

Diversified United Investment
Limited
(ASX: DUI)

Review

3 April 2025

WHO IS IIR?

Independent Investment Research, "IIR", is an independent investment research house based in Australia and the United States. IIR specialises in the analysis of high quality commissioned research for Brokers, Family Offices and Fund Managers. IIR distributes its research in Asia, United States and the Americas. IIR does not participate in any corporate or capital raising activity and therefore it does not have any inherent bias that may result from research that is linked to any corporate/ capital raising activity.

IIR was established in 2004 under Aegis Equities Research Group of companies to provide investment research to a select group of retail and wholesale clients. Since March 2010, IIR (the Aegis Equities business was sold to Morningstar) has operated independently from Aegis by former Aegis senior executives/ shareholders to provide clients with unparalleled research that covers listed and unlisted managed investments, listed companies, structured products, and IPOs.

INDEPENDENCE OF RESEARCH ANALYSTS

Research analysts are not directly supervised by personnel from other areas of the Firm whose interests or functions may conflict with those of the research analysts. The evaluation and appraisal of research analysts for purposes of career advancement, remuneration and promotion is structured so that non-research personnel do not exert inappropriate influence over analysts.

Supervision and reporting lines: Analysts who publish research reports are supervised by, and report to, Research Management. Research analysts do not report to, and are not supervised by, any sales personnel nor do they have dealings with Sales personnel

Evaluation and remuneration: The remuneration of research analysts is determined on the basis of a number of factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients.

INDEPENDENCE – ACTIVITIES OF ANALYSTS

IIR restricts research analysts from performing roles that could prejudice, or appear to prejudice, the independence of their research.

Pitches: Research analysts are not permitted to participate in sales pitches for corporate mandates on behalf of a Broker and are not permitted to prepare or review materials for those pitches. Pitch materials by investor clients may not contain the promise of research coverage by IIR.

No promotion of issuers' transactions: Research analysts may not be involved in promotional or marketing activities of an issuer of a relevant investment that would reasonably be construed as representing the issuer. For this reason, analysts are not permitted to attend "road show" presentations by issuers that are corporate clients of the Firm relating to offerings of securities or any other investment banking transaction from that our clients may undertake from time to time. Analysts may, however, observe road shows remotely, without asking questions, by video link or telephone in order to help ensure that they have access to the same information as their investor clients.

Widely-attended conferences: Analysts are permitted to attend and speak at widely-attended conferences at which our firm has been invited to present our views. These widely-attended conferences may include investor presentations by corporate clients of the Firm.

Other permitted activities: Analysts may be consulted by Firm sales personnel on matters such as market and industry trends, conditions and developments and the structuring, pricing and expected market reception of securities offerings or other market operations. Analysts may also carry out preliminary due diligence and vetting of issuers that may be prospective research clients of ours.

INDUCEMENTS AND INAPPROPRIATE INFLUENCES

IIR prohibits research analysts from soliciting or receiving any inducement in respect of their publication of research and restricts certain communications between research analysts and personnel from other business areas within the Firm including management, which might be perceived to result in inappropriate influence on analysts' views.

Remuneration and other benefits: IIR procedures prohibit analysts from accepting any remuneration or other benefit from an issuer or any other party in respect of the publication of research and from offering or accepting any inducement (including the selective disclosure by an issuer of material information not generally available) for the publication of favourable research. These restrictions do not preclude the acceptance of reasonable hospitality in accordance with the Firm's general policies on entertainment, gifts and corporate hospitality.

DISCLAIMER

This publication has been prepared by Independent Investment Research (Aust) Pty Limited trading as Independent Investment Research ("IIR") (ABN 11 152 172 079), an corporate authorised representative of Australian Financial Services Licensee (AFSL no. 410381. IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may affect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).

However, under no circumstances has IIR been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report. The information contained in this publication must be read in conjunction with the Legal Notice that can be located at <http://www.independentresearch.com.au/Public/Disclaimer.aspx>.

THIS IS A COMMISSIONED RESEARCH REPORT.

The research process includes the following protocols to ensure independence is maintained at all times:

- 1) The research process has complete editorial independence from the company and this is included in the contract with the company;
- 2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
- 3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
- 4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
- 5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
- 6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

For more information regarding our services please refer to our website www.independentresearch.com.au.

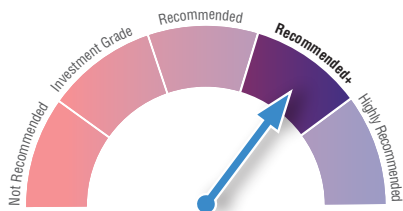
Contents

Product Summary	1
Investor Suitability	1
Recommendation.....	1
SWOT	2
Product Overview	3
Board and Investment Team	4
Portfolio Positioning	5
Performance Analytics	8
Peer Comparison.....	12
Appendix A – Ratings Process	14
Appendix B – Managed Investments Coverage	15

Diversified United Investment Limited (ASX: DUI) - Review

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	DUI
Share Price	\$5.17
NTA* per share	\$6.17
Shares on Issue (m)	215.3m
Market Cap (\$m)	\$1,112.9m
Trailing 12-month Dividend Yield (Net)	3.09%
Trailing 12-month Dividend Yield (Grossed-Up)	4.41%
Dividend Frequency	Semi-annually
Listing Date	December 1991
Structure	Listed Investment Company (LIC)
IIR Investment Classification	Australian Large Cap
Investment Manager	Internal
Fees:	
Management Fee (p.a.)**	0.12%
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	Portfolio of predominantly ASX-listed securities with a 15% to 25% target exposure to international securities.
FX Exposure	The Company has direct foreign currency exposure through the international investments. The base policy is for currency exposure to be unhedged, however up to 50% of the currency exposure may be hedged. This may be higher where strong views are held.

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

Diversified United Investment Limited (ASX: DUI) is a listed investment company (LIC) with a track record dating back to December 1991. DUI is the sister LIC of Australian United Investment Company Limited (ASX: AUI) and was founded by The Ian Potter Foundation, AUI and the Myer Family. The Ian Potter Foundation and AUI currently own ~23% of the shares on issue. The Company seeks to provide income and capital appreciation over the longer term to its shareholders through a portfolio of predominantly ASX-listed stocks with some broad based exposure to international markets. The portfolio is managed by the Board, which consists of four Directors after the resignation of Andrew Sisson in December 2024. All of the Directors have a significant amount of experience in investment markets. While the portfolio is actively managed, the Company is an investor as opposed to a trader and therefore takes a long-term, tax aware 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 ASX-listed holdings, with the ASX-listed securities (excluding ETFs) typically representing over 80% of the portfolio. The Company had borrowing facilities totalling \$100m at 31 December 2024. This is down from \$140 million at 30 June 2024. The Company had repaid the debt almost in full by December with just \$10 million of drawn debt at December-end. The reduction in debt reflects the uncertainty in the current market environment and provides access to liquidity to increase exposure to the market in the event attractive opportunities arise. The operating costs (excluding borrowing costs) of the Company are low with a MER of 0.12% for the CY24 financial year.

INVESTOR SUITABILITY

An investment in DUI is suitable for those investors seeking exposure to a low cost portfolio of predominantly ASX-listed securities with some broad based exposure to international markets. The Company has provided a steadily increasing fully franked dividend with the dividends typically covered by the income generated by portfolio. This is important given the long-term investment approach of the Company, meaning the Company does not have to rely on realised capital gains to maintain the dividend. 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. As such 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. The portfolio is concentrated to the larger holdings in the portfolio, therefore investors should ensure the portfolio is providing an adequate level of diversification to the core holdings in their broader investment portfolio. While the Company seeks to provide a growing fully franked dividend over time, the exposure to intentional equities will result in the portfolio offering a below-market yield.

RECOMMENDATION

Independent Investment Research (IIR) has maintained a **Recommended Plus** rating for Diversified United Investment Limited (ASX: DUI). DUI provides a differentiated exposure to its sister company, AUI, through the exposure to international markets. The Company has largely achieved its objectives and has used the LIC structure to provide a steadily growing fully franked dividend throughout its history. While dividends have grown over the long-term, the international exposure has been a drag on the yield. The Company has performed well over the long-term with the NTA being the best performer in the peer group over the 10-years to 31 December 2024. The exposure to international ETFs combined with a weakening Australian dollar have contributed to the positive performance. The foreign currency exposure has historically been unhedged meaning the portfolio will benefit from a weakening Australian dollar and vice versa with a strengthening Australian dollar.

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 where relevant. 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 predominantly 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 built a healthy retained earnings position providing the Company the ability to maintain dividends during periods of market weakness.
- ◆ The Company has performed strongly over the long-term when compared to its peers with the Company generating the greatest NTA return (including dividends) of the peer group over the 10 years to 31 December 2024 and the second highest share price return.

Weaknesses

- ◆ Except for the limitations on the international portfolio allocation, the Company does not have any formal risk constraints regarding the portfolio construction. This combined with the long term investment approach has resulted in the portfolio becoming concentrated to individual positions.
- ◆ The Company has traded at a discount to NTA for the majority of its history, meaning investors have been unable to exit at par value. While dislocations between the NTA and share price are a feature of listed closed-ended funds, it will up to the Board to come up with strategies to generate an increase in demand for the shares to narrow the discount.
- ◆ While the international equity exposure provides an element of diversification at a low cost, the vehicles used to gain the exposure are easily accessible by retail investors and don't necessarily provide the edge that one often expects from a professionally managed fund.

Opportunities

- ◆ The Company provides the opportunity to gain exposure to a regular fully franked dividend from a portfolio of predominantly ASX-listed stocks with the benefit of some broad based exposure to international markets.
- ◆ With the market at historically high levels, the elevated discount is expected to provide a level of capital preservation in the event the market declines. It is often the case with the Company that the share price lags the portfolio in strong markets and provides an element of capital protection in down markets.

Threats

- ◆ 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.
- ◆ The portfolio has a significant weighting to CSL. We view the exposure to CSL to increase the risk of the portfolio with the potential to result in heightened volatility by the investment in this individual position.
- ◆ Given the exposure of the portfolio, the portfolio will likely underperform the market when smaller cap and growth stocks outperform.

- ◆ The international equity exposure is currently unhedged. This will benefit the portfolio positively during periods of Australian dollar weakness and negatively during periods of Australian dollar strength.

PRODUCT OVERVIEW

Diversified United Investment Limited (ASX: DUI) is a listed investment company (LIC) on the ASX with a track record dating back to December 1991. DUI is the sister LIC of Australian United Investment Company Limited (ASX: AUI) and was founded by The Ian Potter Foundation, AUI and the Myer Family. The Company seeks to provide income and capital appreciation over the longer term to its shareholders through a portfolio of predominantly ASX-listed stocks with additional exposure to international markets. The portfolio is managed by the Board. After the resignation of Andrew Sisson, the Board consists of four Directors, all of whom have a significant amount of experience in investment markets.

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 the Company's brokers.

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. In the last five financial years the portfolio had an average annual turnover of 4%. 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 its core ASX-listed holdings. The ASX-listed investments (excluding ETFs) typically represent around 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 which typically comprise more than 80% of the portfolio and provides the majority of the portfolio's income. The ASX-listed securities are heavily weighted to large cap stocks with the portfolio typically weighted to ASX 50 stocks. The Company has a target allocation of 15% to 25% to international markets, exposure to which is provided through passively managed ETFs and unlisted managed funds. The Company seeks to provide broad based exposure to international markets and thematics that are not readily accessible in the Australian market.

Despite the international exposure, the portfolio still has a relatively low tracking error with S&P/ASX 200 Index, given the exposure of the Australian equity portfolio.

The portfolio seeks to be largely invested at all times with the Company typically holding less than 10% cash. Over the ten years to 31 December 2024, the Company had an average cash holding of 2.1%.

The Company has \$100m in debt facilities, of which \$10m was drawn as at 31 December 2024. The debt facilities are used to provide liquidity to the Company, providing the Company with access to capital to increase exposure to the market. The debt facilities are increased and decreased over time depending on the market conditions. Given the long standing relationship with the banks that provide the debt facilities the facilities are typically rolled over upon maturity.

The portfolio is managed internally and has low portfolio churn which provides the ability for the portfolio to be managed for a low cost with the Company having a MER of 0.12% for the FY24 period.

BOARD AND INVESTMENT TEAM

The Board comprises four Directors, three of which are considered independent of the Company. Charles Goode is the Chair and has been on the Board since the establishment of the Company and is the longest serving board member. Andrew Sisson AO resigned from the Board in December 2024 after just 2.5 years. The resignation has seen the Board reduced from five to four. The Company has not announced any intention to replace Mr. Sisson.

The Board also serves as the manager of the portfolio and the investment team. The Chairman 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	September 1991
Anthony Burgess	Director	Non-Independent	September 2008
Stephen Hiscock	Lead Independent Director	Independent	November 2011
Andrew Larke AO	Director	Independent	March 2015

- ◆ **Charles Goode - Chairman:** Mr. Goode was appointed to the Board as Chair in September 1991. Mr. Goode is currently also the Chairman of Australian United Investment Company (ASX: AUI), 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).
- ◆ **Anthony Burgess - Director:** Mr. Burgess was appointed to the Board in September 2008. Mr. Burgess has over 40 years' experience in corporate finance in Melbourne, London and New York. He is Co-Founder and Chair of Flagstaff Partners Pty Ltd, an independent corporate finance advisory firm, having been Chief Executive Officer 2010 to 2019. He was formerly Global Co-Head of Mergers and Acquisitions at Deutsche Bank AG, based in London. He is a Governor of The Ian Potter Foundation Limited (since 2013), Chairman of the Foundation for Business and Economics at the University of Melbourne (since 2010) and a Director of Melbourne Business School Limited (since 2013).
- ◆ **Stephen Hiscock - Lead Independent Director:** Mr. Hiscock was appointed to the Board in November 2011 and Lead Independent Director in November 2022. Mr. Hiscock is Executive Chairman and a founding shareholder of SG Hiscock & Company Ltd (SGH), a fund manager specialising in Australian Equities, REITs and Individually Managed Portfolios. Prior to setting up SGH, Mr Hiscock was Chief Investment Officer, National Asset Management Ltd (NAM), a subsidiary of National Australia Bank Ltd and he was also the Chairman of their Asset Allocation Committee. Prior to that he was the Head of NAM's Australian Equities team (for 5 years) and the Head of NAM's Property Team. He is the Chair of the Company's Nomination and Remuneration Committee.
- ◆ **Andrew Larke - Director:** Mr. Larke was appointed to the Board in March 2015. Mr. Larke is Chairman of L1 Long Short Fund Ltd (since 2018) and of IXOM (a leading Australasian chemicals business), and is a Non-Executive Director of DuluxGroup Ltd (since 2010). Formerly he held senior corporate strategy roles in Orica Ltd and North Ltd and has been involved in mergers, acquisitions and divestments as well as in corporate advisory for approximately 30 years. He is Chair of the Company's Audit and Risk Management Committee.

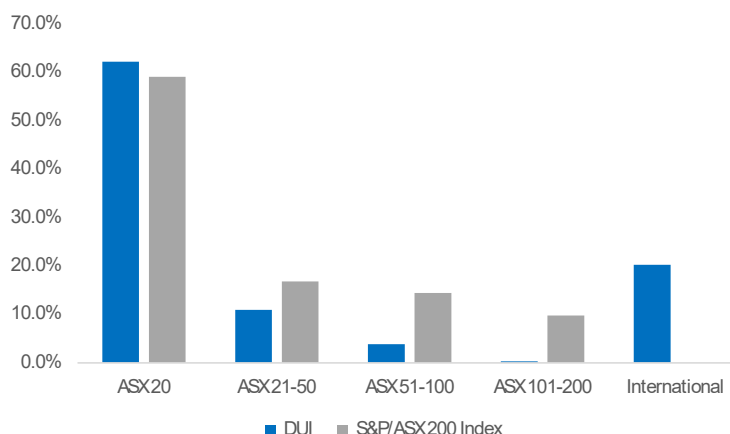
PORTFOLIO POSITIONING

The Company can invest in any stock on the ASX, however has a focus on large cap stocks that deliver an attractive growth and income profile. There are no limitations on the number of stocks that can be invested in nor the position sizing of investments in the portfolio. This may result in the portfolio having a significant weighting to individual stocks. We note the Company continues to have a high level of exposure to CSL with 11.8% of the portfolio allocated to this position as at 31 December 2024. The performance of this stock will heavily influence the performance of the portfolio when compared to the market. We note the size of the position has been driven by the capital appreciation of the share price of the company since the shares were purchased. The Board seeks to manage the portfolio in a tax aware manner and takes into consideration the fact that 30% tax would be required to be paid in the event the position was exited. While tax would be paid, this would generate franking credits for investors.

The portfolio is concentrated to the top 20 holdings which represented 87.1% of the portfolio as at 31 December 2024. Two of the top 10 holdings were in international equity ETFs, which provide passive exposure to a portfolio of securities. One of these ETFs is the Vanguard Information Technology ETF, which has been in the portfolio for a number of years. The ETF provides exposure to 316 companies with a media market cap of US\$475.5 billion. The ETF provides exposure to range of markets in the Information Technology sector which cannot be accessed through Australian listed stocks.

Top 20 Holdings (as at 31 December 2024)				
Company Name	Ticker	DUI	S&P/ASX 200 Index	Active Weight
CSL Limited	CSL	11.8%	5.2%	6.6%
Commonwealth Bank of Australia	CBA	10.2%	9.8%	0.5%
Transurban Group	TCL	6.2%	1.6%	4.6%
BHP Group Limited	BHP	5.9%	7.6%	-1.8%
Vanguard US Total Market Shares Index ETF	VTI	5.0%	na	5.0%
Vanguard Information Technology ETF	VGT	5.0%	na	5.0%
ANZ Group Holdings Limited	ANZ	4.5%	3.2%	1.3%
Rio Tinto Limited	RIO	4.4%	1.7%	2.7%
Aristocrat Leisure Limited	ALL	4.1%	1.6%	2.4%
Westpac Banking Corporation	WBC	3.8%	4.2%	-0.4%
Computershare Limited	CPN	3.5%	0.8%	2.8%
Vanguard All-World Ex-US Shares Index ETF	VEU	3.5%	na	3.5%
iShares TR MSCI USA Min Vol ETF	USMV	3.0%	na	3.0%
ResMed Inc.	RMD	2.7%	0.9%	1.9%
Wesfarmers Limited	WES	2.7%	3.1%	-0.4%
Woodside Energy Group Ltd	WDS	2.6%	1.8%	0.8%
Washington H Soul Pattinson & Company Limited	SOL	2.5%	0.5%	2.1%
National Australia Bank Limited	NAB	2.0%	4.3%	-2.3%
Macquarie Group Limited	MQG	2.0%	3.2%	-1.2%
Northcape Capital Global Emerg Mkts	NCP0001AU	1.7%	na	1.7%
Total		87.1%	49.5%	

The portfolio is predominantly exposed to top ASX-listed 50 stocks with 73% 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.

Market Cap Exposure* (as at 31 December 2024)

Source: Iress, DUI, IIR.

The below table shows the sector exposure of the portfolio. The largest sector exposure was to Financials with the Banks making up the majority of this exposure. Excluding the international exposure, the portfolio had an overweight allocation to Financials when compared to the S&P/ASX 200 Index.

20.3% of the portfolio was allocated to international equities, through a range of ETFs and managed funds. We note the Company does not provide the look through sector exposure of these investments.

The second largest sector exposure for the Australian equity portfolio was to Health Care, with the Health Care sector being the largest overweight exposure. The majority of this exposure is the position in CSL, which represented 11.8% of the portfolio as at 31 December 2024.

The largest underweight exposure is to Materials, which is predominantly made up of the positions in BHP and RIO. The Company has reduced its exposure to mining through its international ETFs, exiting its position in the VanEck Global Mining UCITS ETF in FY24 and the Global X Copper Miners ETF in 1HFY25.

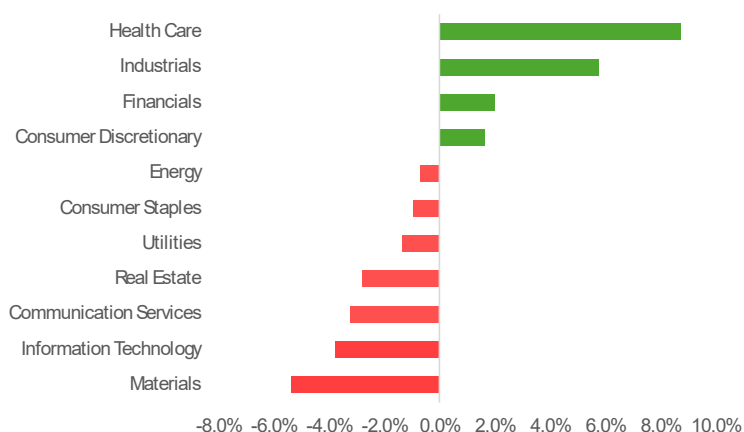
Sector Allocation as at 31 December 2024

Sector	DUI	S&P/ASX 200 Index	Active Weight
Financials	26.1%	31.8%	-5.7%
International	20.3%	na	na
Health Care	14.6%	10.2%	4.4%
Industrials	10.6%	8.0%	2.6%
Materials	10.3%	18.7%	-8.4%
Consumer Discretionary	7.2%	7.7%	-0.5%
Real Estate	2.8%	6.4%	-3.6%
Energy	2.6%	4.1%	-1.5%
Cash	2.6%	na	na
Consumer Staples	2.0%	3.5%	-1.5%
Communication Services	0.9%	4.4%	-3.5%
Information Technology	0.0%	3.8%	-3.8%
Utilities	0.0%	1.3%	-1.3%

Source: DUI, Iress, IIR.

To further highlight the active positioning of the portfolio relative to the domestic market, we have provided the active sector weighting of the portfolio, excluding the international equity allocation. The chart highlights the overweight exposure to the Health Care and Industrials sectors. The largest underweight exposure as at 31 December 2024 was to Materials and Information Technology with the Company having no Information Technology exposure in the Australian equity portfolio. We do note that the Company has exposure to this sector through its position in the Vanguard Information Technology ETF.

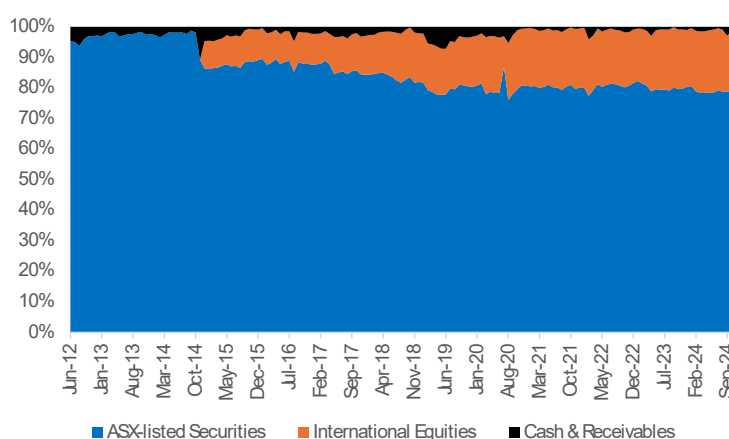
Australian Equity Active Sector Weight (as at 31 December 2024)



The Company introduced the international exposure to the mandate in 2014 with an initial target of 10% of the portfolio, which was subsequently increased to a maximum of 25%. At 31 December 2024, the portfolio had a 20.3% allocation to international securities. The Company gains exposure to international securities through passively managed ETFs and unlisted managed funds. The Company seeks to provide broad based exposure to international markets and thematics. The Company has used the ETFs to provide exposure to thematics that are more difficult to gain exposure to in Australia, such as Information Technology and Health Care. The Company did at one point in its history use managed funds to provide access to small cap stocks, however due to the volatile nature of the income received and returns being primarily capital gains in nature, the Board sold these positions and focuses on large and mid cap stocks.

Given the exposure to international stocks, the portfolio has exposure to foreign currency movements. The foreign currency exposure is currently not hedged and therefore the portfolio value will be influenced by foreign currency movements. The base position of the Company is to be unhedged, however up to 50% of the exposure may be hedged and this may be higher where very strong views are held.

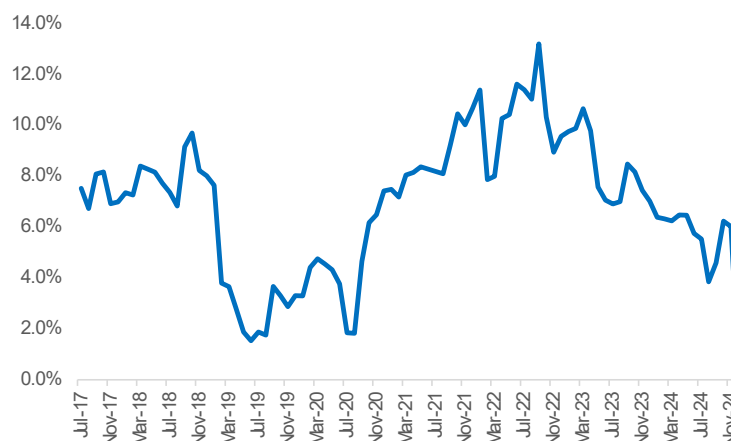
Historical Asset Allocation



The Company had debt facilities totalling \$100 million at 31 December 2024 after being reduced from \$140 million as at 30 June 2024. The debt facilities are used to provide liquidity and enable the Company to increase the exposure to the market. Historically the net debt position of the Company has been less than 12%.

The Company had reduced the drawn debt to \$10 million at December-end, representing a net debt position of 0.7%. The reduction in debt comes after the exit, both partial and full, of a number of positions in the 1H'FY25 period. The current net debt position reflects the cautious view on the market outlook by the Company and provides liquidity to increase exposure to the market in the event attractive opportunities arise.

Historic Net Debt Position



Portfolio Turnover

The portfolio typically has a low level of turnover as highlighted in the below table. Over the last five financial years the portfolio has had an average annual turnover of just 4%. We note that the turnover in the portfolio has been elevated in the 1H'FY25 with the Company exiting, both partial and in full, a number of positions.

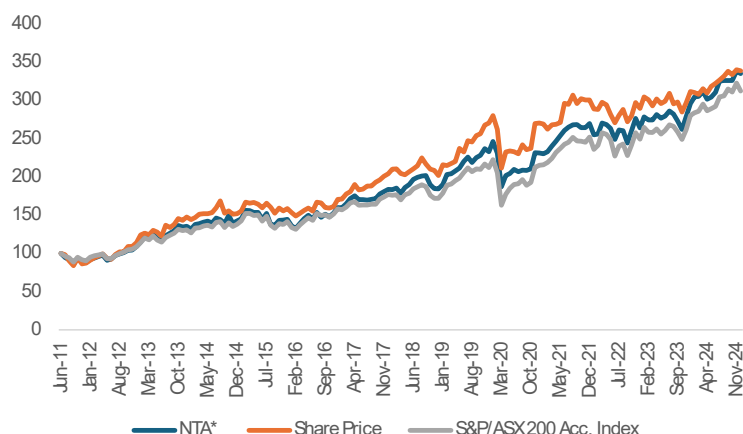
Portfolio Turnover

Financial Year	Annual Turnover
FY20	4.5%
FY21	3.7%
FY22	6.3%
FY23	3.8%
FY24	1.7%
Average	4.0%

PERFORMANCE ANALYTICS

The below graphic provides an analysis of the performance of the DUI 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 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.

Both the NTA (which includes tax paid on realised gains) and shareholder returns have outperformed the S&P/ASX 200 Accumulation Index over the period from 30 June 2011 to 31 December 2024. Shareholders have benefited throughout this period with the discount narrowing during certain periods resulting in shareholder returns outperforming the NTA returns for long periods of time. However, the NTA and shareholder returns have delivered largely a similar return over the long-term.

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

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

Source: DUI, Iress, IIR

The below table looks at the performance metrics of DUI's NTA and shareholder returns. The NTA outperformed the domestic market over the 12-months to 31 December 2024 and has slightly outperformed over the 10-year period. Shareholder returns lagged both the NTA and market returns over the 12-month period as a result of the widening of the discount over the period. The widening discount has impacted shareholder returns over both the short-and-medium term.

The portfolio has a moderate tracking error with the domestic market. While the Australian equity exposure delivers market-like risk/return characteristics, the increased tracking error comes from the international exposure, with a maximum of up to 25% of the portfolio allocated to international equities.

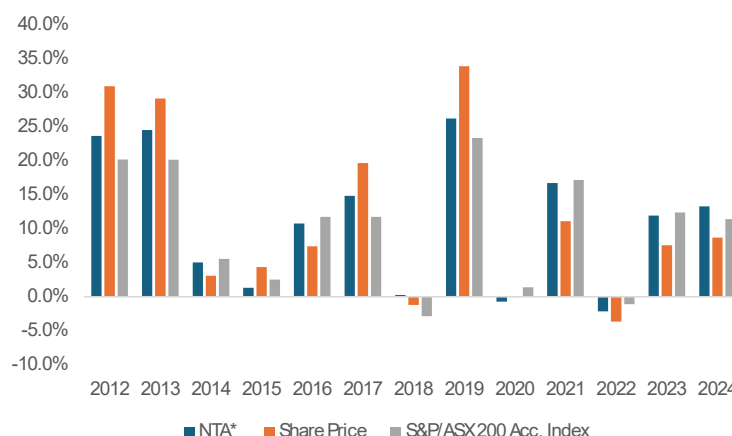
Performance Analytics (as at 31 December 2024)

	NTA*	Share Price	S&P/ASX 200 Accumulation Index
Cumulative Total Return:			
1 year	13.3%	8.7%	11.4%
3 year (p.a.)	7.5%	4.1%	7.4%
5 year (p.a.)	7.6%	4.6%	8.1%
10 year (p.a.)	8.9%	8.3%	8.5%
Standard Deviation:			
1 year	7.6%	5.4%	8.4%
3 year (p.a.)	12.7%	10.8%	13.9%
5 year (p.a.)	15.0%	15.7%	16.5%
10 year (p.a.)	13.4%	13.5%	13.9%
Tracking Error:			
1 year	5.0%	5.9%	na
3 year (p.a.)	4.2%	7.0%	na
5 year (p.a.)	4.5%	7.7%	na
10 year (p.a.)	3.9%	8.1%	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 highlights that while there will be out-and-under performance of the portfolio relative to the market during certain years, the level of variance has been relatively low. The portfolio is expected to deliver returns that do not differ materially from the market despite the international equity exposure.

Calendar Year Returns vs S&P/ASX 200 Accumulation Index (2012 to 2024)

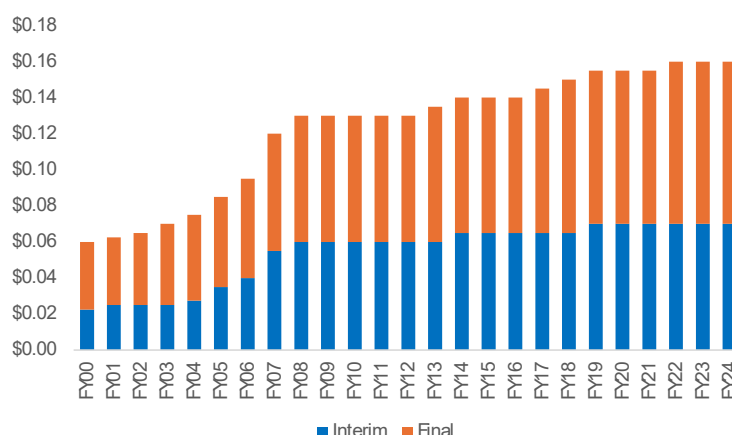


Source: DUI, Iress, IIR

Dividends

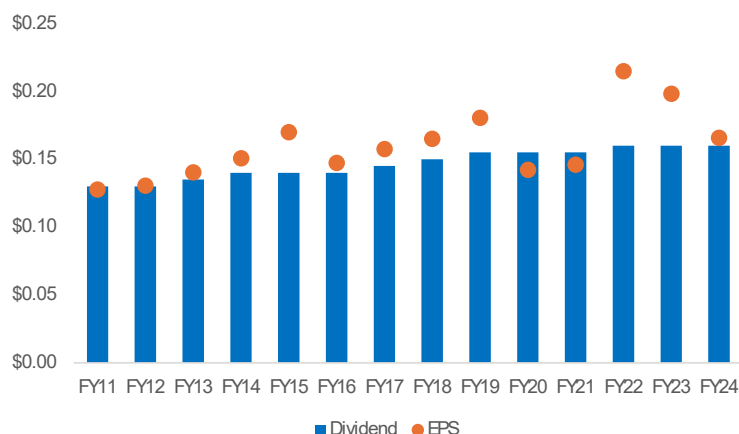
The Company has delivered an increasing fully franked dividend throughout its history. The below chart shows the dividends declared by financial year from FY2000 to FY2024. The Company has either maintained or increased the dividend declared in all financial year periods with the prudent management of the retained earnings allowing for the Company to maintain dividends even during periods of extreme market volatility, such as the GFC in 2008 and the turbulence resulting from the COVID-19 pandemic.

Dividends Declared by Financial Year (FY11 to FY24)



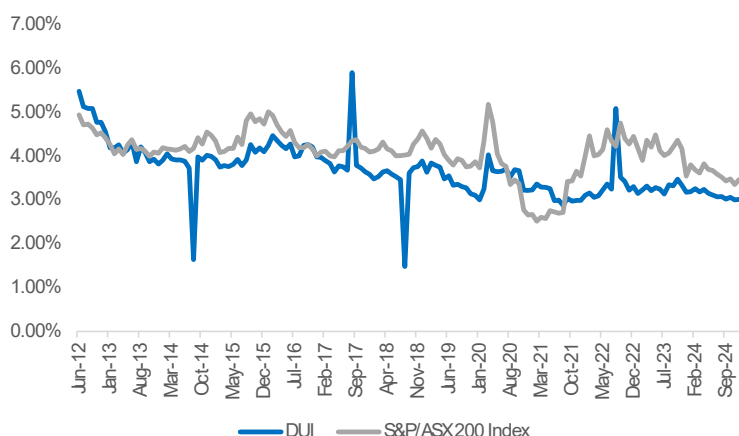
Source: DUI, Iress, IIR

The Company has paid out the majority of the income generated by the portfolio in any given year as is shown in the below chart. From FY11 to FY24, the payout ratio has ranged from 74.5% to 109% with an average payout ratio of 93%. The low of 74.5% came in FY22 and was low due to a high level of special dividends received. The majority of income comes from the Australian equity investments. 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: DUI Annual Reports, IIR.

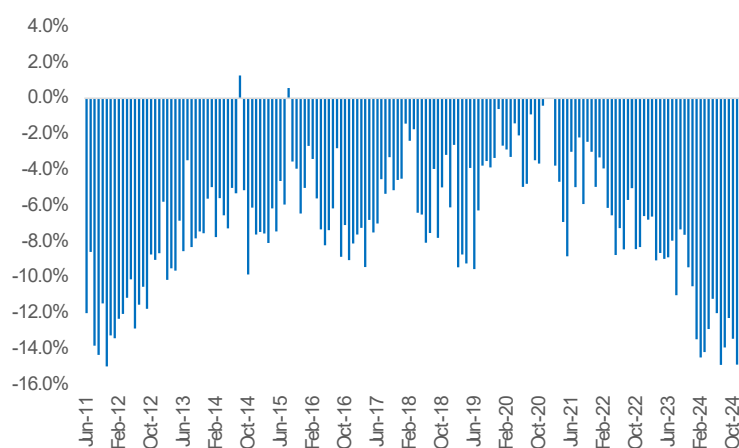
DUI has consistently had a lower dividend yield than the domestic market. This is due to the allocation to international equities, with the funds and ETFs having a low distribution yield relative to the domestic market, combined with the largest position in the portfolio, CSL, having a below market yield.

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

Source: Iress, IIR

Premium/Discount

The Company has traded at a discount to NTA for most of its history. After trading at par value in December 2020, the discount has been expanding to levels not seen since 2011. While the share price has increased over the four years to 31 December 2024, it has not kept pace with the NTA growth, which has led to the elevated discount.

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 DUI. 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, DUI 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. We note that both AFI and PIC have an allocation to international equities, albeit AFI's allocation is small. PIC has the ability to invest up to 35% in international equities. PIC, invests in individual stock positions. This compares to DUI which seeks to provide broad market exposure through ETFs and managed funds.

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, DUI'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. DUI has the lowest dividend yield of the peer group, with the dividend yield impacted by the international equity exposure. 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. DUI was trading at the largest discount of the peer group. We note that the top five long-term shareholders represent approx. 42% of the shares on issue, which may be contributing to the discount through lower levels of trading volume. We also attribute the below market yield as contributing to the discount.

Dividend Yields & Premium/Discount (as at 31 December 2024)

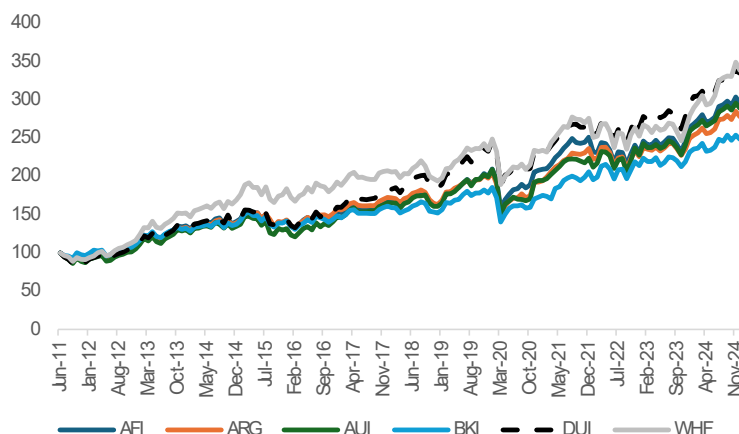
LIC Name	Ticker	Trailing 12-month Net Dividend Yield	Trailing 12-month Grossed-Up Dividend Yield	Premium/Discount
Australian Foundation Investment Company Limited	AFI	3.51%	5.01%	-10.1%
Argo Investments Limited	ARG	3.84%	5.48%	-10.2%
Australian United Investment Company Limited	AUI	4.30%	6.14%	-13.8%
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.

DUI has had one of the better performing portfolios over the long-term when compared to those LICs that have a track record dating back to 30 June 2011, with DUI's portfolio delivering the second highest return over the period from 30 June 2011 to 31 December 2024.

The portfolio was one of the better performers over the 12-months to 31 December 2024 with the overweight exposure to CBA and the top international exposures providing a strong positive contribution to returns. While positive, shareholder returns lagged the portfolio over the 12-month period with the share price not keeping pace with the NTA growth.

NTA Cumulative Total Returns



Source: Iress, IIR

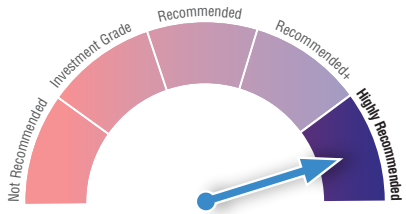
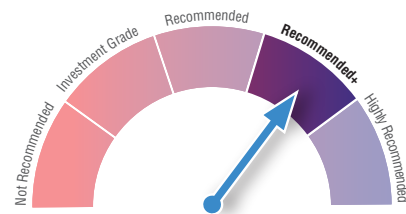
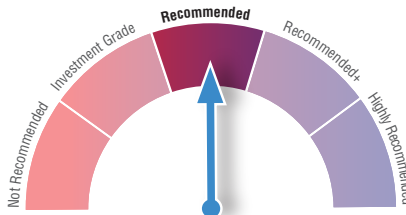
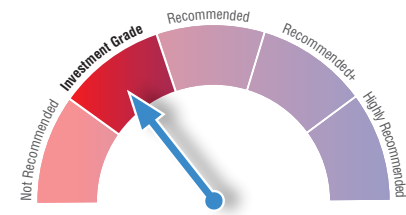
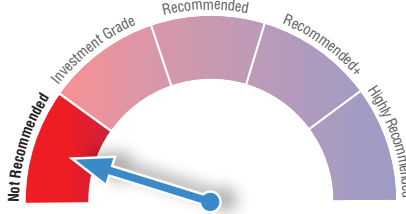
Risk & Return Metrics (as at 31 December 2024)

	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.

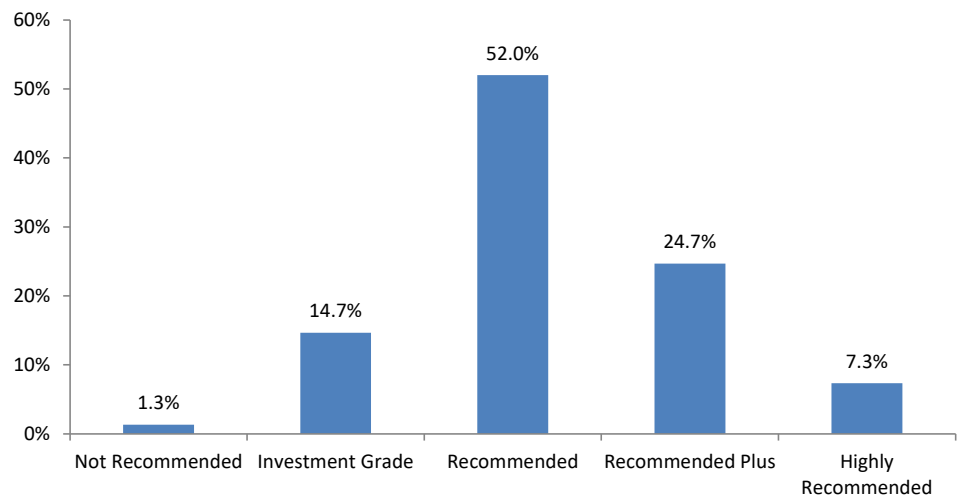
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction;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



(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR", Independent Investment Research Holdings Pty Ltd (ACN 155 226 074), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 420170) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

Copyright 2010 Independent Investment Research. All rights reserved.

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au



Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE

Level 1, 350 George Street
Sydney NSW 2000
Phone: +61 2 8001 6693
Main Fax: +61 2 8072 2170
ABN 11 152 172 079

MELBOURNE OFFICE

Phone: +61 3 8678 1766
Main Fax: +61 3 8678 1826

HONG KONG OFFICE

1303 COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

DENVER OFFICE

200 Quebec Street
300-111, Denver Colorado USA
Phone: +1 161 412 444 724

MAILING ADDRESS

PO Box H297 Australia Square
NSW 1215