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Chairman's Address – Annual General Meeting

4 November 2022

CHAIRMAN'S REPORT

Dear Fellow Shareholders,

After a number of years of significantly outperforming the ASX All Ordinaries Index, the FY2022 result is a sombre reminder of the volatility of the market and the interconnectedness between the local market and global events. It is fair to say that the results of the past two years have been positively impacted by government stimulus and accommodative monetary policy, in response to the COVID-19 pandemic, and our portfolio was able to capitalise on this environment and performed very well. Conversely, it is unsurprising that rising interest rates and the pressures of inflation and international tension has had a negative effect on the portfolio. During the 2021/2022 financial year, the portfolio performance was negative 21.1%, compared to the ASX All Ordinaries Index which decreased by 11.0%.

As we progress into the new financial year, the reporting season has been pleasing and dividends have been received commensurate with the performance of our investee businesses. The Australian economy appears to be in relatively good shape, the wheels of business and household consumption continue to spin with the RBA balancing the fight against inflation with tactical monetary policy. However, there remains a degree of caution for the future, the Russia-Ukraine conflict remains omnipresent and global economic metrics are generally negative. With this backdrop, we are happy with the year to date investment portfolio performance of positive 9.1% compared to the ASX All Ordinaries Index which has increased by 4.6%. We are also pleased to have rewarded our loyal shareholders with the FY2022 Final Dividend of 4.75 cents per share which was paid on the 26th of August 2022 and to have sufficient reserves to maintain a similar dividend for the next 4 years.

CONVERTIBLE NOTES

During the FY2022 year, the Company undertook a convertible note offer. The listed, redeemable, unsecured convertible notes were well supported by Shareholders and external investors raising \$20 million, which has been invested in our existing portfolio. The convertible notes offer a 5.5% annual interest rate which provides investors with an attractive return, even after the recent interest rate increases, with the option of conversion into ordinary shares providing additional upside, should the share price increase above the conversion price. Given the volatility of the 2022 calendar year, we have not yet seen the full benefit of the additional capital, however, the Board remains confident that the strategy will provide benefits to Shareholders over the long term.



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In the current market environment, I take comfort in remembering that, over the long-term, the ASX All Ordinaries Index has not failed to increase over time and it is therefore important to maintain composure and, wherever possible, have a strategic investment horizon. I also have great faith in the discipline and skill of the Investment Manager, EC Pohl & Co, to navigate the current environment, interrogate the structure of our portfolio and out-perform the market over the long term.

THE BOARD

I wish to record my appreciation for my fellow Board members for their support and input throughout the past year. We continue to see a number of factors impacting the financial markets, global stability, data security and local environment, and the Board continues to navigate these issues for the benefit of our Shareholders.

Finally, on behalf of the Board, I would like to thank all Shareholders and Noteholders for their ongoing support. We are grateful for the continuing support of loyal investors who believe in long term investment performance and who believe, as we do, that the economics of business drives long-term investment returns and investing in high quality business franchises that have the ability to generate predictable above-average economic returns will produce superior investment performance over the long term.

Dominic McGann
Chairman

4 November 2022