

# BKI INVESTMENT COMPANY LIMITED

2020 ANNUAL GENERAL MEETING



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AFSL 494045*



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# CHAIRMAN'S ADDRESS

2020 ANNUAL GENERAL MEETING



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Good Morning Ladies and Gentlemen

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

I would like to welcome you to the 17<sup>th</sup> Annual General Meeting of BKI Investment Company Limited. The health and safety of our staff, and Shareholders is of great importance to us. That is why, in light of the potential health risks created by the COVID-19 pandemic, we have decided not to hold the AGM in a physical location. We are, therefore, conducting this years' AGM in a virtual format, so thank you to you all for your understanding, co-operation and for joining us via this webcast.

It is now 11am, and I have been advised that a quorum is present and so I now declare the 2020 Annual General Meeting of BKI Investment Company Limited open.

*(CHAIRMAN - NOTE : A QUORUM AS STATED IN OUR CONSTITUTION IS AT LEAST 2 MEMBERS PERSONALLY PRESENT OR REPRESENTED)*

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I will now explain the running order for today's meeting.

I will make a few remarks about the results for the 2020 financial year. Then Tom Millner, from Contact, BKI's Investment Manager, will present the Investment Report.

We will then have questions. Shareholders may submit questions about each item of business using the online platform at any time during the meeting. Questions sent via the online meeting platform will be moderated by Will Culbert to avoid repetition, and if questions are similar or particularly lengthy, we may need to summarise them in the interests of time or respond to them after the meeting.

After questions, we will attend to the formal business of the meeting.

All resolutions to be put to the meeting today will be decided on a poll. Shareholders may submit their vote at any time. If you have already submitted a proxy form, those votes will be included in the determination of resolutions, even if you don't participate in the online poll.

I now declare the poll open.

Instructions on how to vote online will now be explained by our Company Secretary, Jaime Pinto.

## NON-EXECUTIVE DIRECTORS

<b>Robert Millner</b>	Chairman of the Board Chairman of the Investment Committee Member of the Remuneration and Nomination Committee
<b>David Hall AM</b>	Independent Non-Executive Director Chairman of the Audit Committee Member of the Remuneration and Nomination Committees
<b>Alex Payne</b>	Non-Executive Director Chairman of the Remuneration Committee Member of the Audit and Investment Committees
<b>Ian Huntley</b>	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 who are also present online:

**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

## COMPANY SECRETARY

### Corporate Administration Services

**Jaime Pinto**

Company Secretary

## COMPANY AUDITOR

### MGI Sydney Assurance Services

**Clayton Lawrence**

Company Auditor



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I would also like to welcome and introduce:

Portfolio Managers from Contact Asset Management **Tom Millner** and **Will Culbert**.

**Will**

From CAS Company Secretary, **Jaime Pinto**.

As well as our Auditor from MGI Sydney, **Clayton Lawrence**.

## RESULT SUMMARY

For the full year ended 30 June 2020



Result excluding special investment revenue	2020	2019	Movement	2018
Revenue from operating activities	\$46.7m	\$54.3m	-14%	\$48.1m
Net operating profit after tax	\$41.6m	\$49.2m	-15%	\$44.2m
Earnings per share	5.67c	6.75c	-16%	7.10c
Dividends per share	5.945c	7.325c	-19%	7.325c
Result including special investment revenue	2020	2019	Movement	2018
Net operating profit after tax	\$48.6m	\$74.7m	-35%	\$45.0m
Earnings per share	6.63c	10.26c	-35%	7.23c
Special dividends per share	1.00c	2.50c		Nil
<b>Total dividends per share</b>	<b>6.945c</b>	<b>9.825c</b>	<b>-29%</b>	<b>7.325c</b>

BKI's Net Operating Profit After Tax, including special investment revenue for FY2020 was \$48.6 million, down 35% on the previous corresponding period. The main contributing factor for BKI's significant decrease in Net Operating Profits from the previous year was due to the large number of special dividends received in FY2019 after the acceleration of payments by many companies reacting to the possible threat of legislation to remove the benefit of franking credits. The special dividends received in FY2019 also included the fully franked special dividend component of the BHP off-market buy-back, and a non-cash unfranked dividend recognised from the Coles-Wesfarmers demerger.

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The first half of FY20 saw an increase in concerns around global economic conditions and geopolitical events, even as most global share indices tracked upwards. However, the COVID-19 economic crisis created significant social and economic upheaval in the second half of the financial year, causing extreme economic uncertainty across all industries globally, and resulting in extreme fluctuations in global sharemarkets.

The last 6 months have been devastating. This economic situation we are currently in is one of the worst since the great depression. It is way worse than the GFC and the disruption caused could play out for many more years yet.

This disruption to the underlying economy and subsequent impact on investment markets means Australian equity investors have recently experienced a significant cut to dividends, with many companies deferring or even cancelling dividend payments altogether.

BKI's income and profits were not immune.

As this slide slows, BKI's results were down across the board, and also appear worse given a record year in profits and dividends in 2019.

## LOWER DIVIDENDS RECEIVED



7 Source: BKI, Contact Asset Management, Factset.

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The fallout from the COVID-19 economic crisis negatively impacted our results through lower ordinary dividends received from Woodside Petroleum, AGL Energy, SEEK, Regis Healthcare, Transurban Group, New Hope Corporation, National Australia Bank and Macquarie Group.

This was exacerbated when Harvey Norman, Sydney Airport, ANZ Bank and Westpac Banking Corporation did not pay an ordinary dividend at all.

BKI's interest received was also lower at \$600,000, down 68% on FY2019.

Fortunately, BKI realised \$700,000 from the trading portfolio, after participating in the National Australia Bank and LendLease Limited capital raisings.

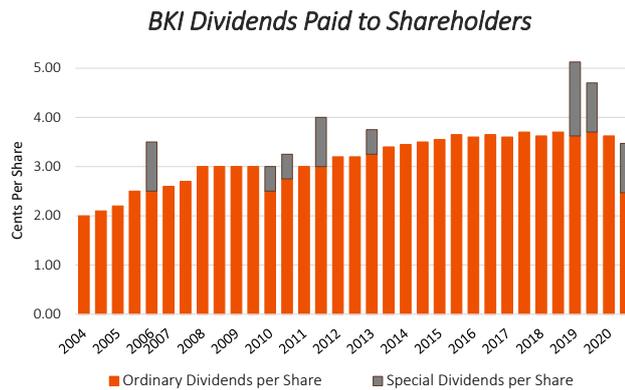
Special Dividend Revenue was again a feature with BKI receiving \$7.2 million in Special Dividend Revenue over the year from Telstra Corporation, Harvey Norman, TPG, Tuas and Orora Limited.

## DIVIDEND HISTORY OF BKI

During the 2020 Financial Year BKI paid out the following fully franked dividends to shareholders:

• Interim Dividend	3.625cps
• Final Dividend	2.320cps
• Final Special Dividend	1.000cps
<b>Total</b>	<b>6.945cps</b>

*BKI has paid out over \$700m or \$1.09 per share in Dividends and Franking Credits to Shareholders since listing in 2003.\**



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Note: Source: Contact Asset Management, Factset. \*Includes FY2020 Final Dividend of 2.32cps and Special Dividend of 1.00cps

Despite the very difficult year with lower dividend income received, the BKI Board have paid out a total of 6.945 cents per share over the year, which includes another special dividend. The Company's 8<sup>th</sup> since listing.

Since BKI has been listed, I am very proud to say that the company has now paid out over \$700m or \$1.09 per share in Dividends and Franking Credits to Shareholders.

Dividend income going forward will be very difficult to come by. Tom will give you an update on the first quarter of FY 21, but as you would all be aware, we've all had a difficult start to the new financial year with many companies significantly reducing or again cancelling dividends.

BKI does have additional retained profits and franking credits that can be drawn down during these uncertain times that will go some way to ensuring BKI continues to pay shareholders dividend distributions over the next couple of periods.

# INVESTMENT MANAGER'S ADDRESS

2020 ANNUAL GENERAL MEETING



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I will now hand over to Tom for the Investment Managers Address.

Thank you

## CONTACT ASSET MANAGEMENT



**Tom Millner**  
Portfolio Manager  
B.Des (Industrial),  
GDipAppFin,  
F Fin, GAICD

Tom has 18 years' experience in investment markets. Prior to Contact, Tom was CEO of BKI from 2008 to 2016 – a period in which total assets grew from \$440 million to almost \$1.0 billion. Current directorships include WHSP and NHC.



**Will Culbert**  
Portfolio Manager  
B.Bus, MCom,  
GDipAppFin,  
F Fin, GAICD

Will has 20 years' experience in funds management in Australia and the UK. Prior to Contact Will was PM for BKI for 3 years. Will spent 11 years with Invesco as an Equity Analyst and PM. He has also worked for the Bank of New York and Challenger Group.



**Rodney Forrest**  
Senior Investment Analyst  
B.Ec, M.Ec,  
GradDipTax, GAICD

Rodney joined Contact in 2019. Prior to Contact, Rodney worked at Moelis Investment Bank. Rodney spent 6 years as Head of Finance at both Woolworths and Coles. He has also been the Principal Financial Analyst for NSW Treasury and held roles at ALDI, EY and the ATO.



**Jared Tilley**  
Investment Analyst  
B.Com, CFA

Jared joined Contact in 2019. Prior to Contact, Jared spent 9 years at Colonial First State. At Colonial, Jared held various roles across client services and distribution. Most recently Jared was an Investment Specialist looking after the sales and marketing efforts for two managed funds.



**Jovana Gagic**  
Investment Analyst  
B.Bus

Jovana joined Contact in 2017. Prior to Contact, Jovana spent 3 years at Pitcher Partners as an Accountant and Senior Auditor working across an array of clients and sectors including financial services, not-for profit, auto and mergers and acquisitions.



**Charlie Kingston**  
Investment Analyst  
Equity Dealer  
B.Com

Charlie joined Contact in 2019. Prior to Contact, Charlie spent 6 years at Perpetual where most recently he was a dealer for their Australian and Global equity teams. Prior to Perpetual Charlie worked at Pulse Markets as a Client Advisor and also AJ Lucas Group as a Business Analyst.



**Rob Horne**  
Investment Analyst  
GCertCom, GDipCom

Rob joined Contact in 2019. Prior to Contact, Rob had a very successful professional Rugby career spanning over 10 years. Rob represented NSW and Australia and played professionally in the UK. Rob held Senior Leadership Positions throughout his career.

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Thankyou Chairman and good morning ladies and gentlemen.

As discussed by the Chairman, the second half of the financial year saw COVID-19 have a significant impact on all businesses. Our staff and our clients are the most important thing to Contact and we are pleased to report that Contact has been relatively unaffected during this period.

We have not had to reduce our workforce and we have not lost any clients during this period. In March, we promptly implemented strict workplace protocols, including physical distancing, travel restrictions, roster changes, flexible working arrangements, rapid screening and personal hygiene controls.

We are pleased to report that other than travel restrictions, it has been business as usual for our staff at Contact for many months now.

# LONG TERM PERFORMANCE AND INCOME

As at 30 June 2020

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

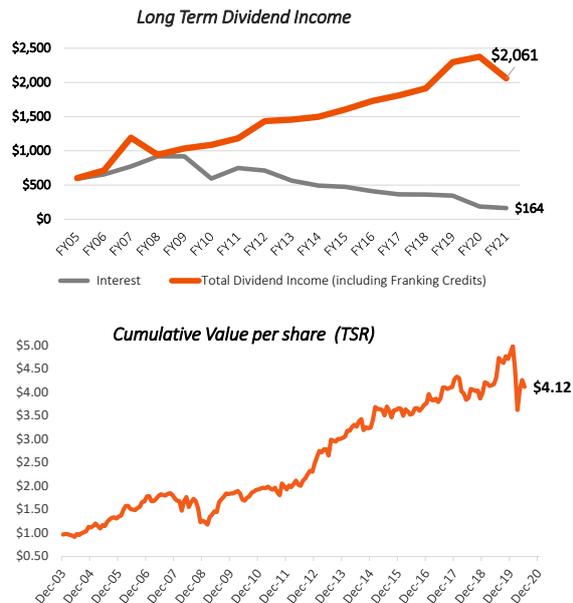
An investment of \$10,000 to purchase BKI shares at IPO in December 2003 would now be receiving annual fully franked dividends of \$1,442pa. The franking credits enhance the income by a further \$618pa, assuming a tax rate of 30% (total income of \$2,061). The same investment in a term deposit (based 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 \$4.12 per share.

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

Cumulative Value assumes reinvestment of BKI Dividends and Franking Credits; Based on BKI share price of \$1.35.



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Whilst our Net Profits were lower and subsequently our dividends paid to shareholders were lower than the previous year, its important to put that into perspective. Interest rates are the lowest on record and the low interest rate environment will continue for many years.

The top chart on this slide highlights the opportunity of receiving a fully franked dividend in a low interest rate environment such as we are in today. We've shown this chart many times before of an investor who spent the equivalent of \$10,000 to purchase BKI shares upon listing in December 2003, If that investor had reinvested all dividends, they would now be receiving fully franked dividends of \$1,442pa. The franking credits enhance the income by a further \$618, assuming a tax rate of 30%, giving total income of \$2,061 for the year.

The same investment in a term deposit (based on the cash rate + 0.50%) would have only earned \$164 last year with no franking credits.

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 dividend yields. We do this while maintaining a low management fee of 0.10% to generate higher returns for our shareholders.

BKI's accumulative performance for shareholders since listing has been, in our view, excellent. An investor who bought a share at IPO for \$1.00 and then participated in the Dividend Reinvestment Plan, would now have a share in BKI worth \$4.12.

## 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



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In periods like these, it's more important than ever to maintain a robust investment process. The quality assessment of companies that Contact undertakes forms a critical part of the BKI investment process. This is complemented by further discussions with the BKI Investment Committee, which approves all investment decisions.

Our goal has always been to invest in high quality businesses with a strong balance sheet, competitive advantage and that are managed by capable and trustworthy people.

We seek to invest in businesses that will pay us an attractive and sustainable dividend stream and we look to invest in these businesses at a reasonable price with a view of holding them for the long-term.

# PORTFOLIO POSITIONING

For the year to 30 June 2020



## Investment Portfolio Increases

1. BHP Group
2. Macquarie Group
3. Amcor
4. APA Group
5. TPG Telecom
6. Treasury Wine Estates
7. Harvey Norman Holdings
8. Orora Limited
9. Transurban Group
10. New Hope Corporation



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With these challenging markets we were quite active throughout the year in our portfolio management.

We increased exposure to a number of high quality companies across a range of sectors. The most significant purchases including:

- BHP Group
- Macquarie Group
- Amcor
- APA Group
- TPG Telecom
- Treasury Wine Estates
- Harvey Norman Holdings
- Orora Limited
- Transurban Group
- New Hope Corporation

I will go into more detail of these purchases and others later on in the presentation.

# PORTFOLIO POSITIONING

For the year to 30 June 2020



## Investment Portfolio Reduced

1. AGL Energy Limited
2. IAG Group
3. NAB Limited
4. Suncorp Group
5. Telstra Corporation
6. Westpac Banking Group



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We reduced some positions within the portfolio where we believed the dividend outlook was uncertain.

The insurers IAG and Suncorp had a difficult year with insurance margins declining substantially, following claim costs blowouts from continued volatility in the intensity of natural hazard events. IAG also suffered from lower earnings, a negative credit spread impact of \$46m as well as pre-tax provision for customer refunds of \$246m. While SUN biggest drag at present is impairment losses within the bank driven by a significant increase in their collective provisions.

Holdings in NAB and Westpac were reduced following significant increase in their collective provisions. The banks commentary on their deferral programs suggested only 16%-20% of home loan deferral customers have re-commenced repayments. Meaning 84%-80% have not. There are currently a significant number of home loans and business loans totalling billions of dollars of exposure in the banks deferral program that will need to recommence payments soon.

Apart from Telstra, as at the most recent reporting season each of these company's cut dividends aggressively while Westpac and IAG did not pay a dividend at all.

# PORTFOLIO POSITIONING

For the year to 30 June 2020



## Investment Portfolio Sales

1. Boral Limited
2. ANZ Banking Corporation
3. Caltex Australia (now Ampol Limited)
4. Challenger Limited
5. CIMIC Group



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We exited a few positions completely where the investment case had changed. We believed that these changes were going to place pressure on the company to be able to provide sustainable dividends going forward.

As a result in the most recent reporting season each of ANZ Banking Corporation, Boral Limited, Challenger Limited and CIMIC Group did not pay a dividend at all to their shareholders. Caltex Australia (now Ampol Limited) reduced their dividend 22% from 32cps to 25cps.

# 1Q FY2021 UPDATE

2020 ANNUAL GENERAL MEETING



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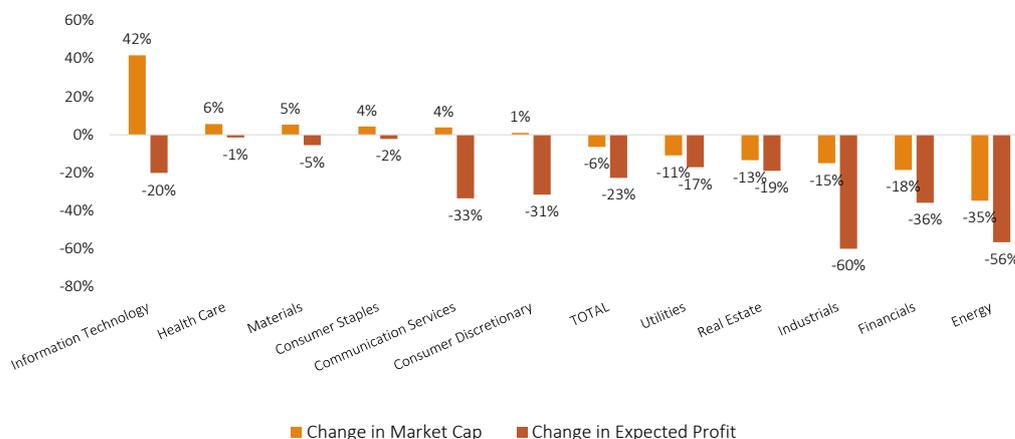
I'd like to now provide an update of the 1<sup>st</sup> Quarter of FY2021.

Please note that figures referred to in the 1Q FY2021 Update are unaudited.

# DISCONNECT BETWEEN VALUATIONS AND EARNINGS

## Reflections on the August 2020 Reporting Season

- Earnings and Dividends were awful, but it could have been worse.
- Negative operating leverage bites.
- Resilient top line growth often undermined by margin compression.
- Investors are seemingly looking through near-term earnings in an unusual display of patience.



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The August 2020 Reporting Season showed some poor results. The stocks in the BKI portfolio recorded on average a 33% decline in Earnings Per Share, and a 38% decline in Net Profits After Tax. In the context of only a four month impact of COVID-19 these results highlight just how susceptible many businesses are to a change in normal operating conditions.

We can see in this chart the disconnect between the change in a companies profits and the actual change in market cap of that company.

Many listed companies have a relatively high fixed cost base – this is a competitive advantage when one has scale and growth. However, it can be a significant anchor when sales retreat. We are seeing this scenario play out and its placing significant pressure on company balance sheets.

Several industries have actually enjoyed good revenue growth in recent months. However, for many, while revenue growth has been robust, the unexpected costs of COVID-19 have crimped margins. This has been the result of increased staff to meet demand, higher cleaning costs and increase logistics and distribution expenses to deliver product to the home. As a result, dividend cuts were also a feature, with corporates putting the protection of Balance Sheets ahead of rewarding shareholders with Dividends.

However, for now, investors seem prepared to look through the near-term earnings trough. We continue to think that many business models will suffer when the stimulus runs out – particularly if a vaccine takes longer than expected to develop, or one is even developed at all. In particular we see a big disconnection in the profits delivered and the market reaction to the IT, Communication, Industrials and Consumer Discretionary sectors.

## AUSTRALIA'S EQUITY YIELD IS ATTRACTIVE

We expect to see a continued flight of global capital to Australia



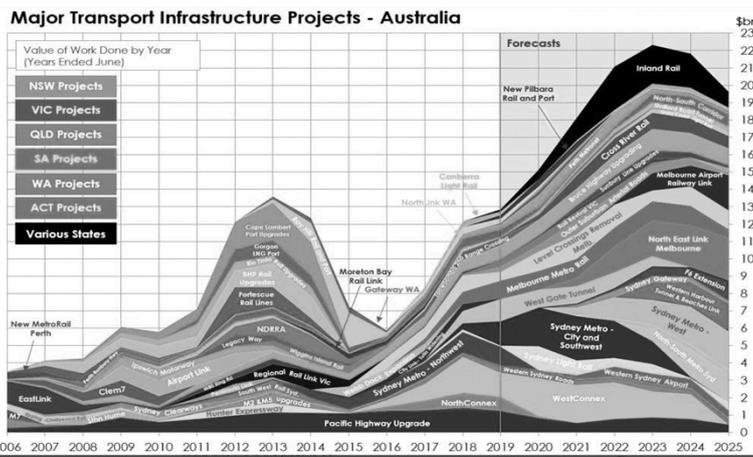
18 Source: Contact Asset Management, Factset, Eaton Vance July 2020.

Despite the negativity from the August reporting season, the profit results and the dividends paid out to shareholders, there are a few themes that we still find attractive.

Lower rates globally have again seen bond rates decline significantly during the year. Global rates are low and Australian equity yields are very competitive. We expect to see a continued flight of global capital to Australia chasing these yields and for the local investor who can utilise them, the franking credit is worth more now than it ever was.

# INFRASTRUCTURE GROWTH

Infrastructure spend is currently at levels never seen before and will continue for many years. Governments are now set to bring forward further major infrastructure projects to boost the economy.



**\$23 billion**

**\$3 billion**

19 Source: Macromonitor, Australian Construction Outlook, Value of Work Done by Year.

As a follow on from the yield theme, Australia’s significant transformation is continuing thanks to federal and state government spending on major infrastructure projects.

Infrastructure spend is currently at levels never seen before and will continue for many years, now forecast for up to \$23 billion worth of spending a year for the next 5 years. As discussed in last weeks budget, Governments are now set to bring forward further major infrastructure projects to boost the economy.

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## RETAIL, E-COMMERCE AND LOGISTICS

Pre COVID-19, Australia had a relatively undeveloped online retail offering.

Many companies have benefited from the changes to behaviour in the COVID-19 world with the trends driving the demand for high quality, well located logistics assets accelerated because of the pandemic.

Many of the changes experienced in COVID we believe are permanent and have fast tracked the online retailing offering by many years. This will continue to create opportunities in areas including:

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



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Over the last couple of years, we have visited several Amazon fulfilment centres and Amazon Go concept stores in the US. These visits have been quite eye opening.

The threat of Amazon on Australian retail is not dominating headlines as much as it was a year or two ago despite their major development commencing in Western Sydney. However, we remain cautious on its impact on many traditional bricks and mortar retailers. The BKI portfolio has limited exposure to Consumer Discretionary, with the exception of a few companies that have a sustainable competitive advantage such as ARB Corporation, Harvey Norman and Wesfarmers. We prefer businesses such as Woolworths and Coles which are in the Consumer Staples space that generate less volatile earnings streams.

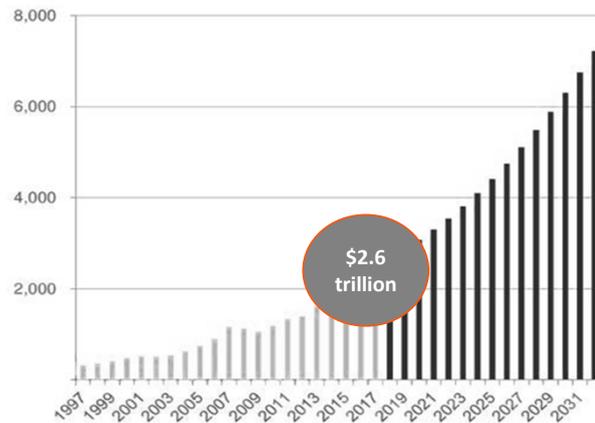
Pre COVID, Australia had a relatively undeveloped online retail offering. Many companies have benefited from the changes to behaviour in the COVID world with the trends now driving significant demand. Many of the changes experienced in COVID we believe are permanent and have fast tracked the online retailing, construction, logistics, transportation, communications and technology offering by many years.

This will continue to create opportunities for companies such as Goodman Group, Brickworks, Transurban, Telstra, TPG Telecom, Tuas, Amcor, Orora, Lindsay Australia, Reece, Brambles, Coles, Woolworths, Wesfarmers and Harvey Norman.

## FUNDS GROWTH

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

### Australian Superannuation System Forecasts (\$bn)



\$7.2  
trillion

\$2.6  
trillion

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Source: Macromonitor, Australian Construction Outlook, Value of Work Done by Year.

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

From under \$2.0 trillion in 2014, the Australian superannuation pool is expected to still grow to over \$7.2 trillion by 2032, despite the most recent economic downturn.

We've been saying this for many years now, and its becoming increasingly clear to us that despite low rates globally - infrastructure spend, superannuation growth and the growth in e-commerce will continue to provide significant tailwinds for many of the stocks within the BKI portfolio in the years to come.

# PORTFOLIO POSITIONING

For the quarter to 30 September 2020

## Investment Portfolio Increases

1. Equity Trustees
2. Commonwealth Bank
3. BHP Group
4. Harvey Norman Holdings
5. Evans Dixon



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Figures referred to in the FY2020 Update are unaudited.

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In the first quarter of this financial year, we added to holdings in:

Equity Trustees - Funds under administration and supervision was up 43.7% to \$111.1bn due to several contract wins. EQT's Revenue was up 5.6% to \$48.9m. Expenses were up 6.9% to \$29.6m which is positive showing the business is investing for growth. EQT is offering a grossed up dividend yield of 5.0%.

Commonwealth Bank - number one in market share across home loans, deposits, credit cards and business. 5% grossed up dividend yield.

BHP Group - grossed up yield is very attractive at over 6%. They have a remarkable track record of returning excess capital to shareholders with \$33 billion being distributed to shareholders over the last 3 years alone.

Harvey Norman - Sales revenue of \$4.07b was up 1.9% yoy. Franchise Revenue at \$1.24b, was up 0.1% on constant currency and up 3.2% on our expectations. By region overseas continues to be a standout, highlighting how HVN will be a fundamentally different business in 5 years time. Aust earnings were 0.1%, NZ up 4.0%, Croatia up 5.7%, Ireland up 10.4%, and Malaysia up 15%. The property book underpins the entire value of the business at the current shareprice and debt was reduced significantly. We forecast a 8.5% grossed up yield for HVN.

Evans Dixon – produced a solid result with Wealth Advice up 4% to \$21bn, Funds Management down only 3% to \$6.6bn in a difficult market and E&P (previously named Corporate & Institutional) revenue was up 21% to \$31.5m.

## PORTFOLIO POSITIONING

For the quarter to 30 September 2020

### New Investment Portfolio Positions

1. NAB Convertible Notes
2. Rio Tinto Limited
3. Fortescue Metals Group
4. IPH Limited



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Figures referred to in the FY2020 Update are unaudited.



We also added new holdings to the portfolio which included:

NAB Wholesale Notes – These offer a safe and stable 4% fully franked yield and were bought to help replace lost income from the head bank.

Rio Tinto – was added to the portfolio following their 1H results which showed Iron Ore now accounting for 73% of EBITDA, with a Margin of 72%. Cost per tonne is at a remarkably low \$14.40/t. Average and realised price achieved is \$85.90/t. RIO supply 28% of the total Global Iron Ore supply system. RIO will be net cash by the end of this financial year and continues to be a very highly cash generative business, paying solid reliable dividends.

Fortescue Metals Group - was founded in 2003 and today is the world's 4th largest iron ore producer behind BHP, Rio Tinto, and Vale. FMG has once again reported a very good result with underlying EBIT and NPAT broadly in-line with our expectations, with the final dividend of \$1.00 (based on a 77% payout ratio), being well above our estimates and the markets forecasts. FY21 guidance and outlook is unchanged with iron ore shipments of 175-180Mt range, FOB costs of approx. US\$13.00/t.

IPH Limited - listed in 2014 and today is the leading intellectual protection services group in the Asia Pacific region with revenue split 65% Australia and 35% Asia. The Group has grown their portfolio of brands predominately through acquisitions. 80% of their revenue is derived from patents and then 12% from trademarks. Because of the long length of a patent lifecycle IPH are focused on maintaining strong relationships with businesses that allows them to generate a recurring revenue stream through all stages of the IP lifecycle. The Company is in a strong financial position and have a strong fully franked dividend yield of 5.3% forecast to in 2021.

# PORTFOLIO POSITIONING

For the quarter to 30 September 2020

## Investment Portfolio Sales

1. Westpac Banking Corp
2. Sydney Airports
3. IAG Limited
4. SEEK Limited



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Figures referred to in the FY2020 Update are unaudited.

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We made a few changes to the portfolio through sales including: Westpac Banking Corporation, Sydney Airports, IAG and SEEK Limited. All were sold on the basis of an unclear future of dividend payments.

Westpac was divested following continued headwinds surrounding their collective provisions, deferral programs and compliance failings and breaches of the Anti-Money Laundering act. No final dividend was paid and with the threat of increasing provisions required to offset the roll off in the deferral program, the return of the dividend could be some time away.

Sydney Airports – have been continually effected from the ban of domestic and international travel with passenger numbers falling by over 97%. They have been forced to secure further debt facilities and were required to raise capital. No final dividend was paid and we believe that the reinstatement of the dividend could be at least 18 months away.

IAG's difficulties continued over the year with insurance margins declining further. No final dividend was paid this reporting period. and

SEEK provide the market with a significant profit downgrade and subsequent result. No final dividend was paid and the Company stated that the dividend will only recommence once economic conditions improve.

## PORTFOLIO POSITIONING

As at 30 September 2020

	<i>Stock</i>	<i>% of Total Portfolio</i>		<i>Stock</i>	<i>% of Total Portfolio</i>
1	Macquarie Group	7.5%	14	Telstra Corporation	2.3%
2	BHP Limited	7.0%	15	New Hope Corporation	2.2%
3	Commonwealth Bank	6.7%	16	Magellan Financial Group	2.1%
4	APA Group	5.7%	17	Harvey Norman	2.0%
5	Transurban Group	5.5%	18	Woodside Petroleum	2.0%
6	Woolworths Limited	5.0%	19	Coles Group	1.8%
7	Wesfarmers Limited	4.8%	20	Amcor Corporation	1.8%
8	TPG Telecom	4.0%	21	Goodman Group	1.6%
9	National Australia Bank	3.7%	22	AGL Energy Limited	1.6%
10	Ramsay Healthcare	3.3%	23	NAB Convertible Notes	1.6%
11	ASX Limited	3.1%	24	Invocare Limited	1.5%
12	Sonic Healthcare	3.1%	25	Rio Tinto Limited	1.4%
13	ARB Corporation	2.5%		Cash & Cash Equivalents	4.8%
				<b>Total</b>	<b>88.6%</b>

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Figures referred to in the FY2020 Update are unaudited.



On the screen now is an update of BKI's Top 25 Shareholdings as at 30 September 2020. BKI's main holdings continue to illustrate a good balance of companies covering:

- Growth and yield,
- Large cap and Mid cap, and
- Diversified sector allocation

The BKI portfolio is always transparent, we disclose approximately 90% of the portfolio each month in the NTA announcements to the ASX, and a full list of portfolio holdings is displayed in our half year and full year accounts.

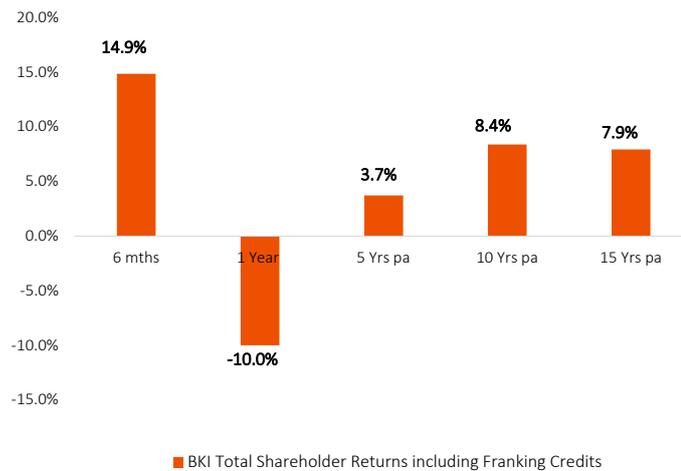
## BKI PERFORMANCE

As at 30 September 2020

BKI's Total Shareholder Return including franking credits for the 6 months to 30 September 2020 was 14.9%.

BKI's Total Shareholder Return including franking credits for the year to 30 September 2020 was negative 10.0%.

BKI's Total Shareholder Return including franking credits for 15 years to 30 September 2020, was 7.9%pa.



Figures referred to in the FY2020 Update are unaudited.

26 Source: Contact Asset Management, Factset. As at 30 September 2020. TSR includes dividends and franking credits.

Our goal is to maintain a portfolio that is durable, withstands most market risks and provides shareholders with fully franked dividends and total shareholder returns.

We believe that the long term performance outlined on this slide is testament to that.

BKI's Total Shareholder Return including franking credits for the 6 months to 30 September 2020 was positive 14.9%.

For the year was negative 10.0%, and for 15 years, was positive 7.9%pa.

## FY2021 UPDATE

Several companies have significantly reduced their dividends paid in the August/September period due to the uncertainty surrounding the COVID-19 pandemic. Unfortunately, the outlook for dividends paid in the upcoming February/March period is uncertain.

As a result of the fall in expected dividend income, BKI's Operating Result after Tax (Before Special Investment Revenue) for FY2021 is expected to be well below that of last year.

BKI is confident of paying an Ordinary Interim Fully Franked Dividend in February 2021, although it will be lower than the previous corresponding period.

BKI has additional retained profits and franking credits that can be drawn down during these uncertain times.



27 Figures referred to in the FY2020 Update are unaudited.

Despite our solid long term performance and growing dividend history, there will be short-term periods that will be challenging. However, we always remain focused on the long-term and position the portfolio to best navigate all economic environments.

We have, like all equity investors, had a difficult start to the year. We have seen several companies significantly reduce or cancel their dividends paid in the August/September period due to the uncertainty surrounding the COVID-19 pandemic. Unfortunately, the outlook for dividends paid in the upcoming February/March period is also uncertain.

As a result of the fall in expected dividend income, BKI's Operating Result after Tax (Before Special Investment Revenue) for FY2021 is expected to be well below that of last year. BKI is confident of paying an Ordinary Interim Fully Franked Dividend in February 2021, although it will be lower than the previous corresponding period.

BKI has additional retained profits and franking credits that can be drawn down during these uncertain times.

That concludes the Investment Managers presentation. On behalf of Will and the Contact team, we'd like to once again thank the Board for their significant support and guidance during this year. We'd also like to thank Company Secretaries Jaime and Larina, our staff at Contact and finally to our fellow shareholders, thank you for your continued support.

I will now hand back to the Chairman. Thank you

# QUESTIONS

2020 ANNUAL GENERAL MEETING



*BKI is managed by Contact Asset Management  
AFSL 494045*



Questions sent via the online meeting platform will be moderated to avoid repetition, and if questions are similar or particularly lengthy, we may need to summarise them in the interests of time.

To assist with the smooth running of the meeting, Will Culbert, Portfolio Manager at Contact will read out the name of the shareholder and their question. We will give all shareholders present a reasonable opportunity to ask questions, but it is possible that not all questions will be answered today.

I will now hand over to Will for the questions.

# BKI INVESTMENT COMPANY LIMITED

2020 ANNUAL GENERAL MEETING



*BKI is managed by Contact Asset Management  
AFSL 494045*



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## PROXIES

Valid proxies representing approximately 112 million shares or 15% of the Company's issued capital have been received.

30



I now move to formal part of the meeting.

Valid proxies representing approximately 112 million shares or 15% of the Company's issued capital have been received.

Proxies received and accepted for each of the resolutions appearing on the Notice of Meeting will be displayed as we cover each resolution.

Just a reminder that shareholders may participate in the poll at anytime and submit questions about each item of business.

The poll will be closed at the end of the meeting. The results will be finalised sometime after the meeting and will be announced on the ASX.

## 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 2020.

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.



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### Item 1. Annual Report

I now turn to the first item of ordinary business in the Notice of Meeting.

“Receive and consider the Annual Financial Report and the reports of the Directors and of the Auditor for the financial year ended 30 June 2020.”

“The Corporations Act requires that the Annual Financial Report, including the Directors’ declaration for the year ended 30 June 2020 and the related Directors’ Report and Audit Report be received and considered at the AGM. However, this does not require voting by shareholders.

I note that no written questions to the Auditor have been received but our Auditor Mr Lawrence is available online to answer questions relating to the audit as detailed in the Explanatory Notes which accompanied the Notice of Meeting.

Will - are there any questions from shareholders?

There being no further discussion I will move on to the next item of business.

## 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 2020 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.



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### Resolution 1 - Remuneration Report

I will now proceed to the second item of ordinary business, which is the adoption of the Remuneration Report, as appears in the Directors Report section of the Annual Report.

Will - are there any questions from shareholders?

## Item 2 REMUNERATION REPORT

### Resolution 1

Adopt the Remuneration Report for the year ended 30 June 2020.

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

Remuneration Report	For	Against	Open	Abstain
Votes				
% of Valid Available Votes	86.3%	5.8%	7.9%	N/A

33



Proxys submitted for Resolution 1 are now shown on the screen.

## Item 3 RE-ELECTION OF DIRECTOR

### Resolution 2

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

*“That Mr DC Hall AM, 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.”*

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I would like to now move to Resolution 2, Re-Election of Director.

“That Mr DC Hall AM, 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.”

Will - are there any questions from shareholders?

### 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 DC Hall AM	For	Against	Open	Abstain
Votes				
% of Valid Available Votes	91.6%	1.2%	7.2%	N/A

35



Proxys submitted for Resolution 2 are shown on the screen.

## 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.



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### Other Matters

This section of the meeting is to consider any other matters that may be brought before the meeting in conformity with the Company's Constitution.

Will, are there any final questions from shareholders?

Results of the poll will be released to the ASX as soon practical.

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.

Thankyou ladies and gentlemen for your attendance.