

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

18 March 2022

HALF YEARLY REPORT TO SHAREHOLDERS

Dear Shareholder,

Dividend Payment

The 17.0 cent 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 2022: \$10.02 per share

At 28 February 2022 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 \$10.02 per share, or \$8.46 per share after providing for estimated tax on unrealised portfolio gains.

Results for Half Year Ended 31 December 2021

On 18 February 2022, the Directors made the following report to the Australian Securities Exchange concerning the Company's performance and the interim dividend:

Financial Results and Dividend Announcement for the Half Year Ended 31 December 2021

The Directors make the following report concerning the Company's performance and interim dividend.

Profit and Realised Capital Gains/Losses

Profit after income tax for the half year ended 31 December 2021 was \$26,995,000 (previous corresponding period: \$14,113,000).

Profit after tax includes special dividends of \$1,880,000 (previous corresponding period: \$249,000). Excluding these items profit after tax rose 81.2%¹.

¹ Additional non-IFRS information.

Net profit has improved as a result of the broader recovery in dividend income seen throughout the market and significant dividends received from BHP and Rio Tinto following strong commodity prices.

Net realised gains on the investment portfolio after tax were \$1,400,000 (previous corresponding period: losses of \$10,845,000), which under accounting standards are transferred directly to the Realisation Reserve and are not included in Net Profit.

Earnings Per Share

Earnings per share based on the weighted average number of shares on issue for the half year were 21.6 cents per share compared to 11.3 cents for the previous corresponding period.

Excluding special dividends, earnings per share rose 81.1% to 20.1 cents¹.

The weighted average number of ordinary shares for the half year rose 0.3% to 125,044,480 after taking into account the shares issued in the dividend reinvestment plan.

Dividends

The Directors declare an interim dividend of 17.0 cents per share fully franked at 30% to shareholders registered on 24 February 2022, to be paid on 18 March 2022. The comparable 2021 interim dividend was 17.0 cents per share fully franked at 30%.

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 2022.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$10.49 at 31 December 2021 and \$9.94 at 31 January 2022. 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 \$8.81 at 31 December 2021 and \$8.42 at 31 January 2022.

Performance

The Company's net asset backing accumulation performance for the six months to 31 December 2021 (assuming all dividends were reinvested) was a rise of 2.1%, compared to the rise of 3.8% 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 for shareholders who can fully utilise them, the Company's accumulation return for the half year to 31 December 2021 was an increase of 2.8% compared to an increase of 4.6% in the S&P/ASX 200 Franking Credit Adjusted Total Return Index.

The Company's relative performance for the half year was assisted by overweight allocations to Sydney Airport, Carsales and Event Hospitality, and underweight allocation to the Information Technology sector.

Relative performance was held back by overweight allocations to Rio Tinto, Washington Soul Pattinson and Transurban, and underweight allocation to the Utilities and Real Estate sectors.

Management Expense Ratio

At 31 December 2021, annualised operating expenses (excluding finance costs) were 0.10% of the average market value of the portfolio (previous corresponding period: 0.12%), reflecting the increased value in the share portfolio.

Portfolio

The Company made net investments during the half year of around \$40M financed by an increase in borrowings of \$30M and available cash of \$10M.

Portfolio turnover for the half year to 31 December 2021 was 3.2%. The largest additions to and sales from the portfolio for the half year were as follows:

Purchases		Sales	
Northern Star ⁽¹⁾	\$12.1M	Aurizon ⁽³⁾	\$15.7M
Worley ⁽¹⁾	\$10.7M	Invocare ⁽³⁾	\$11.9M
Aristocrat ⁽¹⁾	\$8.7M	Santos ⁽³⁾	\$6.8M
BHP ⁽¹⁾	\$7.6M	Napier Ports ⁽³⁾	\$6.0M
Ramsay Healthcare ⁽¹⁾	\$7.0M	Washington Soul Pattinson ⁽²⁾	\$5.4M

(1) Additions to existing positions.

(2) Partial disposal of holding.

(3) Fully disposed of holding.

At 31 December bank facilities were \$170M drawn to \$165M and cash and short term receivables were \$5.9M.

Outlook

We are transitioning from an unreal environment of money creation, record low interest rates and negative real interest rates, large government deficits and asset inflation to a more “normal world” of 2% - 3% inflation, 2% - 3% interest rates and lower government deficits.

The transition to “normal conditions” can be uncomfortable and it also contains the risks of higher inflation and stagnation.

We are cautious on the outlook for the Australian share market this financial year as it is at historically high levels in an environment of broad economic growth but with worries in respect to inflation, interest rates, government deficits, COVID and geopolitical tensions.

We believe the AUI portfolio is well positioned for the environment described. The portfolio is conservatively positioned and has significant holdings in Resources and Banks which typically benefit from rising rates and inflation and is underweight high priced technology stocks.

Investment Portfolio

As at 31 December 2021 the twenty-five largest shareholdings of the company, at market values were:

Company	Market Value \$'000	% of Total Investments
1. Commonwealth Bank of Australia	131,300	8.9%
2. CSL Ltd	122,185	8.3%
3. BHP Group Ltd	91,300	6.2%
4. Transurban Group	85,684	5.8%
5. Wesfarmers Ltd	83,020	5.6%
6. Rio Tinto Ltd	75,083	5.1%
7. Diversified United Investment Ltd	74,592	5.0%
8. Australia & New Zealand Banking Group Ltd	67,399	4.6%
9. Westpac Banking Corporation	46,970	3.2%
10. Aristocrat Leisure Ltd	43,570	2.9%
11. Sydney Airport	43,400	2.9%
12. Atlas Arteria	41,520	2.8%
13. Woodside Petroleum Ltd	39,474	2.7%
14. Woolworths Ltd	38,010	2.6%
15. Ramsay Health Care Ltd	35,750	2.4%
16. Link Administration Holding Ltd	33,420	2.3%
17. National Australia Bank	33,166	2.2%
18. Carsales.Com Ltd	30,108	2.0%
19. Washington H Soul Pattinson & Co Ltd	29,610	2.0%
20. Resmed Inc.	26,835	1.8%
21. Seek Ltd	26,224	1.8%
22. Coles Group Ltd	25,116	1.7%
23. Event Hospitality and Entertainment Ltd	22,170	1.5%
24. Worley Ltd	21,260	1.4%
25. Orica Ltd	20,535	1.4%
	1,287,701	87.1%
Total Investments at Market Value, Net Short-Term Receivables and Cash	1,478,396	