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## Listed Investment Companies (LICs)

### 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 April 2018. The table on page two provides an update of the overall sector as at 30 May 2018, 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:** On average, traditional LICs underperformed the ASX All Ordinaries Accumulation Index (XAOAI) in April 2018 on a total shareholder return basis (TSR) by 4.1%. On average, NTA growth performed in-line with the XAOAI, up 3.1%. A number of traditional LICs are currently trading at discounts to their respective one and three year historical averages which provides an attractive entry point, in our view. On page four we show traditional LIC TSR profiles during the typical dividend run up trend ahead of ex-dividend dates. Since 2013, from 1 June to respective (day before) final ex-dividend dates traditional LICs have outperformed the XAOAI the majority of the time. Our current top picks include Diversified United Investment (DUI) and Australian Foundation Investment Company (AFI), trading at an estimated 5.2% discount and 0.1% premium to NTA respectively.
- **Large capitalisation:** Driven by resource holdings, top pick WAM Leaders (WLE) increased by 3.6% in April. WLE's underlying portfolio market cap composition continued to shift to towards the ASX top 20 in April with over 50% of the portfolio now invested in the ASX 20. This compared to ~45% at 31 March 2018. WLE has progressively increased its dividend amount each period since inception and we believe the ramp up profile may continue as WLE builds to a market yield. Currently trading at an estimated 2.6% discount to NTA, coupled with an increasing fully franked yield of 4.0%, WLE is a top pick.
- **Small capitalisation:** Acorn Capital (ACQ) has been one of the top performing LICs from our coverage universe for the year ending April 2018, up 18.9% and 27.8% on a TSR and NTA basis respectively (outperforming the XSOAI). Despite this outperformance, ACQ is currently trading at an estimated 16.7% discount to NTA. This compares to its one year historical average discount of 14.7%. ACQ currently yields 4.2% (fully franked) following a 2.7 cent FY18 interim dividend. We believe the underlying portfolio composition between listed and unlisted securities (unlisted exposure of 28%) provides a level of diversification as well as potential upside risk from liquidity events (of ACQ's 31 investments in unlisted opportunities, 13 have reached liquidity events since inception). We believe the 16.7% discount to NTA provides an attractive entry point.
- **International:** NTA performance from our top international picks MFF Capital Investments (MFF), PM Capital Global Opportunities Fund (PGF) and Templeton Global Growth (TGG) was up 2.9% (on average) in April, in line with MSCI World Index (AUD adjusted), up 3.1%. On a TSR basis MFF and PGF significantly outperformed in April up 7.3% and 3.7% respectively. Trading at an estimated 8.5% discount to NTA, MFF is currently trading at greater discount than its 30 April 2018 update. Elsewhere, we believe the 8.5% and 10.6% discounts to NTA of PGF and TGG respectively provide an attractive entry point for investors.
- **Inclusion to coverage list:** We include CBG Capital (CBC), Clime Capital (CAM), Lowell Resources Fund (LRT) and Magellan Global Trust (MGG) to our coverage universe.

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## Disclosure

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

## Sector Update

### BAILLIEU HOLST - EQUITY RESEARCH Listed Investment Companies Coverage by Sector

Figures as at: 30 May 2018

Traditional LICs	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since May 1	Current Est. NTA	Current Estimated Disc/Prem	April NTA	April Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Australian Foundat.	AFI	6.04	7164.3	24.0	4.0%	5.7%	0.7%	6.03	0.1%	6.02	-0.3%	0.7%	2.1%	0.14%
Argo Investments	ARG	7.82	5546.2	31.5	4.0%	5.8%	1.2%	7.92	-1.2%	7.84	-1.4%	1.2%	2.7%	0.17%
Australian United In	AUI	8.31	1030.5	34.5	4.2%	5.9%	-2.9%	8.90	-6.7%	8.81	-2.8%	-3.2%	-4.5%	0.10%
BKI Investment Ltd	BKI	1.51	936.6	7.3	4.9%	7.0%	-3.4%	1.59	-5.1%	1.57	-0.8%	2.5%	2.8%	0.15%
Djerriwarrh	DJW	3.42	755.6	20.0	5.8%	8.4%	6.9%	3.25	5.3%	3.22	-0.6%	9.2%	20.5%	0.46%
Diversified United	DUI	4.04	847.8	14.5	3.6%	5.1%	2.3%	4.26	-5.2%	4.22	-6.4%	-4.9%	-5.6%	0.13%
Milton Corporation	MLT	4.52	2974.9	18.8	4.2%	5.9%	2.3%	4.56	-0.8%	4.54	-2.6%	-0.5%	0.2%	0.12%
Large Capitalisation	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since May 1	Current Est. NTA	Current Estimated Disc/Prem	April NTA	April Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Australian Leaders	ALF	1.05	284.8	0.0	0.0%	0.0%	2.0%	n.a	n.a	1.22	-16.0%	-8.0%	0.8%	1.00%
Concentrated Leaders	CLF	1.23	73.1	5.3	4.3%	6.1%	-0.8%	1.31	-6.2%	1.30	-4.6%	-6.3%	-8.3%	0.75%
AMCIL Limited	AMH	0.93	241.9	3.5	3.8%	5.4%	2.8%	0.99	-6.5%	0.97	-7.2%	-5.0%	-2.4%	0.65%
Clime Capital	CAM	0.85	76.1	5.0	5.9%	8.5%	-0.6%	0.92	-7.8%	0.91	-6.6%	-4.0%	-6.6%	0.83%
CBG Capital	CBC	0.92	23.0	3.1	3.3%	4.8%	0.0%	1.02	-10.2%	1.03	-9.5%	-9.2%	-7.5%	1.00%
Cadence Capital	CDM	1.28	405.4	8.0	6.3%	9.0%	-0.4%	1.22	4.4%	1.22	5.3%	6.5%	8.2%	1.00%
Contango Inc Gen Ltd	CIE	0.95	98.5	6.7	7.1%	10.1%	-1.6%	0.97	-2.5%	0.97	-0.6%	-5.0%	-4.0%	0.95%
Carlton Investments	CIN	32.40	857.8	119.0	3.7%	5.2%	1.1%	37.40	-13.4%	37.13	-13.7%	-11.9%	-11.8%	0.09%
Future Gen Ltd	FGX	1.24	435.7	4.4	3.5%	5.1%	5.1%	n.a	n.a	1.23	-4.3%	-4.5%	-2.4%	0.00%
Mirrabooka Invest.	MIR	2.61	412.8	14.0	5.4%	7.7%	0.8%	2.56	1.8%	2.47	4.9%	11.2%	13.7%	0.65%
Perpetual Equity Ltd	PIC	1.14	290.1	5.5	4.8%	6.9%	0.0%	1.13	1.2%	1.13	1.1%	-2.5%	-5.4%	1.00%
Plato Income Max.	PLB	1.02	301.1	3.7	3.6%	5.2%	-2.9%	n.a	n.a	1.05	-0.4%	2.3%	na	0.80%
Qv Equities Limited	QVE	1.13	310.0	4.1	3.6%	5.2%	-3.0%	1.21	-6.8%	1.20	-3.3%	6.0%	2.4%	0.90%
WAM Capital Limited	WAM	2.36	1577.3	15.3	6.5%	9.2%	-0.8%	n.a	n.a	1.96	21.5%	22.2%	16.2%	1.00%
WAM Leaders Limited	WLE	1.14	798.1	4.5	4.0%	5.7%	1.3%	1.17	-2.6%	1.18	-5.1%	-3.9%	-1.6%	1.00%
Wealth Def Equ Ltd	WDE	0.84	106.5	3.0	3.6%	5.1%	0.6%	0.93	-10.1%	0.92	-9.6%	-10.1%	-8.7%	1.25%
Whitefield Ltd	WHF	4.69	409.2	26.3	5.6%	8.0%	5.4%	4.98	-5.8%	4.94	-8.1%	-6.9%	-7.6%	0.25%
Small Capitalisation	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since May 1	Current Est. NTA	Current Estimated Disc/Prem	April NTA	April Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Acorn Cap Inv Fund	ACQ	1.12	58.8	4.7	4.2%	5.0%	1.1%	1.34	-16.7%	1.33	-14.7%	-13.2%	-15.1%	0.95%
Barrack St Invest	BST	0.91	16.7	2.8	3.0%	3.6%	2.2%	1.15	-20.9%	1.10	-19.2%	-17.5%	-16.9%	1.00%
Naos Small Cap Opp	NSC	0.79	133.5	6.4	8.1%	9.5%	-9.2%	1.10	-28.2%	0.91	-4.4%	-7.5%	-8.6%	1.25%
Forager Aust. Shares	FOR	2.01	183.3	11.2	5.6%	5.6%	5.5%	1.80	11.7%	1.81	5.2%	12.4%	11.9%	1.00%
Glennon SML Co Ltd	GC1	0.97	45.9	4.0	4.1%	4.9%	1.6%	n.a	n.a	1.09	-12.8%	-11.2%	-7.7%	1.00%
Naos Emerg Opp	NCC	1.25	74.6	7.3	5.8%	8.3%	-1.6%	n.a	n.a	1.28	-0.8%	5.5%	-3.6%	1.25%
Ozgrowth Limited	OZG	0.19	66.0	0.5	2.7%	3.9%	2.8%	0.23	-20.7%	0.22	-19.3%	-19.9%	-18.6%	1.00%
Spheria Emerging Co	SEC	1.92	127.4	0.0	n.a	n.a	-3.0%	2.09	-8.1%	2.05	-3.2%	-3.4%	na	1.00%
WAM Research Ltd	WAX	1.49	280.7	9.3	6.2%	8.9%	-2.0%	n.a	n.a	1.22	24.9%	24.3%	17.3%	1.00%
Westoz Inv Ltd	WIC	1.15	149.7	6.0	5.2%	7.5%	0.4%	1.28	-10.7%	1.25	-9.0%	-11.4%	-12.5%	1.00%
8lp Emerg Co Ltd	8EC	0.90	36.7	3.0	3.4%	4.8%	1.7%	n.a	n.a	1.03	-14.9%	-13.5%	-11.8%	1.25%
International	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since May 1	Current Est. NTA	Current Estimated Disc/Prem	April NTA	April Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Argo Global Ltd	ALI	1.77	254.1	3.8	2.1%	2.1%	0.0%	2.10	-15.7%	2.11	-16.1%	-13.4%	-10.0%	1.25%
Antipodes Global	APL	1.19	429.4	0.0	n.a	n.a	-2.5%	1.29	-7.5%	1.30	-6.2%	-1.0%	-1.3%	1.10%
Ellerston Asian	EAI	1.10	117.9	4.0	n.a	n.a	-2.7%	1.22	-10.2%	1.21	-6.6%	-9.9%	-9.3%	0.75%
Ellerston Global Inv	EGI	1.08	117.8	4.0	3.7%	5.3%	-0.9%	1.14	-5.7%	1.13	-3.6%	-10.5%	-8.3%	0.75%
Future Glb Invest Co	FGG	1.31	387.9	1.0	0.8%	1.1%	1.6%	n.a	n.a	1.30	-0.5%	-4.1%	-0.5%	0.00%
Global Value Fnd Ltd	GVF	1.08	159.0	6.3	5.8%	8.3%	1.4%	1.09	-0.9%	1.09	-2.0%	2.6%	-3.2%	1.50%
Pengana International	PIA	1.13	279.6	7.0	6.2%	8.0%	-2.6%	1.24	-8.7%	1.23	-5.9%	-5.4%	-8.0%	1.50%
MFF Capital Invest.	MFF	2.48	1341.7	2.5	1.0%	1.4%	3.3%	2.71	-8.5%	2.61	-8.0%	-13.2%	-10.4%	1.25%
Magellan Global Trust	MGG	1.54	1620.9	3.0	1.9%	2.8%	3.4%	1.62	-4.9%	1.56	-4.5%	0.3%	na	1.35%
Pm Capital Asian Ops	PAF	1.28	72.1	5.0	3.9%	5.6%	0.8%	1.26	1.7%	1.32	-3.7%	-0.2%	-7.7%	1.00%
Platinum Asia Ltd	PAI	1.28	460.8	5.0	3.9%	5.6%	-0.8%	1.24	3.3%	1.24	3.9%	-1.5%	-1.0%	1.10%
Pm Capital Fund	PGF	1.26	442.1	3.6	2.9%	4.1%	0.8%	1.38	-8.5%	1.39	-9.8%	-5.1%	-10.0%	1.00%
Platinum Capital Ltd	PMC	2.04	583.3	10.0	4.9%	7.0%	3.0%	1.79	14.1%	1.76	12.3%	6.0%	8.0%	1.10%
Templeton Global	TGG	1.40	312.2	4.5	3.2%	4.6%	-0.4%	1.56	-10.6%	1.58	-11.2%	-9.0%	-10.4%	1.20%
VGI Partners Global	VG1	2.18	600.1	0.0	n.a	n.a	-0.5%	2.10	3.9%	2.10	4.3%	3.7%	na	1.50%
Specialist	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since May 1	Current Est. NTA	Current Estimated Disc/Prem	April NTA	April Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Blue Sky Alt Access	BAF	0.80	171.7	5.0	6.3%	8.9%	-9.6%	1.11	-27.8%	1.11	-20.1%	2.6%	0.9%	1.20%
Bailador Tech Inv	BTI	0.79	95.0	0.0	n.a	n.a	-1.3%	1.07	-26.2%	1.07	-25.2%	-20.3%	-15.7%	1.75%
Lowell Resource Fund	LRT	8.00	22.4	0.0	n.a	n.a	-3.6%	8.02	-0.2%	7.97	4.1%	1.9%	na	2.16%
Lion Selection Grp	LSX	0.33	48.8	0.0	n.a	n.a	4.8%	n.a	n.a	0.34	-8.8%	3.2%	-14.1%	1.50%
Monash Absolute	MA1	0.83	40.7	0.0	n.a	n.a	1.2%	n.a	n.a	0.93	-12.8%	-12.8%	-8.0%	1.50%
NAOS Absolute Opp	NAC	0.99	52.0	5.3	5.3%	7.6%	-1.0%	n.a	n.a	1.10	-9.1%	-7.9%	-6.2%	1.75%
Sandon Capital Ltd	SNC	0.97	46.7	7.0	7.3%	10.4%	-1.1%	n.a	n.a	0.99	2.3%	0.0%	-4.6%	1.25%
Thorney Opp Ltd	TOP	0.68	138.5	1.3	1.8%	2.6%	-1.4%	n.a	n.a	0.78	-11.4%	-9.7%	-8.1%	0.75%
URB Investments	URB	0.98	71.3	0.5	0.5%	0.7%	5.4%	n.a	n.a	1.04	-11.1%	-1.4%	-1.1%	0.50%
WAM Active Limited	WAA	1.08	44.9	5.6	5.2%	7.4%	-2.7%	n.a	n.a	1.07	3.9%	5.2%	2.4%	1.00%
Watermark Fund Ltd	WMK	0.83	72.7	3.5	4.2%	6.0%	-1.2%	n.a	n.a	0.96	-12.5%	-6.07%	-4.90%	1.00%

Source: Company releases, Bloomberg, Baillieu Holst estimates

FIG.1: LIC PERFORMANCE TABLE (APRIL 2018)

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.	4.0%	7.4%	0.7%	2.9%	2.9%	2.1%	5.4%	5.5%	2.7%
ARG	Argo Investments	3.0%	5.5%	1.2%	3.8%	3.5%	2.7%	6.2%	7.2%	2.1%
AUI	Australian United In	3.4%	9.5%	-3.2%	3.7%	6.0%	-4.5%	5.6%	8.2%	-4.8%
BKI	BKI Investment Ltd	-1.0%	0.9%	2.5%	1.2%	0.9%	2.8%	3.7%	5.4%	0.9%
DJW	Djerriwarrh	3.0%	-6.6%	9.2%	2.3%	-5.8%	20.5%	3.7%	0.3%	21.7%
DUI	Diversified United	5.9%	6.8%	-4.9%	7.0%	6.8%	-5.6%	8.1%	9.1%	-5.7%
MLT	Milton Corporation	1.2%	3.3%	-0.5%	3.7%	3.4%	0.2%	6.8%	6.8%	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	-4.0%	-14.6%	-8.0%	2.8%	-1.5%	0.8%	2.4%	-0.9%	4.5%
CLF	Concentrated Leaders	2.5%	11.7%	-6.3%	3.8%	5.8%	-8.3%	5.9%	4.2%	-3.3%
AMH	AMCIL Limited	5.8%	4.0%	-5.0%	4.4%	3.7%	-2.4%	5.4%	5.3%	-1.4%
CAM	Clime Capital	6.7%	2.2%	-4.0%	1.8%	2.9%	-6.6%	0.3%	1.4%	-6.6%
CBC	CBG Capital Limited	6.4%	1.8%	-9.2%	1.9%	-0.1%	-7.5%	na	na	na
CDM	Cadence Capital	12.1%	12.9%	6.5%	2.7%	3.4%	8.2%	4.9%	5.4%	5.8%
CIE	Contango Inc Gen Ltd	0.2%	7.1%	-5.0%	na	na	na	na	na	na
CIN	Carlton Investments	3.1%	3.9%	-11.9%	4.7%	4.4%	-11.8%	8.8%	11.2%	-11.8%
FGX	Future Gen Ltd	11.2%	8.9%	-4.5%	6.0%	4.9%	-2.4%	na	na	na
MIR	Mirraboopa Invest.	11.1%	6.0%	11.2%	7.3%	6.5%	13.7%	9.3%	7.8%	14.8%
PIC	Perpetual Equity Ltd	5.7%	17.5%	-2.5%	7.4%	8.9%	-5.4%	na	na	na
PL8	Plato Inc Max Ltd.	4.8%	0.2%	2.3%	na	na	na	na	na	na
QVE	Qv Equities Limited	3.2%	-4.5%	6.0%	7.0%	5.6%	2.4%	na	na	na
WAM	WAM Capital Limited	11.0%	6.5%	22.2%	10.1%	14.1%	16.2%	10.2%	14.4%	12.4%
WLE	WAM Leaders Limited	8.5%	3.6%	-3.9%	na	na	na	na	na	na
WDE	Wealth Def Equ Ltd	2.4%	6.8%	-10.1%	0.3%	-3.5%	-8.7%	na	na	na
WHF	Whitefield Ltd	-0.9%	3.1%	-6.9%	2.9%	2.0%	-7.6%	7.0%	8.2%	-7.1%
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
ACQ	Acorn Cap Inv Fund	27.8%	18.9%	-13.2%	14.4%	15.6%	-15.1%	na	na	na
BST	Barrack St Invest	8.9%	3.7%	-17.5%	5.3%	3.2%	-16.9%	na	na	na
NSC	Naos Smlcap Com Ltd	-3.0%	-4.4%	-7.5%	-2.2%	-0.8%	-8.6%	1.9%	3.4%	-9.4%
FOR	Forager Aust Shs Fnd	7.4%	2.6%	12.4%	na	na	na	na	na	na
GC1	Glennon SML Co Ltd	15.6%	3.2%	-11.2%	na	na	na	na	na	na
NCC	Naos Emerg Opp	6.5%	-10.2%	5.5%	10.2%	13.4%	-3.6%	8.9%	12.1%	-6.5%
OZG	Ozgrowth Limited	8.1%	12.3%	-19.9%	10.3%	9.8%	-18.6%	3.0%	6.3%	-17.1%
SEC	Spheria Emerging Co	2.3%	0.5%	-3.4%	na	na	na	na	na	na
WAX	WAM Research Ltd	8.8%	6.1%	24.3%	10.0%	15.8%	17.3%	11.2%	15.1%	12.3%
WIC	Westoz Inv Ltd	18.4%	31.1%	-11.4%	10.4%	13.8%	-12.5%	4.1%	8.2%	-11.1%
8EC	8lp Emerg Co Ltd	4.8%	-7.2%	-13.5%	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
ALI	Argo Global Ltd	3.7%	-0.4%	-13.4%	na	na	na	na	na	na
APL	Antipodes Global Inv	9.6%	3.4%	-1.0%	na	na	na	na	na	na
EAI	Ellerston Asian	20.8%	27.0%	-9.9%	na	na	na	na	na	na
EGI	Ellerston Global Inv	1.9%	18.6%	-10.5%	0.1%	0.4%	-8.3%	na	na	na
FGG	Future Glb Invest Co	13.2%	25.1%	-4.1%	na	na	na	na	na	na
GVF	Global Value Fnd Ltd	5.3%	2.0%	2.6%	3.9%	6.2%	-3.2%	na	na	na
PIA	Pengana Int Equ Ltd	5.5%	8.1%	-5.4%	4.0%	5.8%	-8.0%	11.0%	14.7%	-9.7%
MFF	MFF Capital Inv Ltd	19.7%	30.2%	-13.2%	10.9%	12.3%	-10.4%	20.9%	18.2%	-5.4%
MGG	Magellan Glob Trust	5.9%	1.2%	0.3%	na	na	na	na	na	na
PAF	Pm Capital Asian Ops	16.5%	32.3%	-0.2%	8.6%	13.1%	-7.7%	na	na	na
PAI	Platinum Asia Ltd	18.2%	33.6%	-1.5%	na	na	na	na	na	na
PGF	Pm Capital Fund	15.6%	25.2%	-5.1%	8.5%	8.7%	-10.0%	na	na	na
PMC	Platinum Capital Ltd	18.8%	33.8%	6.0%	6.7%	9.3%	8.0%	12.0%	15.6%	7.2%
TGG	Templeton Global	8.9%	9.3%	-9.0%	3.4%	2.4%	-10.4%	11.6%	12.5%	-7.8%
VG1	Vgi Partners Global	4.5%	10.1%	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	6.6%	-18.7%	2.6%	8.3%	-1.1%	0.9%	na	na	na
BTI	Bailador Tech Inv	-3.6%	-14.4%	-20.3%	-0.7%	-1.6%	-15.7%	na	na	na
LRT	Lowell Res Fund	-4.2%	-0.6%	1.9%	na	na	na	na	na	na
LSX	Lion Selection Grp	-19.0%	-24.4%	3.2%	0.0%	22.2%	-14.1%	-12.7%	-12.9%	-18.5%
MA1	Monash Absolute	7.9%	0.0%	-12.8%	na	na	na	na	na	na
NAC	Naos Absolute Opp	7.2%	-3.9%	-7.9%	6.2%	5.6%	-6.2%	na	na	na
SNC	Sandon Capital Ltd	5.7%	4.6%	0.0%	5.2%	8.2%	-4.6%	na	na	na
TOP	Thorney Opp Ltd	7.5%	2.6%	-9.7%	16.9%	16.2%	-8.1%	na	na	na
URB	URB Investments Ltd	-0.5%	-14.7%	-1.4%	na	na	na	na	na	na
WAA	WAM Active Limited	8.3%	4.8%	5.2%	8.6%	6.9%	2.4%	7.1%	5.1%	2.7%
WMK	Watermark Fund Ltd	0.5%	-13.6%	-6.1%	5.1%	3.5%	-4.9%	na	na	na

Source: Bloomberg, Company announcements, Baillieu Holst

## Dividend run up trend

- **Dividend run up:** We have previously written on the bi-annual dividend run up trend of traditional LICs which typically occurs in the months prior to both the interim and final ex-dividend dates.
- **History of outperformance:** Fig.2 below depicts the TSR of the traditional LICs from 1 June to the day before their respective ex-dividend dates. When compared to the XAOAI over the same time period, traditional LICs have outperformed a majority of the time.

**FIG.2: TRADITIONAL LIC AND XAOAI TSR PERFORMANCE FROM 1 JUNE TO THE DAY BEFORE RESPECTIVE EX-DIVIDEND DATES**

	2013	2014	2015	2016	2017
AFI	9.2%	2.7%	2.4%	5.4%	5.9%
XAOAI	2.9%	0.8%	-2.1%	4.5%	1.1%
ARG	7.2%	8.7%	3.9%	6.9%	5.0%
XAOAI	5.0%	1.9%	-6.2%	4.7%	1.3%
AUI	9.2%	13.7%	-3.7%	5.5%	4.8%
XAOAI	3.9%	4.5%	-9.7%	4.2%	0.2%
BKI	8.1%	-0.3%	3.2%	6.1%	7.2%
XAOAI	3.9%	-0.2%	-0.7%	3.4%	0.5%
DUI	8.9%	4.5%	-6.4%	3.3%	4.6%
XAOAI	3.9%	1.6%	-9.7%	4.2%	0.2%
DJW	10.1%	4.5%	4.3%	-2.0%	5.8%
XAOAI	3.9%	1.4%	-1.0%	3.4%	0.5%
MLT	4.9%	8.5%	0.9%	5.0%	2.9%
XAOAI	5.0%	0.9%	-5.8%	4.6%	1.0%

Source: IRESS, Baillieu Holst

**FIG.3: TRADITIONAL LIC OUTPERFORMANCE OVER THE XAOAI FROM 1 JUNE TO THE DAY BEFORE RESPECTIVE EX-DIVIDEND DATES**

	2013	2014	2015	2016	2017
<b>AFI</b>	6.3%	1.9%	4.5%	0.8%	4.8%
<b>ARG</b>	2.3%	6.8%	10.1%	2.3%	3.7%
<b>AUI</b>	5.2%	9.2%	6.0%	1.3%	4.6%
<b>BKI</b>	4.1%	-0.1%	3.9%	2.7%	6.7%
<b>DUI</b>	5.0%	2.8%	3.4%	-1.0%	4.4%
<b>DJW</b>	6.2%	3.1%	5.3%	-5.3%	5.3%
<b>MLT</b>	0.0%	7.5%	6.7%	0.4%	1.9%

Source: IRESS, Baillieu Holst

- **Top picks:** Our current top picks include Diversified United Investment (DUI) and Australian Foundation Investment Company (AFI) trading at an estimated 5.2% discount and 0.1% premium to NTA respectively.

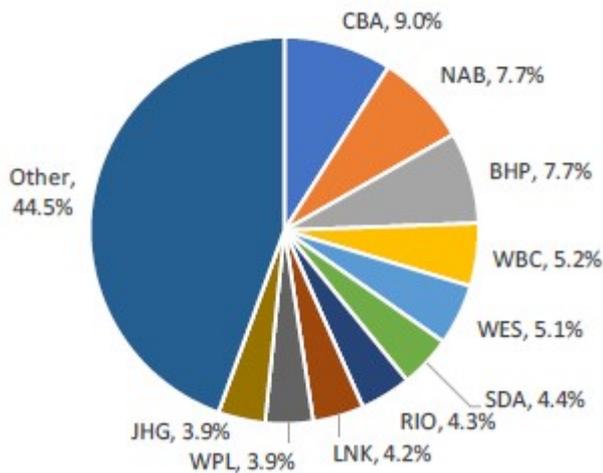
## Inclusion to coverage universe

### CBG Capital (CBC)

- **About:** Incorporated in April 2014, CBG Capital (CBC) is an actively managed LIC primarily investing in S&P/ASX 200 securities. CBC can also invest in securities outside of the S&P/ASX 200 index, with the ability to participate in IPO's, interest rate securities (hybrids), and international securities (up to 10% of the portfolio).
- **The manager:** CBG Asset Management is an active, boutique Australian equities investment manager founded in 2002 by Ronni Chalmers. CBG was recently acquired by Clime Investment Management (CIW), an ASX listed fund manager with ~\$833m of FUM.
- **Investment objective:** CBC seeks to achieve an attractive rate of return for shareholders over the medium to long term (five to seven years) while minimising the risk of permanent capital loss. CBC seeks to provide both capital growth and franked dividend income.
- **Investment strategy:** Investment decisions are driven by fundamental bottom-up stock analysis, overlaid with macro and industry level considerations. Idea generation is derived from initial qualitative and quantitative screening of CBC's investment universe and the continuous monitoring of stocks within each industry sector. The manager looks to a number of attributions that consistently apply to securities which produce attractive returns. The attributions include:
  - Solid free cash flow;
  - Strong competitive position;
  - Supportive industry structure;
  - Strong balance sheet;
  - Strong management team; and
  - Attractive (earnings or cash flow multiples) valuation relative to earnings risk and growth.
- The manager draws on a number of information sources to assist this process including regular company management meetings, company presentations, analysis of announcements and financial metrics (including industry comparables), broker networks, industry publications, broker research and statistical data.
- The manager will also analyse the current market assumptions of underlying stock prices and make an independent assessment of fair value given the manager's longer investment period holding horizons (two to three years).
- Once in the portfolio, stocks are constantly monitored via internal research reports and regular contact with management. If a stock reaches its price target or records a material share price decline, a review of the portfolio will be triggered.
- **Risk:** Risk is managed through the initial screen and stock selection process. Stock and sector portfolio weights are managed based on the manager's analysis of the risk/return characteristics of the stock or sector and the impact on the overall portfolio risk. The manager monitors historical and forecast portfolio risk/return metrics and reviews attribution analysis of past performance.
- **Cash:** The manager may hold up to 50% of the portfolio in cash at any given time.
- **Fees:** The manager is entitled to an annual management fee of 1% (exclusive of GST) of the NTA of the portfolio before all taxes and 20% (exclusive of GST) of the portfolio performance in excess of the benchmark (S&P/ASX 200 Accumulation Index), subject to the portfolio performance being positive and subject to a high-water mark.

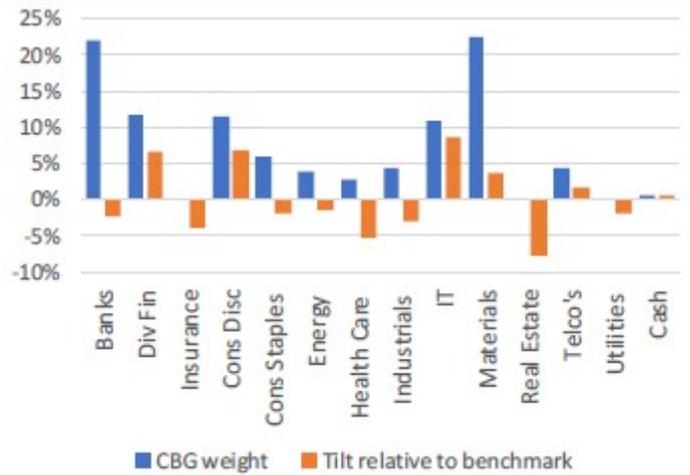
- **Current portfolio:** CBC currently holds active weights (relative to the S&P/ASX200 Index) in Diversified Financials, Consumer Discretionary, Information Technology and Telecommunications whilst underweight Banks, Insurance, Staples, and Health care.

**FIG.4: CBC TOP HOLDINGS (APRIL)**



Source: Company report (April 2018)

**FIG.5: CBC SECTOR WEIGHTING (APRIL)**



Source: Company report (April 2018)

- Fig.6 below provides an overview of CBC as at 30 April 2018, including TSR and investment performance.
- The total shareholder return for the year ending 30 April 2018 was 1.8% with pre-tax net asset backing increasing 6.4%. The active return (TSR) was -4.6%.

**FIG.6: CBC OVERVIEW**

CBC Snapshot				Top Holdings			
Price (30 April 2018)			\$0.93	COMMONWEALTH BANK OF AUSTRAL			9.0%
Share price range (12 months)			\$0.85- \$0.935	NATIONAL AUSTRALIA BANK LTD			7.7%
Shares on issue (Mn)			25.1	BHP BILLITON LIMITED			7.7%
Market capitalisation (\$Mn)			\$23	WESTPAC BANKING CORP			5.2%
Pre-tax asset backing*			\$1.03	WESFARMERS LTD			5.1%
Post-tax asset backing*			\$1.01	SPEEDCAST INTERNATIONAL LTD			4.4%
Premium/(Discount) to pre-tax NTA			-9.5%	RIO TINTO LTD			4.3%
Premium/(Discount) to post-tax NTA			-8.0%	LINK ADMINISTRATION HOLDINGS			4.2%
Dividend yield			3.3%	WOODSIDE PETROLEUM LTD			3.9%
Dividend per share (cents)			3.1	JANUS HENDERSON GROUP-CDI			3.9%
Franking			100%				
Management expense ratio			1.00%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
CBC	1.8%	-0.1%	na	NTA growth	6.4%	1.9%	na
Active return	-4.6%	-6.2%	na	Active return	-0.1%	-4.2%	na

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 30 April 2018, unless otherwise noted. TSR refers to share price appreciation, including cash dividends (assumed re-invested). Active return refers to TSR above that of the comparative index

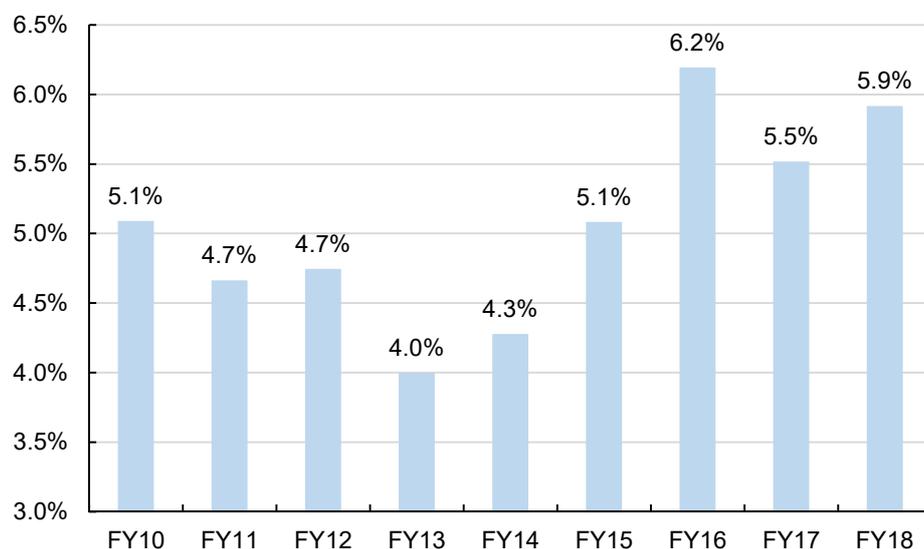
- CBC is currently trading at an estimated 10.2% discount to NTA, this compares to its one and three year historical averages of 9.2% and 7.5% discounts to NTA respectively.

## Clime Capital (CAM)

- **About:** Clime Capital was incorporated and listed in February 2004, providing investors access to a long term value orientated investment portfolio. As at 30 April 2018, CAM's gross portfolio value was \$103m.
- **The manager:** Clime is an independent Australian fund manager with gross FUM of ~\$833m as at 31 March 2018. Clime has two main trading entities: 1) Clime Asset Management (funds management); and 2) StocksInValue (company valuations and research).
- **Investment objective:** The company has three key financial objectives:
  - To preserve and protect the capital of the company;
  - To achieve long-term growth of capital and dividends without taking excessive or unnecessary risks to achieve that growth; and
  - To deliver investors a secure income stream in the form of fully-franked dividends.
- **Investment strategy:** The manager utilises a value investment strategy derived from bottom up fundamental analysis with a macroeconomic overlay. Shares are purchased as part of a 'core-and-satellite' approach which is based on either a 'relative' value process called contrarian value or, an 'absolute' value process called permanent value.
- **Contrarian and Permanent:** For the permanent process, once the research and the identification of businesses has occurred, an absolute value is determined and shares will be purchased accordingly. For the contrarian process, once the research and relative ranking has been undertaken, shares will be purchased on two set commencement dates annually. These dates are expected to be the last business day of December and the first business day of August.
- **Research:** Research will be conducted via annual reports, quantitative appraisal of financial statements, interviews with management, investee entities, industry benchmarks and 'street-level' enquires which include competitors, customers and staff. The manager will seek diversification through a portfolio of 20+ securities spread over a range of industry sectors.
- **Allocation:** The portfolio weighting will generally favour the permanent value strategy but does have flexibility with permanent value representing 50% to 90% of the portfolio and contrarian value representing 10% to 50%. CAM has a major bias to industrial companies due to the cyclical nature of resource companies. Most investments within the portfolio will display one or more of the following characteristics:
  - A high return on incremental equity;
  - A high level of earnings predictability;
  - An ability to gain market share without compromising margins;
  - An ability to retain profits without a decline in profitability;
  - Relatively little or no debt and a high level of cash generation above recurring capital expenditure; and
  - An above market yield;
- **International exposure:** In March 2014 CAM change its investment mandate to include international securities. The manager may invest up to 30% of the portfolio in international listed securities. As at 30 May 2018, international securities represented 7.2% over the overall portfolio.
- **Capital allocation:** Within the portfolio, capital allocation decisions are made across a number of asset classes including Australian Equities, International Equities, Hybrids, Interest Bearing Securities and AUD/USD cash and equivalents. The Australian equity asset class exposure encompasses three sub portfolios: 1) Large Cap; 2) Mid-Cap; and 3) Small Cap.
- **Fees:** The manager is entitled to a management fee equal to 1% of the gross assets per annum. In addition, the manager is entitled to a performance fee of 20% of outperformance over the All Ordinaries Accumulation Index (XAOAI). No performance fee will be payable during a period where the portfolio decreases in value.

- **Dividends:** CAM pays quarterly dividend distributions and since FY10 CAM has consistently paid an above 4.0% fully franked cash dividend yield (Fig.7 below). CAM is currently yielding 5.9% fully franked.

**FIG.7: CAM HISTORICAL CASH DIVIDEND YIELD**



Source: IRESS, Baillieu Holst

- Fig.8 below provides an overview of CAM as at 30 April 2018, including TSR and investment performance.
- The total shareholder return for the year ending 30 April 2018 was 2.2% with pre-tax net asset backing increasing 6.7%. The active return (TSR) was -4.2%.

**FIG.8: CAM OVERVIEW**

CAM Snapshot				Top Holdings			
Price (30 April 2018)			\$0.85	NAVIGATOR GLOBAL INVESTMENTS			3.4%
Share price range (12 months)			\$0.84- \$0.91	AUST AND NZ BANKING GROUP			3.2%
Shares on issue (Mn)			90.0	HANSEN TECHNOLOGIES LTD			3.2%
Market capitalisation (\$Mn)			\$77	JANUS HENDERSON GROUP-CDI			3.1%
Pre-tax asset backing*			\$0.91	NATIONAL AUSTRALIA BANK LTD			3.1%
Post-tax asset backing*			\$0.91	WEBJET LTD			3.1%
Premium/(Discount) to pre-tax NTA			-6.6%	BORAL LTD			3.0%
Premium/(Discount) to post-tax NTA			-6.6%	COLLINS FOODS LTD			3.0%
Dividend yield			5.9%	RAMSAY HEALTH CARE LTD			2.8%
Dividend per share (cents)			5.0	CREDIT CORP GROUP LTD			2.6%
Franking			100%				
Management expense ratio			0.83%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
CAM	2.2%	2.9%	1.4%	NTA growth	6.7%	1.8%	0.3%
Active return	-4.2%	-3.2%	-6.4%	Active return	0.2%	-4.3%	-7.5%

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 30 April 2018, unless otherwise noted. TSR refers to share price appreciation, including cash dividends (assumed re-invested). Active return refers to TSR above that of the comparative index

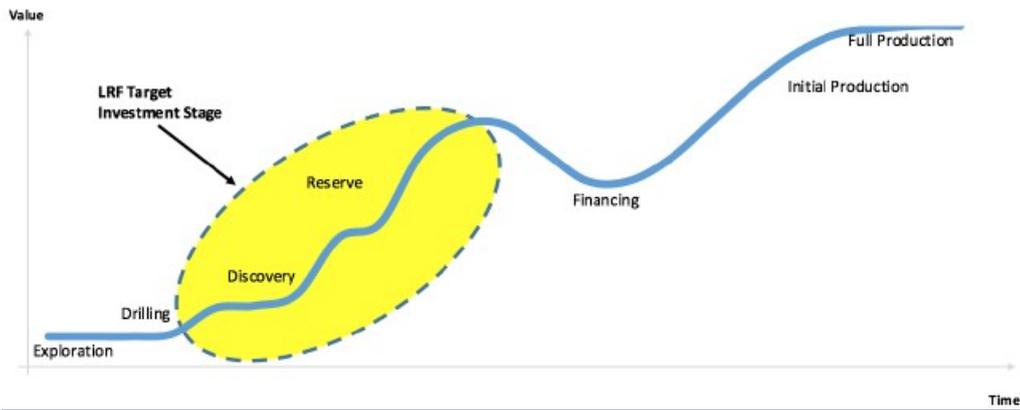
- CAM is currently trading at an estimated 7.8% discount to NTA, this compares to its one and three year historical averages of 4.0% and 6.6% discounts to NTA respectively.

## Lowell Resources Fund (LRT)

- **About:** LRT is a recently incorporated Listed Investment Trust (LIT) that invests in the junior mining and energy sectors in Australia and the around the world. The fund listed on the ASX in March 2018 following a \$5m raise. Prior to being listed, the fund was established in 1986 and operated as an unlisted fund. The investment manager has acted as the investment manager since 2004.
- **The manager:** The investment manager operates through an investment committee which concentrates the experience and knowledge of individuals who have direct working experience in the oil and gas and minerals industries, broking, banking and funds management.
- **Investment objective:** The company seeks to maximise absolute returns to unitholders over the medium to longer term, along with annual distribution payments contingent of taxable profits generated over the period.
- **Investment strategy:** The manager employs a top-down investment strategy in conjunction with a bottom up stock selection process to achieve performance. The macroeconomic entails the stage and likely duration of the economic cycle as it relates to specific commodities or subsectors, as well as overall market conditions internationally. Commodity weighting is identified and ranked and the manager considers individual stocks based on fundamental analysis, chart patterns, pricing and entry and exit points within those identified sectors.
- **Risk:** Whilst risk management and preservation of capital is always an important consideration, the underlying portfolio will be biased towards the high-risk end of the spectrum while avoiding the most speculative blue-sky exploration companies. The manager seeks to minimise downside risk through early identification and disposal of potential loss-makers while maintaining or adding to winning positions. The manager may also increase cash holdings to reduce portfolio volatility during uncertain periods and market weakness.
- **Allocation:** Depending on market conditions, the portfolio will comprise around 20-40 actively exploring junior mining and energy companies. Sector weightings are subject to frequent adjustment by the manager. Companies within the portfolio are a mix of projects located in Africa, the Americas, Europe and Asia (with most listed on the ASX).
- **Investment criteria:** Key attributes that are considered when capital is invested include:
  - Geographic location and sovereign risk exposure;
  - Security of lease tenure;
  - Geological setting, access and confirmed mineralisation;
  - Board calibre and proven technical management performance;
  - Preferred commodity exposure; and
  - Large or high-grade resource;
- The manager has set specific benchmarks with respect to geological endowment and in-ground mineral resources. Core investment holdings will be in companies that have established the following:
  - **Resource/reserve criteria:** such as reserves sufficient for at least three years' production.
  - **Production expectations:** such as exposure to favourable markets/infrastructure;
  - **Other favoured situations:** such as potential benefits from strategic alliances with larger companies, potential to attract premium takeover bids and ability to add value to primary production (i.e. mineral processing).
- **Portfolio mix:** Over time, the portfolio will represent a range of commodities including gold, iron ore, coal, oil, gas, uranium, rare earths and strategic minerals, copper and other base metals. However, at any stage, the emphasis will generally be placed on 3-4 specific commodities.

- Stock selection:** Securities will be selected from their watch list based on the aforementioned factors which also may include site inspections. The timing of an investment decision is illustrated overleaf with an optimal entry point once a significant discovery has been established. Stocks are typically sold down once they approach the mature production stage.

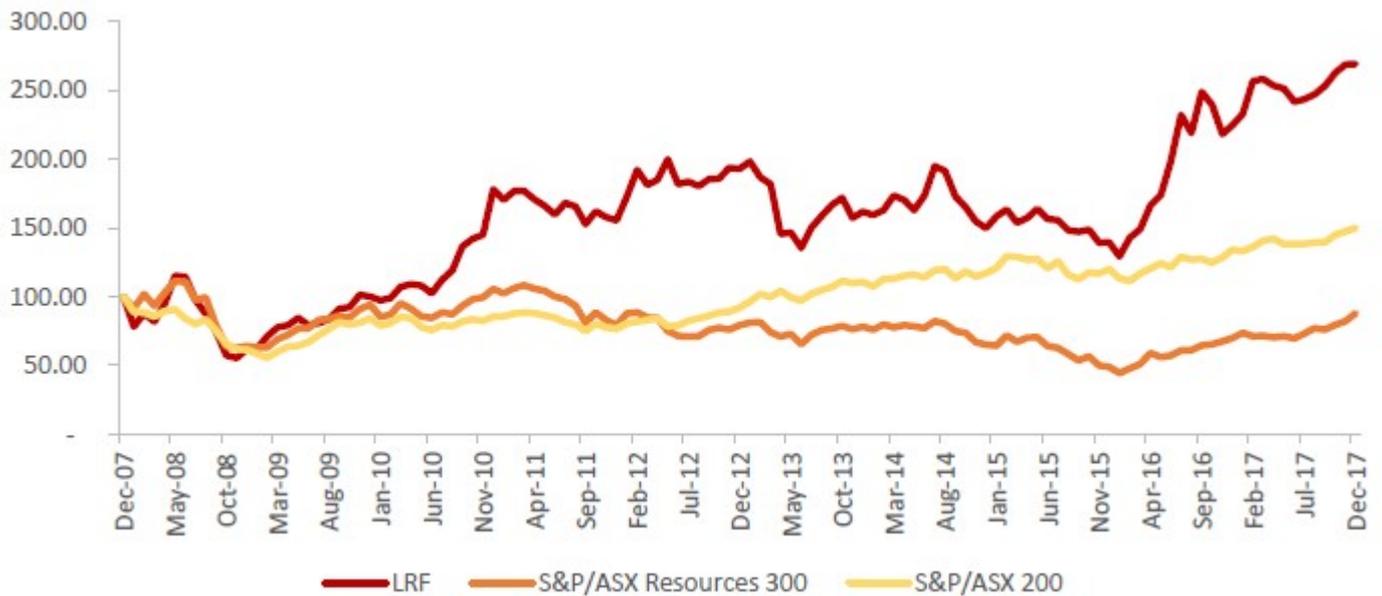
**FIG.9: LRT ILLUSTRATION OF TARGET INVESTMENT STAGE**



Source: Company PDS

- Historical performance:** Fig.10 below depicts the historical performance of the unlisted trust.

**FIG.10: HISTORICAL PERFORMANCE OF THE LRT UNIT TRUST**



Source: Company PDS

- Fees:** The manager is entitled to an annual management fee of 2.2%. The performance fee is calculated on a six-monthly basis. The performance hurdle is a change in the NTA of the fund for the performance period that exceeds the base price (calculated at the commencement of the performance fee calculation period, or on receipt of an application during the period) plus pre-incentive increase for that six-monthly period. The pre-incentive increase is 10% per annum (5% pro rata for each six months).
- Fig.11 overleaf provides an overview of LRT as at 30 April 2018, including TSR and investment performance.

- The total shareholder return since inception (22 March 2018) is -0.6% with pre-tax net asset backing decreasing 4.2%. The active return (TSR) is -2.6%.

**FIG.11: LRT OVERVIEW**

<b>LRT Snapshot</b>		<b>Top Holdings</b>		<b>%</b>
Price (30 April 2018)	\$8.30	LAGUNA GOLD (UL)		13.0%
Share price range (12 months)	\$8- \$8.5	GOLD ROAD RESOURCES LTD		9.0%
Shares on issue (Mn)	2.8	KIDMAN RESOURCES LTD		6.0%
Market capitalisation (\$Mn)	\$23	TINKA RESOURCES LTD		5.0%
Pre-tax asset backing*	\$7.97	INDAGO ENERGY LTD		4.0%
Post-tax asset backing*	-	CARDINAL RESOURCES LTD		4.0%
Premium/(Discount) to pre-tax NTA	4.1%			
Premium/(Discount) to post-tax NTA	-			
Dividend yield	0.0%			
Dividend per share (cents)	0.0			
Franking	100%			
Management expense ratio	2.16%			

<b>Total Shareholder Return</b>	<b>1 Year*</b>	<b>3 Year</b>	<b>5 Year</b>	<b>NTA Performance</b>	<b>1 Year*</b>	<b>3 Year</b>	<b>5 Year</b>
LRT	-0.6%	na	na	NTA growth	-4.2%	na	na
Active return	-2.6%	na	na	Active return	-6.2%	na	na

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures since inception (22 March 2018), unless otherwise noted. TSR refers to share price appreciation, including cash dividends (assumed re-invested). Active return refers to TSR above that of the comparative index.

- LRT is currently trading at an estimated 0.2% discount to NTA.

## Magellan Global Trust (MGG)

- **About:** Magellan Global Trust is a recently incorporated LIT following a \$1.5bn raise in October 2017. The investment strategy mirrors the core investment principles of Magellan Financial Group's (MFG) global equities strategy which has returned 16.2%pa and 13.0% pa over the past five and 10 years respectively.
- **The Manager:** Founded in 2006 by Hamish Douglass and Chris Mackay, Magellan Financial Group (MFG) is an ASX top 100 company specialising in global funds management. At 30 April 2018, MFG employed 28 investment professionals and managed more than \$66.1bn in funds under management (FUM).
- **Investment objective:** MGG seeks to achieve attractive risk-adjusted returns over the medium to long term, whilst reducing risk of permanent capital loss. MGG has a target cash distribution yield of 4% pa and seeks to deliver capital growth over the medium to long term.
- **Investment strategy:** MGG invests in a focussed portfolio of outstanding global companies and seeks to purchase investments when they are trading at a discount to the manager's assessment of their intrinsic value.
- Magellan's investment process integrates three key disciplines:
  - **Intensive bottom-up stock analysis and industry research:** the manager undertakes in-depth proprietary company research seeking to identify sustainable competitive advantages which will generate excess returns on capital and predictable cash flow streams. Value anomalies are then identified. Key quality assessment includes the following criteria: 1) Economic Moat; 2) Agency risk; 3) Business risk; 4) Re-investment potential; and 5) ESG factors.
  - **Board and detailed macroeconomic insight:** The manager undertakes propriety macroeconomic research to identify and manage risks and opportunities presented by the macroeconomic environment.
  - **Rigorous portfolio construction and risk discipline:** The manager views both portfolio construction and formal risk controls as important processes in protecting the portfolio from external shocks. The process seeks to provide downside protection in falling markets whilst also providing the flexibility to participate in different stages of the market cycle.
- **Investment parameters:** The key investment parameters for the portfolio will be based on the following principles:

**FIG.12: MGG INVESTMENT PARAMETERS**

Exposure	Guidelines	
Number of companies	Typically, 15-35 companies.	
Asset classes and asset allocation ranges	Asset class	Investment range
	Securities	50% - 100%
	Cash & cash equivalents	0% - 50%
Geographical	The Trust will invest in securities listed on global securities exchanges.	
Industry/Sector	No limitations, subject to Magellan's commitment to responsible investing (refer to Section 2.6).	
Single security position limit	15% of the Trust's gross asset value at the time of purchase.	
Currency hedging	The Trust may manage its foreign currency exposure arising from investments in overseas markets.	
Borrowing policy	The Trust may borrow against all or part of the Portfolio, provided that, at the time, aggregated borrowings do not exceed 20% of the Trust's gross asset value. The Trust may borrow for the predominant purpose of funding a buyback of Units and may also, at times, borrow for investment purposes.	

Source: Company report

- **Fees:** The manager is entitled to a management fee of 1.35% pa and a performance fee 10% of the excess returns of the trust above the higher of the MSCI World Net Total Return Index AUD adjusted (MSCI) or the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds).
- **LIT v LIC:** The table below illustrates the key features between a LIC and a LIT (Listed Investment Trust).

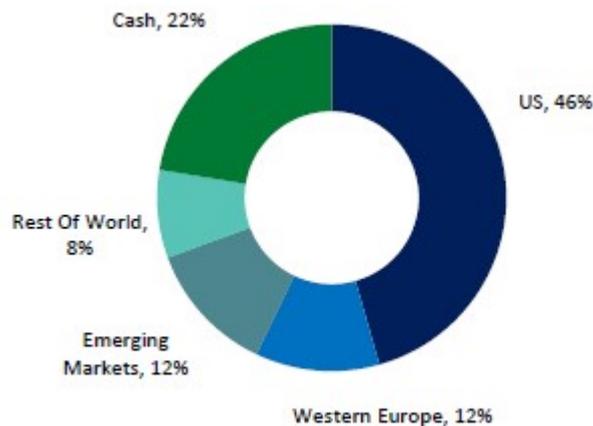
**FIG.13: LIC v LIT – KEY FEATURES**

	LIC	LIT
Corp Governance	Board	Responsible Entity
Assets	Assets of company	Held in trust
Conversion issues	Complex from trust to corporation to LIC	More straight-forward listing process
Tax - general	Pays tax, declares dividend and franking	Passes through tax liability and any franking to investors
Tax – capital gains	Unlikely concessional CGT available, likely on income account	Expectation current capital election available

Source: Company report (Forager Funds Management)

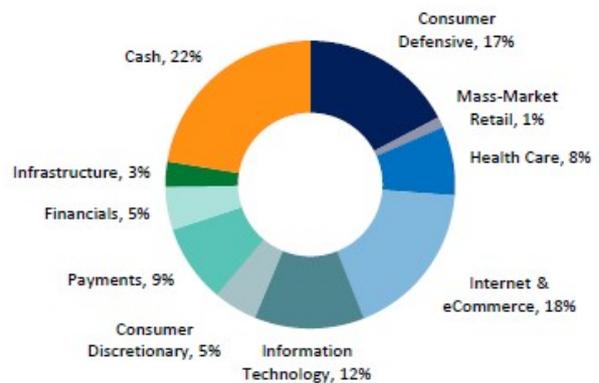
- As at 28 May 2018, MGG is trading at an estimated 4.9% discount to NTA.

**FIG.14: GEOGRAPHICAL EXPOSURE BY REVENUE**



Source: Company report (April 2018)

**FIG.15: SECTOR EXPOSURE BY REVEUE**



Source: Company report (April 2018)

- Fig.16 overleaf provides an overview of MGG as at 30 April 2018, including TSR and investment performance.
- The total shareholder return since inception (17 October 2017) is 1.2% with pre-tax net asset backing decreasing 5.9%. The active return (TSR) is -7.1%.

**FIG.16: MGG OVERVIEW**

<b>MGG Snapshot</b>				<b>Top Holdings</b>			
Price (30 April 2018)		\$1.49		ALPHABET INC-CL A			na
Share price range (12 months)		\$1.42-	\$1.735	APPLE INC			
Shares on issue (Mn)		1049.8		FACEBOOK INC-A			
Market capitalisation (\$Mn)		\$1,564		HCA HEALTHCARE INC			
Pre-tax asset backing*		\$1.56		KRAFT HEINZ CO/THE			
Post-tax asset backing*		-		LOWE'S COS INC			
Premium/(Discount) to pre-tax NTA		-4.4%		ORACLE CORP			
Premium/(Discount) to post-tax NTA		-		STARBUCKS CORP			
Dividend yield		2.0%		VISA INC-CLASS A SHARES			
Dividend per share (cents)		3.0		WELLS FARGO & CO			
Franking		100%					
Management expense ratio		1.35%					
				<i>**listed in alphabetical order**</i>			
<b>Total Shareholder Return</b>				<b>NTA Performance</b>			
	1 Year*	3 Year	5 Year		1 Year*	3 Year	5 Year
MGG	1.2%	na	na	NTA growth	5.9%	na	na
Active return	-7.1%	na	na	Active return	-2.3%	na	na

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures since inception (17 Oct 2018), unless otherwise noted. TSR refers to share price appreciation, including cash dividends (assumed re-invested). Active return refers to TSR above that of the comparative index.

*Baillieu Holst Ltd has acted in a corporate advisory role for MGG and earned fees in relation to that activity in the past 12 months. In line with the company's internal compliance guidelines, our investment recommendation is restricted.*

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

## Australian Foundation Investment Company (AFI)

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

- AFI was formed in 1928 and is Australia's oldest and largest listed investment company.
- AFI is a long-term, low-risk investor in major companies on both the ASX and New Zealand Stock Exchange.
- Key sector exposures include Banks (21.8%), Materials (19.2%), Industrials (11.3%), Other Financials (10.6%), Healthcare (10.1%), Consumer Staples (8.6%), and Energy (5.2%).
- The total shareholder return for the year ending 30 April 2018 was 7.4% with pre-tax net asset backing increasing 4.0%. The active return (TSR) was 1.0%.

**FIG.17: AFI OVERVIEW**

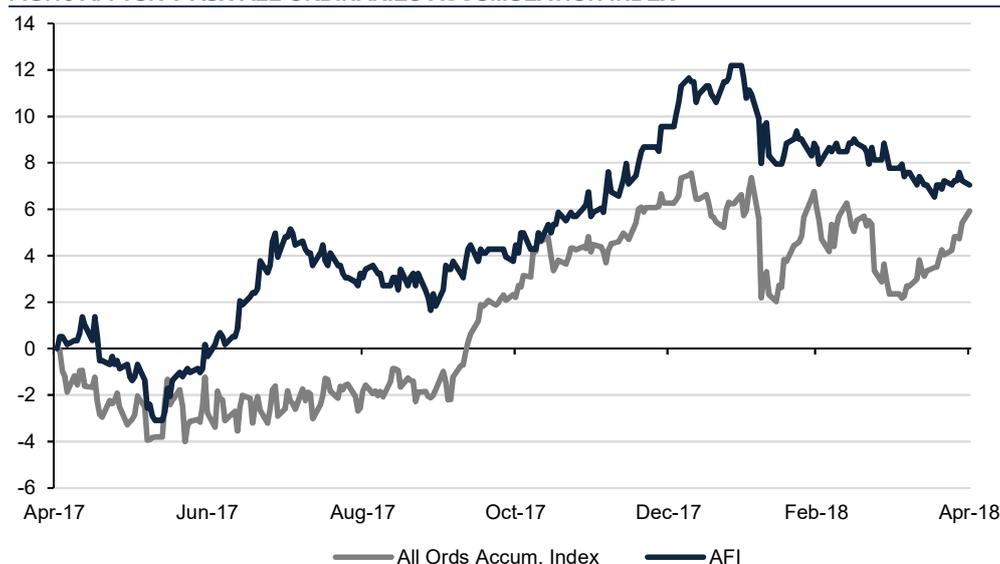
AFI Snapshot		Top Holdings	
Price (30 April 2018)	\$6.00	COMMONWEALTH BANK OF AUSTRAL	8.0%
Share price range (12 months)	\$5.65- \$6.44	WESTPAC BANKING CORP	6.3%
Shares on issue (Mn)	1186.1	BHP BILLITON LIMITED	6.2%
Market capitalisation (\$Mn)	\$7,117	CSL LTD	4.5%
Pre-tax asset backing*	\$6.02	WESFARMERS LTD	4.2%
Post-tax asset backing*	\$5.15	RIO TINTO LTD	3.9%
Premium/(Discount) to pre-tax NTA	-0.3%	NATIONAL AUSTRALIA BANK LTD	3.8%
Premium/(Discount) to post-tax NTA	16.5%	TRANSURBAN GROUP	3.3%
Dividend yield	4.0%	AUST AND NZ BANKING GROUP	3.2%
Dividend per share (cents)	24.0	AMCOR LIMITED	2.4%
Franking	100%		
Management expense ratio	0.13%		

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
AFI	7.4%	2.9%	5.5%	NTA growth	4.0%	2.9%	5.4%
Active return	1.0%	-3.3%	-2.3%	Active return	-2.5%	-3.3%	-2.4%

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 30 April, unless otherwise noted. TSR refers to share price appreciation, including cash dividends (assumed re-invested). Active return refers to TSR above that of the comparative index

**FIG.18 AFI TSR V ASX ALL ORDINARIES ACCUMULATION INDEX**



Source: Bloomberg, Baillieu Holst

## Diversified United Investments (DUI)

[www.dui.com.au](http://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's global ETF exposure currently represents 13.0% of the portfolio.
- The total shareholder return for the year ending 30 April 2018 was 6.8% with pre-tax net asset backing increasing 5.9%. The active return (TSR) was 0.3%.

**FIG.19: DUI OVERVIEW**

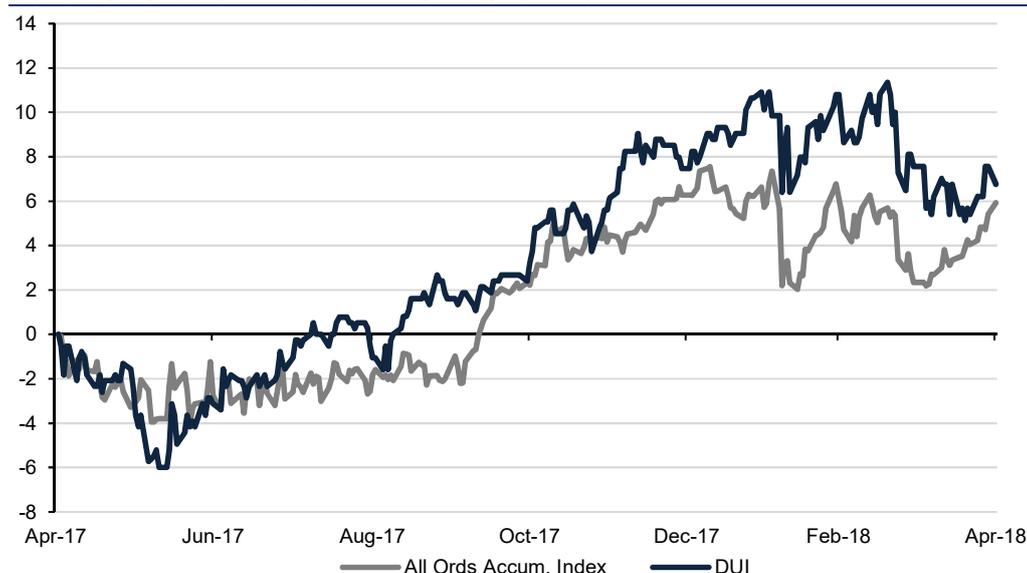
DUI Snapshot		Top Holdings			
Price (30 April 2018)	\$3.95	CSL LTD			9.8%
Share price range (12 months)	\$3.61- \$4.17	COMMONWEALTH BANK OF AUSTRAL			7.3%
Shares on issue (Mn)	209.8	WESTPAC BANKING CORP			5.5%
Market capitalisation (\$Mn)	\$829	AUST AND NZ BANKING GROUP			5.5%
Pre-tax asset backing*	\$4.22	TRANSURBAN GROUP			5.1%
Post-tax asset backing*	\$3.62	NATIONAL AUSTRALIA BANK LTD			4.4%
Premium/(Discount) to pre-tax NTA	-6.4%	RIO TINTO LTD			3.8%
Premium/(Discount) to post-tax NTA	9.1%	BHP BILLITON LIMITED			3.8%
Dividend yield	3.7%	WOODSIDE PETROLEUM LTD			3.7%
Dividend per share (cents)	14.5	WESFARMERS LTD			2.9%
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	6.8%	6.8%	9.1%	NTA growth	5.9%	7.0%	8.1%
Active return	0.3%	0.6%	1.3%	Active return	-0.5%	0.8%	0.3%

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 30 April 2018, unless otherwise noted. TSR refers to share price appreciation, including cash dividends (assumed re-invested). Active return refers to TSR above that of the comparative index

**FIG.20: DUI TSR V ASX ALL ORDINARIES ACCUMULATION INDEX**



Source: Bloomberg, Baillieu Holst

## WAM Leaders (WLE)

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

- Incorporated in May 2016, WAM Leaders is managed by Wilson Asset Management International (WAMI) Pty Ltd. WAMI also manages WAM, WAX, WAA, WMI and CYA 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.
- ASX top 20 securities currently represents ~55% of the underlying portfolio whilst mid-cap securities (ASX21-100) represents ~30% of the underlying portfolio.
- The total shareholder return for the year ending 30 April 2018 was 3.6% with pre-tax net asset backing increasing 8.5%. The active return (TSR) was -1.9%.

**FIG.21: WLE OVERVIEW**

WLE Snapshot			Top Holdings		%
Price (30 April 2018)	\$1.12		BHP BILLITON LIMITED		na
Share price range (12 months)	\$1.08- \$1.21		COMMONWEALTH BANK OF AUSTRAL		
Shares on issue (Mn)	703.2		CSL LTD		
Market capitalisation (\$Mn)	\$788		EVOLUTION MINING LTD		
Pre-tax asset backing*	\$1.18		FORTESCUE METALS GROUP LTD		
Post-tax asset backing*	\$1.16		INSURANCE AUSTRALIA GROUP		
Premium/(Discount) to pre-tax NTA	-5.1%		JAMES HARDIE INDUSTRIES-CDI		
Premium/(Discount) to post-tax NTA	-3.3%		MACQUARIE GROUP LTD		
Dividend yield	4.0%		MANTRA GROUP LTD		
Dividend per share (cents)	4.5		NATIONAL AUSTRALIA BANK LTD		
Franking	100%				
Management expense ratio	0.00%				
			<i>**listed in alphabetical order**</i>		

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
WLE	3.6%	na	na	NTA growth	8.5%	na	na
Active return	-1.9%	na	na	Active return	3.1%	na	na

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 30 April 2018, unless otherwise noted. TSR refers to share price appreciation, including cash dividends (assumed re-invested). Active return refers to TSR above that of the comparative index

**FIG.22: WLE TSR V ASX 200 ACCUMULATION INDEX**



Source: Bloomberg, Baillieu Holst

## Acorn Capital (ACQ)

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

- Acorn Capital was founded in 1998 and is one of the largest specialist microcap investors 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.
- Unlisted holdings currently represent 28% of the underlying portfolio (18 investments), providing a natural hedge against short term volatility in the small capitalisation space, in our view. Of ACQ's unlisted holdings, 14.6% is represented in ACQ's top 10 holdings.
- The total shareholder return for the year ending 30 April 2018 was 18.9% with pre-tax net asset backing increasing 27.8%. The active return (TSR) was 0.5%.

**FIG.23: ACQ OVERVIEW**

ACQ Snapshot				Top Holdings			
Price (30 April 2018)	\$1.13			TELEX PHARMACEUTICALS LTD			4.2%
Share price range (12 months)	\$0.89- \$1.2			GENEA (UL)			4.0%
Shares on issue (Mn)	52.6			CALIX (UL)			3.5%
Market capitalisation (\$Mn)	\$59			CLOVER CORP LTD			3.2%
Pre-tax asset backing*	\$1.31			REDHILL EDUCATION LTD			2.8%
Post-tax asset backing*	\$1.26			CARBON REVOLUTION PTY (UL)			2.5%
Premium/(Discount) to pre-tax NTA	-14.1%			MOULA MONEY (UL)			2.5%
Premium/(Discount) to post-tax NTA	-10.4%			REDBUBBLE LTD			2.4%
Dividend yield	4.2%			INNOVATIVE ASSET SOLUTIONS GRP (UL)			2.1%
Dividend per share (cents)	4.7			SUNDANCE ENERGY AUSTRALIA LT			2.0%
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	18.9%	15.6%	na	NTA growth	27.8%	14.4%	na
Active return	0.5%	4.6%	na	Active return	9.4%	3.3%	na

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 30 April 2018, unless otherwise noted. TSR refers to share price appreciation, including cash dividends (assumed re-invested). Active return refers to TSR above that of the comparative index

**FIG.24: ACQ TSR V ASX SMALL ORDINARIES ACCUMULATION INDEX**



Source: Bloomberg, Baillieu Holst

## Templeton Global Growth Fund (TGG)

[www.tggf.com.au](http://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.
- The regional exposure of TGG is currently Europe (38%), North America (37%) and Asia (24%). Key underlying sector allocations include Financials, Healthcare and IT.
- The total shareholder return for the year ending 30 April 2018 was 9.3% with pre-tax net asset backing increasing 8.9%. The active return (TSR) was -3.5%.

**FIG.25: TGG OVERVIEW**

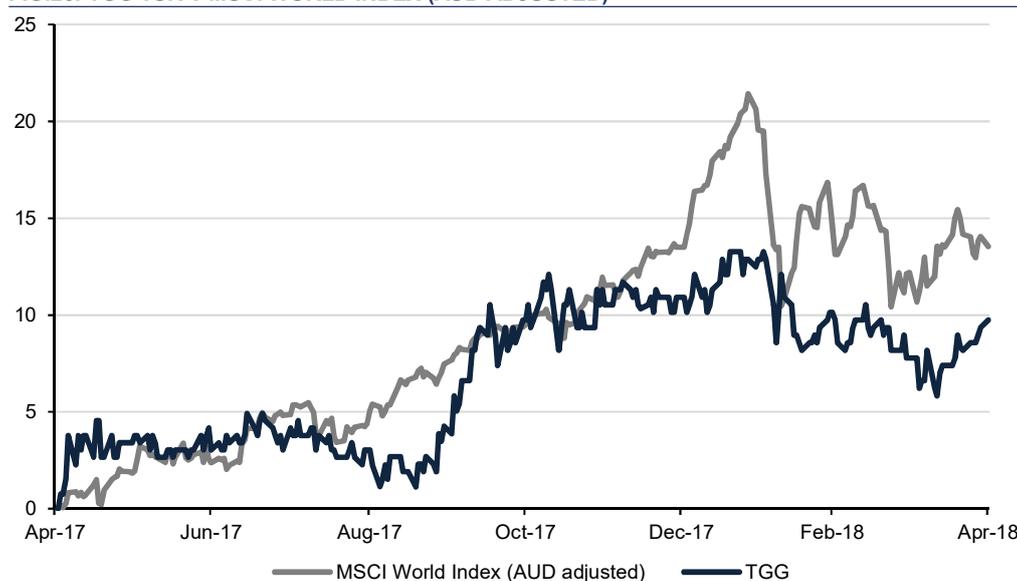
TGG Snapshot		Top Holdings		%
Price (30 April 2018)	\$1.40	SAMSUNG ELECTRONICS CO LTD		na
Share price range (12 months)	\$1.28- \$1.45	BP PLC-SPONS ADR		
Shares on issue (Mn)	224.8	ORACLE CORP		
Market capitalisation (\$Mn)	\$315	ROYAL DUTCH SHELL PLC-A SHS		
Pre-tax asset backing*	\$1.58	MICROSOFT CORP		
Post-tax asset backing*	\$1.50	ALPHABET INC-CL A		
Premium/(Discount) to pre-tax NTA	-11.2%	CITIGROUP INC		
Premium/(Discount) to post-tax NTA	-6.8%	SOFTBANK TECHNOLOGY CORP		
Dividend yield	3.2%	SUNTORY BEVERAGE & FOOD LTD		
Dividend per share (cents)	4.5	BNP PARIBAS		
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	9.3%	2.4%	12.5%	NTA growth	8.9%	3.4%	11.6%
Active return	-3.5%	-7.4%	-4.5%	Active return	-3.9%	-6.4%	-5.5%

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 30 April 2018, unless otherwise noted. TSR refers to share price appreciation, including cash dividends (assumed re-invested). Active return refers to TSR above that of the comparative index

**FIG.26: TGG TSR V MSCI WORLD INDEX (AUD ADJUSTED)**



Source: Bloomberg, Baillieu Holst

## PM Capital Global Opportunities Fund (PGF)

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

- Managed by PM Capital, PGF began trading on the ASX on 11 December 2013.
- Current investment themes include: 1) Global Domestic Banking; 2) Post GFC Housing Recovery (USA and Europe); 3) Service Monopolies; 4) Alternative Investment Managers; 5) Gaming; and 6) Pharmaceuticals.
- Key underlying regional exposures are North America (53.3%), Europe (32.3%), Asia (7.3% and UK (7.0%) with currency exposure weighted towards to the USD at 81.2%.
- The total shareholder return for the year ending 30 April 2018 was 25.2% with pre-tax net asset backing increasing 15.6%. The active return (TSR) was 12.4%.

**FIG.27: PGF OVERVIEW**

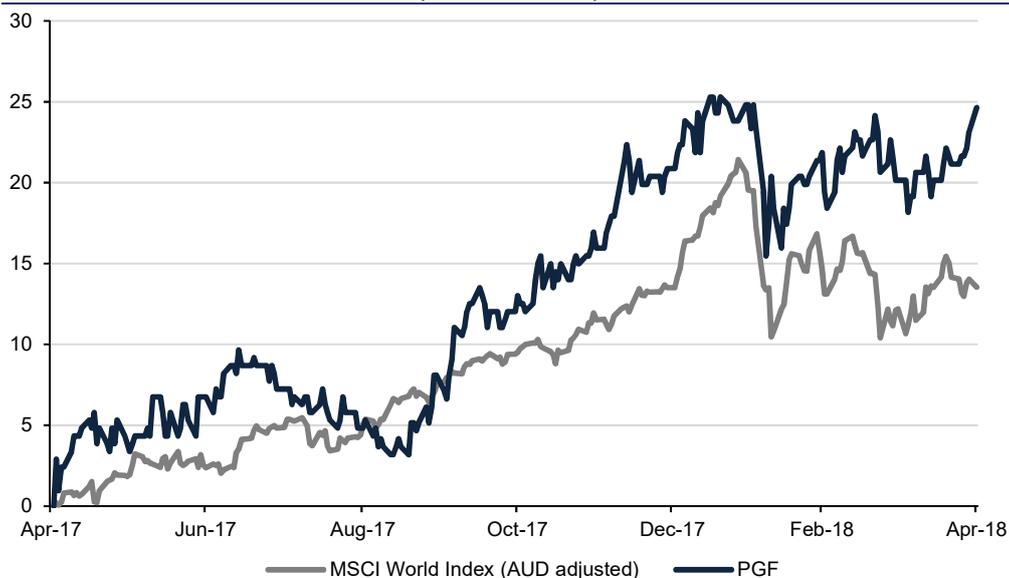
PGF Snapshot			Top Holdings		%
Price (30 April 2018)	\$1.25		HOWARD HUGHES CORP.		na
Share price range (12 months)	\$1.045- \$1.3		CAIRN HOMES		
Shares on issue (Mn)	350.9		BANK OF AMERICA		
Market capitalisation (\$Mn)	\$439		ALPHABET		
Pre-tax asset backing*	\$1.39		PFIZER		
Post-tax asset backing*	\$1.27		MGM CHINA HOLDINGS		
Premium/(Discount) to pre-tax NTA	-9.8%		KKR & CO LP		
Premium/(Discount) to post-tax NTA	-1.9%				
Dividend yield	2.9%				
Dividend per share (cents)	3.6				
Franking	100%				
Management expense ratio	1.00%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
PGF	25.2%	8.7%	na	NTA growth	15.6%	8.5%	na
Active return	12.4%	-1.0%	na	Active return	2.8%	-1.3%	na

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 30 April 2018, unless otherwise noted. TSR refers to share price appreciation, including cash dividends (assumed re-invested). Active return refers to TSR above that of the comparative index

**FIG.28: PGF TSR V MSCI WORLD INDEX (AUD ADJUSTED)**



Source: Bloomberg, Baillieu Holst

## MFF Capital Investments (MFF)

[www.magellangroup.com.au/mff/](http://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 with ~90% of its portfolio consisting of US domiciled corporations that are leaders in emerging markets as well as developed markets.
- Following a prolonged outstanding period in the money options, all outstanding MFF options have now expired (31 October 2017).
- The total shareholder return for the year ending 30 April 2018 was 30.2% with pre-tax net asset backing increasing 19.7%. The active return (TSR) was 17.4%.

**FIG.29: MFF OVERVIEW**

MFF Snapshot		Top Holdings	
Price (30 April 2018)	\$2.40	VISA INC-CLASS A SHARES	13.4%
Share price range (12 months)	\$1.875- \$2.62	MASTERCARD INC - A	12.3%
Shares on issue (Mn)	541.0	HOME DEPOT INC	10.3%
Market capitalisation (\$Mn)	\$1,298	BANK OF AMERICA CORP	9.0%
Pre-tax asset backing*	\$2.61	LOWE'S COS INC	8.2%
Post-tax asset backing*	\$2.17	JPMORGAN CHASE & CO	5.6%
Premium/(Discount) to pre-tax NTA	-8.0%	ALPHABET INC-CL A	4.7%
Premium/(Discount) to post-tax NTA	10.4%	HCA HEALTHCARE INC	4.4%
Dividend yield	1.0%	WELLS FARGO & CO	4.1%
Dividend per share (cents)	2.5	US BANCORP	3.6%
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	30.2%	12.3%	18.2%	NTA growth	19.7%	10.9%	20.9%
Active return	17.4%	2.6%	1.2%	Active return	6.9%	1.1%	3.8%

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 30 April 2018, unless otherwise noted. TSR refers to share price appreciation, including cash dividends (assumed re-invested). Active return refers to TSR above that of the comparative index

**FIG.30: MFF TSR V MSCI WORLD INDEX (AUD ADJUSTED)**



Source: Bloomberg, Baillieu Holst

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**Baillieu Holst Ltd**

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**Analysts' stock ratings are defined as follows:**

**Buy:** The stock's total return is expected to increase by at least 10-15 percent from the current share price over the next 12 months.

**Hold:** The stock's total return is expected to trade within a range of  $\pm$ 10-15 percent from the current share price over the next 12 months.

**Sell:** The stock's total return is expected to decrease by at least 10-15 percent from the current share price over the next 12 months.

**Baillieu Holst Analysts' stock ratings distribution as of 07 March 2018:**

**Buy:** 69%

**Hold:** 28%

**Sell:** 3%

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