

BKI INVESTMENT COMPANY LIMITED

1H 2018 RESULTS PRESENTATION



*BKI is managed by Contact Asset Management
AFSL 494045*



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1H 2018 RESULT HIGHLIGHTS

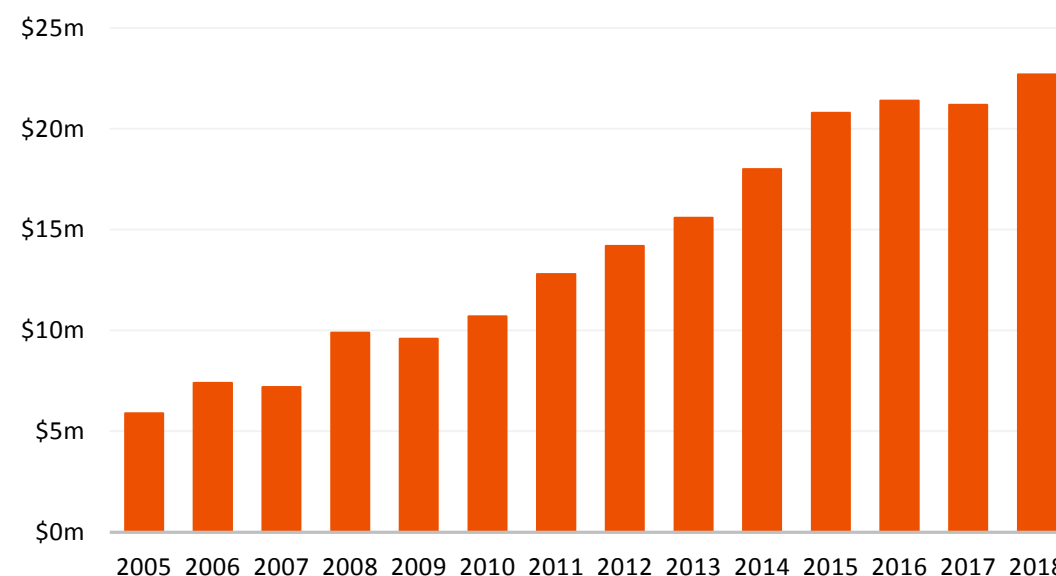
	1H 2018	1H 2017	Growth
Ordinary Investment Income	\$24.6m	\$22.1m	11%
Net Operating Result*	\$22.7m	\$21.2m	7%
Special Dividend Income	\$0.4m	\$3.9m	-90%
Net Profit Attributable to Shareholders	\$23.1m	\$25.0m	-8%
Earnings Per Share*	3.66cps	3.52cps	4%
Earnings Per Share including Specials	3.73cps	4.17cps	-11%
Total Ordinary Dividend Per Share	3.625cps	3.60cps	1%

NET OPERATING PROFITS

Net Operating Result before special investment revenue increased from \$21.2m to \$22.7m, while the Net Profit Attributable to Shareholders decreased 8% to \$23.1m.

1H18 results were mainly driven by higher dividends received from New Hope Group, Wesfarmers, IAG Limited and Woolworths Limited.

BKI received \$0.4m in special dividend income as part consideration of Tabcorp's acquisition of Tatts Group. This was significantly lower than the \$3.9m of special dividend income received in the prior corresponding period.

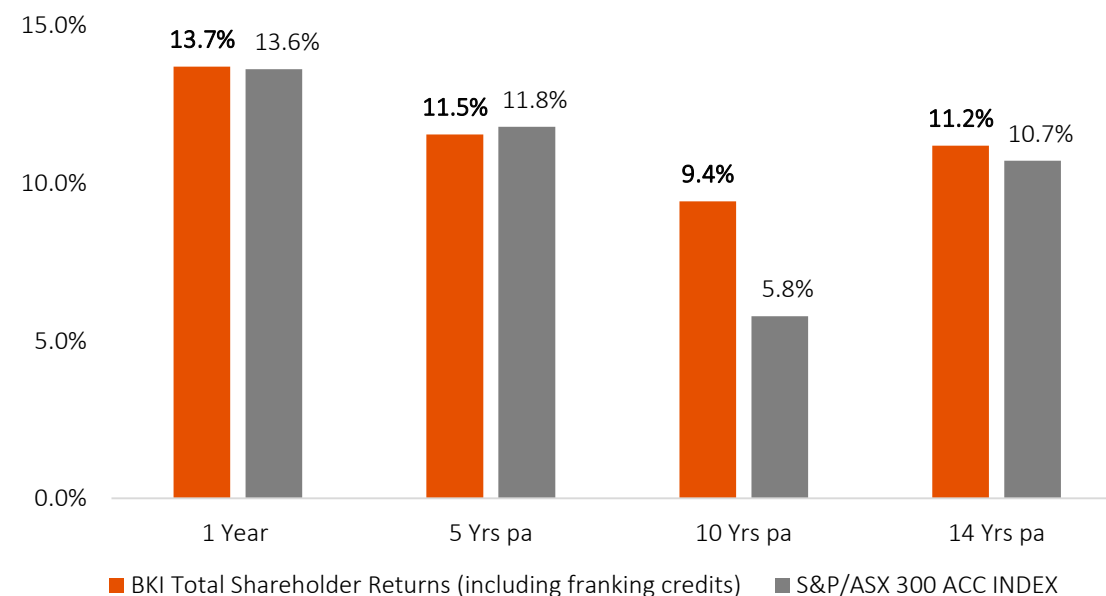


TOTAL SHAREHOLDER RETURNS

BKI's Total Shareholder Return including franking credits for the year to 31 December 2017 was 13.7%, compared to the S&P/ASX 300 Accumulation Index, which returned 13.6%.

BKI's 14 year Total Shareholder Return including franking credits was 11.2% per annum as at 31 December 2017, compared to the S&P/ASX 300 Accumulation Index, which returned 10.7% per annum over the same period.

BKI's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 31 December 2017 was 8.0%.

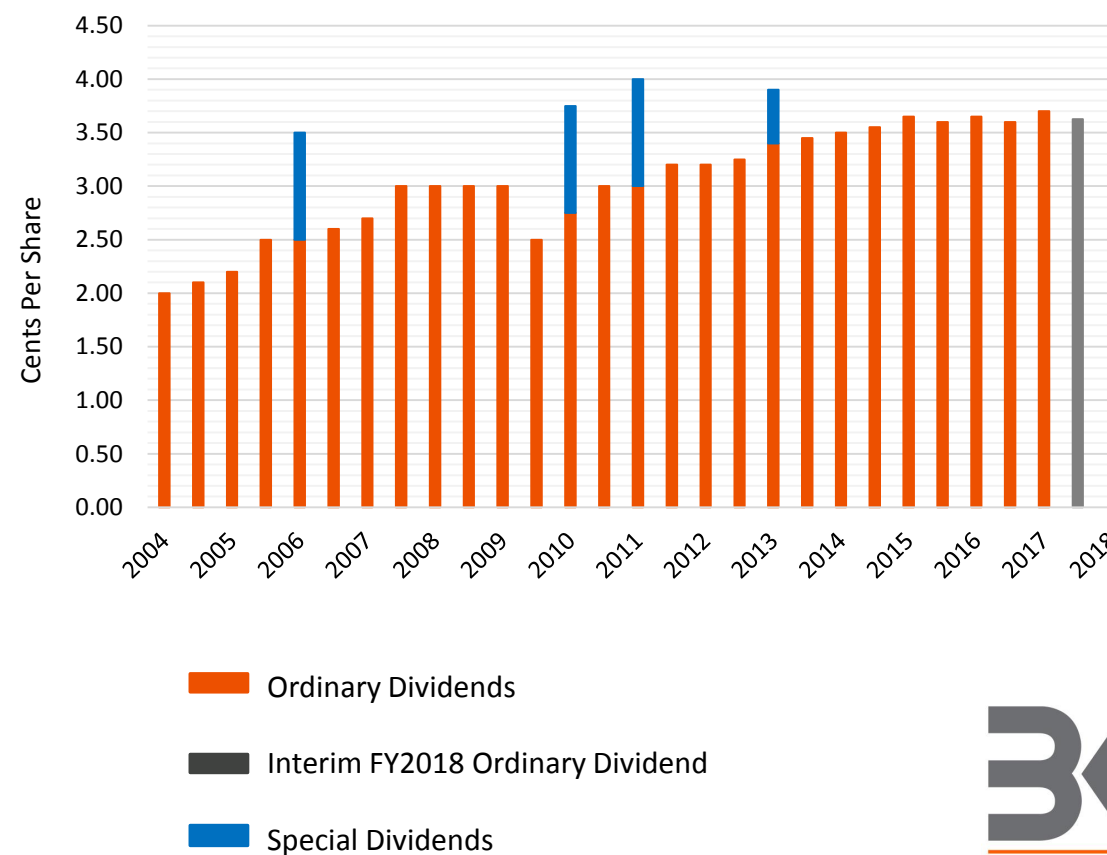


DIVIDEND HISTORY OF BKI

A fully franked Interim Ordinary Dividend of **3.625cps** was declared, representing a 99% pay-out ratio on BKI's EPS (excluding Special Dividends).

As at 31 December 2017, BKI's fully franked dividend yield was 4.2% (based on the immediate past 12 Month rolling dividend and share price of \$1.735), while the grossed up yield was 6.0% (assumes a tax rate of 30%).

BKI has paid out \$488m in Dividends and Franking Credits to Shareholders since listing in 2003.



INTERIM DIVIDEND KEY DATES

The last trading date to be eligible for the Interim Ordinary Dividend is Friday 9th February 2018.

Key dates for the Dividend are as follows:

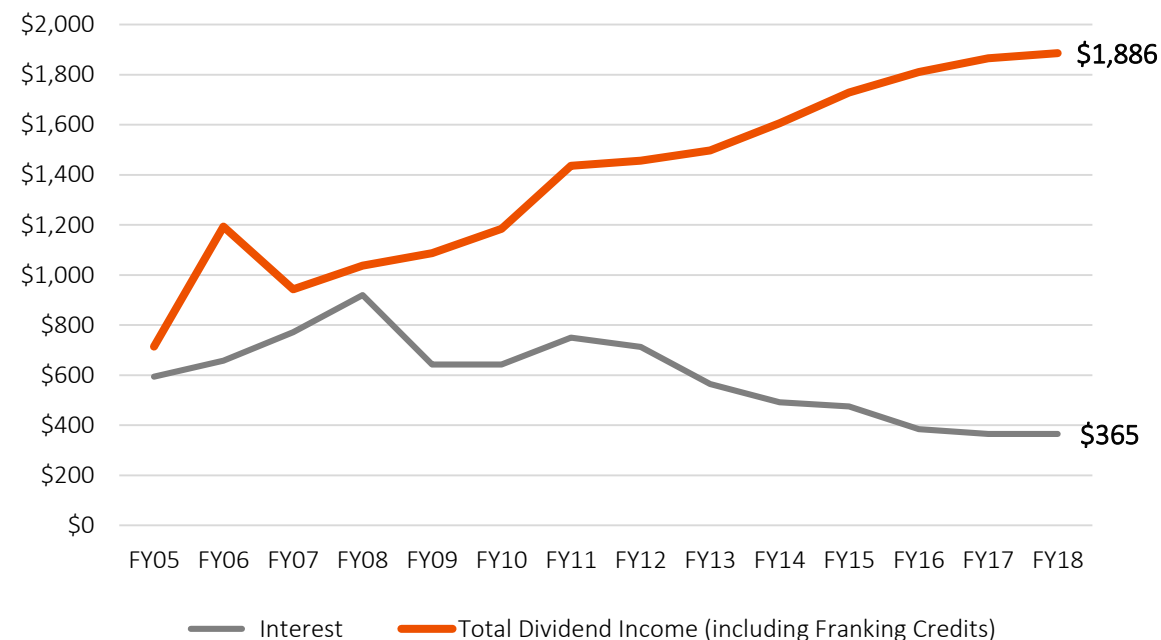
Ex-Dividend Date	Monday 12 th February 2018
Record Date	Tuesday 13 th February 2018
DRP Nomination*	Wednesday 14 th February 2018
Dividend Payment Date	Wednesday 28 th February 2018

*BKI's Dividend Reinvestment Plan (DRP) offers shareholders the opportunity to acquire further ordinary shares in BKI. The last day for shareholders to nominate for their participation in the DRP is Wednesday 14th February 2018. The DRP will not be offered at a discount.

INCOME GENERATION

Dividends + Franking Credits received from a \$10,000 investment in BKI at inception versus Bank Quarterly Interest.

An investor who spent the equivalent of \$10,000 to purchase BKI shares upon listing in December 2003 would now be receiving fully franked dividends of \$1,320pa. The franking credits enhance the income by a further \$566, assuming a tax rate of 30% (total income of \$1,886). The same investment in a term deposit (based on the cash rate + 0.50%) would be earning \$365pa with no franking credits.



Highlights the opportunity of receiving a fully franked dividend in a falling interest rate environment.



POSITIONING BKI FOR THE FUTURE

INCREASING THE PROFILE & BEING RELEVANT
ACTIVELY MANAGED PORTFOLIO FOR A LOW FEE



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INCREASING THE BKI PROFILE

Research and Ratings

- Lonsec RECOMMENDED
- IIR RECOMMENDED PLUS
- Morningstar NEUTRAL
- ThreeSixty APPROVED

Broker/Advisor Network

- Bell Potter
- Baillieu Holst
- Evans & Partners
- Patersons Securities

OUT OF ACTIVE & INTO PASSIVE

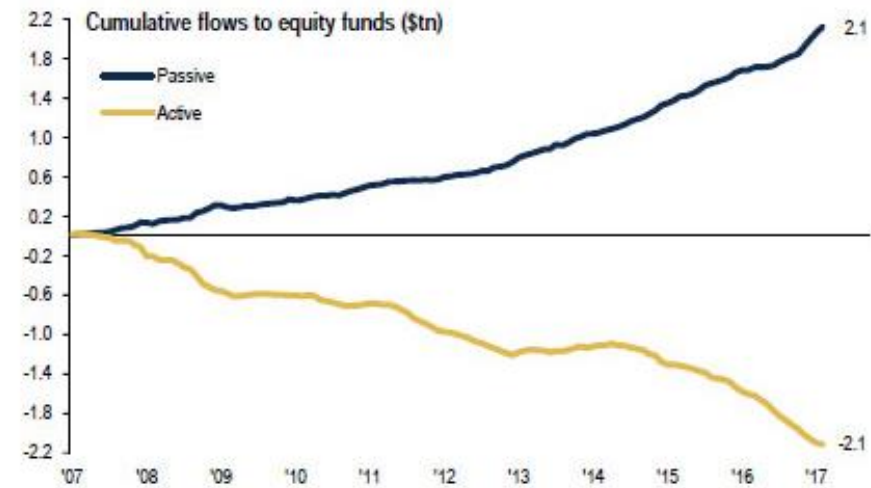
The global flight from investors into passive equity funds and out of actively managed funds has continued.

The flows out of active funds and into passive funds have been significant (the numbers are trillions) and the trend has been accelerating.

The biggest driver of the trend . . . Fees

The focus on low fees for investors is comparable to the BKI experience.

Flight to passive funds driven by fees



Source: BofA Merrill Lynch Global Investment Strategy, EPFR Global

THE BIGGEST DRIVER OF THE TREND . . . FEES

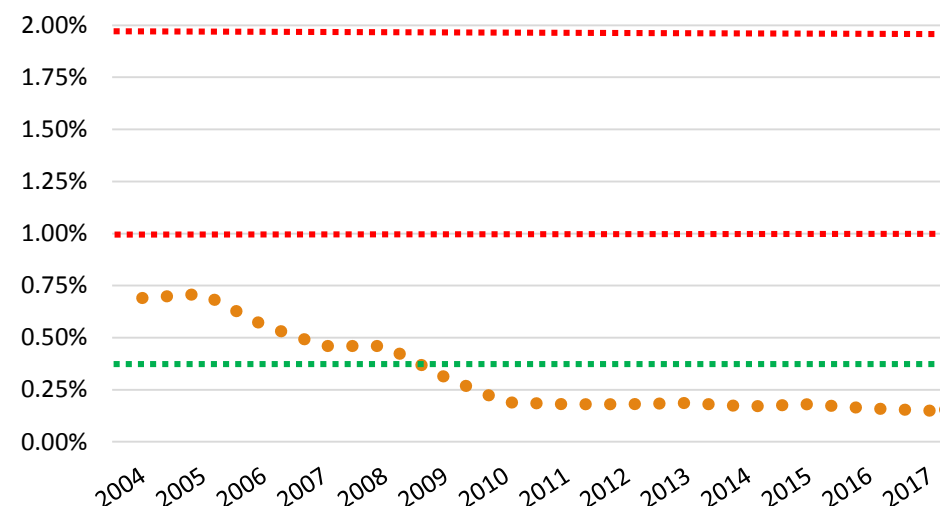
Contact's management fee to BKI is only 0.10%.

Directors and Portfolio Managers are shareholders in BKI. We focus on dividend payments – not generating excessive fees.

BKI doesn't have any debt and as such Shareholders aren't hit with significant finance costs in servicing debt.

There is no Performance Fee charged to BKI shareholders.

Focused on keeping costs low



Typical Investment Industry Products

----- Actively Managed Fund @ 1.00% to 2.00%

----- Passive ETF @ 0.30%

Actively Managed, Low Cost Investment Product

..... BKI Investment Company

BKI - THE BEST OF BOTH WORLDS

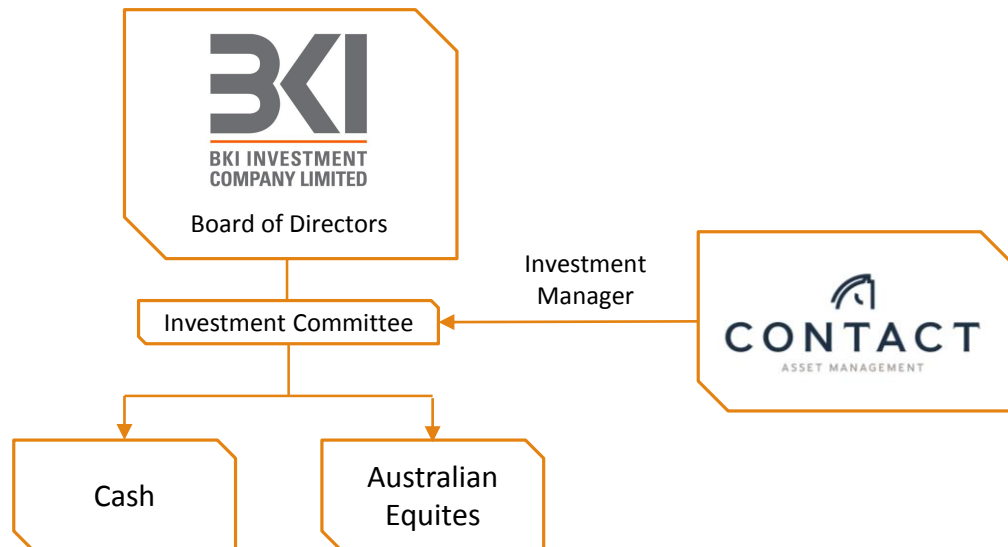
Active management is something we believe in wholeheartedly.

The BKI Investment Committee has 190 years of collective industry experience (average of 27 years).

We take an active approach and constantly assess the market and decide if there is a buying (or selling) opportunity. We believe this is the most effective way to create long-term wealth for shareholders.

We also believe in keeping costs low, highlighted by Contact's management fee of only 0.10%.

Active portfolio management for a Passive fee



POSITIONING THE PORTFOLIO

ALWAYS LOOKING FOR OPPORTUNITIES



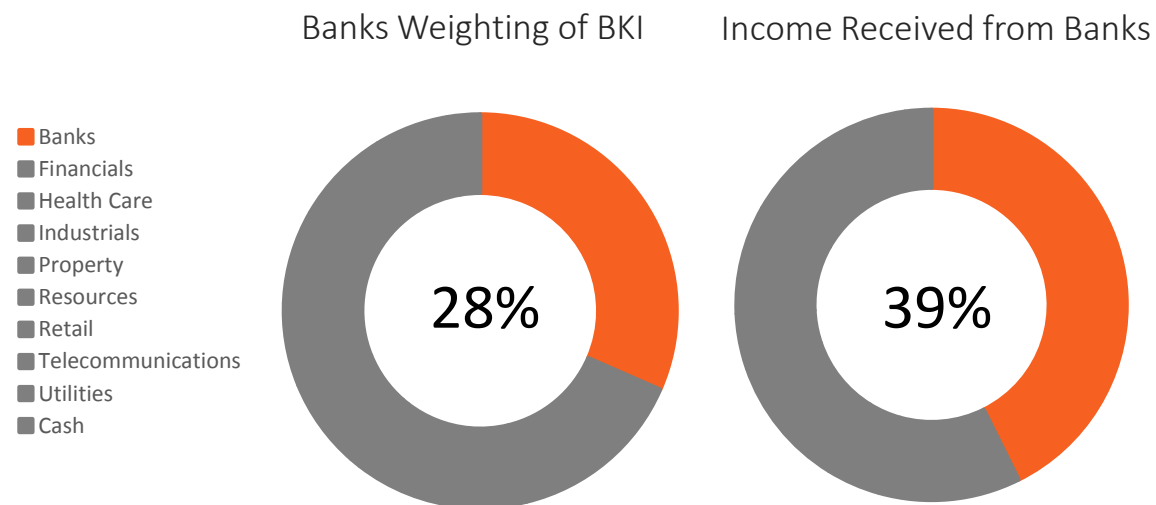
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PORTFOLIO POSITIONING - FINANCIALS

Banking stocks continue to form a very important segment of the BKI Investment Portfolio. They provide good long term value as well as a very attractive and sustainable dividend stream.

The Top 4 banks trade on an average PE Multiple of 12.9x, which represents a 22% discount to the S&P/ASX300 Index. The average Dividend Yield for the Top 4 banks is currently 6.0%, a 40% premium to the S&P/ASX300 Index.



Income received from banks accounted for 39% of BKI Dividend Income in 1H2018

PORTFOLIO POSITIONING - INFRASTRUCTURE

Australia is undergoing a significant transformation thanks to federal and state government spending on major infrastructure projects.

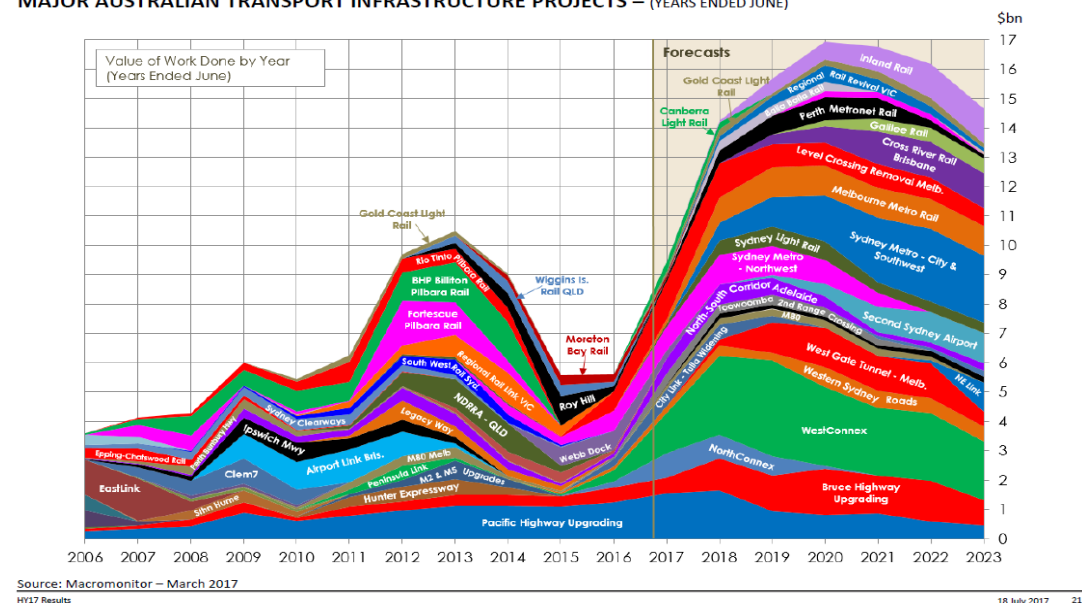
The benefits of this spending will be captured by companies who have made long term infrastructure investments in industries including:

- Freight Road and Rail Networks
- Logistics Networks
- Gas and Energy Networks
- Communications Networks and Exchanges
- Airports
- Hospitals and Age Care Facilities

Australian construction outlook



MAJOR AUSTRALIAN TRANSPORT INFRASTRUCTURE PROJECTS – (YEARS ENDED JUNE)



PORTFOLIO POSITIONING - RETAIL

The impending arrival of Amazon.com into the Australian marketplace has sent shock waves through the retail sector. Especially those associated with our relatively undeveloped online retail market.

Market Capitalisation of Amazon.com is over A\$785 billion. They are not only a retailer, Amazon.com is the world's third-largest information technology company by revenue and has significant diversification.

Change brings opportunity. Amazon.com will offer many opportunities for Australian companies, workers and investors.



POSITIONING THE PORTFOLIO

BKI PORTFOLIO IN DETAIL



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PORTFOLIO POSITIONING

Investment Portfolio Purchases

1. Tabcorp Holdings
2. Goodman Group
3. Ramsay HealthCare
4. Harvey Norman Holdings
5. Amcor Limited
6. Sydney Airports
7. Westpac Banking Corp
8. Invocare Limited
9. National Australia Bank
10. Macquarie Group



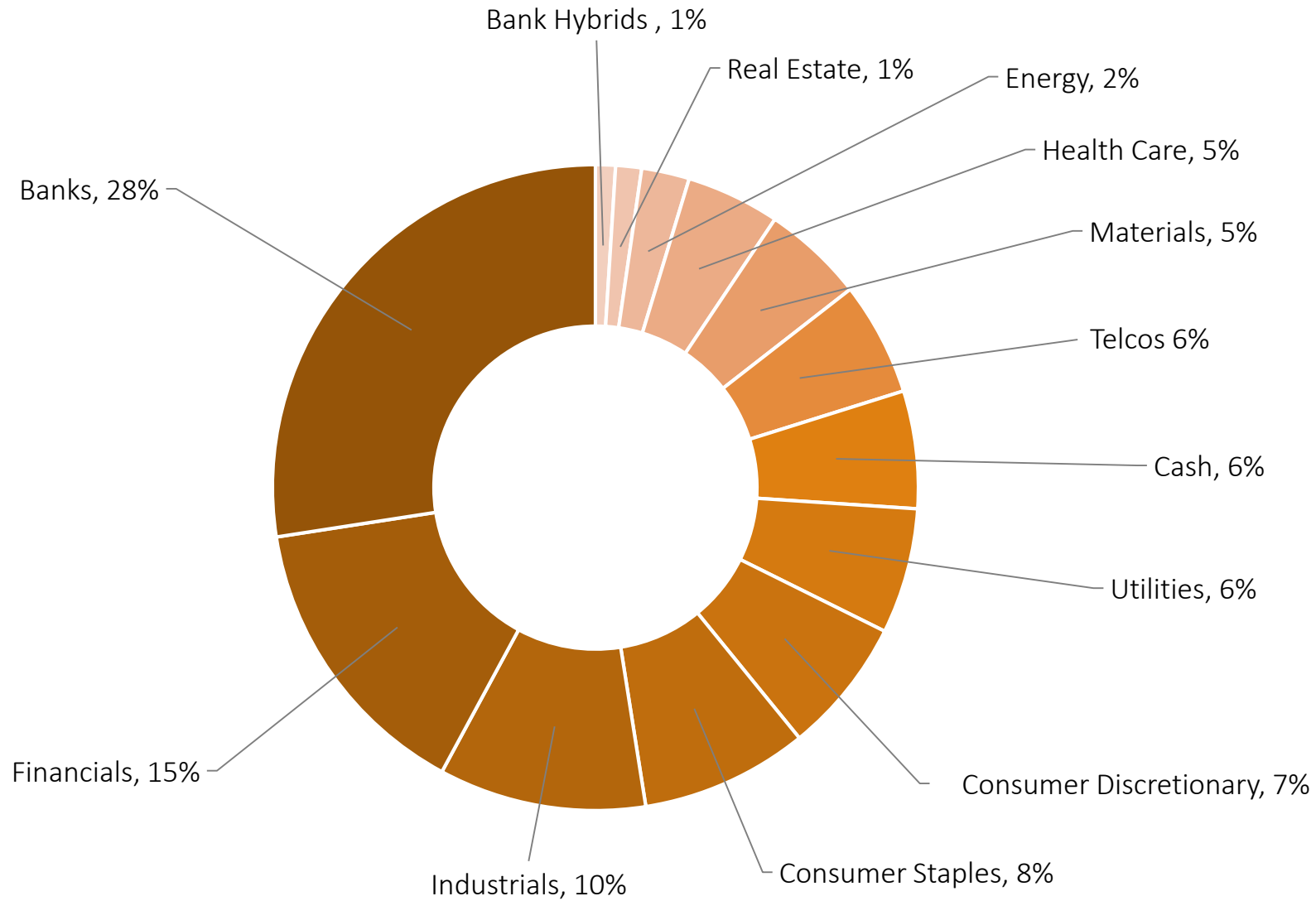
PORTFOLIO POSITIONING

As at 31 December 2017

	<i>Stock</i>	<i>% of Total Portfolio</i>		<i>Stock</i>	<i>% of Total Portfolio</i>
1	National Australia Bank	7.9%	14	Macquarie Group	2.4%
2	Commonwealth Bank	7.2%	15	Invocare Limited	2.3%
3	Westpac Banking Corp	7.0%	16	Ramsay Healthcare	2.3%
4	Wesfarmers Limited	4.5%	17	IAG Limited	2.2%
5	ANZ Banking Group	4.3%	18	BHP Billiton	2.1%
6	New Hope Corporation	3.6%	19	Challenger Limited	2.0%
7	Telstra Corporation	3.2%	20	Sonic Healthcare	2.0%
8	Transurban Group	3.1%	21	ASX Limited	2.0%
9	TPG Telecom	3.1%	22	Woodside Petroleum	1.9%
10	APA Group	2.9%	23	ARB Corporation	1.7%
11	AGL Energy Limited	2.9%	24	Suncorp Group	1.6%
12	Woolworths Limited	2.9%	25	IOOF Holdings	1.4%
13	Sydney Airport	2.5%		Cash & Cash Equivalents	4.9%
				Total	83.9%

PORTFOLIO POSITIONING

As at 31 December 2017



UPCOMING REPORTING SEASON

Main topics of interest:

- Dividend Yield A company's ability to deliver a sustainable and growing dividend stream.
- Franking Credits Current balance and impact of offshore earnings.
- Reduced Costs Management's ongoing ability to control costs.
- Balance Sheet Financial strength, capacity to grow business or ability to return surplus funds to shareholders.
- Australian Dollar Impact on earnings from falling AUD/rising USD.
- Business Model Competitive Advantage.
- Valuation/Growth Earnings outlook for FY19 and FY20.

BKI Fact Sheet

ASX Code	BKI.ASX
Listing Date	December 2003
Mandate	Australian Listed Equities
Investment Sectors	Diversified
Benchmark	S&P/ASX 300 Accumulation Index
Market Cap	\$1,076m
Debt	\$0
Management Expense Ratio*	0.15%
Performance Fee	N/A
Rolling 12 Month Dividend**	7.30cps
Historical Dividend Yield	4.2%
Percentage Franked	100%
Grossed Up Yield***	6.0%
Dividend Distribution Frequency	Half Yearly
Dividend Payout Policy	90%-95%
Dividend Reinvestment Plan	Active

Investment Manager		
Contact Asset Management		
Level 1		
160 Pitt Street Mall		
Sydney NSW 2000		
Research and Ratings		
Lonsec		Recommended
IIR		Recommended Plus
Morningstar		Neutral
ThreeSixty		Approved
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