

AUSTRALIAN  
**RESEARCH**  
INDEPENDENT INVESTMENT RESEARCH

# Listed Managed Investments

June 2016  
Quarterly Review

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### THE LIC SECTOR CONTINUES TO GROW

Welcome to the Independent Investment Research Listed Managed Investments June Quarterly Review. In this edition we provide detailed coverage, including commentary, investment views and ratings for 30 listed investment companies and listed investment trusts. At 30 June 2016, there were 90 LICs and LITs on the ASX, with a collective market capitalisation of \$29.5B. The number of LICs and LITs continues to grow, increasing by 11 over the 12 months to 30 June 2016. Over the 12 months the sector market cap increased by 3.7%. In our latest monthly update, published 5 September, we highlighted the pipeline of new LICs likely to list over coming months.

### NEW RESEARCH

There have been no additions or removals since the March 2016 LMI Quarterly Review, however we highlight the following new research.

In May 2016 Wilson Asset Management's new fund, WAM Leaders (WLE), listed on the ASX. We published a pre-IPO report on WLE in April and initiated with a Recommended rating. We also published a report on US Select Private Equities Fund III (USP). Our rating for USP is Recommended.

We initiated coverage of K2 Global Equities Fund (Hedge Fund), (KII) and K2 Australian Small Cap Fund (Hedge Fund), (KSM) with reports published in August. Both funds are managed by K2 Asset Management Ltd and trade on the ASX as exchange traded (or quoted) managed funds. We initiated coverage with a Recommend rating for both these funds.

We will pick up full coverage of WLE, USP, KII and KSM from our September Quarterly Review.

We have issued a research report on a proposed new LIC, H2 Ocean, which has lodged a prospectus with ASIC for an initial public offering to raise up to \$110 million including oversubscriptions. The LIC will invest in a portfolio of fintech start-ups in Australia and overseas and will be managed by H2 ventures. H2Ocean Shareholders will gain exposure to early and growth stage fintech ventures that would otherwise be difficult to access. We have assigned H2Ocean Limited a Recommended rating.

We are also undertaking research on Investors Mutual Limited's new income focused LIC, QV Income Fund (QVI). The LIC will replicate the successful strategy employed by IML's Australian Share Fund which has delivered a return of 11.29% p.a. since inception, outperforming the S&P/ASX 300 Accumulation Index by 2.75% p.a. The QVI investment objective is to deliver a dividend yield 2% above the S&P/ASX Index, with lower levels of volatility than the index, with dividends paid quarterly. IML already manages QV Equities Limited (QVE), a LIC that provides investors exposure to a diversified portfolio of stocks outside the S&P/ASX 20 Index. We will also be initiating coverage of QVE.

### RATINGS REVIEW AND MILTON UPGRADE

Over coming months we will progressively review our ratings for a number LICs under our coverage, with a particular focus on the larger, long-established LICs that have consistently delivered on their objectives over many years. We have initiated the review process with Milton Corporation (MLT) and upgraded our rating for MLT from Recommended Plus to Highly Recommended. The upgrade recognises MLT's well established investment processes; stable and experienced Board and investment team; consistent delivery of its objectives; low cost structure and market liquidity.

### SMALL CAPS STEAL THE LIMELIGHT IN FY2016

The broader Australian market performed well during the June quarter, with the ASX All Ordinaries Accumulation Index up 4%. However, for the 12 months to 30 June 2016 the index was up just 2.0%. Small caps continued to outperform large caps, with the S&P/ASX Small Ordinaries Accumulation Index rising 5.8% over the quarter and 14.4% for the 12 months to June 2016. This disparity in performance was reflected in the performance of LICs, with the Australian large cap share focused LIC portfolios (pre-tax NTA plus dividends) returning an average of 0.5% for the 12 months while the mid/small cap focused LIC portfolio returns averaged 9.0%.

Financials again underperformed the market during the June quarter with a gain of just 1.9% for the S&P/ASX 200 Financials Accumulation Index. Healthcare stocks significantly outperformed with the S&P/ASX Healthcare Accumulation Index up 10.3% and the continued recovery in resources saw the S&P/ASX 200 Materials Accumulation Index up 10.8% for the quarter. Since the end of the June quarter the market had a good run through July but retraced some of these gains in August. The overall gain for the two months to 31 August was 5.9%.

## PERFORMANCE

Figures 2 and 3 illustrate the performance of the LMIs covered in this review as at 30 June 2016. Figure 2 illustrates the LMIs' performance based on their share prices (including dividends), which is the actual return investors receive from their investment, while Figure 3 shows the performance of the LMIs' portfolios (pre-tax NTA plus dividends). Independent Investment Research prefers to use NTA to evaluate the performance of a manager, as this can be directly influenced by the manager, whereas managers have limited control over the share price movement.

The best performing portfolio (pre-tax NTA plus dividends) over the June quarter was 8EC with a 12.6% increase in portfolio value due to strong returns from two of its junior resource investments. With a positive market performance most LICs posted positive returns during the quarter. BST, CBC and CDM were the only LICs in our coverage to post negative returns.

From a shareholder perspective BTI was the best performer for the quarter, with the share price (including dividends) increasing 12.9%. BTI was also the best performer over the 6 months to June 2016 with the share price (including dividends) rising 24.7%.

**Figure 2. Share Price (including dividends) Performance Analysis to 30 June 2016**

	ASX Code	% Return Jun Qtr	Annual Returns, %		
			1 Year	3 Years	5 Years
<b>LMIs</b>					
8IC Emerging Companies Limited	8EC	7.7%	na	na	na
AFIC Limited	AFI	1.4%	-4.4%	5.0%	9.4%
Aberdeen Leaders Fund	ALR	5.4%	-1.6%	-0.2%	4.5%
Amcil Limited	AMH	7.9%	11.8%	14.2%	16.2%
Argo Limited	ARG	1.4%	-3.8%	8.5%	10.1%
Australian United Investment Company Limited	AUI	2.3%	-7.0%	6.4%	6.8%
Barrack St Investments Limited	BST	2.7%	19.5%	na	na
Bailador Technology Investments Limited	BTI	12.9%	24.7%	na	na
CBG Capital Limited	CBC	6.4%	0.3%	na	na
Cadence Capital Limited	CDM	-12.4%	-4.9%	6.1%	10.4%
Contango Income Generator Limited	CIE	-4.2%	na	na	na
Contango MicroCap Limited	CTN	7.0%	-0.4%	8.5%	4.3%
Djerriwarrh Investments Limited	DJW	-1.0%	-7.7%	4.5%	7.8%
Diversified United Investment Limited	DUI	1.9%	-2.7%	8.3%	9.2%
Emerging Markets Masters Fund	EMF	0.0%	-10.5%	5.9%	na
Future Generation Global Investment Company Limited	FGG	-5.4%	na	na	na
Future Generation Fund Limited	FGX	0.4%	3.2%	na	na
Flagship Investments Limited	FSI	5.8%	13.0%	8.3%	6.8%
Glennon Small Companies Limited	GC1	-0.5%	na	na	na
Global Master Fund Limited	GFL	-6.2%	-17.6%	8.2%	14.2%
Hunter Hall Global Value Limited	HHV	-0.8%	3.8%	20.3%	11.7%
Mirrabooka Investments Limited	MIR	5.7%	13.1%	14.8%	16.4%
Milton Corporation Limited	MLT	2.4%	-0.7%	9.7%	11.5%
US Select Private Opportunities Fund	USF	9.6%	5.2%	12.3%	na
US Select Private Opportunities Fund II	USG	4.4%	8.4%	11.0%	na
WAM Active Limited	WAA	-1.9%	9.8%	4.3%	7.8%
WAM Capital Limited	WAM	2.0%	24.4%	18.4%	15.6%
WAM Research Limited	WAX	4.8%	24.1%	19.0%	21.9%
Whitefield Limited	WHF	-1.6%	-4.0%	10.1%	14.2%
Westoz Investment Company	WIC	7.1%	-2.2%	0.3%	3.4%

	ASX Code	% Return Jun Qtr	Annual Returns, %		
			1 Year	3 Years	5 Years
<b>Indices</b>					
S&P/ASX 200 Accumulation	XJOAI	3.9%	0.6%	7.7%	7.4%
S&P/ASX All Ordinaries Accumulation	XAOAI	4.0%	2.0%	8.2%	7.3%
S&P/ASX Small Ords Accumulation	XSOAI	5.8%	14.4%	9.1%	1.0%
S&P/ASX 200 Property Accumulation	XPJAI	9.2%	24.6%	18.5%	18.1%
S&P/ASX 200 Industrials Accumulation	XJIAI	2.8%	2.9%	10.3%	13.1%

Source: IRESS/Independent Investment Research

**Figure 3. Pre-tax NTA/NAV (including dividends) Performance Analysis to 30 June 2016**

	ASX Code	% Return June Qtr	Annual Returns, %		
			1 Year	3 Years	5 Years
<b>LMIs</b>					
8IC Emerging Companies Limited	8EC	12.6%	na	na	na
AFIC Limited	AFI	3.0%	-1.7%	6.2%	7.2%
Aberdeen Leaders Fund	ALR	5.4%	0.9%	7.1%	5.6%
Amcil Limited	AMH	3.3%	7.0%	11.5%	11.7%
Argo Limited	ARG	3.5%	-1.2%	7.1%	7.4%
Australian United Investment Company Limited	AUI	2.9%	-4.3%	5.1%	5.4%
Barrack St Investments Limited	BST	-1.0%	17.37%	na	na
Bailador Technology Investments Limited	BTI	0.9%	8.13%	na	na
CBG Capital Limited	CBC	-0.4%	1.8%	na	na
Cadence Capital Limited	CDM	-2.2%	-15.2%	1.5%	6.0%
Contango Income Generator Limited	CIE	2.3%	na	na	na
Contango MicroCap Limited	CTN	9.3%	19.6%	12.0%	2.2%
Djerriwarrh Investments Limited	DJW	3.3%	-4.6%	3.4%	4.7%
Diversified United Investment Limited	DUI	3.8%	0.0%	7.5%	7.7%
Emerging Markets Masters Fund	EMF	4.4%	-8.3%	7.6%	na
Future Generation Global Investment Company Limited	FGG	2.7%	na	na	na
Future Generation Fund Limited	FGX	2.8%	8.6%	na	na
Flagship Investments Limited	FSI	1.7%	10.3%	10.3%	9.4%
Glennon Small Companies Limited	GC1	2.2%	na	na	na
Global Master Fund Limited	GFL	4.1%	5.9%	12.8%	15.0%
Hunter Hall Global Value Limited	HHV	8.2%	12.0%	19.6%	14.1%
Mirraboooka Investments Limited	MIR	3.0%	11.9%	14.4%	13.2%
Milton Corporation Limited	MLT	1.4%	0.8%	7.3%	8.8%
US Select Private Opportunities Fund	USF	3.4%	8.7%	9.8%	na
US Select Private Opportunities Fund II	USG	3.3%	4.5%	8.9%	na
WAM Active Limited	WAA	3.3%	10.4%	7.5%	6.5%
WAM Capital Limited	WAM	3.9%	14.1%	12.8%	10.7%
WAM Research Limited	WAX	6.1%	15.7%	15.4%	14.8%
Whitefield Limited	WHF	2.9%	2.1%	10.8%	12.8%
Westoz Investment Company	WIC	0.6%	2.0%	0.1%	-1.7%

Source: LMIs/Independent Investment Research

## PREMIUMS AND DISCOUNTS

The discrepancy between portfolio value and share price is shown by the premium/discount to NTA/NAV table in Figure 4 and the chart in Figure 5. Figure illustrates premiums and discounts to pre-tax NTA while figure 5 illustrates the movement in discounts/premiums over the June quarter. At 30 June 2016, 13 of the 30 LMIs covered in this review were trading at a premium to pre-tax NTA. DJW continues to trade at the largest premium although this declined from 37.8% to 32% over the quarter. The biggest premium change over the quarter was CDM which fell from 23.7% to 11.5%, most likely a reaction to the poor portfolio performance over the past 12 months.

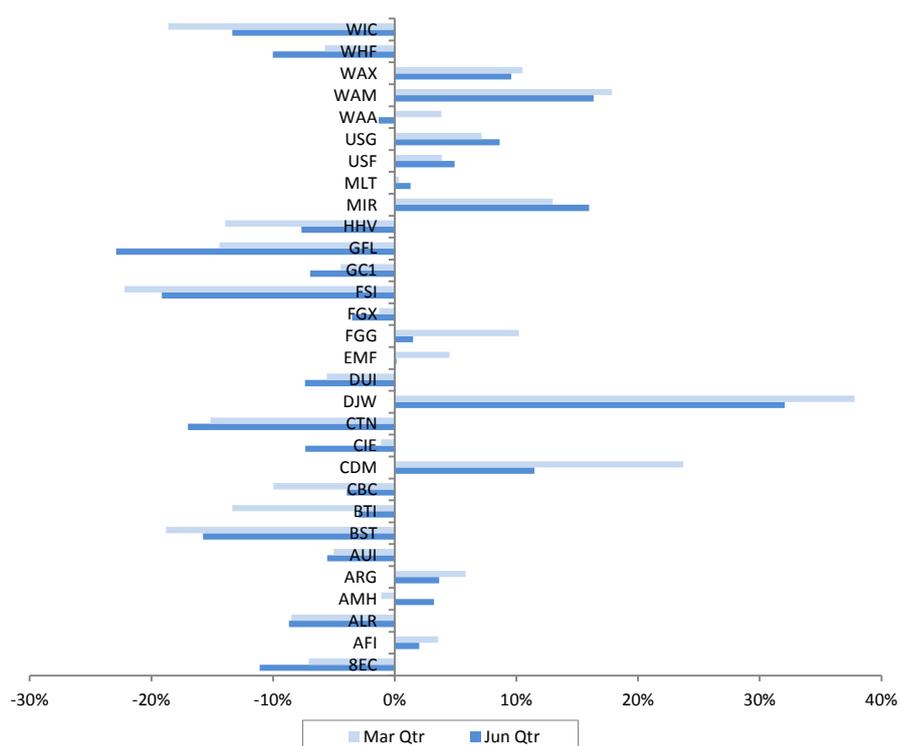
Following a significant widening in the discount from 14.4% to 22.9% GFL was trading at the largest discount to NTA at the end of the quarter. In our last monthly update we highlighted a number of stocks trading at discounts to NTA despite having delivered good portfolio returns over the past three years. GFL was one of the stocks we highlighted and discussed in the monthly update.

Figure 4. Premium/Discount to pre-tax NTA as at 30 June 2016

	ASX Code	Premium/Discount	3 year Average Premium/Discount
8IP Emerging Companies Limited	8EC	-11.1%	-5.8%
AFIC Limited	AFI	2.0%	3.9%
Aberdeen Leaders Fund	ALR	-8.7%	-1.2%
Amcil Limited	AMH	3.2%	-0.8%
Argo Limited	ARG	3.7%	3.4%
Australian United Investment Company Limited	AUI	-5.5%	-4.7%
Barrack St Investments Limited	BST	-15.8%	-14.4%
Bailador Technology Investments Limited	BTI	-3.0%	-15.6%
CBG Capital Limited	CBC	-3.9%	-6.3%
Cadence Capital Limited	CDM	11.5%	5.4%
Contango Income Generator Limited	CIE	-7.4%	-2.2%
Contango MicroCap Limited	CTN	-17.0%	-11.6%
Djerriwarrh Investments Limited	DJW	32.0%	27.8%
Diversified United Investment Limited	DUI	-7.4%	-5.9%
Emerging Markets Masters Fund	EMF	0.1%	2.6%
Future Generation Global Investment Company Limited	FGG	1.5%	6.1%
Future Generation Fund Limited	FGX	-3.5%	-1.8%
Flagship Investments Limited	FSI	-19.1%	-15.0%
Glennon Small Companies Limited	GC1	-7.0%	-4.2%
Global Masters Fund Limited	GFL	-22.9%	-14.0%
Hunter Hall Global Value Limited	HHV	-7.7%	-12.4%
Mirrabooka Investments Limited	MIR	16.0%	12.9%
Milton Corporation Limited	MLT	1.3%	1.1%
US Select Private Opportunities Fund	USF	4.9%	4.8%
US Select Private Opportunities Fund II	USG	8.6%	4.3%
WAM Active Limited	WAA	-1.3%	10.4%
WAM Capital Limited	WAM	16.3%	8.8%
WAM Research Limited	WAX	9.6%	5.1%
Whitefield Limited	WHF	-10.0%	-6.4%
Westoz Investment Company	WIC	-13.3%	-10.2%

Source: LMIs/Independent Investment Research

Figure 5. Change in Premium/Discount to pre-tax NTA/NAV



## RECOMMENDATION SUMMARY

The June 2016 LMI quarterly review includes 30 companies and trusts. These ratings are as at the date of the report and may change at any time. For further information regarding the individual LMIs and LITs, please refer to the company profiles.

In August 2016 we upgraded our recommendation for MLT to Highly Recommended. The table below reflects this change and the company profile for MLT outlines our reasons for the change. We have also published a detailed review of MLT.

	ASX Code	Rating
8IP Emerging Companies Limited	8EC	Recommended
AFIC Limited	AFI	Recommended Plus
Aberdeen Leaders Fund	ALR	Recommended
Amcil Limited	AMH	Recommended Plus
Argo Limited	ARG	Recommended Plus
Australian United Investment Company Limited	AUI	Recommended Plus
Barrack St Investments Limited	BST	Recommended
Bailador Technology Investments Limited	BTI	Recommended Plus
CBG Capital Limited	CBC	Recommended
Cadence Capital Limited	CDM	Recommended Plus
Contango Income Generator Limited	CIE	Recommended Plus
Contango MicroCap Limited	CTN	Recommended Plus
Diversified United Investment Limited	DUI	Recommended
Djerriwarrh Investments Limited	DJW	Recommended Plus
Emerging Markets Masters Fund	EMF	Recommended Plus
Future Generation Global Investment Company Limited	FGG	Recommended Plus
Future Generation Investment Company Limited	FGX	Highly Recommended
Flagship Investments Limited	FSI	Recommended
Glennon Small Companies Limited	GC1	Recommended
Global Masters Fund Limited	GFL	Recommended Plus
Hunter Hall Global Value Fund	HHV	Recommended
Milton Corporation Limited	MLT	Highly Recommended
Mirrabooka Investments Limited	MIR	Recommended Plus
US Select Private Opportunities Fund	USF	Recommended
US Select Private Opportunities Fund II	USG	Recommended
WAM Active Capital	WAA	Recommended
WAM Capital Limited	WAM	Recommended Plus
WAM Research Limited	WAX	Recommended
Westoz Investment Company	WIC	Recommended
Whitefield Limited	WHF	Recommended Plus

## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 23 August 2016	0.99
Market cap (\$M)	32.7
Shares on issue (M)	33.1
Shares traded (\$M p.a)	3.6
12-month L/H (\$)	0.85/1.04
Listing date	December 2015
Fees:	
Management Fee (%)	1.25
Performance incentives (%)	20.0
Performance Fee Hurdle	RBA Cash Rate + 2%

## Pre-tax NTA Performance Analytics (including dividends)

	ASX Emerging Companies Acc Index	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	na	na
TE (%)	na	na

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	na
FY15	na
FY16	na

## Substantial Shareholders

	%
Alexis Delloye	6.0

As at 30 June 2016

## COMPANY OVERVIEW

8IP Emerging Companies Limited (ASX: 8EC) listed on the ASX in December 2015. Eight Investment Partners has been appointed as the Investment Manager of the portfolio. The company invests in a concentrated portfolio of ASX-listed emerging companies (market cap of less than \$500m at the time of purchase). The company may also invest up to 20% of the portfolio in unlisted investments that are expected to list within 6 months of taking the position. The company may hold up to 20% of the portfolio in cash in the event attractive investment opportunities cannot be identified and can hedge up to 80% of the portfolio.

## INVESTMENT OBJECTIVE

The company seeks to deliver long-term capital growth by investing in a concentrated portfolio primarily of ASX-listed emerging companies.

## STYLE AND PROCESS

The Manager seeks to exploit market inefficiencies through three types of investments: (1) Star companies - companies that the Manager believes possess a competitive advantage that is not recognised by the market; (2) Turnaround companies - companies that have experienced a significant positive change that the market has under reacted to; and (3) Under researched companies - companies whose current valuation does not reflect the growth potential of the business. The Manager has a fundamental bottom-up investment style with a focus on growth and value. The portfolio weighting of an investment is determined by the expected level of outperformance.

## PORTFOLIO CHARACTERISTICS

The portfolio is concentrated and likely to comprise 20 to 30 stocks, but can hold up to 45 stocks. The portfolio is fully invested in stocks and/or convertible notes. At 30 June 2016 the top five stocks represented 33% of the portfolio value, with more than 50% invested across the materials (mainly lithium, tantalum and gold) and information technology sectors. The top two contributors to returns over the past quarter were Pilbara Minerals and Gascoyne Resources, while Rhiphe and Food Revolution Group were the main detractors.

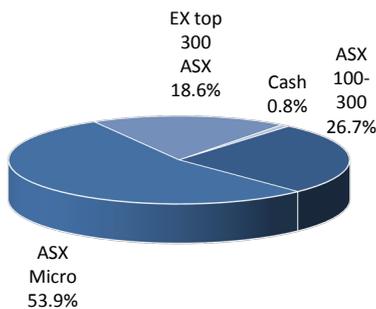
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

8EC provides investors exposure to a professionally managed portfolio primarily of small and micro cap ASX-listed companies, a universe in which there is limited research and greater risk, yet the upside potential can be considerable. The Manager has a long only, bottom-up investment style and has proven it can generate alpha, with the mandates currently being managed by Eight Investment Partners outperforming comparative market indices. We view the fees to be high and do not view the performance hurdle to be appropriate given the investment universe and investment style. Given the recent listing, performance data for 8EC is limited and not directly comparable with market indices, but for the quarter ending 30 June 2016 the pre-tax NTA return was 12.6%. The company was trading at a discount to pre-tax NTA of 11.1% at 30 June 2016. The shares have consistently traded at a discount since listing in December 2015 and are likely to continue to do so until the company is able to build more of a track record. We note that dividends will be declared at the Board's discretion and will be dependent on the income and capital growth generated from the portfolio. Returns will largely be capital in nature and, as such, an investment in the company is not suitable for those investors seeking a regular income stream.

### Investment Limitations

- 1) The Manager must invest in companies with a market cap of less than \$500m at the time of the initial investment.
- 2) The company can hold up to 30% of the portfolio in companies whose market cap has grown to in excess of \$500m.
- 3) The company must hold a minimum of 20 and a maximum of 45 stocks in the portfolio.
- 4) Up to 20% of the portfolio can be invested in unlisted companies that are expected to list within six months of the investment.
- 5) The company can invest up to 10% of the portfolio in an individual stock at the time of purchase.
- 6) Up to 20% of the portfolio can be allocated to cash.
- 7) Up to 80% of the portfolio may be hedged through the use of derivatives.
- 8) The company can hold up to 20% of the portfolio in companies listed on exchanges other than the ASX and up to 10% of the portfolio in companies listed on foreign exchanges.

### Size Weighting



### KEY POSITIVE CONTRIBUTORS

- ◆ Pilbara Minerals Ltd
- ◆ Gascoyne Resources Ltd
- ◆ Orocobre Ltd

### KEY NEGATIVE CONTRIBUTORS

- ◆ Rhipe Ltd
- ◆ Food Revolution Group Limited
- ◆ Cooper Energy Limited

*Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.*

## BOARD OF DIRECTORS

Jonathan Sweeney	Non-Executive Chairman
Tony McDonald	Non-Executive Director
Kerry Series	Executive Director

## OTHER DATA

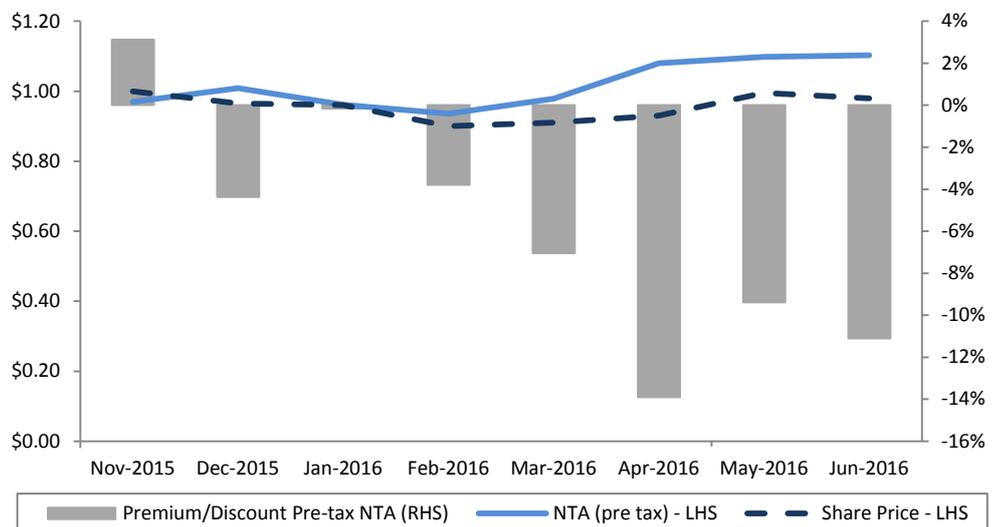
- ◆ **Options** – 16.5m listed options on issue (8ECO). The options have an exercise price of \$1.00 and can be exercised on or before 12 December 2016.
- ◆ **Dividend policy** – Dividends will be paid at the discretion of the board and be franked to the maximum extent possible.
- ◆ **Capital management policy** – na.
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – No.

### 8EC's Portfolio (Top 5) Weighting

Company	ASX Code	Portfolio (%)
BPS Technology Limited	BPS	7.5
Yowie Group Limited	YOW	6.8
Pilbara Minerals Limited	PLS	6.6
Vita Group Limited	VTG	6.1
Gascoyne Resources Limited	GCY	5.8
		<b>32.8</b>

Source all figures: 8EC/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

### NTA & Share Price Performance



## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 10 August 2016	5.71
Market cap (\$M)	6,454.0
Shares on issue (M)	1,130.3
Shares traded (\$M p.a)	495.6
12-month L/H (\$)	5.32/6.28
Listing date	June 1962
Fees:	
Management Fee (%)	0.16
Performance incentives (%)	na

## Pre-tax NTA Performance Analytics (including dividends)

	S&P/ASX 200 Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	-2.25	-1.44
TE (%)	1.32	1.26

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	3.56ff
FY15	3.76ff
FY16	4.28ff

## Substantial Shareholders

	%
Questor Financial Services	0.6
Nulis Nominees (Australia)	0.5

As at 30 June 2016

## COMPANY OVERVIEW

AFI is one of the original listed investment companies, established in 1928. It has a relatively conservative investment approach, with a long term investment horizon, and a focus on providing investors with capital growth and a dividend stream that, over time, grows faster than inflation.

## INVESTMENT OBJECTIVE

The company aims to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends and medium-to-long term capital growth from an investment in a diverse portfolio of ASX-listed companies.

## STYLE AND PROCESS

AFI has a buy-and-hold investment style for the majority of the portfolio. It can also allocate up to 10% of the portfolio to its trading portfolio, which has a short-term investment focus. AFI uses fundamental analysis to identify companies in attractively structured industries with high-quality assets, brands and/or businesses that can withstand the business cycle. It focuses on investing in companies with strong management and boards along with sound financial metrics, such as profit margins, cash flow and gearing. The Investment Committee, which is essentially the Board of AFI, plays a significant role in the investment process, meeting on a weekly basis to review the portfolio settings.

## PORTFOLIO CHARACTERISTICS

AFI invests only in stocks listed on the ASX, with a heavy focus on large cap stocks. The company has a long-term approach to investing and as such has low portfolio churn. There are no restrictions regarding the minimum or maximum investment in any individual stock or sector; however, the Investment Committee is wary of the risk of the portfolio and ensures that the portfolio is adequately diversified to reduce portfolio risk. Over the past 12 months AFI has been repositioning the portfolio to take advantage of growth opportunities outside the large caps and has reduced its holding of top 50 companies from 83%, however it still remains high at 76%. Mayne Pharma (MYX) was one of the additions to the portfolio and this stock was a key positive contributor to performance in the June quarter. The portfolio retains a strong weighting in financials, a key source of fully franked dividends. However, dividends from this sector are under pressure given a weaker operating environment and potentially higher capital requirements for the banks.

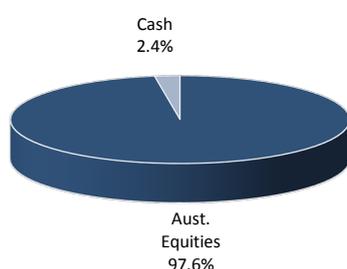
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

AFI is the largest LIC on the ASX, with a market cap of \$6.7b. AFI's portfolio (pre-tax NTA plus dividends) underperformed the benchmark (S&P/ASX 200 Accumulation Index) over the June quarter, with a return of 3.0% compared to the benchmark index return of 4.0%, with the portfolio underperforming the benchmark index by 2.3% over the 12-months to 30 June 2016. Over the 12-month period, small and mid cap stocks have outperformed the top 50 stocks with the S&P/ASX 50 index declining 2.6% for the 12 months. This contributed to the underperformance relative to benchmark, given close to 80% of the portfolio is allocated to top 50 stocks. Over the long-term, the portfolio has outperformed the benchmark index, with an average rolling annual return over the ten years to 30 June 2016 of 7.7%, compared to the benchmark average rolling annual return of 7.2%. Over time, the portfolio is expected to perform in close proximity to the benchmark index given the low tracking error. AFI has no outstanding debt at present, however has \$300M in undrawn credit facilities and \$190M in convertible notes with a redemption date of 28 February 2017. The company announced a fully franked final dividend of 14 cents per share for 2016, unchanged on last year. At 30 June 2016 AFI shares were trading at a premium to pre-tax NTA of 3.6%, down from 3.6% at 31 March 2016 and below the average three-year premium of 3.9%. This offer a reasonable entry point for long-term investors.

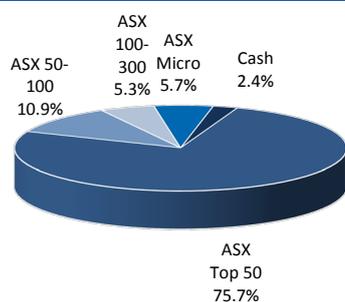
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	5.3	4.7
Materials	15.0	15.1
Industrials	11.5	11.5
Consumer Discretionary	1.5	1.8
Consumer Staples	8.7	8.5
Healthcare	9.6	10.6
Financials (ex Property)	36.0	34.6
Property	2.6	2.9
Information Technology	1.3	1.5
Telecommunication Services	5.9	6.2
Utilities	2.7	2.7

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Qantas Airways Limited
- ◆ Mayne Pharma Group Limited
- ◆ Ramsay Healthcare Limited

## KEY NEGATIVE CONTRIBUTORS

- ◆ Newcrest Mining
- ◆ Aristocrat Leisure Limited
- ◆ Fortescue Metals Group Ltd

Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.

## BOARD OF DIRECTORS

Terrence Campbell	Chairman	Catherine Walter	Director
Ross Barker	Managing Director	Peter Williams	Director
Graeme Liebelt	Director	Jacqueline Hey	Director
John Paterson	Director		
David Peever	Director		

## OTHER DATA

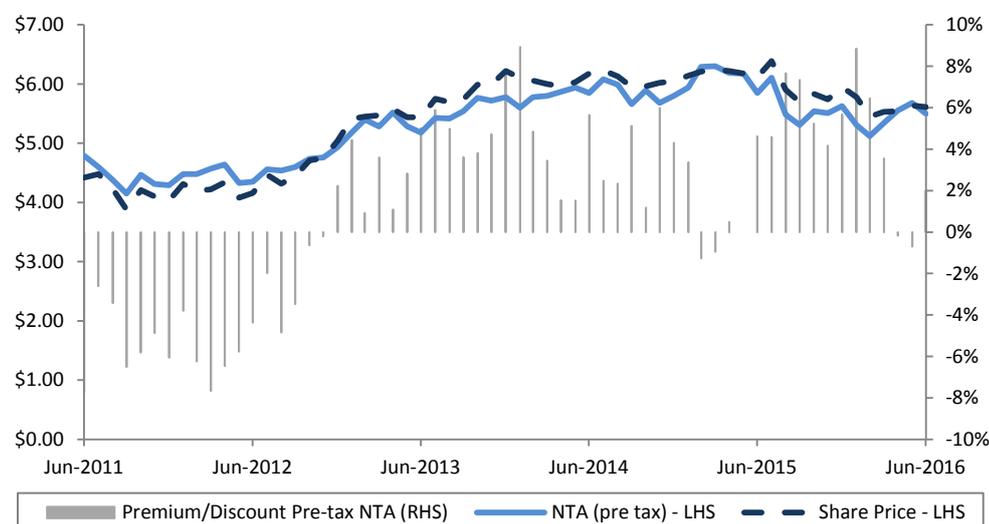
- ◆ **Options** – None on issue.
- ◆ **Dividend policy** – To pay out all received dividends so that over time the dividend stream grows faster than inflation.
- ◆ **Capital management policy** – A share buyback arrangement is in place to provide flexibility if shares trade at a discount to NTA. AFI also raises capital through its share purchase plan. AFI raised \$153m in a SPP with shares issued at \$5.51 in November 2015.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes, up to a 5% discount to the VWAP for the 5 trading days including and immediately following the shares being quoted ex dividend. Current discount of 2.5%.

## AFI's Portfolio (Top 10) Weighting

Code	Portfolio (%)	S&P/ASX 200 Index (%)
CBA	9.5	8.6
WBC	7.3	6.6
TLS	4.7	4.6
WES	4.3	3.0
BHP	4.2	4.0
NAB	4.1	4.5
TCL	3.5	1.6
ANZ	3.3	4.7
CSL	3.0	3.4
AMC	2.9	1.2
	<b>46.8</b>	<b>42.2</b>

Source all figures: AFI/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 12 August 2016	1.10
Market cap (\$M)	66.6
Shares on issue (M)	60.6
Shares traded (\$M p.a)	7.7
12-month L/H (\$)	0.95/1.16
Listing date	September 1987

## Fees

Management Fee (%)	0.75*
Performance incentives	20.0**

\*0.60% Management fee + 0.15% administration fee.

\*\*20% of outperformance of the S&P/ASX 200

Accumulation index. Returns must be positive.

## Pre-tax NTA Performance Analytics (including dividends)

	S&P/ASX 200 Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	0.38	-0.55
TE (%)	5.40	5.92

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield %

FY14	5.69ff
FY15	4.46ff
FY16	4.76ff

## Substantial Shareholders %

HSBC Custody Nominees (Australia) Limited	21.1
GASWELD	5.1

As at 30 June 2016

## COMPANY OVERVIEW

ALR is a listed investment company that was listed on the ASX in 1987. The company is managed by Aberdeen Asset Management Limited, the Australian subsidiary of the global asset management group, Aberdeen Asset Management PLC, which has over US\$540B of assets under management. ALR focuses on investing in S&P/ASX 200 stocks.

## INVESTMENT OBJECTIVE

ALR seeks to invest in a portfolio of stocks from within the S&P/ASX 200 Index with the objective of delivering regular income and long-term capital growth.

## STYLE AND PROCESS

The manager adopts an active style of management, selecting stocks based on bottom-up fundamental analysis in order to identify what it believes to be good quality companies. The manager takes high-conviction positions in those companies identified as quality investments. Aberdeen utilises only internally generated research and is not concerned with mimicking the benchmark index, as can be seen from the portfolio's tracking error, which is higher than a number of its LIC peers. The manager adheres to some wide guidelines in relation to portfolio construction, including: individual stock exposure no greater than benchmark plus 15%; maximum industry exposure of benchmark plus 20%.

## PORTFOLIO CHARACTERISTICS

ALR invests in a concentrated portfolio of ASX-listed stocks. The portfolio comprised of only top 100 stocks at 30 June 2016, with 78% of the portfolio allocated to top 50 stocks. The high conviction nature of the portfolio results in a high tracking error. The portfolio is overweight CSL being the largest position in the portfolio at 30 June 2016. It also has significant overweight positions in ASX, RIO, AGL, WFD, RIO, AMC and SCG, with underweight positions in the major banks. The overweight position in ASX was a key positive contributor to performance in the June quarter.

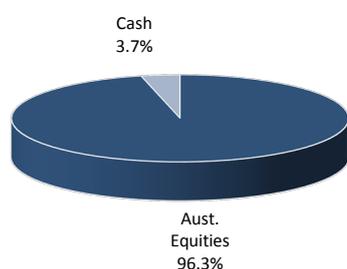
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

ALR's portfolio is concentrated with the Manager taking high conviction positions. The company has a \$30M gearing facility which is used to leverage positions in the portfolio. The gearing facility is fully drawn and accounts for ~43% of the company's market cap. The level of gearing will impact the portfolios outperformance or underperformance of the benchmark index depending on the market direction. For the three months to 30 June 2016 the pre-tax NTA increase of 5.4% was worse than the benchmark increase of 4.0%. The portfolio (pre-tax NTA plus dividends) outperformed the benchmark index slightly over the 12-months to 30 June 2016. Gearing the portfolio has not assisted in generating outperformance over the long-term. Over the ten years to 30 June 2016, the portfolio has underperformed the benchmark index generating an average rolling annual return of 5.5% compared to the benchmark average rolling annual return of 7.2%. The share price discount to pre-tax NTA was 8.5% at 30 June 2016, above the three year average of 1.2%. While this looks an attractive entry point, we expect the shares to continue to trade at a discount with the company paying a declining dividend over the past two years as a result of poor performance which has resulted in declining reserves. Dividends seem to have stabilised at lower levels but the portfolio performance will determine future dividend payments.

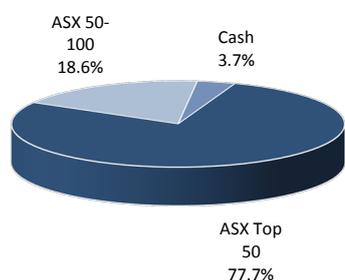
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	10.9	11.1
Materials	19.7	19.2
Industrials	0.0	0.0
Consumer Discretionary	2.8	3.0
Consumer Staples	3.4	3.1
Healthcare	15.3	16.0
Financials (ex Property)	30.4	29.5
Property	9.0	9.6
Information Technology	0.0	0.0
Telecommunication Services	5.3	5.3
Utilities	3.3	3.3

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Cochlear Limited
- ◆ ASX Limited
- ◆ AusNet Services Limited

## KEY NEGATIVE CONTRIBUTORS

- ◆ AMP Limited
- ◆ Newcrest Mining Limited
- ◆ Incitec Pivot Limited

Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.

## BOARD OF DIRECTORS

Brian Sherman	Chairman (Non-Executive Director)
Barry Sechos	Alternate Chairman (Non-Executive Director)
David Elsum	Director (Non-Executive Director)
Mark Daniels	Director (Executive Director)
Neville Miles	Director (Non-Executive Director)
Gil Orski	Company Secretary

## OTHER DATA

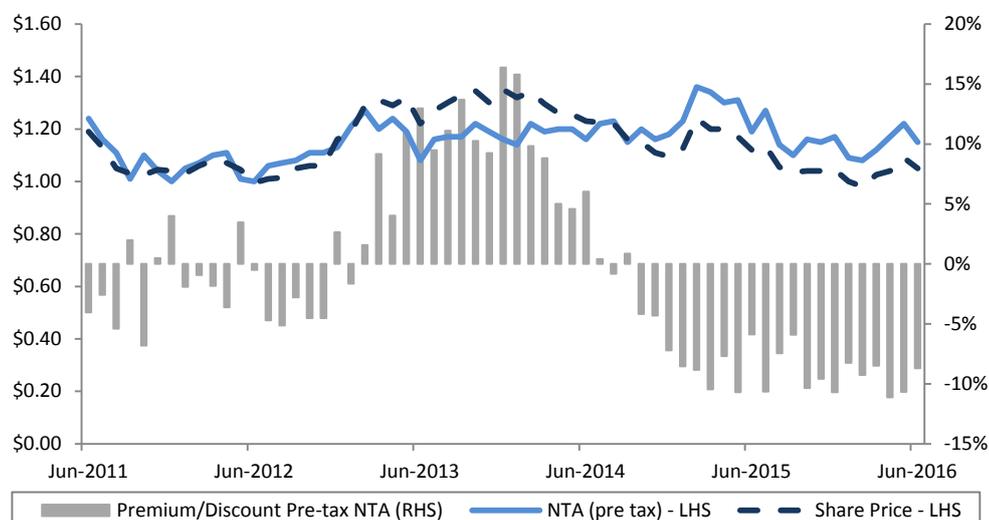
- ◆ **Options** – None on issue
- ◆ **Dividend policy** – The Board will continue to monitor the quantum of dividends received from the portfolio's investments and will bear this in mind, together with other factors, when determining the overall level of dividends to be paid out in the future.
- ◆ **Capital management policy** – ALR has authority to undertake a buyback of up to 10% of issued shares for capital management purposes.
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes

## ALR's Portfolio (Top 10) Weighting

Code	Portfolio (%)	S&P/ASX 200 Index (%)
CSL	6.2	3.4
ASX	6.0	0.6
WBC	5.8	6.6
TLS	5.3	4.6
AGL	5.0	0.9
WFD	5.0	1.5
RIO	4.7	1.3
SCG	4.6	1.8
BHP	3.9	4.0
AMC	3.8	1.2
	<b>50.1</b>	<b>25.8</b>

Source all figures: ALR/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 10 August 2016	0.97
Market cap (\$M)	247.1
Shares on issue (M)	254.7
Shares traded (\$M p.a)	13.5
12-month L/H (\$)	0.79/1.035
Listing date	June 2000

## Fees

Management Fee (%)	0.67
Performance incentives (%)	na

## Pre-tax NTA Performance Analytics (including dividends)

	S&P/ASX 200 Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	6.40	3.80
TE (%)	6.53	6.66

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY14	8.58ff
FY15	7.22ff
FY16	4.17ff

Substantial Shareholders	%
Bruce Teele	16.2
Djerriwarrh Investments	4.2

As at 30 June 2016

## COMPANY OVERVIEW

AMH was listed in February 2000. The company was initially a thematic investor, focusing on the telecommunications and media sectors. In 2002 shareholders voted to wind down the portfolio due to concerns about the viability of the portfolio and the sectors in which the company invested. In 2003, the board proposed to recapitalise the company and employ a different investment strategy. The recapitalisation raised \$41M and new shares were allotted in January 2004. AMH seeks to hold a high conviction portfolio with a limited number of holdings.

## INVESTMENT OBJECTIVE

AMH aims to generate capital growth through an investment in a portfolio of ASX-listed stocks. Whilst the company aims to pay an annual dividend, the company has a capital growth focus, with dividends dependent on the ability of the company to generate franking credits from its investments for distribution.

## STYLE AND PROCESS

AMH invests in a portfolio of large and small cap ASX-listed stocks. AMH has a largely buy and hold approach with investment opportunities identified through the use of fundamental analysis, with a focus on attractive relative valuations, the growth outlook and competitive structure of the industry. The Manager aims to take high conviction positions, with a focus on generating capital growth. Given the concentrated nature of the investment focus holdings will be sold from time to time to fund new portfolio purchases.

## PORTFOLIO CHARACTERISTICS

AMH's portfolio will likely comprise 30 to 40 ASX-listed stocks. The manager also maintains a small trading portfolio to take advantage of short-term investment opportunities. AMH invests in companies of all sizes with 38% invested in ASX 50 stocks at 30 June 2016 with the remainder of the portfolio invested in mid and small cap stocks. The exposure to top 50 stocks has fallen from 59% over the past year as the company has increased its exposure to small and mid cap stocks which have a stronger growth outlook. The portfolio is heavily overweight to the Healthcare, Industrial and Consumer Discretionary sectors. Financials is the second largest sector weighting, however the portfolio continues to be underweight this sector relative to the benchmark index.

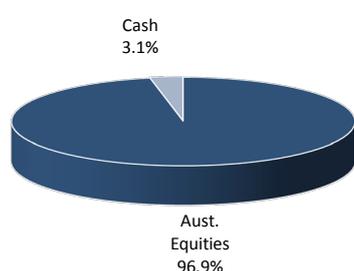
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

AMH is managed by an investment team that is largely the same as AFI, the largest LIC listed on the ASX by market capitalisation. The company aims to offer a different investment option to its sister funds (AFI, DJW and MIR), with a focus more on capital growth than dividend yield. It does not normally pay interim dividends and will pay a final fully franked dividend of 3.5 cents per share for FY2016, down from 4 cents per share in FY2015. The portfolio (pre-tax NTA plus dividends) underperformed over the past three months delivering a gain of 3.3% compared to the S&P/ASX 200 Accumulation Index gain of 3.9%. However it performed strongly over the 12-months to 30 June 2016, outperforming the benchmark index by 6.4%. In addition to stock selection, the increased exposure to the mid and small cap stocks provided a boost to the portfolio compared to the benchmark index, with this sector of the market outperforming large cap stocks over the 12-month period. Over the long-term, the portfolio continues to generate excess returns. Over the ten years to 30 June 2016, the portfolio generated an average rolling annual return of 10.2%, compared to the average rolling annual benchmark return of 7.2%. Over the June quarter the share price rose more than NTA with the shares moving to a modest premium to pre-tax NTA of 3.2%. This compares to a three year average discount of 0.8%. However, this is still a reasonable entry point for long-term investors given the company has consistently been able to generate alpha.

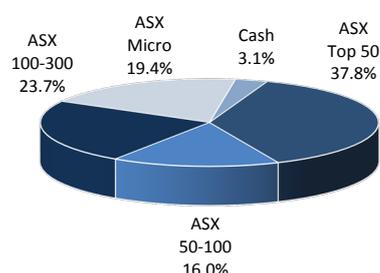
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	4.2	3.2
Materials	10.8	9.7
Industrials	20.9	19.2
Consumer Discretionary	9.7	9.5
Consumer Staples	6.9	8.1
Healthcare	17.1	19.4
Financials (ex Property)	19.8	19.3
Information Technology	3.8	5.4
Telecommunication Services	6.7	6.3
Utilities	0.0	0.0

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Mayne Pharma Group Limited
- ◆ The Citadel Group Limited
- ◆ Lifestyle Communities Limited

## KEY NEGATIVE CONTRIBUTORS

- ◆ Beacon Lighting Group Limited
- ◆ Japara Healthcare Limited
- ◆ Ardent Leisure Group

Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.

## BOARD OF DIRECTORS

Bruce Teele	Chairman (Executive)
Ross Barker	Managing Director
Siobhan McKenna	Director (Non-Executive)
Rupert Myer	Director (Non-Executive)
Richard Santamaria	Director (Non-Executive)
Roger Brown	Director (Non-Executive)

## OTHER DATA

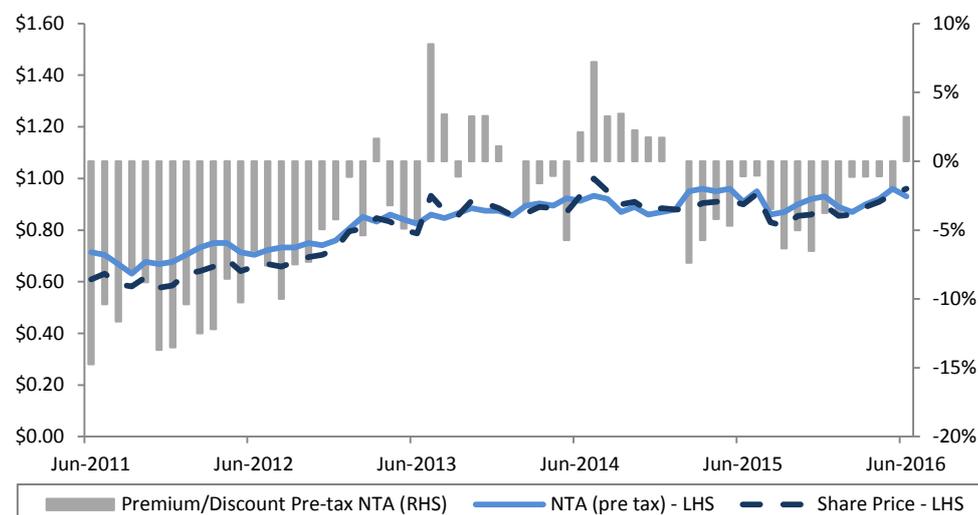
- ◆ **Options** – None on issue.
- ◆ **Dividend policy** – Depending on the profit, from year to year the dividends paid by the company will maximise the distribution of franking credits. It is not normal practice to distribute realised capital gains unless franking credits have been generated. As a result, AMH's dividends may vary over time.
- ◆ **Capital management policy** – Share purchase plan allows shareholders to subscribe for a total of A\$15,000 of shares per annum.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes, at up to a 5% discount to the VWAP for the 5 trading days including and immediately following the shares being quoted ex dividend. The current DRP discount is 2.5%.

## AMH's Portfolio (Top 10) Weighting

Code	Portfolio (%)	S&P/ASX 200 Index (%)
BXB	4.5	1.3
CSL	3.9	3.4
MYX	3.9	0.1
CBA	3.8	8.6
TPM	3.3	0.7
LIC	3.3	na
MFT	3.0	na
TWE	3.0	0.5
QUB	2.8	0.2
TCL	2.7	1.6
	<b>34.2</b>	<b>16.4</b>

Source all figures: AMH/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 22 August 2016	7.70
Market cap (\$M)	5,233.3
Shares on issue (M)	679.7
Shares traded (\$M p.a)	327.1
12-month L/H (\$)	7.13/8.11
Listing date	1948

## Fees

Management Fee (%)	0.15
Performance incentives (%)	na

## Pre-tax NTA Performance Analytics (including dividends)

	S&P/ASX 200 Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	-1.75	-0.59
TE (%)	1.38	1.67

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	3.54ff
FY15	3.58ff
FY16	4.14ff

## COMPANY OVERVIEW

ARG is an older-style LIC, listing on the ASX in 1948. ARG has a conservative approach to investing, with a long term investment horizon, and a focus on providing investors with capital and dividend growth.

## INVESTMENT OBJECTIVE

The company aims to provide shareholders with steady growth, secured by a spread of investments. ARG's goal is to identify well-managed businesses with the potential and ability to generate growing and sustainable profits to fund increasing dividend payments.

## STYLE AND PROCESS

ARG has a buy-and-hold investment style, aiming to overlook short-term market volatility. It is a value investor with a bottom-up approach to investment analysis. The investment team focuses on business strategies, the underlying value of the business, key financial indicators, industry structure, the quality of management, the board and corporate governance practices when considering potential investments. The process seeks to identify the highest quality Australian companies and trusts and over time, buy or add to those stocks when they are trading at prices which represent good long-term value. The company invests in a core group of blue chip stocks, which is essentially the top 20 positions held in the portfolio, which generate the majority of the company's dividend income. Growth is generated from a diversified investment across both large and smaller cap stocks which the company believes has sound management and good earnings growth potential.

## PORTFOLIO CHARACTERISTICS

ARG invests in a diversified portfolio ASX-listed stocks and interest rate securities. It has a long-term approach to investing and as such has low portfolio churn. The portfolio has exposure to stocks of all sizes however is weighted to large cap stocks, with 71.7% of the portfolio allocated to stocks within the S&P/ASX 50 at 30 June 2016. This has fallen from 75.1% over the past 12 months with the company adding small cap stocks in industries with stronger growth potential. At 30 June 2016 10% of the portfolio was in small/micro cap stocks. The company also invests in other LIC's (6% of the portfolio at 30 June 2016) with MLT and AUJ in the top twenty portfolio holdings. Investments in other LICs provides ARG with additional diversification, however increases exposure to securities already held. ARG has a high weighting to financials but is slightly underweight the major banks.

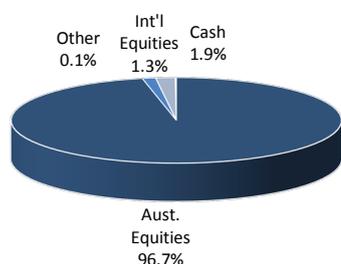
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

ARG provides low cost access to a portfolio of Australian equities and is the second largest ASX listed LIC by market cap. It holds 9% of the capital issued in the Argo Global Listed Infrastructure Limited (ASX: ALI), a listed investment company investing in a portfolio of global infrastructure securities that was listed on the ASX in July 2015. While there is a conflict of interest with the investment in ALI, we note it is common place in the LIC industry to invest in related funds. ARG's portfolio (pre-tax NTA plus dividends) is expected to perform in line with the benchmark index given the low tracking error. The portfolio value (pre-tax NTA) rose 3.5% in the June quarter, slightly less the benchmark index return of 4.0% and underperformed the benchmark by 1.75% over the past year. This reflects the weaker performance of the S&P/ASX 50 Accumulation Index which fell 2.6%. Over the long-term the portfolio has slightly underperformed the market and over the ten years to 30 June 2016 has generated an average rolling annual return of 7.0% compared to the benchmark index average rolling annual return of 7.3%. At 30 June the share were trading at a premium to pre-tax NTA of 3.7%, broadly in line with the three-year average. ARG announced an unchanged final dividend of 15.5 cents per share fully franked for FY2016 taking the full year dividend to 30.5 cents per share, up one cent on FY2015. A share purchase plan is to be offered to shareholders with details yet to be released.

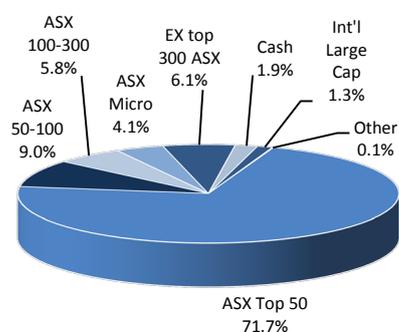
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	4.0	4.1
Materials	12.1	12.4
Industrials	7.7	7.6
Consumer Discretionary	7.5	7.5
Consumer Staples	8.3	7.8
Healthcare	7.1	8.0
Financials (ex Property)	30.5	29.8
Property	4.3	4.3
Information Technology & Telecommunication Services	7.2	7.2
Utilities	4.8	5.1
Listed Investment Companies	6.5	6.2

### Asset Weighting



### Size Weighting



## BOARD OF DIRECTORS

Ian Martin AM	Chairman (Non-Executive)
Jason Beddow	Managing Director
Joycelyn Morton	Director (Non-Executive)
Anne Brennan	Director (Non-Executive)
Russell Higgins AO	Director (Non-Executive)
Robert Patterson	Director (Non-Executive)
Roger Davis	Director (Non-Executive)

## OTHER DATA

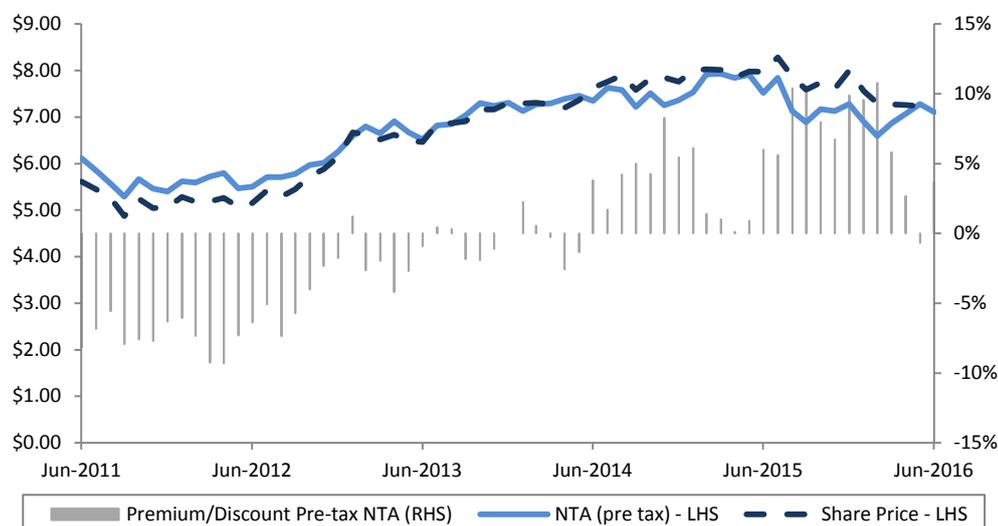
- ◆ **Options** – None on issue
- ◆ **Dividend policy** – ARG pays dividends from income received from its investments and realised capital gains.
- ◆ **Capital management policy** – ARG actively manages its capital through on-market buybacks when its shares are trading at a discount to NTA, SPP, DRP and other share issues.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes, at a 2% discount to the market price.

### ARG's Portfolio (Top 10) Weighting

Code	Portfolio (%)	All Ords (%)
WBC	6.7	6.1
TLS	4.9	4.2
CBA	4.9	8.0
ANZ	4.9	4.4
WES	4.5	2.8
MQG	3.5	1.5
BHP	3.3	3.7
NAB	3.2	4.2
MLT	2.5	na
CSL	2.4	3.2
	<b>40.8</b>	<b>38.0</b>

Source all figures: ARG/Independent Investment Research/IRESS. All data as at 30 June 2016 unless otherwise specified.

### NTA & Share Price Performance



## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 19 August 2016	7.60
Market cap (\$M)	937.6
Shares on issue (M)	123.4
Shares traded (\$M p.a.)	37.1
12-month L/H (\$)	6.73/8.39
Listing date	January 1974

## Fees

Management Fee (%)	0.10
Performance incentives (%)	na

## Pre-tax NTA Performance Analytics (including dividends)

	S&P/ASX 200 Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	-4.81	-2.60
TE (%)	4.80	3.47

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	3.74ff
FY15	4.02ff
FY16	4.71ff

## Substantial Shareholders

	%
Ian Potter Foundation	42.0
Argo Investments	13.3

As at 30 June 2016

## COMPANY OVERVIEW

AUI was founded by Sir Ian Potter in 1953 and was listed on the ASX in 1974. The company invests in a portfolio of ASX-listed securities to generate income and capital appreciation over the long-term.

## INVESTMENT OBJECTIVE

The company aims to generate capital and growing income returns from an investment in a portfolio of ASX-listed securities. The company has a long-term investment focus and does not intend to dispose of its portfolio.

## STYLE AND PROCESS

AUI has a buy-and-hold investment style, with the company only exiting investments if the board believes there has been deterioration in the industry and/or the management. The Board of Directors currently comprises four members who take on the role of investment management and stock selection. The Board meets formally on a monthly basis to review the portfolio. The company has a focus on maintaining and growing the dividend income paid to shareholders. Given the long-term investment nature of the company, portfolio churn is low. Most directors are actively involved in portfolio management outside of AUI. The company relies on board members and their contacts to provide research as well as company visits to form opinions about investment prospects.

## PORTFOLIO CHARACTERISTICS

AUI invests in ASX-listed stocks, with a heavy focus on large cap stocks, with 80% of the portfolio allocated to stocks within the ASX 50. There are no restrictions regarding the minimum or maximum investment in any individual stock or sector and as such the company may take high conviction positions in securities. The portfolio is concentrated with the top ten stocks accounting for 53.8% of the portfolio. The portfolio is heavily weighted to the financials sector, with 41.7% of the portfolio allocated to this sector and an overweight position in banks. This high weighting in financials has contributed to underperformance of the portfolio over the past quarter and 12 month periods. The company holds a position in its sister company DUI. This provides some additional diversification through the portfolio of stocks held by DUI, however increases exposure to some stocks as the DUI portfolio is also heavily weighted to banks.

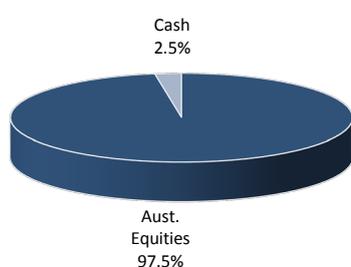
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

AUI provides cost-effective access to a portfolio of ASX-listed securities. The portfolio (pre-tax NTA plus dividends) underperformed the benchmark index over the 12-months to 30 June 2016, falling 4.3% compared to the benchmark index gain of 0.6%. Contributing to the underperformance was the portfolio's holdings in top 50 stocks, which underperformed mid and small cap stocks over the period with the S&P/ASX 50 Accumulation Index falling 2.6%. The portfolio has marginally underperformed the benchmark over the long-term, with the portfolio generating an average rolling annual return of 6.9% for the past ten year period versus the benchmark return of 7.2%. However, we note that the portfolio has achieved this with a greater level of volatility, with a long-term beta in excess of 1.0. AUI's Board members also take on the role of the investment team, resulting in the Board effectively monitoring/regulating it's own actions. However, in addition to the long track record of the company, with the company being listed in 1974, the Board consists of members with integrity and extensive investment/executive experience, which mitigates the risks associated with the organisational structure. Given the investment style and low trading volumes, an investment in the company is suited for long-term investors looking for exposure to Australian large cap shares. At 30 June 2016 the shares were trading at a 5.5% discount to pre-tax NTA compared to a three year average of 4.7%. AUI announced a fully franked final dividend of 18.5 cents per share taking FY2016 dividends to 34 cents per share fully franked. While unchanged on FY2015, the final dividend was paid on capital increased by the November 2015 1-8 rights issue.

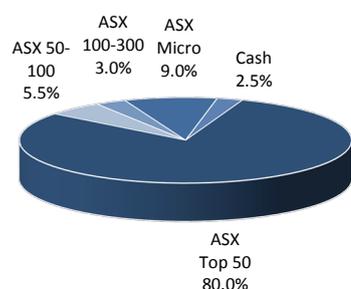
## SECTOR BREAKDOWN

Sector	31 Mar (%)	30 Jun (%)
Energy	6.5	6.4
Materials	0.8	0.9
Industrials	0.0	0.0
Transport	3.9	4.0
Mining & Mining Services	10.4	10.4
Consumer Discretionary & Staples	12.9	12.2
Healthcare	10.1	10.6
Financials (ex Property)	40.6	41.7
Property	0.7	1.1
Information Technology	0.7	0.0
Telecommunication Services	2.1	3.2
Utilities	6.5	7.0
Cash	4.8	2.5

### Asset Weighting



### Asset Weighting (ex cash)



## KEY POSITIVE CONTRIBUTORS

- ◆ Sonic Healthcare Limited
- ◆ Qantas Airways Limited
- ◆ Transurban Group

## KEY NEGATIVE CONTRIBUTORS

- ◆ Newcrest Mining Limited
- ◆ Fortescue Metals Group Ltd
- ◆ Orica Limited

Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.

## BOARD OF DIRECTORS

Charles Goode	Chairman (Executive)
Peter Wetherall	Director (Executive)
James Craig	Director (Executive)
Fred Grimwade	Director (Executive)

## OTHER DATA

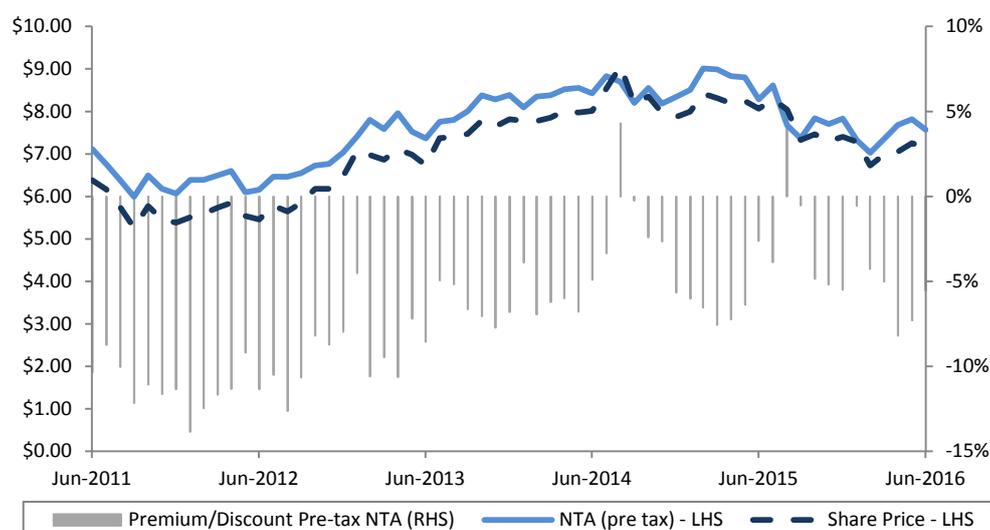
- ◆ **Options** – None on issue
- ◆ **Dividend policy** – The Company's objective is to take a medium to long term view and to invest in a diversified portfolio of Australian equities which have the potential to provide income and capital appreciation over the longer term
- ◆ **Capital management policy** – The company offers a Dividend Reinvestment Plan and from time to time a Share Purchase Plan.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes

## AUI's Portfolio (Top 10) Weighting

Code	Portfolio (%)	S&P/ASX 200 Index (%)
CBA	8.5	8.6
WBC	7.0	6.6
ANZ	6.4	4.7
NAB	5.4	4.5
WES	5.3	3.0
TCL	4.8	1.6
DUI	4.5	na
BHP	4.1	4.0
RIO	4.1	1.3
CSL	3.7	3.4
	<b>53.8</b>	<b>37.8</b>

Source all figures: AUI/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 15 August 2016	0.98
Market cap (\$M)	15.8
Shares on issue (M)	16.1
Shares traded (\$M p.a)	2.7
12-month L/H (\$)	0.74/1.02
Listing date	August 2014

## Fees

Management Fee (%)	1.0
Performance incentives (%)	20.0*

\*20% of outperformance of the performance hurdle of 8% p.a, subject to a high watermark.

## Pre-tax NAV Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	15.36	na
TE (%)	12.68	na

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	na
FY15	0.63ff
FY16	1.60ff

## Substantial Shareholders

	%
Dr. E C Pohl	30.1

As at 30 June 2016

## COMPANY OVERVIEW

BST is a listed investment company that invests in a concentrated portfolio of ASX-listed securities. BST raised \$16m when it listed in August 2014. The portfolio is managed by ECP Asset Management Pty Ltd, an authorised representative of EC Pohl & Co Pty Ltd. EC Pohl & Co is a company associated with the Managing Director. The Manager will invest in ex-50 ASX-listed securities and potentially unlisted companies that seek to list in the near term.

## INVESTMENT OBJECTIVE

BST seeks to provide shareholders with moderate-to-high long-term portfolio appreciation through the active management of a portfolio of mid-to-small cap investments. The Manager seeks to invest in good quality companies and provide shareholders with a fully franked dividend that grows at a rate in excess of inflation.

## STYLE AND PROCESS

BST seeks to identify high-quality companies that are able to grow sales and earnings at rates above GDP. BST uses a three-stage process to find attractive investment opportunities. Initially, BST screens ASX-listed companies based on three criteria: 1) the company has exhibited historical sales growth above nominal GDP; 2) the company has achieved a ROE of 15% or greater; and 3) the company must have an interest cover of at least four times. Post the screening process, the manager is left with between 80 and 100 companies. From these companies, BST looks for those that offer a sustainable competitive advantage. BST primarily has a buy-and-hold approach, with portfolio churn expected to be minimal. Portfolio weightings are determined by the risk-adjusted expected return. There are no sector limitations, however the Manager may not invest more than 12% of the portfolio in a single stock at the time of investment. A run in the stock may result in the portfolio weighting being greater than 12% over time.

## PORTFOLIO CHARACTERISTICS

BST has a concentrated portfolio of ASX-listed stocks. The Manager takes high-conviction positions in companies identified as attractive, with its top five holdings representing 44.6% of the portfolio at 30 June 2016. The portfolio is significantly underweight the Financials, Materials and Energy sectors as many of the companies within these sectors do not meet the investment requirements of the company including its mandate to invest outside the top 50 stocks. 59% of the portfolio is in micro cap and ex-S&P/ASX 100 companies.

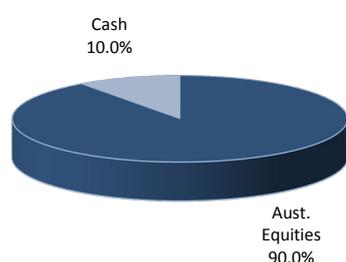
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

BST is a long-only Australian equity LIC that listed in August 2014. It is managed in a similar vein to FSI and as such has a disciplined investment process, which enables the manager to identify companies with strong cash flows, low debt and good growth potential. The Manager invests in a concentrated portfolio of mid and small cap stocks and as such may experience heightened levels of volatility. The portfolio (pre-tax NTA plus dividends) underperformed the benchmark over the June quarter but since inception in August 2014 has performed strongly. For the 12 months to 30 June 2016 the portfolio was up 17.4%, well ahead of the 2% gain in the ASX All Ordinaries Accumulation Index and also ahead of the 14.4% rise in the S&P/ASX Small Ordinaries Accumulation Index. This demonstrates the significant outperformance that can be achieved in a high conviction, concentrated portfolio, but also the potential for significant underperformance in the event of a poorly performing stock. BST has given guidance for a minimum final dividend of 1.5 cents per share which would take the FY2016 dividend to 2.5 cents per share, up from one cent per share in FY2015. The dividend yield is low but should increase over time. The portfolio has performed well since inception and the shares are still trading at a substantial discount to pre-tax NTA of 16%. This may narrow if the manager is able to maintain the portfolio outperformance over time.

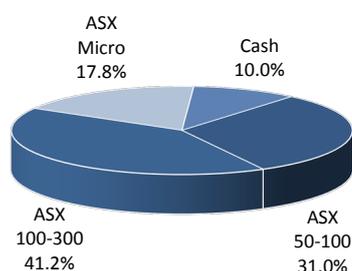
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Financials (ex Property)	29.3	25.1
Consumer Discretionary	30.3	21.6
Information Technology	14.9	21.4
Materials	0.0	0.0
Industrials	9.9	20.2
Consumer Staples	0.0	0.0
Energy	0.0	0.0
Healthcare	11.9	11.7
Property	0.0	0.0
Telecommunication Services	3.7	0.0

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ AUB Group
- ◆ Catapult Group
- ◆ Aconex

## KEY NEGATIVE CONTRIBUTORS

- ◆ BT Investment Management
- ◆ Cover-More Group
- ◆ Sirtex Medical

*Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.*

## BOARD OF DIRECTORS

Murry d'Almeida	Chairman (Non-Executive)
Dr. Emmanuel Pohl	Managing Director (Executive)
David Crombie	Director (Non-Executive)
Jared Pohl	Director (Non-Executive)

## OTHER DATA

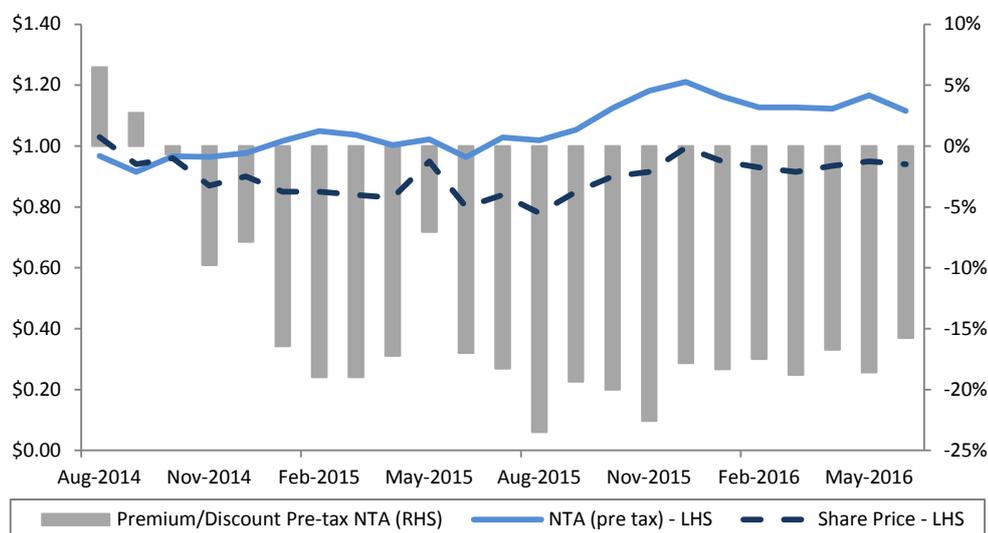
- ◆ **Options** – 16,022,500 listed options on issue under the code BSTO.
- ◆ **Dividend policy** – The company will seek to pay a semi-annual dividend franked to the maximum extent possible.
- ◆ **Capital management policy** – na
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes

## BST's Portfolio (Top 5) Weighting

Code	Portfolio (%)	All Ords (%)
IPH	11.3	0.1
TME	8.7	0.1
ACX	8.4	0.1
BTT	8.2	0.2
MFG	8.0	0.2
	<b>44.6</b>	<b>0.6</b>

Source all figures: BST/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance



## Rating



## LMI Type

Listed investment company

## Investment Area

Private equity

## Investment Assets

Private companies

## Investment Sectors

Information Technology

## Key Investment Information

Price (\$) as at 31 August 2016	1.095
Market cap (\$M)	110.4
Shares on issue (M)	100.8
Shares traded (\$M p.a)	19.5
12-month L/H (\$)	0.76/1.30
Listing date	November 2014
Fees:	
Management Fee (%)	1.75
Performance incentives (%)	17.5*

\*Performance fee is subject to a 8% compound annual increase in the NAV of the company.

## Pre-tax NTA Performance Analytics (including dividends)

	1 Yr	Since Listing (p.a.)
Portfolio Performance. (%)	8.13	11.01

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	na
FY15	na
FY16	na

## Substantial Shareholders

	%
Washington H Soul Pattinson	19.8
David Kirk via Kirk Family Holdgs	8.3

As at 30 June 2016

## COMPANY OVERVIEW

Bailador Technology Investments Limited (ASX: BTI) is a listed investment company that provides exposure to a portfolio of unlisted internet related businesses founded in Australia and New Zealand. The company invests in companies that are in the expansion stage, with a demonstrated revenue and customer base. The company does not invest in start-up companies and biotech companies. BTI listed on the ASX in November 2014 following a capital raising. In March 2016 it raised an additional \$38.4m from the exercise of options, with \$20m of this raised as a result of an option underwriting agreement with Washington H Soul Pattinson. This resulted in Washington H Soul Pattinson emerging with a 19.8% stake in BTI. Bailador Investment Management Pty Ltd is the Investment Manager of the portfolio and is paid an annual management fee of 1.75% and a performance fee of 17.5% of the increase in the net asset value of the company, subject to the net asset value of the company increasing by 8% per annum compound. It is important to note that performance fees will only be paid on the receipt of cash from the exit from investments and not on unrealised gains.

## INVESTMENT OBJECTIVE

The company seeks to provide investors exposure to a portfolio of information technology private companies that have a recurring revenue stream, strong business model and are seeking additional capital to expand.

## STYLE AND PROCESS

The Investment Manager sources investment prospects through its many formal and informal networks. The Manager particularly favours businesses that have either a subscription or marketplace revenue models. The Manager has some key investment criteria that an investment opportunity will typically meet: 1) Proven technology; 2) Proven management; 3) Proven business model; 4) Repeating revenue; 5) Globally competitive technology; 6) Highly profitable unit economics; 7) Large global addressable market; 8) Rapid growth potential; and 9) Potential to generate a sufficient return on investment.

## PORTFOLIO CHARACTERISTICS

The portfolio currently has seven investments, the largest of which is in SiteMinder, which accounts for 26.6% of the portfolio. In May 2016 BTI made a new investment of \$4m in Click Loans, an online mortgages and mortgage solutions business and in June it made an additional \$1.4m investment in Stackla, a content marketing platform. With more than \$25m in cash, BTI is well-placed to fund new investment opportunities that it currently sees in the Australian and New Zealand markets and expects to make additional investments in coming months.

## INDEPENDENT INVESTMENT RESEARCH COMMENTS

BTI offers investors a unique opportunity of gaining access to a portfolio of private companies in the technology sector with ASX liquidity. BTI is the only LIC on the ASX that offers access to a portfolio of direct investments in private companies. The Investment Manager comprises two highly experienced individuals in the technology and investment industry. The capital structure of investments seeks to provide downside risk protection in addition to the contractual rights negotiated with businesses. The portfolio performed well over the 12 months to 30 June with pre-tax NTA rising 8.1%. This compares favourably to the ASX 300 Information Technology Accumulation Index rise of 3.8% pa over the period. The portfolio uplift has largely resulted from investments from third parties in the underlying investments at appreciating valuations. Over the June quarter the discount to pre-tax NTA narrowed from 13.4% to 3.0%, but has widened again since the end of the quarter. We still think this provides an attractive entry point for potential investors interested in the technology sector with additional capital appreciation on offer in the event the discount narrows or is eradicated. We expect a re-rating of the company to occur in the event the company continues to realise investments at values significantly greater than holding value.

### Investment Limitations

- 1) Initial Investment cannot exceed 40% of the portfolio.
- 2) Up to 15% of the portfolio can be listed in publicly listed technology companies and IPO's, excluding any existing investments that have exited via IPO and in which the company has retained an interest.
- 3) Cannot invest in start-up businesses.
- 4) Cannot invest in biotechnology companies.
- 5) The Manager can make follow-up investments in subsequent fund raising rounds of businesses in the portfolio when the investment is deemed to be value creating for shareholders.
- 6) Can invest in a range of securities including but not limited to, convertible preference shares, convertible notes, preference share, ordinary equity, warrants and debt-like instruments.

## BOARD OF DIRECTORS

David Kirk	Executive Chairman
Paul Wilson	Executive Director
Andrew Bullock	Independent Director
Sankar Narayan	Independent Director
Heith Mackay-Cruise	Independent Director

## OTHER DATA

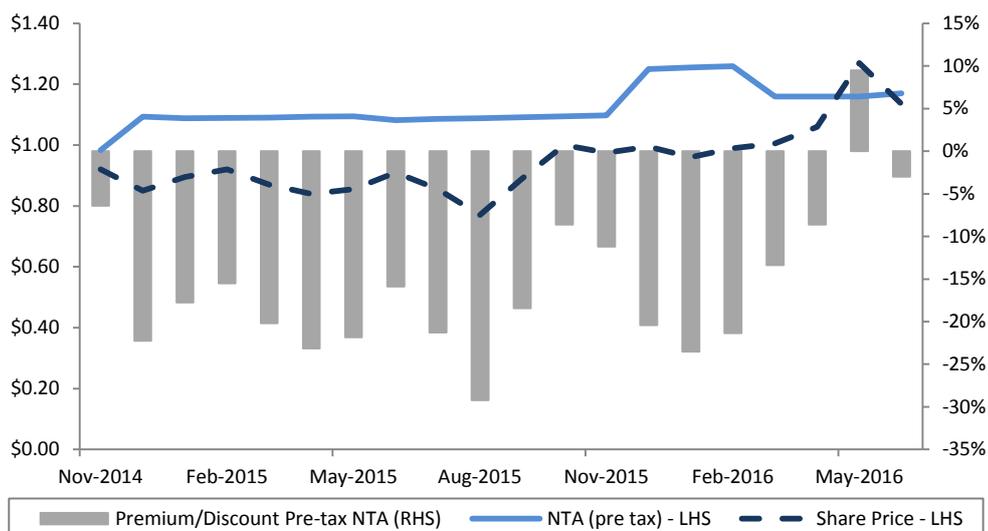
- ◆ **Dividend policy** – Dividends will be paid where possible following the realisation of investments.
- ◆ **Capital management policy** – na.
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – No.

### BTI's Portfolio Weighting

Company	Current Value (\$m)	Portfolio (%)
Online Ventures Pty Ltd t/as SiteMinder	31.3	26.6
Viocorp International Pty Ltd	28.5	24.2
Standard Media Index Pty Ltd (SMI)	5.5	4.7
iPRO Solutions Pty Ltd	8.5	7.2
Straker Translations Limited	4.6	3.9
Stackla	7.4	6.3
Rezdy	2.7	2.3
Click Loans	4.0	3.4
Cash & Other	25.3	21.4

Source all figures: BTI/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

### NTA & Share Price Performance



Note: NTA per share decreased in March 2016 due to the exercise of options, causing additional shares to be issued.



## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 30 August 2016	0.845
Market cap (\$M)	20.8
Shares on issue (M)	24.6
Shares traded (\$M p.a)	2.6
12-month L/H (\$)	0.84/1.00
Listing date	December 2014

## Fees

Management Fee (%)	1.0
Performance incentives (%)	20.0*

\*20% of outperformance of the excess performance of the S&P/ASX 200 Accumulation Index, subject to a high watermark.

## Pre-tax NAV Performance Analytics (including dividends)

	S&P/ASX 200 Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	1.22	na
TE (%)	7.97	na

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	na
FY15	na
FY16	3.37ff

## Substantial Shareholders

	%
Jacqueline Kay Pty Ltd	10.3
Dynasty Peak Pty Ltd	7.7

As at 30 June 2016

## COMPANY OVERVIEW

CBG Capital Limited (ASX code: CBC) is a listed investment company. The company listed on the ASX in December 2014 following an equity issue that raised \$24.2m through the issue of 24.2m shares at \$1.00 per share. Investors also received a free attaching option for every share, with an exercise price of \$1.00. The options can be exercised on or before 30 September 2016 and are listed under the code CBCO. CBC made a small placement (286,592 shares) at 97.7 cents per share in February 2016. The company invests in a long only portfolio ASX listed investments with the ability to invest up to 10% of the portfolio in international investments. The portfolio is managed by CBG Asset Management Limited (CBG), a boutique asset management firm that was established in 2001. The company will pay the Manager 1%p.a. of the net value of the portfolio and a 20% performance fee for performance in excess of the S&P/ASX 200 Accumulation Index, subject to a high watermark. The company will seek to pay a semi-annual dividend franked to the maximum extent possible. The Manager may hold up to 50% cash if suitable opportunities cannot be identified.

## INVESTMENT OBJECTIVE

CBC seeks to achieve an attractive rate of return for shareholders over the medium to long term, while minimising the risk of permanent capital loss. The company aims to provide both capital growth and franked dividend income.

## STYLE AND PROCESS

The Manager has a long only portfolio of listed investments. The Manager seeks to identify quality companies that are undervalued and has a capital preservation focus. Stock selection is based on bottom up, fundamental analysis. The Manager employs a multi-faceted investment process comprising both quantitative and qualitative screens.

## PORTFOLIO CHARACTERISTICS

The company has an all cap portfolio, with 44.3% of the portfolio allocated to ASX 50 stocks and the remainder allocated to ex-50 stocks. The top ten stocks represent 52.6% of the portfolio, well above the benchmark weighting for these stocks, with a strong overweight position in infrastructure stocks. The portfolio is heavily weighted to the Financials sector with 42% of the invested portfolio allocated to this sector. There is currently minimal exposure to the Materials sector and no exposure to the Energy sector. Exposure to Healthcare is relatively low.

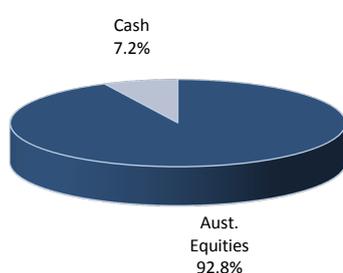
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

CBC offers investors the opportunity to invest in a professionally managed portfolio of domestic equities. While the Manager has the ability to invest in international equities, it currently has no intention to invest outside the domestic market. The portfolio is managed by an investment manager with significant experience in the investment industry, and with whom there has been a stable investment team. An important aspect of the structure is that the Manager is 100% owned by the CIO and the CIO holds shares in CBC, thereby aligning the interests of the Manager and shareholders. In the June quarter the portfolio (pre-tax NTA plus dividends) fell 0.4% against a 3.9% rise for the S&P/ASX Accumulation Index. The portfolio suffered from lack of exposure to the rebounding materials and energy sectors and also a strong rise by healthcare stocks. Positions in fund managers HGG and BTT also detracted from performance, with these stocks falling in response to the Brexit decision. Performance for the 12 months to 30 June 2016 has slightly exceeded the benchmark with CBC's overweight position in infrastructure and its holdings in the better performing mid and small-cap sectors helping to boost overall returns. The share price discount to pre-tax NTA has narrowed from 10% to 3.9% over the quarter and is below the three-year average of 6.3%. Catalysts for further narrowing of the discount could include a sustained positive portfolio performance track record by the manager over time.

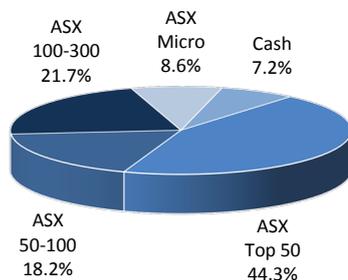
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Financials (ex Property)	47.1	42.1
Consumer Discretionary	7.6	8.2
Information Technology	4.7	6.1
Materials	0.0	0.8
Industrials	23.6	24.6
Consumer Staples	0.9	0.7
Energy	1.1	0.0
Healthcare	3.5	3.5
Property	5.8	6.4
Telecommunication Services	0.6	1.1
Utilities	3.9	6.5

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Eureka Group Holdings Limited
- ◆ Wesfarmers Limited
- ◆ Duet Group

## KEY NEGATIVE CONTRIBUTORS

- ◆ Henderson Group PLC
- ◆ BT Investment Management Limited
- ◆ Millennium Services Group Limited

Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.

## BOARD OF DIRECTORS

Ronni Chalmers	Chairman (Executive)
James Beecher	Director & Company Secretary (Executive)
Robert Swil	Director (Non-Executive)

## OTHER DATA

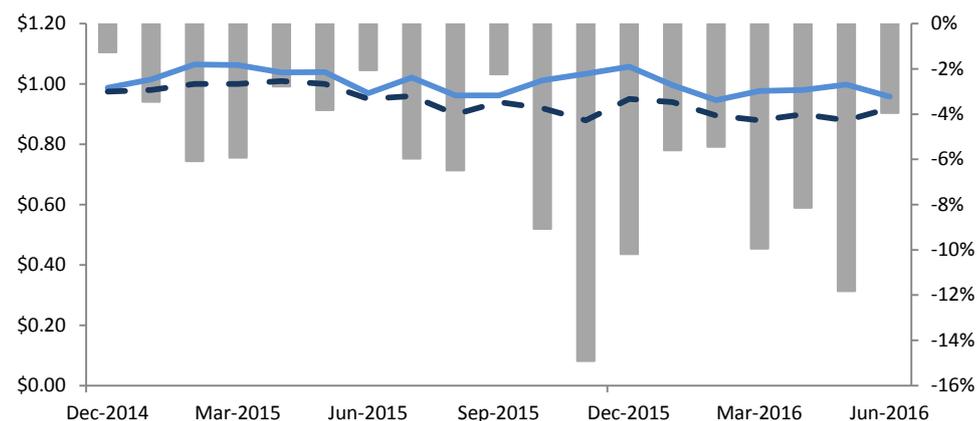
- ◆ **Options** – 24.2m listed options on issue under the code CBCO.
- ◆ **Dividend policy** – The company will seek to pay franked dividends semi-annually.
- ◆ **Capital management policy** – The company may undertake on-market buybacks and may also consider the issue of additional securities.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes

## CBC's Portfolio (Top 10) Weighting (Ex Cash)

Code	Portfolio (%)	S&P/ASX 200 (%)
CBA	10.6	8.6
WBC	7.4	6.6
TCL	5.8	1.6
MQA	5.7	0.2
ANZ	5.1	4.7
HGG	3.9	0.2
NAB	3.7	4.5
AIA	3.6	na
MFG	3.5	0.2
SYD	3.5	1.0
	<b>52.6</b>	<b>27.6</b>

Source all figures: CBC/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance



■ Premium/Discount Pre-tax NTA (RHS) — NTA (pre tax) - LHS - - Share Price - LHS



## Rating



## LMI Type

Listed investment company

## Investment Area

Australia & International

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 19 August 2016	1.265
Market cap (\$M)	341.9
Shares on issue (M)	270.3
Shares traded (\$M p.a.)	116.8
12-month L/H (\$)	1.115/1.60
Listing date	December 2006

## Fees

Management Fee (% p.a.)	1.00
Performance incentives (%)	20.0
Performance Hurdle*	ASX All Ords Acc Index

\*The Manager will be eligible for the performance fee only if the performance of the portfolio is positive and will be eligible for 20% of the outperformance of the benchmark index or in the event the benchmark index has decreased, 20% of the increase in the value of the portfolio.

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	-17.18	-6.70
TE (%)	10.05	8.73

Benchmark returns are purely pre-tax, whereas LIC (pre-tax NTA) returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	6.73ff
FY15	7.25ff
FY16	9.05ff

## COMPANY OVERVIEW

CDM is a listed investment company with a long/short Australian and international equities investment strategy. The company commenced trading in October 2005 and listed in December 2006. Cadence Asset Management has been appointed as the Investment Manager of the portfolio. There are no limitations on the level of shorting in the portfolio, however, historically the portfolio has had a long bias. The portfolio may hold cash in the event attractive opportunities cannot be identified.

## INVESTMENT OBJECTIVE

The company seeks to outperform the ASX All Ordinaries Accumulation Index and seeks to pay a consistent and growing semi-annual dividend, franked to the maximum extent possible.

## STYLE AND PROCESS

The Manager uses both fundamental and technical trend analysis in making investment decisions and has a disciplined entry and exit strategy. While the ideas generation process is based on the Portfolio Managers fundamental analysis and investment skill, the investment process is largely rules-based, with investment selection, position sizing and timing all determined by fundamental and technical rules. The portfolio is managed according to an open mandate, with no stock, sector or country limitations and, as such, is very much an alpha seeking mandate. The initial investment in an individual stock however cannot exceed 1% of the portfolio at cost. The Manager can further invest in a stock in 1% increments as the stock trends up (for long positions) or down (for short positions) up to a maximum of four more times. The Manager is not a forced seller, meaning that once 5% of the portfolio at cost has been invested, the Manager can let the stock continue to move up or down until the technical indicators suggest exiting the position, unlike other funds which have maximum holding limitations and have to sell down a stock to avoid breaching the limitations.

## PORTFOLIO CHARACTERISTICS

The Manager invests in a portfolio of domestic and international listed companies. At 30 June, the portfolio had a net exposure of 80%, with the invested portfolio largely in long positions with shorts amounting to 6% of the portfolio. Cash decreased from a high 36% of the portfolio to 20% at the end of the June quarter. Macquarie Group Ltd (ASX: MQG) continued to be the largest investment at 13.3% of the portfolio. We note that a maximum of 5% of the portfolio at cost can be invested in an individual stock and therefore a holding of greater than this can be attributed to growth in the stock value. The major changes to the top ten over the past quarter have been the addition of Select Harvest, Softbank Group Corp and Asciano and the removal of Luxottica, ANZ and a Woodside petroleum short position.

## INDEPENDENT INVESTMENT RESEARCH COMMENTS

The Manager employs a disciplined investment process. The rules based charter lends itself to a repeatable investment process and provides greater confidence that alpha generated can be attributed to both the process and individuals (not just the latter). While there are no portfolio concentration limitations, a rules based entry and exit strategy should have the effect of limiting portfolio risk, restricting investments up to 5% of the portfolio at cost with the inclusion of a stop-loss. There is a strong alignment of interest with shareholders, with the investment team collectively representing the largest investor in the company. The portfolio (pre-tax NTA plus dividends) underperformed the market over the June quarter, with the portfolio value falling 2.2% compared to the ASX All Ordinaries Accumulation Index rise of 4.00%. Over the 12 months to 30 June 2016 the portfolio underperformed the market by 17.2%. The Manager's investment style is likely to underperform in highly volatile, non-trending markets. Despite the short-term underperformance, the portfolio has outperformed the market since listing, with the portfolio generating an average rolling annual return of 9.4% compared to the market average rolling annual return of 4.1%. The premium to pre-tax NTA fell over the June quarter from 23.7% to 11.5%, still above the three-year average premium of 4.4%. Unless performance starts to improve, there is potential for the premium to fall further.

## SECTOR BREAKDOWN (NET EXPOSURE)

Sector	31 Mar (%)	30 Jun (%)
Diversified Financials	22.2	21.1
Financials	5.3	6.9
Consumer, Non Cyclical	7.2	13.3
Banks	6.5	4.9
Software & Services	7.9	8.0
Communications	8.4	12.8
Consumer, Cyclical	3.8	3.4
Consumer Services	3.6	4.1
Industrial	1.3	7.5
Basic Materials	0.3	-0.0
Technology	1.2	1.6
Energy	-1.5	-2.0
Materials	-1.5	-1.6
Cash	35.9	20.2

Exposure	30 Jun (%)
Long exposure	85.9
Short Exposure	6.0
Cash	20.2

## BOARD OF DIRECTORS

Karl Siegling	Managing Director & Portfolio Manager
Wayne Davies	Chief Operating Officer
James Chirnside	Independent Director
Ronald Hancock	Independent Director

## OTHER DATA

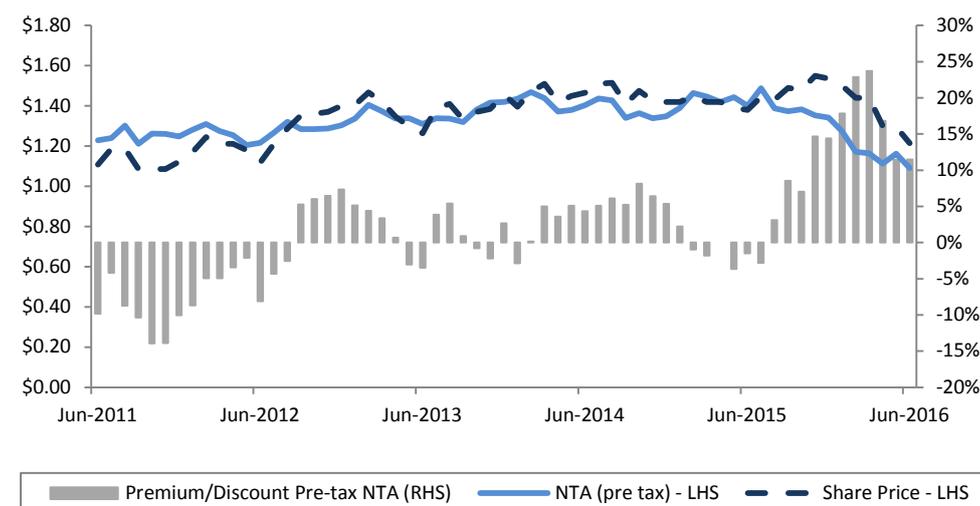
- ◆ **Options** – none on issue.
- ◆ **Dividend policy** – CDM will seek to a consistent and growing dividend.
- ◆ **Capital management policy** – na
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes, at a 3% discount.

## CDM's Portfolio (Top 10) Weighting

Stock	Portfolio (%)	Currency Exposure	Direction
Macquarie Group Ltd	13.3	AUD	Long
Melbourne IT Ltd	8.0	AUD	Long
Asciano Ltd	6.5	AUD	Long
Henderson Group Plc	5.5	AUD	Long
Alphabet Inc	4.1	AUD	Long
Retail Food Group	4.0	AUD	Long
Mastercard Inc	3.9	AUD	Long
Facebook Inc	3.6	AUD	Long
Softbank Group Corp	3.3	AUD	Long
Select Harvest Ltd	3.0	AUD	Long
	<b>55.4</b>		

Source all figures: CDM/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 1 September 2016	0.98
Market cap (\$M)	76.6
Shares on issue (M)	78.1
Shares traded (\$M p.a)	7.4
12-month L/H (\$)	0.91/1.05
Listing date	August 2015

## Fees

Management Fee (% p.a)	0.95
Performance incentives (%)	na

\*The management fee will be charged on a tiered scale. The annual management fee will be 0.95% for the portfolio value up to and including \$150m, 0.90% for the portfolio value above \$150m up to and including \$500m, and 0.85% for the portfolio value above \$500m

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	na	na
TE (%)	na	na

Benchmark returns are purely pre-tax, whereas LIC (pre-tax NTA) returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	na
FY15	na
FY16	3.26pf

## Major Shareholders

	%
Contango Microcap Limited	38.4
As at 30 June 2016	

## COMPANY OVERVIEW

Contango Income Generator Limited (ASX: CIE) is an investment company which listed on the ASX in August 2015 following an initial public offer. Contango Asset Management Limited (CAML) has been appointed as the Manager of the portfolio. Following a management buyout, CAML is partly owned by its management and staff and is in the processing of listing on the ASX. CIE invests primarily in companies outside the top 30 ASX-listed securities and seeks to pay an annual dividend of at least 6.5% of NTA at the beginning of the financial year. Dividends will be franked to the maximum extent possible and will be paid on a semi-annual basis.

## INVESTMENT OBJECTIVE

CIE seeks to provide investors with access to an above market yielding portfolio of primarily ex-30 ASX-listed securities on the basis that most people have exposure to the top 30 stocks through their own investment portfolios or through their superannuation funds. While trying to maximise total returns to investors, CIE also seeks to preserve capital through its ability to hold up to 50% of the portfolio in cash if attractive opportunities cannot be identified.

## STYLE AND PROCESS

The Manager uses a combination of top down and bottom up fundamental analysis to identify attractive investment opportunities. The Manager believes economic conditions drive earnings and valuations and that sectors perform differently in at each stage of the economic cycle. As such stocks are selected based on company fundamentals and then investment is based on the economic overlay determined. The Manager utilises filters such as: yield of 4%+, beta is lower than the market, franking levels, volatility, level of gearing, and liquidity.

## PORTFOLIO CHARACTERISTICS

CIE holds a portfolio of ASX ex-30 stocks heavily weighted to the Financials and Consumer Discretionary sectors, with 45% of the portfolio allocated to these two sectors. The Manager takes high conviction positions and is index agnostic and therefore not concerned with the weighting of a stock in the index. This is highlighted by the top ten holdings, which account for 42.5% of the portfolio, compared to the relevant weighting in the All Ordinaries Index of 3.1%. Portfolio performance will largely be dependent on the stock picking abilities of the Manager. The stocks in the top ten did not change during the quarter but the weighting increased slightly from 38.8%.

## INDEPENDENT INVESTMENT RESEARCH COMMENTS

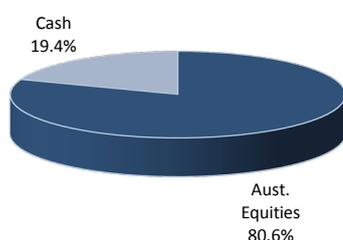
CIE seeks to maintain a portfolio that provides lower than market beta and offers a yield of at least 6.5%. Given the Manager's history we believe the yield is achievable. The Manager has shown its ability to manage a portfolio that achieves the stated objectives of the company through its management of the Contango Midcap Income Trust. The Trust was established in December 2012 and has similar objectives to CIE. Since listing to 30 2016, the portfolio (pre-tax NTA plus dividends) has performed slightly below the market, with the portfolio value rising 4.5% compared to the ASX All Ordinaries Accumulation Index which increased 5.6% over the period. CIE paid an inaugural interim dividend in February of 3 cents per share suggesting it is on track to achieve a target 6.5% yield. CIE shares have mostly traded at a discount since listing and at 30 June 2016 were at a 7.4% discount to pre-tax NTA. We think the shares are likely to remain at a discount through the next quarter given the short history of the company.

On 30 June 2016 ownership of the investment manager, Contango Asset Management Limited (CAML), changed hands. The owner, Contango MicroCap (CTN), sold CAML to a private consortium consisting of CAML staff and a cornerstone investment vehicle controlled by James Packer and Robert Rankin. CAML is in the process of listing on the ASX. A new management agreement has been signed with an initial term of five years. CIE shareholders can vote to terminate the agreement if the manager fails to meet certain performance hurdle. The investment management fee is unchanged at 0.95% and there are no performance or termination fees.

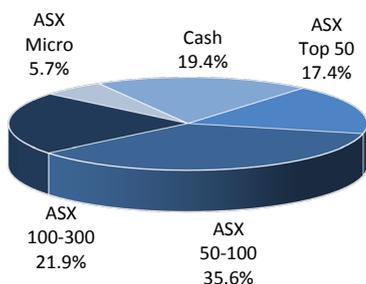
## SECTOR BREAKDOWN

Sector	31 Mar (%)	30 Jun (%)
Energy	0.0	0.0
Materials	1.9	2.2
Industrials	2.3	4.0
Consumer Discretionary	15.9	16.6
Consumer Staples	3.4	4.9
Health Care	1.6	1.5
Financials	27.1	28.2
Information Technology	0.0	0.0
Telecommunication Services	1.1	0.0
Utilities	8.3	9.7
REITS	12.5	13.4
Cash	25.9	19.4

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Spark Infrastructure Group
- ◆ ASX Limited
- ◆ GUD Holdings Ltd

## KEY NEGATIVE CONTRIBUTORS

- ◆ FlexiGroup Limited
- ◆ Bank of Queensland Ltd
- ◆ Cover-More Group Ltd

*Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.*

## BOARD OF DIRECTORS

Ian Ferres	Chairman (Non-Executive)
Mark Kerr	Director (Non-Executive)
Don Clarke	Director (Non-Executive)
George Boubouras	Director (Executive)

## OTHER DATA

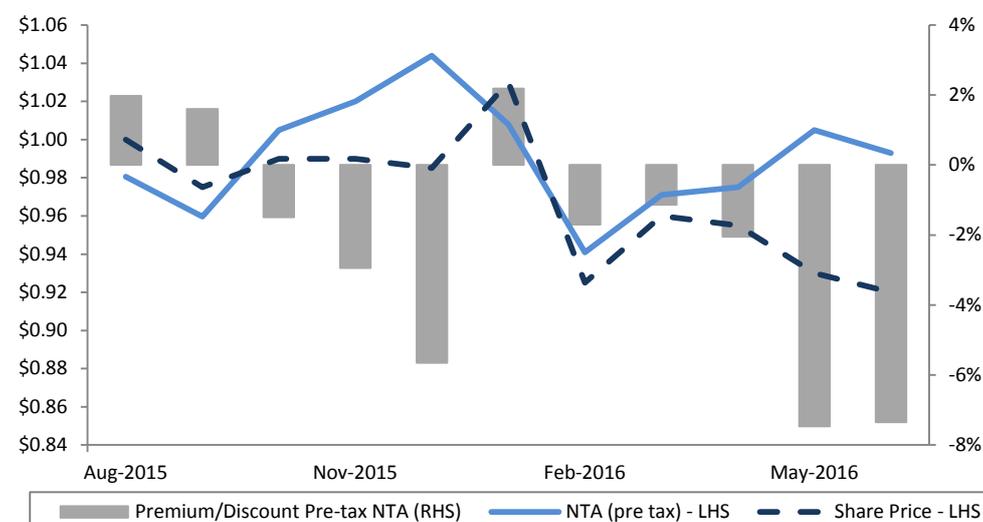
- ◆ **Options** – 33.6m listed options on issue.
- ◆ **Dividend policy** – CIE will seek to pay annual dividends amounting to a minimum 6.5%pa yield on the net tangible asset value per share prevailing at the beginning of the financial year.
- ◆ **Capital management policy** – CIE can buy back its shares, however has no buy back window in operation.
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – No

### CIE's Portfolio (Top 10) Weighting

Code	Portfolio (%)	ASX All Ordinaries Index (%)
ASX	6.2	0.6
BOQ	5.6	0.3
TTS	5.2	0.4
BEN	5.2	0.3
TAH	4.2	0.2
DUE	4.1	0.4
SKI	4.0	0.3
VCX	3.3	0.8
CQR	2.4	0.1
PTM	2.3	na
	<b>42.5</b>	<b>3.2</b>

Source all figures: CIE/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified

### NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 1 September 2016	1.14
Market cap (\$M)	184.7
Shares on issue (M)	162.0
Shares traded (\$M p.a)	60.8
12-month L/H (\$)	0.885/1.20
Listing date	March 2004

## Fees

Management Fee (% p.a)	Tiered*
Performance incentives (%)	na

\*The management fee is 1.25% for the first \$200m managed and 1% thereafter. There is no performance fee.

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	17.57	3.76
TE (%)	5.34	8.38

Benchmark returns are purely pre-tax, whereas LIC (pre-tax NTA) returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY14	7.80pf
FY15	8.00pf
FY16	6.30pf

## Major Shareholders

	%
Victor Plummer	2.1
UBS Wealth Management	1.3

As at 30 June 2016

## COMPANY OVERVIEW

CTN is a listed investment company focusing on small/micro cap stocks. The fund is managed by Contango Asset Management Ltd (CAML). In June 2016 CTN sold CAML to a consortium comprising staff and a cornerstone investment vehicle owned by James Packer and Rob Rankin. CAML is in the process of listing on the ASX. CTN owns a substantial stake in CIE, another LIC managed by CAML. CIE invests primarily in companies outside the top 30 ASX-listed securities. CTN aims to pay annual dividends amounting to a minimum 6% p.a. yield on the Net Tangible Asset value per share prevailing at the beginning of the financial year.

## INVESTMENT OBJECTIVE

CTN aims to achieve a return above the benchmark index (All Ordinaries Accumulation Index) and pay regular dividends to investors through investment in a portfolio of ASX listed small/micro cap stocks. There tends to be increased risk levels when investing in small/micro cap stocks, however, the upside potential can be considerable.

## STYLE AND PROCESS

CTN uses a combination of top down and bottom up fundamental analysis to identify attractive investment opportunities in the small/micro cap universe. The manager focuses on stocks that have a market cap of between \$10M and \$350M at the time of acquisition. There is often a lack of research on small/micro cap stocks. CTN endeavours to take advantage of this situation to identify market inefficiencies. When the economy is growing strongly, the fund focuses on companies that can grow their businesses rapidly, while in more difficult times, it focuses on companies with more stable earnings.

## PORTFOLIO CHARACTERISTICS

Outside its large holding in CIE, CTN holds a diversified portfolio of small/micro cap stocks with the company aiming to have between 60 to 100 stocks in the portfolio. Given the risk associated with the investment universe, the manager does not tend to take large positions in companies and reduces risk through portfolio diversification. During the June quarter the company increased its exposure to resources with the Materials the largest sector exposure at 30 June 2016. Compared to the market, the portfolio is significantly overweight the Healthcare, IT and Consumer Discretionary sectors and significantly underweight the Consumer Staples and Financials sectors.

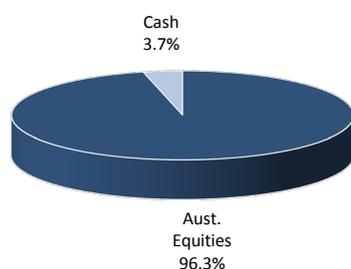
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

CTN provides investors with the opportunity to gain exposure to a professionally managed diversified portfolio of small/micro cap stocks, a universe in which there is limited research available. There tends to be greater risk involved with smaller cap stocks, however the upside potential can be considerable. With a 12-month return of 19.6% the portfolio (pre-tax NTA plus dividends) significantly outperformed the broader market (ASX All Ordinaries Accumulation Index) and outperformed the ASX Small Ordinaries Accumulation Index by 5.2%. Over the long-term, the portfolio has generated alpha compared to the market, with an average rolling annual return of the portfolio over the ten years to 30 June 2016, of 10.1%, compared to the market average rolling annual return of 7.3%. The portfolio has also significantly outperformed the ASX Small Ordinaries Accumulation Index which had an average rolling annual return of 4.1% over the past 10 year period. We note however over a five year period, the portfolio has significantly underperformed the broader market. CTN announced the management buyout and listing of its investment manager, Contango Asset Management Limited (CAML). The transaction means CTN will now be an externally managed LIC. Unfortunately CTN shareholders were not given the opportunity to vote on the change to external management, however CTN will receive \$13 million for the sale of the management rights, a benefit for CTN shareholders. The discount to pre-tax NTA increased slightly to 17% over the June quarter but has since started to narrow following the sale of CAML. In line with its policy of paying out 6% of NTA, CTN has given guidance for a minimum final 2016 dividend of 3.7 cents per share. The company says it has sufficient reserves to pay proposed dividends into FY2017 and has guided for total dividends of 6.6 cents per share.

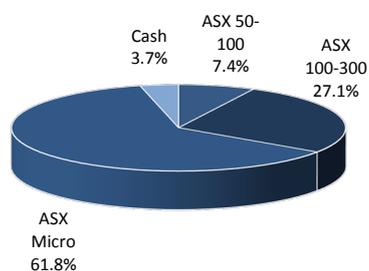
## SECTOR BREAKDOWN

Sector	31 Mar (%)	30 Jun (%)
Energy	1.6	2.0
Materials	9.0	15.7
Industrials	10.1	9.4
Consumer Discretionary	14.0	14.1
Consumer Staples	8.4	8.2
Health Care	12.4	13.4
Financials & REITS	17.6	12.9
Information Technology	13.5	5.6
Telecommunication Services	0.9	14.3
Utilities	1.3	1.0
SPI Futures	8.9	0.0
Cash	2.7	0.0

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ General Mining Corporation Limited
- ◆ Mayne Pharma Group Limited
- ◆ Saracen Mineral Holdings Limited

## KEY NEGATIVE CONTRIBUTORS

- ◆ Empired Ltd
- ◆ Sino Gas & Energy Limited
- ◆ Yowie Group Ltd

Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.

## BOARD OF DIRECTORS

Mark Kerr	Chairman (Non-Executive)
David Stevens	Managing Director (Non-Executive)
Ian Ferres	Director (Non-Executive)
Glenn Fowles	Director (Non-Executive)
Alistair Drummond	Director (Executive) - appointed August 2016

## OTHER DATA

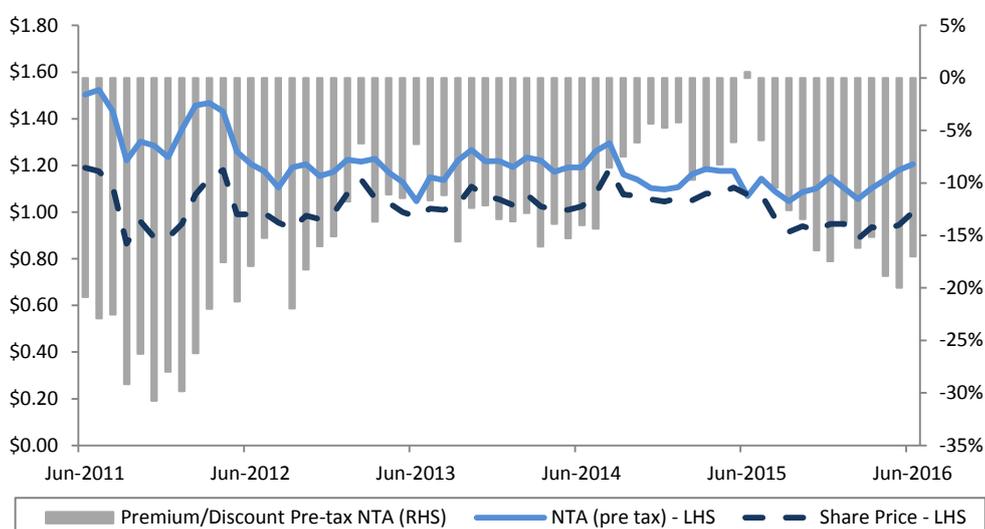
- ◆ **Options** – 557,052 unlisted options on issue.
- ◆ **Dividend policy** – CTN aims to pay annual dividends amounting to a minimum 6%pa yield on the net tangible asset value per share prevailing at the beginning of the financial year.
- ◆ **Capital management policy** – CTN can buy back its shares, however has no buy back window in operation.
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes at a 3% discount.

## CTN's Portfolio (Top 10) Weighting

Code	Portfolio (%)	All Ords (%)
MYX	7.1	0.1
SAR	3.4	0.1
GMM	3.2	na
SGF	3.2	0.1
HUB	3.0	0.0
CAT	2.9	na
ORE	2.6	0.1
QMS	2.5	0.0
WEB	2.4	0.0
ENN	2.3	0.0
	<b>32.6</b>	<b>0.4</b>

Source all figures: CTN/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified  
Figures exclude the investment in CTN which amounts to 17.1% of the portfolio

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 10 August 2016	3.70
Market cap (\$M)	808.8
Shares on issue (M)	218.6
Shares traded (\$M p.a.)	110.2
12-month L/H (\$)	3.69/4.60
Listing date	June 1995

## Fees:

Management Fee (%)	0.41
Performance incentives (%)	na

## Pre-tax NTA Performance Analytics (including dividends)

	S&P/ASX 200 Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	-5.16	-4.28
TE (%)	2.65	2.40

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY14	5.52ff
FY15	5.54ff
FY16	6.37ff

Substantial Shareholders	%
AFIC	3.4
Bruce Teele	0.9

As at 30 June 2016

## COMPANY OVERVIEW

DJW was established in December 1989 before being listed in June 1995. The company invests predominately in S&P/ASX 50 stocks listed on the ASX where there is an active options market available.

## INVESTMENT OBJECTIVE

DJW seeks to provide shareholders with attractive investment returns through access to an enhanced level of fully franked dividends and enhancement of capital invested.

## STYLE AND PROCESS

DJW invests in a portfolio of ASX-listed stocks, primarily from the S&P/ASX 50 index, given that this sector of the market offers an active options market. To increase its income, DJW writes covered call options over the stocks held in the portfolio. This generates income from the premiums paid by third parties to acquire the options. Where DJW believes the market is more likely to rise, it would likely reduce the level of the portfolio covered by options so that it could benefit from rising share prices. Conversely, in down-trending or volatile markets, DJW is likely to increase the option coverage of the portfolio. DJW also has a trading portfolio with short-term positions. The Investment Committee, which comprises five members of the Board, plays an active role in the investment process with the task of approving all investment orders and transactions, reviewing the performance of investments and reviewing sub-underwriting offers and deals with portfolio related activities.

## PORTFOLIO CHARACTERISTICS

DJW invests in a concentrated portfolio of stocks, predominantly from within the S&P/ASX 50 index. The company utilises options to generate increased income for the portfolio. Given the company writes call options, the portfolio may experience high levels of turnover if the options are exercised. While the company seeks to ward against this outcome by buying back options and writing new ones, in times of strong markets the exercise of options is inevitable. The portfolio's largest exposure is to the Financials sector with 39.2% of the portfolio allocated to the sector. 25.4% of this allocation is to the big four banks, slightly above the benchmark index. Over the June quarter DJW continued to reduce its weighting to large cap stocks, down from 81.8% to 78.3%, increasing its exposure to the better performing small and micro cap market sectors.

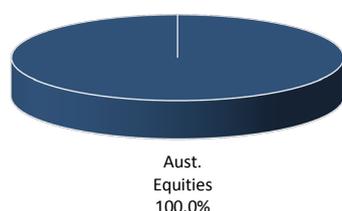
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

DJW provides a unique investment style in the LIC universe. The company makes frequent use of options in an attempt to increase portfolio income. The company writes covered call options over 20%-50% of the portfolio and as such, investors should be comfortable with the use of, and risks associated with, options. The company currently has \$150m in credit facilities, \$76.5m of which has been drawdown (~9% of the company's market cap). The portfolio underperformed the benchmark index over the June quarter, with the portfolio (pre-tax NTA plus dividends) gaining 3.3% compared to the benchmark index which was up 4.0%. It has significantly underperformed on a one and three year basis reflecting the underperformance of the bank and resource heavy S&P/ASX 50 Index. DJW's overlaying option strategy seeks to provide shareholders with an above market dividend yield. The company has achieved this by continuing to offer a greater dividend yield than the benchmark index. For FY2016 DJW will pay a final fully franked dividend of 14 cents per share, down from 16 cents per share in the prior year. This represents a two cent reduction in the full year dividend to 24 cents per share. The company has foreshadowed a further reduction in FY2017 to approximately 20 cents per share given expectations of lower dividend income from the portfolio. With the shares trading at a large premium to NTA we view the company to be significantly overvalued. We suggest potential investors are patient when seeking an entry point.

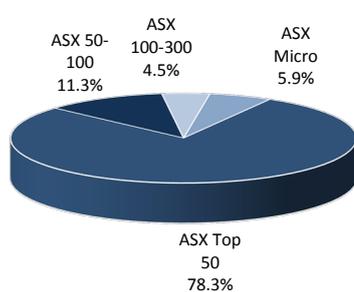
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	6.4	6.2
Materials	14.7	14.3
Industrials	10.2	9.7
Consumer Discretionary	1.6	1.3
Consumer Staples	6.6	6.9
Healthcare	9.2	10.1
Financials (ex Property)	40.1	39.2
Property	3.4	3.3
Information Technology	0.6	1.1
Telecommunication Services & Utilities	7.1	6.4
Utilities	1.8	1.6

### Asset Weighting (ex cash)



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Qantas Airways Limited
- ◆ James Hardie Industries
- ◆ Mayne Pharma Group Limited

## KEY NEGATIVE CONTRIBUTORS

- ◆ Newcrest Mining Limited
- ◆ Japara Healthcare Limited
- ◆ Cover-More Group Limited

Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.

## BOARD OF DIRECTORS

John Paterson	Chairman	Andrew Guy	Director
Ross Barker	Managing Director	Kathryn Fagg	Director
Graham Kraehe	Director	Alice Williams	Director
Bob Edgar	Director	Graham Goldsmith	Director
Karen Wood	Director		

## OTHER DATA

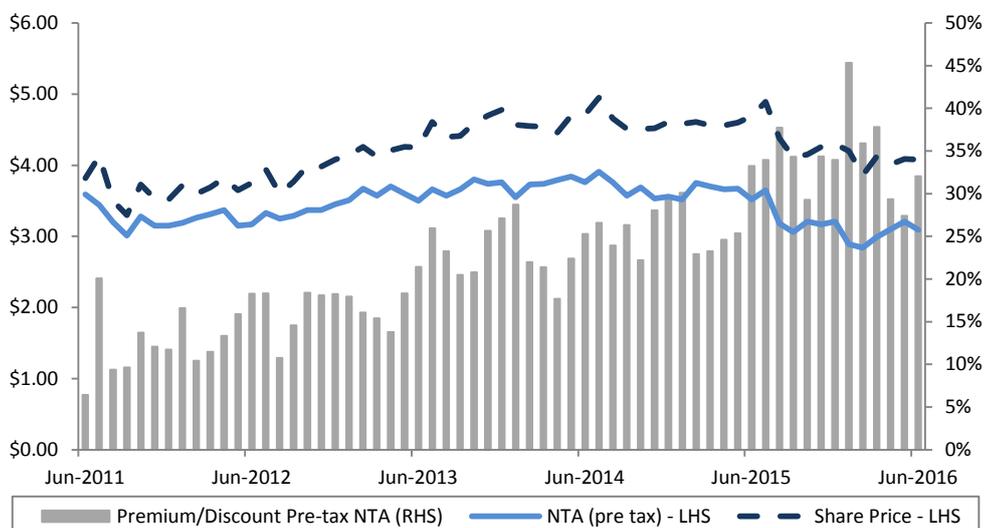
- ◆ **Options** – None on issue.
- ◆ **Dividend policy** – DJW looks to distribute all dividends and income received such that they are fully franked.
- ◆ **Capital management policy** – DJW has a buyback arrangement in place to buyback shares if trading at a discount to NTA.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes, at up to a 5% discount to the VWAP for the 5 trading days up to & including the record date. Currently suspended.

## DJW's Portfolio (Top 10) Weighting

Code	Portfolio (%)	S&P/ASX200 Index (%)
CBA	8.1	8.6
WBC	6.8	6.6
NAB	5.6	4.5
ANZ	4.9	4.7
TLS	4.5	4.6
BHP	4.4	4.0
CSL	3.9	3.4
WES	3.2	3.0
BXB	2.7	1.3
OSH	2.6	0.7
	<b>46.7</b>	<b>41.4</b>

Source all figures: DJW/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance



## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 19 August 2016	3.51
Market cap (\$M)	728.4
Shares on issue (M)	207.5
Shares traded (\$M p.a)	38.1
12-month L/H (\$)	3.11/3.58
Listing date	December 1991

## Fees

Management Fee (%)	0.13
Performance incentives (%)	Nil

## Pre-tax NTA Performance Analytics (including dividends)

	S&P/ASX 200 Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	-0.55	-0.12
TE (%)	4.27	4.10

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	(%)
FY14	3.89ff
FY15	3.93ff
FY16	4.28ff

## Substantial Shareholders

	(%)
Ian Potter Foundation & Australian United Investment	22.1
National Nominees Ltd	6.4

As at 30 June 2016

## COMPANY OVERVIEW

DUI was listed on the ASX in 1991. The company invests in a portfolio of ASX-listed securities to generate income and capital appreciation over the long-term, similar to its sister company, AUI. The original investment mandate included diversified asset classes of international shares and fixed interest. The focus of the company has been on Australian equities for many years but the portfolio now includes a small allocation to international equities.

## INVESTMENT OBJECTIVE

The company aims to generate capital and growing income returns from an investment in a portfolio of ASX-listed securities. The company has a long-term investment focus and does not intend to dispose of its portfolio.

## STYLE AND PROCESS

DUI has a buy-and-hold investment style, with the company only exiting investments if the board believes there has been deterioration in the industry and/or the management. The Board of Directors currently comprises four members who take on the role of investment management and stock selection. The Board meets formally on a monthly basis to review the portfolio. The company has a focus on maintaining and growing the dividend income paid to shareholders. Given the long-term investment horizon of the company, portfolio churn is low. The company relies on board members and their contacts to provide research as well as company visits to form opinions about investment prospects.

## PORTFOLIO CHARACTERISTICS

DUI invests in a portfolio of domestic listed stocks and gains exposure to international markets through ETFs. The company has the potential to invest up to 10% of the portfolio in international equities, with 10% of the portfolio allocated to international stocks at 30 June 2016. Large cap stocks remain a focus for the domestic portfolio with 77% of the portfolio allocated to the stocks in the S&P/ASX 50. There are no restrictions regarding the minimum or maximum investment in any individual stock or sector and as such the company may take high conviction positions in securities. Significant overweight positions in CSL and TCL have contributed positively to the performance of the portfolio in the past quarter. The portfolio has significant exposure to domestic banks with a 36.8% weighting to financials. This high weighting in financials has contributed to underperformance of the portfolio over the past 12 months.

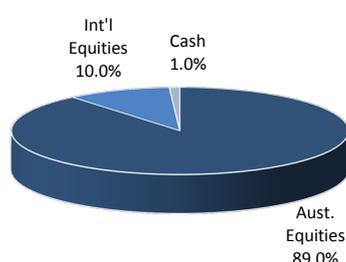
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

DUI provides cost-effective access to a portfolio that primarily consists of ASX-listed securities. The portfolio has reached its full 10% allocation in ETFs that provide exposure to international markets with potential for the company to increase this limit. Given the company's previous history with international investments, we retain a cautious view on the inclusion of international market exposure, however note that if the Australian dollar weakens then this will provide an additional source of returns to the company. DUI's portfolio (pre-tax NTA plus dividends) has underperformed the benchmark index over the long-term with the portfolio generating an average rolling annual return of 6.2% compared to the benchmark index of 7.2%, over the ten years to 30 June 2016. However, over the past 12 months performance has not been as weak as some of its peers that invest in large caps, given its overweight positions in TCL and CSL. The company was trading at a 5.9% discount to pre-tax NTA at 30 June 2016. We attribute this to a combination of the long-term underperformance of the portfolio, the below market dividend yield, and low volumes. DUI announced a fully franked final dividend of 7.5 cents per share taking FY2016 dividends to 14 cents per share fully franked, unchanged on FY2015.

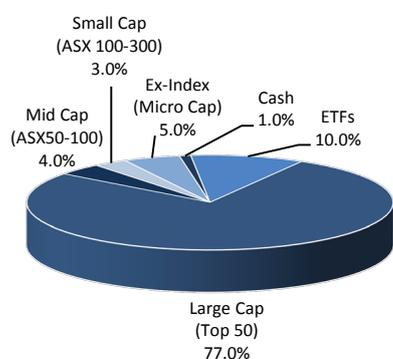
## SECTOR BREAKDOWN

Sector	31 Mar (%)	30 June (%)
Energy	6.5	6.3
Building Materials	0.6	0.7
Transportation	3.5	3.5
Consumer & Retail	4.5	4.9
Healthcare	13.9	13.6
Financials (ex Property)	38.1	36.8
Property	4.3	5.3
Telecommunication	0.7	1.3
Infrastructure & Utilities	7.9	8.1
Mining & Services	8.3	8.1
International ETFs	9.9	9.9
Cash	1.8	1.4

### Asset Weighting



### Size Weighting



### KEY POSITIVE CONTRIBUTORS

- ◆ CSL Limited
- ◆ Transurban Group
- ◆ Qantas Airways Limited

### KEY NEGATIVE CONTRIBUTORS

- ◆ Newcrest Mining Limited
- ◆ Fortescue Metals Group Ltd
- ◆ BT Investment Management Limited

## BOARD OF DIRECTORS

Charles Goode	Chairman (Executive)
Anthony Burgess	Director (Executive)
Stephen Hiscock	Director (Executive)
Andrew Larke	Director (Executive)

## OTHER DATA

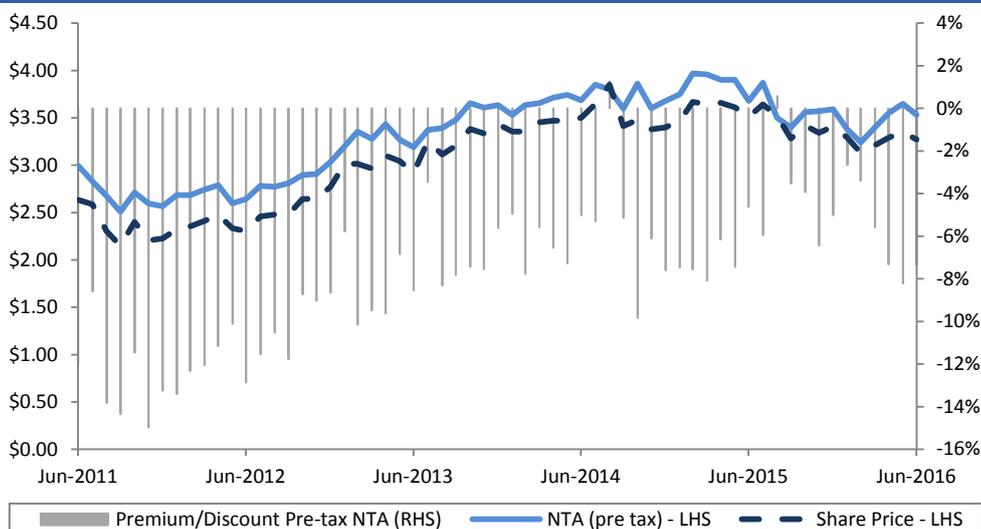
- ◆ **Options** – None on issue
- ◆ **Dividend policy** – The company seeks through careful portfolio management to reduce risk and increase income over time so as to maintain and grow dividend distributions to shareholders over the long term.
- ◆ **Capital management policy** – The company offers a Dividend Reinvestment Plan and from time to time a Share Purchase Plan.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes

### DUI's Portfolio (Top 10) Weighting

Code	Portfolio (%)	S&P/ASX 200 Index (%)
CSL	8.1	3.4
CBA	8.1	8.6
WBC	6.8	6.6
ANZ	5.8	4.7
TCL	5.8	1.6
NAB	4.0	4.5
BHP	3.6	4.0
VEU	3.3	na
RIO	3.3	1.3
WPL	3.2	1.5
	<b>52.0</b>	<b>32.2</b>

Source all figures: DUI/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

### NTA & Share Price Performance





## Rating



## LMI Type

Listed investment trust

## Investment Area

Global

## Investment Assets

Equity Funds and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 22 August 2016	1.86
Market cap (\$M)	175.7
Shares on issue (M)	94.5
Shares traded (\$M p.a.)	8.8
12-month L/H (\$)	1.68/2.03
Listing date	Oct 2012

## Fees

Management Fee (% p.a.) incl GST	1.1
Performance incentives (%)	na

## Pre-tax NTA Performance Analytics (including dividends)

### MSCI Emerging Markets Index SAUD

	1 Yr	3 Yr (p.a.)
Excess Per. (%)	0.67	2.30
TE (%)	8.68	7.94

Benchmark returns are purely pre-tax, whereas LIT (pre-tax NTA) returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	3.66uf
FY15	2.99uf
FY16	3.45uf

## COMPANY OVERVIEW

EMF is a listed investment trust that invests in a portfolio of emerging market funds. The Fund has appointed Walsh & Company Asset Management Pty Ltd, a wholly owned subsidiary of Walsh & Company Group, as the Investment Manager. The portfolio is expected to comprise between 8 and 20 funds at any one time, with a combination of global emerging market, regional and country specific funds. The portfolio will have a long-only bias, however the Investment Manager can invest in funds that have a long-short strategy. The Manager has the ability to hedge the portfolio's currency exposure. The Investment Manager has appointed an Advisory Board to assist the investment team with the investment strategy and portfolio construction. The Fund seeks to pay a consistent and growing distribution stream over time, with distributions to be paid on a semi-annual basis.

## INVESTMENT OBJECTIVE

The Fund seeks to provide Australian investors access to global fund managers specialising in emerging markets. The trust seeks to generate an attractive total return through a combination of long-term capital appreciation and a consistent and growing distribution stream.

## STYLE AND PROCESS

The Fund has a fund of fund investment approach, whereby the Investment Team and Advisory Board select emerging and frontier market funds to invest in. A quantitative and qualitative screen is applied to the investment universe, which comprises approximately 2,000 funds. Based on these screens and the accompanying research, the Investment Team compiles an Approved Investment List, from which the portfolio is compiled. All investments must be approved by the Advisory Board. With respect to country allocations, the Investment Team classifies countries as Core, Satellite or Frontier. Core countries will always have some exposure in the portfolio and comprise the BRIC countries plus Mexico and South Africa. Satellite countries are represented in the MSCI Emerging Markets Index and may or may not have exposure in the portfolio, while frontier countries will be invested in on an opportunistic basis and can represent up to 25% of the portfolio. The country allocations are set on a consultative basis with the Advisory Board and are formally reviewed on a quarterly basis.

## PORTFOLIO CHARACTERISTICS

The portfolio will typically comprise between 8 and 20 funds. At the end of the June quarter the portfolio was invested in 16 funds. From a country perspective, the largest allocations are to China (23%) and India (18%). A significant portion (22%) is also invested in what the company refers to as Frontier Markets. The portfolio is significantly overweight India and the Frontier Markets relative to the benchmark.

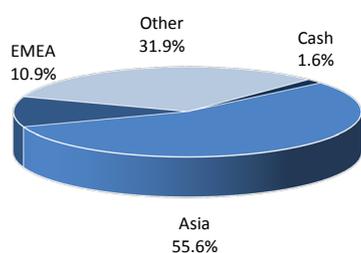
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

EMF provides domestic investors with exposure to a professionally managed fund of emerging market funds, a unique proposition on the ASX. There is some conflict of interest associated with the Fund, given the Investment Manager and Responsible Entity (RE) are related parties and therefore it is unlikely that the RE would seek to remove the Investment Manager irrespective of performance. In addition, two of the three Board members of the RE are heavily involved in the investment process, however this conflict is mitigated through the use of an independent Advisory Board and the use of an independent auditor. The Fund is diversified with the portfolio having an interest in 16 funds at 30 June 2016. The Fund does not seek to mimic an index and therefore has additional flexibility with respect to its investment capabilities. EMF's portfolio (pretax NTA plus dividends) declined by 8.3% in the 12-months to 30 June 2016, a better performance than the MSCI Emerging Market Index AUD which fell 9.0%. The portfolio also outperformed over a three year period with a portfolio return of 7.6% pa against the benchmark return of 5.3% pa. EMF offers investors exposure to a well-managed portfolio of emerging market funds. At 30 June 2016 the shares were trading in line with pre-tax NTA, a reasonable entry point for investors seeking emerging markets exposure.

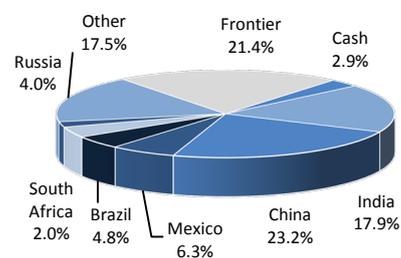
## SECTOR ALLOCATION

Sector	31 Mar (%)	30 Jun (%)
Consumer Staples	22.9	23.4
Financials	20.1	20.7
Telecommunication Services	3.8	3.6
Information Technology	12.3	12.8
Industrials	12.1	11.8
Consumer Discretionary	11.6	11.3
Materials	5.2	4.8
Energy	4.0	4.7
Healthcare	3.4	3.4
Utilities	1.7	1.9
Cash	2.9	1.6

## Region Allocation



## Country Allocation



## DIRECTORS OF RESPONSIBLE ENTITY

Alex MacLachlan	Executive Director
Tom Kline	Executive Director
Tristan O'Connell	Executive Director

## ADVISORY BOARD

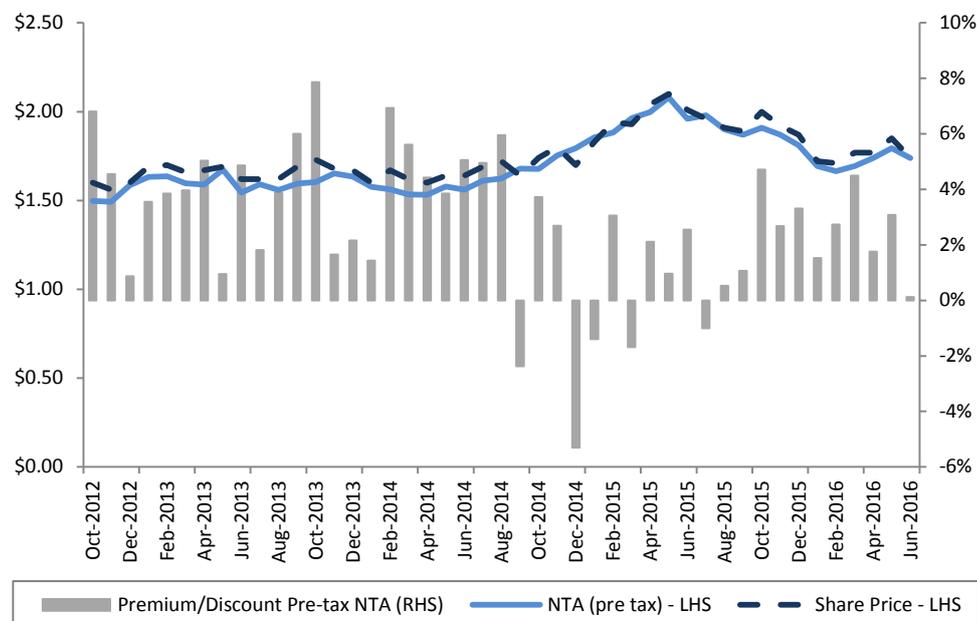
John Holland  
Maximillian Walsh  
David Thomas  
June Aitken

## EMF's Portfolio

Fund	Portfolio (%)	Fund	Portfolio (%)
Steadview Capital Fund	15.3	NCC China A-Share Fund	4.8
BMO LGM Frontier Markets Fund	12.8	GBM Crecimiento Fund	3.9
Lazard Emerging Markets Fund	10.1	Schroder International Emerging Europe Fund	3.0
Somerset Emerging Markets Dividend Growth Fund	7.9	East Capital Russian Fund	1.8
Polunin Discovery Frontier Markets Fund	7.5	iShares MSCI Brazil Capped ETF	1.3
Wells Fargo China Equity Fund	6.7	Brasil Capital Equity Fund	1.3
APS China A-Share Fund	6.3	Cash	1.6
Arisaig Africa Consumer Fund	5.3		
Cephei QFII China Absolute Return Fund	5.2		
Arisaig Latin America Consumer Fund	5.2		

Source all figures: EMF/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance



## Rating



## LMI Type

Listed investment company

## Investment Area

International

## Investment Assets

Managed Funds

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 31 August 2016	1.05
Market cap (\$M)	290.3
Shares on issue (M)	276.4
Shares traded (\$M p.a)	54.8
12-month L/H (\$)	1.02/1.24
Listing date	September 2015

## Fees\*

Management Fee (%)	0.0
Performance incentives (%)	0.0

\*There are no management or performance fees associated with the company. All services from the underlying funds forgo management and performance fees.

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	na	na
TE (%)	na	na

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY14	na
FY15	na
FY16	na

Major Shareholders	%
Citigroup Nominees - QBE Investments	10.2
UBS Wealth Management Australia Nominees Pty Limited	3.1

As at 30 June 2016

## COMPANY OVERVIEW

FGG listed on the ASX in September 2015 after raising over \$300m. The company invests in a portfolio of global fund managers who forego the management and performance fees in order to donate 1% of the average NTA in a financial year to a selection of charitable causes.

## INVESTMENT OBJECTIVE

The company seeks to provide a stream of fully franked dividends, capital growth and preserve shareholder capital, as well as contribute to Australian charities with a focus on youth mental health.

## STYLE AND PROCESS

The company seeks to invest in a portfolio of global equity fund managers selected by the Investment Committee. No more than 10% of the portfolio is able to be invested in a single fund. The company will seek to be fully invested at all times with minimal cash holdings, however, this remains at the discretion of the Investment Committee. The company seeks to diversify the portfolio by investment strategy, seeking to hold long only, absolute bias and funds with a quantitative strategy, although the portfolio will have a long only bias. The company will have a buy and hold approach with respect to the underlying funds, with the portfolio expected to have minimal turnover. The Investment Committee will review the portfolio on a quarterly basis.

## PORTFOLIO CHARACTERISTICS

The portfolio will typically comprise 10 to 20 funds with a maximum of 10% of the portfolio allocated to an individual fund. At 30 June 2016 the portfolio was essentially fully invested with only 7.2% in cash. There were 20 funds in the portfolio with 59.9% long only funds, 33.3% absolute bias funds and 6.8% in quantitative strategy funds. The portfolio is largely invested in global equity funds however some funds have specific country and region exposure. Capital allocation is dependent on a number of things, including: (a) the capacity allocation provided by the underlying fund; (b) the portfolio optimisation process which is used to determine the optimal portfolio; and (c) the level of currency hedging the Investment Committee elects to have in the portfolio. The portfolio's currency exposure is managed through the underlying funds.

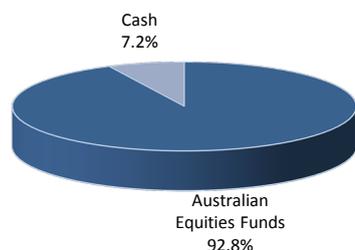
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

FGG seeks to provide shareholders exposure to a diversified portfolio of global equity funds while also assisting youth mental health charities. All the funds have agreed to forego management and performance fees for the investment by the company. We note the underlying funds may reduce or retract this capacity if they so choose. Given the management and performance fees associated with the underlying funds are greater than 1% on average, investors are getting exposure to the funds at a discounted rate. The difference between the fees and the 1% donation is to the benefit of shareholders. We note that there are no limitations regarding allocations to regional specific funds, however the portfolio is primarily be invested in global funds. The Investment Committee is responsible for managing the portfolio. Its members have, on average, 23 years' experience in financial markets. The Investment Committee is independent of the underlying funds, however we note some directors are related to some of the underlying funds. Over the three-months to 30 June 2016, the portfolio (pre-tax NTA plus dividends) increased 2.7%. This compared to a 4.4% increase for the MSCI World Total Return Index AUD of 4.4%. The premium on FGG shares relative to pre-tax NTA declined from 10.2% to 1.5% over the quarter. This represents a more reasonable entry point for investors seeking exposure to a well-diversified global equities portfolio.

## STRATEGY BREAKDOWN (EX CASH)

Strategy	%
Long only	59.9
Absolute return	33.3
Quantitative Strategies	6.8

## Asset Weighting



## BOARD OF DIRECTORS

Belinda Hutchinson: Chairman	Sarah Morgan: Non-Executive Director
Susan Cato: Non-Executive Director	Frank Casarotti: Non-Executive Director
Karen Penrose: Non-Executive Director	Geoffrey Wilson: Non-Executive Director

## INVESTMENT COMMITTEE

Amanda Gillespie  
Aman Ramrakha  
Sean Webster  
Geoff Wilson

## OTHER DATA

- ◆ **Options** – 272.97m listed options on issue (FGGO) to acquire fully paid ordinary shares exercisable at \$1.10 on or before 15 September 2017.
- ◆ **Dividend policy** – The company's objective is to pay fully franked dividends to shareholders provided the company has sufficient profit reserves and franking credits, and it is within prudent business practices. The company expects to declare its first dividend for the period to 30 June 2016 and pay dividends semi-annually thereafter.
- ◆ **Capital management policy** – The company may undertake capital management initiatives which may involve the issue of other shares and/or the buy-back of its shares.
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes

## FGG'S PORTFOLIO WEIGHTING

Fund	31 Mar (%) Portfolio	30 Jun (%) Portfolio	Strategy
Magellan Global Fund	10.0	9.8	Long equities
Ironbridge Global Focus Fund	9.8	9.8	Long equities
Cooper Investors Global Equities (Unhedged) Fund	8.6	8.7	Long equities
VGI Partners Funds	7.8	8.0	Absolute bias
Antipodes Global Fund	7.8	7.9	Absolute bias
Marisco Global Fund	7.1	7.0	Long equities
Nikko AM Global Share Fund	5.9	5.8	Long equities
Manikay Global Opportunistic USD Fund	5.0	5.1	Absolute bias
Ellerston Global Investments Wholesale Fund	5.0	4.9	Long equities
Morphic Global Opportunities Fund	4.4	4.5	Absolute bias
Neuberger Berman Australia	3.8	3.7	Quant Strategies
Paradice Global Small Mid Cap Fund	3.3	3.4	Long equities
Cooper Investors Asian Tiger Fund	3.3	3.3	Long equities
Tribeca Global Total Return Fund	2.7	2.6	Quant Strategies
Antipodes Asia Fund	2.5	2.6	Absolute bias
Avenir Value Fund	1.5	1.5	Absolute bias
InSync Global Titans Fund	1.5	1.5	Long equities
Hunter Hall Global Equities Trust	1.4	1.4	Long equities
Eastspring Investments Asian Dynamic Fund	1.4	1.3	Absolute bias
Optimal Japan Absolute Long Fund	1.3	na	Long equities
Cash	5.8	7.2	

Source all figures: FGG/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Managed Funds

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 31 August 2016	1.115
Market cap (\$M)	281.1
Shares on issue (M)	252.1
Shares traded (\$M p.a)	87.2
12-month L/H (\$)	1.055/1.165
Listing date	September 2014
<b>Fees*</b>	
Management Fee (%)	0.0
Performance incentives (%)	0.0

\*There are no management or performance fees associated with the company. All services from the underlying funds forgo management and performance fees.

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	6.62	na
TE (%)	8.30	na

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY14	na
FY15	na
FY16	3.57ff

Major Shareholders	%
HSBC Custody Nominees (Australia) Limited	4.7
SL Nominees Pty Ltd (The Haskin Settlement A/C)	4.0

As at 30 June 2016

## COMPANY OVERVIEW

FGX listed on the ASX in September 2014 after raising \$200m. The company invests in a portfolio of Australian equity fund managers who forego the management and performance fees in order to donate 1% of the average NTA in a financial year to a selection of charitable causes.

## INVESTMENT OBJECTIVE

The company seeks to provide a stream of fully franked dividends, capital growth and preserve shareholder capital, as well as contribute to Australian charities with a focus on children at risk.

## STYLE AND PROCESS

The company seeks to invest in a portfolio of between 10 and 20 Australian fund managers. No more than 20% of the portfolio is able to be invested in a single fund manager. The company will seek to be fully invested at all times with minimal cash holdings, however, this remains at the discretion of Investment Committee. The company seeks to diversify the portfolio by investment strategy, seeking to hold long only, absolute return and market neutral funds. The company has a buy and hold approach with respect to the underlying funds, with the Investment Committee selecting a portfolio of funds which they believe to be managed by good managers.

## PORTFOLIO CHARACTERISTICS

The portfolio comprises 19 managed funds across 18 fund managers. The company invests in managers who have agreed to forgo their management and performance fees. The forgone fees will allow 1% of the average annual NTA to be donated to a variety of charities, with the difference between the foregone fees and donation amount flowing to shareholders. The portfolio has a bias to long only funds, with 55% of the portfolio allocated to this style of fund, with 28% in absolute return funds and 17% in market neutral funds. The largest single exposure is to Bennelong Funds Management with a 12% exposure spread between two managers. The cash holding decreased from 16.9% to 9.5% over the June quarter.

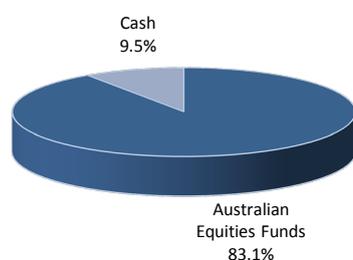
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

FGX provides investors an opportunity to invest in a diversified portfolio of Australian managed funds with the added benefit of contributing to charitable causes. The underlying funds will forego their management and performance fees, enabling investors to access these funds on a pre-fee basis. Any gap between the foregone fees and the annual donation will flow through to shareholders. In addition to the underlying managers not charging fees, the Directors, Investment Committee and some other service providers are providing their services free of charge. The portfolio will be largely a set and forget portfolio, with the Investment Committee only removing funds if there is a significant adverse event or if the underlying manager cannot continue to offer their services on a pro bono basis. As such investors should be happy with limited monitoring of the underlying managers. We note that some of the Board members are fund managers and have an allocation in the portfolio. While they are providing their services free of charge we note that there is a conflict of interest with it being highly unlikely that these funds would be removed from the portfolio irrespective of their performance. An additional two independent investment committee members, with significant relevant experience, were appointed in August 2016. This will help strengthen the investment process. The portfolio (pre-tax NTA plus dividends) underperformed during the June quarter, but significantly outperformed the ASX All Ordinaries Accumulation Index for the 12 months to 30 June 2016. FGX will pay a FY2016 final dividend of 2 cents per share, fully franked, bringing the full year dividend to 4 cents per share, fully franked. The shares were trading at a discount to pre-tax NTA of 3.5% at 30 June 2016. This as a good opportunity to enter the company given the portfolio of top Australian fund managers.

## STRATEGY BREAKDOWN (EX CASH)

Strategy	%
Long only	55.0
Absolute return	27.7
Market neutral	17.2

## Asset Weighting



## BOARD OF DIRECTORS

Jonathan Trollop:	Chairman	David Paradise:	Non-Executive Director
Gabriel Radzynimski:	Non-Executive Director	David Leeton:	Non-Executive Director
Paul Jensen:	Non-Executive Director	Scott Malcolm:	Non-Executive Director
Geoffrey Wilson:	Non-Executive Director	Kate Thorley:	Non-Executive Director

## OTHER DATA

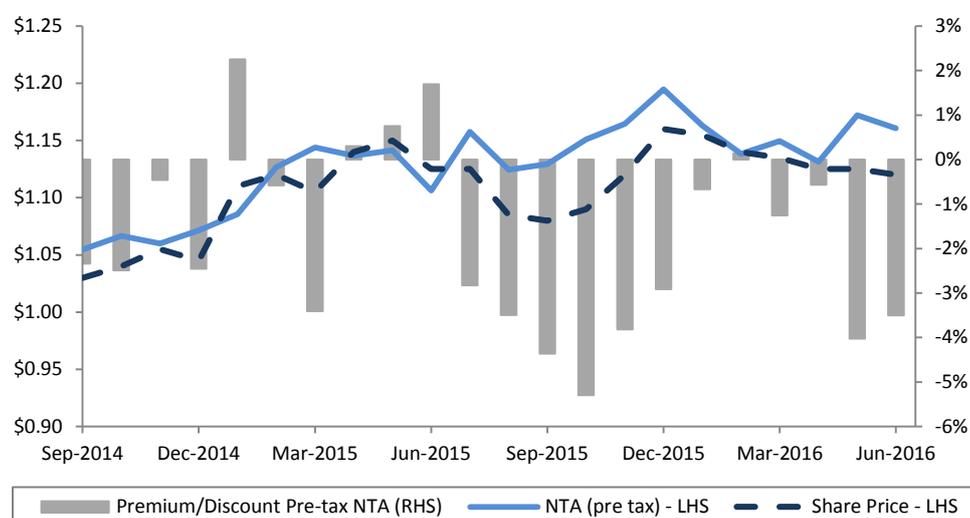
- ◆ **Options** – 138.5m listed options on issue (FGXO) to acquire fully paid ordinary shares exercisable at \$1.10 per share on or before 16 September 2016.
- ◆ **Dividend policy** – The company's objective is to pay fully franked dividends to shareholders provided the company has sufficient profit reserves and franking credits, and it is within prudent business practices. The company's declared the first dividend for the period to 30 June 2015 of \$0.02 per unit, paid in October 2015. The company's current intention is to pay dividends semi-annually thereafter.
- ◆ **Capital management policy** – The company may undertake capital management initiatives which may involve the issue of other shares and/or the buy-back of its shares..
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes

## FGX's Portfolio Weighting

Fund	Portfolio (%)	Fund	Portfolio (%)
Bennelong Australian Equities Fund	9.6	Sandon Capital Activist Fund	3.9
Regal Australian Long Short Equity Fund	9.3	Discovery Australian Small Companies Fund	3.1
Wilson Asset Management Equity Fund	8.1	LHC Capital Australia High Conviction Fund	3.0
Eley Griffiths Group Small Companies Fund	7.9	CBG Australian Small Companies Fund	2.7
Watermark Absolute Return Fund	7.7	Bennelong Long Short Equity Fund	2.6
Tribeca Alpha Plus Fund	6.7	Smallco Broadcap Fund	2.2
Paradise Australian Equities Mid Cap Fund	5.7	The Level 18 Fund	1.9
Cooper Investors Australian Equities Fund	4.9	Lanyon Australian Value Fund	1.5
Paradise Large Cap Fund	4.4	Qato Capital Market Neutral L/S Fund	1.0
Optimal Australia Absolute Trust	4.3	Cash	9.5

Source all figures: FGX/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 15 August 2016	1.595
Market cap (\$M)	40.6
Shares on issue (M)	25.4
Shares traded (\$M p.a)	4.0
12-month L/H (\$)	1.30/1.595
Listing date	December 2000

## Fees

Management Fee (%)	0.0
Performance incentives (%)	15.0*

\*15% of net outperformance of the benchmark (UBS Bank Bill Index). Paid annually.

## Pre-tax NAV Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	8.26	2.05
TE (%)	5.02	4.85

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	4.34ff
FY15	2.92ff
FY16	4.93ff

## Substantial Shareholders

	%
Dr. E C Pohl	32.9
Global Masters Fund Limited	9.1

As at 30 June 2016

## COMPANY OVERVIEW

FSI is a listed investment company that invests in a portfolio of ASX-listed shares. FSI was originally listed as Wilson Investments Taurine Fund. Its name was changed to Flagship Investments Limited (FSI) in October 2012. EC Pohl & Co was assigned as the portfolio manager in conjunction with the decision to change the name of the company to FSI. EC Pohl & Co is a company associated with the Managing Director, who has been managing the portfolio since inception.

## INVESTMENT OBJECTIVE

FSI aims for medium- to long-term capital growth and income through investing in a diversified portfolio of Australian companies. FSI seeks to preserve and enhance NAV for shareholders and provide a fully franked dividend that will grow faster than inflation over time.

## STYLE AND PROCESS

FSI seeks to identify high-quality companies that are able to grow sales and earnings at rates above GDP. FSI uses a three-stage process to find attractive investment opportunities. Initially, FSI screens ASX-listed companies based on three criteria: 1) the company has exhibited historical sales growth above nominal GDP; 2) the company has achieved a ROE of 15% or greater; and 3) the company must have an interest cover of at least four times. Post the screening process, the manager is left with between 80 and 100 companies. From these companies, FSI looks for those that offer a sustainable competitive advantage. Lastly, it asks itself: would it happily buy the company outright if it had the funds available? FSI primarily has a buy-and-hold approach, with portfolio churn being minimal. Portfolio weightings are determined by the risk-adjusted expected return, subject to some broad guidelines, including: providing exposure to at least 20 companies; and having the majority of investments be in companies with a market cap of greater than \$10M.

## PORTFOLIO CHARACTERISTICS

FSI has a concentrated portfolio of ASX-listed stocks with 31 stocks in the portfolio. The company takes high-conviction positions in companies identified as attractive. Large-cap (top 50) stocks account for 49% of the portfolio, with the rest split between mid, small and micro-cap stocks. Financials remains the largest sector weighting with 28.6% of the portfolio allocated to this sector, followed by the Consumer Discretionary sector at 21%. The top five stocks represent 30.7% of the portfolio compared to the index weighting for these stocks of 17.3%. This highlights the concentrated, high-conviction nature of the portfolio. Key changes to the portfolio during the quarter include the addition of BTT and Reliance Worldwide (RWC) and the removal of WOW. FSI has the ability to invest up to 10% of the portfolio in unlisted securities.

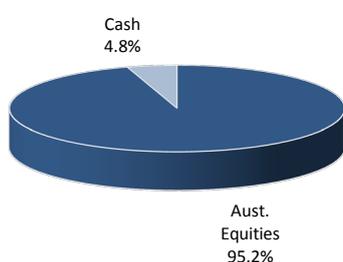
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

FSI has a disciplined investment process, which enables the manager to identify companies with strong cash flows, low debt and good growth potential. The manager only receives fees when the fund outperforms, thereby aligning managers' interests with those of shareholders, although we don't believe the UBS Bank Bill Index is appropriate for an equity portfolio. We compare the performance to the ASX All Ordinaries Accumulation Index. Dr. Manny Pohl (founder of EC Pohl & Co) holds a 32.9% interest in FSI, which also helps align management interests with the performance of the company. EC Pohl & Co has also established a Private Equity Fund. An investment in the Private Equity Fund may be considered for inclusion in the FSI portfolio as part of the unlisted security allocation. The portfolio (pre-tax NAV plus dividends) underperformed the ASX All Ordinaries Accumulation Index over the June quarter but performed strongly in the 12 months to June 2016, rising 10.3% compared to the market increase of 2.0%. The portfolio has outperformed the market on a 3 year and five year basis by 2.1%. FSI traded at a 19% discount to pre-tax NTA at 30 June 2016. This looks an attractive entry point, but potential investors should be aware that the shares have historically traded at a large discount - 15% average over the past three years. If the company is able to sustain outperformance this may lead to a rerating over time.

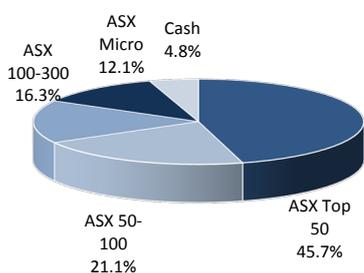
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Financials (ex Property)	29.0	28.6
Consumer Discretionary	19.4	21.0
Information Technology	12.6	12.7
Materials	3.9	2.5
Industrials	10.6	13.4
Consumer Staples	3.4	0.0
Energy	2.7	2.7
Healthcare	8.7	9.2
Telecommunication Services	6.9	5.9
Utilities	2.7	3.9

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Catapult Group
- ◆ Domino Pizza
- ◆ REA Group

## KEY NEGATIVE CONTRIBUTORS

- ◆ BT Investment Management
- ◆ Cover-More Group
- ◆ IPH Limited

Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.

## BOARD OF DIRECTORS

Henry Smerdon AM:	Chairman (Non-Executive)
Dr. Emmanuel Pohl:	Managing Director (Executive)
Dominic McGann:	Director (Non-Executive)
Sophie Mitchell:	Director (Non-Executive)

## OTHER DATA

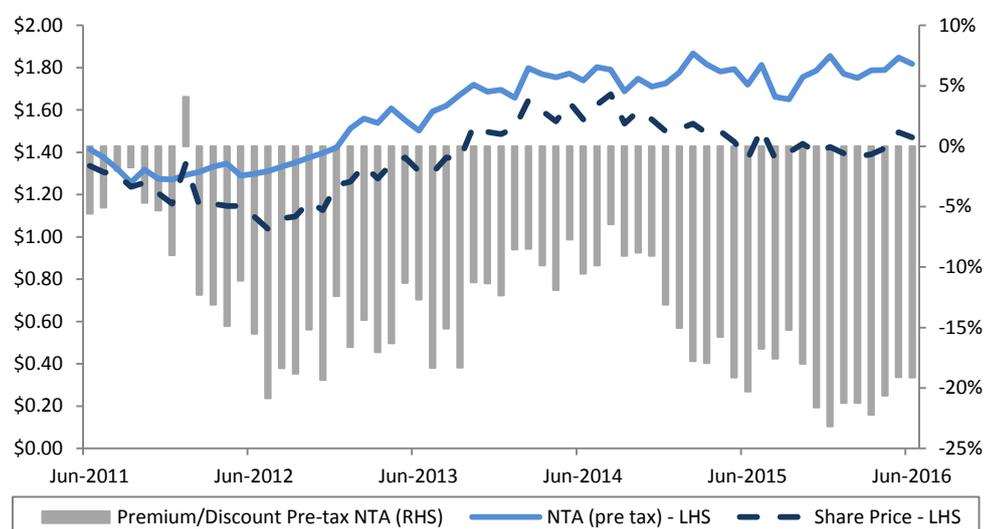
- ◆ **Options** – None on issue
- ◆ **Dividend policy** – Provide shareholders with a fully franked dividend, which, over time, will increase at a rate in excess of the rate of inflation.
- ◆ **Capital management policy** – Share buyback in place.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes

## FSI's Portfolio (Top 5) Weighting

Code	Portfolio (%)	All Ords (%)
MQG	7.3	1.5
REA	6.6	0.5
CBA	5.9	8.0
TLS	5.6	4.2
CSL	5.4	3.2
	<b>30.7</b>	<b>17.3</b>

Source all figures: FSI/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NAV & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 30 August 2016	1.003
Market cap (\$M)	27.7
Shares on issue (M)	27.7
Shares traded (\$M p.a)	8.3
12-month L/H (\$)	0.93/1.05
Listing date	August 2015

## Fees

Management Fee (% p.a)	1.0
Performance incentives (%)	20%*

\*The Manager is eligible for 20% of the outperformance of the S&P/ASX Small Ordinaries Accumulation Index, subject to a high watermark over the previous 36 months.

## Pre-tax NTA Performance Analytics (including dividends)

	ASX Small Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	na	na
TE (%)	na	na

Benchmark returns are purely pre-tax, whereas LIC (pre-tax NTA) returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	na
FY15	na
FY16	0.76ff

## COMPANY OVERVIEW

GC1 is listed investment company that invests in small and micro-cap companies. It listed on the ASX following an equity raising in August 2015. Subscribers to the offer were also issued with an attaching option, which are listed under the code GC1O and are exercisable at any time prior to the first anniversary of the issue date. Glennon Capital Pty Limited has been appointed as the Manager of the portfolio. Glennon Capital Pty Limited is a boutique asset management company established in 2008.

## INVESTMENT OBJECTIVE

The Company aims to provide investors capital growth in excess of the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term.

## STYLE AND PROCESS

The Manager has a fundamental bottom-up investment process and will adopt an active long-only management style. The investment process is rigorous and self-evidently appropriate for the small/micro-cap segment, with a strong emphasis upon management quality, competitive positioning, earnings visibility, key catalysts and valuations. Issues of liquidity, especially with micro-cap stocks, are well managed. The Manager will take high conviction positions in companies identified as attractive with stock weightings determined by the Manager's level of conviction. The Manager is constrained to formal risk guidelines which include: a) maximum investment in a single stock of 12%; b) maximum of 20% of the portfolio allocated to an industry group, unless the industry group exceeds 20% of the benchmark index; c) micro cap stocks to remain ~10% at cost; and d) maximum cash holding of 20%.

## PORTFOLIO CHARACTERISTICS

The equity portfolio will typically consist of around 20 to 60 small and micro-cap securities (ex-S&P/ASX 100 stocks). The micro-cap component of the portfolio will be constrained to limit total portfolio risk, based on the manager's definition of business risk, and will typically constitute around 10% of the portfolio, at cost. At 30 June 2016, the portfolio was well diversified comprising 41 stocks with a maximum individual stock exposure of 8.0%. The top 5 holdings accounted for 24.5% of the portfolio.

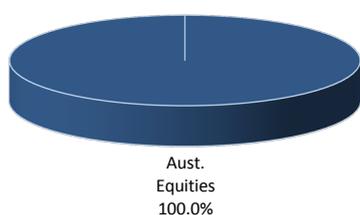
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

GC1 offers investors access to a professionally managed portfolio of small and micro cap (ex-100) stocks with ASX liquidity. Small and micro cap stocks tend to entail a greater level of risk than large cap stocks, however have the potential to offer considerable upside. Performance of the portfolio will primarily be a result of the Manager's stock picking skills with limited investment restrictions and a portfolio that is composed of the Manager's best ideas. The Manager has been executing the investment strategy since 2008 through SMA/IMA mandates and has outperformed the S&P/ASX Small Ordinaries Accumulation Index over this period, suggesting the Manager is a competent stock picker. The Manager has a small team with just two Portfolio Managers. Mr. Glennon is largely responsible for the portfolio and as such key man risk is high. The company is still in its infancy with only a few months of trading and a limited performance track record. During the June quarter the portfolio (pre-tax NTA plus dividends) delivered a return of 2.2% compared to a return of 5.9% for the ASX Small Ordinaries Accumulation Index. The shares were trading at a 7.0% discount to pre-tax NTA at 30 June 2016 compared to an average discount of 4.2% since listing, and are likely to remain at discount until the company can establish a favourable track record. GC1 paid a maiden interim dividend of 0.75 cents per share, fully franked, and will pay a fully franked final dividend of 3 cents per share. Guidance has also been given that the interim dividend for FY2017 will be "substantially increased" over the previous interim.

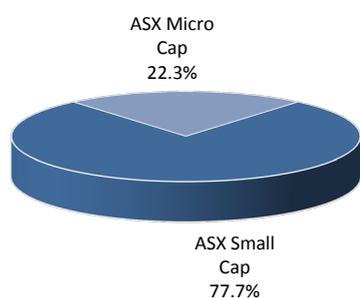
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	7.0	2.9
Materials	7.6	7.3
Industrials	15.4	17.0
Consumer Discretionary	28.3	31.7
Consumer Staples	7.0	6.4
Health Care	14.9	14.7
Financials	6.1	6.0
Information Technology & Telecommunication Services	13.8	12.4
Utilities	0.0	1.8

### Asset Weighting



### Size Weighting (ex cash)



## BOARD OF DIRECTORS

Michael Glennon	Executive Chairman
John Larsen	Non-Executive Director
Gary Crole	Non-Executive Director

## OTHER DATA

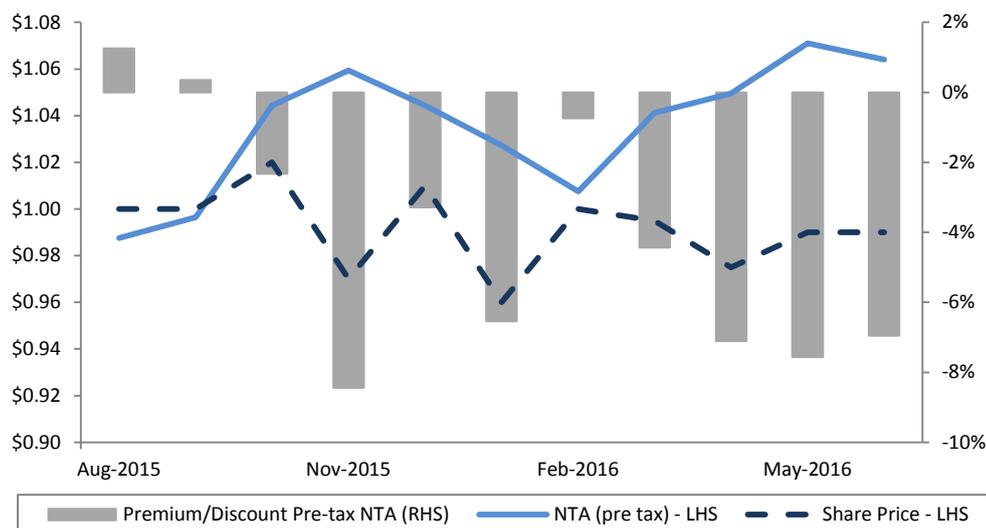
- ◆ **Options** – 21.7m listed options on issue.
- ◆ **Dividend policy** – The company seeks to pay an annual dividend subject to profits being available. Dividends will be at the discretion of the Board.
- ◆ **Capital management policy** – na
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes, at a 3% discount to the VWAP over the declared period.

### GC1's Portfolio (Top 5) Weighting

Code	Portfolio (%)	ASX Small Ordinaries Index (%)
MYX	8.0	0.7
GEM	4.6	0.7
CZZ	4.1	na
ALU	3.9	0.4
WPP	3.8	0.4
	<b>24.5</b>	<b>2.3</b>

Source all figures: GC1/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

### NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia & International

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 15 August 2016	1.39
Market cap (\$M)	11.9
Shares on issue (M)	8.6
Shares traded (\$M p.a)	0.6
12-month L/H (\$)	1.27/1.725
Listing date	May 2006

## Fees

Management Fee (%)	0.0*
Performance incentives (%)	0.0*

\*There are no management or performance fees associated with the management of the company.

## Pre-tax NAV Performance Analytics (including dividends)

	MSCI ACWI (SAUD)	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	7.40	0.60
TE (%)	7.10	7.61

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	na
FY15	na
FY16	na

## Substantial Shareholders

	%
EC Phl & Co Pty Ltd & Associated entities	54.1
As at 30 June 2016	

## COMPANY OVERVIEW

The Global Masters Fund (ASX: GFL) is an investment company listed on the ASX. The company was created to provide investors with access to quality global assets, such as Berkshire Hathaway A Stock. Berkshire Hathaway is the primary investment for the company, however given Berkshire Hathaway doesn't pay any dividends, the company also invests in other assets to earn dividend income to cover expenses.

## INVESTMENT OBJECTIVE

The company seeks to achieve moderate to high portfolio returns over the long-term through investment in global listed investment companies with a history of profitability and a superior growth profile.

## STYLE AND PROCESS

The company invests in high quality global assets. Essentially this entails an investment in Berkshire Hathaway Inc and Athelney Trust Plc. The portfolio is managed by the Board of Directors. The company is not seeking to identify other opportunities but gain access to shares in the two above mentioned companies. The Board will look to invest in other assets that pay dividends to cover the expenses associated with the company, given Berkshire Hathaway does not pay a dividend. The currency exposure is unhedged, therefore investors are exposed to movements in the Australian dollar compared to the US dollar and the Pound.

## PORTFOLIO CHARACTERISTICS

GFL's primary investment is a holding in Berkshire Hathaway with 52% of the portfolio invested in its Class A shares and 20% in the Class B shares. Berkshire Hathaway has been made famous by its founder, Warren Buffet, with the company experiencing a history of strong asset growth. GFL has a 7% weighting to the Athelney Trust Plc, an investment company listed in the UK that has a focus on UK listed small cap investments. Both Berkshire Hathaway and Athelney Trust are trading at high prices, making access to these companies limited for retail investors. In order to help generate cash to pay costs, GFL also has a 21% weighting to Australian LIC, Flagship Investments (ASX: FSI).

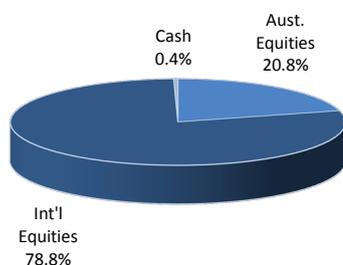
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

GFL provides investors with access to Berkshire Hathaway Inc, an investment company listed on the New York Stock Exchange. Class A shares in Berkshire Hathaway are currently trading at US\$220,000 per share, making them highly inaccessible to retail investors. By pooling funds GFL has been able to acquire shares in Berkshire Hathaway. GFL also holds B class shares in Berkshire Hathaway if A class shares are inaccessible. However, A shares are preferred given B class shares have voting right limitations. B class shares are currently valued at over US\$146. The Board does not charge any management or performance fees for managing the portfolio. There is no management fee but the Directors are paid a small annual fee for their services. Dr. Pohl (Managing Director) and associated entities hold over half the issued shares in GFL. To cover expenses, the company typically invests in bond funds, however, given the low interest rate environment the company has invested a portion of its portfolio in FSI to generate income. FSI is a LIC also managed by Dr. Manny Pohl. We note that while this provides a conflict of interest, investing in associated LICs is a common practice in the LIC market. The company has not and does not intend to pay a dividend, with returns being purely the capital growth of the net assets. As such, investors should be looking for a long-term investment without the need for regular income. The portfolio value increased 4.1% over the June quarter compared to a 1.65% rise in the USD price for Berkshire Hathaway shares. For the 12 months to 30 June 2016 the portfolio value increased 5.9% against a 1.5% drop in the MSCI ACWI AUD index with Berkshire Hathaway Shares also up 5.9%. A 7.3% improvement in the FSI share price helped offset a 10.1% decline in Athelney Trust and a weaker GBP. The GFL share price discount to pre-tax NTA widened over the June quarter to 23%, well above its three-year average of 14%. GFL provides a unique opportunity for domestic retail investors to gain access to Berkshire Hathaway Inc shares.

## COUNTRY WEIGHTING

Country Weighting	(%)
Australia	21.2
North America	71.8
United Kingdom	7.0

## Asset Weighting



## BOARD OF DIRECTORS

Jonathan Addison:	Chairman (Non-Executive)
Dr. Emmanuel Pohl:	Managing Director (Executive)
Patrick Corrigan AM:	Director (Non-Executive)

## OTHER DATA

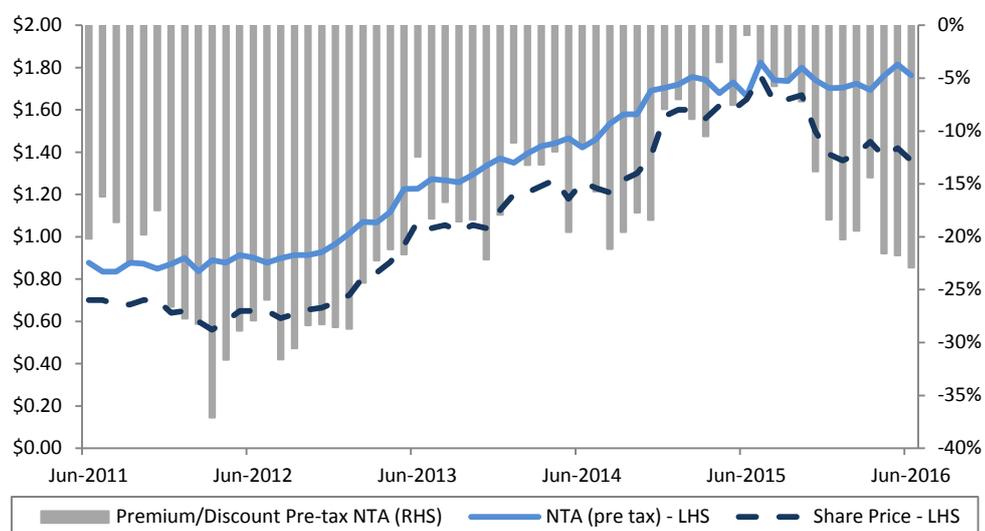
- ◆ **Options** – None on issue
- ◆ **Dividend policy** – No dividend is paid
- ◆ **Capital management policy** – None
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes

## GFL's Portfolio Weighting

Company	Portfolio (%)
Berkshire Hathaway Inc - Class A Shares - BRK.A	52.1
Flagship Investments Limited - FSI	20.8
Berkshire Hathaway Inc - Class B Shares - BRK.B	19.7
Athelney Trust Plc - ATY	7.0
	<b>99.6</b>

Source all figures: GFL/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Global

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 6 September 2016	1.445
Market cap (\$M)	351.1
Shares on issue (M)	243.0
Shares traded (\$M p.a)	74.3
12-month L/H (\$)	1.055/1.475
Listing date	March 2004
Fees:	
Management Fee (%)	1.5%
Performance incentives (%)	15%
Performance Fee Hurdle	Outperformance of MSCI World Total Return Index AUD

## Pre-tax NTA Performance Analytics (including dividends)

	MSCI World Total Return Index, AUD	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	11.60	5.05
TE (%)	9.72	9.70

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	5.94pf
FY15	5.82pf
FY16	8.27pf

## Substantial Shareholders

	%
Wilson Asset Management	12.0

As at 30 June 2016

## COMPANY OVERVIEW

Hunter Hall Global Value Limited (ASX: HHV) is a listed investment company that invests in a portfolio of domestic and international equities. The company listed in March 2004. The portfolio is managed by Hunter Hall Investment Management Limited under a 25 year management agreement. The manager is a global equity investment management company that operates ethically screened investment portfolios. HHV seeks to pay a consistent regular stream of fully franked dividends, provided there are sufficient profit reserves and franking credits and it is within prudent business practices. The Manager will be paid an annual fee of 1.5% of the gross portfolio value and is eligible for a performance fee of 15% of any outperformance, after fees, of the MSCI World Total Return Index AUD, subject to a high watermark.

## INVESTMENT OBJECTIVE

The investment objective is to generate positive absolute returns in excess of the portfolio's benchmark over an investment horizon of five years.

## STYLE AND PROCESS

The Manager is a value investor with a fundamental, bottom up stock selection strategy. The company screens the investment universe for those companies that meet the value requirements of the Manager. From this point further analysis and due diligence is done on those stocks that look attractive and stocks that are determined as attractive will be included in the portfolio if the stock is trading at a discount to the intrinsic value, a re-rating of the stock can be identified and liquidity requirements are met. Each Portfolio Manager is allocated a portion of the available capital and is responsible for their investment decisions. Portfolio Manager's capital allocation is scaled up and down depending on how the individual's portfolio performed compared to the other Portfolio Manager's over both the short and medium term.

## PORTFOLIO CHARACTERISTICS

The Manager invests in a concentrated portfolio of up to 60 stocks with a small to mid-cap bias and applies an ethical screen to stocks in the portfolio. It will not invest in stocks that do not meet the ethical requirements. Given the company invests in international markets, the portfolio is subject to currency risk which may be hedged by the investment team. The portfolio is subject to stock, sector and country limitations. The largest country allocations are to Australia (32%) and the USA (30%). At the end of June 2016 cash represented 19% of the portfolio. As a high-conviction manager, HHV may take large overweight positions in individual stocks. Large movements in the share prices of these companies can have a material impact on performance, either positive or negative. ASX listed gold miner, St Barbara Limited, is the largest investment in the portfolio at 11.4% at and is currently the only holding in excess of 10%.

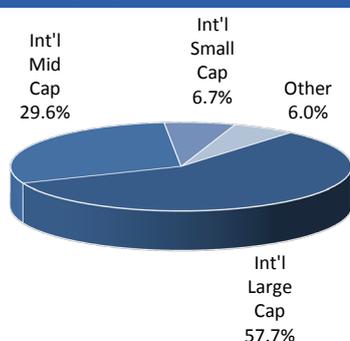
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

The investment mandate is benchmark agnostic and as such the Manager is not restricted by benchmark tracking obligations. As such, the performance of the portfolio is dependent on the stock picking ability of the investment team. The portfolio (pre-tax NTA plus dividends) had a strong June quarter, rising 8.2%, compared to the benchmark index which rose 4.4%. An improved performance in the March and June quarters has lifted the portfolio's 12 month returns to an 11.6% outperformance. The company has always traded at a discount to pre-tax NTA, although the discount narrowed from 13.9% to 7.7% in the June quarter. This is below the three year average discount of 12.4%. Over the past year there has been some turnover at the board and management level, which is of some concern. While the stock looks attractively priced at a discount to pre-tax NTA, it could remain at a discount until there is evidence of stability at the Board and management levels. HHV announced a final fully franked dividend of 3.5 cents per share for FY2016, taking the full year dividend to 6.5 cents per share fully franked. In FY2015, HHV paid total dividends of 12 cents per share, including a four cent special, but with very little franking.

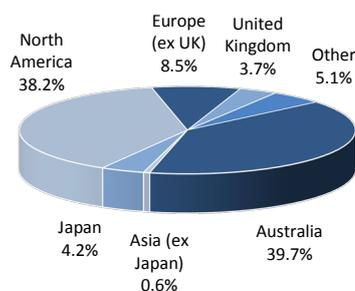
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 June (%)
Listed Investment Companies	0.0	0.0
Utilities	0.0	0.0
Telecommunication Services & I.T.	21.8	19.9
Property Trusts	0.0	0.0
Materials	22.6	28.0
Industrials	7.3	6.8
Health Care	21.1	15.2
Banks	2.1	3.3
Other Financials	8.7	11.7
Energy	0.1	0.0
Consumer Staples	0.0	1.1
Consumer Discretionary	16.3	14.0

### Size Weighting



### Country Weighting



## BOARD OF DIRECTORS

Paul Jensen	Non-Executive Chairman
Julian David Constable	Non-Executive Director
Peter Hall AM	Non-Executive Director
David Groves	Alternate Director

## OTHER DATA

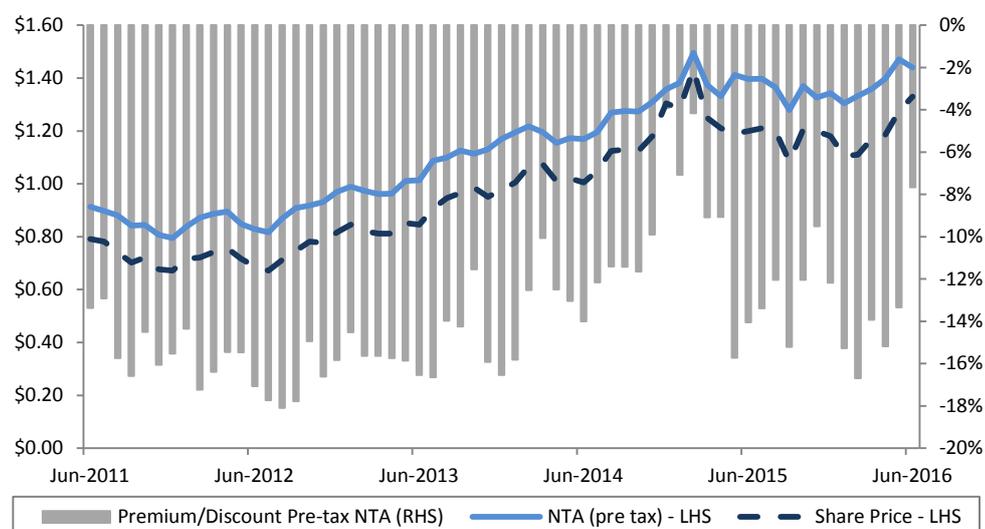
- ◆ **Options** – None on issue
- ◆ **Dividend policy** – HHV seeks to pay a consistent regular stream of fully franked dividends, provided there are sufficient profit reserves and franking credits and it is within prudent business practices.
- ◆ **Capital management policy** – na
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes

## HHV's Portfolio (Top 10) Weighting

Company	Exposure	Portfolio (%)
St Barbara	Australia	11.4
Sirtex Medical	International	5.9
Vocus	Australia	5.1
Doray Minerals	Australia	4.8
Lumentum	International	4.0
Prada	International	3.1
Beadell Resources	International	3.0
Avis	International	2.2
Medical Developments	Australia	2.0
Bank of New York Mellon	International	1.7
		<b>43.2</b>

Source all figures: HHV/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 10 August 2016	2.81
Market cap (\$M)	439.1
Shares on issue (M)	156.3
Shares traded (\$M p.a.)	35.0
12-month L/H (\$)	2.40/3.05
Listing date	June 2001

## Fees:

Management Fee (%)	0.67
Performance incentives (%)	na

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	9.85	6.21
TE (%)	6.72	5.32

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY14	5.79ff
FY15	7.69ff
FY16	6.16ff

Substantial Shareholders	%
AFIC	5.6
Djerriwarrh Investments	2.9

As at 30 June 2016

## COMPANY OVERVIEW

MIR was established in April 1999 and was listed in June 2001. It focuses on the small- to mid-cap universe of the ASX, defined as those companies that fall outside the S&P/ ASX 50 index. MIR is a sister company of DJW and AFI, and these are the two largest shareholders in MIR.

## INVESTMENT OBJECTIVE

The company aims to provide medium- to long-term investment gains through holding core investments in small- and medium-sized companies, and to provide attractive dividend returns from these investments.

## STYLE AND PROCESS

MIR predominately focuses on investing in small- to medium-sized ASX listed companies. It seeks to hold a diversified portfolio of stocks which it believes offers attractive value, measured by low price to earnings ratios and high dividend yields. There is also a focus on those companies that show strong growth prospects. The small- to mid-cap universe tends to entail greater levels of risk than the large cap universe, and as such, MIR invests in a diversified portfolio to reduce portfolio risk. It also has the ability to allocate funds to a trading portfolio, which has a short-term focus. Typically only a small part of MIR's assets are allocated to the trading portfolio. To generate increased income, MIR may also write options over selected stocks in the portfolio, although this is not frequent. MIR's Investment Committee reviews and approves all transactions proposed by the investment team.

## PORTFOLIO CHARACTERISTICS

The portfolio is diversified, typically consisting of 50 to 80 stocks and has a bias to towards mid and small cap stocks, with 95% of the portfolio allocated to ex-50 stocks at 30 June 2016. The portfolio returns do not mimic an index return, with the manager taking high conviction positions in stocks. At 30 June 2016 the top ten holdings represented 26% of the portfolio, well above the relevant index weightings for these stocks. The largest portfolio holding was TWE at 3.7%, so no one holding has a material impact on performance. Consumer Discretionary remains the largest sector exposure in the portfolio, followed by Healthcare, with a significant underweight position to financials relative to the ASX All Ordinaries Index.

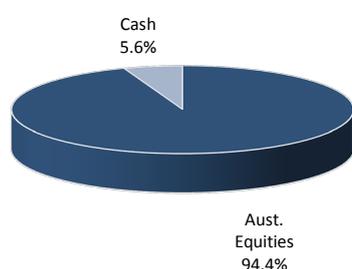
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

MIR has a focus on mid and small cap stocks which tends to entail greater levels of risk, but it can also produce substantial returns. Over the June quarter, the portfolio (pre-tax NTA plus dividends) underperformed the broader market, increasing 3.0% compared to the ASX All Ordinaries Accumulation Index, which gained 4.0%. Over the long-term the company has generated consistent alpha. Over the ten-years to 30 June 2016, the portfolio has generated an average rolling annual return of 10.9% compared to the market average rolling annual return of 4.1%. We prefer to use the All Ordinaries Accumulation Index as a benchmark for performance given the portfolio incorporates stocks of all sizes. The company continues to trade at a premium to pre-tax NTA, with the 30 June 2016 premium of 16.0% above the three-year average premium of 12.9%. MIR maintained its final dividend of 6.5 cents per share for FY2016, a level it has held since FY2007. Excluding special dividends, the company has paid a consistent full year dividend of 10 cents per share since FY2007. A special dividend of 5 cents per share was also announced, down from 7 cents per share in FY2015. While the company has shown it has the ability to consistently generate alpha, we view it shares as overpriced at the current premium and suggest prospective investors remain patient when seeking an entry point.

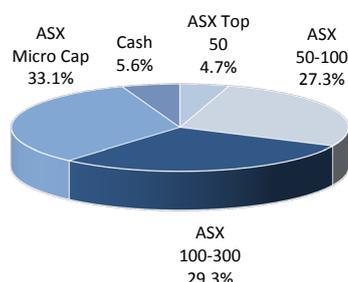
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	3.0	2.7
Materials	11.5	10.1
Industrials	16.5	14.1
Consumer Discretionary	17.4	17.6
Consumer Staples	8.6	9.4
Healthcare	14.9	15.9
Financials (ex Property)	9.9	10.6
Property	6.6	6.5
Information Technology	7.5	8.5
Telecommunication Services	4.6	4.6
Utilities	0.0	0.0

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Mayne Pharma Group Limited
- ◆ Blackmores Limited
- ◆ AUB Group Limited

## KEY NEGATIVE CONTRIBUTORS

- ◆ Aristocrat Leisure Limited
- ◆ Fortescue Metals Group Ltd
- ◆ Japara Healthcare Limited

## BOARD OF DIRECTORS

Terrence Campbell	Chairman (Non-Executive)
Ross Barker	Managing Director (Executive)
Ian Campbell	Director (Non-Executive)
David Meiklejohn	Director (Non-Executive)
Graeme Sinclair	Director (Non-Executive)

## OTHER DATA

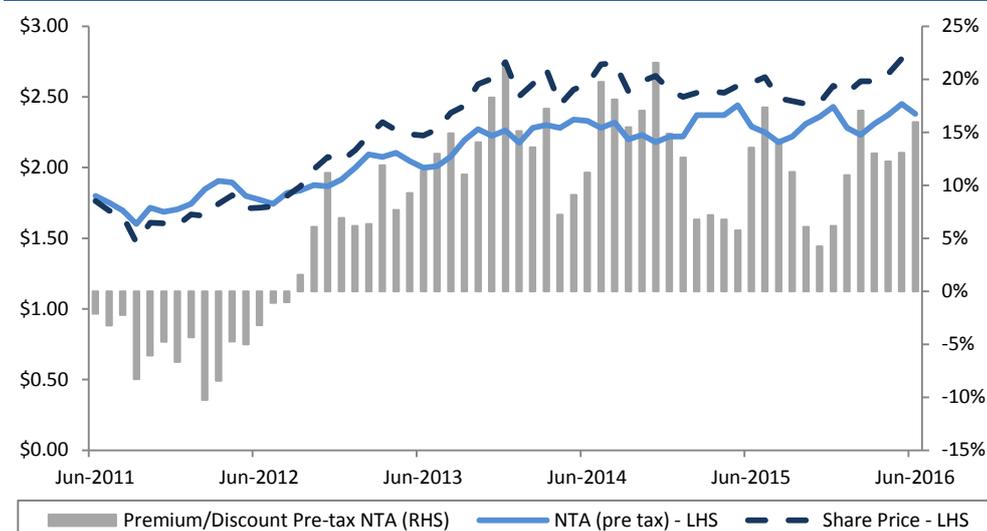
- ◆ **Options** – None on issue
- ◆ **Dividend policy** – To provide attractive dividend returns from the portfolio of investments.
- ◆ **Capital management policy** – Share purchase plan allows shareholders to subscribe for a total of A\$15,000 of shares per annum. The company raised \$26m in November through a Share Purchase Plan.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes, with up to a 10% discount to the VWAP for the 5 trading days including and immediately following the shares being quoted ex-dividend. Current discount of 5%.

## MIR's Portfolio (Top 10) Weighting

Code	Portfolio (%)	ASX All Ordinaries (%)
TWE	3.7	0.4
QUB	3.1	0.2
LIC	3.0	0.0
HSO	2.7	0.3
IRE	2.6	0.1
VOC	2.5	0.3
FNP	2.2	0.0
MYX	2.2	0.1
MFT	2.2	na
SEK	2.1	0.3
	<b>26.3</b>	<b>1.8</b>

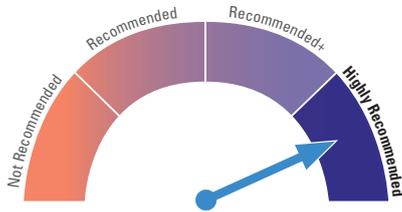
Source all figures: MIR/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 17 August 2016	4.27
Market cap (\$M)	2,775.2
Shares on issue (M)	649.9
Shares traded (\$M p.a)	169.8
12-month L/H (\$)	4.03/4.59
Listing date	April 1962

## Fees

Management Expense Ratio (%)	0.13
Performance incentives (%)	na

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	-1.25	-0.90
TE (%)	4.11	3.28

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	3.81ff
FY15	4.07ff
FY16	4.44ff

## Substantial Shareholders

	%
Washington H Soul Pattinson & Company Limited	5.2
Argo Investments Limited	4.4

As at 30 June 2016

## COMPANY OVERVIEW

MLT is a listed investment company that was listed on the ASX in 1958. It is a long-term investor in a portfolio of companies, trusts, fixed-interest securities, real property and, on occasion, other investment companies.

## INVESTMENT OBJECTIVE

MLT's objective is to provide investors with a growing, fully franked dividend income stream over time and long-term capital appreciation, through exposure to ASX-listed companies that are well managed, have a profitable history and carry expectations of sound dividend growth.

## STYLE AND PROCESS

MLT uses bottom-up fundamental analysis to identify attractive investments. The company has a long-term focus, therefore portfolio churn is low and capital profits are reinvested. MLT combines in-house and external research to develop company models. The investment team has a focus on liaising with the company management to gauge the quality of management. Investment proposals are ratified by an investment committee, which consists of most of the board and the chief executive.

## PORTFOLIO CHARACTERISTICS

MLT's portfolio is weighted towards large cap stocks with 60.3% allocated to top 50 stocks at 30 June 2016. It has a small exposure to small caps representing 5.6% of the portfolio at 30 June 2016. The portfolio tends to be overweight banks and underweight resource stocks. The portfolio's largest holding is in WBC which at an 11.2% weighting is significantly above the All Ordinaries Index weighting of 6.1%. In fact, MLT holds overweight positions in seven of its top ten holdings. It has a significant 5.7% weighting in investment company, SOL, and this was a key positive contributor to portfolio performance in the quarter. MLT takes high conviction positions in companies it has identified as attractive, and as such, the portfolio may have a higher tracking error than some of its peers over the longer term. The portfolio continues to be heavily weighted to banks, with 32% of the portfolio allocated to banks.

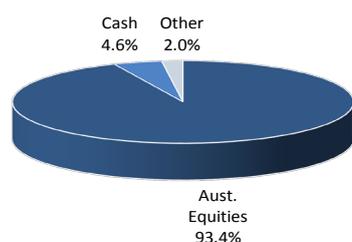
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

MLT is the third largest LIC on the ASX with a market cap of \$2.8b. It offers investors access to a portfolio of ASX-listed securities and other investments at low cost, with a management fee of just 0.13%. MLT underperformed the benchmark ASX All Ordinaries Index over the June quarter with a pre-tax NTA gain of 1.4% versus the index gain of 4%. It also underperformed over the 12 months to 30 June 2016 with the portfolio gaining 0.8% against the benchmark gain of 2.0%. This reflects MLT's high weighting to large cap stocks which underperformed relative to mid and small cap stocks over this time. However, over the long-term, the portfolio has performed slightly better than the ASX All Ordinaries Accumulation Index generating a portfolio return (pre-tax NTA) of 5.7% for the ten years to 30 June 2016 compared to the benchmark return of 4.9%. The company has a long history and has achieved its goal of providing a growing dividend stream over time. The 2016 final dividend of 9.9 cents per share takes the full year dividend to 18.6 cents per share fully franked, an increase of 0.2 cents on the 2015 dividend. However, there was no special dividend paid in 2016 compared to a 2015 special of 0.4 cents per share. With bank and resource company dividends likely to come under pressure it may be difficult for MLT to increase its dividend in 2017. We recently upgraded our rating for Milton to Highly Recommended. The upgrade recognises Milton's well established investment processes; stable and experienced Board and investment team; consistent delivery of its objectives; low cost structure and market liquidity. At 30 June 2016 the shares were trading at a slight premium to pre-tax NTA of 1.3%, compared to a three-year average premium of 1.1%. This offers a reasonable entry point for long-term investors looking for exposure to a low-cost, well managed, diversified portfolio of Australian equities.

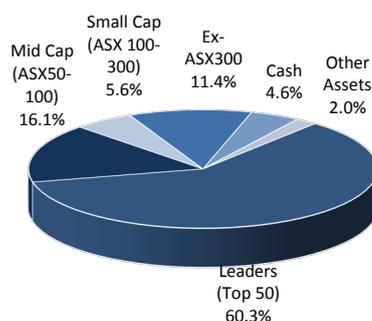
## SECTOR BREAKDOWN

Sector	31 Mar (%)	30 Jun (%)
Banks	33.3	32.0
Consumer staples	10.1	9.1
Materials	4.6	4.5
Energy	7.2	7.4
Commercial Services	2.0	2.1
Diversified financials	6.4	6.5
Insurance	4.5	4.5
Telecommunications	4.5	4.6
Healthcare	3.3	3.7
Retailing	3.4	3.8
Real estate	2.8	2.9
Capital goods	1.5	1.4
Transport	2.8	2.8
Utilities	2.5	2.6
Metals & Mining	3.4	3.4
Other shares	2.2	2.2
Cash	3.6	4.5
Other assets	1.9	2.0

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Washington Soul Pattinson & Company Limited
- ◆ ALS Limited
- ◆ ANZ Banking Group Limited

## KEY NEGATIVE CONTRIBUTORS

- ◆ Bank of Queensland Limited
- ◆ Blackmores Limited
- ◆ Westpac Banking Corp

Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.

## BOARD OF DIRECTORS

Robert Millner	Chairman (Non-Executive)
Frank Gooch	Managing Director (Executive)
John Church	Director (Non- Executive)
Ian Pollard	Director (Non- Executive)
Graeme Crampton	Director (Non- Executive)
Kevin Eley	Director (Non-Executive)

## OTHER DATA

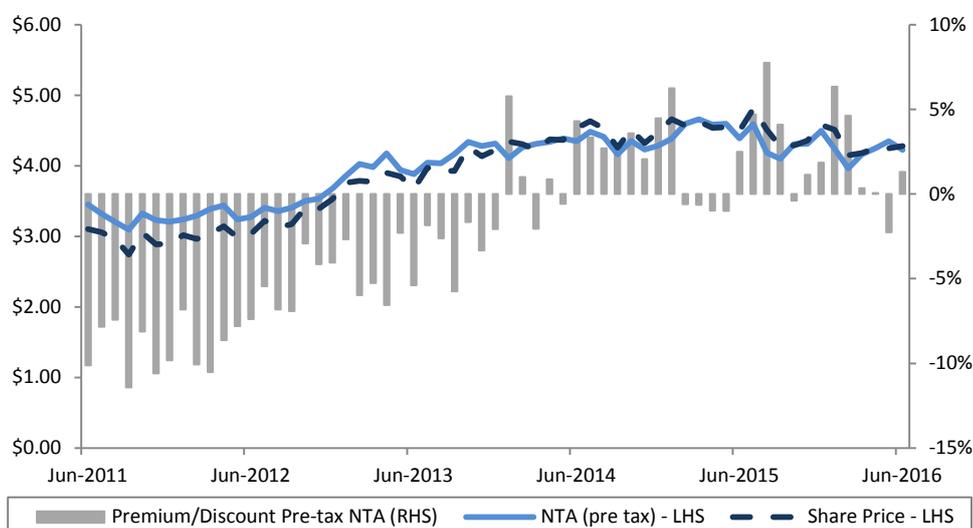
- ◆ **Options** – None on issue.
- ◆ **Dividend policy** – Pay out 90% to 95% of underlying profit (excludes special dividends).
- ◆ **Capital management policy** – MLT generally offers a share purchase plan which allows shareholders to invest up to A\$15,000 in new shares. It may also acquire unlisted investment companies to expand its capital base.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes

## MLT's Portfolio (Top 10) Weighting

Code	Portfolio (%)	All Ords (%)
WBC	11.2	6.1
CBA	8.4	8.0
SOL	5.7	0.3
NAB	4.4	4.2
WES	4.1	2.8
TLS	3.0	4.2
ANZ	3.0	4.4
BOQ	2.8	0.3
APE	2.5	0.1
BHP	2.5	3.7
<b>Total</b>	<b>47.6</b>	<b>34.0</b>

Source all figures: MLT/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment trust

## Investment Area

US

## Investment Assets

Private equity funds & Private companies

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 23 August 2016	2.12
Market cap (\$M)	82.7
Shares on issue (M)	39.0
Shares traded (\$M p.a)	3.1
12-month L/H (\$)	2.016/2.51
Listing date	August 2012

## Fees

Management Fee (% p.a)	2.33
Performance incentives (%)	na

Investment manager fee of 2.0% plus 0.33% responsible entity fee.

## Pre-tax NTA Performance Analytics (including dividends)

	S&P 500 Index AUD\$	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	3.44	-7.92
TE (%)	15.52	13.24

Benchmark returns are purely pre-tax, whereas LIC (pre-tax NTA) returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	na
FY15	na
FY16	9.86uf

## COMPANY OVERVIEW

USF is a listed investment trust investing in the US Select Private Opportunities Fund, LP (the Fund), a Cayman Islands based fund that will invest in a portfolio of boutique private equity funds in the US. USF has an ~85% interest in the the Fund, with Cordish Private Ventures, LLC owning the remaining interest. US Select Private Opportunities Fund, GP has appointed Walsh & Company Asset Management Pty Limited as the Investment Manager and Cordish Services (an affiliate of Cordish Private Ventures, LLC) to provide administrative services. The Investment Manager has appointed an Advisory Board to assist with the investment selection. Given the underlying funds are based in the US, investors will be subject to foreign exchange movements. USF does not intend to hedge the currency exposure however reserves the right to do so in the future. The Fund will have a life of approximately ten years from the time the capital is fully committed with the underlying funds having five years to invest the capital and then five years to exit. The Fund will return capital when the underlying funds exit their investments.

## INVESTMENT OBJECTIVE

The trust seeks to provide Australian investors access to a portfolio of boutique US private equity investments, offering a family office style of investing, a style of investment typically not available to retail investors. The Fund has developed a relationship with the principals of Cordish Private Ventures, LLC, to provide them with advice and access to global private equity funds. The Fund seeks to generate capital growth over a 5-10 year period.

## STYLE AND PROCESS

The trust has a fund of fund investment approach, whereby the Investment Team and Advisory Board select a portfolio of private equity funds. The Investment Manager focuses on those funds that have an established history of successful private equity investments. We note that the Manager may look at newly established managers that have a proven track record at other firms. The Manager uses its industry contacts and experience in the industry to identify investment opportunities. The Portfolio Manager is responsible for undertaking the due diligence on potential investments, which focuses on: 1) deal sourcing and acquisition discipline; 2) track record in management of investments; 3) track record in executing acquisitions to grow investments; and 4) exit execution.

## PORTFOLIO CHARACTERISTICS

The portfolio capital is fully committed across nine investments. The amount of capital drawdown by the underlying funds at 30 June 2016 was US\$49.9M, an increase from 66.8% to 71.5% of the total committed amount over the quarter. Underlying funds have five years to invest the committed capital and five years to exit investments. The funds are invested across a broad range of industries.

## INDEPENDENT INVESTMENT RESEARCH COMMENTS

USF provides investors access to a portfolio of boutique US private equity funds with a focus on the small-to mid sized market. There are limited LICs on the ASX that provide exposure to private investments. Over the June quarter, the portfolio value (pre-tax NTA plus dividends) increased 3.4%, underperforming the S&P 500 Index AUD, however the portfolio has performed well over the 12-months to 30 June 2016, increasing 8.7% compared to the benchmark increase of 5.2%. Over a three year period the portfolio has underperformed the benchmark by 7.9%. This can partly be attributed to the fact that the capital has only been partially allocated throughout the trust's history. We compare the performance of the trust to the S&P 500 Index (AUD) given the Manager believes private equity will outperform listed equities over the long-term. The annual fees associated with the trust are high, however unlike its peers, USF does not charge a performance fee. The fees in the underlying funds are also high, but in line with industry standards. The Portfolio Manager and Advisory Board are highly experienced in private equity and financial markets, however, key man risk is high with the Portfolio Manager the only dedicated person to the Fund. Following on from its maiden distribution of 10 cents per unit paid in March 2016, on 23 June USF announced a second distribution of 11 cents per unit following the successful partial sale of one of the underlying fund's investments. On 6 July USF announced its intention to pay a third distribution of 15 cents per unit.

### Investment Limitations

- 1) The Fund can only invest in private investment funds and interests in private companies.
- 2) No more than 33% of the gross value of the portfolio can be invested in an individual fund.
- 3) No more than 25% of the gross value of the portfolio can be invested in funds whose primary objective is to invest outside the US.
- 4) The Fund cannot invest in funds that primarily focus on emerging market investments.
- 5) No more than 25% of the portfolio can be invested in venture capital funds.
- 6) No more than 20% of the gross value of the portfolio can be held in private companies.

## BOARD OF DIRECTORS

Alex MacLachlan	Executive Chairman
Tom Kline	Executive Director
Tristan O'Connell	Executive Director

## ADVISORY BOARD

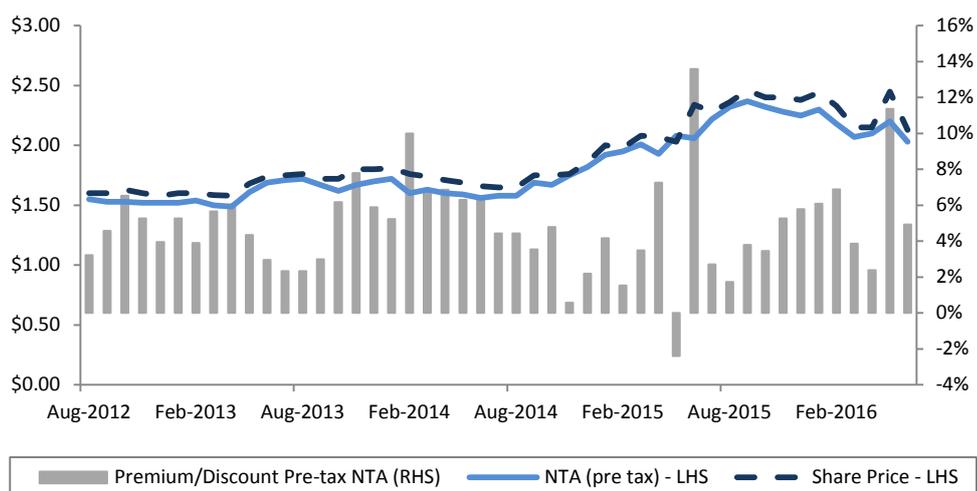
Jonathan Cordish  
Margaret Cordish  
Alan Dixon  
Alex MacLachlan

## USF's Portfolio

Fund	Industry Focus	Committed Capital US\$m	Capital Drawdown US\$m
DFW Capital Partners IV, LP	Healthcare, business services & industrial services	5.0	3.8
Encore Consumer Capital Fund II, LP	Non-discretionary consumer products	10.0	9.1
FPC Small Cap Fund I, LP	Lower-middle market service oriented companies	4.0	2.6
Incline Equity Partners III, LP	Manufacturing, value-added distribution & business services	10.0	4.9
Karp Reilly Capital Partners II, LP	Apparel & brand consumer products, retail, restaurants	10.0	8.5
Peppertree Capital Fund IV, LP	Telecommunication infrastructure companies	3.0	2.7
Trivest Fund V, LP	Manufacturing, distribution, business services, consumer	10.0	4.1
Prometheus Partners IV, L.P	Quick service restaurants	4.8	4.3
U.S. Select Direct Private Equity (US), LP	Co-investment in private equity companies	13.0	9.8
		<b>69.8</b>	<b>49.9</b>

Source all figures: USF/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment trust

## Investment Area

US

## Investment Assets

Private equity funds & Private companies

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 22 August 2016	2.10
Market cap (\$M)	115.9
Shares on issue (M)	55.2
Shares traded (\$M p.a)	4.4
12-month L/H (\$)	2.11/2.58
Listing date	April 2013

## Fees

Management Fee (% p.a)*	2.33
Performance incentives (%)	na

\* Investment manager fee of 2.0% plus 0.33% responsible entity fee.

## Pre-tax NTA Performance Analytics (including dividends)

	S&P 500 Index AUD\$	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	-0.68	-8.79
TE (%)	15.99	12.02

Benchmark returns are purely pre-tax, whereas LIC (pre-tax NTA) returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	na
FY15	na
FY16	6.61uf

## COMPANY OVERVIEW

USG is the second issue of a listed investment trust investing in the US Select Private Opportunities Fund, LP II (*the Fund*), a Cayman Islands based fund that invests in a portfolio of boutique private equity funds in the US. The trust has an ~87% interest in the Fund, with Cordish Private Ventures, LLC owning the remaining interest. US Select Private Opportunities Fund II, GP has appointed Dixon Asset Management USA Inc as the Investment Manager and Cordish Services (an affiliate of Cordish Private Ventures, LLC) to provide administrative services. The Investment Manager has appointed an Advisory Board to assist with the investment selection. The trust was listed in April 2013, raising \$61m, with an additional \$22.2m raised in June 2014. Given the underlying funds are based in the US, investors will be subject to foreign exchange movements. The trust does not intend to hedge the currency exposure but reserves the right to do so in the future. The underlying investments will charge a management fee on the capital committed and a performance fee. USG does not disclose these fees publicly. The Fund will have a life of approximately ten years from the time the capital was fully committed with the underlying funds having five years to invest the capital and then five years to exit. The Fund will return capital when the underlying funds exit their investments.

## INVESTMENT OBJECTIVE

The trust seeks to provide Australian investors access to a portfolio of boutique US private equity investments, offering a family office style of investing, a style of investment typically not available to retail investors. The Fund has developed a relationship with the principals of Cordish Private Ventures, LLC, to provide them with advice and access to global private equity funds. The Fund seeks to generate capital growth over a 5-10 year period.

## STYLE AND PROCESS

The trust has a fund of fund investment approach, whereby the Investment Team and Advisory Board select a portfolio of private equity funds. The Investment Manager focuses on those funds that have an established history of successful private equity investments. We note that the Manager may look at newly established managers that have a proven track record at other firms. The Manager uses its industry contacts and experience in the industry to identify investment opportunities. The Portfolio Manager is responsible for undertaking the due diligence on potential investments, which focuses on: 1) deal sourcing and acquisition discipline; 2) track record in management of investments; 3) track record in executing acquisitions to grow investments; and 4) exit execution.

## PORTFOLIO CHARACTERISTICS

The portfolio capital is fully committed across 12 investments. The capital drawn down by the underlying funds at 30 June 2016 was US\$49.9M, or 51% of the underlying commitment, up from 47.7% at 31 March 2016. The remainder of the capital is held in cash. Underlying funds have five years to invest the committed capital and five years to exit investments.

## INDEPENDENT INVESTMENT RESEARCH COMMENTS

USG provides investors access to a portfolio of boutique US private equity funds with a focus on the small-to mid sized market. The portfolio value (pre-tax NTA plus dividends) increased 3.3% over the June quarter below the benchmark performance of 5.2%. Over the 12-months to 30 June 2016, the portfolio value increased 4.5% compared the benchmark increase of 5.2%. In part this reflects the fact that the capital has only been partially allocated throughout the trust's history. We compare the performance of the trust to the S&P 500 Index (AUD) given the Manager believes private equity will outperform listed equities over the long-term. The Portfolio Manager and Advisory Board are highly experienced in private equity and financial markets, but key man risk is high with the Portfolio Manager the only dedicated person to the Fund. Annual fees associated with the trust are high, but unlike its peers, USG does not charge a performance fee. The fees associated with the underlying funds are also high, but in line with industry standards. Following on from its maiden distribution of 7 cents per unit paid in March 2016, on 23 June USG announced a second distribution of 8 cents per unit following partial realisation of an investment by one of the underlying funds.

### Investment Limitations

- 1) The Fund can only invest in private investment funds and interests in private companies.
- 2) No more than 33% of the gross value of the portfolio can be invested in an individual fund.
- 3) No more than 25% of the gross value of the portfolio can be invested in funds whose primary objective is to invest outside the US.
- 4) The Fund cannot invest in funds that primarily focus on emerging market investments.
- 5) No more than 25% of the portfolio can be invested in venture capital funds.

## BOARD OF DIRECTORS

Alex MacLachlan	Executive Chairman
Tom Kline	Executive Director
Tristan O'Connell	Executive Director

## ADVISORY BOARD

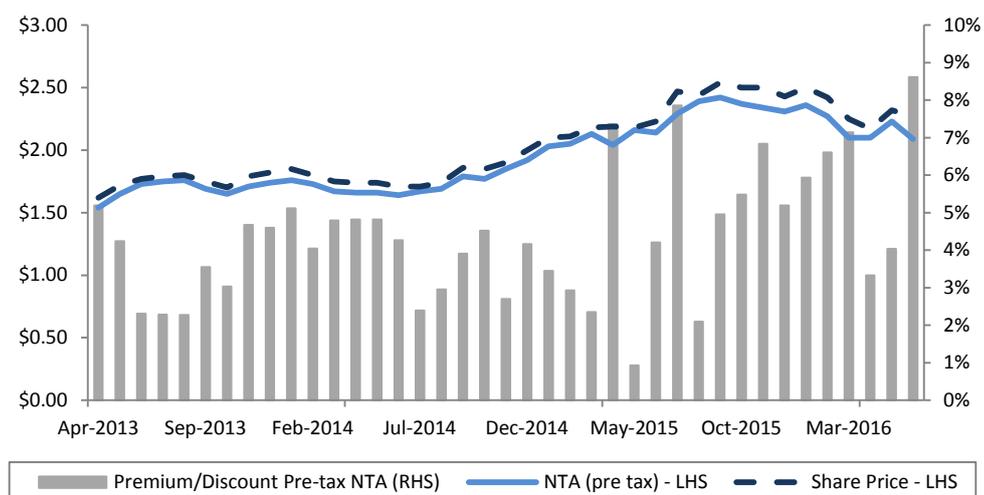
Jonathan Cordish	Alan Dixon
Margaret Cordish	Maximilian Walsh

## USG's Portfolio

Fund	Industry Focus	Committed Capital US\$m	Capital Drawdown US\$m
Blue Point Capital Partners III, LP	Engineering, industrial & distribution companies	5.0	2.1
Chicago Pacific Founders Fund, LP	Healthcare services & senior living companies	7.5	2.2
DFW Capital Partners IV, LP	Lower middle market companies	5.0	3.8
High Road Capital Partners Fund II, LP	Middle market building companies	7.5	2.6
Main Post Growth Capital, LP	Consumer, business services & industrial	7.5	0.9
NMS Fund II, LP	Healthcare, consumer products & specialised business services	6.5	2.6
RFE Investment Partners VIII, LP	Companies in leading market positions	8.0	6.1
Staple Street Capital Partners II, LP	Lower middle market companies with operational, balance or process complexities	8.0	1.1
Tengram Capital Partners Gen2 Fund, LP	Branded consumer product and retail	10.0	7.7
Tower Arch Partners I, LP	Family & entrepreneur-owned companies	8.0	2.5
Trive Capital Fund I, LP	Under-resourced middle market companies	10.0	6.9
U.S. Select Direct Private Equity (US), LP	Co-investment in private equity companies	15.0	11.3
		<b>98.0</b>	<b>49.9</b>

Source all figures: USG/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 31 August 2016	1.19
Market cap (\$M)	41.8
Shares on issue (M)	35.1
Shares traded (\$M p.a)	9.7
12-month L/H (\$)	0.945/1.205
Listing date	January 2008

## Fees

Management Fee (%)	1.00
Performance incentives (%)	20.0*

\*20% of the increase in the gross value of the portfolio, subject to a high watermark.

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	8.38	-0.74
TE (%)	9.78	9.60

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY14	7.75ff
FY15	4.87ff
FY16	4.85ff

Major Shareholders	%
GW Holdings Pty Ltd	2.9
Sanolu Pty Ltd	2.3

As at 30 June 2016

## COMPANY OVERVIEW

WAA is a listed investment company that provides exposure to an active trading style with the aim of achieving a positive return in all market conditions and a low correlation to traditional markets. The company was listed in January 2008 and the portfolio is managed by Wilson Asset Management (International) Pty Ltd.

## INVESTMENT OBJECTIVE

The company has an absolute return focus and therefore aims to generate positive returns in both rising and falling markets. The manager seeks to deliver shareholders a steady stream of fully franked dividends, provide a positive return with low volatility (after fees) and preserve the company's capital in both the short-and long-term.

## STYLE AND PROCESS

WAA invests predominantly in ASX-listed securities. Given the objective of the company, the Manager has the ability to short sell securities. The manager uses a 'Market Driven' approach to investing, in which it aims to take advantage of short-term arbitrage and mispricing in the market. The manager participates in IPOs, rights issues, placements, schemes of arrangement and looks for arbitrage opportunities and discount to asset plays, along with other market events viewed as favourably priced. The manager utilises stop-losses on trading positions of 10%. The portfolio is actively managed and therefore portfolio turnover is high.

## PORTFOLIO CHARACTERISTICS

The portfolio may hold between 10 and 100 investments and therefore the level of concentration will vary. There are no restrictions regarding the minimum or maximum investment in any individual stock or sector and as such the manager may take large positions in an individual security. The manager may hold up to 100% in cash if attractive investment opportunities cannot be identified. The two largest investments at 30 June 2016 were in other LICs - HHV and CYA. The company invests in LICs trading at a discount to NTA and sells once the discount has been eradicated. The portfolio is currently weighted towards small and micro cap stocks, with just 2.6% of the portfolio in ASX 100 stocks. Cash was at a high 48% at 30 June 2016.

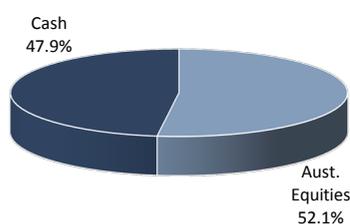
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

The absolute return nature of WAA means that the company does not intend to mimic the returns of the market but generate positive returns despite the direction of the market. This is reflected by the high tracking error. The company's strategy incorporates the use of short selling to generate returns. No more than 10% of the portfolio has been 'short' since inception. The portfolio may hold high levels of cash, which will contribute to the outperformance of the portfolio when the market generates negative returns, however may result in the manager not participating in market upturns. The portfolio is actively managed and therefore experiences high levels of turnover. On a rolling annual basis since listing to 30 June 2016, the portfolio (pre-tax NTA plus dividends) has generated a positive return 82% of the time and has delivered an average return of 9.7% compared to 9.4% for the ASX All Ordinaries Accumulation Index. From a correlation perspective, the portfolio has not achieved its objective of having a low correlation with traditional markets over the long-term, with the portfolio having a correlation of 0.74 with the ASX All Ordinaries Accumulation Index since listing. However, over the shorter-term the correlation is looking better. The company has achieved low volatility compared to the market with the portfolio having a beta of 0.33 over the five years to 31 June 2016. WAA declared a final fully franked dividend of 2.5 cents per share taking the FY2016 dividend to 5 cents per share fully franked. With an increased dividend in FY2016 the shares have performed strongly since the end of June and are now trading at a solid premium to pre-tax NTA. WAA also announced a bonus 1-1 option issue to shareholders at \$1.14 per share in an attempt to increase the company's size and relevance. Whether it is successful will depend on the company's ability to maintain and increase dividends and maintain the share price at levels above the options exercise price. The options have an expiry date of 17 September 2018.

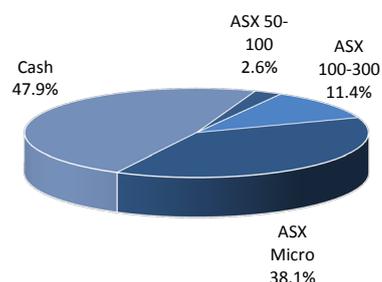
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	4.3	0.0
Materials	3.4	0.4
Industrials	16.8	7.6
Consumer Discretionary	20.1	15.7
Consumer Staples	7.2	0.0
Healthcare	3.7	7.6
Financials (ex Property)	39.8	54.3
Property	0.0	0.0
Information Technology	2.5	10.8
Telecommunication Services	2.2	0.0
Utilities	0.0	3.6

### Asset Weighting



### Size Weighting



## BOARD OF DIRECTORS

Geoffrey Wilson	Chairman (Executive)
Matthew Kidman	Director (Non-Executive)
John Abernethy	Director (Non-Executive)
Chris Stott	Director (Non-Executive)
Kate Thorley	Company Secretary/Director (Non-Executive)

## OTHER DATA

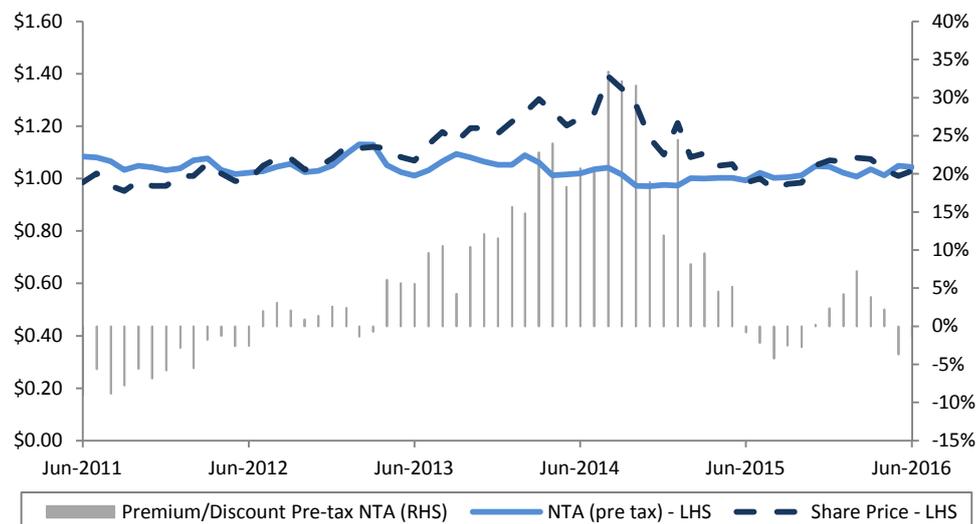
- ◆ **Options** – 1-1 bonus option issue announced on 11 August 2016.
- ◆ **Dividend policy** – The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient profit reserves, franking credits, and it is within prudent business practices. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax. Dividends are paid on a six-monthly basis.
- ◆ **Capital management policy** – The Board regularly reviews the most efficient manner by which the company employs its capital. At the core is the belief that shareholder value should be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs, to be used when deemed appropriate by the Board.
- ◆ **LIC tax concessions** – None
- ◆ **DRP available** – Yes, for both interim and final dividend.

## WAA's Portfolio (Top 10) Weighting

Code	Portfolio (%)	All Ords (%)
HHV	7.7	na
CYA	4.0	na
APN	3.3	0.0
AGF	2.8	na
MVP	2.5	0.0
ADA	2.2	0.0
TGG	2.1	na
IFN	1.9	0.0
MQA	1.8	0.2
SXE	1.5	na
	<b>29.8</b>	<b>0.3</b>

Source all figures: WAA/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 31 August 2016	2.27
Market cap (\$M)	1,332.9
Shares on issue (M)	587.2
Shares traded (\$M p.a.)	305.7
12-month L/H (\$)	1.94/2.36
Listing date	August 1999

## Fees

Management Fee (%)	1.00
Performance incentives (%)	20.0*

\*Outperformance of the All Ords Acc index or the amount of the increase in the value of the portfolio in the event the All Ords Acc index has fallen.

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	12.09	4.59
TE (%)	9.78	8.14

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY14	6.44ff
FY15	7.03ff
FY16	6.39ff

Major Shareholders	%
Pineross Pty Ltd	0.9
UBS Wealth Management Australia	0.9

As at 30 June 2016

## COMPANY OVERVIEW

WAM was listed in August 1999 and is managed by Wilson Asset Management (International) Pty Ltd. WAM provides an actively managed portfolio that focuses on investing in a diversified portfolio of growth companies, primarily small-to-mid cap securities.

## INVESTMENT OBJECTIVE

The investment objectives of the fund are to provide a growing stream of fully franked dividends, provide capital growth and preserve capital.

## STYLE AND PROCESS

WAM predominantly invests in a diversified portfolio of growth companies. The manager uses a combination of two approaches to select investments:

- (1) The Research Driven approach, which involves making investment decisions based on extensive research on the security. The manager looks for management strength, earnings growth potential, low earnings multiple, advantageous industry position, generation of free cash flow, appropriate return on equity and a catalyst for share price growth. The manager has over 1,000 meetings with management each year; and
- (2) The Market Driven approach, which involves participating in IPOs, placements and takeover arbitrages aiming to take advantage of short-term arbitrage opportunities and mispricing in the market.

## PORTFOLIO CHARACTERISTICS

WAM's portfolio focuses on small-to-mid cap stocks with the majority of investments being in companies outside the ASX 100. The portfolio has no exposure to the resource and energy sectors. The manager defaults to cash if acceptable investments cannot be identified. As such, prospective investors need to be aware that the portfolio may have large cash allocations. At 30 June 2016 cash was a relatively high 37.5%. The portfolio is actively managed and as such will likely have significant turnover. The portfolio is well-diversified with the largest individual stock weighting in the portfolio at 3.8%. No single stock is likely to have a material impact on portfolio performance. WAM invests in other LICs trading at a discount to NTA as part of its market driven strategy, with a view to profiting from eradication of the discount over time.

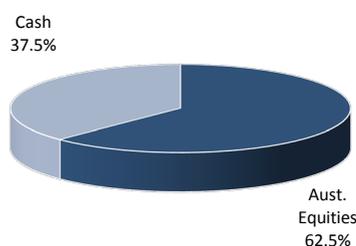
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

WAM invests primarily in small-to-mid cap stocks. The Manager primarily maintains small positions in securities to minimise risk. However, there are no size restrictions on investments so the manager can take high conviction positions in a stock if it desires. We note that smaller cap stocks tend to entail a greater level of risk; however, the upside potential can be considerable. The Manager also takes positions in other LICs trading at a discount and has the ability to short sell stocks. Short selling has never exceeded 5% of the portfolio. WAM's portfolio (pre-tax NTA plus dividends) increased 14.1% over the 12-months to 30 June 2016, significantly outperforming the benchmark All Ordinaries Index which rose 2.0% during the same period. The portfolio benefited from its limited exposure to large cap stocks, with the ASX Small Ordinaries up 14.4% over the 12 months. Over the long-term the portfolio has consistently outperformed the benchmark, with an average rolling annual return of 11.3% over the ten years to 30 June 2016, compared to a 7.3% average rolling annual return for the benchmark index. This has been achieved with a portfolio beta significantly below 1.0. The company declared a fully franked final dividend of 7.25 cents per share taking the full year FY2016 dividend to 14.5 cents per share fully franked, up from 14 cents per share in FY2015. WAM also announced a share purchase plan (SPP) offer in July at \$2.14 per share and a placement to existing WAM Capital professional and sophisticated investors at the same price. While at a discount to the current share price, the offer price is at a premium of 8.8% to the July pre-tax NTA. This is in line with the three-year average premium. With the shares being issued at a premium to pre-tax NTA the capital raising will increase NTA per share.

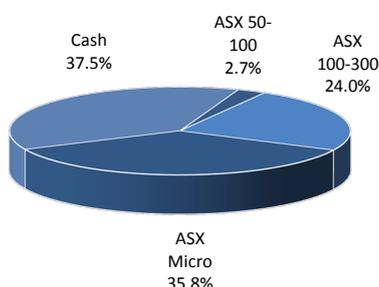
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	2.3	0.0
Materials	1.8	0.0
Industrials	18.1	16.9
Consumer Discretionary	31.3	27.4
Consumer Staples	5.3	0.0
Healthcare	6.9	10.2
Financials (ex Property)	26.7	34.1
Property	0.0	0.0
Information Technology	4.5	7.0
Telecommunication Services	3.0	3.0
Utilities	0.0	1.4
Unlisted Unit Trusts	0.0	0.0

## Asset Weighting



## Size Weighting



## BOARD OF DIRECTORS

Geoffrey Wilson	Chairman (Executive)
Matthew Kidman	Director (Non-Executive)
James Chirnside	Director (Non-Executive)
Paul Jensen	Director (Non-Executive)
Lindsay Mann	Director (Non-Executive)
Chris Stott	Director (Non-Executive)
Kate Thorley	Company Secretary

## OTHER DATA

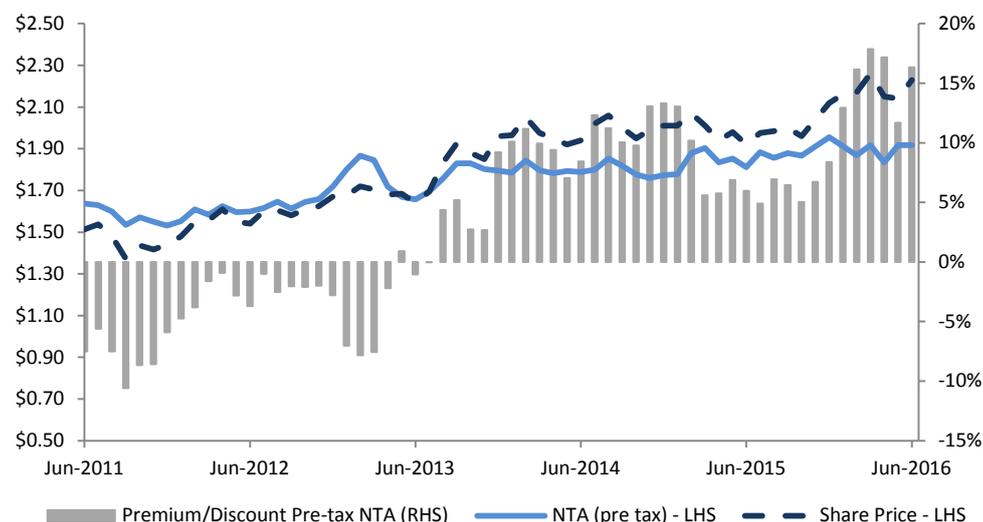
- ◆ **Options** – none on issue.
- ◆ **Dividend policy** – The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the Company has sufficient profit reserves, franking credits, and it is within prudent business practices. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax. Dividends are paid on a six-monthly basis.
- ◆ **Capital management policy** – The Board regularly reviews the most efficient manner by which the company employs its capital. At the core is the belief that shareholder value should be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs, to be used when deemed appropriate by the Board.
- ◆ **LIC tax concessions** – None
- ◆ **DRP available** – Yes, for both interim and final dividend.

## WAM's Portfolio (Top 10) Weighting

Code	Portfolio (%)	All Ords (%)
HHV	3.8	na
MYX	2.6	0.1
SIQ	2.1	0.0
CYA	1.9	na
NCK	1.7	0.0
RWC	1.7	na
APN	1.7	0.0
SXL	1.6	0.1
CL1	1.6	0.0
ECX	1.6	0.1
	<b>20.3</b>	<b>0.3</b>

Source all figures: WAM/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Asset

Listed companies and other

## Investment Sectors

Diversified

## Investment Profile

Price (\$) as at 31 August 2016	1.52
Market cap (\$M)	264.7
Shares on issue (M)	174.2
Shares traded (\$M p.a.)	59.4
12-month L/H (\$)	1.20/1.57
Listing date	August 2003
Fees	
Management Fee (%)	1.0
Performance incentives (%)	20.0*

\*Outperformance of the All Ords Acc index or the amount of the increase in the value of the portfolio in the event the All Ords Acc index has fallen.

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	13.67	7.14
TE (%)	10.07	8.85

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY14	6.47ff
FY15	6.68ff
FY16	6.11ff

## Substantial Shareholders

	%
GW Holdings Pty Ltd	2.8
Victor John Plummer	1.9

As at 30 June 2016

## COMPANY OVERVIEW

WAX is a listed investment company that invests in growth companies which are generally small-to-medium sized industrial companies. The company was listed in 2003 and the portfolio is managed by Wilson Asset Management (International) Pty Ltd.

## INVESTMENT OBJECTIVE

The company aims to provide shareholders a steady stream of fully franked dividends and a high real rate of return, comprising both capital and income.

## STYLE AND PROCESS

WAX's investment philosophy is to invest predominantly in industrial companies with an emphasis on companies that are under researched and are considered undervalued by the Manager. As such the company focuses on small-to-mid cap companies. The manager uses a Research Driven approach to identify investment opportunities, which involves making investment decisions based on extensive research on the security. The manager looks for management strength, earnings growth potential, low earnings multiple, advantageous industry position, generation of free cash flow, appropriate return on equity and a catalyst for share price growth. The manager has over 1,000 meetings with management each year.

## PORTFOLIO CHARACTERISTICS

WAX aims to maintain a portfolio of between 30 and 60 securities. The manager focuses on small to-mid cap stocks with the majority of investments outside the top 100. Given the company focuses on industrial stocks, the portfolio has very little, if any, exposure to the resource and energy sectors and is significantly underweight financials. The largest sector exposure is to the Consumer Discretionary sector which is 35.7% of the equities portfolio. The largest individual stock weighting in the portfolio at 30 June 2016 is a 4.2% stake Smartgroup Corporation (SIQ), so the portfolio is well-diversified. Positions in Mayne Pharma (MYX) and Eclixp Group (ECX) provided the greatest positive contribution to the portfolio in the June quarter. The manager will hold cash if attractive investment opportunities cannot be identified or to preserve capital in times of heightened volatility.

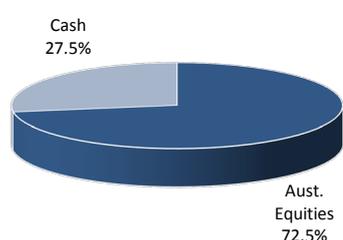
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

WAX predominantly invests in small-to-mid cap industrial stocks. We note that smaller cap stocks tend to entail a greater level of risk; however, the upside potential can be considerable. There are no size restrictions on investments therefore the manager has the ability to take high conviction positions. WAX's portfolio (pre-tax NTA plus dividends) significantly outperformed the benchmark index over the 12-months to 30 June 2016, rising 15.7% compared to the benchmark index increase of 2%. The lack of exposure to energy, materials and the major banks significantly contributed to the strong outperformance, given the drag these sectors had on the index over the period. The portfolio also outperformed the ASX Small Ordinaries Accumulation which increased 14.4% over the 12-month period. The portfolio has performed well over the long-term achieving an average rolling annual return of 8.9% over the ten years to 30 June 2016, compared to a 7.3% average rolling annual return for the ASX All Ordinaries Accumulation Index. The company declared a fully franked final dividend of 4.25 cents per share taking full year dividends to 8.5 cents per share fully franked, up 6.30% on the previous year. The shares offer a high dividend yield at over 6%, however are trading at a 9.6% premium to pre-tax NTA at 30 June 2016, above the three year average premium of 5.1%. The shares are suitable for investors seeking exposure to small cap stocks but we would advise patience when looking for an entry point.

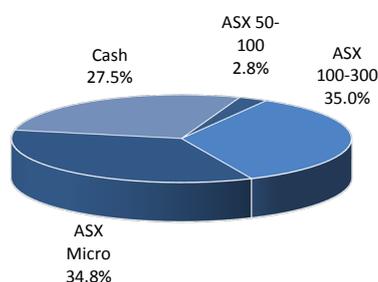
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	0.0	0.0
Materials	0.0	0.0
Industrials	19.5	23.4
Consumer Discretionary	44.3	35.7
Consumer Staples	3.1	0.0
Healthcare	10.5	12.0
Financials (ex Property)	11.7	17.9
Property	0.0	0.0
Information Technology	6.9	5.8
Telecommunication Services	3.9	5.1
Utilities	0.0	0.0

## Asset Weighting



## Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Mayne Pharma Group
- ◆ Eclipx Group
- ◆ Class

## KEY NEGATIVE CONTRIBUTORS

- ◆ The Reject Shop
- ◆ Ardent Leisure
- ◆ Austal

Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.

## BOARD OF DIRECTORS

Geoffrey Wilson	Chairman (Executive)	Matthew Kidman	Director (Non-Executive)
Chris Stott	Director (Non-Executive)	John Abernethy	Director (Non-Executive)
Julian Gosse	Director (Non-Executive)		
Kate Thorley	Company Secretary/Director (Non-Executive)		

## OTHER DATA

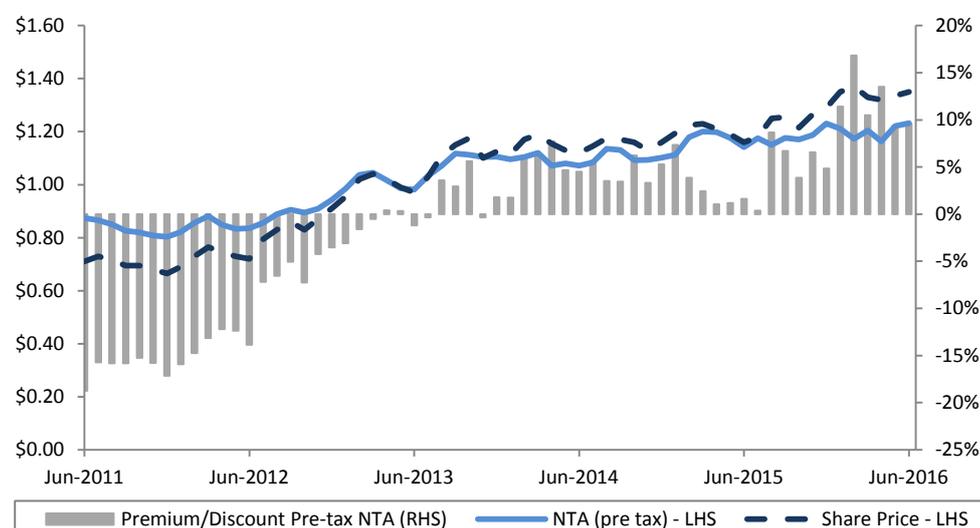
- ◆ **Options** – None on issue.
- ◆ **Dividend policy** – The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient profit reserves, franking credits, and it is within prudent business practices. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.
- ◆ **Capital management policy** – The Board manages the Company's capital by regularly reviewing the most efficient manner by which the company employs its capital. At the core of this management is the belief that shareholder value should be preserved. Shareholder value will be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board.
- ◆ **LIC tax concessions** – Has the potential to pay LIC Capital Gains out to investors.
- ◆ **DRP Available** - Yes

## WAX's Portfolio (Top 10) Weighting

Code	Portfolio (%)	All Ords (%)
SIQ	4.2	0.0
MYX	3.8	0.1
NCK	3.4	0.0
RWC	3.3	na
CL1	3.1	0.0
ECX	3.1	0.1
CCP	3.0	0.0
SXL	3.0	0.1
RCG	2.9	0.0
SDF	2.8	0.1
	<b>32.6</b>	<b>0.5</b>

Source all figures: WAX/Independent Investment Research/IRESS. All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Asset

Listed companies

## Investment Sectors

Diversified

## Investment Profile

Price (\$) as at 6 September 2016	4.28
Market cap (\$M)	357.8
Shares on issue (M)	83.6
Shares traded (\$M p.a.)	26.2
12-month L/H (\$)	3.96/4.39
Listing date	1923
Fees:	
Management Fee (%)	0.25
Performance incentives (%)	na

## Pre-tax NTA Performance Analytics (including dividends)

### S&P/ASX 200 Industrials Acc

	1 Yr	3 Yr (p.a.)
Excess Per. (%)	-0.81	0.47
TE (%)	2.34	1.86

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY14	4.09ff
FY15	3.79ff
FY16	4.12ff

## Substantial Shareholders

	%
Fiducio Pty Ltd, Cairtness Nominees Pty Ltd, AJ Gluskie and DM Gluskie	21.1
LJ Gluskie & SC Gluskie	18.5

As at 30 June 2016

## COMPANY OVERVIEW

WHF was founded in 1923 and is one of Australia's oldest listed investment companies. The company provides exposure to ASX listed industrial stocks; therefore there will be little, if any, exposure to resource stocks.

## INVESTMENT OBJECTIVE

WHF seeks to provide investors with a cost effective investment, that delivers long-term capital growth and reliable and growing dividend stream.

## STYLE AND PROCESS

WHF seeks to own a portfolio of attractively priced, high-quality businesses with a proven or strengthening ability to deliver shareholder value. The company utilises a disciplined quantitative and qualitative process to identify and assess: (1) quality; (2) intrinsic value; and (3) mispricing, and seek to invest where each of these elements are favourable.

## PORTFOLIO CHARACTERISTICS

WHF has a diversified portfolio with more than 160 stocks. The majority of its holdings are in S&P/ASX 200 Industrials Index companies, providing investors with exposure to the industrials sector of the market. While the portfolio is diversified, its top 10 stocks account for 46.9% of the portfolio, slightly above the benchmark index. There is a high weighting to the Financials sector with banks at 28.8% of the portfolio. With the portfolio largely providing industrials market exposure, performance tends to track the benchmark index, with the portfolio having a low tracking error.

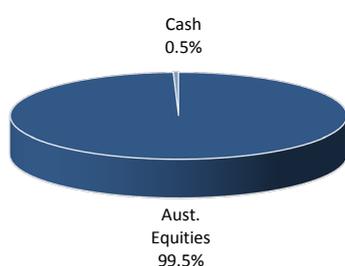
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

WHF provides cheap access to an Australian equity portfolio. Over the five years to 31 March 2016, the Industrials index has significantly outperformed the S&P/ ASX 200, with a return of 13.1% p.a compared to 7.4% p.a for the S&P/ASX 200 Accumulation Index. Over a three year period WHF has delivered portfolio returns (pre-tax NTA plus dividends) just above its benchmark. However, the portfolio has underperformed the S&P/ASX 200 Industrials Accumulation Index benchmark over the long-term, generating an average rolling annual return of 6.1% compared to the benchmark index average rolling annual return of 7.4%. The company has paid a 17 cent per share full year dividend since FY2009 and has indicated it will at least maintain this in FY2017. While dividends have been consistent we believe that an incremental increase in dividends will assist with narrowing the discount. We note the company does have \$41.4m in borrowings in the form of convertible resettable preference shares. With no ETF that provides Industrials exposure, WHF provides a cost effective option for investors looking for exposure to the Industrials index. Over the quarter the share price discount to pre-tax NTA increased from 5.7% to 10.0% providing an attractive entry point.

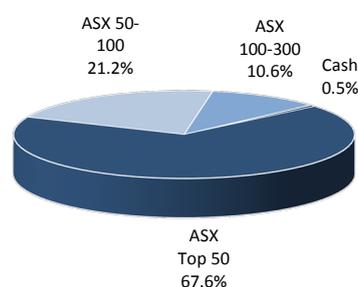
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	0.0	0.0
Materials	5.3	6.2
Industrials	10.1	9.7
Consumer Discretionary	8.3	10.9
Consumer Staples	8.0	6.9
Healthcare	9.1	10.7
Financials (ex Property)	38.6	35.0
Property	8.5	8.0
Information Technology	1.4	1.1
Telecommunication Services	7.1	6.9
Utilities	3.5	4.6

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ AMP Limited
- ◆ Aristocrat Leisure Limited
- ◆ Resmed Inc

## KEY NEGATIVE CONTRIBUTORS

- ◆ Flight Centre Travel Group Limited
- ◆ Macquarie Group Limited
- ◆ Scentre Group

Note: The Key Positive and Negative Contributors are provided on an attribution basis. This means the contributors reflect the impact that the positions or lack of positions have on the portfolio performance compared to the benchmark index.

## BOARD OF DIRECTORS

David Iliffe	Chairman (Non-Executive)
Graeme Gilmore	Director (Non-Executive)
Angus Gluskie	Director, Chief Executive Officer
Martin Fowler	Director (Non-Executive)
Stuart Madeley	Company Secretary

## OTHER DATA

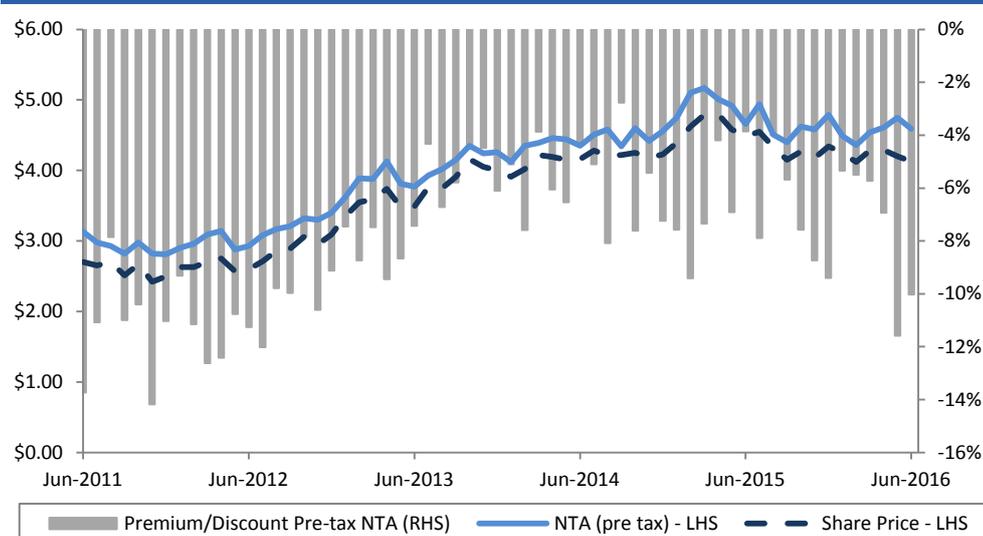
- ◆ **Options** – None on issue
- ◆ **Dividend policy** – WHF aims to pay out dividends that are approximately equal to its net operating profit after tax. All dividends are fully franked.
- ◆ **Capital management policy** – None currently.
- ◆ **LIC tax concessions** – Yes
- ◆ **DRP available** – Yes

## WHF'S PORTFOLIO (TOP 10) WEIGHTING

Code	Portfolio (%)	S&P/ASX 200 Industrials Index (%)
CBA	9.9	10.0
WBC	7.6	7.6
ANZ	5.5	5.5
TLS	5.3	5.3
NAB	5.2	5.2
CSL	4.3	4.0
WES	3.5	3.5
TCL	2.1	1.9
BXB	1.9	1.5
AGL	1.8	1.0
	<b>46.9</b>	<b>45.6</b>

Source all figures: WHF/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

## NTA & Share Price Performance





## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Asset

Listed companies

## Investment Sectors

Diversified

## Investment Profile

Price (\$) as at 19 August 2016	0.87
Market cap (\$M)	112.4
Shares on issue (M)	129.2
Shares traded (\$M p.a.)	15.6
12-month L/H (\$)	0.715/0.94
Listing date	September 2009

## Fees

Management Fee (%)	1.0
Performance incentives (%)	20.0*

\*20% of returns in excess of 10% per annum.

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	-0.02	-8.18
TE (%)	13.68	12.88

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY14	7.95ff
FY15	9.73ff
FY16	9.09ff

## Substantial Shareholders

	%
Euroz Limited	25.2
Geoffrey Francis Brown	6.9

As at 30 June 2016

## COMPANY OVERVIEW

WIC is a listed investment company established in May 2005 and listed in September 2009. The company is based in Western Australia (WA) and focuses on investing in ASX-listed stocks from around that area. The portfolio is managed by Westoz Funds Management, a wholly owned subsidiary of Euroz Limited.

## INVESTMENT OBJECTIVE

WIC seeks to provide investors with exposure to a portfolio of ASX-listed investments that provides consistent positive returns, regardless of the general direction of the market. The company has an absolute return focus and as such does not tie its performance fees to a benchmark index, but to a set figure of 10% return p.a.

## STYLE AND PROCESS

WIC has a medium-to long-term investment outlook with investment selection based on the premise that financial markets and individual securities can, and do, deviate from fair value. The manager uses research provided by Euroz Securities (the stockbroking arm of Euroz Limited) as a primary screen to identify suitable investment opportunities. It then determines investment opportunities through the use of fundamental analysis, with a focus on the growth potential of target companies. An investment committee will ratify identified investment opportunities. The manager has the discretion to use derivatives to achieve performance objectives and must adhere to some broad investment guidelines including: no individual stock can represent more than 20% of the total portfolio value at the time of acquisition; and WIC's position can comprise no more than 20% of the issued securities of a company.

## PORTFOLIO CHARACTERISTICS

WIC has a concentrated portfolio, with the intent being to hold 10 to 25 stocks. The Manager takes high conviction positions and will hold cash in the event attractive investment opportunities are not available. The Manager focuses on companies with a connection to WA. Due to its investment philosophy, WIC invests primarily in ex-50 stocks, and as such, an investment in WIC incorporates the risks associated with an investment in the smaller cap universe and exposure to a narrow geographic base. Over the June quarter WIC increased its exposure to resources stocks with the Materials exposure rising from 22.6% to 39.5%. Property exposure decreased but remains significant at 21.6%. Cash levels remained high at 39.7% at the end of June, providing the manager with plenty of cash take advantage of compelling investment opportunities.

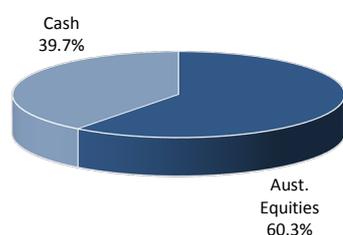
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

Given the characteristics of WIC's portfolio, we expect it to experience greater volatility than the benchmark index. As such, prospective investors should be risk-tolerant and understand the risks associated with the smaller cap investment universe and exposure to the cyclical, resource based WA economy. Investors should also be aware that the Manager may hold significant amounts of cash, diluting exposure to the market. The portfolio pre-tax NTA (including dividends) underperformed the broader market (ASX All Ordinaries Accumulation Index) over the June quarter, increasing 0.6% compared to the market increase of 4.0%. A strong March quarter helped lift the one year performance numbers with the portfolio performing in line with the ASX All Ordinaries Accumulation Index for the 12 months. However, the portfolio has underperformed over the medium and longer terms. Over a five-year period WIC has delivered a portfolio return (pre-tax NTA plus dividends) of negative 1.7% p.a. compared to ASX All Ordinaries Accumulation Index return of 7.3%. When compared to the ASX Small Ordinaries Index, the portfolio has underperformed to a much lesser extent, with the index generating a return of 1.0% p.a. over the period. The ASX Small Ordinaries Index is a relevant market comparison given WIC's bias to small caps. WIC provided for a final dividend of 3 cents per share, which will take the full year dividend to 6 cents per share, fully franked, down from 9 cents per share, fully franked, in FY2015. WIC is targeting a dividend of 6 cents per share for FY2017. WIC also announced an intention of a 1-10 bonus options issue with an expiry date of 31 August 2017 and exercise price of \$1.05 per share. WIC's discount to pre-tax NTA fell from 19% to 13% over the quarter, but we expect the discount to remain given the historic performance, portfolio concentration and the volatility of dividends.

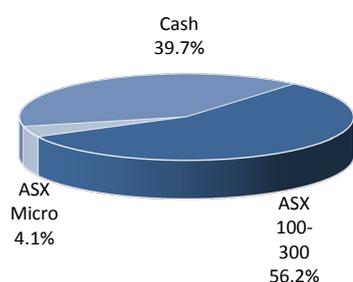
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Mar (%)	30 Jun (%)
Energy	9.6	8.4
Materials	22.6	39.5
Industrials	18.5	12.7
Consumer Discretionary	10.5	3.6
Consumer Staples	0.0	0.0
Healthcare	0.0	0.0
Financials (ex Property)	10.6	11.3
Property	28.1	21.6
Information Technology	0.8	2.9
Telecommunication Services	0.0	0.0
Utilities	0.0	0.0

### Asset Weighting



### Size Weighting



## BOARD OF DIRECTORS

Jay Hughes	Chairman (Non-Executive)
Terry Budge	Director (Non-Executive)
Simon Joyner	Director (Non-Executive)
Steve Tucker	Director (Non-Executive)

## OTHER DATA

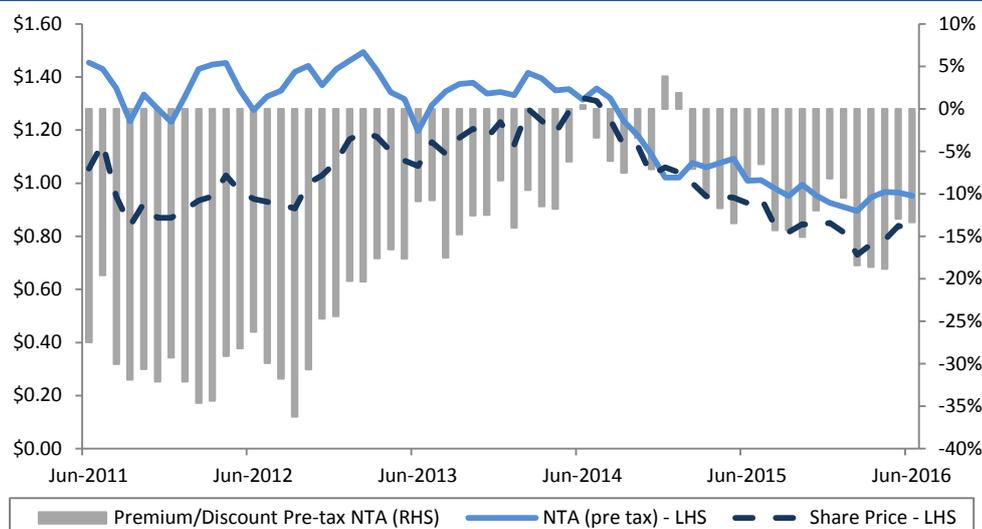
- ◆ **Options** – 12,904,671 listed options exercisable at \$1.05 to acquire 1 new share for every 10 shares held. Options expire on or before 31 August 2016.
- ◆ **Dividend policy** – Objective is to pay a consistent stream of dividends to investors, with a target dividend of 6 cents per share for FY16.
- ◆ **Capital management policy** – Share buyback in place.
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes

### WIC's Portfolio Weightings

Code	Portfolio (%)	All Ordinaries Acc Index (%)
MGX	7.3	0.0
CWP	6.3	0.0
FRI	5.4	0.0
IMF	4.3	0.0
SFR	4.2	0.1
IGO	3.5	0.0
WSA	3.1	0.0
PRG	2.9	0.1
AHG	2.2	na
SXE	2.0	na
	<b>41.1</b>	<b>0.3</b>

Source all figures: WIC/Independent Investment Research/IRESS.  
All data as at 30 June 2016 unless otherwise specified.

### NTA & Share Price Performance



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