

NTA AND MONTHLY REPORT

October 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 October 2018, BKI's fully franked dividend yield was 4.8% (based on the immediate past 12 month rolling dividend** and share price of \$1.535), while the grossed up yield was 6.8%# (tax rate of 30%).



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

Pre-Tax Net Tangible Assets: \$1.53

Post-Tax Net Tangible Assets: \$1.46

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 | \$1,117m |
| Investment Portfolio | \$1,021m |
| Cash & Cash Equivalents | \$93m |
| Total Portfolio Including Cash | \$1,114m |
| Debt | \$0 |
| MER* | 0.16% |
| Performance Fee | N/A |
| Rolling 12 Month Dividend** | 7.325cps |
| Historical Dividend Yield | 4.8% |
| Percentage Franked | 100% |
| Grossed Up Yield# | 6.8% |
| DRP | Active |
| Share Price | \$1.535 |

Net Tangible Assets (NTA)

| | |
|--------------|--------|
| Pre Tax NTA | \$1.53 |
| Post Tax NTA | \$1.46 |

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

Dividend Yield

6.8%

Grossed up# as at 31 October 2018

Management Expense Ratio

0.16%

As at 30 June 2018

14Yr Total Shareholder Returns

10.2% pa

As at 31 October 2018

Total Assets

\$1,131m

As at 31 October 2018

**No
Performance
Fees**

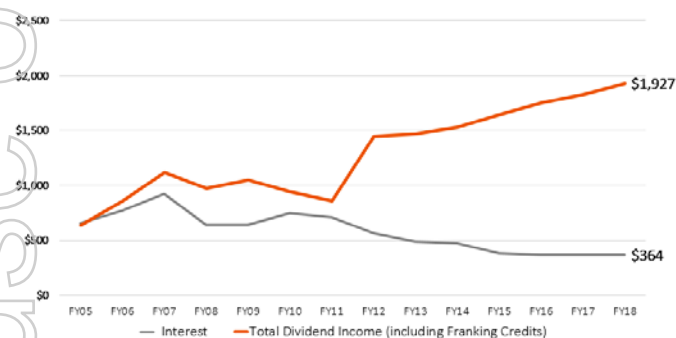
**~17,000
Shareholders**

BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868

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 \$1,340pa. The franking credits enhance the income by a further \$587, assuming a tax rate of 30%. The same investment in a term deposit (based on the cash rate + 0.50%) would be earning \$364pa with no franking credits.



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

Contact Us

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|--------------|--|
| Web | www.bkilimited.com.au |
| E-Mail | info@bkilimited.com.au |
| Tom Millner | 0408 754 180 |
| Will Culbert | 0410 627 378 |
| Jaime Pinto | 02 9210 7000 |

| Company | % of Total Portfolio |
|---|----------------------|
| 1 National Australia Bank | 6.3% |
| 2 Commonwealth Bank | 6.2% |
| 3 Westpac Banking Corporation | 5.6% |
| 4 Wesfarmers Limited | 4.7% |
| 5 New Hope Corporation | 4.4% |
| 6 APA Group | 4.2% |
| 7 BHP Billiton | 3.9% |
| 8 ANZ Banking Group | 3.6% |
| 9 Transurban Group | 3.6% |
| 10 Woolworths Limited | 3.2% |
| 11 Macquarie Group | 3.1% |
| 12 TPG Telecom | 3.1% |
| 13 Woodside Petroleum | 2.7% |
| 14 Telstra Corporation | 2.6% |
| 15 Sydney Airport | 2.5% |
| 16 AGL Energy Limited | 2.4% |
| 17 Ramsay Healthcare | 2.2% |
| 18 ASX Limited | 2.1% |
| 19 IAG Limited | 2.1% |
| 20 Sonic Healthcare | 1.8% |
| 21 Invocare Limited | 1.8% |
| 22 Suncorp Group | 1.5% |
| 23 ARB Corporation | 1.5% |
| 24 Challenger Limited | 1.4% |
| 25 Flight Centre | 1.1% |
| Cash and cash equivalents | 8.3% |
| Total of top 25 plus Cash and cash equivalents | 85.9% |

| BKI Performance | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years | 14 Years |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| 31 October 2018 | (pa) | (pa) | (pa) | (pa) | (pa) | (pa) |
| S&P/ASX 300 Accumulation Index | 2.9% | 8.2% | 6.0% | 9.1% | 8.5% | 7.7% |
| BKI Total Shareholder Returns (TSR) | -3.3% | 1.8% | 4.1% | 8.0% | 8.0% | 8.0% |
| BKI TSR Outperformance vs Index | -6.2% | -6.4% | -1.9% | -1.1% | -0.5% | 0.3% |
| BKI Portfolio Performance | -1.4% | 3.5% | 3.0% | 6.2% | 6.9% | 6.5% |
| BKI Portfolio Outperformance vs Index | -4.3% | -4.7% | -3.0% | -2.9% | -1.6% | -1.2% |
| S&P/ASX 300 Accumulation Index – 80% franked | 4.4% | 9.8% | 7.5% | 10.7% | 10.2% | 9.4% |
| BKI Total Shareholder Returns – 100% Franked | -1.4% | 3.7% | 6.1% | 10.1% | 10.2% | 10.2% |

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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