

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

LEVEL 20  
101 COLLINS STREET  
MELBOURNE VIC 3000  
AUSTRALIA

TEL (613) 9654 0499  
EMAIL [INFO@AUI.COM.AU](mailto:INFO@AUI.COM.AU)

17 March 2021

## Electronic Lodgement

### Australian United Investment Company Limited Half Yearly Report to Shareholders

Dear Sir/Madam,

Please find attached a copy of the Half Yearly Report that is being sent to Shareholders.

Authorised by:  
James Pollard  
Company Secretary

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

LEVEL 20  
101 COLLINS STREET

MELBOURNE VIC 3000  
AUSTRALIA

TEL (613) 9654 0499  
EMAIL INFO@AUL.COM.AU

## **HALF YEARLY REPORT TO SHAREHOLDERS**

17 March 2021

Dear Shareholder,

### **Dividend Payment**

The 17.0¢ 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 2021: \$9.40 per share**

At 28 February 2021 the unaudited net tangible asset backing of the Company's ordinary shares, based on investments at market value, after tax on realised gains, before any future tax benefit of realised losses, and before estimated tax on net unrealised gains and losses and after provision for the interim dividend of 17.0 cents per share, was \$9.40 per share, or \$8.00 per share after providing for estimated tax on unrealised portfolio gains.

### **Results for Half Year Ended 31 December 2020**

#### ***Profit and Realised Capital Gains/Losses***

*Profit after income tax for the half year ended 31 December 2020 was \$14,113,000 (previous corresponding period: \$24,486,000), which includes special dividends received after tax of \$249,000 (previously: \$1,050,000). Excluding special dividends, Profit after tax fell 40.8%\*.*

*The economic impact of COVID-19 continued to affect many businesses throughout the half year. Several of our investee companies made the decision to reduce or suspend their dividends. Banks were particularly affected as were the property and infrastructure sectors.*

*Net realised losses on the investment portfolio after tax were \$10,845,000 (previous corresponding period gains of \$1,282,000), which under accounting standards are transferred directly to the Asset Realisation Reserve and are not included in Net Profit.*

*Operating expenses were slightly lower for the half year compared to the first half of the previous year but due to the fall in the market value of the portfolio, operating expenses for the half year were 0.07% of the average value of the portfolio (previous corresponding period 0.06%).*

### **Earnings Per Share**

*Earnings per share based on the weighted average number of shares on issue for the half year were 11.3 cents per share compared to 19.7 cents for the prior corresponding period. Excluding special dividends, earnings per share fell 41.0% to 11.1 cents\*. In assessing the Company's capacity to pay dividends, the Board focuses on this earnings per share figure in addition to the company's retained earnings and the future outlook.*

*The weighted average number of ordinary shares for the period rose 0.3% to 124,721,617 after taking into account the shares issued in the dividend reinvestment plan.*

### **Dividends**

*The Directors have declared an interim dividend of 17.0 cents per share fully franked to shareholders registered on 24 February 2021, to be paid on 17 March 2021. The comparable 2020 interim dividend was 17.0 cents per share fully franked.*

*The directors have decided to maintain the interim dividend even though it is not fully covered by earnings in the half-year. The Company has sufficient accumulated retained earnings to draw on and has adequate accumulated franking credits to fully frank the dividend.*

*The Company will continue to monitor earnings results and the outlook for its investee companies when determining future dividend payments.*

### **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 in the five trading days beginning from the day the shares start trading on an ex-dividend basis, without any discount. The last day for the receipt of an election notice for participation in the plan is 25 February 2021.*

### **Asset Backing**

*The net tangible asset backing per share based on the market valuation of investments was \$9.46 at 31 December 2020 and \$9.46 at 31 January 2021. These calculations are after tax on net realised gains, before any future tax benefit of net realised losses, before estimated tax on net unrealised gains/losses, and 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 unrealised portfolio gains were to be deducted, the above figures would be \$8.08 at 31 December 2020 and \$8.08 at 31 January 2021.*

### **Performance**

*The Company's net asset backing accumulation performance for the six months to 31 December 2020 (assuming all dividends were reinvested) was a rise of 12.7%, compared to the rise of 13.2% in the S&P ASX 200 Accumulation index. The Company's returns are after tax and expenses and the impact of the Company's gearing for which no allowance is made in the index.*

*Including the value of franking credits, the Company's accumulation return for the half year to 31 December 2020 was an increase of 13.3% compared to an increase of 13.7% in the S&P/ASX 200 Franking Credit Adjusted Total Return Index.*

### **Outlook**

*We expect the share market to fluctuate around current levels. The current market level is assuming a successful vaccine rollout and is buoyed by lower interest rates, monetary easing and large government expenditure.*

*There are signs of exuberance in the market with the focus on growth companies and the interest in early stage and speculative companies, the number of new listings and the wide retail participation in the share market.*

*We remain fully invested with modest borrowings and expect the market value of the portfolio to broadly track the general market.*

**Investment Portfolio**

As at 31 December 2020 the twenty-five largest shareholdings of the company, at market values were:

<b>Company</b>	<b>Market Value \$'000</b>	<b>% of Market Value of Total Investments</b>
1. CSL Ltd	113,272	8.7%
2. Commonwealth Bank of Australia	106,743	8.2%
3. Rio Tinto Ltd	85,372	6.6%
4. BHP Group Ltd	84,860	6.5%
5. Transurban Group	76,086	5.8%
6. Diversified United Investment Ltd	69,264	5.3%
7. Wesfarmers Ltd	66,528	5.1%
8. Australia & New Zealand Banking Group Ltd	55,638	4.3%
9. Westpac Banking Corporation	51,330	3.9%
10. Woodside Petroleum Ltd	46,617	3.6%
11. Atlas Arteria	45,500	3.5%
12. Woolworths Ltd	39,310	3.0%
13. Sydney Airport	34,614	2.7%
14. Washington H Soul Pattinson & Co Ltd	34,604	2.7%
15. Seek Ltd	28,530	2.2%
16. National Australia Bank	25,515	2.0%
17. Ramsay Health Care Ltd	25,183	1.9%
18. Aristocrat Leisure Ltd	24,800	1.9%
19. Coles Group Ltd	23,945	1.8%
20. Resmed Inc.	20,423	1.6%
21. Carsales.Com Ltd	20,010	1.5%
22. Challenger Ltd	19,320	1.5%
23. Brambles Ltd	17,225	1.3%
24. Link Administration Holdings Ltd	16,650	1.3%
25. Invocare Ltd	16,087	1.2%
	<hr/>	
	<b>1,147,426</b>	<b>88.1%</b>
	<hr/> <hr/>	

**Total Investments at Market Value, Net Short  
Term Receivables and Cash**

**1,302,515**

---

\*Note: At 31 December 2020 bank facilities were \$150M, drawn as to \$120M, and cash and short term receivables (included in the above figures) were \$17M.

Yours faithfully,

**A J Hancock**  
Company Secretary