

Listed Investment Companies (LICs)

CONTENTS

Sector Update	2
Performance table (Jan-19)	3
Traditional LICs: Dividend run-up	4
Additions to coverage list	
Hearts and Minds Investments (HM1)	5
L1 Long Short Fund (LSF)	8
Tribeca Global Natural Resources (TGF)	11
WAM Global (WGB)	13
WAM Microcap (WMI)	16
Top picks	
Acorn Capital (ACQ)	18
Diversified United Investment (DUI)	19
MFF Capital Investments (MFF)	20
Milton Corp (MLT)	21
Ophir High Conviction Fund (OPH)	22
PM Capital Global Opport. Fund (PGF)	23
Templeton Global Growth (TGG)	24
WAM Leaders (WLE)	25

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Disclosure

The author owns no shares in any of the companies mentioned.

Sector Report

Monthly LIC update – top picks

This report contains a LIC sector update and performance review of our coverage list for the month of February 2019. The table on page two provides an update of the overall sector, as at 29 March 2019, with our estimated current NTAs derived from our model portfolios for the LICs.

Top picks: Our top picks refer to preferred exposures within each sector based on numerous quantitative and qualitative factors. However, they should not be treated as official stock recommendations but merely as a guide to where we would apportion funds at this particular point in time.

Traditional LICs: The All Ordinaries Accumulation Index (XAOAI) continued its CY19 rally, up 6.1% in Feb. Traditional LICs significantly underperformed (TSR) in Feb, which we believe was primarily driven by: 1) a majority trading ex-dividend; and 2) elevated trading levels (higher than historical averages) in Jan-19. We commonly refer to these factors as the “dividend run-up period” (pg.4). Following special dividend announcements by AFIC and BKI, Milton (MLT) recently announced a 2.5cps special. BKI has also announced an FY19 final special and we believe risk remains to the upside for traditional LIC TSR outperformance in FY19. Trading at estimated 7.3% and 2.5% discounts to NTA respectively, Diversified United (DUI) and MLT are our current top picks.

Large capitalisation: WAM Leaders (WLE) and Ophir High Conviction Fund (OPH) are our current top picks. The discount of WLE has drifted to an estimated 6.8%, which we believe is excessive given the quality of management. Elsewhere, since listing (Dec-18) OPH has been a top performer in our coverage universe. It holds a high conviction portfolio of securities such as A2M, APT and CWY. Despite a 4.1% premium to NTA, OPH is a top pick.

Small capitalisation: Acorn Capital (ACQ) and WAM Microcap (WMI) are our current top picks within the small cap space. Trading at an estimated 12.7% discount to NTA, we believe ACQ provides investors exposure to an asset class (Private Equity/VC) that is often difficult to access and is illiquid (unlisted securities accounts for 33% of ACQ’s underlying portfolio). We add WMI to our coverage list and into our small cap top picks. WMI is currently trading at an estimated discount (for the first time since inception) to NTA. The manager, Wilson Asset Management International (WAMI), has a strong track record of performance within the microcap space, and we believe a 0.5% discount to NTA provides an attractive entry point.

International: Global markets rallied in Feb-19 (MSCI World Index AUD adj. up 5.6%), supported by a 2.5% AUDUSD depreciation. Our top picks MFF, PGF and TGG (on an NTA basis) performed broadly in line with the MSCI. That said, the TSR’s of PGF and TGG lagged NTA growth and as a result, respective discounts are estimated to be 11.9% and 12.8%. Although a top performer across our LIC universe, MFF is trading at an estimated 5.7% discount to NTA.

Specialist: Hearts and Minds (HM1) is our top pick. HM1 holds a concentrated portfolio of the highest conviction picks from some of Australia’s leading fund managers (many of whom are not readily accessible to retail investors). HM1 has outperformed the XAOAI since listing in Nov-18 (+3.5%) and we believe the 1.8% premium to NTA remains an attractive entry point.

Additions to coverage list: Hearts & Minds (HM1), L1 Long Short Fund (LSF), Tribeca Global (TGF), WAM Global (WGB) and WAM Microcap (WMI).

Sector Update

BAILLIEU - EQUITY RESEARCH Listed Investment Companies Coverage by Sector

Figures as at: 29 March 2019

Traditional LICs	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since Mar 1	Current Est. NTA	Current Estimated Disc/Prem	Feb NTA	Feb Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Australian Foundat.	AFI	5.95	7140.9	32.0	5.4%	7.7%	-0.8%	5.95	0.0%	5.99	0.2%	1.9%	1.3%	0.14%
Argo Investments	ARG	7.63	5454.9	32.0	4.2%	6.0%	0.0%	7.82	-2.4%	7.91	-3.5%	0.3%	0.9%	0.17%
Australian United In	AUI	8.40	1044.4	36.0	4.3%	6.1%	0.6%	9.01	-6.8%	9.13	-8.5%	-4.8%	-5.1%	0.10%
BKI Investment Ltd	BKI	1.50	1096.0	8.8	5.9%	8.4%	-1.3%	1.49	0.7%	1.55	-1.9%	-1.9%	0.9%	0.15%
Djerriwarrh	DJW	3.23	719.3	20.0	6.2%	8.8%	1.6%	3.15	2.6%	3.13	1.6%	4.9%	13.0%	0.46%
Diversified United	DUI	4.08	860.7	15.5	3.8%	5.4%	1.2%	4.40	-7.3%	4.45	-9.4%	-5.7%	-6.0%	0.13%
Milton Corporation	MLT	4.47	2990.3	19.2	4.3%	6.1%	0.4%	4.59	-2.5%	4.71	-5.5%	-2.2%	-1.2%	0.12%

Large Capitalisation	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since Mar 1	Current Est. NTA	Current Estimated Disc/Prem	Feb NTA	Feb Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Australian Leaders	ALF	0.91	230.3	4.0	4.4%	6.3%	-1.1%	n.a	n.a	1.17	-20.1%	-15.8%	-3.6%	1.00%
Concentrated Leaders	CLF	1.29	76.6	6.0	4.7%	6.6%	0.8%	1.38	-6.7%	1.40	-8.6%	-5.8%	-7.8%	0.75%
AMCIL Limited	AMH	0.84	230.7	7.8	9.2%	13.2%	0.6%	0.92	-8.9%	0.91	-8.2%	-5.7%	-2.8%	0.65%
Clime Capital	CAM	0.88	80.2	5.0	5.7%	8.2%	2.3%	0.90	-3.2%	0.90	-5.0%	-5.9%	-8.2%	0.83%
CBG Capital	CBC	0.97	25.4	3.1	3.2%	4.6%	2.6%	1.02	-5.3%	1.02	-7.4%	-10.4%	-10.6%	1.00%
Cadence Capital	CDM	0.91	291.5	8.0	8.8%	12.6%	1.7%	0.97	-6.1%	0.97	-8.0%	1.6%	6.6%	1.00%
Contango Inc Gen Ltd	CIE	0.77	80.2	8.1	10.5%	15.0%	-2.5%	0.93	-17.5%	0.92	-14.5%	-7.4%	-5.9%	0.95%
Carlton Investments	CIN	30.20	799.5	125.0	4.1%	5.9%	-5.3%	36.64	-17.6%	35.66	-10.5%	-11.7%	-12.1%	0.09%
Future Gen Ltd	FGX	1.21	479.6	4.5	3.7%	5.3%	0.4%	n.a	n.a	1.20	0.7%	1.2%	-1.2%	0.00%
L1 Long Short Fnd Ltd	LSF	1.47	977.3	0.0	0.0%	0.0%	0.3%	1.59	-7.8%	1.61	-8.9%	-0.8%	na	1.25%
Mirrabooka Invest.	MIR	2.44	391.5	22.0	9.0%	12.9%	-3.9%	2.28	6.8%	2.27	11.9%	8.6%	13.6%	0.65%
Ophir High Conviction	OPH	2.55	510.0	0.0	na	na	-0.4%	2.45	4.1%	2.47	3.6%	2.9%	na	1.23%
Perpetual Equity Ltd	PIC	1.05	362.1	6.3	6.0%	8.6%	-0.5%	1.10	-4.4%	1.10	-4.3%	0.0%	-4.5%	1.00%
Plato Income Max.	PLB	1.04	307.2	6.0	5.8%	8.3%	0.0%	n.a	n.a	1.08	-3.9%	-3.0%	-0.2%	0.80%
Qv Equities Limited	QVE	1.04	287.4	5.3	5.1%	7.3%	0.0%	1.11	-6.6%	1.11	-6.3%	-3.9%	1.7%	0.90%
WAM Capital Limited	WAM	2.23	1591.3	15.5	7.0%	9.9%	0.5%	n.a	n.a	1.85	19.9%	20.8%	20.0%	1.00%
WAM Leaders Limited	WLE	1.12	876.7	5.0	4.5%	6.4%	-0.9%	1.20	-6.8%	1.19	-5.4%	-2.5%	-1.9%	1.00%
Whitefield Ltd	WHF	4.44	407.8	18.8	4.2%	6.0%	2.1%	4.91	-9.5%	4.90	-11.2%	-7.4%	-8.0%	0.25%

Small Capitalisation	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since Mar 1	Current Est. NTA	Current Estimated Disc/Prem	Feb NTA	Feb Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Acorn Cap Inv Fund	ACQ	1.09	57.6	6.2	5.7%	6.7%	1.9%	1.25	-12.7%	1.23	-12.9%	-10.3%	-12.8%	0.95%
Barrack St Invest	BST	0.95	17.3	3.5	3.7%	4.4%	1.1%	1.21	-22.1%	1.20	-22.0%	-19.7%	-17.5%	1.00%
Naos Small Cap Opp	NSC	0.63	105.6	5.5	8.8%	10.4%	-6.7%	n.a	n.a	0.75	-10.7%	-11.9%	-9.9%	1.25%
Forager Aust. Shares	FOR	1.39	157.7	21.3	15.4%	15.4%	-1.4%	1.40	-1.1%	1.41	-0.4%	7.7%	9.8%	1.00%
Glennon SML Co Ltd	GCI	0.85	40.6	4.0	4.7%	5.6%	0.0%	n.a	n.a	0.96	-10.9%	-12.1%	-9.2%	1.00%
Naos Emerg Opp	NCC	1.08	64.7	7.3	6.7%	9.6%	4.5%	n.a	n.a	1.13	-5.3%	0.1%	-1.3%	1.25%
NGE Capital	NGE	0.77	28.6	0.0	na	na	-1.3%	n.a	n.a	0.88	-11.3%	-19.1%	-22.9%	1.90%
Ozgrowth Limited	OZG	0.16	57.0	0.5	3.1%	4.5%	0.0%	0.20	-18.4%	0.20	-20.4%	-19.4%	-19.7%	1.00%
Ryder Capital	RYD	1.28	77.2	3.0	2.3%	3.3%	-0.8%	n.a	n.a	1.43	-8.9%	-17.1%	-9.6%	1.25%
Spheria Emerging Co	SEC	1.73	114.4	6.0	3.5%	5.0%	1.7%	2.04	-15.5%	2.04	-16.1%	-8.2%	-7.3%	1.00%
WAM Research Ltd	WAX	1.43	271.1	9.5	6.6%	9.5%	2.1%	n.a	n.a	1.16	21.0%	24.6%	22.3%	1.00%
Westoz Inv Ltd	WIC	1.02	135.9	6.0	5.9%	8.4%	-3.8%	1.15	-11.4%	1.18	-10.2%	-9.1%	-11.8%	1.00%
WAM Microcap Ltd	WMI	1.24	173.6	6.0	4.9%	6.9%	-1.6%	n.a	n.a	1.26	-0.5%	7.4%	7.6%	1.00%
8lp Emerg Co Ltd	8EC	0.68	27.9	4.5	6.6%	9.5%	-2.5%	n.a	n.a	0.88	-20.6%	-15.6%	-13.2%	1.25%

International	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since Mar 1	Current Est. NTA	Current Estimated Disc/Prem	Feb NTA	Feb Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Argo Global Ltd	ALI	2.17	307.1	5.0	2.3%	2.3%	5.1%	2.43	-10.7%	2.38	-12.2%	-15.0%	-12.5%	1.25%
Antipodes Global	APL	0.99	546.0	7.0	7.1%	7.1%	-4.8%	1.10	-10.2%	1.12	-5.5%	-6.0%	-2.5%	1.10%
Ellerston Asian	EAI	0.96	140.7	1.0	1.0%	1.0%	-5.4%	1.11	-13.6%	1.10	-7.5%	-5.9%	-9.4%	0.75%
Ellerston Global Inv	EGI	0.93	102.3	5.5	5.9%	8.4%	-2.1%	1.10	-15.1%	1.06	-8.8%	-8.1%	-10.4%	0.75%
Future GIB Invest Co	FGG	1.37	536.8	1.0	0.7%	1.0%	0.0%	n.a	n.a	1.35	1.5%	1.0%	-0.7%	0.00%
Global Value Fnd Ltd	GVF	1.03	152.1	6.3	6.1%	8.7%	1.1%	1.10	-6.5%	1.07	-2.2%	-1.3%	-0.3%	1.50%
Pengana International	PIA	1.12	283.3	7.0	6.3%	8.9%	-0.9%	1.21	-7.7%	1.21	-6.4%	-6.5%	-6.3%	1.50%
MFF Capital Invest.	MFF	2.82	1527.2	3.0	1.1%	1.5%	-1.1%	2.99	-5.7%	2.98	-4.3%	-6.4%	-9.4%	1.25%
Magellan Global Trust	MGG	1.69	2083.5	9.0	5.3%	7.6%	4.3%	1.71	-1.6%	1.67	-3.5%	-1.4%	-0.4%	1.35%
Pm Capital Asian Ops	PAF	0.99	56.0	4.0	4.0%	5.8%	-5.6%	1.12	-12.0%	1.06	0.6%	2.1%	-3.8%	1.00%
Platinum Asia Ltd	PAI	1.05	380.2	8.0	7.6%	10.9%	-5.8%	1.09	-3.5%	1.06	6.7%	5.7%	0.0%	1.10%
Pm Capital Fund	PGF	1.14	398.6	3.6	3.2%	4.5%	1.1%	1.29	-11.9%	1.32	-13.5%	-6.0%	-8.4%	1.00%
Platinum Capital Ltd	PMC	1.62	467.5	12.0	7.4%	10.6%	-4.1%	1.57	3.3%	1.50	12.3%	12.7%	8.2%	1.10%
Templeton Global	TGG	1.26	273.5	10.0	8.0%	11.4%	-1.6%	1.44	-12.8%	1.46	-11.5%	-8.9%	-9.8%	1.20%
VGI Partners Global	VGI	2.40	668.7	0.0	na	na	-2.0%	2.30	4.5%	2.29	7.0%	5.1%	4.9%	1.50%

Specialist	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since Mar 1	Current Est. NTA	Current Estimated Disc/Prem	Feb NTA	Feb Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Blue Sky Alt Access	BAF	0.86	173.6	5.0	5.8%	8.4%	0.0%	1.12	-23.8%	1.12	-22.9%	-19.8%	-4.4%	1.20%
Bailador Tech Inv	BTI	0.80	96.2	0.0	na	na	2.6%	1.16	-31.0%	1.16	-32.8%	-28.7%	-18.6%	1.75%
Hearts and Minds	HMI	2.86	572.0	0.0	na	na	3.2%	2.81	1.8%	2.86	-3.1%	1.0%	na	0.00%
Lowell Resource Fund	LRT	4.50	12.5	0.0	na	na	-3.0%	5.67	-20.7%	5.87	-21.0%	-11.1%	na	2.16%
Lion Selection Grp	LSX	0.36	53.3	0.0	na	na	-4.1%	n.a	n.a	0.44	-15.9%	-6.6%	-6.2%	1.50%
Monash Absolute	MAI	0.78	34.6	1.0	na	na	-1.9%	n.a	n.a	0.95	-16.5%	-15.5%	-10.2%	1.50%
NAOS ex-50 Opport.	NAC	0.84	44.1	5.2	6.2%	8.8%	-5.6%	n.a	n.a	1.03	-13.6%	-12.0%	-7.4%	1.75%
Sandon Capital Ltd	SNC	0.88	42.6	7.0	8.0%	11.4%	-0.6%	n.a	n.a	0.94	-7.3%	-5.2%	-4.5%	1.25%
Thorney Opp Ltd	TOP	0.64	130.3	1.5	2.3%	3.3%	2.7%	n.a	n.a	0.78	-19.5%	-14.8%	-9.9%	0.75%
URB Investments	URB	0.92	67.1	2.8	3.0%	4.3%	-2.0%	n.a	n.a	1.13	-15.9%	-10.8%	na	0.50%
WAM Active Limited	WAA	1.05	48.3	5.7	5.4%	7.8%	0.5%	n.a	n.a	1.05	-0.5%	2.7%	4.0%	1.00%
Watermark Fund Ltd	WMK	0.85	68.8	2.5	3.0%	4.2%	1.2%	n.a	n.a	0.87	-4.0%	-11.3%	-5.1%	1.00%

Source: Company releases, Bloomberg, Baillieu estimates

Performance update: February 2019

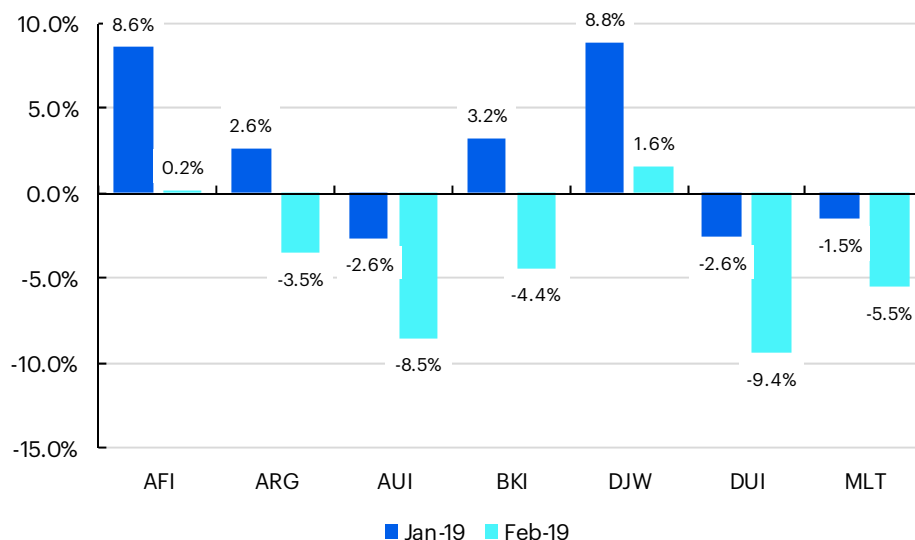
Code	Company	1 Year			3 Year (annualised)			5 Year (annualised)		
		NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc
AFI	Australian Foundat.	4.6%	3.7%	1.9%	9.9%	7.5%	1.3%	4.7%	4.1%	2.3%
ARG	Argo Investments	5.1%	-1.6%	0.3%	10.3%	6.0%	0.9%	5.4%	4.8%	2.2%
AUI	Australian United In	7.1%	0.7%	-4.8%	13.2%	11.4%	-5.1%	5.4%	5.8%	-4.6%
BKI	BKI Investment Ltd	4.2%	-4.8%	-1.9%	8.1%	3.8%	0.9%	4.0%	3.6%	0.9%
DJW	Djerriwarh	2.5%	-1.8%	4.9%	9.9%	-0.4%	13.0%	2.8%	-1.3%	18.9%
DUI	Diversified United	9.6%	2.0%	-5.7%	15.8%	12.5%	-6.0%	7.9%	7.8%	-5.8%
MLT	Milton Corporation	6.6%	1.3%	-2.2%	9.9%	6.7%	-1.2%	5.8%	4.9%	0.1%
Code	Company	1 Year			3 Year (annualised)			5 Year (annualised)		
		NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc
ALF	Australian Leaders	-0.8%	-4.3%	-15.8%	0.0%	-10.3%	-3.6%	-0.3%	-5.8%	0.7%
CLF	Concentrated Leaders	13.2%	6.7%	-5.8%	13.0%	14.1%	-7.8%	6.4%	3.7%	-6.3%
AMH	AMCIL Limited	1.8%	-0.1%	-5.7%	6.7%	4.4%	-2.8%	4.6%	4.0%	-2.4%
CAM	Clime Capital	1.1%	6.0%	-5.9%	6.8%	10.6%	-8.2%	1.1%	2.0%	-8.2%
CBC	CBG Capital Limited	1.0%	14.2%	-10.4%	5.4%	6.5%	-7.8%	na	na	na
CDM	Cadence Capital	-15.4%	-28.3%	1.6%	2.6%	-9.3%	6.6%	0.2%	-3.1%	5.8%
CIE	Contango Inc Gen Ltd	-3.2%	-10.4%	-7.4%	5.3%	1.6%	-5.9%	na	na	na
CIN	Carlton Investments	-0.5%	-4.5%	-11.7%	3.5%	4.0%	-12.1%	7.5%	8.0%	-11.5%
FGX	Future Gen Ltd	-0.6%	5.0%	1.2%	5.3%	5.5%	-1.2%	na	na	na
LSF	L1 Long Short Fund	-19.6%	-26.4%	-0.8%	na	na	na	na	na	na
MIR	Mirrabooka Invest.	1.6%	3.5%	8.6%	7.6%	5.3%	13.6%	6.7%	5.5%	13.3%
OPH	Ophir High Cf	7.2%	16.4%	2.9%	16.3%	na	na	na	na	na
PIC	Perpetual Equity Ltd	6.2%	-2.0%	0.0%	7.9%	9.1%	-4.5%	na	na	na
PLB	Plato Inc Max Ltd.	6.5%	3.5%	-3.0%	na	na	na	na	na	na
QVE	Qv Equities Limited	-4.7%	-9.0%	-3.9%	6.2%	5.7%	1.7%	na	na	na
WAM	WAM Capital Limited	-2.6%	-5.1%	20.8%	9.2%	6.9%	20.0%	8.5%	8.4%	15.4%
WLE	WAM Leaders Limited	4.0%	0.9%	-2.5%	na	na	na	na	na	na
WHF	Whitefield Ltd	1.5%	-3.1%	-7.4%	7.6%	6.3%	-8.0%	5.8%	5.7%	-7.4%
Code	Company	1 Year			3 Year (annualised)			5 Year (annualised)		
		NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc
ACQ	Acorn Cap Inv Fund	-0.6%	-6.0%	-10.3%	12.3%	15.1%	-12.8%	na	na	na
BST	Barrack St Invest	10.3%	3.9%	-19.7%	2.3%	3.2%	-17.5%	na	na	na
NSC	Naos Smicap Com Ltd	-21.1%	-21.5%	-11.9%	-3.4%	-3.1%	-9.9%	-2.6%	-1.9%	-9.7%
FOR	Forager Aust Shs Fnd	-10.4%	-22.4%	7.7%	na	na	na	na	na	na
GC1	Glennon SML Co Ltd	-14.0%	-9.0%	-12.1%	2.3%	-1.1%	-9.2%	na	na	na
NCC	Naos Emerg Opp	-10.3%	-21.1%	0.1%	5.8%	8.2%	-1.3%	3.4%	5.0%	-4.9%
NGE	NGE Capital Limited	39.7%	69.6%	-19.1%	na	na	na	na	na	na
OZG	Ozgrowth Limited	-7.1%	-8.5%	-19.4%	13.1%	15.0%	-19.7%	0.1%	-0.2%	-16.8%
RYD	Ryder Capital Ltd	-4.5%	3.2%	-17.1%	14.4%	10.0%	-9.6%	na	na	na
SEC	Spheria Emerging Co	0.1%	-12.5%	-8.2%	na	na	na	na	na	na
WAX	WAM Research Ltd	-2.0%	-5.8%	24.6%	7.5%	6.5%	22.3%	8.6%	10.2%	15.9%
WIC	Westoz Inv Ltd	-2.2%	-2.3%	-9.1%	15.5%	20.8%	-11.8%	1.8%	3.0%	-10.3%
WMI	WAM Microcap Limited	-0.2%	-15.0%	7.4%	na	na	na	na	na	na
8EC	8lp Emerg Co Ltd	-17.9%	-24.7%	-15.6%	1.0%	-5.7%	-13.2%	na	na	na
Code	Company	1 Year			3 Year (annualised)			5 Year (annualised)		
		NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc
ALI	Argo Global Ltd	20.9%	21.2%	-15.0%	8.7%	7.6%	-12.5%	na	na	na
APL	Antipodes Global Inv	-2.8%	-11.3%	-6.0%	na	na	na	na	na	na
EAI	Ellerston Asian	-7.5%	-8.0%	-5.9%	8.9%	6.2%	-9.4%	na	na	na
EGI	Ellerston Global Inv	-10.3%	-12.9%	-8.1%	3.4%	3.3%	-10.4%	na	na	na
FGG	Future Glb Invest Co	6.8%	11.8%	1.0%	10.1%	7.6%	na	na	na	na
GVF	Global Value Fnd Ltd	1.9%	0.2%	-1.3%	3.8%	7.2%	-0.3%	na	na	na
PIA	Pengana Int Equ Ltd	3.0%	2.9%	-6.5%	2.1%	6.4%	-6.3%	5.0%	8.1%	-8.3%
MFF	MFF Capital Inv Ltd	15.7%	21.2%	-6.4%	19.3%	16.8%	-9.4%	17.0%	15.1%	-7.0%
MGG	Magellan Glob Trust	11.8%	9.9%	-1.4%	na	na	na	na	na	na
PAF	Pm Capital Asian Ops	-14.5%	-19.0%	2.1%	2.7%	11.4%	-3.8%	na	na	na
PAI	Platinum Asia Ltd	-4.8%	-7.3%	5.7%	10.4%	10.3%	0.0%	na	na	na
PGF	Pm Capital Fund	-0.7%	-5.4%	-6.0%	11.2%	12.3%	-8.4%	na	na	na
PMC	Platinum Capital Ltd	-6.3%	-6.4%	12.7%	8.6%	6.7%	8.2%	3.6%	4.4%	9.2%
TGG	Templeton Global	-0.1%	-2.6%	-8.9%	8.3%	11.0%	-9.8%	4.1%	2.8%	-8.4%
TGF	Tribeca Global	-1.2%	-3.2%	-0.3%	na	na	na	na	na	na
VG1	Vgi Partners Global	11.2%	16.1%	5.1%	na	na	na	na	na	na
WGB	WAM Global Limited	-0.5%	-13.2%	-3.7%	na	na	na	na	na	na
Code	Company	1 Year			3 Year (annualised)			5 Year (annualised)		
		NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc
BAF	Blue Sky Alt Access	2.5%	-23.0%	-19.8%	6.0%	1.0%	-4.4%	na	na	na
BTI	Bailador Tech Inv	8.4%	-4.3%	-28.7%	-2.7%	-7.8%	-18.6%	na	na	na
HMI	Hearts and Minds	14.4%	9.1%	1.0%	na	na	na	na	na	na
LRT	Lowell Res Fund	-29.4%	-44.4%	-11.1%	na	na	na	na	na	na
LSX	Lion Selection Grp	33.3%	5.7%	-6.6%	12.4%	16.3%	-6.2%	-7.5%	-6.2%	-18.3%
MA1	Monash Absolute	-3.4%	-5.9%	-15.5%	na	na	na	na	na	na
NAC	Naos Ex-50	-4.7%	-4.4%	-12.0%	1.3%	2.9%	-7.4%	na	na	na
SNC	Sandon Capital Ltd	2.4%	-5.5%	-5.2%	7.8%	8.2%	-4.5%	5.1%	4.0%	-4.4%
TOP	Thorney Opp Ltd	-2.6%	-11.8%	-14.8%	14.9%	8.0%	-9.9%	12.0%	3.8%	-8.0%
URB	URB Investments Ltd	10.1%	-3.1%	-10.8%	na	na	na	na	na	na
WAA	WAM Active Limited	0.1%	-3.6%	2.7%	7.6%	3.1%	4.0%	5.8%	1.2%	4.6%
WMK	Watermark Fund Ltd	-5.8%	5.5%	-11.3%	-1.7%	-1.9%	-5.1%	0.9%	0.0%	-5.7%

Source: Bloomberg, Baillieu

Traditional LICs: Dividend run up

- **Ex-dividend dates:** With the exception of DJW (29-Jan), all traditional LICs traded ex-dividend in Feb-19. We have previously discussed the dividend run-up trend (TSR outperformance vs XAOAI) of traditional LICs into ex-dividend dates, which again was evident during Feb-19.
- As shown in Figure 1 below, all traditional LICs negatively de-rated in Feb-19 (vs Jan-19), with most de-rating from levels (premium/discounts) significantly higher than historical averages (see Sector Update).

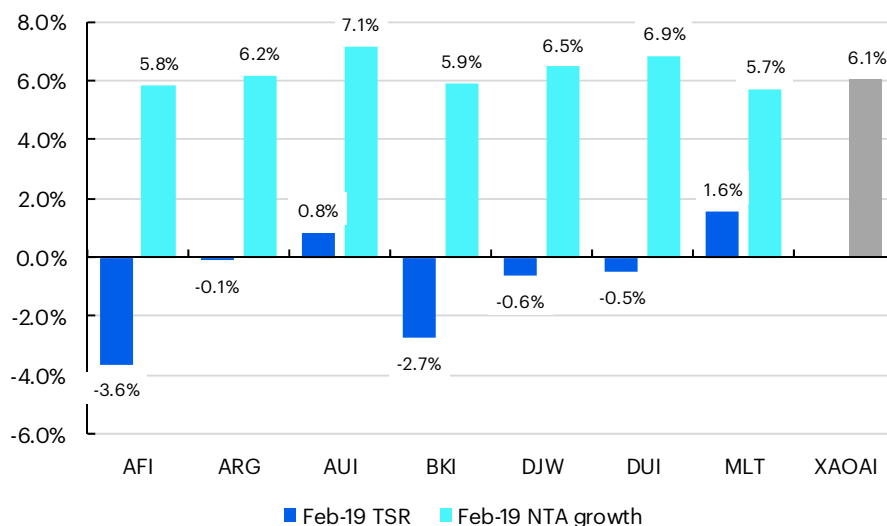
Fig.1: Premium/Discounts of traditional LICs in Jan-19 and Feb-19



Source: Company reports, Iress, Baillieu

- Trading level fluctuations can be derived from a number of factors but as shown in Figure 2 below, the key driver was TSR lagging the performance of respective underlying portfolios, which collectively (on average) was broadly in line with the index.

Fig.2: Traditional LICs TSR and NTA performance (Feb-19)



Source: Company reports, Iress, Baillieu

Additions to coverage list

Hearts and Minds Investments (HM1)

www.heartsandmindsinvestments.com.au

- **Hearts and Minds:** HM1 is a recently incorporated LIC, listing in Nov-18 following a \$500m raise. HM1 has been established with the combined objective of providing a concentrated portfolio of the highest conviction ideas from leading domestic and international fund managers, whilst also supporting Australian medical research institutes.
- **Charity objective:** HM1 has foregone any investment fees and will instead pay a bi-annual donation to a group of designated charities. The underlying fund managers of HM1 have also foregone management fees. Currently, HM1 will donate an amount equal to 1.5% (plus GST) pa of the average monthly NTA for the previous year to the designated charities (initially a group of 10).
- **Investment objective:** HM1 provides investors exposure to the highest conviction recommendations from a select group of fund managers to maximise shareholder returns over the long term (>5 years).
- **Investment strategy:** HM1 will hold a concentrated portfolio of long positions (approximately 25 Australian and international listed securities) which are derived from the highest conviction ideas of leading fund managers.
- **Sohn Hearts and Minds Conference:** Conceived in 2016 by co-founders Gary Weiss, Matthew Grounds and Guy Fowler, the conference brings together the top investment, scientific and philanthropic minds globally to support medical research funding in Australia. Here, top investors/fund managers (many who rarely speak in public), present a pitch on their 'best investment idea'.
- **Conference fund managers:** HM1 will allocate 40% of the portfolio based on the annual recommendations (both domestic and international) of the fund managers who present at the annual Sohn Hearts and Minds Investment Leaders Conference.
- **Core fund managers:** HM1 will invest 60% of the portfolio based on the highest conviction quarterly recommendations of five leading fund managers. These fund managers include Caledonia, Cooper Investments, Magellan Asset Management, Paradice Investment Management and Regal Funds Management.
- **Portfolio construction:**
 - 40% of the portfolio will be allocated (equally weighted) to the conference fund managers (approximately 10) and their respective recommendations. These securities are expected to be held in the HM1 portfolio for a period of 12 months. It is anticipated that the securities will be removed after 12 months in order to implement the recommendations of the selected fund managers who present at the following year's conference.
 - 60% of the portfolio will initially be allocated (equally weighted) to securities recommended by the five core fund managers. The five managers have been selected by HM1, after assessing each fund manager's skill and expertise, performance, investment style and willingness to provide recommendations without any investment fees. On a quarterly basis, each core fund manager will provide HM1 with a list of their top three security holding recommendations and a weighting for each security. HM1 will initially invest 12% of the portfolio in each core fund manager's three recommendations. The core managers have agreed to provide recommendations to the company for a period of at least three years.

- **Investment committee:** The investment committee, comprising Chris Cuffe, Lorraine Berends, Brett Paton, Michael Traill, Gary Weiss, Geoff Wilson and David Wright, is responsible for the selection and ongoing communication with fund managers.
- **Initial charities:** The initial group of 10 charities include the Victor Chang Cardiac Research Institute, Black Dog institute, The Brain and Mind Centre (Sydney University), The Charlie Teo Foundation, The Children’s Hospital at Westmead (Pediatric Intensive Care Unit – Research), Florey institute of Neuroscience and Mental Health, Centre of Human Psychopharmacology (Swinburne University), Multiple Sclerosis Research Australia, Orygen and the Royal Price Alfred Hospital (research).

- **Investment guidelines:** Key HM1 investment guidelines are outlined below.

Fig.3: HM1 investment guidelines

Exposure	Investment guidelines
Number of securities	Approximately 25 securities, however HM1 investment strategy does not require there to be a minimum or maximum number of securities within the portfolio at any given time.
Average size of holdings	Individual position sizes are expected to represent approximately 4% of the portfolio's NTA, however this figure may change due to a number of factors such as price changes and the same recommendation by more than one fund manager.
Single security holding limit	Single security weighting limitations will not apply to the portfolio however the company retains the discretion to lower a security weighting should it represent more than 8% of the portfolio.
Industry/Sector limits	Industry and sector limitations will not apply to HM1's investment strategy. Diversification is expected across a broad range of sectors and industry groups.
Geographic exposure limits	Geographic limitations will not apply to HM1's investment strategy.
Net and Gross exposure limits	Limited to 100% of the portfolio's NTA.
Short selling	HM1 does not currently participate in short selling.

Source: HM1

- **Fees:** HM1 will forego any investment and management fees and all underlying managers have forgone investment fees. Instead, a donation amount will be paid by the company to the designed charities bi-annually. The donation amount for each six months will be equal to 1.5% (plus GST) per annum of the average monthly NTA for the previous six months.

Fig.4: Performance of the 2016 and 2017 Sohn investment ideas

2016 Sohn Investment Ideas		2017 Sohn Investment Ideas	
Company	Return	Company	Return
58.com	106%	Appen	148%
Wynn Macau	88%	Grubhub Inc	126%
Brinks	84%	InterActiveCorp	77%
Apple	62%	Biohaven Pharmaceutical Holdings	45%
BIM Birlesik Magazalar	54%	Reliance Worldwide Corp	40%
Amaya (re-named The Star Group)	50%	Macquarie Group	27%
Fairfax Media	39%	CME Group Inc	27%
Transurban	30%	NEXTDC	13%
Cross Harbour Holdings	18%	TE Connectivity	-3%
Mesoblast	13%	Virgin Australia	-4%
Chrous	9%	Speedcast International	-10%
Consolidated Operations Group	-10%	NZME	-20%
		Oventus Medical	-48%

Source: HM1, Baillieu. *Returns are calculated using foreign currency and the historical holding periods were 10-Nov-16 to 10-Nov-17 and 16-Nov-17 to 14-Sep-18.

- **Overall:** Although this strategy is newly incorporated, we note it provides investors access to top rated fund managers, many of whom are not readily accessible to retail investors. This access is then further refined to the highest conviction ideas (many of which may be top holdings in the manager's respective portfolios).
- Since inception, HM1 has performed strongly – up 9.1% and 14.4% on a TSR and NTA basis respectively, with both return metrics outperforming the benchmark.

Fig.5: HM1 snapshot

HM1 Snapshot				Top Holdings		Top Sector Allocation			
Price (28 February 2019)	\$2.77			Business domicile					
Share price range (12 months)	\$2.35- \$2.97			United States	44.0%				
Shares on issue (Mn)	200.0			Australia	27.0%				
Market capitalisation (\$Mn)	\$554			Hong Kong	8.0%				
Pre-tax asset backing*	\$2.86			China	7.0%				
Post-tax asset backing*	\$2.74								
Premium/(Discount) to pre-tax NTA	-3.1%			Top Sector Allocation					
Premium/(Discount) to post-tax NTA	1.1%			Cons Discretionary	23.0%				
Dividend yield	0.0%			Communications	20.0%				
Dividend per share (cents)	0.0			Technology	19.0%				
Franking	100%			Industrials	15.0%				
Management expense ratio	0.00%			Financials	9.0%				
Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year		
HM1	9.1%	na	na	NTA growth	14.4%	na	na		
Active return	0.3%	na	na	Active return	5.7%	na	na		

Source: IRESS, Bloomberg, Baillieu, Company reports. Performance figures since inception (Nov-18). Active return refers to TSR and NTA growth relative to that of the comparative index (see chart below).

- Currently trading at an estimated 1.8% premium to NTA, HM1 is our top pick within our specialist segment.

L1 Long Short Fund (LSF)

www.l1longshort.com

- **LSF:** LSF listed in April-18 following a \$1.3bn raising. Managed by L1 Capital (the manager), a global investment manager with FUM of ~\$3bn (as at Dec-17). The manager was established in 2007 by Raphael Lamm and Mark Landau and is 100% privately owned by entities associated with current employees.
- **Investment objectives:** LSF has dual investment objectives to: 1) seek to deliver strong, positive, risk-adjusted returns over the long term (being a period of more than five years); and 2) preserve capital.
- **Investment strategy:** LSF will mirror the existing L1 Capital Long Short Fund strategy. LSF will utilise a fundamental, bottom-up research process to seek and identify mispriced securities with the potential to provide attractive risk-adjusted returns. The manager seeks high quality companies with attractive valuations. The manager believes high quality companies display the following characteristics:
 - passionate, honest and capable management;
 - attractive industry structure;
 - favourable operating outlook; and
 - strong balance sheet.
- The manager may take short positions in companies it considers to be overvalued, or of low quality and/or over-gearred.
- **Portfolio construction:** The portfolio will be constructed in accordance with the manager's investment philosophy which is based on the following three core beliefs: 1) valuation and qualitative factors are the key drivers of long-term share price performance; 2) the market continually presents opportunities to investors who are unemotional and long term in their assessment of business potential; and 3) successful bottom-up investing requires detailed research and an independent thought process.
- The company may invest in securities, pre-IPO securities, derivatives, currency positions and cash. LSF is also permitted to hold up to 30% of the portfolio's gross exposure (at the time of trade initiation) in global securities.
- The company typically invests in a select number of long and short positions (typically between 50-100). No sector limitations apply to the investment strategy as the manager is primarily a bottom-up fundamental investor. That said, the manager regularly reviews portfolio sector weights and thematic concentrations.

- **Investment process:** The manager employs a number of stages of analysis (which can occur concurrently) to identify securities with the potential to provide attractive risk-adjusted returns.
- **The manager follows a four step investment process:** 1) Review of investment universe (ASX 200 and related opportunities); 2) valuation & qualitative scoring; 3) L1 ranking sheet; and 4) portfolio construction. Further details about each step are outlined below:
 - **A) Comprehensive company visitation schedule:** The manager seeks to conduct numerous site visits with company management, competitors, customers, suppliers, operational personnel and other stakeholders.
 - **B) Extensive travel program:** The investment team regularly travels around Australia and overseas to meet people who may have additional insights into a businesses, or industry's, prospects or risks.
 - **C) Detailed bottom-up analysis:** The manager dedicates a substantial amount of time reading and analysing annual reports, company announcements, industry publications, broker reports and other relevant communications.
 - **D) Valuation:** The manager will create a DCF using estimates from metrics in their model. The DCF valuation may then be compared with peers and historical multiples such as PE, EV/EBITDA, P/B and P/Sales ratios.
 - **E) Qualitative assessment:** Management quality, industry and company structure, and business trends are assessed, and each company is given a score out of five (with 1 being excellent and 5 being poor).
 - **F) Portfolio construction:** For a long position, securities with the best combination of qualitative factors and valuation upside will be used for the basis of portfolio construction. As these metrics change, portfolio weights are adjusted accordingly. The inverse applies for short positions.
 - **G) The manager seeks to manage the risk of portfolio by employing the above investment philosophy and investment process to ensure appropriate due diligence.**
- **Track record:** The manager has a strong track record of performance (utilising the same strategy) over a number of years (see Figure 6 below). That said, since listing the underlying of NTA performance of LSF has been uncharacteristically disappointing (NTA growth -19.6% since inception).

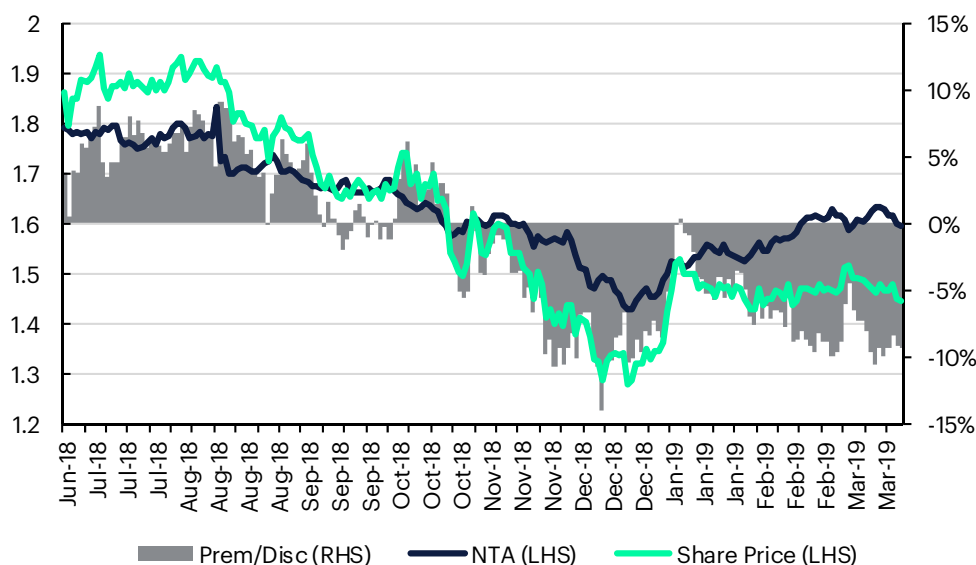
Fig.6: L1 Capital Long Short Fund - historical performance (to Jun-17)

PERIOD	L1 CAPITAL LONG SHORT FUND	S&P/ASX200 ACCUMULATION INDEX	NET OUTPERFORMANCE
Six month	13.75%	8.36%	5.39%
One year	30.50%	11.80%	18.70%
Two years (p.a.)	29.93%	11.80%	18.13%
Three years (p.a.)	39.42%	8.63%	30.79%
Since inception (p.a.)	36.87%	6.94%	29.93%
Since inceptions (cumulative)	184.72%	25.07%	159.65%

Source: Bloomberg, Baillieu

- **Current discount:** The current discount to NTA of LSF has drifted to ~-7.8%.

Fig.7: LSF trading level since inception



Source: Bloomberg, Baillieu

- **Current discount:** Performance aside, as shown below in Figure 8 above, historically when LSF has drifted to a high single-digit discount, the discount has subsequently narrowed (founders Raphael Lamm and Mark Landau have also used this opportunity to increase their respective holdings, which are currently ~\$10m and ~\$14m worth of LSF).
- As a trading idea, we believe a high single-digit or >10% discount may provide the opportunity for discount capture for investors over the short term.

Fig.8: LSF snapshot

LSF Snapshot		Top Holdings			
Price (28 February 2019)	\$1.47	na			
Share price range (12 months)	\$1.27- \$2.09				
Shares on issue (Mn)	664.8				
Market capitalisation (\$Mn)	\$974				
Pre-tax asset backing*	\$1.61				
Post-tax asset backing*	\$1.72				
Premium/(Discount) to pre-tax NTA	-8.9%				
Premium/(Discount) to post-tax NTA	-15.0%				
Dividend yield	0.0%				
Dividend per share (cents)	0.0				
Franking	100%				
Management expense ratio	1.25%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
LSF	-26.4%	na	na	NTA growth	-19.6%	na	na
Active return	-34.6%	na	na	Active return	-27.7%	na	na

Source: IRESS, Bloomberg, Baillieu, Company reports. Performance figures since inception (April-18). Active return refers to TSR and NTA growth relative to that of the comparative index (see chart below).

Tribeca Global Natural Resources Limited (TGF)

www.tribecaip.com

- **TGF:** Managed by global fund manager Tribeca Global Resources, TGF listed in Oct-18 following ~\$158m raise.
- **About the manager:** Launched in Oct-15 by Benjamin Cleary following the merger of Tribeca Investment Partners with Cleary Capital, Tribeca Global Resources is a specialist small and mid-cap equities investment manager. TGF is part of Tribeca Group, which has ~\$2.3bn of funds under management across nine investment funds. The manager is 40% owned by Tribeca IP and the balance owned by co-portfolio managers, Benjamin Cleary and Craig Evans, who jointly hold ~35% of Tribeca IP.
- **Investment philosophy:** Tribeca currently manages three strategies (TGF, Tribeca Smaller Companies Strategy and the Tribeca Alpha Plus Fund). Tribeca provides exposure to specialised traditional and alternative investment funds within the small to mid-cap equities space.
- **Investment objective:** TGF seeks to actively deliver superior risk-adjusted returns to investors through a combination of long and short, credit and commodity positions in the highly volatile natural resources sector. The manager aims to preserve capital and generate a compound annual return above 15% over 5+ years.
- **Investment strategy:** The manager employs a high conviction, bottom-up research approach coupled with specialist commodities knowledge to take advantage of valuation mispricing and relative value of the natural resources market. TGF seeks to maintain detailed coverage of ~300 companies across the following eight natural resources industry segments:
 - base metals (e.g. operations involving copper, zinc or nickel);
 - diversified (including corporates such as BHP Billiton Ltd or Glencore plc with exposure to multiple commodities);
 - specialty metals (e.g. cobalt, lithium, graphite);
 - precious metals (e.g. gold, silver);
 - bulk (e.g. iron ore, coal, steel);
 - energy (e.g. oil and gas, thermal coal, uranium);
 - soft commodities (e.g. agricultural sectors including grains, proteins, fertilisers); and
 - associated services (e.g. engineering, design, transport and logistics).

The management team spend a considerable amount of time understanding the quality of each business and the environment in which it operates in order to determine these opportunities.

- **Investment process:** The five stages outlined below are typically undertaken as part of TGF's investment process:
 - 1) **Commodity ranking and quantitative screening:** Global supply and demand models are used to rank a target of at least 24 commodities from least to most favourable, factoring in key currencies impact and key takeaways from site visits and company meetings. Quantitative screening is then carried out to identify natural resources segments with the most attractive investment opportunities.

- a. The Tribeca investment team will regularly meet with the senior management of companies within their investment universe, in addition to a wide array of contacts within a company's broader ecosystem. In 2017, over 1,000 company meetings and over 50 mine site visits were carried out globally.
- 2) **Idea generation:** The investment team then focus on specific investments and segments to conduct fundamental research on from a long and short basis.
 - 3) **Fundamental research:** Due diligence is undertaken with key management, customers, suppliers, competitors and various data sources to create proprietary financial models for each potential investment identified. Research will cover what the underlying business does, how it generates cash and how sustainable and predictable these cash flows are. The team also considers the industry structure, company market position, growth strategy and commercial terms.
 - 4) **Portfolio construction:** Typically, a portfolio will consist of 20-60 long and short positions. No cash, geographic or industry limitations apply. The top five holdings will typically represent 40-50% of the portfolio's NTA.
 - 5) **Ongoing monitoring:** The team will actively manage and monitor the portfolio, adjusting as required. Long and short positions will undergo daily market stress tests.
- **Portfolio limits:** Commodity positions and credit positions cannot exceed 20% of the portfolio's NAV. A single security position is limited to 15% of the portfolio's NTA (except for Tribeca Credit Securities).
 - **ESG:** Tribeca applies a hands-on approach to considering environmental, social and ethical factors (including labour standards) and corporate governance issues when determining commitment to investments.
 - **Fees:** The manager is entitled to a management fee of 1.5% (plus GST) pa of the portfolio's value, regardless of performance. A performance fee of 20% (plus GST) pa of the portfolio's performance over a six-month period, subject to a high water mark.

Fig.9: TGF snapshot

TGF Snapshot				Top Holdings			
Price (28 February 2019)	\$2.44			WORLEYPARSONS			na
Share price range (12 months)	\$2.22- \$2.63			FREEPORT-MCMORAN			
Shares on issue (Mn)	63.0			TECK RESOURCES-B			
Market capitalisation (\$Mn)	\$154			GLENCORE PLC			
Pre-tax asset backing*	\$2.47			YELLOW CAKE PLC			
Post-tax asset backing*	\$2.46			EURONAV NV			
Premium/(Discount) to pre-tax NTA	-1.3%			GASLOG LTD			
Premium/(Discount) to post-tax NTA	-1.0%			DHT HOLDINGS INC			
Dividend yield	0.0%			SUNDANCE ENERGY			
Dividend per share (cents)	0.0			INTERNATIONAL SEAWAYS INC			
Franking	100%						
Management expense ratio	1.50%						

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
TGF	-3.2%	na	na	NTA growth	-1.2%	na	na
Active return	-0.4%	na	na	Active return	1.6%	na	na

Source: IRESS, Bloomberg, Baillieu, Company reports. Performance figures since inception (Oct-18). Active return refers to TSR and NTA growth relative to that of the comparative index (see chart below).

WAM Global (WGB)

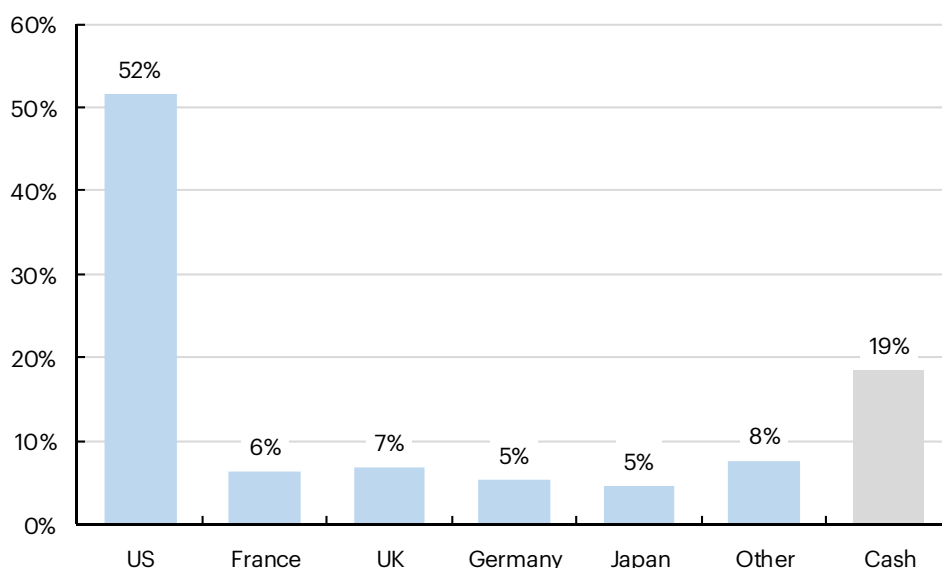
www.wilsonassetmanagement.com.au/lic/global/

- **WAM Global:** WGB is a recently incorporated LIC, listing in Jun-18 following a \$465m raise. WGB is the most recent LIC from Wilson Asset Management International's (WAMI) stable and the group's first international LIC. WAMI is one of the largest specialist LIC managers, with ~\$3bn of FUM across its six funds.
- **WGB investment objectives:** WGB seeks to preserve and grow capital over the medium-to-long term via exposure to global securities as well as delivering a stream of fully franked dividends.
- **Investment strategy:** WGB seeks to provide shareholders with exposure to international, undervalued growth companies identified using WAMI's research and market driven investment processes.
- This strategy will follow four broad investment principles:
 - **A) Focus on listed global securities:** The universe of potential securities is focused on undervalued international growth companies (WGB does have the ability to also invest in Australian securities).
 - **B) Preference for undervalued companies:** The manager has a preference to invest in undervalued securities; trading below the manager's valuation and the subject to a catalyst that, in the manager's view, has not yet been factored into the value of the security.
 - **C) Portfolio based and index unaware:** WGB's priority will be to find investments on a portfolio basis and as such will be index and benchmark unaware when selecting investments. Risk will be managed through a diversified portfolio of securities across a range of companies, sectors and regions (global markets).
 - **D) Capital preservation:** Capital preservation is a key investment objective for WGB. The manager will hold cash unless it can identify appropriate investment opportunities. As a result, WGB may hold high levels at times.
- **Investment process:** WGB will employ the typically WAMI investment style (as employed by other WAMI LICs). This process incorporates a two-pronged approach:
 - **Research-driven investing:** Involving diligent and deep research that focuses on free cash flow, return on equity and the quality of a company. The investment universe is initially screened to remove securities which do not display growth and value characteristics. Successfully screened companies will then be analysed with respect to management, earning growth potential, valuation and industry position. The manager will only invest where a catalyst has been identified (such as an earnings surprise, management change, acquisition or strategy update).
 - **Market-driven investing:** Takes advantage of short-term mispricing opportunities, rather than investing in any individual company for a prolonged period of time. This may include participation in placements, IPO, block trades, financial transactions (M&A), buy-backs and investing in other LICs trading at a significant discount to NTA. WGB may also participate in short-selling.

Baillieu Limited has acted in a corporate advisory role for WAM Global and earned fees in relation to that activity in the past 12 month.

- **Investment guidelines:** When fully invested, WGB is expected to hold between 40-80 securities. Average position sizes can range between 1-5% of the portfolio and a single position will be reviewed if it obtains a position weighting >20% (of the portfolio). WGB has no geographic and sector allocations limits and currency hedging is permitted (although typically the portfolio will not be hedged).
- **Fees:** The manager is entitled to a management fee of 1.25% (plus GST) pa of the value of the portfolio (calculated on the last business day of each month). In addition, the manager is entitled to a performance fee of 20% (plus GST) of the portfolio's outperformance of the MSCI World Index net return (AUD) subject to the recoupment of prior underperformance.
- **Current portfolio characteristics:** As shown in Fig.10, WGB's underlying portfolio is currently weighted toward US equities. Key European exposure includes France, the UK and Germany, and true to WGB's preference for capital preservation, 18% of the portfolio is currently held in cash (predominately USD exposure).

Fig.10: WGB regional exposure – Feb-19



Source: WGB, Baillieu

- **Track record:** As this is WAMI first international LIC, WAMI has a limited global performance track record. That said, we note the strong performance track record of WAMI's investment style and process as well the international experience and track record of the WGB portfolio manager (Catriona Burns, who previously worked in London at Hunter Hall).

Fig.11: WGB snapshot

WGB Snapshot				Top Holdings			
Price (28 February 2019)		\$1.91		ALPHABET INC-C		HCA HEALTHCARE I	
Share price range (12 months)		\$1.85- \$2.21		AMERICAN EXPRESS		LOGITECH INTER-R	
Shares on issue (Mn)		211.6		BANDAI NAMCO HOL		NORFOLK SOUTHERN	
Market capitalisation (\$Mn)		\$404		CDW CORP/DE		RECKITT BENCKISE	
Pre-tax asset backing*		\$2.19		CME GROUP INC		SCOUT24 AG	
Post-tax asset backing*		\$2.15		DANONE		SS&C TECHNOLOGIE	
Premium/(Discount) to pre-tax NTA		-12.8%		DEUTSCHE BOERSE		THERMO FISHER	
Premium/(Discount) to post-tax NTA		-11.1%		DIAGEO PLC		UNITED TECH CORP	
Dividend yield		0.0%		ENTERTAINMENT ON		VIVENDI	
Dividend per share (cents)		0.0		HARRIS CORP		WASTE MANAGEMENT	
Franking		100%					
Management expense ratio		1.25%					

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
WGB	-13.2%	na	na	NTA growth	-0.5%	na	na
Active return	-17.9%	na	na	Active return	-5.2%	na	na

Source: IRESS, Bloomberg, Baillieu, Company reports. Performance figures since inception (Jun-18). Active return refers to TSR and NTA growth relative to that of the comparative index (see chart below).

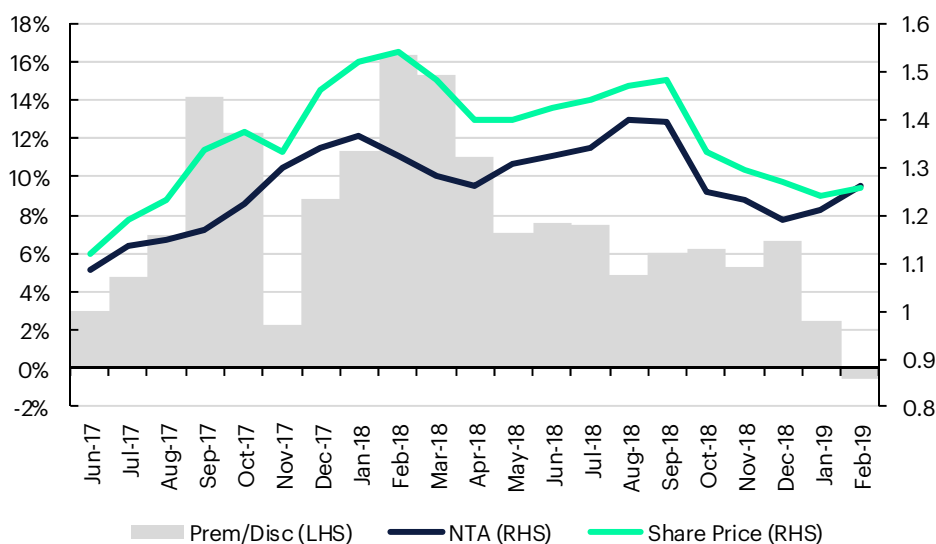
WAM Microcap (WMI)

www.wilsonassetmanagement.com.au/lic/wam-microcap/

- **WAM Microcap:** WMI (the company) listed in Jun-16 following a \$151m dollar raise (max raise). WMI (at the time) was WAMI's fourth LIC but the first specialised LIC focusing on listed ASX companies with a market capitalisation of less than \$300m at the time of purchase.
- **Investment objectives:** The company has three investment objectives: 1) deliver a stream of fully franked dividends; 2) provide capital growth over the medium-to-long term; and 3) preserve capital.
- **Investment strategy:** WMI seeks to provide investors exposure to undervalued growth companies identified using WAMI's research and market driven investment process. This dual strategy has been utilised by a number of other WAMI LICs (such as WAMI's longest dated LICs, WAM and WAX).
- **Research-driven idea generation:** This process involves five key steps:
 - conduct detailed research and meetings with company management, industry participants and analysts;
 - undertake qualitative and quantitative analysis;
 - rate stock using proprietary rating process; and
 - identify catalyst.
- **Market driven idea generation:**
 - identify mispricing;
 - analyse risk and return;
 - analyse liquidity; and
 - identify catalyst.
- Fundamentally, WMI utilises the same investment process and style as discussed in our WGB overview.
- **Investment guidelines:** When fully invested, the portfolio is expected to comprise between 20-60 securities, with average position weighting typically between 1-5% (a single position will be reviewed if it obtains a weight greater than 20%). There are no investment limits on industry sector or geography allocations. Short selling is permitted, however it will not exceed 50% of the value of the portfolio without prior board approval.
- **Fees:** The manager is entitled to a management fee of 1% pa (plus GST) of the value of the portfolio. In addition, the manager is also entitled to a performance fee equal to 20% (plus GST) of the portfolio's outperformance of the ASX Small Ordinaries Accumulation Index (XSOAI).
- **Dividend ramp-up:** Since listing (Jun-16), WMI has progressively increased its dividend (paying a special in Oct-18). WMI currently yields 4.9% fully franked and 3.2% fully franked excluding the special dividend (2.0cps).

- WMI was incorporated given the expertise of the manager (and personnel) in the domestic small and microcap space. As WAM and WAX have grown significantly since listing (current market capitalisation of \$1.6bn and \$270m respectively), any potential outperformance from microcap securities did not have a material impact on the overall NTA of the respective funds.

Fig.11: WMI trading levels since inception



Source: WMI, Baillieu

- **Performance since inception:** WMI jumped to a significant premium when first listed (as shown in Fig.11 above). Although NTA performance has underperformed more recently, TSR has lagged this underperformance, resulting in WMI currently trading at a discount to NTA.

Acorn Capital (ACQ)

www.acorncapital.com.au

- Acorn Capital was founded in 1998 and is one of the largest specialist microcap investor in the Australian market. ACQ commenced trading on the ASX in May 2014.
- Utilising a sector neutral investment style, ACQ invests in ASX listed companies outside the top 250 by market capitalisation and unlisted opportunities if they are evaluated to be more attractive than listed opportunities.
- At Jun-18 ACQ had a dividend reverse which equates to approximately five years over dividend coverage (assuming 7.0cps on current capital structure).
- The total shareholder return for the year ending 28 February 2019 was -6.0% with pre-tax net asset backing decreasing 0.6%. The active return (TSR) was -9.5%.

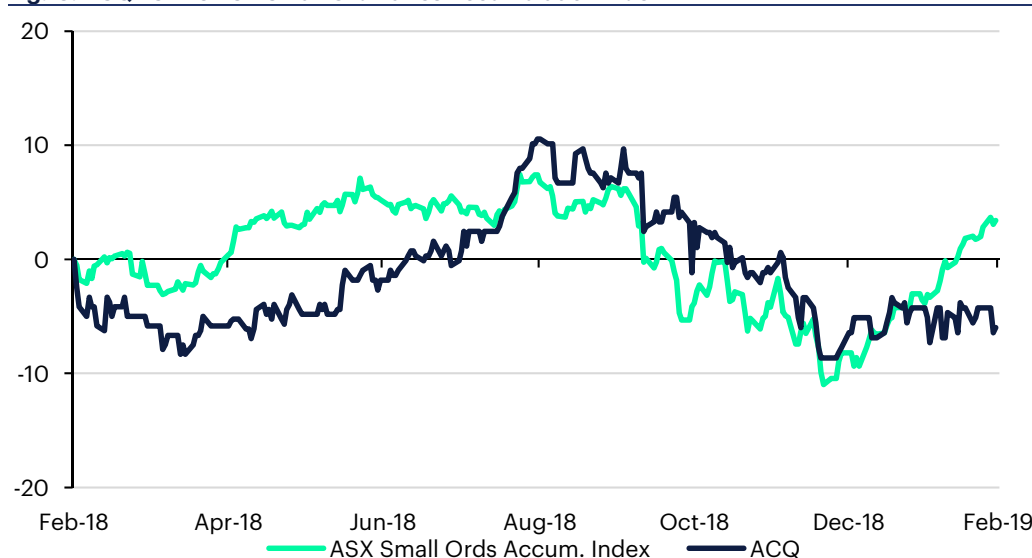
Fig.12: ACQ snapshot

ACQ Snapshot		Top Holdings	
Price (28 February 2019)	\$1.07	CALIX LTD	6.1%
Share price range (12 months)	\$1.04- \$1.3	MOULA MONEY PTY LTD (UL)	5.7%
Shares on issue (Mn)	52.9	TELEX PHARMACEUTICALS	5.4%
Market capitalisation (\$Mn)	\$57	REDHILL EDUCATION LTD	3.1%
Pre-tax asset backing*	\$1.25	CARBON REVOLUTION PTY LTD (UL)	2.9%
Post-tax asset backing*	\$0.00	LIFESTYLE PANEL (UL)	2.9%
Premium/(Discount) to pre-tax NTA	-14.1%	SHINE CORPORATION LTD	2.6%
Premium/(Discount) to post-tax NTA	-10.5%	REDBUBBLE LTD	2.5%
Dividend yield	5.8%	INNOVATIVE ASSET SOLUTIONS (UL)	2.4%
Dividend per share (cents)	6.2	ZIP CO LTD	2.3%
Franking	100%		
Management expense ratio	0.95%		

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
ACQ	-6.0%	15.1%	na	NTA growth	-0.6%	12.3%	na
Active return	-9.5%	1.3%	na	Active return	-4.1%	-1.4%	na

Source: IRESS, Bloomberg, Baillieu, Company reports. Figures as at 28 February 2019. Active return refers to TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.13: ACQ TSR vs ASX Small Ordinaries Accumulation Index



Source: Bloomberg, Baillieu

Diversified United Investments (DUI)

www.dui.com.au

- Diversified United Investments was founded in 1991 by Australia United Investments, Barclay Investments (a Myer family investment company), the late Sir Ian Potter and The Ian Potter Foundation.
- It invests predominantly in Australian equities, however it also invests in global ETFs, property trusts and fixed income securities.
- DUI has a target range for international equities of 10-20% (primarily through global ETF's). Current international exposure represents 15.0% of the portfolio.
- The total shareholder return for the year ending 28 February 2019 was 2.0% with pre-tax net asset backing increasing 9.6%. The active return (TSR) was -4.6%.

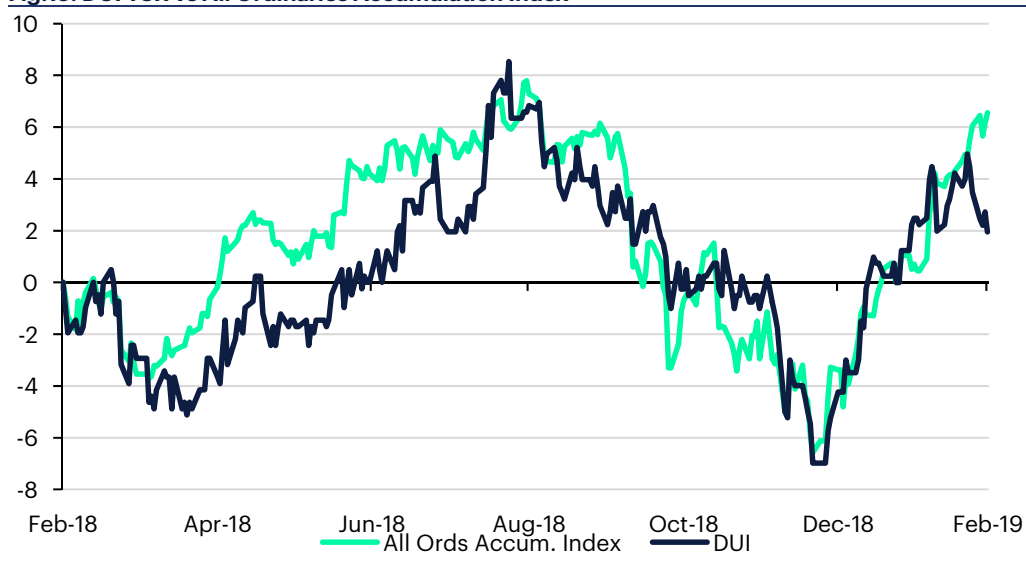
Fig.14: DUI snapshot

DUI Snapshot			Top Holdings	
Price (28 February 2019)	\$4.03		CSL LTD	10.5%
Share price range (12 months)	\$3.73- \$4.45		COMMONWEALTH BANK OF AUSTRAL	7.1%
Shares on issue (Mn)	211.0		TRANSURBAN GROUP	6.6%
Market capitalisation (\$Mn)	\$850		AUST AND NZ BANKING GROUP	5.4%
Pre-tax asset backing*	\$4.45		WESTPAC BANKING CORP	4.9%
Post-tax asset backing*	\$3.78		RIO TINTO LTD	4.3%
Premium/(Discount) to pre-tax NTA	-9.4%		BHP GROUP LTD	4.3%
Premium/(Discount) to post-tax NTA	6.6%		WOODSIDE PETROLEUM LTD	3.9%
Dividend yield	3.8%		NATIONAL AUSTRALIA BANK LTD	3.6%
Dividend per share (cents)	15.5		VANGUARD FTSE ALLW EX-US-CDI	3.4%
Franking	100%			
Management expense ratio	0.13%			

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
DUI	2.0%	12.5%	7.8%	NTA growth	9.6%	15.8%	7.9%
Active return	-4.6%	-0.3%	0.4%	Active return	3.1%	3.0%	0.5%

Source: IRESS, Bloomberg, Baillieu, Company reports. Figures as at 28 February 2019. Active return refers to TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.15: DUI TSR vs All Ordinaries Accumulation Index



Source: Bloomberg, Baillieu

Milton Corporation (MLT)

www.milton.com.au

- Milton Corporation was formed in 1938 and listed in 1958. Its objective is to invest in a diversified portfolio that provides an increasing income stream over time.
- Milton is not a speculative investor and does not sell assets to increase profits for shareholders. It maintains a relatively heavy focus on banking with 26.9% of total assets invested in the sector.
- MLT recently announced a special dividend of 2.5cps (ex-date: 8-April-19).
- The total shareholder return for the year ending 28 February 2019 was 1.3% with pre-tax net asset backing increasing 6.6%. The active return (TSR) was -5.2%.

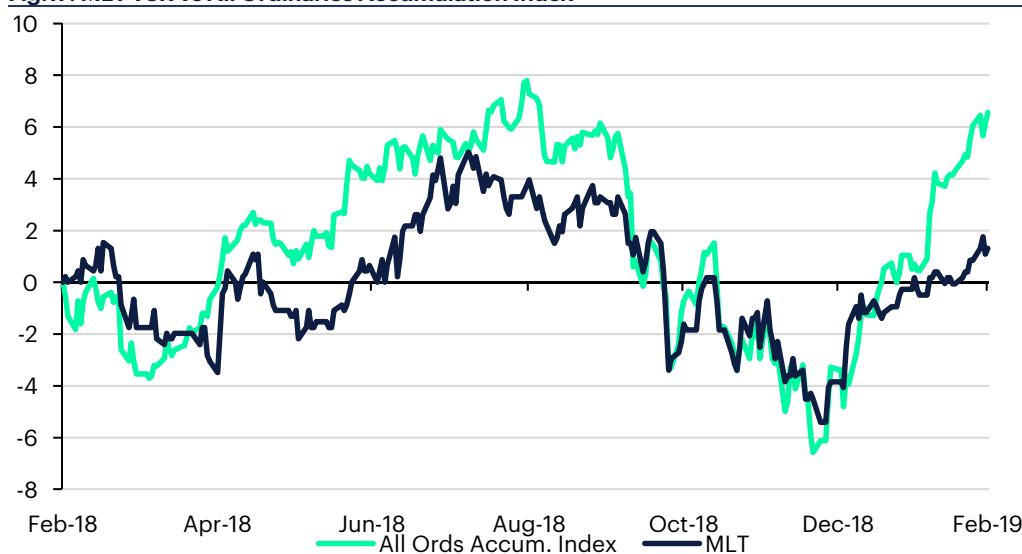
Fig.16: MLT snapshot

MLT Snapshot			Top Holdings		%
Price (28 February 2019)	\$4.45		WESTPAC BANKING CORP		8.9%
Share price range (12 months)	\$4.24- \$4.83		WASHINGTON H. SOUL PATTINSON		8.4%
Shares on issue (Mn)	669.0		COMMONWEALTH BANK OF AUSTRAL		7.2%
Market capitalisation (\$Mn)	\$2,977		BHP GROUP LTD		4.8%
Pre-tax asset backing*	\$4.71		NATIONAL AUSTRALIA BANK LTD		3.8%
Post-tax asset backing*	\$4.14		CSL LTD		3.6%
Premium/(Discount) to pre-tax NTA	-5.5%		AUST AND NZ BANKING GROUP		3.0%
Premium/(Discount) to post-tax NTA	7.5%		WESFARMERS LTD		3.0%
Dividend yield	4.3%		MACQUARIE GROUP LTD		2.7%
Dividend per share (cents)	19.2		WOOLWORTHS GROUP LTD		2.6%
Franking	100%				
Management expense ratio	0.12%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
MLT	1.3%	6.7%	4.9%	NTA growth	6.6%	9.9%	5.8%
Active return	-5.2%	-6.1%	-2.5%	Active return	0.0%	-2.9%	-1.6%

Source: IRESS, Bloomberg, Baillieu, Company reports. Figures as at 28 February 2019. Active return refers to TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.17: MLT TSR vs All Ordinaries Accumulation Index



Source: Bloomberg, Baillieu

MFF Capital Investments (MFF)

www.magellangroup.com.au/mff/

- The MFF Capital Investments was listed on the ASX in December 2006.
- The fund is focused on North American companies; more than 85% of its portfolio consists of US domiciled corporations that are leaders in emerging markets as well as developed markets.
- MFF has been one of the top performing LICs from our coverage universe over 1, 3 and 5 years.
- The total shareholder return for the year ending 28 February 2019 was 21.1% with pre-tax net asset backing increasing 15.7%. The active return (TSR) was 10.4%.

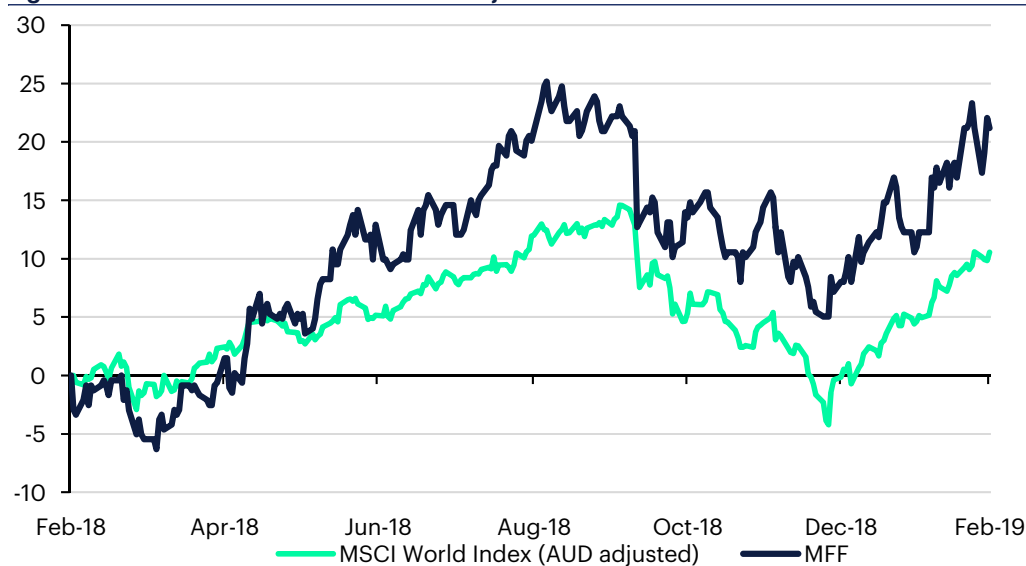
Fig.18: MFF snapshot

MFF Snapshot		Top Holdings	
Price (28 February 2019)	\$2.85	VISA INC-CLASS A SHARES	14.9%
Share price range (12 months)	\$2.2- \$2.99	MASTERCARD INC - A	14.2%
Shares on issue (Mn)	541.6	HOME DEPOT INC	9.8%
Market capitalisation (\$Mn)	\$1,543	BANK OF AMERICA CORP	8.9%
Pre-tax asset backing*	\$2.98	JPMORGAN CHASE & CO	6.5%
Post-tax asset backing*	\$2.49	ALPHABET INC-CL A	6.2%
Premium/(Discount) to pre-tax NTA	-4.3%	LOWE'S COS INC	4.4%
Premium/(Discount) to post-tax NTA	14.3%	HCA HEALTHCARE INC	4.3%
Dividend yield	1.1%	S&P GLOBAL	4.0%
Dividend per share (cents)	3.0	WELLS FARGO & CO	3.9%
Franking	100%		
Management expense ratio	1.25%		

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
MFF	21.2%	16.8%	15.1%	NTA growth	15.7%	19.3%	17.0%
Active return	10.4%	3.6%	2.9%	Active return	4.9%	6.1%	4.9%

Source: IRESS, Bloomberg, Baillieu, Company reports. Figures as at 28 February 2019. Active return refers to TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.19: MFF TSR vs MSCI World Index AUD adjusted



Source: Bloomberg, Baillieu

Ophir High Conviction (OPH)

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

- OPH listed in Dec-18 as a LIT, via the conversion (no capital raised) of the three previous classes of units into a single ordinary class that will list on the ASX. Established in 2012, Ophir is a specialist small and midcap equities investment manager with ~\$960m of funds under management. OPH is one of two strategies run by the manager.
- Although recently listed, OPH has a strong track record of outperformance (9.4% net annualised returns since inception - Aug-15)
- Management employ a fundamental, bottom up strategy seeking companies that: 1) operate IN or about to enter periods of structural growth; 2) are generating cash or have a clear pathway to cash generation; 2) have a high quality management team and are under-researched/appreciated or not well understood by the market.
- The total return NTA for the year ending 28 February was 7.2%, the active return was 5.0%.

Fig.20: OPH overview

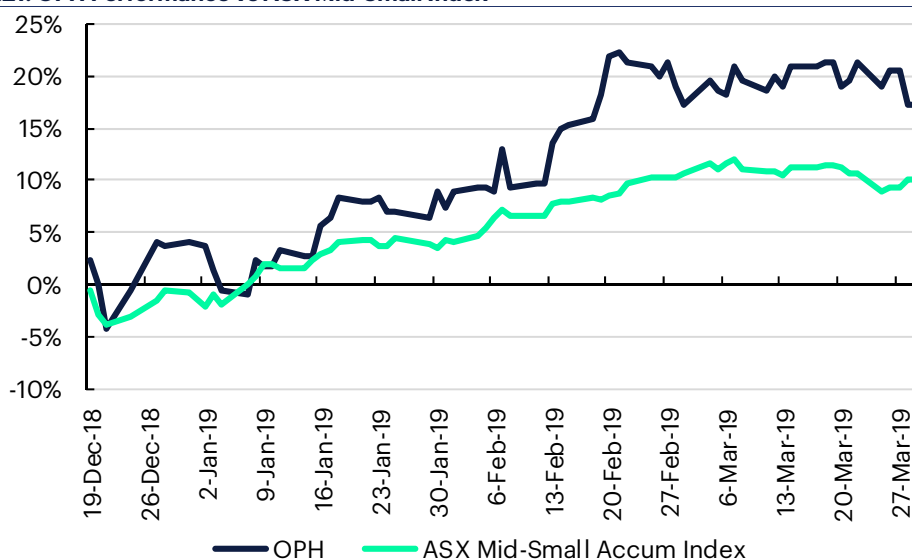
OPH Snapshot		Top Holdings		%
Price (28 February 2019)	\$2.56	A2 MILK CO LTD		
Share price range (12 months)	-	AFTERPAY TOUCH GROUP LTD		
Shares on issue (Mn)	200.0	CLEANAWAY WASTE MANAGEMENT L		
Market capitalisation (\$Mn)	\$512.0	RELIANCE WORLDWIDE CORP LTD		
Pre-tax asset backing*	\$2.47	SEVEN GROUP HOLDINGS LTD		
Post-tax asset backing*	-			
Premium/(Discount) to pre-tax NTA	3.6%			
Premium/(Discount) to post-tax NTA	-			
Dividend yield	-			
Dividend per share (cents)	-			
Franking	-			
Management expense ratio	1.23%			

Total Shareholder Return	1 Year*	3 Year	Inception	NTA Performance**	1 Year	3 Year	Inception
OPH	19.1%	-	-	NTA growth	7.2%	16.3%	19.3%
Active return	8.8%	-	-	Active return	5.0%	7.1%	7.6%

*Since listing (19-Dec-18)
**Historical returns of the unlisted High Conviction Fund

Source: IRESS, Bloomberg, Baillieu, Company reports. Figures as at 28 February 2019 (unless otherwise stated). Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.21: OPH Performance vs ASX Mid-Small Index



Source: Bloomberg, Baillieu

PM Capital Global Opportunities Fund (PGF)

www.pmcapital.com.au

- Managed by PM Capital, PGF began trading on the ASX on 11 December 2013.
- Current Investment themes include: 1) Global Domestic Banking; 2) Alternative Asset Managers; 3) Post GFC Housing Recovery (US/Europe); and 4) Service Monopolies.
- Key underlying regional business exposures are North America (38.2%), Europe (27.6%) and International (18.0%) with currency exposure of the portfolio weighted towards to the USD at 61.7%.
- The total shareholder return for the year ending 28 February 2019 was -7.8% with pre-tax net asset backing decreasing 5.0%. The active return (TSR) was -11.8%.

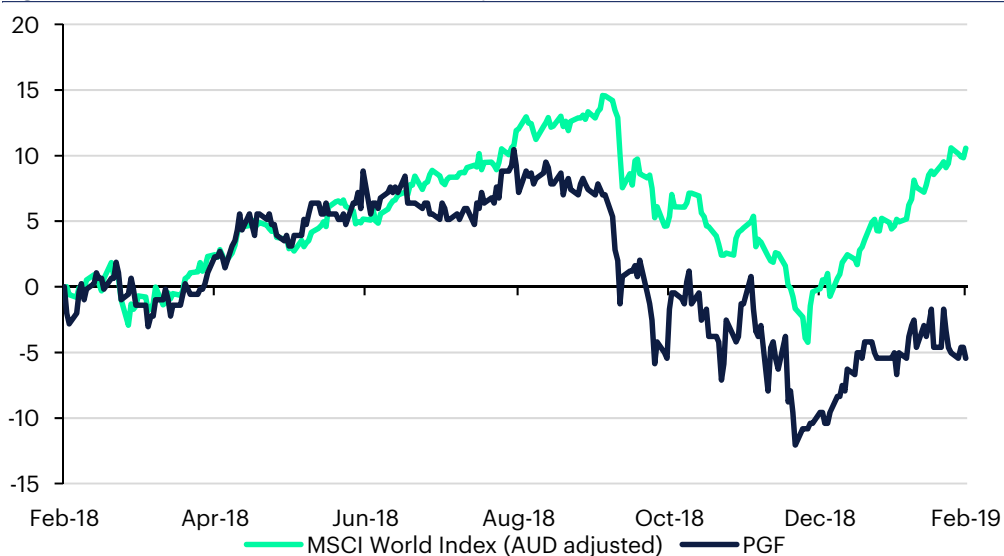
Fig.22: PGF snapshot

PGF Snapshot			Top Holdings		%
Price (28 February 2019)	\$1.14		HOWARD HUGHES		na
Share price range (12 months)	\$1.06- \$1.35		CAIRN HOMES		
Shares on issue (Mn)	351.2		BANK OF AMERICA		
Market capitalisation (\$Mn)	\$400		ALPHABET		
Pre-tax asset backing*	\$1.29		MGM CHINA HOLDINGS		
Post-tax asset backing*	\$1.23		KKR & CO		
Premium/(Discount) to pre-tax NTA	-11.8%				
Premium/(Discount) to post-tax NTA	-7.6%				
Dividend yield	3.2%				
Dividend per share (cents)	3.6				
Franking	100%				
Management expense ratio	1.00%				
			<i>**current stock examples**</i>		

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
PGF	-5.4%	12.3%	na	NTA growth	-0.7%	11.2%	7.3%
Active return	-16.2%	-0.9%	na	Active return	-11.5%	-2.0%	na

Source: IRESS, Bloomberg, Baillieu, Company reports. Figures as at 28 February 2019. Active return refers to TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.23: PGF TSR vs MSCI World Index AUD adjusted



Source: Bloomberg, Baillieu

Baillieu Limited is raising capital for PTrackERS and will earn fees in relation to that activity.

Please also refer to the general disclosure at the end of this report.

Templeton Global Growth Fund (TGG)

www.tggf.com.au

- The Templeton Global Growth Fund was listed on the ASX in 1987 by Franklin Templeton Investment Group, an American investment group with more than 50 years' experience.
- Templeton's investment approach is to seek out fundamentally undervalued securities with a focus on long-term growth.
- Its portfolio gives Australian investors access to a diversified portfolio of international securities.
- TGG is overweight European exposure (41%) whilst underweight North America (32%) when compared to the MSCI All Country World Index.
- The total shareholder return for the year ending 28 February 2019 was -6.8% with pre-tax net asset backing decreasing 6.4%. The active return (TSR) was -10.8%.

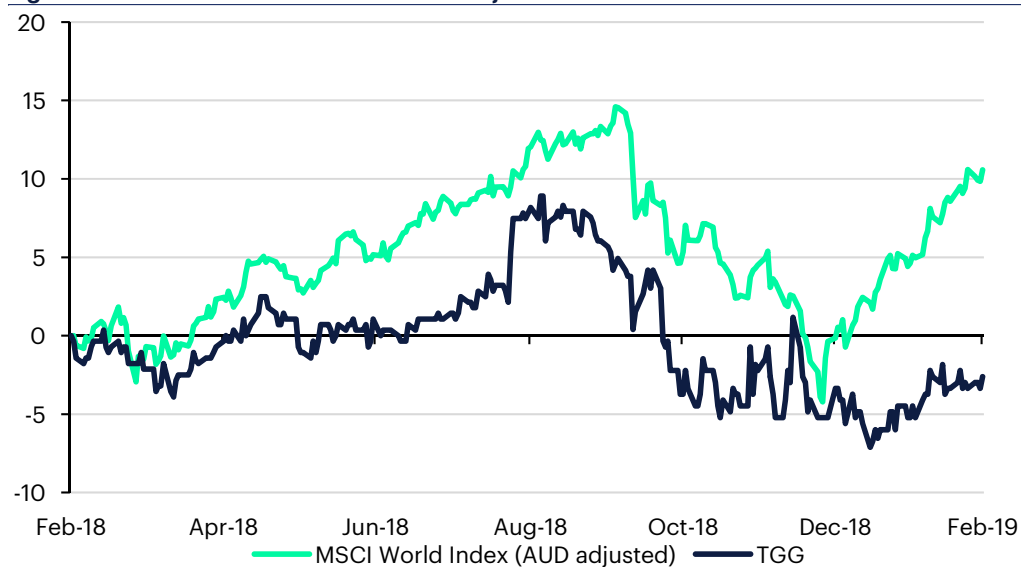
Fig.24: TGG snapshot

TGG Snapshot		Top Holdings		%
Price (28 February 2019)	\$1.30	ORACLE CORP		na
Share price range (12 months)	\$1.22- \$1.5	BP PLC		
Shares on issue (Mn)	217.9	ROYAL DUTCH SHELL		
Market capitalisation (\$Mn)	\$282	SAMSUNG ELECTRONICS		
Pre-tax asset backing*	\$1.46	SANOFI		
Post-tax asset backing*	\$1.46	SIEMENS AG		
Premium/(Discount) to pre-tax NTA	-11.5%	CITIGROUP INC		
Premium/(Discount) to post-tax NTA	-11.5%	VEOLIA ENVIRONMENT		
Dividend yield	6.2%	SINGAPORE TELECOMMUNICATIONS		
Dividend per share (cents)	8.0	ALLERGAN PLC		
Franking	100%			
Management expense ratio	1.00%			

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
TGG	-2.6%	11.0%	2.8%	NTA growth	-0.1%	8.3%	4.1%
Active return	-13.4%	-2.2%	-9.3%	Active return	-10.9%	-4.9%	-8.0%

Source: IRESS, Bloomberg, Baillieu, Company reports. Figures as at 28 February 2019. Active return refers to TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.25: TGG TSR vs MSCI World Index AUD adjusted



Source: Bloomberg, Baillieu

WAM Leaders (WLE)

www.wilsonassetmanagement.com.au

- Listed in May 2016, WAM Leaders Limited is managed by Wilson Asset Management (International) Pty Limited (WAMI). WAMI also manages WAM, WAX, WAA, WMI, and WGB within the LIC space.
- WLE seeks to deliver a stream of fully franked dividends, provide capital growth over the medium-to-long term and preserve capital. The portfolio will predominately comprise of large cap companies within the S&P/ASX 200 Index.
- WLE employs a two-tiered investment process including research driven investing (fundamental bottom up approach) and a market driven approach which seeks to take advantage of short-term relative arbitrages and mispricing opportunities.
- Key sector allocations include Financials (25.3%), Materials (24.9), Consumer Disc (8.6%), Energy (8.0%), Cons Staples (6.4%) and Health Care (5.7%).
- The total shareholder return for the year ending 31 Jan 2019 was -1.4%, with pre-tax net asset backing increasing 0.6%. The active return (TSR) was -2.8%.

Fig.26: WLE snapshot

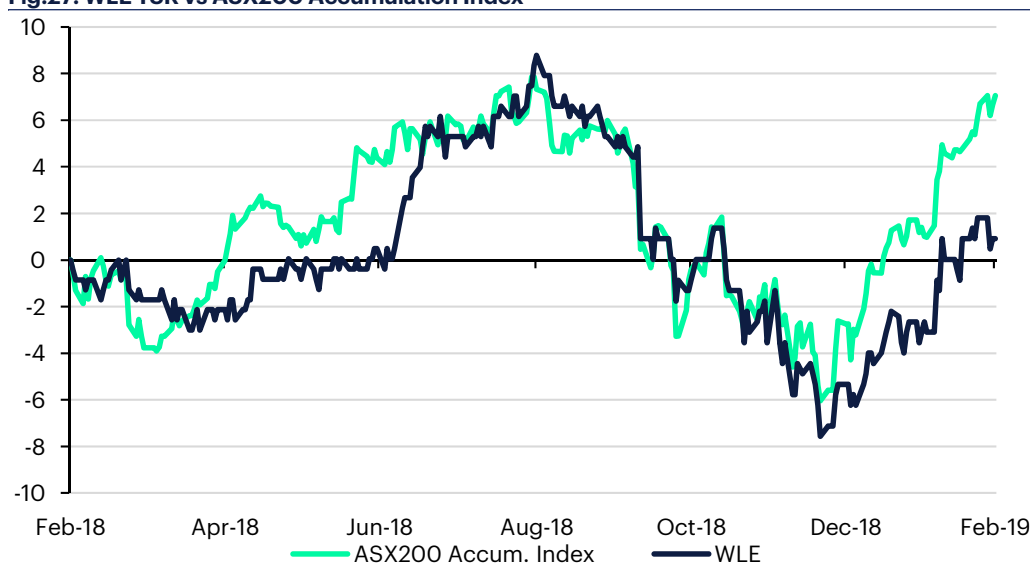
WLE Snapshot		Top Holdings	
Price (28 February 2019)	\$1.13	AMCOR	QBE INSURANCE
Share price range (12 months)	\$1.02- \$1.25	ARISTOCRAT LEISU	RIO TINTO LTD
Shares on issue (Mn)	782.8	AUST AND NZ BANK	SANTOS LTD
Market capitalisation (\$Mn)	\$885	BHP GROUP LTD	SOUTH32 LTD
Pre-tax asset backing*	\$1.19	COMMONW BK AUSTR	TELSTRA CORP
Post-tax asset backing*	\$1.18	CSL LTD	STAR ENTERTAINME
Premium/(Discount) to pre-tax NTA	-5.4%	MACQUARIE GROUP	TREASURY WINE ES
Premium/(Discount) to post-tax NTA	-4.4%	NATL AUST BANK	WESTPAC BANKING
Dividend yield	4.4%	NEWCREST MINING	WOODSIDE PETRO
Dividend per share (cents)	5.0	OZ MINERALS LTD	WOOLWORTHS GROUP
Franking	100%		
Management expense ratio	1.00%		

listed in alphabetical order

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
WLE	0.9%	na	na	NTA growth	4.0%	na	na
Active return	-6.1%	na	na	Active return	-3.1%	na	na

Source: IRESS, Bloomberg, Baillieu, Company reports. Figures as at 28 February 2019. Active return refers to TSR and NTA growth relative to that of the comparative index (see chart below).

Fig.27: WLE TSR vs ASX200 Accumulation Index



Source: Bloomberg, Baillieu

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Baillieu Limited

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