

DIVERSIFIED UNITED INVESTMENT LIMITED

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HALF YEARLY REPORT TO SHAREHOLDERS

14 March 2018

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 2018: \$4.20 per share

At 28 February 2018 the unaudited net 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 \$4.20 per share, or \$3.60 per share after providing for estimated tax on unrealised portfolio gains.

Results for Half Year Ended 31 December 2017

On 14 February 2018 the Directors made the following report to the Australian Securities Exchange concerning the Company's performance and the interim dividend:-

Profit and Realised Capital Gains

Profit after income tax for the half year ended 31 December 2017 was \$15,647,000 (prior corresponding period: \$16,366,000) a fall of 4.4%. The profit for this period does not include any special dividends. Excluding special dividends received in the prior period of \$1,740,000, profit after tax rose by 7%.*

The profit for the half year excludes net realised gains and losses which are transferred directly to the Asset Realisation Reserve. The net realised losses on the investment portfolio after tax for the half year were \$4,227,000 (prior corresponding period: \$2,395,000).

Operating expenses (excluding interest) for the half year were 0.06% 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 0.07% (prior corresponding period: 0.07%).

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

Earnings Per Share

Earnings per share excluding the special dividends received rose 7% to 7.5 cents per share.*

The weighted average number of ordinary shares for the period was 209,066,778 (prior corresponding period: 207,870,602) 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 23 February 2018, to be paid on 14 March 2018. The comparable 2016 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 22 February 2018 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 26 February 2018.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$4.23 at 31 December 2017 and \$4.22 at 31 January 2018. 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 \$3.63 at 31 December 2017 and \$3.63 at 31 January 2018.

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 2017 was a rise of 7.9% while the S&P/ASX 200 accumulation index rose 8.4% 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 2017 was a rise of 8.8% compared to a rise of 9.2% in the S&P/ASX 200 Franking Credit Adjusted Total Return Index.

Investment Portfolio

As at 31 December 2017 the twenty-five largest shareholdings of the company, at market values were:

Australian Equities	Market Value \$'000	%Market Value of Total Investments
Commonwealth Bank of Australia Ltd	80,340	8.2%
CSL Ltd	79,835	8.1%
Westpac Banking Corporation Ltd	59,565	6.1%
ANZ Banking Group Ltd	57,480	5.9%
Transurban Group	53,751	5.5%
National Australia Bank Ltd	44,355	4.5%
Rio Tinto Ltd	35,631	3.6%
BHP Billiton Ltd	35,484	3.6%
Woodside Petroleum Ltd	33,080	3.4%
Wesfarmers Ltd	28,873	2.9%
AMP Ltd	20,760	2.1%
Lend Lease Corporation	19,620	2.0%
Washington H Soul Pattinson & Co Ltd	19,580	2.0%
Woolworths Ltd	19,110	2.0%
Macquarie Atlas Roads Group	18,870	1.9%
Sydney Airport	17,625	1.8%
Oil Search Ltd	15,580	1.6%
Suncorp Group Ltd	13,860	1.4%
South32 Ltd	12,215	1.2%
Origin Energy Ltd	11,775	1.2%
Total Australian Equities in Top 25:	677,389	69.0%
International Equities		
Vanguard All-World Ex-US Shares Index ETF	33,963	3.5%
Vanguard US Total Market Shares Index ETF	26,425	2.7%
Vanguard Information Technology Index ETF	15,586	1.6%
Vanguard FTSE Developed European Ex UK Index ETF	14,878	1.5%
iShares TR MSCI USA Min Vol Index ETF	13,374	1.4%
Total International Equities in Top 25:	104,226	10.7%
Total Top 25 Australian & International Equities	781,615	79.7%
Total Investments at Market Value, Net Short Term Receivables and Cash	980,447	

Note: 1. At 31 December bank borrowings were \$95M, and cash and short term receivables (included in the above figure) were \$28M.
2. At 31 December 12% of the portfolio was invested in international equities through Exchange Traded Index Funds.

Yours faithfully,

A J Hancock
Company Secretary