

BKI INVESTMENT COMPANY LIMITED

ENTITLEMENT OFFER, SHORTFALL OFFER AND GENERAL OFFER



*BKI is managed by Contact Asset Management
AFSL 494045*



DISCLAIMER AND IMPORTANT INFORMATION

This investor Presentation (Presentation) has been prepared by Contact Asset Management Pty Limited ACN 614 316 595 on behalf of BKI Investment Company Limited ACN 106 719 868 (BKI). This Presentation has been prepared in connection with the offer of new BKI ordinary shares (New Shares) via a non-renounceable pro rata entitlement offer to eligible shareholders, an offer of the shortfall under the Entitlement Offer to eligible shareholders who wish to subscribe for New Shares in excess of their entitlement and to eligible investors and a general offer to eligible investors (collectively, the Offer).

This Presentation contains summary information about the current activities of BKI as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete.

NOT A PROSPECTUS: This Presentation is not a prospectus, product disclosure statement or disclosure document for the purposes of the Corporations Act 2001 (Cth) and has not been lodged with the Australian Securities and Investments Commission. Accordingly, this Presentation does not contain the information which would be contained in a prospectus and does not purport to contain all of the information that may be necessary or desirable to enable a potential investor to properly evaluate and consider an investment in BKI. This Presentation does not purport to be complete, nor does it contain all the information which may be material to a recipient of this Presentation. It should be read in conjunction with BKI's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.asx.com.au.

NOT AN OFFER: The Presentation is not and should not be considered an offer or an invitation to acquire entitlements or New Shares or any other financial products. The Offer will be made on the basis of the information to be contained in the prospectus to be prepared for eligible shareholders and eligible investors in Australia and New Zealand (Prospectus), and made available following its lodgement with ASX. Any eligible investor in Australia and New Zealand who wishes to participate in the Offer should consider the Prospectus before deciding whether to participate in the Offer. Anyone who wishes to apply for New Shares under the Offer will need to apply in accordance with the instructions contained in the Prospectus and the accompanying entitlement and acceptance form and/or general offer application form (as applicable). The distribution of this Presentation in other jurisdictions outside Australia and New Zealand may also be restricted by law and any such restrictions should be observed. By accepting this Presentation you represent and warrant that you are entitled to receive such Presentation in accordance with the above restrictions and agree to be bound by the limitations contained herein.

NOT INVESTMENT ADVICE: The information contained in this Presentation is not and should not be considered as financial product advice, investment advice or a recommendation to acquire New Shares and does not and will not form any part of any contract for the acquisition of entitlements or New Shares. Nothing in this Presentation constitutes legal, financial, tax or other advice. The information in this Presentation does not take into account the particular investment objectives, financial situation or needs of any person. You should make your own assessment of the information provided in this Presentation and should not rely on this Presentation. In all cases, you should conduct your own investigations and analysis of the financial condition, performance, prospects and business of BKI, and the contents of this Presentation. Cooling off rights do not apply to the acquisition of New Shares.

FORWARD LOOKING STATEMENTS: This Presentation may contain forward looking statements and comments about future events, including in relation to BKI's business. Forward looking statements can generally be identified by the use of words such as "anticipated", "expected", "projections", "forecast", "estimates", "could", "may", "target", "consider", "believes", "intends" and "will" and their negative or other variations or similar expressions. Forward looking statements involve inherent risks (both known and unknown) and uncertainties, both general and specific, and there is a risk that those predictions, forecasts, projections and other forward looking statements will not be achieved. A number of factors, that may be beyond BKI's ability to control or predict, could cause BKI's actual results or performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements. Forward looking statements are based on assumptions and are not guarantees of future performance. No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved. Past performance is not necessarily a guide to future performance. Nothing contained in this Presentation is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, present or future.

FINANCIAL DATA: All dollar values are in Australian dollars ("A\$") and references to financial year (FY) relate to BKI's year-end which is 30 June unless stated otherwise.

PAST PERFORMANCE: Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

EFFECT OF ROUNDING: A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

INVESTMENT RISK: An investment in BKI shares is subject to investment and other known and unknown risks, some of which are beyond the control of BKI including possible loss of income and principal invested. BKI does not guarantee any particular rate of return or the performance of BKI, nor does it guarantee the repayment of capital from BKI or any particular tax treatment. In considering an investment in BKI shares, investors should have regard to (amongst other things) the risks outlined in this Presentation.

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OFFER AND TIMETABLE DETAILS

*BKI is raising capital at a discount to share price
and NTA*



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OFFER DETAILS

- **Entitlement Offer:** Pro-rata non-renounceable Entitlement Offer to all Eligible Shareholders of 1 New Share for every 15 Existing Shares at \$1.50 (“Offer Price”) to raise approximately \$62.2 million
 - Shareholders at the record date 14 May 2018 will be eligible to participate
- **Shortfall Offer:** If the Entitlement Offer is not fully taken up, a Shortfall Offer at the Offer Price of \$1.50 is available to:
 - Eligible Shareholders who wish to apply for additional New Shares in excess of their pro-rata Entitlement
 - The General Public
- **General Offer:** An offer to the general public at the Offer Price of \$1.50 to raise up to \$140.0 million
- **Major Shareholder:** Washington H. Soul Pattinson & Company Limited (WHSP), which currently holds 9.40% of BKI’s issued capital, has indicated its intention to take up all of its Entitlements under the Entitlement Offer
- **Selling or Broker Stamping Fee:** 1.0%³ on existing shareholders and 1.5%³ on new shareholders

Offer Price	
\$1.50 per share	
Discount to BKI share price on 4 May 2018 ¹	Grossed Up Dividend Yield ²
6.0%	7.0%

Joint Lead Managers



Co-Manager



¹ Based on closing share price of \$1.595 on 4 May 2018

² Includes FY2017 Final Dividend of 3.70cps and FY2018 Interim Dividend of 3.625cps and is based on the Offer Price of \$1.50 and a tax rate of 30%

³ Excludes GST and applies to any broker or AFSL holder

IMPORTANT DATES

Simultaneous announcement of Entitlement Offer, Shortfall Offer and General Offer	Wednesday, 9 May 2018
Opening of General Offer	Wednesday, 9 May 2018
Ex-Date for the Entitlement Offer	Friday, 11 May 2018
Record Date for the Entitlement Offer (7.00pm AEST)	Monday, 14 May 2018
Opening of the Entitlement Offer and Shortfall Offer	Tuesday, 15 May 2018
Closing date of the Entitlement Offer (5.00pm AEST)	Tuesday, 12 June 2018
New Shares under the Entitlement Offer quoted on a deferred settlement basis	Wednesday, 13 June 2018
Closing date of the Shortfall Offer and General Offer (5.00pm AEST)	Thursday, 14 June 2018
Shortfall Notification	Friday, 15 June 2018
Settlement of the Entitlement Offer	Monday, 18 June 2018
Allotment of New Shares under the Entitlement Offer	Tuesday, 19 June 2018
Settlement of the Shortfall Offer and General Offer	Friday, 22 June 2018
Allotment of New Shares issued under the Shortfall Offer and General Offer	Monday, 25 June 2018

This timetable is indicative only and may change. Unless otherwise indicated, all times are AEST. The Company, in consultation with the Joint Lead Managers, reserves the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offers early, to extend the Closing Dates, to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offers before Settlement, in each case without notifying any recipient of the Prospectus or any Applicants). If the Offers are cancelled or withdrawn before the allocation of New Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as early as possible after the Offers open

BKI INVESTMENT COMPANY LIMITED

*A Concentrated, High Conviction, Australian
Equities Portfolio*



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BKI INTRODUCTION

- **Fully Franked Dividends**
 - New shares entitled to July 2018 Final Dividend
 - 7.0% Grossed up dividend yield¹
- **ASX Listed Investment Company**
 - A simple and transparent investment vehicle
 - BKI.ASX has a 14 year track record
- **Low Fee Structure**
 - Managed for 0.10% of the Company's Total Assets per annum
 - No performance fee
 - Management Expense Ratio (MER) of 0.17%²
- **Consistent, Positive Returns**
 - 10.8% p.a. TSR over 14 years³
- **Concentrated, High Conviction Portfolio**
 - 46 positions, offering diversified sector exposure
- **Size and Scale**
 - Over 15,000 shareholders, Market Cap of \$993m⁴

Grossed Up Dividend Yield ¹ 7.0%	Management Fee 0.10%
14Yr Total Shareholder Returns ³ 10.8%_{pa}	Market Capitalisation ⁴ \$993m
No Performance Fees	>15,000 Shareholders

¹ Includes FY2017 Final Dividend of 3.70cps and FY2018 Interim Dividend of 3.625cps and is based on the Offer Price of \$1.50 and a tax rate of 30%

² Management Expense Ratio calculated as at 31 December 2017

³ TSR or Total Shareholder Returns includes the reinvestment of dividends including franking credits

⁴ As at 4 May 2018



BKI INTRODUCTION

- **Experienced Investment Team**

- The BKI Board and Investment Manager have over 170 years of collective industry experience, with an average of 29 years' experience each

- **Alignment with Shareholders**

- BKI's major shareholder, Washington H. Soul Pattinson & Company Limited, has indicated its intention to take up all of its Entitlements under the Entitlement Offer
- BKI directors Robert Millner, David Hall and Alex Payne will participate in the Entitlement Offer
- Investment Manager directors Tom Millner and Will Culbert will participate in the Entitlement Offer

- **Research and Ratings**

- Lonsec, Independent Investment Research (IIR), Morningstar, ThreeSixty
- All research and ratings are on BKI and not on the Offer

Lonsec



Recommended

 **INDEPENDENT**
INVESTMENT RESEARCH

Recommended Plus

BKI
BKI INVESTMENT
COMPANY LIMITED

KEY RISKS

- **General Risks**

- Economic conditions impacting the value of BKI's investments
- Market and listed securities risk causing the trading price of both the Shares and the Company's investments to fluctuate
- Regulatory risk associated with changes to law, tax and accounting policy

- **Company-specific Risks**

- The Investment Manager's performance risk
- Risk of decline in the value of the investment portfolio associated with the investment decisions of the Company and the Investment Manager
- Liquidity risk with respect to both the Shares and the Company's investments
- Risk that the Shares trade at a discount to the Offer Price
- Dilution risk for existing Shareholders associated with not taking up Entitlements and the issue of New Shares under the General Offer
- Timing risks associated with investing in the New Shares and the potential for the trading price of Shares to change during the Offer Period

FULLY FRANKED DIVIDENDS

BKI has paid over \$500m in dividends and franking credits to shareholders since listing in 2003



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DIVIDEND HISTORY OF BKI

As at 30 April 2018, BKI's fully franked dividend yield was 4.9% (based on the immediate past 12 months trailing dividend and Offer Price of \$1.50), while the grossed up yield was 7.0% (assumes a tax rate of 30%)¹.

BKI has paid out over \$500 million in Dividends and Franking Credits to Shareholders since listing in 2003.

New Shares will be entitled to the BKI Fully Franked Ordinary Final Dividend
to be declared with BKI's FY2018 Result on 18th July 2018 and paid to shareholders in August 2018

BKI Half and Full Year Dividend History²



¹ Includes FY2017 Final Dividend of 3.70cps and FY2018 Interim Dividend of 3.625cps and is based on the Offer Price of \$1.50 and a tax rate of 30%

² NTA Report for April 2018

Source: BKI, Bloomberg

LOW FEE STRUCTURE

A low Management Fee of only 0.10% and no performance fee. BKI is managed for its shareholders with a low MER of 0.17%



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LOW MANAGEMENT FEES

- Active management is something we believe in wholeheartedly. The BKI Board and Investment Manager has over 170 years of collective industry experience (average of 29 years)
- Contact Asset Management charges BKI a low management fee of only 0.10% per annum of BKI's Total Assets. Contact Asset Management does not charge a performance fee to BKI shareholders
- Directors and Portfolio Managers are shareholders in BKI. We focus on earning growth and dividend payments – not generating excessive fees
- BKI doesn't have any debt and as such Shareholders do not pay significant finance costs in servicing debt

POSITIVE RETURNS

*Total Shareholder Returns of 10.8% per annum
over 14 years*



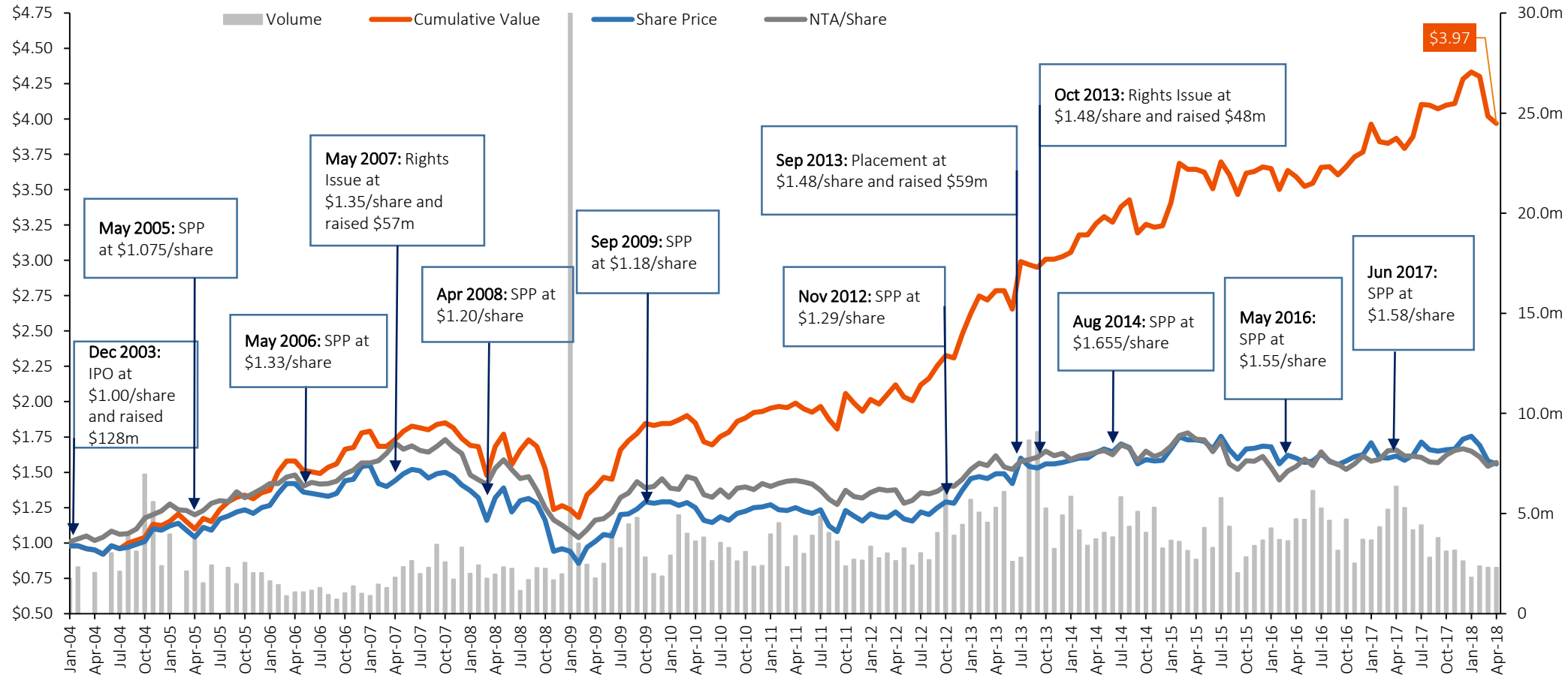
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HISTORY AND TRACK RECORD OF BKI

BKI Performance Over Time

Share Price and Cumulative Value¹



¹ Cumulative Value represents at any point in time, the cumulative holding of an investment from 31 December 2003 multiplied by BKI's share price at that point in time. The cumulative holding assumes the reinvestment of dividends at their Franked-up value

Source: BKI, Bloomberg. Figures include reinvestment of dividends and includes franking credits

CONCENTRATED PORTFOLIO

BKI offers investors a high conviction portfolio of 46 positions, with diversified sector exposure



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INVESTMENT PROCESS

BKI is focused on investing in stocks using the 5 basic fundamentals below as part of the stock selection process:

- 1** **Income** – Dividend Yields, Franking Credits, Pay Out Ratios, Dividend Growth
- 2** **Principal Activity** – Sustainable Business Model, Competitive Advantage, Barriers to Entry
- 3** **Debt Levels** – Gearing Ratios, Net Interest Coverage
- 4** **Management and Board** – Alignment, Board Meeting Attendance, Creating Shareholder Wealth
- 5** **Earnings and Valuations** – Earnings Profiles, PE Multiples, EV/EBITDA Multiples

Investment Committee – Final investment decisions are approved by the BKI Investment Committee

TOP 25 INVESTMENTS

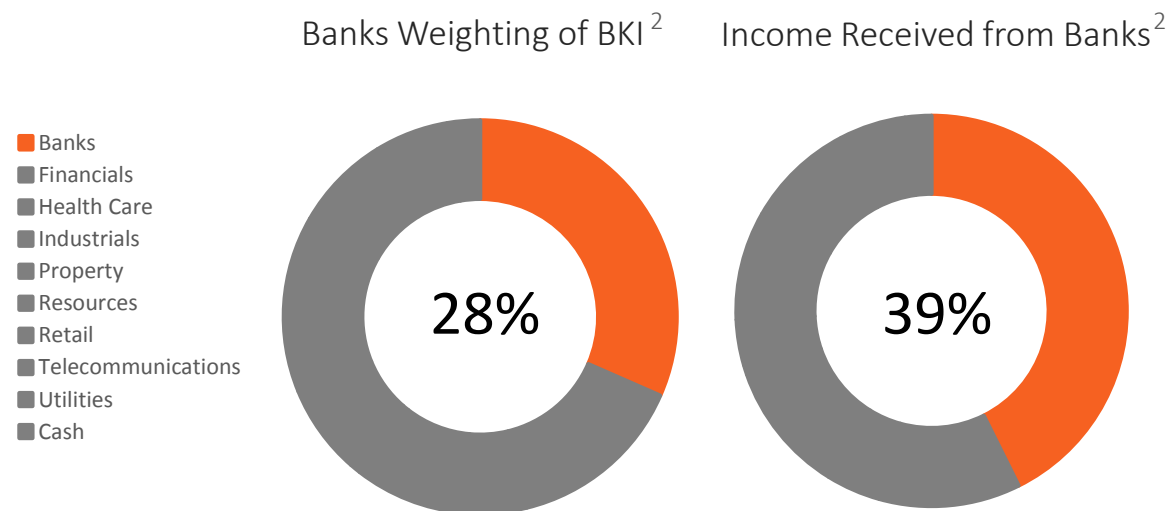
AS AT 30 APRIL 2018

<i>Stock</i>	<i>% of Total Portfolio</i>	<i>Stock</i>	<i>% of Total Portfolio</i>
1 National Australia Bank	8.2%	14 TPG Telecom	2.7%
2 Westpac Banking Corp	6.8%	15 Sydney Airport	2.7%
3 Commonwealth Bank	6.8%	16 IAG Limited	2.5%
4 Wesfarmers Limited	4.6%	17 ASX Limited	2.3%
5 ANZ Banking Group	4.3%	18 Ramsay Healthcare	2.2%
6 APA Group	3.3%	19 Sonic Healthcare	2.2%
7 New Hope Corporation	3.3%	20 ARB Corporation	2.0%
8 Woolworths Limited	3.1%	21 Invocare Limited	2.0%
9 Transurban	3.1%	22 Woodside Petroleum	2.0%
10 Macquarie Group	3.1%	23 Suncorp Group	1.7%
11 BHP Billiton	3.0%	24 Challenger Limited	1.6%
12 Telstra Corporation	3.0%	25 Flight Centre	1.5%
13 AGL Energy Limited	2.8%	Cash & Cash Equivalents	4.5%
		Total	85.3%

PORTFOLIO POSITIONING - FINANCIALS

Banking stocks continue to form a very important segment of the BKI Investment Portfolio. They provide good long term value as well as a very attractive and sustainable dividend stream.

As at 31 December 2017, the Top 4 banks trade on an average PE multiple of 12.9x, which represents a 22% discount to the S&P/ASX300 Index¹. The average Dividend Yield for the Top 4 banks is currently 6.0%, a 40% premium to the S&P/ASX300 Index¹.



*Income received from banks accounted for 39%
of BKI Dividend Income in 1H2018*

¹ As at 31 December 2017

² As at 31 December 2017

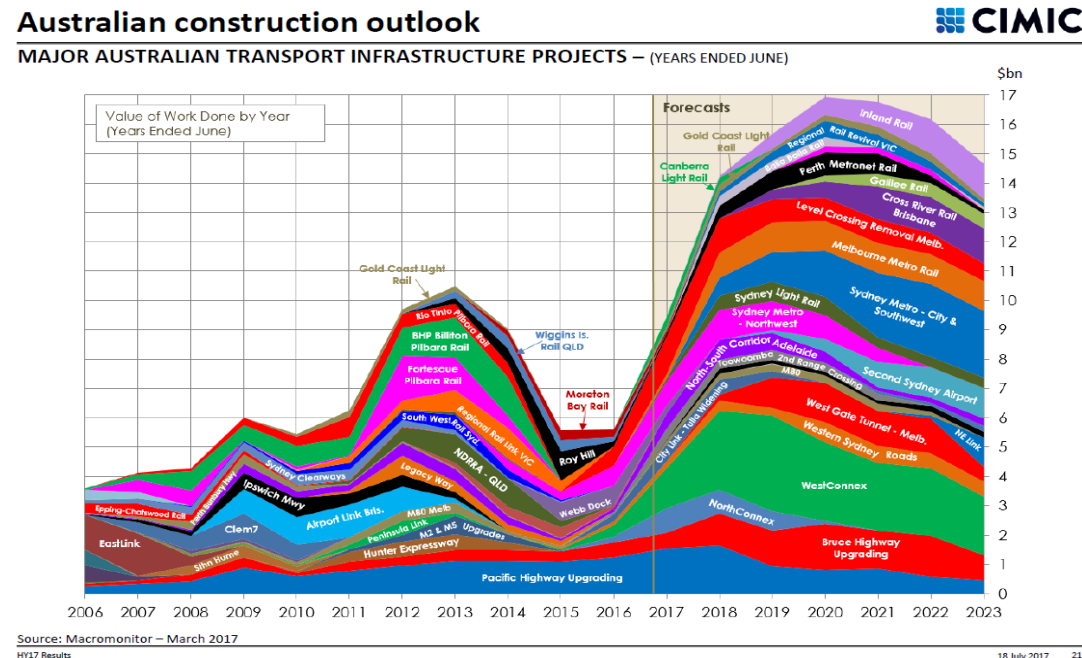
Source: BKI 1H2018 Results Presentation January 2018, Bloomberg

PORTFOLIO POSITIONING - INFRASTRUCTURE

Australia is undergoing a significant transformation thanks to federal and state government spending on major infrastructure projects.

The benefits of this spending will be captured by companies who have made long term infrastructure investments in industries including:

- Freight Road and Rail Networks
- Logistics Networks
- Gas and Energy Networks
- Communications Networks and Exchanges
- Airports
- Hospitals and Age Care Facilities



PORTFOLIO POSITIONING – INVESTMENT EXAMPLES

Commonwealth Bank



ARB Corporation



Woolworths Limited



Flight Centre Limited



Telstra Corporation



InvoCare Limited



RESEARCH AND RATINGS

*Strong recommendations from research houses and
good support from the broker and advisor community*



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RESEARCH AND RATINGS

Research and Ratings¹

Lonsec	RECOMMENDED	October 2017
IIR	RECOMMENDED PLUS	July 2017
Morningstar	NEUTRAL	October 2017
ThreeSixty	APPROVED PRODUCT LIST	

Broker/Advisor Research

Evans Dixon
Morgans
Bell Potter
Baillieu Holst
Patersons Securities

Lonsec



¹ Research and ratings are on BKI and not on the Offer

Source: BKI

ADDITIONAL INFORMATION

Shareholder presentations and contact details on how to invest



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MAIN SHAREHOLDER PRESENTATIONS

Melbourne

12.00pm

Monday 21st May 2018

Park Hyatt, 1 Parliament Square
Melbourne VIC

Sydney

12.00pm

Thursday 24th May 2018

Hyatt Regency, 161 Sussex Street
Sydney NSW

One-on-One Meetings may be available upon request
Please call Contact Asset Management; +61 2 9238 0522

Brisbane

12.00pm

Tuesday 29th May 2018

Hilton Hotel, 190 Elizabeth Street
Brisbane QLD

Adelaide

12.00pm

Wednesday 30th May 2018

Taylor Collison Office, Level 16, 211 Victoria Square
Adelaide SA

CONTACTS FOR THE OFFER

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Fax: (02) 9210 7099
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Legal Advisor:

Ashurst Australia

Level 11, 5 Martin Place
Sydney NSW 2000
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Fax: (02) 9258 6999
www.ashurst.com



Co-Manager:

Morgans Financial Limited

Michael Johnston
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BKI FACT SHEET

ASX Code	BKI.ASX
Listing Date	December 2003
Mandate	Australian Listed Equities
Investment Sectors	Diversified
Benchmark	S&P/ASX 300 Accumulation Index
Market Cap ¹	\$993m
Debt	\$0
Management Expense Ratio ²	0.17%
Performance Fee	N/A
Rolling 12 Month Dividend ³	7.325cps
Offer Price Dividend Yield ⁴	4.9%
Percentage Franked	100%
Annual Grossed Up Dividend Yield ⁵	7.0%
Dividend Distribution Frequency	Half Yearly
Dividend Reinvestment Plan	Active

¹ As at 4 May 2018

² MER as at 31 December 2017

³ Includes FY2017 Final Dividend of 3.70cps and FY2018 Interim Dividend of 3.625cps

⁴ Based on the Offer Price of \$1.50 and a rolling 12-month dividend of 7.325cps.

⁵ Based on the Offer Price of \$1.50, rolling 12-month dividend of 7.325cps and a tax rate of 30%

Investment Manager	
Contact Asset Management	
Level 1	
160 Pitt Street Mall	
Sydney NSW 2000	
(02) 9238 0522	

Research and Ratings	
Lonsec	Recommended
IIR	Recommended Plus
Morningstar	Neutral
ThreeSixty	Approved

Joint Lead Manager	
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