

Listed Investment Companies

September 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 Accum. Index returned -3.1% throughout September and is up 0.5% YTD. The Information Technology, Energy and Consumer Discretionary sectors have provided the best returns over the year so far, gaining 14.3%, 14.2%, and 11.2%, respectively. Traditional LICs for the month were down -0.2% on a Total Shareholder Return (TSR) basis and -2.7% on a pre-tax net tangible asset (NTA) basis.

Preferred LIC **BKI Investment Company** (BKI) returned -1.4% on a TSR basis and -0.6% on a pre-tax NTA basis. The fund currently trades at NTA parity, above its 1- and 3-year average discounts of 0.7% and 2.7%. The fund has a trailing grossed up yield of 6.9%.

Another key preference **Australian United Investment Company** (AUI) is our pick for those seeking a Traditional LIC trading at a discount. The fund's 1-year TSR underperformance appears misaligned, with 1-year NTA growth of 2.3% the best amongst the traditional LICs.

Large Capitalisation

Key preference **L1 Long Short Fund** (LSF) is trading at an estimated 5.7% discount to NTA and represents the best performance across the 1-, 3-, and 5-year time horizons for both NTA and TSR outperformance in our large cap universe.

A further key preference, the **Ophir High Conviction Fund** (OPH), is trading at an estimated 9.1% discount to NTA and has recently outperformed on 1-year NTA growth. As at 31 September, the portfolio's top holdings included AUB Group, HUB24, NEXTDC, REA Group, and Seven Group Holdings.

Small Capitalisation and Specialist

Preferred Small Cap LIC **Forager Australian Shares Fund** (FOR) announced 9 days after its addition as a preferred LIC the intention to exit the LIC structure back to an open-ended fund. Fund performance has been positive, with 1- and 3-year NTA growth of 8.2% and 6.8%, respectively. FOR trades at an estimated 9.3% discount to NTA.

Our specialist preference is **Regal Investment Fund** (RF1), trading on an estimated discount to NTA of 9.2%, below its 1- and 3-year averages of -2.9% and +2.7%, respectively. The vehicle provides exposure to various strategies managed by the award-winning Regal Funds Management since being established in 2004.

International

Overseas markets, as measured by the MSCI World Index, fell 1.7% in September and finished up 16.0% year-to-date on an AUD adjusted basis, with the AUD depreciating -0.8% in September and -7.0% for the year-to-date relative to the USD. Preferred LIC **PM Capital Global Opportunities Fund** (PGF) is trading at an estimated 6.4% 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 the varying time horizons. Regal Partners Limited announced they are in talks to a potential transaction with PM Capital, with discussions incomplete and no agreement reached. PM Capital confirmed there is no impact to the provision of investment management services to PGF and made no comment on the transaction.

CONTENTS

Sector Update	2
Performance Table (September-23)	4
Top Picks (by Segment)	
BKI Investment Company (BKI)	5
Australian United Investment Co. (AUI) ..	6
L1 Long Short Fund (LSF)	7
Ophir High Conviction Fund (OPH)	8
Forager Australian Shares Fund (FOR) ..	9
Regal Investment Fund (RF1)	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

Disclosure: Ord Minnett acted as Joint Lead Manager for each of the capital raisings for Tribeca Global Natural Resources Fund (February '23) and WAM Leaders (April '23) and received fees for acting in these capacities. Ord Minnett may do business with and receive commission and/or fees from companies that are the subject of this report.

Table 1: Sector snapshot

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 Oct 23	Current Est. NTA	Current Estimated Disc/Prem	Sep NTA	Sep Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Sep Post-tax Disc/Prem	MER	
Australian Foundat.	AFI	6.62	8252.2	25.0	3.8%	5.4%	-4.5%	6.70	-1.3%	6.97	-1.4%	1.9%	7.6%	15.7%	0.16%
Argo Investments	ARG	8.37	6349.1	34.5	4.1%	5.9%	-4.0%	8.49	-1.4%	8.82	-1.7%	-0.9%	2.1%	-4.3%	0.16%
Australian United Invest.	AUI	9.49	1200.3	37.0	3.9%	5.6%	-2.6%	10.03	-5.4%	10.37	-6.8%	-8.1%	-5.8%	9.9%	0.10%
BKI Investment Ltd	BKI	1.70	1360.8	8.2	4.8%	6.9%	-2.9%	1.70*	0.0%	1.73	0.6%	-0.7%	-2.7%	6.7%	0.18%
Djerriwarrh	DJW	2.81	737.0	15.0	5.3%	7.6%	-1.8%	2.96	-5.2%	3.06	-6.9%	-8.6%	-5.8%	-7.5%	0.45%
Diversified United	DUI	4.68	1018.3	16.0	3.4%	4.9%	-3.1%	5.01	-6.5%	5.19	-7.3%	-8.2%	-5.8%	10.8%	0.12%

Large Capitalisation															
Code	Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Oct 23	Current Est. NTA	Current Estimated Disc/Prem	Sep NTA	Sep Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Sep Post-tax Disc/Prem	MER	
AMCL Limited	AMH	0.93	290.8	5.0	5.4%	7.7%	-4.6%	1.02	-9.6%	1.07	-9.3%	-7.5%	-3.5%	-1.0%	0.56%
Clime Capital	CAM	0.79	115.1	5.3	6.7%	9.6%	-0.8%	0.78*	1.9%	0.82	-1.2%	-2.6%	-1.9%	-1.8%	1.00%
Cadence Capital	CDM	0.68	201.0	7.0	10.4%	14.8%	-7.5%	n.a	0.0%	0.82	-6.7%	-5.7%	-7.2%	-24.6%	1.00%
Carlton Investments	CIN	27.50	728.1	109.0	4.0%	5.7%	-0.4%	34.56	-20.4%	36.10	-23.8%	-22.7%	-21.3%	-9.6%	0.10%
Future Gen Ltd	FGX	1.12	452.8	6.6	5.9%	8.5%	-1.9%	n.a	n.a	1.29	-10.5%	-11.2%	-8.3%	-8.3%	0.00%
L1 Long Short Fnd Ltd	LSF	2.71	1678.7	10.5	3.9%	5.5%	-3.9%	2.83*	-5.7%	2.96	-5.1%	-5.9%	-9.2%	-3.1%	1.44%
Mirrabeeka Invest.	MIR	2.83	545.8	14.5	5.1%	7.3%	0.4%	2.69	5.4%	2.83	0.0%	0.6%	5.3%	11.0%	0.50%
Ophir High Conviction	OPH	2.32	516.4	12.6	5.4%	5.7%	-8.5%	2.54*	-9.1%	2.63	-5.7%	-8.5%	2.3%	na	1.23%
Perpetual Equity Ltd	PIC	1.12	423.2	7.3	6.5%	9.4%	-6.3%	1.16*	-2.9%	1.20	-0.6%	-5.6%	-5.1%	0.2%	1.00%
Plato Income Max.	PL8	1.19	748.8	6.6	5.6%	8.0%	-2.8%	1.02*	21.0%	1.02	20.6%	16.3%	13.5%	16.0%	0.80%
Qv Equities Limited	QVE	0.88	200.3	5.2	5.9%	8.4%	-1.7%	0.97*	-7.7%	0.98	-8.7%	-9.0%	-9.5%	-12.6%	0.90%
WAM Capital Limited	WAM	1.52	1672.9	15.5	10.2%	14.6%	-7.2%	n.a	n.a	1.60	6.5%	1.1%	11.5%	6.6%	1.00%
WAM Leaders Limited	WLE	1.39	1741.4	13.0	9.4%	13.4%	-3.1%	n.a	n.a	1.35	9.5%	5.0%	5.8%	7.6%	1.00%
Whitefield Ltd	WHF	5.09	593.5	20.5	4.0%	5.8%	0.0%	4.93	3.3%	5.05	1.0%	-1.6%	1.3%	8.7%	0.25%

Small Capitalisation															
Code	Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Oct 23	Current Est. NTA	Current Estimated Disc/Prem	Sep NTA	Sep Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Sep Post-tax Disc/Prem	MER	
Acorn Cap Inv Fund	ACQ	0.98	85.2	8.5	8.7%	12.5%	-3.9%	n.a	n.a	1.09	-5.8%	-7.9%	-3.8%	-6.4%	0.95%
ECP Emerging Growth	ECP	1.18	21.6	5.1	4.3%	6.2%	1.7%	1.39	-14.9%	1.44	-19.3%	-23.8%	-17.2%	-19.1%	1.00%
Naos Small Cap Opp	NSC	0.68	92.6	5.0	7.4%	10.5%	-0.7%	n.a	n.a	0.77	-11.0%	-17.2%	-17.3%	-10.4%	1.15%
Forager Aust. Shares	FOR	1.29	129.4	6.0	4.7%	4.7%	3.6%	1.40*	-9.3%	1.49	-16.8%	-12.3%	-11.8%	na	1.00%
Glennon SML Co Ltd	GC1	0.46	23.7	3.0	6.6%	9.4%	0.0%	n.a	n.a	0.67	-32.1%	-22.7%	-21.1%	-33.3%	1.00%
Naos Emerg Opp	NCC	0.66	47.8	7.5	11.5%	13.9%	-8.1%	n.a	n.a	0.80	-6.3%	-14.6%	-11.1%	-7.4%	1.25%
NGE Capital	NGE	0.82	29.4	0.0	0.0%	0.0%	-5.2%	n.a	n.a	1.07	-19.4%	-21.6%	-22.5%	-23.6%	1.90%
Ryder Capital	RYD	0.96	80.2	7.3	7.6%	10.8%	-4.0%	n.a	n.a	1.16	-13.7%	-15.5%	-11.1%	-17.6%	1.25%
Salter Brothers Emerging	SB2	0.53	48.5	0.0	0.0%	0.0%	-13.2%	n.a	n.a	0.86	-29.6%	-29.8%	na	-32.1%	1.25%
Spheria Emerging Co	SEC	1.76	105.6	9.9	5.6%	8.1%	-3.6%	1.93*	-9.0%	2.07	-8.5%	-13.2%	-11.1%	-11.3%	1.00%
WAM Research Ltd	WAX	1.03	208.6	10.0	9.7%	13.0%	-6.7%	n.a	n.a	0.99	16.1%	19.7%	31.3%	14.9%	1.00%
WAM Microcap Ltd	WMI	1.37	289.6	10.5	7.7%	11.0%	-6.7%	n.a	n.a	1.29	17.0%	14.5%	16.3%	15.3%	1.00%

Source: Company releases, Bloomberg, IRESS, OML estimates

Figures as at: 26 October 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

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 Oct 23	Current Est. NTA	Current Estimated Disc/Prem	Sep NTA	Sep Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Sep Post-tax Disc/Prem	MER
Argo Global Ltd	ALI	1.92	339.8	8.5	4.4%	6.3%	-6.3%	2.18*	-9.6%	2.19	-5.5%	-4.5%	-3.6%	-6.3%	1.25%
Future Glb Invest Co	FGG	1.15	456.9	7.1	6.2%	8.8%	-2.0%	n.a	n.a	1.42	-15.3%	-16.4%	-11.2%	-12.6%	0.00%
Global Value Fnd Ltd	GVF	1.13	196.7	6.6	5.9%	8.4%	0.5%	n.a	n.a	1.22	-9.1%	-5.8%	-4.5%	-4.6%	1.50%
Pengana International	PIA	1.01	259.7	5.4	5.3%	7.6%	0.5%	1.21*	-15.4%	1.21	-17.2%	-17.2%	-11.1%	-14.9%	1.23%
MFF Capital Invest.	MFF	2.85	1644.2	9.5	3.3%	4.8%	-3.1%	3.37*	-13.1%	3.41	-13.1%	-17.3%	-14.4%	0.8%	0.55%
Magellan Global Fund	MGF [^]	1.74	2463.7	7.4	4.2%	4.2%	5.6%	1.86*	-7.2%	1.87	-11.8%	-16.5%	na	na	1.35%
Platinum Asia Ltd	PAI	0.84	309.7	5.0	6.0%	8.5%	2.5%	0.97*	-14.0%	0.98	-17.9%	-14.8%	-11.1%	-18.7%	1.10%
PM Capital Fund	PGF	1.79	730.3	10.0	5.6%	8.0%	-5.3%	1.72*	6.4%	1.79	5.4%	-0.8%	-5.5%	16.6%	1.00%
Platinum Capital Ltd	PMC	1.29	380.7	6.0	4.7%	6.7%	0.0%	1.49*	-12.2%	1.51	-15.1%	-16.0%	-12.4%	-13.6%	1.10%
Regal Asian Investments	RG8	1.85	362.5	10.0	5.4%	7.7%	-0.5%	2.18*	-15.1%	2.28	-18.2%	-14.2%	-15.8%	0.0%	1.50%
WAM Global	WGB	1.84	648.3	11.5	6.3%	9.0%	-5.0%	n.a	n.a	2.25	-11.6%	-14.9%	-9.2%	-13.0%	1.25%
VGI Partners Global	VG1	1.55	513.4	9.5	6.1%	8.8%	-1.9%	1.89*	-17.7%	1.86	-15.3%	-17.5%	-15.6%	na	1.50%

Specialist	Code	Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Oct 23	Current Est. NTA	Current Estimated Disc/Prem	Sep NTA	Sep Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Sep Post-tax Disc/Prem	MER
Bailador Tech Inv	BTI	1.15	167.6	6.7	5.8%	8.3%	-10.3%	n.a	n.a	1.70	-25.9%	-27.0%	-20.4%	-20.8%	1.75%
Hearts and Minds	HM1	2.16	494.2	20.5	9.5%	13.6%	-8.2%	2.69*	-15.2%	2.72	-15.1%	-17.1%	-6.1%	-17.8%	0.00%
Lowell Resource Fund	LRT	1.35	43.7	7.1	5.2%	5.3%	4.1%	1.47*	-13.1%	1.48	-10.3%	-14.7%	-13.7%	na	2.16%
Lion Selection Grp	LSX	0.42	58.6	3.5	8.4%	8.4%	3.6%	n.a	n.a	0.62	-32.6%	-28.6%	-29.6%	-31.7%	1.50%
NAOS ex-50 Opport.	NAC	0.91	39.2	6.0	6.6%	9.4%	-4.7%	n.a	n.a	0.94	1.6%	-12.6%	-15.9%	-3.0%	1.75%
Regal Investment Fund	RF1	2.73	552.5	22.8	8.3%	8.3%	-4.2%	2.94*	-9.2%	2.98	-5.0%	-2.9%	2.7%	na	1.50%
Sandon Capital Ltd	SNC	0.64	88.4	5.5	8.7%	12.4%	-2.8%	n.a	n.a	0.78	-13.2%	-13.8%	-13.6%	-13.2%	1.25%
Tribeca Glb Resources	TGF	1.58	124.5	17.5	11.1%	15.8%	-11.2%	1.94*	-0.18	2.09	-15.0%	-17.8%	-15.7%	-17.0%	1.50%
Thorney Technologies Ltd	TEK	0.13	53.2	0.0	0.0%	0.0%	-21.2%	n.a	n.a	0.25	-33.5%	-34.3%	-24.3%	-43.0%	1.00%
Thorney Opp Ltd	TOP	0.46	87.0	2.5	5.4%	7.8%	-2.1%	n.a	n.a	0.71	-33.8%	-29.4%	-25.7%	-33.0%	0.75%
WAM Active Limited	WAA	0.70	52.9	6.0	8.6%	12.2%	-2.8%	n.a	n.a	0.85	-11.7%	-11.2%	-0.8%	-12.9%	1.00%
WAM Alternative Assets	WMA	1.01	197.5	5.0	5.0%	7.1%	-0.1%	n.a	n.a	1.21	-12.2%	-12.7%	-12.3%	-11.5%	1.20%

Source: Company releases, Bloomberg, IRESS, OML estimates

Figures as at: 26 October 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.

[^]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 (September 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.	12.4%	-2.9%	1.9%	9.4%	6.1%	7.6%	6.4%	5.7%	5.5%
ARG	Argo Investments	12.7%	2.1%	-0.9%	11.1%	9.1%	2.1%	5.7%	5.5%	1.4%
AUI	Australian United In	15.4%	6.3%	-8.1%	12.1%	10.7%	-5.8%	6.2%	6.6%	-5.3%
BKI	BKI Investment Ltd	11.8%	11.7%	-0.7%	11.7%	13.4%	-2.7%	6.0%	7.5%	-2.6%
DJW	Djerriwarrh	14.1%	9.5%	-8.6%	9.2%	10.4%	-5.8%	3.5%	1.1%	-2.4%
DUI	Diversified United	11.9%	9.5%	-8.2%	9.4%	8.1%	-5.8%	6.2%	6.5%	-5.2%
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	14.2%	-3.0%	-7.5%	4.7%	3.9%	-3.5%	5.9%	5.4%	-4.9%
CAM	Clime Capital	10.2%	5.8%	-2.6%	5.9%	6.5%	-1.9%	2.1%	2.7%	-2.1%
CDM	Cadence Capital	-13.4%	-13.8%	-5.7%	3.1%	7.7%	-7.2%	-1.7%	-3.3%	-10.1%
CIN	Carlton Investments	2.8%	-6.9%	-22.7%	10.2%	9.0%	-21.3%	1.6%	-0.5%	-18.9%
FGX	Future Gen Ltd	9.7%	5.8%	-11.2%	6.0%	5.9%	-8.3%	4.6%	1.7%	-7.7%
LSF	L1 Long Short Fund	22.8%	24.1%	-5.9%	21.8%	28.8%	-9.2%	14.0%	13.2%	-11.5%
MIR	Mirrabooka Invest.	17.5%	4.0%	0.6%	5.5%	5.7%	5.3%	7.3%	6.1%	4.6%
OPH	Ophir High Cf	15.0%	15.3%	-8.5%	3.1%	-0.2%	2.3%	na	na	na
PIC	Perpetual Equity Ltd	4.9%	8.1%	-5.6%	9.2%	12.6%	-5.1%	6.6%	7.1%	-5.7%
PL8	Plato Inc Max Ltd.	10.3%	11.4%	16.3%	8.8%	10.5%	13.5%	5.3%	10.2%	9.5%
QVE	Qv Equities Limited	5.2%	5.1%	-9.0%	6.9%	8.4%	-9.5%	0.5%	0.0%	-9.5%
WAM	WAM Capital Limited	12.4%	3.9%	1.1%	5.7%	-1.4%	11.5%	3.7%	-0.1%	13.8%
WLE	WAM Leaders Limited	5.0%	7.3%	5.0%	11.7%	12.5%	5.8%	8.1%	10.0%	1.4%
WHF	Whitefield Ltd	9.6%	1.8%	-1.6%	7.3%	7.5%	1.3%	3.9%	5.7%	-1.2%
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	2.3%	1.7%	-7.9%	-2.3%	1.5%	-3.8%	3.2%	3.8%	-7.7%
ECP	ECP Emerging Co	27.2%	21.5%	-23.8%	-0.5%	2.8%	-17.2%	6.1%	6.5%	-19.5%
NSC	Naos Smlcap Com Ltd	-2.7%	9.9%	-17.2%	6.5%	13.9%	-17.3%	1.5%	3.5%	-18.4%
FOR	Forager Aust Shs Fnd	15.0%	4.8%	-12.3%	9.4%	7.5%	-11.8%	2.5%	-2.1%	-10.9%
GC1	Glennon SML Co Ltd	-7.9%	-24.6%	-22.7%	-5.3%	-9.9%	-21.1%	-7.7%	-10.7%	-18.5%
NCC	Naos Emerg Opp	-4.5%	1.7%	-14.6%	-0.3%	-1.2%	-11.1%	-2.5%	-3.4%	-9.0%
NGE	NGE Capital Limited	20.0%	23.6%	-21.6%	17.1%	20.9%	-22.5%	5.7%	5.9%	-21.9%
RYD	Ryder Capital Ltd	-10.7%	-14.5%	-15.5%	-8.5%	-9.0%	-11.1%	-1.5%	0.2%	-12.2%
SB2	Salter Brothers	-15.4%	-9.7%	-29.8%	na	na	na	na	na	na
SEC	Spheria Emerging Co	4.3%	4.8%	-13.2%	6.5%	10.9%	-11.1%	3.2%	4.7%	-13.0%
WAX	WAM Research Ltd	7.4%	-11.4%	19.7%	5.2%	-2.7%	31.3%	2.9%	-1.1%	28.1%
WMI	WAM Microcap Limited	4.7%	6.0%	14.5%	3.1%	5.5%	16.3%	5.1%	6.8%	9.8%
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	-2.5%	-8.5%	-4.5%	3.7%	3.9%	-3.6%	3.1%	5.0%	-6.4%
FGG	Future Glb Invest Co	20.4%	14.9%	-16.4%	0.1%	1.0%	-11.2%	2.9%	-0.1%	-10.5%
GVF	Global Value Fnd Ltd	12.9%	-0.4%	-5.8%	11.5%	9.3%	-4.5%	8.1%	6.3%	-4.1%
PIA	Pengana Int Equ Ltd	16.1%	12.3%	-17.2%	2.0%	-0.3%	-11.1%	4.5%	2.2%	-12.0%
MFF	MFF Capital Inv Ltd	28.6%	27.6%	-17.3%	9.0%	7.7%	-14.4%	6.7%	4.0%	-10.9%
MGFA	Magellan Global Fund	17.9%	34.7%	-16.5%	na	na	na	na	na	na
PAI	Platinum Asia Ltd	9.6%	6.4%	-14.8%	-1.8%	-4.5%	-11.1%	2.9%	-2.4%	-8.8%
PGF	Pm Capital Fund	30.5%	36.0%	-0.8%	22.1%	31.6%	-5.5%	10.7%	13.3%	-9.1%
PMC	Platinum Capital Ltd	10.8%	16.8%	-16.0%	7.1%	5.1%	-12.4%	2.6%	-2.6%	-7.6%
RG8	Regal Asian Investments	3.1%	6.0%	-14.2%	-0.3%	3.8%	-15.8%	na	na	na
WGB	WAM Global	15.9%	17.9%	-14.9%	2.7%	3.1%	-9.2%	3.9%	1.6%	-10.5%
VG1	VGI Partners Global	13.7%	22.9%	-17.5%	-3.7%	-0.1%	-15.6%	-0.8%	-5.5%	-11.7%
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	1.0%	2.5%	-27.0%	10.7%	12.8%	-20.4%	10.3%	9.9%	-23.2%
HM1	Hearts and Minds	6.2%	9.3%	-17.1%	-6.3%	-9.4%	-6.1%	na	na	na
LRT	Lowell Res Fund	7.7%	23.8%	-14.7%	9.2%	11.9%	-13.7%	22.1%	25.4%	-16.4%
LSX	Lion Selection Grp	-4.2%	1.6%	-28.6%	4.7%	-1.4%	-29.6%	20.3%	9.8%	-24.2%
NAC	Naos Ex-50	6.3%	20.5%	-12.6%	-3.8%	7.1%	-15.9%	1.3%	5.0%	-17.1%
RF1	Regal Invest Fund	1.7%*	-5.1%*	-2.9%	13.2%	12.4%	2.7%	na	na	na
SNC	Sandon Capital Ltd	8.0%	5.3%	-13.8%	3.7%	6.5%	-13.6%	1.0%	0.6%	-13.5%
TGF	Tribeca Glb Resources	-8.8%	-1.2%	-17.8%	13.1%	18.3%	-15.7%	na	-5.0%	na
TEK	Thorney Technologies Ltd	-22.9%	-28.3%	-34.3%	-13.1%	-20.9%	-24.3%	na	-7.1%	na
TOP	Thorney Opp Ltd	4.3%	-1.3%	-29.4%	6.8%	4.1%	-25.7%	-0.3%	-4.5%	-23.5%
WAA	WAM Active Ltd	12.7%	-7.0%	-11.2%	1.2%	-4.8%	-0.8%	1.5%	-2.6%	-0.6%
WMA	WAM Alternative Assets	0.3%	1.9%	-12.7%	7.6%	8.6%	-12.3%	5.1%	7.7%	-18.1%

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

- 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 30 September 2023 include Banks (13.9%), Energy (13.3%), Financials (10.5%), Consumer Discretionary (9.1%), Industrials (8.2%), and Consumer Staples (6.1%).
- The total shareholder return for the year ending 30 September 2023 was 11.7%, with pre-tax NTA increasing 11.8%. The active return (TSR) was -1.4%.

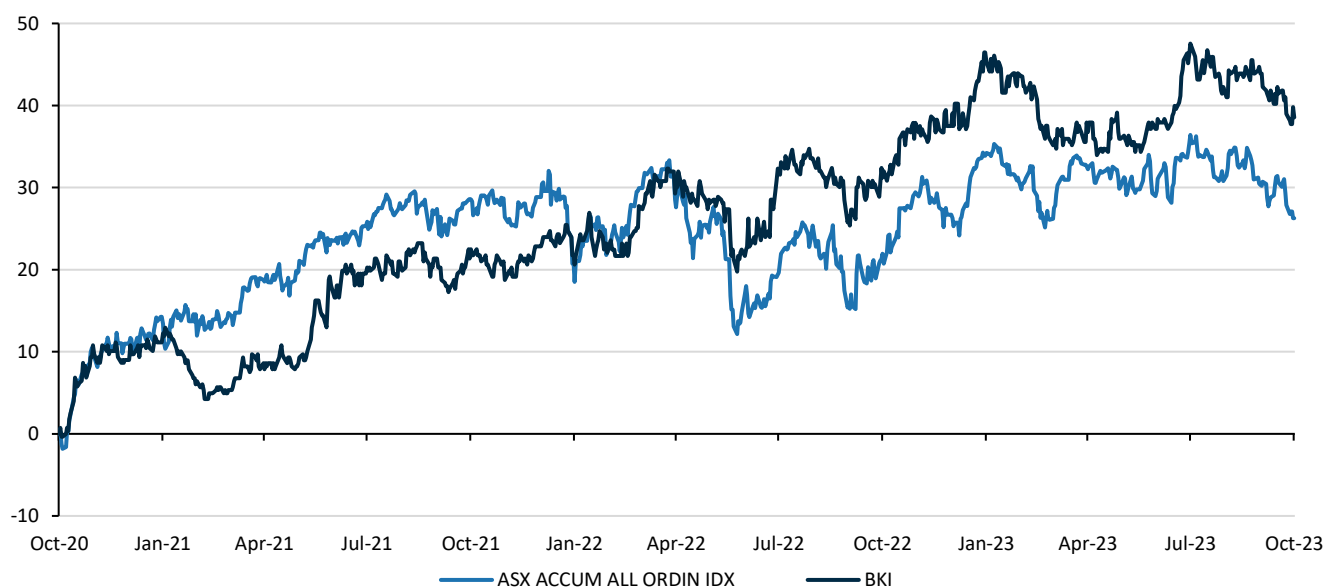
Fig.2: BKI overview

BKI Snapshot		Top Holdings				%	
Price (30 September 2023)	\$1.74	BHP Group Limited					9.2%
Share price range (12 months)	\$1.68- \$1.88	Macquarie Group Ltd					8.0%
Shares on issue (Mn)	802.8	Commonwealth Bank.					7.2%
Market capitalisation (\$Mn)	\$1,397	National Aust. Bank					6.8%
Pre-tax asset backing*	\$1.73	New Hope Corporation					6.0%
Post-tax asset backing*	\$1.63	APA Group					5.8%
Premium/(Discount) to pre-tax NTA	0.6%	Wesfarmers Limited					4.7%
Premium/(Discount) to post-tax NTA	6.7%	Woodside Energy					4.4%
Dividend yield	4.8%	Transurban Group					3.2%
Dividend per share (cents)	8.2	Woolworths Group Ltd					3.1%
Franking	100%	Telstra Corporation.					3.1%
Management expense ratio	0.18%	Sonic Healthcare					2.7%

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
BKI	11.7%	13.4%	7.5%	NTA growth	11.8%	11.7%	6.0%
Active return	-1.4%	2.7%	0.7%	Active return	-1.3%	0.9%	-0.8%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 September 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

- 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 30 September 2023 was 6.3%, with pre-tax NTA increasing 15.4%. The active return (TSR) was -6.8%.

Fig.4: AUI overview

AUI Snapshot		Top Holdings		%
Price (30 September 2023)	\$9.66	Commonwealth Bank.		9.2%
Share price range (12 months)	\$9.18- \$10.34	BHP Group Limited		8.4%
Shares on issue (Mn)	126.5	CSL Limited		7.5%
Market capitalisation (\$Mn)	\$1,222	RIO Tinto Limited		6.0%
Pre-tax asset backing*	\$10.37	Woodside Energy		5.9%
Post-tax asset backing*	\$8.79	Wesfarmers Limited		5.2%
Premium/(Discount) to pre-tax NTA	-6.8%	Transurban Group		4.9%
Premium/(Discount) to post-tax NTA	9.9%	Diversified United		4.9%
Dividend yield	3.9%	ANZ Banking Grp Ltd		4.8%
Dividend per share (cents)	37.0	Westpac Banking Corp		3.3%
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	6.3%	10.7%	6.6%	NTA growth	15.4%	12.1%	6.2%
Active return	-6.8%	-0.1%	-0.2%	Active return	2.3%	1.4%	-0.6%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 September 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

L1 Long Short Fund (LSF)

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 30 September 2023 was 24.1%, with pre-tax NTA increasing 22.8%. The active return (TSR) was 10.7%.

Fig.6: LSF overview

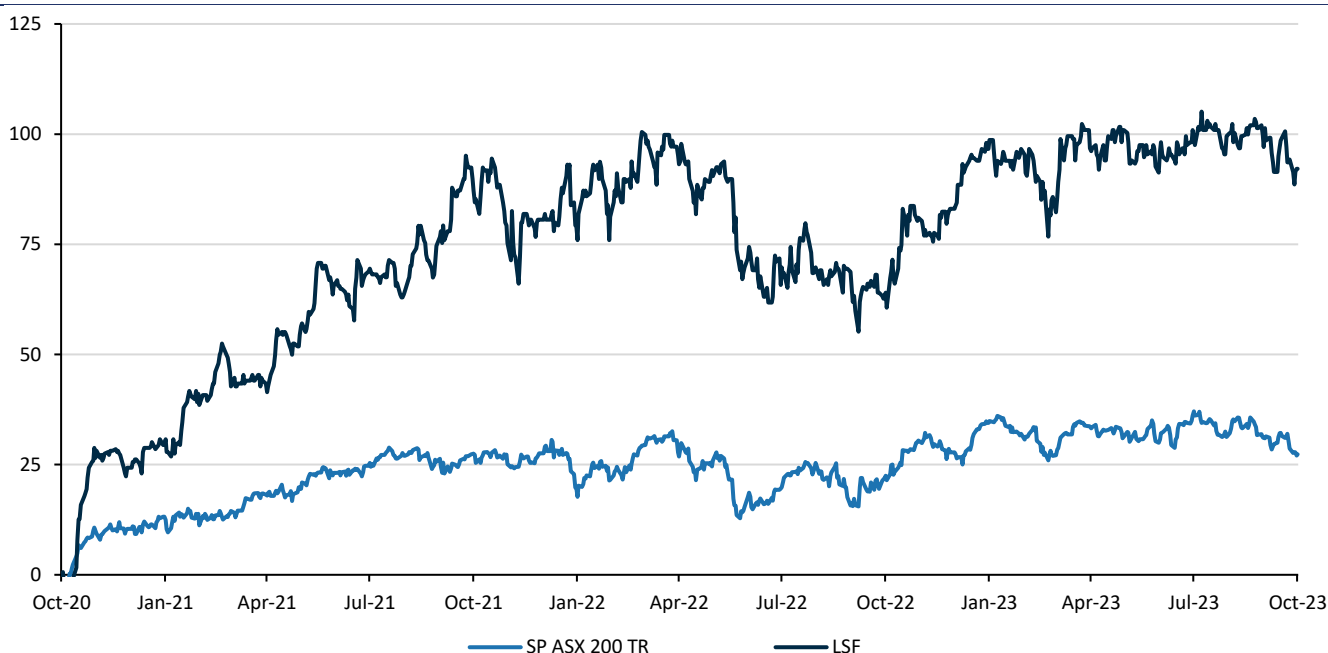
LSF Snapshot		Key contributors to portfolio performance		
Price (30 September 2023)	\$2.81	Capstone		
Share price range (12 months)	\$2.36- \$2.96	Cenovus		
Shares on issue (Mn)	619.5	Nufarm		
Market capitalisation (\$Mn)	\$1,741	Seven Group Holdings		
Pre-tax asset backing*	\$2.96			
Post-tax asset backing*	\$2.90			
Premium/(Discount) to pre-tax NTA	-5.1%			
Premium/(Discount) to post-tax NTA	-3.1%			
Dividend yield	3.9%			
Dividend per share (cents)	10.5			
Franking	100%			
Management expense ratio	1.44%			

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
LSF	24.1%	28.8%	13.2%	NTA growth	22.8%	21.8%	14.0%
Active return	10.7%	17.8%	6.5%	Active return	9.4%	10.8%	7.3%

*Alphabetical

Source: IRESS, Bloomberg, OML, Company reports. Figures as a 30 September 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.7: LSF TSR vs ASX200 Accum. Index



Source: Bloomberg, OML

Ophir High Conviction (OPH)

www.ophiram.com.au/ophir-high-conviction-fund

- OPH listed in Dec-18 as a LIT, via the conversion (no capital raised) of the three previous classes of units into a single ordinary class. Established in 2012, Ophir is a specialist small and midcap equities investment manager. OPH is one of three strategies run by the manager.
- Management employs a fundamental, bottom-up strategy seeking companies that: 1) operate in or about to enter periods of structural growth; 2) are generating cash or have a clear pathway to cash generation; 2) have a high-quality management team and are under-researched/appreciated or not well understood by the market.
- The total shareholder return for the year ending 30 September 2023 was 15.3%, with pre-tax NTA increasing 15.0%. The active return (TSR) was 6.7%.

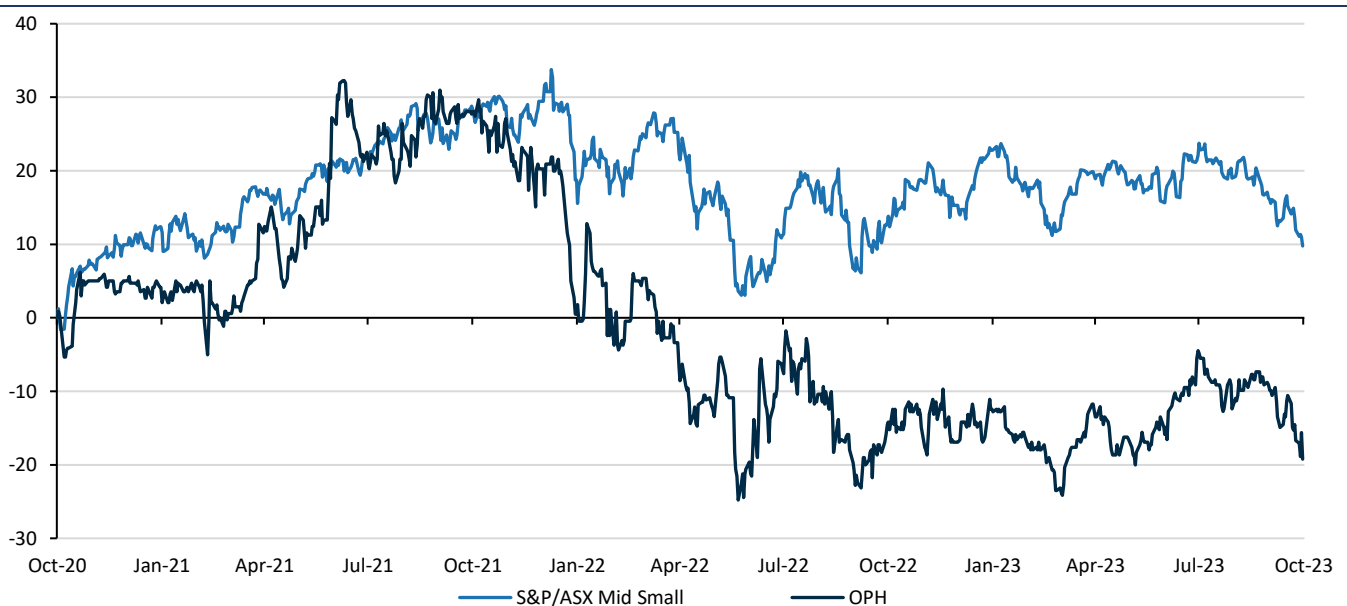
Fig.8: OPH overview

OPH Snapshot				Top Holdings			
Price (30 September 2023)			\$2.48	AUB Group Ltd			na
Share price range (12 months)			\$2.20- \$2.65	HUB24 Ltd			
Shares on issue (Mn)			222.6	Kelsian Group			
Market capitalisation (\$Mn)			\$552	REA Group			
Pre-tax asset backing*			\$2.63	Seven Group Holdings			
Post-tax asset backing*			n.a				
Premium/(Discount) to pre-tax NTA			-5.7%				
Premium/(Discount) to post-tax NTA			n.a				
Dividend yield			5.4%				
Dividend per share (cents)			12.6				
Franking			11%				
Management expense ratio			1.23%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance**	1 Year	3 Year	Inception
OPH	15.3%	-0.2%	na	NTA growth	15.0%	3.1%	na
Active return	6.7%	-7.1%	na	Active return	6.4%	-3.8%	na

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 September 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.9: OPH TSR vs ASX Mid-Small Index



Source: Bloomberg, OML

Forager Australian Shares Fund (FOR)

www.foragerfunds.com.au

- The Forager Australian Shares Fund was initially incorporated in October 2009 as an unlisted unit trust before being converted to a closed end vehicle in December 2016.
- FOR utilises a fundamental bottom-up investment approach, focusing on businesses where the assessed intrinsic value of the underlying business is substantially higher than the security price. FOR holds a relatively small number of securities, generally between 15 and 25. FOR can hold up to 10% of its portfolio in unlisted securities.
- FOR on 12 October 2023 announced, subject to approvals, the intention to transition the LIC back to an open-ended fund.
- The total shareholder return for the year ending 30 September 2023 was 4.8%, with pre-tax NTA increasing 15.0%. The active return (TSR) was -2.0%.

Fig.10: FOR overview

FOR Snapshot				Top Holdings			
Price (30 September 2023)			\$1.24	RPMGlobal Holdings			8.1%
Share price range (12 months)			\$1.17- \$1.42	Readytech Holdings			6.4%
Shares on issue (Mn)			100.7	Tourism Holdings			6.1%
Market capitalisation (\$Mn)			\$125	Healthia Limited			5.7%
Pre-tax asset backing*			\$1.49	Gentrack Group			4.9%
Post-tax asset backing*			n.a				
Premium/(Discount) to pre-tax NTA			-16.8%				
Premium/(Discount) to post-tax NTA			n.a				
Dividend yield			4.7%				
Dividend per share (cents)			6.0				
Franking			0%				
Management expense ratio			1.00%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
FOR	4.8%	7.5%	-2.1%	NTA growth	15.0%	9.4%	2.5%
Active return	-2.0%	5.0%	-3.7%	Active return	8.2%	6.8%	0.9%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 September 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.11: FOR TSR vs ASX Small Ords Accum. Index



Source: Bloomberg, OML

Regal Investment Fund (RF1)

www.regalfm.com/site/content/

- The manager, established in 2004, is a specialist alternative investment manager, with a primary focus on long short investment strategies. RF1 was listed in Jun-19, following a \$282m raising.
- RF1 is constructed by the Manager through the selection and allocation of funds to a number of Regal strategies.
- The allocations to strategies as at 30 September 2023 was Emerging Companies (23%), Resources Royalties (19%), Small Companies (18%), Market Neutral (15%), Global Alpha (9%), Long Short Health Care (7%), Water (5%), and Private Credit (3%).
- The total shareholder return for the year ending 30 September 2023 was -5.1%, with pre-tax NTA increasing 1.7%. The active return (TSR) was -18.0%.

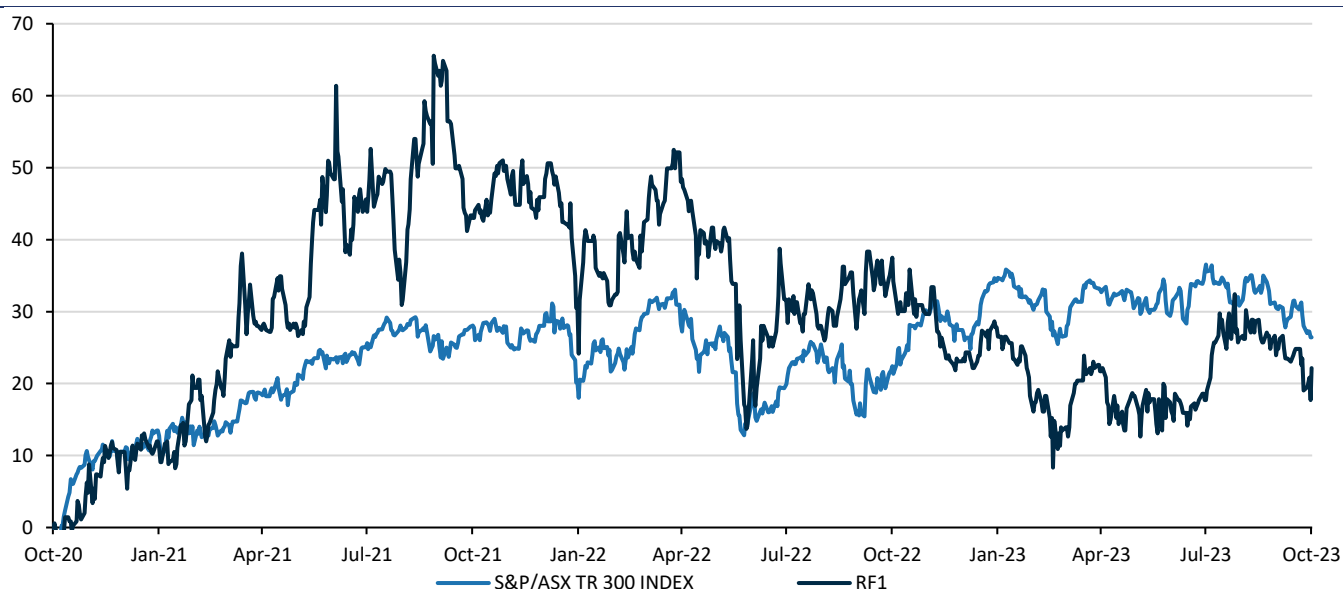
Fig.12: RF1 overview

RF1 Snapshot				Top Holdings				
Price (30 September 2023)			\$2.83	EXPOSURE BY STRATEGY				
Share price range (12 months)			\$2.50- \$3.34	EMERGING COMPANIES				23.0%
Shares on issue (Mn)			202.4	RESOURCES ROYALTIES				19.0%
Market capitalisation (\$Mn)			\$573	SMALL COMPANIES				18.0%
Pre-tax asset backing*			\$2.98	MARKET NEUTRAL				15.0%
Post-tax asset backing*			n.a	GLOBAL ALPHA				9.0%
Premium/(Discount) to pre-tax NTA			-5.0%	LONG SHORT HEALTH CARE				7.0%
Premium/(Discount) to post-tax NTA			n.a	WATER				5.0%
Dividend yield			8.3%	PRIVATE CREDIT				3.0%
Dividend per share (cents)			22.8					
Franking			0%					
Management expense ratio			1.50%					

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
RF1	-5.1%	12.4%	na	NTA growth	1.7%	13.2%	na
Active return	-18.0%	1.6%	na	Active return	-11.2%	2.4%	na

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 September 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.13: RF1 TSR vs ASX300 Accum. Index



Source: Bloomberg, OML

PM Capital Global Opportunities Fund (PGF)

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.
- Investment exposures as at 30 September 2023 include Global Domestic Banking (Europe & USA, 38%), Energy (18%), Industrial Metals (15%) Gaming (12%), Industrials (12%), and Housing Ireland & Spain (7%).
- The total shareholder return for the year ending 30 September 2023 was 36.0%, with pre-tax NTA increasing 30.5%. The active return (TSR) was 13.7%.

Fig.14: PGF overview

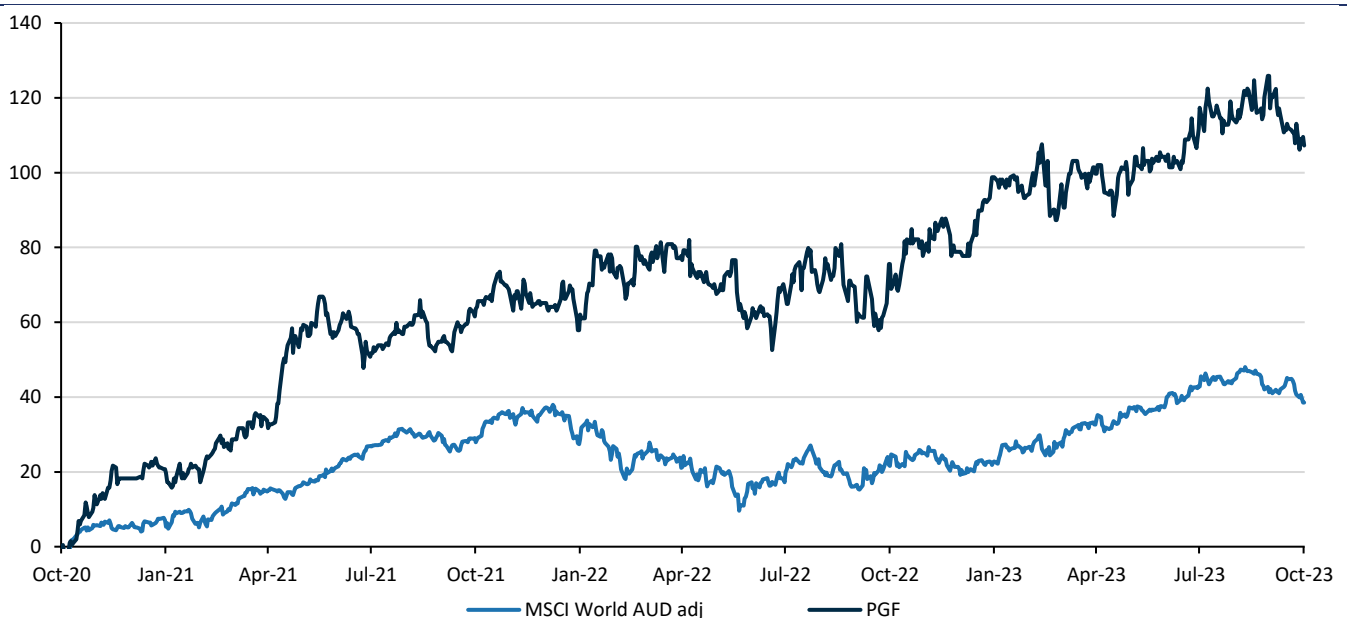
PGF Snapshot		Current stock example		%
Price (30 September 2023)	\$1.89	Apollo Global Management		na
Share price range (12 months)	\$1.53- \$1.96	Bank of America		
Shares on issue (Mn)	409.1	Cairn Homes		
Market capitalisation (\$Mn)	\$773	Freeport-McMoRan		
Pre-tax asset backing*	\$1.79	ING Groep		
Post-tax asset backing*	\$1.62	Shell		
Premium/(Discount) to pre-tax NTA	5.4%	Siemens		
Premium/(Discount) to post-tax NTA	16.6%	Wynn Resorts		
Dividend yield	5.6%			
Dividend per share (cents)	10.0			
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
PGF	36.0%	31.6%	13.3%	NTA growth	30.5%	22.1%	10.7%
Active return	13.7%	19.1%	3.0%	Active return	8.2%	9.5%	0.4%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 September 2023. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

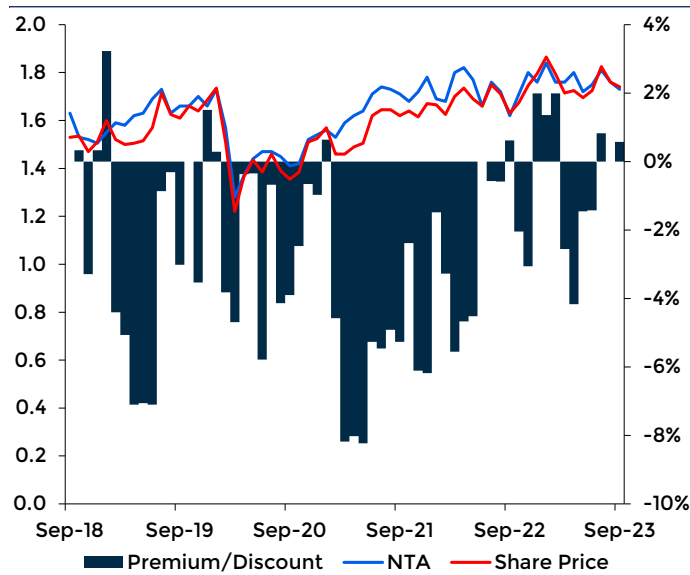
Fig.15: PGF TSR vs MSCI World Index (AUD adj.)



Source: Bloomberg, OML

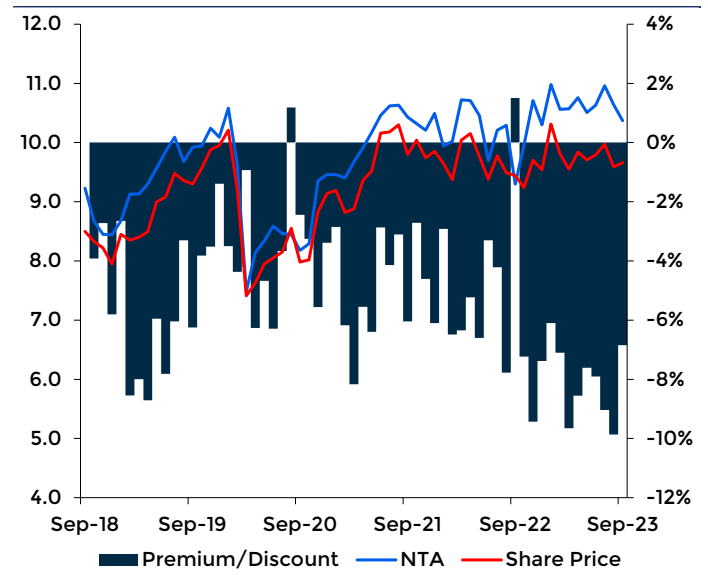
Appendix – Historical Premium/Discounts for Preferred LICs

Fig.16: BKI Investment Company (BKI)



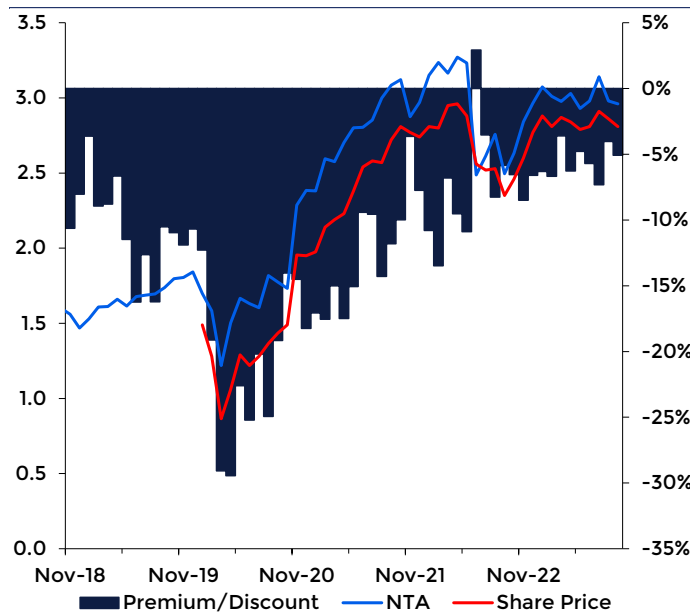
Source: Bloomberg, IRESS, OML

Fig.17: Australian United Investment Company (AUI)



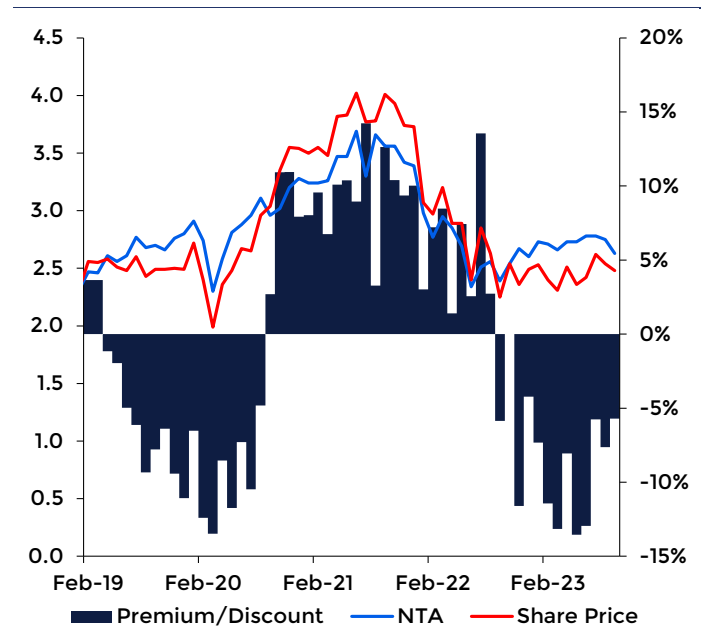
Source: Bloomberg, IRESS, OML

Fig.18: L1 Long Short Fund (LSF)



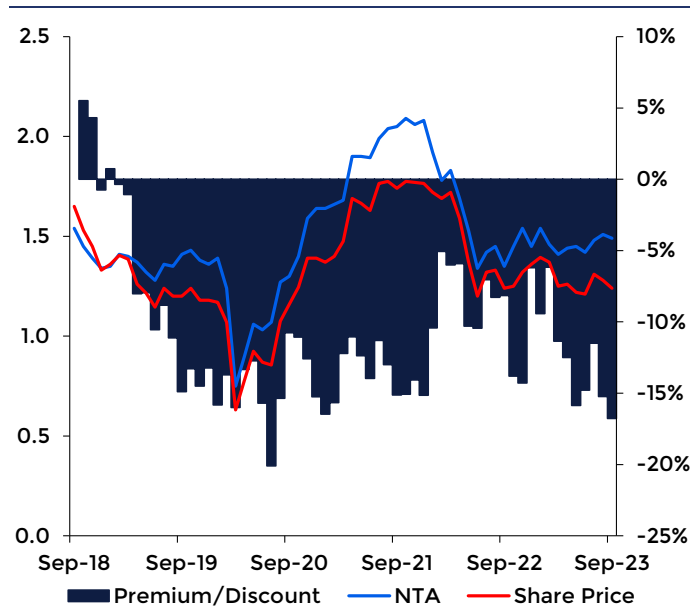
Source: Bloomberg, IRESS, OML

Fig.19: Ophir High Conviction Fund (OPH)



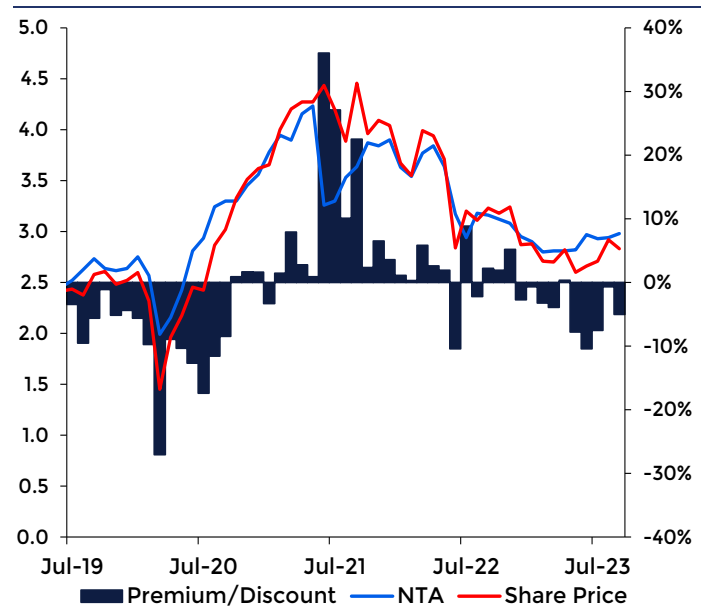
Source: Bloomberg, IRESS, OML

Fig.20: Forager Australian Shares Fund (FOR)



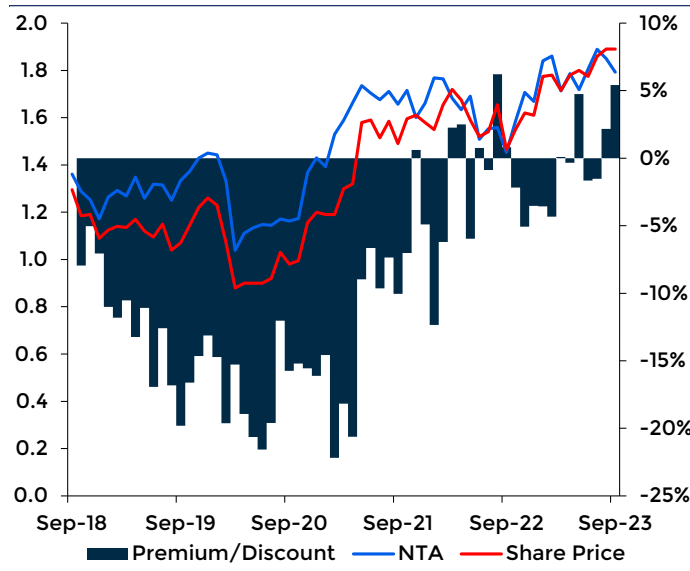
Source: Bloomberg, IRESS, OML

Fig.21: Regal Investment Fund (RF1)



Source: Bloomberg, IRESS, OML

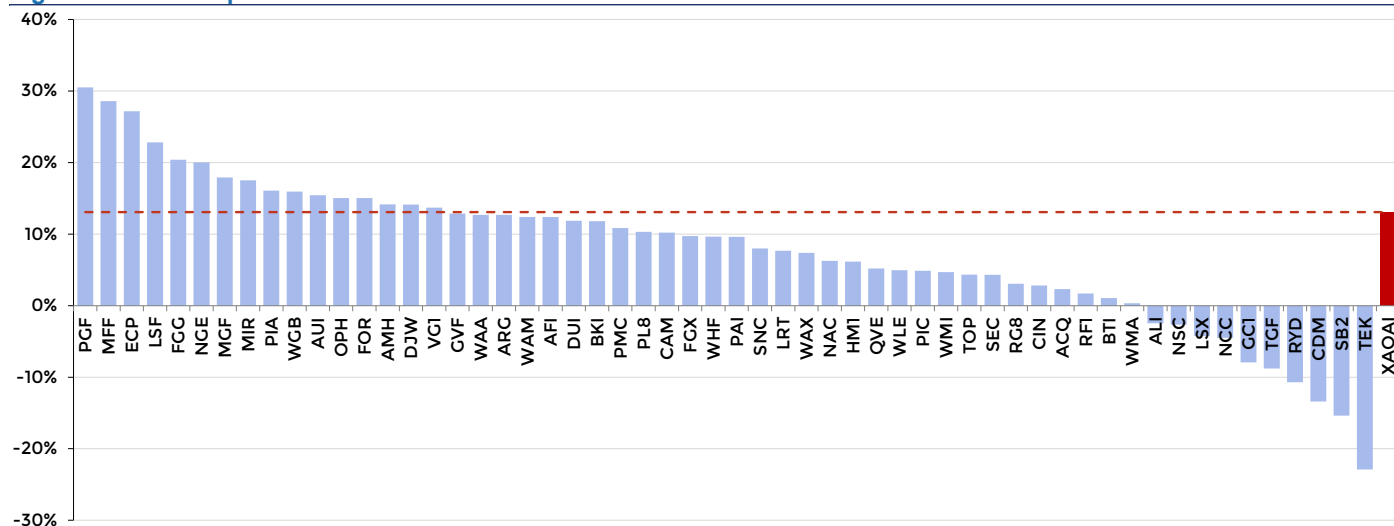
Fig.22: PM Capital Global Fund (PGF)



Source: Bloomberg, IRESS, OML

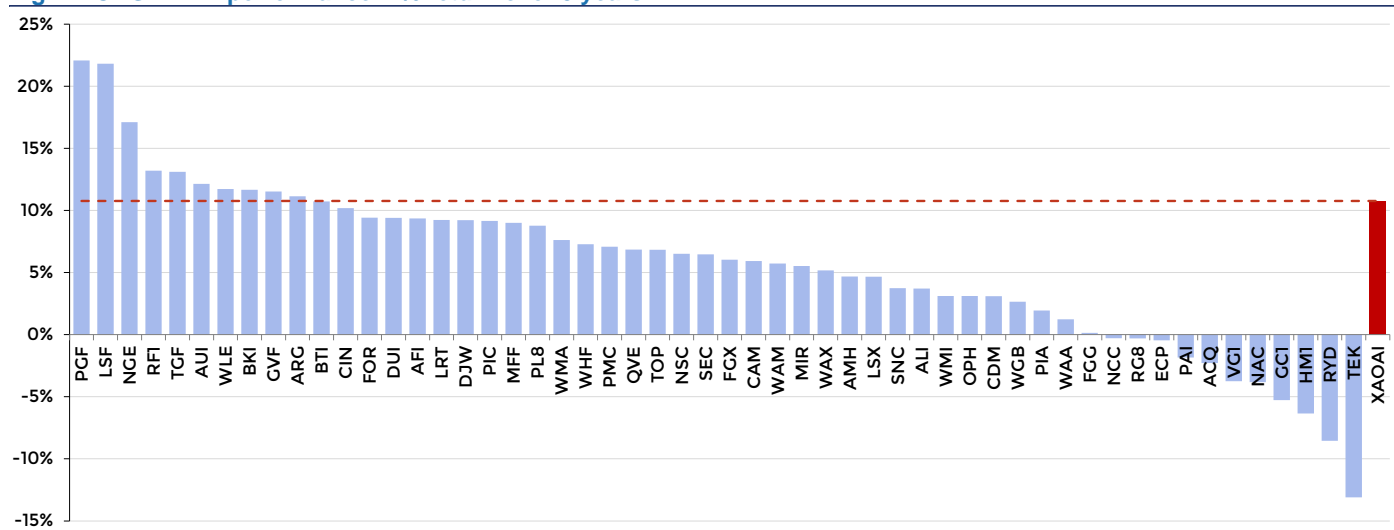
1, 3 and 5-year NTA & total shareholder return growth

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



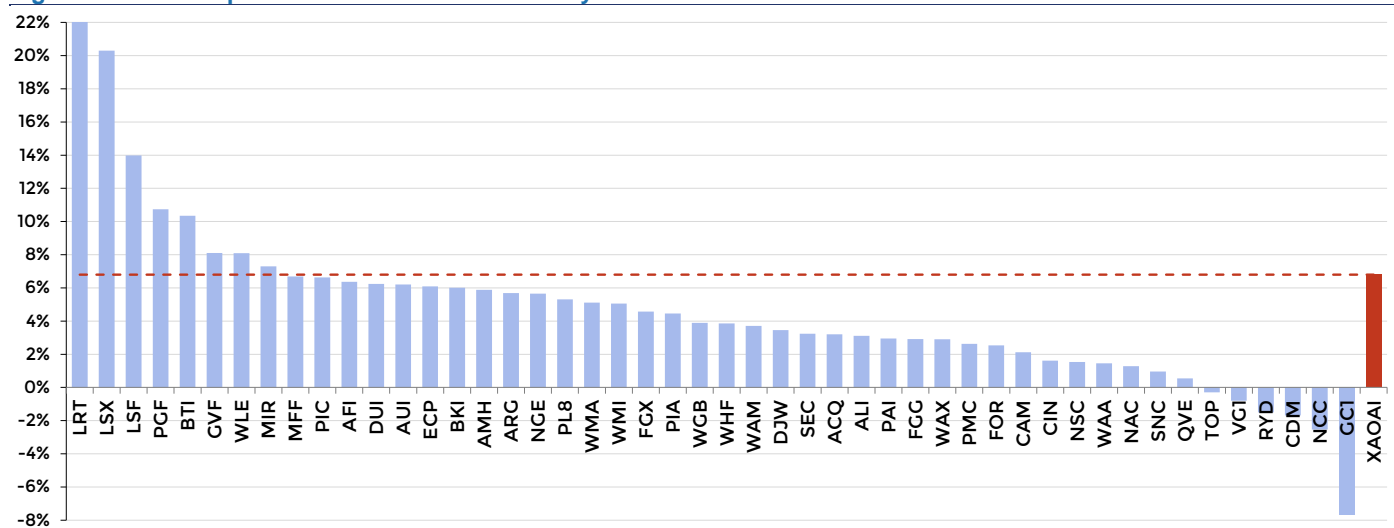
Source: Bloomberg, IRESS, OML. Figures as at 30 September 2023.

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



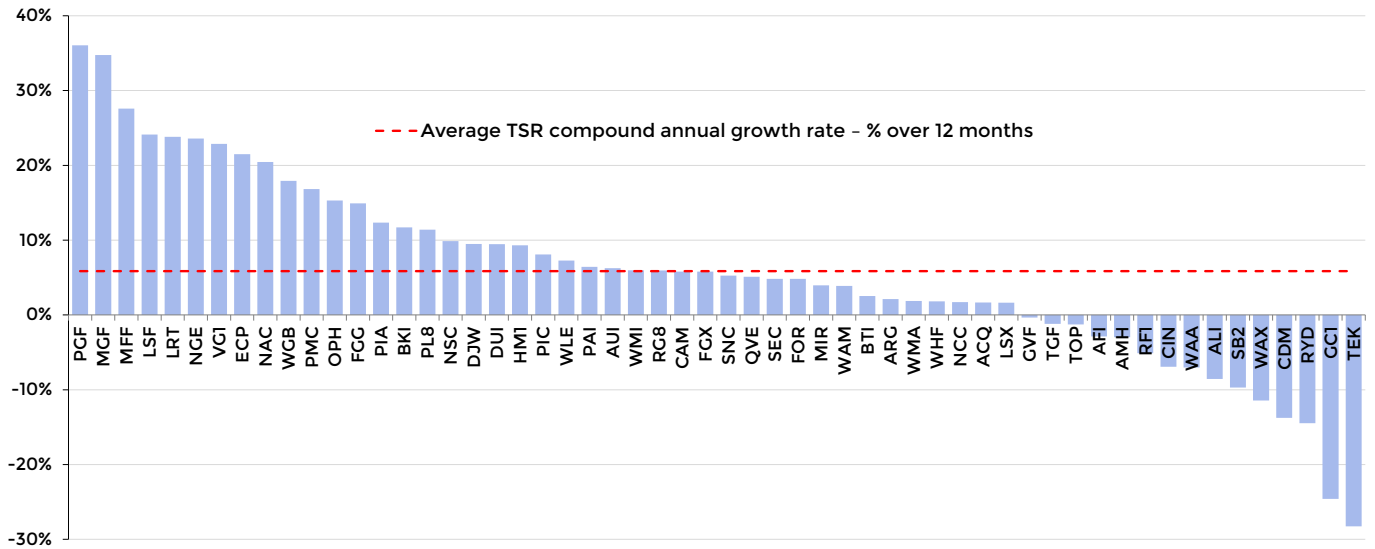
Source: Bloomberg, IRESS, OML. Figures as at 30 September 2023.

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



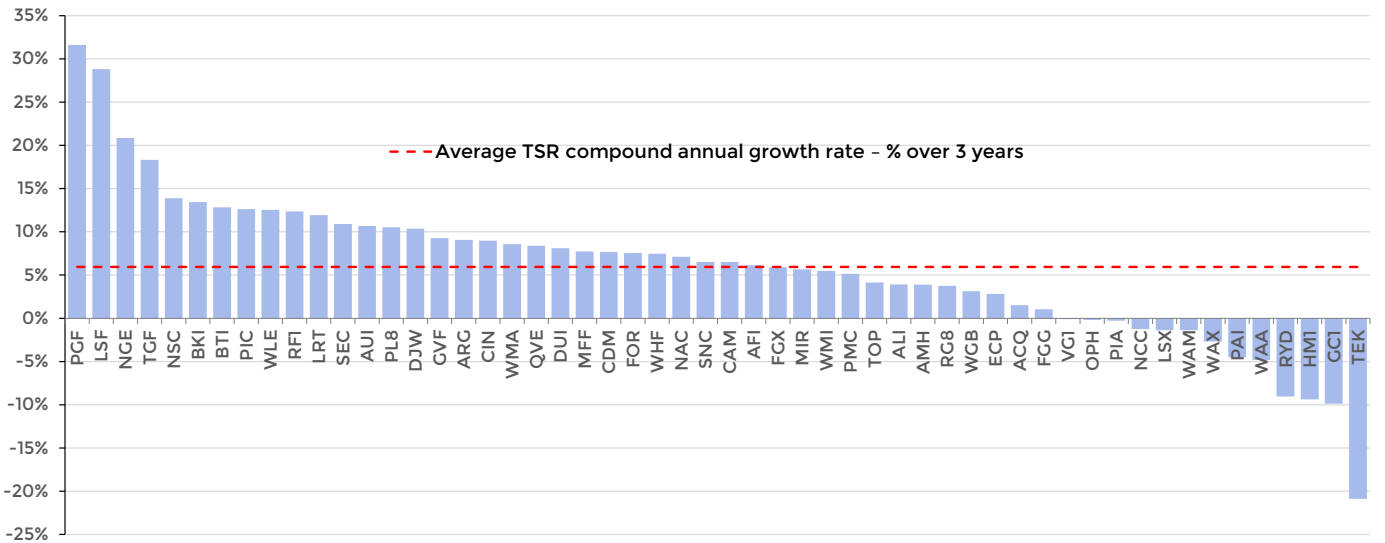
Source: Bloomberg, IRESS, OML. Figures as at 30 September 2023.

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



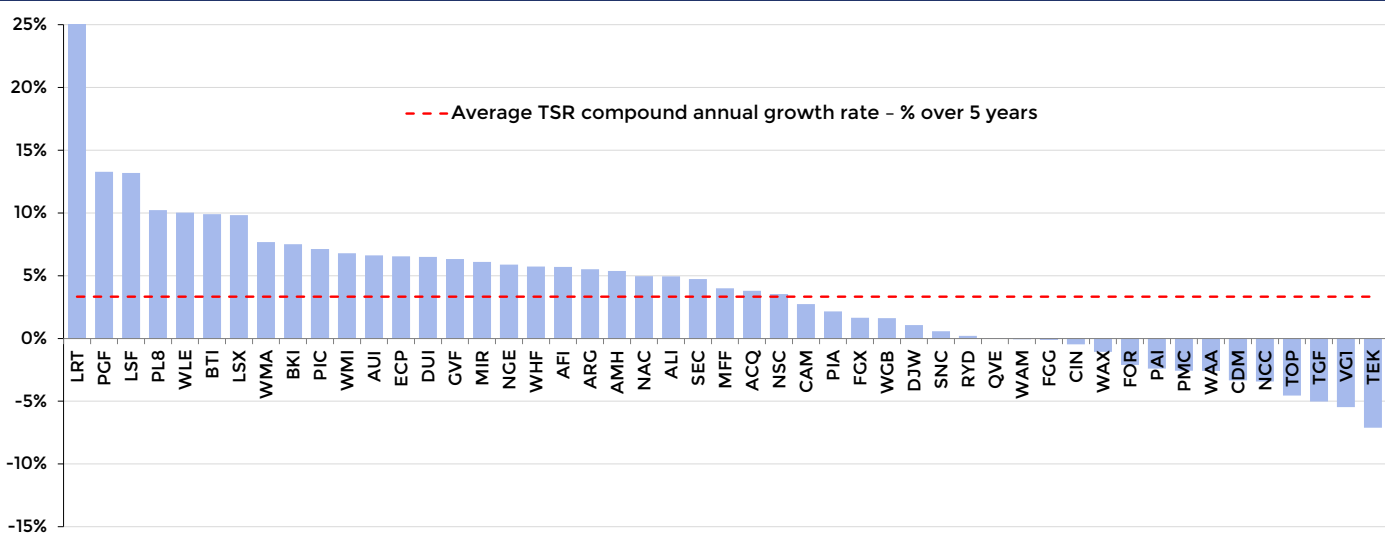
Source: Bloomberg, IRESS, OML. Figures as at 30 September 2023.

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



Source: Bloomberg, IRESS, OML. Figures as at 30 September 2023.

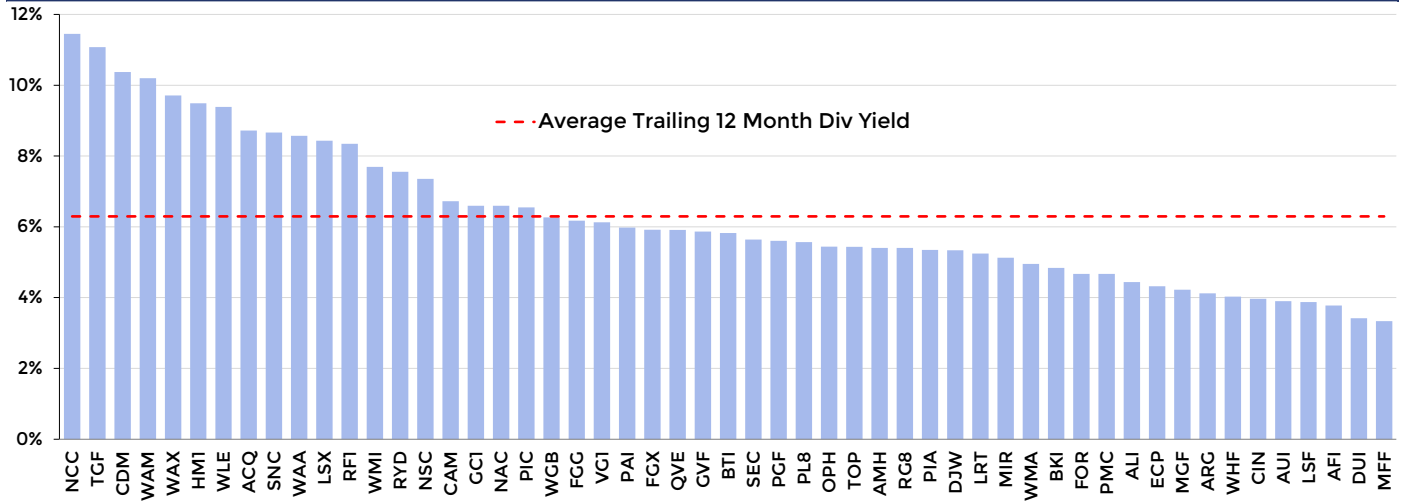
Fig.28: TSR compound annual growth rate – % over 5 years



Source: Bloomberg, IRESS, OML. Figures as at 30 September 2023.

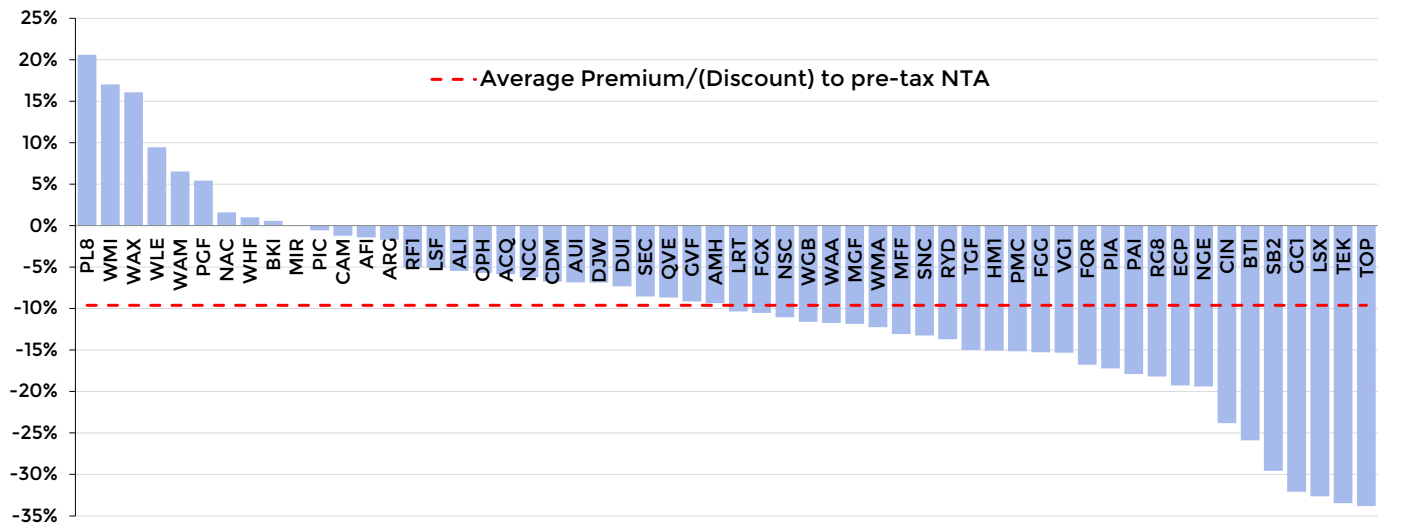
Dividend yield, pre & post tax discount/premium to NTA

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



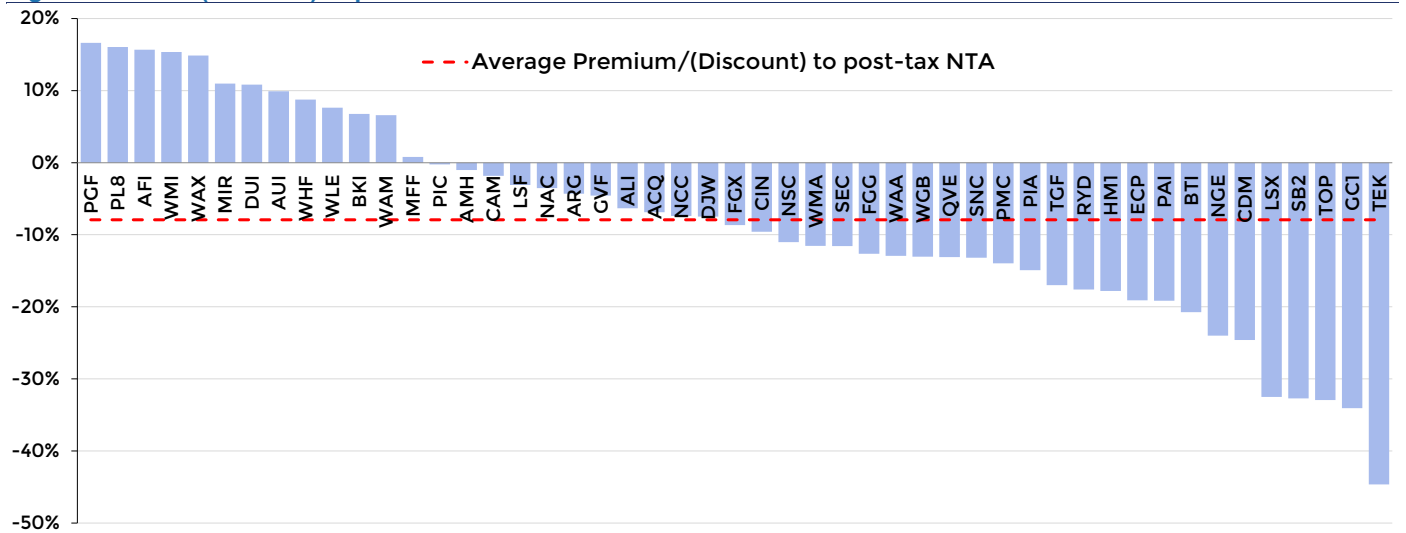
Source: Bloomberg, IRESS, OML. Figures as at 30 September 2023. LICs with no yield excluded.

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



Source: Bloomberg, IRESS, OML. Figures as at 30 September 2023.

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



Source: Bloomberg, IRESS, OML. Figures as at 30 September 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.

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.

SPECULATIVE BUY	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.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	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.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	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.

Ord Minnett acted as Joint Lead Manager for each of the capital raisings for Tribeca Global Natural Resources Fund (February '23) and WAM Leaders (April '23) and received fees for acting in these capacities.

Ord Minnett Limited is acting for QV Equities Limited in an on-market buy back which is due to complete on 8 September 2024, and will earn transaction fees for the buy back. Ord Minnett Limited is therefore unable to give sellers any advice in respect of the proposed sale of QV Equities Limited shares in accordance with the ASIC Market Integrity Rules.

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 may earn commission and/or fees from companies which are the subject of this report.

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 Alastair Hunter, Head of Institutional Research at Ord Minnett.