

ASX Listed Investment Companies

March 2013



EVANS & PARTNERS

This report focusing on **ASX Listed Investment Companies** seeks to **i)** identify and capitalise on any trading opportunities that may exist across the sector & **ii)** assist clients seeking to broaden portfolio exposure through an investment in a diverse and professionally managed portfolio of assets (focused on Australian and International equities).

Across our universe of Listed Investment Companies (LICs), we also take a closer look at relative fund performance figures through to the period ending 28 February 2013.

Note that the Pre-Tax NTA stated below is as last reported (ie. for the month ended 28 February 2013).

Code	Name	Price (\$) 28/02/2013	Pre-Tax NTA 28/02/2013 (\$)	Prem/Disc to NTA (%) 28/02/2013	Implied NTA Calculation*			FY12 DPS (c)**	Historic Yield (Last Price) %	Market Cap (\$m)	Benchmark Index
					Last price (\$)	Pre-Tax NTA (\$)	Prem/Disc to NTA (%)				
Domestic Focus											
AFI	Australian Foundation Inv Co Ltd	5.45	5.40	1%	5.36	5.44	-1%	21.0	3.9	5560	ASX 200
ARG	Argo Investments Limited	6.62	6.80	-3%	6.53	6.85	-5%	26.0	4.0	4121	ASX 200
MLT	Milton Corporation Limited	18.98	20.19	-6%	18.93	20.31	-7%	78.0	4.1	2312	All Ords
DJW	Djerriwarrh Investments Limited	4.26	3.67	16%	4.18	3.70	13%	26.0	6.2	914	ASX 50
AUI	Australian United Investment Company	7.09	7.93	-11%	7.15	7.98	-10%	28.0	3.9	761	ASX 300
BKI	BKI Investment Company Limited	1.47	1.56	-6%	1.47	1.57	-6%	6.4	4.4	656	ASX 300
DUI	Diversified United Investment Limited	3.10	3.45	-10%	3.16	3.47	-9%	13.0	4.1	532	ASX 300
MIR	Mirrabooka Investments Limited	2.35	2.21	6%	2.37	2.21	7%	10.0	4.2	327	50% Small/50% Mid Cap
WAM	WAM Capital Limited	1.72	1.90	-10%	1.71	1.91	-11%	11.0	6.5	337	All Ords
WHF	Whitefield Limited	3.55	3.89	-9%	3.60	3.88	-7%	17.0	4.7	273	ASX 200 Industrials
AMH	AMCIL Limited	0.88	0.93	-5%	0.88	0.94	-6%	3.5	4.0	184	ASX 200
CTN	Contango Microcap Limited	1.14	1.22	-6%	1.07	1.22	-13%	8.5	8.0	159	Small Ords
WIC	Westoz Investment Company Limited	1.19	1.49	-20%	1.22	1.50	-19%	4.0	3.3	156	ASX 200
WAX	WAM Research Limited	1.02	1.03	-1%	1.04	1.04	0%	6.5	6.3	126	All Ords
ALF	Australian Leaders Fund Limited	1.55	1.47	5%	1.51	1.48	2%	11.0	7.3	109	ASX 200
CAM	Clime Capital Limited	1.14	1.22	-6%	1.10	1.21	-9%	3.8	3.5	59	All Ords
Global Focus											
MFF	Magellan Flagship Fund Limited	0.99	1.05	-6%	1.08	1.06	1%	1.0	0.9	371	MSCI A\$
PMC	Platinum Capital Limited	1.25	1.29	-3%	1.26	1.31	-4%	0.0	0.0	209	MSCI A\$
TGG	Templeton Global Growth Fund	0.85	1.01	-16%	0.87	1.02	-14%	1.5	1.7	125	MSCI A\$

NTA calculations are based on end of month figures (28/02/2013)

The key attributes we look for in an LIC:

- **Dividend sustainability** – It is important that an LIC has the ability to pay consistent and steady distributions to shareholders. Dividends paid by LICs are determined by management and unlike unlisted managed funds are not obliged to distribute all surplus income.

- **Market liquidity** – An LIC needs to have sufficient size to provide sufficient market liquidity.

- **Share price premium/discount to NTA** – We will target LICs that are attractively valued relative to historic levels and absolute value. While there are factors that contribute to an LIC trading above or below its NTA (including market liquidity), relative underperformance to NTA may be viewed as a trading opportunity or the chance to gain exposure to underlying holdings at a relatively cheaper level than that traded on market.

- **Board/Management Experience** – We look for a Board and Investment Committee with extensive market experience, a transparent investment philosophy and a consistent track record of meeting investor expectations.

- **An appropriate fee schedule** – Value for money and relatively low-cost management

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LIC Performance

Pre-tax NTA remains our preferred measure when comparing LIC performance. We understand the Pre-tax NTA figure can be distorted by some companies' investment decisions to reduce CGT sooner than others, however the longer term focus of a number of listed investment companies would imply the stock price should trade closer to the Pre-tax NTA than the Post-tax NTA.

ASX Listed Investment Companies - Annual Pre-Tax NTA Performance to 28 February 2013

Name	Code	Market Cap (\$m)	Annual Returns (incl Dividends) %								Fund Benchmark
			Share Price				Pre-Tax NTA				
			6 months	1Yr	3Yr	5Yr	6 months	1Yr	3Yr	5Yr	
Domestic Focus											
Australian Foundation Investment Company Limited	AFI	5529	31.0%	36.7%	7.4%	4.3%	20.7%	25.8%	8.8%	5.0%	ASX 200
Argo Investments Limited	ARG	4096	30.1%	35.3%	5.1%	1.5%	21.4%	26.8%	7.5%	3.6%	All Ords
Milton Corporation Limited	MLT	2315	26.1%	35.7%	7.6%	3.1%	22.3%	27.6%	9.3%	5.4%	All Ords
Djerriwarrh Investments Limited	DJW	903	25.6%	25.6%	4.8%	4.0%	16.1%	21.5%	6.7%	3.6%	ASX 50
Australian United Investment Company Limited	AUI	761	28.5%	31.9%	4.4%	0.0%	22.8%	26.9%	7.2%	3.0%	ASX 300
BKI Investment Company Limited	BKI	651	28.7%	32.6%	10.9%	7.0%	18.3%	18.5%	9.3%	6.4%	ASX 300
Diversified United Investment Limited	DUI	526	26.7%	36.0%	3.7%	0.6%	23.2%	30.3%	7.4%	3.3%	ASX 300
Mirrabooka Investments Limited	MIR	329	25.5%	40.0%	12.9%	7.9%	17.0%	19.3%	13.8%	6.3%	Small/Mid Cap
WAM Capital Limited	WAM	335	10.6%	18.2%	17.6%	8.7%	19.7%	30.5%	13.1%	9.3%	All Ords
Whitefield Limited	WHF	274	27.3%	41.6%	7.7%	1.4%	26.1%	39.0%	9.6%	4.0%	ASX 200 Ind
AMCIL Limited	AMH	184	25.7%	29.3%	13.6%	7.2%	16.3%	19.9%	12.8%	8.8%	ASX 200
Contango Microcap Limited	CTN	158	28.3%	17.5%	16.5%	1.8%	13.5%	-10.3%	3.4%	-2.2%	Small Ords
Westoz Investment Company Limited	WIC	155	35.9%	33.7%	10.2%		13.1%	9.0%	5.1%	1.4%	All Ords
WAM Research Limited	WAX	126	26.8%	48.6%	17.6%	6.8%	14.4%	20.7%	10.6%	5.7%	All Ords
Australian Leaders Fund Limited	ALF	152	26.8%	43.1%	18.0%	17.3%	17.4%	27.3%	9.5%	13.5%	All Ords
Clime Capital Limited	CAM	59	30.0%	32.1%	15.4%	13.1%	14.3%	12.5%	7.9%	9.3%	All Ords
International Focus											
Magellan Flagship Fund Limited	MFF	373	11.8%	38.2%	17.7%	8.6%	10.1%	25.1%	12.8%	6.4%	MSCI A\$
Platinum Capital Limited	PMC	209	31.8%	29.7%	-2.8%	1.9%	20.6%	17.1%	1.7%	3.8%	MSCI A\$
Templeton Global Growth Fund Limited	TGG	125	20.1%	24.5%	4.2%	-2.3%	14.1%	18.0%	3.5%	-2.0%	MSCI A\$

Source: IRESS, Company Data, Bloomberg

*Returns are calculated assuming dividend reinvestment

We also look at the impact on premium/discounts by adjusting pre-tax NTA's for management fees. **We capitalise annual management fees at an estimate of 8x, thus adjusting NTA's lower.** This is only to be viewed as an indicative guide on highlighting the impact management fees may have on the relative value proposition, particularly for funds with management fees in excess of 1% per annum.

ASX Listed Investment Companies

Name	Code	Market Cap (\$m)	Share Price (\$)	Pre-Tax NTA (\$)	Prem/Disc to Pre-Tax NTA (%)	Historic Average (%)*	Mgt Fee (%)	Adj. Pre-Tax NTA (\$)	Adj Prem/Disc to Pre-Tax NTA (%)
			28/02/2013	28/02/2013					
Domestic Focus									
Australian Foundation Investment Company Limited	AFI	5560	5.45	5.40	1%	-1%	0.19%	5.32	2%
Argo Investments Limited	ARG	4121	6.62	6.80	-3%	0%	0.17%	6.71	-1%
Milton Corporation Limited	MLT	2312	18.98	20.19	-6%	-2%	0.17%	19.92	-5%
Djerriwarrh Investments Limited	DJW	914	4.26	3.67	16%	7%	0.37%	3.56	20%
Australian United Investment Company Limited	AUI	761	7.09	7.93	-11%	-6%	0.15%	7.83	-10%
BKI Investment Company Limited	BKI	656	1.47	1.56	-6%	-12%	0.18%	1.54	-4%
Diversified United Investment Limited	DUI	532	3.10	3.45	-10%	-7%	0.20%	3.39	-9%
Mirrabooka Investments Limited	MIR	327	2.35	2.21	6%	-4%	0.81%	2.07	14%
WAM Capital Limited	WAM	337	1.72	1.90	-10%	-16%	0.90%	1.77	-3%
Whitefield Limited	WHF	273	3.55	3.89	-9%	-10%	0.35%	3.78	-6%
AMCIL Limited	AMH	184	0.88	0.93	-5%	-11%	0.90%	0.86	2%
Contango Microcap Limited	CTN	159	1.14	1.22	-6%	-25%	1.25%*	1.09	4%
Westoz Investment Company Limited	WIC	156	1.19	1.49	-20%	-30%	1.00%*	1.37	-13%
WAM Research Limited	WAX	126	1.02	1.03	-1%	-20%	1.00%*	0.95	8%
Australian Leaders Fund Limited	ALF	150	1.55	1.47	5%	-19%	1.00%*	1.35	15%
Clime Capital Limited	CAM	59	1.14	1.22	-6%	-33%	1.00%*	1.12	2%
International Focus									
Magellan Flagship Fund Limited	MFF	371	0.99	1.05	-6%	-13%	1.25%*	0.95	4%
Platinum Capital Limited	PMC	209	1.25	1.29	-3%	11%	1.50%*	1.13	10%
Templeton Global Growth Fund Limited	TGG	125	0.85	1.01	-16%	-14%	1.00%*	0.93	-9%

Source: IRESS, Company Data

Note: Annual management fees capitalised at 8x

*Does not include any performance fee

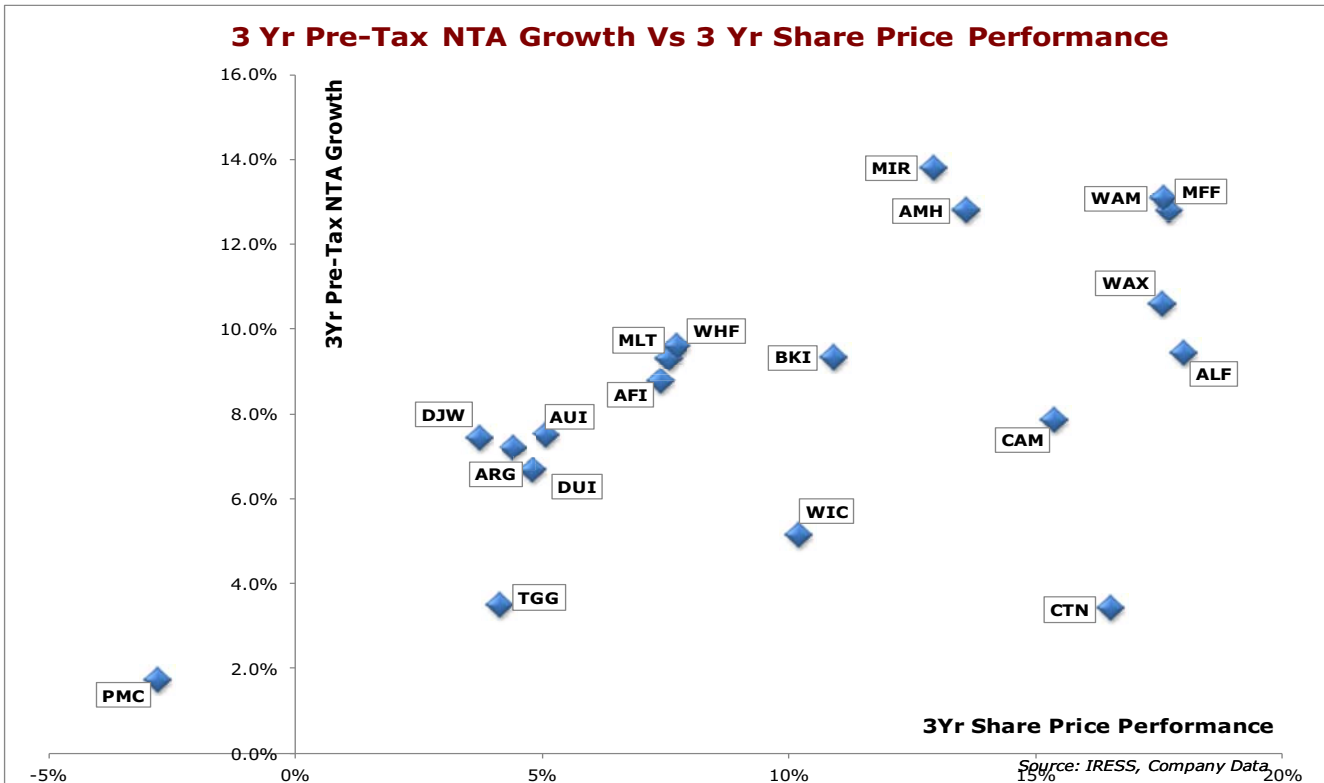
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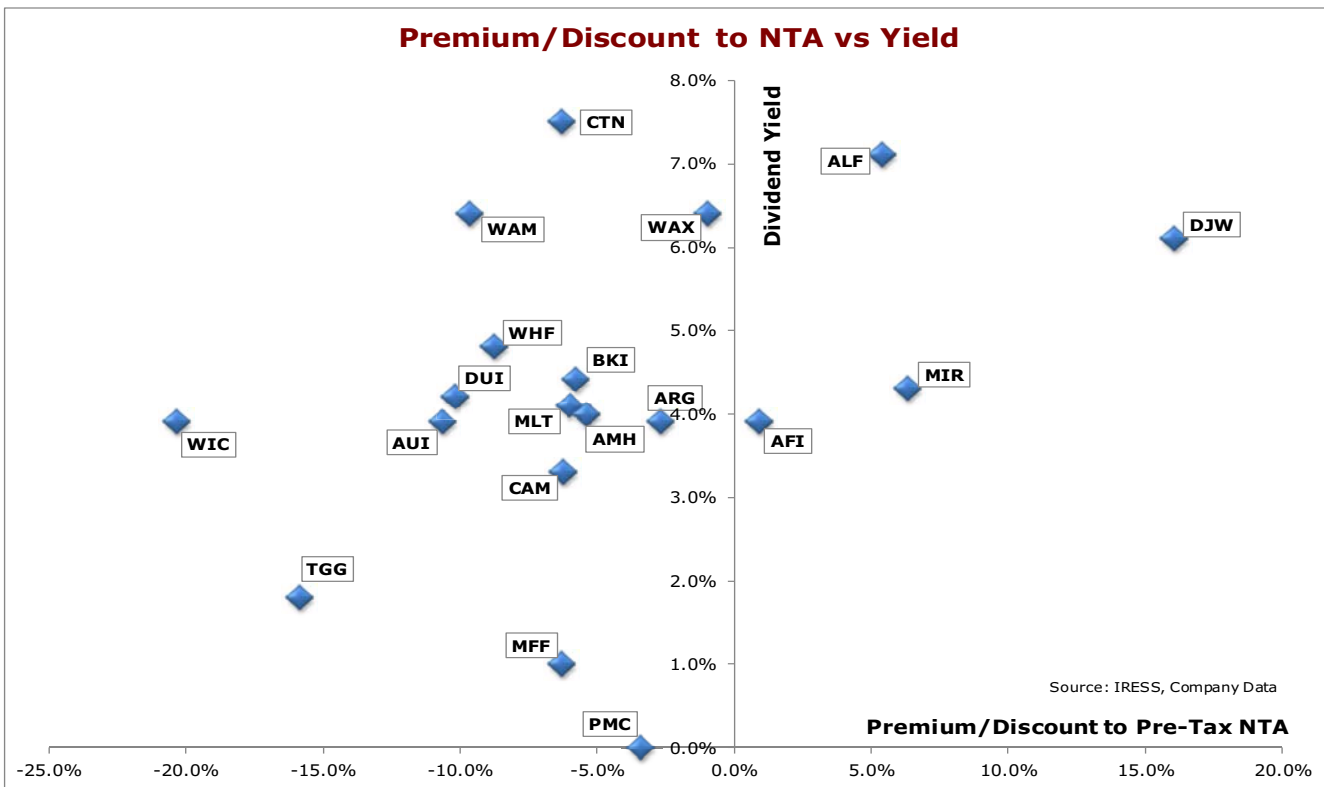


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3 Yr Pre-Tax NTA Growth Vs 3 Yr Share Price Performance



Premium/Discount to NTA vs Yield



*Prem/Disc to pre-tax NTA

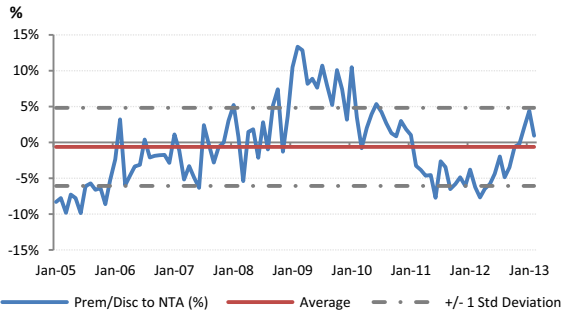
Historic Prem/Disc to NTA



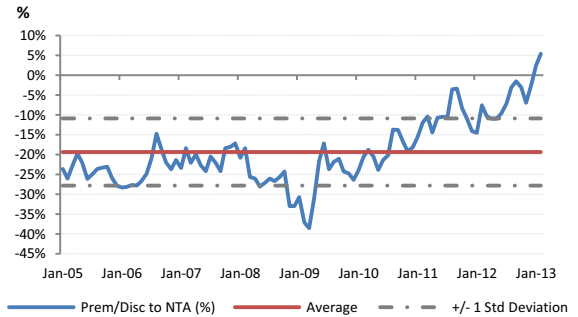
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Domestic Focus

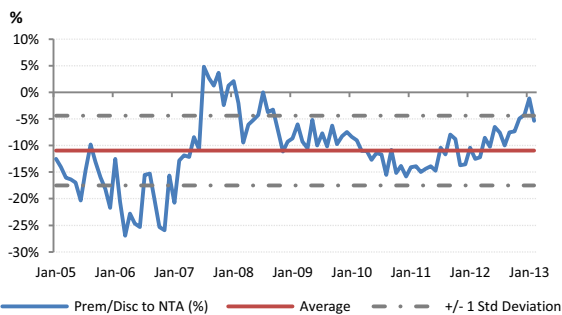
AFI Australian Foundation Investment Co



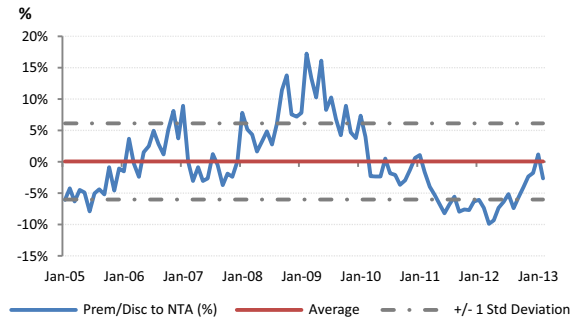
ALF Australian Leaders Fund Limited



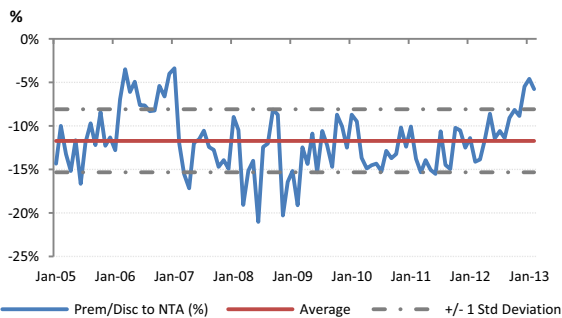
AMH AMCIL Limited



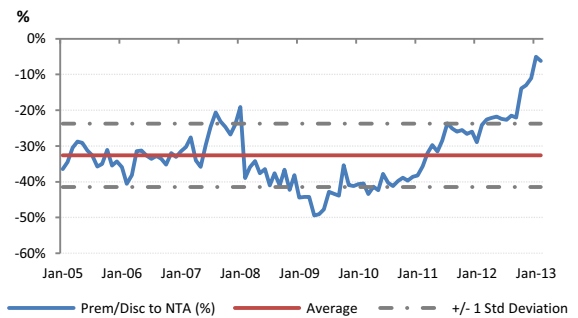
ARG Argo Investments Limited



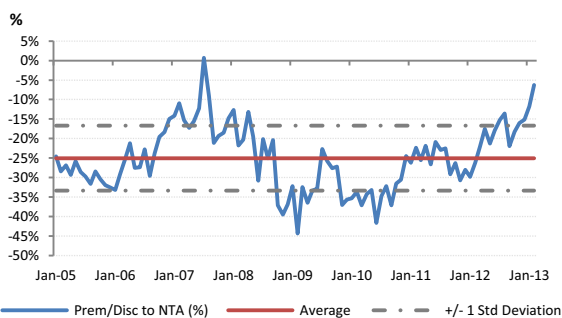
BKI BKI Investment Company Limited



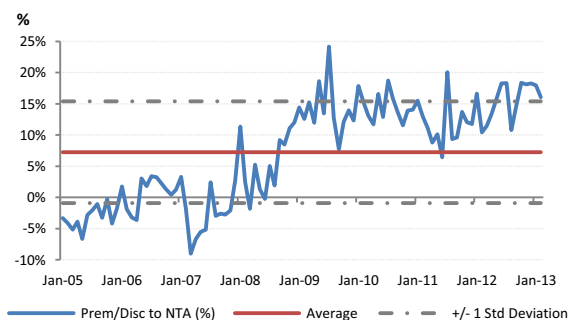
CAM Clime Capital Limited



CTN Contango Microcap Limited



DJW Djerriwarrh Investments Limited



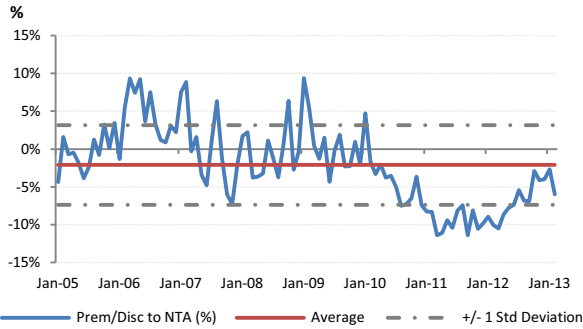
Historic Prem/Disc to NTA



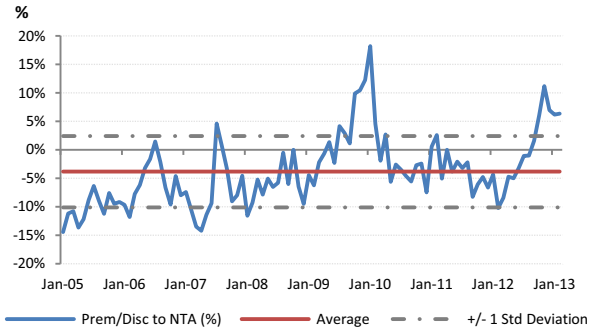
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Domestic Focus

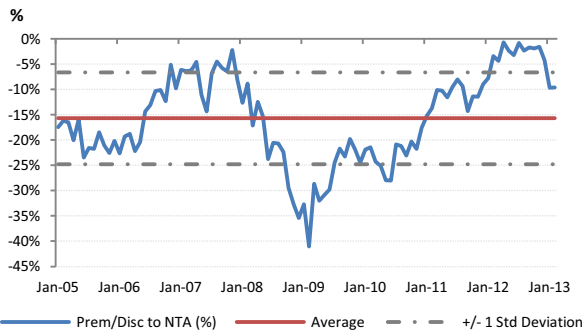
MLT Milton Corporation Limited



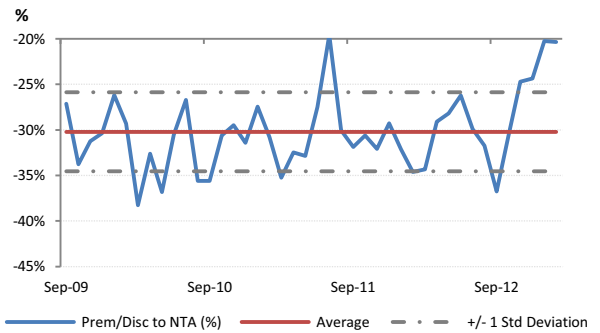
MIR Mirrabooka Investments Limited



WAM WAM Capital Limited

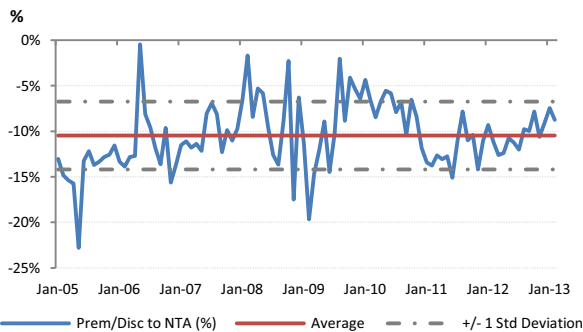


WIC Westoz Investment Company Limited

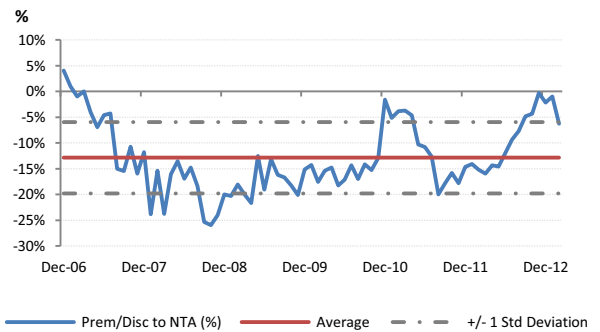


Global Focus

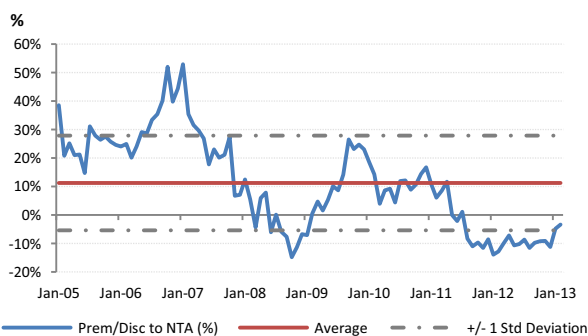
WHF Whitefield Limited



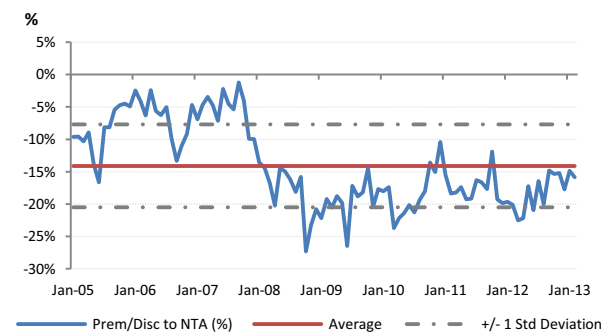
MFF Magellan Flagship Fund Limited



PMC Platinum Capital Limited



TGG Templeton Global Growth Fund Limited





BKI Investment Company Limited (BKI)

Investment Style/Strategy

BKI looks to make long term investments in companies, trusts and interest bearing securities with a focus on Australian entities. With the objective of generating an increasing income stream and long term capital growth, BKI seeks to invest in well-managed businesses with a profitable history and with the expectation of sound dividend and distribution growth.

Asset Allocation

As at 31 December 2012, BKI had a total investment portfolio value of \$643m. Of which \$603m was invested in long term equities and 6.3% or \$40m was held in cash and cash equivalents.

Investment Manager

BKI has an internal Portfolio Management team to provide investment advisory services to the Board of Directors and its Investment Committee. The Investment Committee makes the final investment decisions and meet regularly to review the portfolio and is comprised of Thomas Millner, Robert Millner, Alexander Payne and Ian Huntley

Dividend Policy

BKI aims to generate an increasing income stream for distribution to its shareholders in the form of fully franked dividends. Dividends are declared out of realised profit after tax, including interest, dividends and other income received from investments but excluding realised capital profit from any disposals of long-term investments.

Fee Structure

The management expense ratio was 0.18% for the full year ending 30 June 2012. No performance fee. Benchmark: S&P/ASX 300 Accumulation.

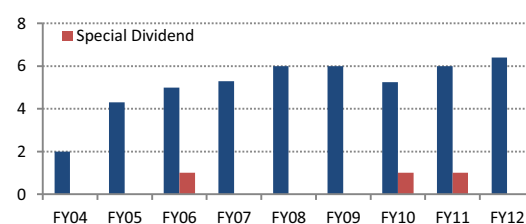
Website: www.bkilimited.com.au

Share Price 28/02/2013	\$1.47
Market Cap (\$M)	653
12 Month Price Range	\$1.13 - \$1.53
Avg Weekly Volume	822,501

Performance (annual)	6 Mth	12 Mth	3 Yr	5 Yr
BKI (Share Price)	28.7%	32.6%	10.9%	7.0%
NTA (Pre-tax)	18.3%	18.5%	9.3%	6.4%
ASX300 Accum	20.6%	23.4%	7.8%	2.7%

	FY10	FY11	FY12
Total Dividends (cents/share)	6.3	7.0	6.4
Yield (last full year dividend)			4.4%

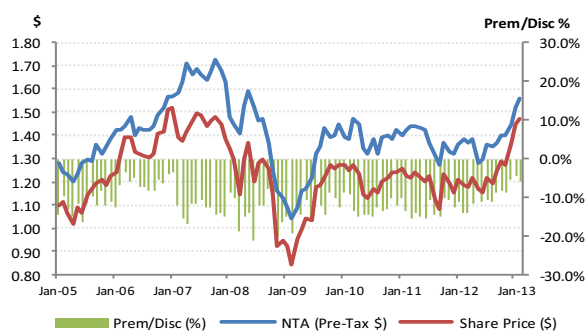
Historic Dividend Per Share (c) June Year End



NTA Data (as at end of month)

Last Reported:	28/02/2013
NTA (Pre-Tax)	\$1.56
Prem/Disc to Share Price	-5.8%
1Yr Avg NTA Prem/Disc to Share Price	-10%
5Yr Avg NTA Prem/Disc to Share Price	-12%

NTA vs Share Price Chart



Major Shareholdings

as at 28 February 2013	%
National Australia Bank	9.3%
Commonwealth Bank	9.2%
New Hope Corporation	8.7%
Westpac	7.7%
BHP Billiton	7.3%
Telstra Corporation	4.8%
Wesfarmers	4.5%
Woolworths	3.8%
ANZ Banking Group	3.7%
ALS Ltd	3.3%