



ABN 53 000 364 465

16 July 2019

Unaudited Annual Results and Dividend

Euroz Limited (**Euroz**) reports an unaudited break even result for the financial year ended 30 June 2019. Headline profitability has been negatively impacted by the mark-to-market of our various investments.

In comparison to last year's excellent result we would categorise this year's underlying profitability as a reasonable result in somewhat challenging markets.

Underlying "cash" profits of approximately \$9.5 million were offset by -\$9.6 million "non-cash" after tax losses from the mark-to-market of investments resulting in a \$100,000 net loss after tax attributable to members.

Our underlying cash profitability enables your Directors to declare and pay a final fully franked dividend of 5 cents per share (**cps**) which combined with the interim dividend of 1.75 cps brings the full year dividend to 6.75 cps (previous year 11 cps).

Funds Under Management (**FUM**) growth was driven by Euroz Securities and Entrust Wealth Management (**Entrust**) resulting in Group FUM increasing by 8% to \$1.58 billion from \$1.46 billion last year.

We provide specific business updates as follows:

Euroz Securities

After two very good years our securities business has experienced a modestly profitable year with brokerage revenues down approximately 10% on the previous year and Equity Capital Market (**ECM**) raisings of \$469 million versus \$837 million in the prior period. FUM growth in our private client business continues to make progress and was up 19% to \$357 million.

Entrust

Entrust reported a pleasing improvement in FUM of 10% and a modest increase in profitability versus the previous year. Post the Hayne Royal Commission Entrust has seen a recent increase in potential smaller acquisitions and more realistic price expectations from sellers.

Westoz Funds Management

After two years of excellent investment performance Westoz Investment Company Limited (**Westoz**) and Ozgrowth Limited (**Ozgrowth**) have experienced a year of consolidation. Their respective gross investment performance of -2.2% and -9.3% for the financial year compares to -12.7% for the Small Resources Accumulation Index and 1.92% for the Small Ordinaries Accumulation Index for the same period. Whilst there was no performance fee income to the manager during this period we remain optimistic on resources and Western Australia in general and the opportunity for outperformance in the coming year.

In the past 14 years Westoz and Ozgrowth have returned \$157 million in fully franked dividends to their shareholders.

Prodigy Investment Partners

Our Prodigy joint venture has experienced some headwinds resulting from continual change in the domestic funds management industry. The internalisation of some investment strategies by Industry funds, the current disruption in some advice businesses and a period of underperformance from alternative funds in general has resulted in modest growth in FUM to \$119 million over the period. We are however pleased with the relative performance of all our funds during the period and are reassured that our predominantly retail distribution capability will provide increased flow opportunities during this volatile period of change. We have recently increased our sales team to further penetrate the retail market. We currently have three boutique partners:

- **Flinders Investment Partners**

Gross investment performance of 4.6% for the financial year and performance since inception of 14.5% p.a. Top quartile 1,2 and 3 year investment performance has seen increasingly retail platform FUM flows with year end FUM of \$27 million. The fund received an upgraded rating to "Recommended" by Lonsec Research in February 2019. The Flinders sales pipeline is strong with good flow expected in the coming months.

- **Dalton Street Capital**

Gross investment performance of -2.5% for the financial year and 12.4% calendar year to date. In a very difficult period for managed futures and alternative investments in general Dalton reports that its 3 year performance (since inception) makes it the number one ranked managed futures strategy in Australia. When this extended period of low volatility in global markets inevitably turns we believe that Dalton Street will once again have the opportunity to post strong absolute performance numbers and that fund inflows will then follow.

- **Equus Point Capital**

Our third fund launched in November 2018 has reported a strong start with 5.6% gross investment performance for this period and is meeting all expectations. This systematic market neutral strategy seeks to achieve consistent, steady returns with low volatility in all types of markets. With return expectations for most markets decreasing and under significant pressure we believe this defensive strategy will become increasingly attractive in the next few years.

Summary

Euroz Limited now employs 107 staff across our many businesses as we continue to pursue our very deliberate and incremental diversification strategy. To achieve our aim of building real diversification into our overall business we are cognisant that we need to significantly grow our wealth management FUM and also grow meaningful FUM in our Prodigy business.

All of our businesses are facing continued industry consolidation and structural change, some of which we have foreseen and some continue to surprise. We must remain vigilant and open minded to these changes and provide expertise and capital as required.

When this final 5c dividend is paid next month Euroz Limited will have paid \$222 million in fully franked dividends to shareholders across our 19 year history.

I would once again like to sincerely thank our staff for their significant efforts and who as our largest shareholders remain committed to growing this proudly Western Australian diversified financial services company.

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