

### June 2024 performance review and sector update

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

#### Traditional LICs

The ASX 200 Accum. Index continued its winning ways from May, advancing 1.0% in June. For the month, Traditional LICs outperformed the broader market on a pre-tax net tangible asset (NTA) basis, returning an average of 1.6%, although fell behind on a Total Shareholder Return (TSR) basis, adding just 0.3%.

Preferred LIC **Australian United Investment Company (AUI)** added 1.4% on an NTA basis during June and remains our pick for those seeking a Traditional LIC trading at a discount. The fund currently trades at an estimated 14.4% discount, below its 1 and 3-year average discounts of 10.5% and 7.3%.

Another key preference, **BKI Investment Company (BKI)** had a strong June, with an NTA return of 1.7%. The discount to NTA widened throughout the month, now at an estimated 9.0% discount to NTA, and below its longer-term averages. The trailing gross yield sits at a healthy 6.5%.

#### Large Capitalisation

Key preference **L1 Long Short Fund (LSF)** had a tough June, falling 5.9% on a pre-tax NTA basis, as several key holdings were impacted by falling commodity prices. Longer term performance remains excellent, significantly outpacing peers in our large cap universe.

**AMCIL (AMH)**, our second preference, is trading at an estimated 11.2% discount to NTA, broadly in line with its 1-year average, despite 5.4% outperformance over FY24 on an NTA basis. It also remains meaningfully below its 3- and 5-year average discounts of 5.0% and 5.8%.

#### Small Capitalisation & Specialist

In a sluggish month for small caps (-1.4%), key pick **Spheria Emerging Companies (SEC)** outperformed its benchmark by 0.4% in June on an NTA basis. The fund is currently trading at an estimated 3.1% discount, which has narrowed in recent months relative to its longer-term averages.

Our specialist preference remains **Regal Investment Fund (RF1)** given the stellar NTA performance over 1-, 3- and 5-year periods. The vehicle provides exposure to various strategies managed by the award-winning Regal Funds Management since being established in 2004.

#### Contents

<b>Sector Snapshot</b>	2
<b>Performance Table (June-24)</b>	4
<b>Top Picks (by Segment)</b>	
Australian United Investment Co. (AUI)	5
BKI Investment Company (BKI)	6
L1 Long Short Fund (LSF)	7
AMCIL (AMH)	8
Spheria Emerging Companies (SEC)	9
Regal Investment Fund (RF1)	10
PM Capital Global Opportunities (PGF)	11
<b>Appendix</b>	
Historical Prem/Disc for Pref. LICs	12
Net tangible asset (NTA) growth	14
Total shareholder return (TSR) growth	15
Dividend yield, pre & post tax-NTA	16
LIC basics	17

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*Disclosure: Hugh Glasson holds units in LSF and BTI.*

## International

Overseas markets, as measured by the MSCI World Index on a total return AUD adjusted basis, gained 1.6% in June, taking its year-to-date gain to 14.7%.

Preferred international LIC **PM Capital Global Opportunities Fund (PGF)** underperformed in June, falling 3.8% on an NTA basis. Despite this, active performance over the key 3- and 5-year horizons remains excellent and well ahead of peers. In our view, the impressive track record justifies the slight premium to NTA.

**Table 1: Sector snapshot**

Listed Investment Companies coverage by sector

Listed Investment Companies coverage by sector															
Traditional LICs	Code	Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Jul 24	Current Est. NTA	Current Estimated Disc/Prem	Jun NTA	Jun Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Jun Post-tax Disc/Prem	MER
Australian Foundat.	AFI	7.30	9136.5	25.5	3.5%	5.0%	-0.1%	8.13	-10.2%	7.88	-9.3%	-4.2%	4.4%	8.3%	0.16%
Argo Investments	ARG	8.84	6729.4	34.5	3.9%	5.6%	-0.8%	9.86	-10.3%	9.61	-10.1%	-5.3%	0.0%	3.3%	0.16%
Australian United Invest.	AUI	10.35	1282.3	37.0	3.6%	5.1%	-1.0%	12.09	-14.4%	11.74	-11.2%	-10.5%	-7.3%	7.1%	0.10%
BKI Investment Ltd	BKI	1.72	1384.5	7.9	4.6%	6.5%	0.6%	1.88*	-9.0%	1.83	-8.2%	-3.3%	-2.8%	-1.2%	0.18%
Djerriwarrh	DJW	3.08	810.0	15.0	4.9%	7.0%	3.4%	3.48	-11.4%	3.36	-12.2%	-9.8%	-7.4%	-10.6%	0.45%
Diversified United	DUI	5.16	1113.0	16.0	3.1%	4.4%	-1.6%	6.01	-14.1%	5.83	-12.0%	-11.0%	-7.9%	7.1%	0.12%
Large Capitalisation	Code	Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Jul 24	Current Est. NTA	Current Estimated Disc/Prem	Jun NTA	Jun Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Jun Post-tax Disc/Prem	MER
AMCIL Limited	AMH	1.13	354.8	5.0	4.4%	6.3%	2.3%	1.27	-11.2%	1.26	-12.7%	-11.8%	-5.0%	-2.7%	0.56%
Clime Capital	CAM	0.82	118.5	5.4	6.6%	9.5%	1.0%	0.82*	-1.8%	0.81	1.2%	-1.4%	-1.2%	0.6%	1.00%
Cadence Capital	CDM	0.72	213.2	6.0	8.4%	12.0%	4.3%	n.a	0.0%	0.84	-16.3%	-11.4%	-8.7%	-30.4%	1.00%
Carlton Investments	CIN	29.70	785.5	101.0	3.4%	4.9%	-1.0%	39.82	-25.4%	39.70	-25.3%	-24.2%	-22.6%	-10.7%	0.10%
Future Gen Ltd	FGX	1.23	502.0	6.7	5.4%	7.8%	0.4%	n.a	n.a	1.35	-12.8%	-13.9%	-10.1%	-9.6%	0.00%
L1 Long Short Fnd Ltd	LSF	3.18	1979.3	11.3	3.5%	5.1%	-1.6%	3.26*	-4.0%	3.21	-0.9%	-5.3%	-6.7%	3.2%	1.44%
Mirrabooka Invest.	MIR	3.27	632.2	15.0	4.6%	6.6%	0.9%	3.27	0.1%	3.18	-0.3%	0.4%	4.5%	12.0%	0.50%
Ophir High Conviction	OPH	2.67	594.3	6.0	2.2%	2.2%	-0.8%	3.00*	-13.4%	2.96	-11.1%	-10.6%	-3.0%	na	1.23%
Perpetual Equity Ltd	PIC	1.23	466.4	8.0	6.5%	9.3%	-2.0%	1.33*	-9.2%	1.31	-6.0%	-7.0%	-5.6%	-2.5%	1.00%
Plato Income Max.	PL8	1.22	913.3	6.6	5.4%	7.7%	0.0%	1.09*	10.9%	1.08	11.8%	13.6%	13.7%	10.5%	0.80%
Qv Equities Limited	QVE	0.94	212.6	5.2	5.6%	7.9%	-0.5%	n.a	n.a	0.98	-4.1%	-8.2%	-9.1%	-8.7%	0.90%
WAM Capital Limited	WAM	1.49	1653.3	15.5	10.4%	14.0%	6.3%	n.a	n.a	1.63	-12.5%	-4.3%	5.2%	-12.0%	1.00%
WAM Leaders Limited	WLE	1.30	1641.8	9.1	7.0%	10.0%	4.7%	n.a	n.a	1.32	-4.4%	2.1%	3.8%	-5.3%	1.00%
Whitefield Ltd	WHF	5.22	612.8	20.5	3.9%	5.6%	-1.2%	5.89	-11.4%	5.75	-11.0%	-4.6%	-1.4%	-1.2%	0.25%
Small Capitalisation	Code	Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Jul 24	Current Est. NTA	Current Estimated Disc/Prem	Jun NTA	Jun Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Jun Post-tax Disc/Prem	MER
Acorn Cap Inv Fund	ACQ	0.81	72.1	7.0	8.6%	12.3%	0.6%	n.a	n.a	1.05	-25.1%	-12.1%	-6.6%	-25.4%	0.95%
ECP Emerging Growth	ECP	1.24	22.7	5.2	4.2%	6.0%	-0.8%	1.75	-29.2%	1.72	-25.4%	-25.5%	-19.9%	-22.1%	1.00%
Naos Small Cap Opp	NSC	0.47	62.8	5.0	10.8%	15.4%	0.0%	n.a	n.a	0.55	-20.0%	-12.1%	-15.7%	-25.4%	1.15%
Glennon SML Co Ltd	GC1	0.49	25.6	3.0	6.1%	8.7%	-1.0%	n.a	n.a	0.70	-30.0%	-28.5%	-22.6%	-31.0%	1.00%
Naos Emerg Opp	NCC	0.47	34.3	7.5	16.1%	19.6%	9.6%	n.a	n.a	0.48	-13.5%	-8.5%	-11.3%	-22.2%	1.25%
NGE Capital	NGE	1.12	39.8	0.0	0.0%	0.0%	-3.1%	n.a	n.a	1.28	-12.0%	-19.2%	-20.3%	-17.6%	1.90%
Ryder Capital	RYD	1.24	102.1	8.3	6.7%	9.5%	3.1%	n.a	n.a	1.39	-18.9%	-15.3%	-12.8%	-18.6%	1.25%
Salter Brothers Emerging	SB2	0.60	54.3	0.0	0.0%	0.0%	-1.7%	n.a	n.a	0.97	-38.1%	-34.6%	-30.6%	-39.1%	1.25%
Spheria Emerging Co	SEC	2.18	130.4	11.4	5.2%	7.5%	-1.8%	2.27*	-3.1%	2.23	-0.5%	-8.2%	-9.7%	-0.8%	1.00%
WAM Research Ltd	WAX	1.10	223.5	10.0	9.1%	11.5%	0.5%	n.a	n.a	1.05	2.8%	8.2%	23.3%	2.7%	1.00%
WAM Microcap Ltd	WMI	1.44	397.3	10.5	7.3%	10.5%	0.7%	n.a	n.a	1.35	3.7%	11.1%	14.6%	3.5%	1.00%

Source: Company releases, Bloomberg, IRESS, OML estimates

Figures as at: 16 July 2024

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



Table 1: Sector snapshot (cont.)

## Listed Investment Companies coverage by sector

		Share Price	Market Cap. (\$m)	Trailing Dividend (cents)	Trailing Dividend Yield	Trailing Grossed Up Yield	TSR since 1 Jul 24	Current Est. NTA	Current Estimated Disc/Prem	Jun NTA	Jun Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	Jun Post-tax Disc/Prem	MER
<b>International</b>	<b>Code</b>														
Argo Global Ltd	ALI	2.11	375.1	0.0	0.0%	0.0%	2.0%	2.44*	-13.5%	2.37	-14.8%	-11.4%	-5.7%	-14.0%	1.25%
Future Glb Invest Co	FGG	1.32	523.6	7.2	5.5%	7.8%	0.0%	n.a	n.a	1.51	-13.7%	-17.2%	-12.7%	-9.5%	0.00%
Global Value Fnd Ltd	GVF	1.26	219.5	6.6	5.3%	7.5%	0.4%	n.a	n.a	1.30	-4.4%	-7.5%	-5.2%	2.4%	1.50%
Pengana International	PIA	1.11	284.2	5.4	4.9%	7.0%	-1.3%	1.31*	-14.7%	1.30	-13.0%	-16.0%	-13.0%	-12.7%	1.23%
MFF Capital Invest.	MFF	3.78	2190.4	11.0	2.9%	4.2%	3.8%	4.33*	-12.2%	4.29	-13.4%	-15.5%	-16.0%	3.8%	0.55%
Magellan Global Fund	MGF^	2.21	3331.7	7.4	3.3%	3.3%	-1.5%	n.a	n.a	2.27	-0.5%	-6.5%	-12.8%	na	1.35%
Platinum Asia Ltd	PAI	0.92	340.2	4.0	4.3%	6.2%	-0.5%	1.04*	-11.4%	1.03	-10.4%	-14.3%	-12.7%	-11.0%	1.10%
PM Capital Fund	PGF	2.33	954.5	10.0	4.3%	6.1%	3.6%	2.20*	2.3%	2.12	4.2%	1.7%	-1.3%	19.4%	1.00%
Platinum Capital Ltd	PMC	1.40	412.1	6.0	4.3%	6.1%	0.7%	1.56*	-10.9%	1.53	-8.7%	-14.0%	-13.3%	-7.3%	1.10%
Regal Asian Investments	RG8	2.17	373.5	10.0	4.6%	6.6%	-1.8%	2.58*	-15.9%	2.51	-12.4%	-14.5%	-15.2%	0.0%	1.50%
WAM Global	WGB	2.20	781.6	11.8	5.3%	7.6%	0.0%	n.a	n.a	2.35	-6.1%	-11.5%	-11.1%	-7.7%	1.25%
VGI Partners Global	VG1	1.95	565.6	10.0	5.1%	7.3%	0.3%	2.26*	-15.0%	2.23	-13.2%	-13.9%	-15.2%	na	1.50%
<b>Specialist</b>	<b>Code</b>														
Bailador Tech Inv	BTI	1.20	175.2	6.7	5.6%	8.0%	1.3%	n.a	n.a	1.72	-31.4%	-28.7%	-24.6%	-25.3%	1.75%
Hearts and Minds	HM1	2.63	602.2	14.0	5.3%	7.6%	1.2%	3.18*	-18.2%	3.09	-16.5%	-17.4%	-12.8%	-15.4%	0.00%
Lowell Resource Fund	LRT	1.22	39.6	15.2	12.5%	12.5%	-7.7%	1.32*	-9.2%	1.43	-9.4%	-11.7%	-13.0%	na	2.16%
Lion Selection Grp	LSX	0.47	66.3	1.5	3.2%	3.2%	1.1%	n.a	n.a	0.63	-29.3%	-31.3%	-29.6%	-28.0%	1.50%
NAOS ex-50 Opport.	NAC	0.54	23.2	6.2	11.4%	16.3%	-2.0%	n.a	n.a	0.53	-5.7%	-0.7%	-10.3%	-25.4%	1.75%
Regal Investment Fund	RF1	3.22	608.8	22.0	6.8%	6.8%	-0.9%	3.26*	-0.3%	3.41	-5.3%	-6.4%	-0.4%	na	1.50%
Sandon Capital Ltd	SNC	0.71	100.5	5.5	7.8%	11.1%	0.7%	n.a	n.a	0.81	-13.8%	-14.2%	-13.4%	-13.1%	1.25%
Tribeca Glb Resources	TGF	1.59	124.9	5.0	3.2%	4.5%	0.6%	2.06*	-0.24	2.00	-21.0%	-19.9%	-17.2%	-24.1%	1.50%
Thorney Technologies Ltd	TEK	0.13	49.7	0.0	0.0%	0.0%	4.0%	n.a	n.a	0.24	-46.8%	-37.1%	-30.3%	-51.1%	1.00%
Thorney Opp Ltd	TOP	0.69	125.3	2.5	3.6%	5.2%	-0.7%	n.a	n.a	0.93	-27.1%	-33.1%	-28.7%	-21.8%	0.75%
WAM Active Ltd	WAA	0.82	61.9	6.0	7.4%	10.5%	3.1%	n.a	n.a	0.88	-9.9%	-11.3%	-4.7%	-10.2%	1.00%
WAM Strategic Value Ltd	WAR	1.10	197.2	4.3	3.9%	5.5%	0.5%	n.a	n.a	1.29	-15.0%	-14.0%	-11.0%	-14.9%	1.00%
WAM Alternative Assets	WMA	0.98	191.9	5.1	5.2%	7.4%	-0.4%	n.a	n.a	1.19	-19.2%	-15.1%	-13.4%	-18.6%	1.20%

Source: Company releases, Bloomberg, IRESS, OML estimates

Figures as at: 16 July 2024

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

^MGF has a target cash distribution yield of 4% p.a. paid semi-annually

## NTA performance calculation methodology

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



Fig. 1: LIC Performance Table (June 2024)

Traditional LICs	Code	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
Australian Foundat.	AFI	13.4%	4.7%	-4.2%	5.4%	0.2%	4.4%	7.7%	6.2%	4.6%
Argo Investments	ARG	10.4%	2.5%	-5.3%	5.9%	2.4%	0.0%	6.5%	4.9%	0.7%
Australian United In	AUI	14.2%	10.6%	-10.5%	7.6%	4.7%	-7.3%	7.4%	6.8%	-6.1%
BKI Investment Ltd	BKI	9.2%	1.7%	-3.3%	7.0%	5.9%	-2.8%	6.2%	6.0%	-2.8%
Djerriwarrh	DJW	11.3%	9.3%	-9.8%	4.8%	3.4%	-7.4%	4.8%	1.5%	-4.5%
Diversified United	DUI	11.1%	7.7%	-11.0%	6.0%	2.8%	-7.9%	7.1%	6.7%	-6.0%

Large Capitalisation	Code	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
AMCIL Limited	AMH	17.5%	14.9%	-11.8%	3.7%	0.7%	-5.0%	8.9%	8.7%	-5.8%
Clime Capital	CAM	1.7%	4.8%	-1.4%	-0.7%	1.1%	-1.2%	2.3%	2.6%	-1.8%
Cadence Capital	CDM	8.8%	1.8%	-11.4%	-2.0%	-6.0%	-8.7%	5.1%	5.6%	-11.0%
Carlton Investments	CIN	9.7%	9.1%	-24.2%	3.5%	2.8%	-22.6%	4.4%	2.2%	-20.5%
Future Gen Ltd	FGX	10.4%	11.6%	-13.9%	2.2%	0.2%	-10.1%	6.5%	5.3%	-10.0%
L1 Long Short Fund	LSF	11.7%	17.6%	-5.3%	7.9%	11.4%	-6.7%	16.1%	20.3%	-10.9%
Mirrabooka Invest.	MIR	14.9%	21.6%	0.4%	1.3%	0.1%	4.5%	10.2%	9.6%	3.4%
Ophir High Cf	OPH	8.5%	11.7%	-10.6%	-3.3%	-9.2%	-3.0%	7.2%	5.9%	-2.5%
Perpetual Equity Ltd	PIC	9.5%	13.2%	-7.0%	3.5%	3.8%	-5.6%	8.9%	9.6%	-6.4%
Plato Inc Max Ltd.	PLB	10.7%	0.6%	13.6%	4.7%	3.9%	13.7%	5.7%	7.2%	11.4%
Qv Equities Limited	QVE	3.2%	6.3%	-8.2%	1.2%	3.3%	-9.1%	1.6%	3.4%	-9.8%
WAM Capital Limited	WAM	13.6%	5.4%	-4.3%	4.3%	-5.4%	5.2%	6.9%	1.1%	10.2%
WAM Leaders Limited	WLE	0.7%	-7.2%	2.1%	4.7%	-1.4%	3.8%	7.5%	8.9%	2.4%
Whitefield Ltd	WHF	16.7%	3.5%	-4.6%	4.8%	-2.5%	-1.4%	6.0%	5.1%	-0.9%

Small Capitalisation	Code	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
Acorn Cap Inv Fund	ACQ	1.6%	-10.8%	-12.1%	-5.1%	-11.9%	-6.6%	5.0%	2.8%	-8.0%
ECP Emerging Co	ECP	33.5%	33.6%	-25.5%	2.1%	-1.3%	-19.9%	9.8%	10.1%	-20.0%
Naos Smlcap Com Ltd	NSC	-28.7%	-30.0%	-12.1%	-16.0%	-18.0%	-15.7%	0.1%	1.6%	-18.0%
Glennon SML Co Ltd	GC1	7.5%	9.6%	-28.5%	-8.7%	-9.9%	-22.6%	-3.1%	-5.8%	-21.4%
Naos Emerg Opp	NCC	-37.1%	-32.1%	-8.5%	-20.9%	-19.3%	-11.3%	-6.4%	-6.7%	-9.9%
NGE Capital Limited	NGE	30.5%	44.1%	-19.2%	14.2%	19.4%	-20.3%	11.8%	14.2%	-22.1%
Ryder Capital Ltd	RYD	24.8%	26.2%	-15.3%	-5.8%	-8.8%	-12.8%	2.8%	2.9%	-12.5%
Salter Brothers	SB2	7.2%	-6.2%	-34.6%	-2.5%	-14.5%	-30.6%	na	na	na
Spheria Emerging Co	SEC	6.9%	23.6%	-8.2%	-0.5%	2.6%	-9.7%	6.1%	9.7%	-12.3%
WAM Research Ltd	WAX	17.7%	10.9%	8.2%	4.5%	-6.5%	23.3%	7.4%	3.0%	25.9%
WAM Microcap Limited	WMI	10.6%	7.1%	11.1%	1.4%	-2.0%	14.6%	8.1%	10.1%	11.2%

International	Code	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
Argo Global Ltd	ALI	-0.8%	-7.4%	-11.4%	0.3%	1.1%	-5.7%	-1.3%	1.3%	-6.3%
Future Glb Invest Co	FGG	9.4%	19.3%	-17.2%	-0.3%	-0.1%	-12.7%	4.8%	3.6%	-13.2%
Global Value Fnd Ltd	GVF	13.4%	16.2%	-7.5%	8.2%	9.1%	-5.2%	9.9%	11.1%	-4.7%
Pengana Int Equ Ltd	PIA	7.8%	15.7%	-16.0%	0.2%	-0.3%	-13.0%	5.6%	6.8%	-13.0%
MFF Capital Inv Ltd	MFF	29.8%	44.1%	-15.5%	12.3%	12.2%	-16.0%	11.0%	9.0%	-12.3%
Magellan Global Fund	MGF	19.6%	42.7%	-6.5%	9.1%	12.6%	-12.8%	na	na	na
Platinum Asia Ltd	PAI	4.6%	12.7%	-14.3%	-4.0%	-3.7%	-12.7%	4.0%	3.2%	-11.2%
Pm Capital Fund	PGF	23.7%	30.8%	1.7%	14.0%	18.1%	-1.3%	15.5%	21.1%	-7.3%
Platinum Capital Ltd	PMC	2.8%	16.2%	-14.0%	1.1%	1.9%	-13.3%	3.7%	2.4%	-10.9%
Regal Asian Investments	RG8	14.4%	10.7%	-14.5%	0.6%	1.8%	-15.2%	na	na	na
WAM Global	WGB	9.0%	25.9%	-11.5%	0.7%	-0.2%	-11.1%	5.0%	7.1%	-10.6%
VGI Partners Global	VG1	17.8%	26.2%	-13.9%	-1.5%	-2.2%	-15.2%	1.8%	-0.3%	-14.2%

Specialist	Code	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
Bailador Tech Inv	BTI	12.3%	6.5%	-28.7%	7.8%	0.6%	-24.6%	8.4%	5.7%	-23.3%
Hearts and Minds	HM1	11.7%	19.6%	-17.4%	-5.6%	-11.3%	-12.8%	4.6%	1.6%	-7.1%
Lowell Res Fund	LRT	7.6%	16.1%	-11.7%	4.0%	3.7%	-13.0%	27.9%	35.6%	-15.3%
Lion Selection Grp	LSX	2.4%	4.8%	-31.3%	6.8%	7.0%	-29.6%	12.2%	9.4%	-26.1%
Naos Ex-50	NAC	-44.7%	-38.8%	-0.7%	-26.4%	-19.8%	-10.3%	-7.3%	-3.8%	-14.7%
Regal Invest Fund	RF1	22.6%*	30.1%*	-6.4%	10.5%	-1.5%	-0.4%	20.6%	18.9%	-1.8%
Sandon Capital Ltd	SNC	14.5%	20.1%	-14.2%	-3.8%	-4.4%	-13.4%	4.6%	4.3%	-14.2%
Tribeca Glb Resources	TGF	-8.3%	-5.4%	-19.9%	-5.5%	-9.7%	-17.2%	-2.0%	-3.4%	-18.0%
Thorney Technologies Ltd	TEK	-10.0%	-28.5%	-37.1%	-21.7%	-33.7%	-30.3%	na	-12.5%	na
Thorney Opp Ltd	TOP	35.9%	48.5%	-33.1%	14.3%	12.6%	-28.7%	5.0%	4.6%	-25.7%
WAM Active Ltd	WAA	14.3%	28.9%	-11.3%	1.2%	-3.6%	-4.7%	3.6%	2.0%	-2.1%
WAM Strategic Value Ltd	WAR	13.7%	16.8%	-14.0%	2.7%	-2.2%	-11.0%	na	na	na
WAM Alternative Assets	WMA	2.4%	-5.2%	-15.1%	4.5%	4.0%	-13.4%	4.9%	9.2%	-16.6%

Source: Bloomberg, IRESS, OML

## Australian United Investment Company (AUI)

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

- AUI was founded in 1953 by the late Sir Ian Potter and The Ian Potter Foundation.
- AUI utilises a “traditional” investment philosophy, focusing on risk reduction by investing in a range of large and mid-cap companies on the ASX.
- Investments are chosen on their individual merits, with no pre-determined policy that any particular proportion of the capital will be invested in particular investment sectors.
- The total shareholder return for the year ending 30 June 2024 was 10.6%, with pre-tax NTA increasing 14.2%. The active return (TSR) was -1.9%.

**Fig. 1: AUI Snapshot**

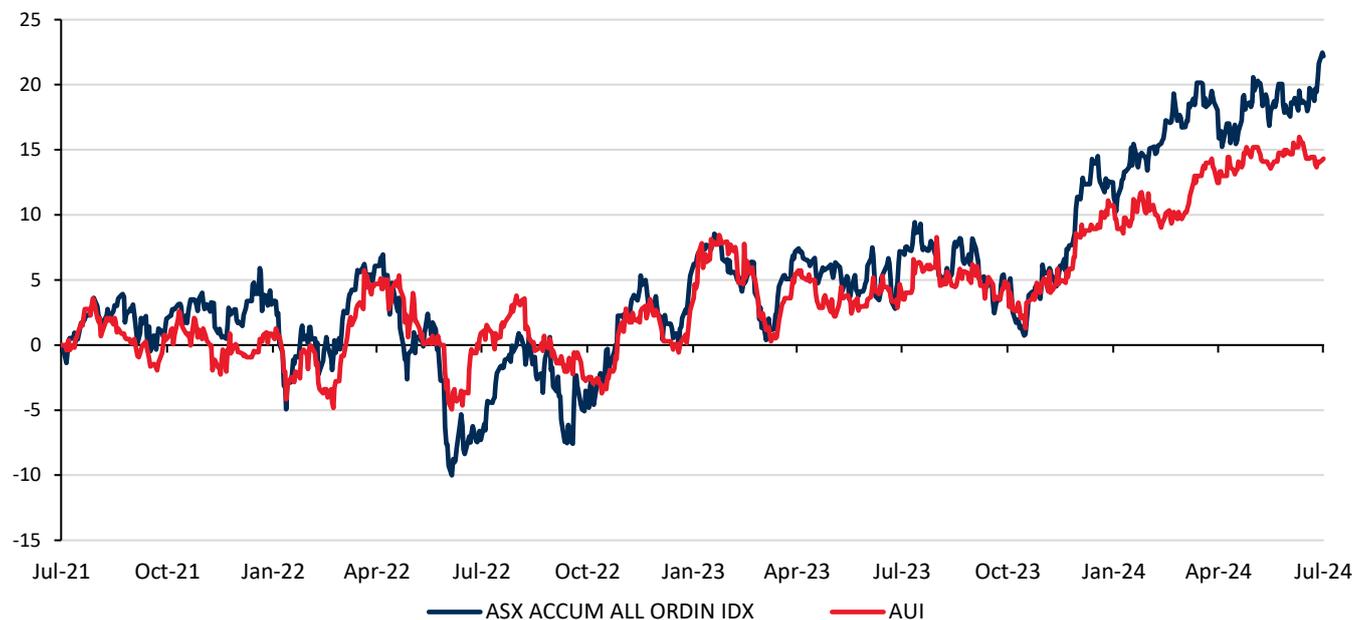
AUI Snapshot		Top Holdings		%
Price (30 June 2024)	\$10.43	Commonwealth Bank.		10.6%
Share price range (12 months)	\$9.30- \$10.47	CSL Limited		7.7%
Shares on issue (Mn)	123.9	BHP Group Limited		7.5%
Market capitalisation (\$Mn)	\$1,292	RIO Tinto Limited		5.8%
Pre-tax asset backing*	\$11.74	Wesfarmers Limited		5.5%
Post-tax asset backing*	\$9.74	ANZ Banking Grp Ltd		4.9%
Premium/(Discount) to pre-tax NTA	-11.2%	Diversified United		4.8%
Premium/(Discount) to post-tax NTA	7.1%	Woodside Energy		4.6%
Dividend yield	3.6%	Transurban Group		4.5%
Dividend per share (cents)	37.0	Westpac Banking Corp		3.9%
Franking	100%			
Management expense ratio	0.10%			

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
AUI	10.6%	4.7%	6.8%	NTA growth	14.2%	7.6%	7.4%
Active return	-1.9%	-1.4%	-0.8%	Active return	1.7%	1.5%	-0.2%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 June 2024. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

**Fig. 2: AUI TSR vs All Ords Accum. Index**



Source: Bloomberg, OML

## BKI Investment Company (BKI)

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

- BKI was listed on the ASX in December 2003 with an objective to provide investors with sound dividend yields and long-term capital growth.
- BKI invests in a diversified portfolio of Australian shares, trusts and interest-bearing securities, focusing on securities that are paying an increasing dividend stream.
- The total shareholder return for the year ending 30 June 2024 was 1.7%, with pre-tax NTA increasing 9.2%. The active return (TSR) was -10.8%.

**Fig.4: BKI Snapshot**

BKI Snapshot				Top Holdings			
Price (30 June 2024)			\$1.68	Commonwealth Bank.			8.7%
Share price range (12 months)			\$1.67- \$1.85	BHP Group Limited			8.3%
Shares on issue (Mn)			804.9	National Aust. Bank			7.3%
Market capitalisation (\$Mn)			\$1,352	Macquarie Group Ltd			6.9%
Pre-tax asset backing*			\$1.83	Wesfarmers Limited			5.4%
Post-tax asset backing*			\$1.70	APA Group			5.2%
Premium/(Discount) to pre-tax NTA			-8.2%	New Hope Corporation			4.3%
Premium/(Discount) to post-tax NTA			-1.2%	Woodside Energy			3.5%
Dividend yield			4.6%	Transurban Group			2.9%
Dividend per share (cents)			7.9	Woolworths Group Ltd			2.8%
Franking			100%	Telstra Corporation.			2.7%
Management expense ratio			0.18%	ARB Corporation.			2.5%

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
BKI	1.7%	5.9%	6.0%	NTA growth	9.2%	7.0%	6.2%
Active return	-10.8%	-0.2%	-1.6%	Active return	-3.3%	0.9%	-1.4%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 June 2024. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

**Fig.5: BKI TSR vs All Ords Accum. Index**



Source: Bloomberg, OML

## L1 Long Short Fund (LSF)

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

- LSF listed in April-18 following a \$1.3bn raising. LSF has dual investment objectives to 1) seek to deliver strong, positive, risk-adjusted returns over the long term (being a period of more than five years); and 2) preserve capital.
- LSF utilises a fundamental, bottom-up research process to seek and identify mispriced securities with the potential to provide attractive risk adjusted returns. The manager may take short positions in companies it considers to be overvalued, or of low quality and/or over-gearred.
- The total shareholder return for the year ending 30 June 2024 was 17.6%, with pre-tax NTA increasing 11.7%. The active return (TSR) was 5.6%.

**Fig.6: LSF Snapshot**

LSF Snapshot				Key contributors/detractors to portfolio performance			
Price (30 June 2024)			\$3.18	<b>Contributors</b>			
Share price range (12 months)			\$2.67- \$3.22	SK Hynix			
Shares on issue (Mn)			622.4	<b>Detractors</b>			
Market capitalisation (\$Mn)			\$1,979	Fraport			
Pre-tax asset backing*			\$3.21	Mineral Resources			
Post-tax asset backing*			\$3.08	NexGen			
Premium/(Discount) to pre-tax NTA			-0.9%				
Premium/(Discount) to post-tax NTA			3.2%				
Dividend yield			3.5%				
Dividend per share (cents)			11.3				
Franking			100%				
Management expense ratio			1.44%				
				*Alphabetical			
Total Shareholder Return				NTA Performance			
	1 Year	3 Year	5 Year		1 Year	3 Year	5 Year
LSF	17.6%	11.4%	20.3%	NTA growth	11.7%	7.9%	16.1%
Active return	5.6%	5.1%	13.0%	Active return	-0.4%	1.5%	8.9%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 June 2024. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

**Fig.7: LSF TSR vs ASX200 Accum. Index**



Source: Bloomberg, OML

## AMCIL (AMH)

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

- AMCIL manages a concentrated investment portfolio comprising 30 to 40 stocks covering large and small companies in the Australian and New Zealand equity markets. Its investment approach is to construct a focused portfolio in which large and small companies can have an equally important impact on investment returns.
- By utilising an active, fundamental and bottom-up approach, the fund aims to provide shareholders with returns that exceed returns from the market (S&P/ASX 200 Index) over the medium to long term.
- The total shareholder return for the year ending 30 June 2024 was 14.9%, with pre-tax NTA increasing 17.5%. The active return (TSR) was 2.9%.

**Fig.8: AMH Snapshot**

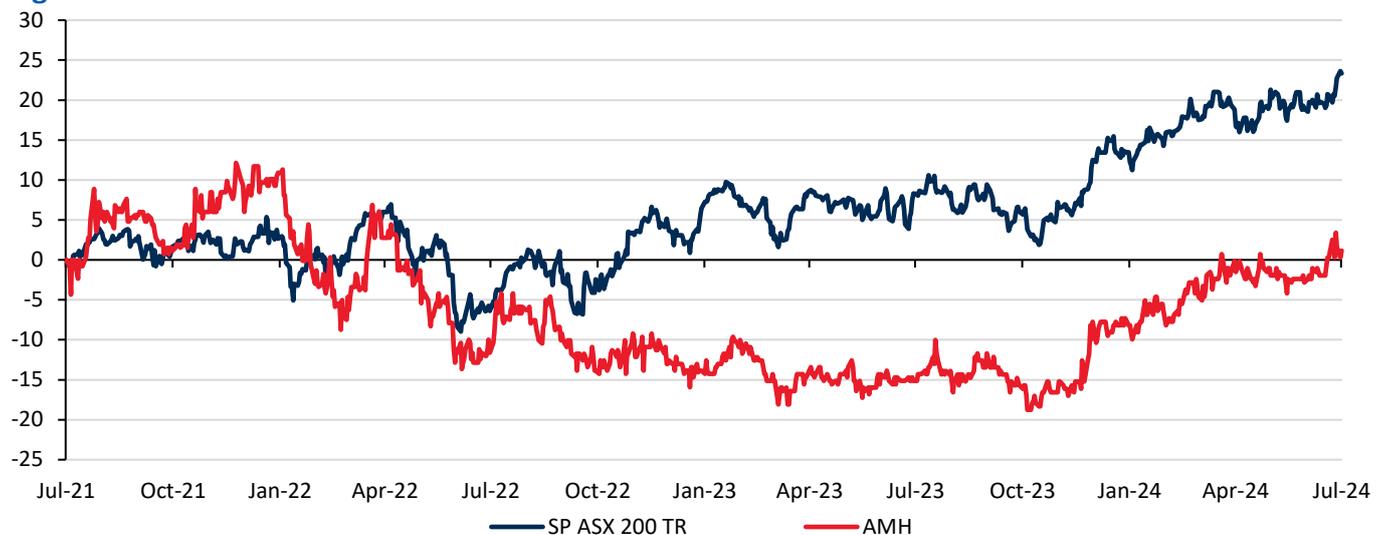
AMH Snapshot		Top Holdings		%
Price (30 June 2024)	\$1.10	CSL Limited		9.1%
Share price range (12 months)	\$0.92- \$1.16	Wesfarmers Limited		5.8%
Shares on issue (Mn)	315.4	Macquarie Group Ltd		5.7%
Market capitalisation (\$Mn)	\$347	Goodman Group		5.6%
Pre-tax asset backing*	\$1.26	Macquarie Telecom Gp		5.0%
Post-tax asset backing*	\$1.13	BHP Group Limited		4.8%
Premium/(Discount) to pre-tax NTA	-12.7%	Carsales.Com Ltd.		4.0%
Premium/(Discount) to post-tax NTA	-2.7%	Mainfreight		4.0%
Dividend yield	4.4%	Transurban Group		3.9%
Dividend per share (cents)	5.0	Westpac Banking Corp		3.2%
Franking	100%			
Management expense ratio	0.56%			

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
AMH	14.9%	0.7%	8.7%	NTA growth	17.5%	3.7%	8.9%
Active return	2.9%	-5.7%	1.5%	Active return	5.4%	-2.7%	1.7%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 June 2024. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

**Fig.9: AMH TSR vs ASX200 Accum. Index**



Source: Bloomberg, OML

## Spheria Emerging Companies (SEC)

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

- SEC is managed by Spheria Asset Management; a fundamental bottom-up investment manager specialising in small and microcap companies. SEC listed in December 2017 following a ~\$132m raise.
- SEC aims to grow shareholder wealth over the long-term by generating absolute returns in excess of the benchmark, at below market levels of risk.
- The total shareholder return for the year ending 30 June 2024 was 23.6%, with pre-tax NTA increasing 6.9%. The active return (TSR) was 14.3%.

**Fig.10: SEC Snapshot**

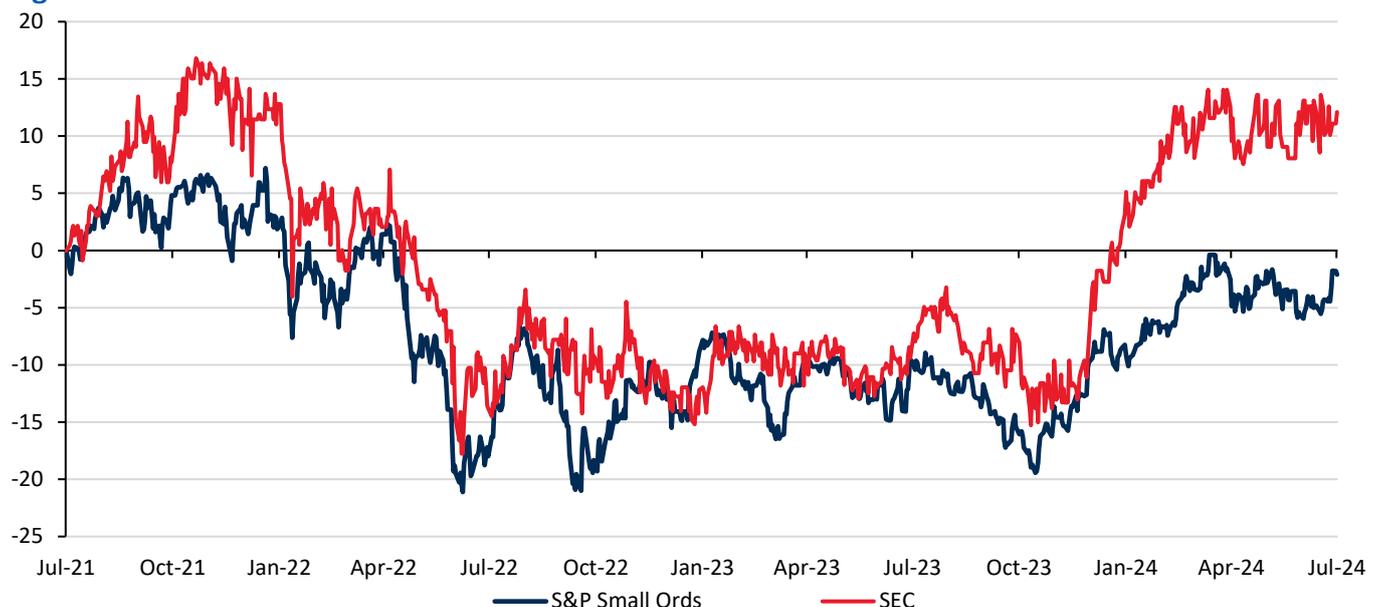
SEC Snapshot		Top Holdings			
Price (30 June 2024)	\$2.22	Bega Cheese Ltd		5.1%	
Share price range (12 months)	\$1.73-\$2.29	Healius		4.9%	
Shares on issue (Mn)	59.8	Supply Network		4.3%	
Market capitalisation (\$Mn)	\$133	IRESS Limited		4.1%	
Pre-tax asset backing*	\$2.23	The Star Ent Grp		3.3%	
Post-tax asset backing*	\$2.24	Deterra Royalties		3.2%	
Premium/(Discount) to pre-tax NTA	-0.5%	Breville Group Ltd		2.9%	
Premium/(Discount) to post-tax NTA	-0.8%	GWA Group Ltd		2.9%	
Dividend yield	5.2%	Magellan Financial Group Limited		2.8%	
Dividend per share (cents)	11.4	Fletcher Building		2.7%	
Franking	100%				
Management expense ratio	1.00%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
SEC	23.6%	2.6%	9.7%	NTA growth	6.9%	-0.5%	6.1%
Active return	14.3%	4.1%	6.0%	Active return	-2.4%	1.1%	2.4%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 June 2024. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

**Fig.11: SEC TSR vs Small Ords Accum. Index**



Source: Bloomberg, OML

## Regal Investment Fund (RF1)

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

- The manager, established in 2004, is a specialist alternative investment manager, with a primary focus on long short investment strategies. RF1 was listed in Jun-19, following a \$282m raising.
- RF1 is constructed by the Manager through the selection and allocation of funds to a number of Regal strategies.
- The allocations to strategies as at 30 June 2024 was Emerging Companies (19%), Resources Royalties (19%), Small Companies (14%), Private Credit (15%), Market Neutral (10%), Global Alpha (9%), Global Long Short (8%), and Water (5%).
- The total shareholder return for the year ending 30 June 2024 was 30.1%, with pre-tax NTA increasing 22.6%. The active return (TSR) was 18.2%.

**Fig.13: RF1 Snapshot**

RF1 Snapshot				Top Holdings			
Price (30 June 2024)			\$3.23	<b>Exposure by Strategy</b>			
Share price range (12 months)			\$2.61- \$3.37	Emerging Companies			19.0%
Shares on issue (Mn)			189.1	Resources Royalties			19.0%
Market capitalisation (\$Mn)			\$611	Small Companies			14.0%
Pre-tax asset backing*			\$3.41	Private Credit			15.0%
Post-tax asset backing*			n.a	Market Neutral			10.0%
Premium/(Discount) to pre-tax NTA			-5.3%	Global Alpha			9.0%
Premium/(Discount) to post-tax NTA			n.a	Global Long Short			8.0%
Dividend yield			6.8%	Water			5.0%
Dividend per share (cents)			22.0				
Franking			0%				
Management expense ratio			1.50%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
RF1	30.1%	-1.5%	18.9%	NTA growth	22.6%	10.5%	20.6%
Active return	18.2%	-7.5%	11.7%	Active return	10.7%	4.5%	13.3%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 June 2024. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

**Fig.14: RF1 TSR vs ASX300 Accum. Index**



Source: Bloomberg, OML

## PM Capital Global Opportunities Fund (PGF)

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

- Managed by PM Capital, PGF began trading on the ASX on 11 December 2013. PGF provides exposure to international equities with a portfolio size of generally 25-45 holdings.
- Investment exposures as at 30 June 2024 include Global Domestic Banking (Europe & USA, 39%), Energy (15%), Industrial Metals (15%), Industrials (9%), Gaming (10%), Housing Ireland & Spain (8%), and Alternative Managers (5%).
- The total shareholder return for the year ending 30 June 2024 was 30.8%, with pre-tax NTA increasing 23.7%. The active return (TSR) was 10.2%.

**Fig.14: PGF Snapshot**

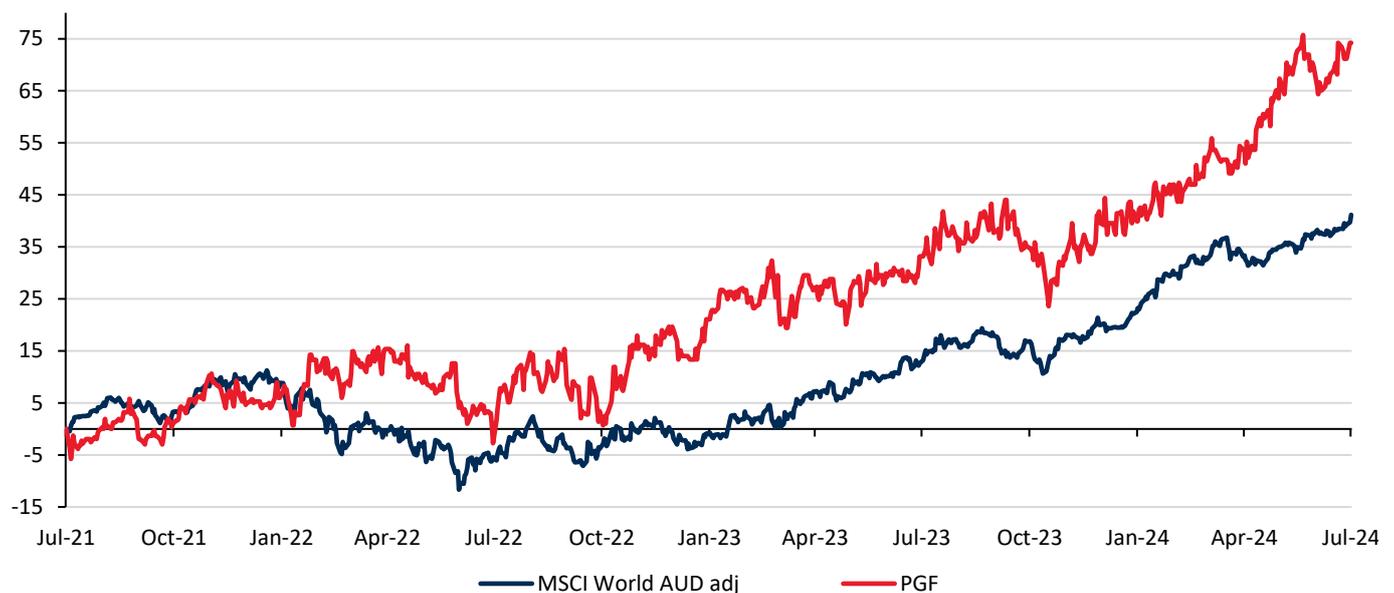
PGF Snapshot				Top Holdings			
Price (30 June 2024)			\$2.21	Allied Irish Bank			
Share price range (12 months)			\$1.67- \$2.33	Apollo Global Management			
Shares on issue (Mn)			409.7	Bank of America			
Market capitalisation (\$Mn)			\$905	CaixaBank			
Pre-tax asset backing*			\$2.12	CNOOC			
Post-tax asset backing*			\$1.85	ING Groep			
Premium/(Discount) to pre-tax NTA			4.2%	Lloyds Banking Group			
Premium/(Discount) to post-tax NTA			19.4%	Shell			
Dividend yield			4.3%	Teck Resources			
Dividend per share (cents)			10.0	Wynn Resorts			
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	30.8%	18.1%	21.1%	NTA growth	23.7%	14.0%	15.5%
Active return	10.2%	6.5%	7.7%	Active return	3.1%	2.4%	2.1%

Source: IRESS, Bloomberg, OML, Company reports. Figures as at 30 June 2024. Active returns refers to the TSR and NTA growth relative to that of the comparative index (see chart below).

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

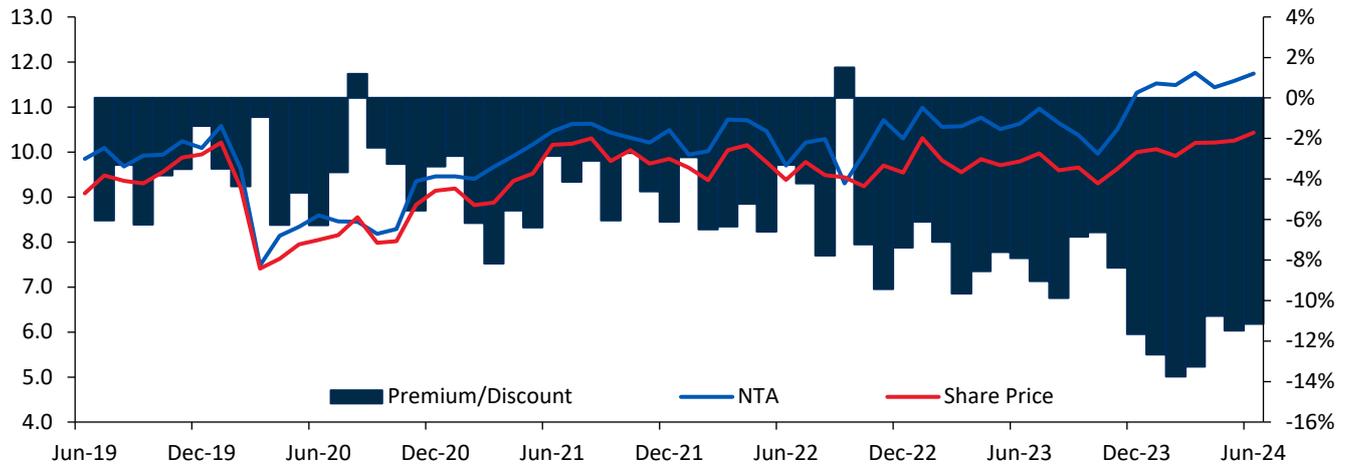


Source: Bloomberg, OML



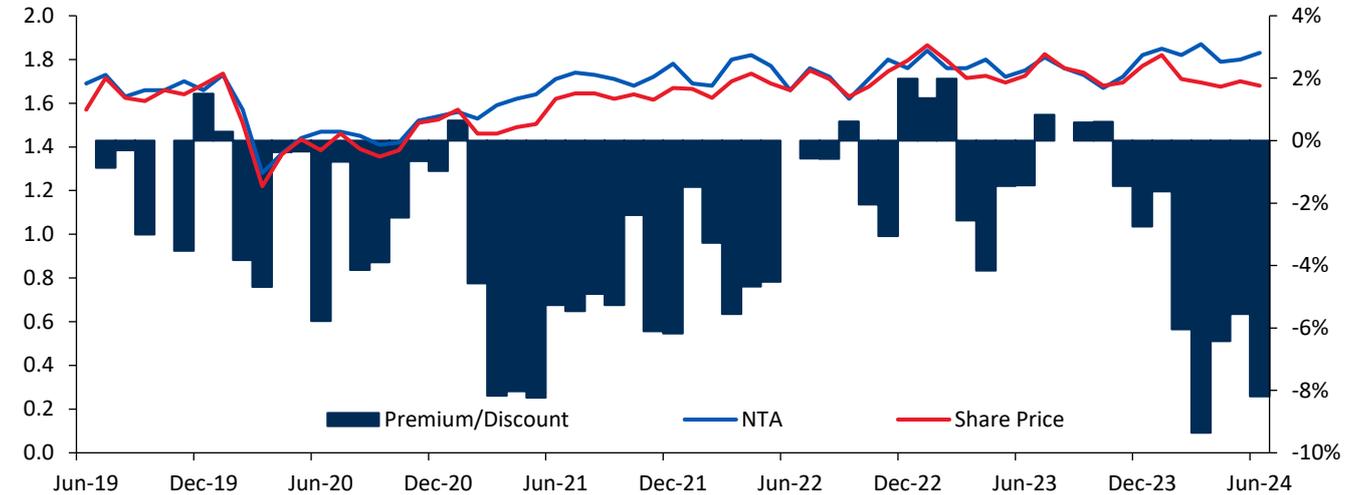
## Appendix – Historical Premium/Discounts for Preferred LICs

**Fig.16: Australian United Investment Company (AUI)**



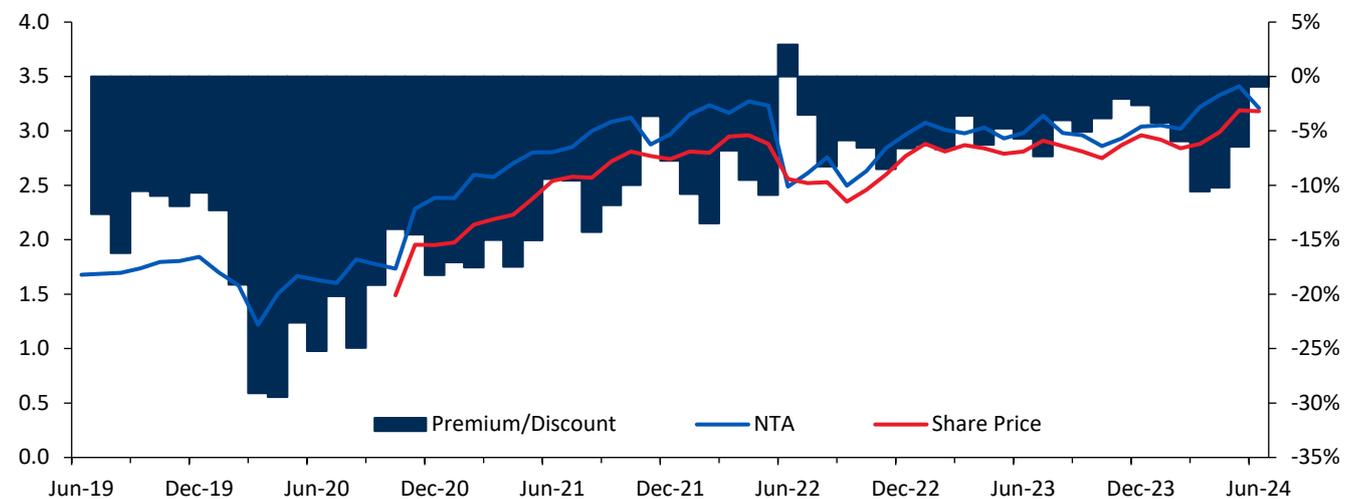
Source: Bloomberg, IRESS, OML.

**Fig.17: BKI Investment Company (BKI)**



Source: Bloomberg, IRESS, OML.

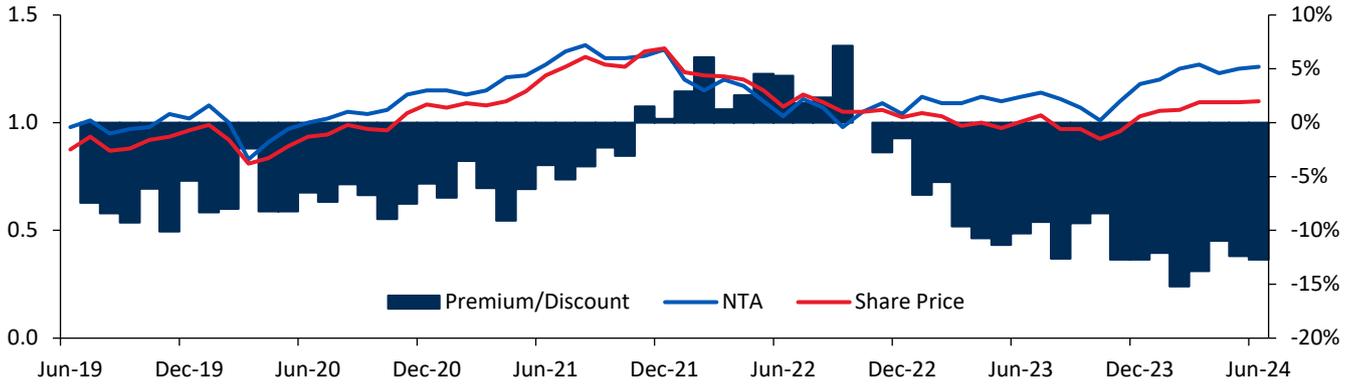
**Fig.18: L1 Long Short Fund (LSF)**



Source: Bloomberg, IRESS, OML.

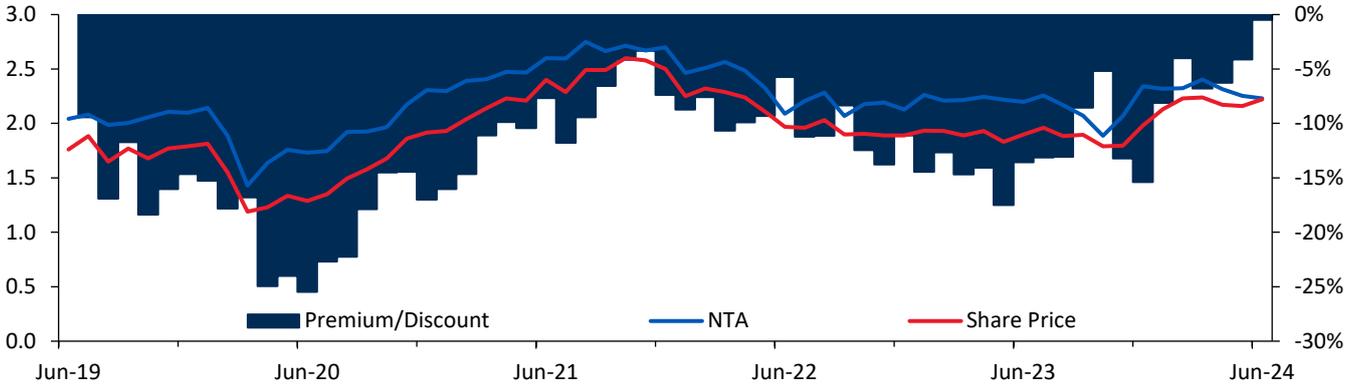


**Fig.19: AMCIL (AMH)**



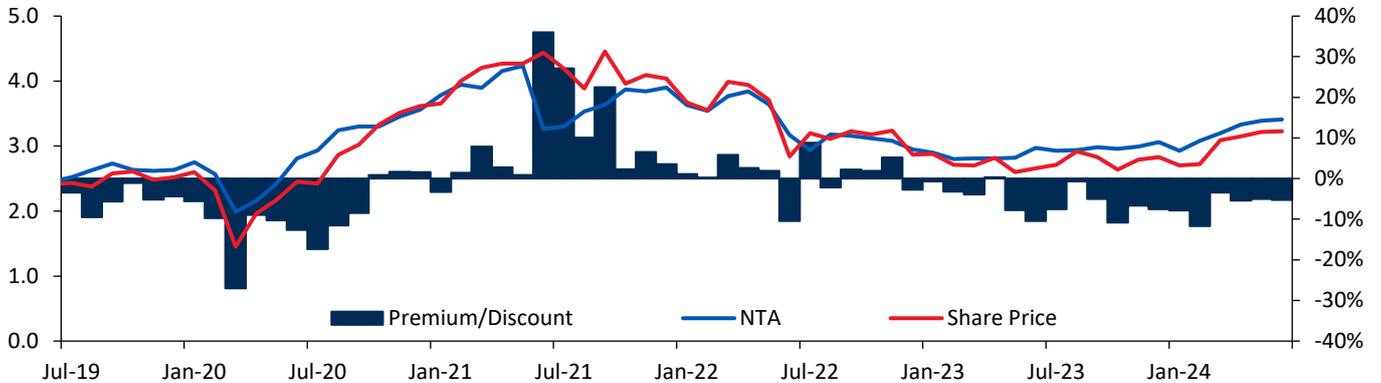
Source: Bloomberg, IRESS, OML.

**Fig.20: Spheria Emerging Companies Limited (SEC)**



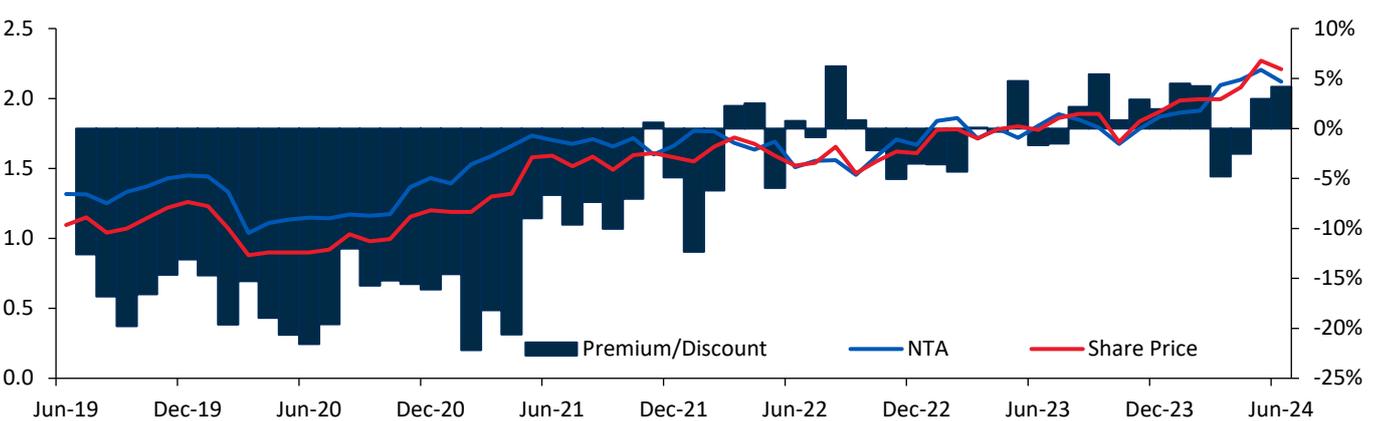
Source: Bloomberg, IRESS, OML.

**Fig.21: Regal Investment Fund (RF1)**



Source: Bloomberg, IRESS, OML.

**Fig.22: PM Capital Global Fund (PGF)**

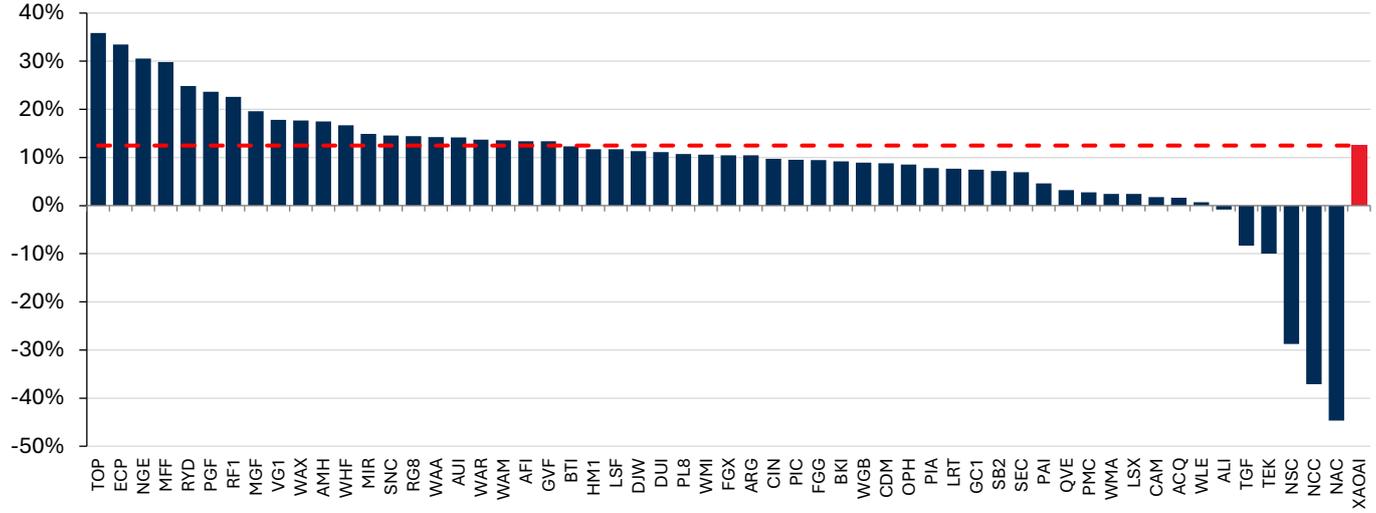


Source: Bloomberg, IRESS, OML.



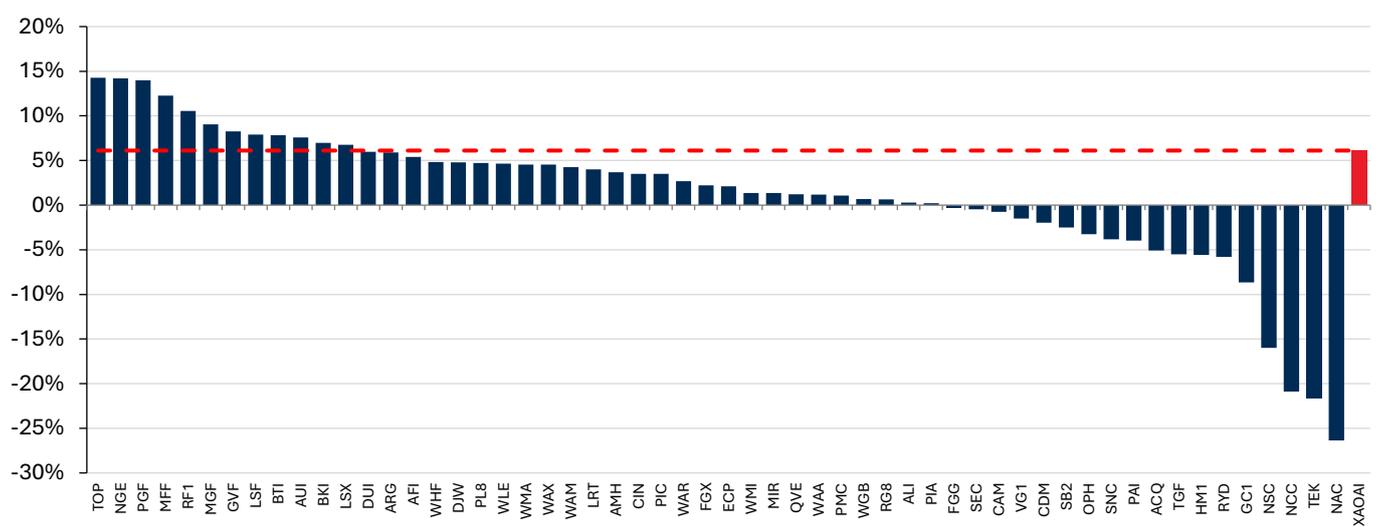
# 1, 3 and 5-year NTA & total shareholder return growth

**Fig.5: NTA compound annual growth rate – % return over 12 months**



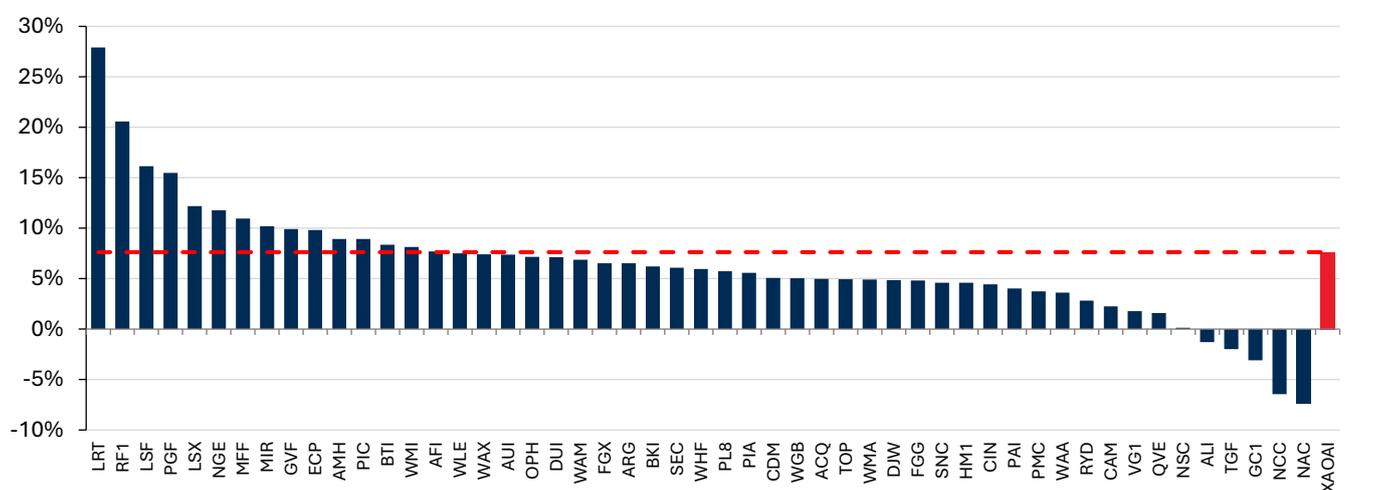
Source: Bloomberg, IRESS, OML. Figures as at 30 June 2024.

**Fig.24: NTA compound annual growth rate – % return over 3 years**



Source: Bloomberg, IRESS, OML. Figures as at 30 June 2024.

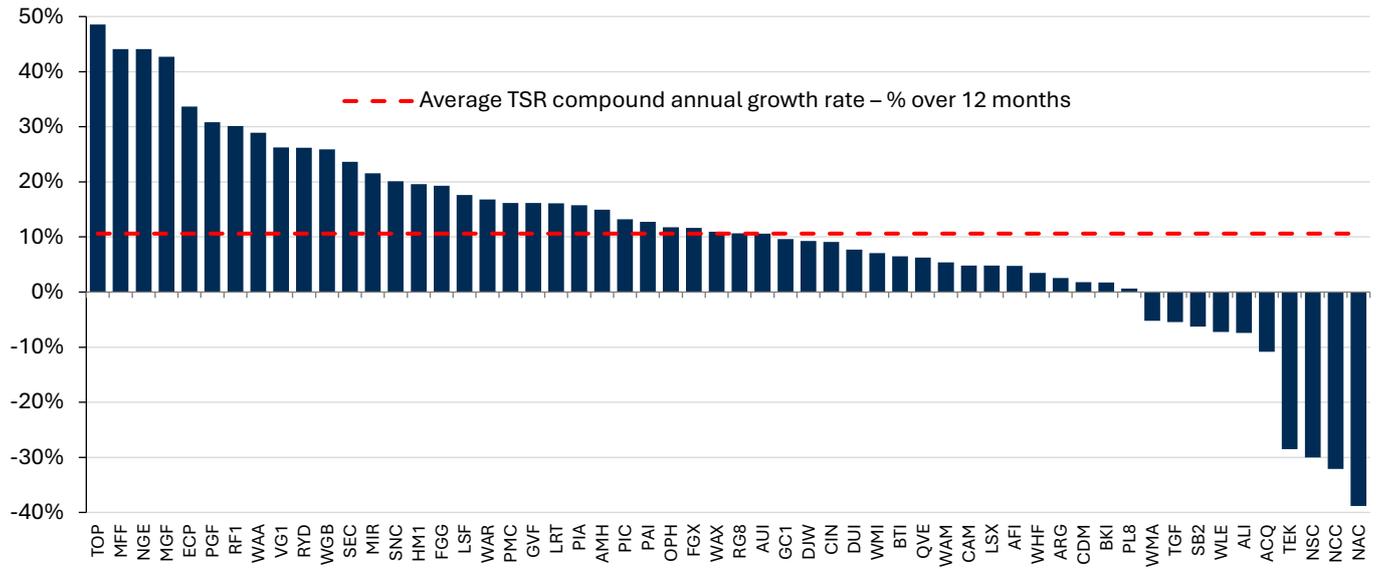
**Fig.25: NTA compound annual growth rate – % return over 5 years**



Source: Bloomberg, IRESS, OML. Figures as at 30 June 2024.

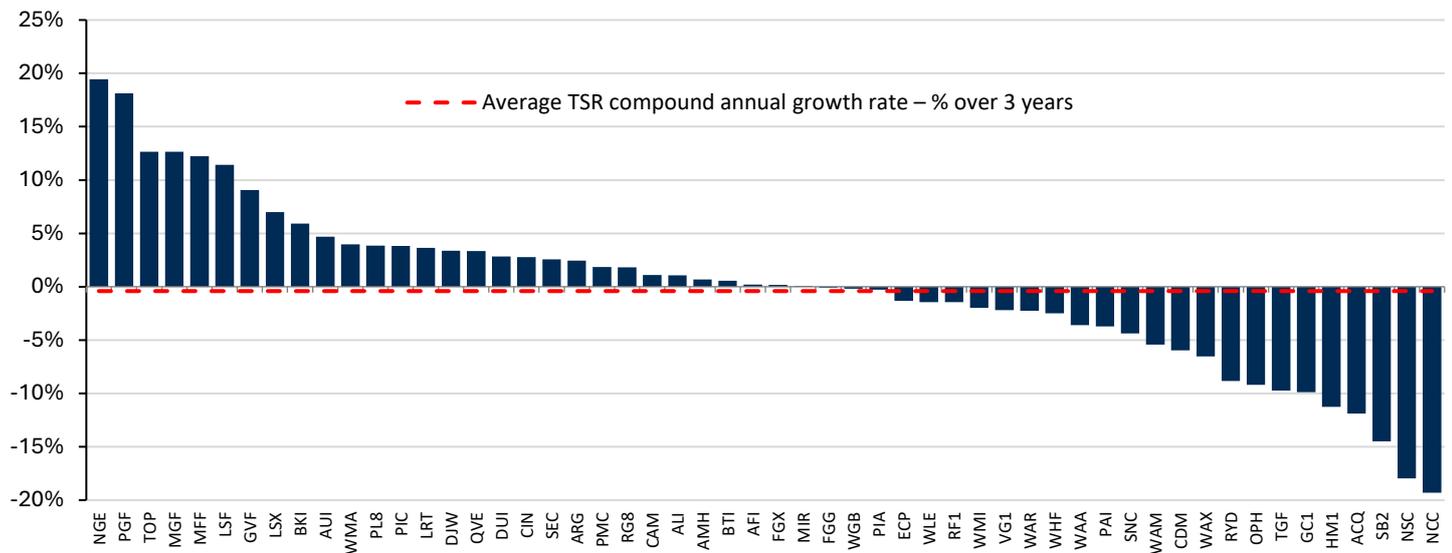


**Fig.26: TSR compound annual growth rate – % over 12 months**



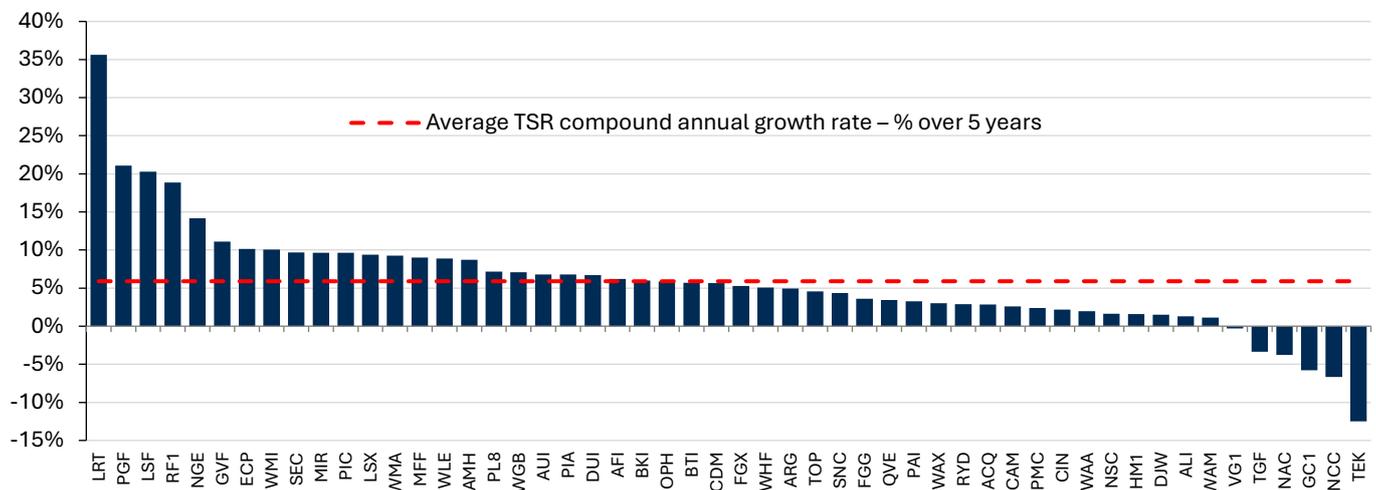
Source: Bloomberg, IRESS, OML. Figures as at 30 June 2024.

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



Source: Bloomberg, IRESS, OML. Figures as at 30 June 2024.

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

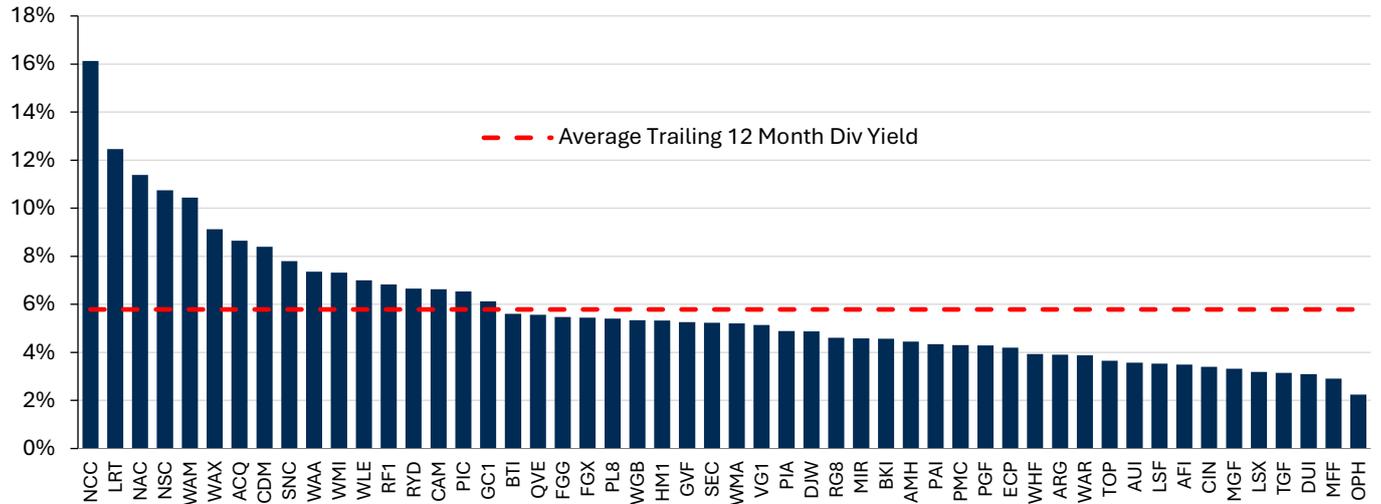


Source: Bloomberg, IRESS, OML. Figures as at 30 June 2024.



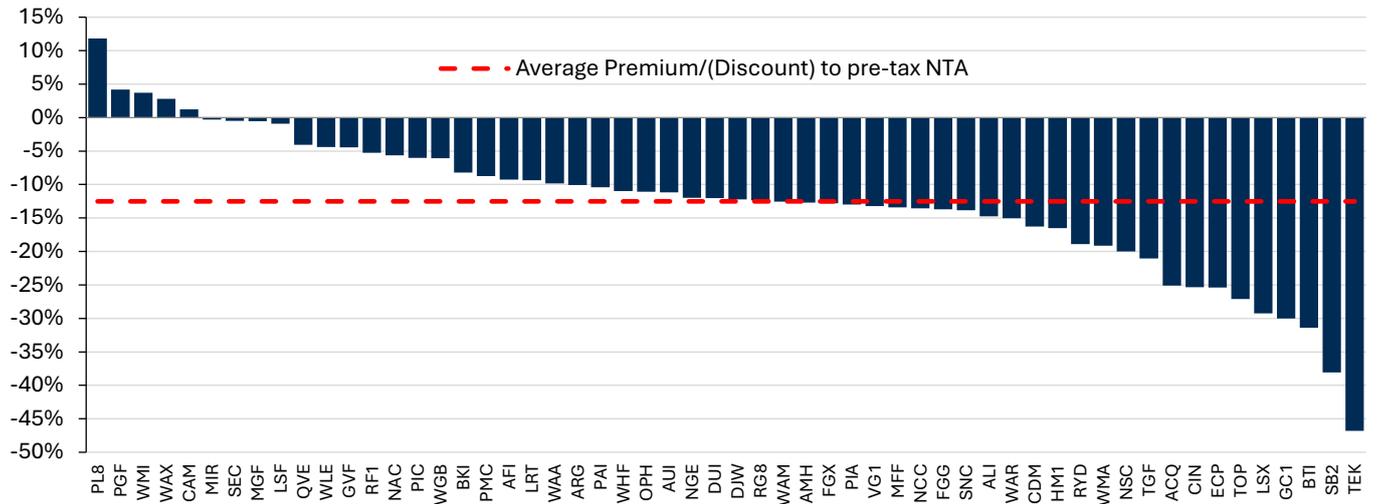
## Dividend yield, pre & post tax discount/premium to NTA

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



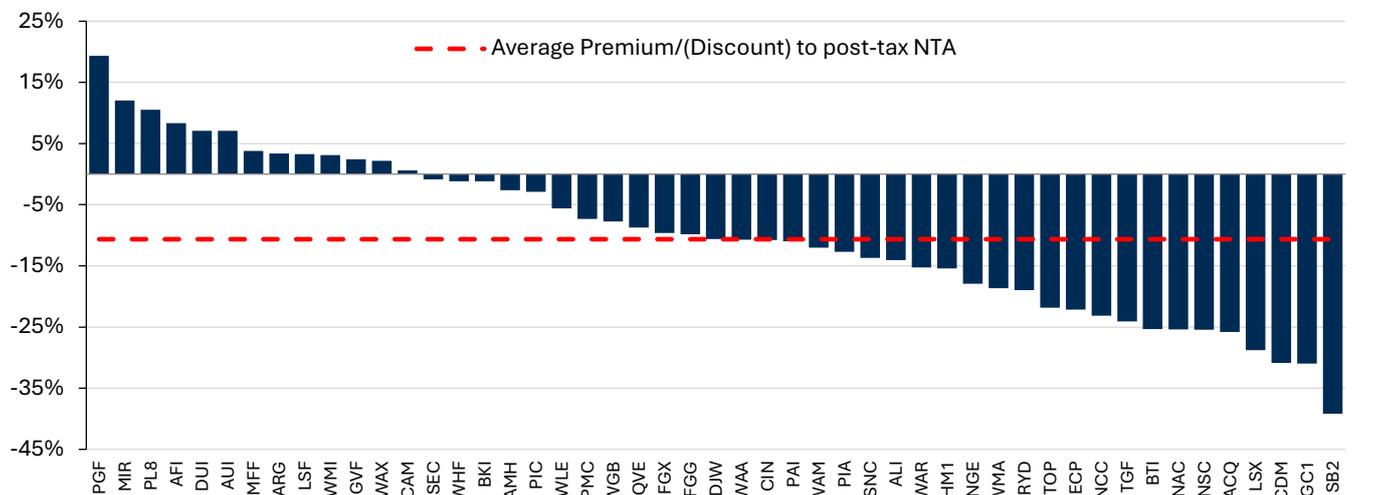
Source: Bloomberg, IRESS, OML. Figures as at 30 June 2024. LICs with no yield excluded.

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



Source: Bloomberg, IRESS, OML. Figures as at 30 June 2024.

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



Source: Bloomberg, IRESS, OML. Figures as at 30 June 2024.

## LIC Basics

### What is a LIC?

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

### Benefits of investing in LICs

#### Diversification

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

#### LICs are managed by investment professionals

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

#### Transparent investment philosophy

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

#### Ease of investment

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

### Costs involved in investing in a LIC

#### Entry costs

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



### Ongoing costs

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

### Exit costs

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

### What income do investors receive from a LIC?

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

### Taxation issues

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

## LIC Discounts and Premiums

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

## LICs versus managed funds

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

## LICs versus exchange traded funds (ETFs)

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



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## Guide to Ord Minnett Recommendations

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

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

### Hugh Glasson holds units in LSF and BTI.

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