

Top 20 Investments

Stock	% of Total Portfolio
1 New Hope Corporation	9.5%
2 Commonwealth Bank	9.1%
3 National Australia Bank	8.4%
4 BHP Billiton Limited	7.9%
5 Westpac Banking Corp	7.0%
6 Telstra Corporation	4.9%
7 Wesfarmers Limited	4.4%
8 ANZ Banking Group	3.5%
9 Woolworths Limited	3.4%
10 ALS Limited	3.2%
11 AGL Energy Limited	2.7%
12 Woodside Petroleum Limited	2.1%
13 Coca Cola Amatil Limited	1.8%
14 TPG Telecom Limited	1.7%
15 Metcash Limited	1.6%
16 ARB Corporation	1.4%
17 APA Group	1.3%
18 InvoCare Limited	1.3%
19 QBE Insurance Group	1.2%
20 Milton Corporation	1.1%
Cash & cash equivalents	6.4%
% of Total Portfolio Value	84.0%

BKI Investment Company Limited

Monthly Report

December 2012

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 consolidated unaudited pre tax net asset backing at 31 December 2012 was **\$1.45** 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 **\$1.37** per share.

Dividends

The company 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.

BKI's historical fully franked dividend yield as at 31 December 2012 was 4.7% (based on the rolling 12 Month Dividend** and share price of \$1.375). BKI's historical grossed up yield as at 31 December 2012 was 6.6% (based on a tax rate of 30%). BKI's Dividend Reinvestment Plan is maintained, offering shareholders the opportunity to acquire further ordinary shares in BKI.

BKI has pre-announced the Interim FY2013 Ordinary Dividend of at least 3.2cps and Special Dividend of 0.5cps. Both dividends will be fully franked and are expected to be paid in February 2013.

Management Expense Ratio (MER)

BKI's MER as at 30 June 2012 was 0.18%. 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.

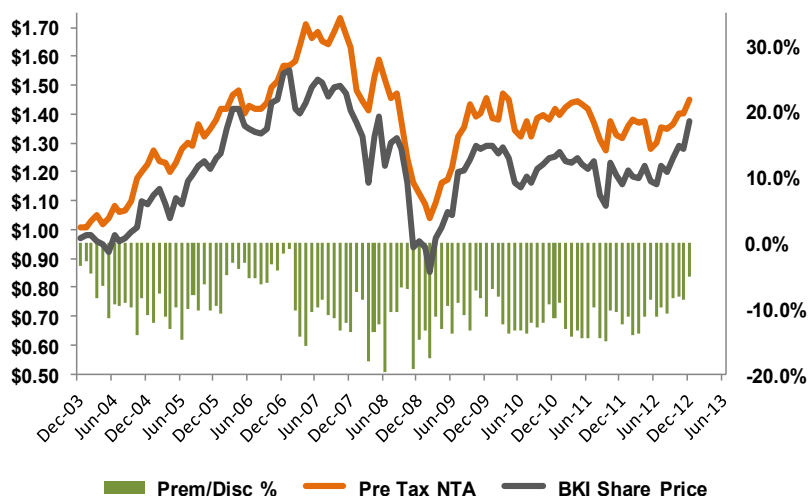
Management: Tom Millner (CEO) and Jaime Pinto (Company Secretary).



BKI Investment Company Limited
Winner 2011
Listed Investment Company Award

Discount to NTA

BKI Investment Company Limited's share price (BKI.ASX) is currently trading at a 5% discount to the Pre Tax NTA and a 0% discount to the Post 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 0.18%*. 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.

Company Overview

Mandate	Australian Listed Equities
Benchmark	S&P/ASX 300 Acc Index
Market Capitalisation	\$611m
Investment Portfolio	\$603m
Cash & Cash Equivalents	\$41m
Total Portfolio Including Cash	\$644m
Debt	\$0
MER*	0.18%
Performance Fee	0%
Rolling 12 Month Dividend**	6.4cps
Historical Dividend Yield***	4.7%
Percentage Franked	100%
Grossed up Yield***	6.6%
DRP	Active
Pre Tax NTA	\$1.45
Post Tax NTA	\$1.37
Share Price	\$1.375

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

BKI Performance

as at 31 December 2012

	1 Year	3 Years	5 Years	7 Years	9 Years
		(pa)	(pa)	(pa)	(pa)
S&P/ASX 300 ACC INDEX (XKOA1)	19.7%	2.8%	-1.8%	4.1%	8.4%
BKI Total Shareholder Returns	25.5%	7.8%	4.9%	6.7%	8.9%
BKI Share Price Outperformance V's XKOA1	5.8%	5.0%	6.7%	2.6%	0.5%
BKI Portfolio Performance	15.3%	4.8%	2.3%	5.4%	8.5%
BKI Portfolio Outperformance V's XKOA1	-4.4%	2.0%	4.1%	1.3%	0.1%

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 not indicative of future performance.

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*MER as at 30 June 2012; **Includes 1H2012 Interim Ordinary Dividend of 3.2cps and FY2012 Final Ordinary Dividend of 3.2cps, *** Based on share price as at 31 December 2012. Grossed up yield based on a tax rate of 30%.