

Listed Investment Companies (LICs)

SECTOR REPORT

March 2016 Performance Review and Update

- **Top picks:** Our top picks refer to preferred exposures within each sector based on numerous quantitative and qualitative factors. However, they should not be treated as official stock recommendations but merely as a guide to where we would apportion funds at this particular point in time. Our monthly report will provide our updated views. The table on page three provides a current update of the overall sector with our estimated current NTAs derived from our model portfolios for the LICs.
- **Large capitalisation:** We have noted in our prior quarterly updates in FY16 that a number of the large cap LICs have traded at significant premiums compared to historical averages. April saw a reversion in the trading level of a number of these large cap LICs. CY16-to-date, the All Ordinaries (XAO) fell 9.9% before rebounding in April finishing down 0.5%. Underlying NTA's across the large cap LICs have also rebounded broadly in-line with the XAO (down -1.1%, on average). The catalyst for the reversion back to more normalised trading levels for large caps has been a combination of lagging share price movements and NTA movements in line with the broader market, in our view. This is evident with TSR over the same period has been -4.2%, on average. The aforementioned factors have resulted in the emergence of value and more favourable entry points into large cap LICs. Australian Foundation Investment Company (AFI) and Milton Corporation (MLT) are both currently trading at an estimated 0.7% premium to NTA; this is below respective one year historical averages of 4.4% and 2.3%. Diversified United Investment (DUI) remains a top value pick, trading at an estimated 7.1% discount to NTA.
- **Mid-capitalisation:** The S&P/ASX Mid-cap Accumulation index (XMDAI) for the year ending April 2016 has outperformed the S&P/ASX20 Accumulation index (XTLAI) by 16.9%. The outperformance and subsequent demand has resulted in the inception of a number of 'mid-cap focused' LICs such as Contango Income Generator (CIE) and Perennial Value's Wealth Defender Equities (WDE), both listing in the last 12 months. In our view, the space provides complimentary exposure to existing blue chip investment portfolios. Perpetual Equity Investment (PIC) and Future Generation Fund (FGX) are our current top picks, trading at an estimated 9.5% and 1.3% discount to NTA respectively. We are positively predisposed to the increasing dividend profile of PIC and FGX, with both LICs recently announcing maiden interim dividends.
- **Small/Micro capitalisation:** Acorn Capital Investment Fund (ACQ), trading at an estimated 21.1% discount to NTA is a top pick within this space. ACQ's NTA performance was up 11.7% over the prior 12 months. We continue to look favourably upon ACQ's unlisted investment capacity and in particular, its top holding, RedBubble (5.95%), which is currently in an IPO phase. ACQ has previously had four unlisted investments reach liquidity with an average return on capital of 68.0%. Elsewhere within the space, Contango Microcap (CTN) is a top value pick with its underlying NTA increasing 4.4% in March. CTN is currently trading at an estimated 17.5% discount to NTA with a 6.8% dividend yield (partially franked).
- **International:** Global Value Fund (GVF) remains a top pick. Managed by Metage Capital, GVF provides investors asset class diversification (31.0% of the fund invested in fixed income) as well as a 5.0% dividend yield fully franked. In March 2016 all outstanding options expired and we look favourably upon the cessation of the option dilution impact on GVF's NTA. Elsewhere, PM Capital Global Opportunities Fund (PGF) remains an attractive value proposition, trading at an estimated 9.9% discount to NTA. Whilst adverse trading positions have impacted its NTA, management has reaffirmed current investment themes, including US and European housing and the relative valuation discount of global financial institutions.
- **Specialty:** Bluesky Alternative Access Fund (BAF) and Bailador Technology (BTI) remain our top picks within the speciality space, both offering attractive entry points, trading at 3.7% and 7.8% discount to NTA respectively. BAF and BTI have underlying portfolios with low correlation to the market, outperforming the XAOAI in CY16-to-date by 3.2% and 5.7% respectively. In March, BTI received \$38.4m from exercised options.

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Disclosure: The author owns no shares in any of the mentioned companies.

Updated Sector Snapshot

BAILLIEU HOLST - EQUITY RESEARCH Listed Investment Companies Coverage by Sector

Figures as at: 2 May 2016

Large Capitalisation	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since April 1	Current Est. NTA	Current Estimated Disc/Prem	March NTA	March Disc/Prem	3 Mth Ave Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem
Australian Foundat.	AFI	5.56	6284.5	24.0	4.3%	6.2%	0.5%	5.52	0.7%	5.34	3.6%	6.3%	4.4%	4.1%
Argo Investments	ARG	7.30	4961.5	30.5	4.2%	6.0%	0.4%	7.07	3.3%	6.87	5.8%	8.7%	6.5%	3.0%
Australian United In	AUI	7.03	867.3	33.7	4.8%	6.8%	0.6%	7.62	-7.7%	7.36	-5.0%	-3.2%	-4.6%	-5.9%
BKI Investment Ltd	BKI	1.59	922.6	7.3	4.6%	6.5%	-1.9%	1.54	2.9%	1.51	7.3%	8.2%	3.9%	0.1%
Djeriwarrah	DJW	4.07	889.7	26.0	6.4%	9.1%	-1.2%	3.08	32.3%	2.99	37.8%	39.7%	33.0%	26.7%
Diversified United	DUI	3.27	678.6	14.0	4.3%	6.1%	1.9%	3.52	-7.1%	3.40	-5.6%	-3.9%	-4.8%	-6.8%
Milton Corporation	MLT	4.25	2762.2	19.0	4.5%	6.4%	1.7%	4.22	0.7%	4.17	0.2%	3.7%	2.3%	0.7%
Mid Capitalisation	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since April 1	Current Est. NTA	Current Estimated Disc/Prem	March NTA	March Disc/Prem	3 Mth Ave Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem
Australian Leaders	ALF	1.43	385.9	10.0	7.0%	10.0%	-1.4%	n.a	n.a	1.35	7.4%	8.8%	1.1%	7.3%
Aberdeen Leaders	ALR	1.04	64.0	5.0	4.8%	6.9%	2.5%	1.16	-10.7%	1.12	-8.5%	-8.7%	-8.9%	1.2%
AMCIL Limited	AMH	0.90	229.2	4.0	4.4%	6.3%	1.1%	0.94	-3.8%	0.90	-1.1%	-2.1%	-3.7%	-2.1%
Cadence Capital	CDM	1.31	351.6	11.0	8.4%	12.0%	-5.4%	1.15	13.5%	1.16	23.7%	21.5%	7.9%	4.2%
Contango Inc Gen Ltd	CIE	0.96	74.6	2.0	2.1%	3.0%	-0.5%	0.98	-2.9%	0.97	-1.0%	0.1%	n.a	n.a
Carlton Investments	CIN	31.90	844.5	111.0	3.5%	5.0%	-0.3%	36.13	-11.7%	36.03	-11.2%	-11.2%	-10.5%	-11.7%
Future Gen Ltd	FGX	1.13	253.8	4.0	3.6%	5.1%	0.9%	n.a	n.a	1.15	-1.3%	-0.2%	-1.7%	n.a
Mirrabooka Invest.	MIR	2.66	412.6	17.0	6.4%	9.1%	1.9%	2.39	11.2%	2.31	13.0%	13.7%	10.3%	11.7%
Perpetual Equity Ltd	PIC	0.93	233.8	1.3	1.4%	2.0%	0.5%	1.03	-9.5%	1.01	-8.5%	-7.4%	-5.0%	n.a
Qv Equities Limited	QVE	1.05	232.5	1.5	1.4%	2.0%	5.0%	1.10	-4.6%	1.07	-6.4%	-4.8%	-2.2%	n.a
WAM Capital Limited	WAM	2.15	1006.2	14.0	6.5%	9.3%	-1.7%	1.86	15.4%	1.91	18.2%	15.9%	8.0%	6.6%
Wealth Def Equ Ltd	WDE	0.81	101.8	1.0	1.2%	1.8%	3.8%	0.90	-10.0%	0.88	-10.1%	-9.7%	n.a	n.a
Whitefield Ltd	WHF	4.27	342.5	17.0	4.0%	5.7%	-0.2%	4.62	-7.6%	4.54	-5.7%	-5.5%	-6.3%	-6.3%
Small Capitalisation	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since April 1	Current Est. NTA	Current Estimated Disc/Prem	March NTA	March Disc/Prem	3 Mth Ave Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem
Acorn Cap Inv Fund	ACQ	0.87	43.0	n.a	n.a	n.a	8.1%	1.10	-21.1%	1.02	-21.0%	-18.1%	-18.2%	n.a
Barrack St Invest	BST	0.94	15.0	1.5	1.6%	1.9%	2.2%	1.15	-18.7%	1.13	-18.8%	-20.1%	-18.3%	n.a
Contango Microcap	CTN	0.93	149.9	6.3	6.8%	8.0%	-1.1%	1.12	-17.5%	1.08	-13.5%	-13.2%	-9.4%	-10.4%
Glennon SML Co Ltd	GC1	0.96	23.9	0.8	0.8%	0.9%	-4.0%	1.07	-10.7%	1.04	-4.4%	-3.9%	n.a	n.a
Naos Emerg Opp	NCC	1.00	46.9	6.3	6.3%	8.9%	3.2%	n.a	n.a	1.16	-13.8%	-8.0%	-9.3%	-10.4%
Ozgrowth Limited	OZG	0.14	50.5	1.0	7.1%	10.2%	7.7%	0.17	-19.0%	0.17	-23.1%	-23.1%	-15.7%	-15.5%
WAM Research Ltd	WAX	1.31	226.3	8.0	6.1%	8.7%	1.7%	1.15	13.9%	1.19	12.0%	14.5%	7.4%	5.5%
Westoz Inv Ltd	WIC	0.79	101.4	7.5	9.6%	13.6%	1.9%	0.99	-21.0%	0.98	-21.4%	-15.8%	-12.4%	-10.4%
8lp Emerg Co Ltd	8EC	0.93	30.8	0.0	0.0%	0.0%	-2.2%	1.04	-10.9%	0.98	-7.0%	-5.2%	n.a	n.a
International	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since April 1	Current Est. NTA	Current Estimated Disc/Prem	March NTA	March Disc/Prem	3 Mth Ave Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem
Amp Capital China	AGF	0.81	382.1	33.6	41.5%	41.5%	-5.8%	1.00	-19.0%	1.00	-14.0%	-31.3%	-23.8%	-22.0%
Argo Global Ltd	ALI	1.81	259.0	0.5	0.3%	0.3%	-9.2%	1.93	-6.2%	1.92	-6.2%	-9.3%	n.a	n.a
Ellerston Asian	EAI	0.83	99.6	n.a	n.a	n.a	-1.4%	n.a	n.a	0.89	-12.5%	-6.7%	n.a	n.a
Ellerston Global Inv	EGI	0.96	72.6	2.0	2.1%	3.0%	1.1%	n.a	n.a	1.08	-11.8%	-11.1%	-2.2%	n.a
Future Glb Invest Co	FGG	1.10	304.0	n.a	n.a	n.a	-1.3%	n.a	n.a	1.02	9.5%	9.9%	n.a	n.a
Global Value Fnd Ltd	GVF	1.00	102.1	5.0	5.0%	7.2%	1.5%	n.a	n.a	1.08	-6.4%	-9.7%	-11.1%	n.a
Hunter Hall Global	HHV	1.19	289.1	12.0	10.1%	10.2%	3.9%	1.44	-17.4%	1.36	-13.9%	-15.4%	-12.9%	-12.9%
Magellan Flagship	MFF	1.90	884.0	2.0	1.1%	1.1%	0.5%	1.99	-4.5%	1.92	-0.9%	-3.7%	-7.7%	-2.8%
Pm Capital Asian Ops	PAF	0.94	51.8	n.a	n.a	n.a	6.2%	1.00	-5.9%	1.01	-12.2%	-13.5%	-13.7%	n.a
Platinum Asia Ltd	PAI	0.94	274.1	n.a	n.a	n.a	1.6%	0.90	3.8%	0.90	2.4%	5.1%	n.a	n.a
Pm Capital Fund	PGF	0.92	318.4	1.5	1.6%	2.3%	4.0%	1.02	-9.9%	0.99	-10.9%	-12.2%	-12.8%	n.a
Platinum Capital Ltd	PMC	1.73	405.9	9.0	5.2%	7.5%	2.4%	1.47	17.5%	1.46	15.8%	16.0%	12.4%	8.0%
Templeton Global	TGG	1.16	289.6	4.1	3.5%	5.0%	2.7%	1.31	-11.3%	1.28	-12.0%	-14.3%	-11.4%	-8.2%
Specialist	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since April 1	Current Est. NTA	Current Estimated Disc/Prem	March NTA	March Disc/Prem	3 Mth Ave Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem
Blue Sky Alt Access	BAF	1.04	133.0	3.0	2.9%	4.1%	3.0%	1.08	-3.7%	1.08	-6.5%	-7.5%	-2.6%	n.a
Bailador Tech Inv	BTI	1.07	99.1	n.a	n.a	n.a	6.5%	1.16	-7.8%	1.16	-13.4%	-19.4%	-19.1%	n.a
Lion Selection Grp	LSX	0.26	27.8	n.a	n.a	n.a	-1.7%	n.a	n.a	0.31	-25.8%	-26.7%	-36.2%	-28.3%
Sandon Capital Ltd	SNC	0.83	36.7	5.0	6.0%	8.6%	0.0%	n.a	n.a	0.94	-9.4%	-9.4%	-8.6%	n.a
Thorney Opp Ltd	TOP	0.53	89.7	0.5	0.9%	1.3%	0.0%	n.a	n.a	0.58	-8.3%	-5.2%	-8.1%	-3.7%
Watermark Fund Ltd	WMK	1.01	91.5	4.5	4.5%	6.4%	0.0%	n.a	n.a	1.06	-1.4%	-2.5%	-9.2%	n.a

Source: Iress, Bloomberg, Company reports, Baillieu Holst

LIC Basics

What is a LIC?

- A LIC has characteristics of both managed funds and stock exchange-listed companies.
- Essentially a LIC is a company that invests in other companies, with the purpose of giving its shareholders exposure to a variety of shares via its investment portfolio.
- LICs may also invest in cash or fixed income instruments, although in many cases this will form only a relatively small proportion of their investment portfolio.
- Income from LICs takes the form of semi-annual dividend payments that are linked to the profitability of the portfolio. Capital gains can arise where the investor sells the shares in the LIC for more than they originally bought them for.

Benefits of investing in LICs

Diversification

- Investment in just one LIC can potentially give an investor exposure to more than 100 different companies in a range of industries.
- This therefore reduces the risk to capital losses as losses connected to one company may be offset by gains by others in the portfolio.
- A LIC is a cost-effective method of achieving such a degree of diversification.

LICs are managed by investment professionals

- Each LIC is managed by full-time investment professionals whose goal it is to optimise returns on the investment portfolio for shareholders within strictly enforced risk parameters.
- In this respect, LICs are passive investments. Once the shares in the LIC have been purchased, the investor leaves investment decisions to the managers of the LIC.
- Some LICs have operated for more than 50 years while others, although only recently listed, are operated and managed by investment firms that have built strong reputations over many years.

Transparent investment philosophy

- All LICs are transparent as to how they invest their funds. Investors can choose the relevant LIC based on their own investment goals and risk preferences.
- Some LICs focus on specific geographic areas (such as Australia or overseas), may invest in a range of industries or focus on just one (such as resources), or are geared towards providing investors with annual income streams or longer-term capital gains (or a combination of both).
- In this document, we briefly describe each of the 37 selected LICs as well as list the main investments of each and their recent performance.

Ease of investment

- Investing in a LIC is done in exactly the same manner as any other company on the ASX, by placing an order with your stockbroker to buy shares in it.
- Exiting the investment is just as straightforward: the investor sells the shares on-market during trading hours through their stockbroker.
- The majority of LICs are highly 'liquid', meaning that there are a relatively large number of willing buyers and sellers on the ASX ready to allow the investor to enter or exit the investment at any time they want and without having to buy in at a premium or sell at a discount to "market price".

Costs involved in investing in a LIC

Entry costs

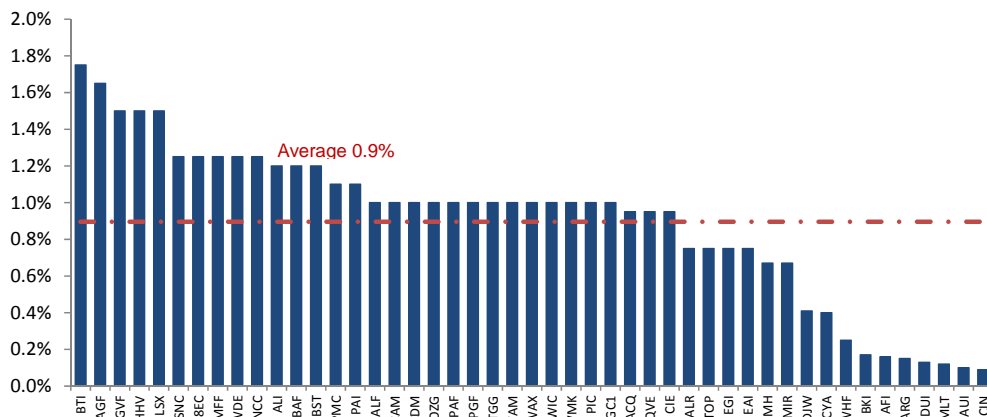
- Investing in the ASX via a LIC is highly cost-effective relative to other methods of investing in a 'portfolio' of investments.
- The initial cost comes in the form of brokerage paid to acquire the shares. Investing in a LIC allows the investor to effectively buy shares in more than 50 companies (depending on the LIC), but only pay brokerage to invest in one (the LIC). A LIC is therefore an efficient method of diversification.
- The entry costs to LIC investments are generally lower than retail managed funds, which utilise a "front-end load" charge that can be up to 4% of the market value of the units in the fund at the date of purchase.

Investing in the ASX via a LIC is highly cost-effective relative to other methods of investing in a "portfolio" of investments

Ongoing costs

- There are two types of fees that the manager of the LIC charges during the investment period: management fees and performance fees.
- The LIC uses management fees to cover costs incurred in running the portfolio. These fees are taken out of the profits of the LIC, which are a function of the performance of the investment portfolio of the company (including dividends paid and capital gains/losses on shares that are sold). They are paid regardless of the profitability of the investment portfolio.
- These fees range from 0.0%-1.75% of assets per year. This is much lower than average fees charged for retail managed funds, which are approximately 1.5-3.0%. The effect of this cost-saving on a longer-term investment, where returns compound over a number of years, can be quite substantial. One reason for this lower cost is that LICs do not incur back-office or distribution costs, reducing their cost of operation. The fees (calculated as a "management expense ratio" or MER) of our selected LICs are shown in the graph below.

FIG.3: MANAGEMENT FEES OF SELECTED LICs



Source: Company reports, IRESS, Baillieu Holst estimates

- Unlike management fees, performance fees are paid only if the LIC's investment portfolio outperforms a predetermined benchmark and is linked to the size of this outperformance. Not all LICs charge performance fees.
- These fees provide an incentive for the manager of the fund to optimise returns for shareholders of the LIC. They are generally paid not just if the fund is profitable, but when it is more profitable than the market as a whole. Unlike management fees, they will generally not deteriorate low returns or worsen investment losses.
- Performance fees for our selected LICs are shown in the table overleaf. The benchmark index is the S&P/ASX All Ordinaries Accumulation Index unless otherwise stated below.

Company	Performance Fee
ACQ	20% of outperformance of S&P/ASX Small Ords Acc Index
AFI	None
AGF	20% above S&P/CITIC300 TRI
ALF	20% above All Ordinaries Accumulation Index
ALI	None
ALR	None
AMH	None
ARG	None
AUI	None
BKI	None
BST	20% of annual outperformance over 8.0%
BTI	On sale, a fee of 17.5% of the increase in value, subject to a compound 8% hurdle
CDM	20% of returns above index or of portfolio return
CIE	None
CIN	None
CTN	None
DJW	None
DUI	None
EAI	15% of outperformance in excess of the MSCI AC Asia Ex Japan Index (\$AUD)
EGI	15% of outperformance in excess of MSCI World Index (Local)
FGG	None
FGX	None
GC1	20% of outperformance over the Small Ordinaries Accumulation Index
GVF	15% of outperformance in excess of a hurdle return being 4% above the 1 year swap rate
HHV	15% above MSCI World Index
LSX	15% of outperformance above benchmark
MFF	10% if returns exceed MSCI World Index and 10-year bond rate
MIR	None
MLT	None
NCC	15% of performance in excess of Small Ordinaries Accumulation Index
OZG	20% where performance exceeds 7% over 12 month period
PAF	15% of performance in excess of MSCI Asia (ex Japan) Index (AUD)
PAI	15% of performance in excess of MSCI Asia (ex Japan) Index (AUD)
PGF	15% of performance in excess of MSCI World Index (AUD)
PIC	None
PMC	15% of performance in excess of MSCI World Index (AUD)
QVE	None
SNC	20% of outperformance over the Benchmark Reference Rate (BBSW)
TGG	None
TOP	Greater of zero and 20% of the increase in asset value in each financial year
WHF	None
WAM & WAX	20% of returns above All Ordinaries Accumulation Index if index increased, or where the 20% of the index decreased over the period, 20% of positive portfolio perf (0% if negative)
WIC	20% where performance exceeds 10% over 12 month period
WDE	15% of outperformance over the S&P/ASX300 Accumulation Index
WMK	20% of returns above the RBA cash rate
8EC	20% of outperformance over the RBA cash rate plus 2%

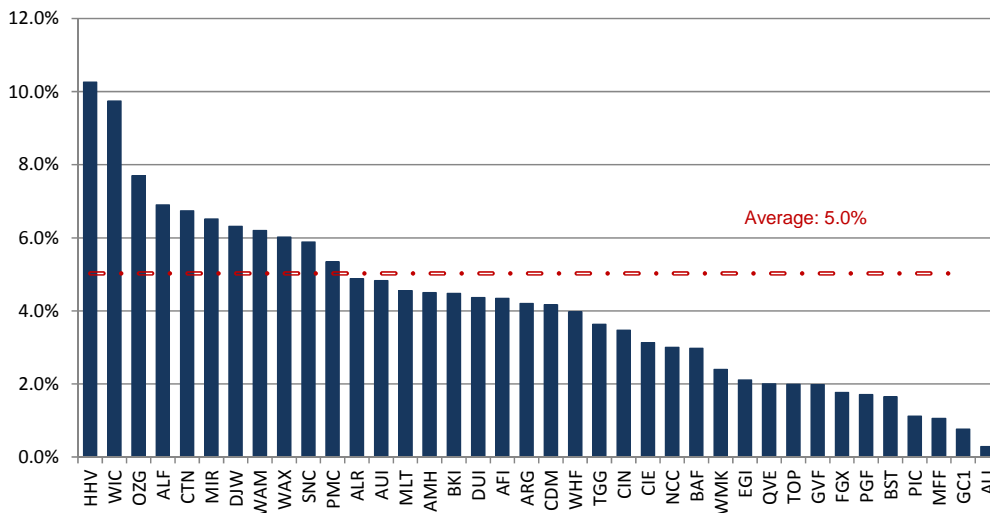
Exit costs

- Exit costs from LICs are generally limited to the brokerage paid on selling the shares. This is unlike retail managed funds, which can generally be exited at no charge.
- Exiting a LIC investment can have tax consequences.

What income do investors receive from a LIC?

- Annual investor income from a “buy-and-hold” investment strategy in a LIC takes the form of dividends, just like other share investments.
- However, because LICs utilise a company structure, payment of dividends is at the discretion of the management of the LIC. In other words, just because the investment portfolio of the LIC has made a profit in a given year, it does not mean that all, or even any, of that profit will be paid to shareholders in that year. This is unlike managers of retail managed funds, which are required to pay out the income to unitholders in the particular tax year that it is earned. Generally, LICs will pay out a high proportion of earnings as dividends.
- Most of our selected LICs focus on blue chip stocks and pay out a high proportion of earnings as a dividend. Accordingly, they have healthy dividend yields (as shown in the following graph).

FIG. 4: DIVIDEND YIELD FOR SELECTED LICs



Source: Company reports, IRESS, Baillieu Holst

Taxation issues

- The returns of the LIC are generally taxed at the company tax rate of 30%. Accordingly, when dividends are paid to shareholders of the LIC, they attach franking credits. These are a tax benefit for shareholders, as they receive a “credit” for the company tax already paid on the LIC income when the shareholder’s ordinary income is assessed.
- Capital gains are managed by the manager of the LIC. Where the dividend paid to a shareholder of a LIC contains income derived from a capital gain of the LIC, it will be treated as a capital gain, not ordinary income, in the hands of the shareholder. Under current tax rules, only 50% of this amount is taxable for many investors.
- This tax treatment contrasts with that of unlisted retail managed funds, where investors incur an annual tax liability on interest and capital gains that the fund earns each year.

LICs versus managed funds

- LICs are listed on the stock exchange so entry and exit costs are limited to brokerage. This means that diversification is achieved at little cost. LICs also offer a tax-effective structure, whereby dividends are fully franked and assessed as a capital gain in the hands of the shareholder. Therefore, only 50% of this amount is taxable for many investors. Contrast this

with managed funds where investors incur an annual tax liability on the interest and capital gains that the funds earn each year.

- The fee structures of LICs are also favourable in comparison with managed funds. Our selected LICs have management expense ratios ranging from 0.12% to 1.5%, whereas managed funds often charge at least 1.5%. The difference in fees can have a substantial effect on long-term investments. For example, from an initial investment of \$50,000 invested at identical returns for a decade, the LIC investment could be worth up to \$6,000 *more* than the managed fund.

Our selected LICs have management expense ratios ranging from 0.0%-1.75%, whereas managed funds often charge at least 1.5%

LICs versus exchange traded funds (ETFs)

- LICs and EFTs both have low management fees and efficient tax structures compared with managed funds. However, ETFs have an open-ended structure, where units on offer can increase or decrease based on supply and demand, and trade at or close to their net asset value. ETFs are generally passive investment products and hence do not aim to outperform the market in the same way many of the LICs do.
- ETFs are required to distribute any surplus income to security holders, whereas LICs have the ability to conserve surplus income and take advantage of market opportunities as they see fit. This added flexibility is beneficial to the shareholder.
- Despite speculation that LICs will face increased competition from ETFs, we feel that for the majority of our clients LICs provide a superior investment vehicle with the added possibility of returns above that of the underlying asset.

Annualised Performance

FIG. 5: ANNUALISED PERFORMANCE TABLE (FOR THE YEAR ENDING MARCH 2016)

Large Cap Domestic	1 Year TSR	1 Year Active Return	3 Year TSR	3 Year Active Return	5 Year TSR	5 Year Active Return
AFI	-7.8%	0.3%	4.3%	-1.4%	7.4%	2.0%
ARG	-5.6%	2.5%	7.7%	2.0%	7.9%	2.5%
AUI	-12.0%	-3.9%	4.8%	-0.9%	5.3%	-0.2%
BKI	-2.3%	5.8%	8.3%	2.6%	11.0%	5.5%
DJW	-4.3%	3.7%	5.8%	0.2%	5.9%	0.5%
DUI	-8.0%	0.1%	6.8%	1.2%	7.2%	1.7%
MLT	-5.7%	2.3%	7.8%	2.1%	10.3%	4.9%
All Ords Accum.	-8.0%		5.6%		5.4%	
Mid Cap	1 Year TSR	1 Year Active Return	3 Year TSR	3 Year Active Return	5 Year TSR	5 Year Active Return
ALF	24.8%	32.8%	6.0%	0.3%	11.3%	5.9%
ALR	-10.7%	-2.6%	-2.7%	-8.4%	2.0%	-3.4%
AMH	2.9%	10.9%	5.3%	-0.4%	11.7%	6.2%
CDM	5.6%	13.7%	6.9%	1.3%	13.0%	7.5%
*CIE	-2.9%	-2.6%	n/a	n/a	n/a	n/a
CIN	3.6%	11.7%	18.2%	12.5%	14.1%	8.7%
FGX	4.6%	12.7%	n/a	n/a	n/a	n/a
MIR	9.4%	17.5%	24.5%	18.9%	13.4%	7.9%
PIC	-3.3%	4.7%	n/a	n/a	n/a	n/a
QVE	-5.5%	2.5%	n/a	n/a	n/a	n/a
WAM	20.6%	28.6%	17.5%	11.9%	13.8%	8.4%
*WDE	-21.0%	-16.5%	n/a	n/a	n/a	n/a
WHF	-7.1%	0.9%	10.5%	4.8%	13.5%	8.0%
ASX Mid-Cap 50 Index	2.4%		11.8%		7.3%	
Small Cap Domestic	1 Year TSR	1 Year Active Return	3 Year TSR	3 Year Active Return	5 Year TSR	5 Year Active Return
ACQ	5.9%	2.2%	n/a	n/a	n/a	n/a
BST	10.8%	18.8%	n/a	n/a	n/a	n/a
CTN	-7.4%	-11.1%	3.2%	-2.4%	1.2%	-4.2%
*GC1	0.2%	-1.6%	n/a	n/a	n/a	n/a
NCC	-1.9%	-5.6%	n/a	n/a	n/a	n/a
OZG	-10.0%	-2.0%	-2.6%	-8.3%	1.0%	-4.4%
WAX	15.5%	23.5%	15.8%	10.1%	20.2%	14.7%
WIC	-11.6%	-3.5%	-5.4%	-11.0%	1.3%	-4.2%
*8EC	-9.0%	-10.6%	n/a	n/a	n/a	n/a
ASX Small Cap Index	3.7%		1.5%		-2.1%	
International	1 Year TSR	1 Year Active Return	3 Year TSR	3 Year Active Return	5 Year TSR	5 Year Active Return
AGF	-19.1%	-15.5%	19.8%	0.9%	9.1%	-4.6%
*ALI	-8.1%	-2.3%	n/a	n/a	n/a	n/a
*EAI	-21.2%	-15.9%	n/a	n/a	n/a	n/a
EGI	-16.1%	-12.5%	n/a	n/a	n/a	n/a
*FGG	5.7%	11.0%	n/a	n/a	n/a	n/a
GVF	-3.3%	0.3%	n/a	n/a	n/a	n/a
HHV	4.1%	7.7%	20.4%	1.5%	11.7%	-2.0%
MFF	6.3%	9.9%	24.1%	5.2%	23.5%	9.8%
PAF	-6.3%	-2.7%	16.6%	-2.3%	9.2%	-4.6%
*PAI	-6.6%	-1.8%	n/a	n/a	n/a	n/a
PGF	-17.9%	-14.3%	n/a	n/a	n/a	n/a
PMC	-0.8%	2.8%	16.6%	-2.3%	9.2%	-4.6%
TGG	-17.5%	-13.9%	13.1%	-5.8%	11.0%	-2.7%
MSCI World Index (AUD)	-3.6%		18.9%		13.7%	
Specialist	1 Year TSR	1 Year Active Return	3 Year TSR	3 Year Active Return	5 Year TSR	5 Year Active Return
BAF	-6.1%	1.9%	n/a	n/a	n/a	n/a
BTI	15.5%	23.6%	n/a	n/a	n/a	n/a
LSX	15.0%	20.9%	n/a	n/a	n/a	n/a
SNC	-1.3%	6.7%	n/a	n/a	n/a	n/a
TOP	15.2%	23.2%	n/a	n/a	n/a	n/a
WMK	25.4%	23.4%	n/a	n/a	n/a	n/a

*TSR since Inception date. See company specific page for details.

Source: Bloomberg, Baillieu Holst, TSR is calculated under the assumption that dividends are re-invested. Active return refers to TSR relative to that of the comparative index

BKI Investment Company (BKI)

www.bkilimited.com.au

- BKI was listed on the ASX in December 2003 with an objective to provide investors with sound dividend yields and long-term capital growth.
- BKI invests in a diversified portfolio of Australian shares, trusts and interest-bearing securities, focusing on securities that paying an increasing dividend stream.
- The total shareholder return for the year ending 31 March 2016 was -2.3% with pre-tax net asset backing decreasing 11.1%. The active return was 5.8%.

FIG. 56: BKI SNAPSHOT

Metric			
Price (31 March 2016)		\$1.62	
Share price range (12 months)	\$1.54	-	\$1.77
Shares on issue	580.2	mn	
Market capitalisation	\$9.40	mn	
Pre-tax asset backing*	\$1.51		
Post-tax asset backing*	\$1.44		
Premium/(Discount) to pre-tax NTA	7.28%		
Premium/(Discount) to post-tax NTA	12.50%		
Dividend yield	4.48%		
Dividend per share (cents)	7.25		
Franking	100%		
Management expense ratio (FY15)	0.17%		

FIG. 57: BKI PORTFOLIO TOP 10

Company	Fund (%)
Commonwealth Bank.	9.40%
National Aust. Bank	8.00%
Westpac Banking Corp	7.80%
Tpg Telecom Limited	5.70%
Telstra Corporation.	5.60%
Wesfarmers Limited	4.70%
ANZ Banking Grp Ltd	4.20%
APA Group	3.70%
Transurban Group	2.90%
BHP Billiton Limited	2.90%

FIG. 58: BKI PERFORMANCE

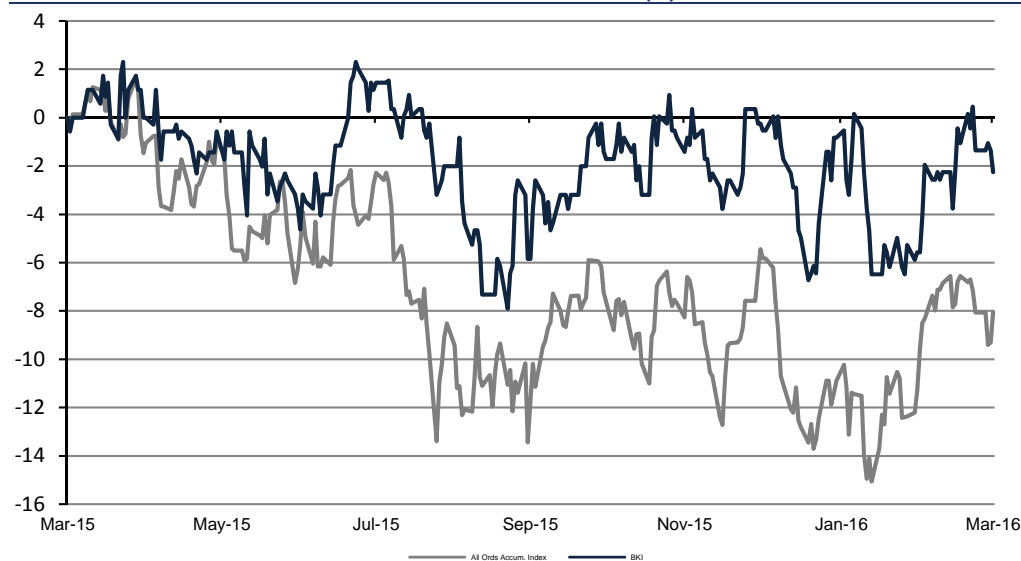
Total Shareholder Return	1 Year	3 Year	5 Year
BKI	-2.3%	8.3%	11.0%
Sector Average Return	-6.5%	6.5%	7.9%
Active Return	5.8%	2.6%	5.5%

FIG. 59: BKI FUND PERFORMANCE

NTA Performance	1 Year	3 Year	5 Year
BKI	-11.1%	3.7%	5.3%
Sector Average Return	-11.0%	4.1%	4.9%
Share Price/NTA (average)	3.9%	0.1%	-4.2%

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 31 March 2016, unless otherwise noted. Active return refers to TSR relative to that of the comparative index.

FIG. 60: BKI TSR V ALL ORDINARIES ACCUMULATION INDEX (%)



Source: Bloomberg

Appendix – Historical Premium/Discounts for Selected LICs

LARGE CAPITALISATION DOMESTIC - HISTORICAL PREMIUMS/DISCOUNTS

FIG. 246: AFI

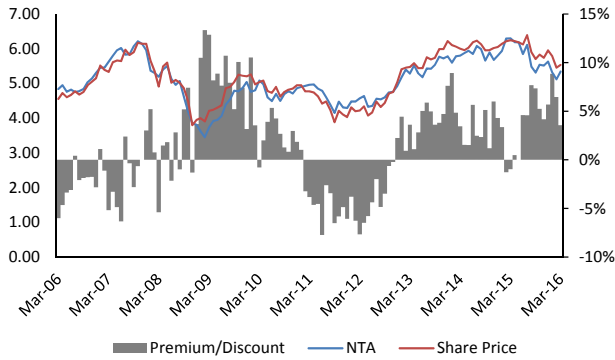


FIG. 247: ARG

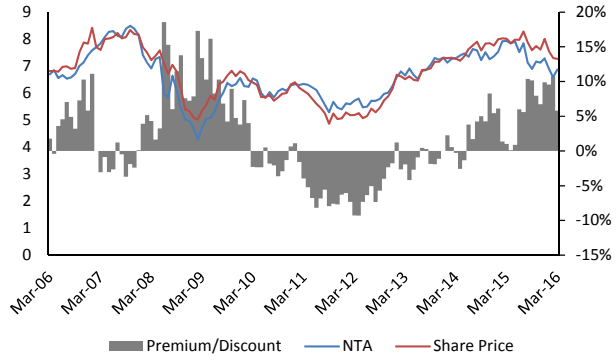


FIG. 248: BKI

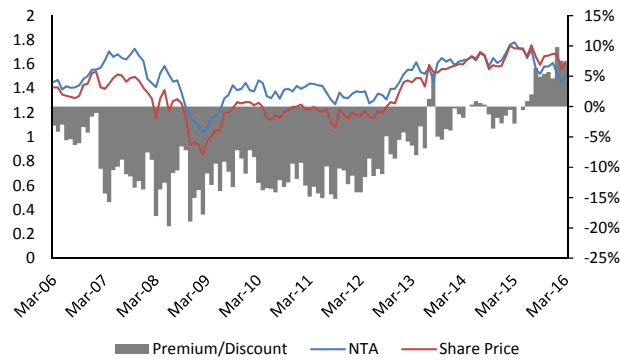


FIG. 249: DJW

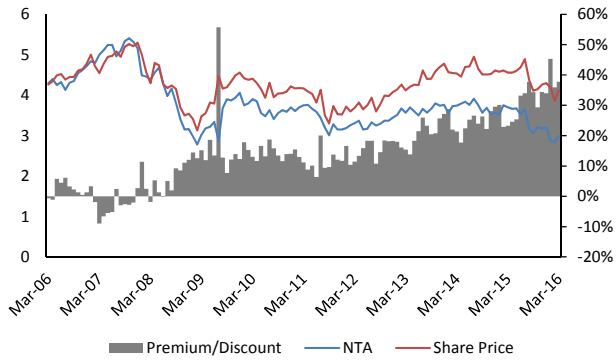


FIG. 250: AUI

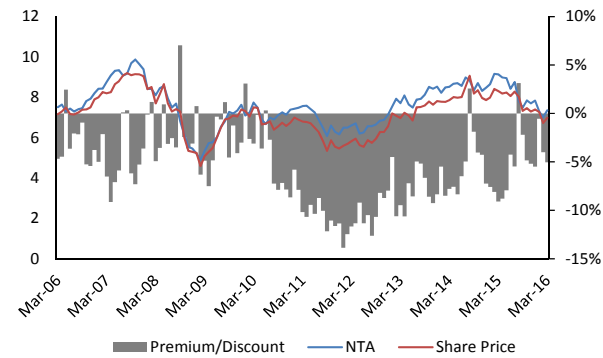
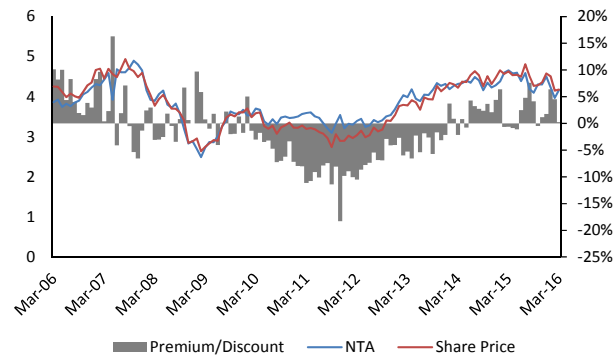


FIG. 251: MLT



Source: Bloomberg, Baillieu Holst

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