

Full Year Result Presentation

30 June 2014



Business Overview

BKI is a research driven, active equities manager investing for the long term in profitable, high yielding, well managed companies.

We are a closed end company and do not charge external portfolio management or performance fees.

Our aim is to create wealth for BKI shareholders, through an increasing fully franked dividend and capital growth.

BKI's FY2014 Result included increased Profits, Dividend Distribution and Portfolio Valuation. The MER was reduced and we grew the Investment Team.

Listed Investment Company

<u>Performance</u>	Delivered sound Total Shareholder Returns and dividend growth.
<u>Capital Management</u>	5 Fully Franked Special Dividends distributed since listing in 2003.
<u>Tax Effective</u>	All dividends have been fully franked
<u>Simplicity</u>	Single shareholding, administration simplicity; 2X dividend statements p.a.
<u>Liquidity</u>	Buy/Sell shares on the ASX. 13,000+ shareholders. Settlement T+3 Days.
<u>Low Cost</u>	MER of 0.17%. No external performance fees
<u>Diversification</u>	Exposure to most sectors through well managed, dividend paying stocks.
<u>Size and Strength</u>	BKI's Market Capitalisation is \$862m as at 30 June 2014. No Debt.
<u>Transparency</u>	Top 25 Investments, Cash, Performance and NTA disclosed monthly.
<u>Compliance</u>	ASX Listing Rules, Continuous Disclosure requirements.



Results Highlights

BKI Result Highlights

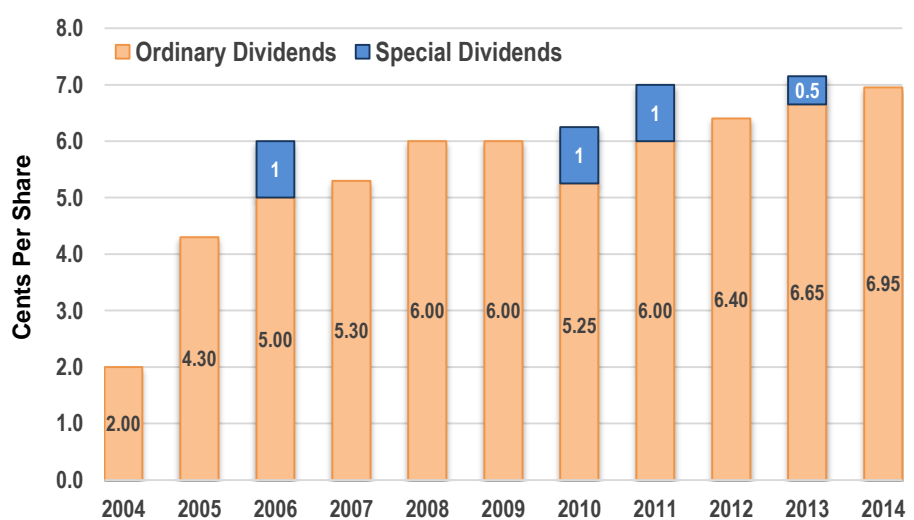
	2014	2013	Growth
Ordinary Dividend Income	\$38.6m	\$32.0m	21%
Net Operating Result*	\$35.9m	\$29.9m	20%
Earnings Per Share*	7.15cps	6.81cps	5%
Total Ordinary Dividends Per Share	6.95cps	6.65cps	5%
MER	0.17%	0.19%	-11%
Portfolio Valuation	\$853m	\$676m	26%

* Excluding Special Dividends

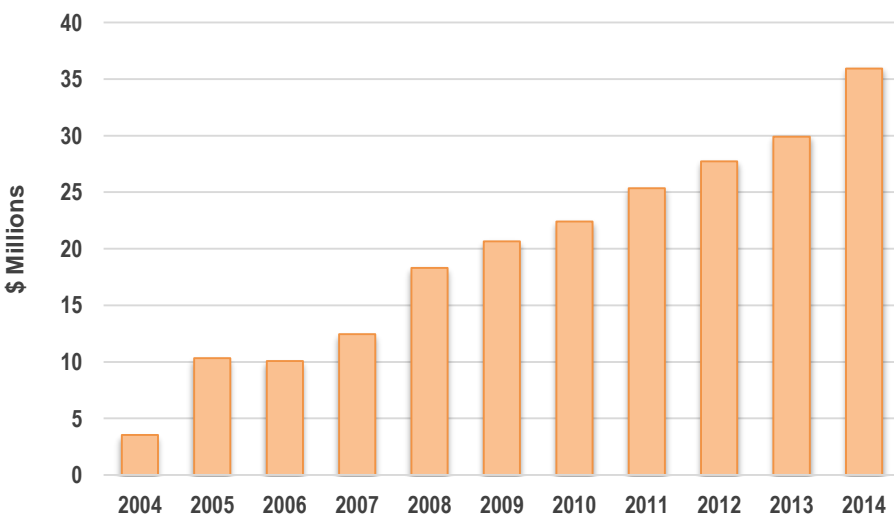
Earnings Per Share



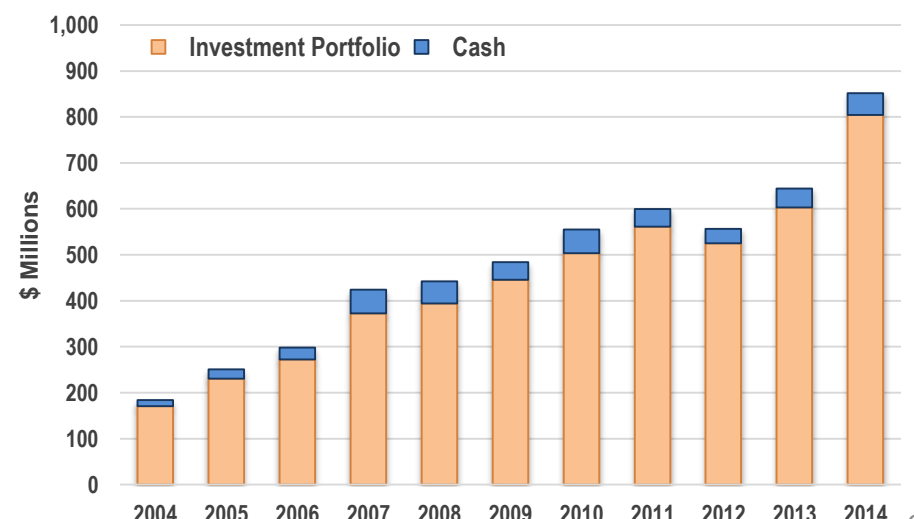
Ordinary and Special Dividends



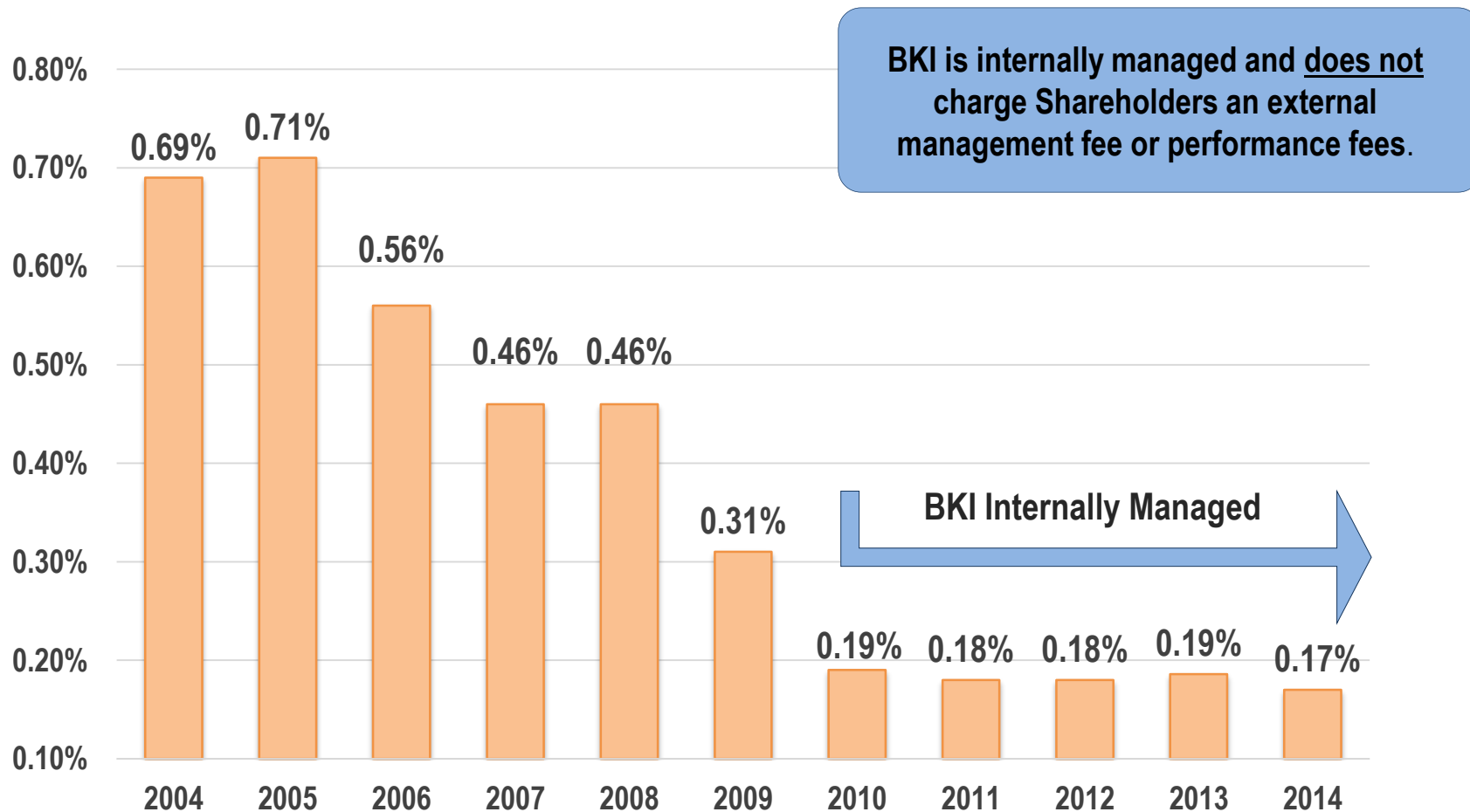
Net Operating Result



Portfolio Valuation



Management Expense Ratio

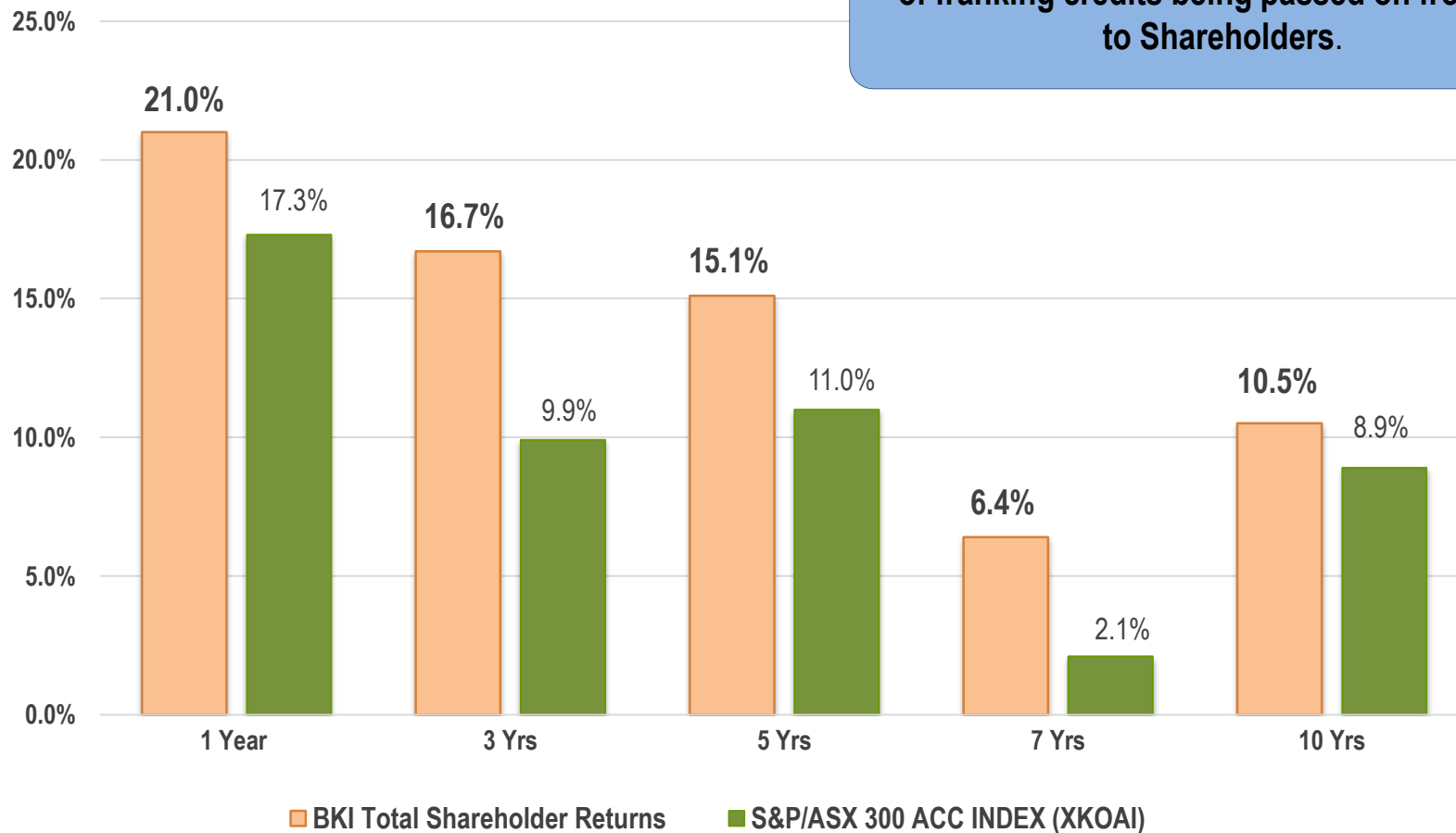




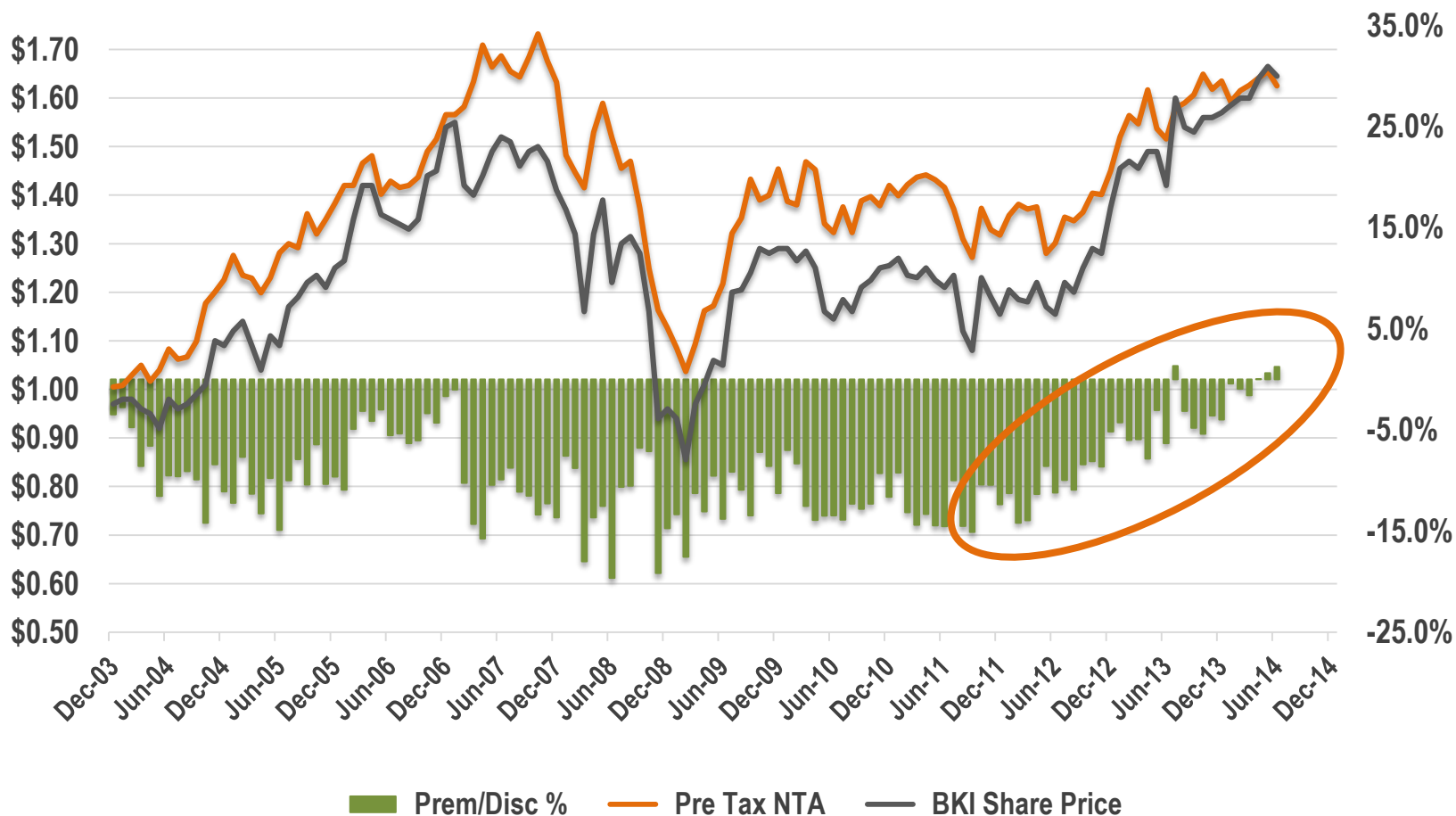
Performance

Total Shareholder Returns as at 30 June 2014

Total Shareholder Returns exclude the benefit of franking credits being passed on from BKI to Shareholders.

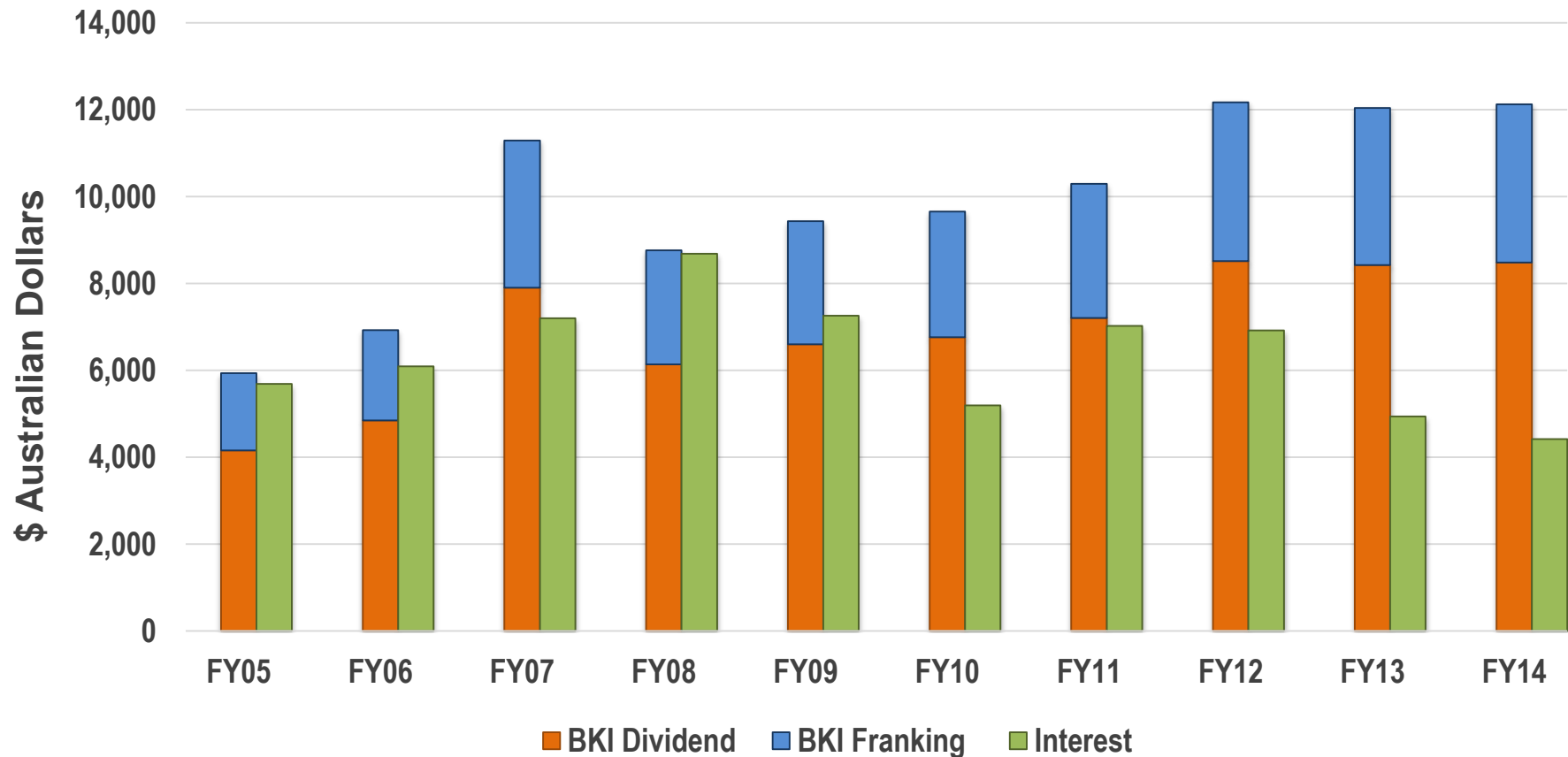


Premium/Discount Analysis as at 30 June 2014



Yield for all Seasons

Dividends + Franking Credits received from a \$100,000 investment in BKI at inception V's Bank Quarterly Interest. Highlights the opportunity of receiving a fully franked dividend in a falling interest rate environment.





Investment Portfolio

Investment Process

BKI is a research driven, active equities manager investing for the long term in profitable, high yielding, well managed companies. Stock selection is bottom up, focusing on the merits of individual companies rather than market and economic trends.

BKI is benchmark unaware and has no specific sector or stock investment limitations. BKI has the ability to have overweight or underweight positions in certain stocks or sectors. Our investment process ensures we are focused on investing in stocks using the 5 basic fundamentals below as part of the stock selection process:

1. **Income** - Dividend Yields, Franking Credits, Payout Ratios
2. **Principal Activity** - Sustainable Business Model, Competitive Advantage
3. **Debt Levels** - Gearing Ratios, Net Interest Coverage
4. **Management and Board** - Share Ownership, Board Meeting Attendance, History of Creating Shareholder Wealth
5. **Earnings and Valuations** - Earnings Profiles, PE Multiples, EV/EBITDA Multiples

Top 25 Shareholdings

As at 30 June 2014

Diversification

BKI's portfolio is comprised of dividend paying, well managed companies. Exposure to most sectors of the market.

High Conviction

Benchmark Unaware – BKI's long term strategy of investing in dividend paying stocks means the portfolio is not aligned with an index.

Transparency

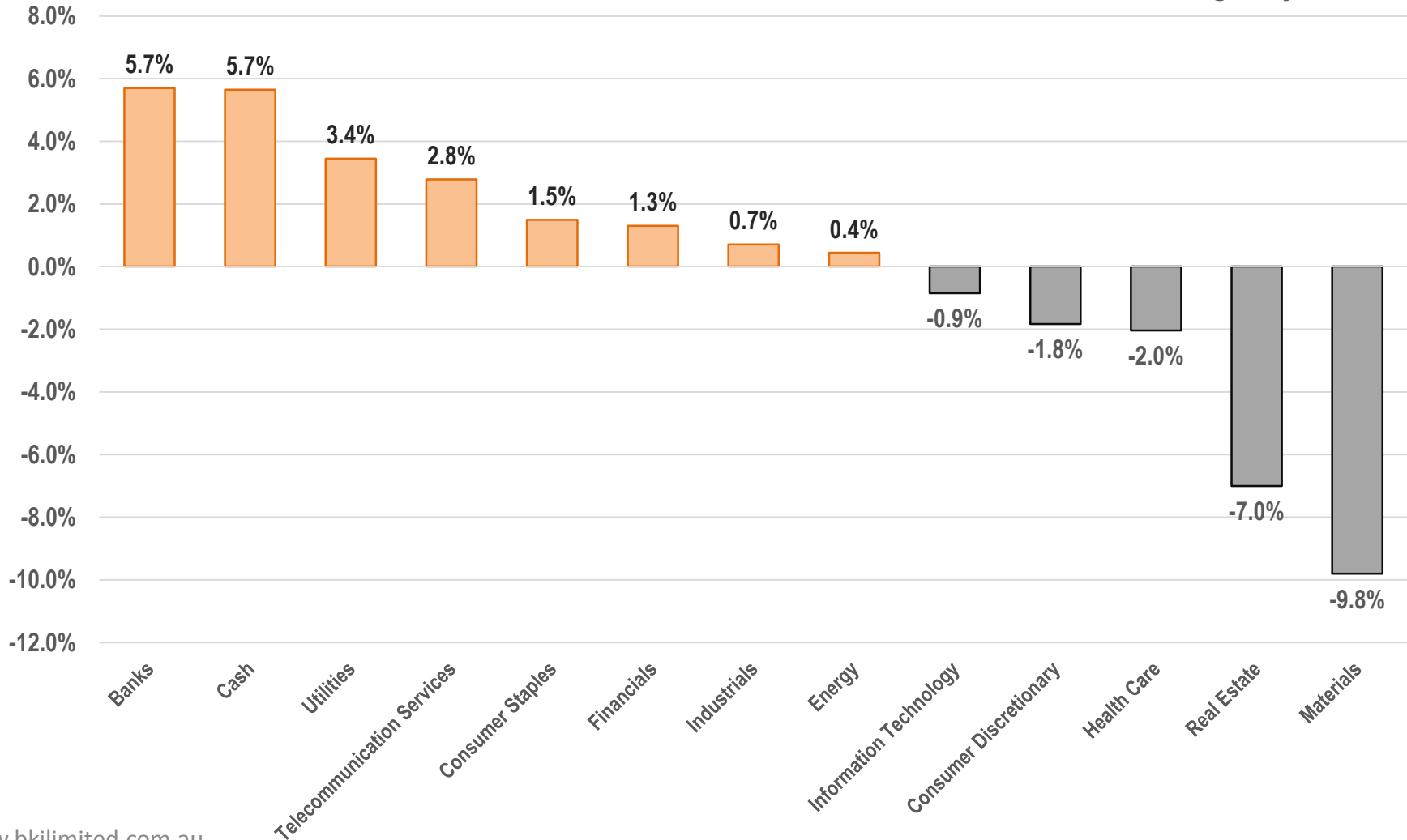
Top 25 and Cash account for ~86% of BKI's total portfolio. Disclosed monthly with NTA release to the ASX.

BKI Top 25 Investments – June 2014

1	Commonwealth Bank	9.5%
2	National Australia Bank	8.9%
3	Westpac Banking Corporation	8.1%
4	BHP Billiton	6.0%
5	Telstra Corporation	5.3%
6	ANZ Banking Corporation	4.8%
7	New Hope Corporation	4.6%
8	Wesfarmers Limited	4.4%
9	Woolworths Limited	3.6%
10	TPG Telecom Limited	2.9%
11	APA Group	2.3%
12	AGL Energy	2.3%
13	Woodside Petroleum	2.1%
14	ALS Limited	2.1%
15	Insurance Australia Group	1.7%
16	Suncorp Group	1.4%
17	Transurban Group	1.3%
18	ARB Corporation	1.3%
19	Invocare Limited	1.2%
20	Bendigo and Adelaide Bank	1.2%
21	Coca-Cola Amatil	1.2%
22	Bank of Queensland	1.2%
23	Milton Corporation	1.1%
24	Ramsay Health Care	1.0%
25	Perpetual Limited	1.0%
Cash & Cash Equivalents		5.7%
Total		86.2%

Sector Over/Underweights

BKI Portfolio: Active Weight by Sector



Portfolio Movements

Major Investments	FY15 Forecast		FY15 Forecast EPS Growth	FY15 Forecast PE Multiple
	Dividend Yield	Franking		
ANZ Banking Corporation	5.6%	100%	4.0%	12.5X
Westpac Banking Corp	5.7%	100%	3.0%	13.5X
Primary Health Care	4.8%	100%	12.0%	12.6X
APA Group	5.4%	0%	11.0%	24.8X
Telstra Corporation	5.7%	100%	2.0%	16.0X
Insurance Australia Group	5.6%	100%	-10.0%	12.4X
Duet Group	7.3%	0%	-12.0%	25.6X
Transurban Group	5.0%	20%	49.0%	40.9X
Toll Holdings Limited	5.6%	100%	4.0%	12.6X
Suncorp Group Limited	6.4%	100%	9.0%	13.6X
National Australia Bank	6.4%	100%	4.0%	11.8X
S&P/ASX 300 Index	4.9%		4.0%	13.9X

Portfolio Movements

Major Divestments	FY15 Forecast		FY15 Forecast EPS Growth	FY15 Forecast PE Multiple
	Dividend Yield	Franking		
QBE Insurance Group	5.1%	100%	17.0%	9.8X
Metcash Limited	5.0%	100%	-37.0%	18.0X
Tabcorp Holdings Limited	4.5%	100%	3.0%	17.8X
Fleetwood Corporation	2.7%	100%	-44.0%	16.4X
Gazal Corporation Limited	6.8%	100%	-16.0%	14.4X
Recall Holdings Limited	3.8%	100%	13.0%	16.1X
S&P/ASX 300 Index	4.9%		4.0%	13.9X

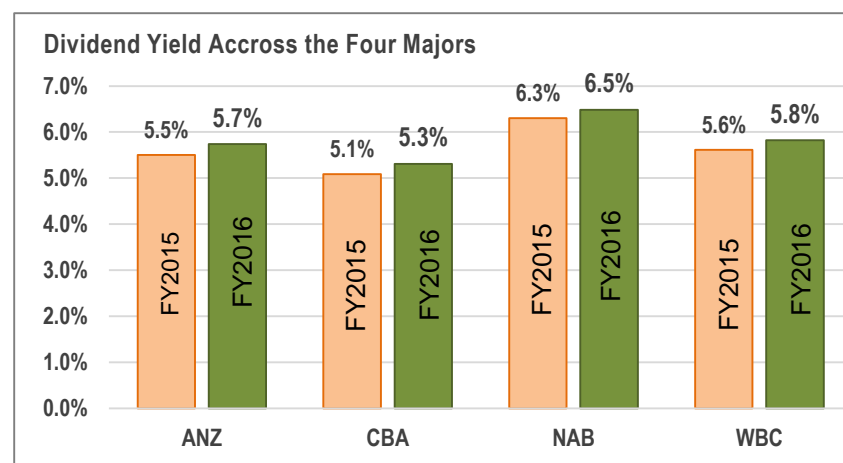
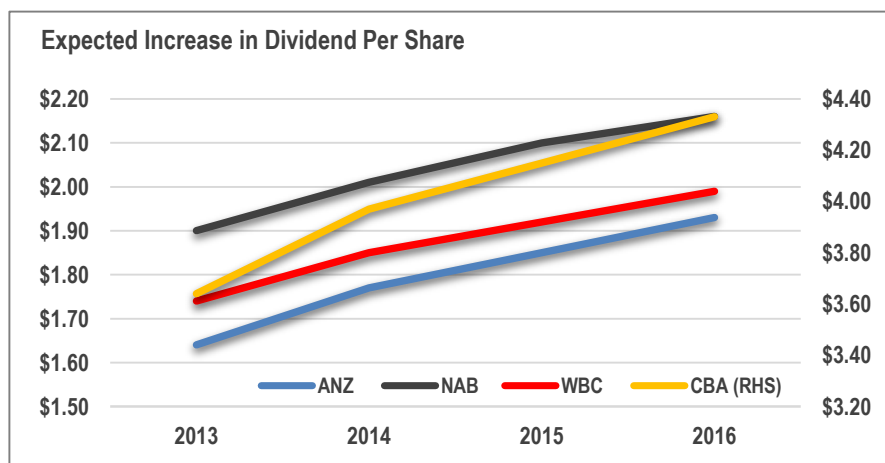
What do you think about the Banks?"



Scan with RedLaser

BKI's "Big 4" portfolio weighting is approximately 32%. We remain comfortable with BKI's Portfolio's exposure to the banks with all four offering the investment characteristics that BKI values.

We expect that banks will continue to provide the portfolio with attractive fully franked income growth and have a sustainable dividend payout policy.



The economics of the major Australian banks is compelling. If we look only at the PE multiple, we agree with the consensus view that the Banks are looking fully priced. However we prefer to invest rather than speculate and would argue that, in the current environment, holding our position in the banks is the best course of action. We expect to continue to earn an attractive fully franked income stream in the medium to long-term (based on the cost price of our Big 4 positions, each investment is providing BKI with a double digit return on a grossed up dividend yield basis). They are well capitalised, soundly managed, possess a strong competitive position and generate attractive returns.

We know of no other company that can offer such a strong market position, capable management, compelling returns and generate the income for BKI that the Top 4 banks can. Until we do, why would we sell?

The background features a series of overlapping, organic shapes in a vibrant orange color against a white background. A thick, solid black diagonal line runs from the bottom left towards the middle right of the frame. In the bottom right corner, there is a white rectangular box with a thin grey border containing the text 'Share Purchase Plan'.

Share Purchase Plan

Share Purchase Plan

- Shareholders have been offered the opportunity to participate in BKI's Share Purchase Plan (SPP). Eligible shareholders will be offered the opportunity to acquire either: \$2,500; \$5,000; \$7,500; \$10,000; \$12,500; or \$15,000 worth of shares without paying any brokerage or other charges.
- The maximum price that Eligible Shareholders will pay is \$1.655 per SPP share.
- All shares issued under the SPP will rank equally with existing BKI shares and will be entitled to receive the 2014 Final Dividend of 3.50cps.
- Rationale for the Share Purchase Plan:
 - Allows BKI to expand its investment portfolio in accordance with its investment policy
 - Increase liquidity in BKI shares
 - Further reduce BKI's Management Expense Ratio

Share Purchase Plan

Event	Date
Announcement of SPP	3 July 2014
Release of June NTA	3 July 2014
Opening Date of SPP	10 July 2014
Release of SPP Offer Booklet	10 July 2014
BKI Full Year Results Announcement	23 July 2014
Closing Date of SPP	31 July 2014
Issue of New Shares	8 August 2014
New Shares Trade on the ASX	11 August 2014
BKI Ex-Dividend Date	12 August 2014



Appendix

Experience and Alignment as at 31 March 2014

Team Member	Qualifications	Position	Investment Experience	Tenure With BKI	Equity Ownership ¹
Robert Millner	FAICD	Chairman Investment Committee	30 yrs	10 yrs	8,156,936
David Hall, AM	FCA, FAICD	Non Executive Director Chairman Audit Committee	34 yrs	10 yrs	268,906
Alex Payne	B.Comm, Dip Cm, FCPA, FCIM	Non Executive Director Investment Committee	26 yrs	10 yrs	277,130
Ian Huntley	BA	Non Executive Director Investment Committee	36 yrs	5 yrs	11,224,980
Tom Millner	B.Des (Ind), GDipAppFin, F.Fin, GAICD	CEO Investment Committee	12 yrs	10 yrs	7,233,717
Will Culbert	B.Bus, GDipAppFin, F.Fin, M.Comm	Senior Investment Analyst	15 yrs	0.5 yrs	73,277
Jaime Pinto	B.Comm, CA	Company Secretary	16 yrs	2 yrs	32,296
TOTAL					27,267,242

¹Common to R.Millner and T.Millner are 6,954,579 shares held in related companies and trusts in which both hold beneficial interests.



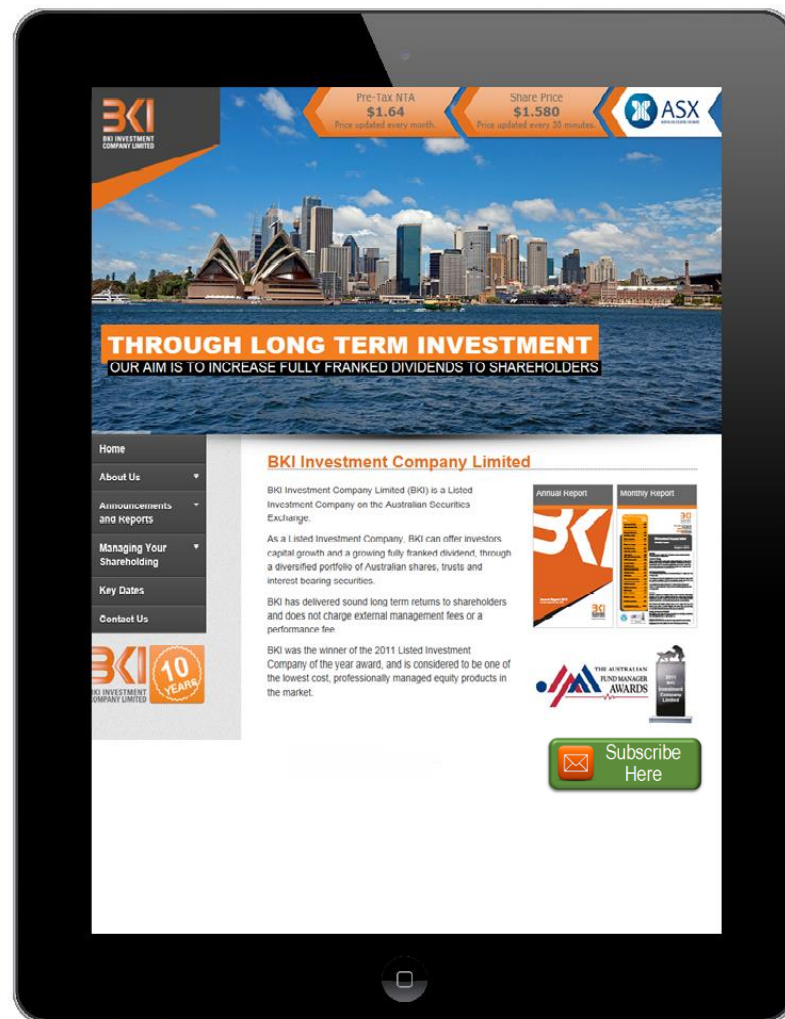
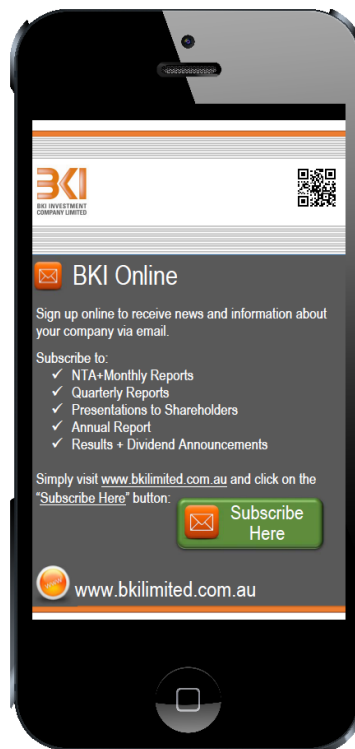
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BKI Fact Sheet

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ASX Code	BKI.ASX
Listing Date	December 2003
Mandate	Aust Listed Equities
Investment Sectors	Diversified
Benchmark	S&P/ASX 300 Acc Index
Total Assets	\$853m
Debt	Nil
Management Expense Ratio	0.17%
Performance Fee	Nil
Rolling 12 Month Dividend*	6.95cps
Historical Dividend Yield**	4.1%
Percentage Franked	100%
Grossed Up Yield#	5.9%
Dividend Distribution Frequency	Half Yearly
Dividend Payout Policy	90%-95%
Dividend Reinvestment Plan	Active

Research Coverage	Morningstar
	Morgan Stanley
	Bell Potter
	Evans and Partners
	Baillieu/Holst
Approved Product List	Dixon Advisory
	Baillieu Holst
Model Portfolio	Dixon Advisory
	Baillieu/Holst
	AIOFP
Investment Menu	MLC Wrap Super
	MasterKey Custom Super
Contact	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

* Includes FY2014 Interim Dividend of 3.45cps and FY2014 Final Dividend of 3.50cps ** Based on share price as at 22 July 2014 of \$1.69. # Grossed up yield based on a tax rate of 30%.