

7 July 2022

## 1. Preliminary Estimate of Earnings for January-June 2022

*Leithner & Company continues to generate profits.*

We anticipate – subject to confirmation by Value Beyond Chartered Accountants – that the cash income and franking credits generated by our operations, net of expenses including tax, will be approximately 2.3 cents per share (this and following figures have been rounded to one decimal). Cash earnings per share for the six months to 31 December 2021 were 2.2 cents. We therefore expect that cash earnings for the 2021-2022 financial year will total  $2.2 + 2.3 = 4.5$  cents per share, and the Company's cash return on equity – a key gauge of our results – will be ca. 4.5% (versus 13.9% in 2020-2021).

## 2. Estimated Dividend Payable to Shareholders on or about 15 August 2022

*As it's done every half-year since its formation in 1999, Leithner & Company continues to pay dividends to its shareholders.*

Owners of Redeemable Preference Shares (RPSs) receive 80% of cash earnings. Hence we anticipate that the Company will declare a dividend whose total value will be ca. 1.9 cents (i.e.,  $2.4\text{¢} \times 80\%$ ) per RPS. This dividend will comprise a distribution of roughly 1.35¢ (cash or additional RPSs) plus a franking credit of approximately 0.55¢ per RPS. Dividends for the 2021-2022 financial year will thus total 1.8¢ (paid on 15 February) + 1.9¢ = 3.7¢ per RPS. That's a dividend yield of 3.7% per RPS (versus 11.2% in FY20-21).

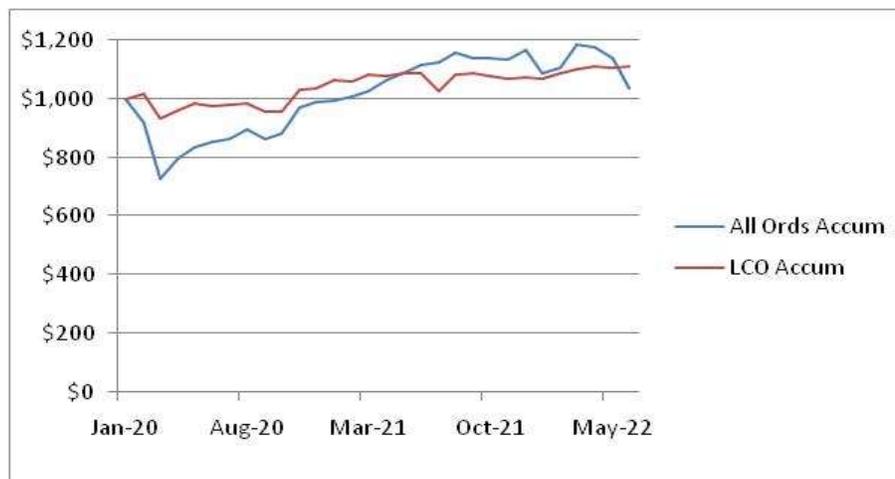
## 3. Outlook for the New (2022-2023) Financial Year

"We don't think the next 12 to 18 months is the time to preserve capital," the head of Australian Super told *The Australian Financial Review* a year ago (5 July 2021). We strongly disagreed – and the last 12 months have vindicated us (see, for example, "Markets Post Worst First Half of a Year in Decades," *The Weekend Australian*, 2-3 July 2022).

*Our conservative approach, very large cache of deposits and well-researched "buy" list has prepared us for downdraughts and volatility. Unlike most others, we're well-placed to profit from – and hence don't dread – "corrections" and bear markets.*

#### 4. Our Conservatism Continues to Produce Strong and Stable Results

The chart below compares investments of \$1,000 in Leithner & Company’s (“LCO’s”) RPSs and the All Ordinaries Accumulation Index (AOAI) from the eve of the Global Viral Crisis (January 2020) to June 2022. Each series assumes the reinvestment of dividends, but they differ in key respects. Most importantly, LCO’s portfolio comprises roughly one-half shares; the AOAI, in contrast, is 100% shares. LCO’s portfolio is thus much more conservative. Its return is also net of expenses (including tax) but includes franking credits; the Index’s, on the other hand, assumes no expenses or management fee, ignores tax and excludes franking credits.



Assuming a dividend such as the one anticipated on p. 1 (which, in order to maximise comparison to the AOAI, the graph assumes was paid in June rather than next month), each \$1,000 invested in LCO’s RPSs in January 2020 has generated total proceeds of approximately \$110. That’s a compound rate of return of 4.4% per year, versus the Index’s proceeds of ca. \$38 (1.6%).

*Our much more conservative portfolio has outpaced the Index – and our large cache of cash enables us to buy at low prices. LCO’s return has also been much less volatile (standard deviation of \$54 versus the Index’s \$129). Most notably, an investment in the AOAI collapsed almost 25% in March-April 2020; the NTA of LCO’s RPSs, on the other hand, sagged just 5%. More recently, since March the AOAI has dived more than 12%; in contrast, the investment in LCO has risen almost 1%.*

As we've emphasised for more than 20 years, what's most important isn't how much we gain during the boom: it's how much we avoid losing during the bust. We mind the "downside" and let the "upside" mind itself.

*In terms of Aesop's fable, we're a long-term tortoise rather than a short-term hare. In investment as well as life in general, the odds heavily favour tortoises.*

## 5. Annual Report Coming in October

This is a preliminary report. A comprehensive *Annual Report 2021-2022* (to be dated 30 September and distributed during the first half of October) will detail the Company's portfolio on 30 June and 30 September; it will also contain financial statements audited by Specialised Audit & Assurance Services (SAAS Audit Pty Ltd).

## 6. Annual General Meeting in October-November

As a public company, LCO must hold an AGM. Like last year, so too this year: it's likely to occur sometime in October or November at our headquarters in Wickham Terrace (Brisbane CBD). We hope to provide access via Zoom to allow shareholders who can't or don't wish to attend in person to participate, and will provide full details in due course.

## 7. "Top Ups" and New Shareholders

We wish to increase the Company's capitalisation and number of shareholders, and as a public company can now raise any amount of capital from any number of investors. If you wish to buy additional RPSs, or know someone who might be interested in an investment at least \$500,000, please contact either Chris ([chris@leithner.com.au](mailto:chris@leithner.com.au)) or David ([dguy@leithner.com.au](mailto:dguy@leithner.com.au)).

Yours sincerely,

Ian Stewart, AO APM (Board Chair)  
David Guy and Chris Leithner (Executive Directors)  
Chris Tsatrafilis (Non-Executive Director)