

Top 25 Investments

Stock	% of Total Portfolio
1 Commonwealth Bank	9.5%
2 National Australia Bank	8.7%
3 Westpac Banking Corporation	7.6%
4 Telstra Corporation	5.7%
5 BHP Billiton Limited	4.7%
6 ANZ Bank Limited	4.7%
7 Wesfarmers Limited	4.5%
8 New Hope Corporation	4.0%
9 TPG Telecom	3.3%
10 Woolworths Limited	3.0%
11 APA Group	2.3%
12 IAG Limited	2.2%
13 Transurban Group	2.0%
14 AGL Energy	1.8%
15 Invocare Limited	1.8%
16 Woodside Petroleum Limited	1.8%
17 Suncorp Group Limited	1.8%
18 Ramsay Health Care	1.4%
19 ASX Limited	1.3%
20 Primary Health Care Limited	1.3%
21 Toll Holdings Limited	1.2%
22 ARB Corporation	1.2%
23 Bendigo and Adelaide Bank	1.2%
24 ALS Limited	1.2%
25 Sonic Healthcare	1.2%

Cash and cash equivalents 5.3%

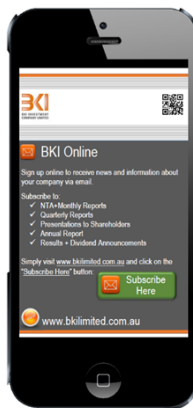
Total of Top 25 including cash and cash equivalents 84.7%



www.bkilimited.com.au



BKI Online



Sign up online to receive news and information about your company via email. Subscribe to:

- NTA+Monthly Reports
- Quarterly Reports
- Presentations to Shareholders
- Annual Report
- Results Announcements
- Dividend Announcements.

Simply visit www.bkilimited.com.au and click on the "Subscribe Here" button



BKI Investment Company

31 December 2014

BKI Investment Company - Half Year Review, 31 December 2014

Performance Highlights

- Total Ordinary Dividend and distribution income increased 11% to \$20.2m.
- Net Operating Result before Special Dividend income increased 16% to \$20.8m.
- MER of 0.16% at 31 Dec 2014.
- Basic Earnings per Share up 3% to 3.80cps from 3.72cps.
- Fully Franked Final Dividend of 3.55cps, up from 3.45cps.
- BKI's Total Shareholder Return (including the value of franking credits) for the year to 31 Dec 2014 was 7.2%*.



*Performance numbers are based on a tax rate of 30% and shareholders being able to utilise all franking credits.

Performance Overview

BKI's First Half Results to 31 December 2014 has seen the Net Operating Result before special dividend income increase 15.7% to \$20.8m, while Basic Earnings per Share before special dividend income increased 2.2% to 3.80cps. Special dividend income totalled \$2.1m, taking basic Earnings per Share after special dividend income to 4.18cps.

This result demonstrates the robustness of BKI's diversified investment portfolio. Despite the difficult period being faced by stocks within the Materials and Resource space, BKI has particularly benefited from increased dividends received from investments within the Financial, Healthcare, Energy and Telecommunication sectors.

The Net Operating Result was driven by higher dividend distributions from Suncorp, Macquarie Group, Transurban, Wesfarmers, Woodside, Santos and the four major Banks, but lower ordinary dividend contributions from ALS Limited and New Hope Corporation.

It was a good period for special dividends, and also the growth stocks in the BKI portfolio that lifted their dividend distributions considerably. Companies such as SEEK, Ramsay Healthcare, TPG Telecom, Caltex and QUBE Logistics were all able to lift their dividends by approximately 20% over the period. BKI received solid special dividend income from companies including New Hope, Wesfarmers, ARB Corporation, Milton and Suncorp which helped lift the Net Profit attributable to shareholders by 20.1% to \$22.9m.

Dividends

The BKI Board has declared a Fully Franked Interim Ordinary Dividend of 3.55cps, an increase of 2.9% on the FY2014 Interim Dividend. The Dividend will be paid on 26 February 2015. The ex-dividend date is 12 February 2015 with the record date being 16 February 2015. **The last trading day to be eligible for the Final Dividend is 11 February 2015.**

BKI's Dividend Reinvestment Plan (DRP) will be maintained. The DRP will be offered at a nil discount. The last date to participate in the DRP is 17 February 2015.

Management Expense Ratio (MER)

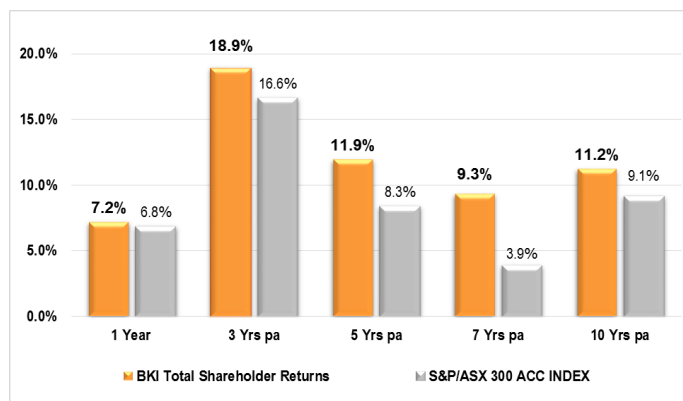
BKI's MER continues to be very competitive within the funds management industry. **The MER as at 31 December 2014 was 0.16%.** BKI does not charge shareholders a performance fee.

Performance

BKI's Total Shareholder Returns (including the reinvestment of dividends and excluding franking credits) for the year to 31 December 2014 was 5.3%, in-line with the S&P/ASX 300 Accumulation Index over the same period.

BKI's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 31 December 2014 was 4.2%, compared to the S&P/ASX 300 Accumulation Index which returned 5.3% over the same period.

BKI's long term Total Shareholder Returns including the value of franking credits are outlined in the chart below. Performance numbers are based on a tax rate of 30% and shareholders being able to utilise all franking credits. The S&P/ASX 300 Accumulation Index is franked at 80%.



Portfolio Movements

BKI deployed funds of approximately \$60m over the First Half of FY2015. Over the last 18 months BKI has focused on investing into segments of the market including Finance, Healthcare, Energy and Infrastructure, and the First Half of FY2015 was no different. We are excited about these sectors and are comfortable deploying funds here over the longer term.

Within the Financial sector BKI invested in the major Banks, Suncorp Group, IAG Limited, ASX Limited and Equity Trustees as we view these companies as standout investments within this segment. Dividend yields on offer were approximately 5% fully franked with reasonable growth rates expected over the medium to longer term.

Increasing life expectancy in Australia and most other developed countries has led us to constantly discuss the Healthcare sector and the

aging population thematic. During the First Half of FY2015, investment opportunities taken within this space included Primary Healthcare, Invocare Limited, Sonic Healthcare and Ramsay Healthcare, with Regis Healthcare and Medibank Private also being added to the portfolio following recent listings on the ASX.

Energy is a very interesting sector at present, with population growth and further urbanisation a real driver for consumption of energy requirements. The long term outlook for gas and coal in particular led to further investments in Wesfarmers (obviously not forgetting the thriving retail business) and Santos Limited.

We consider companies who have vast amounts of infrastructure to be attractive long term investment opportunities. Within the gas infrastructure space we invested further in DUET Group and APA Group, whilst in the local road infrastructure and freight distribution segments, investments were made in Transurban Group and Toll Holdings.

Disposals during the period totaled \$2m including Seven West Media, UGL Limited and Arrium Limited. A small holding in Healthscope Limited was traded post the recent listing on the ASX.

Outlook

We have seen many stocks in the market grow EPS above the market's expectations over the last year. However, revenue growth continues to be somewhat difficult to achieve, with company managers appearing to be focused on cutting expenses to ensure they deliver improved results. We believe that the low interest rate environment domestically will continue for quite some time, encouraging retail investors and SMSFs to search for income outside of term deposits and other cash products.

Many investors are calling our market overvalued and we agree that some companies appear stretched on their dividend payout ability. However, for the long term investor, opportunities to deploy funds into well managed, profitable, dividend-paying stocks always exist and BKI remains in a strong financial position and will be able to continue to invest for the longer term when opportunities arise. BKI has no debt with cash and cash equivalents representing 5.3% of the total portfolio.