



# *BKI Investment Company Limited*

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2015 ANNUAL GENERAL MEETING



## *BKI Investment Company Limited*

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CHAIRMAN'S ADDRESS

# *Disclaimer*

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

## *Non Executive Directors*

<b>Robert Millner</b>	Chairman of the Board Chairman of the Investment Committee Member of the Remuneration Committee
<b>David Hall AM</b>	Independent Non-Executive Director Chairman of the Audit Committee Member of the Nomination Committee; Remuneration Committee
<b>Alex Payne</b>	Non-Executive Director Chairman of the Remuneration Committee Member of the Audit Committee, Investment Committee; Nomination Committee
<b>Ian Huntley</b>	Independent Non-Executive Director Member of the Audit Committee, Investment Committee; Remuneration Committee

# *Management*

Thomas Millner	Chief Executive Officer Investment Committee
Will Culbert	Senior Investment Analyst Investment Committee
Jaime Pinto	Company Secretary Corporate Administration Services

# *Auditors*

Martin Bocxe	MGI Sydney
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# 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%	

## *Why we do what we do...*

*...We invest for the long term with an aim to create wealth for BKI shareholders, through an increasing fully franked dividend and capital growth*

*...We focus on keeping costs low, we do not charge external portfolio management or performance fees*

***...because we are also shareholders in the Company.***

6.4%

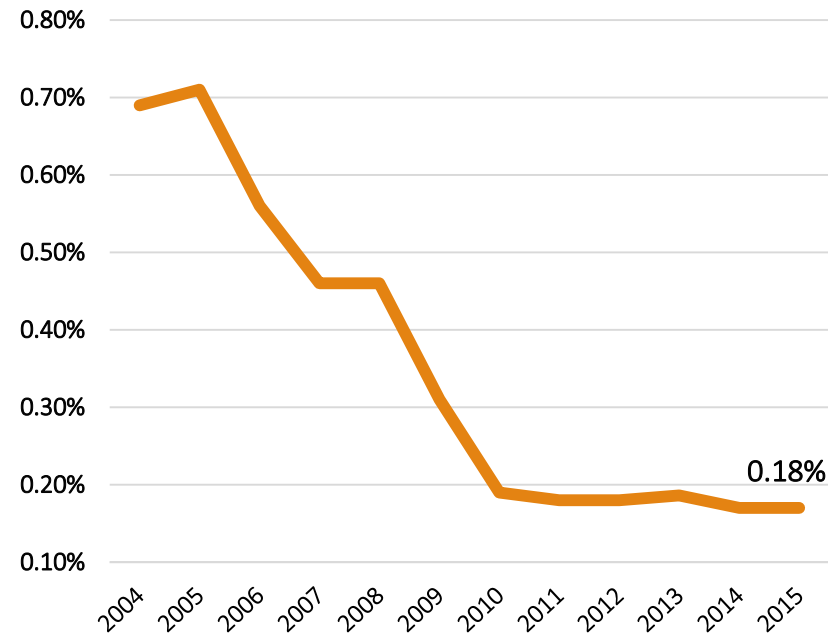
*Grossed up  
Dividend  
Yield*

0.18%

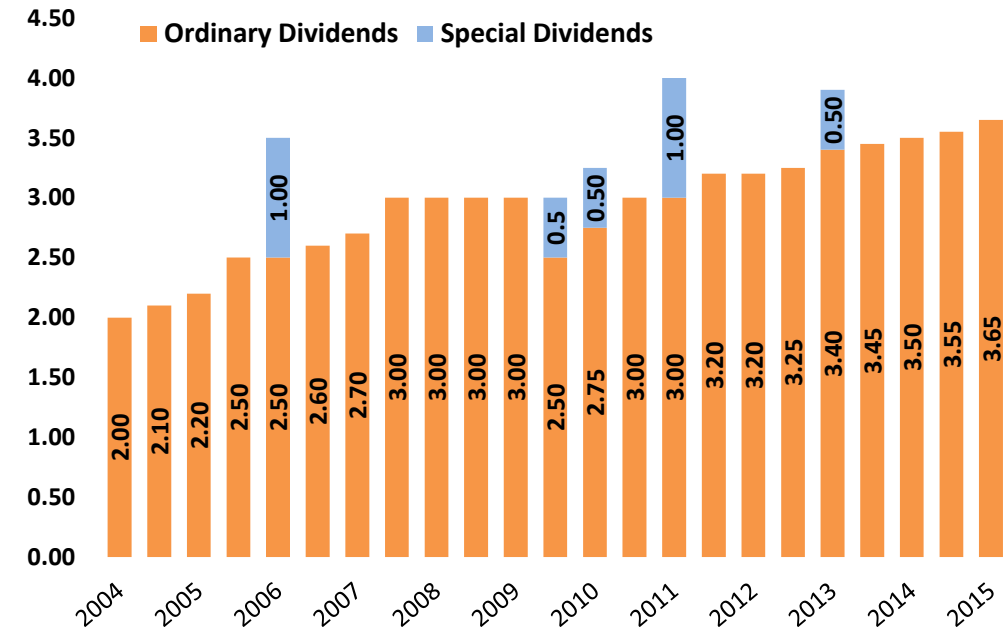
*Management  
Expense Ratio*

## Low Cost + Income Growth

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



Low Costs - BKI Management Expense Ratio



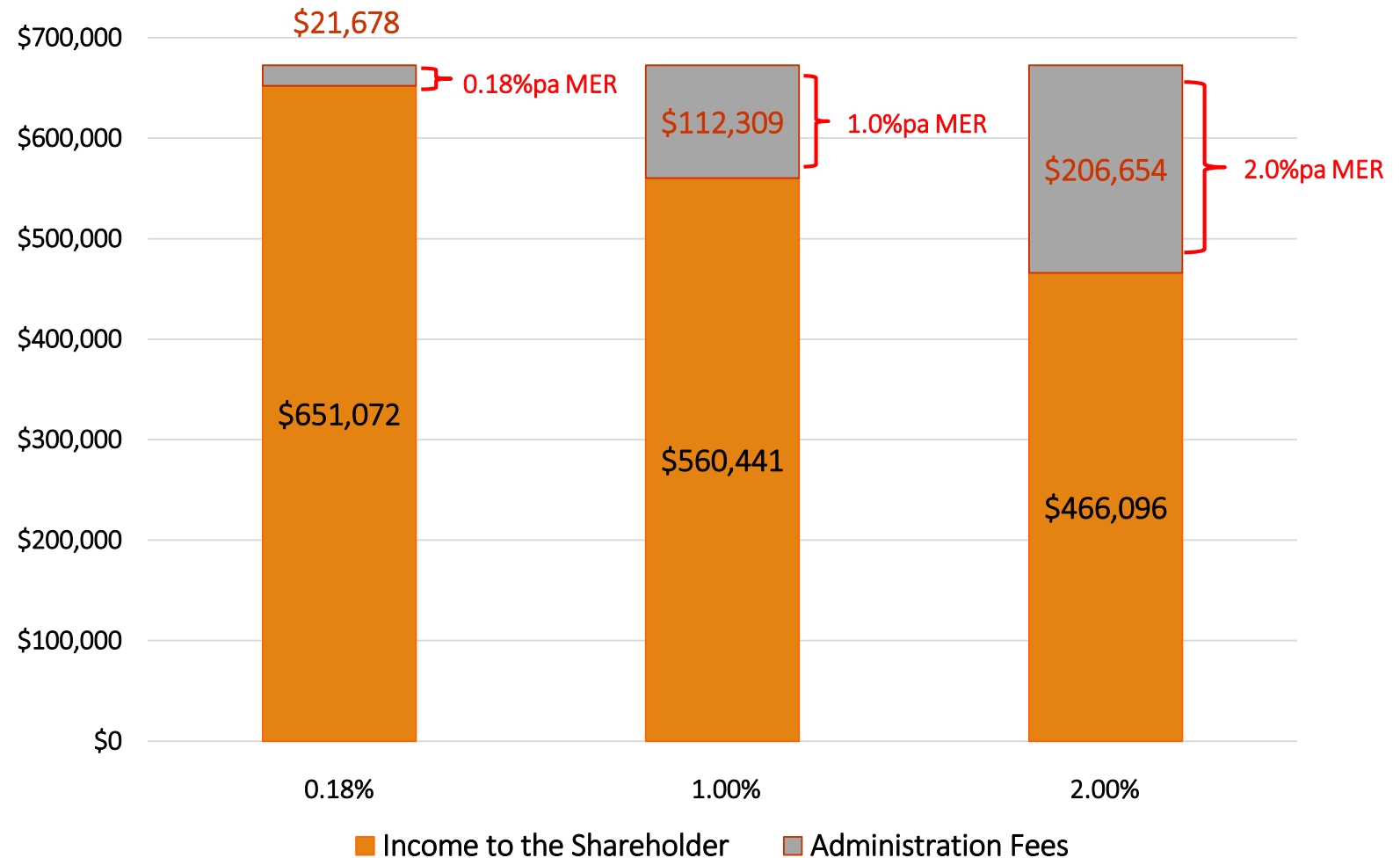
Growing Fully Franked Dividends - BKI Dividends paid to shareholders



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

## Low Cost

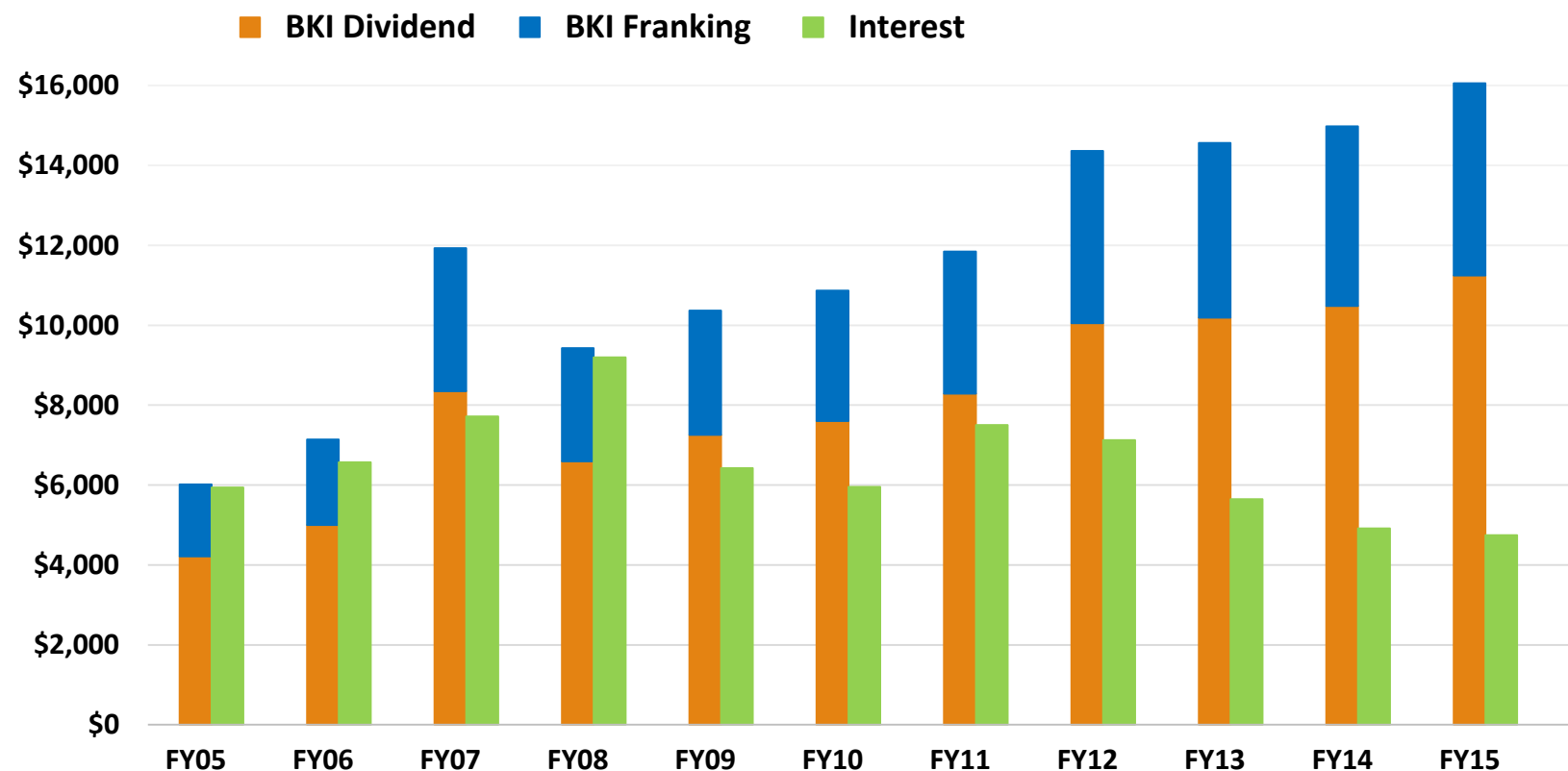
Based on \$100,000 investment in a Listed Investment Company,  
using a 10% return pa over a 20 year period.



# 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*





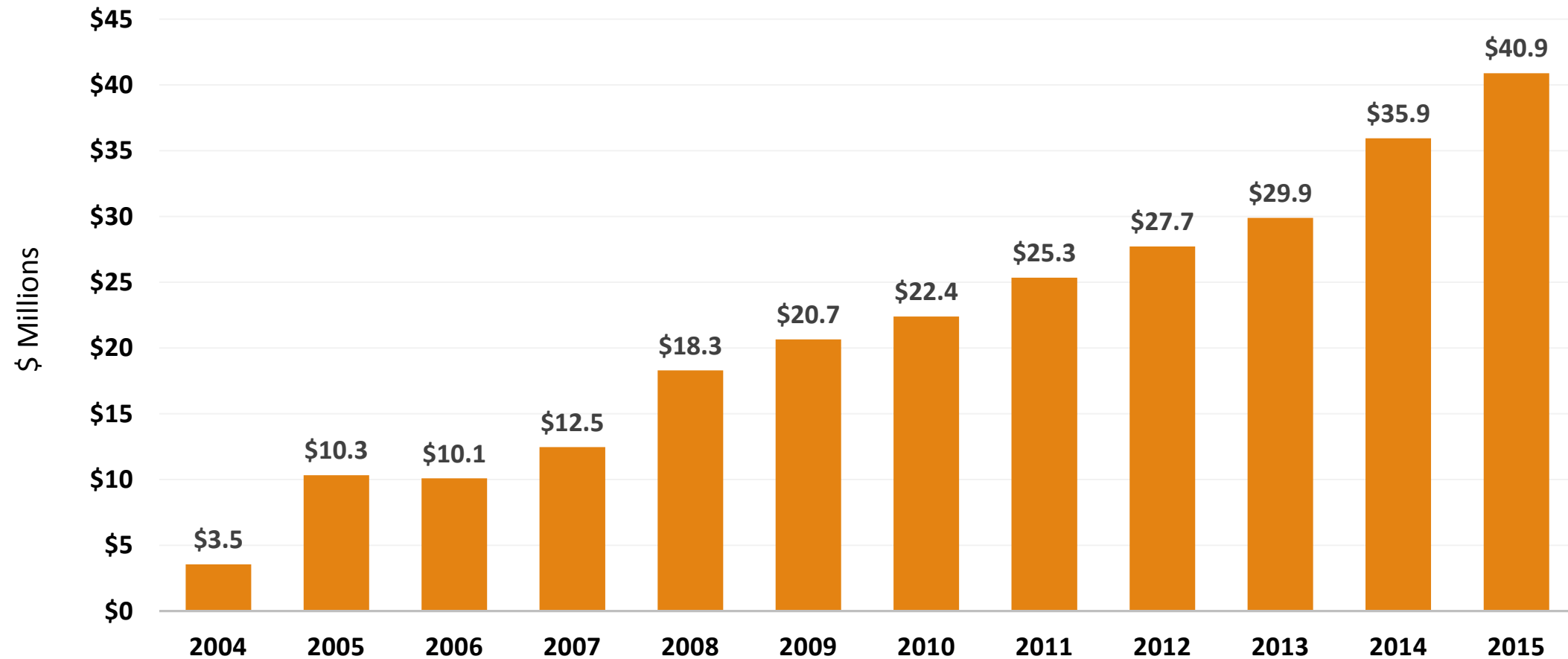
## *BKI Investment Company Limited*

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CEO ADDRESS

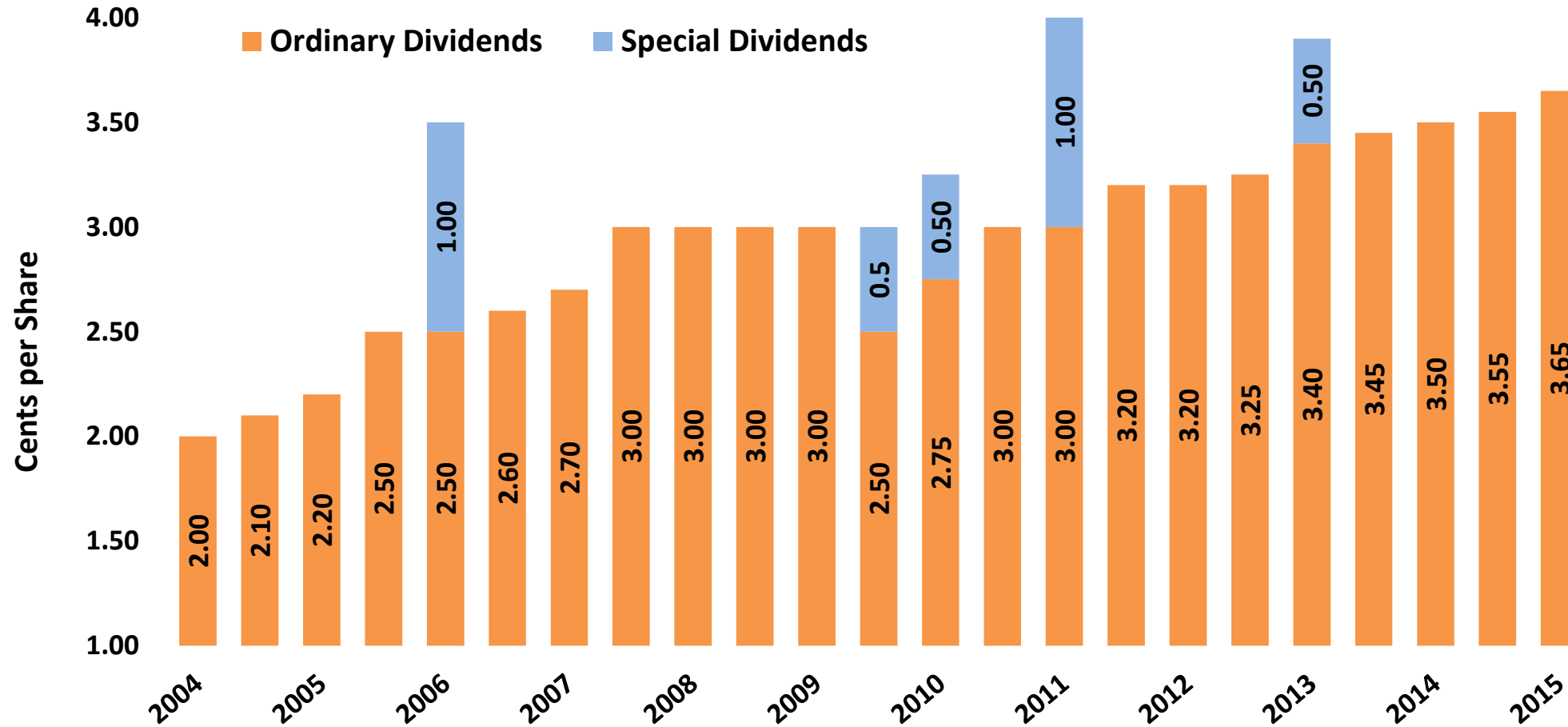
# Net Operating Result

FY2004 – FY2015



# Dividends

FY2004 – FY2015

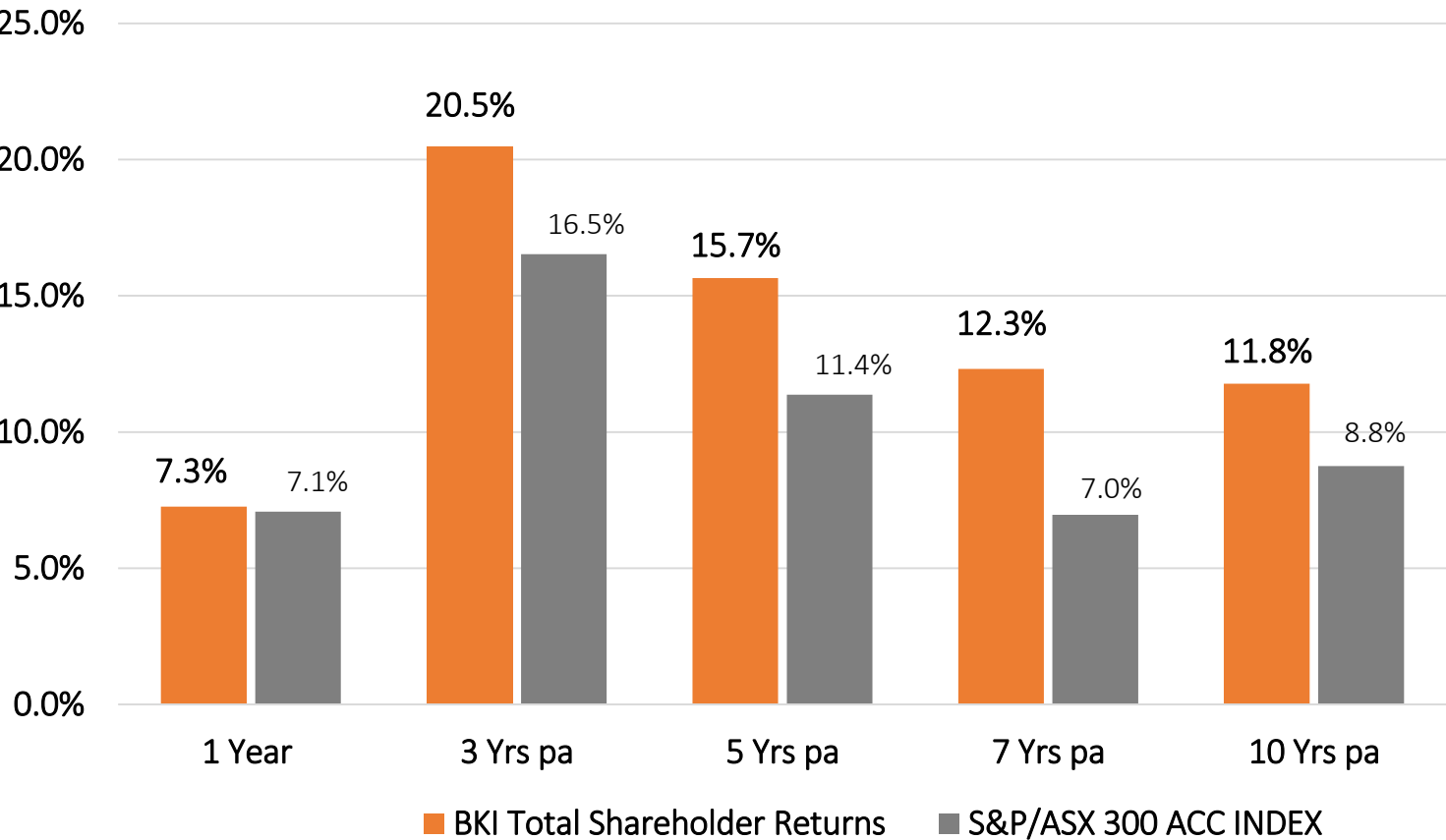


*Total Shareholder Returns including the benefit of franking credits passed on from BKI to shareholders.*

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

# Capital Growth

*Total Shareholder Returns including franking credits  
As at 30 June 2015*



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

# 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

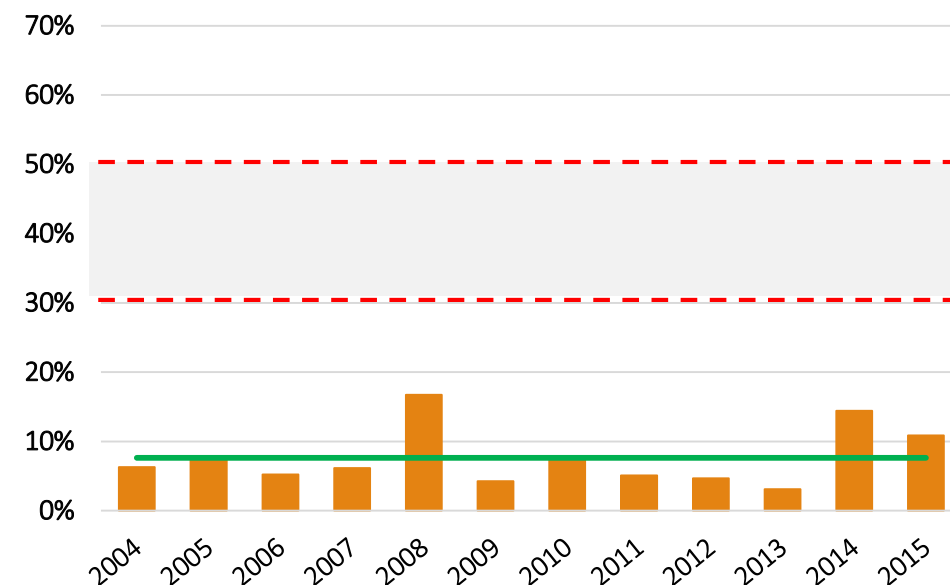
**Total Investment**      **\$96m**

## 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



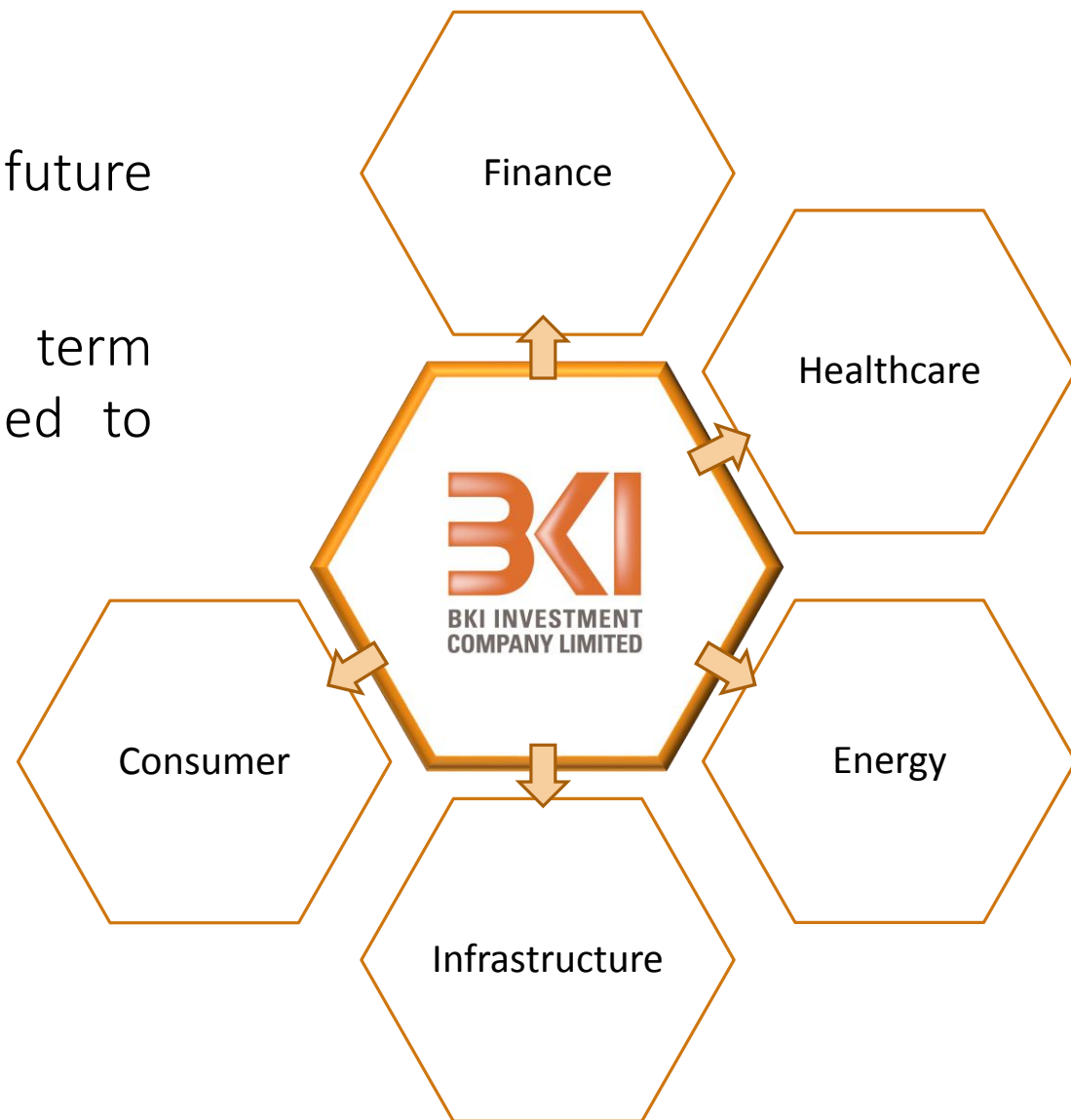
— BKI Average Portfolio Turnover = 7.4%  
 - - - Typical Active Equity Manager Portfolio Turnover = 30% - 50%+  
 (Average Turnover = (Total Sales + Total Purchases) / Total Assets)

# Portfolio Movements

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:

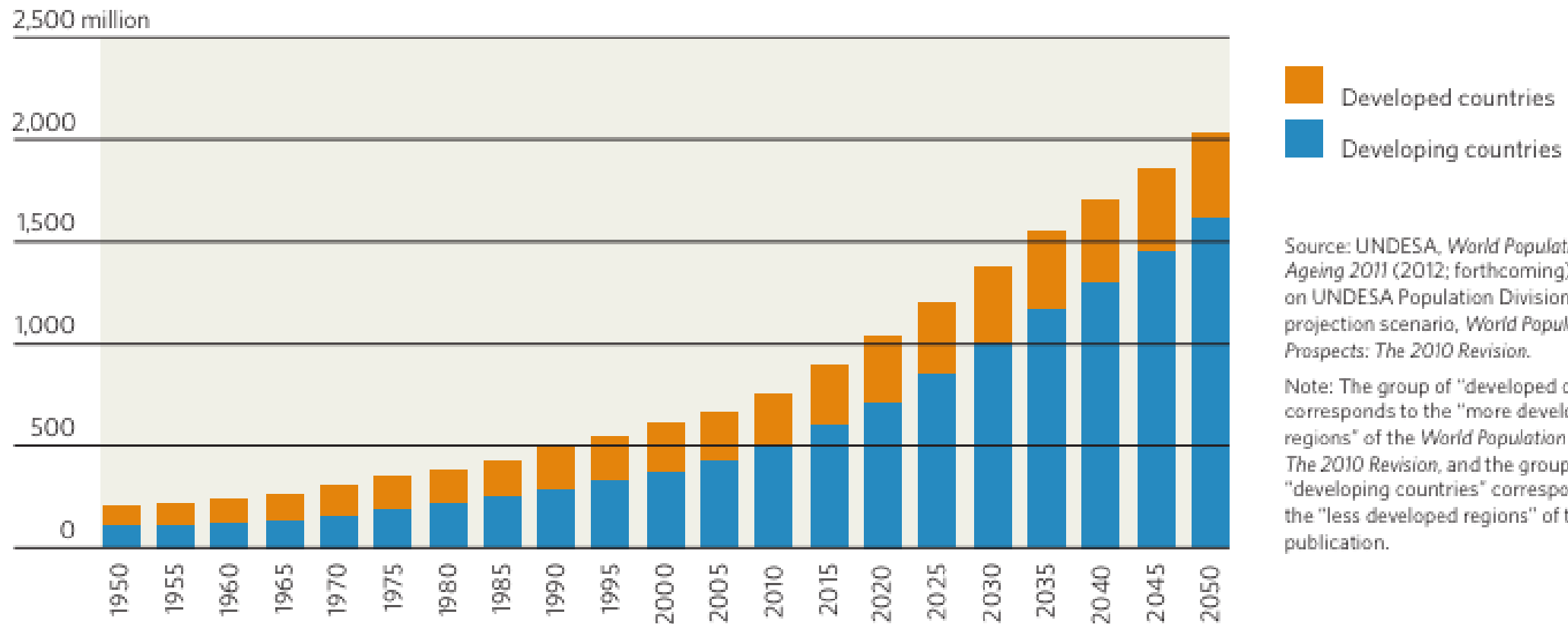
- Healthcare
- Finance
- Energy
- Infrastructure
- Consumer





# Looking Ahead – Long Term Investment

Number of people aged 60 or over:  
World, developed and developing countries, 1950-2050



Source: UNDESA, *World Population Ageing 2011* (2012; forthcoming), based on UNDESA Population Division medium projection scenario, *World Population Prospects: The 2010 Revision*.

Note: The group of "developed countries" corresponds to the "more developed regions" of the *World Population Prospects: The 2010 Revision*, and the group "developing countries" corresponds to the "less developed regions" of the same publication.

# Looking Ahead – Long Term Investment



**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.

Major investments during the year included:

- Primary Health Care
- Regis HealthCare
- Ramsay HealthCare

# Looking Ahead – Long Term Investment



**Finance** - Attractive fully franked dividend yields and sound EPS growth rates expected from the Banks, Diversified Financials and the Insurance companies.

Major investments during the year included:

- National Australia Bank
- ASX Limited
- Suncorp Group

# Looking Ahead – Long Term Investment



**Energy** - Population growth and further urbanisation is a real driver for consumption of energy requirements.

Major investments during the year included:

- Santos Limited
- Wesfarmers Limited
- APA Group

# Looking Ahead – Long Term Investment



**Infrastructure** - Long term, stable investment opportunities. Freight Distribution and Airport, Gas, Road and Telecommunications Infrastructure.

Major investments during the year included

- APA Group
- Sydney Airports
- Transurban Group
- Qube Logistics

# Looking Ahead – Long Term Investment



**Consumer** – Non-cyclical essential goods and services. Domestic population growth plus increasing export demand for high quality Australian produce.

Major investments during the year included

- Wesfarmers Limited
- Lindsay Australia



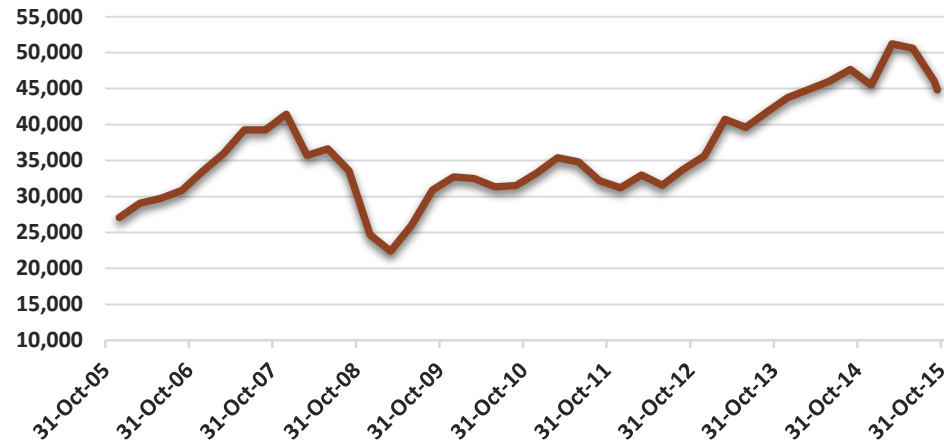
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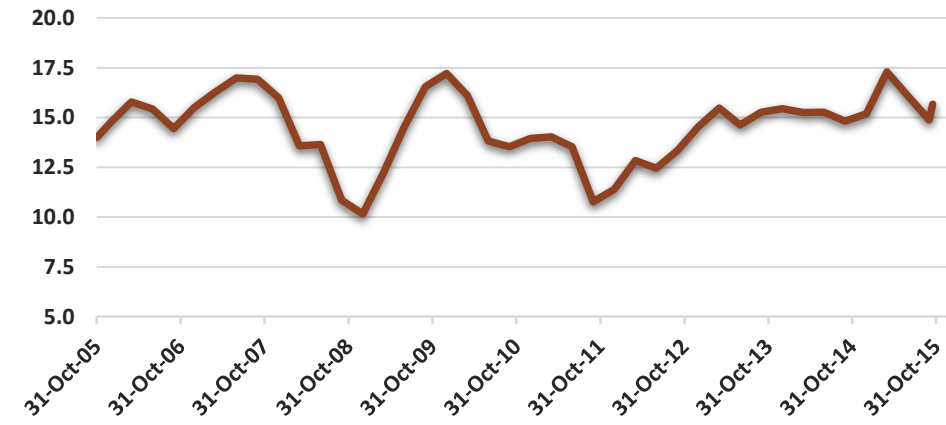
1<sup>ST</sup> QUARTER FY2016 UPDATE

# Market Snapshot

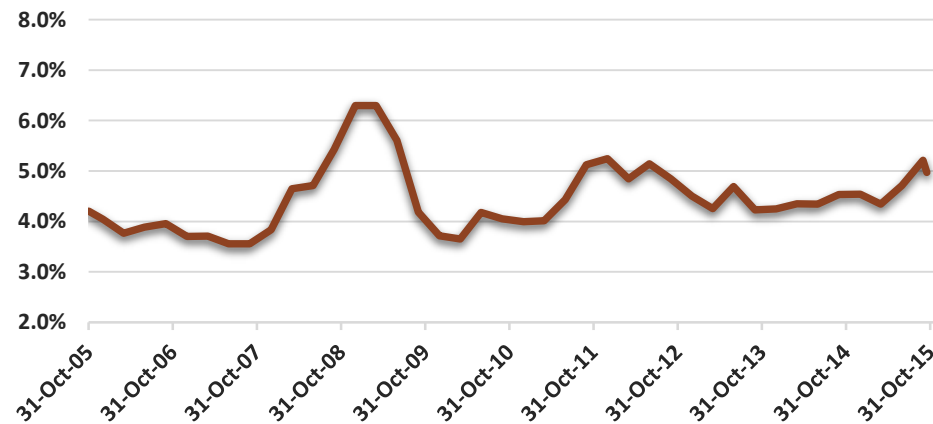
S&P/ASX 300 Acc Index



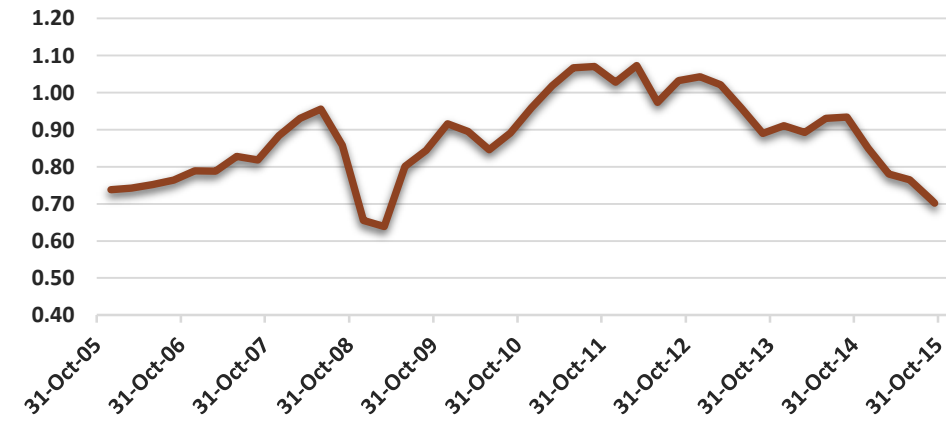
S&P/ASX 300 Index - PE Multiple (X)



S&P/ASX 300 Acc Index - Dividend Yield



Australin Dollar - \$USD

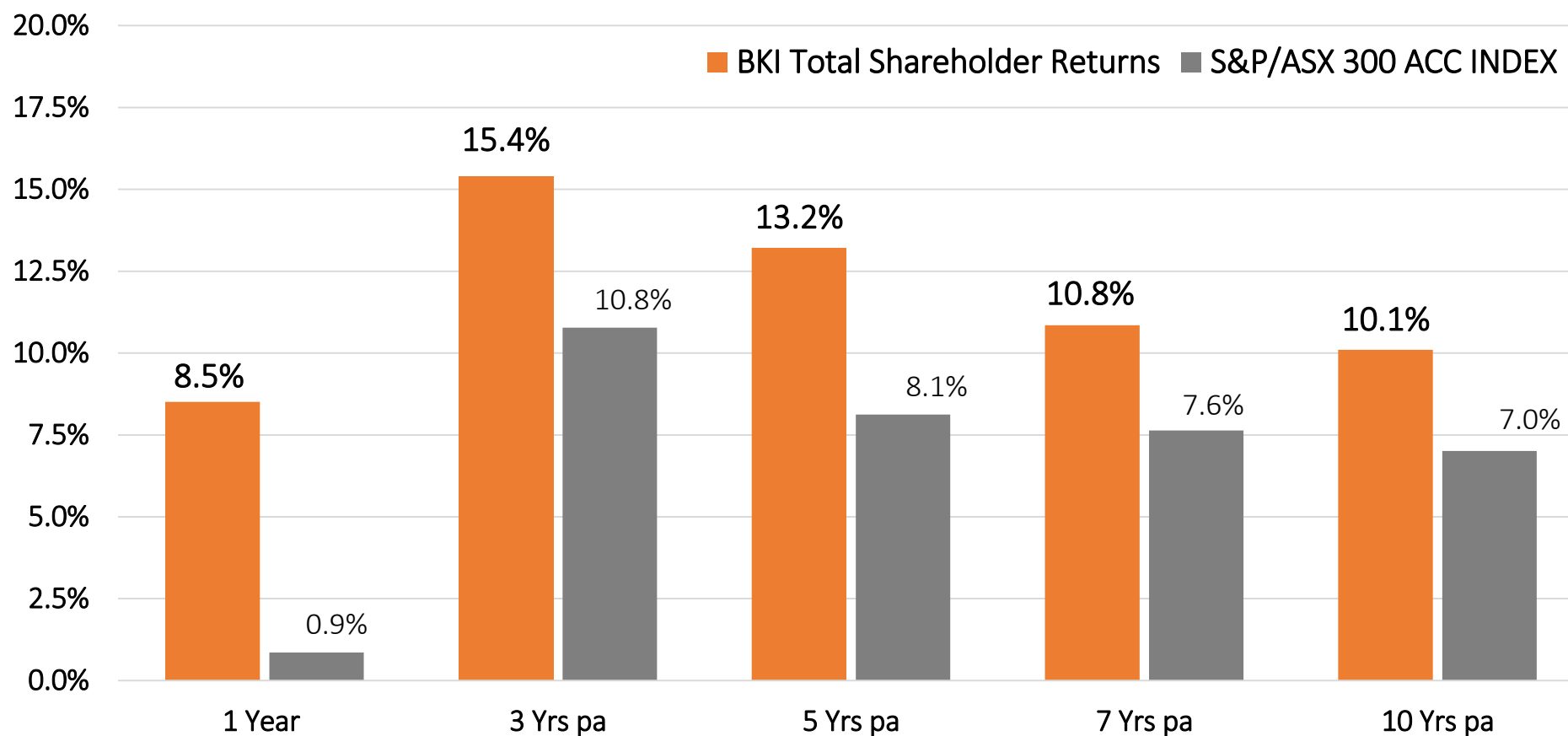




# BKI Performance

*Total Shareholder Returns including franking credits*

*As at 30 September 2015*



# *Acquisition of Unlisted Share Portfolio*

- BKI completed the 2<sup>nd</sup> acquisition of an unlisted investment company
  - Net assets of \$17m
  - Long term investment portfolio
  - Investments complementary to BKI's portfolio
  
- Looking to engage in similar transactions in the future

# BKI Portfolio

Top 25 Shareholdings as at 30 September 2015

	Stock	% of Total Portfolio		Stock	% of Total Portfolio
1	National Australia Bank	9.2%	14	IAG Limited	1.8%
2	Commonwealth Bank	8.7%	15	Invocare Limited	1.7%
3	Westpac Bank	7.3%	16	Suncorp Group Limited	1.6%
4	Telstra Corporation	5.7%	17	Ramsay HealthCare	1.5%
5	TPG Telecom	5.5%	18	ARB Corporation	1.5%
6	ANZ Banking Group	4.8%	19	Woodside Petroleum	1.5%
7	Wesfarmers Limited	4.5%	20	ASX Limited	1.4%
8	BHP Billiton Limited	4.2%	21	Coca-Cola Amatil	1.3%
9	APA Group	3.4%	22	Sonic Healthcare	1.2%
10	New Hope Corporation	3.0%	23	AMP Limited	1.2%
11	Woolworths Limited	3.0%	24	Sydney Airports	1.2%
12	Transurban Group	2.4%	25	Brambles Limited	1.2%
13	AGL Energy Limited	2.3%		Cash & Cash Equivalents	4.7%
			Total		85.8%

# *1<sup>st</sup> Quarter FY2016 Update\**

- **Revenue and Net Operating Income** (excluding Special Dividend Income) in-line with the same time last year.
- **Special Dividend Income** - BKI expects to receive approx. \$660k in Special Dividend Income in the first half of FY2016 from New Hope Corporation, Suncorp Group, and Milton Corporation.
- **Dividends** - Barring any unforeseen circumstances, BKI is confident of at least maintaining the Interim and Final Ordinary Fully Franked Dividends during FY2016.

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



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