

Chairman's address to Shareholders
2019 Annual General Meeting of
Concentrated Leaders Fund Limited
to be held on
Wednesday 13 November 2019
at 11.30 pm

Ladies and Gentlemen, thank you for attending the 2019 Annual General Meeting of shareholders of Concentrated Leaders Fund Limited. It's past the appointed time of 11.30 pm, I am advised that there is a quorum present, and I therefore declare this Annual General Meeting of Concentrated Leaders Fund Limited open.

I am Barry Sechos, a director of the Company. With me on the podium today are my fellow directors, John Martin and Dr David Sokulsky, who is also the CEO and CIO of the Company. Your Chairman, Mr Brian Sherman sends his apologies for this meeting. In Mr Sherman's absence, I will Chair this meeting.

I advise that the register of Directors' Shareholdings is open during this meeting and is accessible to all persons attending.

A representative of the Auditor is also present.

After my address and the formal business of the meeting I will hand over to David Sokulsky to provide some commentary on general market conditions, an update of the portfolio since year end and to answer any questions you may have. In addition, I will be happy to take any general questions in respect of the Company and its operations.

It is now almost two years since the Board of the company made the decision to internalize the management of the portfolio, with the appointment of David Sokulsky as Chief Executive Officer and Chief Investment Officer of the Company. David, together with his two Senior Analysts, Trevor Hyun and Gino Boscutti, have done an excellent job in managing the company's portfolio and overseeing its operations. The Board is extremely pleased with the smooth transition to internal management, which has resulted in a reduction in the costs of operation and a streamlining of the company's business. The rest of the Board thanks David, Trevor and Gino for their efforts in managing these operations efficiently and effectively.

In addition, we would like to thank the various service providers who are also responsible for delivery of these smooth operations:

- Lily Yuan and her team at Bodeg, Helen Leung and Stephanie Zhu for the accounting and administrative services they provide seamlessly
- Our administrators, Fundhost
- Our custodian and bankers, National Australia Bank
- And finally, our share registrar Boardroom, and in particular, Michael Mauricio of Boardroom, who, in my opinion provide a superior service that makes our operations and shareholder interface a somewhat easier experience.

For the financial year ended 30 June 2019 our company's portfolio had another year of positive returns, up 8.26%, an underperformance to our benchmark, the S&P/ASX200 Total Return Index, which returned 11.55%.

Net of deferred tax on unrealised gains and current tax liabilities, the NTA at 30 June 2019 was \$1.29 per share. Pre tax NTA was \$1.35. The share price closed at \$1.27 on 30 June 2019, from a starting point of \$1.235 on 1 July 2018, 3.5 cents higher. At financial year end, the share price stood at a discount to both pre and post tax NTA.

As part of our Company's broader capital management strategy, the board monitors the share price premium or discount to the net tangible asset value and makes a strategic decision whether to conduct an on-market buyback of CLF shares when appropriate. During the financial year ended 30 June 2019 a small number of shares were purchased on market – 43 shares, as part of the management of the company's DRP.

A final dividend for the 30 June 2019 financial year of 1.25 cents per share was declared in May, together with a special dividend of 4 cents per share. This final dividend totaling 5.25 cents per share was paid to shareholders on 14 June 2019, resulting in an aggregate dividend of 9 cents per share (fully franked) for the year – an increase of 3.5 cents per share on the aggregate dividends paid in the previous year. Based on the dividends paid over the previous 12 months this equated to a yield of 7.09 per cent (10.12 per cent gross of franking credits) on the closing share price at 30 June 2019 of \$1.27.

As shareholders are aware, the first quarterly dividend for the FY2020 year was increased by 20%, to 1.5 cents per share. This first dividend for the 2020 FY was paid to shareholders on 18 October 2019.

As previously announced, the Board will seek to maintain a fully franked quarterly dividend of 1.5 cents per share, together with its usual additional dividend of 1 cent per share in the final quarter of the financial year – targeting an aggregate annual dividend of 7 cents per share, subject to relevant financial conditions. The Board continues to seek to deliver regular income to investors and reviews the level of future dividends payable within the constraints of accounting considerations, the financial position of the company and market conditions.