

## Top 25 Investments

| Stock   | % of Total<br>Portfolio |
|---|-------------------------|
| 1 Commonwealth Bank   | 10.0%                   |
| 2 National Australia Bank   | 9.6%                    |
| 3 Westpac Banking Corp  | 7.6%                    |
| 4 New Hope Corporation  | 7.6%                    |
| 5 BHP Billiton Limited  | 6.7%                    |
| 6 Telstra Corporation   | 5.2%                    |
| 7 Wesfarmers Limited  | 4.4%                    |
| 8 ANZ Banking Group   | 3.8%                    |
| 9 Woolworths Limited  | 3.6%                    |
| 10 AGL Energy Limited   | 2.4%                    |
| 11 ALS Limited  | 2.4%                    |
| 12 TPG Telecom Limited  | 2.3%                    |
| 13 Woodside Petroleum Limited   | 2.1%                    |
| 14 QBE Insurance Group  | 1.7%                    |
| 15 InvoCare Limited   | 1.6%                    |
| 16 ARB Corporation  | 1.6%                    |
| 17 Coca Cola Amatil Limited   | 1.5%                    |
| 18 Metcash Limited  | 1.5%                    |
| 19 APA Group  | 1.3%                    |
| 20 Milton Corporation   | 1.2%                    |
| 21 ASX Limited  | 1.1%                    |
| 22 Insurance Australia Group  | 1.1%                    |
| 23 Brambles Limited   | 1.0%                    |
| 24 Ramsay Healthcare  | 1.0%                    |
| 25 Perpetual Limited  | 0.9%                    |
| Cash & cash equivalents   | 6.0%                    |
| <b>% of Total Portfolio Value<br/>(Including Cash &amp; cash equivalents)</b> | <b>89.2%</b>            |

## BKI Investment Company Limited Monthly Report

July 2013

### Objective

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

### Investment Strategy

BKI is a research driven, active equities manager investing for the long term in profitable, high yielding, well managed companies. An investment in BKI gives shareholders access to a diversified equity portfolio across most sectors of the market. BKI is managed for the benefit of shareholders, not charging external portfolio management fees or performance fees.

### Net Tangible Asset Backing

The consolidated unaudited pre tax net asset backing at 31 July 2013 was **\$1.58** 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 **\$1.46** per share.

**All calculations are before providing for the Final Ordinary Dividend of 3.4cps. BKI will trade ex-dividend on the 13 August 2013. The payment date for the Ordinary Final Dividend has been scheduled for 29 August 2013.**

### Dividends

BKI aims to generate an increasing income stream in the form of fully franked dividends, to the extent of 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. All historical dividends paid have been fully franked.

BKI's historical fully franked dividend yield as at 31 July 2013 was 4.5% (based on the rolling 12 Month Dividend\*\* and share price of \$1.60). BKI's historical grossed up yield as at 31 July 2013 was 6.4% (based on a tax rate of 30%). BKI's Dividend Reinvestment Plan has been maintained.

### Management Expense Ratio (MER)

BKI's MER as at 30 June 2013 was 0.19%. BKI does not charge shareholders external management fees or a performance fee.

### Board and Management

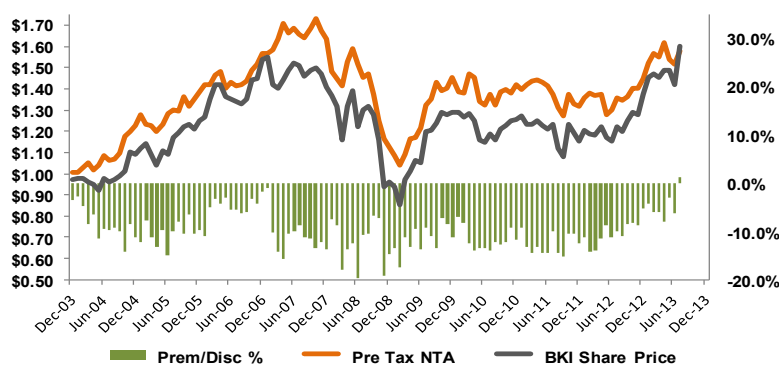
Directors: Robert Millner (Chairman), Alex Payne, David Hall and Ian Huntley.

Management: Tom Millner (CEO) and Jaime Pinto (Company Secretary).



## Discount to NTA

BKI Investment Company Limited's share price (BKI.ASX) is currently trading at a 1% premium to the Pre Tax NTA and 10% premium to the Post Tax NTA.



## Benefits of Investing in BKI Investment Company Limited

**Performance** - Delivering sound long term returns to shareholders.

**Low Cost** - Management Expense Ratio of 19bps. No Performance Fees.

**Dividends** - Predictable fully franked income stream.

**Franking Credits** - 30% tax rate already paid on dividend income, tax credits passed on directly to shareholders.

**Diversification** - Exposure to most sectors of the market through well managed, dividend paying companies.

**Simplicity** - An investment in BKI.ASX provides administration simplicity.

**Structure** - BKI is a Company with a closed end investment structure.

**Listed on the ASX** - High levels of Transparency and Compliance, ASX Listing Rules, Continuous Disclosure requirements.

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

## Company Overview

|                                       |                                   |
|---------------------------------------|-----------------------------------|
| <b>Mandate</b>                        | <b>Australian Listed Equities</b> |
| <b>Benchmark</b>                      | <b>S&amp;P/ASX 300 Acc Index</b>  |
| <b>Market Capitalisation</b>          | <b>\$714m</b>                     |
| <b>Investment Portfolio</b>           | <b>\$663m</b>                     |
| <b>Cash &amp; Cash Equivalents</b>    | <b>\$42m</b>                      |
| <b>Total Portfolio Including Cash</b> | <b>\$705m</b>                     |
| <b>Debt</b>                           | <b>\$0</b>                        |
| <b>MER*</b>                           | <b>0.19%</b>                      |
| <b>Performance Fee</b>                | <b>N/A</b>                        |
| <b>Rolling 12 Month Dividend**</b>    | <b>7.15cps</b>                    |
| <b>Historical Dividend Yield***</b>   | <b>4.5%</b>                       |
| <b>Percentage Franked</b>             | <b>100%</b>                       |
| <b>Grossed up Yield***</b>            | <b>6.4%</b>                       |
| <b>DRP</b>                            | <b>Active</b>                     |
| <b>Pre Tax NTA</b>                    | <b>\$1.58</b>                     |
| <b>Post Tax NTA</b>                   | <b>\$1.46</b>                     |
| <b>Share Price</b>                    | <b>\$1.60</b>                     |

## BKI Performance

as at 31 July 2013

|  | 1 Year       | 3 Yrs        | 5 Yrs        | 7 Yrs       | 9 Yrs        |
|--|--------------|--------------|--------------|-------------|--------------|
|  | (pa)         | (pa)         | (pa)         | (pa)        | (pa)         |
| S&P/ASX 300 ACC INDEX (XKOA)                   | 23.2%        | 8.5%         | 4.8%         | 4.5%        | 8.5%         |
| <b>BKI Total Shareholder Returns</b>           | <b>38.1%</b> | <b>16.8%</b> | <b>10.0%</b> | <b>8.0%</b> | <b>11.1%</b> |
| <b>BKI Share Price Outperformance V's XKOA</b> | <b>14.9%</b> | <b>8.3%</b>  | <b>5.2%</b>  | <b>3.5%</b> | <b>2.6%</b>  |
| <b>BKI Portfolio Performance</b>               | <b>22.2%</b> | <b>9.9%</b>  | <b>6.6%</b>  | <b>6.4%</b> | <b>9.2%</b>  |
| <b>BKI Portfolio Outperformance V's XKOA</b>   | <b>-1.0%</b> | <b>1.4%</b>  | <b>1.8%</b>  | <b>1.9%</b> | <b>0.7%</b>  |

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

**BKI Portfolio Returns are measured after all operating expenses, provision and payment of income and capital gains tax.**

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\*MER as at 30 June 2013; \*\*Includes FY2013 Final Ordinary Dividend of 3.40cps, FY2013 Interim Ordinary Dividend of 3.25cps and FY2013 Interim Special Dividend of 0.50cps \*\*\* Based on share price as at 31 July 2013. Grossed up yield based on a tax rate of 30%.