

Presentation to Shareholders April 2015





Disclaimer

This material has been prepared by 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 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 of 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 Overview



BKI Overview

- BKI is a research driven, active equities manager investing for the long term in profitable, high yielding, well managed companies.
- BKI is a closed end company (BKI.ASX) and does 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.



Why a Listed Investment Company?

<u>Low Cost</u> MER of 0.16%. No external management or performance fees

<u>Tax Effective</u> All dividends have been fully franked

Capital Management 5 Fully Franked Special Dividends distributed since listing in 2003.

<u>Performance</u> Delivered sound Total Shareholder Returns and dividend growth.

<u>Diversification</u> Exposure to well managed, dividend paying stocks through BKI.ASX.

Simplicity Single shareholding, administration simplicity; 2X dividend statements p.a.

<u>Liquidity</u> BKI shares trade on the ASX. 13,300+ shareholders. Settlement T+3 Days.

Size and Strength BKI's Market Capitalisation is \$963m as at 31 March 2015. No Debt.

<u>Transparency</u> Top 25 Investments, Cash, Performance and NTA disclosed monthly.

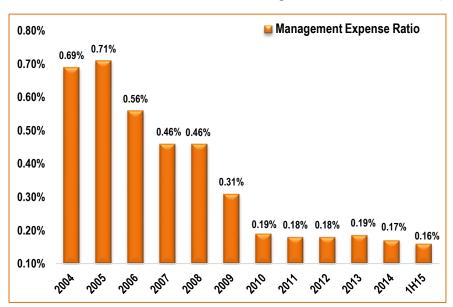
<u>Compliance</u> ASX Listing Rules, Continuous Disclosure requirements.

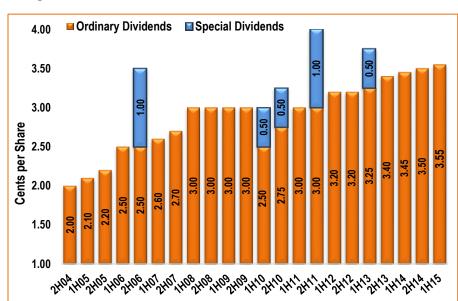


Why we do what we do

The Board and Management are shareholders in BKI, that's why we:

- 1. Don't charge external portfolio management or performance fees.
- Invest for the long term in profitable, high yielding, well managed companies.
- 3. Focus on creating wealth for all shareholders through an increasing dividend, distribution of franking credits and capital growth.







Experience and Alignment as at 31 March 2015

Team Member	Qualifications	Position	Investment Experience	Tenure With BKI	Equity Ownership ¹
Robert Millner	FAICD	Chairman Investment Committee	31 yrs	11 yrs	8,484,091
David Hall, AM	FCA, FAICD	Non Executive Director Chairman Audit Committee	35 yrs	11 yrs	277,970
Alex Payne	B.Comm, Dip Cm, FCPA, FCIM	Non Executive Director Investment Committee	27 yrs	11 yrs	286,194
lan Huntley	BA	Non Executive Director Investment Committee	40 yrs	5 yrs	11,224,980
Tom Millner	B.Des (Ind), GDipAppFin, F.Fin, GAICD	CEO Investment Committee	13 yrs	11 yrs	7,597,492
Will Culbert	B.Bus, GDipAppFin, F.Fin, M.Comm	Senior Investment Analyst	15 yrs	1 yr	94,454
Jaime Pinto	B.Comm, CA	Company Secretary	20 yrs	3 yrs	39,943
TOTAL					28,005,124

¹Common to R.Millner and T.Millner are 7,231,771 shares held in related companies and trusts in which both hold beneficial interests.



1H FY2015 Results Highlights

	1H 2015	1H 2014	Growth
Ordinary Dividend Income	\$20.2m	\$18.2m	11%
Net Operating Result*	\$20.8m	\$18.0m	16%
Earnings Per Share*	3.80cps	3.72cps	2%
Total Ordinary Dividends Per Share	3.55cps	3.45cps	3%
MER	0.16%	0.17%	-4%
Portfolio Valuation	\$907m	\$851m	7%

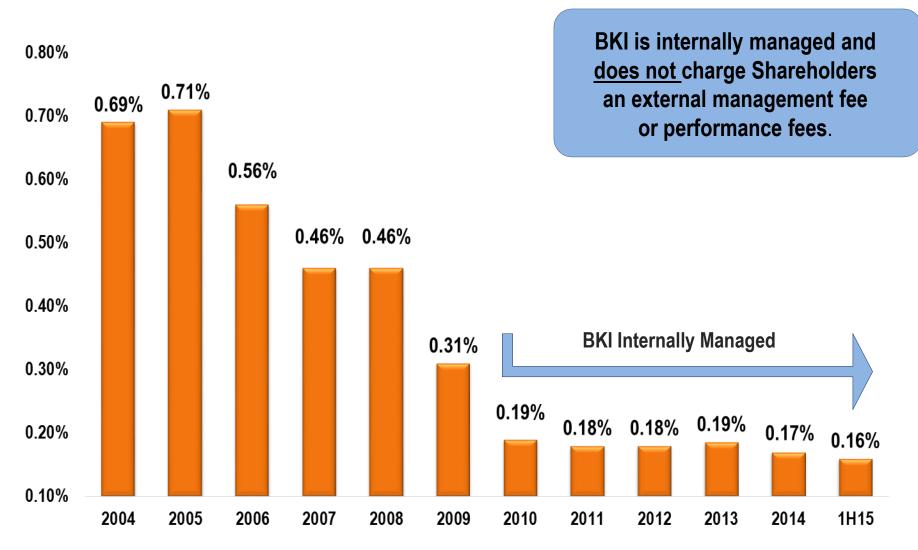
^{*} Excluding Special Dividends



Low Cost, Growing Income Stream



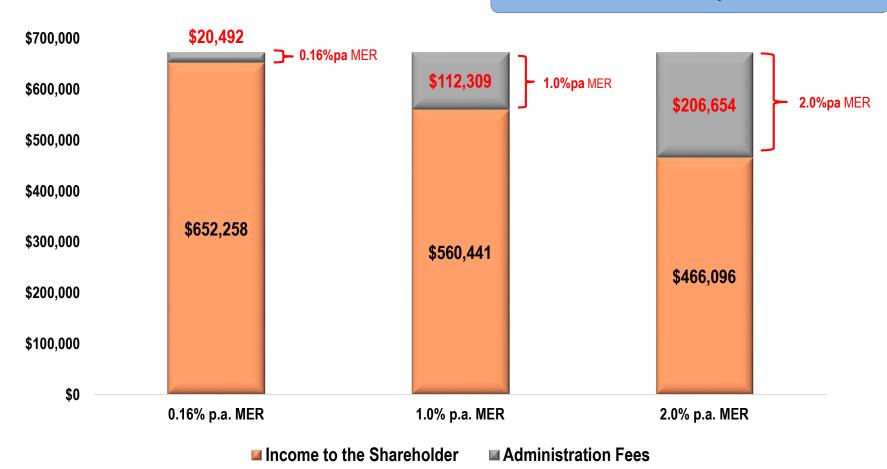
Management Expense Ratio





The Power of a Low Cost LIC*

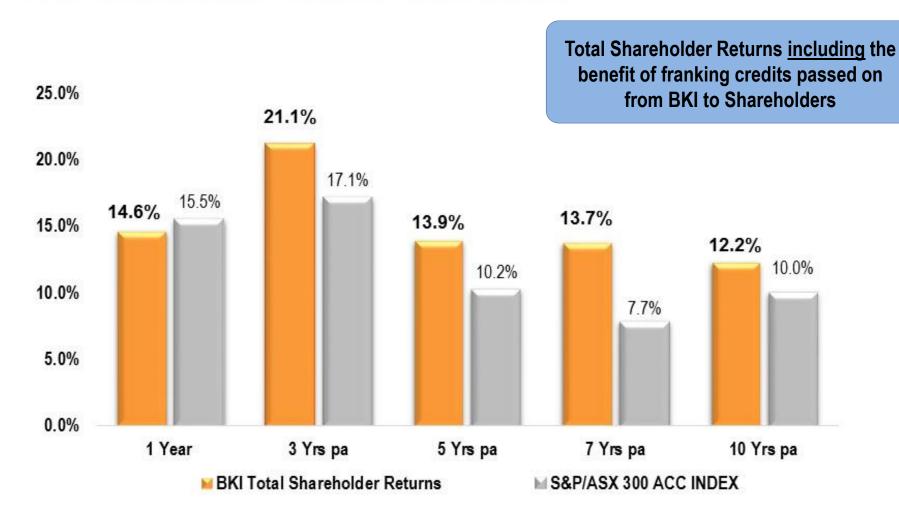
Over 20 years, administration fees of 2.0% can dilute the total return by more than 30%!



^{*}Based on \$100k investment in a Listed Investment Company, using a 10% return pa over a 20 year period.



Total Shareholder Returns* as at 31 March 2015

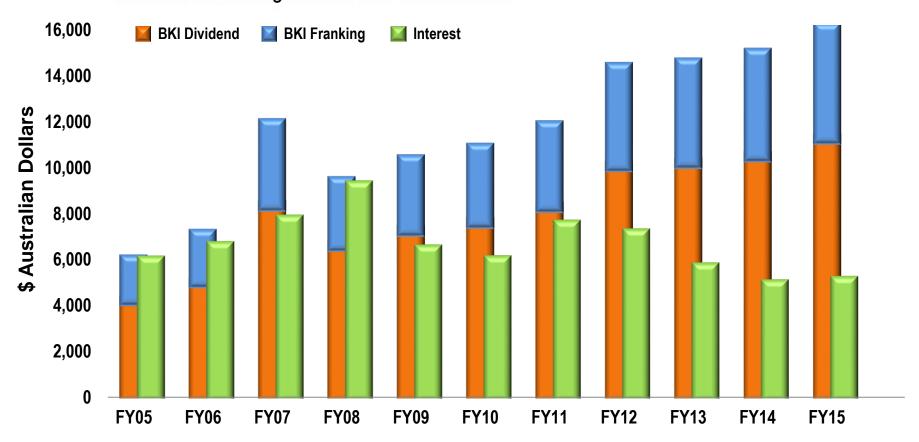


^{*}Based on a tax rate of 30% and shareholders being able to utilise all franking credits. S&P/ASX 300 Accumulation Index franked at 80%.



Growing Income Stream

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



Source: BKI; IRESS. An investor who spent the equivalent of \$100,000 to purchase BKI shares upon listing in December 2003 would now be receiving fully franked dividends of \$11,250pa. The franking credits enhance the income by a further \$4,822 (total income of \$16,072). The same investment in a term deposit (based on the cash rate) would be earning pre tax interest of \$5,066pa with no franking credits. Figures include reinvestment of dividends and cash, Ignores capital appreciation of BKI shares. Assumes tax rate of 30%.



BKI Portfolio



Stock Selection Process

BKI's stock selection is bottom up, focusing on the merits of individual companies rather than market and economic trends.

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

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



Finance

- Technology and the switch to on-line
- Market domination
- Highly regulated



















Healthcare

- Aging and growing population
- Hospital expenditure; playing catch up
- Technology improvements















Energy

- Global shortage of cheap reliable energy
- Population growth and further urbanization
- Growth in Free Cash Flow













Infrastructure

- Long term passive investments
- Gas Distribution
- Road Networks + Freight Distribution











Top 25 Shareholdings

As at 31 March 2015

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 85% of BKI's total portfolio. Disclosed monthly with NTA release to the ASX.

Тор	25 Investments	
1	Commonwealth Bank	9.5%
2	National Australia Bank	9.1%
3	Westpac Banking Corporation	8.3%
4	Telstra Corporation Limited	5.6%
5	ANZ Bank	4.9%
6	BHP Billiton Limited	4.6%
7	Wesfarmers Limited	4.3%
8	TPG Telecom Limited	4.1%
9	New Hope Corporation	3.6%
10	Woolworths Limited	2.7%
11	APA Group	2.6%
12	Transurban Group Limited	2.0%
13	Insurance Australia Group	1.9%
14	AGL Energy Limited	1.9%
15	InvoCare Limited	1.8%
16	Suncorp Group Limited	1.6%
17	Ramsay Healthcare Limited	1.5%
18	Woodside Petroleum Limited	1.5%
19	Primary Healthcare Limited	1.4%
20	ASX Limited	1.4%
21	Coca-Cola Amatil Limited	1.3%
22	Brambles Limited	1.2%
23	ARB Corporation Limited	1.2%
24	Sonic Healthcare Limited	1.2%
25	Bank of Queensland Limited	1.1%
	Cash & Cash Equivalents	4.7%
Total		85.0%



BKI Fact Sheet



ASX Code	BKI.ASX	Research Coverage	Morningstar
Listing Date	December 2003		Morgan Stanley
Mandate	Aust Listed Equities		Bell Potter
Investment Sectors	Diversified		Evans and Partners
Benchmark	S&P/ASX 300		BaillieuHolst
	Acc Index	Approved Product List	Dixon Advisory
Total Assets	\$991m		BaillieuHolst
Debt	Nil	Model Portfolio	Dixon Advisory
Management Expense Ratio	0.16%		BaillieuHolst
Performance Fee	Nil		AIOFP
Rolling 12 Month Dividend*	7.05cps		
Historical Dividend Yield**	4.1%		
Percentage Franked	100%	Contact	Website www.bkilimited.com.au
Grossed Up Yield#	5.8%		E-Mail info@bkilimited.com.au
Dividend Distribution Frequency	Half Yearly		Tom Millner 0408 754 180
Dividend Payout Policy	90%-95%		Will Culbert 0410 627 378
Dividend Reinvestment Plan	Active		Jaime Pinto 02 9210 7000

^{*} Includes FY2014 Final Dividend of 3.50cps and 1H2015 Interim Dividend of 3.55cps ** Based on share price as at 31 March 2015 of \$1.73. # Grossed up yield based on a tax rate of 30%.