



BKI Investment Company Limited

FY2015 FULL YEAR RESULTS PRESENTATION

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BKI Investment Company Limited

FY2015 RESULT HIGHLIGHTS

Delivering Strong Results

	2015	2014	Growth
Ordinary Dividend Income	\$44.6m	\$38.6m	16%
Net Operating Result*	\$40.9m	\$35.9m	14%
Earnings Per Share*	7.40cps	7.15cps	4%
Total Ordinary Dividends Per Share	7.20cps	6.95cps	4%
Management Expense Ratio (MER)	0.18%	0.17%	



BKI Investment Company Limited

BKI OVERVIEW

Business 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 listed on the ASX (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.

Key Differentiators

- High Value / Low Cost - Active, high conviction, closed end portfolio, with no Debt. MER of 0.18%. No external portfolio management or performance fees.
- Performance - Delivering sound returns plus dividend growth.
- Alignment - Directors and Management are shareholders in BKI. We focus on dividend payments - not generating management or performance fees.
- Experience - The Board and Management of BKI has over 180 years of collective industry experience (average of 26 years); Average tenure at BKI being 7.6 years.

Key Differentiators

- Diversification – Exposure to well managed, dividend paying companies.
- Listed on the ASX
 - ASX Listing Rules - Continuous Disclosure requirements, High levels of Transparency and Compliance.
 - Size & strength - Market Capitalisation of \$977m*.
 - Simplicity – An investment in BKI.ASX provides administration simplicity.
 - Liquidity – Shares trade on the ASX. 13,500 shareholders. Settlement T+3.
- Tax Effective - Dividends are fully franked; tax credits passed on to shareholders.
- Capital Management - 5 Fully Franked Special Dividends distributed since listing.



BKI Investment Company Limited

LOW COST, INCOME AND CAPITAL GROWTH

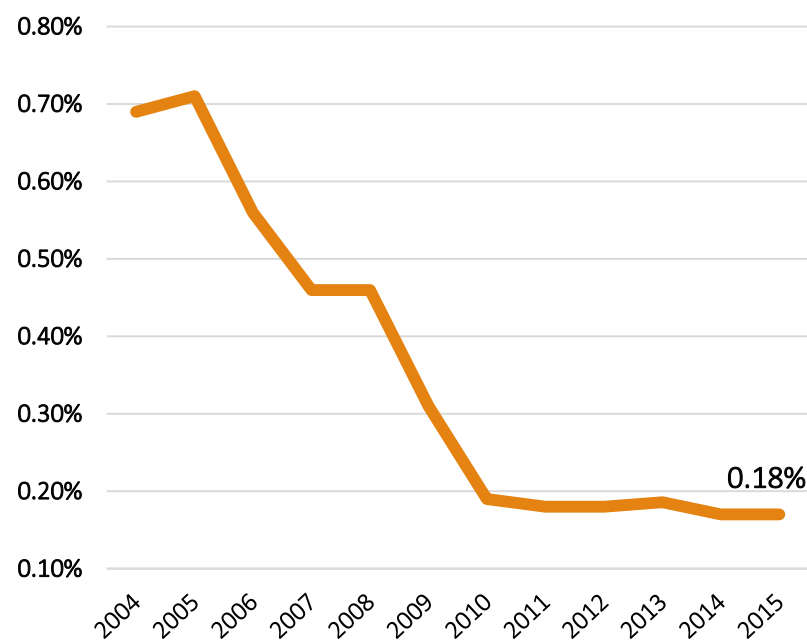
Low Cost, Growing Dividend

BKI's Board & Management are shareholders in BKI.

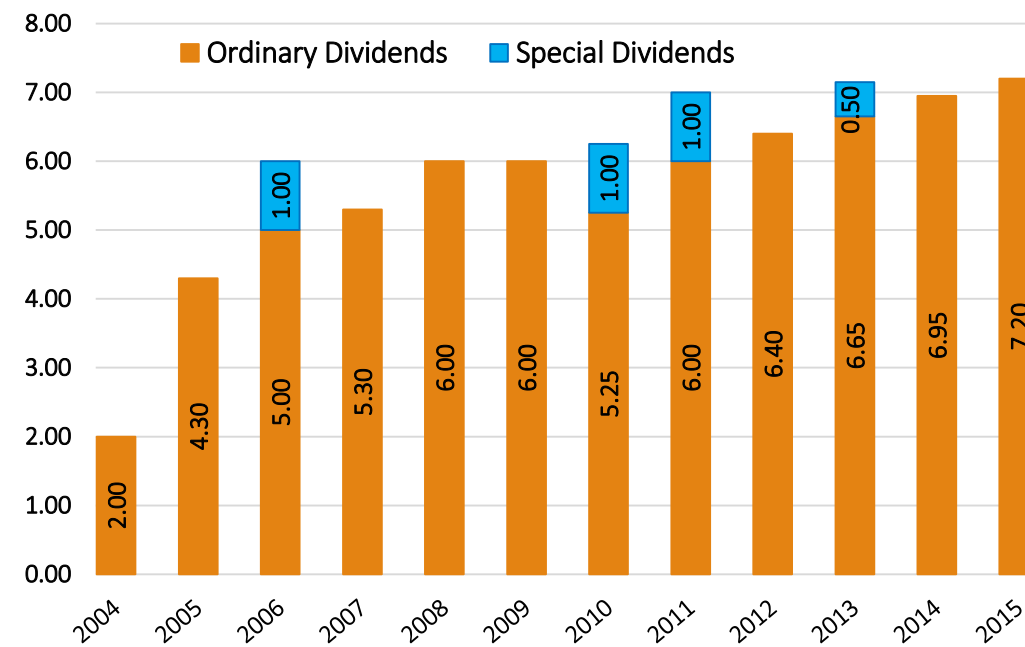
We invest for the long term and do not charge external portfolio management or performance fees.

We focus on creating wealth for all shareholders by keeping costs low and increasing fully franked dividends and capital growth.

*The thicker
the carpet...
The thinner
the dividend!*



Low Costs - BKI Management Expense Ratio

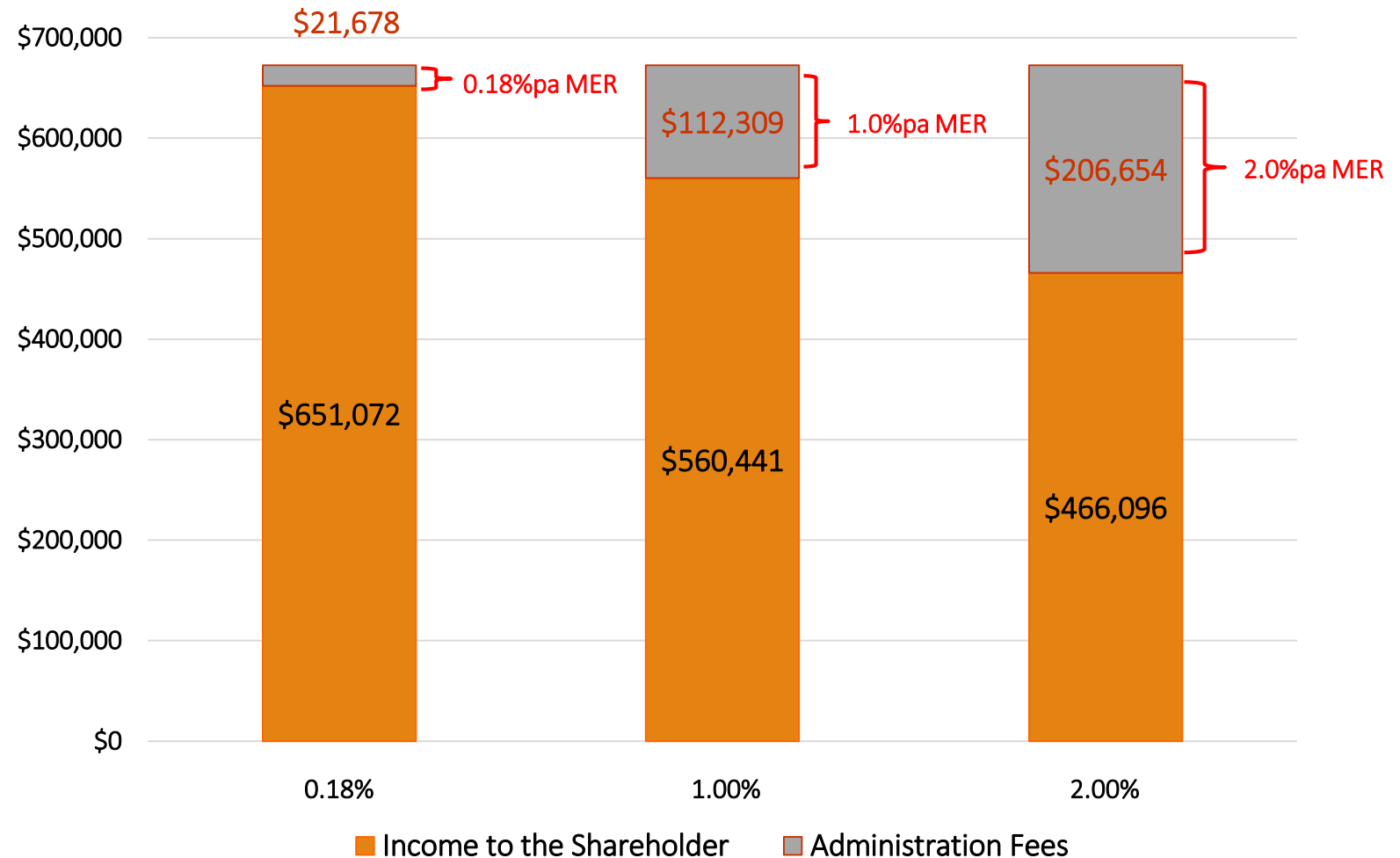


Growing Fully Franked Dividends - BKI Dividends paid to shareholders

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

Low Cost

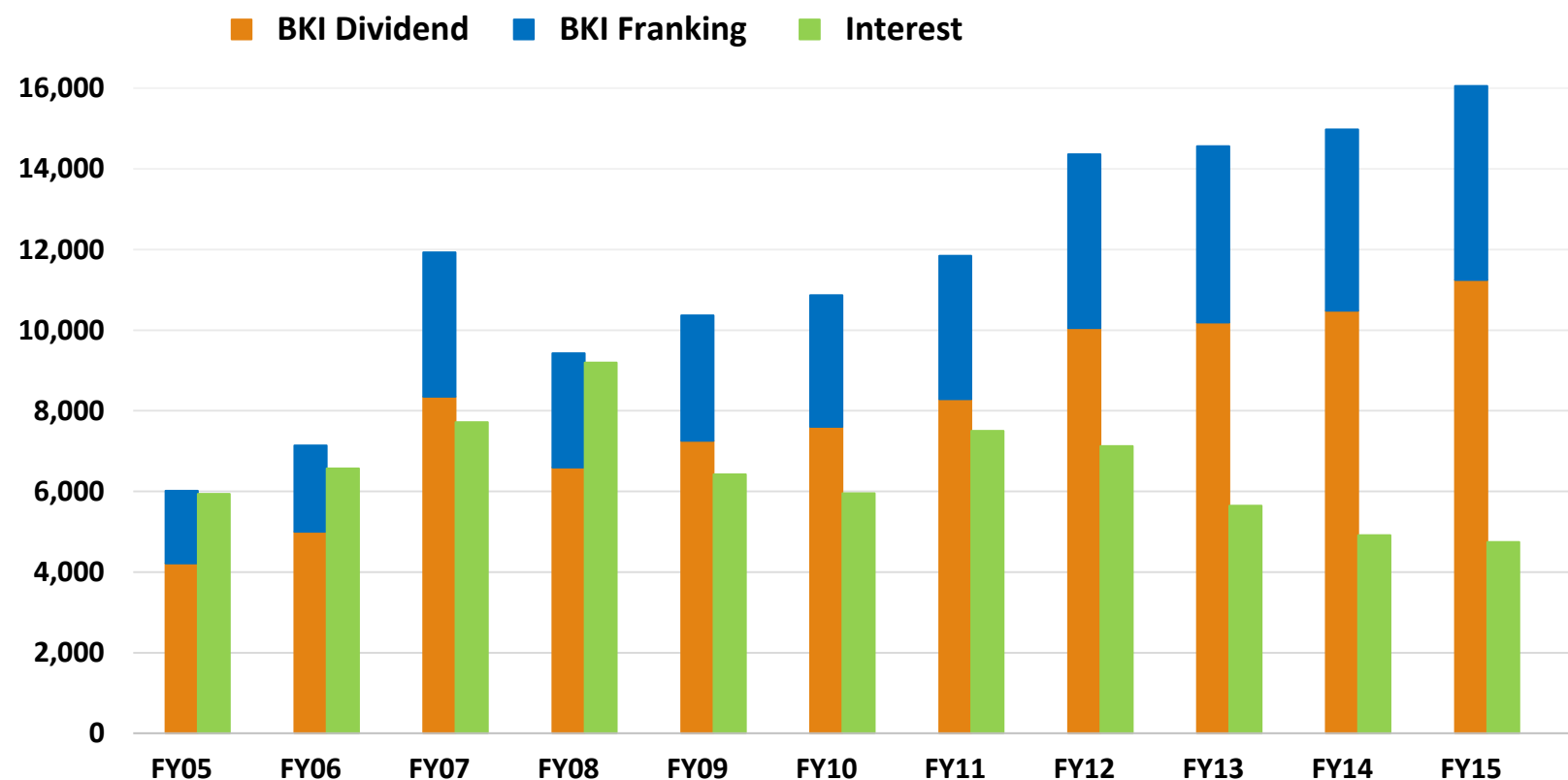
Based on \$100,000 investment in a Listed Investment Company,
using a 10% return pa over a 20 year period.



Income Growth

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.

We focus on dividend payments – not generating management or performance fees

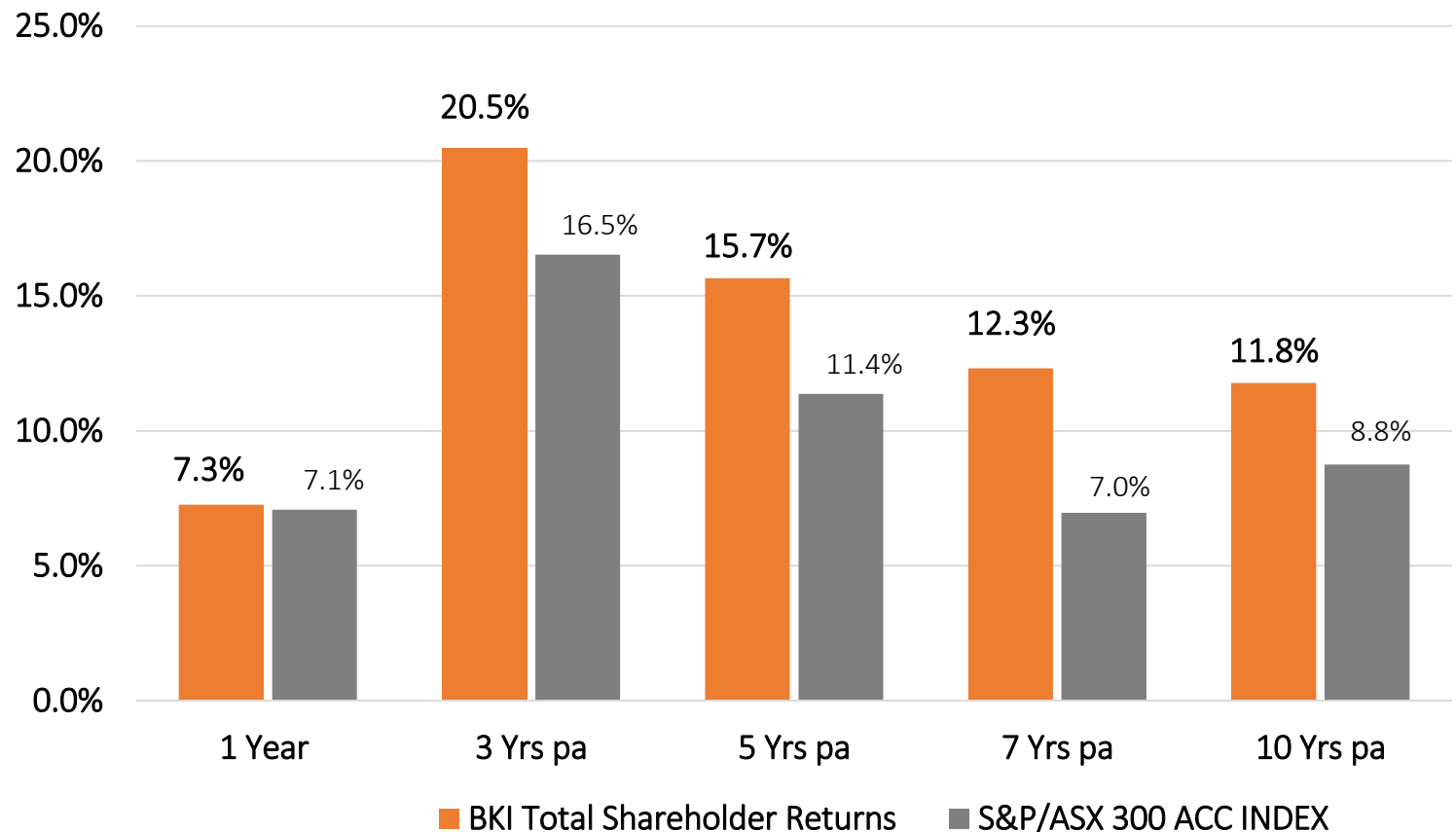


Total Shareholder Returns including the benefit of franking credits passed on from BKI to shareholders.

BKI has ample franking credits to ensure dividends are fully franked into the future.

Capital Growth

Total Shareholder Returns including franking credits



The S&P/ASX300 Accumulation Index has been franked at 80%



BKI Investment Company Limited

LONG TERM INVESTMENT PORTFOLIO

A Focus on the Future

- Over the last 15 years Australian exports have been dominated by the Resources sector, in particular Iron Ore and Coal.
- Resources are now in Production Phase; a game for the big players, where scale and low cost production will win.
- BKI's portfolio exposure to the Resources sector is 11%. Our main investments (New Hope Corporation and BHP Billiton Limited) continue to have strong balance sheets and are very well placed for future growth.

Exports Relative to GDP Growth, 2000 – 2015

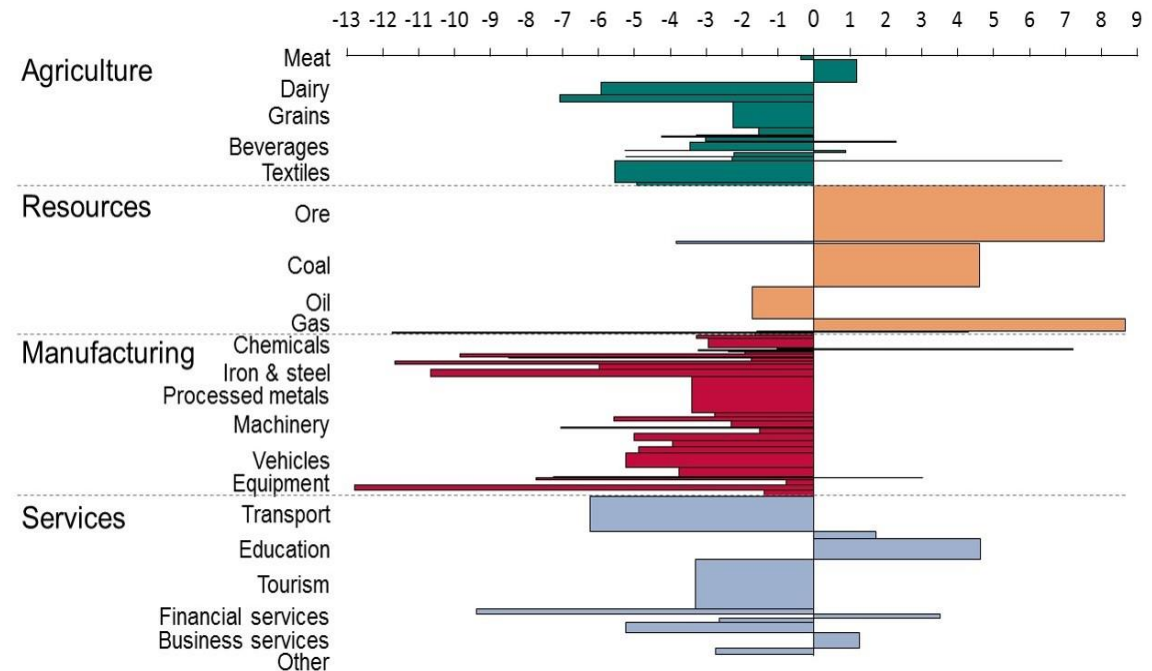
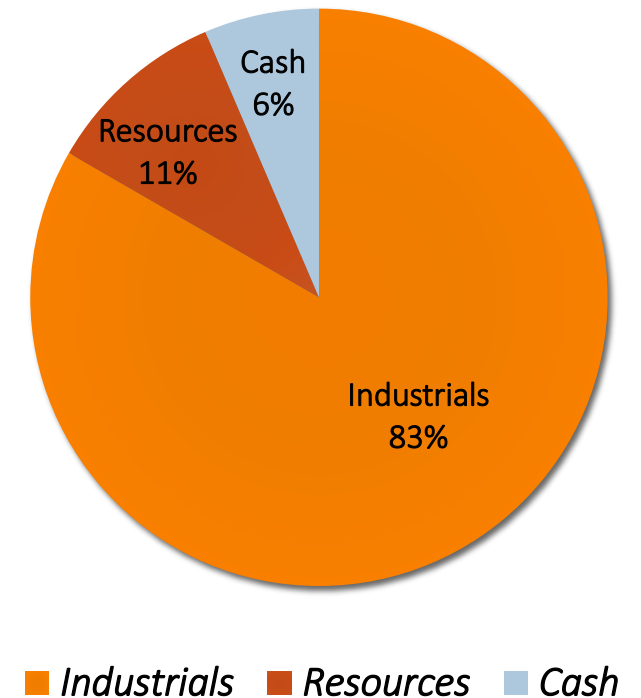


Figure: Exports relative to GDP growth, 2000 – 2015 Exports minus GDP CAGR, percentage points. Width is export value.
Source: ABS, AlphaBeta analysis

A Focus on the Future

- Long term investors constantly remain focused on future opportunities. The following sectors have an attractive long term thematic and the BKI portfolio is well positioned to capture future growth expected within these sectors.
- **Finance** - Attractive fully franked dividend yields and sound EPS growth rates expected from the Banks, Diversified Financials and the Insurance companies.
- **Healthcare** - Increasing life expectancy in Australia and other developed countries has led us to invest further into the Healthcare sector for the aging population thematic.
- **Energy** - Population growth and further urbanisation is a real driver for consumption of energy requirements.
- **Infrastructure** - Long term, stable investment opportunities. Freight Distribution and Airport, Gas, Road & Telecommunications Infrastructure.



Portfolio Movements

Main Purchases

National Australia Bank
APA Group
Sydney Airport
Transurban Group
QUBE Holdings
Santos Limited
Wesfarmers Limited
Lindsay Australia
Toll Holdings
ASX Limited
Primary Healthcare
Suncorp Group

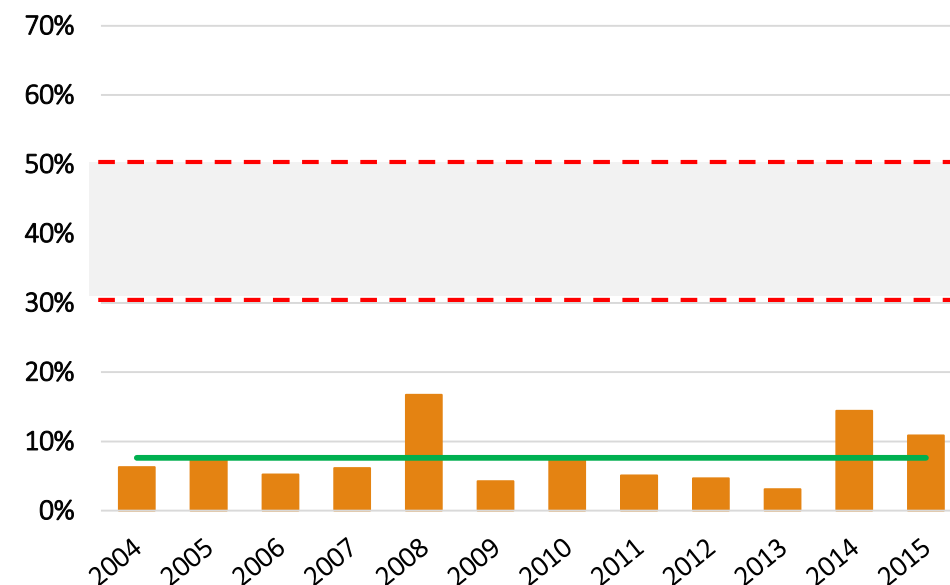
Total Investment **\$96m**

Main Sales

Toll Holdings
ALS Limited
DUET Group
APA Renounceable Rights
GWA Group
South32 Limited
Healthscope Limited
Medibank Private
UGL Limited
AGL Renounceable Rights
Seven West Media
Arrium Limited

Total Sales **\$57m**

Low Portfolio Turnover



— BKI Average Portfolio Turnover = 7.4%

- - - Typical Active Equity Manager Portfolio Turnover = 30% - 50%+

(Average Turnover = (Total Sales + Total Purchases) / Total Assets)

BKI Portfolio — Top 25 Shareholdings as at 30 June 2015

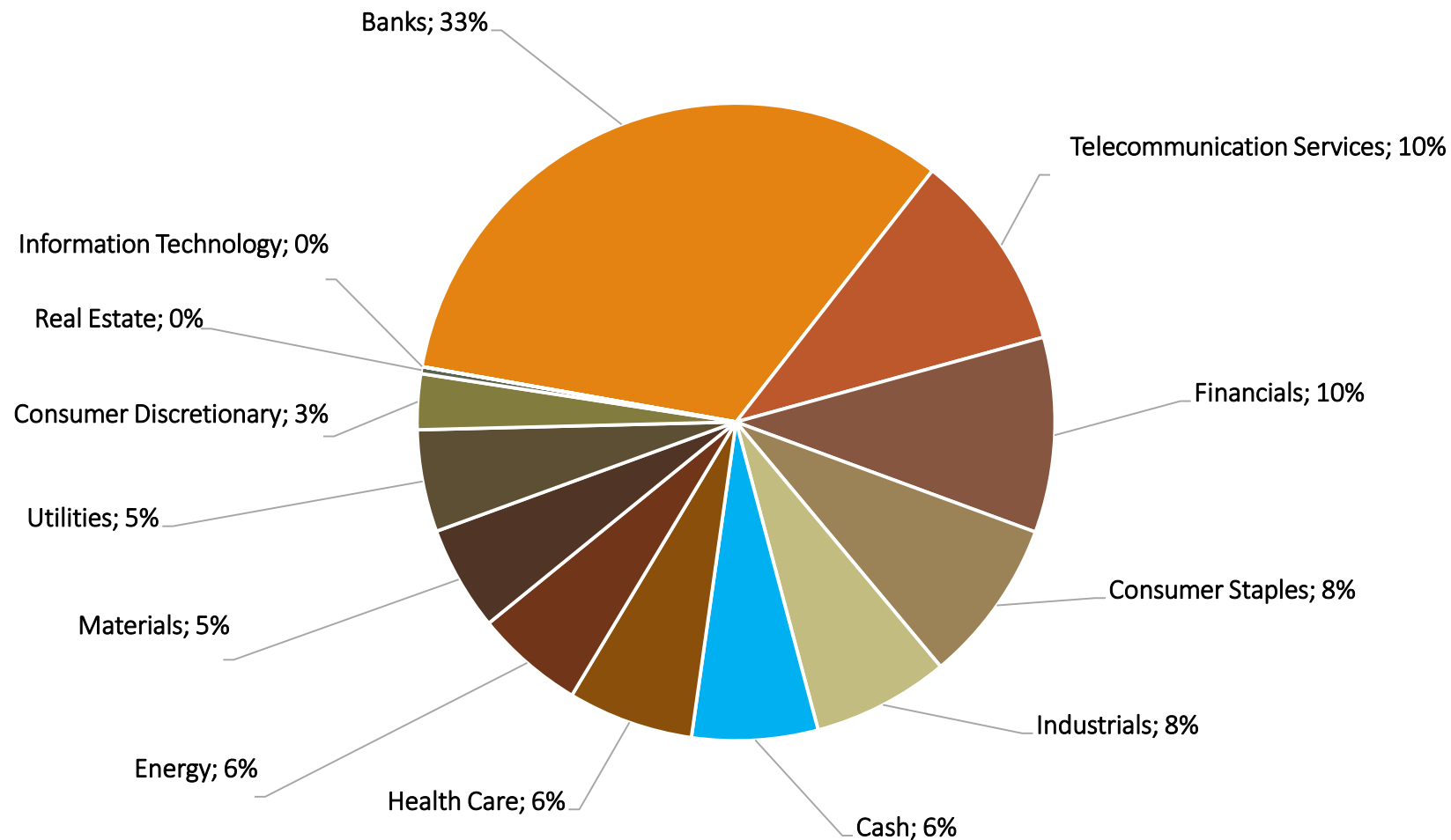
	Stock	% of Total Portfolio		Stock	% of Total Portfolio
1	Commonwealth Bank	9.3%	14	IAG Limited	1.9%
2	National Australia Bank	9.2%	15	Invocare Limited	1.9%
3	Westpac Bank	7.3%	16	Suncorp Group Limited	1.7%
4	Telstra Corporation	5.8%	17	Woodside Petroleum	1.6%
5	ANZ Banking Group	4.7%	18	Ramsay Health Care	1.5%
6	TPG Telecom	4.3%	19	ASX Limited	1.4%
7	BHP Billiton	4.3%	20	Primary Health Care	1.4%
8	Wesfarmers Limited	4.1%	21	ARB Limited	1.3%
9	APA Group	3.1%	22	Sonic Healthcare	1.3%
10	New Hope Corporation	3.0%	23	Coca-Cola Amatil	1.2%
11	Woolworths Limited	2.9%	24	Brambles Limited	1.2%
12	AGL Energy Limited	2.1%	25	Bank of Queensland	1.1%
13	Transurban Group	2.1%		Cash & Cash Equivalents	6.4%
			Total		86.0%

BKI Portfolio — Exposure by Sector

High Conviction

Benchmark Unaware

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



Yield for Today Growth for Tomorrow

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

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

Income

Debt

Principal Activity

Management

Valuation

BKI has a 10% exposure to the Telecommunications sector. We own Telstra for yield, and TPG for growth.



Telstra

FY16 Estimates



TPG Telecom

FY16 Estimates

Income

Dividend Yield	5.2%	1.5%
Franking	100%	100%
Grossed up Yield	7.5%	2.2%
DPS Growth	5%	20%
Pay Out Ratio	87%	39%

Debt

Net Debt	\$9,996m	Net Cash
Gearing	65%	Net Cash
Interest Cover	8.5X	Net Cash

Principle Activity

Retail Market Share	41%	12%
1H15 Broadband Subscribers	3,000,000	786,000
1H15 Mobile Subscribers	16,400,000	342,000
1H15 Fixed Line Subscribers	6,100,000	535,000

Management

Share Ownership	1%	38%
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Valuation

NPAT Margins	17%	17%
NPAT Growth	7%	21%
EPS growth	9%	21%
ROE	30%	25%
ROA	11%	18%
PE	16.6X	25.2X

BKI Portfolio Weighting	5.8%	4.3%
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APPENDIX

Experience and Alignment

Team Member	Qualifications	Position	Investment Experience	Tenure With BKI	Equity Ownership ¹
Robert Millner	FAICD	Chairman Investment Committee	32 yrs	11 yrs	8,484,091
David Hall, AM	FCA, FAICD	Non Executive Director Chairman Audit Committee	36 yrs	11 yrs	277,970
Alex Payne	B.Comm, Dip Cm, FCPA, FCIM	Non Executive Director Investment Committee	28 yrs	11 yrs	286,194
Ian Huntley	BA	Non Executive Director Investment Committee	41 yrs	6 yrs	11,224,980
Tom Millner	B.Des (Ind), GDipAppFin, F.Fin, GAICD	CEO Investment Committee	14 yrs	11 yrs	7,597,492
Will Culbert	B.Bus, GDipAppFin, F.Fin, M.Comm	Senior Investment Analyst Investment Committee	16 yrs	1.5 yrs	94,454
Jaime Pinto	B.Comm, CA	Company Secretary	21 yrs	3 yrs	39,943
Total					27,910,670

¹Common to R.Millner and T.Millner as at 30 June 2015 are 7,231,771 (2014: 6,954,579) shares held in related companies and trusts in which both hold beneficial interests.

BKI Fact Sheet

ASX Code	BKI.ASX
Listing Date	December 2003
Mandate	Aust Listed Equities
Investment Sectors	Diversified
Benchmark	S&P/ASX 300 Acc Index
Market Cap	\$977m
Debt	Nil
Management Expense Ratio	0.18%
Performance Fee	Nil
Rolling 12 Month Dividend*	7.20cps
Historical Dividend Yield**	4.3%
Percentage Franked	100%
Grossed Up Yield#	6.2%
Dividend Distribution Frequency	Half Yearly
Dividend Payout Policy	90%-95%
Dividend Reinvestment Plan	Active

Research Coverage	Morningstar
	Morgan Stanley
	Bell Potter
	Evans and Partners
	BaillieuHolst
Approved Product List	Dixon Advisory
	BaillieuHolst
Model Portfolio	Dixon Advisory
	BaillieuHolst
	AIOFP
<hr/>	
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*Our aim is to
create wealth
for BKI
shareholders,
through an
increasing fully
franked
dividend and
capital growth.*



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