

Tuesday, 17 June 2014

## May 2014 NTA Update

- **Domestic:** The S&P/ASX 300 index returned 0.7% for the month as consumer confidence took a hit due to the Coalition announcing one of Australia's most restrictive budgets. All domestic LICs managed to outperform in terms of both share price and NTA.
- **International:** The MSCI World ex-Australia A\$ index rose 1.6% in May, with PMC and MFF both outperforming via their NTA; whilst share price performance was mixed.

## Monthly Highlights

- **Mirabooka (MIR)** was the standout performer with NTA rising 2.5% against 0.5% for the Small Ords/Midcap 50 blended benchmark. MIR is now trading at a 9.1% premium to NTA (vs. 3yr average of 3.6%) and is expensive at current levels. We reiterate our **HOLD** recommendation, as we recognize the diversified listed exposure across the small cap space.
- Argo and AFIC both delivered positive alpha against the ASX300 as the premium in AFI stabilized at 1.5% whilst the discount in ARG halved after stronger share price performance. **We reiterate our BUY on ARG which is trading at a 1.3% discount to NTA.**
- The MSCI World ex-Aus A\$ index posted gains of 1.6%, with PMC and MFF both outperforming at the NTA level. PMC rallied 5.4% against NTA appreciation of 2.4%, extending the trading premium to 8.4%; whilst MFF gained 0.7% against NTA gains of 1.9%, closing the month-end premium to 2.6%. **We retain our HOLD recommendation on MFF and continue to favour the unlisted Platinum International Fund as an alternative to PMC; SELL.**

## Reiterating MFF Dilution Effect

There are currently c.106 million MFFO American call options outstanding with an exercise price of \$1.05; expiring 31-Oct-2017. If these options are exercised the number of shares on issue will increase. Given that the strike price of the options is well below current NTA per share, the increase in shares will be proportionately greater than the increase in NTA. Option exercise would therefore dilute the pre-tax NTA of existing shares.

Current accounting standards require domestic LICs to also report a post-tax NTA, which reflects the net capital gains tax position if the entire portfolio was liquidated. JBWere approaches LIC valuation on a going concern basis; hence focusing on the pre-tax valuation.

As at Friday 13<sup>th</sup> June, MFF updated a pre-tax NTA of \$1.424 (3.6% premium to NTA); although on a fully diluted basis (assuming 100% exercise) this pre-tax NTA is reduced to \$1.34 (10.2% premium). We expect this will become increasingly relevant as we approach expiry; although highlight we remain comfortable at current levels. **We retain our HOLD recommendation on MFF** noting it is still trading well above its 3yr average (c. 6% discount), although acknowledge MFF is definitely the preferred LIC for US exposure (>80% fund), especially given A\$ persistence around US\$0.94.



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## LIC Prices and Discount to NTA

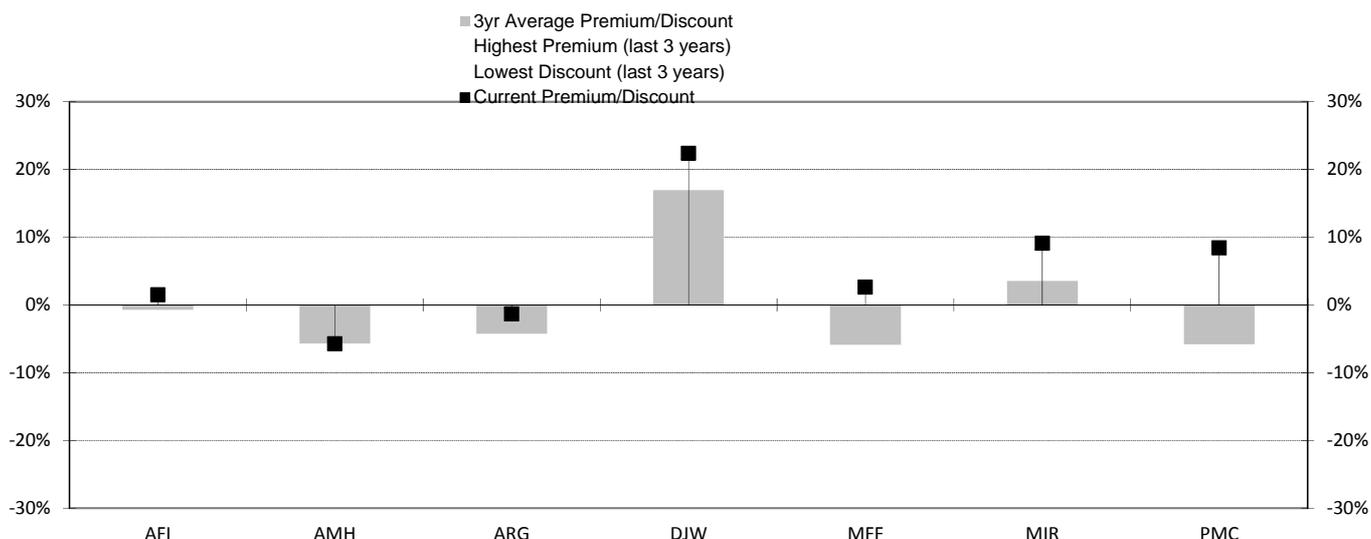
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At End of Month (May 2014)

		Current Price	Price	NTA before Tax	Premium/ (Discount) to NTA	3yr Avg Premium/ (Discount)
<b>Australian Equities Core</b>						
AFI	Australian Foundation Investment Company Li	\$6.03	\$6.03	\$5.94	1.5%	-0.7%
ALR	Aberdeen Leaders Limited	\$1.28	\$1.26	\$1.19	5.5%	2.5%
AOD	Aurora Dividend Income Trust (Managed Fund)	\$0.98	\$1.00	\$1.00	0.3%	-0.1%
AQF	Australian Governance Masters Index Fund Lir	\$1.92	\$1.91	\$1.95	-2.1%	
ARG	Argo Investments Limited	\$7.35	\$7.36	\$7.46	-1.3%	-4.2%
AUI	Australian United Investment Company Limitec	\$8.16	\$8.11	\$8.70	-6.8%	-9.3%
BEL	Bentley Capital Limited	\$0.14	\$0.15	\$0.22	-35.0%	-40.0%
BKI	BKI Investment Company Limited	\$1.64	\$1.67	\$1.66	0.3%	-8.3%
CAM	Clime Capital Limited	\$0.98	\$1.00	\$1.06	-6.1%	-12.1%
CIN	Carlton Investments Limited	\$26.90	\$27.00	\$30.74	-12.2%	-18.8%
CYA	Century Australia Investments Limited	\$0.88	\$0.90	\$0.94	-4.8%	-15.3%
DUI	Diversified United Investment Limited	\$3.58	\$3.57	\$3.85	-7.3%	-9.9%
FSI	Flagship Investments Limited	\$1.59	\$1.64	\$1.78	-7.7%	
IBC	Ironbark Capital Limited	\$0.54	\$0.56	\$0.59	-5.6%	-10.1%
MLT	Milton Corporation Limited	\$4.40	\$4.37	\$4.40	-0.7%	-6.0%
<b>Australian Equities Satellite</b>						
ALF	Australian Leaders Fund Limited	\$1.73	\$1.70	\$1.51	12.6%	-2.5%
AMH	AMCIL Limited	\$0.95	\$0.91	\$0.96	-5.7%	-5.7%
AUP	Aurora Property Buy-Write Income Trust	\$5.40	\$5.36	\$5.46	-1.9%	
CTN	Contango Microcap Limited	\$1.01	\$1.01	\$1.22	-16.9%	-17.4%
DJW	Djerriwarrh Investments Limited	\$4.72	\$4.70	\$3.84	22.4%	17.0%
MIR	Mirrabooka Investments Limited	\$2.65	\$2.64	\$2.42	9.1%	3.6%
MVT	Mercantile Investment Company Ltd	\$0.13	\$0.13	\$0.14	-9.8%	
NCC	Naos Emerging Opportunities Company Limite	\$1.05	\$1.04	\$1.20	-13.3%	
OEQ	Orion Equities Limited	\$0.24	\$0.25	\$0.50	-50.6%	
OZG	Ozgrowth Limited	\$0.20	\$0.21	\$0.24	-13.1%	-27.9%
WAA	WAM Active Limited	\$1.26	\$1.25	\$1.06	18.3%	1.2%
WAM	WAM Capital Limited	\$1.92	\$1.92	\$1.79	7.0%	-2.5%
WAX	WAM Research Limited	\$1.13	\$1.13	\$1.08	4.7%	-6.9%
WHF	Whitefield Limited	\$4.09	\$4.15	\$4.44	-6.5%	-9.4%
WIC	Westoz Investment Company Limited	\$1.26	\$1.27	\$1.35	-6.2%	-23.7%
<b>Global</b>						
AGF	Amp Capital China Growth Fund	\$0.68	\$0.68	\$0.83	-18.1%	-23.0%
AUF	Asian Masters Fund Limited	\$1.04	\$1.02	\$1.01	1.0%	
GFL	Global Masters Fund Limited	\$1.27	\$1.18	\$1.47	-19.5%	
HHV	Hunter Hall Global Value Limited	\$1.01	\$1.03	\$1.18	-13.0%	-17.9%
MFF	Magellan Flagship Fund Limited	\$1.46	\$1.48	\$1.44	2.6%	-5.9%
PGF	PM Capital Global Opportunities Fund Ltd	\$0.92	\$0.96	\$0.96	0.4%	
PMC	Platinum Capital Limited	\$1.66	\$1.75	\$1.61	8.4%	-5.8%
TGG	Templeton Global Growth Fund Limited	\$1.32	\$1.30	\$1.37	-5.1%	-14.1%
<b>Alternative</b>						
AIQ	Alternative Investment Trust	\$0.13	\$0.14	\$0.17	-18.7%	-25.2%
CDM	Cadence Capital Limited	\$1.46	\$1.45	\$1.38	5.1%	
IPE	IPE Limited	\$0.49	\$0.49	\$0.45	8.0%	

Source: JBWere Research

## Current and historical NTA



Source: JBW Research

## LIC Liquidity

		Avg Weekly T/O (\$m)	Weekly T/O (% Mkt Cap)	Days to Trade \$100,000**			Avg Weekly T/O (\$m)	Weekly T/O (% Mkt Cap)	Days to Trade \$100,000**
<b>Australian Equities Core</b>					<b>Australian Equities Satellite</b>				
AFI	Australian Foundation Investment Company	\$ 9.90	0.2%	0.05	ALF	Australian Leaders Fund Limited	\$ 3.01	0.8%	0.17
ALR	Aberdeen Leaders Limited	\$ 0.17	0.2%	2.87	AMH	AMCIL Limited	\$ 0.29	0.1%	1.71
AOD	Aurora Dividend Income Trust (Managed Fur	\$ 0.16	0.6%	3.09	AUP	Aurora Property Buy-Write Incom	\$ 0.04	0.3%	14.21
AQF	Australian Governance Masters Index Fund	\$ 0.15	0.2%	3.26	CTN	Contango Microcap Limited	\$ 1.03	0.6%	0.48
ARG	Argo Investments Limited	\$ 6.20	0.1%	0.08	DJW	Djerriwarrh Investments Limited	\$ 2.48	0.2%	0.20
AUI	Australian United Investment Company Limi	\$ 0.80	0.1%	0.63	ELI	Emerging Leaders Investment Lin	\$ 0.40	0.9%	1.23
BEL	Bentley Capital Limited	\$ 0.03	0.3%	18.53	MEF	Australasian Wealth Investments	\$ 0.43	1.2%	1.16
BKI	BKI Investment Company Limited	\$ 1.86	0.2%	0.27	MIR	Mirrabooka Investments Limited	\$ 0.65	0.2%	0.77
CAM	Clime Capital Limited	\$ 0.27	0.3%	1.84	MVT	Mercantile Investment Company I	\$ 0.05	0.1%	9.90
CIN	Carlton Investments Limited	\$ 0.23	0.0%	2.14	NCC	Naos Emerging Opportunities Co	\$ 0.42	1.1%	1.20
CYA	Century Australia Investments Limited	\$ 0.18	0.3%	2.74	OEQ	Orion Equities Limited	\$ 0.01	0.3%	34.42
DUI	Diversified United Investment Limited	\$ 0.80	0.1%	0.62	OZG	Ozgrowth Limited	\$ 0.29	0.4%	1.72
FSI	Flagship Investments Limited	\$ 0.08	0.2%	6.29	WAA	WAM Active Limited	\$ 0.39	0.9%	1.28
IBC	Ironbark Capital Limited	\$ 0.10	0.1%	5.00	WAM	WAM Capital Limited	\$ 3.64	0.5%	0.14
MLT	Milton Corporation Limited	\$ 3.36	0.1%	0.15	WAX	WAM Research Limited	\$ 0.68	0.4%	0.73
					WHF	Whitefield Limited	\$ 0.56	0.2%	0.89
					WIC	Westoz Investment Company Lir	\$ 0.69	0.4%	0.73
<b>Global</b>									
AGF	Amp Capital China Growth Fund	\$ 1.56	0.6%	0.32					
AUF	Asian Masters Fund Limited	\$ 0.34	0.3%	1.45					
GFL	Global Masters Fund Limited	\$ 0.03	0.3%	15.46					
HHV	Hunter Hall Global Value Limited	\$ 1.24	0.6%	0.40					
LRF	LinQ Resources Fund	\$ 0.28	0.2%	1.76					
MFF	Magellan Flagship Fund Limited	\$ 2.86	0.5%	0.18					
PET	Peters MacGregor Investments Limited	\$ 0.05	0.4%	9.12					
PGF	Pm Capital Global Opportunities Fund Limite	\$ 0.76	0.5%	0.65					
PMC	Platinum Capital Limited	\$ 3.00	0.8%	0.17					
TGG	Templeton Global Growth Fund Limited	\$ 1.80	0.7%	0.28					
<b>Alternative</b>									
ABW	Aurora Absolute Return Fund	\$ 0.37	1.5%	1.35					
AIQ	Alternative Investment Trust	\$ 0.05	0.3%	10.24					
CDM	Cadence Capital Limited	\$ 1.66	0.7%	0.30					
IPE	IPE Limited	\$ 0.28	0.4%	1.82					

Source: JBW Research

## NTA Performance (Based on NTA plus dividends)

as at 31 May 2014

			1 Year	3 Year (pa)	5 Year (pa)	7 Year (pa)	10 Year (pa)	15 Year (pa)
<b>Australian Equities Core</b>								
<i>S&amp;P/ASX300 Accumulation</i>			16.1%	9.7%	12.1%	2.3%	9.3%	8.9%
<b>HOLD</b>	AFI	Australian Foundation Investment Company Lin	16.8%	11.7%	13.3%	4.4%	10.2%	9.9%
	ALR	Aberdeen Leaders Limited	7.9%	5.3%	7.5%	-0.8%	7.5%	5.1%
	AOD	Aurora Dividend Income Trust (Managed Fund)	5.2%	5.2%	4.4%	3.5%		
<b>BUY</b>	ARG	Argo Investments Limited	16.2%	10.8%	12.6%	2.9%	9.2%	9.8%
	AUI	Australian United Investment Company Limited	18.0%	9.7%	12.7%	2.7%	10.3%	10.3%
	BEL	Bentley Capital Limited	-1.3%	0.8%	5.4%	-0.7%	1.4%	
	BKI	BKI Investment Company Limited	12.8%	10.5%	13.0%	5.0%		
	CAM	Clime Capital Limited	1.3%	5.6%	9.2%	1.6%		
	CIN	Carlton Investments Limited	18.8%	17.1%	16.3%	7.0%	12.0%	
	CYA	Century Australia Investments Limited	17.4%	3.6%	9.3%	1.6%		
	DUI	Diversified United Investment Limited	19.1%	11.3%	13.1%	3.0%	10.9%	9.5%
	IBC	Ironbark Capital Limited	7.5%	5.6%	9.0%	2.8%	5.9%	
	MLT	Milton Corporation Limited	16.1%	12.7%	13.8%	3.7%	9.5%	10.3%
<b>Australian Equities Satellite</b>								
<i>S&amp;P/ASX300 Accumulation</i>			16.1%	9.7%	12.1%	2.3%	9.3%	8.9%
<i>S&amp;P/ASX Midcap 50</i>			17.1%	6.1%	10.2%	-1.2%	8.2%	9.1%
<i>S&amp;P/ASX Small Ordinaries</i>			6.2%	-4.3%	4.3%	-5.4%	4.8%	4.7%
	ALF	Australian Leaders Fund Limited	16.5%	13.1%	15.6%	10.0%		
	AMH	AMCIL Limited	13.8%	12.7%	15.6%	7.2%	11.2%	
	CTN	Contango Microcap Limited	18.0%	-1.9%	6.5%	-1.1%		
<b>SELL</b>	DJW	Djerriwarrh Investments Limited	14.6%	9.6%	11.5%	2.7%	8.7%	7.8%
<b>HOLD</b>	MIR	Mirrabooka Investments Limited	20.1%	14.1%	16.5%	4.4%	11.6%	
	OZG	Ozgrowth Limited	9.9%	2.1%	9.0%			
	WAA	WAM Active Limited	3.7%	4.4%	8.1%			
	WAM	WAM Capital Limited	15.0%	9.3%	14.6%	4.4%	9.8%	
	WAX	WAM Research Limited	16.8%	13.9%	14.6%	2.8%		
	WHF	Whitefield Limited	22.5%	18.3%	16.0%	2.8%	8.1%	
	WIC	Westoz Investment Company Limited	7.4%	-0.1%	6.6%			
<b>Global</b>								
<i>MSCI World ex Australia (\$A)</i>			23.3%	16.5%	11.7%	1.9%	5.0%	2.4%
	AGF	Amp Capital China Growth Fund	-15.0%	-2.3%	-3.7%			
	HHV	Hunter Hall Global Value Limited	22.2%	7.4%	9.5%	1.2%		
<b>HOLD</b>	MFF	Magellan Flagship Fund Limited	17.7%	24.7%	18.4%			
<b>SELL</b>	PMC	Platinum Capital Limited	16.0%	13.6%	9.9%	5.3%	6.3%	
	TGG	Templeton Global Growth Fund Limited	20.9%	15.3%	10.4%	-0.1%	3.8%	

Source: JBW Research

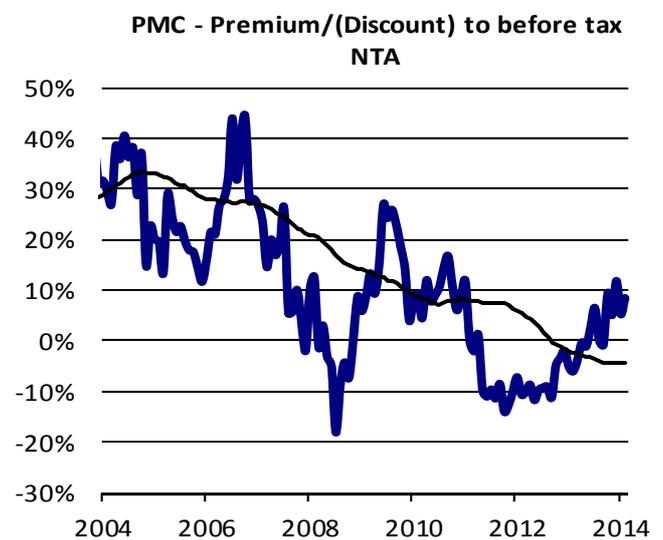
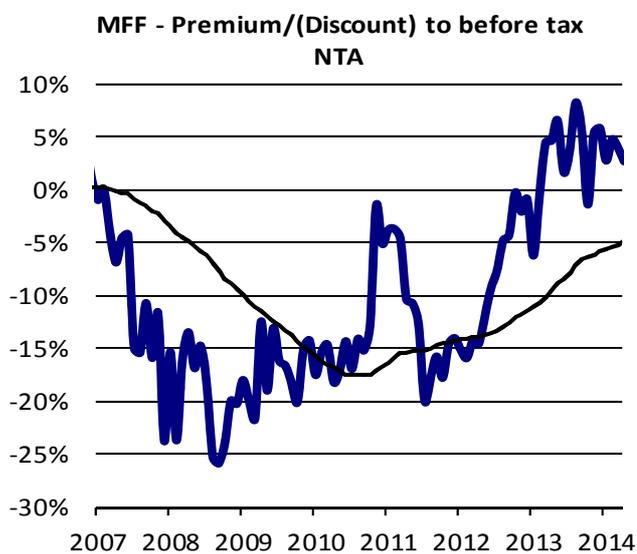
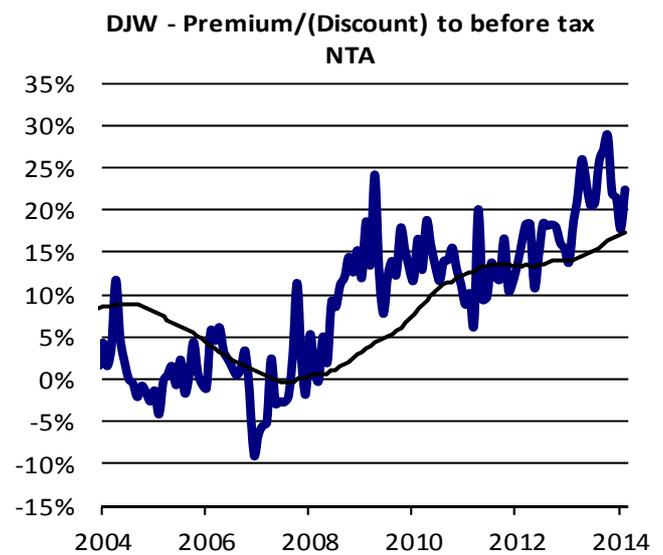
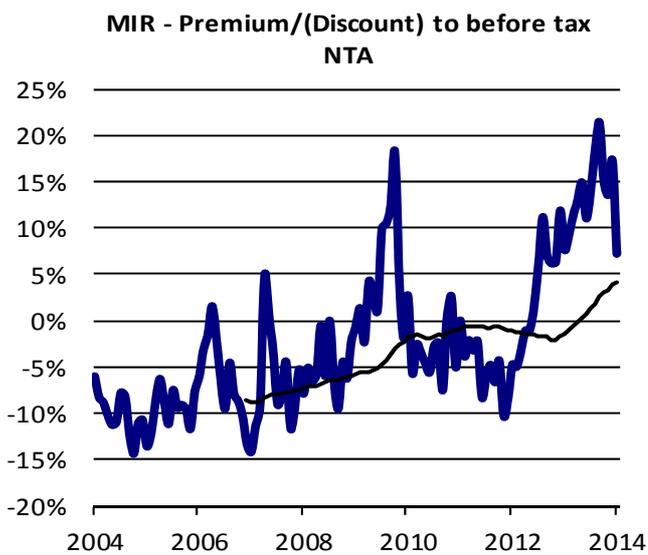
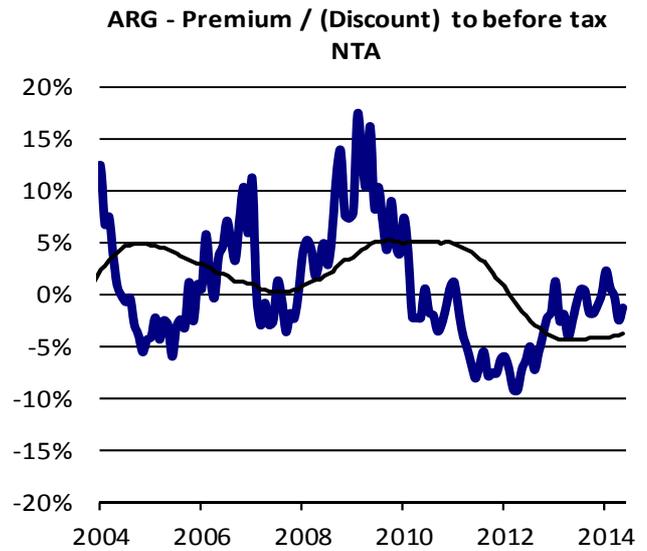
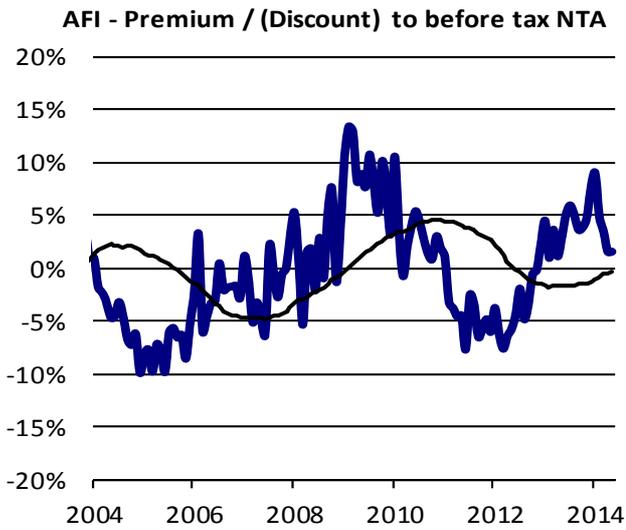
## Share Price Performance (Based on Share Price plus dividends)

as at 31 May 2014

			1 Year	3 Year (pa)	5 Year (pa)	7 Year (pa)	10 Year (pa)	15 Year (pa)
<b>Australian Equities Core</b>								
	<i>S&amp;P/ASX300 Accumulation</i>		16.1%	9.7%	12.1%	2.3%	9.3%	8.9%
<b>HOLD</b>	AFI	Australian Foundation Investment Company Li	15.1%	14.1%	11.7%	5.3%	10.9%	9.8%
	ALR	Aberdeen Leaders Limited	1.8%	8.7%	8.9%	1.0%	9.4%	7.6%
	AOD	Aurora Dividend Income Trust (Managed Fund)	5.7%	6.8%	4.0%	3.0%		
	AQF	Australian Governance Masters Index Fund Lin	8.9%					
<b>BUY</b>	ARG	Argo Investments Limited	17.8%	13.1%	9.1%	3.1%	9.0%	9.9%
	AUI	Australian United Investment Company Limitec	18.8%	11.2%	12.6%	3.0%	10.4%	10.7%
	BKI	BKI Investment Company Limited	17.0%	17.0%	15.8%	7.3%		
	CAM	Clime Capital Limited	5.6%	12.2%	18.3%	4.1%		
	CIN	Carlton Investments Limited	24.0%	21.3%	19.0%	7.4%	12.4%	12.6%
	CYA	Century Australia Investments Limited	19.3%	12.5%	10.2%	2.8%		
	DUI	Diversified United Investment Limited	18.9%	13.4%	12.7%	3.2%	11.3%	10.5%
	FSI	Flagship Investments Limited	21.3%	11.6%	12.2%	2.3%	10.0%	
	IBC	Ironbark Capital Limited	6.2%	9.1%	12.7%	4.2%	7.0%	5.1%
	MLT	Milton Corporation Limited	18.1%	16.4%	13.5%	4.1%	9.6%	11.0%
<b>Australian Equities Satellite</b>								
	<i>S&amp;P/ASX300 Accumulation</i>		16.1%	9.7%	12.1%	2.3%	9.3%	8.9%
	<i>S&amp;P/ASX Midcap 50</i>		17.1%	6.1%	10.2%	-1.2%	8.2%	9.1%
	<i>S&amp;P/ASX Small Ordinaries</i>		6.2%	-4.3%	4.3%	-5.4%	4.8%	4.7%
	ALF	Australian Leaders Fund Limited	25.8%	22.2%	24.2%	15.7%		
	AMH	AMCIL Limited	12.5%	16.5%	15.8%	7.9%	12.2%	
	AUP	Aurora Property Buy-Write Income Trust	1.0%	8.1%	13.1%			
	CTN	Contango Microcap Limited	9.1%	2.9%	12.9%	-1.6%		
<b>SELL</b>	DJW	Djerriwarrh Investments Limited	16.8%	12.4%	11.1%	5.7%	10.1%	8.2%
	ELI	Emerging Leaders Investment Limited	8.0%	5.5%	11.2%			
	MEF	Australasian Wealth Investments Limited	-13.0%	-27.1%	-11.6%			
<b>HOLD</b>	MIR	Mirrabooka Investments Limited	18.9%	18.7%	17.9%	7.4%	13.6%	
	MVT	Mercantile Investment Company Ltd	39.8%	41.4%				
	OZG	Ozgrowth Limited	29.9%	-4.7%				
	WAA	WAM Active Limited	13.4%	10.9%				
	WAM	WAM Capital Limited	39.5%	35.8%	25.8%	8.7%	13.3%	
	WAX	WAM Research Limited	18.5%	12.3%	17.0%	7.3%		
	WHF	Whitefield Limited	25.7%	21.8%	17.3%	4.3%	8.9%	8.7%
	WIC	Westoz Investment Company Limited	30.4%	28.1%				
<b>Global</b>								
	<i>MSCI World ex Australia (\$A)</i>		23.3%	16.5%	11.7%	1.9%	5.0%	2.4%
	AGF	Amp Capital China Growth Fund	-3.4%	0.8%	-5.7%			
	AUF	Asian Masters Fund Limited	-2.0%	3.8%	4.0%			
	GFL	Global Masters Fund Limited	22.9%	13.8%	7.8%			
	HHV	Hunter Hall Global Value Limited	27.1%	9.7%	12.3%	2.8%		
	LRF	LinQ Resources Fund	22.2%	2.7%	-5.1%	2.6%		
<b>HOLD</b>	MFF	Magellan Flagship Fund Limited	15.4%	30.4%	22.3%			
<b>SELL</b>	PMC	Platinum Capital Limited	33.9%	16.8%	9.5%	3.1%	3.7%	10.5%
	TGG	Templeton Global Growth Fund Limited	22.4%	13.4%	5.4%	-1.8%	-0.7%	6.5%
<b>Alternative</b>								
	ABW	Aurora Absolute Return Fund	2.6%	4.4%	8.8%			
	CDM	Cadence Capital Limited	15.7%	20.0%	32.1%			
	IPE	IPE Limited	44.5%	31.3%	21.1%	-1.6%		

Source: JBW Research

Source: JBWere Research



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