

BKI INVESTMENT COMPANY LIMITED

2019 ANNUAL GENERAL MEETING



*BKI is managed by Contact Asset Management
AFSL 494045*



CHAIRMAN'S ADDRESS

2019 ANNUAL GENERAL MEETING



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Good Morning Ladies and Gentlemen

I would like to welcome you to the 16th Annual General Meeting of BKI Investment Company Limited and thank you for your attendance.

My name is Robert Millner, and I am Chairman of BKI.

It is now 11am and as a quorum is present I declare the 2019 Annual General Meeting of BKI Investment Company Limited open.

DISCLAIMER

This material has been prepared by Contact Asset Management on behalf of BKI Investment Company Limited.

The information within this document is not intended to provide advice to investors or take into account an individual's financial circumstances or investment objectives. This is general investment advice only and does not constitute advice to any person. The opinions within this document are not intended to represent recommendations to investors, they are the view of Contact Asset Management and BKI Investment Company Limited as of this date and are accordingly subject to change.

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



NON EXECUTIVE DIRECTORS

Robert Millner	Chairman of the Board Chairman of the Investment Committee Member of the Remuneration and Nomination Committee
David Hall AM	Independent Non-Executive Director Chairman of the Audit Committee Member of the Remuneration and Nomination Committees
Alex Payne	Non-Executive Director Chairman of the Remuneration Committee Member of the Audit and Investment Committees
Ian Huntley	Independent Non-Executive Director Member of the Audit, Investment, Remuneration and Nomination Committees



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Before turning to my Chairman's Address I would like to introduce my fellow Directors:

Mr David Hall AM

Mr Alex Payne

and

Mr Ian Huntley

INVESTMENT MANAGER

Contact Asset Management

Tom Millner	Portfolio Manager - Member of the Investment Committee
Will Culbert	Portfolio Manager - Member of the Investment Committee
Rodney Forrest	Senior Investment Analyst
Jovana Gagic	Investment Analyst
Jared Tilley	Investment Analyst
Charlie Kingston	Investment Analyst
Rob Horne	Investment Analyst



I would also like to welcome and introduce the Portfolio Managers and analysts from Contact Asset Management Tom, Will, Rod, Jov, Jared, Charlie and Rob.

COMPANY SECRETARIES

Corporate Administration Services

Jaime Pinto Company Secretary

Larina Tcherkezian Company Secretary (Alternate)

COMPANY AUDITOR

MGI Sydney Assurance Services

Clayton Lawrence Company Auditor



From CAS we have our Company Secretary, Jaime and Financial Controller, Larina.

As well as our Auditor from MGI, Mr Clayton Lawrence.

15 YEAR REVIEW

During FY2019, BKI reached the milestone of trading on the ASX for 15 years.
As at 30 June 2019.



Liquidity

BKI's shareholder base has grown from 7,832 in 2003 to 17,604.



Size & Scale

BKI's Total Assets have increased from \$171m from listing to \$1.3b.



Dividend History

BKI has paid out over \$640m or \$1.02 per share in Dividends & Franking Credits to Shareholders since listing.



Fully Franked Dividend Yield[#]

BKI trading on a 6.7% Grossed-Up dividend yield.



Capital Management

Since listing, BKI has distributed 7 Fully Franked Special Dividends to Shareholders.



Low Fee Structure

MER has reduced from 0.69% in 2003 to 0.17% in 2019, including a Management Fee of 0.10%.



Research & Ratings

Lonsec and Morningstar



Attractive Returns

10 year TSR of 11.6%pa[#]
15 year TSR of 10.4%pa[#]



High Conviction Portfolio

46 positions, offering a diversified sector exposure.



7 Note: # Includes franking credits, based on a tax rate of 30%.

During FY2019, BKI reached the milestone of trading on the ASX for 15 years.

Over that time the company has achieved quite a lot. Shareholder numbers, the size and scale of BKI, as well as the liquidity of shares traded have all increased. This company has grown assets from \$171 million at listing to over \$1.3 billion today.

BKI has always offered an attractive yield and Directors have conducted multiple capital management initiatives, with the payment of 7 special dividends. In total, we have paid over \$640 million in dividends and franking credits to shareholders, which equates to \$1.02 per share.

Many of our shareholders trust us with their life savings through their superannuation and pension funds. In turn the Board and Management have always kept fees low and the company has continued to produce attractive performance numbers. Even through some very difficult times such as the GFC With all this being reflected in some very pleasing research reports and ratings from research houses Morningstar and Lonsec in particular.

RESULT HIGHLIGHTS

Result Excluding Special Investment Income	2019	2018	Growth
Income from Operating Activities	\$54.3m	\$48.1m	13%
Net Operating Result	\$49.2m	\$44.2m	11%
Earnings Per Share	6.75cps	7.10cps	-5%
Dividend Per Share	7.325cps	7.325cps	In Line

Result Including Special Investment Income	2019	2018	Growth
Net Operating Profit	\$74.7m	\$45.0m	66%
Earnings Per Share	10.26cps	7.23cps	42%
Special Dividend Per Share	2.50cps	Nil	

Total Dividends Per Share	9.825cps	7.325cps	34%
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Note: Special Investment income include: BHP Off Market Buy-Back, CTX Off Market Buy-Back, WES Demerger Dividend, BHP Special Dividend, two TLS Special Dividends, QUB Special Dividend, IAG Special Dividend, two SUN Special Dividends, MLT Special Dividend, WES Special Dividend and WOW Special Dividend.



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Investors' chase for growth has continued, resulting in 2019 being a turbulent year for markets. The S&P/ASX 300 Accumulation Index increased by 11.4% over the year. However, it was a tale of two halves, with the market dropping 7.0% between July and December 2018, before rallying an incredible 19.8% between January and June 2019.

We have been able to deliver another solid result for our shareholders in a market dominated by volatility and uncertainty. The Net Operating Result before special investment revenue increased from \$44.2 million to \$49.2 million, an increase of 11%. Basic Earnings per Share before special investment revenue was 6.75cps compared to 7.10cps last year, as the number of issued shares increased significantly following the 2018 entitlement offer.

Positive contributors to the BKI result included increased dividends from Woodside, New Hope, BHP, Macquarie, Transurban, Sydney Airport and Lindsay Australia.

BKI also received a significant \$28 million in special dividends during the year. As you can see in the bottom half of this table, these special dividends had a large impact on the BKI net profit results.

DIVIDEND HISTORY OF BKI

During the 2019 Financial Year BKI paid out the following fully franked dividends to shareholders:

• Interim Dividend	3.625cps
• Interim Special Dividend	1.500cps
• Final Dividend	3.700cps
• Final Special Dividend	1.000cps
Total	9.825cps

BKI has paid out over \$640m or \$1.02 per share in Dividends and Franking Credits to Shareholders since listing in 2003.



The Board paid an ordinary dividend to shareholders at 7.325 cents per share. This was inline with last year.

As I mentioned on the previous slide, BKI received a significant amount of special dividends in FY19.

\$4.4 million came from special dividends from Telstra, QUBE, IAG, Suncorp, Woolworths, BHP, Wesfarmers and Milton Corporation.

BKI also received special dividends of \$15.5 million from off market buy-backs conducted by BHP and Caltex.

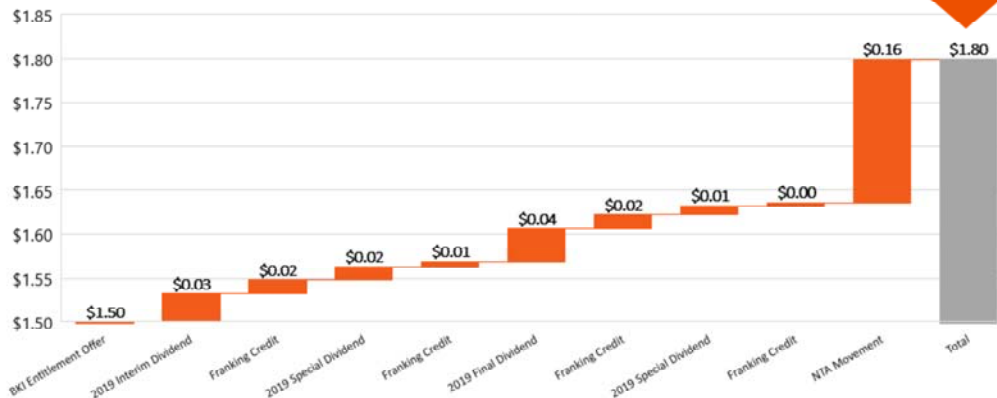
We received a further \$8.1 million from a non-cash demerger dividend from Wesfarmers. This demerger dividend wasn't paid in cash, but instead BKI was issued shares in the newly listed Coles Group Limited.

Based on a share price of \$1.60 and including all the dividends paid out during the year, BKI was offering a grossed up yield of 8.8%. In an environment where investors were chasing yield, this proved to be a very attractive opportunity.

BKI ENTITLEMENT OFFER RETURNS

As at 30 September 2019

In June 2018, BKI offered a 1:15 Entitlement Offer to shareholders and a Placement to New Shareholders. New shares were entitled to Dividends, Special Dividends and Franking Credits. The return on those entitlement shares is 20%.



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Note: Source: Contact Asset Management, Bloomberg.
Rounded to two decimal places, Grossed up returns include franking credits and is based on a tax rate of 30%.



As you are all aware, BKI conducted a 1-for-15 non-renounceable pro-rata Entitlement Offer to eligible shareholders in June 2018 at an offer price of \$1.50 per share.

The company raised a total of \$154 million through the offer.

As can be seen on this slide, those shares have performed very well. Including all the dividends and franking credits passed on to shareholders, as well as the pleasing movement in NTA, the total return on those shares acquired through the offer is 20%, well above the ASX300 Accumulation index which returned 12% over the same period.

INVESTMENT MANAGER'S ADDRESS

2019 ANNUAL GENERAL MEETING



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I will now hand over to Tom and Will for their Investment Managers Address.

Thank you

INVESTMENT MANAGER'S ADDRESS

2019 ANNUAL GENERAL MEETING



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BENEFITS OF INVESTING WITH BKI

As at 30 June 2019



- ✓ **Fully Franked Dividends**
6.7% Grossed up dividend yield#.
- ✓ **ASX Listed Investment Company**
A simple, transparent investment vehicle that is readily realisable.
15 year track record.
- ✓ **Low Fee Structure**
Managed for 0.10%, no performance fee.
- ✓ **Attractive Returns**
15 year Total Shareholder Return of 10.4%pa.
- ✓ **High Conviction Portfolio**
46 positions, offering diversified sector exposure.
- ✓ **Size and Scale**
Approx. 17,600 shareholders, Total Assets of \$1.3b.
- ✓ **Research and Ratings**
Lonsec, IIR, Morningstar, ThreeSixty.

Fully Franked
Dividend Yield#

6.7%

Management Fee

0.10%

15Yr Total Shareholder
Returns

10.4%_{pa}

Total Assets

\$1.3b

Lonsec

Recommended

 **INDEPENDENT**
INVESTMENT RESEARCH

Recommended Plus

NET OPERATING RESULTS

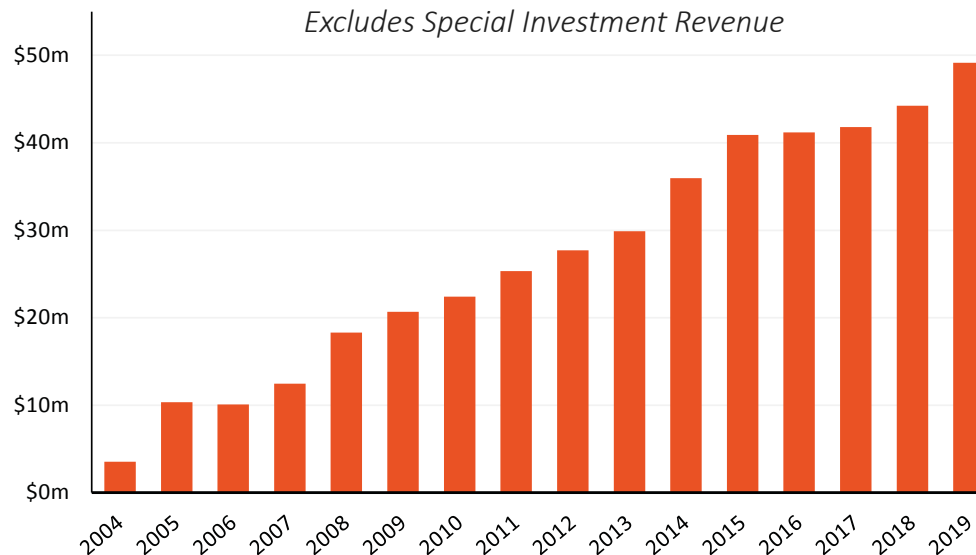
Net Operating Result before special investment revenue increased from \$44.2m to \$49.2m, while the Net Operating Profit increased 66% to \$74.7m.

Positive contributors to this result included increased dividends from Woodside, New Hope, BHP Limited, Macquarie Group, Transurban, Sydney Airport and Lindsay Australia.

BKI received \$27.98m in Special Investment Revenue during FY2019, including special dividends paid by Telstra, QUBE, IAG, Suncorp, Woolworths, BHP Limited, Wesfarmers and Milton.

This Special Investment Revenue also included amounts generated by participating in off market buy backs conducted by BHP Limited and Caltex Limited, and a non-cash Wesfarmers Demerger Dividend.

Net Operating Results
Excludes Special Investment Revenue



LONG TERM PERFORMANCE AND INCOME

As at 30 June 2019

Since listing in 2003, BKI's investment strategy has been, and will continue to be, focused on research driven, active equities management, investing for the long term, in profitable companies, with a history of paying attractive fully franked dividend yields.

Dividends and Franking Credits

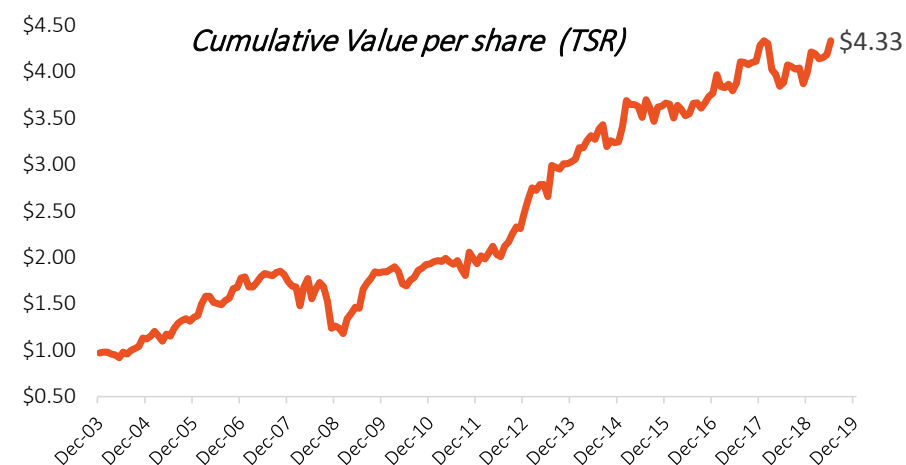
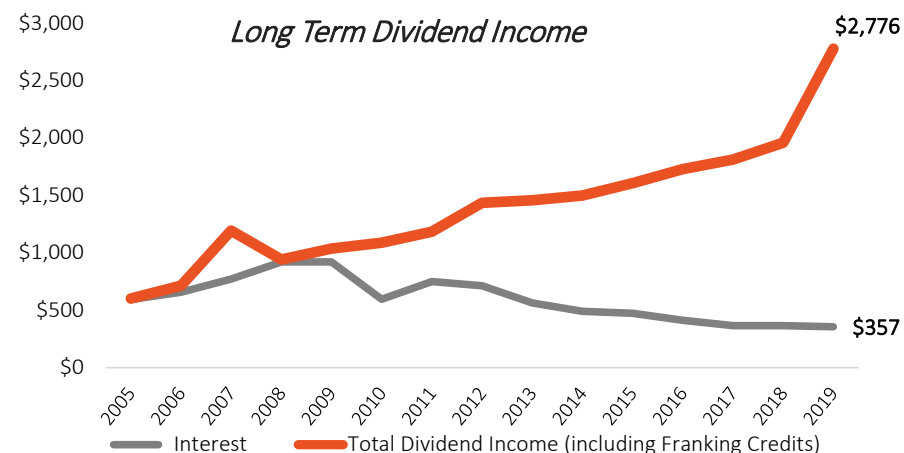
An investment of \$10,000 to purchase BKI shares at IPO in December 2003 would now be receiving fully franked dividends of \$1,943pa. The franking credits enhance the income by a further \$833pa, assuming a tax rate of 30% (total income of \$2,776). The same investment in a term deposit (based on the cash rate + 0.50%) would be earning significantly less.

Cumulative Value of BKI Shares

If dividends were reinvested through the DRP (Dividend Investment Plan) over this time, IPO shares would have grown from \$1.00 to a cumulative value of \$4.33 per share.

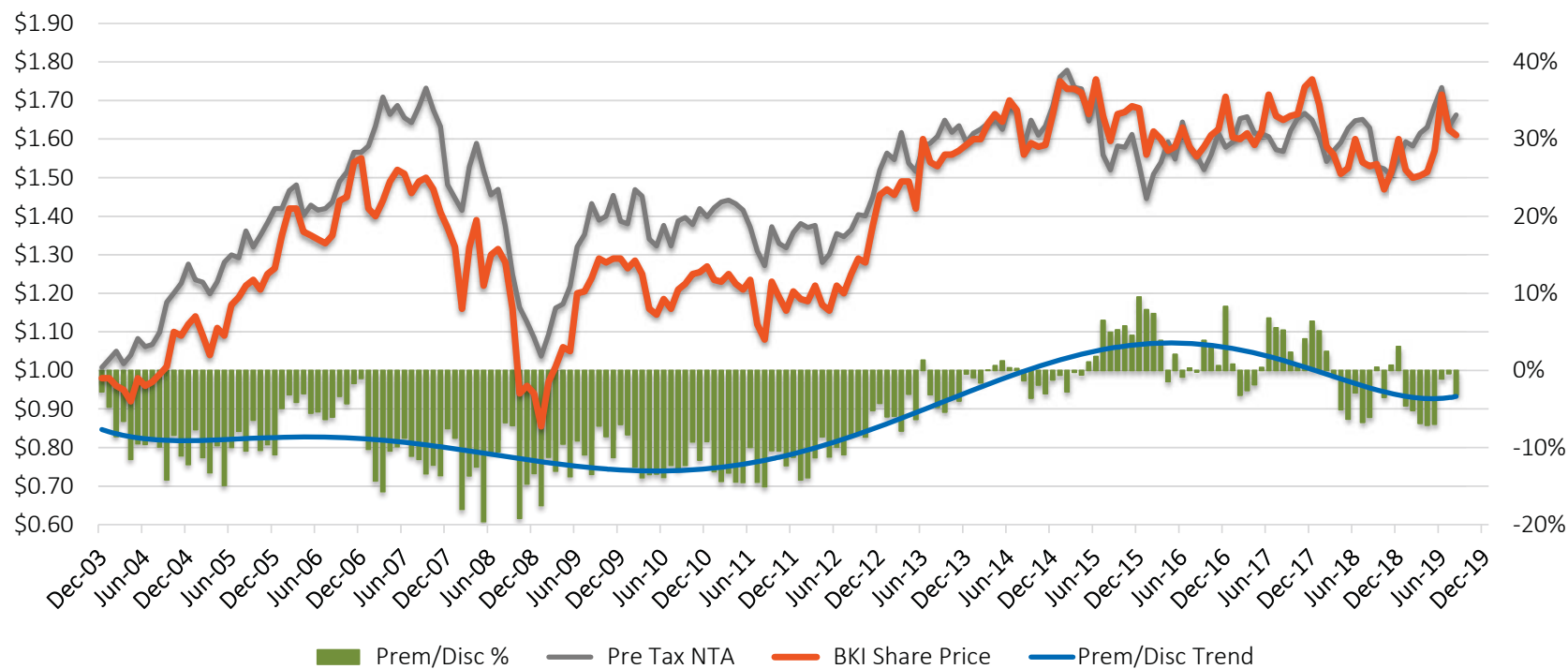
Note: Source: BKI, Contact Asset Management, Bloomberg.

Cumulative Value assumes reinvestment of BKI Dividends and Franking Credits;
Based on BKI share price of \$1.60.



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.



POSITIONING BKI FOR THE FUTURE

ACTIVELY MANAGED PORTFOLIO FOR AN ATTRACTIVE FEE



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MACRO THREATS AND OPPORTUNITIES

Positive Tailwinds

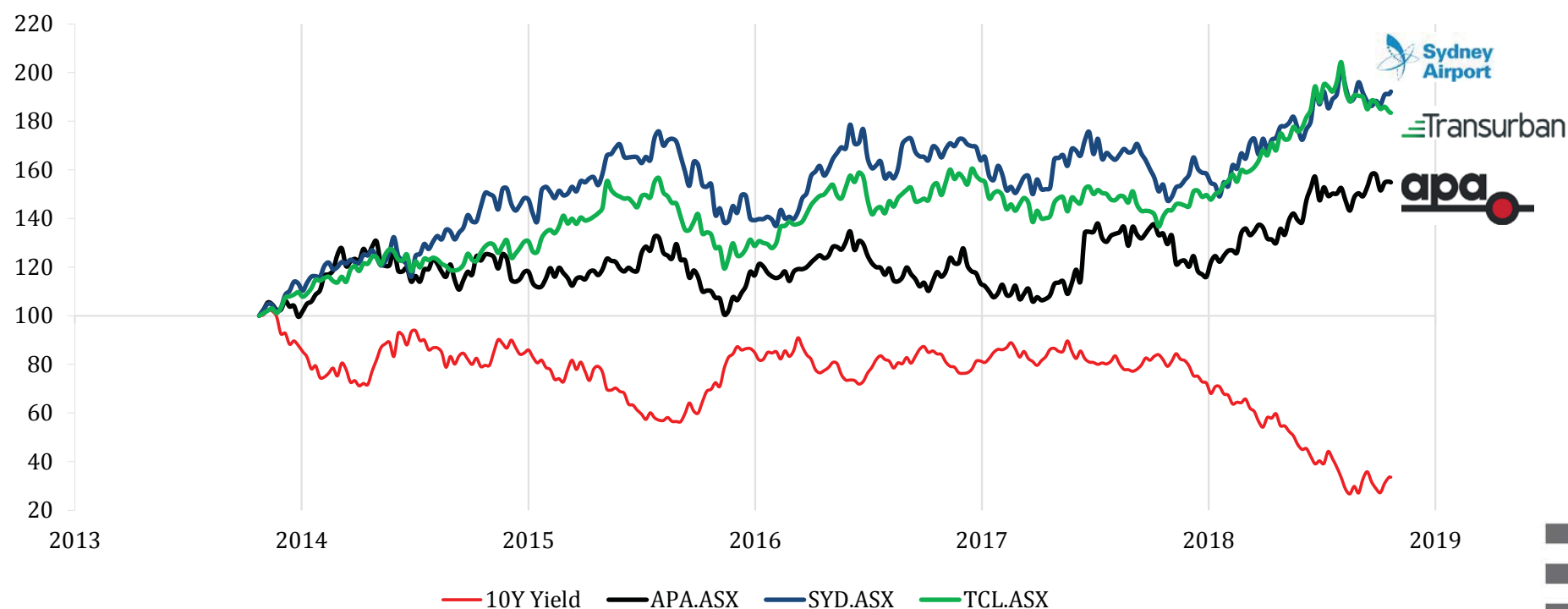
- A stable Federal Government.
- Significant infrastructure spending in Australia.
- Lower interest rates has created an opportunity for defensive income equities.
- Market re-rate; The S&P/ASX300 PE multiple has increased from 13.8x in 2018 to 16.8x.
- Implied market growth rates for 2020 could see a higher forward PE multiple reach 20.0x.

Negative Headwinds

- Falling interest rates.
- Rising unemployment has put pressure on job security.
- NSW and Victoria unemployment rates are growing.
- Australian GDP growth is falling.
- The Westpac-Melbourne Institute Index of Consumer Sentiment continues to fall.
- Limited scope on future Monetary Policy stimulus.

YIELD CURVE

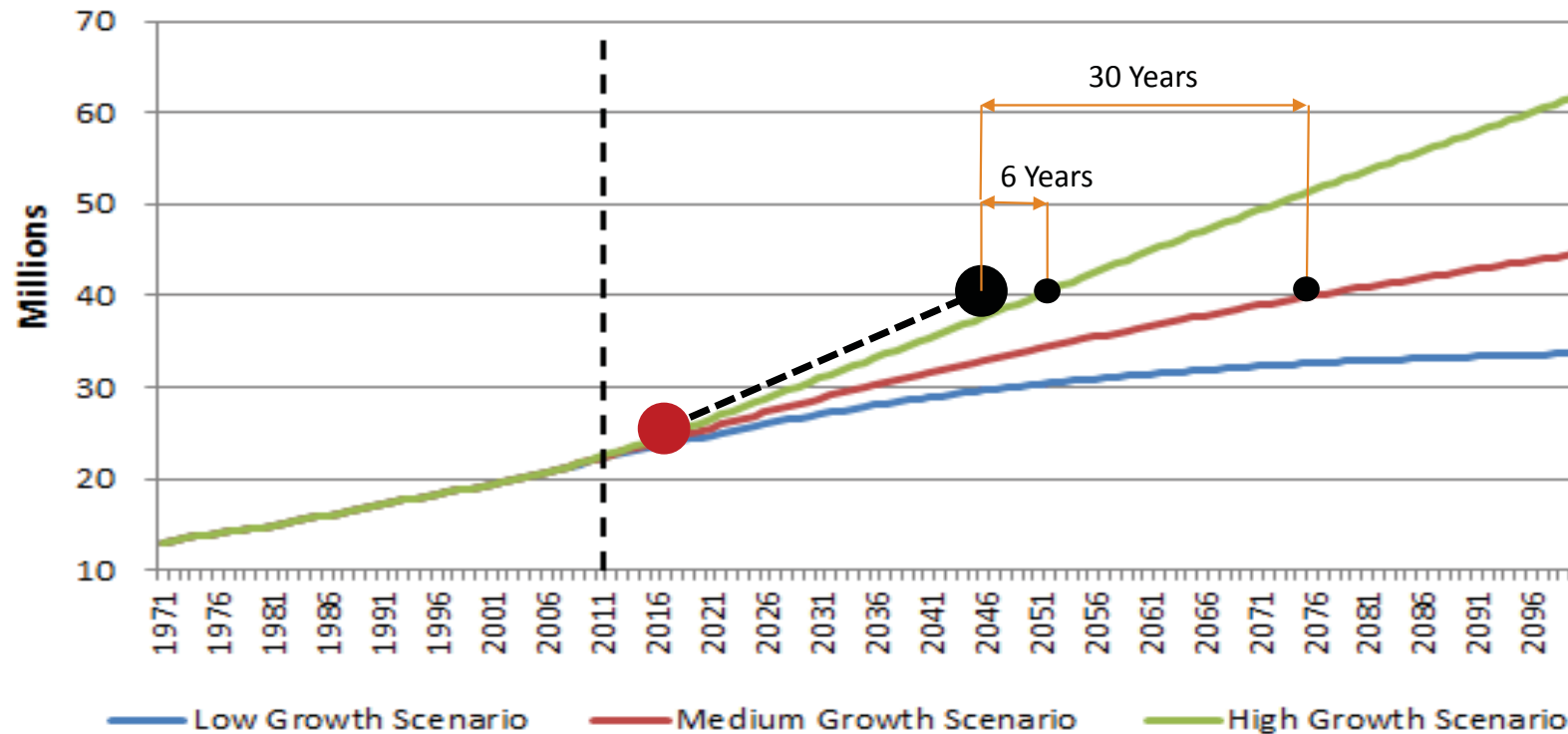
Lower bond rates during 2019 have been positive for high quality, long-term businesses like Transurban Group, Sydney Airport and APA Group.



POPULATION GROWTH

Australia's population is now expected to grow to **40 million** people as early as 2048; This is:

- 6 Years earlier than the ABS high growth scenario set in 2011
- 30 Years earlier than the ABS medium growth scenario set in 2011

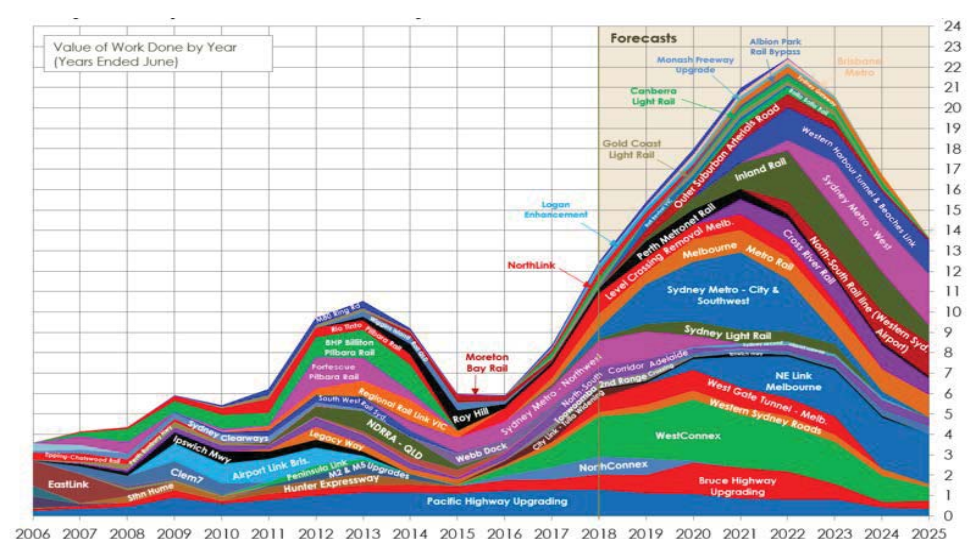




BKI
BKI INVESTMENT
COMPANY LIMITED

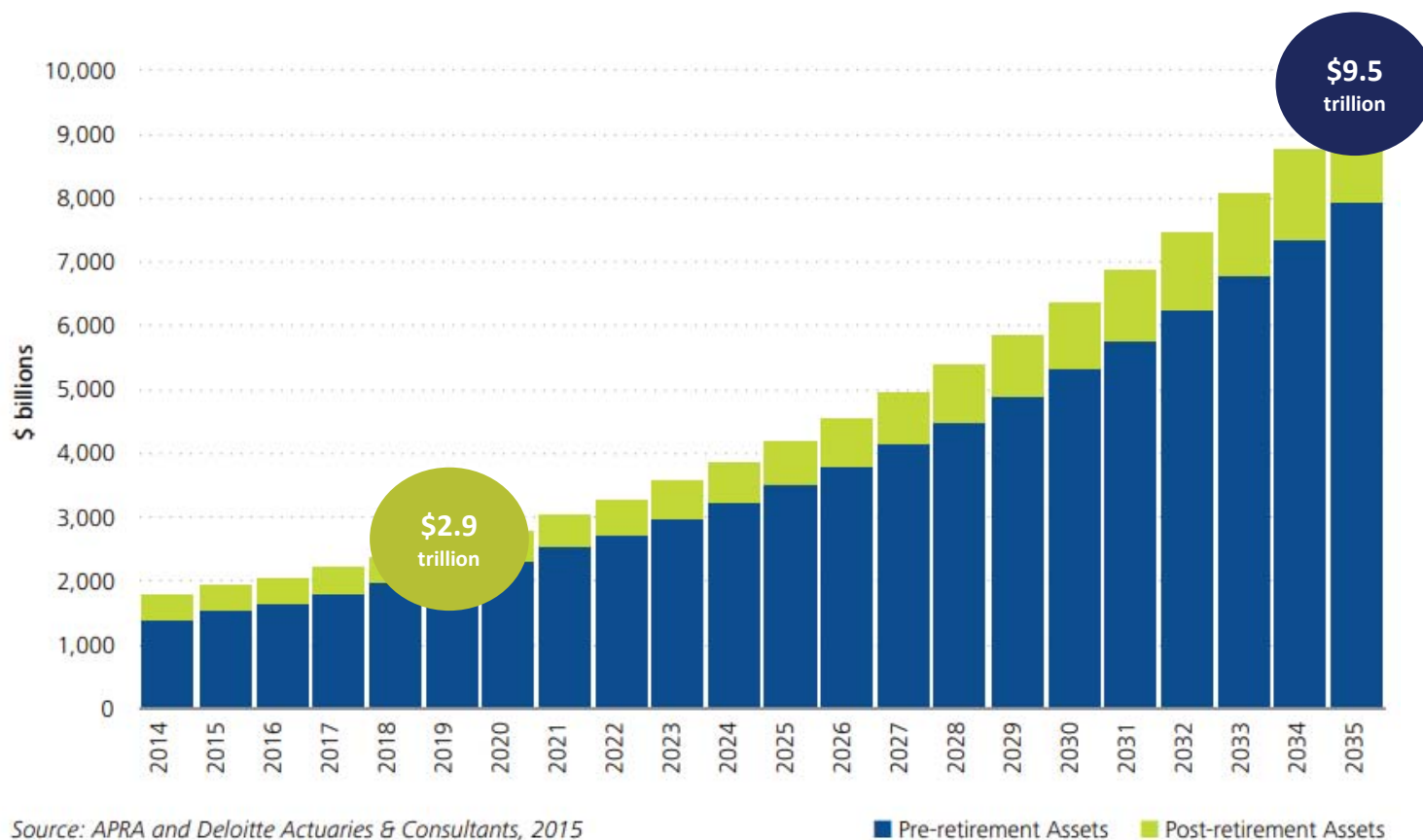


Forecast infrastructure work as at 30 June 2019



FUNDS GROWTH

Growth in superannuation assets in Australia is continuing, with contributions over the medium term to be substantial.



RETAIL, E-COMMERCE AND LOGISTICS

Amazon.com has begun to place pressure on the global retail sector, especially those markets with relatively undeveloped online retail offerings.

Market Capitalisation of Amazon.com is over A\$1,300 billion. It is not only a retailer, Amazon.com is the world's third-largest information technology company by revenue and has significant diversification.

Change brings opportunity; online retailing will continue to create opportunities in areas including:

- Employment
- Construction and Development
- Logistics and Distribution
- Transportation and Delivery
- Telephony and Data Services
- Technology



POSITIONING BKI FOR THE FUTURE

ACTIVELY MANAGED PORTFOLIO FOR AN ATTRACTIVE FEE



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BKI INVESTMENT PROCESS

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

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

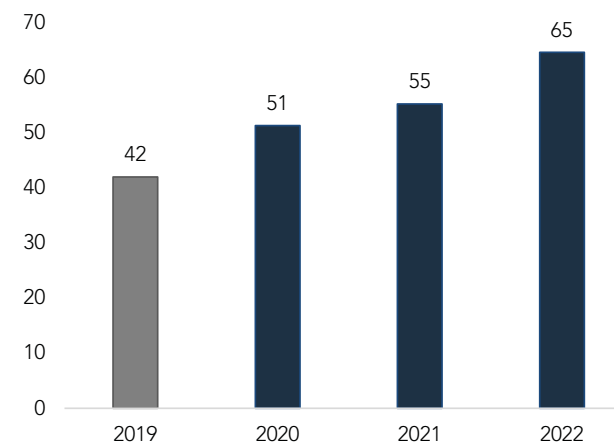
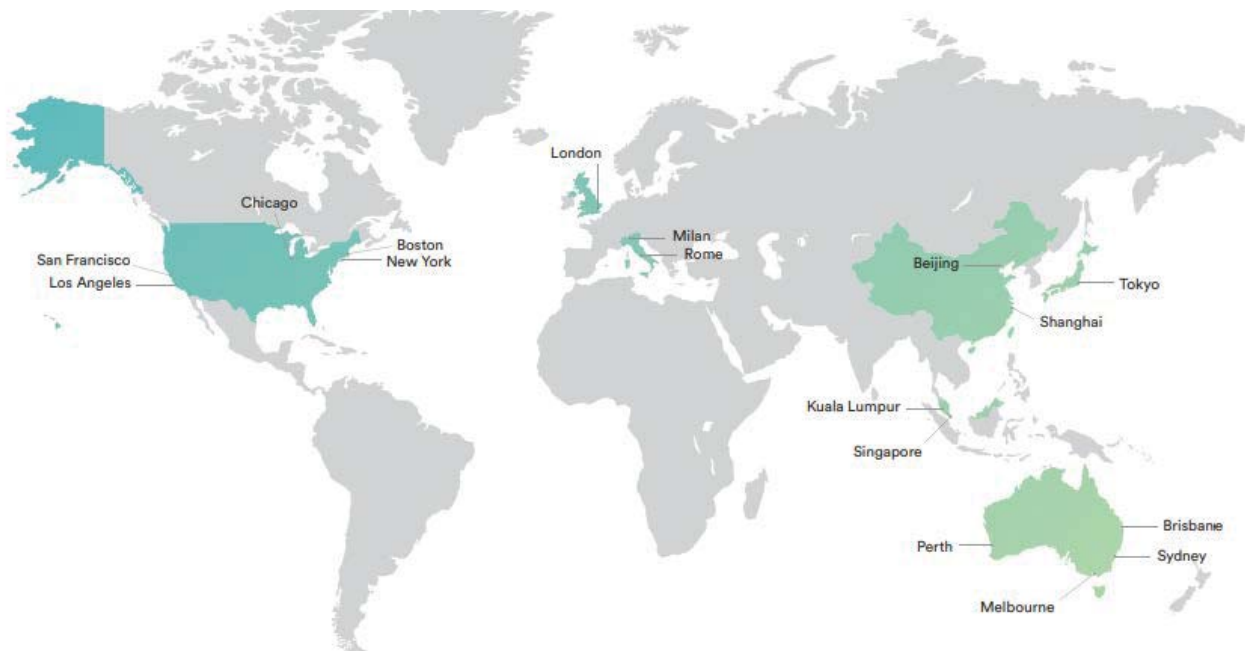
Investment Committee – Final investment decisions are approved by the Investment Committee

LENDLEASE GROUP (LLC.ASX)



BKI Criteria	Investment Attributes
Income	Offers a dividend yield of 3.3%. Attractive growing income stream expected over the next 3 years of 22%, 8% and 17%. Conservative payout ratio of 45%.
Principal Activity	Lendlease was established in Australia 1958 and is today a leading international property group with operations in Australia, Asia, Europe and the Americas. Their main operating divisions are Developments, Construction and Investments.
Financial Strength	A very strong balance sheet with current gearing of only 8% and interest coverage of 17x. LLC is expected to spin off a significant amount of cash in the coming years, with a free cash flow yield of over 8%.
Management	Boasts a very capable management team led by MD Steve McCann. There is good alignment with shareholders.
Valuation	Growth prospects are very attractive. Developments; pipeline of work worth \$100b. Investments; Funds Under Management of \$35b expected to double. With this growth and solid balance sheet, LLC is well placed to benefit from the tailwinds its strategy is targeting including urbanisation, infrastructure activity and a growing and ageing population.

LENDLEASE GROUP (LLC.ASX)



Lendlease Forecast Dividend per share

Global presence,
gateway cities

- Lendlease's urbanisation-led strategy focuses on major 'gateway cities' around the world.



PORTFOLIO POSITIONING

For the year to 30 June 2019



Investment Portfolio Increases

1. BHP Limited
2. Macquarie Group
3. Woodside Petroleum Limited
4. Ramsay HealthCare
5. Woolworths Group
6. Transurban Group
7. Commonwealth Bank
8. AGL Energy Limited
9. APA Group
10. Regis Healthcare



PORTFOLIO POSITIONING

For the year to 30 June 2019



New Portfolio Positions

1. Coles Group
2. Magellan Financial Group
3. Treasury Wine Estates
4. Platinum Asset Management
5. Stockland Group
6. Reece Group



Investment Portfolio Sales

1. Flight Centre
2. IOOF Holdings
3. Perpetual Limited
4. Pact Group
5. QUBE Holdings
6. Ansell Limited
7. Preference Shares:
NABPA, NABPC, WBCPF, CBAPG



1Q FY2020 UPDATE

2019 ANNUAL GENERAL MEETING



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PORTFOLIO POSITIONING

For the quarter to 30 September 2019

Investment Portfolio Increases

1. CIMIC Group
2. BHP Limited
3. Harvey Norman
4. Amcor
5. Treasury Wine Estates
6. Evans Dixon
7. Commonwealth Bank
8. Inghams Group
9. Woodside Petroleum
10. Lendlease

Investment Portfolio Sales

1. Boral Limited
2. Caltex Australia



PORTFOLIO POSITIONING

As at 30 September 2019

	<i>Stock</i>	<i>% of Total Portfolio</i>		<i>Stock</i>	<i>% of Total Portfolio</i>
1	Commonwealth Bank	6.8%	14	Ramsay Healthcare	2.7%
2	National Australia Bank	6.1%	15	New Hope Corporation	2.7%
3	Macquarie Group	5.3%	16	Telstra Corporation	2.7%
4	Westpac Bank	5.0%	17	ASX Limited	2.6%
5	APA Group	4.6%	18	AGL Energy Limited	2.3%
6	BHP Limited	4.5%	19	IAG Limited	2.2%
7	Transurban Group	4.4%	20	Sonic Healthcare	2.2%
8	Woolworths Limited	4.4%	21	Invocare Limited	1.9%
9	Wesfarmers Limited	3.7%	22	Magellan Financial Group	1.6%
10	ANZ Banking Group	3.6%	23	ARB Corporation	1.5%
11	Sydney Airport	3.0%	24	Coles Group	1.4%
12	Woodside Petroleum	2.9%	25	Harvey Norman	1.4%
13	TPG Telecom	2.7%		Cash & Cash Equivalents	3.9%
				Total	86.1%

Figures referred to in the FY2020 Update are unaudited.

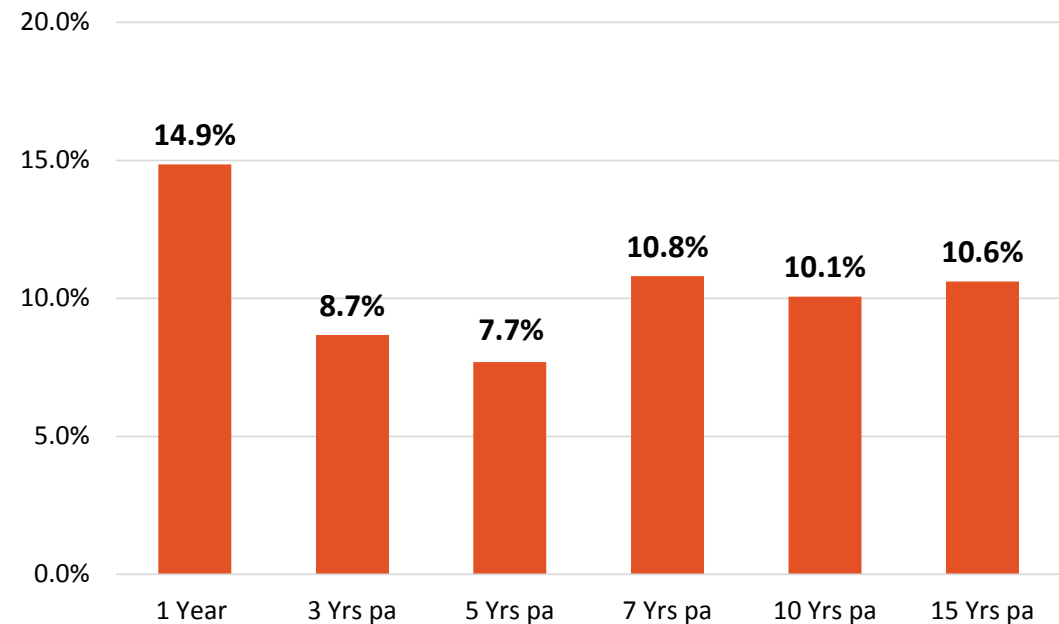
BKI PERFORMANCE

As at 30 September 2019

BKI's Total Shareholder Return including franking credits for the year to 30 September 2019 was 14.9%.

BKI's Total Shareholder Return including franking credits for 15 years to 30 September 2019, was 10.6%pa.

BKI's Portfolio Performance for the year to 30 September 2019 was 8.4%.



Figures referred to in the FY2020 Update are unaudited.

Source: Contact Asset Management, Bloomberg. As at 30 September 2019. TSR includes dividends and franking credits.

FY2020 UPDATE

The Income from Operating Activities and Operating Result after Tax **(Before Special Investment Revenue)** for FY2020 is expected to be in line with last year.

Several companies have again announced Special Dividends or a Return of Capital in 1Q FY2020. However, it's important to note the FY2019 Net Operating Profit (after Special Investment Revenue) included extremely large returns from the Wesfarmers/Coles Demerger and the BHP Buy Back and we do not expect to receive special investment revenue of a similar scale in FY2020.

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 FY2020.

Company	Capital Management Initiatives Announced or Expected
ASX Limited	Special Dividend (129cps)
Brambles Industries	Special Dividend (17cps) Return of Capital (12cps)
Coles Limited	Special Dividend (11.5cps)
Suncorp Group	Special Dividend (8cps)
Telstra Corporation	Special Dividend (3cps)

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PROXIES

Valid proxies representing approximately 120 million shares or 16% of the Company's issued capital have been received.

Item 1 ANNUAL REPORT

Receive and consider the Annual Financial Report and the reports of the Directors and of the Auditor for the financial year ended 30 June 2019.

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

The Auditors of the Company will be present at the meeting and will be available to answer any questions.

Item 2 REMUNERATION REPORT

Resolution 1

To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution:

“That the Remuneration Report for the year ended 30 June 2019 be adopted.”

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 except in the circumstances described in Division 9 of Part 2G.2 of the Corporations Act.

Item 2 REMUNERATION REPORT

Resolution 1

Adopt the Remuneration Report for the year ended 30 June 2019.

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

Remuneration Report	For	Against	Open	Abstain
Votes	88,455,775	9,143,616	7,057,767	1,744,263
% of Valid Available Votes	85%	9%	7%	

Item 3 RE-ELECTION OF DIRECTOR

Resolution 2

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Mr AJ Payne, who retires in accordance with the Company’s Constitution Rule 6.3(c) and, being eligible, offers himself for re-election, be elected as a director of the Company.”

Item 3 RE-ELECTION OF DIRECTOR

Resolution 2

Re-election of a Director

Proxies received and accepted for Resolution 2 appearing on the Notice of Meeting

Re-Election of Director Mr AJ Payne	For	Against	Open	Abstain
Votes	109,806,392	1,016,950	7,331,475	1,535,776
% of Valid Available Votes	93%	1%	6%	

Item 4 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.