



ABN 53 000 364 465

22 November 2019

### **Chairman's Address to Shareholders**

Euroz Limited (**Euroz**) reported a ~ break even result for the financial year ended 30 June 2019. Headline profitability was negatively impacted by the mark-to-market of our various investments.

In comparison to the previous 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 \$0.1 million net loss after tax attributable to members.

Our underlying cash profitability enabled 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 brought the full year dividend to 6.75 cps (previous year 11 cps).

Financial year highlights included:

- Euroz Securities delivered Equity Capital Market (**ECM**) raisings of \$469 million versus \$837 million in the previous year.
- Euroz Securities Funds Under Management (**FUM**) growth of 19% to \$357 million.
- Entrust Wealth Management achieved FUM growth of 10% to \$881 million.
- Total group FUM increased by 8% to \$1.58 billion.

### **2020 Financial Year Trading Update**

The Directors are pleased to report a solid start to the first four months of the 2020 financial year with forecast unaudited headline profitability (attributable to members) of \$6.8 million for the period ended 31 October 2019.

More specifically, we report \$3.05 million in non-cash after tax profits from the mark-to-market of our investments and a resulting unaudited underlying cash profit after tax (attributable to members) of \$3.75m.

Euroz Securities has been moderately profitable having executed \$312 million in ECM raisings in the 4 months to 31 October 2019. ASX broking revenues were up 12% versus the same 4 month period from last year. FUM has increased from \$357 million to \$374 million during this same period.

Entrust has reported excellent organic FUM growth with total FUM of \$984 million at 31 October 2019, an increase of 12% in just 4 months. Entrust continues to win strong inflows and we are very pleased with the efforts of our Entrust team as they approach FUM of \$1 billion. The Entrust FUM has grown 74% since our acquisition in July 2015.

The Westoz Funds Management portfolios for the Westoz Investment Company Limited and Ozgrowth Limited have also had a good start to the financial year and are up 9.9% and 12.7% respectively over the 4 months to 31 October 2019. Both have significantly outperformed the All Ordinaries, Small Ordinaries and Small Resources Indices over this same period. Shareholders will recall that possible performance fees from managing these businesses can have a meaningful impact on our business.

The Prodigy Investment Partners joint venture continues to experience headwinds resulting from significant changes occurring in our domestic funds management industry. Total Prodigy FUM has decreased from \$119 million to \$104 million during this period. We continue to monitor and review these structural changes in the sector.

Flinders Investment Partners has been performing extremely well. It has outperformed the benchmark over all periods and are ranked top quartile since inception (50 months). Flinders reports gross investment performance of 8.6% for the past 4 months and FUM continues to edge higher to \$35 million. We are hopeful that their excellent investment performance will assist a number of major dealer networks and platforms to commence and increase new flows in the near future.

Dalton Street Capital performance continues to be affected by a lack of intra-day futures volatility and the trade war related pressures in most Asian markets. Dalton Street reported gross investment performance for the 4 months of -10.9% and FUM of \$65 million at 31 October 2019.

Our new partnership with Equus Point Capital was announced in August 2018 and their new fund was seeded by Euroz in early December 2018. Gross investment performance for the first four months of the year was -1.93% and FUM for this relatively new fund is \$3.9 million as at 31 October 2019.

Total group FUM across all of our businesses was up 7.6% from \$1.58 billion to \$1.70 billion in these 4 months to 31 October 2019.

## **Summary**

Our shareholders have always been aligned to our track record of delivering above average dividend returns over time. We are particularly proud to report that we have now distributed \$222 million in fully franked dividends to our shareholders over the past 19 years.

It is important to remind all shareholders that these dividends have been achieved through the efforts of our Euroz Securities, Westoz Funds Management and Entrust businesses and through different and volatile market cycles they again prove they are very profitable and well run businesses.

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

For further information please contact:

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