

# DIVERSIFIED UNITED INVESTMENT LIMITED

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8 October 2014

Dear Shareholder,

## **One for Five Pro-rata Renounceable Rights Issue at \$3.00 per share ("Issue")**

I am pleased to advise that the Directors have resolved to make a renounceable rights issue of approximately 34,303,284 fully paid ordinary shares ("**New Shares**") in Diversified United Investment Ltd ("**DUI**"). The offer is being made to existing shareholders on a one for five basis at an offer price of \$3.00 per New Share payable in full on application ("**Entitlement Offer**"). The New Shares will not be entitled to receive the interim dividend in respect of the year ending 30 June 2015, expected to be paid in March 2015, after which time the New Shares will rank equally with existing shares. The issue of New Shares is intended to raise approximately \$102,609,852 after allowing for the estimated costs of the Issue. An announcement was made to the ASX on Tuesday, 7 October 2014.

**Full details of the Entitlement Offer will be set out in an Entitlement Offer Booklet which will be sent to all shareholders who are eligible to participate in the Issue on or around 15 October 2014, together with a personalised Entitlement and Acceptance Form. Rights trading will occur from 9 October 2014 to 24 October 2014 and the Entitlement Offer will close at 5.00pm AEDT on 31 October 2014.**

The Directors see advantages in the Company raising additional funds in order to invest in new opportunities and to re-balance the portfolio without having to sell long-term investments. The Issue will also provide shareholders with the opportunity to increase their investment in the Company, improve liquidity in the trading of the Company's shares and lower the management expense ratio.

When the funds are received from the issue of New Shares we are likely to move our international investments target allocation from 5% towards 10% of the portfolio. This will enable the Company to increase its exposure to world equity markets and, in particular, world technology companies and a broader range of companies in the health sector, including the major pharmaceutical companies. At 30 September 2014 international investments represented approximately 3% of the portfolio.

To the extent we invest internationally we are likely to invest in securities with lower dividend yields than from the Australian market and our dividends to shareholders are therefore more likely to be steady rather than increasing over the next few years. We will however introduce more diversification into the portfolio and potential for greater capital appreciation.

Your Board expects to maintain the current interim dividend rate for existing shares of 6.5 cents per share in respect of the year ending 30 June 2015 and expects, in the absence of unforeseen circumstances, to maintain the current annual dividend rate of 14 cents per share on the increased capital.

The offer price of \$3.00 per New Share represents a discount of 16% to the latest available market sale price of existing shares on the ASX of \$3.56 on 6 October 2014.

The unaudited estimated pre tax net tangible assets of the Company on 7 October 2014 was \$3.69 per share, before providing for the interim dividend in respect of the year to 30 June 2015 for which the New Shares will not be entitled.

Shareholder approval of the Issue is not required.

The Directors have been advised by The Ian Potter Foundation Ltd as trustee for both the Ian Potter Foundation and the George Alexander Foundation that it intends to subscribe for its entitlement to the Issue in full (including the Entitlement of its controlled entity, Dundee Trading Pty Ltd) in the absence of unforeseen circumstances.

### **Terms of Issue**

The New Shares will not be entitled to receive the interim dividend in respect of the year ending 30 June 2015, expected to be paid in March 2015, and accordingly the first dividend receivable on the New Shares will be the final in respect of the year ending 30 June 2015, expected to be paid in September 2015.

If permission is given for official quotation, the New Shares will trade under a separate ASX code (expected to be "DUIN") until the existing shares trade ex the interim dividend payable in respect of the year ending 30 June 2015 when the New Shares will trade under the Company's ASX Code of "DUI" for existing shares and will rank equally in all respects with existing shares.

### **Placing Agents**

The Issue is not underwritten. Evans and Partners Pty Ltd and Dixon Advisory & Superannuation Services Limited are Placing Agents to the Issue.

### **Dividends and Underlying Earnings per share**

Dividends paid and underlying earnings per existing share in respect of each of the last 5 completed financial years are as follows:

<b>Year Ended 30 June</b>	<b>Dividends (cents per share)</b>	<b>Underlying Earnings (cents per share)</b>
2014	14.0	15.0
2013	13.5	13.5
2012	13.0	13.1
2011	13.0	12.5
2010	13.0	11.1

Underlying earnings per share excludes both special dividends received by the Company and net realised capital gains or losses on long term investments.

All dividends referred to above were fully franked. The balance of the Company's franking account at 30 June 2014 (after adjusting for the final dividend paid on 25 September 2014) was \$10,117,250. It is the Directors' expectation that both the next interim dividend (not to be paid on the New Shares) and the final dividend for the year ending 30 June 2015 will be fully franked.

## Investment Performance

The Company's performance (assuming all dividends paid by the Company were re-invested in its shares) is as follows:

<u>Periods Ended</u> <u>30 June 2014</u>	<u>DUI Net Asset Backing Accumulation</u> <u>% p.a.</u>	<u>DUI Share Price Accumulation</u> <u>% p.a.</u>	<u>S&amp;P ASX 300 Accumulation Index</u> <u>% p.a.</u>
1 Year	20.1	25.1	17.3
3 Years	11.8	15.2	10.0
5 Years	11.9	11.7	11.0
10 Years	10.4	11.4	9.0

## Record date for Entitlements to New Shares

Shareholders will be entitled to one New Share for every five existing shares held as at the Record Date ("**Entitlement**"). In calculating Entitlements to New Shares, fractional Entitlements will be rounded up to the nearest whole share. Shares held on separate sub-registers for the same holder will not be aggregated. If you have more than one registered holding of existing shares, you will be sent a personalised Entitlement and Acceptance Form for each separate holding.

Information on dealing with your Entitlement is set out below.

## Share capital on completion of the Issue

On completion of the Issue, on the assumption that it is fully subscribed, the share capital of the Company will be approximately 205,819,705 shares, comprising 171,516,421 existing shares and approximately 34,303,284 New Shares.

The Company has no unquoted securities.

## Rights Trading

Trading in rights to the New Shares will begin on the Australian Stock Exchange ("ASX") on 9 October 2014 and cease on 24 October 2014.

The closing date for acceptances and payment of \$3.00 for each New Share is 5.00pm AEDT on 31 October 2014.

## Who is eligible to participate

Shareholders with addresses in Australia and New Zealand who are not in the United States or a U.S. Person or acting for or on account of U.S. Persons are eligible to participate ("**Eligible Shareholders**").

Shareholders with addresses in countries other than Australia and New Zealand will not be eligible to participate because the Company has decided it is not reasonable to offer securities to persons in other countries having regard to the number of shareholders in each country, the number and value of the securities that would be offered to them and the cost of complying with the laws of such other country. However, DUI will appoint a nominee to act on its behalf to seek to arrange for the sale of the Entitlements of those shareholders and to pay such shareholders the net proceeds of sale (if any) in Australian dollars.

## Dealing with your Entitlement if you are an Eligible Shareholder

Existing shareholders receive 1 renounceable right to one New Share for every five existing shares held on the Record Date. Eligible Shareholders may choose to apply for all or some of their Entitlement, sell some or all of their Entitlements (subject to the availability of buyers), or do nothing. The Entitlements will trade on the Australian Securities Exchange during the rights trading period under a separate ASX code.

If you wish to sell all or part of your Entitlements you should contact your broker or other professional advisor during that period.

Should you wish to purchase additional rights to New Shares during the rights trading period, please contact your broker or other professional advisor.

To accept all or part of your Entitlement your completed Entitlement and Acceptance Form must be lodged with DUI's Share Registry (whose address will be on the Form) by 5.00pm AEDT on 31 October 2014 together with a cheque (or payment can be made by BPay) for the amount due in respect of the New Shares taken up. To transfer your Entitlement to another person, you should complete a standard renunciation form (obtainable from your broker or other professional advisor or the Share Registry) and send it with the Entitlement and Acceptance Form to the Share Registry by 5.00pm AEDT on 31 October 2014.

## Process for dealing with Shortfall

To the extent that Entitlements are not taken up ("**Shortfall**") they may be placed, at the discretion of the Company after the conduct of a bookbuild by the Placing Agents, to Eligible Shareholders or new professional or sophisticated investors. Any net proceeds from such sale (being the gross proceeds from the sale less the offer price and the fees and other costs of the Placing Agents) will be distributed in due proportion among the shareholders whose entitlements were neither sold nor taken up. Neither the Company nor the Placing Agents will be liable for any failure to arrange for the issue of any New Shares in respect of Entitlements neither sold nor taken up by the closing date at a particular price or time, or at all. **As there can be no guarantee that there will be any net proceeds, it is important that Eligible Shareholders take action either to take up or sell their Entitlements.**

Should you wish to purchase additional New Shares through the Shortfall bookbuild, please contact any of the Placing Agents, whose contact details will be in the Corporate Directory in the Entitlement Offer Booklet.

**Indicative timetable**

Rights trading commences and ordinary shares quoted ex rights	Thursday 9 October 2014
Record Date to determine Entitlements to New Shares	7.00pm Monday 13 October 2014
Despatch of Entitlement Offer Booklet to Eligible Shareholders	Wednesday 15 October 2014
Last day of rights trading	Friday 24 October 2014
New Shares quoted on a deferred settlement basis	Monday 27 October 2014
Closing date for receipt of applications (and/or renunciations) and payment	5.00pm Friday 31 October 2014
Shortfall Bookbuild (if any)	Wednesday 5 November 2014
Announcement of Shortfall (if any)	Thursday 6 November 2014
Issue of New Shares	Monday 10 November 2014
Issuer Sponsored Statements for New Shares despatched	Monday 10 November 2014
Normal trading of New Shares expected to commence	Tuesday 11 November 2014

*This timetable is indicative only. The Company reserves the right to vary the above dates without notice subject to the Corporations Act, Listing Rules and any other applicable law. Any amendments to the timetable will be announced on ASX. Times are AEDT.*

Please read the Entitlement and Offer Booklet carefully and consult your broker or other professional adviser to evaluate whether or not to participate in the Entitlement Offer.

Your Directors have confidence in the future of Diversified United Investment Limited, and commend the Issue to you.

Yours faithfully,



Charles Goode  
Chairman