

Listed Investment Companies (LICs)

SECTOR REPORT

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Monthly LIC update – top picks

- This report contains a LIC sector update and performance review of our coverage list for the month of January 2018. The table on page two provides an update of the overall sector, as at 19 February 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.
- **Large capitalisation:** On average, large cap LICs outperformed the All Ordinaries Accumulation Index (XAOAI) in January 2018 on a total shareholder return (TSR) basis by 2.0%. NTA growth performed in-line with the market (down on average) by 0.5%. TSR outperformance is a common trend for large cap LICs in the lead up to ex-dividend dates. With the exception of DUI and AUI, large cap LICs now trade ex-div and as a result, we have seen a slight reversion to more normalised trading levels. Trading at an estimated 1.4% discount to NTA, Diversified United Investment (DUI) is a top pick. Elsewhere, Milton Corp's (MLT) premium to NTA has reduced from 2.1% at 31 Jan to 1.4%. MLT is a top pick.
- **Mid-capitalisation:** Our top picks are WAM Leaders (WLE) and Perpetual Equity Investments (PIC), trading at estimated 1.1% and 0.9% discounts to NTA respectively. WLE announced a 2.5c FY18 interim dividend, which is up 150% on the prior corresponding period (pcp). Post 31 Jan 2018, WLE has significantly increased its cash holdings to 24.4% (from 11.0%). WLE's flexible mandate allows it to hold high levels of cash, which we believe provides protection during periods of high volatility. Elsewhere, PIC announced a 3.0c FY18 interim dividend (+36% on the pcp). Since inception PIC has progressively increased each dividend per share amount (six in total) and is currently yielding 4.2% fully franked.
- **Small capitalisation:** Following 18.7% NTA growth during the December 2017 quarter, top pick ACQ outperformed the ASX Small Ordinaries Accumulation Index (XSOAI) in January by 2.1%. Despite this outperformance, ACQ's estimated discount to NTA is currently 16.9%. Unlisted investments (26%) increased by 7% during the month, following a number liquidity events during the December quarter. ACQ is currently yielding 4.2% (fully franked) following an interim dividend of 2.7c (+180% on the pcp). We believe the 16.9% discount to NTA provides an attractive entry point into ACQ for investors.
- **International:** Despite the AUD appreciating by 3.2% over the USD during January on an NTA basis, top picks MFF Capital Investments (MFF), PM Capital Global Opportunities Fund (PGF) and Templeton Global Growth (TGG) increased by 4.0%, 1.9%, and 2.0% respectively. Following the sell-off in global equity markets in early February, and the delayed nature of NTA updates, trading levels to NTA's have fluctuated from January 2018 levels. Top US pick, MFF, has rebounded strongly (+2.2% MTD) and is currently trading at an estimated 8.5% discount to NTA. Elsewhere, PGF and TGG, providing broader global exposure, are currently trading at estimated 2.1% and 7.7% discounts to NTA respectively.
- **Specialty:** Top pick Blue Sky Alternative Access Fund (BAF) continues to deploy capital following a \$48.9m raise in November. BAF deployed a further \$2.0m into the Blue Sky Water Fund, which was a key driver of portfolio performance during the month. Trading at an estimated 5.5% discount to NTA, BAF is a top pick.
- **Inclusions to coverage list:** We add VGI Partners Global Investments (VG1), Spheria Emerging Companies (SEC), and NAOS Absolute Opportunities (NAC) 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: 19 February 2018

Large Capitalisation	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since Feb 1	Current Est. NTA	Current Estimated Disc/Prem	Jan NTA	Jan Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Australian Foundat.	AFI	6.11	7221.9	24.0	3.9%	5.6%	-1.6%	5.97	2.4%	6.13	2.9%	0.3%	2.0%	0.14%
Argo Investments	ARG	8.13	5658.6	31.0	3.8%	5.4%	-1.3%	7.80	4.2%	8.04	4.4%	0.5%	2.8%	0.17%
Australian United In	AUI	8.83	1093.7	34.0	3.9%	5.5%	-2.4%	8.90	-0.8%	9.01	0.4%	-4.4%	-4.9%	0.10%
BKI Investment Ltd	BKI	1.69	1045.4	7.3	4.3%	6.2%	-1.9%	1.58	6.7%	1.65	6.4%	2.6%	2.6%	0.15%
Djerriwarrh	DJW	3.48	766.0	20.0	5.7%	8.2%	0.0%	3.18	9.4%	3.26	6.7%	11.9%	22.3%	0.46%
Diversified United	DUI	4.12	862.6	14.5	3.5%	5.0%	-1.0%	4.18	-1.4%	4.22	-1.4%	-5.7%	-5.9%	0.13%
Milton Corporation	MLT	4.59	3016.5	18.7	4.1%	5.8%	-2.1%	4.53	1.4%	4.68	2.1%	-1.0%	0.4%	0.12%
Mid Capitalisation	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since Feb 1	Current Est. NTA	Current Estimated Disc/Prem	Jan NTA	Jan Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Australian Leaders	ALF	1.03	279.3	4.0	3.9%	5.6%	1.0%	n.a	n.a	1.20	-15.4%	-3.3%	2.3%	1.00%
Aberdeen Leaders	ALR	1.24	73.7	5.0	4.0%	5.8%	-1.2%	1.32	-5.7%	1.32	-4.9%	-8.3%	-8.8%	0.75%
AMCIL Limited	AMH	0.90	234.0	3.5	3.9%	5.6%	-1.6%	0.95	-6.1%	0.96	-5.2%	-3.7%	-2.3%	0.65%
Cadence Capital	CDM	1.33	418.3	8.0	6.0%	8.6%	1.5%	1.24	6.5%	1.25	4.5%	6.9%	7.6%	1.00%
Contango Inc Gen Ltd	CIE	0.97	95.3	6.5	6.7%	9.6%	2.1%	1.01	-3.6%	1.03	-7.5%	-5.7%	-4.2%	0.95%
Carlton Investments	CIN	33.35	882.9	116.0	3.5%	5.0%	-2.2%	37.21	-10.4%	37.54	-9.2%	-12.2%	-11.8%	0.09%
Future Gen Ltd	FGX	1.18	413.7	4.3	3.6%	5.2%	-0.4%	n.a	n.a	1.24	-4.1%	-3.4%	-2.1%	0.00%
Mirrabooka Invest.	MIR	2.64	416.5	14.0	5.3%	7.6%	-4.7%	2.39	0.11	2.44	13.5%	14.4%	13.9%	0.65%
Perpetual Equity Ltd	PIC	1.12	284.3	4.7	4.2%	6.0%	-3.0%	1.13	-0.9%	1.18	-2.0%	-4.5%	-5.6%	1.00%
Plato Income Max.	PL8	1.05	309.9	0.5	0.4%	0.6%	-3.3%	n.a	n.a	1.07	1.9%	3.5%	n.a	0.80%
Qv Equities Limited	QVE	1.24	341.4	4.0	3.2%	4.6%	-1.2%	1.20	3.2%	1.23	2.0%	8.5%	2.7%	0.90%
WAM Capital Limited	WAM	2.49	1631.6	15.0	6.0%	8.6%	1.6%	n.a	n.a	2.06	18.7%	22.9%	15.2%	1.00%
WAM Leaders Limited	WLE	1.16	811.1	3.0	2.6%	3.7%	0.0%	1.17	-1.1%	1.19	-2.7%	-3.5%	-1.4%	1.00%
Wealth Def Equ Ltd	WDE	0.89	112.0	1.0	1.1%	1.6%	-4.8%	0.96	-7.8%	0.98	-5.1%	-10.8%	-8.7%	1.25%
Whitefield Ltd	WHF	4.70	410.1	17.3	3.7%	5.2%	0.0%	4.91	-4.3%	4.99	-5.8%	-7.8%	-7.8%	0.25%
Small Capitalisation	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since Feb 1	Current Est. NTA	Current Estimated Disc/Prem	Jan NTA	Jan Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Acorn Cap Inv Fund	ACQ	1.11	58.1	3.5	3.2%	3.7%	-3.1%	1.33	-16.9%	1.35	-15.4%	-13.0%	-15.4%	0.95%
Barrack St Invest	BST	0.94	17.2	2.5	2.7%	3.1%	1.6%	1.11	-15.1%	1.17	-20.6%	-16.5%	-16.8%	1.00%
Naos Small Cap Opp	NSC	0.92	154.6	6.6	7.2%	8.5%	-1.6%	1.08	-15.1%	0.98	-5.1%	-7.5%	-8.6%	1.25%
Forager Aust. Shares	FOR	2.27	188.8	11.2	5.4%	5.4%	2.0%	1.83	13.1%	1.87	8.6%	12.7%	n.a	1.00%
Glennon SML Co Ltd	GC1	0.96	45.3	4.0	4.2%	4.9%	-3.5%	n.a	n.a	1.13	-12.4%	-9.0%	-7.0%	1.00%
Naos Emerg Opp	NCC	1.44	85.5	7.0	4.9%	6.9%	-2.0%	n.a	n.a	1.37	7.3%	5.3%	-4.5%	1.25%
Ozgrowth Limited	OZG	0.18	62.4	0.5	2.9%	4.1%	-2.8%	0.22	-22.2%	0.23	-22.1%	-19.6%	-17.4%	1.00%
Spheria Emerging Co	SEC	2.01	133.3	n.a	n.a	n.a	-2.4%	2.10	-4.1%	2.13	-3.4%	n.a	n.a	1.00%
WAM Research Ltd	WAX	1.56	292.1	9.0	5.8%	8.2%	3.7%	n.a	n.a	1.30	16.1%	24.5%	15.8%	1.00%
Westoz Inv Ltd	WIC	1.14	149.0	6.0	5.3%	7.5%	-1.3%	1.28	-11.0%	1.31	-11.8%	-11.7%	-12.1%	1.00%
8lp Emerg Co Ltd	8EC	0.98	40.2	3.0	3.1%	4.4%	-2.0%	n.a	n.a	1.24	-19.4%	-12.4%	-11.4%	1.25%
International	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since Feb 1	Current Est. NTA	Current Estimated Disc/Prem	Jan NTA	Jan Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Argo Global Ltd	ALI	1.72	247.0	3.5	2.0%	2.0%	-2.0%	1.97	-12.7%	2.05	-14.4%	-13.0%	-9.6%	1.25%
Antipodes Global	APL	1.30	442.5	n.a	n.a	n.a	2.0%	1.26	2.8%	1.28	-0.4%	-0.2%	n.a	1.10%
Ellerston Asian	EAI	1.12	117.1	n.a	n.a	n.a	1.4%	1.17	-4.7%	1.21	-9.3%	-10.7%	-9.5%	0.75%
Ellerston Global Inv	EGI	1.13	89.6	2.5	2.2%	3.2%	-2.2%	1.25	-9.8%	1.27	-9.1%	-12.0%	-7.4%	0.75%
Future Glb Invest Co	FGG	1.21	358.3	1.0	0.8%	1.2%	-4.0%	n.a	n.a	1.25	1.2%	-4.4%	-0.4%	0.00%
Global Value Fnd Ltd	GVF	1.12	136.3	6.3	5.6%	8.0%	-3.0%	1.09	2.8%	1.11	4.2%	3.7%	-3.5%	1.50%
Pengana International	PIA	1.18	289.5	7.0	5.9%	8.5%	0.0%	1.22	-3.0%	1.24	-4.8%	-5.0%	-8.0%	1.50%
MFF Capital Invest.	MFF	2.32	1253.6	2.0	0.9%	1.2%	2.2%	2.54	-8.5%	2.59	-12.4%	-15.6%	-10.5%	1.25%
Pm Capital Asian Ops	PAF	1.30	73.1	4.5	3.5%	4.9%	-2.6%	1.20	8.0%	1.22	9.0%	-4.5%	-9.3%	1.00%
Platinum Asia Ltd	PAI	1.33	477.8	n.a	n.a	n.a	-2.9%	1.28	3.6%	1.32	4.0%	-4.1%	-1.7%	1.10%
Pm Capital Fund	PGF	1.23	429.0	3.4	2.8%	4.0%	-2.4%	1.25	-2.1%	1.27	-1.4%	-6.9%	-10.7%	1.00%
Platinum Capital Ltd	PMC	2.07	590.2	10.0	4.8%	6.9%	4.8%	1.81	14.5%	1.84	7.2%	4.1%	7.6%	1.10%
Templeton Global	TGG	1.39	313.2	4.5	3.2%	4.6%	-3.8%	1.50	-7.7%	1.57	-8.1%	-9.3%	-10.0%	1.20%
VGI Partners Global	VG1	2.08	572.5	n.a	n.a	n.a	-1.9%	1.99	4.6%	1.99	6.5%	n.a	n.a	1.50%
Specialist	Code	Share Price	Market Cap. (\$m)	Dividend (cents)	Dividend Yield	Grossed Up Yield	TSR since Feb 1	Current Est. NTA	Current Estimated Disc/Prem	Jan NTA	Jan Disc/Prem	1 Yr Ave Disc/Prem	3 Yr Ave Disc/Prem	MER
Blue Sky Alt Access	BAF	1.20	257.3	5.0	4.2%	6.0%	-0.8%	1.14	5.5%	1.14	6.3%	5.3%	1.9%	1.20%
Bailador Tech Inv	BTI	0.83	99.2	n.a	n.a	n.a	-5.7%	1.08	-23.6%	1.08	-19.0%	-18.6%	-15.2%	1.75%
Lion Selection Grp	LSX	0.34	43.0	n.a	n.a	n.a	-10.5%	n.a	n.a	0.34	11.8%	2.8%	-17.1%	1.50%
Monash Absolute	MA1	0.84	42.5	n.a	n.a	n.a	-1.2%	n.a	n.a	1.02	-16.7%	-10.9%	-7.1%	1.50%
NAOS Absolute Opp	NAC	1.02	53.3	5.3	5.2%	7.4%	-3.3%	n.a	n.a	1.17	-10.3%	-5.8%	-5.9%	1.75%
Sandon Capital Ltd	SNC	1.00	48.1	7.0	7.0%	10.0%	0.5%	n.a	n.a	1.02	-2.7%	0.4%	-5.0%	1.25%
Thorney Opp Ltd	TOP	0.72	145.3	1.3	1.7%	2.5%	-0.7%	n.a	n.a	0.81	-11.4%	-8.3%	-7.7%	0.75%
URB Investments	URB	1.00	72.9	n.a	n.a	n.a	-0.5%	n.a	n.a	1.04	-3.4%	n.a	n.a	0.50%
WAM Active Limited	WAA	1.13	45.6	5.5	4.9%	7.0%	-1.7%	n.a	n.a	1.09	5.5%	6.2%	2.5%	1.00%
Watermark Fund Ltd	WMK	0.84	73.1	5.5	6.6%	9.4%	-1.2%	n.a	n.a	0.96	-12.0%	-2.6%	-4.7%	1.00%

Source: Company releases, Bloomberg, Baillieu Holst estimates

FIG.1: LIC PERFORMANCE TABLE (JANUARY 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.	10.2%	11.0%	0.3%	4.8%	5.0%	2.0%	7.0%	7.2%	2.8%
ARG	Argo Investments	9.9%	14.7%	0.5%	5.9%	5.7%	2.8%	7.6%	8.8%	2.0%
AUI	Australian United In	12.7%	22.1%	-4.4%	5.6%	8.8%	-4.9%	7.5%	9.5%	-5.0%
BKI	BKI Investment Ltd	9.1%	7.2%	2.6%	3.5%	6.3%	2.6%	5.9%	8.5%	0.6%
DJW	Djerriwarrh	9.8%	-1.4%	11.9%	4.0%	-3.3%	22.3%	5.0%	2.3%	22.4%
DUI	Diversified United	14.6%	22.9%	-5.7%	8.4%	10.6%	-5.9%	9.6%	11.0%	-5.8%
MLT	Milton Corporation	9.6%	11.8%	-1.0%	6.2%	5.2%	0.4%	10.1%	9.4%	-0.1%
Code	Company	1 Year			3 Year (annualised)			5 Year (annualised)		
Code	Company	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc	NTA Performance	TSR Performance	Avg. Prem/Disc
ALF	Australian Leaders	-5.4%	-24.1%	-3.3%	3.8%	-3.8%	2.3%	4.1%	-0.7%	5.8%
ALR	Aberdeen Leaders	9.6%	16.9%	-8.3%	6.1%	8.4%	-8.8%	6.6%	6.3%	-3.0%
AMH	AMCIL Limited	8.2%	0.6%	-3.7%	6.7%	5.2%	-2.3%	6.7%	6.4%	-1.2%
CDM	Cadence Capital	16.8%	16.2%	6.9%	4.5%	4.2%	7.6%	5.4%	5.0%	5.7%
CIE	Contango Inc Gen Ltd	7.9%	7.5%	-5.7%	na	na	na	na	na	na
CIN	Carlton Investments	2.0%	8.7%	-12.2%	6.6%	9.2%	-11.8%	11.3%	13.0%	-12.0%
FGX	Future Gen Ltd	11.7%	7.0%	-3.4%	7.1%	5.3%	-2.1%	na	na	na
MIR	Mirrabooka Invest.	12.2%	4.5%	14.4%	9.3%	9.4%	13.9%	10.2%	10.7%	15.2%
PIC	Perpetual Equity Ltd	9.4%	20.7%	-4.5%	8.3%	9.0%	na	na	na	-5.5%
PL8	Plato Inc Max Ltd.	5.4%	2.1%	3.5%	na	na	na	na	na	na
QVE	Qv Equities Limited	8.2%	0.8%	8.5%	8.6%	8.5%	2.7%	na	na	na
WAM	WAM Capital Limited	12.6%	9.0%	22.9%	12.9%	14.0%	15.2%	9.8%	15.2%	10.8%
WLE	WAM Leaders Limited	10.4%	3.1%	-3.5%	na	na	na	na	na	na
WDE	Wealth Def Equ Ltd	9.5%	12.1%	-10.8%	na	na	na	na	na	na
WHF	Whitefield Ltd	9.1%	12.9%	-7.8%	5.0%	6.3%	-7.8%	10.0%	11.4%	-7.2%
Code	Company	1 Year			3 Year (annualised)			5 Year (annualised)		
Code	Company	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	18.0%	14.8%	-13.0%	18.0%	18.6%	-15.4%	na	na	na
BST	Barrack St Invest	19.8%	9.4%	-16.5%	6.4%	3.2%	-16.8%	na	na	na
NSC	Naos Smlcap Com Ltd	-6.2%	-8.4%	-7.5%	3.7%	2.4%	-8.6%	5.3%	4.1%	-9.3%
FOR	Forager Aust Shs Fnd	15.2%	11.6%	12.7%	na	na	na	na	na	na
GC1	Glennon SML Co Ltd	16.3%	9.3%	-9.0%	na	na	na	na	na	na
NCC	Naos Emerg Opp	3.6%	15.3%	5.3%	10.6%	19.4%	-4.5%	na	na	na
OZG	Ozgrowth Limited	9.3%	7.5%	-19.6%	13.7%	6.1%	-17.4%	2.8%	5.2%	-17.2%
SEC	Spheria Emerging Co	6.7%	4.6%	-3.0%	na	na	na	na	na	na
WAX	WAM Research Ltd	10.9%	3.7%	24.5%	13.2%	14.7%	15.8%	13.0%	16.5%	11.1%
WIC	Westoz Inv Ltd	23.5%	19.8%	-11.7%	14.2%	12.5%	-12.1%	3.0%	7.6%	-11.5%
8EC	8lp Emerg Co Ltd	10.9%	3.2%	-12.4%	na	na	na	na	na	na
Code	Company	1 Year			3 Year (annualised)			5 Year (annualised)		
Code	Company	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	9.2%	7.5%	-13.0%	na	na	na	na	na	na
APL	Antipodes Global Inv	14.6%	16.4%	-0.2%	na	na	na	na	na	na
EAI	Ellerston Asian	26.0%	28.7%	-10.7%	na	na	na	na	na	na
EGI	Ellerston Global Inv	14.4%	20.3%	-12.0%	2.5%	2.7%	-7.4%	na	na	na
FGG	Future Glb Invest Co	16.2%	19.9%	-4.4%	na	na	na	na	na	na
GVF	Global Value Fnd Ltd	7.7%	5.3%	3.7%	4.4%	7.9%	-3.5%	na	na	na
PIA	Pengana Int Equ Ltd	6.0%	4.6%	-5.0%	2.9%	4.4%	-8.0%	10.3%	13.9%	-10.1%
MFF	MFF Capital Inv Ltd	28.7%	25.3%	-15.1%	15.5%	8.3%	-10.1%	22.3%	19.9%	-5.3%
PAF	Pm Capital Asian Ops	18.5%	48.2%	-4.5%	6.0%	13.1%	-9.3%	na	na	na
PAI	Platinum Asia Ltd	34.7%	52.0%	-4.1%	na	na	na	na	na	na
PGF	Pm Capital Fund	19.8%	31.1%	-6.9%	4.5%	8.0%	-10.7%	na	na	na
PMC	Platinum Capital Ltd	26.5%	31.2%	4.1%	8.1%	8.0%	7.6%	12.7%	16.4%	6.7%
TGG	Templeton Global	14.3%	20.7%	-9.3%	6.0%	4.0%	-10.0%	12.5%	14.9%	-7.8%
VG1	Vgi Partners Global	-0.5%	6.5%	4.2%	na	na	na	na	na	na
Code	Company	1 Year			3 Year (annualised)			5 Year (annualised)		
Code	Company	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	8.8%	10.7%	5.3%	10.3%	10.3%	1.9%	na	na	na
BTI	Bailador Tech Inv	-8.5%	-14.6%	-18.6%	-0.2%	-0.8%	na	na	na	na
LSX	Lion Selection Grp	-17.1%	-5.0%	2.8%	-3.6%	na	-17.1%	na	na	na
MA1	Monash Absolute	13.3%	-5.6%	-10.9%	na	na	na	na	na	na
NAC	Naos Absolute Opp	6.8%	-3.6%	-5.8%	8.6%	5.8%	-5.9%	na	na	na
SNC	Sandon Capital Ltd	2.9%	8.7%	0.4%	6.6%	8.2%	-5.0%	na	na	na
TOP	Thorney Opp Ltd	11.9%	5.5%	-8.3%	19.5%	20.2%	-7.7%	na	na	na
URB	URB Investments Ltd	-1.0%	-7.8%	0.6%	na	na	na	na	na	na
WAA	WAM Active Limited	8.5%	4.9%	6.2%	9.4%	2.2%	2.5%	6.9%	6.1%	2.1%
WMK	Watermark Fund Ltd	-3.4%	-15.0%	-2.6%	5.5%	6.1%	-4.7%	na	na	na

Source: Bloomberg, Company announcements, Baillieu Holst

Inclusions to coverage VGI Partners (VG1)

- **About the manager:** Established in 2008 by Robert Luciano, VGI Partners is a high conviction global equity manager with investment teams located in New York and Sydney. As at 30 June 2017, VGI managed over \$1.1 billion for approximately 250 high net worth individuals, family offices and endowment funds.
- **About VG1:** In September 2017, the company raised over \$550m for a newly incorporated LIC which will follow the single investment strategy currently utilised by the manager through its unlisted funds. VG1 will hold a concentrated portfolio of both long and short global securities.
- **Alignment of Interests:** VGI Partners emphasises an alignment of interest from its investment team, which is achieved via the following:
 - The investment team investing a material portion of their net wealth in the Manager and the VGI funds.
 - The Manager's investment staff and senior operating management are incentivised as a direct result of the performance of the portfolio – all staff are encouraged to reinvest any discretionary bonuses into VGI funds; and
 - The Manager's staff do not buy/sell securities outside of the VGI Funds. The investment team does not have any material or significant business involvement outside the management of the investment portfolio.
- **VGI Investment philosophy:** The manager views superior investing in terms of risk adjusted returns and implements this through three key tenets:
 - Capital preservation: The Manager believes that risk evolves from lack of knowledge about an investment and places a great deal of important on assessing downside risk;
 - Superior long-term compound growth: VGI defines "margin of safety" as a long position priced by the market at a discount to the Manager's assessment of intrinsic value; and
 - Concentration: It is the Manager's view that diversification preserves wealth while concentration builds wealth. The manager aims to be concentrated enough in its best ideas so as not to dilute overall returns but hold enough long positions in order to provide an appropriate level of diversification.

Investment overview

- The manager invests on a global basis, seeking what it considers to be the best investment opportunities in a country with a legal system with which it feels comfortable. This is complemented with opportunistic short selling of low quality businesses that are typically considered by the manager to be structurally challenged, poorly managed and materially overvalued.
- The manager believes the long-term business success is achieved through operating where you have a competitive advantage and that in the business of investing, competitive advantage is obtained through superior knowledge and analysis.
- **Stock selection:** The Manager's investment decisions are based on a circle of competence which is derived from a proprietary investment process from detailed and rigorous research.
- **Circle of competence:** Where an underlying security is deemed to be under or over (for a short position) valued by the market, have a business model that is easy to understand, operate in a country with a legal system it is comfortable with, and operates within industries where the manager believes it possess insights not appreciated by the wider investment industry.

- **What does a long position look like?:** A long position will possess a number of the following qualities:
 - Been through a recession and emerged stronger;
 - Superior returns on capital achieved through high margins and relatively low capital reinvestment requirements;
 - Sustainable competitive advantage protecting the business from competition;
 - Significant cash flow generation;
 - Strong balance sheet with sensible gearing; and
 - High quality management with a proven track record of outstanding performance.

- **What does a short position look like?:** A short position will possess a number of the following qualities:
 - Accounting irregularities;
 - Structurally challenged;
 - Poorly managed;
 - Materially overvalued; and
 - Where the Manager can identify a trigger that it expects will lead to a downward re-rating of the business's share price.

- **Idea generation:** Idea generation is derived from a variety of sources including news, screening tools, monitoring economic and industry trends, extensive contact with company management and industry sources, and the use of the creativity and judgement of the investment team.

- **Short positions:** Are predominately identified via the Manager's proprietary screening process. The Manager screens over 4,000+ companies globally which meet the market capitalisation and liquidity thresholds the Manager sets internally. The 4,000+ companies are filtered through approximately 90 "red-flag" screens (which alert the manager to actions such as accounting irregularities, recent management departures, insider selling and cash generation relative to accrual profits).

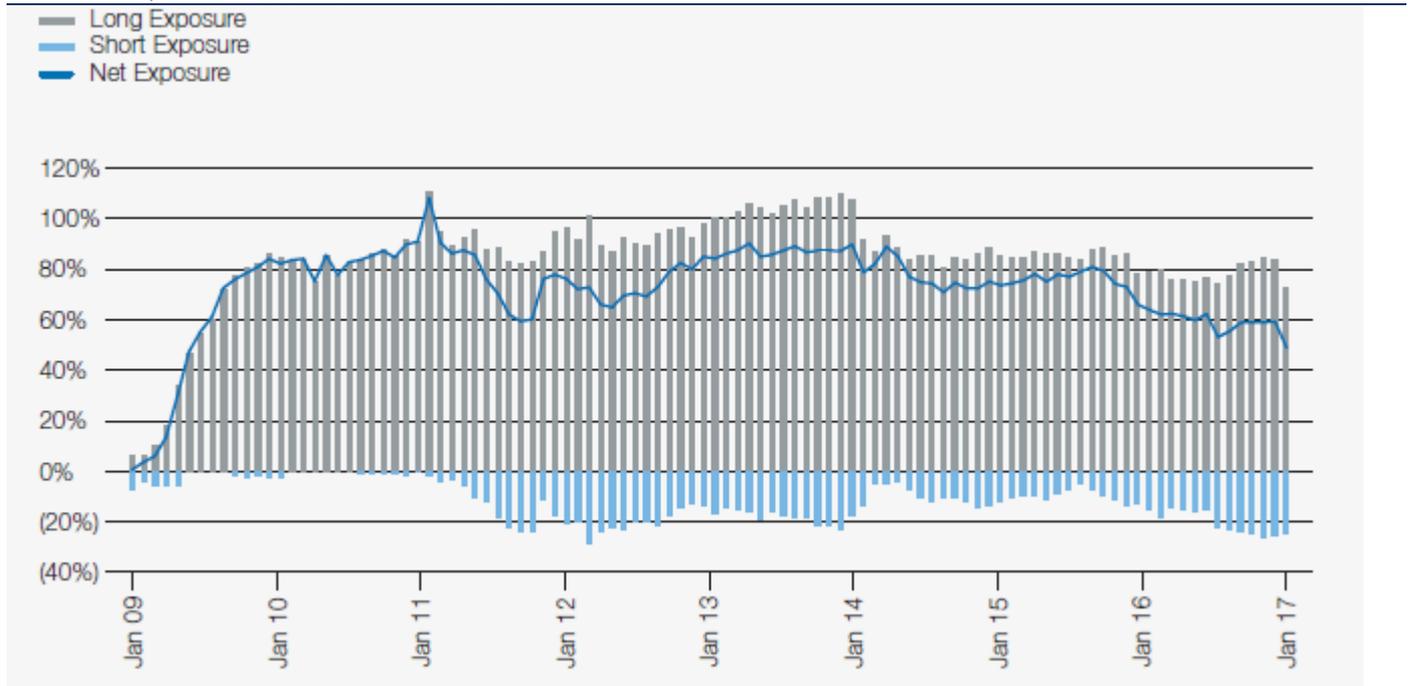
Due diligence

- **Steps:** The due diligence process for long positions follow these three steps:
 - 1 – A target list is identified from potential investments. Metrics involved include liquidity screens (i.e. > USD \$7.5m turnover);
 - 2 – Preliminary work is started to determine if the idea complies with the Manager's investment values;
 - 3 – Extensive research is started using external data and information sources (Bloomberg, broker research, industry associations). This external data is used to ensure that the Manager understands the detailed consensus expectations for a particular company rather than a source of ideas. This is followed by due diligence through interviews with competitors, customers, suppliers, executives and industry contacts. Over the past five years, the Manager's investment team has averaged over 500 research/due diligence meetings/calls per year.

Portfolio construction

- **Construction:** VG1 will be concentrated on the long side, with the top five long positions typically representing 40-50% of the portfolio's NAV.
- **Short side:** The portfolio is less concentrated and therefore short positions tend to be substantially more diversified (and smaller in size) than the long positions within the portfolio. VG1 will typically hold meaningful cash buffers to protect the portfolio in the event of material market movements.

FIG.2: NET EQUITY EXPOSURE SINCE INCEPTION



Source: Company report

- **Net exposure:** As shown in the chart above, typical net equity exposure has been >60%. However, over the prior 12 months short positions have increased, with net exposure falling to ~50%.

FIG.3: VGI PARTNERS MASTER FUND PERFORMANCE



Source: Company report

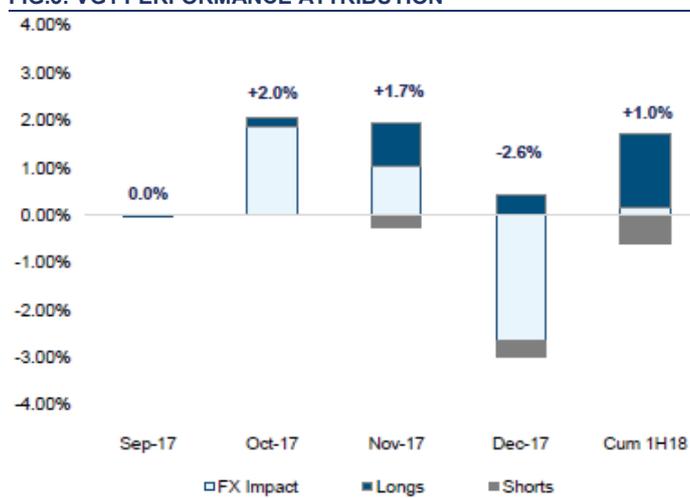
FIG.4: VGI PARTNERS MASTER FUND PERFORMANCE

Year to 30 June	VGI Partners Master Fund's Performance (1) %	Average Cash Weighting %	MSCI World (AUD) (2) %	Relative Results (1) - (2) %
2009 (6 months)	2.3	85	(3.4)	5.7
2010	8.3	24	5.1	3.2
2011	18.4	12	3.2	15.2
2012	5.4	29	(0.6)	6.0
2013	27.5	23	33.1	(5.6)
2014	9.4	14	20.1	(10.7)
2015	38.1	24	24.0	14.1
2016	13.0	25	0.6	12.4
2017	5.9	42	14.6	(8.7)
Total return since inception	218.5	28	138.1	80.4
Compound annual return	14.6		10.7	

Source: Company report

- **Historical performance:** The VGI Partners Masters Fund has outperformed the MSCI World Index (AUD adjusted) since inception (2009) with a compound annual return of 14.6% (against 10.7%).
- **Fees:** The Manager is entitled to a manager fee of 1.5% (plus GST) of the value of the portfolio as well as a performance fee of 15% (plus GST) of the portfolio's outperformance over each Performance Calculation Period, subject to a high-water mark mechanism.
- **Performance Calculation Period:** Is calculated in accordance with the following formula: $A = B - C$ where B is the value of the portfolio for the current performance period and C is the value of the portfolio at the last period performance period calculation. A is the base amount used to calculate a 15% performance fee.
- **Performance since listing:** VG1's performance, since listing in September 2017, is depicted below, with the key detrimental driver being December's FX impact (AUDUSD +3.2%) with the portfolio's net currency exposure 100% USD.

FIG.5: VG1 PERFORMANCE ATTRIBUTION



Source: Company report

FIG.6: NTA AND CONTRIBUTORS TO PERFORMANCE

NTA Performance for the Period	Contribution
Long Positions	1.5%
Short Positions	-0.6%
Currency	0.1%
Net Performance (after all fees)	1.0%

Largest Long Contributors	Contribution
CME Group Inc.	0.3%
Medibank Private Limited	0.2%
Colgate Palmolive Co.	0.2%
Total Contribution of Above	0.7%
Total Contribution from Longs	1.5%

Source: Company report

- **Our view:** VGI Partners, which deploys a single investment strategy across all of its funds (including VG1), has closed new investments into its unlisted/IMA funds from 1 December 2017. Therefore, access to VGI's investment strategy is now limited to the listed VG1 LIC, which we believe will result in a premium to NTA trading level. Management will patiently deploy capital with VG1 gross equity exposure at 54% (31 Jan 2018). Despite the impact of a high cash weighting on performance over the short term, we believe a patient capital deployment strategy is critical for LICs due to the closed end structure and limited opportunity for new capital, which can impact portfolio rebalancing. Despite trading at a slight estimated premium to NTA (4.6%), due to the track record and calibre of management, we believe demand for access to the investment strategy will result in a premium to NTA trading level.

Baillieu Holst Ltd has acted in a corporate advisory role for VG1 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.

Spheria Emerging Companies (SEC)

- **About the manager:** Spheria Asset Management is a fundamental bottom up investment manager specialising in small and microcap companies. Spheria currently manages three unlisted funds, managing ~\$384 million (as at 31 August 2017). Spheria seeks strong investment returns with an emphasis on risk management.
- **Spheria Emerging Companies (SEC):** SEC is a recently incorporated LIC, having raised ~\$132m in November 2017. The underlying investment strategy of SEC will mirror the unlisted Spheria Australian Smaller Companies Fund which, for the 12 months ending 31 January 2018, was up 27.3%, outperforming the ASX Small Ordinaries Accumulation Index (XSOAI) by 4.9%. SEC will typically invest in 20 to 65 securities (up to 20% of the portfolio may be held in cash).

FIG.7: SPHERIA AUSTRALIA SMALLER COMPANIES FUND

	1m	6m	1yr	Inception p.a.#
Fund ^	3.7%	17.3%	27.3%	18.8%
Benchmark*	-0.5%	17.7%	22.4%	12.5%
Value added	4.3%	-0.4%	4.9%	6.3%

^ Spheria Australian Smaller Companies Fund. Returns of the Fund are net of applicable fees, costs and taxes.

* Benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

Inception date of the current investment strategy is 11th July 2016. The Fund was established in June 2005. Past performance is not a reliable indicator of future performance.

Source: Company report

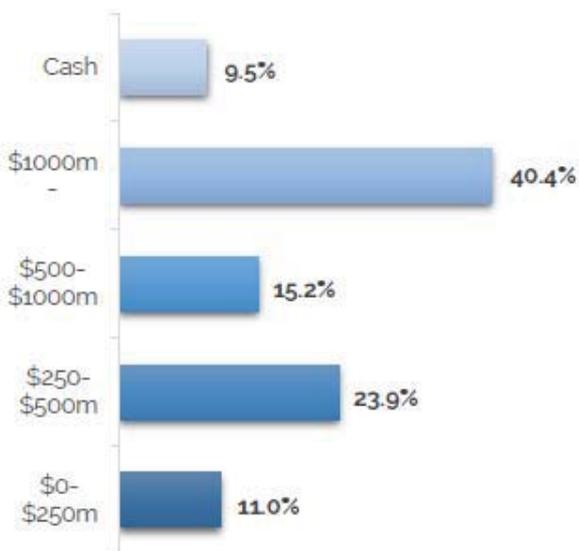
- **Investment objectives:** SEC has a dual investment objective to:
 - Outperform (after fees and expenses) the Benchmark over each full investment cycle (which the manager considers to be a period of three to five years); and
 - Provide capital growth (over each investment cycle) and income.

SEC aims to maximise TSR via a combination of capital growth and income, with the aim of regularly paying fully franked dividends to shareholders.

- **Investment process:** The Manager's investment process has five main stages:
 - **Stage 1: Screening and Identification:** The Manager aims to have the majority of entries within the Benchmark (approx. 200 at any given time) modelled at all times (ASX Small Ordinaries Index). The Manager can also look outside of the Benchmark for ideas that meet its investment criteria, this includes pre-IPO securities and New Zealand securities. During the initial screen the Manager employs various quantitative and qualitative screens. Quantitative screens can include Bloomberg screens scanning metrics such as free cash flow. Qualitative techniques include meeting with entities and industry participants to monitor the industry and market dynamics.
 - **Stage 2: Detailed fundamental analysis and research:** Once a security passes through the initial screen, the Manager will build and conduct a detailed financial model. This includes financial forecasts and the Manager's assessment of intrinsic value and business analysis, analysing historical financial trends, threat of new entrants and substitute products, bargaining power of suppliers and customers as well as the business culture and philosophy of the key executives. During this stage the manager will meet with industry participants including competitors, customers and suppliers, formulating a view as to the sustainability of cash flow returns within an industry and the business position within the industry.
 - **Stage 3: Risk Assessment:** The Manager will assess the risk associated with each potential investment, analysing metrics such as fixed charges, cash flow, debt and operating leverage. The Manager will also assess the broader economy and industry to determine where an entity sits within an investment cycle.

- **Stage 4: Portfolio Construction:** In accordance with the investment guidelines, SEC will hold 25 to 60 securities with an individual security exposure limit of +/-5% of the portfolio's NAV versus its benchmark weight. Sector limits do not apply, however the portfolio is expected to be diversified across a broad range of sectors and industry groups. Underlying portfolio exposure will be limited to Australian and New Zealand securities. The individual security weighting is determined by reference to the discount to valuation, risk factors and trading liquidity.
- **Stage 5: Monitor portfolio performance and adjust weights:** The manager will monitor the portfolio on a daily basis and adjust as required. The Manager may also consider adjusting the portfolio in response to changes to the benchmark.
- **Fees:** The manager is entitled to a 1.0% (plus GST) management fee pa and a performance fee of 20% (plus GST) of the portfolio's outperformance against the benchmark (ASX Small Ordinaries Accumulation Index) over each 6-month period subject to a high-water mark.

FIG.8: SEC MARKET CAP BANDS – JANUARY 2018



Source: Company report

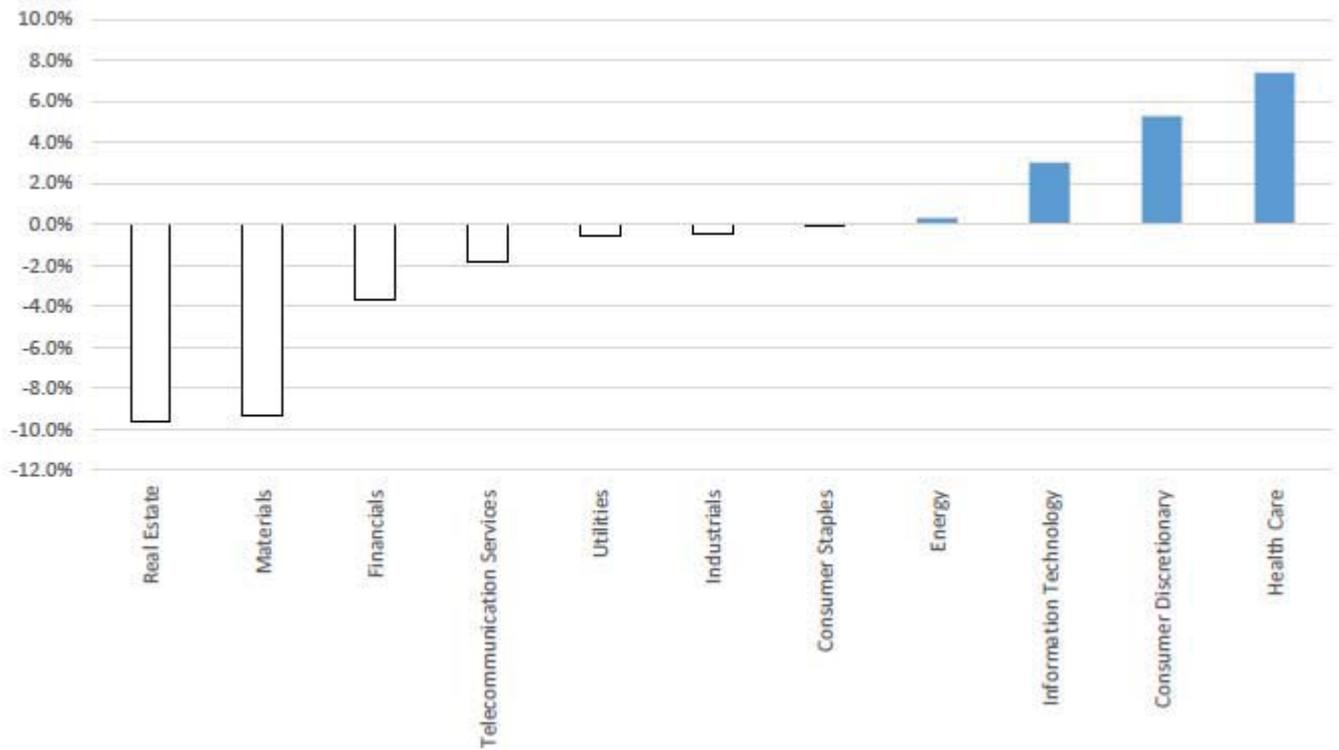
FIG.9: SEC TOP HOLDINGS – JANUARY 2018

Company Name	% Portfolio
Sirtex Medical	10.9
AWE Limited	8.0
Class Limited	4.2
Bega Cheese Ltd	3.7
Platinum Asset	3.6
Top 5	30.4

Source: Company report

- **Portfolio:** As at 31 January 2018, SEC sector active weights included healthcare, consumer discretionary, information technology and energy whilst underweight real estate and materials. Overweight sectors are represented in SEC's top portfolio holdings with Sirtex Medical (Healthcare), Class Ltd (I.T), and Bega Cheese (Consumer Discretionary).

FIG.10: ACTIVE SECTOR EXPOSURE – JANUARY 2018



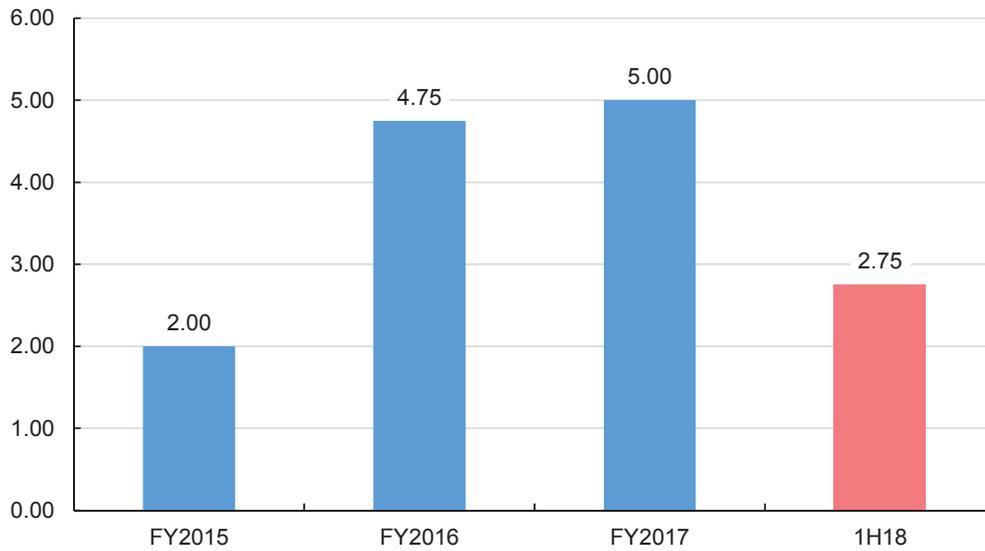
Source: Company report

- **Our view:** The structure of the initial offer should alleviate a number of the secondary trading issues for recently listed LICs, such as an option overhang and a reduced NTA due to listing costs. Since inception (December 2017) SEC's NTA growth has outperformed the index by 4.2% (up 6.6%). Due to SEC's investment criteria of reasonable valuations, low gearing and high cash generation, we note that the market cap composition within the underlying portfolio is weighted towards \$1.0bn+ companies at 40.4% of the portfolio. In our view, this differentiates and de-risks SEC against some of the other LICs in our small cap sector. We believe that the current estimated 4.1% discount to NTA provides an attractive entry point into SEC.

NAOS Absolute Opportunities Company (NAC)

- **About the manager:** Established in January 2005, NAOS Asset Management is a boutique investment firm currently managing one unlisted fund and three listed investment companies. NAOS implement a value-driven investment strategy derived from a fundamental bottom up analysis.
- **NAOS Absolute Opportunities:** NAC listed in November 2014 following a \$21.5m raise. Since then, the company has grown to a \$61.5m fund. NAC is an absolute return long/short fund holding a concentrated portfolio of small and mid-cap securities (market capitalisation generally between \$400m and \$1 billion) with an industrial bias.
- **Investment process:** Idea generation comes from an initial screen of ~1500 companies which meet NAC's \$400m - \$1bn market cap universe. Potential securities are then screened on factors such as momentum, earnings revisions and EV/EBIT. Management further identify potential securities via company meetings (+500 public and private company meetings a year), company & competitor site visits and information gathered from industry experts and unlisted participants.
- Post initial screening management narrow the investment universe down to ~500-600 stocks and conduct a Porter 5 Forces Analysis identifying:
 - Supplier Power;
 - Threat of Substitutes;
 - Threat of New Entrants;
 - Buyer Power; and
 - Degree of Rivalry.
- NAC will also conduct a management analysis focusing primarily on track record, depth, experience and shareholder alignment.
- A quantitative analysis is then overlayed with NAC conducting in house fundamental bottom up research, focusing on key metrics such as free cash flow, return on invested capital, peer comparisons, balance sheet analysis, funding requirements/risks and a sensitivity analysis.
- Management then look at a potential catalyst timeline to identify events that will drive share price appreciation, in line with NAOS's perceived fair value and a potential timeline (which is particularly important for short selling).
- The outcome of this investment process identifies a universe of ~20 securities. NAC will construct a long/short portfolio with the ability to hold a high level of cash. The initial investment will typically be +/-5% of the fund NTA which can grow depending on the level of conviction held by the manager.
- **Performance Fees:** The Manager is entitled to a management fee of 1.75% (excluding GST) p.a. of the NAV of the company. The Manager is also entitled to an annual performance fee equal to 20% (excluding GST) of any outperformance of the Portfolio over the Benchmark rate (the RBA cash rate plus 250 basis points). This is subject to a High Watermark Cap (8% p.a.).

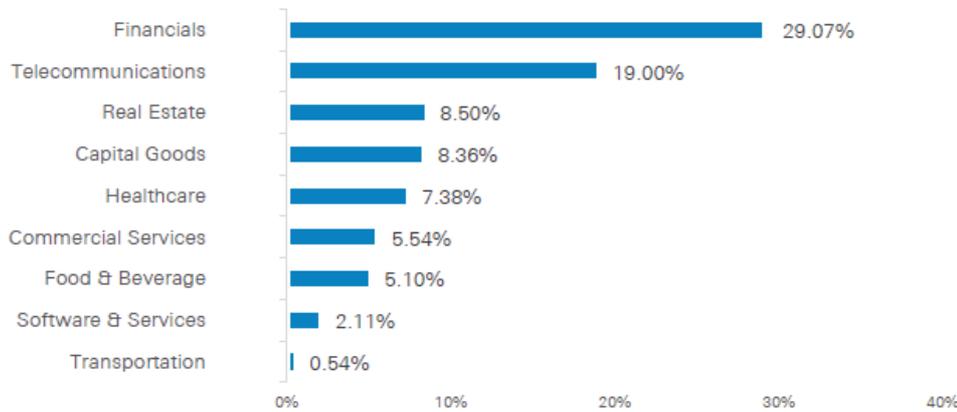
FIG.11: NAC DIVIDEND PROFILE – FULLY FRANKED CENTS PER SHARE



Source: Company report, Baillieu Holst

- Dividend yield:** Since inception NAC has progressively increased its dividend yield as shown below. At 1H18 results, NAC has increased its FY18 interim dividend by 10% on the prior corresponding period (pcp) to 2.75 cents. NAC is currently yielding 5.2% fully franked.

FIG.12: NAC NET INDUSTRY EXPOSURE – JANUARY 2018

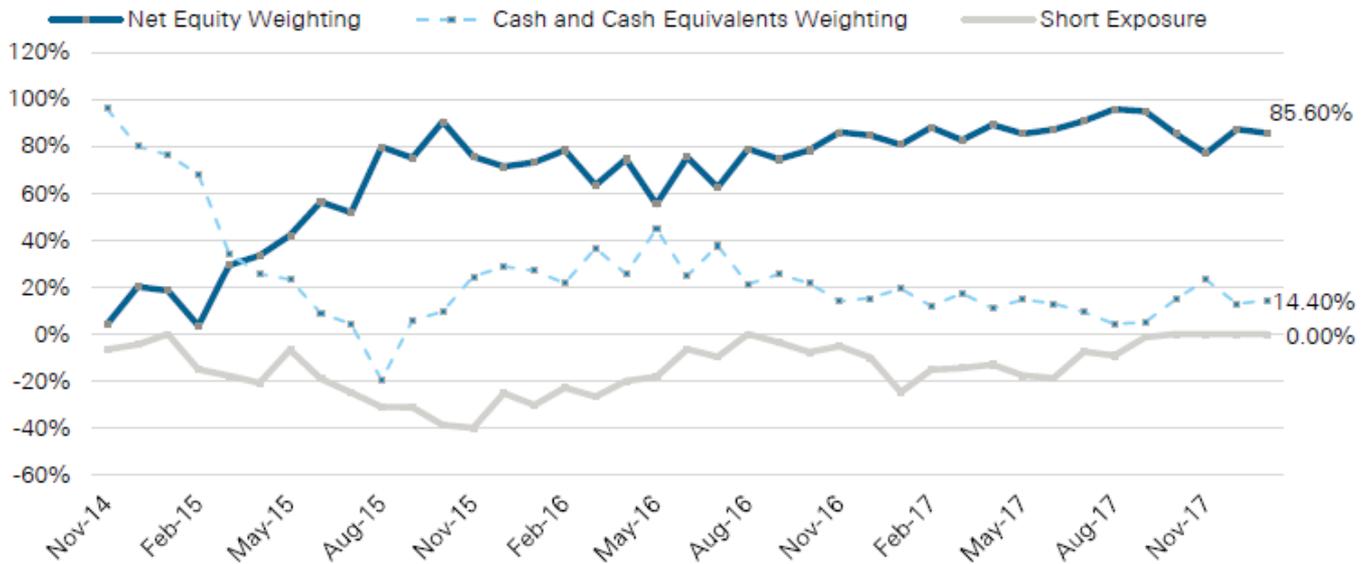


Source: Company report

- NAC sector exposure:** At January 2018, key sector net exposures included Financials, Telecommunications, Real Estate, Capital Goods, Healthcare, Commercial Services and Food & Beverage. NAC primarily focuses on industrial companies and therefore exposure to the material’s sector is very low.

- Since May 2016 NAC's net equity exposure has increased from ~60.0% to 85.6% at 31 January 2018. NAC's short exposure is currently 0.0% with management preferring to hold 14.4% of the portfolio in cash.

FIG.13: NAC NET EQUITY EXPOSURE SINCE INCEPTION



Source: Company report

- **Our view:** The manager (NAOS Asset Management) has a strong track record managing LICs, with NCC a top performer from our LIC universe on both a TSR and NTA growth basis over a three-year performance period. NAC is currently trading at an estimated 10.3% discount to NTA and we note NAOS, through NCC has been able to deliver a discount to NTA re-rating (from a low teens discount to a slight premium). The current estimated 10.3% discount to NTA coupled with a 5.2% fully franked dividend yield provides an attractive entry point for investors, in our view.

Milton Corporation (MLT)

www.milton.com.au

- Milton Corporation was formed in 1938 and listed in 1958. Its objective is to invest in a diversified portfolio that provides an increasing income stream over time.
- Milton is not a speculative investor and does not sell assets to increase profits for shareholders. It maintains a relatively heavy focus on Banks and Other Financials with 31.6% and 12.7% of total assets invested in these respective sectors.
- The total shareholder return for the year ending 31 January 2018 was 11.8% with pre-tax net asset backing increasing 9.6%. The active return (TSR) was -1.2%.

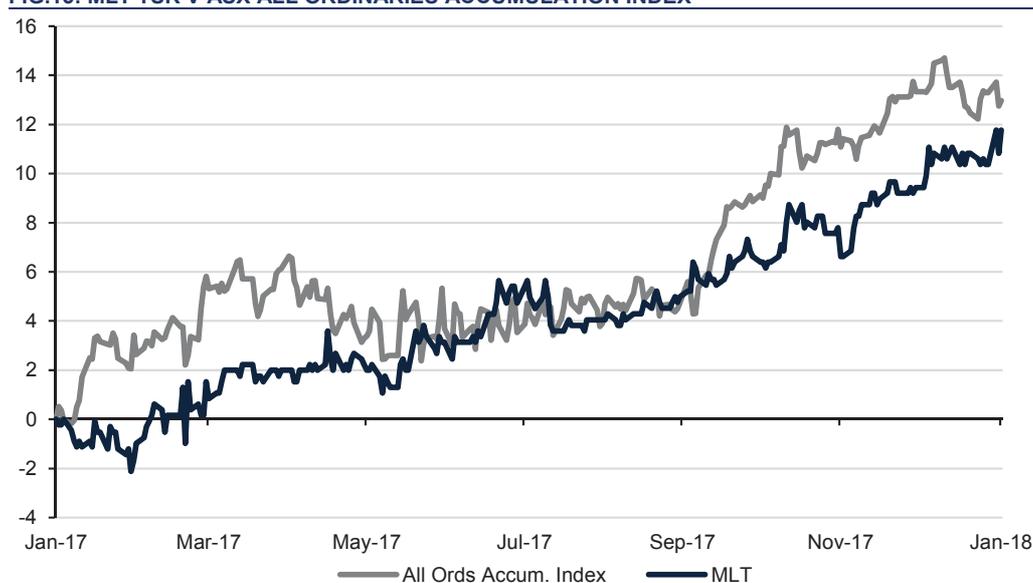
FIG.14: MLT OVERVIEW

MLT Snapshot			Top Holdings		%
Price (31 January 2018)		\$4.78	WESTPAC BANKING CORP		10.6%
Share price range (12 months)		\$4.27 - \$4.8	COMMONWEALTH BANK OF AUSTRAL		8.0%
Shares on issue (Mn)		656	WASHINGTON H. SOUL PATTINSON		5.1%
Market capitalisation (\$Mn)		3136.1	NATIONAL AUSTRALIA BANK LTD		4.6%
Pre-tax asset backing*		\$4.68	WESFARMERS LTD		4.0%
Post-tax asset backing*		\$4.12	BHP BILLITON LIMITED		3.6%
Premium/(Discount) to pre-tax NTA		2.1%	AUST AND NZ BANKING GROUP		3.2%
Premium/(Discount) to post-tax NTA		16.0%	BANK OF QUEENSLAND LTD		2.9%
Dividend yield		3.9%	CSL LTD		2.8%
Dividend per share (cents)		18.7	WOOLWORTHS GROUP LTD		2.5%
Franking		100%			
Management expense ratio		0.12%			

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
MLT	11.8%	5.2%	9.4%	NTA growth	9.6%	6.2%	10.1%
Sector Avg.	12.6%	5.5%	8.1%	Sector Avg.	10.8%	5.5%	7.5%
Active return	-1.2%	-2.8%	0.2%	Active return	-3.3%	-1.9%	0.9%

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 31 January 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.15: MLT TSR V ASX ALL ORDINARIES ACCUMULATION INDEX



Source: Bloomberg, Baillieu Holst

Diversified United Investments (DUI)

www.dui.com.au

- Diversified United Investments was founded in 1991 by Australia United Investments, Barclay Investments (a Myer family investment company), the late Sir Ian Potter and The Ian Potter Foundation.
- It invests predominantly in Australian equities, however it also invests in global ETFs, property trusts and fixed income securities.
- DUI's global ETF exposure currently represents 13.0% of the portfolio.
- The total shareholder return for the year ending 31 January 2018 was 22.9% with pre-tax net asset backing increasing 14.6%. The active return (TSR) was 9.9%.

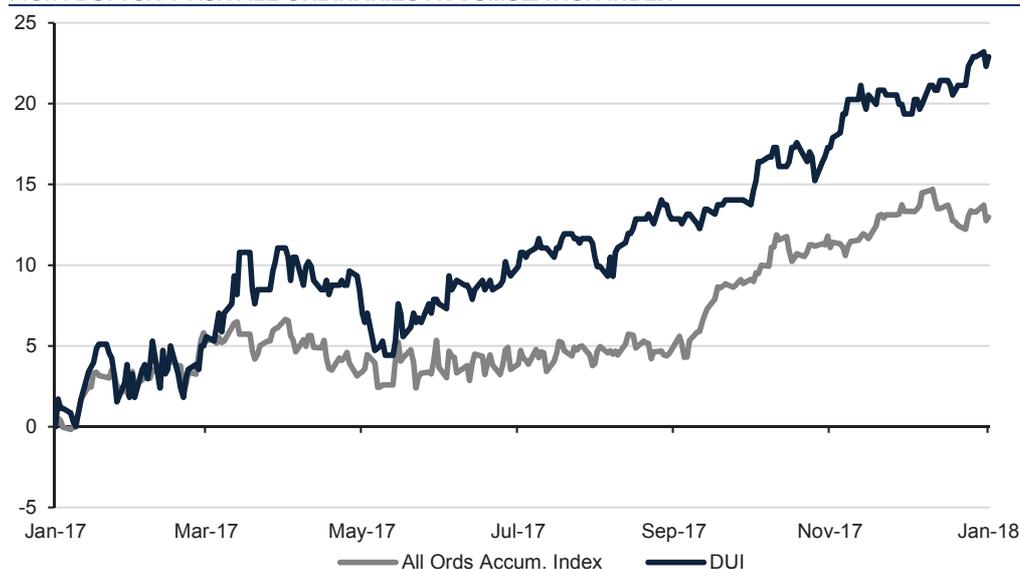
FIG.16: DUI OVERVIEW

DUI Snapshot		Top Holdings					
Price (31 January 2018)	\$4.16	CSL LTD					8.5%
Share price range (12 months)	\$3.5 - \$4.17	COMMONWEALTH BANK OF AUSTRAL					8.1%
Shares on issue (Mn)	209	WESTPAC BANKING CORP					6.0%
Market capitalisation (\$Mn)	870.9	AUST AND NZ BANKING GROUP					5.8%
Pre-tax asset backing*	\$4.22	TRANSURBAN GROUP					5.3%
Post-tax asset backing*	\$3.63	NATIONAL AUSTRALIA BANK LTD					4.5%
Premium/(Discount) to pre-tax NTA	-1.4%	BHP BILLITON LIMITED					3.7%
Premium/(Discount) to post-tax NTA	14.6%	RIO TINTO LTD					3.7%
Dividend yield	3.5%	VANGUARD FTSE ALLW EX-US-CDI					3.6%
Dividend per share (cents)	14.5	WOODSIDE PETROLEUM LTD					3.4%
Franking	100%						
Management expense ratio	0.13%						

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
DUI	22.9%	10.6%	11.0%	NTA growth	14.6%	8.4%	9.6%
Sector Avg.	12.6%	5.5%	8.1%	Sector Avg.	10.8%	5.5%	7.5%
Active return	9.9%	2.6%	1.8%	Active return	1.6%	0.4%	0.4%

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 31 January 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.7: DUI TSR V ASX ALL ORDINARIES ACCUMULATION INDEX



Source: Bloomberg, Baillieu Holst

Perpetual Equity Investment Company (PIC)

www.perpetualequity.com.au

- Perpetual Equity Investment Company listed on 18 December 2014 and is managed by Perpetual. Perpetual currently has ~\$33 billion of funds under management.
- PIC follows a bottom-up investment approach, focusing on mid-caps with a concentrated exposure of 20–40 securities. Additionally, a global allocation is included, up to 25% of the portfolio.
- Currently 19% of the portfolio is allocated to international securities.
- The total shareholder return for the year ending 31 December 2017 was 20.7% with pre-tax net asset backing increasing 9.4%. The active return (TSR) was 7.8%.

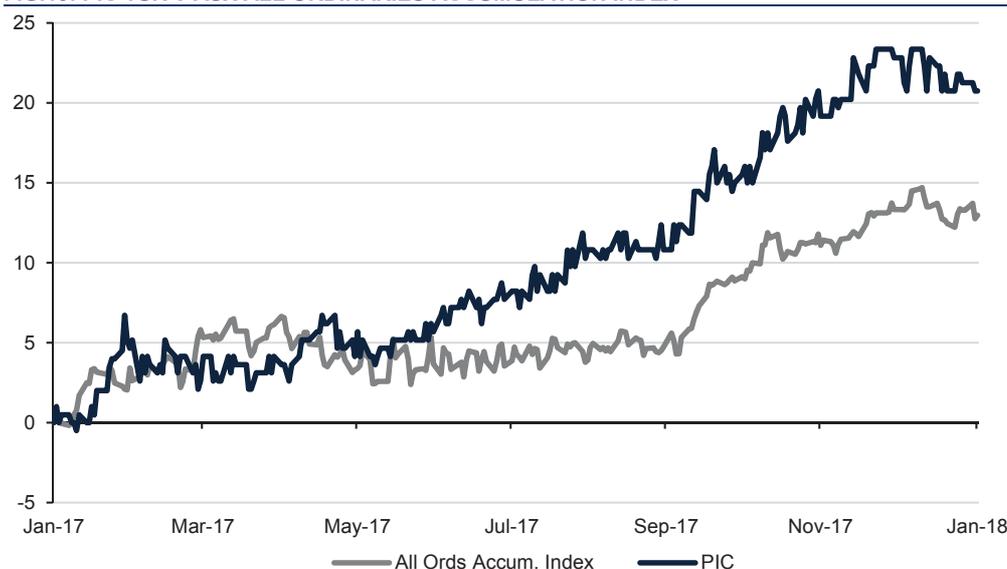
FIG.18: PIC OVERVIEW

PIC Snapshot		Top Holdings			
Price (31 January 2018)	\$1.16	WESTPAC BANKING CORP			8.9%
Share price range (12 months)	\$0.96 - \$1.18	WOOLWORTHS GROUP LTD			8.0%
Shares on issue (Mn)	254	STAR ENTERTAINMENT GRP LTD/T			6.7%
Market capitalisation (\$Mn)	293.2	OIL SEARCH LTD			5.8%
Pre-tax asset backing*	\$1.16	MEDIBANK PRIVATE LTD			5.1%
Post-tax asset backing*	\$1.14				
Premium/(Discount) to pre-tax NTA	-0.5%	INTERNATIONAL			
Premium/(Discount) to post-tax NTA	1.1%	SHIRE PLC (UK)			9.3%
Dividend yield	4.1%	AXA SA (FRANCE)			4.9%
Dividend per share (cents)	4.7	ING GROEP NV			3.0%
Franking	100%				
Management expense ratio	1.00%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
PIC	20.7%	9.0%	na	NTA growth	9.4%	8.3%	na
Sector Avg.	6.8%	6.9%	8.4%	Sector Avg.	8.7%	7.2%	8.0%
Active return	7.8%	1.0%	na	Active return	-3.5%	0.3%	na

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 31 January 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.19: PIC TSR V ASX ALL ORDINARIES ACCUMULATION INDEX



Source: Bloomberg, Baillieu Holst

WAM Leaders (WLE)

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.
- The current portfolio position has a mid-cap bias with ~45% of the portfolio invested in the ASX 21-100.
- The total shareholder return for the year ending 31 January 2018 was 3.1% with pre-tax net asset backing increasing 10.4%. The active return (TSR) was -9.9%.

FIG.20: WLE OVERVIEW

WLE Snapshot		Top Holdings		%
Price (31 January 2018)	\$1.16	BHP BILLITON LIMITED		na
Share price range (12 months)	\$1.07 - \$1.21	WOOLWORTHS GROUP LTD		
Shares on issue (Mn)	702	CSL LTD		
Market capitalisation (\$Mn)	811.1	NATIONAL AUSTRALIA BANK LTD		
Pre-tax asset backing*	\$1.19	COMMONWEALTH BANK OF AUSTRAL		
Post-tax asset backing*	\$1.17	WESTPAC BANKING CORP		
Premium/(Discount) to pre-tax NTA	-2.7%	ORIGIN ENERGY LTD		
Premium/(Discount) to post-tax NTA	-1.0%	AUST AND NZ BANKING GROUP		
Dividend yield	2.6%	MACQUARIE GROUP LTD		
Dividend per share (cents)	3.0	JAMES HARDIE INDUSTRIES-CDI		
Franking	100%			
Management expense ratio	1.00%			

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
WLE	3.1%	na	na	NTA growth	10.4%	na	na
Sector Avg.	6.8%	6.9%	8.4%	Sector Avg.	8.7%	7.2%	8.0%
Active return	-9.9%	na	na	Active return	-2.6%	na	na

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 31 January 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.21: WLE TSR V ASX ALL ORDINARIES ACCUMULATION INDEX



Source: Bloomberg, Baillieu Holst

Acorn Capital (ACQ)

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 26% of the underlying portfolio, providing a natural hedge against short term volatility in the small capitalisation space, in our view. Of ACQ's unlisted holdings, 11.8% is represented in ACQ's top 10 holdings.
- The total shareholder return for the year ending 31 January 2018 was 14.8% with pre-tax net asset backing increasing 18.0%. The active return (TSR) was 1.8%.

FIG.22: ACQ OVERVIEW

ACQ Snapshot			Top Holdings		%
Price (31 January 2018)	\$1.14		GENEA LIMITED (UL)		3.8%
Share price range (12 months)	\$0.89 - \$1.16		TELIX PHARMACEUTICALS LTD		3.8%
Shares on issue (Mn)	53		CALIX LIMITED (UL)		3.1%
Market capitalisation (\$Mn)	59.9		REDBUBBLE LTD		2.8%
Pre-tax asset backing*	\$1.35		ZIP CO LTD		2.7%
Post-tax asset backing*	\$1.26		HUB24 LTD		2.7%
Premium/(Discount) to pre-tax NTA	-15.4%		MOULA MONEY PTY LTD (UL)		2.5%
Premium/(Discount) to post-tax NTA	-9.5%		CARBON REVOLUTION (UL)		2.4%
Dividend yield	3.1%		CLOVER CORP LTD		2.1%
Dividend per share (cents)	3.5		REDHILL EDUCATION LTD		2.1%
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	14.8%	18.6%	na	NTA growth	18.0%	18.0%	na
Sector Avg.	8.6%	11.0%	8.3%	Sector Avg.	12.1%	11.4%	6.0%
Active return	1.8%	10.6%	na	Active return	5.1%	10.0%	na

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 31 January 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.23: ACQ TSR V ASX ALL ORDINARIES ACCUMULATION INDEX



Source: Bloomberg, Baillieu Holst

Templeton Global Growth Fund (TGG)

www.tggf.com.au

- The Templeton Global Growth Fund was listed on the ASX in 1987 by Franklin Templeton Investment Group, an American investment group with more than 50 years' experience.
- Templeton's investment approach is to seek out fundamentally undervalued securities with a focus on long-term growth.
- Its portfolio gives Australian investors access to a diversified portfolio of international securities.
- The regional exposure of TGG is currently North America (39.2%), Europe (37.0%) and Asia (23.0%). Key underlying sector allocations include Financials, Healthcare and IT.
- The total shareholder return for the year ending 31 January 2018 was 20.7% with pre-tax net asset backing increasing 14.3%. The active return (TSR) was 1.8%.

FIG.24: TGG OVERVIEW

TGG Snapshot			Top Holdings		%
Price (31 January 2017)	\$1.44		MICROSOFT CORP		na
Share price range (12 months)	\$1.22 - \$1.45		SAMSUNG ELECTRONICS		
Shares on issue (Mn)	234		ORACLE GROUP		
Market capitalisation (\$Mn)	336.6		BP PLC		
Pre-tax asset backing*	\$1.57		GOOGLE INC		
Post-tax asset backing*	\$1.49		ROYAL DUTCH SHELL		
Premium/(Discount) to pre-tax NTA	-8.1%		CITIGROUP INC		
Premium/(Discount) to post-tax NTA	-3.0%		JP MORGAN CHASE		
Dividend yield	3.1%		SOFTBANK GROUP		
Dividend per share (cents)	4.5		SIEMENS		
Franking	100%				
Management expense ratio	1.20%				

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
TGG	20.7%	4.0%	14.9%	NTA growth	14.3%	6.0%	12.5%
Sector Avg.	24.6%	7.0%	16.3%	Sector Avg.	18.2%	6.2%	14.4%
Active return	1.8%	-7.0%	-3.3%	Active return	-4.6%	-5.1%	-5.7%

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 31 January 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.25: TGG TSR V MSCI WORLD INDEX (AUD ADJUSTED)



Source: Bloomberg, Baillieu Holst

PM Capital Global Opportunities Fund (PGF)

www.pmcapital.com.au

- Managed by PM Capital, PGF began trading on the ASX on 11 December 2013.
- Current Investment themes include: 1) Global Domestic Banking; 2) 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 (50.9%), Europe (35.1%) and UK (7.1%) with currency exposure weighted towards to the USD at 74.1%.
- The total shareholder return for the year ending 31 January 2018 was 31.1% with pre-tax net asset backing increasing 19.8%. The active return (TSR) was 12.2%.

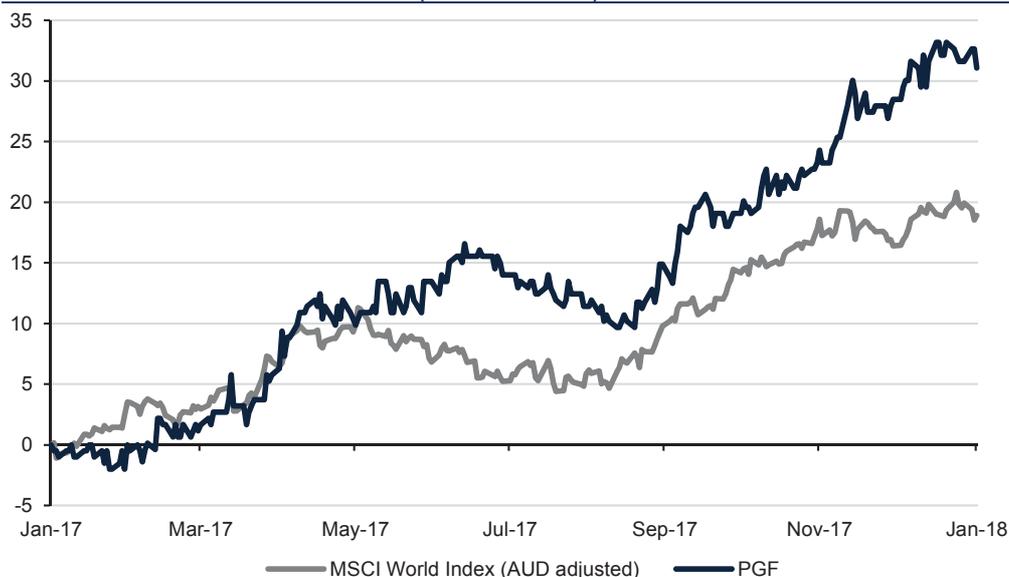
FIG.26: PGF OVERVIEW

PGF Snapshot		Top Holdings		%
Price (31 January 2017)	\$1.26	TOP HOLDINGS		na
Share price range (12 months)	\$0.96 - \$1.24	HOWARD HUGHES CORP.		
Shares on issue (Mn)	350	CAIRN HOMES		
Market capitalisation (\$Mn)	439.4	BACK OF AMERICA		
Pre-tax asset backing*	\$1.27	GOOGLE		
Post-tax asset backing*	na	PFIZER		
Premium/(Discount) to pre-tax NTA	-1.4%	WYNN MACAU		
Premium/(Discount) to post-tax NTA	na	KKR & CO		
Dividend yield	2.7%			
Dividend per share (cents)	3.4			
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	31.1%	8.0%	na	NTA growth	19.8%	4.5%	na
Sector Avg.	24.6%	7.0%	16.3%	Sector Avg.	18.2%	6.2%	14.4%
Active return	12.2%	-3.1%	na	Active return	0.9%	-6.5%	na

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 31 January 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.27: PGF TSR V MSCI WORLD INDEX (AUD ADJUSTED)



Source: Bloomberg, Baillieu Holst

MFF Capital Investments (MFF)

www.magellangroup.com.au/mff/

- The MFF Capital Investments was listed on the ASX in December 2006.
- The fund is focused on North American companies, ~85% of its portfolio consists of US domiciled corporations that are leaders in emerging markets as well as developed markets.
- Following a prolonged period of outstanding in the money options, all outstanding MFF options have now expired (31 October 2017).
- The total shareholder return for the year ending 31 January 2018 was 25.3% with pre-tax net asset backing increasing 28.7%. The active return (TSR) was 6.4%.

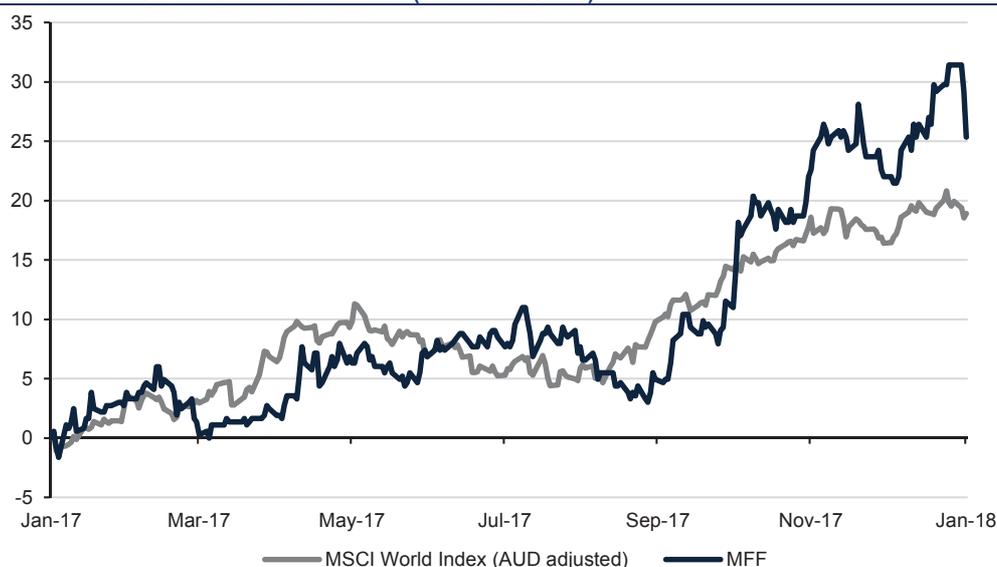
FIG.28: MFF OVERVIEW

MFF Snapshot		Top Holdings					
Price (31 January 2017)	\$2.27	VISA INC-CLASS A SHARES					12.9%
Share price range (12 months)	\$1.82 - \$2.43	MASTERCARD INC - A					11.0%
Shares on issue (Mn)	540	HOME DEPOT INC					10.7%
Market capitalisation (\$Mn)	1226.6	LOWE'S COS INC					8.9%
Pre-tax asset backing*	\$2.59	BANK OF AMERICA CORP					8.9%
Post-tax asset backing*	\$2.18	WELLS FARGO & CO					4.8%
Premium/(Discount) to pre-tax NTA	-12.4%	JPMORGAN CHASE & CO					4.8%
Premium/(Discount) to post-tax NTA	4.1%	HCA HEALTHCARE INC					4.3%
Dividend yield	0.9%	US BANCORP					3.8%
Dividend per share (cents)	2.0	LLOYDS BANKING GROUP PLC-ADR					3.1%
Franking	0%						
Management expense ratio	1.25%						

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
MFF	25.3%	8.3%	19.9%	NTA growth	28.7%	15.5%	22.3%
Sector Avg.	24.6%	7.0%	16.3%	Sector Avg.	18.2%	6.2%	14.4%
Active return	6.4%	-2.8%	1.6%	Active return	9.8%	4.4%	4.0%

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 31 January 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.29: MFF TSR V MSCI WORLD INDEX (AUD ADJUSTED)



Source: Bloomberg, Baillieu Holst

Blue Sky Alternative Access Fund (BAF)

www.blueskyfunds.com.au

- BAF is managed by Blue Sky Alternative Investments, an ASX listed alternative funds manager (BLA) which manages ~\$3.9 billion in assets (Dec-17). BAF listed on the ASX in December 2014.
- BAF provides investors access to a range of alternative assets including real assets (i.e. water), private real estate, private equity / venture capital, and hedge funds. The fund manager, Blue Sky Investments, operates a number of funds across the aforementioned asset, of which BAF invests its capital within.
- BAF has executed a number of recent realisations across Private Equity, Real Estate and Real Assets, delivering a combined internal rate of return (IRR) of 19.5% pa since inception.
- The total shareholder return for the year ending 31 January 2018 was 10.7% with pre-tax net asset backing increasing 8.8%. The active return was -2.2%.

FIG.30: BAF OVERVIEW

BAF Snapshot		Top Holdings	
Price (31 January 2017)	\$1.21	ASSET ALLOCATION	
Share price range (12 months)	\$1.08 - \$1.27	PRIVATE REAL ESTATE	37.2%
Shares on issue (Mn)	214	PRIVATE EQUITY AND VC	29.5%
Market capitalisation (\$Mn)	259.5	REAL ASSETS	25.0%
Pre-tax asset backing*	\$1.14	CASH	8.3%
Post-tax asset backing*	\$1.11		
Premium/(Discount) to pre-tax NTA	6.3%		
Premium/(Discount) to post-tax NTA	8.8%		
Dividend yield	4.1%		
Dividend per share (cents)	5.0		
Franking	100%		
Management expense ratio	1.20%		

Total Shareholder Return	1 Year	3 Year	5 Year	NTA Performance	1 Year	3 Year	5 Year
BAF	10.7%	14.0%	na	NTA growth	8.8%	10.3%	na
Sector Avg.	-1.3%	8.3%	7.6%	Sector Avg.	2.0%	6.8%	-4.2%
Active return	-2.2%	6.0%	na	Active return	-4.2%	2.3%	na

Source: IRESS, Bloomberg, Baillieu Holst, Company reports. Figures as at 30 September 2017, unless otherwise noted. Active return refers to TSR relative to that of the comparative index

FIG.31: BAF TSR V ASX ALL ORDINARIES ACCUMULATION INDEX



Source: Bloomberg, Baillieu Holst

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