



Carlton Investments Limited  
ABN 85 000 020 262

Chairman's Address to the  
91st Annual General Meeting of Shareholders

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Ladies and Gentlemen,

Welcome to the 91st Annual General meeting of Carlton Investments. The first virtual Annual General Meeting after 90 years of meetings where we could meet face to face and share a cup of tea after the meeting. This virtual meeting further signifies the unusual and difficult times we find ourselves in due to the impacts of the COVID-19 pandemic.

**Results for the year ended 30 June 2020**

I will deal first with the financial results for the year ended 30 June 2020.

The net profit of the Group for the year ended 30 June 2020 was \$38.12 million compared to a net profit of \$45.53 million in the prior financial year, representing a decrease of 16.3%. Contributing to this decrease in net profit was a significant fall in the level of special dividends received, which in the prior year to 30 June 2019, were unusually high. Special dividends received fell from \$3.57 million in the prior year to \$1.14 million. Also in the last quarter of the financial year the Group saw a large fall in dividend income with the COVID-19 outbreak causing companies to conserve cash and either significantly reduce or defer dividend payments. The largest dividend reductions came from the Group's investments in banks. As noted in the Annual Report, the prior year results for the second six months included \$6.4 million from bank dividends as against only \$2.2 million in the second six months to 30 June 2020. Income from dividends and distributions received, including special dividends, decreased by \$7.02 million or 15.0%. The decrease in dividends and distributions received, before special dividends, was \$4.59 million or 10.6%. Interest income also decreased from \$465,000 in 2019 to \$360,000 due to lower interest rates

Administration expenses for the financial year totalled \$916,000. The management expense ratio, representing operating costs as a percentage of the average market value of assets, was 0.10%. 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 56 cents per ordinary share was paid to shareholders on 21 September 2020. Total ordinary share dividends for the financial year amounted to \$1.11 per share, a decrease of 14 cents per share, before taking into account special dividends paid. Total ordinary share dividends for the financial year represented a payout percentage of 77.1% of the net profit. This payout percentage had been kept reasonably consistent with the percentage paid out over recent years. In the prior year a special dividend paid of 8 cents per ordinary share was paid in recognition of the large increase in special dividends received. A final fully franked dividend of 7 cents per share was paid to preference shareholders also on 21 September 2020, whilst an interim fully franked dividend of 7 cents per share was paid in March 2020.

The Company's dividend reinvestment plan remains suspended.

### ***Return to shareholders***

The impact of restrictions to suppress the spread of COVID-19 and also longer term economic concerns has impacted on the earnings and market values of many of the Group's investments, in particular those in the banks and energy sectors and also the Group's largest investment, Event Hospitality and Entertainment. The return to ordinary shareholders for the year to 30 June 2020, calculated by taking the movement in the net tangible asset backing together with dividends paid, was negative 19.4% compared with a negative movement in the S&P/ASX 200 Accumulation Index during the same period of 7.7%.

### ***Investments***

A full list of the Group's equity investments by industry sectors, as at 30 June 2020, is shown on pages 27 to 29 of the Annual Report. At 30 June 2020 the market value of Group's equity investment portfolio totalled \$731.5 million.

The Group purchased investments to the value of \$10.55 million during the year to 30 June 2020. Major additions to the investment portfolio were BHP Group, Fortescue Metals Group, Iluka Resources, Link Administration, Pandal Group, Rio Tinto, Santos, Tabcorp and Woodside Petroleum. Also during the financial year, the Group received \$5.08 million as consideration for disposal of its holding in Dulux following that company being taken over.

All acquisitions of equities are made from cash generated through the Group's operations. There continues to be no external borrowings.

The Group continues to invest 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. Increased market focus is being maintained in light of COVID-19 with a view to optimize opportunities as they arise.

Cash held in term deposits and in bank accounts amounted to \$23.6 million at 30 June 2020 compared to \$23.2 million at the previous financial year end.

### ***Corporate governance***

The Company's Corporate Governance Statement, together with the Board and Committee Charters and policies can be viewed on the Company's website.

The Board continues to regularly review the Group's corporate governance practices and updates procedures as necessary and in line, where practicable, with current ASX Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council. 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.

### ***Operations for the three months to 30 September 2020***

During the first quarter of the current financial year there has been a dramatic fall in dividend income, with most investee companies continuing to reduce or defer dividend payments as concerns relating to the impact on future earnings of the COVID-19 pandemic persist. During this period the Group has also sort to conserve cash funds available, with minimal additions being made to the investment portfolio.

Dividends, trust distributions and other income received and receivable for the first quarter to 30 September 2020 totalled \$6.24 million compared to \$17.82 million for the prior year first quarter, a decrease of \$11.58 million. As was noted in the Annual Report, Event Hospitality & Entertainment announced in July that they did not currently intend to pay a final dividend for the year ended 30 June

***Operations for the three months to 30 September 2020 (Continued)***

2020 or an interim dividend for the half year to 31 December 2020. No dividend was received from Event in September this year. In September of the prior year the Group received \$9.54 million in dividends from Event. There were also large decreases in dividends received from banks, BHP, Perpetual and AGL, partly offset by a large increase in dividends paid by Fortescue Metals Group during the first quarter. As at 30 September 2020, the total market value of the Group's equity investment portfolio was \$752.5 million compared with \$731.5 million as at 30 June 2020. Term deposits and cash totalled \$13.6 million compared to \$23.6 million at 30 June 2020.

The Group's top 20 investments, as at 30 September, are available on the ASX website and also the Company's website.

As stated in the Annual Report, we believe that given the quality of the businesses in the investment portfolio they will persist through the current economic impacts of the COVID-19 pandemic. We appreciate that shareholders will be disappointed with the fall in market value of their Carlton Investment shares, however we consider that a patient approach is required over the coming months. The Group will continue to hold its equity investments for the long term and will not act as a share trader nor will it invest in speculative stocks. Directors recognise that there are lessons to be learnt and potential opportunities to be taken in these unusual times and have watched with interest market value movements, noting those stocks that have performed relatively well in these difficult economic times. Any changes to the portfolio industry sector mix will only be done progressively over time, as has been past practice.

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  
20 October 2020