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Chairman's Address – Annual General Meeting

2 November 2018

Ladies and Gentlemen, I welcome you to the 21st Annual General Meeting of our Company.

THE 2017/18 FINANCIAL YEAR.

In spite of the fact that, during the last 12 months, US interest rates increased and political outcomes once again proved to be volatile and unpredictable, the US economy expanded by a respectable 2.8%. Furthermore, over the last 12 months, in spite of the fact that global share markets were dominated by concerns over the growth in the Chinese economy and potential "Trade Wars", the US stock market, as measured by the S&P 500 Index, increased by 12.2% and the Australian share market as measured by the All Ordinaries Index increased by 9.1%. Importantly, the ASX performance was negatively affected by the Royal Commission into the financial services industry and the continued disintermediation of other larger companies by smaller more nimble competitors.

Our portfolio, which has a small to mid-cap bias, performed extremely well and increased by 20.1% over the 12-month period. Furthermore, it is pleasing to note that the portfolio outperformed the All Ordinaries Index in each quarter over the last 12 months.

During this period, discerning investors were once again prepared to pay up for quality growth companies. Small and medium sized stocks dominated active share returns in the market during the year with larger companies under-performing. At a stock level, the major contributors to the portfolio's performance in 2017/18 were A2 Milk, Macquarie Bank, Reliance Worldwide, CSL, Rio Tinto and Netwealth. The largest detractors included Blue Sky, Commonwealth Bank and Magellan.

THE MARKET OUTLOOK

The portfolio composition has changed in recent months with our investment focussing on businesses with very long duration growth runways (such as Xero, Afterpay Touch, Pushpay, HUB24 and Netwealth to name a few). Notwithstanding these additions, the portfolio retains its exposure to quality growth companies, as was the case during 2017/18. Furthermore, we are comfortable with the long-term fundamental drivers of return in our portfolio and, in our view, companies with strong market positions, strong balance sheets and good management, will continue to perform well and reward patient investors. That said, we expect market returns to be modest in the coming year.

At the time of writing (late October) we have seen heightened volatility in world equity markets, partly as a reaction to trade tensions and partly it may be seen as a natural market correction. We have also experienced weakness in the Australian Dollar. Not unusually, it is not possible to predict the extent of any correction or the timing of a recovery, it does appear that a number of Investors are seeking safe haven investments and also looking to secure investments that offer consistent yields. Volatility is not necessarily to be avoided or feared, but caution is warranted. The Australian domestic markets are likely to be skittish as we move into an electoral season with uncertain results, political uncertainty does cause volatility.

DIVIDEND

As mentioned in the previous commentary, our portfolio of investments has performed extremely well over the last 12 months and, in keeping with our conservative approach to dividend declaration, the Directors have approved a final dividend for the year of 4.0 cents per share. It represents an overall dividend for the year of 7.75 cents per share, fully franked. There is a LIC attributable capital gains tax deduction attributable to this dividend.

THE INVESTMENT MANAGEMENT TEAM

As in previous years, I particularly want to record my appreciation and that of the Board as a whole, to our Investment Manager led by Dr Manny Pohl and his team of professionals at E C Pohl & Co. History confirms that, in only four of the last 21 years, has the Company's portfolio failed to outperform the performance of the All Ordinaries Index. Our continuing success could not have been achieved without the outstanding contribution of these very committed individuals.

THE BOARD

While particular thanks have already been given to the efforts of our Investment Manager, I also wish to record them for my fellow Board members for their support and input throughout the past year.

Separately, I would like to acknowledge the contribution of the Company Secretary, Mr Scott Barrett, who assumed that role from the previous holder, Mr Brian Jones, in November 2017. Throughout the period of his appointment, Scott has applied himself with enthusiasm and vigour and has allowed the Board to function with great efficiency. Importantly, I should also acknowledge the efforts of some behind the scenes, including Gabrielle Short and Jennifer Mulders.

In conclusion, I want to sincerely thank Shareholders for their on-going support and look forward to another good year ahead.

Dominic McGann
Chairman