

LISTED INVESTMENT COMPANIES

BELL POTTER

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ABRIDGED

Opinion Piece: Future Generation Global Investment Company

Future Generation Global Investment Company will be Australia's first listed philanthropic wealth creation vehicle focussed on global equities. This International LIC has a dual objective of providing shareholders with diversified exposure to global equities while changing the lives of young Australians affected by mental illness. This runs off the successful launch of its sister company, Future Generation Investment Company (FGX), and operates an almost identical business model. The Company is eyeing a raising of up to \$550m.

(continued page 2).

Investment Highlights

As at the end of the Quarter, our key picks across pre-tax NTA and share price performance, distribution yield (based on the previous 12 months and including Special Dividends) and valuation were as follows. Please note that historical performance is no guarantee of future performance.

Table 1: Quarter Highlights

Pre-Tax NTA Performance (p.a.)					
30-Jun-15	Large	Lrg/Medium	Med/Small	Alternative	Intl
(%)	AFI	AMH	MIR	ALF	MFF
5 years	10.0	10.9	12.5	10.3	23.2
7 years	6.4	8.9	8.5	11.8	19.8
10 years	7.9	9.5	8.7	11.0	n/a

Share Price Performance (p.a.)					
30-Jun-15	Large	Lrg/Medium	Med/Small	Alternative	Intl
(%)	AFI	AMH	WAM	CDM	MFF
5 years	9.9	13.6	18.7	22.7	24.9
7 years	7.4	9.6	14.9	14.4	21.2
10 years	9.4	12.0	12.2	n/a	n/a

Distribution					
30-Jun-15	Large	Lrg/Medium	Med/Small	Alternative	Intl
(%)	DJW	AMH	MIR	ALF	PMC
Net Yield	5.5	7.2	7.7	8.9	5.6
Franking	100.0	100.0	100.0	100.0	100.0
Gross Yield	7.9	10.3	11.0	12.8	8.1

Valuation					
30-Jun-15	Large	Lrg/Medium	Med/Small	Alternative	Intl
(%)	AUI	DUI	WAM	CDM	PGF
Current Disc/Prem	-2.6	-4.6	5.4	-1.5	-12.4
3 year avg	-6.4	-7.3	3.6	0.4	n/a
5 year avg	-7.6	-8.6	-2.6	-8.9	n/a
10 year avg	-5.4	-6.3	-10.5	n/a	n/a

Source: Company data, Iress and Bell Potter

It is important that clients are aware that the share price of a LIC is impacted by the oscillation of the discount or premium to NTA, which should be taken into consideration when investing in LICs. We therefore advise clients to view this report in conjunction with the Bell Potter Weekly Indicative NTA. For further information please speak to your Bell Potter Adviser.

Inside this edition

- Opinion piece
- Market update
- Coverage of 37 securities

Index

Opinion Piece	2
Market Update	7
Summary	
Universe Summary	9
Investment Performance	10
Historical Gross Dividend Yield	11
Premium/Discount to NTA	12
Weekly Indicative NTA	16
Liquidity	19
Indirect Cost Ratio	20
Appendix A: Glossary of terms	21
Appendix B: Disclosures	23

Opinion Piece: Future Generation Global Investment Company (FGG)

Ethical global fund donating all fees to philanthropy

Future Generation Global Investment Company will be Australia's first listed philanthropic wealth creation vehicle focussed on global equities. This International LIC has a dual objective of providing shareholders with diversified exposure to global equities while changing the lives of young Australians affected by mental illness. This runs off the successful launch of its sister company, Future Generation Investment Company (FGX), and operates an almost identical business model. The Company is eyeing a raising of up to \$550m, in what is anticipated to be the largest float for an Australian LIC.

The Company will achieve its dual objective by investing in a select group of Australian and Global fund managers who have agreed to forgo both management and performance fees. In effect of this pro bono support, the Company will be able to donate 1.0% of net tangible assets per annum to nominated charities that tackles youth mental health issues. Any difference between the forgone fees and the annual donation amount is to the benefit of shareholders, highlighting its attractive value.

Exposure to global fund heavyweights

Similar to FGX, the Company will invest in a portfolio of funds that are predominantly investing in Global equities. The vehicle's objective is to provide a stream of fully franked dividends and achieve capital growth. The fund managers are able to invest in any asset class and utilise any investment style or strategy. Mandates include long equities, absolute bias and quantitative strategy. The composition of the investment portfolio will vary over time, and the maximum single allocation to a fund manager will be limited to 10% of capital. The Company itself is also permitted to invest directly into global and domestic equities.

Figure 1: Initial Fund Managers and Mandated Unit Trust



Key Features

- Access to prominent global fund managers.
- No management or performance fees as management and investment personals are providing services pro bono.
- In lieu of fees, 1.0% of the average NTA is donated to Australian Charities to support the lives of young Australians affected by mental illness.
- Shareholders with more than a 1 million shares, are able to nominate charities of their choice- including charities outside the mandate of FGG - as long as these charities hold Deductible Gift Recipient (DGR) status.

Opinion Piece (continued)

Initial Fund Managers

The Company has 17 foundation managers. Each has offered investment capacity for the LIC of up to \$790m in aggregate. This committed capacity may increase or decrease from time to time and is wholly controlled by the Fund Managers. A couple of these funds are closed to new monies and a number of them can usually only be accessed via wholesale channels. Specific details on each of the funds is available from the prospectus.

Figure 2: Initial Fund Managers and Mandated Unit Trust

Fund Manager	Investment Personal	Fund	Style
Magellan Asset Management	Hamish Douglass	Magellan Global Fund	Long Equities
Cooper Investor	Peter Cooper	CI Global Equities Fund CI Asian Tiger Fund	Long Equities Long Equities
IronBridge Capital Management	Sam Eddins / Matt Halkyard / Steve Werber / Kevin Reher	IronBridge Global Focus Fund	Long Equities
Paradice Investment Management	Kevin Beck / Anand Vasagiri	Paradice Global Small Mid-Cap Fund	Long Equities
Nikko Asset Management Australia	William Low	Nikko AM Global Equities	Long Equities
Eastsprings Investments (Singapore)	Eastsprings Investments (Singapore)	EI - Asian Dynamic Fund Class C	Long Equities
Insync Funds Management	Monik Kotecha	Insync Global Titans Fund	Long Equities
Hunter Hall Investment Management	James McDonald	Hunter Hall Global Equities Trust	Long Equities
Ellerston Capital	Ashok Jacob / Mark Haet	Ellerston Global Investment Wholesale Fund	Long Equities
Antipodes Partners	Jacob Mitchell / Andrew Baud	Antipodes Global Equity Fund Antipodes Asia Equity Fund	Absolute Bias Absolute Bias
VGI Partners	Robert Luciano / Douglas Tynan	VGI Partners Master Fund VGI Partners Offshore Fund	Absolute Bias Absolute Bias
Manikay Partners	Shane Finemore	Manikay Global Opportunistic USD Fund	Absolute Bias
Avenir Capital	Adrian Warner	Avenir Value Fund	Absolute Bias
Morphic Asset Management	Jack Lowenstein / Chad Slater	Morphic Global Opportunities Fund	Absolute Bias
Optimal Fund Management	Warwick Johnson / Mark Havens / Robert Garone	Optimal Japan Absolute Long Fund	Absolute Bias
Neuberger Berman Australia	Wai Lee / Alex Da Silva / Ping Zhou / Dean DuMonthier	NB Systematic Global Equity Trust	Quantitative Strategy
Tribeca Investment Partners	Chris Daily	Tribeca Global Total Return Fund	Quantitative Strategy

The initial funds have delivered very strong performances against relevant benchmarks. Although performance is no guarantee of future performance, it does highlight that these managers have had an ability to consistently outperform the market across most time periods.

Figure 3: Mandated Unit Trust Investment Performance

Fund	Year 1	Year 3	Year 5	Year 7	Year 10	Inception	Inception Date
Magellan Global Fund	32.0%	26.8%	19.5%	15.7%	n/a	12.5%	Jul-07
CI Global Equities Fund (Unhedged)	24.3%	22.5%	15.0%	n/a	n/a	8.6%	Sep-08
CI Asian Tiger Fund	35.8%	23.3%	15.9%	14.5%	n/a	13.4%	Jul-07
IronBridge Global Focus Fund	11.9%*	n/a	n/a	n/a	n/a	29.8%*	Oct-12
Paradice Global Small Mid-Cap Fund	29.1%	n/a	n/a	n/a	n/a	32.2%	Jan-13
Nikko AM Global Equities	27.2%	26.4%	16.3%	n/a	7.6%	7.0%	Nov-95
EI - Asian Dynamic Fund Class C	8.4%*#	n/a	n/a	n/a	n/a	6.2%*#	Jul-12
Insync Global Titans Fund	20.7%	15.9%	14.0%	n/a	n/a	12.0%	Oct-09
Hunter Hall Global Equities Trust	26.6%	21.4%	10.3%	4.0%	6.2%	6.5%	Nov-01
Ellerston Global Investment Wholesale Fund	24.8%	15.6%	13.2%	n/a	n/a	13.2%	Jan-02
Antipodes Global Equity Fund	n/a	n/a	n/a	n/a	n/a	n/a	Oct-13
Antipodes Asia Equity Fund	n/a	n/a	n/a	n/a	n/a	n/a	Jul-15
VGI Partners Master Fund	9.4%	13.7%	13.5%	n/a	n/a	16.5%	Jan-09
VGI Partners Offshore Fund	1.9%#	n/a	n/a	n/a	n/a	14.3%#	May-12
Manikay Global Opportunistic USD Fund	1.8%#	13.1%#	8.9%#	n/a	n/a	9.8%#	Aug-08
Avenir Value Fund	4.2%	19.1%	n/a	n/a	n/a	16.1%	Aug-11
Morphic Global Opportunities Fund	30.1%	n/a	n/a	n/a	n/a	28.6%	Aug-12
Optimal Japan Absolute Long Fund	29.5%#	18.9%#	10.7%#	3.4%#	5.4%#	5.3%#	Sep-04
NB Systematic Global Equity Trust	7.2%#	19.2%#	11.8%#	n/a	n/a	11.8%#	Apr-10
Tribeca Global Total Return Fund	12.2%*	6.7%*	n/a	n/a	n/a	6.0%*	Dec-11

*These funds are calculated pre fees
#These funds are calculated in USD

Opinion Piece (continued)

Initial Fund Managers (cont.)

It is interesting to point out the management and performance fees that these Fund Managers are forgoing. Apart from one Manager that does not charge management fees, the stated management fees of the Initial Fund Managers usually range from 1.000% to 2.475%. Performance fees are applicable on 16 out of the 20 funds and normally range between 11.0% to 27.5% against various benchmarks and high watermarks. This compares extremely favourably to the flat 1.0% donation highlighting outright value as well as altruistic value.

Investment Thesis

This global equities LIC follows a similar strategy to its domestic counterpart (FGX). However, FGG aims to provide investors with an opportunity in investing in a portfolio of selected global unit trusts managed by high performing fund managers. The investment committee has selected these managers and their associated unit trusts, and has consider a number of criteria including:

- their skills & experience of the manager and the performance of its underlying fund;
- their ability to meet the investment objectives of the Company;
- their ability to provide investment capacity and accept money;
- their willingness to forgo all management and performance fees; and
- the investment styles and strategies of the underlying funds that currently form the portfolio

The investment committee expects to monitor each fund on a monthly basis and meet quarterly to review the portfolio construction. They will oversee the portfolio construction using a 3 step process.

- Step 1 (Style Analysis): This process involves a holistic comparison between the underlying fund and overall portfolio against a global equity benchmark, analysing the risk attribution on and any stock overlays between the underlying fund and the overall Portfolio
- Step 2 (Portfolio Analysis): The investment committee will determine the best optimal portfolio allocation based on analysing underlying fund data
- Step 3 (Committee Analysis) : Finally, an evaluation of each fund's weighting in the context of the overall Portfolio mix and the Company's overall objectives.

FGG will seek to deploy funds across 10-20 unit trusts once fully invested, depending on its view of the market. The Company believes that the different strategies and diversification styles used by the underlying funds will help manage the risk of the Company's Portfolio. No one position will be allowed to exceed 10% of the FUM and approved managers will not necessarily be allocated funds. The fund managers may also withdraw investment at any time. The Company may invest directly in securities and retain cash if prudent to do so.

The Company does not currently intend to leverage investments or enter into hedging agreements. However, these limits do not apply to the company's investment mandate. Therefore, FGG might be indirectly subjected to hedging and leveraging tactics through the high proportion of funds using these strategies.

Opinion Piece (continued)

Changing the lives of young Australians with mental health issues

Both FGG and FGX provide an ethical framework to fulfil a social responsibility by funding activities that benefit society at large. While FGX is committed to making a difference to the lives of Australian children at risk, FGG will play an important role in helping to improve the lives of young Australians who are affected by mental health issues. The objective of the LIC is to provide a source of consistent income to Designated Charities with a focus on three core areas:

- educating the community on mental health issues;
- enabling investment in research and development; and
- investing in effective programs and services.

The Company's intention is to donate a 1.0% of the average monthly NTA per annum. The monies will be donated on 30 June of each year, approximately the same time as the first proposed dividend payment in 2016.

Following a vigorous selection process, the Board has selected an initial panel of designated charities. This panel will be augmented through time. Charities that will be considered need to have:

- strong corporate governance and support structures;
- proven results;
- committed and passionate leadership;
- a direct relationship between the funding provided by the Company and the benefits to Australian youth.

Figure 4: Initial List of Designated Charities



Shareholders are able to elect on a pro-rata basis where they would like their portion of the donation to be made from the designated list of charities. Shareholders who do not specify where they would like their proportional donation made will be allocated at the board's discretion.

Shareholders who hold more than 1,000,000 shares on the charitable designation record date may nominate any charity for their portion of the donation. However, only charities with an Australian DGR status may be nominated. The Board then ultimately decides whether to accept or reject nominations. Please note that these charities do not have to specifically support Australian youths with mental health issues.

Opinion Piece (continued)

Experienced management and a high-calibre Investment Committee

FGG has a strong board, chaired by Belinda Hutchinson (previously Chair of QBE) and will count

- the founder and director of FGX, Geoff Wilson;
- Magellan distribution GM Frank Caserotti;
- advisory group Cato Counsel's Sue Cato;
- Karen Penrose, Director of Federation Centres;
- Sarah Morgan, Director of advisory group Grant Samuels.

Four of the six directors have deep financial services experience, while two with direct LIC experience. The directors will be providing their services pro-bono.

The Company will be jointly run by Louise Walsh and Chris Donohoe. Chris, previously was the chief executive of PM Capital while Louise brings an extensive philanthropic experience from previously being the CEO of Philanthropy Australia. Wilson Asset Management will be funding the cost associated with both CEOs providing their services up until 30 June 2016. After that, associated cost will be to the Company's expense.

The investment committee will be managed by Amanda Gillespie, Aman Ramrakha, Sean Webster and Geoff Wilson. All members of the committee have financial research experience and direct investment experience. Once substantially invested, the team have agreed to meet quarterly to review portfolio construction and ensure objectives are met. The team is well positioned to analysing fund managers and constructing investment portfolios. The investment committee is providing these services pro-bono.

Key Risks

The key risks of an investment in FGG are highlighted below. Investors should bear these in mind when considering whether to participate in the Offer:

- Reliance on the Fund Manager: The success and profitability of the Company will, in part, depend upon the Company's ability to invest with Fund Managers that produce positive performance results and forgo all Management and Performance Fees.
- Broad Investment Mandate: The Company has a broad investment mandate and, as at the date of the Prospectus, no decision has been made as to the allocation of funds among the Fund Managers or the underlying investments that will be included in the initial Portfolio.
- Donation Amount and the ability to pay franked dividends: As the Company's taxable income each year will be reduced by an amount equal to the Donation Amount paid by the Company in that year, there is a risk that the Company will be unable to pay fully franked dividends
- Liquidity risk: It is the current intention that the Company will invest its capital by purchasing units in some or all of the unlisted managed funds offered by each of the Initial Fund Managers. These investments may be difficult or impossible to sell at short notice or at desired prices.
- Market Risk: There is a risk that global equities, units and any other securities will fall in value over short or extended periods of time. Share markets tend to move in cycles, and individual share prices may fluctuate and under perform other asset classes over extended periods of time. Investors in the Company are exposed to this risk both through their holdings in Shares and Options as well through the Company's Portfolio.
- No relevant operating or performance history of the Company: The Company has no relevant performance history and is yet to commence trading using the Company's new investment strategy. There is a risk that the Company's investment objectives will not be achieved.

Market Update

Despite a financial quarter where we saw the S&P/ASX 200 fall over 7%, a total of \$438m was raised in the LIC sector through a range of Dividend Reinvestment Plans (DRPs), Entitlement Offerings and the Exercise of Options.

It started with Century Australia Investments (ASX: CYA) successfully completed a \$11.5m equity raising. The offer initially raised 89% of the targeted \$11.543m raising, resulting in a shortfall of 1.55m shares. However, by early July, CYA completed the placement of all shortfall shares, which were offered to sophisticated or professional investors.

Shortly after that, Whitefield (ASX: WHF) raised \$13.7m from a Share Purchase Plan (SPP) which saw 2.9m shares issued to the market at \$4.64. While Blue Sky Alternatives Access Fund (ASX: BAF) completed an entitlement offer, which saw a shortfall of 12.4m new shares taken up, and raised \$20m.

Finally, two International LICs, Magellan Flagship Fund (ASX: MFF) and Templeton Global Growth Fund (ASX: TGG) both managed to raise a total of \$192m through a renounceable entitlement issue, which saw its shareholders offered new shares on a 1-for-4 basis.

Table 2: 2Q15 Share Purchase Plans, Entitlements and Shortfalls

	Method	Shares Issued	Price	Raised
CYA	Entitlement	13,644,284	\$ 0.85	\$ 11,543,064
MFF	Entitlement	79,778,586	\$ 1.60	\$127,645,738
WHF	SPP	2,943,611	\$ 4.64	\$ 13,658,355
BAF	Entitlement	7,691,243	\$ 1.00	\$ 7,691,243
BAF	Shortfall	12,440,691	\$ 1.00	\$ 12,440,691
TGG	Entitlement	49,747,731	\$ 1.30	\$ 64,672,050
				\$237,651,141

Source: Company data, Iress and Bell Potter

Table 3: 2Q15 Dividend Reinvestment Plans

	Shares Issued	Price	Raised
ABW	24,373	\$ 0.98	\$ 23,895
AIB	23,997	\$ 0.85	\$ 20,369
ALF	1,560,913	\$ 1.24	\$ 1,930,849
AQF	149,348	\$ 1.91	\$ 285,255
AUP	4,145	\$ 5.49	\$ 22,774
AYF	3,035	\$ 6.29	\$ 19,090
AYF	15,766	\$ 6.34	\$ 99,998
CAM	198,058	\$ 0.93	\$ 183,807
CDM	2,084,503	\$ 1.38	\$ 2,880,241
COT	7,500,000	\$ 0.08	\$ 600,000
FSI	135,103	\$ 1.51	\$ 203,600
HHV	560,892	\$ 1.21	\$ 678,679
MFF	357,652	\$ 1.74	\$ 622,815
WAM	3,835,644	\$ 1.92	\$ 7,346,793
WAX	1,400,935	\$ 1.14	\$ 1,591,742
WHF	387,236	\$ 4.45	\$ 1,723,200
			\$ 18,233,109

Source: Company data, Iress and Bell Potter

Options have historically been a great avenue for LICs to raise new capital. A total of \$172m was obtained through the exercise of options. The end of the second quarter of 2015, saw the expiry of 2 LIC options - WAM Research (ASX: WAX) and PM Capital Global Opportunities (ASX: PGF). Inevitably, these two LICs lead this section with WAX raising \$23.3m and PGF, through a shortfall facility, saw all their listed options exercised and raised the maximum amount of \$137.8m.

Market Update (continued)

Table 4: 2Q15 Options Exercised

	Exercise Price	Exercised	Raised	Expiry
WAXO	\$ 1.20	19,421,032	\$ 23,305,238	17-Jun-15
PGFO	\$ 1.00	137,768,683	\$ 137,768,683	30-Jun-15
SNC	\$ 1.00	1,071,356	\$ 1,071,356	24-Jul-15
CDMO	\$ 1.43	14,000	\$ 20,020	31-Aug-15
BAF	\$ 1.00	16,500	\$ 16,500	16-Dec-15
BAF	\$ 0.9827	5,000	\$ 4,914	16-Dec-15
QVEO	\$ 1.00	4,603,510	\$ 4,603,510	15-Mar-16
GVFO	\$ 1.00	754,800	\$ 754,800	17-Mar-16
PICO	\$ 1.00	46,500	\$ 46,500	10-Jun-16
FGXO	\$ 1.10	200,017	\$ 220,019	16-Sep-16
MFFO	\$ 1.05	2,503,123	\$ 2,628,279	31-Oct-17
MFFO	\$ 0.9964	1,504,099	\$ 1,498,684	31-Oct-17
EGI	\$ 1.00	500,000	\$ 500,000	10-Apr-18
			\$ 172,438,503	

Source: Company data, Iress and Bell Potter

Despite this a large number of options remain outstanding in the LIC space. There is ~\$421m in options capital that could be exercised over 2015. However, a number of options (ASX: ACQ, CAM, CDM, NCC, OZG, SNC, & WIC) are trading below the exercise price or do not expire in 2015, suggesting that only a fraction will be exercised in this period.

Table 5: Outstanding Options

	Stock Price	Exercise Price	Outstanding Options	Potentially Raise	Expiry
SNCO	\$ 0.87	\$ 1.00	33,922,644	\$ 33,922,644	24-Jul-15
NCCOA	\$ 1.00	\$ 1.13	11,789,026	\$ 13,321,599	01-Aug-15
WICO	\$ 0.93	\$ 1.30	12,119,213	\$ 15,754,977	31-Aug-15
OZGO	\$ 0.16	\$ 0.23	34,476,161	\$ 7,757,136	31-Aug-15
CDMO	\$ 1.38	\$ 1.43	109,602,077	\$ 156,730,970	31-Aug-15
CAMO	\$ 0.91	\$ 1.04	80,728,817	\$ 83,957,970	20-Oct-15
ACQO	\$ 0.70	\$ 1.00	50,820,000	\$ 50,820,000	24-Oct-15
BAFO	\$ 1.00	\$ 0.9827	60,366,300	\$ 59,321,963	16-Dec-15
QVEO	\$ 1.06	\$ 1.00	175,722,251	\$ 175,722,251	15-Mar-16
GVFO	\$ 1.03	\$ 1.00	58,067,962	\$ 58,067,962	17-Mar-16
BTIO	\$ 0.91	\$ 1.00	58,298,587	\$ 58,298,587	31-Mar-16
PAFO	\$ 0.95	\$ 1.00	55,087,500	\$ 55,087,500	31-May-16
PICO	\$ 0.95	\$ 1.00	250,027,777	\$ 250,027,777	10-Jun-16
BSTO	\$ 0.80	\$ 1.00	16,022,500	\$ 16,022,500	17-Aug-16
FGXO	\$ 1.13	\$ 1.10	181,424,187	\$ 199,566,606	16-Sep-16
CBCO	\$ 0.95	\$ 1.00	24,239,599	\$ 24,239,599	30-Sep-16
NACO	\$ 0.91	\$ 1.00	21,500,000	\$ 21,500,000	30-Nov-16
ALIO	\$ 1.00	\$ 2.00	143,063,214	\$ 286,126,428	31-Mar-17
MFFO	\$ 1.77	\$ 1.00	83,358,478	\$ 83,058,387	31-Oct-17
EGIO	\$ 1.15	\$ 1.00	33,578,177	\$ 33,578,177	10-Apr-18
				\$ 1,682,883,033	

Source: Company data, Iress and Bell Potter

Universe Summary

On a Weighted Average basis, the LICs within the Bell Potter universe are trading at an average premium to pre-tax NTA of 2.2% as at 30 June 2015, a significant rise from the prior Quarter. On an Arithmetic basis, the discount slightly contracted to -4.6% from -5.1% in the prior Quarter. Domestic LICs moved from a Weighted Average discount of 0.3 to a 4.1% premium in the June Quarter. International LICs saw its discount expanded in the previous quarter—going from a 10.2% discount to 12.4% discount.

Table 6: Current Share Price Premium/Discount to NTA and Yield

ASX Code	Company name	Investment Mandate	Market Cap (\$m)	Price (\$)	Pre-tax NTA (\$)	Prem/ (Disc) to pre-tax NTA (%)	Post-tax NTA (\$)	Prem/ (Disc) to post-tax NTA (%)	12 Mth Dividend Per Share (\$)*	Net Dividend Yield (%)*	Franking (%)	Gross Dividend Yield (%)*	Indirect Cost Ratio (%)
Domestic Equity													
AFI	AFIC	Large	6,670	6.12	5.85	4.6	5.00	22.4	0.230	3.8	100	5.4	0.16
ARG	Argo Investments	Large	5,313	7.97	7.52	6.0	6.62	20.4	0.285	3.6	100	5.1	0.15
DJW	Djerriw arrh Investments	Large	1,025	4.69	3.52	33.2	3.50	34.0	0.260	5.5	100	7.9	0.41
AUI	Australian United	Large	897	8.20	8.42	-2.6	7.28	12.6	0.330	4.0	100	5.7	0.11
CYA	Century Australia	Large	70	0.86	0.95	-9.0	0.97	-10.9	0.035	4.1	100	5.8	1.09
MLT	Milton Corporation	Large/Medium	2,881	4.50	4.39	2.5	3.90	15.4	0.183	4.1	100	5.8	0.12
BKI	BKI Investment	Large/Medium	927	1.67	1.65	0.9	1.53	8.8	0.071	4.2	100	6.0	0.16
CIN	Carlton Investments	Large/Medium	839	31.69	34.51	-8.2	28.65	10.6	1.060	3.3	100	4.8	0.09
DUI	Diversified United	Large/Medium	724	3.51	3.68	-4.6	3.24	8.3	0.140	4.0	100	5.7	0.16
WHF	Whitefield	Large/Medium	357	4.48	4.66	-3.9	4.35	3.0	0.170	3.8	100	5.4	0.38
AMH	AMCIL	Large/Medium	218	0.90	0.91	-1.1	0.85	5.9	0.065	7.2	100	10.3	0.67
CAM	Clime Capital	Large/Medium	74	0.91	0.97	-6.7	0.97	-6.7	0.046	5.1	100	7.3	1.74
FSI	Flagship Investments	Large/Medium	35	1.37	1.72	-20.3	1.63	-16.0	0.075	5.5	100	7.8	4.03
WAM	WAM Capital	Medium/Small	866	1.92	1.82	5.4	1.78	7.7	0.135	7.0	100	10.0	1.50
MIR	Mirrabooka	Medium/Small	368	2.60	2.29	13.5	2.08	25.0	0.200	7.7	100	11.0	0.67
WIC	WestOz Investment Co.	Medium/Small	120	0.93	1.01	-8.3	1.05	-11.9	0.090	9.7	100	13.9	3.40
WAX	WAM Research	Medium/Small	192	1.16	1.12	3.2	1.12	3.3	0.078	6.7	100	9.5	1.88
OZG	Ozgrow th	Medium/Small	58	0.16	0.17	-8.0	0.18	-9.6	0.015	9.4	100	13.4	4.42
CTN	Contango Microcap	Small/Micro	172	1.08	1.11	-3.4	1.06	1.6	0.086	8.0	50	9.7	+n/a
ACQ	Acorn Capital	Small/Micro	36	0.70	0.91	-23.0	0.93	-24.7	0.000	0.0	0	0.0	n/a
ALF	Australian Leaders Fund	Long/Short	315	1.23	1.32	-6.8	1.33	-7.5	0.110	8.9	100	12.8	2.76
CDM	Cadence Capital	Long/Short	310	1.38	1.40	-1.5	1.41	-1.8	0.100	7.2	100	10.4	1.42
WAA	WAM Active	Long/Short	34	0.99	1.00	-1.4	1.00	-1.4	0.048	4.9	100	7.0	4.99
NCC	Naos Emerging Opportunitie	Long/Short	47	1.00	1.08	-7.9	1.08	-7.9	0.063	6.3	100	9.0	4.97
WMK	Watermark Market Neutral	Market Neutral	71	0.81	0.99	-18.2	0.99	-18.2	0.045	5.6	87	6.9	4.76
International Equity													
MFF	Magellan Flagship Fund	Global	812	1.77	2.00	-11.3	1.74	2.0	0.020	1.1	0	1.1	1.40
PMC	Platinum Capital	Global	413	1.77	1.70	4.2	1.62	9.3	0.100	5.6	100	8.1	2.30
TGG	Templeton Global Grow th	Global	325	1.31	1.50	-13.0	1.44	-9.2	0.035	2.7	100	3.8	1.46
HHV	Hunter Hall Global Value	Global	289	1.20	1.40	-14.1	1.34	-10.4	0.070	5.8	20	6.3	1.76
PGF	PM Capital Global Opp	Global	325	1.02	1.16	-12.4	1.12	-9.2	0.000	0.0	n/a	0.0	n/a
GVF	Global Value Fund	Global (Multi Assets)	67	1.03	1.17	-12.7	1.12	-8.6	0.000	0.0	n/a	0.0	n/a
PAF	PM Capital Asian Opp	Asia	52	0.95	1.10	-13.9	1.09	-13.0	0.000	0.0	n/a	0.0	n/a
AGF	AMP Capital China Grow th	China	560	1.45	1.93	-24.9	1.93	-24.9	0.029	2.0	0	2.0	1.97
Specialist													
HHY	Hastings High Yield	Fixed income	10	0.10	0.11	-9.1	0.11	-9.1	0.258	n/a"	0	n/a"	1.36
ABW	Aurora Absolute	Income	28	0.95	0.97	-1.6	0.97	-1.6	0.066	7.0	0	7.0	1.23
FGX	Future Gen Invest Co	Fund of Funds	207	1.13	1.10	2.1	1.11	1.6	0.000	0.0	n/a	0.0	0.00
SNC	Sandon Capital	Activist	31	0.87	0.94	-8.4	0.96	-10.1	0.040	4.6	100	6.6	n/a
Arithmetic Average (All)						-4.9		-0.6		4.8		6.6	1.78
Weighted Average (All)						2.2		14.1		4.1		5.8	0.52
Weighted Average (Domestic Market Cap - Over \$500m)						6.0		20.7		3.9		5.5	0.17
Weighted Average (Domestic Market Cap - Under \$500m)						-1.7		5.6		5.5		7.8	1.08
Weighted Average (Domestic All)						4.1		16.9		4.3		6.1	0.37
Weighted Average (International Equity)						-12.4		-6.6		2.4		3.0	1.47
Weighted Average (Specialist)						0.5		-0.1		1.3		1.5	0.47

*12 month historical dividends including Special Dividends

*ICR with performance fee

"HHY distributed a return of capital in the last 12 months

+CTN has purchased the rights of CAML(which is an assets manager) - as such the ICR is not reflective of the underlying vehicle

Source: Company data, Iress and Bell Potter

Investment Performance

In the Table below, we have evaluated our LICs using the performance of both the pre-tax NTA and share price. The pre-tax NTA data seeks to measure the performance of the underlying investments of the Fund. Whereas, the share price data measures the performance of the security as it trades on the ASX. However, some of this terminology is a little misleading as the pre-tax NTA actually reflects tax associated with realised capital gains (tax applicable on positions that have been exited) but not unrealised capital gains (tax applicable on positions that have not been exited).

The measurement of a LIC's performance is calculated after all operating expenses, provision and payment of both income and realised capital gains tax and the reinvestment of dividends, but does not incorporate franking. LIC returns will consequently be understated relative to the Index return given that the Benchmarks do not factor in operating costs or taxation. The performance of Unlisted Unit Trusts are not measured on an after tax basis and are therefore, generally, not a valid comparison.

Table 7: Pre-tax NTA and Share Price Performance

ASX Code	ASX Listed Investment Companies	Investment Mandate	Pre-tax NTA										Share price									
			Performance (%)					Value-add+ (%)					Performance (%)					Value-add+ (%)				
			Yr1	Yr3	Yr5	Yr7	Yr10	Yr1	Yr3	Yr5	Yr7	Yr10	Yr1	Yr3	Yr5	Yr7	Yr10	Yr1	Yr3	Yr5	Yr7	Yr10
Domestic Equity																						
AFI	AFIC	Large	3.8	14.9	10.0	6.4	7.9	-1.9	-0.2	0.3	1.1	0.8	2.8	18.3	9.9	7.4	9.4	-2.9	3.8	0.5	2.6	2.4
ARG	Argo Investments	Large	6.1	15.4	9.6	6.0	6.9	0.4	0.3	-0.1	0.7	-0.2	8.2	20.3	10.9	6.1	8.1	2.5	5.8	1.5	1.3	1.1
DJW	Djerriw arrh Investments	Large	0.2	11.3	7.9	4.7	6.2	-5.5	-3.8	-1.8	-0.6	-0.9	5.2	14.4	10.3	8.0	8.4	-0.5	-0.1	0.9	3.2	1.4
AUI	Australian United	Large	2.0	14.7	8.8	4.7	7.1	-3.6	0.0	-0.7	-0.4	0.2	4.6	18.6	8.6	5.1	7.8	-1.1	4.1	-0.8	0.3	0.8
CYA	Century Australia	Large	7.2	10.9	6.0	5.5	4.3	1.6	-3.8	-3.5	0.4	-2.6	1.6	18.2	8.8	4.4	5.8	-4.1	3.7	-0.6	-0.4	-1.2
MLT	Milton Corporation	Large/Medium	5.1	14.8	10.5	6.8	7.3	-0.6	0.3	1.1	2.0	0.3	3.1	18.9	12.1	7.0	7.9	-2.6	4.4	2.7	2.2	0.9
BKI	BKI Investment	Large/Medium	5.4	13.2	9.6	6.0	7.1	-0.2	-1.5	0.1	0.9	0.2	5.4	18.3	13.3	10.0	9.4	-0.3	3.8	3.9	5.2	2.4
CIN	Carlton Investments	Large/Medium	18.0	21.9	15.5	12.0	11.0	12.3	6.8	5.8	6.7	3.9	20.5	31.2	18.9	14.3	11.9	14.8	16.7	9.5	9.5	4.9
DUI	Diversified United	Large/Medium	3.6	16.1	9.6	5.3	7.6	-2.0	1.4	0.1	0.2	0.7	4.2	20.0	9.4	5.8	8.5	-1.5	5.5	0.0	1.0	1.5
WHF	Whitefield	Large/Medium	11.0	21.6	13.7	9.5	6.3	-0.2	1.4	-0.8	-0.3	-1.7	11.9	25.3	14.8	11.0	8.0	0.7	5.1	0.3	1.2	0.0
AMH	AMCL	Large/Medium	2.2	12.4	10.9	8.9	9.5	-3.5	-2.7	1.2	3.6	2.4	-1.0	14.4	13.6	9.6	12.0	-6.7	-0.1	4.2	4.8	5.0
CAM	Clime Capital	Large/Medium	-4.4	2.7	2.3	5.7	6.6	-10.1	-11.8	-7.1	0.9	-0.4	-3.2	6.8	7.2	8.4	6.9	-8.9	-7.7	-2.2	3.6	-0.1
FSI	Flagship Investments	Large/Medium	2.8	14.3	8.5	7.5	6.9	-2.9	-0.2	-0.9	2.7	-0.1	-7.8	12.9	4.9	5.4	6.0	-13.5	-1.6	-4.5	0.6	-1.0
WAM	WAM Capital	Medium/Small	9.6	12.1	10.4	9.7	10.1	3.9	-2.4	1.0	4.9	3.1	6.0	15.1	18.7	14.9	12.2	0.3	0.6	9.3	10.1	5.2
MR	Mirrabooka	Medium/Small	3.1	14.6	12.5	8.5	8.7	-3.1	5.3	7.1	7.9	4.7	4.2	19.9	15.5	11.4	11.0	-1.5	5.4	6.1	6.6	4.0
WIC	WestOz Investment Co.	Medium/Small	-17.3	-1.3	-0.3	n/a	n/a	-17.7	-3.8	-1.6	n/a	n/a	-24.1	7.3	7.4	n/a	n/a	-29.8	-7.2	-2.0	n/a	n/a
WAX	WAM Research	Medium/Small	13.4	15.5	12.4	9.4	6.6	7.7	1.0	3.0	4.6	-0.4	10.5	25.2	21.9	15.4	9.6	4.8	10.7	12.5	10.6	2.6
OZG	Ozgrowth	Medium/Small	-19.9	-1.7	2.8	2.1	n/a	-20.3	-4.2	-6.6	4.4	n/a	-17.4	8.7	9.1	3.5	n/a	-23.1	-5.8	-0.3	-1.3	n/a
CTN	Contango Microcap	Small/Micro	0.4	4.5	4.1	-0.9	5.9	0.0	2.0	2.8	1.4	3.9	13.5	11.2	16.8	5.2	8.8	7.8	-3.3	7.4	0.4	1.8
ACQ	Acorn Capital	Small/Micro	-7.6	n/a	n/a	n/a	n/a	-8.0	n/a	n/a	n/a	n/a	-19.5	n/a	n/a	n/a	n/a	-19.9	n/a	n/a	n/a	n/a
ALF	Australian Leaders Fund	Long/Short	-5.8	11.7	10.3	11.8	11.0	-11.5	-2.8	0.9	7.0	4.0	-23.3	12.4	13.6	15.7	13.1	-29.0	-2.1	4.2	10.9	6.1
CDM	Cadence Capital	Long/Short	7.1	12.3	16.7	11.2	n/a	1.4	-2.2	7.3	6.4	n/a	1.0	14.8	22.7	14.4	n/a	-4.7	0.3	13.3	9.6	n/a
WAA	WAM Active	Long/Short	2.5	6.0	5.5	6.7	n/a	-3.2	-8.5	-3.9	1.9	n/a	-17.1	6.2	8.1	8.2	n/a	-22.8	-8.3	-1.3	3.4	n/a
NCC	Naos Emerging Opportunities	Long/Short	-5.4	n/a	n/a	n/a	n/a	-5.8	n/a	n/a	n/a	n/a	0.5	n/a	n/a	n/a	n/a	-5.2	n/a	n/a	n/a	n/a
WMK	Watermark Market Neutral	Market Neutral	-2.2	n/a	n/a	n/a	n/a	-4.6	n/a	n/a	n/a	n/a	-18.6	n/a	n/a	n/a	n/a	-24.3	n/a	n/a	n/a	n/a
International Equity																						
MFF	Magellan Flagship Fund	Global	46.3	31.3	23.2	19.8	n/a	24.6	8.2	10.3	13.5	n/a	30.5	31.6	24.9	21.2	n/a	8.8	8.5	12.0	14.9	n/a
PMC	Platinum Capital	Global	9.8	21.8	9.3	10.5	7.3	-13.3	-2.4	-4.7	2.4	1.0	6.0	27.8	9.1	11.2	5.8	-17.1	3.6	-4.9	3.1	-0.5
TGG	Templeton Global Growth	Global	14.5	24.3	13.3	7.1	4.6	-8.6	0.1	-0.7	-1.0	-1.7	6.2	28.5	15.2	7.5	5.2	-16.9	4.3	1.2	-0.6	0.2
HHV	Hunter Hill Global Value	Global	25.9	24.0	10.6	7.9	6.1	1.9	-1.6	-4.6	-0.7	-0.2	26.6	26.1	14.7	8.8	7.0	2.6	0.5	-0.5	0.2	0.7
PGF	PM Capital Global Opp	Global	23.9	n/a	n/a	n/a	n/a	-0.2	n/a	n/a	n/a	n/a	7.9	n/a	n/a	n/a	n/a	-16.2	n/a	n/a	n/a	n/a
GVF	Global Value Fund	Global (Multi Assets)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PAF	PM Capital Asian Opp	Asia	15.5	n/a	n/a	n/a	n/a	-11.5	n/a	n/a	n/a	n/a	1.1	n/a	n/a	n/a	n/a	-25.9	n/a	n/a	n/a	n/a
AGF	AMP Capital China Growth	China	134.3	34.4	18.5	9.7	n/a	-18.2	-4.4	0.1	-4.5	n/a	127.4	35.1	17.8	11.6	n/a	-25.1	-3.7	-0.6	-2.6	n/a
Specialist																						
HHY	Hastings High Yield	Fixed income	-28.6	-9.1	-5.6	-2.7	n/a	-38.6	-19.1	-15.6	-12.7	n/a	-5.6	2.0	7.8	6.8	n/a	-27.0	-15.2	-2.6	-5.3	n/a
ABW	Aurora Absolute	Income	-1.3	2.1	n/a	n/a	n/a	-7.0	-12.4	n/a	n/a	n/a	-2.6	1.6	n/a	n/a	n/a	-8.3	-12.9	n/a	n/a	n/a
FGX	Future Generation Invest Co	Fund of Funds	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SNC	Sandon Capital	Activist	-2.1	n/a	n/a	n/a	n/a	-2.5	n/a	n/a	n/a	n/a	-6.5	n/a	n/a	n/a	n/a	-6.9	n/a	n/a	n/a	n/a

CDM: In May 2011 CDM received \$0.22 per CDM share of franking credits when RHG returned the majority of its assets in the form of a fully franked dividend. At the time, CDM shares were trading at \$1.25. These franking credits were worth 17.6% of the CDM share price at the time and are not reflected in our performance calculations as the calculations are based on pre-tax NTA and not post-tax NTA.

Source: Company data, Iress and Bell Potter

In order to assess a LIC's performance, NTA and share price need to be evaluated with respect to the relative mandate and/or benchmark, given varying outcomes from different styles of investment. Hence, for the Domestic LICs we have categorised the LIC's Mandate into those with a Large, Large to Medium, Medium to Small, and Small Market Capitalisation investment focus, Long/Short/Market Neutral, International, and Specialist investment focuses following an analysis of the LIC's Top Stock Holdings.

Investment Performance (continued)

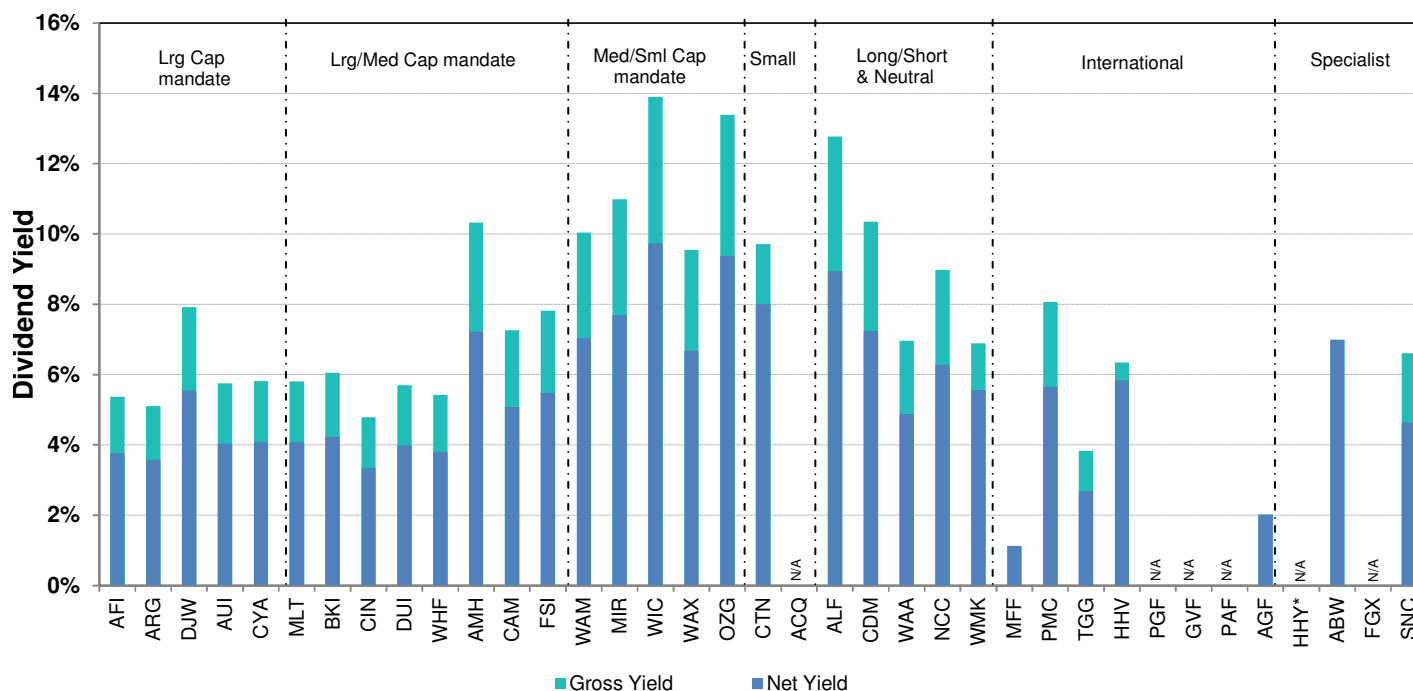
In general, the NTA has been benchmarked against the relative indices preferred by the Manager and these should be most reflective of its mandate. The share price of each LIC, apart from International and Specialist LICs, has been benchmarked against the All Ordinaries Accumulation Index, given this is the broadest index on the ASX and the exchange in which each LIC trades. This is arguably a less relevant benchmark.

Our value-add columns seek to quantify the value generated by the Manager. It is the difference between the performance of the share price and pre-tax NTA against the relevant benchmark. A positive value indicates outperformance against the Benchmark and a negative value indicates an underperformance. We view the pre-tax NTA value-add as the most relevant measure of management performance.

Historical Gross Dividend Yield

Dividends are an important aspect of any investment decision. In the Graph below, we have included historical Net Dividend Yield and Gross Dividend Yield for the LICs in our universe. Nonetheless, investors must realise that although historical yield is clearly a key consideration when selecting a LIC, it is no guarantee of future yield. Please note several LICs have recently entered the market and have not distributed a dividend yet.

Graph 1: Historical Dividend Yield (Net and Gross)



*No dividend yield as HHY distributed a capital return over the last 12 months

Source: Company data, Iress and Bell Potter

*Includes Special Dividends

Premium/Discount to NTA

We have categorised our universe of LICs according to the percentage premium or discount the share price trades at relative to the pre-tax NTA.

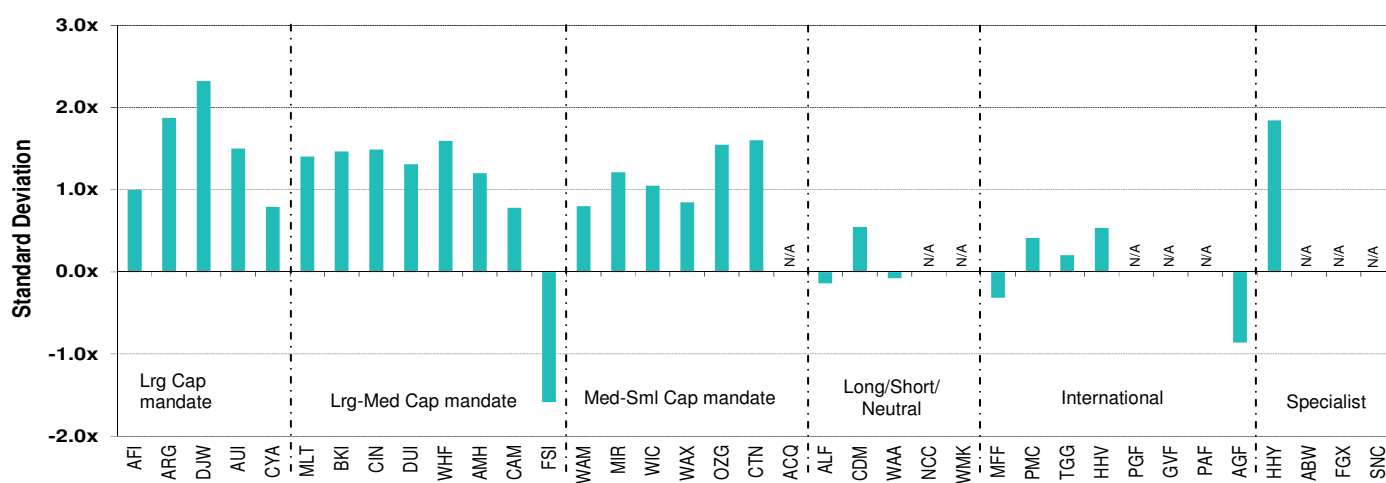
Table 8: Share Price Premium/Discount versus Pre-Tax NTA

Substantial premium		%	Approximately in line		%	Substantial discount		%
DJW	Djerriwarrh Investments	33.2	ARG	Argo Investments	6.0	SNC	Sandon Capital	-8.4
MIR	Mirrabooka	13.5	WAM	WAM Capital	5.4	CYA	Century Australia	-9.0
			AFI	AFIC	4.6	HHY	Hastings High Yield	-9.1
			PMC	Platinum Capital	4.2	MFF	Magellan Flagship Fund	-11.3
			WAX	WAM Research	3.2	PGF	PM Capital Global Opp	-12.4
			MLT	Milton Corporation	2.5	GVF	Global Value Fund	-12.7
			FGX	Future Gen Invest Co	2.1	TGG	Templeton Global Growth	-13.0
			BKI	BKI Investment	0.9	PAF	PM Capital Asian Opp	-13.9
			AMH	AMCIL	-1.1	HHV	Hunter Hall Global Value	-14.1
			WAA	WAM Active	-1.4	WMK	Watermark Market Neutral	-18.2
			CDM	Cadence Capital	-1.5	FSI	Flagship Investments	-20.3
			ABW	Aurora Absolute	-1.6	ACQ	Acorn Capital	-23.0
			AUI	Australian United	-2.6	AGF	AMP Capital China Growth	-24.9
			CTN	Contango Microcap	-3.4			
			WHF	Whitefield	-3.9			
			DUI	Diversified United	-4.6			
			CAM	Clime Capital	-6.7			
			ALF	Australian Leaders Fund	-6.8			
			NCC	Naos Emerging Opportunities	-7.9			
			OZG	Ozgrowth	-8.0			
			CIN	Carlton Investments	-8.2			
			WIC	WestOz Investment Co.	-8.3			

Source: Company data, Iress and Bell Potter

LICs often trade at a consistent premium or discount to NTA, with the standard deviation providing a measure of the range in which a LIC's premium/discount normally falls. By determining each LIC's average premium/discount we can look for anomalies between average premiums/discounts to NTA and current premiums/discounts to NTA. We have calculated each LIC's 5-year average (please note a number of LICs have a history less than 5 years and therefore classified as non-applicable) share price premium/discount to reported pre-tax NTA as well as its standard deviation from that average, which we portray in the below graph. Here, we are trying to convey whether or not a LIC is cheap or expensive compared to its historical average.

Graph 2: Share Price Premium/Discount to Pre-Tax NTA Relative to 5-year Average



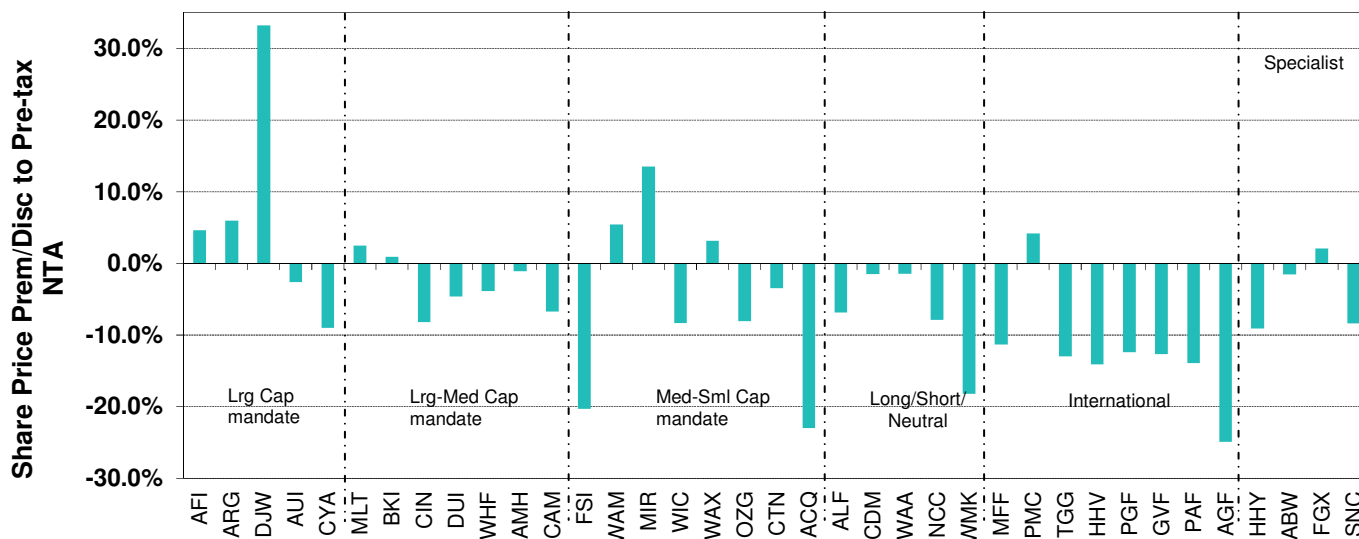
Source: Company data, Iress and Bell Potter

The average share price discount to pre-tax NTA decreased to 0.9x standard deviation compared to the previous quarter of 0.7x standard deviation. In the Large Market Capitalisation investment focus, **AFI** looked the most reasonably valued. LICs with Large to Medium Capitalisation investment mandates continue to trade at substantial premiums, apart from **FSI**. Medium to Small and Long/Short mandates all continue to look expensive on a historical premium/discount basis. International focused LICs have performed exceptionally well over the past year in particular, and have traded at historical highs in comparison to their NTAs.

Premium/Discount to NTA (continued)

In Graph 3 we have provided some context to the share price premium or discount to pre-tax NTA. Pre-tax NTA reflects realised capital gains (tax applicable on positions that have been exited) but not unrealised capital gains (tax applicable on positions that have not been exited).

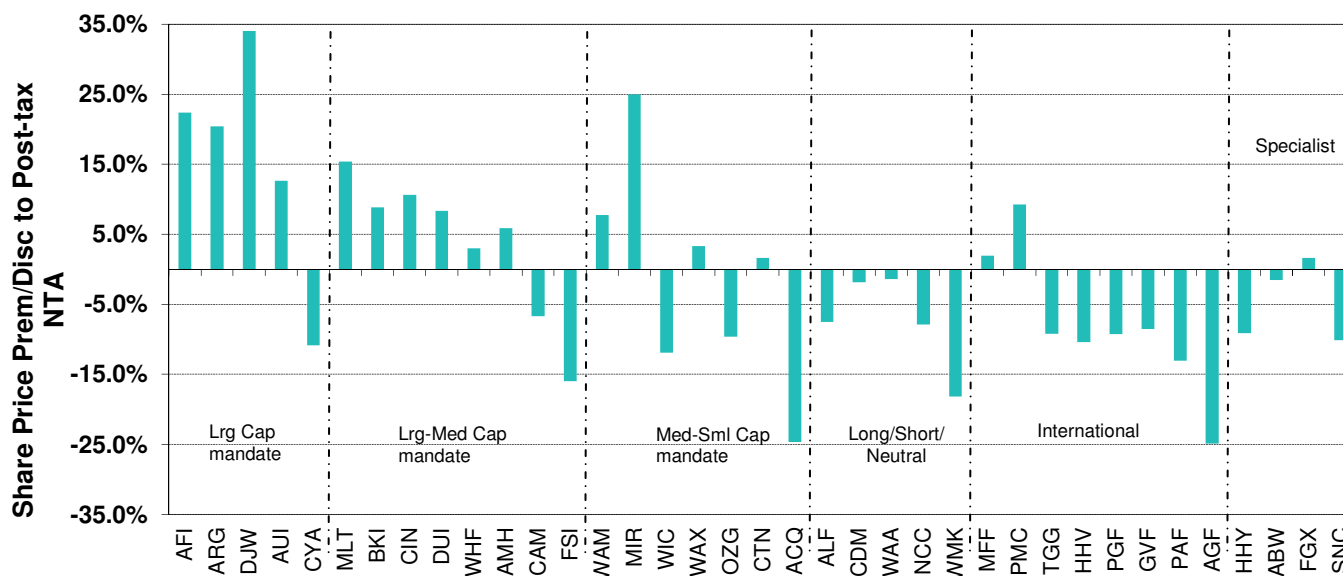
Graph 3: Share Price Premium/Discount versus Pre-Tax NTA



Source: Company data, Iress and Bell Potter

Graph 4 shows the share price premium/discount against post-tax NTA. Post-tax NTA reflects realised (tax applicable on positions that have been exited) and unrealised capital gains (tax applicable on positions that have not been exited). While this measure is arguably less relevant, it does provide additional comparison, particularly when viewed with Graph 1. Post-tax NTA is most useful in a wind-up scenario.

Graph 4: Share Price Premium/Discount versus Post-Tax NTA

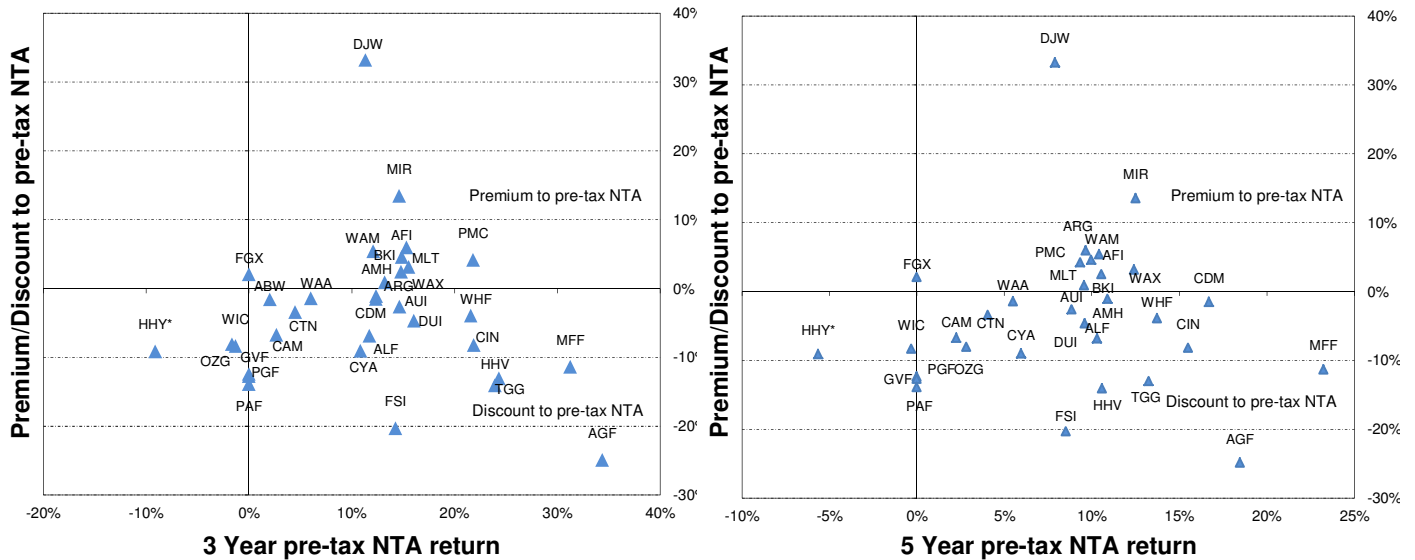


Source: Company data, Iress and Bell Potter

Premium/Discount to NTA (continued)

Graphs 5 & 6 show the pre-tax NTA performance of each LIC, assuming dividends are reinvested, over the past 3 and 5 years. This is reflected by its position along the horizontal axis, with LICs further to the right having achieved higher returns. The Graphs also highlight the share price premium or discount to pre-tax NTA at which each LIC was trading at Quarter End. This is reflected by each LIC's position along the vertical axis.

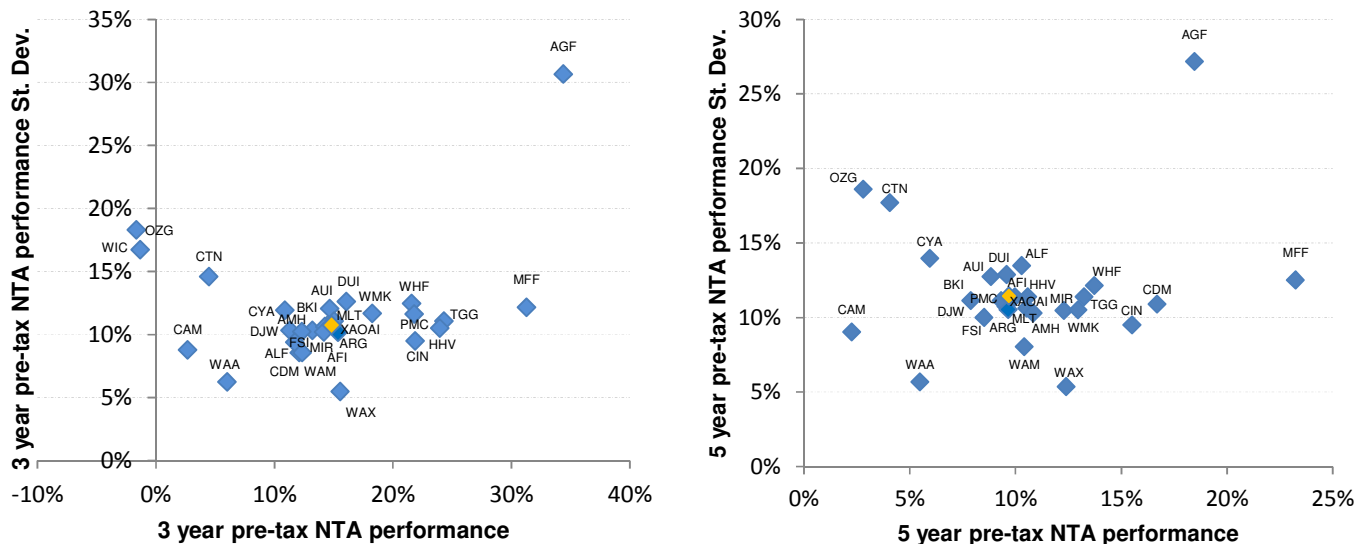
Graphs 5 & 6: Share Price Premium/Discount vs Pre-Tax NTA Performance



Source: Company data, Iress and Bell Potter

Pre-tax NTA performance is one way of reflecting the performance of a LIC's management and the standard deviation of the pre-tax NTA performance can be used as a measure of risk by reflecting the movement or dispersion from the average return. The below graphs can therefore give an indication of a LIC's risk-return over the time periods.

Graphs 7 & 8: Pre-Tax NTA Performance Standard Deviation vs Pre-Tax NTA Performance



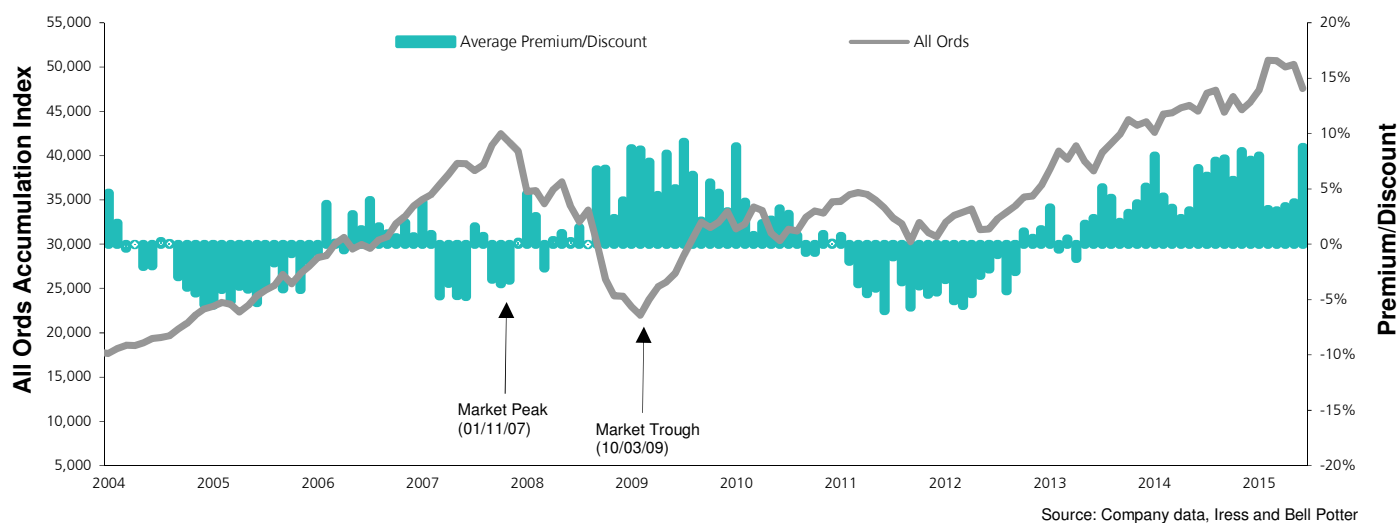
Source: Company data, Iress and Bell Potter

Premium/Discount to NTA (continued)

LICs by their very nature can trade at either a premium or discount to pre-tax NTA. However, from a quantitative perspective, we have noted a tendency for LICs to revert to their mean premium or discount through the Cycle. As such, investors need to be cognisant of how a LIC trades through the Economic Cycle to ensure an investment is timed appropriately.

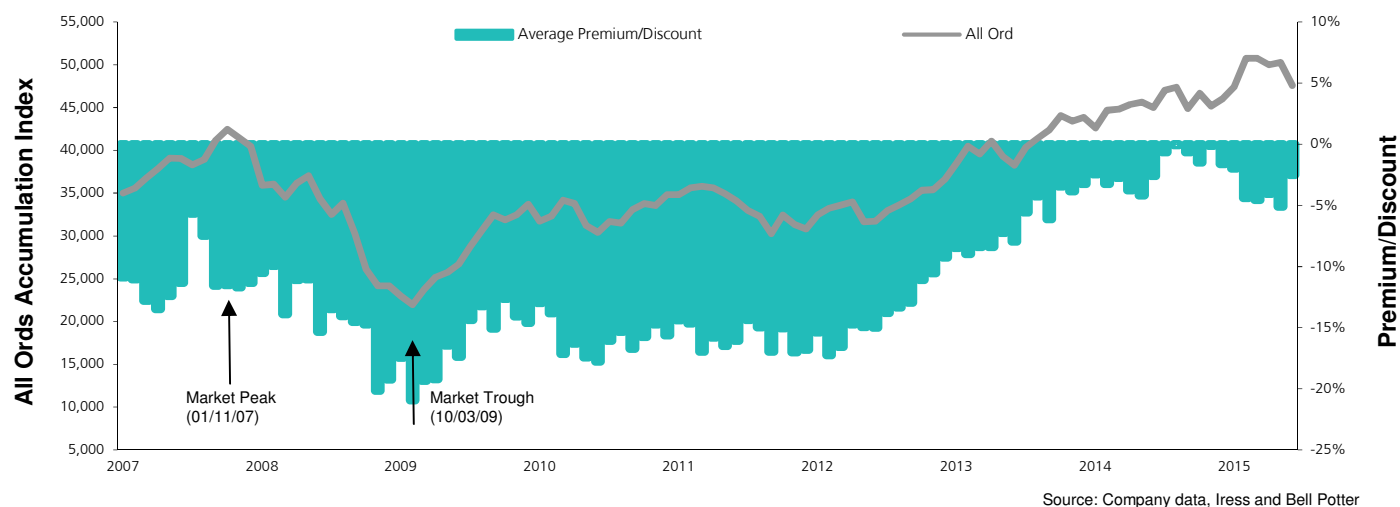
As noted in our reinitiation of coverage in March 2009, Large LICs (Market Cap > \$500m) appear to behave differently from Small LICs (Market Cap < \$500m) through the Economic Cycle. Large LICs tend to trade at a substantial premium to pre-tax NTA in perceivably difficult or uneasy market conditions and a lower premium to pre-tax NTA in perceivably improving market conditions. One could argue that during uneasy market conditions investors prefer the safety of Large LICs with an established track record and hence push them up into substantial premiums. Whereas, in more favourable market conditions, investors have a tendency to view large LICs as a lower return investment alternative and instead favour smaller and more exotic LICs, hence driving large LICs' premiums lower.

Graph 9: Large Cap Focused LICs' Average Share Price Premium/Discount to Pre-tax NTA



Small LICs tend to operate in almost an opposing fashion. In general, Small LICs trade at a larger discount to pre-tax NTA, averaging an 11.3% discount over the last 8 years, which compares to the Large LICs 1.8% premium over the same period. Broadly speaking, as market confidence rises, Small LICs tend to trade at a smaller discount as investors' confidence rises. However, as market conditions turn, these small discounts tend to turn into deep discounts.

Graph 10: Small Cap Focused LICs' Average Share Price Premium/Discount to Pre-tax NTA



LIC Indicative NTA

LICs are only obligated to disclose their NTA at the end of each month and have 14 days to disclose this information to the Market. This means that an investor is only able to retrospectively gauge the value of the underlying NTA and for the remainder of the month be ignorant to the underlying value of the NTA.

Bell Potter has sought to address this gap by providing an Indicative Live NTA. We calculate the Indicative NTA by tracking the underlying NTA each week. This is achieved by monitoring the percentage movements of the Disclosed Holdings and using an appropriate proxy to track the movement of the remaining positions. We also adjust the NTA when the security goes ex-dividend.

The Indicative NTA works best with LICs that have a high percentage of investments concentrated in its Top 20 Holdings, regular disclosure of its holdings and cash position, lower turnover of its investments, and the absence of a performance fee.

Table 9: Indicative Premium/Discount to Pre-Tax NTA (as at 3 August 2015)

ASX Code	Company Name	Investment Mandate	Share Price	Fully Diluted Ind. Pre-Tax NTA*	Indicative Prem/Disc-	Average Premium/Discount+			
						1 year	3 years	5 years	10 years
AFI	AFIC*	Large	\$ 6.40	\$ 6.08	5.3%	2.3%	2.6%	0.3%	0.6%
ARG	Argo Investments	Large	\$ 8.29	\$ 7.83	5.8%	3.7%	0.1%	-2.0%	0.8%
DJW	Djerriwarrh Investments	Large	\$ 4.85	\$ 3.66	32.7%	26.3%	22.2%	18.6%	11.9%
AUI	Australian United Investments	Large	\$ 8.38	\$ 8.61	-2.7%	-3.9%	-6.4%	-7.6%	-5.4%
CYA	Century Australia	Large	\$ 0.87	\$ 0.96	-9.0%	-7.7%	-10.1%	-15.2%	-15.7%
MLT	Milton Corporation	Large/Medium	\$ 4.80	\$ 4.58	4.7%	2.0%	-1.2%	-4.1%	-1.4%
BKI	BKI Investment	Large/Medium	\$ 1.76	\$ 1.72	2.0%	-1.1%	-3.5%	-7.4%	-9.8%
CIN	Carlton Investments	Large/Medium	\$ 32.10	\$ 35.05	-8.4%	-10.0%	-13.4%	-16.2%	-14.9%
DUI	Diversified United Investments	Large/Medium	\$ 3.62	\$ 3.87	-6.5%	-6.2%	-7.3%	-8.6%	-6.3%
WHF	Whitefield	Large/Medium	\$ 4.49	\$ 4.95	-9.3%	-6.4%	-7.0%	-8.6%	-9.2%
AMH	AMCIL	Large/Medium	\$ 0.94	\$ 0.95	-0.8%	-0.6%	-5.8%	-11.3%	-9.7%
CAM	Clime Capital*	Large/Medium	\$ 0.91	\$ 0.96 ^	-5.0%	-7.0%	-7.3%	-12.9%	-15.3%
FSI	Flagship Investments	Large/Medium	\$ 1.51	\$ 1.72 ^	-12.2%	-14.0%	-7.7%	-6.9%	-6.1%
WAM	WAM Capital	Medium/Small	\$ 1.99	\$ 1.89	5.3%	9.1%	3.6%	-2.6%	-10.5%
MIR	Mirrabooba Investments	Medium/Small	\$ 2.60	\$ 2.29	13.7%	13.3%	8.0%	1.1%	-4.1%
WIC	WestOz Investment Co.	Medium/Small	\$ 0.95	\$ 1.05 #	-10.0%	-6.1%	-13.4%	-20.3%	-21.8%
WAX	WAM Research*	Medium/Small	\$ 1.19	\$ 1.17	1.2%	5.5%	2.3%	-7.2%	-15.2%
OZG	OzGrow th	Medium/Small	\$ 0.16	\$ 0.18 #	-11.7%	-9.7%	-17.7%	-23.8%	n/a
WAA	WAM Active	Medium/Small	\$ 0.98	\$ 1.03	-5.7%	12.7%	6.8%	-0.5%	n/a
CTN	Contango Microcap	Small/Micro	\$ 1.07	\$ 1.11	-4.3%	-7.2%	-11.4%	-17.3%	-21.8%
ACQ	Acorn Capital Invst Fund*	Small/Micro	\$ 0.75	\$ 0.91 ^	-17.5%	n/a	n/a	n/a	n/a
ALF	Australian Leaders Fund*	Long/Short	\$ 1.39	\$ 1.32 ^	4.9%	6.9%	-2.9%	-9.0%	-13.8%
CDM	Cadence Capital*	Long/Short	\$ 1.46	\$ 1.41 ^	3.2%	0.4%	-3.3%	-13.5%	n/a
NCC	NAOS Emerging Opp*	Long/Short	\$ 1.00	\$ 1.08 ^	-7.4%	-10.4%	n/a	n/a	n/a
FGX	Future Generation Investment Company	Fund of Funds	\$ 1.13	\$ 1.10 ^	2.2%	n/a	n/a	n/a	n/a
WMK	Watermark Market Neutral*	Market Neutral	\$ 0.87	\$ 0.99 ^	-12.1%	-6.3%	n/a	n/a	n/a
SNC	Sandon Capital*	Activist	\$ 0.90	\$ 0.94 ^	-4.7%	n/a	n/a	n/a	n/a
MFF	Magellan Flagship Fund*	International	\$ 1.94	\$ 1.99 #	-2.8%	2.6%	-6.1%	-9.9%	n/a
PMC	Platinum Capital	International	\$ 1.92	\$ 1.70 ^	13.0%	0.6%	-4.3%	2.5%	11.4%
TGG	Templeton Global Growth	International	\$ 1.43	\$ 1.50 ^	-5.0%	-5.5%	-10.3%	-14.5%	-15.1%
HHV	Hunter Hall Global Value	International	\$ 1.20	\$ 1.44 ^	-16.5%	-10.2%	-13.7%	-16.6%	-17.4%
PGF	PM Capital Global Opp*	International	\$ 1.12	\$ 1.24 ^	-10.1%	-10.1%	n/a	n/a	n/a
GVF	Global Value Fund	International (Multi Asset)	\$ 1.06	\$ 1.09 ^	-3.4%	n/a	n/a	n/a	n/a
AGF	AMP Capital China Growth	Asia	\$ 1.31	\$ 1.77 ^	-26.0%	-22.1%	-21.5%	-21.5%	n/a
PAF	PM Capital Asia	Asia	\$ 0.99	\$ 1.14 ^	-13.0%	n/a	n/a	n/a	n/a

* The Fully Diluted Indicative NTA has been adjusted for options dilution (100% exercise) and dividends. Dividends are removed from the NTA once the security goes ex-date and until the receipt of the new ex-dividend NTA. # The Indicative NTA is the actual reported weekly pre-tax NTA as we have been unable to calculate the Indicative NTA within a reasonable level of accuracy. ^ The Indicative NTA is the actual reported weekly pre-tax NTA as we have been unable to calculate the Indicative NTA within a reasonable level of accuracy. * Average premium/discounts as at end of the previous month. +Prem/Disc does not adjust for the dilution of unexercised options.

Source: Company data, Iress and Bell Potter

LIC Indicative NTA (continued)

Using the Bell Potter Indicative NTA, we calculate the effective impact on the share price if the premium or discount were to normalise to the 1, 3, 5 and 10 year average. We have also calculated this figure on an annualised basis.

The Indicative NTA is not without error and clearly susceptible to higher turnover, tax realisation, receipt and payment of dividends and accrued performance fees. As such, variations will occur across LICs and different market conditions. We have included the Average Error (average of the monthly NTA less Indicative NTA), Average Absolute Error (average of the monthly NTA less Indicative NTA on an absolute basis), and the range of Minimum and Maximum Errors over the previous 12-month period.

Table 10: Premium/Discount Normalisation and Error Tracking (as at 3 August 2015)

ASX Code	Investment Company Name	Mandate	Share Price Impact if Premium/Discount normalises*				Share Price Impact if Premium/Discount normalises is annualised*				Avg Error
			1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years	
AFI	AFIC*	Large	-3.0%	-2.7%	-4.9%	-4.6%	-3.0%	-0.9%	-1.0%	-0.5%	-0.5%
ARG	Argo Investments	Large	-2.1%	-5.7%	-7.8%	-5.0%	-2.1%	-1.9%	-1.6%	-0.5%	-0.3%
DJW	Djerri arrh Investments	Large	-6.3%	-10.4%	-14.1%	-20.8%	-6.3%	-3.6%	-3.0%	-2.3%	0.2%
AUI	Australian United Investments	Large	-1.1%	-3.6%	-4.9%	-2.7%	-1.1%	-1.2%	-1.0%	-0.3%	-0.2%
CYA	Century Australia	Large	1.3%	-1.2%	-6.2%	-6.7%	1.3%	-0.4%	-1.3%	-0.7%	-0.2%
MLT	Milton Corporation	Large/Medium	-2.7%	-5.9%	-8.8%	-6.1%	-2.7%	-2.0%	-1.8%	-0.6%	-0.3%
BKI	BKI Investment	Large/Medium	-3.1%	-5.5%	-9.4%	-11.8%	-3.1%	-1.9%	-2.0%	-1.2%	-0.2%
CIN	Carlton Investments	Large/Medium	-1.6%	-5.0%	-7.8%	-6.5%	-1.6%	-1.7%	-1.6%	-0.7%	-0.4%
DUI	Diversified United Investments	Large/Medium	0.3%	-0.8%	-2.1%	0.2%	0.3%	-0.3%	-0.4%	0.0%	-0.1%
WHF	Whitefield	Large/Medium	2.9%	2.3%	0.7%	0.0%	2.9%	0.8%	0.1%	0.0%	-0.1%
AMH	AMCIL	Large/Medium	0.2%	-4.9%	-10.5%	-8.9%	0.2%	-1.7%	-2.2%	-0.9%	0.3%
CAM	Clime Capital*	Large/Medium	-2.0%	-2.3%	-7.9%	-10.3%	-2.0%	-0.8%	-1.6%	-1.1%	0.5%
FSI	Flagship Investments	Large/Medium	-1.8%	4.5%	5.2%	6.0%	-1.8%	1.5%	1.0%	0.6%	n/a
WAM	WAM Capital	Medium/Small	3.8%	-1.6%	-7.8%	-15.7%	3.8%	-0.5%	-1.6%	-1.7%	-1.0%
MIR	Mirraboopa Investments	Medium/Small	-0.4%	-5.7%	-12.6%	-17.8%	-0.4%	-1.9%	-2.7%	-1.9%	-0.5%
WIC	WestOz Investment Co.	Medium/Small	3.9%	-3.4%	-10.3%	-11.8%	3.9%	-1.1%	-2.1%	-1.3%	n/a
WAX	WAM Research*	Medium/Small	4.2%	1.0%	-8.4%	-16.5%	4.2%	0.3%	-1.7%	-1.8%	0.6%
OZG	Oz Growth	Medium/Small	2.0%	-6.0%	-12.1%	n/a	2.0%	-2.0%	-2.5%	n/a	n/a
WAA	WAM Active	Medium/Small	18.4%	12.5%	5.2%	n/a	18.4%	4.0%	1.0%	n/a	0.1%
CTN	Contango Microcap	Small/Micro	-2.9%	-7.1%	-13.0%	-17.5%	-2.9%	-2.4%	-2.7%	-1.9%	-1.6%
ACQ	Acorn Capital Invst Fund*	Small/Micro	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ALF	Australian Leaders Fund*	Long/Short	1.9%	-7.8%	-13.9%	-18.7%	1.9%	-2.7%	-3.0%	-2.0%	n/a
CDM	Cadence Capital*	Long/Short	-2.8%	-6.5%	-16.6%	n/a	-2.8%	-2.2%	-3.6%	n/a	n/a
NCC	NAOS Emerging Opp*	Medium/Small	-3.0%	n/a	n/a	n/a	-3.0%	n/a	n/a	n/a	n/a
FGX	Future Generation Invst Comp	Fund of Funds	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
WMK	Watermark Market Neutral*	Market Neutral	5.8%	n/a	n/a	n/a	5.8%	n/a	n/a	n/a	n/a
SNC	Sandon Capital*	Activist	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
MFF	Magellan Flagship Fund*	International	5.4%	-3.2%	-7.1%	n/a	5.4%	-1.1%	-1.5%	n/a	n/a
PMC	Platinum Capital	International	-12.4%	-17.3%	-10.5%	-1.7%	-12.4%	-6.1%	-2.2%	-0.2%	n/a
TGG	Templeton Global Growth	International	-0.5%	-5.3%	-9.5%	-10.1%	-0.5%	-1.8%	-2.0%	-1.1%	n/a
HHV	Hunter Hall Global Value	International	6.3%	2.8%	-0.1%	-0.9%	6.3%	0.9%	0.0%	-0.1%	n/a
PGF	PM Capital Global Opp*	International	0.0%	n/a	n/a	n/a	0.0%	n/a	n/a	n/a	n/a
GVF	Global Value Fund	Intl (Multi Asset)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AGF	AMP Capital China Growth	Asia	3.9%	4.5%	4.4%	n/a	3.9%	1.5%	0.9%	n/a	n/a
PAF	PM Capital Asia	Asia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* Refers to the current share price divided by the indicative pre-tax NTA as compared to the average 1, 3, 5 and 10 year Discount/Premium share price to pre-tax NTA as at end of the previous month, over the relevant time period of 1, 3, 5 and 10 years. * Refers to the current share price divided by the indicative pre-tax NTA as compared to the average 1, 3, 5 and 10 year Discount/Premium share price to pre-tax NTA as at end of the previous month, annualised over the relevant time period of 1, 3, 5 and 10 years.

Source: Company data, Iress and Bell Potter

LIC Indicative NTA (continued)

A number of LICs under our coverage currently have options outstanding. Options dilute the NTA when exercised and therefore have an impact on the premium or discount.

Table 11: Dilution Effect of Outstanding Options on Indicative NTA (as at 3 August 2015)

ASX Code	Company Name	Code	SOI	Options	Strike	Share Price	Indicative NTA ^a	Option Price	Expiry	NTA after % Exercised			Eff. Prem/Disc after % Exc.		
										100%	70%	50%	100%	70%	50%
AFI	AFC [*]	AFIG	1,089,843,706	2,035,676	\$ 5.09	\$ 6.40	\$ 6.08	\$ 117.50	28-Feb-17	\$ 6.08	\$ 6.08	\$ 6.08	5.3%	5.2%	5.2%
ARG	Argo Investments	n/a	666,681,198	n/a	n/a	\$ 8.29	\$ 7.83	n/a	n/a						
DJW	Djerri arrh Investments	n/a	218,589,718	n/a	n/a	\$ 4.85	\$ 3.66	n/a	n/a						
AUI	Australian United Investments	n/a	109,373,614	n/a	n/a	\$ 8.38	\$ 8.61	n/a	n/a						
CYA	Century Australia	n/a	81,865,704	n/a	n/a	\$ 0.87	\$ 0.96	n/a	n/a						
MLT	Milton Corporation	n/a	640,255,655	n/a	n/a	\$ 4.80	\$ 4.58	n/a	n/a						
BKI	BKI Investment	n/a	556,560,509	n/a	n/a	\$ 1.76	\$ 1.72	n/a	n/a						
CIN	Carlton Investments	n/a	26,474,675	n/a	n/a	\$ 32.10	\$ 35.05	n/a	n/a						
DUI	Diversified United Investments	n/a	206,275,605	n/a	n/a	\$ 3.62	\$ 3.87	n/a	n/a						
WHF	Whitefield	n/a	79,798,570	n/a	n/a	\$ 4.49	\$ 4.95	n/a	n/a						
AMH	AMCL	n/a	241,873,527	n/a	n/a	\$ 0.94	\$ 0.95	n/a	n/a						
CAM	Clime Capital [*]	CAMO	81,767,873	80,728,817	\$ 1.04	\$ 0.91	\$ 0.97	\$ 0.001	20-Oct-15	\$ 0.970	\$ 0.970	\$ 0.970	-6.2%	-6.2%	-6.2%
FSI	Flagship Investments	n/a	25,230,455	n/a	n/a	\$ 1.51	\$ 1.72	n/a	n/a						
WAM	WAM Capital	n/a	451,050,715	n/a	n/a	\$ 1.99	\$ 1.89	n/a	n/a						
MIR	Mirraboopa Investments	n/a	141,472,960	n/a	n/a	\$ 2.60	\$ 2.35	n/a	n/a						
WIC	WestOz Investment Co.	WICO	129,251,273	12,119,213	\$ 1.30	\$ 0.95	\$ 1.05	\$ 0.001	31-Aug-15	\$ 1.050	\$ 1.050	\$ 1.050	-10.0%	-10.0%	-10.0%
WAX	WAM Research [*]	n/a	165,303,976	n/a	n/a	\$ 1.19	\$ 1.17	n/a	n/a						
OZG	Oz Growth	OZGO	360,997,266	34,476,161	\$ 0.225	\$ 0.16	\$ 0.18	\$ 0.003	31-Aug-15	\$ 0.176	\$ 0.176	\$ 0.176	-11.7%	-11.7%	-11.7%
WAA	WAM Active	n/a	34,693,760	n/a	n/a	\$ 0.98	\$ 1.03	n/a	n/a						
CTN	Contango Microcap	CTNG	159,966,296	265,000	\$ 1.30	\$ 1.07	\$ 1.11	\$ 102.850	31-Mar-20	\$ 1.11	\$ 1.11	\$ 1.11	-4.3%	-4.3%	-4.3%
ACO	Acorn Capital Invst Fund [*]	ACOO	50,820,001	50,820,000	\$ 1.00	\$ 0.75	\$ 0.91	\$ 0.001	24-Oct-15	\$ 0.91	\$ 0.91	\$ 0.91	-17.5%	-17.5%	-17.5%
ALF	Australian Leaders Fund [*]	n/a	256,316,599	n/a	\$ 1.37	\$ 1.39	\$ 1.32	n/a	n/a						
CDM	Cadence Capital [*]	CDMO	226,134,113	107,790,175	\$ 1.43	\$ 1.46	\$ 1.40	\$ 0.007	31-Aug-15	\$ 1.41	\$ 1.41	\$ 1.41	3.2%#	3.3%#	3.4%#
NCC	NAOS Emerging Opp [*]	n/a	46,918,297	n/a	n/a	\$ 1.00	\$ 1.08	n/a	n/a						
FGX	Future Generation Invst Comp	FGXO	184,047,404	181,424,187	\$ 1.10	\$ 1.13	\$ 1.10	\$ 0.030	16-Sep-16	\$ 1.10	\$ 1.10	\$ 1.10	2.2%#	2.2%#	2.2%#
WMK	Watermark Market Neutral [*]	n/a	87,610,397	n/a	n/a	\$ 0.87	\$ 0.99	n/a	n/a						
SNC	Sandon Capital [*]	SNCO	36,210,048	33,927,644	\$ 1.00	\$ 0.90	\$ 0.94	\$ 0.001	24-Jul-15	\$ 0.94	\$ 0.94	\$ 0.94	-4.7%#	-4.7%#	-4.7%#
MFF	Magellan Flagship Fund [*]	MFFO	459,444,627	82,293,893	\$ 1.00	\$ 1.94	\$ 2.17	\$ 0.930	31-Oct-17	\$ 1.99	\$ 2.04	\$ 2.07	-2.8%#	-5.1%#	-6.7%#
PMC	Platinum Capital	n/a	233,325,987	n/a	n/a	\$ 1.92	\$ 1.70	n/a	n/a						
TGG	Templeton Global Growth	n/a	248,734,827	n/a	\$ 1.00	\$ 1.43	\$ 1.50	n/a	n/a						
HHV	Hunter Hill Global Value	n/a	241,039,182	n/a	\$ 1.00	\$ 1.20	\$ 1.44	n/a	n/a						
PGF	PM Capital Global Opp [*]	n/a	347,344,401	n/a	n/a	\$ 1.12	\$ 1.24	n/a	n/a						
GVF	Global Value Fund	GVFO	65,641,263	58,044,962	\$ 1.00	\$ 1.06	\$ 1.17	\$ 0.048	17-Mar-16	\$ 1.09	\$ 1.11	\$ 1.12	-3.4%	-4.7%	-5.8%
AGF	AMP Capital China Growth	n/a	386,294,100	n/a	n/a	\$ 1.31	\$ 1.77	n/a	n/a						
PAF	PM Capital Asia	PAFO	55,087,501	55,087,500	\$ 1.00	\$ 0.99	\$ 1.14	\$ 0.030	31-May-16	\$ 1.14	\$ 1.14	\$ 1.14	-13.0%	-13.0%	-13.0%

^a The Indicative NTA has been adjusted for dividends once the security goes ex-date and until the receipt of the new ex-dividend NTA. # The Indicative NTA is the actual reported weekly or monthly pre-tax NTA as we have been unable to calculate the Indicative NTA with a reasonable level of accuracy. * Average premium/discount as at end of the previous month.

Source: Company data, Iress and Bell Potter

Liquidity

Liquidity is an important characteristic to consider when making an investment. Liquidity is the ability to buy or sell a particular security. Unfortunately, the volume traded among some LICs can be quite thin at times and may be difficult to trade larger lines. Therefore, liquidity needs to be taken into consideration when investing in this asset class. In the table below, we have a look at the 3 year Weekly and Monthly Averages for the LICs in our coverage.

Table 12: Liquidity

ASX Code	Company Name	Investment Mandate	Shares On Issue	Options	3 yr Average Weekly Volume	3 yr Average Weekly Value	3 yr Average Monthly Volume	3 yr Average Monthly Value
Domestic Equities								
AFI	AFC*	Large	1,089,843,706	2,035,676	1,622,134	9,239,882	7,029,246	40,039,490
ARG	Argo Investments	Large	666,681,198	-	872,251	6,114,754	3,779,754	26,497,266
DJW	Djerriw arrh Investments	Large	218,589,718	-	529,183	2,326,317	2,293,127	10,080,705
AUI	Australian United Investments	Large	109,373,614	-	57,549	439,305	249,378	1,903,655
CYA	Century Australia	Large	81,865,704	-	368,093	296,123	1,595,069	1,283,198
MLT	Milton Corporation	Large/Medium	640,255,655	-	713,647	2,933,107	3,092,470	12,710,129
BKI	BKI Investment	Large/Medium	556,560,509	-	1,054,036	1,616,259	4,567,491	7,003,790
CIN	Carlton Investments	Large/Medium	26,474,675	-	11,138	270,298	48,264	1,171,293
DUI	Diversified United Investments	Large/Medium	206,275,605	-	198,962	639,621	862,170	2,771,692
WHF	Whitefield	Large/Medium	79,798,570	-	139,677	521,901	605,265	2,261,569
AMH	AMCIL	Large/Medium	241,873,527	-	383,283	318,630	1,660,893	1,380,728
CAM	Clime Capital	Large/Medium	81,555,116	80,728,817	256,302	252,548	1,110,643	1,094,374
FSI	Flagship Investments	Large/Medium	25,230,455	-	64,146	88,415	277,966	383,133
WAM	WAM Capital	Medium/Small	451,050,715	-	1,893,822	3,533,539	8,206,561	15,312,004
MIR	Mirraboooka Investments	Medium/Small	141,472,960	-	259,230	618,754	1,123,329	2,681,269
WIC	WestOz Investment Co.	Medium/Small	129,251,273	12,119,213	495,011	552,573	2,145,048	2,394,484
WAX	WAM Research	Medium/Small	165,303,976	-	514,432	564,398	2,229,203	2,445,727
OZG	OzGrow th	Medium/Small	360,997,266	34,476,161	1,198,039	218,256	5,191,503	945,777
CTN	Contango Microcap	Small/Micro	159,966,296	-	975,515	1,026,331	4,227,232	4,447,435
ACQ	Acorn Capital	Small/Micro	50,820,001 *	50,820,000	326,862 *	267,494 *	1,416,404 *	1,159,139 *
ALF	Australian Leaders Fund	Long/Short	256,316,599	-	1,577,352	2,426,285	6,835,191	10,513,903
CDM	Cadence Capital	Long/Short	224,339,711	109,584,577	1,031,317	1,467,016	4,469,040	6,357,069
WAA	WAM Active	Long/Short	34,693,760	-	242,838	285,758	1,052,296	1,238,284
NCC	Naos Emerging Opportunities	Long/Short	46,918,297 *	11,789,026	228,765 *	238,383 *	991,314 *	1,032,992 *
WMK	Watermark Market Neutral	Market Neutral	87,610,397 *	-	582,084 *	558,234 *	2,522,365 *	2,419,012 *
International Equities								
MFF	Magellan Flagship Fund	International	458,821,568	82,916,952	2,069,057	2,717,935	8,965,912	11,777,718
PMC	Platinum Capital	International	233,325,987	-	1,271,959	2,034,732	5,511,822	8,817,171
TGG	Templeton Global Grow th	International	248,734,827	-	1,147,237	1,313,020	4,971,360	5,689,753
HHV	Hunter Hall Global Value	International	241,039,182	-	1,340,829	1,347,535	5,810,261	5,839,317
PGF	PM Capital Global Opp	International	347,344,401 *	-	1,600,707 *	1,619,828 *	6,936,396 *	7,019,254 *
GVF	Global Value Fund	International	65,641,263 *	58,044,962	332,782 *	344,293 *	1,442,054 *	1,491,936 *
PAF	PM Capital Asian Opp	Asia	55,087,501 *	55,087,500	295,430 *	281,537 *	1,280,198 *	1,219,995 *
AGF	AMP Capital China Grow th	China	386,294,100	-	2,775,369	2,777,472	12,026,598	12,035,711
HHY	Hastings High Yield	Fixed income	103,070,369	-	2,073,267	361,409	8,984,158	1,566,104
ABW	Aurora Absolute	Income	29,886,828	-	282,524	293,305	1,224,270	1,270,987
FGX	Future Gen Investment Comp	Fund of Funds	184,047,404	184,047,404	1,030,494 *	1,109,981 *	4,465,472 *	4,809,920 *
SNC	Sandon Capital	Activist	36,210,048	36,210,048	169,606 *	159,184 *	734,958 *	689,798 *

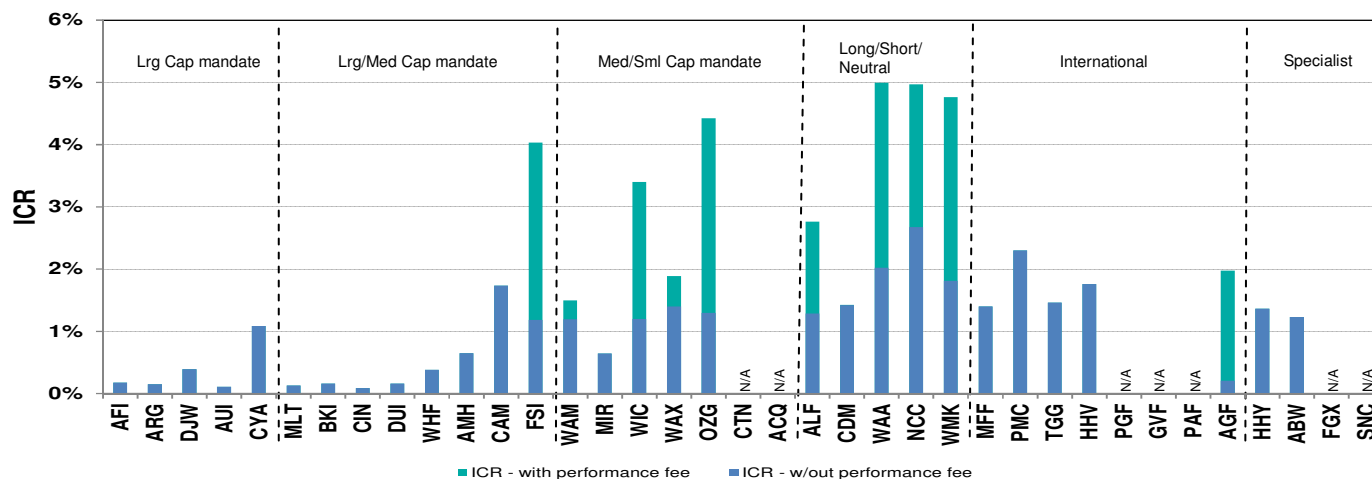
* History less than 3 years

Source: Company data, Iress and Bell Potter

Indirect Cost Ratio: Fees and Expenses

In the Graphs below, we have provided the Indirect Cost Ratio (ICR) for LICs in our coverage for the full year ending 30 June 2015. The ICR has been calculated both with and without performance fees. We are using this method of calculation to standardise the cost ratios across our LIC universe given the many different interpretations of the Management Expense Ratio, which is a frequently used expense calculation. ICR is generally accepted as the principal expense ratio calculation for the Managed Funds industry. Note, a number of LICs have been on the market for less than a year, therefore ICR is non-applicable.

Graph 11: Indirect Cost Ratio



Source: Company data, Iress and Bell Potter

In table 14, we have explored further the ICR to break out where the costs of managing an LIC are being incurred. The cost are broken into internal expenses, which are expenses that are absorbed directly inhouse by the LIC, and external fees, which are the investment expenses paid to an external investment manager. Please note that a number of LICs have internal investment professionals that are employed directly to the LIC and these cost are reflected as internal expenses.

Table 13: Indirect Cost Ratio Breakdown

Code	Investment Companies	Investment Mandate	Investment Manager Internal/External	Indirect Cost Ratio (incl. perf. fee)	Indirect Cost Ratio (excl. perf. fee)	ICR expense allocation			External Fee Breakdown			
						Internal	External	Performance	Performance	Perf B/M	High water	
Domestic Equity												
AFI	AFIC	Large	Internal	0.16%	0.16%	0.16%	n/a	n/a	n/a	n/a	n/a	n/a
ARG	Argo Investments	Large	Internal	0.15%	0.15%	0.15%	n/a	n/a	n/a	n/a	n/a	n/a
DJW	Djerri arr Investments	Large	Internal	0.41%	0.41%	0.41%	n/a	n/a	n/a	n/a	n/a	n/a
AUI	Australian United	Large	Internal	0.11%	0.11%	0.11%	n/a	n/a	n/a	n/a	n/a	n/a
CYA	Century Australia	Large	External	1.09%	1.09%	0.69%	0.40%	n/a	10%	All Ords + 1%	Yes	
MLT	Milton Corporation	Large/Medium	Internal	0.12%	0.12%	0.12%	n/a	n/a	n/a	n/a	n/a	n/a
BKI	BKI Investment	Large/Medium	Internal	0.16%	0.16%	0.16%	n/a	n/a	n/a	n/a	n/a	n/a
CIN	Carlton Investments	Large/Medium	Internal	0.09%	0.09%	0.09%	n/a	n/a	n/a	n/a	n/a	n/a
DUI	Diversified United	Large/Medium	Internal	0.16%	0.16%	0.16%	n/a	n/a	n/a	n/a	n/a	n/a
WHF	Whitefield	Large/Medium	Internal	0.38%	0.38%	0.38%	n/a	n/a	n/a	n/a	n/a	n/a
AMH	AMCL	Large/Medium	Internal	0.67%	0.67%	0.67%	n/a	n/a	n/a	n/a	n/a	n/a
CAM	Clime Capital	Large/Medium	Internal	1.74%	1.74%	0.74%	1.00%	n/a	20%	All Ords +	No	
FSI	Flagship Investments	Large/Medium	Internal	4.03%	1.19%	1.19%	0.00%	2.85%	15%	UBS Bank Bill Index	No	
WAM	WAM Capital	Medium/Small	External	1.50%	1.19%	0.19%	1.00%	0.31%	20%	All Ords	Yes	
MIR	Mirraboopa	Medium/Small	Internal	0.67%	0.67%	0.67%	n/a	n/a	n/a	n/a	n/a	n/a
WIC	WestOz Investment Co.	Medium/Small	External	3.40%	1.20%	0.20%	1.00%	2.20%	20%	10%	No	
WAX	WAM Research	Medium/Small	External	1.88%	1.40%	0.40%	1.00%	0.49%	20%	All Ords	Yes	
OZG	Ozgrow th	Medium/Small	External	4.42%	1.29%	0.29%	1.00%	3.13%	20%	7%	No	
CTN	Contango Microcap	Small/Micro	Internal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ACQ	Acorn Capital	Small/Micro	External	n/a	n/a	n/a	n/a	n/a	20%	Small Ords	Yes	
ALF	Australian Leaders Fund	Long/Short	External	2.76%	1.28%	0.28%	1.00%	1.48%	20%	All Ords	Yes	
CDM	Cadence Capital	Long/Short	External	1.42%	1.42%	0.42%	1.00%	0.01%	20%	All Ords	Yes	
WAA	WAM Active	Long/Short	External	4.99%	2.02%	1.02%	1.00%	2.97%	20%	0%	Yes	
NCC	Naos Emerging Opportunities	Long/Short	External	4.97%	2.67%	1.42%	1.25%	2.29%	15%	Small Ords	Yes	
WMK	Watermark Market Neutral	Market Neutral	External	4.76%	1.81%	0.81%	1.00%	2.95%	20%	RBA cash	No	
International Equity												
MFF	Magellan Flagship Fund	Global	External	1.40%	1.40%	0.15%	1.25%	n/a	10%	10%	No	
PMC	Platinum Capital	Global	External	2.30%	2.30%	0.80%	1.50%	n/a	10%	MSCI ACWI + 5%	Yes	
TGG	Templeton Global Grow th	Global	External	1.46%	1.46%	0.46%	1.00%	n/a	n/a	n/a	n/a	n/a
HHV	Hunter Hall Global Value	Global	External	1.76%	1.76%	0.26%	1.50%	n/a	15%	MSCI TR	Yes	
AGF	AMP Capital China Grow th	China	External	1.97%	0.20%	-1.45%	1.65%	1.77%	20%	CITIC 300	No	
Specialist												
HHY	Hastings High Yield	Fixed income	External	1.36%	1.36%	0.61%	0.75%	n/a	n/a	n/a	n/a	n/a
ABW	Aurora Absolute	Income	External	1.23%	1.23%	0.23%	1.00%	n/a	n/a	n/a	n/a	n/a
SNC	Sandon Capital	Activist	External	n/a	n/a	n/a	n/a	n/a	20%	RBA cash	Yes	

Source: Company data, Iress and Bell Potter

Appendix A: Glossary of terms

Annualised Compound Total Returns: The Annualised Compound Total Return calculates the constant yearly return that would result in the initial value of an investment reaching its present value.

Active Management: Investing with the goal of outperforming a benchmark index.

Balanced Investing: Investing in securities with neither a preference for Growth or Value investing.

Beta: In the context of this report, a Beta is a representation of the tendency of a company's share price to respond to swings in the Market. A Beta of 1 indicates that a company's share price will move in line with the Market. A Beta of greater than 1 indicates that a share's price will be more volatile than the Market. Our Market Proxy is the All Ordinaries Accumulation Index.

Dilutive Security: When a company issues additional shares in itself at a price below the current value of existing shares this will have a dilutive effect.

Estimated Fully Diluted NTA: Some LICs have additional securities that have the ability to convert to, or create, new ordinary securities in the Company. If a security can be converted to ordinary securities at a price lower than the LIC's NTA, this will dilute its NTA on a per share basis.

Excess Return to Risk Ratio: This ratio, also known as the Sharpe Ratio (see Sharpe Ratio for definition), provides a measure of the return of each portfolio relative to the risk taken by the Investment Manager in achieving that return. A high return is only desirable if it does not come with too much additional risk (volatility of returns - see Standard Deviation).

Grossed Up Dividend Yield: Dividends paid plus any franking credits passed on to shareholders. We have focused on this measure to enable valid comparison between LICs whose dividends are franked and those that are not.

Growth Investing: Investing in securities with a bias towards higher projected Earnings Per Share growth rates and Return On Equity.

Indirect Cost Ratio: The ICR, as defined in the Corporations Act 2001, is the ratio of the Fund's management costs to average net assets. In layman's terms, it covers all expenditure, excluding transaction and finance costs, in the management of the Fund. This includes management fees, performance fees, marketing, audit, legal, rent, etc.

We are using this method of calculation to standardise the cost ratios across our LIC universe, given many different interpretations of the MER calculations by LICs and the inability to confirm the calculation. ICR is generally accepted as the principal expense ratio calculation for the Managed Funds industry.

Net Tangible Assets (NTA): Total assets of the Company minus any intangible assets such as goodwill and trademarks, less all liabilities of the Company. This is calculated before any theoretical tax is payable if the entire portfolio was sold. The largest liability of most LICs is the Management Fee, while some LICs also provide for performance fees, should the LIC's portfolio achieve certain benchmarks. Management fees are generally a reflection of how actively a portfolio is managed as well as its size.

Option Adjusted Portfolio Return: A LIC's calculated portfolio return over a period may be negatively impacted if there are new securities issued during a period. This is because the Manager will not have been able to generate returns off the new funds over the entire period, which will detract from the performance of the overall portfolio. Accordingly, where new securities have been issued in a LIC we will remove the impact of those securities creating an Option Adjusted Portfolio Return.

Passive Management: Investing in an attempt to track the return of the underlying benchmark index. Typically a passively managed portfolio has good diversification, low turnover (good for keeping down internal transaction costs), and lower management fees.

Premium/Discount to Pre-Tax NTA: While share prices of LICs are generally based around their NTA, the vagaries of supply and demand, as well as the market perception of a company's outlook, mean that a LIC's share price may move substantially below (discount) or above (premium) its NTA.

Appendix A: Glossary of terms (continued)

Renounceable Rights Issue: This is an offer by the LIC to shareholders to purchase more shares in the Company. Given these rights are normally issued at a discount they have an inherent value that can be traded on the ASX.

Stapled Options: These are options that cannot be traded individually. They are attached to a share or similar security and this combined security must be traded in a 'bundle'.

Total Shareholder Return (TSR): Highlights total increase in the value of \$100 invested in a LIC over a given period by a shareholder on the assumption that dividends are reinvested. TSR takes into account grossed up dividends paid as well as share price appreciation and may differ from share price performance in this regard.

Value Investing: Investing in securities that appear to be undervalued taking in to consideration certain valuation metrics.

Appendix B: Disclosures

- WAM Research (WAX): WAX announced an Equity Raising on 28 October 2013. WAM paid a service fee equal to 1.0% (excluding GST) of the Application Monies provided. Bell Potter Securities and its Advisers shared in this Fee.
- Australian Leaders Fund (ALF): ALF announced an Equity Raising on 24 October 2013. ALF paid a service fee equal to 1.25% (excluding GST) of the Application Monies provided. Bell Potter Securities and its Advisers shared in this Fee.
- WAM Capital (WAM): WAM announced an Equity Raising on 14 October 2013. WAM paid a stamping fee equal to 1.0% (excluding GST) of the Application Monies provided. Bell Potter Securities and its Advisers shared in this Fee.
- Watermark Market Neutral Fund (WMK): WMK listed on 18 July 2013. WMK paid a stamping fee equal to 1.0% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- Clime Capital (CAM): CAM announced a Renounceable Right Issue on 13 February 2013. CAM paid a stamping fee equal to 1.0% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- Cadence Capital (CDM): CDM announced an Equity Raising on 14 January 2013. CDM paid a stamping fee equal to 2.0% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- Australian Leaders Fund (ALF): ALF announced an Equity Raising on 19 December 2012. ALF paid a stamping fee equal to 1.0% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- Cadence Capital (CDM): CDM announced an Equity Raising on 20 September 2012. CDM paid a stamping fee equal to 2.0% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- WAM Capital (WAM): WAM announced an Equity Raising on 23 July 2012. WAM paid a stamping fee equal to 1.0% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- PM Capital Global Opportunities Fund (PGF): Bell Potter Securities was a Joint Lead Manager of the PM Capital Global Opportunities Fund IPO on 12 December 2013. PGF paid a service fee equal to 1.25% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- Platinum Capital (PMC): Bell Potter Securities was a Co-Manager of the Platinum Capital Placement in November 2013 and received a fee for the service.
- Watermark Market Neutral Fund (WMK): WMK announced a Placement on 24 March 2014. WMK paid a stamping fee equal to 1.0% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- Clime Capital (CAM): CAM announced a Placement on 20 March 2014. CAM paid a service fee equal to 1.5% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- Future Generation Investment Fund (FGX): FGX paid a service fee equal to 1.82% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- PM Capital Asia (PAF): PAF paid a service fee equal to 1.50% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- Acorn Capital Investment Fund (ACQ): Bell Potter Securities was a Joint Lead Manager of the Acorn Capital Investment Fund IPO on 1 May 2014, but did not receive a Corporate Fee for this Service. ACQ paid a service fee equal to 1.5% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- Global Value Fund (GVF): GVF paid a service fee equal to 2.50% (excluding GST) of the Application Monies provided with valid Application Forms bearing a Licensee's stamp to the extent Shares were allotted. Bell Potter Securities and its Advisers shared in this Fee.
- Magellan Flagship Fund (MFF): Bell Potter Securities was a Co-Manager of the MFF Renounceable Rights issue in May 2015 and received a fee for the service.