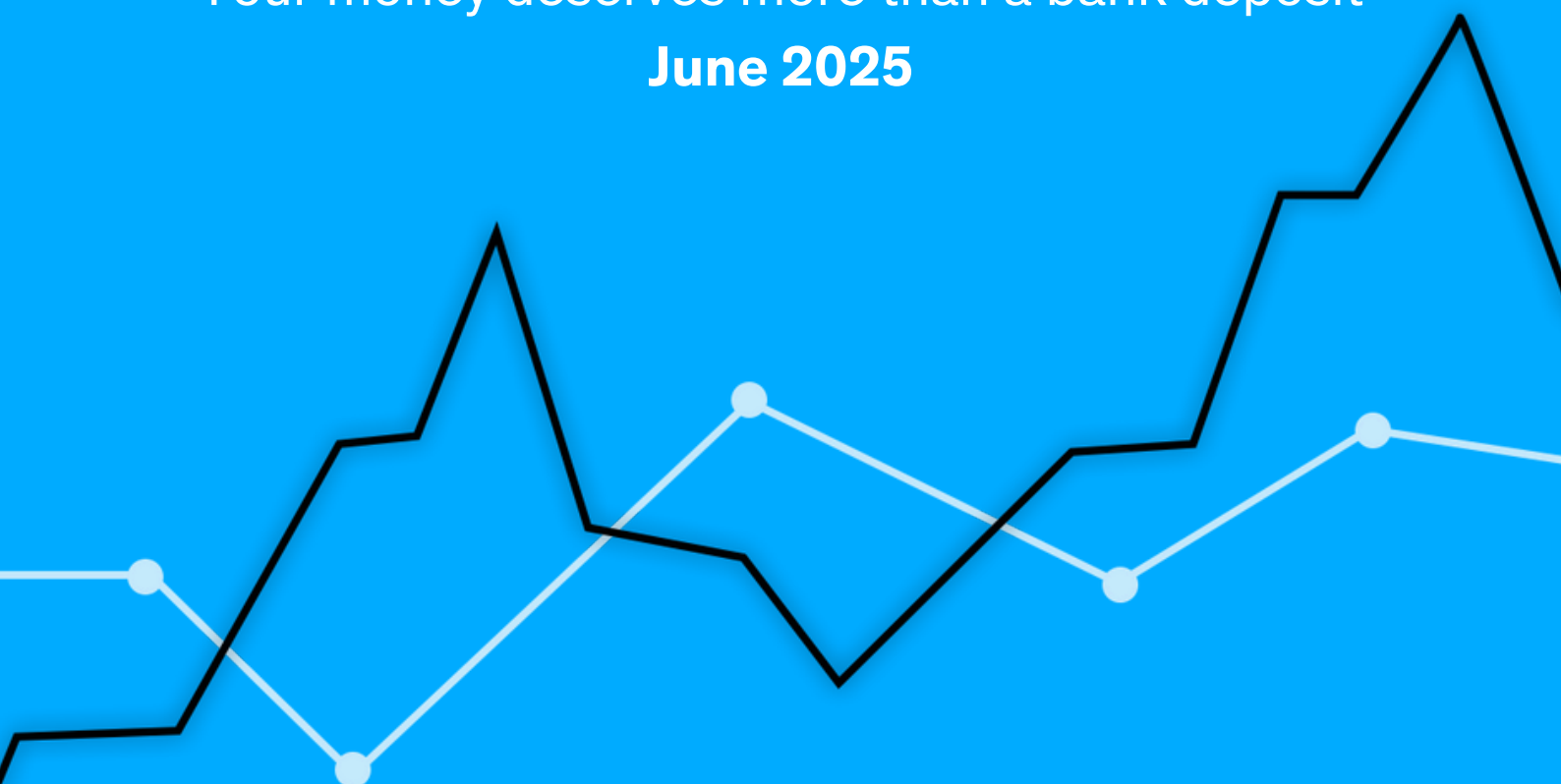


Dividend Portfolio #16

Get the power of value
GET THE RETURNS YOU DESERVE

Your money deserves more than a bank deposit

June 2025



under the radar
.....
REPORT

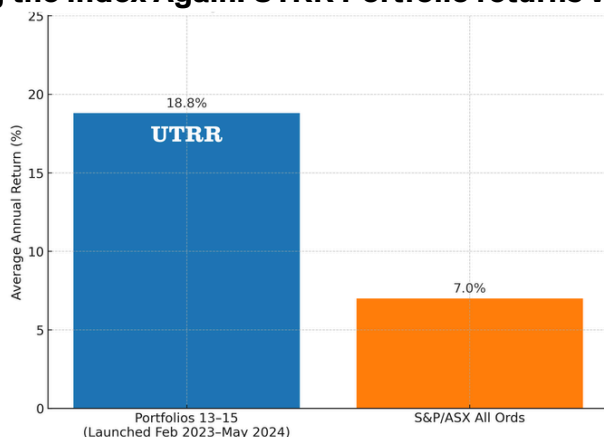
Releasing Dividend Portfolio #16

We show you how to follow our lead in this repeatable outperforming investment strategy.

Our Small Cap Dividend Portfolios each contain 10-12 stocks.

We release two fresh portfolios a year. There's a reason our dividend portfolios consistently generate double-digit returns – they're populated by quality profit-making companies.

Beating the Index Again: UTRR Portfolio returns vs ASX All Ords



*To 11 June 2025

Our most recent three portfolios – Portfolio-13 (Feb 2023), Portfolio-14 (Oct 2023) and Portfolio-15 (May 2024) have delivered an average annual return of 18.8% versus the S&P/ASX All Ords return of 7.0%.

The combination of stock picking and patient capital is the key to making returns that will make a difference to your life. What investing can do is remove those worries and you do this by being in control. Only you know your risk preference.

There is no better illustration than our dividend portfolios, the latest iteration being in this issue.

Richard Hemming

Founder and head of investments



Access our full dashboard of ASX research
Follow our Full Investment Pathway

Portfolio Returns

under the radar
REPORT

18.8% Average returns

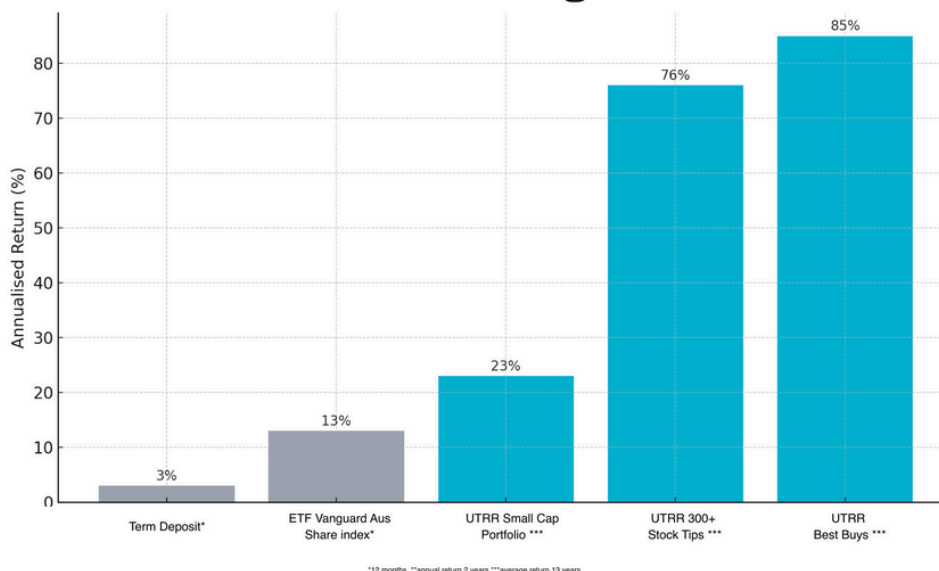
PORTFOLIO	Release Date	Annual Return	Market*	Outperformance
Portfolio-13	Feb-23	17.0%	4.8%	12.1%
Portfolio-14	Oct-23	21.5%	7.3%	14.2%
Portfolio-15	May-24	18.0%	6.9%	11.1%
Average		18.8%	6.3%	12.5%

*S&P/ASX All Ords Index to 11 June 2025

This is repeatable outperforming investment strategy
We have done it 15 times!

Stockpicking vs bank deposit vs ETFs

Investing Performance In Australia: Stock Picking Wins



Your money
deserves
more than a
bank deposit

#16 Dividend Portfolio

under the radar
REPORT

12 of our favourite Small Cap Dividend Payers, with an average yield of 5.3% plus franking credits.

CENTREPOINT ALLIANCE (CAF)

SPEC BUY

INDUSTRY	WEALTH
MARKET CAP	\$74M
DIVIDEND/SHARE	\$0.025
DIVIDEND YIELD	6.8%
PRICE@ 18/6/2025	\$0.37
NET CASH/DEBT	\$9.2M
RISK RATING	4

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Already the fourth largest domestic adviser business and is expanding through a new superannuation platform, IconiQ, which allows CAF to push its managed portfolios. The group has a track record of paying dividends, which should continue giving making over \$10m in operating earnings (EBITDA).

Limited operating leverage, but a stable business. A factor will be corporations tax, which could flatten out future dividends in the next year or two, however. Plus, thinly traded.

DATA3 (DLT)

HOLD

INDUSTRY	SERVICES
MARKET CAP	\$1171M
DIVIDEND/SHARE	\$0.300
DIVIDEND YIELD	4.0%
PRICE@ 18/6/2025	\$7.56
NET CASH/DEBT	\$276.4M
RISK RATING	3

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Share price weakness provides an opportunity to buy this dividend delivering IT services heavyweight. The growth might be slowing, but it's still growth and is underpinned by big spending from its corporate customer base, as they beef up cyber security and AI functionality.

A substantial component of its business is relatively low-margin software sales, but 67% of revenue comes from recurring contracted payments. We think DTL is a core portfolio holding.

ELDERS (ELD)

BUY

INDUSTRY	FOOD
MARKET CAP	\$1213M
DIVIDEND/SHARE	\$0.360
DIVIDEND YIELD	5.6%
PRICE@ 18/6/2025	\$6.38
NET CASH/DEBT	-\$280.0M
RISK RATING	3

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Looks like the dividend is bouncing off a floor, hence the agricultural cycle shouldn't matter too much with stability emerging. Share price weakness due to ACCC questions over \$475m Delta Ag acquisition, but dividend looks secure.

We think will pay 18 cents at full year (same as previous three halves). Elders is exposed to a broad and diverse range of agricultural inputs, and a cyclically depressed share price offers an opportunity to buy.

#16 Dividend Portfolio

under the radar
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REPORT

12 of our favourite Small Cap Dividend Payers, with an average yield of 5.3% plus franking credits.

EMBARK EARLY EDUCATION (EVO)

SPEC BUY

INDUSTRY	RETAIL
MARKET CAP	\$130M
DIVIDEND/SHARE	\$0.060
DIVIDEND YIELD	8.5%
PRICE@ 18/6/2025	\$0.71
NET CASH/DEBT	\$9.0M
RISK RATING	4

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Paying quarterly dividends of 1.5 cents, or 6 cents a share, which we expect to rise to over 7 cents next year based on a healthy acquisition pipeline and positive free cash flow at over \$16m a year, which pays for dividends of just over \$11m a year.

Acquired two more childcare centres in Queensland last month and now has 40 centres in Australia & New Zealand, having acquired 14 centres last year. Net cash & debt facility for more acquisitions.

HANSEN TECHNOLOGIES (HSN)

BUY

INDUSTRY	SOFTWARE
MARKET CAP	\$1021M
DIVIDEND/SHARE	\$0.110
DIVIDEND YIELD	2.2%
PRICE@ 18/6/2025	\$5.01
NET CASH/DEBT	-\$40.0M
RISK RATING	3

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Dividends forecast to grow led by the Powercloud acquisition. Earnings expected to be more than double over next year.

Customers are large utilities but single customer represents more than 8% of revenue, and the business is diversified by industry exposure and by geography, with new contracts. 11 cents in dividend would cost about \$22m, easily affordable from over \$40m in free cash flow this year.

HELLOWORLD TRAVEL (HLO)

SPEC BUY

INDUSTRY	RETAIL
MARKET CAP	\$225M
DIVIDEND/SHARE	\$0.110
DIVIDEND YIELD	8.0%
PRICE@ 18/6/2025	\$1.38
NET CASH/DEBT	\$89.1M
RISK RATING	4

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Reliable dividends but stock price decline reflects disappointment with growth as the post-Covid boost evaporates. The business has grown and become more resilient, but remains cyclical.

Over 10,000 advisors catering for travel demand, servicing retail & corporate, inbound and outbound. A track record of dividends and forecast PE below 10x - good value! Earnings forecast to rebound as travellers are by definition at the upper end of spenders.

#16 Dividend Portfolio

under the radar
REPORT

12 of our favourite Small Cap Dividend Payers, with an average yield of 5.3% plus franking credits.

INTEGRATED RESEARCH (IRI)

BUY

INDUSTRY	SOFTWARE	WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:
MARKET CAP	\$72M	
DIVIDEND/SHARE	\$0.020	Cash flow is relatively stable, even if earnings are volatile. This and a strong balance sheet with net cash allows IRI to pay reasonable dividends, even if earnings don't increase.
DIVIDEND YIELD	4.9%	
PRICE@ 18/6/2025	\$0.41	The company has long-term contracts with blue chip clients an additional measure of comfort. Current yield relatively low but has significant growth potential.
NET CASH/DEBT	\$31.1M	
RISK RATING	3	

MYSTATE (MYS)

HOLD

INDUSTRY	LENDER	WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:
MARKET CAP	\$703M	
DIVIDEND/SHARE	\$0.220	The strategy is right: growth in Queensland (borrowers) and a steady deposit base in Tasmania (savers). The short term was always going to be choppy, but there is value, being the biggest discount to all banks, including regionals, trading on a PE of 13x and a dividend yield of 5.5%. These are FY26 forecasts; earnings are lower in FY25 due to the merger.
DIVIDEND YIELD	5.3%	
PRICE@ 18/6/2025	\$4.17	
NET ASSETS	\$777.0M	
RISK RATING	3	

NZME (NZM)

BUY

INDUSTRY	MEDIA/ADVERT	WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:
MARKET CAP	\$203M	
DIVIDEND/SHARE	\$0.074	A market leader in radio, newspapers and digital property, which earns reliable revenues from major advertisers as well as subscription and other digital income. Earnings have been flat for some years, but ample cash flow has repaid substantial debt means NZM pays healthy dividends.
DIVIDEND YIELD	6.9%	
PRICE@ 18/6/2025	\$1.08	Media has a relatively fixed cost base, hence big operating leverage, plus NZM has a blue chip customer base. In the meantime, paying a 7% dividend yield.
NET CASH/DEBT	-\$22.0M	
RISK RATING	3	

#16 Dividend Portfolio

under the radar
REPORT

12 of our favourite Small Cap Dividend Payers, with an average yield of 5.3% plus franking credits.

RAMELIUS RESOURCES (RMS)

SPEC BUY

INDUSTRY	GOLD
MARKET CAP	\$3.1BN
DIVIDEND/SHARE	\$0.090
DIVIDEND YIELD	3.4%
PRICE@ 18/6/2025	\$2.66
NET CASH/DEBT	\$657.0M
RISK RATING	4

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Our favoured gold hedge for the portfolio because of the strong free cash flow, dividends and growth option the \$2.4bn merger with Spartan Resources provides. Dividends are forecast to come off but cash levels remain high.

SOUTHERN CROSS ELECTRICAL (SXE)

HOLD

INDUSTRY	CONTRACTOR
MARKET CAP	\$455M
DIVIDEND/SHARE	\$0.080
DIVIDEND YIELD	4.7%
PRICE@ 18/6/2025	\$1.72
NET CASH/DEBT	\$115.0M
RISK RATING	3

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Public contracts, infrastructure focus (data centres), a niche operator in a protected position, high cash, no debt. Growth will be driven by recent acquisitions (3 in 4 years).

Low margin business (EBITDA/sales mid-single-digit) but return on equity relatively strong at close to 20%, driving double-digit growth in dividends, in line with earnings per share.

XRF SCIENTIFIC (XRF)

HOLD

INDUSTRY	CONTRACTOR
MARKET CAP	\$229M
DIVIDEND/SHARE	\$0.046
DIVIDEND YIELD	2.8%
PRICE@ 18/6/2025	\$1.63
NET CASH/DEBT	\$6.9M
RISK RATING	4

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

The mining services group provides mineral testing services and produces consistent earnings per share and dividend growth. The shares have been weaker due to lower activity in mining, but cash flow remains steady, underpinning dividend growth.

Trades at a reasonable cash flow valuation multiple and has an outstanding return on capital employed at over 23%.

Important: Please note all data and recommendations correct on 18 June 2025

8 Dividend Tips

8 tips for managing your portfolio

1

Winners outweigh losers

Winners have outweighed the losers both by quantum and by number. Remember, winners are unlimited, while losses are limited to the amount you invest.

2

Dividend Protection

Bonus! Two dividend paying best stocks to buy June 2025!

Elders (ELD) 5.6% fully franked dividend yield and
Helloworld Travel (HLO) 5.02% fully franked dividend yield
are among our Best Buys RIGHT NOW.

All these companies have relatively healthy balance sheets and are cash flow positive. They should live to fight another day.

ELD ASX Chart



HLO ASX Chart



3

Diversification is the great protector

The key is to have enough stocks to absorb your losers and come out well ahead. We have worked out that with only 12 stocks, you can build a portfolio that is almost as diversified than the domestic market benchmark index (S&P/ASX 200) and is able to absorb some poor performers and we have evidence that this approach can deliver an average annual return of 20% plus.

Financials are over 40% of the benchmark index, while in our past three portfolios, their weighting is less than half of that at 25%.

Moreover, the sectors are wide – financials, manufacturing, contracting, retail, services, media, mining services, gold, construction– and no one sector is over-represented.

8 Dividend Tips

4 Go for growth! Stocks double!

Small Caps benefit from operating leverage and dividends reduce your risk. You are investing in Small Caps on the basis of growth at value prices. While this does not always happen, the potential is there and dividends de-risk your investment.

The biggest returns have come from better-than-expected earnings. The financial services group Count (CUP) and the contractors **Southern Cross Electrical (SXE)** and **SRG Global (SRG)** have more than doubled.



But there is also consistent growth, which is enhanced by dividends. The market is rewarding consistency and dividends deliver on that because these companies are profitable. Less than 30% or 11 of the 35 companies in the three dividend portfolios lost ground.

5 Keep turnover low

Over the nine years we've been running these portfolios, the stock performance has been consistent. Dividend-producing small caps purchased at value prices do not need to be sold as often as stocks that rely on momentum. In fact, for most of these stocks, their performance improves over time as they achieve superior operating leverage, where sales grow off a largely fixed cost base.

Access our full dashboard of ASX research
Follow our Full Investment Pathway

8 Dividend Tips

6

A strong balance sheet is essential

Fundamentals are more important than ever – which means a strong balance sheet and positive cash flow. Weak balance sheets are even more important to avoid, as banks hesitate about refinancing without injecting more equity.

7

Secret benefits: Reinvesting dividends

Reinvesting dividends is one strategy, but income also provides cash for new investments. We guide you in both. Averaging down is a technique to increase your exposure to stocks where the fundamentals are robust, but sentiment has turned against particular unfashionable situations. This is something that takes experience and analysis.

8

Buy Cheap Be Patient

Under the Radar Report has consistently demonstrated that patience can deliver great results as long as you continue to pay attention to individual company prospects. The three portfolios showcased here highlight the benefits of stock picking. Put another way, not simply buying the index.

The most important determinant of your returns from any investment is the price you pay. Our returns will always be better if we have paid a lower price. Investors must be careful to be patient; let prices come to us, and like London buses, there is always another stock around the corner.

WARNING: This publication is general information only, which means it does not take into account your investment objectives, financial situation or needs. You should therefore consider whether a particular recommendation is appropriate for your needs before acting on it, and we recommend seeking advice from a financial adviser or stockbroker before making a decision.

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