid out to shareholders.

The net asset backing per share plus dividends paid rose 26%, which was more than the rise in the ASX 300 Accumulation Index of 22%.

The operating profit after income tax was $23.6 million in the period to 30 June 2013 an increase of 8.8% or an increase of 4.5% if special dividends are excluded. The year's result reflects a 4.4% increase in income from dividends and trust income; lower options premium income; and a 20% decrease in net interest paid.

The weighted average number of ordinary shares on issue for the year was 168 million as against 166 million in the previous year, an increase of 1.2%.

The operating earnings per share were 14.0 cents, compared to 13.1 cents for the previous year. This year special dividends of $922,225 were received from Westpac, Woodside Petroleum and Woolworths. Last year there were no special dividends received. Excluding special dividends, earnings per share were 13.5 cents, compared to 13.1 cents for the previous year, an increase of 3%.

Bank borrowings were $65 million at the end of the financial year, unchanged from last year, amounting to around 11% of the investment portfolio at market values.

At this level of borrowings our annual interest expense was covered 7 times by profit before interest and tax. Cash on hand at the end of the financial year was $16.5M.

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

A fully franked final dividend of 7.5 cents per share has been paid which, with the fully franked interim dividend of 6 cents, brought the total dividend for the year to 13.5 cents per share fully franked, an increase of 3.8% on last year.

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, rose from $2.65 at 30 June 2012 to $3.21 at 30 June, 2013, an increase of 21%.

This increase was in a year in which the Australian S&P/ASX 200 Price Index rose 17.3%, while in the USA the Dow Jones Index rose 15.8%, the Standard & Poors 500 rose 17.9%, the UK Financial Times 100 Index rose 11.6%, and the Japan Nikkei – 225 Index rose 51.9%.

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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 2013	DUI Net Asset Backing Accumulation % p.a.	DUI Share Price Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	25.7	32.6	21.9
3 Years	8.3	6.3	8.2
5 Years	2.9	2.6	2.7
10 Years	10.8	10.0	9.3

This year the Company outperformed the index by 3.8% and the 10 year compounded performance is now 10.8% per annum, ahead of the accumulation index of 9.3% per annum and amongst the leaders of our peer group of listed investment companies.

The Company's performance has benefited in recent years from the portfolio's heavy weighting to the financials sector. This segment of the stock market rose at approximately twice the rate of the market as a whole in the year to 30 June 2013, thereby contributing almost half of the excess return of the portfolio over the index in that year. It is doubtful that such performance will be repeated in the medium term.

The Company's net asset backing accumulation performance is after tax and expenses and the impact of the Company's gearing, none of which is taken into account in the index.

The Annual Report provides details of the investments of the Company at 30 June 2013 and 30 June 2012, and the proportion of the market value of the investment portfolio held in each company.

At 30 June 2013 we were 97.3% invested in 43 Australian listed companies or trusts and 2.7% in cash and short term receivables.

The largest 25 equity investments comprised 88% of the portfolio and the details are set out on page four of the Annual Report.

The largest industry sectors were Financials 44%; Energy & Materials 24%; Industrials 9% and Consumer Staples 6%.

Since the end of the financial year, we have reduced our holding in AGL Energy. We have added to our holdings in Origin Energy, Computershare, Oil Search and Sydney Airport.

At 30 September 2013 our borrowings were $65M while cash and short term investments were $12.5M. The portfolio was invested in the Financials as to 45%, Energy & Materials 25%, Industrials 9% and Consumer Staples 6%, Health Care 6%, while smaller allocations to other sectors represented 7% of the portfolio, and cash 2%.

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 $3.21 at 30 June 2013 and $3.58 at 30 September, 2013

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 $2.84 at 30 June 2013 and at 30 September 2013 was $3.11.

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Outlook:

We started last year with the Australian share market adversely impacted by the global economic scene, a high Australian dollar and a general lack of confidence in consumer spending and in our minority Labor-led Government.

The year saw an improvement in the world economic outlook, although it is still somewhat subdued; some weakening of the Australian dollar against the US dollar; and a change of Government to the more private enterprise oriented Liberal-National Party Coalition Government with a clear majority in the lower house.

Also savings have continued to grow, aided by our compulsory superannuation and capital raisings have been light. Investible savings combined with lower interest rates have therefore pushed up the price of existing assets.

The share market has experienced a significant recovery with industrial company shares significantly outperforming resource company shares; the shares of leading companies in terms of market capitalisation outperforming the shares of small capitalisation companies; and a search by investors for yield.

The outlook is still mixed with the USA experiencing a slow recovery and some developing countries such as Indonesia, India and Brazil experiencing some difficulties. While overall the world economic outlook has improved we do not see much earnings momentum.

Over the last fifteen years we have seen a technology share bubble and in the USA a housing bubble and today we are in a worldwide liquidity bubble. This liquidity bubble is flowing into asset prices including shares and together with weak economic growth is leading to low interest rates. The search for yield by investors is likely to continue.

The share market is keeping up, if not getting ahead of the improvement in the economic and business outlook. At some stage there will be a tapering of quantitative easing in the US and a firming of interest rates. We are finding it difficult to find value in the market at present. However we remain comfortable with our investment portfolio and its investment return prospects over the medium term.

Charles Goode
Chairman