

Australian United Investment
Company Ltd
(ASX: AUI)

Review

3 April 2025

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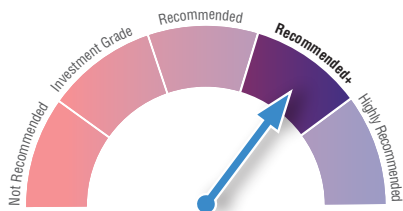
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Note: This report is based on information provided by the Company as at 31 December 2024.

Rating



Key Investment Information (as at 28 February 2025)

ASX Code	AUI
Share Price	\$10.50
NTA* per share	\$12.13
Shares on Issue (m)	124.1m
Market Cap (\$m)	\$1,303.0m
Trailing 12-month Dividend Yield (Net)	4.29%
Trailing 12-month Dividend Yield (Grossed-Up)	6.13%
Dividend Frequency	Semi-annually
Listing Date	January 1974
Structure	Listed Investment Company (LIC)
IIR Investment Classification	Australian Large Cap
Investment Manager	Internal
Fees:	
Management Fee (p.a.)**	0.10%
Performance Fee	na

*NTA includes tax on realised gains but not tax on unrealised gains.

**Management Expense Ratio (MER) for CY24 period.

Key Exposure

Underlying Exposure	The Company invests in a moderately diversified portfolio of ASX-listed securities with a focus on large and mid cap stocks.
FX Exposure	Given the focus on domestic equities, the Company has little to no direct foreign currency exposure.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

PRODUCT SUMMARY

Australian United Investment Company Limited (ASX: AUI) is one of the oldest listed investment company's (LICs) on the ASX with the Company listing in 1974. AUI was established by the late Sir Ian Potter with The Ian Potter Foundation continuing to be the largest shareholder of the Company. The Company seeks to provide exposure to a diversified portfolio of ASX-listed companies with a focus on large and mid cap stocks, and provide income and capital appreciation over the medium-to-long term. The portfolio is managed by the Board, which consists of four Directors, all of whom have a significant amount of experience in the financial industry and funds management. While the portfolio is actively managed, the Company is an investor as opposed to a trader and therefore takes a long-term view on investments with the portfolio typically experiencing low levels of turnover. The long-term nature of investments means the Company can pass on LIC capital gains in the event of the realisation of capital gains from long-term investments. The Company seeks to provide a fully franked semi-annual dividend with the dividends paid from the income received from the underlying investments. The Company generates the majority of its income from the core 25 holdings, which typically account for over 80% of the portfolio. The Company has borrowing facilities totalling \$145m, of which \$42m was drawn as at 31 December 2024. The facilities were decreased from \$175m in the 1H'FY25 period due to the market conditions which have resulted in the Company reducing its debt exposure. The net debt exposure as at 31 December 2024 was 2.9%, down from 7.3% at 31 December 2023. The Company's fees structure is highly competitive with an MER (excluding borrowing costs) of 0.10% for the CY24 period.

INVESTOR SUITABILITY

An investment in AUI is suitable for those investors seeking exposure to a low churn portfolio of a core group of ASX-listed blue chip stocks with the benefit of a regular fully franked dividend. Given the nature of the underlying investments and the investment style, the Company is suitable as a long-term core holding in an investors broader portfolio. While the Company will offer differentiated returns to the broader market over short-and-medium terms, over the long-term the portfolio has delivered a market-like risk/return profile. An investment in the Company is not suitable for those seeking a high alpha generating mandate with the Company seeking to generate long-term capital and income growth with a focus on delivering a steadily growing income stream and capital preservation for investors. Investors should not be seeking a mandate that generates high levels of outperformance over the market.

RECOMMENDATION

Independent Investment Research (IIR) has maintained a **Recommended Plus** rating for Australian United Investment Company Limited (ASX: AUI). AUI has a long track record of providing exposure to a moderately diversified portfolio of ASX-listed stocks with a focus on a core group of blue chip stocks, which generate the majority of the Company's income. The Company seeks to invest in quality stocks with the portfolio is managed in a tax aware manner. This results in a long-term investment horizon, which is evidenced from the low levels of turnover in the portfolio (an average annual turnover of 5.9% over the last five financial years). The Company has largely achieved its investment objectives and has used the LIC structure to provide a steadily growing fully franked dividend throughout its history. The Board of Directors is highly experienced and while there are no formal risk constraints, the Company has a history of managing the risks in the portfolio to achieve its objectives. A drawback has been the limited liquidity of the Company due to the limited free float of shares on offer. This has contributed to the Company trading at a discount to NTA throughout its history. Over the last 18 months, the discount has expanded, due in part to the interest rate environment. The Company has implemented a number of initiatives to address the discount including buying back shares to provide liquidity to those shareholders seeking to exit and most recently enhancing the dividend yield through the payment of a special dividend for the next five years.

SWOT

Strengths

- ◆ The Company is an investor, not a trader, with a long-term investment horizon. The classification as an investor means the Company can pass on LIC capital gains from the realisation of long-term positions. Shareholders may be able to claim a tax deduction from LIC capital gains that are distributed.
- ◆ The Company offers low cost exposure to a portfolio of quality ASX-listed companies that has delivered a growing fully franked dividend over time.
- ◆ The LIC structure provides a closed-ended pool of capital for the Company with liquidity provided by the secondary market. This means the Company can manage the portfolio without having to worry about redemptions and the risk redemptions can potentially pose on the performance of a portfolio.
- ◆ Dividends are paid from the income generated by the portfolio as opposed to having to rely on generating capital gains to satisfy the dividend. This provides an element of stability to the dividend and allows for the franking credits received from the income from underlying investments to be distributed to investors. The Company has a healthy retained earnings balance providing the Company the ability to maintain dividends during periods of market weakness.
- ◆ The Board has been relatively stable with renewal of some of the long standing Directors taking place over time. Given the Board is also the investment team we view a stable Board as a positive to employ the long-term investment mandate of the Company.
- ◆ The Company paid its first ever special dividend as part of the dividend for the FY24 period with the Company announcing its intention to pay a special dividend over the next five years. The special dividend is designed to payout the special dividends and franking credits generated over the years by the Company. The special dividend has boosted the yield above a number of its peers and the market.

Weaknesses

- ◆ The Company has a concentrated shareholder base with the top three shareholders accounting for over half the shares on issue. The concentrated shareholder base and long-term nature of the substantial shareholders has resulted in the Company having limited market liquidity.
- ◆ The Company does not have any formal risk constraints regarding the portfolio construction which may result in portfolio becoming concentrated to individual positions.

Opportunities

- ◆ An investment in AUI provides investors the opportunity to gain exposure to a large cap focused portfolio of ASX-listed securities for a low cost through a single trade on the ASX.
- ◆ The Company provides market-like returns with the benefit of a fully franked dividend.
- ◆ The Company is trading at discounts not seen for more than a decade. The discount provides the potential for additional capital gains in the event it narrows or in the event of market declines is expected to provide an element of capital preservation.

Threats

- ◆ The share price may dislocate from the NTA which may result in shareholder returns differing from the portfolio returns.
- ◆ With Directors also being the investment team, there is a reduced ability for succession planning and the passing on of knowledge. A new Director is typically not in place prior to a Director resigning from the Board, meaning there is no ability for handover of information prior to the Director leaving. We note that Directors typically have a long tenure and the Company seeks to appoint experienced personnel, which has provided a level of stability regarding the implementation of the investment mandate.
- ◆ Given the exposure of the portfolio, the portfolio will likely underperform the market when smaller cap and growth stocks outperform.

OVERVIEW

Australian United Investment Company Limited (ASX: AUI) is one of the oldest listed investment company's (LICs) on the ASX with the Company listing in 1974. AUI was established by the late Sir Ian Potter with The Ian Potter Foundation continuing to be the largest shareholder of the Company. The Company seeks to provide exposure to a diversified portfolio of quality ASX-listed companies, and provide income and capital appreciation over the medium-to-long term. The portfolio is internally managed with the portfolio managed by the Board, which consists of four Directors, all of whom have a significant amount of experience in financial markets and funds management.

The Company provides long only exposure and while the portfolio is actively managed, the investment approach is relatively passive with Directors formally meeting on a monthly basis to discuss the portfolio and more frequently informally if required. The Directors present investment ideas at the monthly meeting in addition to the review of the portfolio. Investment ideas are generated from the experience and resources of the Directors and brokers.

The Company has three primary objectives: (1) to create and maintain a diversified portfolio of quality Australian companies, primarily through shares listed on the ASX, with a medium-to-long term view of providing income and capital appreciation; (2) to manage the portfolio to monitor and reduce risks and identify market opportunities as they arise; and (3) provide dividend income to shareholders which is sustainable over the long-term, maintaining full franking when possible. The Company has largely achieved these objectives throughout its history.

The Company is an investor as opposed to a trader and therefore takes a long-term view on investments with the portfolio having low levels of turnover. In the last five financial year periods, the portfolio has had an annual turnover of less than 10%. The long-term nature of investments means the Company can pass on LIC capital gains in the event of the realisation of capital gains from long-term investments, from which shareholders may be able to claim a tax deduction. The Company seeks to provide a fully franked semi-annual dividend with the dividends paid from the income received from the underlying investments. The Company generates the majority of its income from the core 25 holdings, which typically account for over 80% of the portfolio.

The portfolio is moderately diversified with the portfolio typically comprising 40 to 50 positions. The portfolio is concentrated to the top 25 holdings as mentioned above. The Company is heavily weighted to large cap stocks with the portfolio typically weighted to ASX 50 stocks. The Company has a focus on companies with a strong competitive position and a consistent and growing earnings stream.

The Company does not seek to mimic the benchmark (S&P/ASX 200 Index) but is index aware. The portfolio will out-and-under perform the market during short and medium term periods, however over the long-term has generated a return profile similar to the market.

The Company seeks to be largely invested at all times with the Company typically holding less than 10% cash. The Company has debt facilities totalling \$145m, of which \$42m was drawn as at 31 December 2024. The debt facilities were reduced from \$175 million as at 30 June 2024 with the Company reducing the level of debt in the portfolio given the current market conditions. The debt facilities are primarily floating rate and are used to provide liquidity to the Company, providing the Company the ability to increase the size of the portfolio in a timely manner.

Share Buy-Back Program

The Company has an on-market buy-back program in place. The Company bought back and subsequently cancelled 2.7 million shares during the FY24 period at a total cost of \$28.1 million. This resulted in the ordinary shares on issue declining to 123.9 million during the FY24 period. AUI has not reactivated its buyback, however its position is being monitored and discussed by the Board.

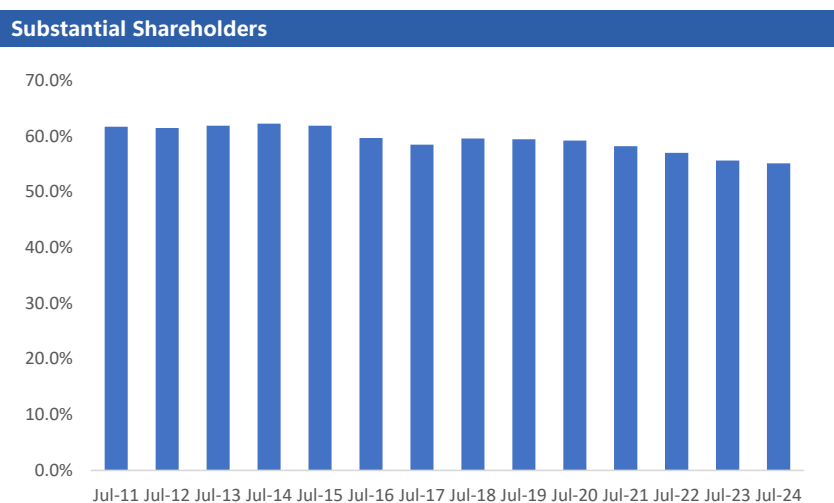
Shareholder Register

As at 31 December 2024, of the 124.1 million share on issue the top three shareholders owned 55.1%. As we discussed in our previous review, one of the drawbacks of AUI has been the limited liquidity of shares due to the limited free-float available. The three largest shareholders are:

- ◆ The Ian Potter Foundation
- ◆ Argo Investments Limited
- ◆ Lady Primrose Catherine Potter and Primrose Properties Pty Ltd

The below chart highlights the concentration of the three largest shareholders as detailed in the Annual Reports from 2011 to 2024. Over this period the three shareholders have accounted for between 55% and 60% of the shares on issue.

The Ian Potter Foundation has been the largest shareholder by a substantial amount throughout history. As at 16 August 2024, The Ian Potter Foundation held 41.8% of the shares on issue. After accumulating as much as 19.7m shares as at 31 July 2011, Argo Investments Limited (ASX: ARG) has been selling its shares progressively with the company having 8.8m shares as at 16 August 2024.



Source: AUI Annual Reports.

BOARD & INVESTMENT TEAM

The Board comprises four Directors. The retirement of Charles Goode from the Ian Potter Foundation Board in June 2024 has resulted in all Directors being Independent. Charles Goode is the Chair and has been on the Board since April 1990, making him the longest serving board member. There has been some renewal of the Board in recent years with long-standing Directors stepping down from their positions. The newest addition to the Board was Wayne Kent in November 2021.

The Board also serves as the manager of the portfolio and the investment team. The Chair and Directors all have significant experience in financial markets and have experience and skills across a range of asset classes. The Board use their experience and external research resources to bring ideas to the table for the portfolio.

Board			
Name	Position	Independence	Appointed to Board
Charles Goode AC	Chair	Independent	Apr-90
Fred Grimwade	Director	Independent	Mar-14
Dion Hershan	Director	Independent	Apr-18
Wayne Kent	Director	Independent	Nov-21

- ◆ **Charles Goode - Chair:** Mr. Goode was appointed to the Board as a Director in April 1990 and has been the Chair since October 1993. Mr. Goode is currently also the Chair of Diversified United Investment Company (ASX: DUI), Chairman Emeritus of The Ian Potter Foundation Limited and Chairman Emeritus of Flagstaff Partners, having been the Chairman from 2010 to 2019. Mr. Goode was formerly a Director and Chairman of Australia and New Zealand Banking Group Limited (ASX: ANZ) and Woodside Petroleum Limited (ASX: WPL).
- ◆ **Fred Grimwade - Lead Independent Director:** Mr. Grimwade was appointed to be Board in March 2014 and appointed as Lead Independent Director in October 2022. Mr. Grimwade is a Principal and Director of Fawcner Capital Management Pty Ltd, an independent corporate advisory firm. Mr. Grimwade is currently Chair of XRF Scientific Limited. Mr. Grimwade formerly held senior executive positions with Colonial First State Investments Group, Colonial Mutual Group, Western Mining Corporation and Goldman, Sachs & Co. Mr. Grimwade is Chair of the Company's Audit and Risk Management Committee.
- ◆ **Dion Hershan - Director:** Mr. Hershan was appointed as a Director in April 2018. Mr. Hershan is currently Executive Chairman and Head of Australian Equities at Yarra Capital Management. Mr. Hershan has over 20 years' experience in the finance industry, formerly holding senior executive positions with Goldman Sachs Asset Management, Citadel Investment Group (New York), Fidelity Investments (Boston) and Boston Consulting Group. Mr. Hershan is Chair of the Nomination and Remuneration Committee.
- ◆ **Wayne Kent - Director:** Mr. Kent is the most recent addition to the Board being appointed in November 2021. Mr. Kent has a 40-year career spanning Law, Investment Banking and Private Equity, including extensive experience in the Australian and International markets. Mr. Kent co-founded Macquarie's Equity Capital Markets business and has held senior executive positions at Macquarie and Credit Suisse, Australia. Mr. Kent is also a co-owner or investor in a number of privately owned businesses and industrial properties in Australia.

PORTFOLIO POSITIONING

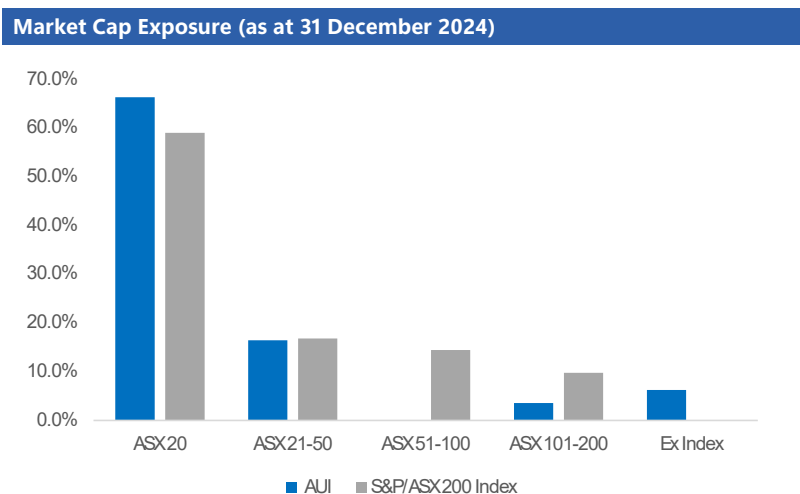
The portfolio is moderately concentrated typically comprising 40-50 stocks. The portfolio is concentrated to a core group of holdings which generate the majority of the income for the Company, as is highlighted by the below table. As at 31 December 2024, the top 25 positions represented 93% of the portfolio.

While the Company does not seek to mimic the S&P/ASX 200 Index, the Board are benchmark aware when it comes to position sizing. There may be individual stocks that represent a large portion of the portfolio to reflect a level of conviction or involve a large tax expense if sold. This is highlighted by the top two holdings, CBA and CSL, which represented 18.5% of the portfolio as at 31 December 2024. The largest overweight position at 31 December 2024 was to RIO, with a 4% overweight position. One of the top 10 positions is DUI. AUI was one of the founders of DUI. There is a significant amount of overlap of the stocks in DUI's portfolio with AUI's portfolio. Therefore AUI's exposure to a number of stocks is increased through the exposure to DUI.

Top 25 Holdings (as at 31 December 2024)				
Company Name	Ticker	AUI	S&P/ASX 200 Index	Active Weight
Commonwealth Bank of Australia	CBA	11.3%	9.8%	+1.5%
CSL Limited	CSL	7.2%	5.2%	+2.0%
BHP Group Limited	BHP	6.9%	7.6%	-0.8%
Wesfarmers Limited	WES	6.0%	3.1%	+2.9%
Rio Tinto Limited	RIO	5.7%	1.7%	+4.0%
Diversified United Investment Limited	DUI	4.9%	na	+4.9%
Woodside Energy Group Ltd	WDS	4.7%	1.8%	+3.0%
Transurban Group	TCL	4.7%	1.6%	+3.1%
ANZ Group Holdings Limited	ANZ	4.4%	3.2%	+1.2%
Westpac Banking Corporation	WBC	4.1%	4.2%	-0.1%

Top 25 Holdings (as at 31 December 2024)				
ResMed Inc.	RMD	4.0%	0.9%	+3.2%
Aristocrat Leisure Limited	ALL	3.9%	1.6%	+2.3%
CAR Group Limited	CAR	3.5%	0.5%	+3.0%
National Australia Bank Limited	NAB	2.4%	4.3%	-2.0%
Worley Limited	WOR	2.2%	0.3%	+1.9%
Washington H Soul Pattinson & Company Limited	SOL	2.2%	0.5%	+1.7%
Origin Energy Limited	ORG	2.1%	0.7%	+1.4%
Brambles Limited	BXB	2.0%	1.0%	+1.0%
Woolworths Group Limited	WOW	2.0%	1.4%	+0.5%
NEXTDC Limited	NXT	1.9%	0.4%	+1.6%
Coles Group Limited	COL	1.6%	1.0%	+0.6%
Northern Star Resources Ltd	NST	1.5%	0.7%	+0.8%
Macquarie Group Limited	MQG	1.4%	3.2%	-1.8%
Pexa Group Limited	PXA	1.3%	0.1%	+1.2%
Challenger Limited	CGF	1.2%	0.2%	+1.0%
Total		93.0%	54.9%	

The portfolio is predominantly exposed to top 50 stocks with 82.8% of the portfolio allocated to these stocks as at 31 December 2024. This reflects the high concentration of top 50 stocks in the S&P/ASX 200 Index, with the top 50 stocks representing 75.8% of the index as at 31 December 2024. As the below chart shows, the portfolio has very little exposure to mid and small cap stocks. The ex index exposure represents the allocation to DUI, the sister LIC of AUI, and cash.



Source: Iress, AUI, IIR.

The below table shows the sector exposure of the portfolio as at 31 December 2024. The largest sector exposure was to Financials with the Banks making up the majority of this exposure. The allocation to Financials has grown to 31.9% of the portfolio, despite the Company trimming their positions in banks during the 1H'FY25.

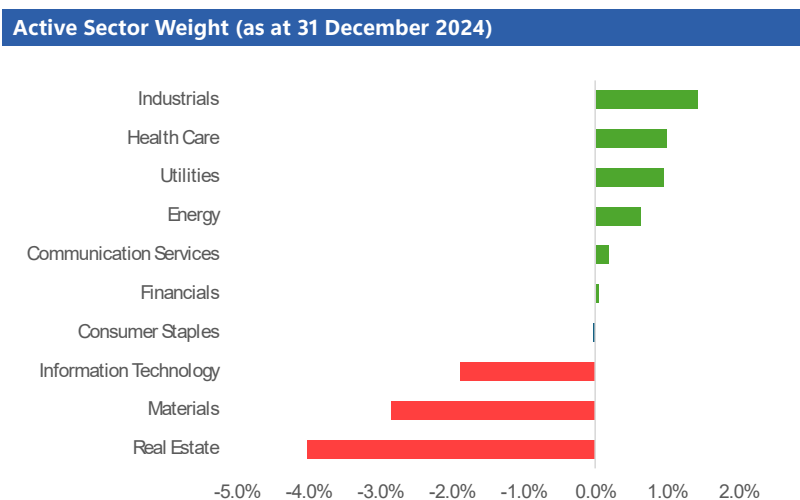
The second biggest exposure is to Materials, which represented 15.9% of the portfolio. The Materials exposure is largely comprised of the positions in BHP and RIO. Health Care and Consumer Discretionary sectors were the other two sectors that had a weighting of greater than 10% with overweight positions in both WES and CSL.

Sector Allocation (as at 31 December 2024)		
Sector	AUI	S&P/ASX 200 Index
Energy	4.7%	4.1%
Materials	15.9%	18.7%
Industrials	9.4%	8.0%
Consumer Discretionary	10.9%	7.7%
Consumer Staples	3.5%	3.5%

Sector Allocation (as at 31 December 2024)		
Health Care	11.2%	10.2%
Financials	31.9%	31.8%
Information Technology	1.9%	3.8%
Communication Services	4.6%	4.4%
Utilities	2.3%	1.3%
Real Estate	2.4%	6.4%
Cash	1.3%	na

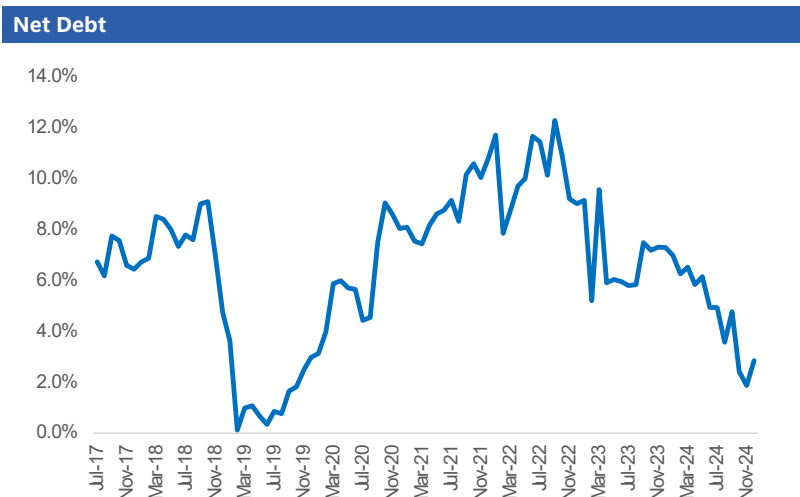
Source: AUI, Iress, IIR.

We have provided the active sector weight of AUI's portfolio relative to the S&P/ASX 200 Index below to highlight the overweight and underweight sector exposures. The largest overweight exposure was to Industrials, while the largest underweight exposure was to Real Estate. The portfolio was also underweight Materials and Information Technology.



The Company had available bank facilities of \$145 million as at 31 December 2024. This was reduced from \$175 million post the September quarter 2024 and is down from \$195 million in available facilities in May 2024. The Company uses the debt facilities to gain additional exposure to the market. While the debt exposure has changed throughout the history of the Company, net debt is typically no more than 12% of the total portfolio value.

With the market valuations stretched and the fact that the Board does not believe the market is pricing in the uncertainties in the market, combined with the higher cost of borrowings, the Company has reduced both the available facilities as well as the amount of debt drawn, with \$42 million drawn as at 31 December 2024. This represented net debt of just 2.9%.



Portfolio Turnover

The Company has a very low level of turnover with an average annual turnover of just 5.9% over the last five financial years. The portfolio is managed in a tax aware manner which is one of the reasons there is little turnover in the portfolio. However, the manner in which the portfolio is managed can result in the portfolio becoming concentrated in individual positions.

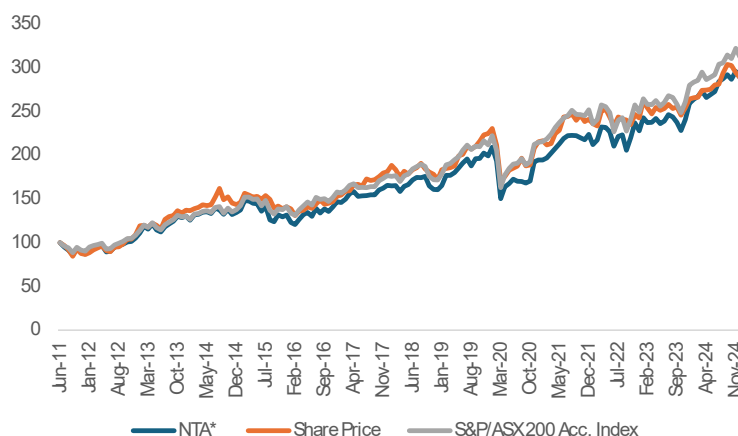
Portfolio Turnover	
Financial Year	Annual Turnover
FY20	3.9%
FY21	6.6%
FY22	7.5%
FY23	5.1%
FY24	6.1%
Average	5.9%

PERFORMANCE ANALYTICS

The below graphic provides an analysis of the performance of the AUI NTA and share price from 30 June 2011 to 31 December 2024. We have included the performance of the S&P/ASX 200 Accumulation Index to illustrate the risk/return characteristics of the portfolio compared to the investment universe (the domestic market). We note that the market performance is provided for illustrative purposes only. There are no performance incentives tied to the performance of the portfolio compared to the market.

The Company's NTA has slightly underperformed the broader domestic market over the long-term, however we note that the NTA incorporates tax paid, while the index does not. While the NTA has underperformed over the long-term, the level of variance from the market has been low as is highlighted by the tracking error below. Shareholder returns have outperformed NTA returns for long periods throughout the Company's history due to the dislocation that can occur between the share price and the NTA. However, over the period shown below, shareholder returns and NTA returns have been largely the same.

Cumulative Total Returns (30 June 2011 to 31 December 2024)



*NTA includes tax on realised capital gains but not tax on unrealised gains.

Source: AUI, Iress, IIR

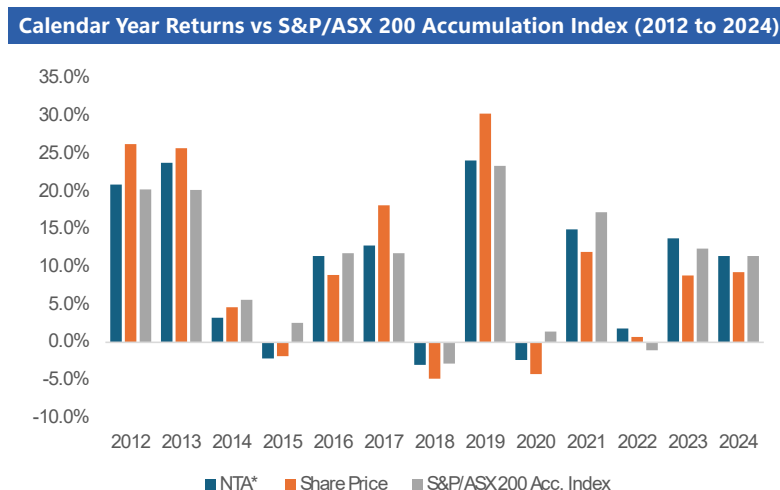
The below table looks at the performance metrics of AUI's NTA and shareholder returns. The NTA delivered returns in line with the market in 2024 and has outperformed over the 3-year period to 31 December 2024. Over the long-term, the NTA has slightly underperformed. While the NTA has underperformed the variance from the market returns is low. While the portfolio differs from the market, the portfolio has historically been heavily weighted to blue-chip stocks, which account for a high percentage of the S&P/ASX 200 Index and therefore results in the portfolio delivering risk/return characteristics that are similar in nature to the market.

A feature of LICs is that the share price may dislocate from the NTA which results in shareholder returns varying from the NTA returns. Shareholder returns underperformed NTA returns in 2024 as a result of a widening of the discount over the period. While the share price increased over the 2024 calendar year period, it lagged the increase in the NTA. There are a few factors contributing to the widening discount which we discuss below in the Premium/Discount section. While shareholder returns underperformed in 2024, as shown in the above chart, there have been periods where a narrowing of the discount has resulted in shareholder returns outperforming the NTA. The share price movements have had a greater level of variance from the market than the NTA, as highlighted by the higher tracking error.

Performance Analytics (as at 31 December 2024)			
	NTA*	Share Price	S&P/ASX 200 Accumulation Index
Cumulative Total Return:			
1 year	11.4%	9.3%	11.4%
3 year (p.a.)	8.9%	6.2%	7.4%
5 year (p.a.)	7.7%	5.1%	8.1%
10 year (p.a.)	7.9%	7.2%	8.5%
Standard Deviation:			
1 year	7.4%	7.2%	8.4%
3 year (p.a.)	14.0%	10.6%	13.9%
5 year (p.a.)	17.1%	14.8%	16.5%
10 year (p.a.)	14.8%	12.6%	13.9%
Tracking Error:			
1 year	2.4%	9.6%	na
3 year (p.a.)	2.3%	10.0%	na
5 year (p.a.)	3.6%	9.1%	na
10 year (p.a.)	3.6%	8.9%	na

* NTA includes tax on realised capital gains but not tax on unrealised gains.

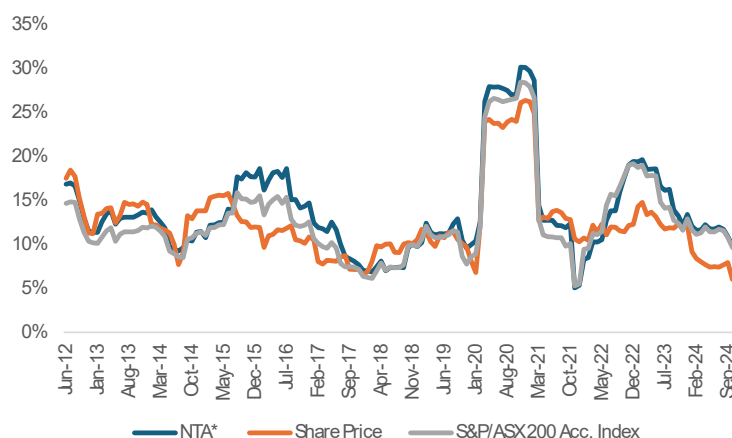
The below chart shows the calendar year returns of the NTA and share price compared to the S&P/ASX 200 Acc. Index from 2012 to 2024. The chart further highlights the relatively low level of variance compared to the market. While there will be periods of under-and-out performance, returns have not varied widely from the market.



Source: AUI, Iress, IIR

The volatility of the NTA returns has been similar or slightly above the market throughout its history, reflecting the concentration of the portfolio. Interestingly the shareholder returns have typically experienced lower volatility than the NTA returns.

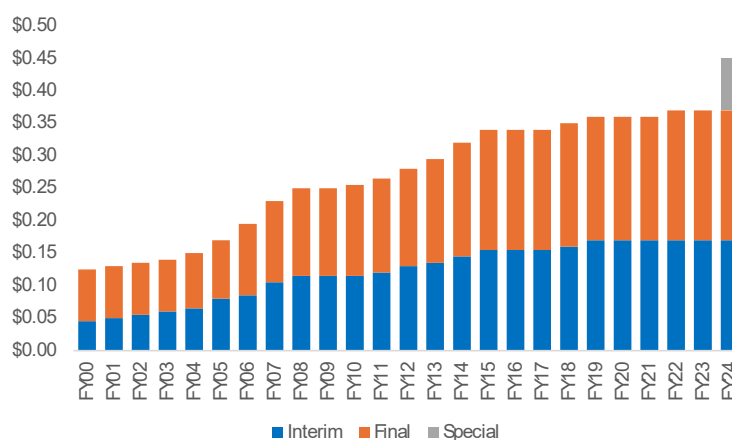
Rolling 12-month Standard Deviation



Dividends

AUI has paid a steadily increasing annual dividend throughout its history as is shown in the below chart. The Company paid its first ever special dividend in the FY24 period of 8 cents per share, fully franked, sourced from the retained earnings. The Company has indicated that they intend to pay a fully franked special dividend of 8 cents per share for the next five years. The special dividend seeks to payout some of the special dividends that have been earned over the years by the Company. As it currently stands, the Company has sufficient reserves and franking credits to fulfil this intention. The addition of the special dividends saw the annual dividend for the FY24 period increased to 45 cents per share, fully franked.

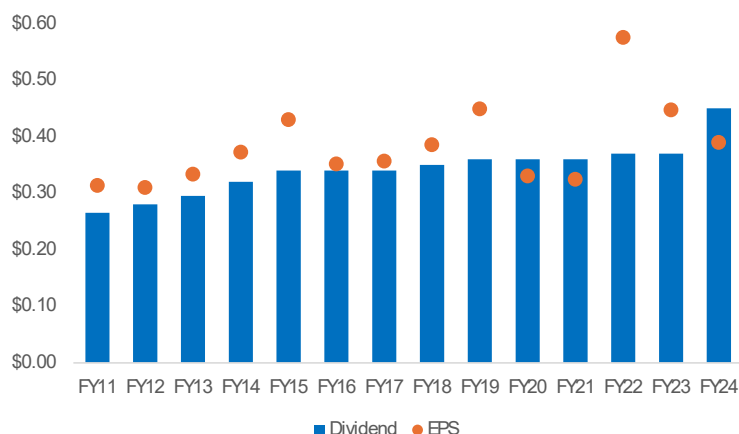
Dividends Declared by Financial Year (FY00 to FY24)



Source: AUI, Iress, IIR

The Company seeks to payout the majority of the income generated in any given year. From FY11 to FY24, the payout ratio has ranged from 83% to 115% with an average payout ratio of 91%. The Company has used retained earnings to top up the dividends during periods when the EPS has declined. The ability to retain realised capital gains and income and payout at a later date to smooth dividends is one of the features of a LIC.

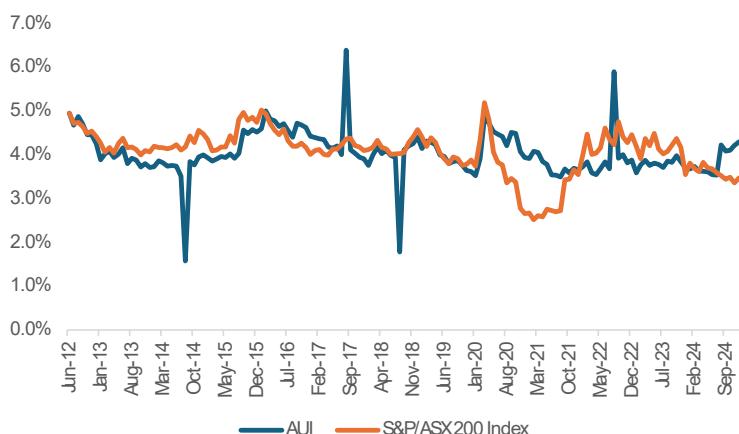
EPS vs. Annual Dividend Declared



Source: AUI Annual Reports, IIR.

From a dividend yield perspective, the Company has typically delivered a yield that is in line with the market. There are a few gyrations in the below chart due to the changes in the timing of the annual dividends. The dividend yield jumped above the market on the back of the special dividend.

Trailing 12-month Dividend Yield Compared to S&P/ASX 200 Index



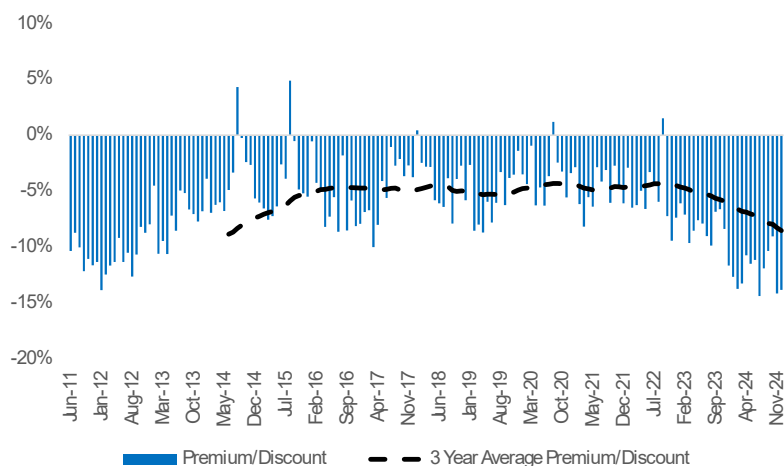
Source: Iress, IIR

Premium/Discount

The Company has traded predominantly at a discount to NTA throughout its history. One of the drawbacks of the Company is the limited liquidity. This is due to the limited free-float available with the three largest shareholders owning over 50% of the shares on issue.

The discount has been increasing over the last 18 months. We attribute to this to the rotation out of Australian large cap equity LICs driven largely by the interest rate environment. The discount has increased to highest level in the last 15 years with the Company trading at a discount greater than the 3 year average over the last 12 months.

Historical Premium/Discount (based on month-end data)



Source: ASX, Iress, IIR

PEER COMPARISON

The below provides a comparison of the key features and performance of the relevant peers of AUI. The below peers have a focus on Australian large cap equities. While all LICs in the peer group have a focus on large cap stocks each of the LICs have a different strategy and mandate. For example, AUI has a long-term, low turnover investment approach. This compares to WLE, which has a highly active style of investing resulting in high levels of turnover.

Listed Investment Company (LIC) Peer Group

Name	Ticker	Structure	Management	Market Cap (\$m)*
Australian Foundation Investment Company Limited	AFI	LIC	Internal	\$9,285.6
Argo Investments Limited	ARG	LIC	Internal	\$6,861.7
Australian United Investment Company Limited	AUI	LIC	Internal	\$1,299.3
BKI Investment Company Limited	BKI	LIC	External	\$1,364.1
Diversified United Investments Limited	DUI	LIC	Internal	\$1,140.9
Perpetual Investment Company	PIC	LIC	External	\$452.5
Whitefield Industrials Ltd	WHF	LIC	Internal	\$669.6
WAM Leaders Limited	WLE	LIC	External	\$1,712.2

*As at 31 December 2024.

Source: ASX, IIR.

From a fee perspective, AUI's fees are highly competitive. The portfolio is internally managed with a low MER and no performance fees paid. This results in low levels of fee leakage for investors.

Peer Group Fee Comparison

LIC Name	ASX Ticker	Management Fee, ex GST	Performance Fee	Performance Fee Hurdle
Australian Foundation Investment Company Limited	AFI	0.15%	na	na
Argo Investments Limited	ARG	0.15%	na	na
Australian United Investment Company Limited	AUI	0.10%	na	na
BKI Investment Company Limited	BKI	0.17%	na	na
Diversified United Investments Limited	DUI	0.12%	na	na
Perpetual Investment Company	PIC	1.00%	na	na
Whitefield Industrials Ltd	WHF	0.25%	na	na
WAM Leaders Limited	WLE	1.00%	20.0%	S&P/ASX 200 Acc Index

Source: ASX, IIR.

The below table shows the trailing 12-month dividend yield, on a net and grossed-up basis, and the premium/discount for the peer group as at 31 December 2024. AUI's dividend yield is above a number of its peers that seek to typically payout the large majority of income generated by the portfolio, with the special dividend providing a boost to yield. PIC and WLE have the highest yields in the peer group. These two LICs pay dividends from a combination of income and capital gains, which provides the ability to payout higher dividends, however if not managed effectively can impede capital growth.

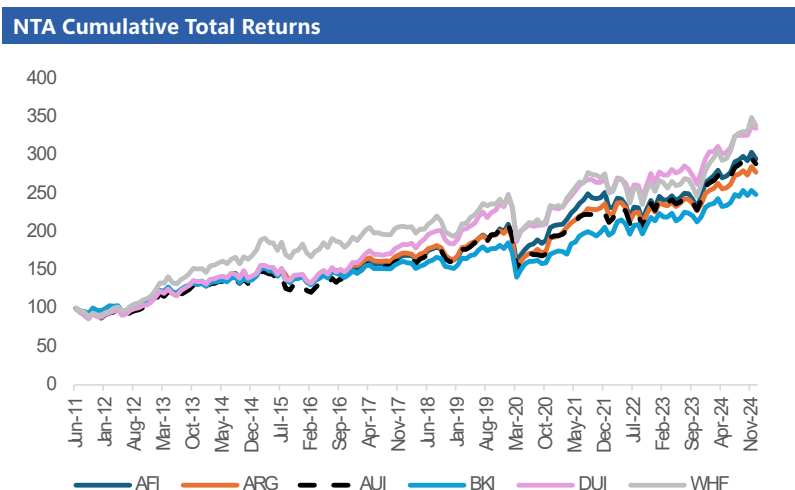
All LICs in the peer group were trading at a discount to NTA at 31 December 2024. There has been a rotation out of Australian equity LICs as a result of higher yielding products available given the interest rate environment. AUI was trading at one of the larger discounts of the peer group. We attribute the higher discount to the low levels of liquidity of the Company compared to its peers. While the Company has a market cap in excess of \$1 billion, the Company has a low level of free float which results in the Company having a lower level of turnover than its peers.

Dividend Yields & Premium/Discount (as at 31 December 2024)				
LIC Name	Ticker	Trailing 12-month Net Dividend Yield	Trailing 12-month Grossed-Up Dividend Yield	Premium/Discount
Australian Foundation Investment Company Limited	AFI	3.51%	5.01%	-10.1%
Argo Investments Limited	ARG	3.84%	5.48%	-10.2%
Australian United Investment Company Limited	AUI	4.30%	6.14%	-13.8%
BKI Investment Company Limited	BKI	4.64%	6.64%	-9.6%
Diversified United Investments Limited	DUI	3.02%	4.31%	-14.5%
Perpetual Investment Company	PIC	6.75%	9.64%	-6.9%
Whitefield Industrials Ltd	WHF	3.72%	5.32%	-11.1%
WAM Leaders Limited	WLE	7.36%	10.51%	-4.6%

Source: ASX, Iress, IIR.

AUI's portfolio has performed in the middle of the peer group over the long-term when compared to those LICs that have a track record dating back to 30 June 2011.

We have also provided the return metrics for the peer group over short and long-term periods to 31 December 2024. Over the 12-month period, the Company delivered a competitive shareholder return with the discount not expanding a great deal. This compared to some of its peers which have delivered returns materially below the NTA returns as a result of a widening discount.



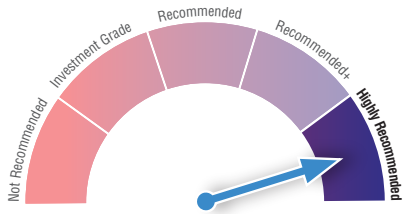
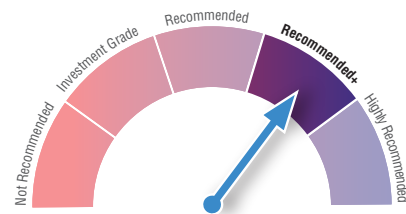
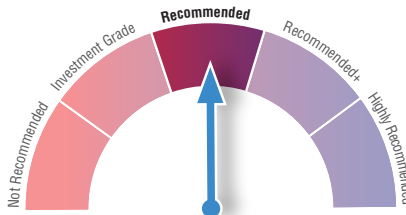
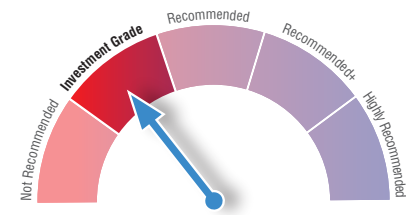
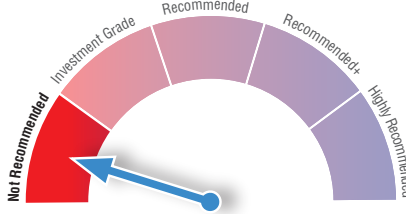
Source: Iress, IIR

Risk & Return Metrics (as at 31 December 2024)								
	AFI	ARG	AUI	BKI	DUI	PIC	WHF	WLE
NTA Cumulative Total Returns:								
1 year	11.7%	11.2%	11.4%	7.2%	13.3%	8.9%	21.1%	1.8%
3 year (p.a.)	5.5%	5.5%	8.9%	6.5%	7.5%	4.3%	7.1%	2.4%
5 year (p.a.)	8.1%	7.0%	7.7%	6.9%	7.6%	8.4%	7.6%	6.8%
10 year (p.a.)	7.7%	7.2%	7.9%	6.1%	8.9%	7.6%	7.2%	na
NTA Return Standard Deviation:								
1 year	9.0%	8.3%	7.4%	9.1%	7.6%	9.9%	10.8%	9.5%
3 year (p.a.)	14.3%	12.7%	14.0%	12.5%	12.7%	12.7%	15.9%	12.6%
5 year (p.a.)	15.8%	16.1%	17.1%	15.0%	15.0%	16.7%	16.8%	15.3%
10 year (p.a.)	13.4%	13.4%	14.8%	12.8%	13.4%	13.2%	14.6%	na
Share Price Cumulative Total Returns:								
1 year	3.0%	4.4%	9.3%	-0.1%	8.7%	12.5%	14.4%	-2.1%
3 year (p.a.)	-1.1%	-0.4%	6.2%	5.3%	4.1%	2.8%	3.4%	0.9%
5 year (p.a.)	4.3%	4.3%	5.1%	4.6%	4.6%	8.1%	5.5%	6.7%
10 year (p.a.)	6.0%	5.4%	7.2%	5.4%	8.3%	7.0%	6.9%	na

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd “IIR” rating system.

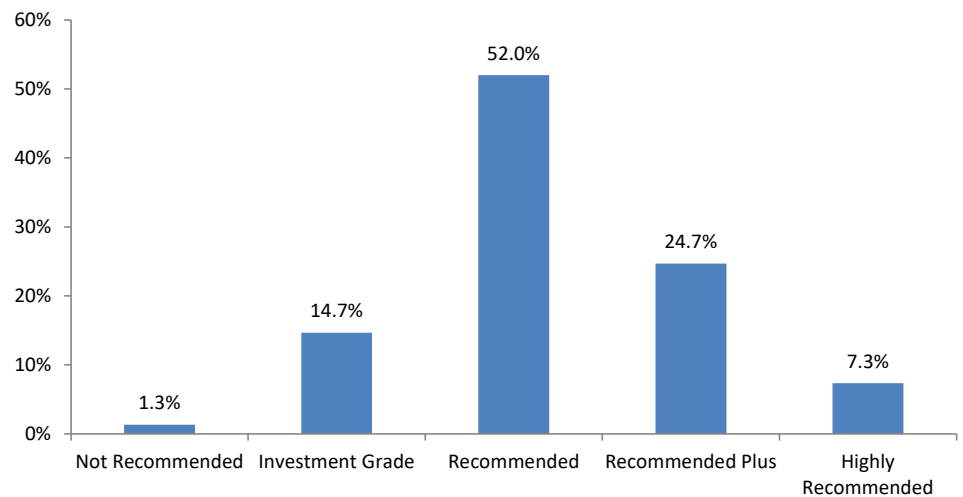
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	83 and above
 <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>	
Recommended +	79–83
 <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>	
Recommended	70–79
 <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>	
Investment Grade	60–70
 <p>This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.</p>	
Not Recommended	<60
 <p>This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.</p>	

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings



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