

## Top 20 Investments

Stock	% of Total Portfolio
<u>1 New Hope Corporation</u>	12.0%
<u>2 BHP Billiton Limited</u>	10.7%
<u>3 National Australia Bank</u>	7.3%
<u>4 Commonwealth Bank</u>	7.2%
<u>5 Westpac Banking Corp</u>	4.6%
<u>6 Wesfarmers Limited</u>	3.7%
<u>7 Woolworths Limited</u>	3.1%
<u>8 Telstra Corporation</u>	2.9%
<u>9 AGL Energy Limited</u>	2.9%
<u>10 Woodside Petroleum Limited</u>	2.8%
<u>11 Campbell Brothers Limited</u>	2.6%
<u>12 ANZ Banking Group</u>	2.3%
<u>13 QBE Insurance Group</u>	2.1%
<u>14 Metcash Limited</u>	1.7%
<u>15 Westpac Pref Shares</u>	1.6%
<u>16 Coca Cola Amatil Limited</u>	1.4%
<u>17 ASX Limited</u>	1.4%
<u>18 TPG Telecom Limited</u>	1.2%
<u>19 InvoCare Limited</u>	1.1%
<u>20 Milton Corporation Limited</u>	1.1%
<u>Cash &amp; cash equivalents</u>	6.9%
<u>% of Total Portfolio Value</u>	<u>80.6%</u>
(Including Cash & cash equivalents)	

## BKI Investment Company Limited

### Monthly Report

December 2010

#### Group Profile and Investment Strategy

BKI's investment portfolio has been built on a philosophy of long term investment with a focus on Australian equities. BKI primarily seeks to invest in well-managed businesses with a profitable history and with the expectation of sound dividend and distribution growth. An investment in BKI gives shareholders access to a diversified portfolio across most sectors of the market.

#### Net Tangible Asset Backing

The Directors advise that the consolidated unaudited pre tax net asset backing of the company's shares at 31 December 2010 was **\$1.42** per share.

The company is a long-term equity investor and does not intend to dispose of its total portfolio. If estimated tax at 30% on unrealised portfolio gains were to be recognised, net asset backing post tax would be **\$1.35** per share.

#### Dividends

The company aims to generate an increasing income stream for distribution to its shareholders in the form of fully franked dividends, to the extent of its available imputation tax credits, through long-term investment in a portfolio of assets that are also able to deliver long term capital growth to shareholders.

BKI's historical dividend yield as at 31 December 2010 was 5.0% (fully franked). BKI's historical grossed up yield as at 31 December 2010 was 7.1%. BKI's Dividend Reinvestment Plan has been maintained offering shareholders the opportunity to acquire further ordinary shares in BKI at a discount of 1.0%.

#### Management Expense Ratio (MER)

BKI's MER as at 30 June 2010 was 0.19%. BKI does not charge shareholders external management fees or a performance fee.

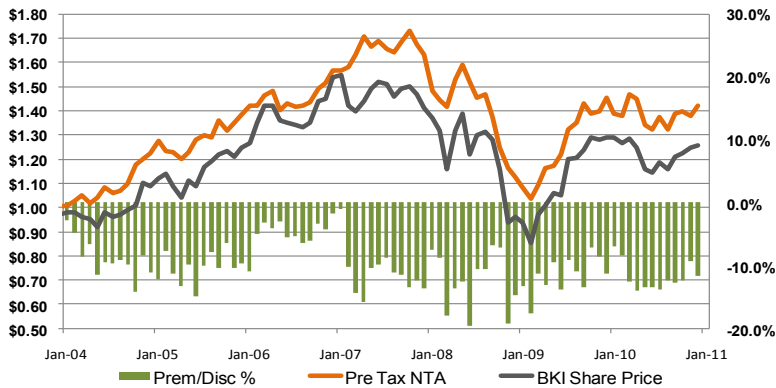
#### Board and Management

Directors: Robert Millner (Chairman), Alex Payne, David Hall and Ian Huntley.  
Management: Tom Millner (CEO) and Richard Pillinger (Company Secretary).

## Company Overview

### Discount to Pre Tax NTA

BKI Investment Company Limited's share price (BKI.ASX) is currently trading at a 12% discount to the Pre Tax NTA and a 7% discount to the Post Tax NTA. BKI represents a good opportunity for investors to acquire assets at a discount to the Pre Tax NTA.



### Benefits of Investing in BKI Investment Company Limited

**Dividends** - Strong dividend payout ability with abundant franking credits.

**Diversification** - Access to a high quality diversified investment portfolio through BKI shares listed on the ASX (BKI.ASX).

**Management** - Experienced Board and conservative investment team delivering sound returns with low investment risk.

**Low Costs** - Competitive MER of 0.19%\*. No external portfolio management fees or performance fees.

**Value** - Opportunity for investment at a discount to the Pre Tax NTA. Ideal for long term passive shareholders and SMSF's.

<b>Mandate</b>	<b>Australian Listed Equities</b>
<b>Benchmark</b>	<b>S&amp;P/ASX 300 Acc Index</b>
<b>Investment Manager</b>	<b>BKI Investment Company</b>
<b>Market Capitalisation</b>	<b>\$528m</b>
<b>Portfolio Valuation</b>	<b>\$556m</b>
<b>Cash &amp; cash equivalents</b>	<b>\$42m</b>
<b>Debt</b>	<b>nil</b>
<b>MER*</b>	<b>0.19%</b>
<b>Performance Fee</b>	<b>0%</b>
<b>FY10 Dividend**</b>	<b>6.25 cps</b>
<b>Historical Dividend Yield***</b>	<b>5.0%</b>
<b>Percentage Franked</b>	<b>100%</b>
<b>Grossed up Yield***</b>	<b>7.1%</b>
<b>DRP</b>	<b>1% discount to 5 day VWAP</b>
<b>Pre Tax NTA</b>	<b>\$1.42</b>
<b>Post Tax NTA</b>	<b>\$1.35</b>
<b>Share Price</b>	<b>\$1.255</b>

<b>Performance</b> As as 31 December 2010	<b>6 Mths</b>	<b>1 Year</b>	<b>3 Years</b> (pa)	<b>5 Years</b> (pa)	<b>7 Years</b> (pa)
S&P/ASX 300 ACC INDEX (XKOA1)	13.3%	1.9%	-5.0%	4.4%	9.9%
<b>BKI Total Shareholder Returns</b>	<b>12.7%</b>	<b>2.4%</b>	<b>1.3%</b>	<b>5.1%</b>	<b>8.3%</b>
<b>BKI Share Price Outperformance V's XKOA1</b>	<b>-0.6%</b>	<b>0.5%</b>	<b>6.3%</b>	<b>0.7%</b>	<b>-1.6%</b>
<b>BKI Portfolio Performance</b>	<b>10.0%</b>	<b>2.2%</b>	<b>-0.1%</b>	<b>5.0%</b>	<b>9.2%</b>
<b>BKI Portfolio Outperformance V's XKOA1</b>	<b>-3.3%</b>	<b>0.3%</b>	<b>4.9%</b>	<b>0.6%</b>	<b>-0.7%</b>

Source: BKI Investment Company Limited, IRESS. Portfolio Returns are measured by change in pre tax NTA and are after all operating expenses, payment of both income and capital gains tax and the reinvestment of dividends. Total Shareholder Returns include reinvestment of dividends. Past performance is not indicative of future performance.

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\*MER as at 30 June 2010; \*\*Includes FY10 Special Dividends; \*\*\* Based on share price as at 31 December 2010;