



Carlton Investments Limited
ABN 85 000 020 262

Chairman's Address to the 94th Annual General Meeting of Shareholders

Friends and Shareholders,

This is the 94th Annual General meeting of Carlton Investments.

Results for the year ended 30 June 2023

Firstly, I would like to comment on the financial results for the year ended 30 June 2023.

The net profit for the year ended 30 June 2023 was \$37.41 million compared to a net profit of \$33.76 million in the prior financial year, representing an increase of 10.8%.

Income from dividends and distributions received increased from \$35.57 million to \$38.40 million or 7.95%. The Group's largest holding, EVT, recommenced paying dividends in November 2022 following two years of no dividends due to the impacts of COVID restrictions on its businesses. Dividends totalling \$8 million were received from EVT during the year, of which \$3.69 million was paid as a special dividend. It should also be noted that, in the prior year to 30 June 2022, the Group received a one-off in-specie dividend of Woodside Energy shares, valued at \$4.75 million, as a result of the merger of BHP's petroleum business into Woodside Energy. If this BHP in-specie dividend was excluded from the prior year dividends, the increase in dividends and distributions would have been 24.6%. Included in dividends and distributions received were dividends of \$4.09 million described as special dividends, including \$3.69 million from EVT, compared to special dividends of \$1.20 million in the prior year (or \$5.95 million if the prior year Woodside in specie dividend was included as a special dividend).

Interest income increased from a prior year amount of \$73,000 to \$747,000. The weighted average interest rate on term deposits increased from 0.6% in the prior year to 3.31% and there was also an increase of \$11.9 million in the average funds on deposit.

Administration expenses for the year totalled \$970,000 compared to \$898,000 in the prior year. The management expense ratio, representing operating costs as a percentage of the average market value of assets, increased slightly from 0.09% to 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 60 cents per ordinary share was paid to shareholders on 18 September 2023. An interim dividend of 40 cents per ordinary share, together with a special dividend of 9 cents per ordinary share was paid in March 2023. The special interim dividend was paid in recognition of the level of special dividends received in the first half which included the EVT special dividend. Total ordinary share dividends, including the special dividends paid, amounted to \$1.09 per share for the year, an increase of 11 cents per ordinary share on that paid in respect of the prior financial year.

Fully franked dividend of 7 cents per share were paid to preference shareholders in March and September 2023.

The Company's dividend reinvestment plan remains suspended.

Return to shareholders

As noted in the Annual Report, the return to ordinary shareholders for the year to 30 June 2023, calculated by taking the movement in the net tangible asset backing together with dividends paid, was 3.4% compared with the movement in the S&P/ASX 200 Accumulation Index during the period of 14.8%. Although many of the Group's larger investment holdings showed strong increases in market values over the financial year, the market value of Group's investment portfolio was impacted by a decrease of 10.0% in the share price of the Group's largest investment, EVT.

Investments

A full list of the Group's equity investments by industry sectors, as at 30 June 2023, is shown on pages 29 to 32 of the Annual Report. At 30 June 2023 the market value of Group's equity investment portfolio totalled \$956 million compared to \$949 million at the end of the prior 2022 financial year.

The Group also releases a list of its top thirty investment holdings, representing over 90% of the value of its total investment holdings, through the ASX at the end of each quarter and also publishes this list on its website.

Equity investments to the value of \$13.66 million were purchased during the year. Major additions to the investment portfolio were ANZ Bank, BHP Group, Elders, JB Hi-Fi, Santos, Sonic Health, South32 and Woodside Energy. Shares were also received in Perpetual and Pexa Group during the period.

The Group invests for the long term and does not carry out any short term or derivative 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 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.

Cash held in term deposits and in bank accounts amounted to \$24.1 million at 30 June 2023 compared to \$27.5 million at the previous financial year.

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 regularly reviews the Group's corporate governance practices and updates procedures 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.

Operations for the three months to 30 September 2023

Turning now to the current financial year, dividends, distributions and other income received and receivable for the first quarter to 30 September 2023 totalled \$15.28 million, an increase of \$4.69 million on the prior year's first quarter. First quarter dividends received included a dividend of \$6.16 million from EVT. In the prior year's first quarter no dividends were received from EVT, however a special dividend of \$3.69 million was received in November 2022. In respect of other dividends, there were also some increase in dividends received from our holdings in banks and AGL, however these were offset by a decline in dividends from a number of holdings including those in mining companies, Woodside and Perpetual.

As at 30 September 2023, the total market value of the Group's equity investment portfolio was \$930.5 million compared with \$956.4 million as at 30 June 2023, a decline of 2.7%. It is noted that during this period, the ASX 200 Index declined 2.15%. The Market has continued to show volatility and is being influenced by numerous external factors including inflation, high interest rates, domestic and international economic

uncertainties as well as armed conflicts in Europe and the Middle East. Despite this ongoing market volatility, the Group will continue to seek to purchase additional investments when it is considered that they represent good long term value.

During the last quarter the Group purchased equities, with a total value of \$2.06 million in ANZ Group, IPH and APA Group. Shares in Blackmores Group were disposed of during the quarter for consideration of \$1.56 million, as a result of that company being subject to a take-over.

Capital Management

The Board regularly reviews capital management strategies and has left open its ability to reactivate the company's on-market share buy-back facility.

The Company's on-market buy back facility has, in recent years, remained inactive when some may argue that it was an appropriate time to buy back shares. The Board regularly considered, but made the decision not to undertake any buy-back of shares because of ongoing market uncertainties, the need to maintain sufficient funds to continue to pay an appropriate level of dividends to shareholder and also to have funds to take up potential opportunities arising in what has been a volatile equity market. The Board will continue to consider the activation of its on-market share buy-back facilities as part of its capital management strategies.

Thank you

As mentioned in my Welcome, Peter Horton will, after 12 years, retire as Company Secretary and CFO. From a personal perspective, I would like to thank Peter for his unwavering support and sound counsel. And on behalf of the Board, we sincerely thank Peter for his dedication and diligence in smoothly guiding our very small team through a myriad of changing regulations and complexities, including the Covid period. I note that during Peter's time at Carlton Investments, the Company's market capitalisation has grown from \$434 million to \$735 million as well as paying franked dividends to our shareholders in each of those years.

Peter, thank you again and our best wishes for your retirement and continued good health.

I now welcome Andrew Carter who joined us in August to become Peter's replacement. Andrew was appointed because of his broad accounting, investment administration, taxation and secretarial experience and his ability to work as part of a small team. Before joining Carlton, he was a partner in a mid-tier accounting firm and subsequently a company secretary and CFO.

I would also like to thank my co-directors and our compliance manager Ms Barbara Thompson for their efforts during the year.

Finally, on behalf of the Board I would like to thank shareholders for your continuing interest in and support for the company.

Alan G Rydge
Chairman
25 October 2023