

# BKI INVESTMENT COMPANY LIMITED

2018 ANNUAL GENERAL MEETING



*BKI is managed by Contact Asset Management  
AFSL 494045*



# CHAIRMAN'S ADDRESS

2018 ANNUAL GENERAL MEETING



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Investors should consult their financial adviser in relation to any material within this document.

# NON EXECUTIVE DIRECTORS

<b>Robert Millner</b>	Chairman of the Board Chairman of the Investment Committee Member of the Remuneration Committee
<b>David Hall AM</b>	Independent Non-Executive Director Chairman of the Audit Committee Member of the Remuneration and Nomination Committee's
<b>Alex Payne</b>	Non-Executive Director Chairman of the Remuneration Committee Member of the Audit, Investment and Nomination Committee's
<b>Ian Huntley</b>	Independent Non-Executive Director Member of the Audit, Investment and Remuneration Committee's

# INVESTMENT MANAGER

**Tom Millner** Portfolio Manager – Contact Asset Management  
Member of the Investment Committee

**Will Culbert** Portfolio Manager – Contact Asset Management  
Member of the Investment Committee

**Rahul Tamilarasan** Investment Analyst – Contact Asset Management

**Jovana Gagic** Investment Analyst – Contact Asset Management

# COMPANY SECRETARIES

**Jaime Pinto**                      Company Secretary – Corporate Administration Services

**Larina Tcherkezian**            Company Secretary (Alternate) – Corporate Administration Services

# COMPANY AUDITOR

**Clayton Lawrence**              Company Auditor – MGI Sydney Assurance Services

# FY2018 RESULT HIGHLIGHTS


Income from Operating Activities

 **\$48.1m**  
**8%**  
from FY2017

Net Operating Result

 **\$44.2m**  
**6%**  
from FY2017


Earnings Per Share\*

 **7.10 cents**  
**3%**  
from FY2017

Management Expense Ratio

 **0.16%**  
**65%**  
from FY2008

Total Ordinary Dividend

 **7.325cps**  
**1%**  
from FY2017

Total Assets

 **\$1.2b**  
**11%**  
from FY2017

Dividend Yield<sup>#</sup>

**6.9%**

14Yr Total  
Shareholder Returns<sup>#</sup>

**10.3%<sub>pa</sub>**

Management Fee

**0.10%**

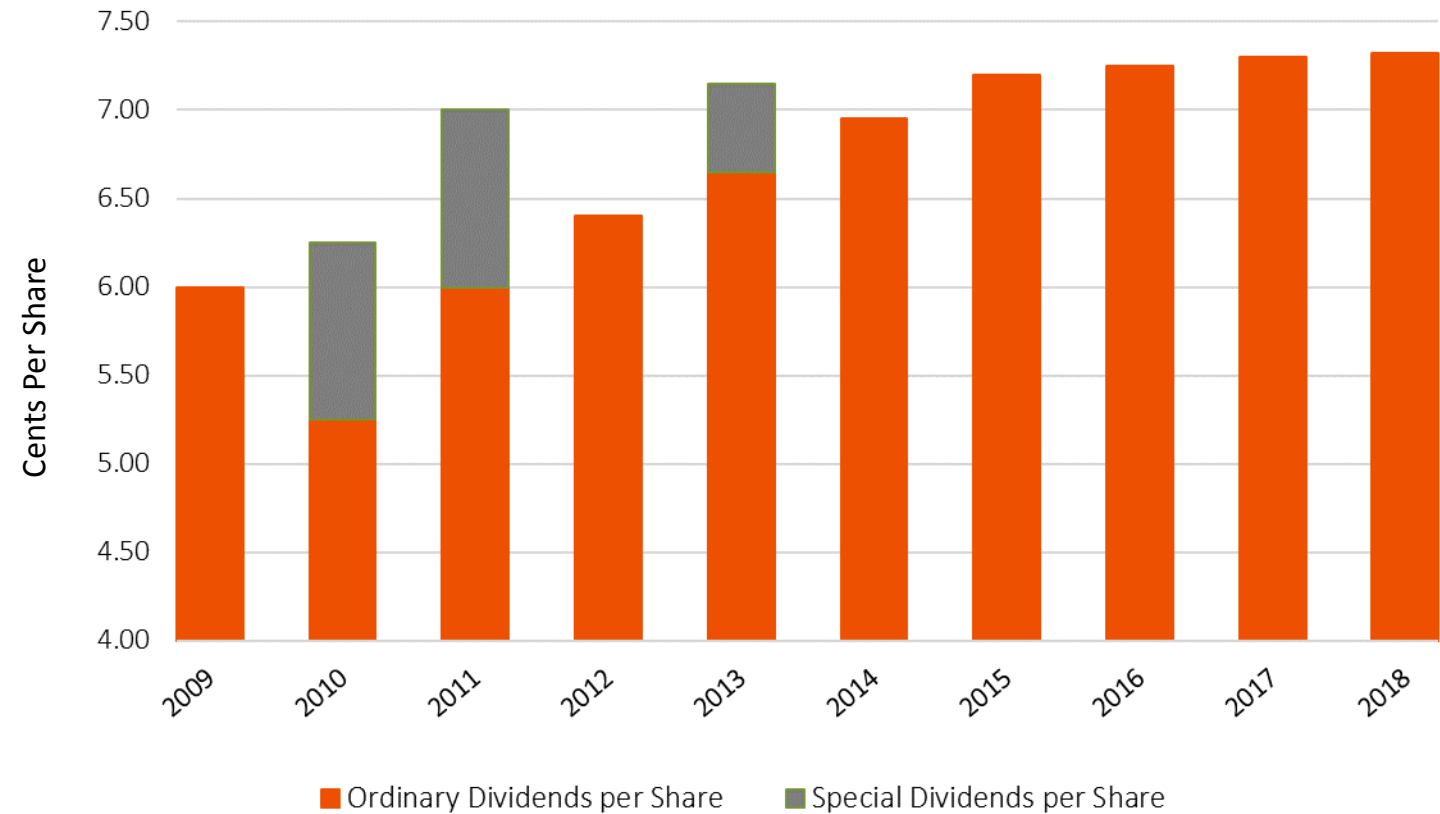
# FY2018 RESULT HIGHLIGHTS

	2018	2017	Growth
Income from Operating Activities*	\$48.1m	\$44.5m	8%
Net Operating Result*	\$44.2m	\$41.8m	6%
Earnings Per Share*	7.10cps	6.93cps	3%
Total Ordinary Dividend Per Share	7.325cps	7.30cps	1%



# BKI DIVIDENDS PAID TO SHAREHOLDERS

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



# ENTITLEMENT OFFER & SHORTFALL OFFER

1:15 non-renounceable pro-rata Entitlement Offer to eligible shareholders at an offer price of \$1.50 per share.

There was strong support with the Entitlement Offer and BKI Shortfall Offer raising approximately \$50 million.

## GENERAL OFFER

General Offer to new investors at \$1.50 per share.

There was strong support from new investors for the BKI Entitlement Offer, with the offer raising a total of \$104 million.

# INVESTMENT MANAGER'S ADDRESS

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# BENEFITS OF INVESTING WITH BKI



- ✓ **Fully Franked Dividends**  
6.9% Grossed up dividend yield#.
- ✓ **ASX Listed Investment Company**  
A simple, transparent investment vehicle that is readily realisable.  
14 year track record.
- ✓ **Low Fee Structure**  
Managed for 0.10%, no performance fee.
- ✓ **Attractive Returns**  
14 year Total Shareholder Return of 10.3%pa.
- ✓ **High Conviction Portfolio**  
46 positions, offering diversified sector exposure.
- ✓ **Size and Scale**  
Approx. 17,000 shareholders, Total Assets of \$1.2b.
- ✓ **Research and Ratings**  
Lonsec, IIR, Morningstar, ThreeSixty.

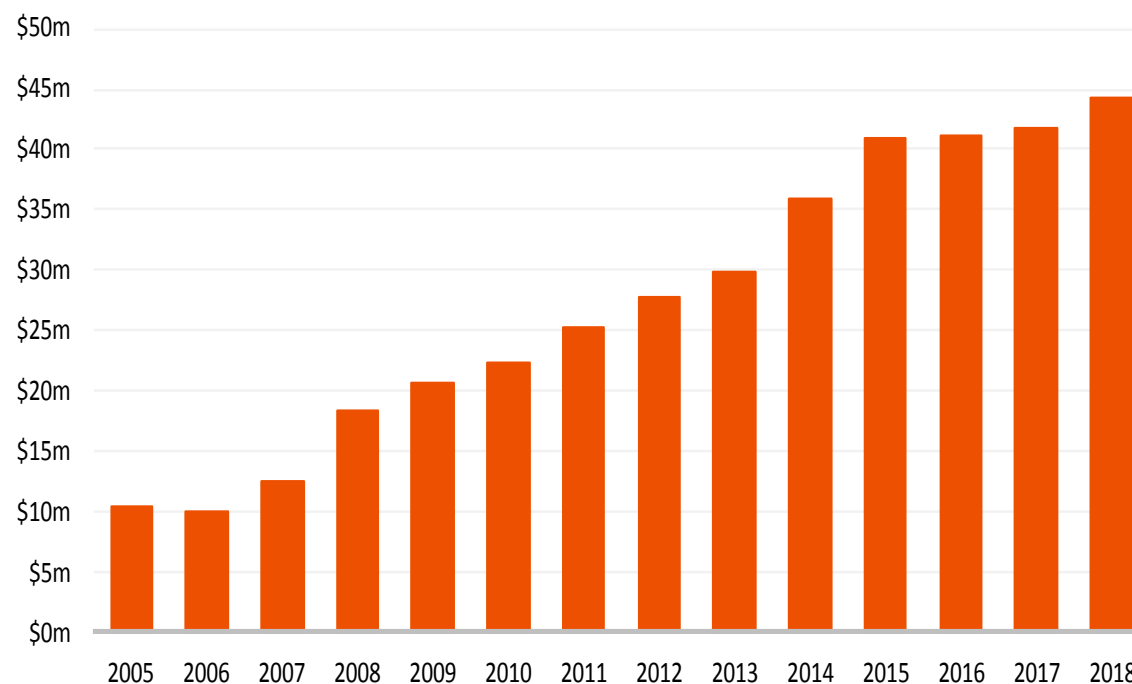
Dividend Yield# <b>6.9%</b>	Management Fee <b>0.10%</b>
14Yr Total Shareholder Returns <b>10.3%<sub>pa</sub></b>	Total Assets <b>\$1.2b</b>
<b>Lonsec</b> Recommended	 Recommended Plus

# NET OPERATING RESULTS

Net Operating Result before special investment revenue increased from \$41.8m to \$44.2m, while the Net Profit Attributable to Shareholders decreased 1% to \$45.0m.

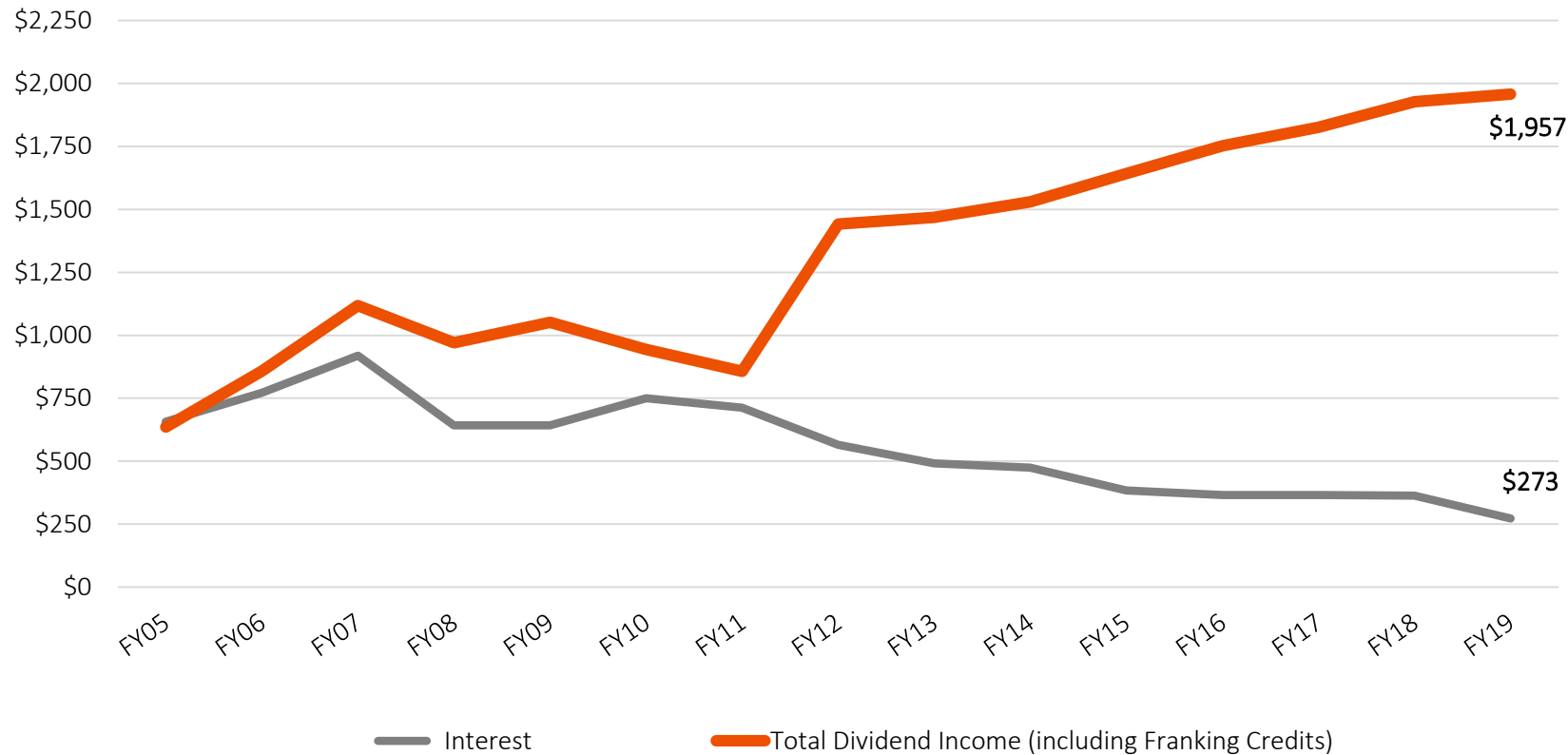
Full Year results were mainly driven by higher dividends received from New Hope Corporation, AGL Energy, BHP Billiton, Woolworths Limited, Sydney Airport, Flight Centre and Macquarie Group.

BKI received \$0.8m in special dividend income from Telstra Corporation as well as part consideration of Tabcorp's acquisition of Tatts Group.



# LONG TERM DIVIDEND INCOME

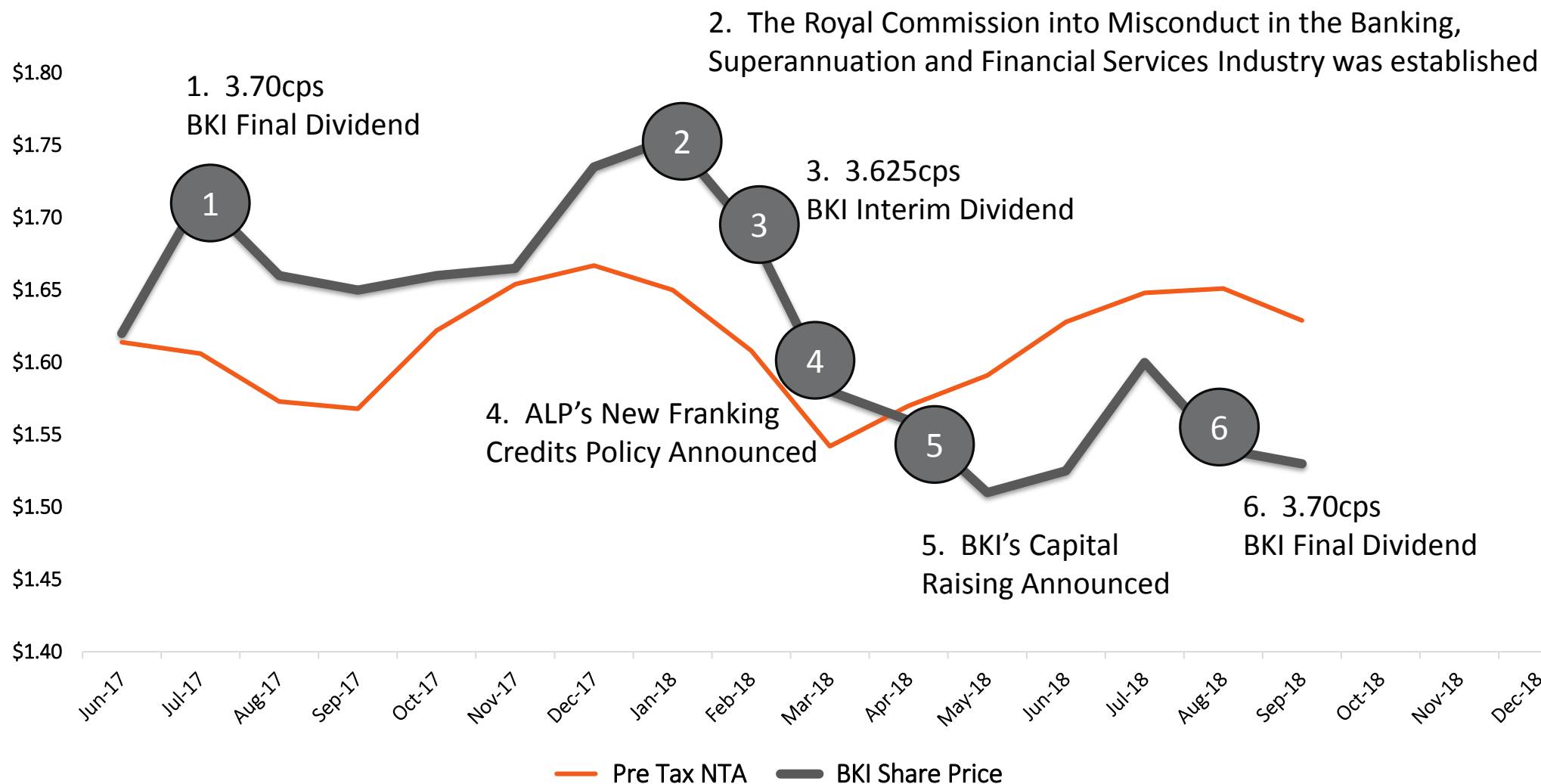
Dividends + Franking Credits received from a \$10,000 investment in BKI at IPO versus Bank Quarterly Interest.



*Highlights the opportunity of receiving a fully franked dividend in a falling interest rate environment.*

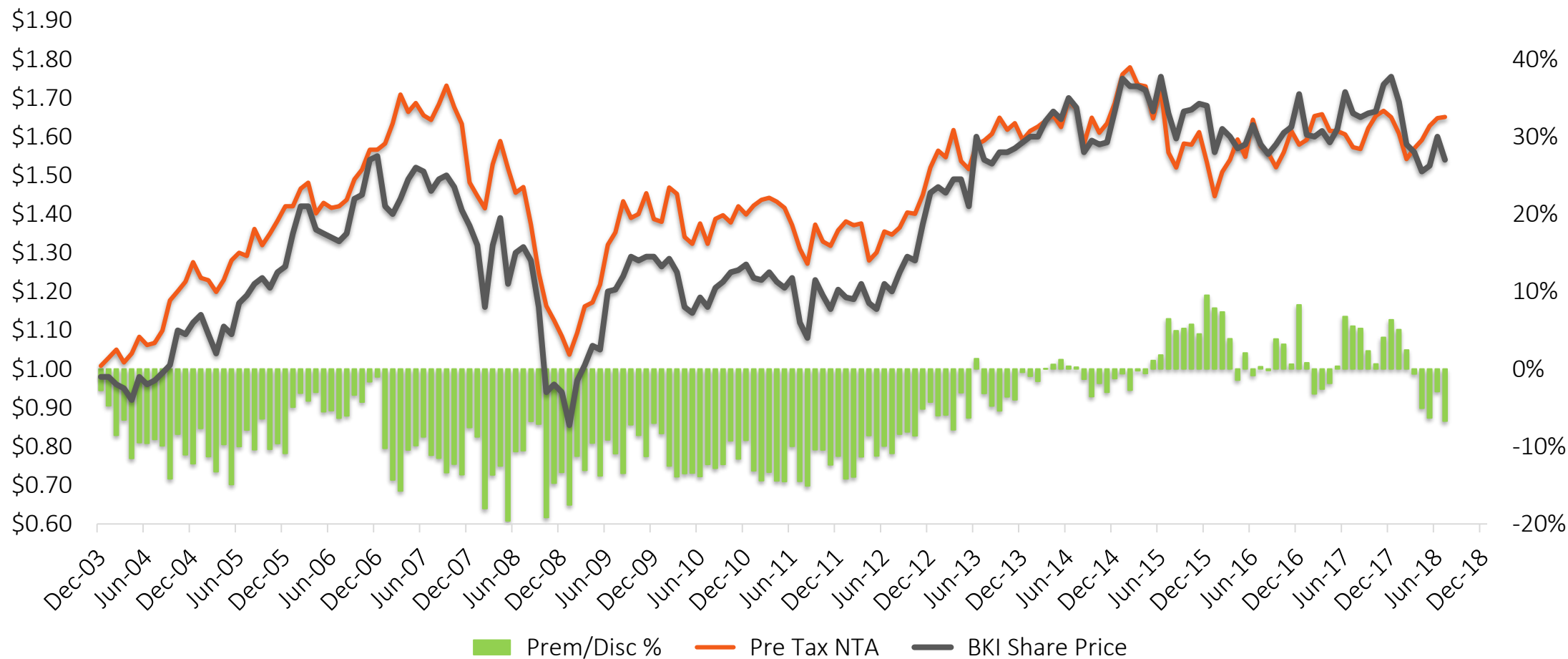


# TRACKING THE BKI SHARE PRICE



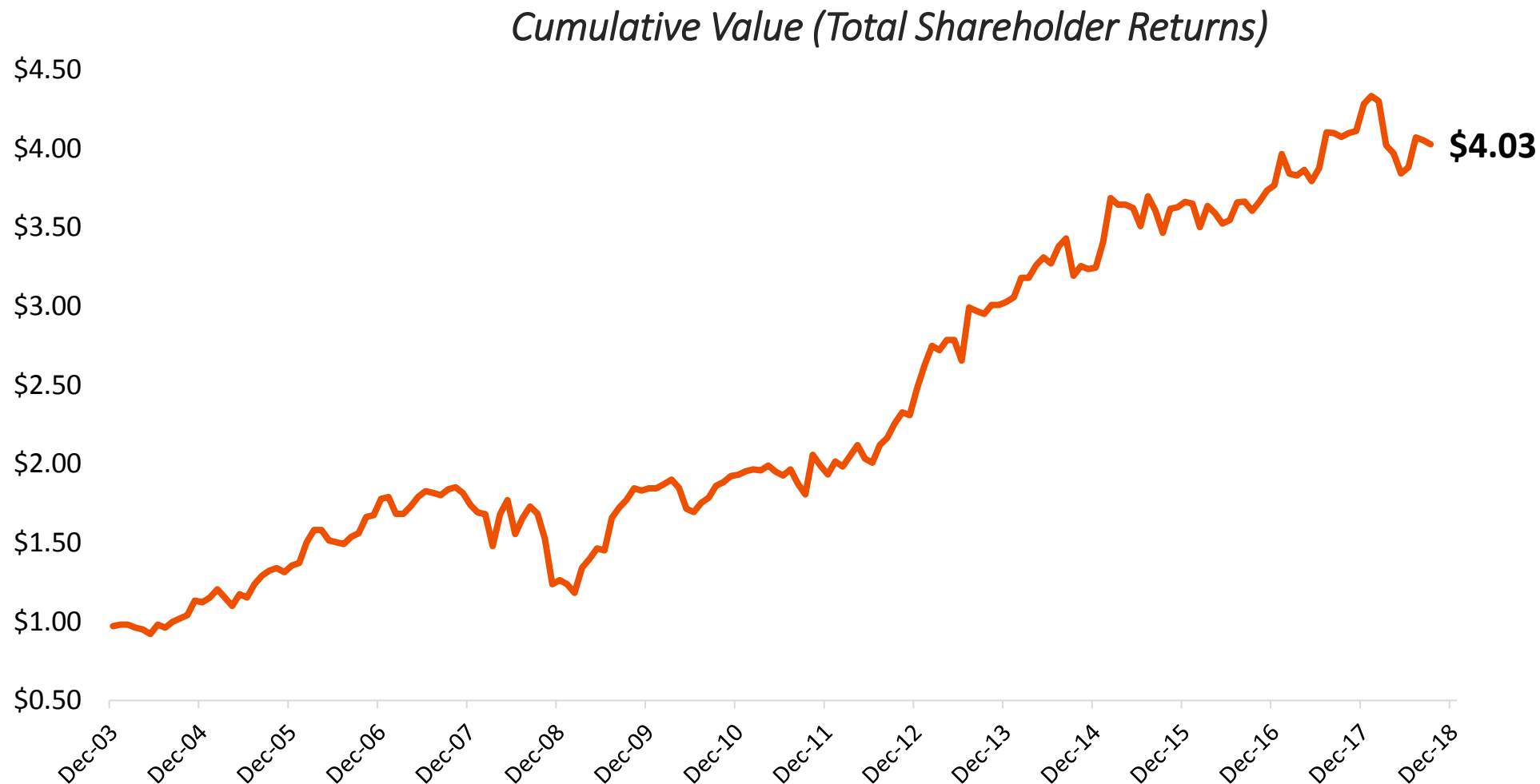
# PREMIUM/DISCOUNT TO NTA

In a market that is proving difficult to find value, BKI currently represents a good opportunity for investors to acquire assets at a discount to the Pre-Tax NTA.





# BKI PERFORMANCE SINCE LISTING



# PORTFOLIO POSITIONING

Investing for the long term in dividend yield, dividend growth and earnings growth.

## Investment Portfolio Purchases

1. Pendal Group
2. Tabcorp Holdings
3. Macquarie Group
4. BHP Limited
5. Ramsay HealthCare
6. Amcor Limited
7. APA Group
8. Transurban



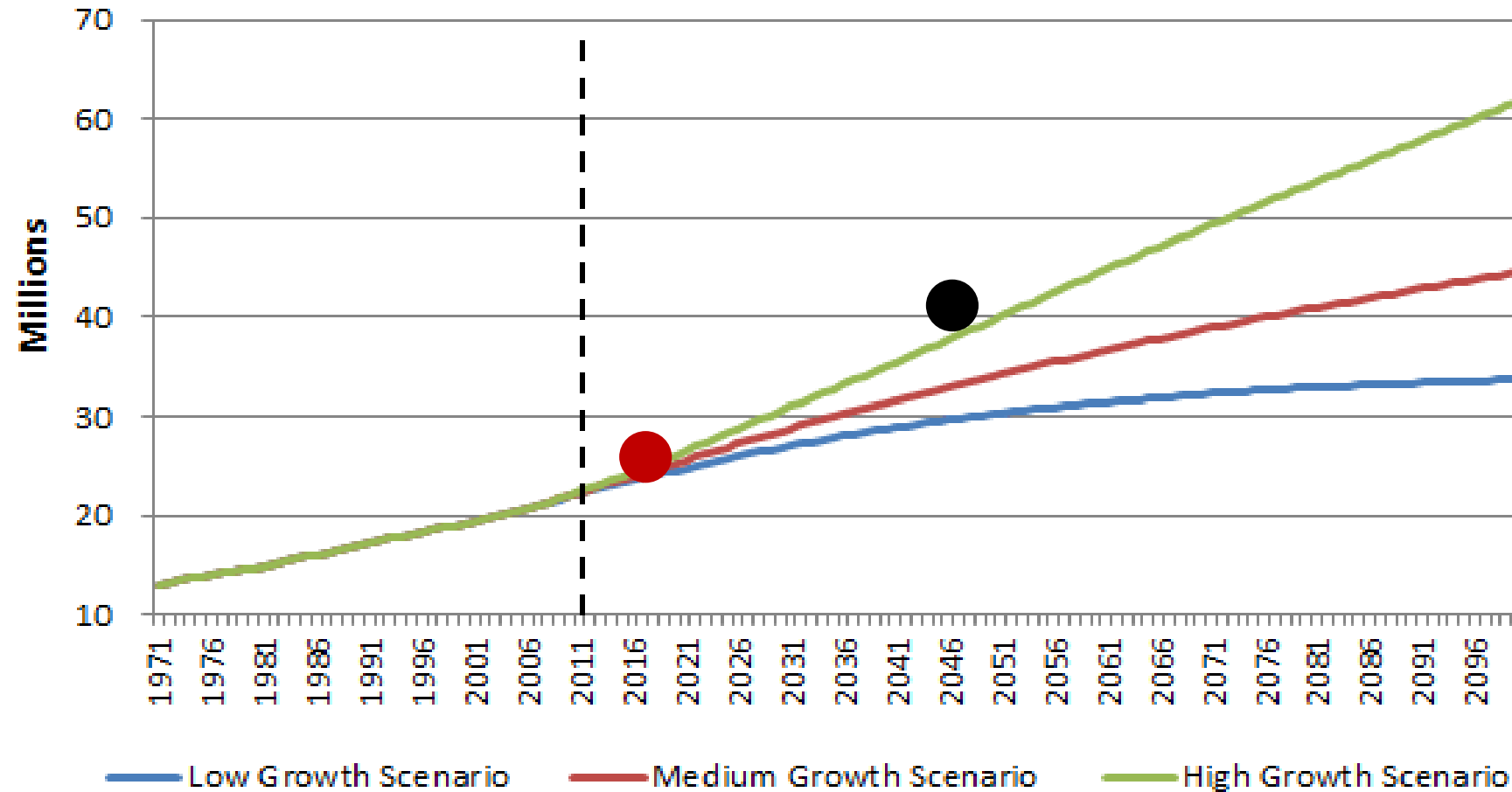
## New Portfolio Positions

1. Goodman Group
2. Harvey Norman Holdings
3. Inghams Group
4. EvansDixon



# POPULATION GROWTH

Australia's population is now expected to grow to **40 million** people by 2048



Value of Work Done by Year  
(Years Ended June)

Forecasts

Albion Park Bypass

Inland Rail

Regional Rail Revival VIC

Perth MetroNet Rail

Level Crossing Removal Melb.

Cross River Rail

Melbourne Metro Rail

Sydney Metro - City & Southwest

Sydney Light Rail

Adelaide

West Gate Tunnel - Melb.

Western Sydney Roads

WestConnex

Bruce Highway Upgrading

NorthConnex

Cy-Uak - Tula widening

North-Tyler Corridor

Sydney Metro Northwest

Adelaide 2nd Stage Corridor

WestConnex 2nd Stage Corridor

NE Link Melbourne

South West Rail Trd

Regional Rail Line VIC

NOREA - QLD

Legacy Way

M80 Melb

Terminus Link

M2 & M5 Upgrades

Hunter Expressway

Pacific Highway Upgrading

Webb Dock

Roy Hill

Moreton Bay Rail

Wiggins Island Rail QLD

Gold Coast Light Rail

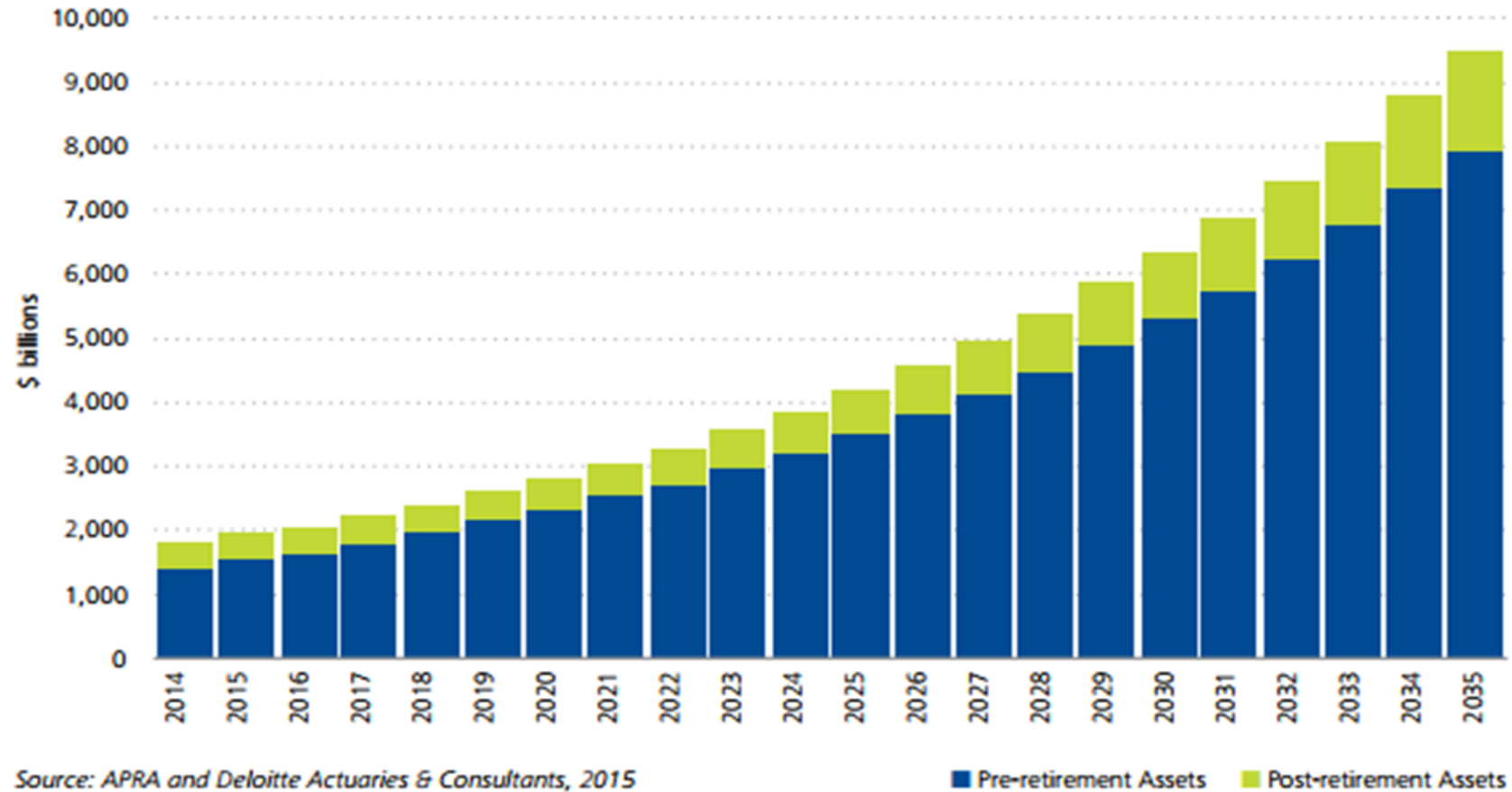
Canberra Light Rail

NorthLink

Logan Enhancement

# FUNDS GROWTH

The growth in superannuation assets in Australia out to the year 2035, is also going to be substantial.



# 1Q FY2019 UPDATE

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# PORTFOLIO POSITIONING

## Main Investment Portfolio Purchases (FY19 to date)

- BHP Limited
- Woodside Petroleum
- Platinum Asset Management
- Transurban Group
- Magellan Financial Group
- Commonwealth Bank
- Ramsay Healthcare
- Woolworths Limited



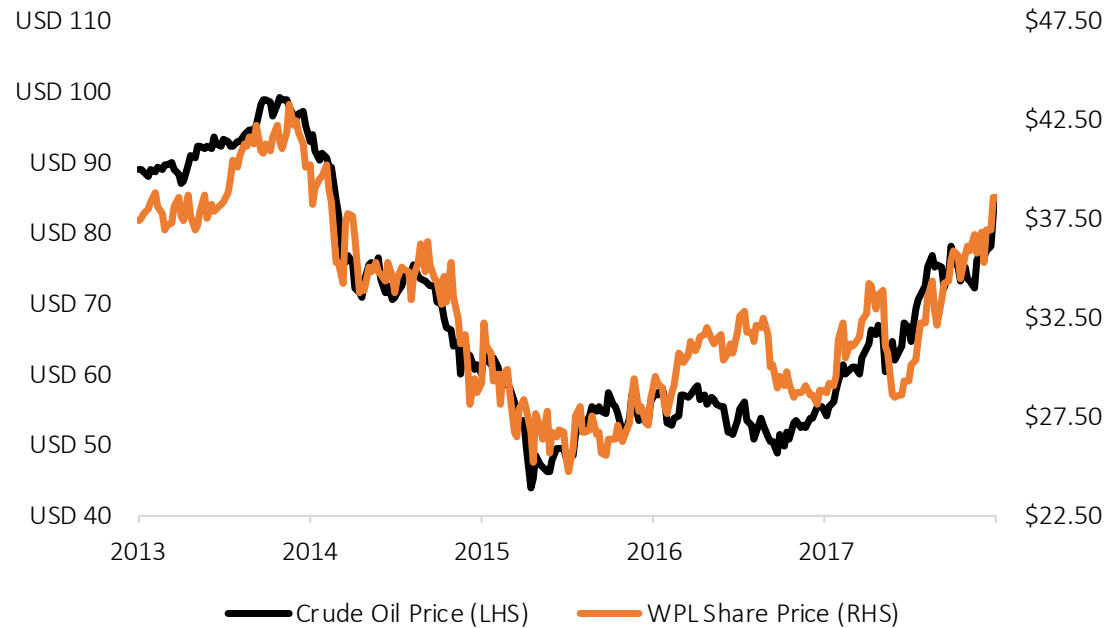
# WOODSIDE PETROLEUM LIMITED (WPL.ASX)

BKI Criteria	Investment Attributes
Income	WPL offers a growing income stream and an attractive grossed up dividend yield of 8.5%. Payout ratio is c. 80%.
Principal Activity	WPL explores for and produces oil and gas from offshore and onshore facilities located in Australia and abroad. Its products include LNG, domestic gas, condensate and crude oil.
Financial Strength	WPL is conservatively geared (15%). The company is expected to spin off significant free cash flow in the coming years.
Management	WPL boasts a very capable management team led by Peter Coleman with a reasonable amount of alignment with shareholders.
Valuation	Buoyant oil prices bode well for WPL. The company is investing in growth which will underpin future earnings. WPL is trading at 14 times next years earnings. We see further upside in the stock.

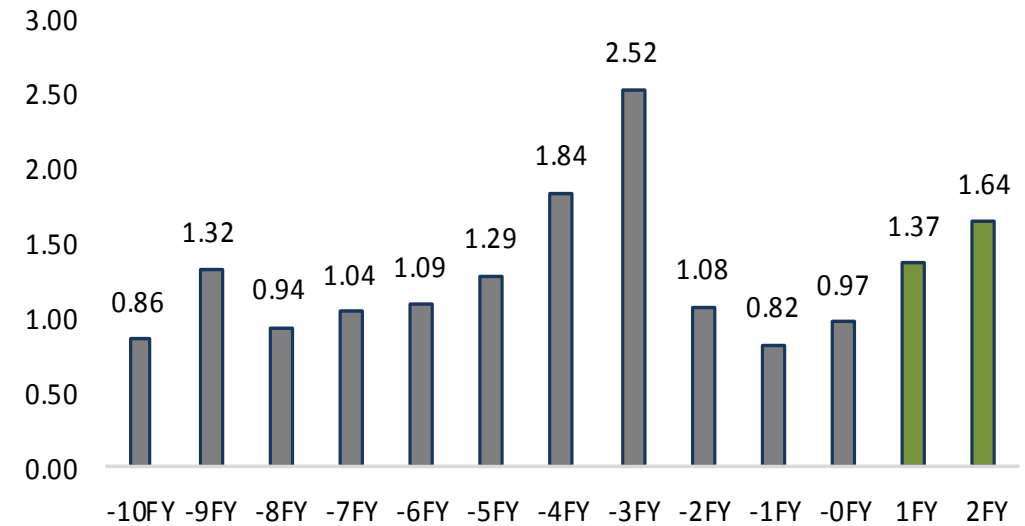


# WOODSIDE PETROLEUM LIMITED (WPL.ASX)

WPL: Share Price vs Crude Oil Price



WPL: Dividend History & Outlook



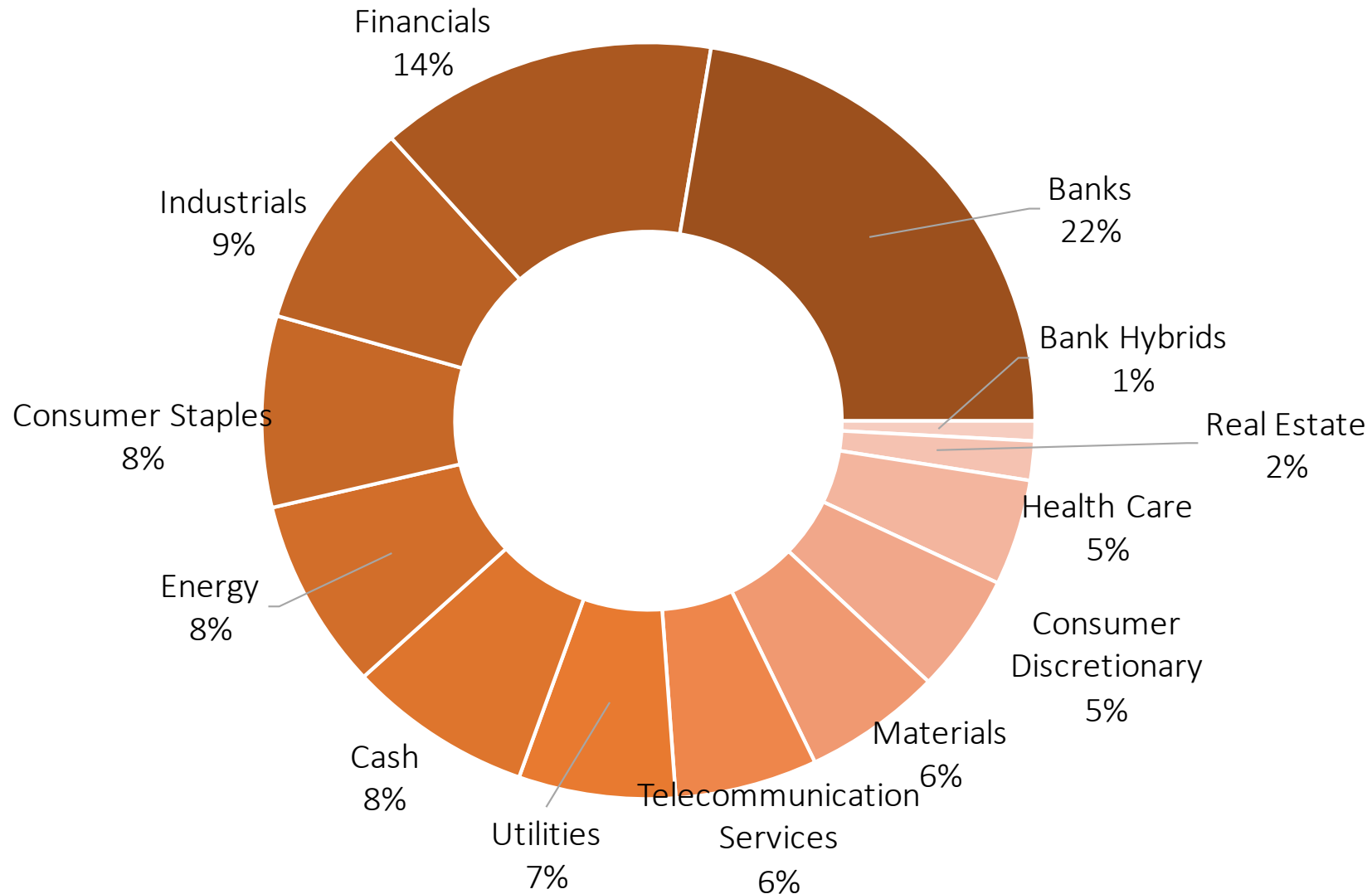
# PORTFOLIO POSITIONING

As at 30 September 2018

	<i>Stock</i>	<i>% of Total Portfolio</i>		<i>Stock</i>	<i>% of Total Portfolio</i>
1	National Australia Bank	6.5%	14	Telstra Corporation	2.5%
2	Commonwealth Bank	6.0%	15	Sydney Airport	2.5%
3	Westpac Banking Corp	5.5%	16	AGL Energy Limited	2.4%
4	New Hope Corporation	4.9%	17	IAG Limited	2.2%
5	Wesfarmers Limited	4.7%	18	ASX Limited	2.1%
6	APA Group	4.1%	19	Ramsay Healthcare	2.0%
7	BHP Limited	3.9%	20	Sonic Healthcare	1.9%
8	ANZ Banking Group	3.7%	21	Invocare Limited	1.7%
9	TPG Telecom	3.5%	22	ARB Corporation	1.5%
10	Transurban Group	3.3%	23	Suncorp Group	1.5%
11	Macquarie Group	3.2%	24	Challenger Limited	1.4%
12	Woolworths Limited	3.0%	25	Flight Centre	1.2%
13	Woodside Petroleum	2.8%		Cash & Cash Equivalents	7.6%
				<b>Total</b>	<b>85.6%</b>

# PORTFOLIO POSITIONING

As at 30 September 2018

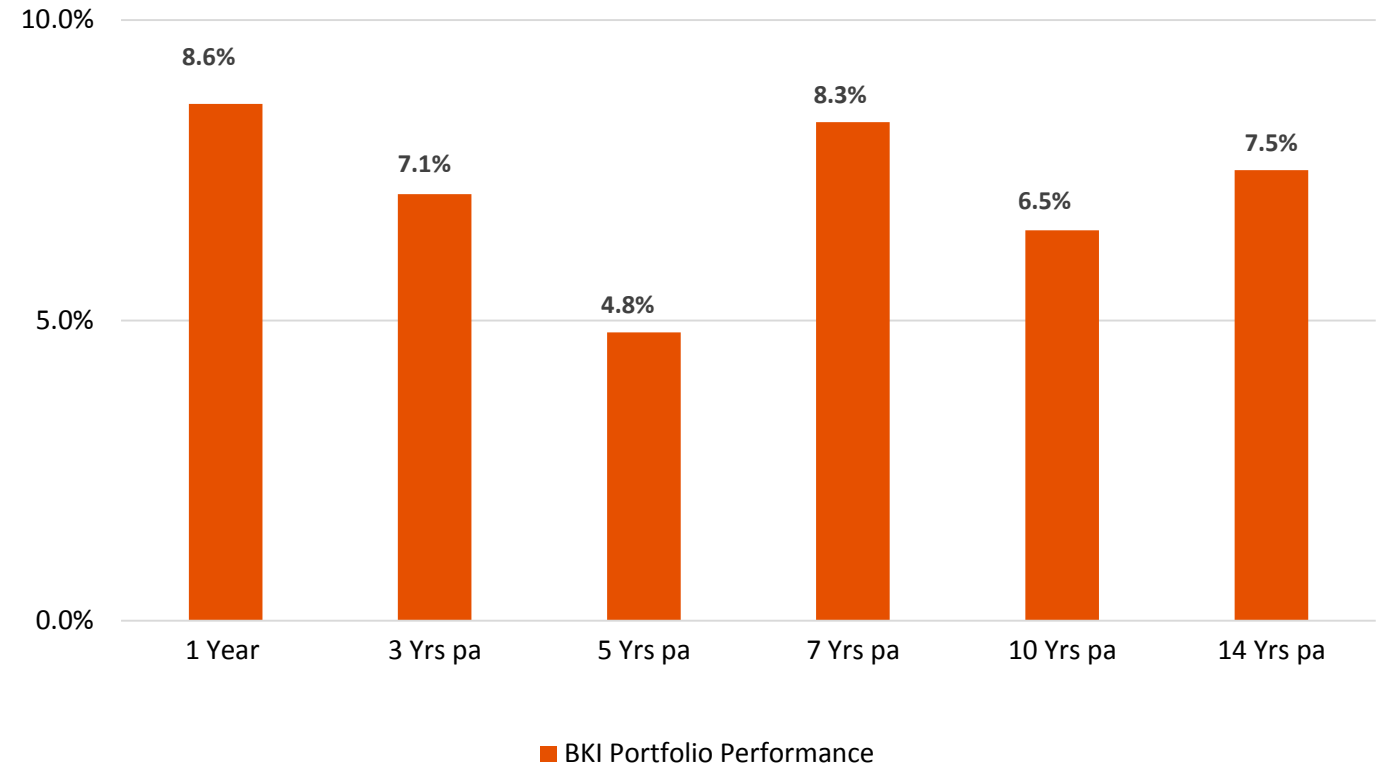


# BKI Portfolio Performance

BKI's Portfolio Performance for the year to 30 September 2018 was 8.6%.

BKI's 14 year Portfolio Performance was 7.5% per annum as at 30 September 2018.

BKI's Total Shareholder Return including franking credits for 14 years was 10.3% per annum as at 30 September 2018.



# FY2019 Update

The unaudited Income from Operating Activities and Operating Result after Tax (Before Special Investment Revenue) for FY2019 is expected to be higher than last year.

To date, several companies have announced Special Dividends or other capital initiatives.

Barring a material market correction or downturn in broader business expectations, BKI is confident of at least maintaining the Interim and Final Ordinary Fully Franked Dividends during FY2019.

Company	Capital Management Initiatives Announced or Expected
APA Group	Additional distribution (4cps/month) if scheme implementation exceeds 31 December.
IAG Ltd	Return of capital (total c. \$590m).
Ingham's Group	Return of Capital (\$125 million).
QUBE Logistics	Special dividend (2cps).
Suncorp Group	Special dividend (8cps) and Return of capital (c.\$600m).
TPG Telecom	Potential special dividend from Vodafone merger.
Woolworths Ltd	Special Dividend (10cps).

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# PROXIES

Valid proxies representing approximately 118 million shares or 19% of the Company's issued capital have been received.

# 1. ANNUAL REPORT

## Item 1

To receive and consider the Annual Financial Report and the reports of the Directors and of the Auditor for the financial year ended 30 June 2018.

This item does not require voting by shareholders. It is intended to provide an opportunity for shareholders to raise questions on the reports themselves and on the performance and management of the Company.

The Auditors of the Company are present and will be able to answer any questions.



## 2. REMUNERATION REPORT

### Resolution 1

To adopt the Remuneration Report for the year ended 30 June 2018.

Note: Pursuant to section 250R(3) of the Corporations Act the vote on this Resolution is advisory only and does not bind the Directors or the Company. However, certain provisions of the Corporations Act, known as the “two strikes” rule, come into effect if the Remuneration Report Resolution receives “against” votes of 25% or more of the votes cast at two consecutive Annual General Meetings.

## 2. REMUNERATION REPORT

### Resolution 1

To adopt the Remuneration Report for the year ended 30 June 2018.

Proxies received and accepted for Resolution 1 appearing on the Notice of Meeting

To adopt the Remuneration Report for the year ended 30 June 2018	For	Against	Open	Abstain
Votes	90,041,728	6,584,240	7,875,456	1,036,837
% of Valid Available Votes	86.16%	6.30%	7.54%	

### 3. RE-ELECTION OF DIRECTOR

#### Resolution 2

To re-elect by ordinary resolution as a Director, Mr RD Millner; who ceases to hold office in accordance with the Company's Constitution Rule 6.3(c) and, being eligible, offers himself for re-election.

### 3. RE-ELECTION OF DIRECTOR

#### Resolution 2

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Re-Election of Director Mr RD Millner	For	Against	Open	Abstain
Votes	108,257,792	1,173,584	7,868,751	310,376
% of Valid Available Votes	92.29%	1.00%	6.71%	

## 4. RE-ELECTION OF DIRECTOR

### Resolution 3

To re-elect by ordinary resolution as a Director, Mr IT Huntley; who ceases to hold office in accordance with the Company's Constitution Rule 6.3(c) and, being eligible, offers himself for re-election.

## 4. RE-ELECTION OF DIRECTOR

### Resolution 3

To re-elect by ordinary resolution as a Director, Mr IT Huntley; who ceases to hold office in accordance with the Company's Constitution Rule 6.3(c) and, being eligible, offers himself for re-election.

Re-Election of Director Mr IT Huntley	For	Against	Open	Abstain
Votes	109,035,337	483,036	7,829,079	263,051
% of Valid Available Votes	92.92%	0.41%	6.67%	

## 5. APPROVAL TO REFRESH THE COMPANY'S 15% PLACEMENT CAPACITY

### Resolution 4

That the issue of 69,751,983 fully paid ordinary shares by the Company under the General Offer announced on 9 May 2018, on the terms and conditions summarised in the Explanatory Notes to this Notice of Meeting and set out in the transaction specific prospectus issued by the Company dated 9 May 2018, is ratified for all purposes including for the purpose of ASX Listing Rule 7.4.

## 5. APPROVAL TO REFRESH THE COMPANY'S 15% PLACEMENT CAPACITY

### Resolution 4

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APPROVAL TO REFRESH THE COMPANY'S 15% PLACEMENT CAPACITY	For	Against	Open	Abstain
Votes	104,344,076	4,799,945	7,929,043	537,439
% of Valid Available Votes	89.13%	4.10%	6.77%	



## 6. OTHER MATTERS

To consider any other matters that may be brought before the meeting in conformity with the Company's Constitution.

## CONCLUSION OF THE MEETING

I now move to the final part of the meeting and there being no other business of which due notice has been given, I would like to thank shareholders for their attendance and declare the meeting closed.