



## Half-Year Review to 31 December 2018

A Focused Portfolio  
of Australian Equities

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AMCIL manages a focused portfolio covering large and small companies in the Australian equity market. As a result, small companies by market size can have an equally important impact on portfolio returns as larger companies in the Australian market.

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# Half-Year in Summary

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## Profit for the Half-Year

\$3.7m

Up 42.7% from 2017

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## Total 6 Month Shareholder Return

-6.8%

Share price plus dividend

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## Fully Franked Dividend

2¢	Interim	3.5¢	Total
1.5¢	Special		

Nil interim dividend in 2017

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## Management Expense Ratio

0.66% Annualised

0.66% in 2017

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## Total 6 Month Portfolio Return

-8.7% Including franking\*

S&P/ASX 200 Index including franking\* -6.2%

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## Total Portfolio

\$240.3m

Including cash at 31 December 2018

\$254.6 million in 2017

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\* Assumes an investor can take full advantage of the franking credits.

# About the Company

## Investment Objectives

AMCIL is a medium to long-term investor in the Australian equity market. Its investment approach is to construct a focused portfolio in which large and small companies can have an equally important impact on investment returns.

The number of holdings in the portfolio depends on market conditions and investment opportunities. The Company aims to provide shareholders with:

- attractive returns through strong capital growth in the portfolio over the medium to long term; and
- the generation of fully franked dividend income.

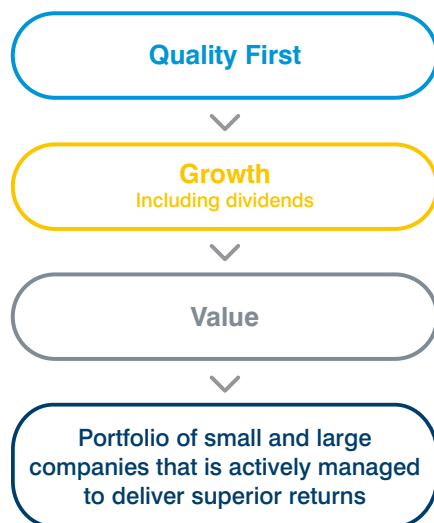
## Approach to Investing

We seek to create a diversified portfolio of quality companies which are likely to sustainably grow their earnings and dividends over this medium to long-term time frame.

Our assessment of quality includes criteria such as the board and management, financial position, margin creation as well as some key financial metrics such as the level of gearing in the balance sheet, product margins and cash flow. The structure of the industry and a company's competitive position in its industry are also important indicators of quality. Linked to this assessment of quality is the ability of companies to grow earnings over time, which ultimately should produce good dividend and capital growth.

Recognising value is also an important aspect of AMCIL's investment approach. Our assessment of value tries to reflect the opportunity a business has to prosper and thrive over the medium to long term.

## How AMCIL Invests – What We Look For in Companies



Given the focused nature of the portfolio, AMCIL is more active in managing the holdings. Our preference is that positions will be held for the long term. However, in managing the risk in the portfolio, the Company is prepared to scale back or exit holdings completely if the investment case alters markedly, the position becomes too large in the portfolio or share prices become excessively high. In managing the portfolio in this way, we believe AMCIL



can offer investors returns in excess of the S&P/ASX 200 over the long term. Given the greater concentration of the portfolio, there may be periods when the performance of AMCIL can vary quite markedly from the Index. The objective is to deliver outperformance over the medium to long term.

From time to time, the Company also uses options written against some of its investments and a small trading portfolio to generate additional income.

The other important feature to note is AMCIL's dividend policy of maximising the distribution of available franking credits each year. As a result, the amount of fully franked dividends are likely to fluctuate from year to year.



# Review of Operations and Activities

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## Profit and Dividend

Profit for the half-year was \$3.7 million, up 42.7 per cent from \$2.6 million in the previous corresponding period. Investment income increased 9.7 per cent to \$4.5 million, with participation in the Rio Tinto and BHP off-market share buy-backs contributing to this increase.

Income from options and trading portfolios was \$0.1 million. This included the unrealised gains from the marking to market of open call option positions as the market fell towards the end of the period. Last half-year this figure was a loss of \$0.9 million.

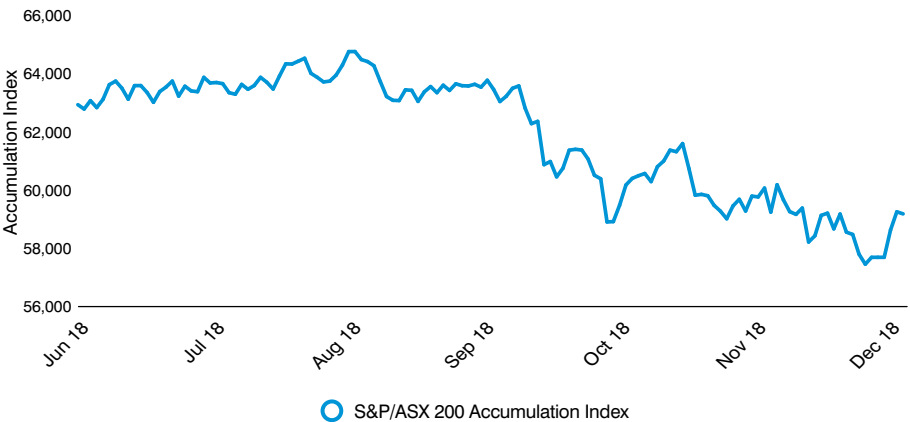
AMCIL's normal practice has been to pay a dividend once a year with the full year result to distribute all franking credits that are available at financial year-end. However, given the strong increase in fully franked income in the first half from participation in the Rio Tinto and BHP off-market share buy-backs, the Board felt it was prudent to pay a 1.5 cent per share special dividend with the interim result given the policy uncertainty surrounding the future refundability of franking credits. In this context, a dividend to distribute the current residual of the available franking credits from dividends and taxable realised gains has also been paid as a 2 cent per share interim dividend. In doing so, these payments will lessen the amount of franking credits available for distribution.

## Portfolio Performance

After a strong start to the financial year, the market experienced a very difficult period. Over the six months, all major sectors of the market, other than Communication Services, recorded negative returns with the S&P/ASX 200 Accumulation Index down 6.8 per cent for the six-month period.

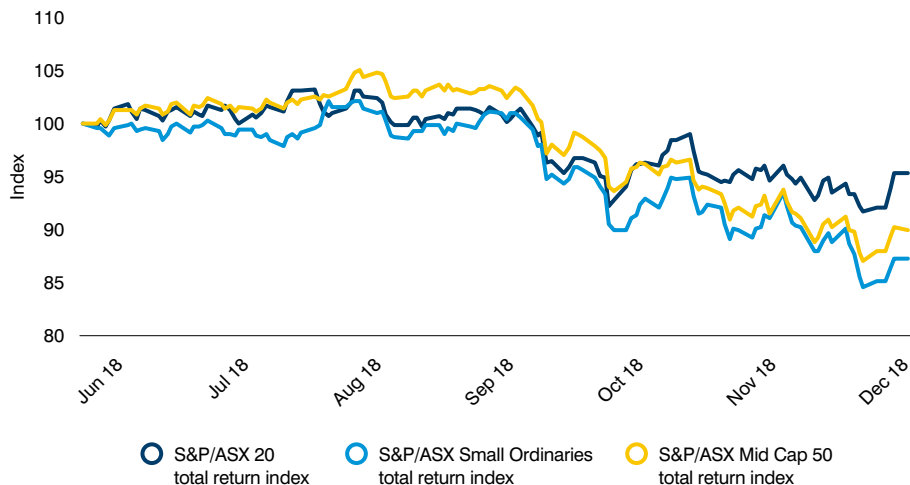
During the period there was also a reversal in the performance of the small and mid cap sectors, which had been very strong up until the reporting season in August 2018, before a change in market sentiment produced a marked reduction in their previously very high valuations. As a result, the Small Ordinaries Index produced a negative return of 12.8 per cent and the Mid Cap 50 Index a negative return of 10.0 per cent over the six-month period. The large companies in the market performed relatively better, although the 20 leaders still fell 4.7 per cent over the half-year.

**Figure 1: S&P/ASX 200, 6 Months to 31 December 2018**



Source: FactSet

**Figure 2: Performance of Top 20 Companies Relative to Small and Mid Cap Sectors, 6 Months to 31 December 2018**



Source: FactSet

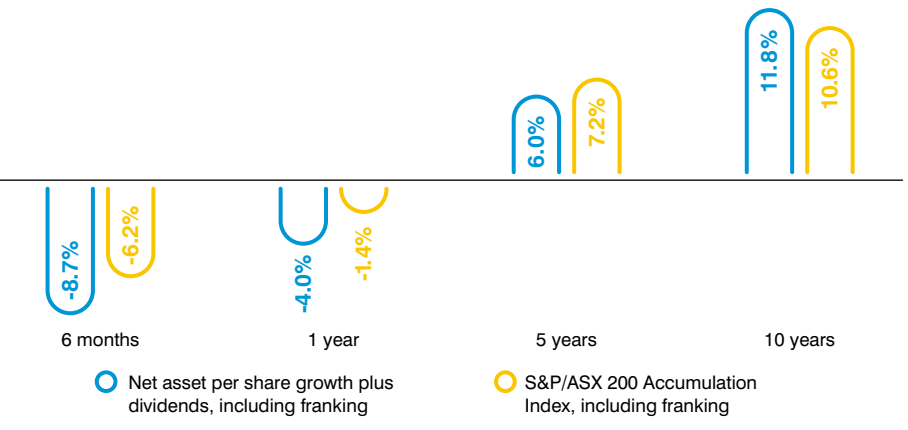
# Review of Operations and Activities continued

Given AMCIL's dividend policy seeks to maximise the distribution of franking credits, including those arising from taxable realised gains, it is appropriate to add franking credits to total returns. AMCIL's total portfolio return, including franking, over the half-year was negative 8.7 per cent. Some of this underperformance relative to the market was a result of AMCIL's participation in the off-market share buy-backs where holdings in BHP and Rio Tinto were sold at a 14 per cent discount to the market price. Once the dividend attributed to the buy-backs is paid, this will be included in subsequent performance figures.

With regard to specific stocks in the portfolio, the best performing companies over the six months for AMCIL were Mainfreight, EQT Holdings (Equity Trustees), Wellcom Group, Brambles, Qube Holdings and TPG Telecom.

The long term performance of the portfolio, which is more in line with the Company's investment time frames, was 11.8 per cent per annum for the 10 years to 31 December 2018, versus the Index return of 10.6 per cent per annum (these returns include the full benefit of franking).

**Figure 3: Portfolio Performance Percentage Per Annum – Periods Ending 31 December 2018\***



\* Annualised returns other than six-month figures. Assumes an investor can take full advantage of the franking credits. AMCIL's portfolio return is also calculated after management fees, income tax and capital gains tax on realised sales of investments. It should be noted that Index returns for the market do not include management expenses or tax.





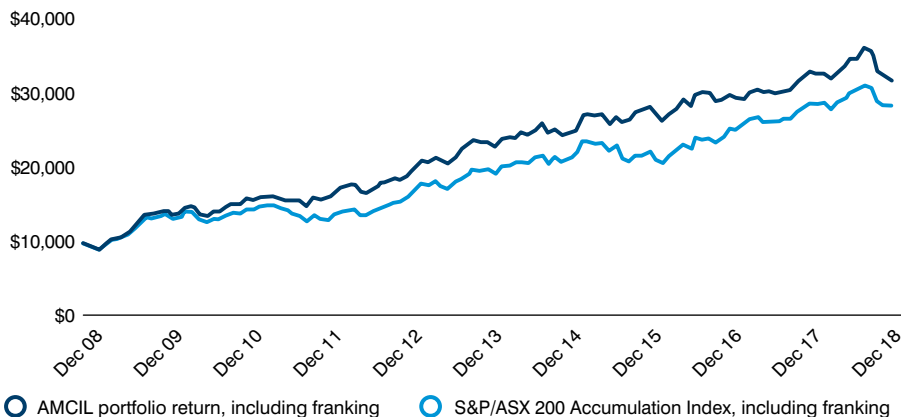
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## Review of Operations and Activities continued

**Figure 4: Portfolio Performance of AMCIL, Including Dividends and Franking Credits Over 10 Years to 31 December 2018**



Note: assumes an investor can take full advantage of the franking credits. This chart calculates the benefit of franking credits at the time dividends are paid for both AMCIL and the Index. In practice, there is a timing difference between receipt of the dividend and the realisation of the franking benefit in the following tax year.

Figure 4 highlights the cumulative return of AMCIL's portfolio, including the benefit of franking credits, over a 10-year period.

### Share Price Performance

At 31 December 2018, the share price (at 86 cents) was trading at a discount of 3 per cent to the net asset backing per share.

Figure 6 outlines the benefit of compound returns and the value of AMCIL's investment approach given the relative total share price return (including dividends and franking) from an investment of \$10,000 in AMCIL over 10 years versus the return from the S&P/ASX 200 Accumulation Index.

### Changes to the Portfolio

There were a number of adjustments to the portfolio over the half-year as the market moved from positive to negative territory within the six-month period. There was some trimming of positions across a number of holdings in the early part of the half-year, where expectations about growth had pushed share prices for many companies to elevated levels. At the same time, AMCIL also took the opportunity to exit positions where there was less conviction relative to other opportunities in the market. As market volatility increased with the large negative moves in the United States, there was an opportunity to deploy some of these funds, as well as the proceeds from the Share Purchase Plan in November, into companies where valuations looked more sensible.

Figure 5: Share Price Relative to Net Asset Backing

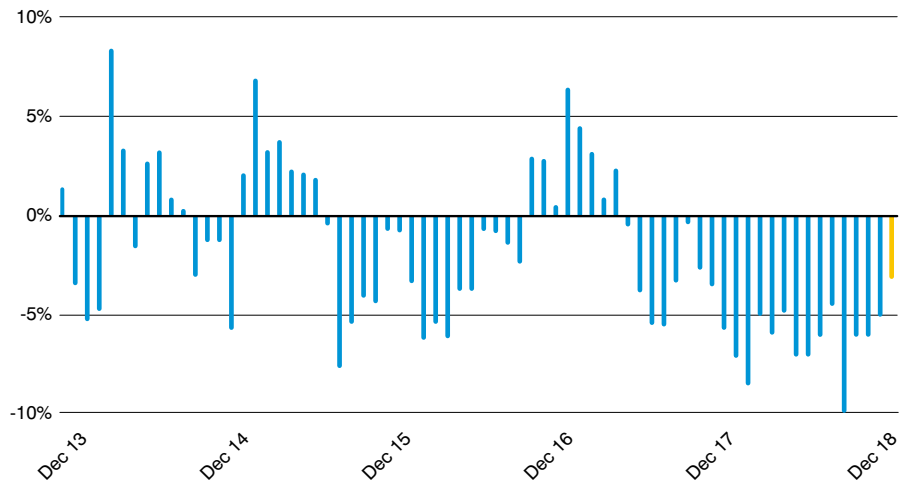
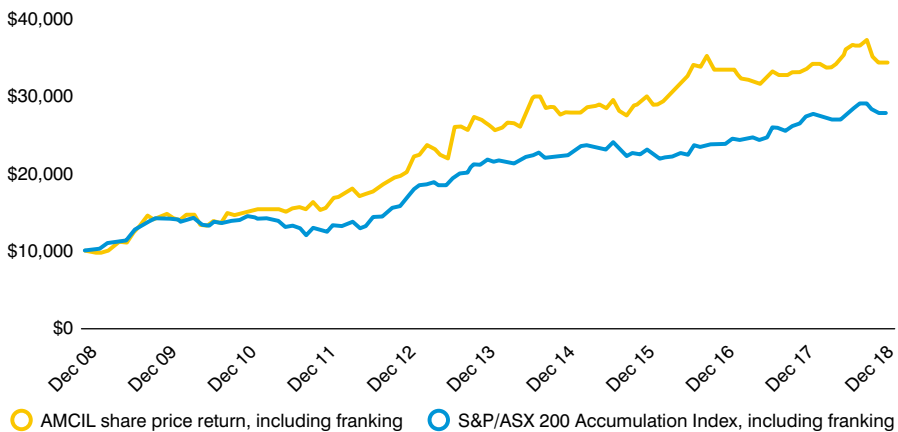


Figure 6: Performance of an Investment of \$10,000 in AMCIL Shares, Including Dividends and Franking Credits Over 10 Years to 31 December 2018



Note: assumes an investor can take full advantage of the franking credits.

Assumes the reinvestment of dividends. This chart calculates the benefit of franking credits at the time dividends are paid for both AMCIL and the Index. In practice there is a timing difference between receipt of the dividend and the realisation of the franking benefit in the following tax year.

# Review of Operations and Activities continued

Major purchases included new additions to the portfolio: Sydney Airport, Ramsay Health Care and Starpharma Holdings. There were also additions to several existing holdings, the largest of these purchases were in James Hardie Industries and ARB Corporation.

Figure 7 below highlights the profile of the portfolio by various sectors of the market.

## Outlook

The recent fall in the market (Figure 8) means that better value is now on offer. While this has presented some opportunities, we are also conscious that uncertainty prevails on a number of fronts. These include Chinese

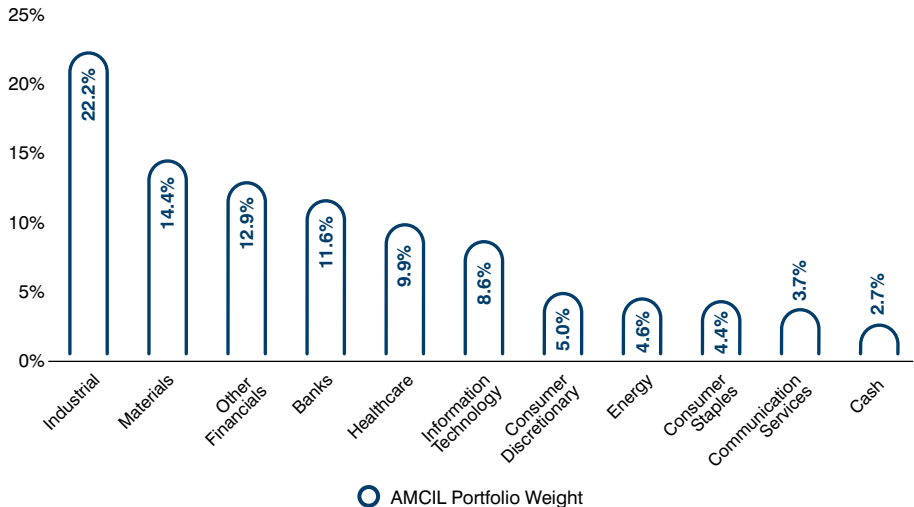
economic growth, the direction of United States interest rates, the course of trade talks between the United States and China, and the outlook for the Australian economy in an environment of falling house prices and a Federal Election. As a result, AMCIL will look to navigate carefully the expected heightened volatility arising from these risks, with an emphasis on looking for quality companies that are trading at reasonable long term value.

## Directorship Matters

Mr Richard Santamaria retired as a Director of the Company on 5 October 2018.

Mr Santamaria has been a Director of the Company since 1996. The Board deeply

**Figure 7: Investment by Sector as at 31 December 2018**



appreciates Mr Santamaria's 22 years of dedicated service to shareholders and outstanding contribution to Board matters, including as a member of the Investment and Audit Committees. We wish him well for the future.

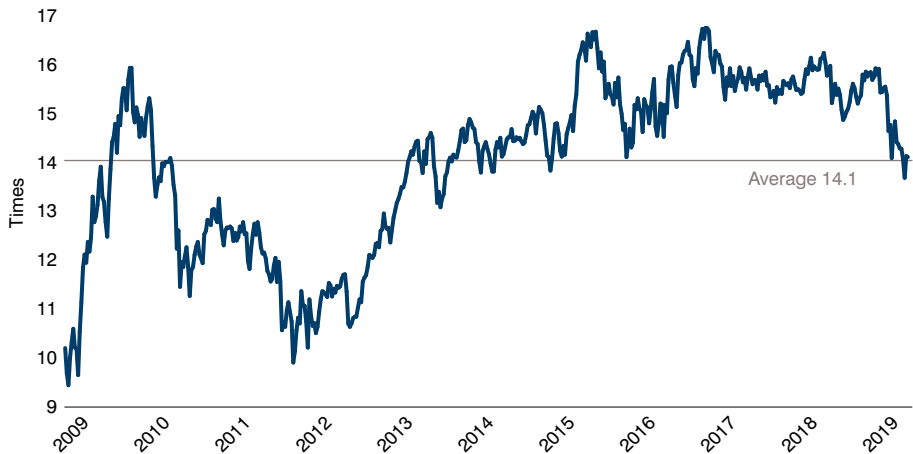
The Board is pleased to advise that Mr Mike Hirst was appointed as a Non-Executive Director of the Company on 23 January 2019.

Mr Hirst was Managing Director and Chief Executive Officer of Bendigo and Adelaide Bank Limited from 2009 to 2018. Mr Hirst has extensive experience in banking, treasury, funds management and financial

markets, including previous senior executive and management positions with Colonial Limited, Chase AMP Bank Limited and Westpac Banking Corporation. He is a Director of GMBHA Limited, Health.com.au, GMHBA Services Limited and Deputy Chairman of Racing Victoria Limited. He is an honorary member of the Business Council of Australia and a Board member of the Grow 21 Strategic Advisory Board.

We are delighted to welcome Mr Hirst to the Board and look forward to the contribution he will make.

**Figure 8: S&P/ASX 200 Price Earnings Ratio**



Source: FactSet



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## Top 20 Investments

As at 31 December 2018

Includes investments held in both the investment and trading portfolios.

### Valued at Closing Prices at 31 December 2018

		Total Value \$ Million	% of Portfolio
1	CSL	13.2	5.7
2	BHP	12.1	5.2
3	Mainfreight	9.7	4.1
4	Westpac*	9.4	4.0
5	Macquarie Group	8.1	3.5
6	Lifestyle Communities	7.9	3.4
7	Commonwealth Bank of Australia*	7.7	3.3
8	Qube Holdings	7.7	3.3
9	Transurban	7.4	3.2
10	National Australia Bank	7.0	3.0
11	Oil Search*	6.6	2.8
12	James Hardie Industries	6.3	2.7
13	EQT Holdings	5.9	2.5
14	Woolworths Group*	5.6	2.4
15	Carsales.com	5.6	2.4
16	Reliance Worldwide Corporation	5.5	2.3
17	AUB Group	5.3	2.3
18	Wellcom Group	5.1	2.2
19	Freedom Foods Group	5.0	2.2
20	Brickworks	5.0	2.2
<b>Total</b>		<b>146.2</b>	

As a percentage of total portfolio value (excludes cash)

62.5%

\* Indicates that options were outstanding against part of the holding.

# Income Statement

For the Half-Year Ended 31 December 2018

	<b>Half-Year 2018 \$'000</b>	<b>Half-Year 2017 \$'000</b>
Dividends and distributions	4,484	3,996
Revenue from deposits and bank bills	41	128
Net gains/(losses) on trading and options portfolios	108	(920)
Other income	10	-
<b>Total income</b>	<b>4,643</b>	<b>3,204</b>
Finance costs	(38)	(25)
Administration expenses	(852)	(808)
<b>Profit before income tax expense</b>	<b>3,753</b>	<b>2,371</b>
Income tax expense	(91)	195
<b>Profit for the half-year</b>	<b>3,662</b>	<b>2,566</b>
	<b>Cents</b>	<b>Cents</b>
Earnings per share	1.38	0.99

# Balance Sheet

As at 31 December 2018

	<b>31 Dec 2018 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Current assets</b>		
Cash	6,421	2,150
Receivables	407	7,070
Trading portfolio	6,528	-
<b>Total current assets</b>	<b>13,356</b>	<b>9,220</b>
<b>Non-current assets</b>		
Investment portfolio	227,676	262,118
Deferred tax assets	251	88
<b>Total non-current assets</b>	<b>227,927</b>	<b>262,206</b>
<b>Total assets</b>	<b>241,283</b>	<b>271,426</b>
<b>Current liabilities</b>		
Payables	182	253
Options written portfolio	323	1,060
Borrowings – bank debt	-	1,000
Tax payable	2,000	1,465
<b>Total current liabilities</b>	<b>2,505</b>	<b>3,778</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities – investment portfolio	11,658	22,290
<b>Total non-current liabilities</b>	<b>11,658</b>	<b>22,290</b>
<b>Total liabilities</b>	<b>14,163</b>	<b>26,068</b>
<b>Net assets</b>	<b>227,120</b>	<b>245,358</b>
<b>Shareholders' equity</b>		
Share capital	182,929	174,748
Revaluation reserve	15,500	39,285
Realised capital gains reserve	20,309	20,721
Retained profits	8,382	10,604
<b>Total shareholders' equity</b>	<b>227,120</b>	<b>245,358</b>

# Summarised Statement of Changes in Equity

For the Half-Year Ended 31 December 2018

	Half-Year 2018 \$'000	Half-Year 2017 \$'000
Total equity at the beginning of the half-year	245,358	228,786
Dividends paid	(11,114)	(9,029)
Shares issued – Dividend Reinvestment Plan	3,899	3,101
– Share Purchase Plan	4,319	-
Costs of share issues	(37)	(11)
Total transactions with shareholders	(2,933)	(5,939)
Profit for the half-year	3,662	2,566
Revaluation of investment portfolio	(27,663)	14,033
Provision for tax on revaluation	8,696	(5,673)
Revaluation of investment portfolio (after tax)	(18,967)	8,360
Total comprehensive income for the half-year	(15,305)	10,926
Realised gains on securities sold	6,754	87
Tax (expense)/credit on realised gains on securities sold	(1,936)	(189)
Net realised gains/(losses) on securities sold	4,818	(102)
Transfer from revaluation reserve to realised gains reserve	(4,818)	102
Total equity at the end of the half-year	227,120	233,773

A full set of AMCIL's interim accounts are available on the Company's website.

# Holdings of Securities

As at 31 December 2018

Details of the Company's portfolios are given below. The list should not, however, be used to evaluate portfolio performance or to determine the net asset backing per share (which is recorded each month on the toll free telephone service at 1800 780 784).

Unless otherwise stated, the securities in this list are fully paid ordinary shares, trust units or stapled securities.

Code	Company	Principal Activities	Number Held '000	Market Value \$'000
AMC	Amcor	Global packaging company	250	3,313
ARB	ARB Corporation	Manufacturer and distributor of four-wheel drive vehicle accessories in Australia and internationally	288	4,325
AUB	AUB Group	Investor in a network of small to medium Australian insurance brokers	425	5,280
BHP	BHP	Diversified international resources company	355	12,136
BKW	Brickworks	Australia's largest manufacturer of bricks and pavers, with other investments in property development and listed equities	303	5,039
BLD	Boral	Engages in the provision of building and construction materials	500	2,470
BRG	Breville Group	Manufacturer and wholesaler of electrical consumer products	366	3,898
BXB	Brambles	Global provider of supply chain management and logistics solutions	445	4,517
CAR	Carsales.com	The largest online automotive classifieds business in Australia. It also has interests in leading online automotive classified businesses in Brazil, South Korea, Malaysia, Indonesia, Thailand and Mexico	507	5,577

## Holdings of Securities continued

As at 31 December 2018

Code	Company	Principal Activities	Number Held '000	Market Value \$'000
CBA*	Commonwealth Bank	Provider of banking and wealth management services	108	7,741
CGF*	Challenger	Financial services company providing life insurance, annuities and funds management	400	3,778
CPU*	Computershare	Provides stock registration and transfer services to companies listed on various stock markets globally, as well as providing technology services for stock exchanges, investor services for shareholders and employee share plan management and the provision of bankruptcy, class action and mortgage servicing activities for various corporate clients globally	223	3,796
CSL	CSL	Biopharmaceutical company that researches, develops, manufactures and markets products to treat and prevent serious human medical conditions	72	13,239
CYB	CYBG PLC	A leading mid-sized United Kingdom retail and SME bank with long established operations across its core regions	1,110	3,696
EQT	EQT Holdings	Provider of private client, trustee, estate administration and funds management services	246	5,905



Code	Company	Principal Activities	Number Held '000	Market Value \$'000
EXP	Experience Co	Adventure tourism operator providing skydiving, rafting and reef cruising services in Australia and New Zealand	3,557	1,085
FNP	Freedom Foods Group	Specialist producer of allergen-free foods, with related packaging and marketing interests in dairy and seafood	1,085	5,047
FWD	Fleetwood Corporation	Manufactures, designs and supplies accommodation for the affordable housing industry, education and justice departments. It also handles the operation of accommodation villages in remote sites in Australia	1,370	2,713
IRE	IRESS	Provider of share market and wealth management information systems	450	5,004
JHX	James Hardie Industries	Building materials company focused on fibre cement products, predominantly in the United States	416	6,290
LIC	Lifestyle Communities	Develops, owns and manages independent living communities for elderly citizens. The company operates eight villages across Victoria, encompassing a full range of community and lifestyle-orientated facilities on-site	1,500	7,905

## Holdings of Securities continued

As at 31 December 2018

Code	Company	Principal Activities	Number Held '000	Market Value \$'000
MFT	Mainfreight	Provider of managed warehousing and international and domestic freight forwarding services	329	9,653
MQG	Macquarie Group	Diversified financial services business operating in banking, financial advisory, investment and funds management services	74	8,082
NAB	National Australia Bank	Provider of banking and wealth management services	290	6,978
NXT	NEXTDC	Owns and operates large scale data centres across Australia	625	3,819
OCL	Objective Corporation	Provider of information technology software and services	1,395	3,626
OSH*	Oil Search	Oil and gas explorer, developer and producer with assets predominantly in PNG	925	6,613
QUB	Qube Holdings	Provider of import and export logistics services with national operations	3,027	7,690
REH	Reece	Distributor and retailer of plumbing, building and hardware supplies	466	4,632
RHC*	Ramsay Health Care	Engages in provision of healthcare services and the operation of hospitals and day surgery facilities in Asia Pacific, United Kingdom and France	60	3,400
RHP	Rhipe	Provides software licensing and cloud computing services on behalf of a number of large, multinational software vendors	1,250	1,556

Code	Company	Principal Activities	Number Held '000	Market Value \$'000
RIO*	Rio Tinto	Diversified international resources company	39	3,035
RWC	Reliance Worldwide	Designs, manufactures and distributes products for the plumbing industry including fittings, pipes, valves and thermostatic products	1,230	5,474
SEK	Seek	Operator of employment classifieds websites in Australia and offshore with interests in education and training	270	4,568
SGM	Sims Metal	Is a leading recycler of metals and electronics globally, specialising in ferrous and non-ferrous metals and municipal waste recycling	225	2,259
SHL*	Sonic Healthcare	Specialist diagnostics company providing radiology and pathology services in Australia and overseas	225	4,948
SPL	Starpharma	Engages in the research and development of dendrimer products for pharmaceutical, life science and other applications	1,930	2,287
SYD	Sydney Airport	Engages in the operation and ownership of the Sydney International Airport	629	4,230
TCL	Transurban Group	Developer and operator of electronic toll roads in Australia and overseas	635	7,402

## Holdings of Securities continued

As at 31 December 2018

Code	Company	Principal Activities	Number Held '000	Market Value \$'000
TPM*	TPG Telecom	Provider of a range of telecommunication services to residential users, small and medium enterprises, government and large corporates in Australia	523	3,362
WBC*	Westpac Banking Corporation	Provider of banking and wealth management services	376	9,407
WLL	Wellcom Group	Production company providing pre-media, digital asset management and specialty printing services to advertisers, retailers and corporations	1,018	5,131
WOW*	Woolworths	Operates general merchandise consumer stores and supermarkets in Australia and New Zealand	192	5,601
WPL*	Woodside Petroleum	Producer of liquefied natural gas, domestic gas, condensate, crude oil and liquefied petroleum gas, primarily in West Australia	144	4,435
XRO	Xero	Develops cloud-based accounting software for small and medium sized businesses in New Zealand, Australia, the United Kingdom and the United States	70	2,941
<b>Total</b>				<b>233,881</b>

\* Indicates that options were outstanding against part of the holding.

## Major Transactions in the Investment Portfolio

<b>Acquisitions</b>	<b>Cost \$'000</b>
Sydney Airport	4,371
Ramsay Health Care	3,296
James Hardie Industries	2,916
Starpharma Holdings	2,849
ARB Corporation	2,280

<b>Disposals</b>	<b>Proceeds \$'000</b>
Nufarm	3,650
Fisher & Paykel Healthcare	3,580
DuluxGroup	3,120
ALS	2,943
Amcor	2,583
BHP (participation in off-market share buy-back)	2,542
InvoCare	2,502

All were complete disposals from the portfolio, other than Amcor and BHP.

### New Companies Added to the Portfolio

Sydney Airport  
Starpharma Holdings  
Ramsay Health Care

# **Company Particulars**

## **AMCIL Limited (AMCIL)**

ABN 57 073 990 735

### **Directors**

Bruce B Teele, Chairman

R Mark Freeman, Managing Director

Ross E Barker

Roger G Brown

Michael J Hirst (appointed 23 January 2019)

Siobhan L McKenna

Rupert Myer AO

Jonathan J Webster

### **Company Secretaries**

Matthew J Rowe

Andrew JB Porter

### **Auditor**

PricewaterhouseCoopers

Chartered Accountants

### **Country of Incorporation**

Australia

### **Registered Office and Mailing Address**

Level 21, 101 Collins Street

Melbourne Victoria 3000

### **Contact Details**

**Telephone** (03) 9650 9911

**Facsimile** (03) 9650 9100

**Website** [amcil.com.au](http://amcil.com.au)

**Email** [invest@amcil.com.au](mailto:invest@amcil.com.au)

For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange):

**Telephone** 1800 780 784 (toll free)

### **Share Registrar**

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnston Street

Abbotsford Victoria 3067

### **Shareholder**

**Enquiry Lines** 1300 653 916  
+61 3 9415 4224  
(from overseas)

**Facsimile** (03) 9473 2500

**Website** [investorcentre.com/au/contact](http://investorcentre.com/au/contact)

For all enquiries relating to shareholdings, dividends and related matters, please contact the share registrar as above.

### **Securities Exchange Code**

AMH Ordinary shares



# Shareholder Meeting

Melbourne Shareholder Meeting

Time 1.00pm  
Date Monday 18 March 2019  
Venue Sofitel  
Location 25 Collins Street  
Melbourne

