



ABN 53 000 364 465

9 November 2018

Chairman's Address to Shareholders

Euroz Limited has pursued a very deliberate and incremental diversification strategy over the past 4 years which combined with a positive resources market has delivered an outstanding result for shareholders this year. Dividends are always the best measure of how your business is performing and we are very pleased that this broad contribution from all of our businesses has enabled us to record the best full year dividend since 2011.

Euroz reported a substantial improvement in profitability over the past year with a net profit after tax (attributable to members) of \$31.3 million for the financial year ended 30 June 2018, representing a 61% uplift on the previous years' \$19.4 million result.

The Directors declared a final fully franked dividend of 9.25 cents per share (**cps**) which combined with the interim dividend of 1.75 cps brought the full year dividend to 11 cps (previous year 7.25 cps). This is a 52% increase on the previous full year dividend.

Financial year highlights include:

- Euroz Securities delivered Equity Capital Market (**ECM**) raisings of \$837 million versus \$865 million in the previous year.
- Euroz Securities FUM growth of 27% to \$301 million.
- Westoz Investment Company Limited (ASX:WIC) and Ozgrowth Limited (ASX:OZG) reported gross investment returns of 39.1% and 30.7% respectively for the financial year.
- Solid initial returns and continued investor interest in Dalton Street Capital and Flinders Investment Partners.
- Entrust Private Wealth Management achieved strong FUM growth of 12.3% to \$801 million.
- Total group FUM increased organically 21.3% to \$1.46 billion.

2019 Financial Year Trading Update

The Directors can report a modest start to the first four months of the 2019 financial year with underlying cash earnings ahead of this time last year. However, due to weaker global equity markets during this 4 month period, the mark-to-market value of our various investments has had a major effect on our reported profitability at this particular juncture in the financial year.

As at 31 October we forecast an unaudited break even result, this can be broken down more specifically as an estimated underlying cash profit after tax of \$5.4m (attributable to members) being largely offset by \$5.3m in after tax non-cash losses from the mark-to-market of our investments.

Your Directors expect that the first half dividend will at least match last year's first half dividend of 1.75c given our current underlying cash profitability.

Euroz Securities has been moderately profitable having executed a similar level of ECM raisings to the previous corresponding period and performed well in a tougher global market. FUM has grown to \$312 million during the period which is an excellent demonstration of FUM growth greater than the associated portfolio value declines that naturally occurred during this recent market correction.

Entrust has had a solid start to the year and reports steady FUM where new FUM has effectively been offset by portfolio value declines. Entrust will continue to pursue bolt on acquisitions whilst we organically grow FUM. Price expectations for sellers are now lower post the recent Royal Commission and are coming back towards more realistic levels.

Westoz and Ozgrowth portfolios are down 3.3% and 5.6% respectively over the period but have performed well on a relative basis. The Small Resources Index was down 12.4 % and the Small Ordinaries Index was down 8.6% for the same 4 month period.

Flinders Investment Partners has been performing extremely well and their top quartile performance over 6 months, 1 year and 3 years now gives them an excellent platform for more significant FUM flow.

Dalton Street performance has been affected by the significant trade war related declines in all Asian markets. Dalton had positive FUM inflow for the 4 months but the fall in the portfolio value has decreased overall FUM to \$81m.

Our new partnership with Equus Point Capital was announced in August 2018 and their new fund will be seeded by Euroz in early December. We are pleased with initial consultant and research feedback to date and believe that this market neutral strategy is well positioned as volatility inevitably increases.

Summary

Our business model has once again proven that we can make the most of good markets when they are strong and shareholders have subsequently enjoyed an excellent last financial year.

I would like to remind shareholders that markets do fluctuate in the short term and we currently have \$81 million of investments in the market that are priced daily. Weaker markets and share prices as we have seen in the past 4 months does affect our reported profitability but does not affect our underlying cash profitability or ability to pay dividends. We have confidence in these long term investments, the dividends that most of them generate and in the overall benefits and opportunities that they bring to our various businesses.

Our shareholders have always been motivated by our track record of delivering above average dividend returns over time. We are particularly proud to report that we have now distributed \$211 million in fully franked dividends to shareholders over the past 18 years. This is a very significant achievement that is appreciated by all but can be somewhat taken for granted. It is the result of the hard work and dedication of our 103 staff who collectively own 39% of this business. As these staff come to work each day I can assure you that their Euroz shareholding is very important to them and their families and that they are 100% aligned with all shareholders in seeking to continue to generate strong dividend returns over time.

Your Directors would like to again thank our staff, clients and shareholders for their significant support during the past financial year.

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