

# DIVERSIFIED UNITED INVESTMENT LIMITED

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## HALF YEARLY REPORT TO SHAREHOLDERS

15 March 2017

Dear Shareholder,

### Dividend Payment

The 6.5¢ 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 2017: \$3.87 per share

At 28 February 2017 the unaudited net tangible asset backing of the Company's ordinary shares, based on investments at market value, after tax on net realised gains, before any future tax benefit of net realised losses, before estimated tax on net unrealised gains and losses, and after provision for the interim dividend of 6.5¢ per share was \$3.87 per share, or \$3.37 per share after providing for estimated tax on unrealised portfolio gains.

### Results for Half Year Ended 31 December 2016

On 14 February 2017 the Directors made the following report to the Australian Securities Exchange concerning the Company's performance and the interim dividend:-

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#### **Profit and Realised Capital Gains**

*Profit after income tax for the half year ended 31 December 2016 was \$16,366,000 (prior corresponding period: \$16,301,000) a rise of 0.4%, or a fall of 8.2%\* if special dividends received of \$1,740,000 after tax (prior corresponding period: \$106,000) are excluded. The fall in profit reflects a 7.3% decline in revenue, excluding special dividends, which is principally due to a reduction in dividends received from the oil and gas, mining and retail sectors, and the ANZ Bank; and also reflects higher borrowing costs from additional borrowings.*

*The profit for the half year excludes net realised gains and losses which are transferred directly to the Asset Realisation Reserve. The net realised gains on the investment portfolio after tax for the half year were \$2,395,000 (prior corresponding period: \$3,456,000).*

*Operating expenses (excluding interest) for the half year were .06% of the average market value of the portfolio (previously .06%).*

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

### **Earnings Per Share**

*Earnings per share excluding the special dividends received fell 10% to 7.0\* cents per share, or remained steady at 7.9 cents per share including the special dividends received.*

*The weighted average number of ordinary shares for the period was 207,870,602 (prior corresponding period: 206,623,492) taking into account the shares issued in the dividend re-investment plan.*

### **Dividends**

*The Directors have declared an interim dividend of 6.5 cents per share fully franked to shareholders registered on 24 February 2017, to be paid on 15 March 2017. The comparable 2015 interim dividend was 6.5 cents per share fully franked.*

### **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 2017 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 27 February 2017.*

### **Asset Backing**

*The net tangible asset backing per share based on the market valuation of investments was \$3.82 at 31 December 2016 and \$3.81 at 31 January 2017. 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 \$3.35 at 31 December 2016 and \$3.34 at 31 January 2017.*

### **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 2016 was a rise of 10.5% while the S&P/ASX 200 accumulation index rose 10.6% 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.*

**Investment Portfolio**

As at 31 December 2016 the twenty-five largest shareholdings of the company, at market values were:

	<b>Market Value \$'000</b>	<b>%Market Value of Total Investments</b>
<b>Australian Equities</b>		
<i>Commonwealth Bank of Australia Ltd</i>	82,410	9.2%
<i>Westpac Banking Corporation Ltd</i>	61,940	7.0%
<i>ANZ Banking Group Ltd</i>	60,840	6.8%
<i>CSL Ltd</i>	60,246	6.8%
<i>Transurban Group</i>	41,280	4.6%
<i>National Australia Bank Ltd</i>	39,871	4.5%
<i>Woodside Petroleum Ltd</i>	31,160	3.5%
<i>BHP Billiton Ltd</i>	30,072	3.4%
<i>Rio Tinto Ltd</i>	28,153	3.2%
<i>Wesfarmers Ltd</i>	27,391	3.1%
<i>Lend Lease Corporation</i>	17,544	2.0%
<i>AMP Ltd</i>	17,136	1.9%
<i>Woolworths Ltd</i>	16,870	1.9%
<i>Washington H Soul Pattinson &amp; Co Ltd</i>	16,643	1.9%
<i>Perpetual Ltd</i>	14,628	1.6%
<i>Oil Search Ltd</i>	14,340	1.6%
<i>Suncorp Group Ltd</i>	13,520	1.5%
<i>Sydney Airport</i>	12,878	1.4%
<i>Telstra Corporation Ltd</i>	12,750	1.4%
<i>Macquarie Atlas Roads Group</i>	12,373	1.4%
<i>BT Investment Management Ltd</i>	12,224	1.4%
<b>Total Australian Equities in Top 25:</b>	<b>624,269</b>	<b>70.1%</b>
<b>International Equities</b>		
<i>Vanguard All-World Ex-US Shares Index ETF</i>	29,580	3.3%
<i>Vanguard US Total Market Shares Index ETF</i>	23,981	2.7%
<i>Vanguard Information Technology Index ETF</i>	12,392	1.4%
<i>iShares TR MSCI USA Min Vol Index ETF</i>	12,342	1.4%
<b>Total International Equities in Top 25:</b>	<b>78,295</b>	<b>8.8%</b>
<b>Total Top 25 Australian &amp; International Equities</b>	<b>702,564</b>	<b>78.9%</b>
<b>Total Investments at Market Value, Net Short Term Receivables and Cash</b>	<b>890,777</b>	

Note: 1. At 31 December bank borrowings were \$95M, and cash and short term receivables (included in the above figure) were \$20M.  
2. At 31 December 10% of the portfolio was invested in international equities through Exchange Traded Index Funds.

Yours faithfully,

**A J Hancock**  
Company Secretary