



Carlton Investments Limited
ABN 85 000 020 262

Chairman's Address to the 89th Annual General Meeting of Shareholders

Ladies and Gentlemen,

Welcome to the 89th Annual General meeting of Carlton Investments.

Results for the year ended 30 June 2018

As previously reported, the net profit of the Company and its controlled entities for the year ended 30 June 2018 was \$41.66 million compared to a net profit of \$39.67 million in the prior financial year, representing a 5% increase.

Dividends and distributions received increased by \$1.84 million or 4.5%, before special dividends. Special dividends totalling \$318,000 were received compared to \$63,000 in the prior financial year, bringing the percentage increase in total dividends and distributions received to 5.1%.

Interest income remained constant at \$397,000, with the impact of a small reduction in the average interest rate on deposits being offset by an increase in the average funds on deposit.

The Company's total administration expenses for the financial year were \$835,000. The management expense ratio, representing operating costs as a percentage of the average market value of assets, increasing slightly to 0.09%. This management expense ratio remains one of the lowest ratios for a listed investment company quoted on the Australian Securities Exchange.

Dividends

A final fully franked dividend of 70 cents per ordinary share was paid to shareholders on 24 September 2018. Total ordinary dividends amounted to \$1.21 per share for the year, an increase of 5 cents per ordinary share on that paid in respect of the 2017 financial year.

Over the last 10 years dividends paid on ordinary shares have increased from 67 cents to \$1.21.

A final fully franked dividend of 7 cents per share was paid to preference shareholders also on 24 September 2018, whilst an interim fully franked dividend of 7 cents per share was paid in March 2018.

The Company's dividend reinvestment plan remains suspended.

Return to shareholders

The return to ordinary shareholders for the year to 30 June 2018, calculated by taking the movement in the net tangible asset backing together with dividends paid, was 4.5% compared with the movement in the S&P/ASX 200 Accumulation Index during the same period of 13.0%.

As noted in the Annual Report, the market value of Group's investment portfolio was impacted during the year to 30 June 2018 by falls in value of banking stocks and also large falls in the value of Telstra and Perpetual shares. These market value falls were offset by gains in mining and energy stocks and also other market value gains across the portfolio. There was also little movement for the year in the market value of the Group's holding in Event Hospitality & Entertainment.

Net asset backing

The net tangible asset backing per ordinary share as at 30 June 2018, before providing for capital gains tax in respect of unrealised investment portfolio gains, was \$37.09, compared with \$36.65 as at 30 June 2017.

Investments

A full list of the Group's equity investments by industry sectors, as at 30 June 2018, is shown on pages 30 to 32 of the Annual Report. At 30 June 2018 the market value of Group's equity investment portfolio totalled \$960 million compared to \$951 million at the prior year end.

Equity investments to the value of \$7.7 million were purchased during the year to 30 June 2018. Major additions to the investment portfolio were AGL Energy, APA Group, Fortescue Metals Group, Inghams Group, IPH, Rio Tinto, Sydney Airport and Woodside Petroleum.

The Group invests for the long term and does not carry out any short term trading activities. All acquisitions of equities are made from cash generated through the Group's operations. There continues to be no external borrowings.

The Group invests in Australian listed entities that are considered to be well managed and are anticipated to provide attractive levels of sustainable income through predominantly franked dividends and also long term capital growth.

Cash at bank and held in term deposits at 30 June 2018 amounted to \$16.8 million compared to \$14.3 million at the previous year end.

Corporate governance

The Group's corporate governance practices are regularly reviewed by the Board and updated as necessary. These practices include controls and procedures that the Board considers to be appropriate bearing in mind the nature and size of the Group's operations and the small number of personnel involved in the day to day management of the Group.

These corporate governance practices are set out on pages six to nine of the Annual Report. Also, Board and Committee Charters and policies covering corporate governance matters can be viewed on the Company's website.

Operations for the three months to 30 September 2018

Turning to the current financial year, dividends and trust distributions received and receivable for the first quarter to 30 September 2018 totalled \$17.2 million, an increase of \$700,000 on the prior year first quarter. A large part of this increase in dividends and trust distributions received was attributable to higher dividends received from the investments in the mining and energy sectors, partly offset by lower dividend from Telstra.

The Group's top 20 investments, as at 30 September, are available on the ASX website and also the Company's website. There have been no major additions or disposals of investments in the first quarter, as the Group continues to take a cautious and patient approach in identifying long term investment opportunities in the current market.

Finally, I would like to thank my co-directors, our company secretary Mr Peter Horton and our compliance manager Ms Barbara Thompson for their efforts during the year and on behalf of the Board I would also like to thank shareholders for your continuing interest in and support for the company.

Alan G Rydge
Chairman
16 October 2018