

AUSTRALIAN
RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Listed Managed Investments

March 2012
Quarterly Review

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Figure Share Price (including dividends) Performance Analysis to 31 March 2012

	ASX Code	% Return March Qtr	Annual Returns, %		
			1 Year	3 Years	5 Years
LMIs					
Aberdeen Leaders Fund	ALR	5.9	(9.4)	5.0	(3.3)
AFIC Limited	AFI	6.7	(7.1)	4.7	(0.3)
Amcil Limited	AMH	12.5	11.6	18.2	6.4
Argo Limited	ARG	5.1	(10.5)	3.4	(3.2)
Australian Leaders Fund Limited	ALF	15.2	1.2	33.0	10.1
Australian United Investment Company Limited	AUI	9.0	(10.1)	9.0	na
BKI Investment Company Limited	BKI	4.9	2.9	13.3	2.2
Clime Capital Limited	CAM	5.6	2.0	23.1	na
Contango MicroCap Limited	CTN	33.2	(3.1)	26.3	(0.6)
Diversified United Investment Limited	DUI	11.0	(9.8)	9.1	na
Djerriwarrh Investments Limited	DJW	7.7	(5.0)	8.8	2.1
Global Mining Investments Limited	GMI	0.0	(26.6)	5.1	(4.5)
Hyperion Flagship Investments Limited	HIP	0.0	(11.3)	8.7	(5.5)
Milton Corporation Limited	MLT	7.5	0.8	8.5	(2.7)
Mirrabooka Investments Limited	MIR	11.7	3.4	17.9	3.2
Premium Investors Limited	PRV	(8.1)	(10.7)	14.1	(5.6)
SPDR S&P/ASX 50 Fund	SFY	7.2	(5.9)	10.2	(1.3)
SPDR S&P/ASX 200 Fund	STW	8.6	(6.3)	11.1	(2.4)
SPDR S&P/ASX 200 Listed Property Fund	SLF	6.6	0.9	11.2	(13.8)
SPDR S&P/ASX 200 Financials Ex A-REIT Fund	OZF	8.7	na	na	na
SPDR S&P/ASX 200 Resource Fund	OZR	7.5	na	na	na
SPDR Small Ordinaries Fund	SSO	15.0	na	na	na
SPDR MSCI Australia Select High Yield Fund	SYI	9.3	(0.0)	na	na
Templeton Global Growth Fund Limited	TGG	6.0	(7.5)	2.9	na
Vanguard Australian Shares Index ETF	VAS	8.7	(6.6)	na	na
Vanguard Australian Property Securities Index ETF	VAP	4.8	1.2	na	na
Vanguard All-World ex-US Share Index ETF	VEU	8.5	(9.4)	na	na
Vanguard US Total Market Shares Index ETF	VTS	9.6	5.8	na	na
WAM Active Limited	WAA	8.9	8.0	24.0	na
WAM Capital Limited	WAM	11.9	7.0	27.5	3.1
WAM Research Limited	WAX	15.0	9.3	22.7	(0.6)
Westoz Investment Company	WIC	10.4	(3.6)	na	na
Whitefield Limited	WHF	8.0	(0.8)	11.4	(5.6)
Indices					
S&P ASX 200 Accumulation	XJOAI	8.4	(6.1)	11.3	(2.0)
S&P ASX All Ordinaries Accumulation	XAOAI	9.0	(6.2)	12.3	(1.8)
S&P ASX Small Ords Accumulation	XSOAI	15.0	(8.6)	17.9	(3.9)
S&P ASX 200 Property Accumulation	XPJAI	7.0	1.6	14.4	(13.3)
S&P ASX 200 Industrials Accumulation	XJIAI	8.9	1.5	13.2	(3.2)

Source: IRESS/Independent Investment Research

Figure 2. Pre-tax NTA/NAV (including dividends) Performance Analysis to 31 March 2012

	ASX Code	% Return March Qtr	Annual Returns, %		
			1 Year	3 Years	5 Years
LMIs					
Aberdeen Leaders Fund	ALR	12.1	(13.1)	7.6	(5.0)
AFIC Limited	AFI	8.4	(3.4)	12.0	0.3
Amcil Limited	AMH	10.8	7.4	19.0	6.2
Argo Limited	ARG	8.4	(5.5)	11.3	(1.8)
Australian Leaders Fund Limited	ALF	9.9	(0.2)	17.0	6.7
Australian United Investment Company Limited	AUI	9.1	(9.1)	11.4	na
BKI Investment Company Limited	BKI	6.4	1.4	13.7	1.4
Clime Capital Limited	CAM	5.9	(2.0)	16.7	na
Contango MicroCap Limited	CTN	21.9	(9.5)	18.2	4.2
Diversified United Investment Limited	DUI	9.1	(9.1)	9.8	na
Djerriwarrh Investments Limited	DJW	8.4	(4.4)	11.0	(1.2)
Global Mining Investments Limited	GMI	4.4	(22.4)	10.7	(4.6)
Hyperion Flagship Investments Limited	HIP	4.7	(8.4)	8.2	(3.2)
Milton Corporation Limited	MLT	8.1	(0.4)	12.5	(0.5)
Mirrabooka Investments Limited	MIR	13.8	7.1	20.5	2.0
Premium Investors Limited	PRV	6.7	(3.2)	9.3	(2.0)
SPDR S&P/ASX 50 Fund	SFY	7.5	(6.1)	10.3	(1.6)
SPDR S&P/ASX 200 Fund	STW	8.3	(6.4)	10.8	(2.3)
SPDR S&P/ASX 200 Listed Property Fund	SLF	6.9	1.2	13.8	(12.8)
SPDR S&P/ASX 200 Financials Ex A-REIT Fund	OZF	8.3	na	na	na
SPDR S&P/ASX 200 Resource Fund	OZR	7.0	na	na	na
SPDR Small Ordinaries Fund	SSO	14.6	na	na	na
SPDR MSCI Australia Select High Yield Fund	SYI	9.5	(0.3)	na	na
Templeton Global Growth Fund Limited	TGG	9.6	(2.9)	3.9	na
Vanguard Australian Shares Index ETF	VAS	8.4	(6.6)	na	na
Vanguard Australian Property Securities Index ETF	VAP	7.0	1.3	na	na
Vanguard All-World ex-US Share Index ETF	VEU	9.2	(5.5)	na	na
Vanguard US Total Market Shares Index ETF	VTS	10.2	6.1	na	na
WAM Active Limited	WAA	4.4	1.3	14.0	na
WAM Capital Limited	WAM	7.0	(0.6)	18.6	2.0
WAM Research Limited	WAX	9.8	0.7	13.8	(2.7)
Westoz Investment Company	WIC	18.5	(7.4)	na	na
Whitefield Limited	WHF	10.0	(4.1)	10.0	(5.9)

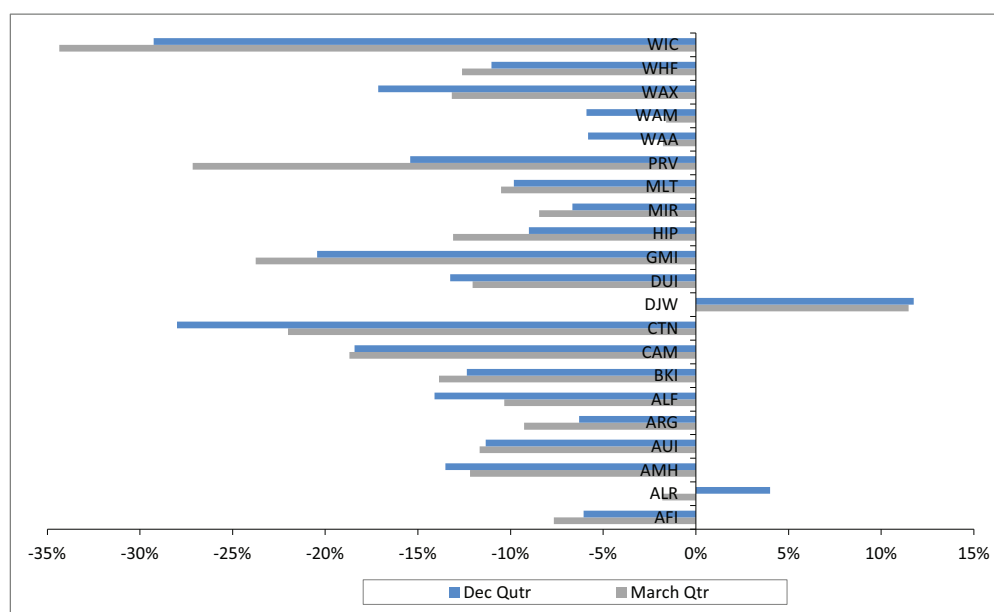
Source: LMIs/Independent Investment Research

Figure 3. Premium/Discount to pre-tax NTA as at 31 March 2012

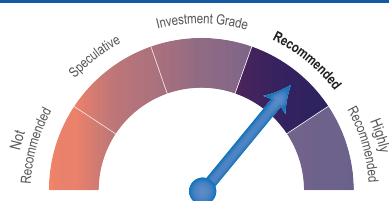
	ASX Code	Premium/(Discount) (%)
Aberdeen Leaders Fund	ALR	(1.8)
AFIC Limited	AFI	(7.7)
Ancil Limited	AMH	(12.2)
Argo Limited	ARG	(9.3)
Australian Leaders Fund Limited	ALF	(10.3)
Australian United Investment Company Limited	AUI	(11.7)
BKI Investment Company Limited	BKI	(13.9)
Clime Capital Limited	CAM	(18.7)
Contango MicroCap Limited	CTN	(22.0)
Diversified United Investment Limited	DUI	(12.1)
Djerriwarrh Investments Limited	DJW	11.5
Global Mining Investments	GMI	(23.8)
Hyperion Flagship Investments Limited	HIP	(13.1)
Milton Corporation Limited	MLT	(10.5)
Mirrabooka Investments Limited	MIR	(8.5)
Premium Investors Limited	PRV	(27.2)
SPDR S&P/ASX 50 Fund	SFY	0.3
SPDR S&P/ASX 200 Fund	STW	0.2
SPDR S&P/ASX 200 Listed Property Fund	SLF	0.5
SPDR S&P/ASX 200 Financial Ex-A-REIT Fund	OZF	0.5
SPDR S&P/ASX 200 Resource Fund	OZR	0.3
SPDR Small Ordinaries Fund	SSO	0.1
SPDR MSCI Australia Select High Yield Fund	SYI	0.0
Templeton Global Growth Fund Limited	TGG	(22.5)
Vanguard Australian Shares Index ETF	VAS	0.2
Vanguard Australian Property Securities Index ETF	VAP	0.5
Vanguard US Total Market Shares Index ETF	VTS	0.0
Vanguard All-World ex-US Shares Index ETF	VEU	(0.4)
WAM Active Limited	WAA	(1.8)
WAM Capital Limited	WAM	(1.6)
WAM Research Limited	WAX	(13.2)
Westoz Investment Company	WIC	(34.3)
Whitefield Limited	WHF	(12.6)

Source: LMIs/Independent Investment Research

Figure 4. Change in Premium/Discount to pre-tax NTA/NAV



Rating



LMI Type

Listed investment company

Investment Area

Australia

Investment Assets

Listed companies and other

Investment Sectors

Diversified

Key Investment Information

Price as at 29 May 2012	\$1.17
Market cap (\$M)	498.1
Shares on issue (M)	427.5
Shares traded (\$M p.a)	45.8
12-month L/H (\$)	1.04/1.25
Listing date	December 2003

Fees

Management Fee (%)	0.18
Performance incentives (%)	na

**Pre-tax NTA Performance Analytics
(including dividends)**

	S&P/ASX 300 Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	7.67	2.34
TE (%)	5.09	4.02

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY09	5.81ff
FY10	5.31ff
FY11	5.21ff

Substantial Shareholders	%
Washington H Soul Pattinson & Company Limited	13.6
As at 31 March 2012	

COMPANY OVERVIEW

BKI came into existence as a result of the acquisition of the investment portfolio of Brickworks Limited in 2003. BKI invests in a portfolio of domestic equities and has long-term investment horizon. The portfolio is managed internally.

INVESTMENT OBJECTIVE

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

STYLE AND PROCESS

BKI has a buy-and-hold, style neutral investment style. The company has no sector or stock investment limitations and the company focuses on the investment merits of individual stocks rather than market or economic trends. Stock selection is based on 5 basic fundamentals: (1) Income – BKI seeks to invest in securities that offer an attractive fully franked yield; (2) Principal activity – potential investments are required to have sustainable business models and a competitive advantage in their respective markets; (3) Debt levels – BKI focuses on companies with low debt levels and high interest coverage ratios; (4) Management and Board – a strong and experienced board and management team that has a proven history of creating shareholder wealth is required for a stock to be considered; (5) Earnings and valuation – potential investments must offer sufficient earnings growth and be valued attractively. If the potential investment passes the above filters, the security is taken to the Investment Committee (IC) for approval. The IC comprises the majority of the Board.

PORTFOLIO CHARACTERISTICS

BKI invests only in ASX-listed stocks and interest bearing securities. The portfolio has a focus on large cap stocks, with 55% of the portfolio invested in the top 50 stocks as at 31 March 2012. This is to be expected given the focus on companies offering an attractive yield. The company has a long term approach to investing and as such has low portfolio churn. The company has a benchmark unaware investment approach, with no restrictions regarding the minimum or maximum investment in any individual stock or sector. As such, the company has the ability to heavily weight the portfolio to a single stock or sector.

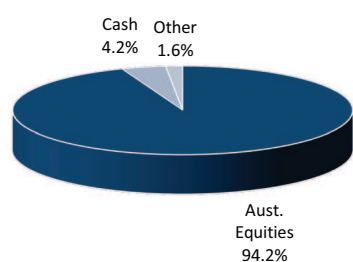
INDEPENDENT INVESTMENT RESEARCH COMMENTS

BKI offers investors cost-effective access to a portfolio of ASX-listed securities. The portfolio (pre-tax NTA plus dividends) increased 6.4% over the March quarter, underperforming the benchmark index (S&P/ASX 300 Acc. Index) by 2.2%. We note that BKI's largest investment (NHC) is an operating subsidiary of the company's largest shareholder, who is also the previous manager of the portfolio. The company was trading at a discount to pre-tax NTA of 13.9% over the March quarter.

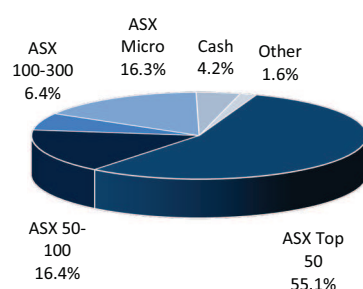
SECTOR BREAKDOWN

Sector	%
Energy	15.9
Materials	10.4
Industrials	9.1
Consumer Discretionary	5.2
Consumer Staples	11.5
Healthcare	1.1
Financials (ex Property)	36.5
Property	0.4
Information Technology	0.0
Telecommunication Services	6.0
Utilities	4.0

Asset Weighting



Size Weighting



KEY POSITIVE CONTRIBUTORS

- ◆ Campbell Brothers
- ◆ Rio Tinto
- ◆ BHP Billiton

KEY NEGATIVE CONTRIBUTORS

- ◆ New Hope Coal
- ◆ AGL Energy
- ◆ National Australia Bank

BOARD OF DIRECTORS

Robert Millner	Chairman (Executive)
Tom Millner	CEO (Executive)
Alexander Payne	Director (Executive)
David Hall	Director (Non-Executive)
Ian Huntley	Director (Executive)
Jaime Pinto	Company Secretary

OTHER DATA

- ◆ **Options** – None on issue
- ◆ **Dividend policy** – To generate an increasing income stream for distribution to shareholders in the form of fully franked dividends. Target payout ratio of 90%-95% of operating profits.
- ◆ **Capital management policy** – BKI regularly reviews the capital structure. BKI has conducted SPP's and Renounceable Rights Issues in the past. No share buyback in place.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes

BKI'S PORTFOLIO (TOP 10) WEIGHTING

Code	Portfolio (%)	S&P/ASX 300 Index (%)
NHC	13.2	na
CBA	8.1	6.9
BHP	8.1	9.6
NAB	8.1	4.8
WBC	5.4	5.8
CPB	4.4	0.4
TLS	4.1	3.5
WES	3.9	2.6
WOW	3.3	2.7
AGK	2.9	0.6
	61.5	36.9

Source all figures: BKI/Independent Investment Research/IRESS.
All data as at 31 March 2012 unless otherwise specified

NTA & Share Price Performance

