

BKI INVESTMENT COMPANY LIMITED

RESULTS FOR THE YEAR ENDED 30 JUNE 2019



*BKI is managed by Contact Asset Management
AFSL 494045*



DISCLAIMER

This material has been prepared by Contact Asset Management on behalf of BKI Investment Company Limited.

The information within this document is not intended to provide advice to investors or take into account an individual's financial circumstances or investment objectives. This is general investment advice only and does not constitute advice to any person. The opinions within this document are not intended to represent recommendations to investors, they are the view of Contact Asset Management and BKI Investment Company Limited as of this date and are accordingly subject to change.

Information related to any company or security is for information purposes only and should not be interpreted as a solicitation or offer to buy or sell any security. The information on which this presentation is based has been obtained from sources we believe to be reliable, but we do not guarantee its accuracy or completeness.

Investors should consult their financial adviser in relation to any material within this document.

BKI 15 YEAR REVIEW

During the year, BKI reached the milestone of trading on the ASX for 15 years.



Liquidity

BKI's shareholder base has grown from 7,832 in 2003 to 17,604 at 30 June 2019.



Size & Scale

BKI's Total Assets have increased from \$171m upon listing to \$1,255m in June 2019.



Dividend History*

BKI has paid out over \$640m or \$1.02 per share in Dividends & Franking Credits to Shareholders since listing.



Dividend Yield#

BKI trading on a 7.4% Grossed-Up dividend yield.



Capital Management

Since listing, BKI has distributed 7 Fully Franked Special Dividends to Shareholders.



Low Fee Structure

MER has reduced from 0.69% in 2003 to 0.17% in 2019, including a Management Fee of 0.10%.



Research & Ratings

Lonsec, IIR, Morningstar, ThreeSixty.



Attractive Returns

10 year TSR of 11.6%pa#
15 year TSR of 10.4%pa#



High Conviction Portfolio

46 positions, offering a diversified sector exposure.



RESULT HIGHLIGHTS

Result Excluding Special Investment Income	2019	2018	Growth
Income from Operating Activities	\$54.3m	\$48.1m	13%
Net Operating Result	\$49.2m	\$44.2m	11%
Earnings Per Share	6.75cps	7.10cps	-5%
Dividend Per Share	7.325cps	7.325cps	In Line

Result Including Special Investment Income	2019	2018	Growth
Net Operating Profit	\$74.7m	\$45.0m	66%
Earnings Per Share	10.26cps	7.23cps	42%
Special Dividend Per Share	2.50cps	Nil	

Total Dividends Per Share	9.825cps	7.325cps	34%
---------------------------	----------	----------	-----

Note: Special Investment income include: BHP Off Market Buy-Back, CTX Off Market Buy-Back, WES Demerger Dividend, BHP Special Dividend, two TLS Special Dividends, QUB Special Dividend, IAG Special Dividend, two SUN Special Dividends, MLT Special Dividend, WES Special Dividend and WOW Special Dividend.

RESULT HIGHLIGHTS



Income from
Operating Activities

\$54.3m

13%

from 2018



Net Operating Profit

\$74.7m

66%

from 2018



Earnings Per Share

10.26 cents*

42%

from 2018

2019 Fully Franked
Ordinary Dividends

7.325cps

In line with 2018

2019 Fully Franked
Special Dividends

2.50cps

Current Grossed Up
Dividend Yield#

7.4%

NET OPERATING PROFITS

- Net Operating Result before special dividend revenue increased 11% from \$44.2m to \$49.2m.
- Net Profit Attributable to Shareholders increased 66% to \$74.7m.
- Results were driven by higher dividends received from:

Woodside Petroleum	Transurban Group
New Hope Corporation	Sydney Airport
BHP Limited	Lindsay Australia
Macquarie Group	APA Group
- Results were also driven by:
 - Special dividend income:

BHP Limited	IAG Insurance
Telstra Corporation	Woolworths Group
QUBE Logistics	Suncorp Group
 - Off market Buy Backs

BHP Limited – Off Market Buy-Back
Caltex Limited – Off Market Buy-Back
 - Demerger Dividends – Non Cash

Wesfarmers – Coles Demerger Dividend

DIVIDEND HISTORY OF BKI

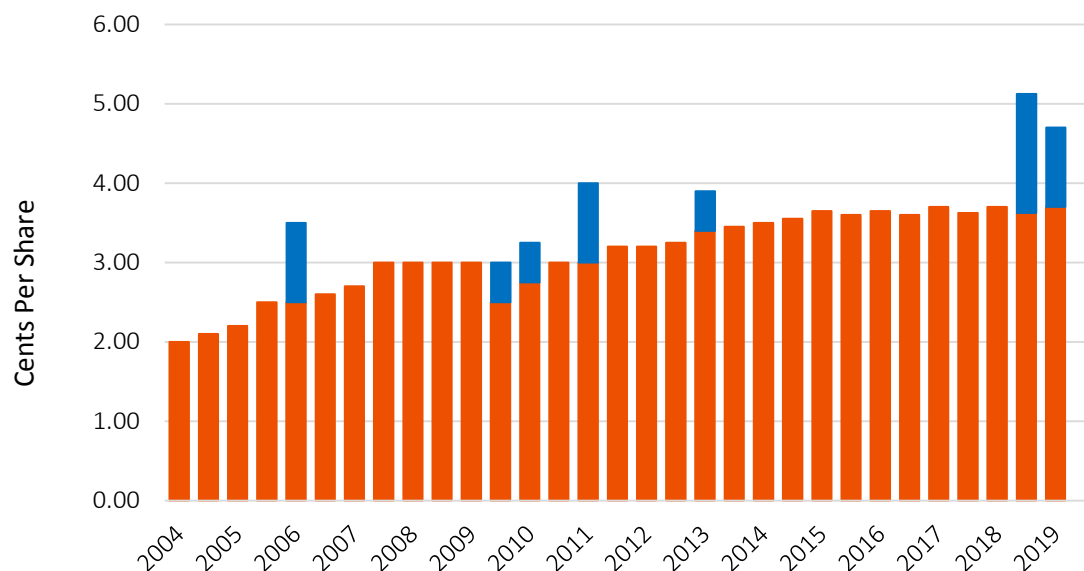
During the 2019 Financial Year BKI has paid out the following fully franked dividends to shareholders:

• Interim Dividend	3.625cps
• Interim Special Dividend	1.500cps
• Final Dividend	3.700cps
• Final Special Dividend	1.000cps
Total	9.825cps

Including the above dividends, BKI's fully franked dividend yield is 6.1%*, while the grossed up yield is 8.8%*

The last trading date to be eligible for the Final and Special Dividend is Thursday 8th August 2019.

BKI Dividends Paid to Shareholders



BKI has paid out over \$640m or \$1.02 per share in Dividends & Franking Credits to Shareholders since listing.



FINAL DIVIDEND KEY DATES

The last trading day to be eligible for BKI's Final and Special Dividend is Thursday 8th August 2019.

The last day to nominate for participation in the Dividend Reinvestment Plan (DRP) is Tuesday 13th August 2019.

Key dates for the Dividends are as follows:

Ex-Dividend Date	Friday 9 th August 2019
Record Date	Monday 12 th August 2019
DRP Nomination	Tuesday 13 th August 2019
Payment Date	Thursday 29 th August 2019

*BKI's DRP offers shareholders the opportunity to acquire further ordinary shares in BKI.
The DRP will not be offered at a discount.*

To obtain access to a DRP form please use the link below:
www.bkilimited.com.au/dividend-reinvestment-plan/

BKI PERFORMANCE AND INCOME SINCE LISTING

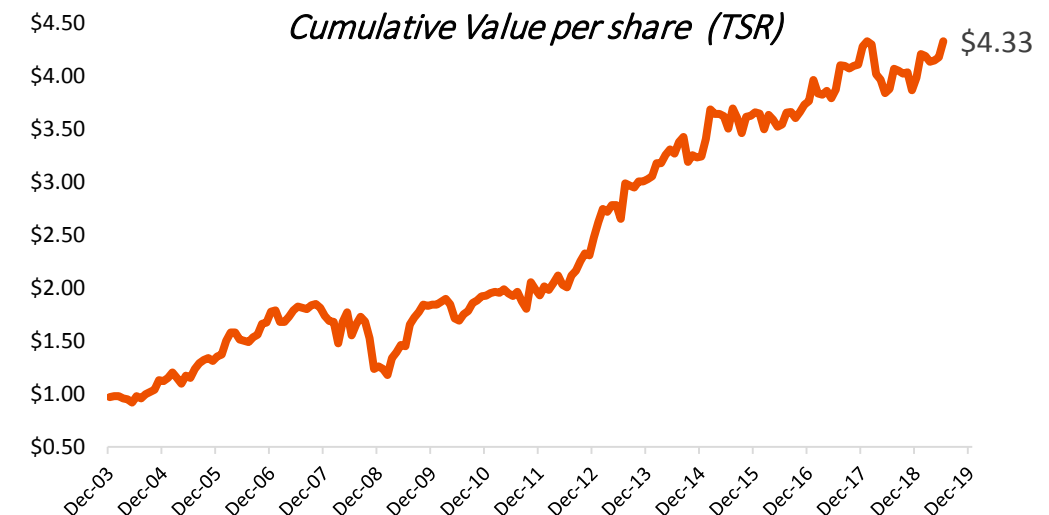
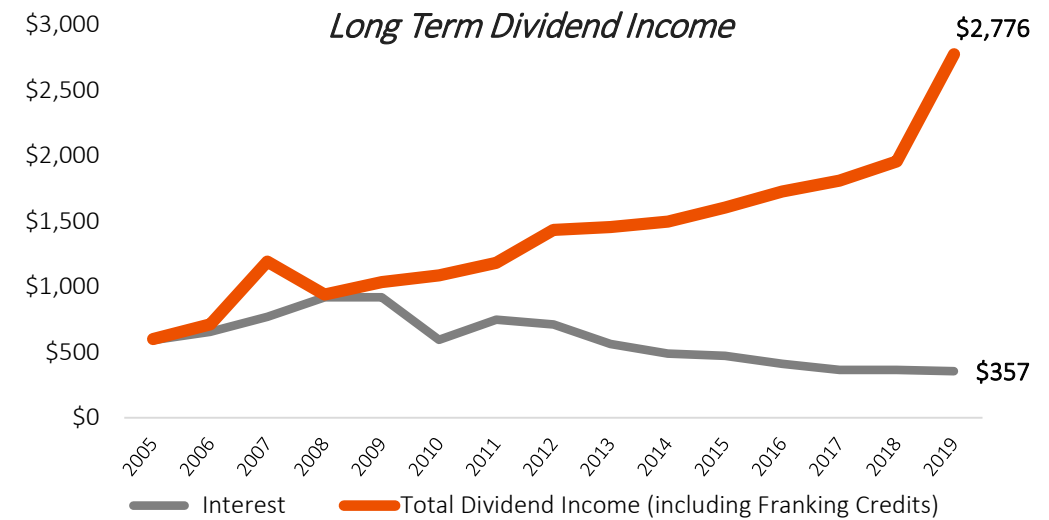
Since listing in 2003 BKI's investment strategy has been, and will continue to be, focused on research driven, active equities management, investing for the long term, in profitable companies, with a history of paying attractive dividend yields.

Dividends and franking credits

An investment of \$10,000 to purchase BKI shares upon listing in December 2003 would now be receiving fully franked dividends of \$1,943pa. The franking credits enhance the income by a further \$833pa, assuming a tax rate of 30% (total income of \$2,776). The same investment in a term deposit (based on the cash rate + 0.50%) would be earning \$357pa with no franking credits attached.

Cumulative value of BKI shares

If dividends were reinvested through the DRP (Dividend Investment Plan) over this time, shares would have grown from \$1.00 to a cumulative value of \$4.33 per share.



Note: Source: BKI, Contact Asset Management, Bloomberg.

Cumulative Value assumes reinvestment of BKI Dividends and Franking Credits;
Based on BKI share price of \$1.60.

TOTAL SHAREHOLDER RETURNS

BKI's Total Shareholder Return, including franking credits, for the year ended 30 June 2019 was 11.6%.

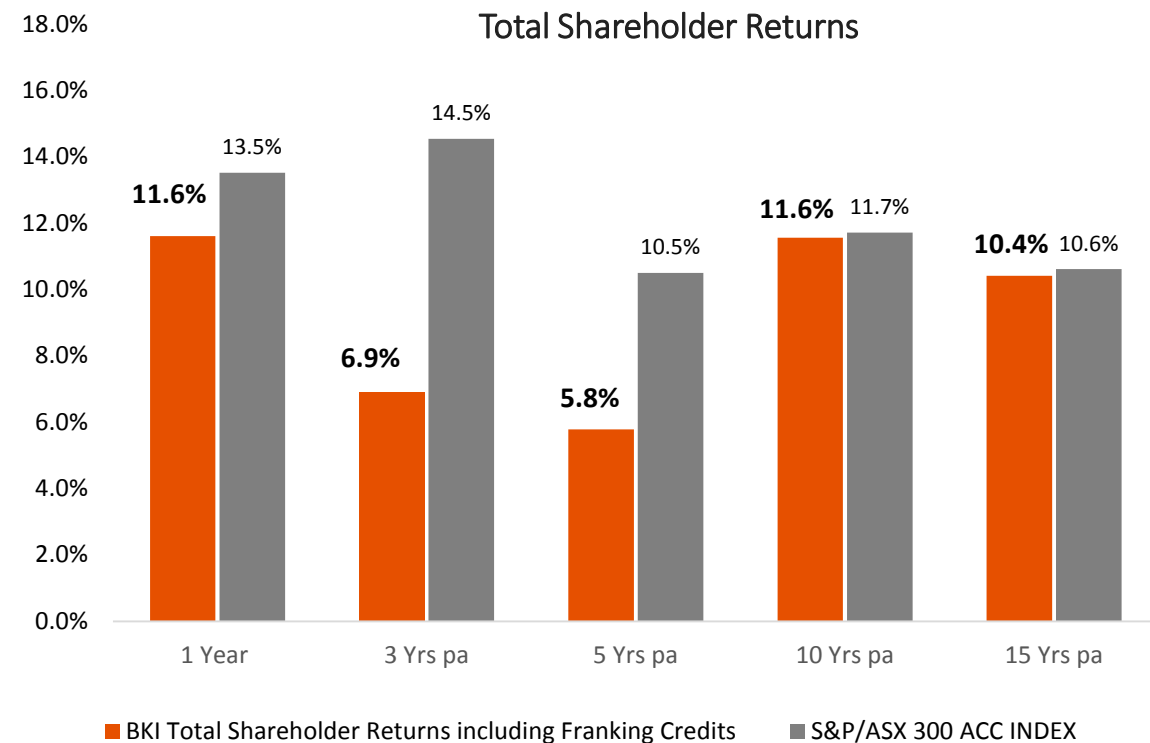
BKI's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2019 was 9.4%.

5 main Positive Contributors to Portfolio Performance

- APA Group
- New Hope Group
- Transurban
- ASX Limited
- Invocare Limited

5 main Detractors from relative Portfolio Performance

- CSL Limited – not held in BKI Portfolio
- Rio Tinto - not held in BKI Portfolio
- Fortescue - not held in BKI Portfolio
- BHP Limited
- Challenger Group



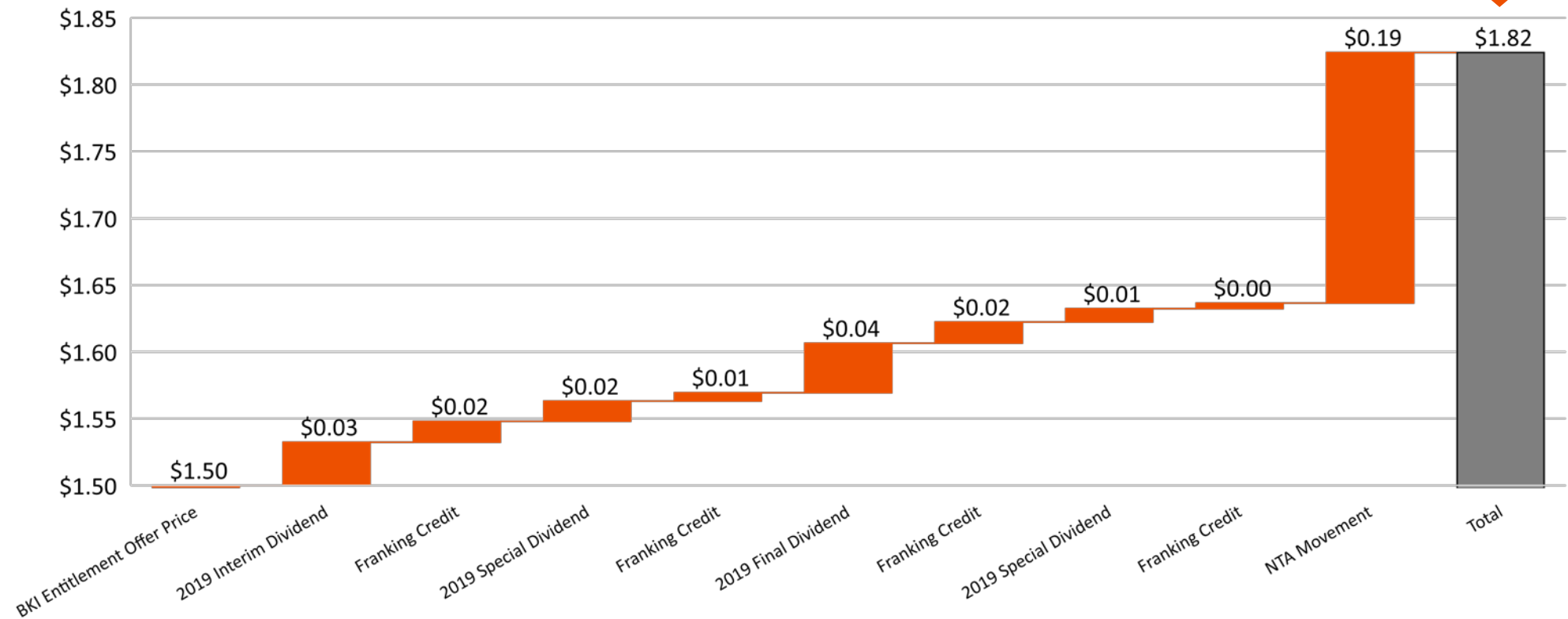
Note: Source: BKI, Contact Asset Management, Bloomberg. Total Shareholder Returns as at 30 June 2019. Including Franking Credits. The S&P/ASX300 Accumulation Index has been franked at 80%.

BKI ENTITLEMENT OFFER RETURNS

In June 2018, BKI offered a 1:15 Entitlement Offer to shareholders and a Placement to New Shareholders. New shares were entitled to Dividends, Special Dividends and Franking Credits. The return on those entitlement shares is 22%.

Total Return on
Entitlement Shares

22%



POSITIONING BKI FOR THE FUTURE

ACTIVELY MANAGED PORTFOLIO FOR AN ATTRACTIVE FEE



*BKI is managed by Contact Asset Management
AFSL 494045*



DEALING WITH THE NOISE

Negative Headwinds

- Falling interest rates
- Falling commodity prices
- Declines in Australian real-estate values
- Tighter credit conditions
- High levels of personal debt
- Uncertainty around Brexit
- Uncertainty on US-China trade
- Beginning of Royal Commission into Aged Care
- After effects of Royal Commission into Banks/Financial Services

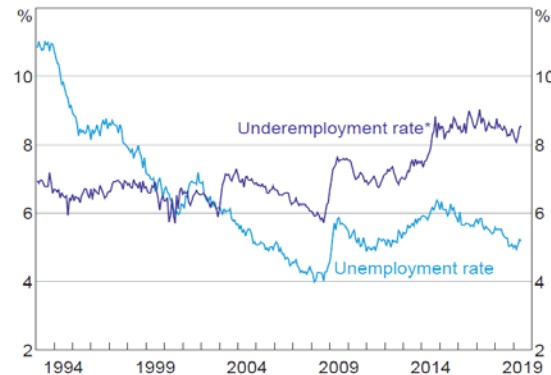
Positive Tailwinds

- Strong global demand for Australian commodities
- Population growth
- Significant infrastructure spending in Australia
- Competitive banking industry
- Significant Superannuation fund flows
- Large levels of cash held by investors
- Depreciating Australian Dollar
- A stable Federal Government

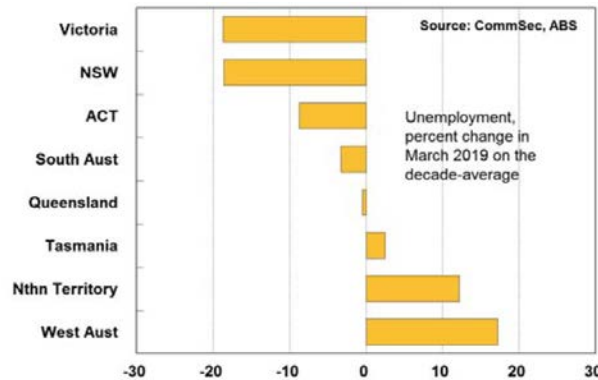
MACRO CONCERNS

Unemployment Rates

Tick up in unemployment rates is beginning to put pressure on an individual's job security

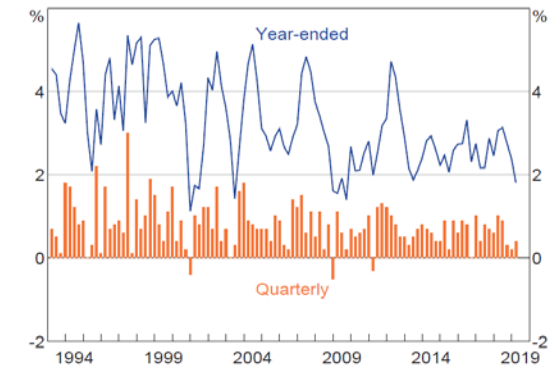


State by State winners and losers on jobs shows NSW and Victoria are starting to feel the pressure



GDP Growth

Australian economic growth is falling - an easing of the GDP growth figures over the last few months has been a concern



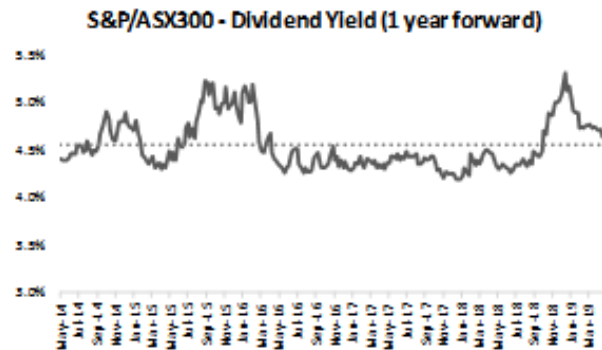
The Westpac-Melbourne Institute Index of Consumer Sentiment fell 4.1% between June and July 2019



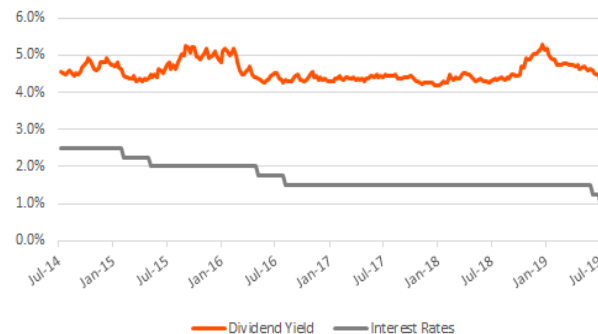
MACRO OPPORTUNITIES

The Search for Yield

The recent market rally has meant that dividend yields have retreated back to 4.6%

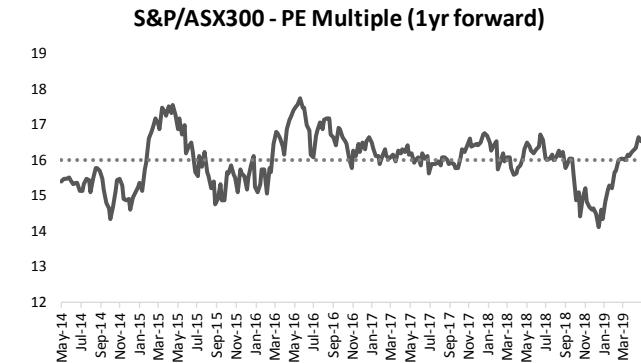


Lower interest rates suggests that there is a big opportunity for defensive income equities over the short to medium term

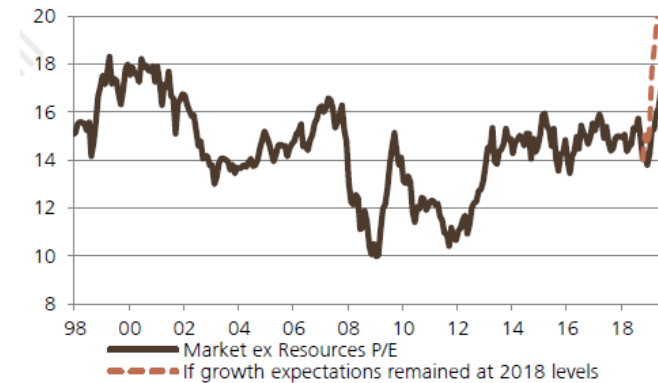


Re-Rate of the Market

The S&P/ASX300 PE multiple has increased from 13.8x in 2018 to 16.8x. The market's 10 Year average is 15.4x

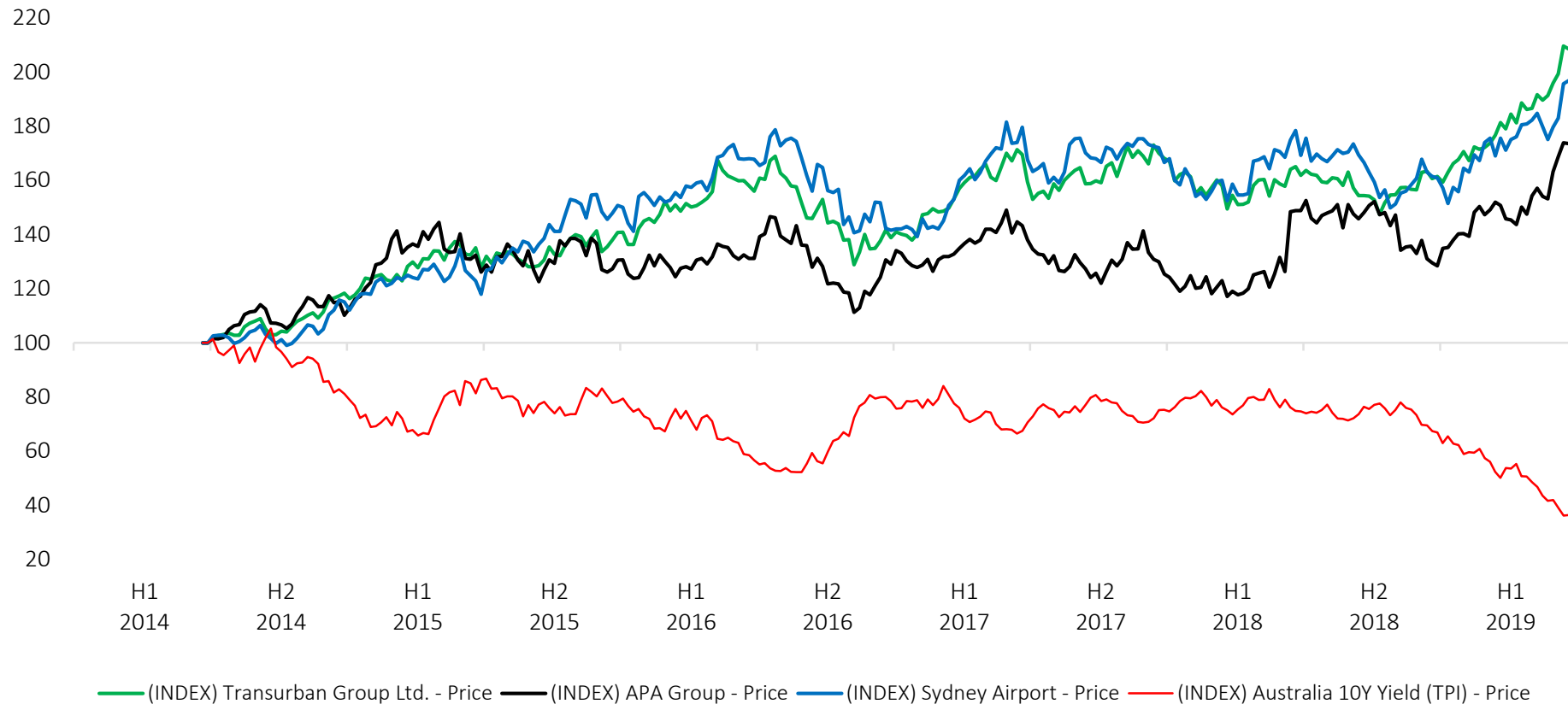


Implied market growth rates for 2020 will see a higher forward PE of the market reach approximately 20x.



YIELD CURVE

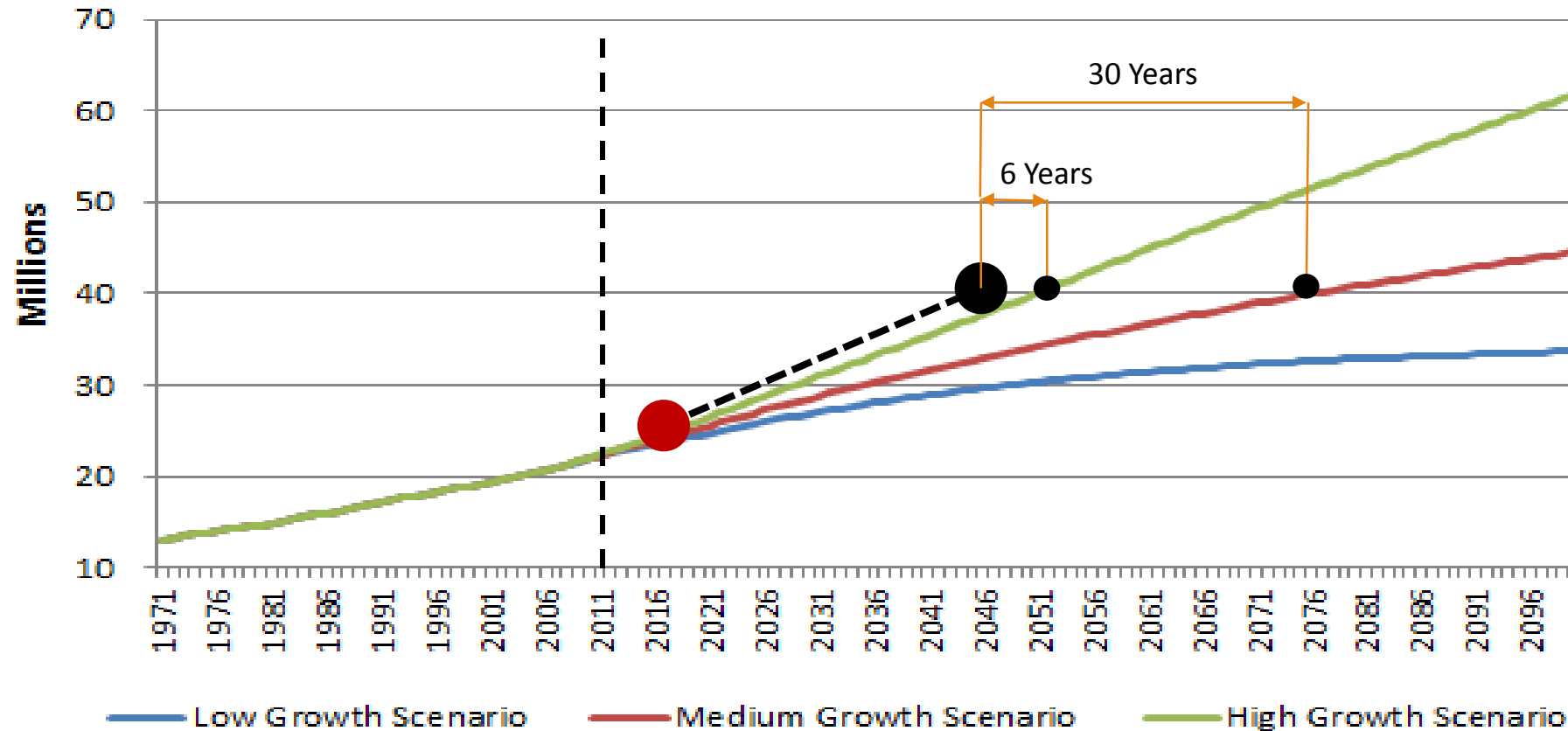
We focus on the underlying fundamentals of a good quality business, not what some may say about bond rates.
For example - Transurban Group, Sydney Airports, APA Group



POPULATION GROWTH

Australia's population is now expected to grow to **40 million** people as early as 2048

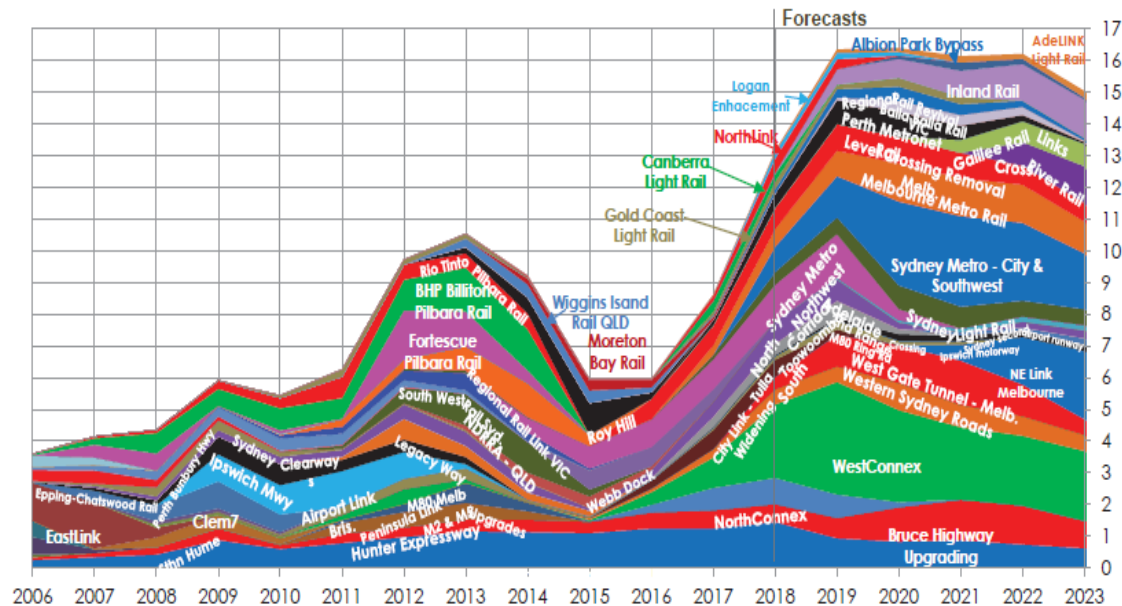
- 6 Years earlier than the ABS high growth scenario set in 2011
- 30 Years earlier than the ABS medium growth scenario set in 2011



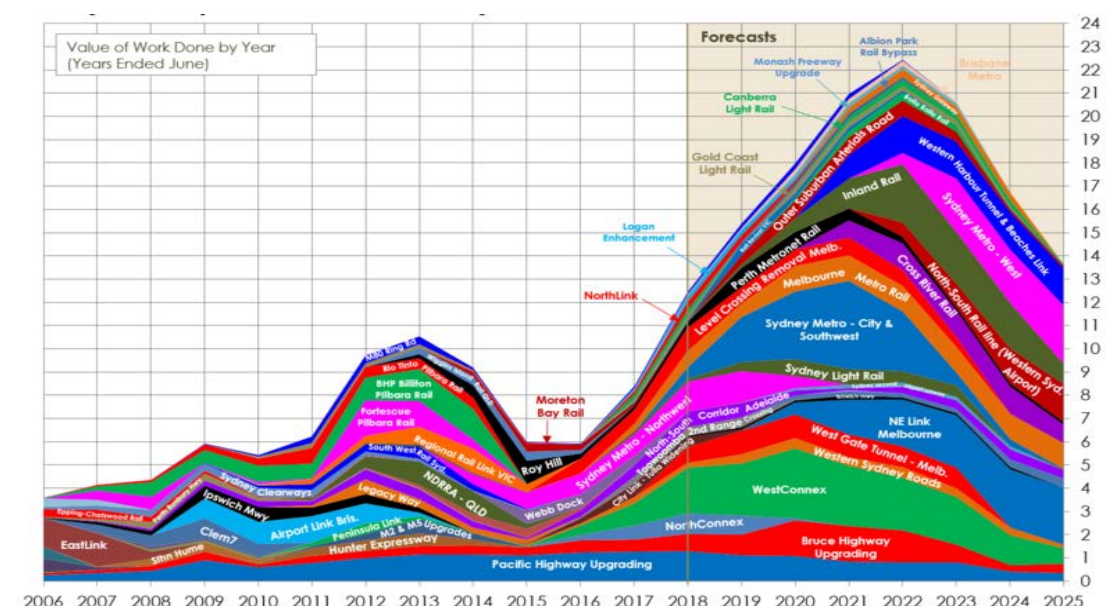
INFRASTRUCTURE GROWTH

Infrastructure spend is currently at levels never seen before and will continue for many years.
Governments are now set to bring forward further major building projects to boost the economy.

Forecast infrastructure work as at 30 June 2018

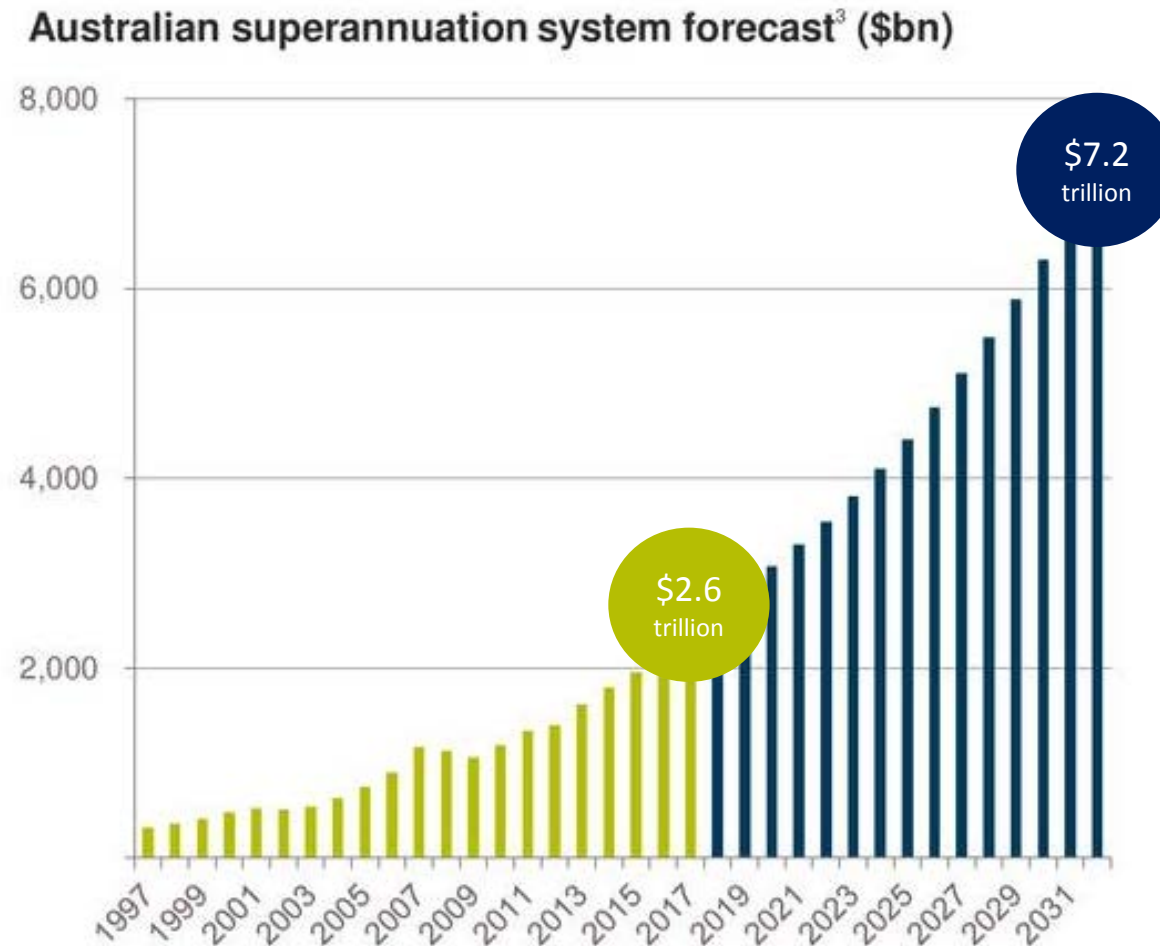


Forecast infrastructure work as at 30 June 2019



FUNDS GROWTH

The growth in superannuation assets in Australia is going to be substantial.



e-commerce Growth

Retail, e-commerce and Logistics

Given the arrival of Amazon.com into the Australian marketplace we have seen shock waves sent through the retail sector, especially those associated with our relatively undeveloped online retail market.

Market Capitalisation of Amazon.com is over A\$1,300 billion. It is not only a retailer, Amazon.com is the world's third-largest information technology company by revenue and has significant diversification.

Change brings opportunity; online retailing will continue to create opportunities in areas including:

- Employment
- Construction and Development
- Logistics and Distribution
- Transportation and Delivery
- Telephony and Data Services
- Technology



BKI INVESTMENT PROCESS

BKI is focused on investing in stocks using the 5 fundamentals below as part of the stock selection process:

- 1 **Income**
Dividend Yields, Franking Credits, Pay Out Ratios
 - 2 **Principal Activity**
Sustainable Business Model, Competitive Advantage, Barriers to Entry
 - 3 **Financial Strength**
Strong Balance Sheet, Gearing Ratios, Net Interest Coverage
 - 4 **Management and Board**
Alignment, Creating Shareholder Wealth
 - 5 **Earnings and Valuations**
Earnings Profiles, PE Multiples, EV/EBITDA Multiples
- Investment Committee** – Final investment decisions are approved by the Investment Committee

PORTFOLIO POSITIONING

For the year to 30 June 2019

Investment Portfolio increases

1. BHP Limited
2. Macquarie Group
3. Woodside Petroleum Limited
4. Ramsay HealthCare
5. Woolworths Group
6. Transurban Group
7. Commonwealth Bank
8. AGL Energy Limited
9. APA Group
10. Regis Healthcare



PORTFOLIO POSITIONING

For the year to 30 June 2019

New Portfolio Positions

1. Coles Group
2. Magellan Financial Group
3. Treasury Wine Estates
4. Platinum Asset Management
5. Stockland Group
6. Reece Group

Investment Portfolio Sales

1. Flight Centre
2. IOOF Holdings
3. Perpetual Limited
4. Pact Group
5. QUBE Holdings
6. NABPA Preference Shares
7. NABPC Preference Shares
8. Ansell Limited
9. WBCPF Preference Shares
10. CBAPG Preference Shares



PORTFOLIO POSITIONING

As at 30 June 2019

Major Overweight/Underweight by Stock

Overweights

Company	Active Weight
New Hope Group	5.1%
APA Group	3.5%
TPG Telecom	2.4%
National Australia Bank	2.2%
Transurban Group	2.2%
AGL Limited	2.0%
Sydney Airport	1.9%
Invocare Limited	1.9%
Ramsay Healthcare	1.8%
ASX Limited	1.7%

Underweights

Company	Active Weight
CSL Limited	(4.6)%
Rio Tinto Limited	(1.9)%
BHP Limited	(1.7)%
Scentre Group	(1.1)%
Fortescue Metals Group	(1.1)%
South32 Limited	(1.1)%
Newcrest Mining	(1.1)%
Aristocrat Leisure	(0.9)%
Cimic Group	(0.9)%
QBE Insurance	(0.9)%

TOP 25 INVESTMENTS

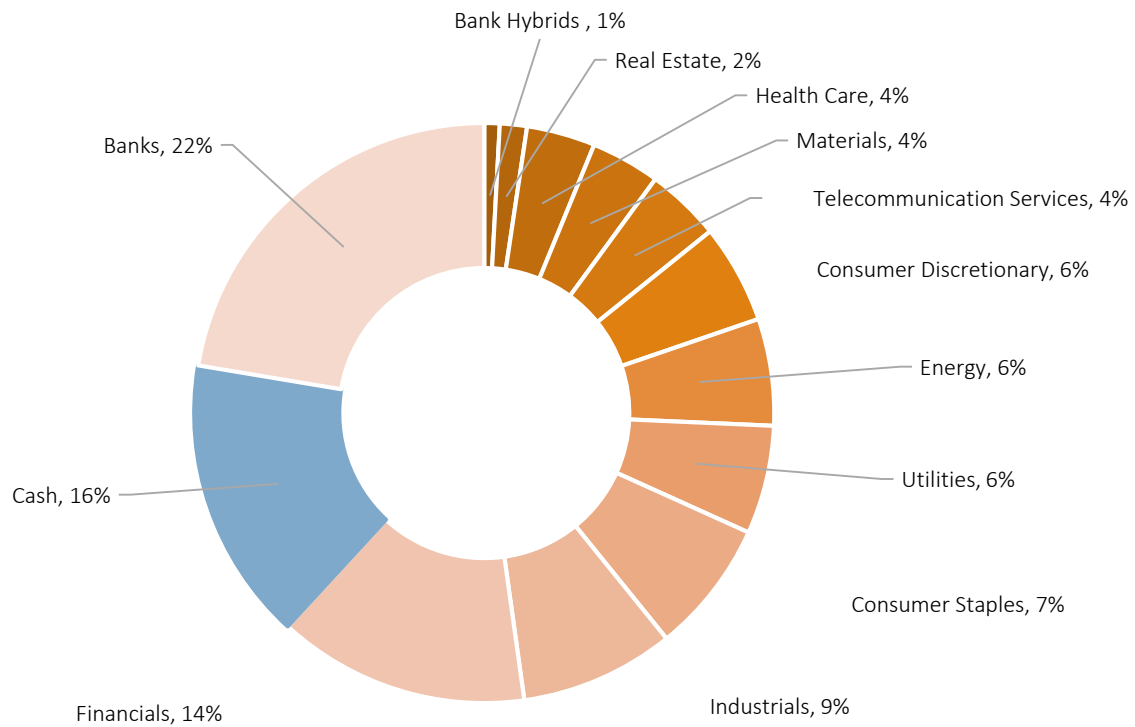
As at 30 June 2019

<i>Stock</i>	<i>% of Total Portfolio</i>	<i>Stock</i>	<i>% of Total Portfolio</i>
1 Commonwealth Bank	6.7%	14 Sydney Airport	3.0%
2 National Australia Bank	5.4%	15 Telstra Corporation	2.9%
3 Macquarie Group	5.0%	16 ASX Limited	2.7%
4 Westpac Banking Corporation	4.8%	17 TPG Telecom	2.5%
5 BHP Limited	4.5%	18 AGL Energy Limited	2.4%
6 Transurban Group	4.4%	19 IAG Limited	2.3%
7 APA Group	4.3%	20 Invocare Limited	2.1%
8 Woolworths Group	3.8%	21 Sonic Healthcare Limited	2.1%
9 ANZ Banking Group	3.6%	22 Magellan Financial Group	1.6%
10 Wesfarmers Limited	3.3%	23 ARB Corporation	1.4%
11 New Hope Corporation	3.3%	24 Suncorp Group	1.3%
12 Ramsay Healthcare	3.0%	25 Coles Group	1.2%
13 Woodside Petroleum	3.0%	Cash & Cash Equivalents	7.9%
		Total	88.5%

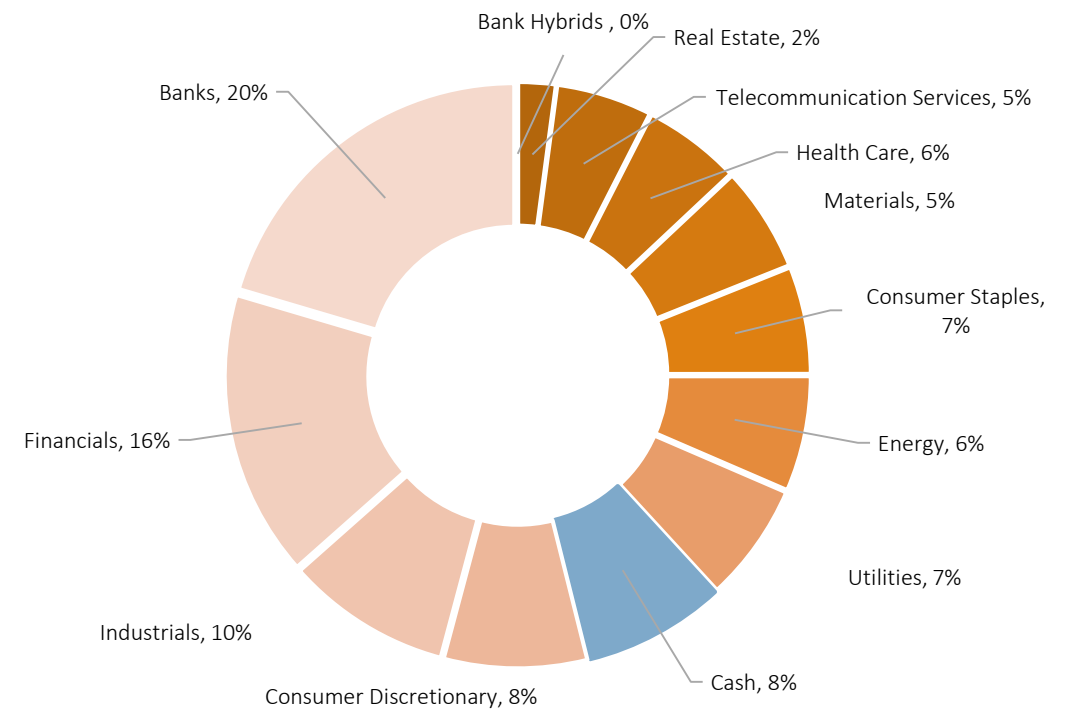
PORTFOLIO POSITIONING

As at 30 June 2019

BKI Exposure of Sector – June 2018



BKI Exposure of Sector – June 2019



UPCOMING REPORTING SEASON

Main topics of interest:

- Dividend Yield A company's ability to deliver a sustainable and growing dividend stream.
- Reduced Costs Management's ongoing ability to control costs.
- Balance Sheet Financial strength, capacity to re-invest and grow the business.
- Valuation/Growth Ability to deliver Earnings to justify high Price/Earnings multiples .
- Australian Dollar Impact on earnings and dividends from falling AUD/USD.
- Business Model Competitive Advantage, ability to disrupt.

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
Total Assets	\$1,255m
Debt	\$0
Management Expense Ratio*	0.17%
Performance Fee	N/A
Rolling 12 Month Dividend [#]	9.825cps
Historical Dividend Yield [#]	6.1%
Percentage Franked	100%
Grossed Up Yield [#]	8.8%
Dividend Distribution Frequency	Half Yearly
Dividend Payout Policy	90%-95%
Dividend Reinvestment Plan	Active

Investment Manager	
Contact Asset Management	
Level 14	
151 Clarence Street	
Sydney NSW 2000	
Contact Us	
Website	www.bkilimited.com.au
E-Mail	info@bkilimited.com.au
Tom Millner	0408 754 180
Will Culbert	0410 627 378
Jaime Pinto	02 9210 7000



Contact Asset Management

Investment Manager for BKI Investment Company Limited
Update

Contact Asset Management



Our Story

In 2016, Contact Asset Management was established as an innovative investment manager, implementing a set of principles honed over many generations. We focus on developing strong relationships with our clients and invest alongside their shareholders, managing unique products to create long-term wealth. Contact is wholly owned by its founders Tom Millner, Will Culbert and Washington H. Soul Pattinson and Company Limited (Soul Pattinson). Together we are committed to investing for better outcomes.



Our History

In 1933, Mr M C G Claveranne, a Sydney accountant and Mr D Lewis, a Randwick trainer, formed a racing partnership by purchasing the colt “Contact” for 150 guineas (~£160). Over the next three years, Contact would net the partnership almost £6000, culminating in victory at the 1936 Sydney Cup after running 4th in the 1935 Melbourne Cup. Messrs Claveranne and Lewis co-owned a number of racehorses together and formed a very successful partnership. Max Claveranne was Tom Millner’s Great Grandfather and Danny Lewis was Will Culbert’s Great Grandfather.

Our Partner

In 1886, Lewy Pattinson opened his first pharmacy in Balmain. Pattinson and Co. then bought out Washington H. Soul and Co and on 21 January, 1903. Washington H. Soul Pattinson and Company Limited was listed on the ASX. Soul Pattinson is the second oldest publicly listed company on the ASX and one of only a few that has been successfully managed by the same family from the outset – and therein lies the key to its strength. Five generations of the Pattinson family have served the company; Rob Millner being the fourth and Tom Millner being the fifth. Its leadership has been grounded in successive family members who value the history of the company, yet are able to adapt to changing times and economic conditions. All have had the ability to spot talented people to fill senior and middle management positions. Soul Pattinson today is a significant investment house with a portfolio encompassing many industries including retail, building materials, natural resources, healthcare, equity investments, agriculture, education, telecommunications and finance. It is these relationships and access to businesses that provide Contact Asset Management with a clear competitive advantage against our peers.



Contact Asset Management



BKI – Benefits of the LIC Structure (as at 30 June 2019)

- **Consistent, Positive Returns**
 - 11.6% p.a. TSR over 10 years – Including franking credits
 - 10.4% p.a. TSR over 15 years – Including franking credits
- **Concentrated, High Conviction Portfolio**
 - 46 positions, offering diversified sector exposure.

Strategic Priorities

- BKI's aim is to generate an increasing income stream for distribution to shareholders in the form of fully franked dividends, through long-term investment in a portfolio of assets that are also able to deliver long term capital growth to shareholders.

Fee Considerations

- Contact Asset Management charges BKI an attractive Management Fee of only 0.10% and no Performance Fee. BKI is managed for its shareholders with a low MER of 0.17%.
- Directors and Portfolio Managers are shareholders in BKI. We focus on earnings growth and dividend payments – not generating excessive fees.

Changes to Contact - Additions to the Team

1. Rodney Forrest (Senior Investment Analyst) PhD, B.Ec, M.Ec, GradDipTax
2. Jared Tilley (Investment Analyst) B.Bus, CFA
3. Charlie Kingston (Investment Analyst/Dealer) B.Bus
4. Rob Horne (Investment Analyst – Associate) Grad Dip Com

Our Team



Robert Millner
Chairman
FAICD

Tom Millner
Director and Portfolio Manager
B.Des (Industrial), GDipAppFin,
F Fin, GAICD

Will Culbert
Director and Portfolio Manager
B.Bus, MCom, GDipAppFin,
F Fin, GAICD

Rodney Forrest
Senior Investment Analyst
PhD, B.Ec, M.Ec, GDipTax

Jared Tilley
Investment Analyst
B.Com, CFA

Jovana Gagic
Investment Analyst
B.Bus

Charlie Kingston
Dealer/Investment Analyst
B.Com

Rob Horne
Investment Analyst (Associate)
Grad Dip Com

Jaime Pinto
Company Secretary
B.Com, CA

Our Philosophy

Contact Asset Management



Contact is wholly owned by its founders Tom Millner, Will Culbert and Soul Pattinson and together are committed to investing for better outcomes. As a firm we stand by our philosophy:

We believe in better.

We expect more and focus on better outcomes with everything we do.

We are invested in making a difference.

We make that difference through better products, performance, experience, relationships, returns and better ways of working.

The above is evident by the way we:

Invest alongside shareholders

Remain active in our research and management style

Remain benchmark unaware