

NTA AND MONTHLY REPORT

January 2018

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

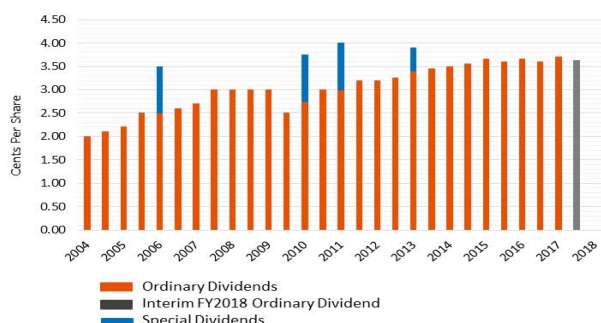
Business Overview

BKI is a research driven, Listed Investment Company, investing for the long term in profitable, high yielding, well managed companies. Listed on the Australian Stock Exchange (BKI.ASX) with the equity portfolio managed by Contact Asset Management, an investment in BKI gives shareholders access to a diversified Australian equity portfolio.

Growing Fully Franked Dividends

BKI’s Board & Portfolio Managers are shareholders in BKI. We invest for the long term and focus on creating wealth for all shareholders by keeping costs low and increasing fully franked dividends and capital growth.

As at 31 January 2018, BKI’s fully franked dividend yield was 4.2% (includes FY2017 Final Dividend of 3.70cps and FY2018 Interim Dividend of 3.625cps** and share price of \$1.755), while the grossed up yield was 6.0%# (tax rate of 30%).



We focus on dividend payments and not generating excessive management fees or performance fees.

Net Tangible Assets

Pre-Tax NTA \$1.65, Post-Tax NTA \$1.55. All calculations are before providing for the FY2018 Interim Dividend of 3.625cps. BKI will trade ex-dividend on 9 February 2018, with payment date scheduled for 28 February 2018.

Board of Directors

Robert Millner (Chairman), Alex Payne, David Hall, Ian Huntley, Jaime Pinto (Company Secretary)

Investment Management

Contact Asset Management Pty Ltd: provides investment management services in accordance with the directions of the BKI Board and BKI Investment Committee.
Tom Millner (Director - Portfolio Manager)
Will Culbert (Director - Portfolio Manager)



Company Overview

| | |
|--------------------------------|----------------------------|
| ASX Code | BKI.ASX |
| Mandate | Australian Listed Equities |
| Market Capitalisation | \$1,089m |
| Investment Portfolio | \$973m |
| Cash & Cash Equivalents | \$48m |
| Total Portfolio Including Cash | \$1,021m |
| Debt | \$0 |
| MER* | 0.17% |
| Performance Fee | N/A |
| Rolling 12 Month Dividend** | 7.325cps |
| Historical Dividend Yield | 4.2% |
| Percentage Franked | 100% |
| Grossed Up Yield# | 6.0% |
| DRP | Active |
| Share Price | \$1.755 |

Net Tangible Assets (NTA)

| | |
|--------------|--------|
| Pre Tax NTA | \$1.65 |
| Post Tax NTA | \$1.55 |

*MER as at 31 December 2017, **Includes FY2017 Final Dividend of 3.70cps and FY2018 Interim Dividend of 3.625cps, #Based on share price as at 31 January 2018. Grossed up yield based on a tax rate of 30%.

Dividend Yield

6.0%

Grossed up# as at 31 Jan 2018

Management Expense Ratio

0.17%

As at 31 Dec 17

14Yr Total Shareholder Returns

11.2% pa

As at 31 Jan 18

Market Capitalisation

\$1.09b

As at 31 Jan 18

No Performance Fees

14,900 Shareholders

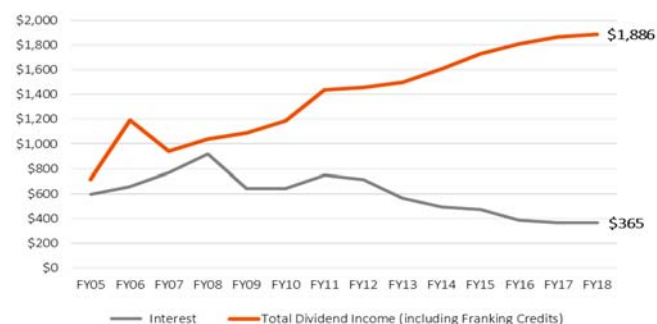
BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868

| Company | % of Total Portfolio |
|---|----------------------|
| 1 National Australia Bank | 7.9% |
| 2 Commonwealth Bank | 7.1% |
| 3 Westpac Banking Corp | 7.0% |
| 4 Wesfarmers Limited | 4.4% |
| 5 ANZ Banking Group | 4.3% |
| 6 New Hope Corporation | 3.6% |
| 7 Telstra Corporation | 3.3% |
| 8 Transurban Group | 3.0% |
| 9 TPG Telecom | 3.0% |
| 10 Woolworths Limited | 2.9% |
| 11 AGL Energy Limited | 2.9% |
| 12 APA Group | 2.9% |
| 13 Macquarie Group | 2.5% |
| 14 Sydney Airport | 2.4% |
| 15 Ramsay Healthcare | 2.3% |
| 16 Invocare Limited | 2.2% |
| 17 IAG Limited | 2.2% |
| 18 BHP Billiton | 2.1% |
| 19 Sonic Healthcare | 2.1% |
| 20 ASX Limited | 2.0% |
| 21 Challenger Group | 2.0% |
| 22 Woodside Petroleum | 1.9% |
| 23 ARB Corporation | 1.7% |
| 24 Suncorp Group | 1.6% |
| 25 IOOF Holdings | 1.4% |
| Cash and cash equivalents | 4.9% |
| Total of top 25 plus Cash and cash equivalents | 83.6% |

Focused on Capital Management

The chart below shows the dividends and franking credits received from a \$10,000 investment in BKI at inception versus bank quarterly interest. An investor who spent the equivalent of \$10,000 to purchase BKI shares upon listing in December 2003 would now be receiving fully franked dividends of \$1,320pa. The franking credits enhance the income by a further \$566, assuming a tax rate of 30%. The same investment in a term deposit (based on the cash rate + 0.50%) would be earning \$365pa with no franking credits.



This chart highlights the opportunity of receiving a fully franked dividend in a falling interest rate environment.

Contact Us

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|--------------|------------------------|
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| BKI Performance 31 January 2018 | 1 Year | 3 Years (pa) | 5 Years (pa) | 7 Years (pa) | 10 Years (pa) | 14 Years (pa) |
|---|--------------|-----------------|-----------------|-----------------|------------------|------------------|
| S&P/ASX 300 Accumulation Index | 12.4% | 7.5% | 9.0% | 8.1% | 5.2% | 9.1% |
| BKI Total Shareholder Returns (TSR) | 7.3% | 6.3% | 8.5% | 9.8% | 7.6% | 9.1% |
| BKI TSR Outperformance vs Index | -5.1% | -1.2% | -0.5% | 1.7% | 2.4% | 0.0% |
| BKI Portfolio Performance | 9.4% | 3.9% | 6.3% | 7.2% | 5.8% | 8.1% |
| BKI Portfolio Outperformance vs Index | -3.0% | -3.6% | -2.7% | -0.9% | 0.6% | -1.0% |
| S&P/ASX 300 Accumulation Index – 80% franked | 14.0% | 9.1% | 10.6% | 9.8% | 7.0% | 10.7% |
| BKI Total Shareholder Returns – 100% Franked | 9.3% | 8.3% | 10.5% | 12.1% | 9.9% | 11.2% |

Source: Contact Asset Management, Bloomberg. 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. TSR include reinvestment of dividends. TSR including franking credits are based on BKI's dividends being fully franked and the S&P/ASX300 Accumulation Index franked at 80%. Past performance is generally not indicative of future performance.

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