

# Listed Investment Companies

## February 2023 performance review and sector update

Conviction ideas: Our preferences within each sector are based on numerous quantitative and qualitative factors. Table 1 on page 2 provides a sector update, with our estimated current net tangible assets (NTAs) derived from our model portfolios.

### Traditional LICs

The ASX 200 Index returned -2.4% throughout February and was up 0.8% YTD. The Consumer Discretionary, Communication Services, and Information Technology sectors provided the best returns over the calendar year so far, gaining 5.8%, 4.4%, and 4.3%, respectively. The underperforming sectors were Energy (-9.8%), Financials (-5.1%) and Utilities (-2.1%). Traditional LICs for the month were down 2.0% on a Total Shareholder Return (TSR) basis and -1.8% on a pre-tax net tangible asset (NTA) basis. Preferred LIC **BKI Investment Company** (BKI) returned -1.5% TSR and -2.1% on a pre-tax NTA basis. The fund currently trades on an estimated premium to NTA of 1.1%, above its 1- and 3-year average discounts of 1.3% and 3.0%. BKI remains the best performing traditional LIC on a 1- and 3-year time horizon for both TSR and NTA growth.

Other key preference, **Australian United Investment Company** (AUI), is our pick for those seeking a Traditional LIC trading at a discount. AUI currently trades at an estimated 6.7% discount to NTA compared with its average 1- and 3-year average discounts of 5.8% and 4.8%, respectively.

### Large capitalisation

Key preference **WAM Leaders** (WLE) is trading at a 6.5% premium to NTA and has outperformed its benchmark over 1-, 3- and 5-year time horizons across both shareholder return and NTA growth. The fund recently declared a 12.5% increase to its fully-franked dividend, paying a 4.5cps dividend in May. The fund further announced a share purchase plan, closing on 27 March.

Other preference **L1 Long Short Fund** (LSF) is trading at an estimated 2.9% discount to NTA and continues to be the best outperformer on a 3-year time horizon across both NTA (17.9%) growth and TSR (24.2%) in our large cap universe. As of February 28, positive key contributors to the portfolio's performance were QBE (Long +10%) and Flutter (Long +8%), whilst Capstone Copper (Long -8%) and Downer (Long -16%) detracted from the portfolio.

### Small capitalisation and specialist

Preferred Small Cap LIC **WAM Microcap** (WMI) is trading at a 16.8% premium to NTA, between its 1- and 3-year averages of 18.7% and 13.4%. WMI has outperformed its benchmark for both TSR and NTA over 1-, 3- and 5-year time horizons.

Preferred specialist LIC **Tribeca Global Natural Resources** (TGF) is trading at an estimated discount to NTA of 12.4% and includes unique sector exposure including uranium, diamonds, and carbon credits. The fund has further recently announced fully franked interim (5cps) and special dividends (7cps) which go ex-div on 19 April.

### International

Overseas markets, as measured by the MSCI World Index, rose 1.7% in February and finished up 2.1% year-to-date on an AUD adjusted basis, with the AUD depreciating 4.6% in February and down 1.6% for the year-to-date relative to the USD. Preferred LIC **PM Capital Global Opportunities Fund** (PGF) is trading at an estimated 1.8% premium to NTA, above its average 1- and 3-year discounts. The fund has delivered strong outperformance against its benchmark on both TSR and NTA growth across 1-, 3-, and 5-year time horizons.

### CONTENTS

Sector Update .....	2
Performance Table (February-23).....	4
Top Picks (by Segment)	
BKI Investment Company (BKI) .....	5
Australian United Investment Co. (AUI) .....	6
WAM Leaders (WLE).....	7
L1 Long Short Fund (LSF) .....	8
WAM Microcap (WMI).....	9
Tribeca Global Natural Resources (TGF)..	10
PM Capital Global Opportunities (PGF)....	11
Appendix	
Historical Prem/Disc for Pref. LICs .....	12-13
Net tangible asset (NTA) growth .....	14
Total shareholder return (TSR) growth .....	15
Dividend yield, pre & post tax-NTA .....	16
LIC basics .....	17-20

### Milo Ferris

Research Associate  
(02) 8216 6691  
mferris@ords.com.au

Table 1: Sector snapshot

## Listed Investment Companies coverage by sector

Listed Investment Companies coverage by sector																
Traditional LICs	Code	Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Mar 23	Current Est. NTA	Current Estimated Disc/Prem	Feb NTA	Feb Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Feb Post-tax Disc/Prem	MER	
Australian Foundat.	AFI	7.27	9017.3	25.0	3.4%	4.9%	-3.2%	6.90	5.3%	7.09	5.9%	9.9%	8.9%	25.4%	0.16%	
Argo Investments	ARG	8.97	6777.4	33.5	3.7%	5.3%	0.1%	8.67	3.5%	8.96	0.0%	3.2%	3.3%	14.1%	0.16%	
Australian United In	AUI	9.60	1211.3	37.0	3.9%	5.5%	-2.1%	10.29	-6.7%	10.56	-7.1%	-5.8%	-4.8%	10.2%	0.10%	
BKI Investment Ltd	BKI	1.72	1286.2	8.9	5.1%	7.4%	-4.2%	1.76*	1.1%	1.76	2.0%	-1.3%	-3.0%	9.8%	0.18%	
Djerriwarrh	DJW	2.78	726.9	14.3	5.1%	7.3%	-0.7%	3.04	-8.5%	3.10	-9.7%	-5.8%	-4.6%	-9.7%	0.45%	
Diversified United	DUI	4.79	1038.3	16.0	3.3%	4.8%	-3.2%	5.17	-7.4%	5.30	-6.6%	-7.0%	-4.6%	12.5%	0.12%	
Large Capitalisation	Code	Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Mar 23	Current Est. NTA	Current Estimated Disc/Prem	Feb NTA	Feb Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Feb Post-tax Disc/Prem	MER	
AMCIL Limited	AMH	1.00	311.9	3.5	3.5%	5.0%	-2.9%	1.07	-6.6%	1.09	-5.5%	0.6%	-2.8%	3.0%	0.56%	
Clime Capital	CAM	0.86	120.3	5.1	6.0%	8.6%	-0.6%	0.86*	0.0%	0.87	-0.6%	-0.4%	-1.5%	-1.1%	1.00%	
Cadence Capital	CDM	0.92	274.0	8.0	8.7%	12.4%	2.2%	0.88*	4.5%	0.93	-3.3%	-8.1%	-10.6%	-17.2%	1.00%	
Carlton Investments	CIN	29.40	778.4	107.0	3.6%	5.2%	-2.0%	n.a	n.a	38.40	-21.9%	-21.9%	-20.3%	-6.1%	0.10%	
Future Gen Ltd	FGX	1.15	463.8	6.3	5.5%	7.8%	-2.1%	n.a	n.a	1.31	-10.4%	-8.0%	-8.5%	-8.2%	0.00%	
L1 Long Short Fnd Ltd	LSF	2.70	1657.3	9.5	3.5%	5.0%	-2.2%	2.81*	-2.9%	3.01	-6.7%	-6.4%	-13.0%	-4.9%	1.40%	
Mirrabooka Invest.	MIR	2.75	526.8	12.0	4.4%	6.2%	-1.8%	2.71	1.4%	2.79	0.4%	7.1%	5.0%	10.7%	0.50%	
Ophir High Conviction	OPH	2.35	516.6	15.2	6.5%	6.6%	-2.1%	2.60*	-9.6%	2.71	-11.4%	-0.4%	2.7%	na	1.23%	
Perpetual Equity Ltd	PIC	1.19	447.3	6.1	5.1%	7.4%	-2.1%	1.29*	-6.9%	1.29	-6.3%	-3.7%	-6.3%	-7.6%	1.00%	
Plato Income Max.	PL8	1.22	770.9	7.2	5.9%	8.4%	-1.2%	1.07*	17.4%	1.07	15.5%	13.8%	11.1%	13.2%	0.80%	
Qv Equities Limited	QVE	0.92	208.8	5.0	5.5%	7.8%	0.0%	1.02*	-10.3%	1.04	-12.0%	-9.8%	-10.4%	-13.2%	0.90%	
WAM Capital Limited	WAM	1.63	1777.9	15.5	9.5%	13.6%	-2.7%	n.a	n.a	1.61	3.9%	10.1%	15.1%	4.3%	1.00%	
WAM Leaders Limited	WLE	1.50	1647.5	8.0	5.3%	7.6%	-3.5%	n.a	n.a	1.46	6.5%	5.3%	4.0%	7.3%	1.00%	
Whitefield Ltd	WHF	5.19	603.2	20.5	3.9%	5.6%	3.2%	5.16	0.7%	5.27	-4.6%	0.3%	1.4%	4.1%	0.25%	
Small Capitalisation	Code	Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Mar 23	Current Est. NTA	Current Estimated Disc/Prem	Feb NTA	Feb Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Feb Post-tax Disc/Prem	MER	
Acorn Cap Inv Fund	ACQ	1.04	90.0	8.5	8.2%	11.7%	1.0%	n.a	n.a	1.11	-7.5%	-3.6%	-5.5%	-9.5%	0.95%	
ECP Emerging Growth	ECP	1.15	21.0	5.0	4.3%	6.2%	13.4%	1.32	-13.3%	1.36	-25.9%	-17.6%	-16.9%	-25.9%	1.00%	
Naos Small Cap Opp	NSC	0.69	95.7	4.9	7.2%	10.2%	1.8%	n.a	n.a	0.91	-24.7%	-17.0%	-19.2%	-20.7%	1.15%	
Forager Aust. Shares	FOR	1.28	143.4	10.5	8.2%	8.2%	-6.6%	1.39*	-7.9%	1.46	-6.2%	-8.8%	-11.9%	na	1.00%	
Glennon SML Co Ltd	GC1	0.59	30.5	3.0	5.1%	5.8%	0.0%	n.a	n.a	0.72	-16.7%	-17.9%	-20.2%	-17.8%	1.00%	
Naos Emerg Opp	NCC	0.77	56.2	7.5	9.7%	12.9%	-0.6%	n.a	n.a	0.98	-20.9%	-12.5%	-10.0%	-19.6%	1.25%	
NGE Capital	NGE	0.77	27.5	0.0	0.0%	0.0%	2.7%	n.a	n.a	0.98	-23.7%	-19.6%	-22.9%	-27.9%	1.90%	
Ryder Capital	RYD	1.13	95.1	7.0	6.2%	8.8%	-1.7%	n.a	n.a	1.41	-18.3%	-11.7%	-11.5%	-18.8%	1.25%	
Spheria Emerging Co	SEC	1.97	118.2	9.0	4.6%	6.5%	1.8%	2.11*	-10.6%	2.21	-12.7%	-10.9%	-12.8%	-13.3%	1.00%	
WAM Research Ltd	WAX	1.29	257.3	10.0	7.8%	11.1%	-2.5%	n.a	n.a	1.01	31.5%	33.3%	34.3%	29.8%	1.00%	
WAM Microcap Ltd	WMI	1.54	322.4	10.0	6.5%	9.3%	-3.2%	n.a	n.a	1.36	16.8%	18.7%	13.4%	18.8%	1.00%	

Source: Company releases, Bloomberg, IRESS, OML estimates

Figures as at: 17 March 2023

\*NTA is last reported NTA, adjusted for any dividends past ex-date. Current premium and discount is based on the discount at date of last disclosed NTA date.

Table 1: Sector snapshot (cont.)

## Listed Investment Companies coverage by sector

International															
Code	Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Mar 23	Current Est. NTA	Current Estimated Disc/Prem	Feb NTA	Feb Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Feb Post-tax Disc/Prem	MER	
Argo Global Ltd	ALI	2.30	406.6	8.5	3.7%	5.3%	-2.1%	2.35*	-1.7%	2.33	2.6%	-1.0%	-3.9%	3.0%	1.25%
Ellerston Asian	EAI	0.79	98.1	6.0	7.6%	10.8%	-1.9%	0.83*	-5.3%	0.87	-4.3%	-11.5%	-10.2%	-3.9%	0.75%
Future Glb Invest Co	FGG	1.16	458.6	6.5	5.6%	8.0%	-2.9%	n.a	n.a	1.38	-13.3%	-12.0%	-11.4%	-11.3%	0.00%
Global Value Fnd Ltd	GVF	1.16	202.0	6.6	5.7%	8.2%	1.3%	n.a	n.a	1.21	-5.7%	-2.3%	-3.7%	-2.7%	1.50%
Pengana International	PIA	0.88	224.4	5.4	6.2%	8.8%	-7.9%	1.09*	-13.7%	1.13	-15.7%	-12.6%	-10.8%	-16.8%	1.23%
MFF Capital Invest.	MFF	2.48	1448.1	7.5	3.0%	4.3%	-1.2%	2.89*	-12.7%	2.93	-14.3%	-16.1%	-11.9%	-3.1%	0.55%
Magellan Global Fund	MGF <sup>A</sup>	1.47	2153.5	7.3	5.0%	5.0%	0.7%	1.73*	-16.3%	1.72	-15.4%	-18.3%	na	na	1.35%
Platinum Asia Ltd	PAI	0.85	313.6	5.0	5.9%	8.4%	-4.5%	0.97*	-9.1%	1.00	-10.7%	-13.2%	-10.3%	-12.5%	1.10%
PM Capital Fund	PGF	1.66	677.3	15.0	9.0%	12.9%	-4.1%	1.63*	1.8%	1.86	-4.3%	-1.1%	-9.2%	6.6%	1.00%
Platinum Capital Ltd	PMC	1.30	383.2	6.0	4.6%	6.6%	-3.0%	1.54*	-11.0%	1.55	-13.5%	-13.7%	-11.2%	-11.9%	1.10%
WAM Global	WGB	1.79	630.4	11.0	6.1%	8.8%	-1.1%	n.a	n.a	2.16	-16.3%	-12.0%	-9.4%	-19.0%	1.25%
VGI Partners Global	VG1	1.53	530.8	9.0	5.9%	8.1%	-0.7%	1.85*	-17.6%	1.84	-16.6%	-17.5%	-15.4%	na	1.50%

Specialist															
Code	Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Mar 23	Current Est. NTA	Current Estimated Disc/Prem	Feb NTA	Feb Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Feb Post-tax Disc/Prem	MER	
Bailador Tech Inv	BTI	1.21	175.3	10.9	9.0%	12.9%	-1.6%	n.a	n.a	1.61	-23.6%	-27.6%	-22.0%	-20.6%	1.75%
Hearts and Minds	HM1	2.33	530.9	27.0	11.6%	16.6%	-4.9%	2.81*	-17.1%	2.92	-11.3%	-15.0%	-4.2%	-15.1%	0.00%
Lowell Resource Fund	LRT	1.13	35.7	11.6	10.2%	10.2%	-0.9%	1.29*	-12.2%	1.47	-22.4%	-16.8%	-14.7%	na	2.16%
Lion Selection Grp	LSX	0.46	68.2	7.0	15.4%	15.4%	-1.2%	n.a	n.a	0.65	-26.3%	-28.9%	-27.2%	-26.2%	1.50%
NAOS ex-50 Opport.	NAC	0.77	34.4	5.5	7.1%	10.2%	-0.8%	n.a	n.a	0.97	-18.6%	-10.5%	-18.2%	-17.7%	1.75%
Regal Investment Fund	RF1	2.65	557.9	44.6	16.8%	16.8%	-2.2%	2.69*	-1.5%	2.80	-3.2%	0.8%	1.0%	na	1.50%
Sandon Capital Ltd	SNC	0.65	89.3	5.5	8.5%	12.1%	0.0%	n.a	n.a	0.76	-14.7%	-11.6%	-14.8%	-16.4%	1.25%
Tribeca Glb Resources	TGF	2.05	145.0	0.0	0.0%	0.0%	-4.7%	2.34*	-0.12	2.67	-19.5%	-14.6%	-17.9%	-19.3%	1.50%
Thorney Opp Ltd	TOP	0.55	104.4	2.5	4.5%	6.4%	1.0%	n.a	n.a	0.77	-28.9%	-27.4%	-24.0%	-25.6%	0.75%
WAM Active Limited	WAA	0.78	58.2	6.0	7.7%	11.0%	-2.5%	n.a	n.a	0.84	-4.4%	-1.0%	1.6%	-5.4%	1.00%
WAM Alternative Assets	WMA	1.08	209.5	4.0	3.7%	5.3%	-1.8%	n.a	n.a	1.23	-11.3%	-11.8%	-15.4%	-10.0%	1.20%

Source: Company releases, Bloomberg, IRESS, OML estimates

Figures as at: 17 March 2023

\*NTA is last reported NTA, adjusted for any dividends past ex-date. Current premium and discount is based on the discount at date of last disclosed NTA date.

<sup>A</sup>MGF has a target cash distribution yield of 4% p.a. paid semi-annually

## NTA performance calculation methodology

- Unless stated otherwise, NTA performance in this report is calculated on pre-tax NTA basis, which refers to net tangible assets after tax paid but before tax on unrealised gains as well as cash dividends paid during the relevant period. TSR performance figures from Bloomberg and calculated with re-invested dividends. Active return refers to the TSR relative to that of the comparative index.
- LIC performance measurements reflect performance after all operating expenses and taxation. Using index benchmarks often understates performance as the indices used are before all operating expenses and tax. Total shareholder returns are often negatively impacted by capital events such as options, DRPs, share purchase plans and placements. Dividend yields contained within are historical and are not an indication of future dividend payments.

Fig. 1: LIC performance table (February 2023)

Code	Company	1 Year			3 Year (annualised)			5 Year (annualised)		
		NTA performance	TSR Performance	Avg. Prem/Disc	NTA performance	TSR Performance	Avg. Prem/Disc	NTA performance	TSR Performance	Avg. Prem/Disc
AFI	Australian Foundat.	4.3%	-2.6%	9.9%	7.5%	9.1%	8.9%	7.4%	8.2%	5.6%
ARG	Argo Investments	5.4%	-4.8%	3.2%	7.4%	6.7%	3.3%	6.6%	5.8%	1.6%
AUI	Australian United In	9.2%	8.7%	-5.8%	7.0%	6.2%	-4.8%	7.5%	6.6%	-4.9%
BKI	BKI Investment Ltd	10.2%	16.2%	-1.3%	8.4%	10.6%	-3.0%	6.7%	6.1%	-2.9%
DJW	Djerriwarrh	2.3%	-5.2%	-5.8%	4.6%	0.8%	-4.6%	3.9%	0.7%	-0.8%
DUI	Diversified United	7.2%	4.4%	-7.0%	5.9%	4.6%	-4.6%	8.2%	7.3%	-5.0%
Code	Company	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc
AMH	AMCIL Limited	-2.1%	-12.9%	0.6%	6.3%	7.4%	-2.8%	6.8%	7.2%	-4.5%
CAM	Clime Capital	7.4%	7.5%	-0.4%	4.2%	4.1%	-1.5%	4.5%	6.1%	-2.6%
CDM	Cadence Capital	-7.5%	-2.6%	-8.1%	10.3%	20.1%	-10.6%	-0.1%	-1.6%	-9.0%
CIN	Carlton Investments	-1.0%	0.2%	-21.9%	6.9%	4.8%	-20.3%	3.6%	1.0%	-17.7%
FGX	Future Gen Ltd	-3.0%	-6.5%	-8.0%	6.4%	7.8%	-8.5%	5.1%	4.1%	-6.2%
LSF	L1 Long Short Fund	-4.1%	3.6%	-6.4%	25.8%	32.1%	-13.0%	na	na	na
MIR	Mirraboooka Invest.	-6.4%	-16.8%	7.1%	9.5%	10.3%	5.0%	7.9%	5.7%	5.3%
OPH	Ophir High Cf	4.2%	-14.1%	-0.4%	5.3%	5.3%	2.7%	na	na	na
PIC	Perpetual Equity Ltd	-1.0%	-6.0%	-3.7%	12.5%	13.8%	-6.3%	9.0%	7.0%	-5.0%
PL8	Plato Inc Max Ltd.	5.7%	11.9%	13.8%	6.7%	9.9%	11.1%	6.6%	9.6%	6.7%
QVE	Qv Equities Limited	0.0%	-1.7%	-9.8%	4.9%	4.1%	-10.4%	1.6%	-0.6%	-9.1%
WAM	WAM Capital Limited	-1.4%	-16.5%	10.1%	5.4%	-0.2%	15.1%	3.7%	-0.9%	16.2%
WLE	WAM Leaders Limited	6.6%	7.8%	5.3%	12.7%	18.4%	4.0%	9.6%	11.6%	0.6%
WHF	Whitefield Ltd	4.5%	-5.8%	0.3%	4.3%	3.7%	1.4%	5.0%	5.6%	-2.0%
Code	Company	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc
ACQ	Acorn Cap Inv Fund	-18.3%	-21.4%	-3.6%	6.0%	6.0%	-5.5%	3.8%	4.5%	-8.1%
ECP	ECP Emerging Co	-1.5%	-16.6%	-17.6%	5.6%	5.2%	-16.9%	7.3%	5.9%	-19.0%
NSC	Naos Smlcap Com Ltd	-2.9%	-12.9%	-17.0%	10.5%	11.6%	-19.2%	3.3%	0.3%	-17.9%
FOR	Forager Aust Shs Fnd	-11.6%	-12.0%	-8.8%	9.9%	13.6%	-11.9%	1.2%	-2.5%	-7.8%
GC1	Glennon SML Co Ltd	-18.0%	-17.6%	-17.9%	-4.4%	-5.2%	-20.2%	-6.1%	-5.6%	-17.2%
NCC	Naos Emerg Opp	-8.2%	-18.9%	-12.5%	2.3%	-0.8%	-10.0%	0.6%	-5.2%	-7.5%
NGE	NGE Capital Limited	-2.9%	-3.9%	-19.6%	9.8%	12.0%	-22.9%	9.2%	10.1%	-21.3%
RYD	Ryder Capital Ltd	-9.6%	-19.2%	-11.7%	-0.3%	-1.7%	-11.5%	2.0%	1.7%	-12.8%
SEC	Spheria Emerging Co	-8.4%	-12.9%	-10.9%	9.9%	12.6%	-12.8%	4.8%	3.2%	-12.3%
WAX	WAM Research Ltd	-4.2%	-13.7%	33.3%	5.1%	4.6%	34.3%	3.8%	3.0%	29.1%
WMI	WAM Microcap Limited	-7.9%	-8.1%	18.7%	8.9%	12.7%	13.4%	6.7%	6.6%	9.1%
Code	Company	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc
ALI	Argo Global Ltd	1.6%	7.4%	-1.0%	-0.1%	6.1%	-3.9%	6.1%	9.6%	-7.4%
EAI	Ellerston Asian	-14.2%	-8.9%	-11.5%	-6.0%	-0.5%	-10.2%	-2.9%	-2.0%	-10.2%
FGG	Future Glb Invest Co	2.6%	-7.2%	-12.0%	-0.6%	3.7%	-11.4%	3.7%	1.6%	-8.3%
GVF	Global Value Fnd Ltd	3.2%	3.3%	-2.3%	9.3%	11.0%	-3.7%	7.5%	6.4%	-3.4%
PIA	Pengana Int Equ Ltd	-8.6%	-17.8%	-12.6%	0.2%	2.4%	-10.8%	3.1%	1.6%	-10.5%
MFF	MFF Capital Inv Ltd	-6.3%	-3.5%	-16.1%	-2.4%	-3.5%	-11.9%	6.8%	4.2%	-9.6%
MGFA	Magellan Global Fund	0.1%	-0.4%	-18.3%	na	na	na	na	na	na
PAI	Platinum Asia Ltd	-6.3%	-7.3%	-13.2%	1.7%	3.7%	-10.3%	2.0%	-1.5%	-6.3%
PGF	Pm Capital Fund	12.4%	14.3%	-1.1%	17.5%	24.9%	-9.2%	12.3%	12.3%	-9.8%
PMC	Platinum Capital Ltd	1.9%	-4.0%	-13.7%	4.9%	6.1%	-11.2%	2.0%	-2.2%	-4.1%
WGB	WAM Global	-7.9%	-15.2%	-12.0%	1.8%	0.4%	-9.4%	na	na	na
VG1	VGI Partners Global	-3.3%	-5.3%	-17.5%	-6.2%	-7.2%	-15.4%	0.3%	-3.3%	-9.0%
Code	Company	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc
BTI	Bailador Tech Inv	-2.6%	11.5%	-27.6%	11.3%	13.1%	-22.0%	10.5%	11.0%	-23.2%
HM1	Hearts and Minds	-8.6%	-8.7%	-15.0%	-0.4%	-1.9%	-4.2%	na	na	na
LRT	Lowell Res Fund	-18.1%	-35.8%	-16.8%	42.2%	42.2%	-14.7%	na	10.9%	na
LSX	Lion Selection Grp	7.0%	18.3%	-28.9%	15.2%	10.0%	-27.2%	17.8%	8.7%	-20.8%
NAC	Naos Ex-50	-16.1%	-16.9%	-10.5%	2.3%	1.6%	-18.2%	1.6%	1.0%	-17.0%
RF1	Regal Invest Fund	-9.1%*	-11.3%*	0.8%	21.5%	22.7%	1.0%	na	na	na
SNC	Sandon Capital Ltd	-19.5%	-23.8%	-11.6%	0.7%	1.4%	-14.8%	1.6%	-0.9%	-12.3%
TGF	Tribeca Glb Resources	-17.0%	-16.9%	-14.6%	10.9%	15.4%	-17.9%	na	na	na
TOP	Thorney Opp Ltd	3.6%	8.5%	-27.4%	5.3%	2.4%	-24.0%	1.6%	-2.2%	-21.6%
WAA	WAM Active Ltd	-6.8%	-19.3%	-1.0%	0.3%	-2.2%	1.6%	0.8%	-1.3%	1.4%
WMA	WAM Alternative Assets	2.2%	5.2%	-11.8%	6.6%	14.3%	-15.4%	5.4%	3.0%	-19.0%

Source: Bloomberg, IRESS, OML

\*Historical performance data for the Magellan Global Fund strategy is available on MGF summary page

## BKI Investment Company (BKI)

[www.bkilimited.com.au](http://www.bkilimited.com.au)

- BKI was listed on the ASX in December 2003 with an objective to provide investors with sound dividend yields and long-term capital growth.
- BKI invests in a diversified portfolio of Australian shares, trusts and interest-bearing securities, focusing on securities that are paying an increasing dividend stream.
- Key sector weights as at 28 February 2023 include Materials (15.2%), Banks (12.9%), Financials (12.8%), Energy (12.7%), Consumer Discretionary (10.3%) and Utilities (7.1%).
- The total shareholder return for the year ending 28 February 2023 was 16.2%, with pre-tax NTA increasing 10.2%. The active return (TSR) was 10.2%.

Fig.2: BKI overview

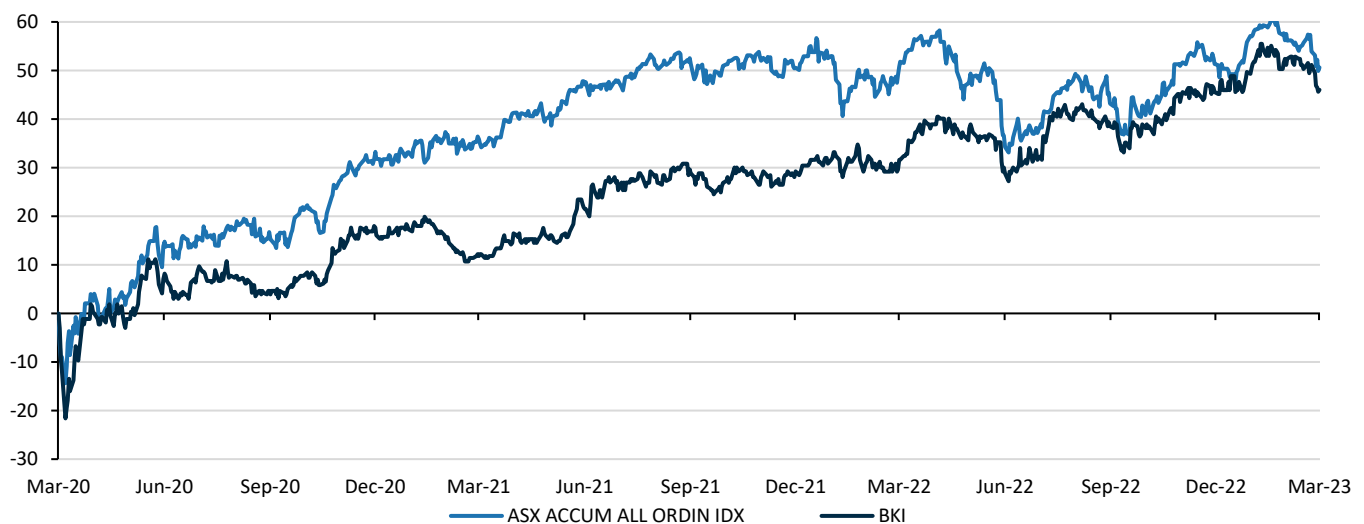
BKI Snapshot		Top Holdings		%
Price (28 February 2023)	\$1.80	Macquarie Group Ltd		9.4%
Share price range (12 months)	\$1.58- \$1.88	BHP Group Limited		9.0%
Shares on issue (Mn)	747.8	APA Group		7.1%
Market capitalisation (\$Mn)	\$1,346	Commonwealth Bank.		7.0%
Pre-tax asset backing*	\$1.76	National Aust. Bank		5.9%
Post-tax asset backing*	\$1.64	New Hope Corporation		5.3%
Premium/(Discount) to pre-tax NTA	2.3%	Woodside Energy		4.5%
Premium/(Discount) to post-tax NTA	9.8%	Wesfarmers Limited		4.5%
Dividend yield	5.1%	Transurban Group		3.7%
Dividend per share (cents)	8.9	Woolworths Group Ltd		3.2%
Franking	100%			
Management expense ratio	0.18%			

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
BKI	16.2%	10.6%	6.1%	NTA growth	10.2%	8.4%	6.7%
Active return	10.2%	2.1%	-1.9%	Active return	4.2%	-0.1%	-1.4%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 28 February 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.3: BKI TSR vs All Ords Accum. Index



Source: Bloomberg, OML

## Australian United Investment Company (AUI)

[www.aui.com.au](http://www.aui.com.au)

- AUI was founded in 1953 by the late Sir Ian Potter and The Ian Potter Foundation.
- AUI utilises a “traditional” investment philosophy, focusing on risk reduction by investing in a range of large and mid-cap companies on the ASX.
- Investments are chosen on their individual merits, with no pre-determined policy that any particular proportion of the capital will be invested in particular investment sectors.
- The total shareholder return for the year ending 28 February 2023 was 8.7%, with pre-tax NTA increasing 9.2%. The active return (TSR) was 2.7%.

Fig.4: AUI overview

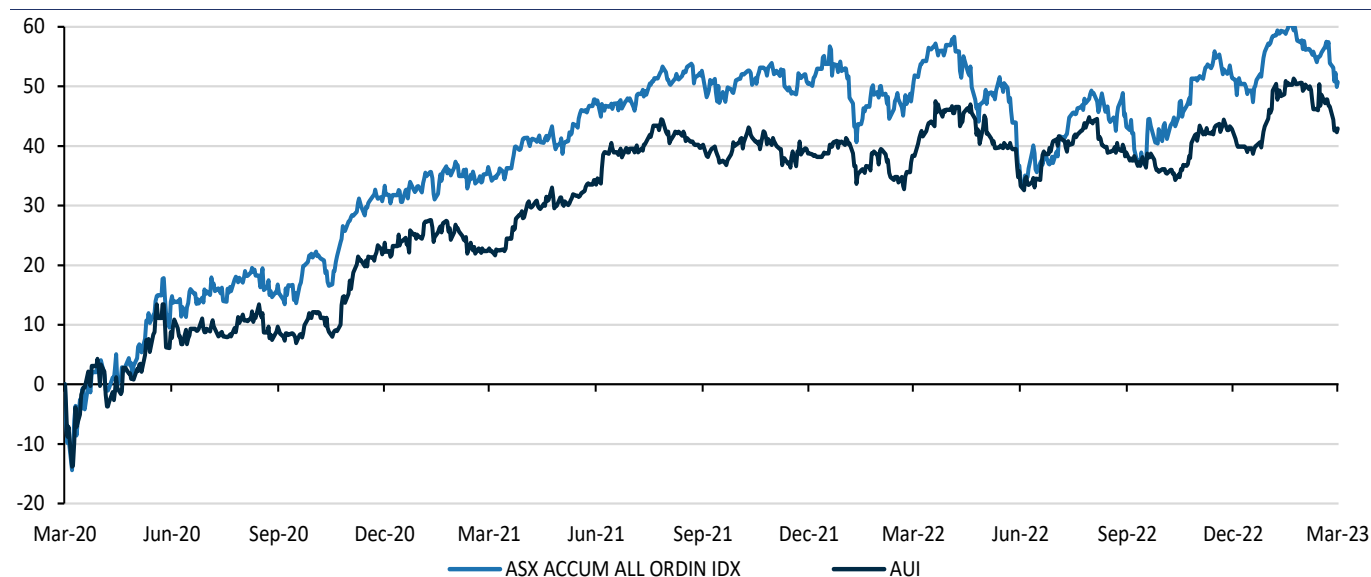
AUI Snapshot		Top Holdings		%
Price (28 February 2023)	\$9.81	Commonwealth Bank.		9.2%
Share price range (12 months)	\$9.18- \$10.34	CSL Limited		8.8%
Shares on issue (Mn)	126.2	BHP Group Limited		8.5%
Market capitalisation (\$Mn)	\$1,238	RIO Tinto Limited		6.1%
Pre-tax asset backing*	\$10.56	Woodside Energy		5.8%
Post-tax asset backing*	\$8.90	Transurban Group		5.5%
Premium/(Discount) to pre-tax NTA	-7.1%	Diversified United		5.0%
Premium/(Discount) to post-tax NTA	10.2%	Wesfarmers Limited		4.7%
Dividend yield	3.9%	ANZ Banking Grp Ltd		4.6%
Dividend per share (cents)	37.0	Westpac Banking Corp		3.5%
Franking	100%			
Management expense ratio	0.10%			

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
AUI	8.7%	6.2%	6.6%	NTA growth	9.2%	7.0%	7.5%
Active return	2.7%	-2.3%	-1.4%	Active return	3.2%	-1.4%	-0.5%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 28 February 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.5: AUI TSR vs All Ords Accum. Index



Source: Bloomberg, OML

## WAM Leaders (WLE)

[www.wilsonassetmanagement.com.au](http://www.wilsonassetmanagement.com.au)

- WLE was incorporated in May 2016 and seeks to deliver a stream of fully franked dividends, provide capital growth over the medium-to-long term and preserve capital. The portfolio will predominately comprise of large cap companies within the S&P/ASX 200 Index.
- WLE employs a two-tiered investment process including research driven investing (fundamental bottom-up approach) and a market driven approach which seeks to take advantage of short-term relative arbitrages and mispricing opportunities.
- The total shareholder return for the year ending 28 February 2023 was 7.8%, with pre-tax NTA increasing 6.6%. The active return (TSR) was 0.6%.

Fig.6: WLE overview

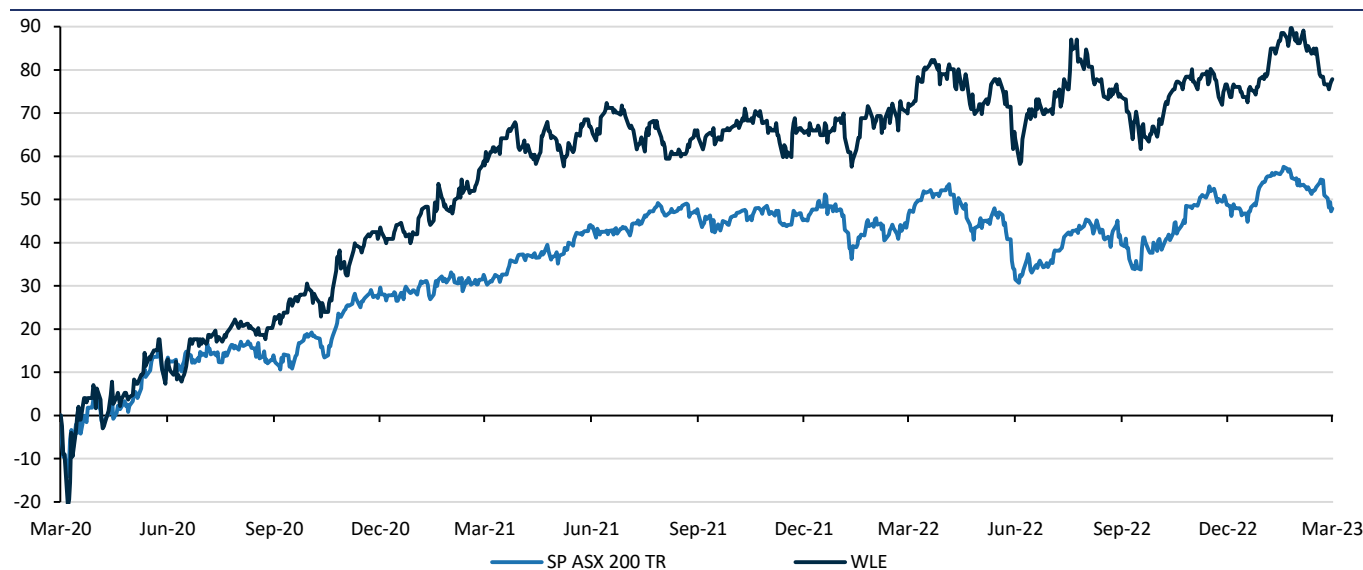
WLE Snapshot		Top Holdings	
Price (28 February 2023)	\$1.56	Aristocrat Leisure	Newcrest Mining
Share price range (12 months)	\$1.37- \$1.62	Atlas Arteria	QBE Insurance Group
Shares on issue (Mn)	1098.4	APA Group	RIO Tinto Limited
Market capitalisation (\$Mn)	\$1,713	BHP Group Limited	South32 Limited
Pre-tax asset backing*	\$1.46	Commonwealth Bank.	The Star Ent Grp
Post-tax asset backing*	\$1.45	CSL Limited	Santos Ltd
Premium/(Discount) to pre-tax NTA	6.9%	Dexus	Transurban Group
Premium/(Discount) to post-tax NTA	7.3%	Iluka Resources	Treasury Wine Estates
Dividend yield	5.3%	Lendlease Group	Westpac Banking Corp
Dividend per share (cents)	8.0	National Aust. Bank	Woolworths Group Ltd
Franking	100%		
Management expense ratio	1.00%		

\*\*listed in alphabetical order\*\*

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
WLE	7.8%	18.4%	11.6%	NTA growth	6.6%	12.7%	9.6%
Active return	0.6%	10.5%	3.7%	Active return	-0.6%	4.8%	1.8%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 28 February 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.7: WLE TSR vs ASX ASX200 Accum. Index



Source: Bloomberg, OML



## L1 Long Short Fund (LSF)

[www.l1longshort.com](http://www.l1longshort.com)

- LSF listed in April-18 following a \$1.3bn raising. LSF has dual investment objectives to 1) seek to deliver strong, positive, risk-adjusted returns over the long term (being a period of more than five years); and 2) preserve capital.
- LSF utilises a fundamental, bottom-up research process to seek and identify mispriced securities with the potential to provide attractive risk adjusted returns. The manager may take short positions in companies it considers to be overvalued, or of low quality and/or over-gearred.
- The total shareholder return for the year ending 28 February 2023 was 3.6%, with pre-tax NTA decreasing -4.1%. The active return (TSR) was -3.5%.

Fig.8: LSF overview

LSF Snapshot		Key performance contributors		Position	%
Price (28 February 2023)	\$2.81	QBE		Long	10%
Share price range (12 months)	\$2.28- \$3.00	Flutter		Long	8%
Shares on issue (Mn)	613.8	Capstone Copper		Long	-8%
Market capitalisation (\$Mn)	\$1,725	Downer		Long	-16%
Pre-tax asset backing*	\$3.01				
Post-tax asset backing*	\$2.96				
Premium/(Discount) to pre-tax NTA	-6.7%				
Premium/(Discount) to post-tax NTA	-4.9%				
Dividend yield	3.5%				
Dividend per share (cents)	9.5				
Franking	100%				
Management expense ratio	1.40%				

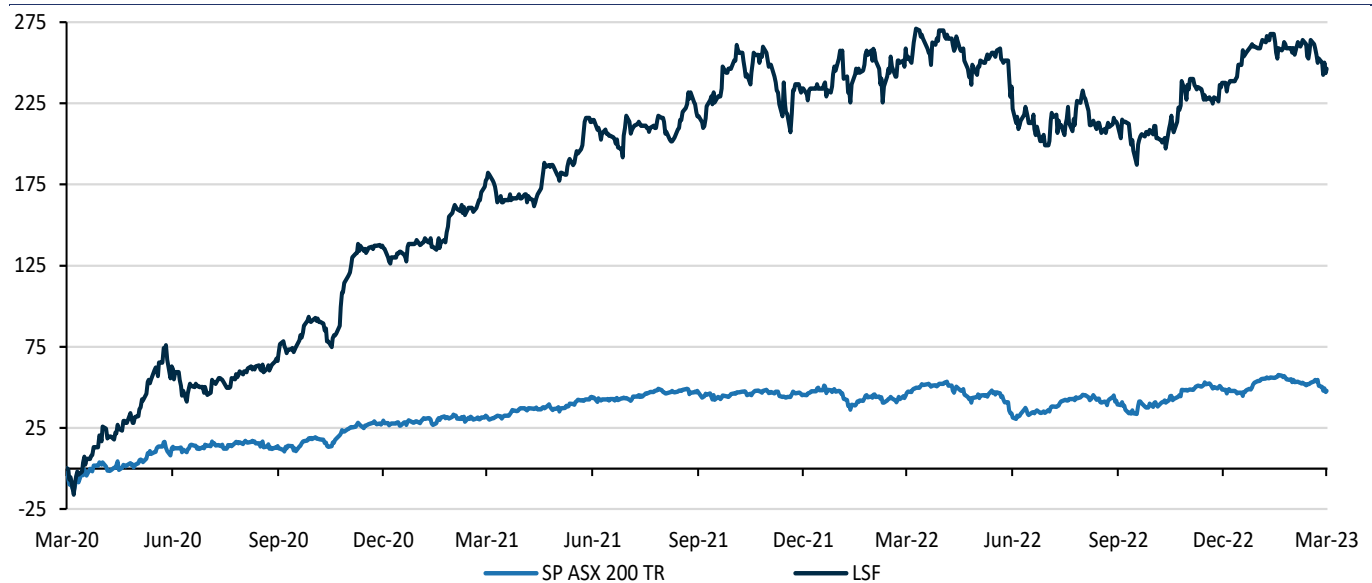
  

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
LSF	3.6%	32.1%	na	NTA growth	-4.1%	25.8%	na
Active return	-3.5%	24.2%	na	Active return	-11.2%	17.9%	na

\*Alphabetical

Source: IRESS, Bloomberg, OML, Company reports. Figures as a 28 February 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.9: LSF TSR vs ASX200 Accum. Index



Source: Bloomberg, OML



## WAM Microcap (WMI)

[www.wilsonassetmanagement.com.au](http://www.wilsonassetmanagement.com.au)

- WMI (the company) listed in Jun-16 following a \$154m raising (the maximum targeted). WMI (at the time) was WAMI's fifth LIC, but the first specialised LIC focusing on listed ASX companies with a market capitalisation of less than \$300m at the time of purchase.
- WMI seeks to provide investors exposure to undervalued growth companies identified using WAMI's research and market driven investment process. There are no investment limits on industry, sector, or geographical allocations. Short selling is permitted; however, it will not exceed 50% of the value of the portfolio without prior board approval.
- Key sector exposures as at 28 February 2023 included Consumer Discretionary (20.2%), Industrials (18.2%), Information Technology (11.7%) and Financials (8.8%).
- The total shareholder return for the year ending 28 February 2023 was -8.1%, with pre-tax NTA decreasing -7.9%. The active return (TSR) was -0.2%.

**Fig.10: WMI overview**

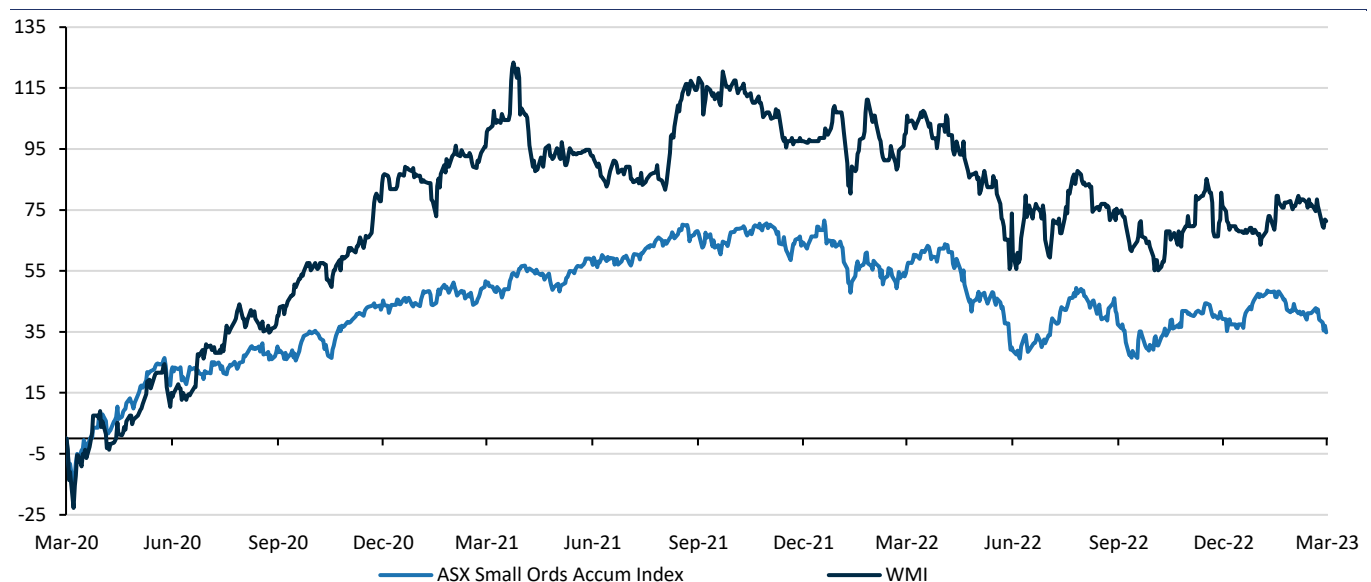
WMI Snapshot				Top Holdings			
Price (28 February 2023)			\$1.59	Austin Engineering			Nexted Group
Share price range (12 months)			\$1.40- \$1.99	Aroa Biosurgery			Propel Funeral
Shares on issue (Mn)			210.0	Attura			Praemium Limited
Market capitalisation (\$Mn)			\$334	Capitol Health			Qualitas Ltd
Pre-tax asset backing*			\$1.36	Close the Loop			Rpmglobal Hldgs Ltd
Post-tax asset backing*			\$1.34	Experience Co Ltd			Smartpay
Premium/(Discount) to pre-tax NTA			17.2%	Ivegroup			SRG Global Ltd
Premium/(Discount) to post-tax NTA			18.8%	IPD Group			Tourism Holdings
Dividend yield			6.5%	LGI Group			Tuas Limited
Dividend per share (cents)			10.0	MMA Offshore			Xpansiv (UL)
Franking			100%				
Management expense ratio			1.00%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
WMI	-8.1%	12.7%	6.6%	NTA growth	-7.9%	8.9%	6.7%
Active return	-0.2%	8.5%	3.0%	Active return	0.1%	4.7%	3.2%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 28 February 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

**Fig.11: WMI TSR vs ASX Small Ords Accum. Index**



Source: Bloomberg, OML

## Tribeca Global Natural Resources (TGF)

[www.tribecaip.com/global-natural-resources](http://www.tribecaip.com/global-natural-resources)

- The manager, Tribeca Investment Partners, is a specialist small and mid-cap equities investment manager. TGF listed in Oct-18 following a \$158m raise.
- TGF seeks to actively deliver superior risk-adjusted returns to investors through a combination of long and short, credit and commodity positions in the highly volatile natural resources sector. TGF invests across the end-to-end value chain within the resources sector.
- The manager employs a high conviction, bottom-up research approach coupled with specialist commodities knowledge to take advantage of valuation mispricing and relative value of the natural resources Market. TGF seeks to maintain detailed coverage of ~300 companies across the eight natural resources industry segments.
- The largest net exposures by sector as of 28 February 2023 included Base Metals, Battery Metals, Uranium, Precious Metals, Carbon Credits, Diversified, and Physical Commodity.
- The total shareholder return for the year ending 28 February 2023 was -16.9%, with pre-tax NTA increasing -17.0%. The active return (TSR) was -23.0%.

Fig.12: TGF overview

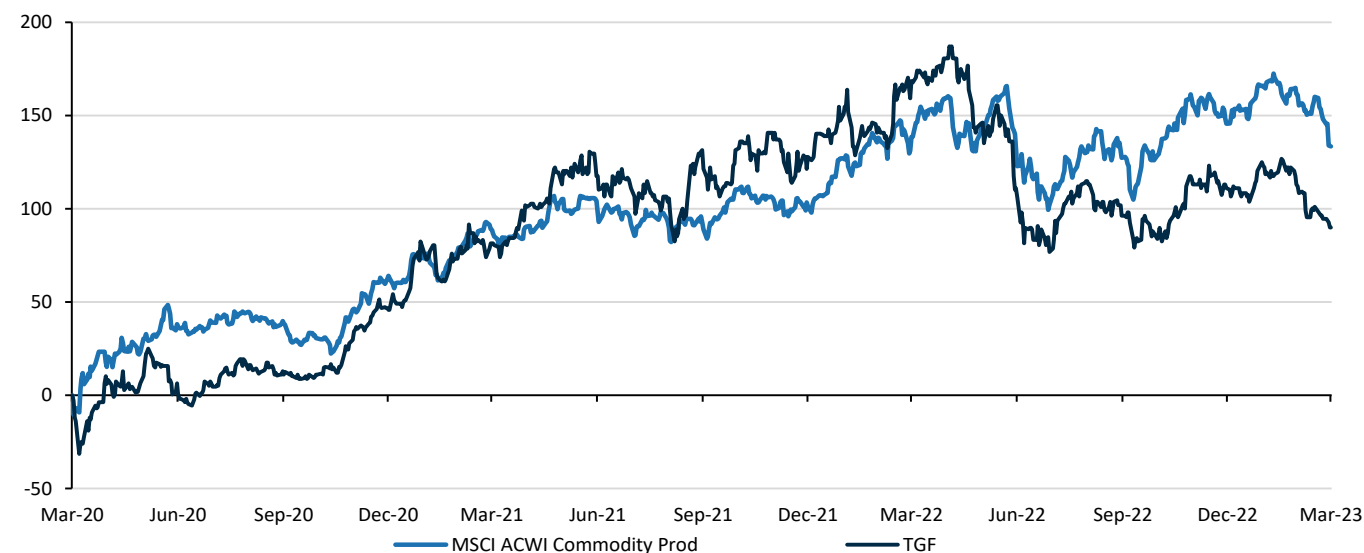
TGF Snapshot				Top Holdings			
Price (28 February 2023)			\$2.15	Alpha HPA			Sandfire
Share price range (12 months)			\$1.91- \$3.10	Boss Resources			Syrah Resources
Shares on issue (Mn)			70.7	Cameco Corp			Teck Resources
Market capitalisation (\$Mn)			\$152	Chalice Mining			US Silica Holdings
Pre-tax asset backing*			\$2.67	Develop Global			
Post-tax asset backing*			\$2.66	Genesis Minerals			
Premium/(Discount) to pre-tax NTA			-19.5%	Glencore			
Premium/(Discount) to post-tax NTA			-19.3%	Lunnon Metals			
Dividend yield			0.0%	Neo Performance			
Dividend per share (cents)			0.0	Regis Resources			
Franking			n.a				
Management expense ratio			1.50%				
				*Alphabetical			

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
TGF	-16.9%	15.4%	na	NTA growth	-17.0%	10.9%	na
Active return	-23.0%	-5.0%	na	Active return	-23.1%	-9.5%	na

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 28 February 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.13: TGF TSR vs MSCI ACWI Commodity Prod



Source: Bloomberg, OML

Ord Minnett acted as joint lead manager to the capital raising in February 2023 and received fees acting in this capacity.

## PM Capital Global Opportunities Fund (PGF)

[www.pmcapital.com.au](http://www.pmcapital.com.au)

- Managed by PM Capital, PGF began trading on the ASX on 11 December 2013. PGF provides exposure to international equities with a portfolio size of approximately 40 holdings.
- Current investment exposures include Global Domestic Banking (Europe & USA, 46%), Energy (14%), Gaming (13%), Industrial Commodities (13%), Industrials (11%) and Alternative Investment Managers (7%).
- The total shareholder return for the year ending 28 February 2023 was 14.3%, with pre-tax NTA increasing 12.4%. The active return (TSR) was 14.3%.

**Fig.14: PGF overview**

PGF Snapshot		Current stock example		%
Price (28 February 2023)	\$1.78	Apollo Global Management		na
Share price range (12 months)	\$1.43- \$1.88	Bank of America		
Shares on issue (Mn)	408.0	Cairn Homes		
Market capitalisation (\$Mn)	\$726	Freeport-McMoRan		
Pre-tax asset backing*	\$1.86	ING Groep		
Post-tax asset backing*	\$1.67	Shell		
Premium/(Discount) to pre-tax NTA	-4.3%	Siemens		
Premium/(Discount) to post-tax NTA	6.6%	Wynn Resorts		
Dividend yield	9.0%			
Dividend per share (cents)	15.0			
Franking	100%			
Management expense ratio	1.00%			

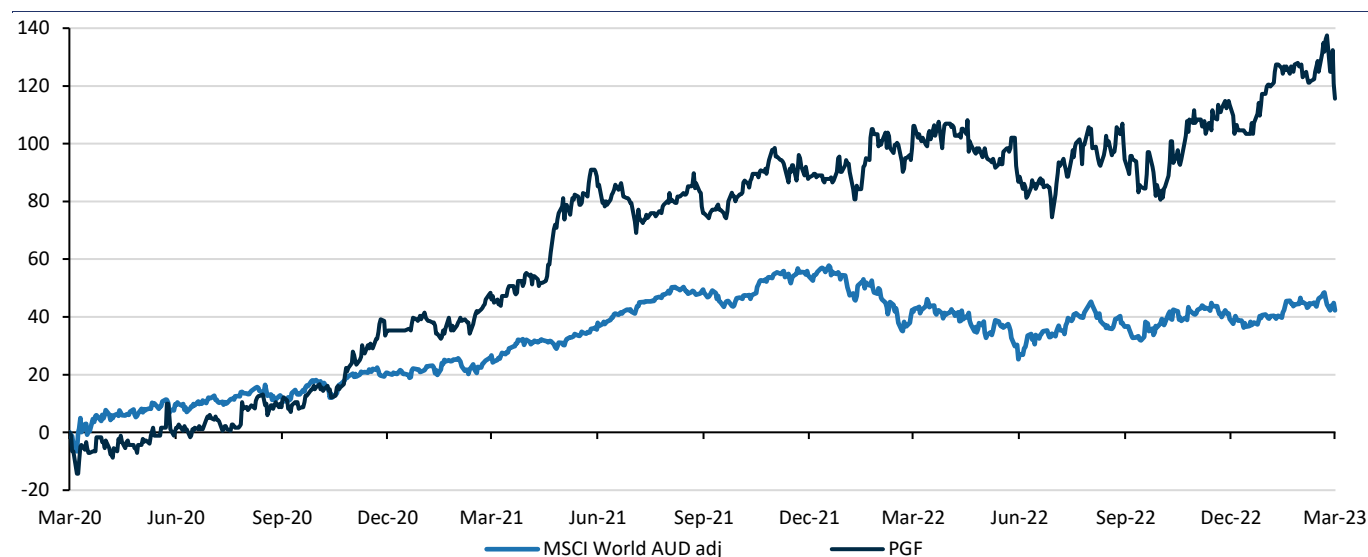
  

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
PGF	14.3%	24.9%	12.3%	NTA growth	12.4%	17.5%	12.3%
Active return	14.3%	15.9%	1.8%	Active return	12.4%	8.6%	1.8%

\*\*listed in alphabetical order\*\*

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 28 February 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

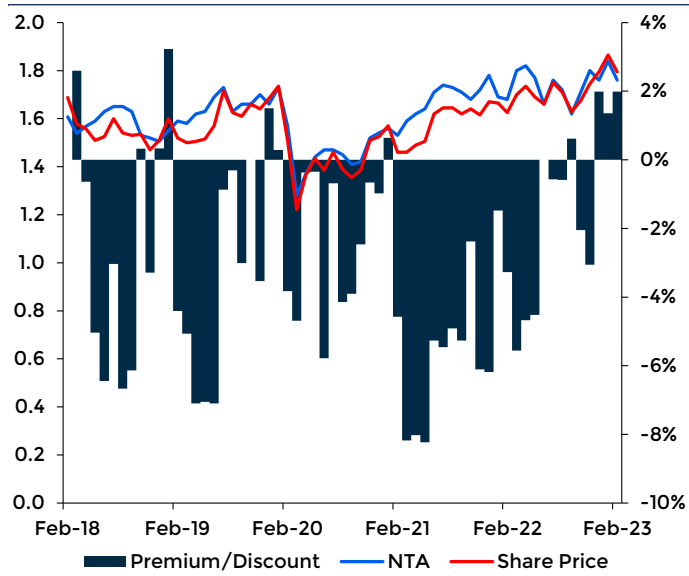
**Fig.15: PGF TSR vs MSCI World Index (AUD adj.)**



Source: Bloomberg, OML

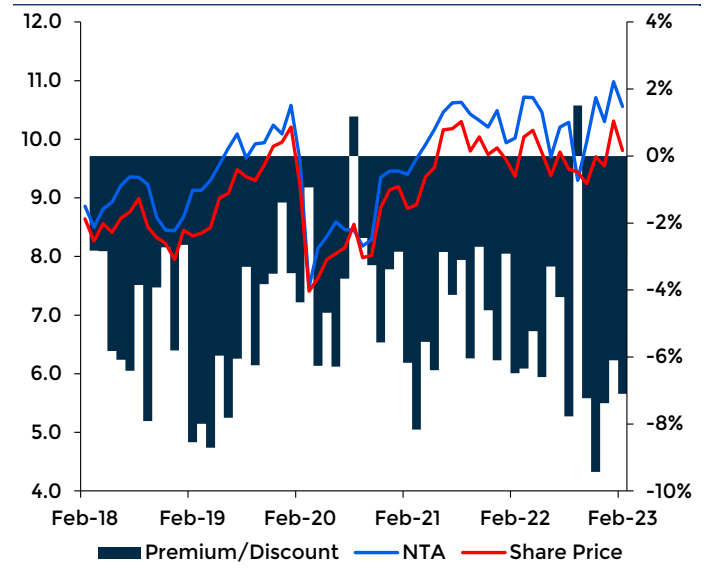
Appendix – Historical Premium/Discounts for Preferred LICs

Fig.16: BKI Investment Company (BKI)



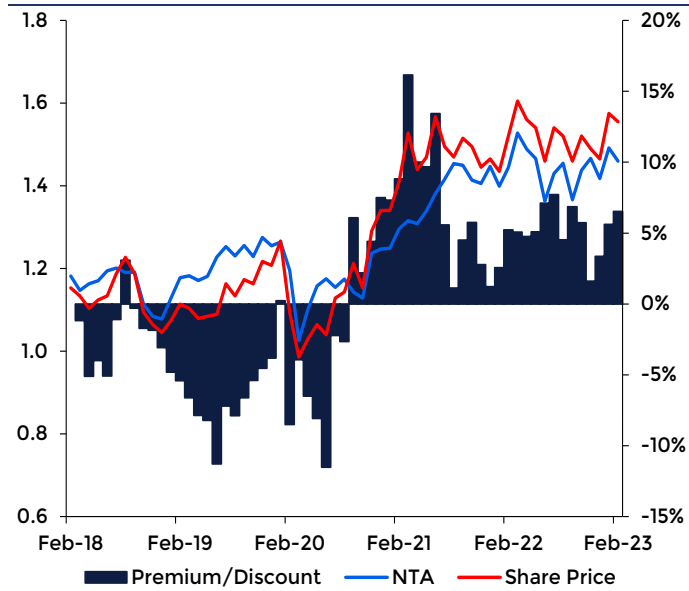
Source: Bloomberg, IRESS, OML

Fig.17: Australian United Investment Company (AUI)



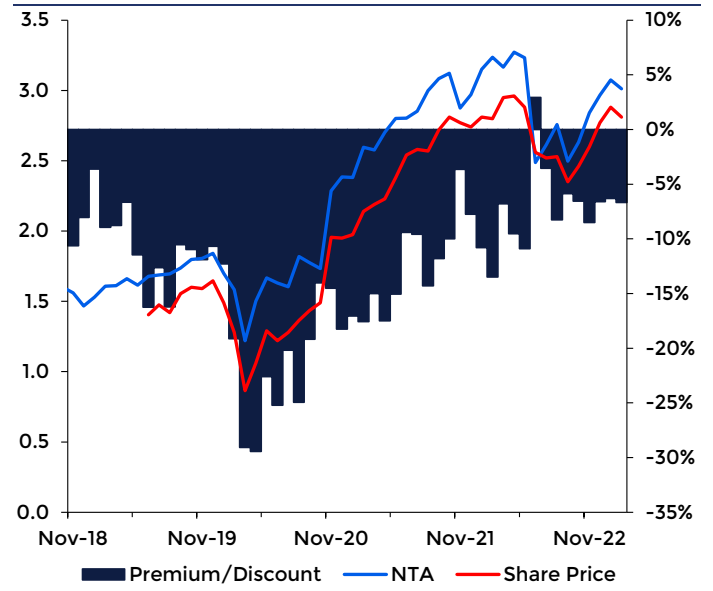
Source: Bloomberg, IRESS, OML

Fig.18: WAM Leaders (WLE)



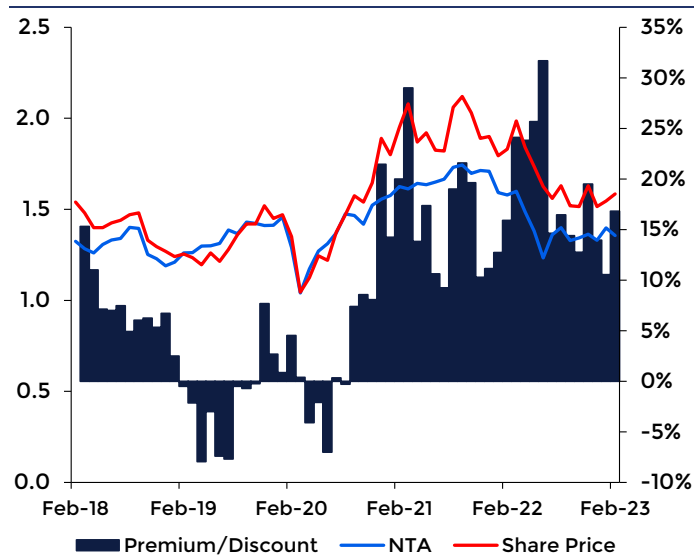
Source: Bloomberg, IRESS, OML

Fig.19: L1 Long Short Fund (LSF)



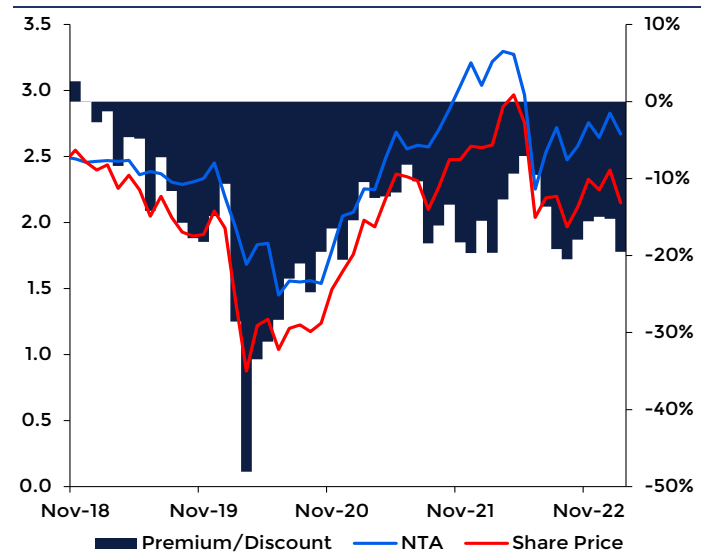
Source: Bloomberg, IRESS, OML

Fig.20: WAM Microcap (WMI)



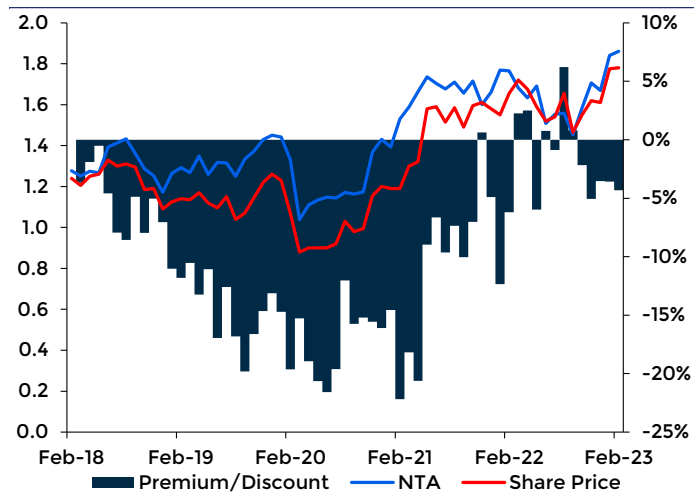
Source: Bloomberg, IRESS, OML

Fig.21: Tribeca Global Natural Resources (TGF)



Source: Bloomberg, IRESS, OML

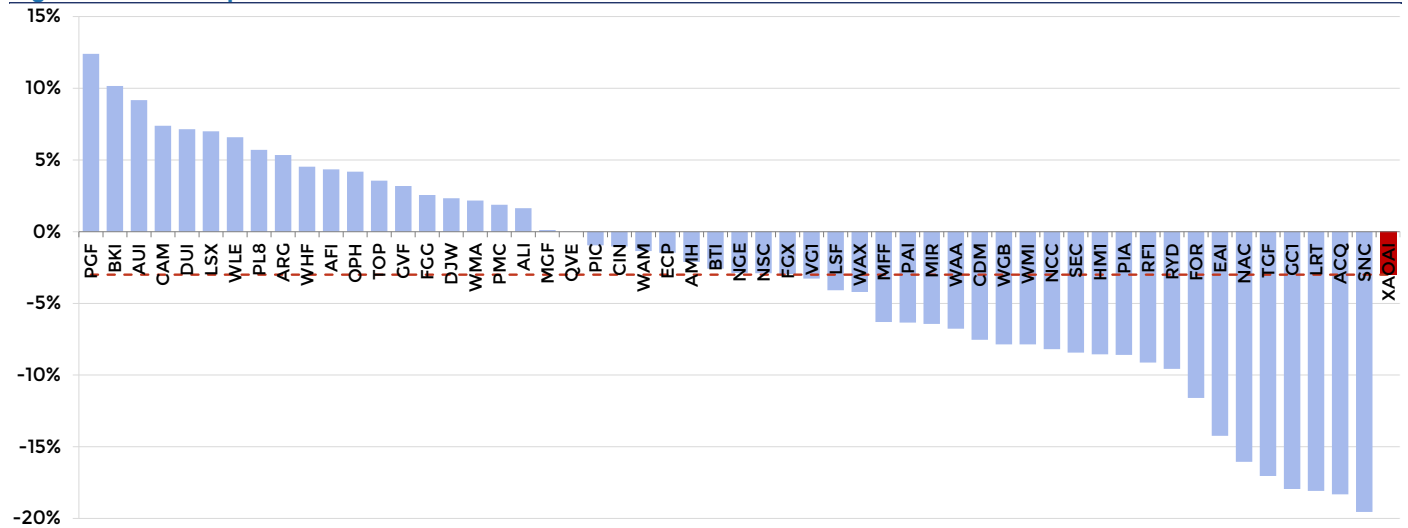
Fig.22: PM Capital Global Fund (PGF)



Source: Bloomberg, IRESS, OML

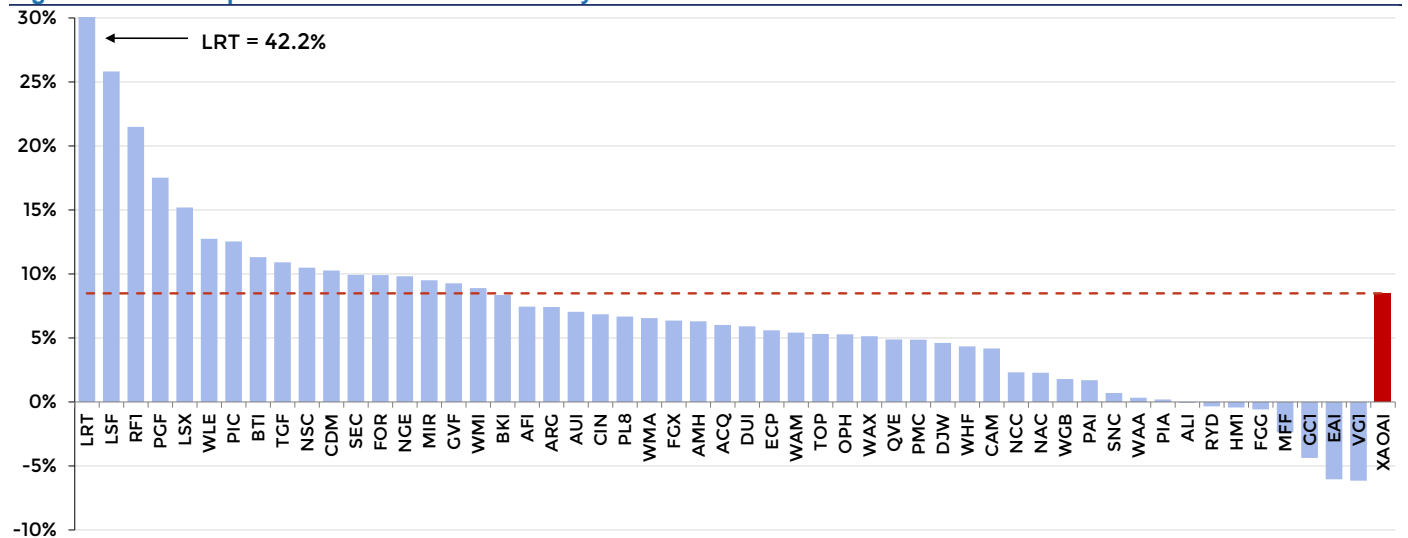
1, 3 and 5-year NTA & total shareholder return growth

Fig.23: CAGR NTA performance – % return over 12 months



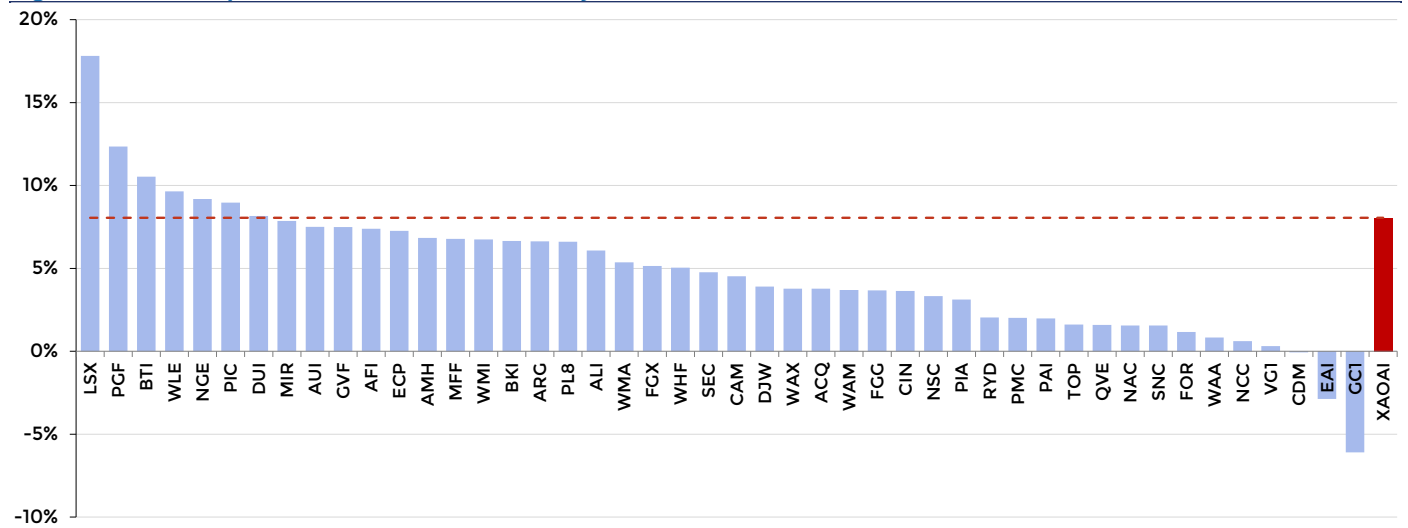
Source: Bloomberg, IRESS, OML. Figures as at 28 February 2023.

Fig.24: CAGR NTA performance – % return over 3 years



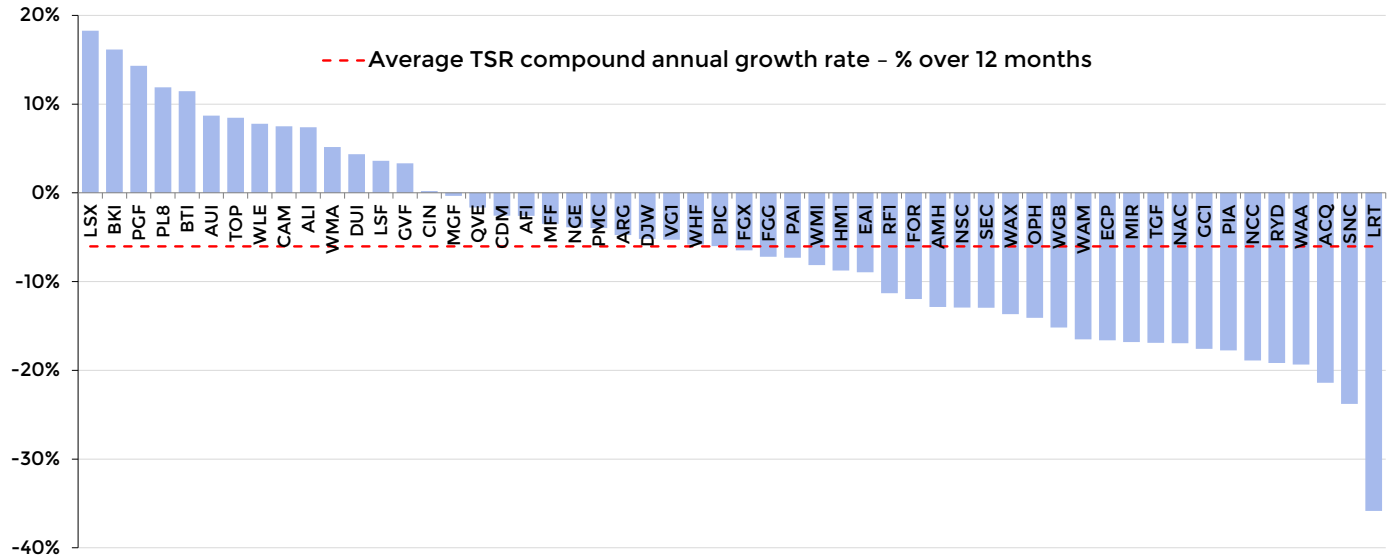
Source: Bloomberg, IRESS, OML. Figures as at 28 February 2023.

Fig.25: CAGR NTA performance – % return over 5 years



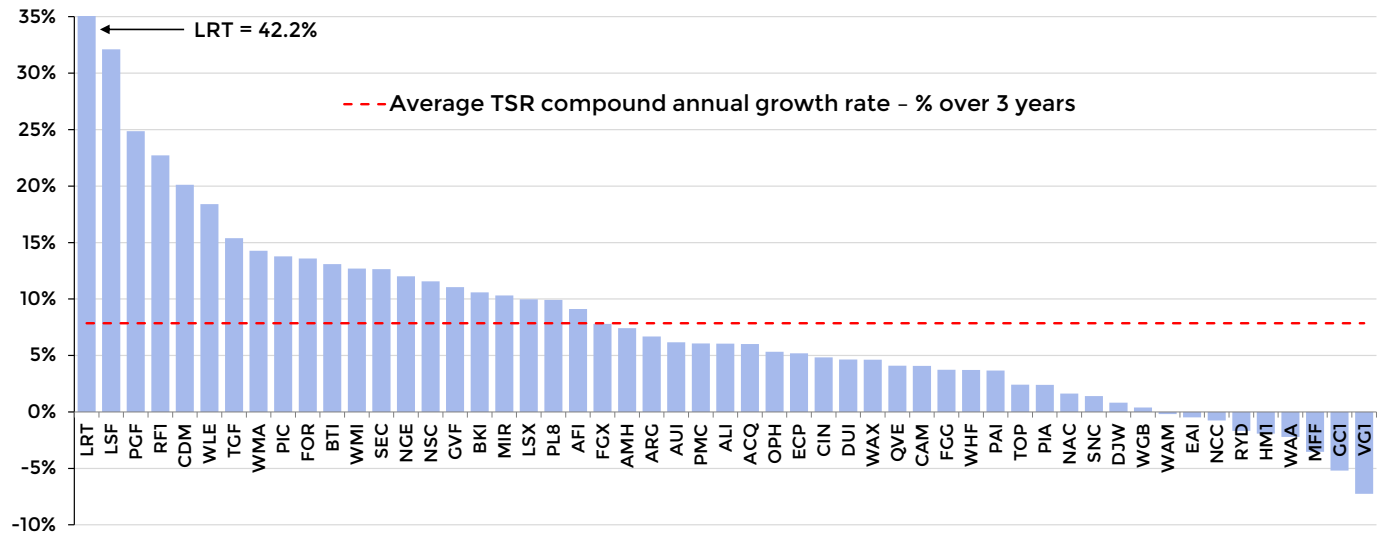
Source: Bloomberg, IRESS, OML. Figures as at 28 February 2023.

Fig.26: TSR compound annual growth rate – % over 12 months



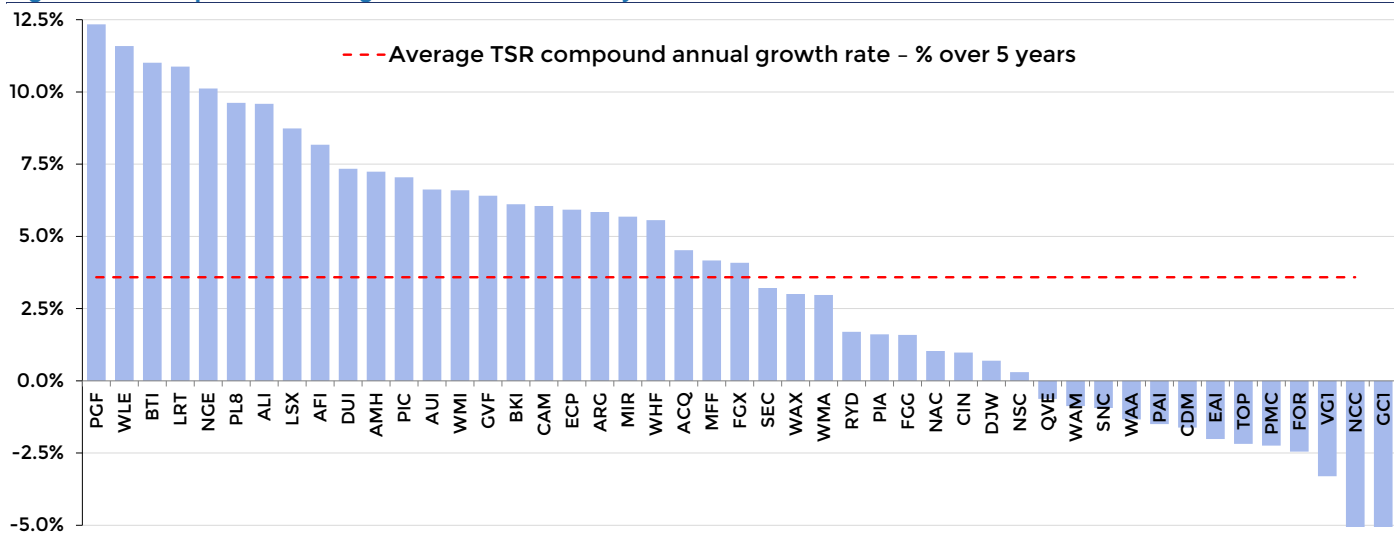
Source: Bloomberg, IRESS, OML. Figures as at 28 February 2023.

Fig.27: TSR compound annual growth rate – % over 3 years



Source: Bloomberg, IRESS, OML. Figures as at 28 February 2023.

Fig.28: TSR compound annual growth rate – % over 5 years

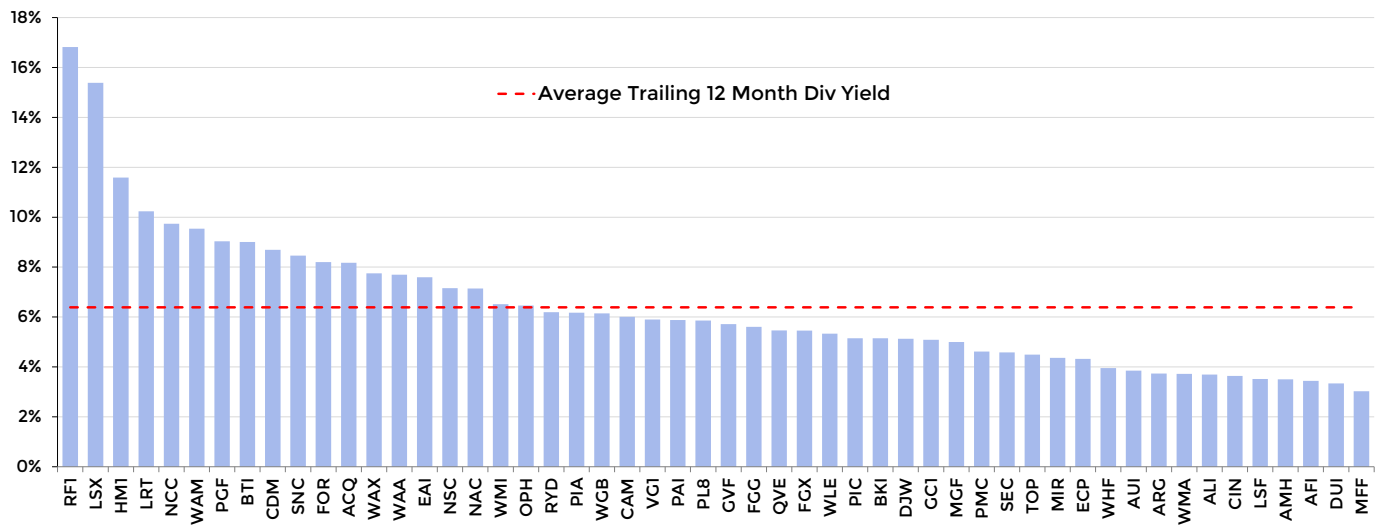


Source: Bloomberg, IRESS, OML. Figures as at 28 February 2023.



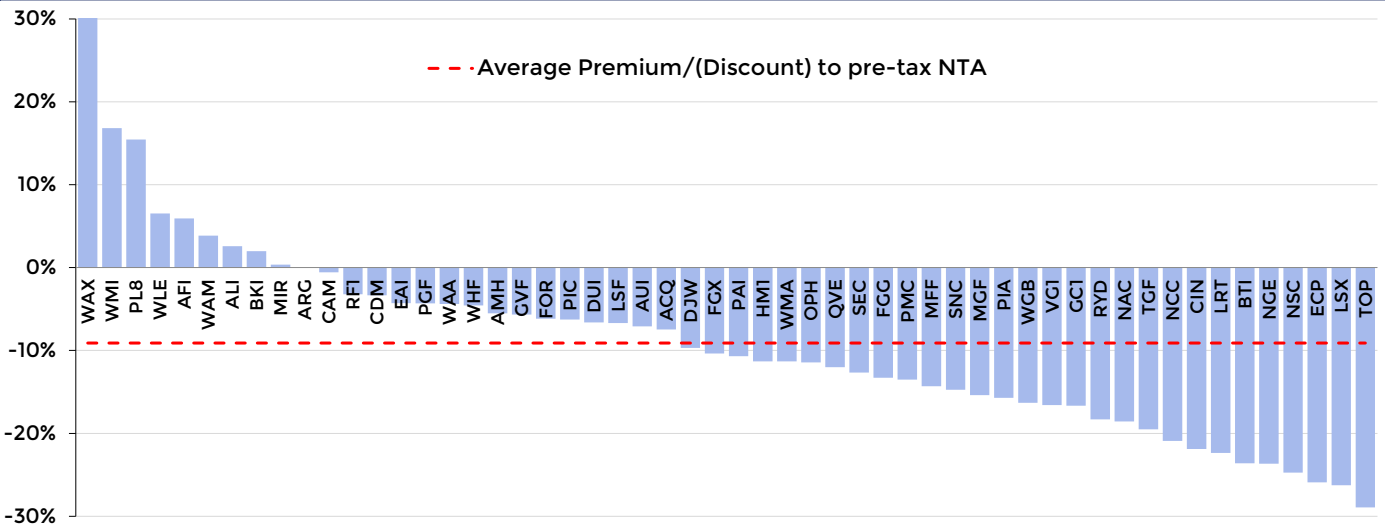
Dividend yield, pre & post tax discount/premium to NTA

Fig.29: Trailing 12-month dividend yield and average



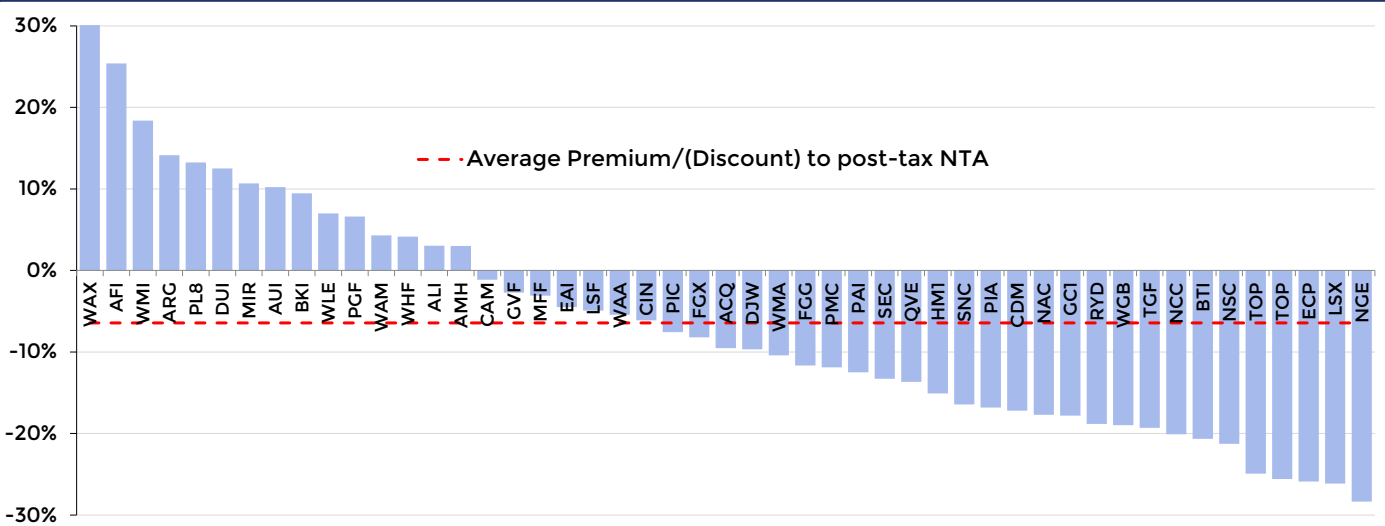
Source: Bloomberg, IRESS, OML. Figures as at 28 February 2023. LICs with no yield excluded.

Fig.30: Premium/(Discount) to pre-tax NTA



Source: Bloomberg, IRESS, OML. Figures as at 28 February 2023.

Fig.31: Premium/(Discount) to post-tax NTA



Source: Bloomberg, IRESS, OML. Figures as at 328 February 2023.

## LIC basics

### What is a LIC?

- A LIC has characteristics of managed funds and stock exchange-listed companies.
- A LIC is a company that invests in other companies, with the purpose of giving its shareholders exposure to a variety of shares via its investment portfolio.
- LICs may also invest in cash or fixed income instruments, although in many cases this forms only a relatively small proportion of their investment portfolio.
- Income from LICs usually takes the form of semi-annual dividend payments that are linked to the profitability of the portfolio. Capital gains (losses) can arise where the investor sells the shares in the LIC for more (less) than they originally bought them for.

### Benefits of investing in LICs

#### Diversification

- Investment in just one LIC potentially gives an investor exposure to a number of companies in a range of industries.
- This diversification can reduce the volatility of returns across the portfolio.
- A LIC can be a cost-effective method of achieving diversification.

#### LICs are managed by investment professionals

- Each LIC is managed by full-time investment professionals whose goal it is to optimise returns on the investment portfolio for shareholders within strictly enforced risk parameters.
- In this respect, LICs are passive investments. Once the shares in the LIC have been purchased, the investor leaves investment decisions to the LIC manager.
- Some LICs have operated for more than 50 years while others, although only recently listed, are operated and managed by investment firms that have built strong reputations over many years.

#### Transparent investment philosophy

- LICs are typically transparent about their investment philosophy and process. Investors can choose the relevant LIC based on their own investment goals and risk preferences.
- Some LICs focus on specific geographic areas (such as Australia or overseas), may invest in a range of industries or focus on just one (such as resources), or are geared towards providing investors with annual income streams or longer-term capital gains (or a combination of both).
- In this document, we briefly describe each of the 64 selected LICs, their main investments and recent performance.

#### Ease of investment

- Investing in a LIC is done in the same manner as any other company on the ASX, by placing an order with your adviser to buy shares in it.
- Exiting the investment is just as straightforward: the investor sells the shares on-market during trading hours through their adviser.
- Most LICs are 'liquid', meaning there are enough willing buyers and sellers on the ASX, to allow the investor to enter or exit the investment at a time they choose.

## Costs involved in investing in a LIC

### Entry costs

- Investing in the ASX via a LIC can be cost-effective relative to other methods of investing in a 'portfolio' of investments.
- The initial cost comes in the form of brokerage paid to acquire the shares, which can deliver an efficient method of diversification. A LIC can be an efficient method of diversification.
- The entry costs to LIC investments are generally lower than retail managed funds, which utilise a "front-end load" charge at the date of purchase.

### Ongoing costs

- LIC managers can charge two types of fees: management and performance fees.
- LICs use management fees to cover the costs incurred in running the portfolio. These fees are taken out of the profits of the LIC, which are a function of the performance of the underlying investment portfolio (including dividends paid and capital gains/losses on shares that are sold). Managers are paid regardless of the profitability of the investment portfolio.
- These fees typically range from 0.0%-2.0% of assets under management per year. This can be lower than the average fees charged for retail managed funds. The effect of this cost-saving on a longer-term investment, where returns compound over many years, can be material. One reason for this lower cost is that LICs do not incur back-office or distribution costs, reducing their cost of operation. The fees (calculated as a "management expense ratio" or MER) of our selected LICs are shown in Table 2.
- Unlike management fees, performance fees are paid only if the LIC's investment portfolio outperforms a predetermined benchmark. The fee is charged on the size of this outperformance. Not all LICs charge performance fees.
- These fees provide an incentive for the LIC manager to optimise returns for shareholders. Note performance fees in some instances can still be paid when a portfolio incurs a loss over an investment period if it still outperforms its relevant benchmark.
- Performance fees for our selected LICs are shown in Table 2 on page 7. The benchmark index is the S&P/ASX All Ordinaries Accumulation Index unless otherwise stated below.

### Exit costs

- Brokerage is payable when selling shares in a LIC. Retail managed funds on the other hand, can generally be exited at no charge.
- Exiting a LIC investment can have tax consequences based on the capital gain or loss over the investment period.

## What income do investors receive from a LIC?

- Annual investor income from a "buy-and-hold" investment strategy in a LIC takes the form of dividends, just like other share investments.
- However, because LICs utilise a company structure, payment of dividends is at the discretion of the LIC manager. In other words, just because the investment portfolio of the LIC has made a profit in a given year, it does not mean that all, or even any, of that profit will be paid to shareholders in that year. Where a LIC chooses not to pay a dividend, the income is retained and invested by the LIC and forms part of the LIC's underlying asset backing. This is different to retail managed funds, which are required to pay out the income to unitholders in the particular tax year that it is earned. Generally, LICs will pay out a high proportion of earnings as dividends.
- A number of our selected LICs invest in blue chip stocks and pay out a high proportion of earnings as a dividend. Accordingly, they can have attractive dividend yields (as shown in Figure 1).

### Taxation issues

- LIC returns are generally taxed at the company tax rate of 30%. Accordingly, when dividends are paid to shareholders of the LIC franking credits are attached. These can be a tax benefit for shareholders, as they receive a “credit” for the company tax already paid on the LIC income when the shareholder’s ordinary income is assessed.
- Capital gains are managed by the LIC manager. Where the dividend paid to a shareholder of a LIC contains capital gains, it will be treated as a capital gain, not ordinary income, in the hands of the shareholder.
- This tax treatment contrasts with that of unlisted retail managed funds, where investors incur an annual tax liability on interest and capital gains that the fund earns each year.

### LIC Discounts and Premiums

- The price at which investors buy or sell LICs, as with stocks is ultimately determined by supply and demand in the market. As a result, the price of a listed investment company can trade above or below its net tangible asset (NTA) value. That is, trade at a premium or discount respectively.
- LICs may trade at a discount if:
  - The underlying fund has a poor performance track record.
  - The LIC has yet to pay dividends, has recently reduced its dividend or the market anticipates it has limited ability to pay future dividends.
  - The LIC has a limited track record, rapport with investors or has limited marketing and/or distribution capability.
  - The LIC has issued options which could substantially dilute the NTA of other unit holders if exercised.
  - The LIC has less liquidity
  - LICs may trade at a discount to pre-tax NTAs if the LIC has a significant tax liability.
- LICs may also trade at a premium if:
  - The underlying portfolio has a strong performance track record.
  - The fund has a history of maintaining or increasing dividends. Many LIC investors have historically preferred vehicles paying stable fully franked dividends.
  - If an LIC has a substantial franking credit balance or tax asset.
- Many LICs have exhibited a tendency for discounts and premiums to mean revert and trade around a certain level. This tendency has provided an opportunity for investors to profit from mean reversion for LICs trading at a discount. However, this reversion can take time and rely on certain catalysts. We also note that a discount can deepen before it narrows.
- Some listed investment companies which trade at a premium may continue to trade at premium for the foreseeable future, or trade at an even larger premium.

### LICs versus managed funds

- LICs are listed on the stock exchange, so entry and exit costs are limited to brokerage. This means that diversification may be achieved at a relatively lower cost. LICs also offer a tax-effective structure, whereby dividends are typically fully franked and when LIC capital gains are paid out as dividends, investors may be entitled to an income tax reduction for the proportion of the dividend attributable to the capital gain. Investors in managed funds may incur a tax liability on interest and capital gains.
- The fee structures of LICs can be favourable in comparison with managed funds. Our selected traditional LICs have management expense ratios ranging from 0.0% to 2.5%, whereas managed funds often charge more than 1.0%.

## LICs versus exchange traded funds (ETFs)

- LICs and ETFs have low management fees and efficient tax structures compared with managed funds. However, ETFs have an open-ended structure, where units on offer can increase or decrease based on supply and demand. This mechanism allows ETFs to trade at or close to their net asset value.
- ETFs are generally passive investment products and hence do not aim to outperform the market in the same way many of the LICs do. There are an increasing number of Exchange Traded Managed Funds though that offer active management and avoid variation from NTA.
- ETFs are required to distribute any surplus income to security holders, whereas LICs can conserve surplus income and take advantage of market opportunities as they see fit. This added flexibility is beneficial to the shareholder.

**Institutional Research**

Alastair Hunter	Head of Institutional Research	+61 3 9608 4168	ahunter@ords.com.au
Nicolas Burgess	Senior Research Analyst	+61 3 9602 9379	nburgess@ords.com.au
James Casey	Senior Research Analyst	+61 3 9602 9265	jamescasey@ords.com.au
Phillip Chippindale	Senior Research Analyst	+61 2 8216 6346	pchippindale@ords.com.au
Paul Kaner	Senior Research Analyst	+61 3 9608 4124	pkaner@ords.com.au
Dylan Kelly	Senior Research Analyst	+61 2 8216 6417	dkelly@ords.com.au
Ian Munro	Senior Research Analyst	+61 3 9608 4127	ian.munro@ords.com.au
John O'Shea	Senior Research Analyst	+61 3 9608 4146	joshea@ords.com.au
Leanne Truong	Senior Research Analyst	+61 2 8216 6367	ltruong@ords.com.au
Rushil Paiva	Research Analyst	+61 3 9608 4155	rpaiva@ords.com.au
Oliver Burston	Research Associate	+61 3 9608 4166	oburston@ords.com.au
Tim Elder	Research Associate	+61 7 3214 5565	telder@ords.com.au
Milo Ferris	Research Associate	+61 2 8216 6691	mferris@ords.com.au
Dylan Jones	Research Associate	+61 3 9608 4104	djones@ords.com.au
William Thurlow	Research Associate	+61 2 8216 6623	wthurlow@ords.com.au
Benjamin Yun	Research Associate	+61 2 8216 6646	byun@ords.com.au

**Institutional Sales (Australia)**

Angus Esslemont	Head of Institutional Equities	+61 2 8216 6363	aesselmont@ords.com.au
Trent Stewart	Institutional Derivatives Sales	+61 2 8216 6622	trent.stewart@ords.com.au
Jim Bromley	Institutional Equities Sales	+61 2 8216 6343	jbromley@ords.com.au
Stephen Jolly	Institutional Equities Sales	+61 2 8216 6424	sjolly@ords.com.au
Isaac Morris	Institutional Equities Sales	+61 2 8216 6370	imorris@ords.com.au
Scott Ramsay	Institutional Equities Sales	+61 3 9608 4100	sramsay@ords.com.au
Matt White	Institutional Equities Sales	+61 3 9608 4133	mwhite@ords.com.au
Zac Whitehead	Institutional Equities Sales	+61 2 8216 6350	zwhitehead@ords.com.au
Brendan Sweeney	Operator	+61 2 8216 6781	bsweeney@ords.com.au

**Institutional Sales (Hong Kong)**

Chris Moore	Institutional Equities Sales	+61 2 8216 6362	cmoore@ords.com.hk
-------------	------------------------------	-----------------	--------------------

**Ord Minnett Offices**

**Adelaide**  
Level 5  
100 Pirie Street  
Adelaide SA 5000  
Tel: (08) 8203 2500

**Canberra**  
101 Northbourne Avenue  
Canberra ACT 2600  
Tel: (02) 6206 1700

**Hobart**  
Ground Floor  
85 Macquarie Street  
Hobart TAS 7000  
Tel: (03) 6161 9300

**Melbourne**  
Level 22  
35 Collins Street  
Melbourne VIC 3000  
Tel: (03) 9608 4111

**Head Office  
Sydney**  
Level 18, Grosvenor Place  
225 George Street  
Sydney NSW 2000  
Tel: (02) 8216 6300  
www.ords.com.au

**Bendigo**  
Level 1  
103 Mitchell Street  
Bendigo VIC 3550  
Tel: (03) 4433 3400

**Geelong**  
Office 3, Suite 4  
200 Malop Street  
Geelong VIC 3220  
Tel: (03) 4210 0200

**Mackay**  
45 Gordon Street  
Mackay QLD 4740  
Tel: (07) 4969 4888

**Newcastle**  
426 King Street  
Newcastle NSW 2300  
Tel: (02) 4910 2400

**Brisbane**  
Level 34  
71 Eagle Street  
Brisbane QLD 4000  
Tel: (07) 3214 5555

**Gold Coast**  
Level 7  
50 Appel Street  
Surfers Paradise QLD 4217  
Tel: (07) 5557 3333

**Mildura**  
128 Lime Avenue  
Mildura VIC 3500  
Tel: (03) 9608 4111

**Perth**  
Level 27  
108 St Georges Terrace  
Perth WA 6000  
Tel: (02) 4910 2400

**International  
Hong Kong**  
1801 Ruttonjee House  
11 Duddell Street  
Central, Hong Kong  
Tel: +852 2912 8980  
www.ords.com.hk

**Buderim (Sunshine Coast)**  
1/99 Burnett Street  
Buderim QLD 4556  
Tel: (07) 5430 4444

## Guide to Ord Minnett Recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

<b>SPECULATIVE BUY</b>	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
<b>BUY</b>	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
<b>ACCUMULATE</b>	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
<b>HOLD</b>	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
<b>LIGHTEN</b>	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
<b>SELL</b>	We expect the total return to lose 15% or more.
<b>RISK ASSESSMENT</b>	Classified as Lower, Medium, or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historic volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

**Disclosure:** Ord Minnett is the trading brand of Ord Minnett Limited ABN 86 002 733 048, holder of AFS Licence Number 237121 and is an ASX Group Participant, a Participant of Cboe Australia Pty Ltd and a wholly owned subsidiary of Ord Minnett Holdings Pty Limited ABN 32 062 323 728. Ord Minnett Limited and/or its associated entities, directors and/or its employees may have a material interest in, and may earn brokerage from, any securities referred to in this document. This document is not available for distribution outside Australia, New Zealand and Hong Kong and may not be passed on to any third party or person without the prior written consent of Ord Minnett Limited. Further, Ord Minnett and/or its affiliated companies may have acted as manager or co-manager of a public offering of any such securities in the past three years. Ord Minnett and/or its affiliated companies may provide or may have provided corporate finance to the companies referred to in the report. Ord Minnett and associated persons (including persons from whom information in this report is sourced) may do business or seek to do business with companies covered in its research reports. As a result, investors should be aware that the firm or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. This document is current as at the date of the issue but may be superseded by future publications. You can confirm the currency of this document by checking Ord Minnett's internet site.

**Disclaimer:** Ord Minnett Limited believes that the information contained in this document has been obtained from sources that are accurate, but has not checked or verified this information. Except to the extent that liability cannot be excluded, Ord Minnett Limited and its associated entities accept no liability for any loss or damage caused by any error in, or omission from, this document. This document is intended to provide general securities advice only, and has been prepared without taking account of your objectives, financial situation or needs, and therefore before acting on advice contained in this document, you should consider its appropriateness having regard to your objectives, financial situation and needs. If any advice in this document relates to the acquisition or possible acquisition of a particular financial product, you should obtain a copy of and consider the Product Disclosure Statement for that product before making any decision. Investments can go up and down. Past performance is not necessarily indicative of future performance.

**Analyst Certification:** The analyst certifies that: (1) all of the views expressed in this research accurately reflect their personal views about any and all of the subject securities or issuers; (2) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed herein.

**Ord Minnett Hong Kong:** This document is issued in Hong Kong by Ord Minnett Hong Kong Limited, CR Number 1792608, which is licensed by the Securities and Futures Commission (CE number BA1183) for Dealing in Securities (Type 1 Regulated Activity) and Advising on Securities (Type 4 Regulated Activity) and Asset Management (Type 9 Regulated Activity) in Hong Kong. Ord Minnett Hong Kong Limited believes that the information contained in this document has been obtained from sources that are accurate, but has not checked or verified this information. Except to the extent that liability cannot be excluded, Ord Minnett Hong Kong Limited and its associated entities accept no liability for any loss or damage caused by any error in, or omission from, this document. This document is provided for information purposes only and does not constitute an offer to sell (or solicitation of an offer to purchase) the securities mentioned or to participate in any particular trading strategy. The investments described have not been, and will not be, authorized by the Hong Kong Securities and Futures Commission.

For summary information about the qualifications and experience of the Ord Minnett Limited research service, please visit <http://www.ords.com.au/our-team-2/>

For information regarding Ord Minnett Research's coverage criteria, methodology and spread of ratings, please visit <http://www.ords.com.au/methodology/>

For information regarding any potential conflicts of interest and analyst holdings, please visit <http://www.ords.com.au/methodology/>.

The analyst has certified that they were not in receipt of inside information when preparing this report, whether or not it contains company recommendations. Any reports in this publication have been authorised for distribution by Malcolm Wood, Head of Institutional Research at Ord Minnett.