

11 March 2004

Listed Investment Companies (LICs)

Interim Reporting Season Overview

This interim reporting season saw most of the previously loss making LICs turnaround into being profitable. The standout performers included WAM, CHO, ARG, PMC, MIR and MLT. In this review we also take a look at the new breed of LICs.

Interim results						
ASX code	NPAT A\$m	% change on pcp	Portfolio performance for period	Benchmark	Benchmark performance	Outperform
WAM	10.0	831%	21.9%	All Ordinaries Accumulation Index	12.4%	9.5%
PMC	15.8	288%	14.31%	MSCI	6.63%	7.68%
MIR	2.1	57%	19.4%	S&P/ASX Mid 50's Accumulation Index	14.4%	5.0%
MLT	22.2	18%	19.4% for 2003	All Ordinaries Accumulation Index	15.9%	3.5%
CHO	6.5	17.3%	28.4% for 2003	All Ordinaries Accumulation Index	15.9%	12.5%
ARG	38.6	9.7%	17.3% for 2003	All Ordinaries Accumulation Index	15.9%	1.4%

Source: Company reports, ABN AMRO Morgans
Note - Numbers above are rounded

Another strong LIC reporting season

The majority of the established LICs reported solid results this interim reporting season on the back of strong equity markets. Most of the previously loss making LICs turned around. The standout performers included WAM, CHO, ARG, PMC, MIR and MLT.

The new breeds vs the established LICs

The ASX LIC sector has grown significantly recently primarily as a result of investors looking for alternatives to managed funds. The sector is now worth approx. \$10 billion with over 30 LIC's listed on the ASX. However the Australian LIC space remains relatively small compared to the UK and US. We expect the recent growth to continue with the increasing maturity of the market leading to demand for not only the more traditional LICs such as AFIC, Argo and Milton but also new offerings which give exposure to particular managers or niche products. The new LIC's all offer something different. Therefore, we believe that a diversified portfolio can easily contain a number of them.

Most LICs are now trading at a discount to NTA

The strong interest and subsequent flow of funds in the LIC sector has caused many LICs to now trade at a discount. One LIC whose discount to NTA is unwarranted is Premium Investors (PRV) - BUY. Conversely, Platinum (PMC) is trading at a significant premium to NTA and we recommend switching to Hunter Hall Global Value for international exposure.

Investment view

We believe that LICs command a relevant position in all investment portfolios whether it be as diversification from managed funds or an enhancement to direct equity positions. The increasing range of products has provided access to niche exposures (such as international, microcap and resources) and proven managers (Premium, Brickworks, Hunter Hall and Century) and their challenge will be to meet the recent strong performance from the established funds.

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Reporting Season Overview

LICs had a strong interim reporting season with many of the previously unprofitable companies returning to profitability. Results were assisted by strong equity markets which rose 12.4% over the six months to 31 December 2003. Stand out performers included WAM, CHO, ARG, PMC, MIR and MLT as they beat their index and reported results significantly above the previous corresponding period.

Table 1: Interim results

ASX code	NPAT A\$m	% change on the pcp	Interim Div (A¢)	% change on the pcp	Comments
WAM Capital Limited (WAM)	10.0	831%	5.0	25%	Gross portfolio increased by 21.9% for the 6 months to 31 December 2003 against a 12.4% increase in the All Ordinaries Accumulation Index. After tax NTA increased from 119.3cps to 140.4cps over the half.
Pacific Strategic Investments (PSI)	2.2	Up 467% Prev. \$-0.6m	1.0	100%	PSI's portfolio returned 10.9% over the six month period compared to the All Ordinaries Accumulation Index that rose 12.4%. Result was assisted by strong equity markets.
Huntley Investment Company (HIC)	4.3	Up 530% Prev. \$-1.0m	1.5	0%	For the half, the NTA after all expenses but before deferred tax rose 7.0% compared to the All Ords 12.4% return. HIC held significant cash balances over the half and retained its portfolio emphasis on high quality dividend paying stocks.
Platinum Capital (PMC)	15.8	Up 288% Prev. \$-8.4m	5.0	0%	PMC's half-year pre-tax performance of the portfolio was 14.3% and the corresponding MSCI was 6.6%. This represents an outperformance of 7.7% against the MSCI. PMC reported net asset value growth of 17.6%.
Ironbark Capital Limited (IBC)	3.5	164.3%	1.5	n/a	IBC's portfolio after management fees achieved a return of 6.9% for the 6 month period. This compares to an increase in the ASX 300 Accumulation Index of 11.6% over. IBC's NTA increased 6.9%. The company has turned around under new management and the Board resumed the payment of dividends.
Templeton Global Growth Fund (TGG)	9.7	Up 156% Prev. \$-17.2m	0.0	0%	Before all taxes, TGG returned 11% over the half compared to the MSCI returning 7.4%. This result was achieved on the back of strong world equity markets.
Aberdeen Leaders (ALR)	2.2	Up 146% Prev. \$-4.8m	2.0	0%	Is this company finally turning around?
Bentley Equities (BEL)	0.8	Up 126% Prev. \$-3.1m	0.0	0%	The turnaround is mainly attributable to an improvement in investments. BEL derived \$0.7m unrealised gains.
Technology Investment Fund (TIF)	0.8	Up 122% Prev. \$-3.7m	0.0	0%	Turnaround was achieved of the back on strong run in global technology stocks. TIF is not in a position to pay dividends in the short term. The result was impacted by a rising Australian dollar.
Wilson Investment Taurine Fund Limited (WIT)	0.145	Up 107% Prev. \$-2.1m	2.0	5.3%	WIT's portfolio investment return exceeded the benchmark (All Ords increased 10.2%) at 13.4% for the six months. Result was assisted by continued growth in dividend receipts. The after-tax NAV of the portfolio increased by 11.2%.
Diversified United Investment (DUI)	6.6	83%	2.75	10%	After excluding special dividends received as part of the company's participation in the Telstra and Foster's share buy-backs, profit from ordinary activities after tax was up 8.7% from the prior period.
Mirabooka Investments Limited (MIR)	2.1	57%	2.0	0%	Result was assisted by the strong gains in the small cap sector of the market. Total return during the half (change in NTA plus dividend) was an increase of 19.4%. The S&P/ASX Mid 50's Accumulation Index was up 14.4% for the half year, S&P/ASX Small Ordinaries Accumulation Index was up 21.2% for the half year. Total return measured by change in share price plus dividends over the six month period was up 8.8%.
Australian United Investment Company (AUI)	9.2	43.8%	6.5	8.3%	After excluding special dividends from Telstra and Foster's share buybacks, profit from ordinary activities was up 10.7% on pcp.
Australian Foundation Investment Company (AFI)	59.3	18.6%	5.5		Total portfolio return during the half (measured by change in NTA plus dividend) was an increase of 10.2% after tax and management fees. The S&P/ASX 200 Accumulation Index increased by 11.3%. AFI underperformed the index after being underweight resources. This result was achieved on the back of strong equity markets, higher dividends from its investee companies and increased interest income from their cash holdings associated with its rights issue of \$298m completed in October 2003. AFI's trading portfolio reported a profit of \$5.2m.
Milton Corporation Limited (MLT)	22.2	18%	25.0	8.7%	The total return for the year (measured by the change in value of the NTA and the dividends paid) was 19.4% which compares favourably with the Accumulation Return of the ASX All Ordinaries Index of 15.9%. Result includes \$3.2m of significant non-recurring items. This result was assisted by improved profits and increased dividends from its investee companies as well as an increase \$18.5m in funds invested from its acquisition of the unlisted investment company Perry Securities.
Choiseul Investments (CHO)	6.5	17.3%	30.0	7.1%	For the year to 31 December 2003, CHO beat the index returning 28.4% compared to the All Ords Accumulation Index that returned 15.9%. Result was boosted by special dividends of \$461,000 increasing total profit after tax to \$6.9m.

Source: Company reports, ABN AMRO Morgans

Note - Numbers above are rounded

Table 2: Interim results continued

ASX code	NPAT (A\$m)	% change on the pcp	Interim Div (A¢)	% change on the pcp	Comments
Argo Investments (ARG)	38.6	9.7%	8.5	6.3%	ARG's total return for 2003 was 17.3% (measured by movement in NTA backing per share plus dividend paid) compared with 15.9% from the All Ords. Over the half, ARG's NTA increased 8%. A 0.5c special dividend was declared. ARG reported a record interim result and dividend.
Djerriwarrah Investments Limited (DJW)	13.1	3.5%	10.0	0%	DJW's total return outperformed its benchmark the S&P/ASX50 Leaders Accumulation Index by 1.2%, primarily from its exposure to the resources sector. Total portfolio return during the half (change in NTA plus dividend) was an increase of 11.6% after tax and management fees. The S&P/ASX 50 Leaders Accumulation increased by 10.4%. In order to maintain the income from their options activities, DJW sold options over a higher proportion of the portfolio. The value of the portfolio increased \$84.7m compared to a decline in the pcp. DJW also showed a profit of \$1m from options trading.
Carlton Investments (CIN)	11.2	-1.3%	18.0	5.9%	The fall was attributable to a reduction in gains on disposal of investments and a reduction in special dividends.
Wilson Investment Fund (WIL)	2.1	n/a	1.0	n/a	This is a solid result considering the company commenced operations in August 2003.
Wallace Absolute Return (WAB)	1.9	n/a	4.5	n/a	Net assets increased 42.3% from \$17.298m to \$24.6m. Result was achieved through active management of its assets.
Premium Investors (PRV)	0.7	n/a	0.4	n/a	The result was achieved from 5 weeks in operation. Declaring an interim dividend so soon after being listed demonstrates the financial strength and positive outlook for this company.
MMC Contrarian (MMA)	0.4	n/a	0	n/a	The company only listed in early December 2003.
Brickworks Investment Company (BKI)	0.15	n/a	0.0	n/a	Result does not reflect a full half-year of investment earnings as the company listed in December 2003. Profit represents net interest income received. The Board has stated that it expects to pay a dividend in the second half.
International Wine Investment Fund (IWI)	5.2	2288.2%	4.0	-18.8%	IWI's underlying business profit fell 31% to \$2.7m. Adjustments include recovering a charge against their share and options trading portfolio of \$2.8m and an unrealised foreign exchange gain of \$0.3m. The reduction in dividend reflects the special distribution of \$1 per unit in capital in July 2003 which reduced the company's net assets by approx. 30%. Total investment income increased significantly from a smaller asset base.
Amcil Limited (AMH)	0.2	Prev. \$-1.6m	0.0	0%	Income derived in the current period primarily comprised deposit interest and bank bill income. The result also included the sale of the remainder of the company's media and communications securities for proceeds exceeding their carrying value at the previous reporting date 30 June 2003. As the company had previously written down these positions in its Investment Portfolio, these disposals increased the company's reported profit in the current period.

Source: Company reports, ABN AMRO Morgans

Note - Numbers above are rounded

SYL reports its half year result in April

WHF reports its half year result in November

NTA update

In our last update on the LIC sector in August 2003, the majority of the LICs were trading at cyclical highs to their NTAs and some were looking particularly expensive. However now most LIC's NTAs (the value of the underlying portfolio) are trading at discounts to their share price. This has been the result of companies' NTAs increasing on the back of strong equity markets and an increase in the flow of funds in the sector for new listings and from the more established LICs raising money.

Platinum (PMC) continues to trade at a significant premium due to its excellent track record. PMC is trading at a 38% premium, so investors are effectively paying \$2.23 for something worth approx. \$1.62. We believe that such a premium is not justified and would recommend investors in PMC switching to Hunter Hall Global Value for international exposure.

Table 3: Premium/Discount to NTA

Company	ASX Code	Current Price (\$)	Current NTA	Premium/ (Discount) to NTA (%)	2003 Financial Year DPS (c)	Div. Yield (% pa)	Fkg	Market Capitalisation (\$m)
Australian LIC's								
WAM Capital	WAM	\$ 1.70	1.55	10%	8.00	4.7	100	87.4
Choiseul Investments	CHO	\$ 20.45	18.95	8%	61.00	3.0	100	324.0
Argo Investments	ARG	\$ 4.88	4.62	6%	18.00	3.7	100	1981.8
Djerriwarrh Investments	DJW	\$ 3.35	3.21	4%	21.50	6.4	100	536.3
Milton	MLT	\$ 13.53	13.51	0%	48.00	3.5	100	890.7
van Eyk Three Pillars	VTP	\$ 0.98	0.98	0%	n/a	n/a	n/a	48.6
Clime Capital	CAM	\$ 0.98	0.98	0%	n/a	n/a	n/a	17.5
Aust. United Investment	AUI	\$ 4.40	4.44	-1%	14.00	3.2	100	355.9
Aust. Foundation	AFI	\$ 3.28	3.31	-1%	14.25	4.3	100	2927.5
Ironbark Capital	IBC	\$ 0.56	0.57	-2%	3.00	5.4	100	53.2
Sylvastate	SYL	\$ 3.88	3.98	-3%	15.40	4.0	100	34.0
Wilson Leaders	WLS	\$ 0.94	0.97	-3%	n/a	n/a	n/a	41.5
Wilson Investment Fund	WIL	\$ 0.98	1.02	-4%	n/a	n/a	n/a	158.1
Amcl	AMH	\$ 0.47	0.49	-4%	0.00	0.0	0	40.2
Wallace Absolute Return	WAB	\$ 1.03	1.12	-8%	6.50	6.3	100	24.5
Diversified United	DUI	\$ 1.90	2.00	-5%	7.00	3.7	100	190.0
Whitefield	WHF	\$ 3.15	3.33	-5%	12.60	4.0	100	129.9
Brickworks Investment Comp.	BKI	\$ 0.97	1.03	-6%	n/a	n/a	n/a	171.2
Mirraboooka Investments	MIR	\$ 1.26	1.35	-7%	5.00	4.0	100	134.7
Carlton Investments	CIN	\$ 13.00	13.93	-7%	43.00	3.3	100	340.8
Premium Investors	PRV	\$ 0.93	1.00	-7%	n/a	n/a	n/a	161.9
MMC Contrarian	MMA	\$ 0.92	0.99	-7%	n/a	n/a	n/a	186.0
Aberdeen Leaders	ALR	\$ 0.98	1.09	-10%	2.00	2.0	100	58.5
Huntley Investment	HIC	\$ 0.62	0.69	-10%	3.00	4.8	100	62.2
Pacific Strategic Investments	PSI	\$ 0.26	0.29	-10%	2.00	7.7	100	18.9
International Wine Investment	IWI	\$ 1.88	2.53	-26%	10.00	5.3	0	124.1
International LIC's								
Platinum Capital	PMC	\$ 2.23	1.62	38%	15.00	6.7	100	237.9
Templeton Global Growth	TGG	\$ 1.17	1.18	-1%	0.00	0.0	0	111.5
Bentley Equities	BEL	\$ 0.38	0.45	-17%	0.00	0.0	0	14.6
Technology Investment Fund	TIF	\$ 0.42	0.54	-23%	0.00	0.0	0	33.4

Source: ABN AMRO Morgans
Prices as at 10 March 2004

When comparing the new LIC's share price to NTA, investors should take into consideration the total value (share price and attached option). We believe that the bulk of new LICs should move to premiums to NTA over the longer term. These companies need time to invest their funds. Strong results and subsequent dividends paid to shareholders and increased market awareness will reduce the discount over time. Furthermore, we believe that the increase in the number of LIC's will probably make the market further efficient as more investment professionals analyse this sector, potentially resulting in LIC's trading closer to their NTA. Each month LICs report their NTA backing to the ASX on a per share basis.

Premium Investors (PRV) is currently trading at a 7% discount to its NTA. PRV's NTA continues to grow as the underlying funds are being managed well and at 31 January was 99.7c. We believe that this discount is not warranted and that the stock is currently excellent value for long term investors. PRV provides investors with an opportunity to invest in a diversified portfolio of securities run by experienced and well regarded boutique fund managers. The company only listed in late November 2003 and is already paying shareholders dividends. Different to many new LICs, PRV has an absolute return focus.

LIC's Accumulated Returns

In table below we highlight the established LIC's accumulated returns (consisting of share price appreciation and dividends paid) over a one to ten year period. We stress that past performance should not be relied upon as indicative of future performance.

Table 5: LIC's Accumulated Returns

Company	ASX Code	Current Price (\$)	Accumulated 1 Year Return (%)	Accumulated 2 Year Return (%)	Accumulated 3 Year Return (%)	Accumulated 5 Year Return (%)	Accumulated 10 Year Return (%)
Aberdeen Leaders	ALR	\$ 0.98	20.24%	-12.50%	24.30%	14.13%	71.98%
Argo Investments	ARG	\$ 4.88	22.98%	20.97%	58.96%	61.93%	197.16%
Aust. Foundation	AFI	\$ 3.26	15.26%	9.45%	46.09%	43.02%	142.88%
Aust. United Investment	AUI	\$ 4.40	17.92%	6.61%	43.01%	70.29%	147.06%
Carlton Investments	CIN	\$ 12.90	29.42%	33.01%	89.40%	82.66%	242.44%
Choiseul Investments	CHO	\$ 20.45	32.04%	30.36%	78.41%	111.51%	268.28%
Diversified United	DUI	\$ 1.90	15.88%	-1.69%	26.36%	50.25%	121.55%
Djerriwarrh Investments	DJW	\$ 3.40	17.37%	6.39%	24.85%	22.53%	n/a
Huntley Investment	HIC	\$ 0.62	25.80%	5.25%	23.13%	45.12%	n/a
International Wine Invest. Fund	IWI	\$ 1.88	45.88%	31.09%	80.71%	102.44%	n/a
Ironbark Capital	IBC	\$ 0.57	32.05%	3.72%	2.03%	18.27%	51.38%
Milton	MLT	\$ 13.50	25.00%	18.33%	60.83%	80.80%	279.17%
Mirraboooka Investments	MIR	\$ 1.23	33.55%	22.61%	n/a	n/a	n/a
Pacific Strategic Investments	PSI	\$ 0.26	20.45%	4.67%	51.54%	n/a	n/a
Sylvastate	SYL	\$ 3.88	10.34%	5.76%	45.82%	65.45%	182.37%
WAM Capital	WAM	\$ 1.72	60.63%	45.33%	143.58%	n/a	n/a
Wilson Investments Taurine	WIT	\$ 1.12	16.00%	-4.16%	n/a	n/a	n/a
Whitefield	WHF	\$ 3.15	12.17%	-1.85%	22.80%	46.99%	154.70%
Bentley Equities	BEL	\$ 0.38	-18.48%	-52.33%	-50.00%	-2.94%	-19.95%
Platinum	PMC	\$ 2.29	52.50%	13.10%	54.80%	180.19%	n/a
Technology Investment Fund	TJF	\$ 0.42	29.61%	-27.77%	-17.33%	n/a	n/a
Templeton Global	TGG	\$ 1.16	22.11%	-32.39%	-18.75%	-14.21%	86.41%

Source: ABN AMRO Morgans, Iress Market Technology
Prices as at 9 March 2004

*n/a means stock was not traded over that period

Table 6 : In recognition of outperformance

Company	Accumulated Return 1 year
WAM Capital Limited (WAM)	60.63%
Platinum Capital Limited (PMC)	52.50%
Mirraboooka Investments (MIR)	33.55%
Accumulated Return 3 year	
WAM Capital Limited (WAM)	143.58%
Carlton Investments (CIN)	89.40%
Choiseul Investments (CHO)	78.41%
Accumulated Return 5 year	
Platinum Capital Limited (PMC)	180.19%
Choiseul Investments (CHO)	111.51%
International Wine Investment (IWI)	102.44%

Sources: ABN AMRO Morgans, Iress Market Technology
Accumulated returns taken from 09 March 2004

The new breed of LICs

LICs have recently attracted a great deal of attention as investors have realised the advantages of the LIC structure. In 2003 we saw a number of new LIC capital raisings by high quality and successful boutique investment managers. 2004 has started with more LIC offerings. In the table below, we take a look at the new breed of LICs. For more detail on any of these LICs please speak to your adviser.

Table 7: LICs - The New Breeds

Company	Raising	Sector Specialisation	Manager	Management Fees	Performance Fees	Length of Management contract
Wilson Investment Fund (WIL)	Raised \$150m	Medium sized industrial companies	MAM Pty Limited	1% of gross assets p.a.	20%	25 years
Premium Investors (PRV)	Raised \$172m	ASX securities	Treasury Group Investment Services Limited (TGIS)	1% of the value of the portfolio	10% for outperformance of a benchmark of 2% above the UBS Australian Bank Bill Index plus there is a 10% performance fee to the investment managers.	25 years
Brickworks Investment Company (BKI)	Raised \$171m	Blue chip stocks (banks and other financial institutions)	Souls Funds Management Limited (SFM)	0.8% p.a. of total assets		5 years
MMC Contrarian (MMA)	Raised \$200m	ASX securities – in particular small caps	M&GIC Pty Ltd	1.25% p.a. of gross assets, calculated monthly and in arrears	15%	25 years
Wilson Leaders (WLS)	Raised \$40m	ASX100	KWB Capital Pty Limited	1% of gross assets p.a.	20%	25 years
Van Eyk Three Pillars (VTP)	Raised \$49.5m	ASX300 portfolio will comprise of three sub portfolios being Blue Chip, Growth and Special Situations	van Eyk Research Limited	0.9% p.a. of the value of the portfolio	15% p.a. of over performance of ASX 300 Accumulation Index.	25 years
Clime Capital (CAM)	Raised \$17.7m	ASX-listed Industrial securities	Clime Asset Management	1% of gross assets	20%	25 years
Contango MicroCap	Min \$25m - max \$75m	Micro-caps	Contango Asset Management	1.25% of net assets	15%	10 years
Hunter Hall Global Value Limited	Min \$50m - max \$200m	International and ASX listed companies	Hunter Hall	1.5% p.a. of net assets	15%	25 years
Century Australia Investments	Max. \$200m	ASX-listed securities	452 Capital	1% per annum of the net tangible asset value of the Portfolio	10% for outperformance in excess of 3% over the S&P/ASX 300 Accumulation Index in a 12mth period payable in shares for a period of 5 years (voluntarily escrowed for this period).	5 years
Global Mining Investments	Min. of \$125m – Max. of \$250m	Global mining companies that are listed on various stock exchanges around the world	Bell Potter Funds Management ("BPFM")	1.25% of the Net Tangible Assets	15%	5 years
PPM Investments	Min \$30m - max \$100m may accept a further \$50m	ASX-listed securities	Private Portfolio Managers Pty Limited (PPM)	1% p.a. of the Portfolio's value	20%	15 years
Peters MacGregor Investments	Min. of \$20m – Max. of \$100m	International shares - North America, Australia and New Zealand	Peters MacGregor Capital Management	1% p.a. of the Value of the Portfolio	20%	25 years

Source: ABN AMRO Morgans, Company prospectus

Differences between the new breeds and the more established LICs

There are a number of differences between the more established "buy and hold" LICs such as AFIC, Argo and Milton compared to the new breed of LICs. They should therefore not be compared on a like-for-like basis. A range of strategies are followed by the managers of these companies from the conservative to more aggressive approaches. It is simply too early to judge the success of the new LICs as they have only just started investing. Some of the differentiating factors include:

- The established LICs have a portfolio in place and have a long and successful track record as an LIC, while the newer ones are starting to invest which could take some time.
- The new breed of LICs invest in the more volatile smaller and mid-sized cap sectors and their portfolios may hold relatively fewer stocks.
- The new LICs have higher management fees as well as performance fees.
- Most of the new LICs are managed by high profile boutique fund managers.
- The new LICs in most cases, have quite lengthy management agreements, in some cases run for 25 years, that in effect could prohibit corporate activity. This also makes it difficult, but not impossible, for shareholders to remove an underperforming manager and appoint someone else to run the portfolio.
- Most of the new LICs include an attaching option which shareholders have the right to exercise each option up to the expiry date at the \$1 entry price. This is a way for management to raise new capital after a certain period of time however it may cause dilution to the share price when the options are converted. Investors looking to buy the shares in the after-market (once listed) will not pay a dollar a share because of the "dilutionary effect" of the options. The attached options may also weaken the aftermarket support for the stock.

When choosing to invest in an LIC, it is important to apply the same principles to investing as it is to buying shares directly. The stated philosophy of the fund should match one's investment objectives and timeframe. Returns should also be measured not on short term success but over a longer period to ensure they are sustainable. LIC's range significantly in size in terms of their market capitalisation and therefore investors should take this into consideration when comparing one LIC to another.

Benefits of LIC's

LICs have emerged as a competing investment to managed funds, offering the benefits of being listed, while also being closed-end funds. Increasingly, LICs are being seen as an alternative to managed funds, which have disillusioned many investors with poor returns in recent years and a perception that the managers are collecting their management fees for producing index-like returns. The LIC structure has some significant advantages over unlisted managed funds, largely as they are closed end funds, managers need not be concerned about uncertain fund inflows and outflows, and the structure enables the smoothing and deferral of dividends which can be particularly useful for high tax payers. Below we highlight the benefits of LICs.

- Excellent way to hold a diversified portfolio within a single investment.
- LICs are subject to the regulatory and transparency requirements of the ASX.
- A way of gaining exposure to international or specialist markets efficiently.
- Structure enables adoption of a long term investment approach.
- Liquid market for entry and exit from investment. Investors also do not have to pay entry or exit fees to invest in a LIC as you would with a managed fund, although brokerage is applicable.
- Unlike unit trusts, they don't have "built in" ongoing commissions that go to financial advisers for recommending them.
- Capital appreciation and a consistent stream of income.
- They offer attractive capital management initiatives including share purchase plans, rights issues, bonus issues and dividend reinvestment plans.
- LICs compare favourably to managed funds in their significantly lower management expense ratios (MER's). Most of the more established LICs charge between 0.15% to 0.5% a year for management fees whereas the average fund manager charges 1.0-2.5%. However, the newer, more active management styles have higher fees in the 1.0% to 1.5% range and many have performance fees once benchmark returns are beaten.
- LIC's unlike managed funds that may have to sell shares at the bottom of the market to fund redemptions, can buy assets when they are cheap and sell them when they are expensive.
- Unit trusts, because of the trust structure, must distribute all of their income to unit holders as it is earned, usually each quarter. However, LICs, being companies, can control the size of the dividends they pay to their shareholders from their profits. This gives them the ability to smooth the dividend stream, an advantage over unit trusts, where distributions can vary dramatically from quarter to quarter.
- They offer tax advantages to individual investors, with the net income of the LIC taxed at 30%, which is then passed on with a franking credit to investors.
- Easily measurable to Net Tangible Assets (NTA).

We believe all equity portfolios should consider exposure to LICs. They provide additional market exposure to what can be achieved through direct investment in equities, for example access to the broader market or to a specific sector (off-shore or small cap's). In other words they can add balance to a portfolio, especially in smaller portfolios.

Summary of Listed Investment Companies

Table 9: Listed Investment Companies

Company	Comments
Aberdeen Leaders Limited (ALR)	<ul style="list-style-type: none"> ■ Sector specialisation: Blue-chip Australian companies strictly within, or about to enter, the S&P/ASX 50 Leaders Index. ALR has recently resolved to expand its investment mandate to include stocks in the S&P/ASX200. ■ Distinguishing feature: Within this index, businesses are selected which are expected to show a combination of superior medium-term earnings and dividend growth. ALR seeks investments that are "quality at a reasonable price". ALR is a geared LIC. ■ Managers: Aberdeen Asset Management (Australia). ■ Management Fees: 0.9% p.a. ■ Performance Fees: 20% where (a) the level of the S&P/ASX200 has increased over the period, the amount by which the value of the investments, less the Investment Management Fee and the Administration fee of 0.15% p.a. exceeds that increase (b) level of the S&P/ASX200 has decreased over the period, the amount of the increase in the value of the investments less the Investment Management fee and the Administration fee. No performance fee will be payable in the period where the value of investments has decreased. ■ Key holdings: ANZ, NAB, WBC, FGL, TAH, BHP, RIO, TEL, TLS, LEI.
Amcil Limited (AMH)	<ul style="list-style-type: none"> ■ Sector specialisation: Australian and New Zealand stock markets. ■ Distinguishing feature: Amcil will consider investment opportunities arising from thematic/cyclical rotations in the market, corporate activity and stock specific situations across a number of sectors within the Australian and New Zealand markets. Amcil has recently undergone a capital reorganisation in which it issued new shares and options to the public. In January 2004 Amcil issued 81.5m new shares at 50 cents each and a further 81.5m options to subscribe for new shares at 50 cents, exercisable up to 28 February 2007. From this issue, Amcil now has a capital base of approx. \$43m to broaden its investment mandate. The Managers are currently looking to start to build the portfolio and are taking a cautious approach. ■ Managers: Bruce Teele, Ross Barker. ■ Management Fees: n/a ■ Key holdings: No holdings have been announced to the market however the company has begun investing.
Argo Investments Limited (ARG)	<ul style="list-style-type: none"> ■ Sector specialisation: Diversified Australian industrial companies. ■ Distinguishing feature: Argo is Australia's second largest LIC. It seeks long-term growth through the maintenance of a diversified Australian industrial share portfolio. Argo's investment approach can be summed up in three words: Safe, Steady, Simple. Argo does not have any borrowings, management fees are among the lowest in the industry and there is a history of regular bonus and rights issues. The company remains in a strong financial position with no debt and \$165m is cash available for investment. ■ Managers: Robert Patterson ■ Management Fees: less than 0.2%. ■ Key holdings: MBL, MLT, NAB, ANZ, WES, WBC, AUI, TLS, BHP, CBA.
Australian Foundation Investment Company (AFI)	<ul style="list-style-type: none"> ■ Sector specialisation: Large holding in Banks and underweight position in Resources. ■ Distinguishing feature: AFI is Australia's largest LIC and this year is their 76th year of operation. AFI has built a diversified portfolio of investments in substantial, well-managed and financially sound Australian companies. AFI invests for the medium to long term. The company has a trading portfolio that does not exceed 10% of the total portfolio. AFI currently has \$190m in cash for investments in the second half. ■ Managers: Bruce Teele, Ross Barker ■ Management Fees: 0.17% (net of administration fees recovered from other Investment Companies.) ■ Key holdings: NAB, CBA, WBC, WES, BHP, TLS, ANZ, AMC, TOL, CML.
Australian United Investment Company (AUI)	<ul style="list-style-type: none"> ■ Sector specialisation: Predominately in the shares of companies listed on the ASX. ■ Distinguishing feature: Investments are purchased or subscribed for on the basis of the Directors' assessment of their individual prospects for income and growth. The Directors do not invest by reference to any pre-determined policy that any particular proportions of the capital will be invested in particular investment sectors. ■ Managers: Investment policy is determined by the Board - Charles B. Goode, Graeme E. Moir, Dr P. John B. Rose, Peter J. Wetherall and administrative, accounting and secretarial services are provided by the Myer Family Office. ■ Management Fees: 0.18% ■ Key holdings: ANZ, NAB, WBC, RIO, AWC, WES, TAB, WMR, CBA, WPL.
Brickworks Investment Company (BKI)	<ul style="list-style-type: none"> ■ Sector Specialisation: Largely blue chip stocks, heavily weighted towards banks and other financial institutions. ■ Distinguishing feature: Had an established portfolio before listing which had a strong track record of superior performance. BIC is a long term investor. ■ Managers: Souls Funds Management Limited (SFM) - Messrs Robert Millner (Chairman of Brickworks and Soul Pattinson) and Alex Payne (Chief Financial Officer and Company Secretary of Brickworks Limited) and Mr Vincent Parrott. ■ Management Fees: Gross management and administration costs are expected to be approximately 0.8% p.a. of total assets. The monthly management fee payable by the company to SFM is one-twelfth of 0.35% of the total assets of BICL at the end of the preceding month. ■ Key holdings: CBA, NAB, SGB, CHO, MBL, WOW, AWC, BHP, NHC, WMR.

Source: ABN AMRO Morgans

Table 10: Listed Investment Companies

Company	Comments
Carlton Investments (CIN)	<ul style="list-style-type: none"> ■ Sector specialisation: Blue chip stocks to obtain high levels of income through fully franked dividends. ■ Distinguishing feature: CIN invests in shares in solid, well managed companies. CIN has a conservative approach to investing and does not act as a share trader or invest in speculative stocks. CIN has been established since 1928 ■ Managers: The Board of Directors ■ Management Fees: 0.14% ■ Key holdings: AHD, NAB, ANZ, WBC, AGL, SGB, CBA, PPT, GOW, BHP.
Choiseul Investments (CHO)	<ul style="list-style-type: none"> ■ Sector specialisation: CHO's investments are benchmarked against the All Industrials and All Ordinaries Index. ■ Distinguishing feature: CHO's objective is to invest funds for the long term in a diversified portfolio to generate an increasing income stream for distribution to shareholders in the form of fully franked dividends and capital appreciation. ■ Managers: Day to day management is conducted by Milton Corporation subject to the direction of the Board of CHO. ■ Management Fees: 0.17% p.a. of total assets. ■ Key holdings: NAB, MLT, SOL, CBA, QBE, SGB, BOQ, BKW, BHP, SGP.
Clime Capital (CAM)	<ul style="list-style-type: none"> ■ Sector specialisation: Predominantly ASX-listed Industrial securities. ■ Distinguishing feature: Long term investor. Donates 10% of its profits to children's charities. An investment in this company is speculative. ■ Managers: Clime Asset Management – Roger Montgomery ■ Management Fees: 1% of gross assets. ■ Performance Fee: 20% where (a) the level of the All Ordinaries Accumulation Index has increased over that period, the amount which the value of the portfolio exceeds this increase; or (b) the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the value of the portfolio. No performance fee will be payable where the portfolio has decreased in value. ■ Key holdings: only listed on 3 February – no holdings disclosed at this stage.
Diversified United Investment (DUI)	<ul style="list-style-type: none"> ■ Sector specialisation: DUI currently invests in Australian equities 90%, fixed interest securities 3%, listed property securities 6% and short term deposits 1%. ■ Distinguishing feature: DUI invests in a diversified portfolio with the objective of obtaining solid income and longer-term capital gain with an acceptable level of risk. DUI was spun out of AUI in 1991 to offer investors a more diversified portfolio that included overseas shares and fixed-interest investments. DUI has paid an increased dividend every year since listing in 1991. ■ Managers: Charles B. Goode, Graeme E. Moir, Martyn K. Myer, Rupert Myer, Graeme W Sinclair. ■ Management Fees: approx. 0.3% ■ Key holdings: ANZ, CBA, WPL, WBC, NAB, QBE, RIO, TAH, AWC, PPT.
Djerriwarrh Investments Limited (DJW)	<ul style="list-style-type: none"> ■ Sector specialisation: Sub-underwriter and trader of equity securities, exchange-traded options and similar securities. ■ Distinguishing feature: DJW is an active value based manager. DJW's objective is to provide attractive returns to its shareholders through dividends and capital growth. ■ Managers: Bruce Teele, Ross Baker ■ Management Fees: 0.27% ■ Key holdings: NAB, CBA, BHP, TLS, NCP, ANZ, WBC, WAN, WPL, RIO.
Huntley Investment Company Limited (HIC)	<ul style="list-style-type: none"> ■ Sector specialisation: Blue-chip, growth and speculative stocks, where performance is benchmarked against the All Ordinaries Accumulation Index. ■ Distinguishing feature: HIC focuses on long term investment in securities. HIC also invests in futures and options for hedging purposes and, where appropriate, in interest bearing deposits. HIC's placement and rights issue completed in December raised \$13.9m after expenses. ■ Managers: The Leaders Investment Manager Limited – Ian Huntley ■ Management Fees: 0.85% on the first \$50m, 0.7% on the next \$50m and 0.6% for the next \$100m. ■ Key holdings: AGL, JHX, RIO, WES, WPL, ALN, APA, ANE, RCD, SGN.
International Wine Investment Fund (IWI)	<ul style="list-style-type: none"> ■ Sector specialisation: International wine sector ■ Distinguishing feature: IWI has a spread of investments ranging from vineyards and wine services to integrated wine companies and distribution and retail. IWI invests directly into Australia, France, Germany, UK and USA, and indirectly into Argentina, Chile, Italy, NZ, South America and Spain. ■ Managers: Berren Asset Management Limited ■ Management Fees: 0.61% ■ Key holdings: Constellation Brands Inc., FGL, Hawesko AG (Germany), ETW.

Source: ABN AMRO Morgans

Table 11: Listed Investment Companies

Company	Comments
Ironbark Capital Limited (IBC)	<ul style="list-style-type: none"> ■ Sector specialisation: IBC's investment policy is to invest at least 50% of the portfolio in outside of the 50 leaders Index and up to 30% of the portfolio in 'Special Situation' stocks, which may or may not be stocks from inside the 50 Leaders Index. ■ Distinguishing feature: In January last year, BT Australian Equity Management (BTE) severed all ties with its promoter, administrator and investment manager of almost 15 years, Bankers Trust Australia, following their resignation. The Board was dissatisfied with BT's performance and in the latter part of 2002 the Directors undertook a comprehensive review of Australian Fund Managers with a view to appointing a manager with a proven track record of consistent returns above market indices. They appointed Kaplan Funds Management. At BTE's EGM in April 2003 a special resolution was passed to change the name of the company to "Ironbark Capital Limited". The Directors recently extended the Manager's contract for a minimum additional 2 years. The base investment management fees have been renegotiated to a lower level and the out performance hurdles slightly raised. IBC's share portfolio remains positioned defensively with the objective of achieving consistent returns with lower volatility. Adjusted cash holdings at present are high reflecting the defensive strategy. The portfolio has an emphasis on income generating assets. ■ Managers: Kaplan Funds Management ■ Management Fees: Are currently under review. However the Directors are targeting an MER below 1% p.a. ■ Key holdings: NAB, APN hybrid securities, PRK convertible Reset Adjust. Notes, NAB Income Securities, BHP, CPA, DDF, IPG, MGI, GAS, PIF.
Milton Corporation Limited (MLT)	<ul style="list-style-type: none"> ■ Sector specialisation: The portfolio is heavily weighted towards diversified financial services (12.7%) and the banks (39.4%). ■ Distinguishing feature: MLT was established in 1938. MLT seeks to invest in well-managed companies and trusts with a profitable history and with the expectation of sound dividend growth. The company invests for the long term and has a bias to banks and diversified financials. Portfolio return is benchmarked against the All Ordinaries Accumulation Index. MLT is not a speculative investor and does not sell its assets to increase profit for distribution to shareholders. MLT currently has in excess of \$50m available for investments as opportunities present themselves. ■ Managers: Four directors and the CEO meet regularly to review the investment portfolio. ■ Management Fees: 0.27% p.a. of total assets. ■ Key holdings: WBC, NAB, CBA, BOQ, CHO, SGB, WES, BEN, SUN, ANZ.
Mirabooka Investments Limited (MIR)	<ul style="list-style-type: none"> ■ Sector specialisation: Small to medium size companies listed on the Australian and New Zealand Stock Exchanges. ■ Distinguishing feature: MIR listed in 2001. Its objectives are to provide medium to long-term investment gains through holding core investments in selected companies and to provide attractive dividend returns to investors. Although the company's primary investment focus is small to medium sized companies, it does not necessarily sell investments in companies, which become reclassified as large. ■ Managers: run by the Board of Directors - Ross Barker, Terry Campbell. ■ Management Fees: 1.1%. MIR pays a fee to Goldman Sachs JB Were for its research. ■ Key holdings: HSP, APNG, NUF, PRK, HLY, FOA, BAX, MIG, PBB, JHX.
Pacific Strategic Investments Limited (PSI)	<ul style="list-style-type: none"> ■ Sector specialisation: Predominately ASX listed companies. ■ Distinguishing feature: PSI has a medium to long-term investment strategy, with investments generally expected to yield returns only after periods greater than 12 months. Investments are targeted as being of either strategic value or growth at value. Strategic value investments are those considered to be promising targets of corporate activity such as takeovers, or which could be made profitable by management, given time. Investments identified as growth at value are those with excellent franchise attributes, which are under priced relative to the market and comparable companies. Investments identified by either the strategic or growth approach may be classified into any one of: strategic, investment or trading securities by the company. ■ Managers: Pitt Capital Partners manages PSI under a management contract with Republic Securities Limited. ■ Management Fees: 0.99% ■ Key holdings: ALN, AWB, CBA, WES, WOW, WPL, BIL, ALS, GWT, ILU, TEN.
MMC Contrarian (MMA)	<ul style="list-style-type: none"> ■ Sector specialisation: predominately ASX listed securities. Intends to take substantial holdings in small caps. ■ Distinguishing feature: Investment philosophy is contrary to the 'herd' mentality of the market. Speculative investment for this reason. Medium to long term approach. ■ Managers: M&GIC Pty Ltd owned by MMC Asset Management Limited (60%) and HGL Limited (40%) – Erik Metanomski, Peter Constable, David Sutherland and Kevin Eley. ■ Management Fees: 1.25% p.a. of gross assets of the company, calculated monthly and in arrears. ■ Performance Fee: 15% where (a) the level of the All Ordinaries Accumulation Index has increased over that period, the amount which the value of the portfolio exceeds this increase; or (b) the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the value of the portfolio. No performance fee will be payable where the portfolio has decreased in value. ■ Key holdings: Only listed since December 2003 – portfolio hasn't been announced.

Source: ABN AMRO Morgans

Table 12: Listed Investment Companies

Company	Comments
Premium Investors (PRV)	<ul style="list-style-type: none"> ■ Sector specialisation: ASX securities. International securities may be purchased but this will be limited to 25% of the total assets of the company. ■ Distinguishing feature: This LIC is a unique offering in that it has adopted a “fund of the funds” approach. PRV has selected specialist “boutique” investment managers to manage its investments. Funds will be diversified across a range of investment styles, philosophies, and processes. Selected managers may be allowed to short-sell securities. Investment Managers are not allowed to gear their portfolios, nor create an overall short portfolio. ■ Managers: Treasury Group Investment Services Limited (TGIS), a subsidiary of ASX listed Treasury Group (TRG). Investment managers include value manager Investors Mutual (Anton Tagliaferro), growth manager Orion (Tim Ryan) and two small cap managers Armytage and Confluence (Campbell Boag). Funds have been allocated to the various fund managers as follows: Investors Mutual 40%, Orion Asset Management 30%, Confluence Asset Management 15% and Armytage Private 15%. ■ Management Fees: Base fee of 1% of the value of the Portfolio which accrues daily and is calculated and paid monthly in arrears. ■ Performance fee: payable to each investment manager based on 10% of the outperformance of each investment manager’s funds against a benchmark of 2% above the UBS Warburg Australian Bank Bill Index. Negative performance will need to be carried forward and made up before a performance fee can be earned in the future. ■ Key holdings: WBC, ANZ, NAB, CBA, TLS, AMC, SGB, TCL, BHP, FGL, TEL, CEY, HLY, IIN and QAN.
Sylvastate Limited (SYL)	<ul style="list-style-type: none"> ■ Sector specialisation: Listed Australian shares and property trust units. ■ Distinguishing feature: SYL was established in 1923. The company has an income/yield focus and is a long term investor. SYL has less market-weighted exposures, therefore its investment performance will differ from the market overall. SYL holds a diversified portfolio. Diversity is further enhanced by the company’s substantial investment in Whitefield Ltd. Whitefield and Sylvastate are subject to common management. SYL does not gear its investment portfolio and has no debt. Towards the end of last year, SYL sold approx. 40% of its investment in WHF and reinvested the proceeds. The Boards of both WHF and SYL believed that this move will assist each company in pursuing their corporate and investment objectives. ■ Managers: White Funds Management and Moore Stephens WI. ■ Management Fees: less than 0.35%. ■ Key holdings: NAB, CBA, WBC, ANZ, TLS, MBL, FGL, PPT, WES, AMC.
Van Eyk Three Pillars (VTP)	<ul style="list-style-type: none"> ■ Sector specialisation: ASX300 ■ Distinguishing feature: the portfolio will comprise of three sub portfolios being Blue Chip, Growth and Special Situations. The company will remain over 95% invested in equities. The portfolio will be actively traded and so is not expected to meet the Income Tax Assessment Act’s definition of an LIC (shares being held at least a year). ■ Managers: van Eyk Research Limited – Stephen van Eyk, Mark Thomas, Tom Cottam. Administration Manager: White Funds Management. ■ Management Fees: 0.9% p.a. of the value of the portfolio. ■ Performance Fee: 15% p.a. of over performance of ASX 300 Accumulation Index. ■ Key holdings: VTP listed on 28 January 2004 – portfolio hasn’t been announced.
Wallace Absolute Return (WAB)	<ul style="list-style-type: none"> ■ Sector specialisation: ASX listed securities. Other investments include bills of exchange, other negotiable investments and debentures. ■ Distinguishing feature: WAB has been in operation since January 2003. WAB follows a Relative Value Trading strategy. This involves selling relatively expensive shares and buying relative inexpensive shares. WAB also has a series of investment guidelines: a minimum of 80% of the portfolio invested in the S&P/ASX 200; a maximum of 10% of the portfolio invested in unlisted securities (with a 5% individual stock limit); a maximum of 20% of the portfolio in offshore securities (with a 10% individual stock limit); and a maximum individual position of 10% of the portfolio. ■ Managers: Wallace Funds Management. ■ Management Fees: 1.2% of the value of WAB’s investment portfolio p.a. ■ Performance Fee: 20% where (a) the value WAB’s investment portfolio has increased over that period above the Hurdle Rate, provided no underperformance has been carried forward; or (b) the value WAB’s investment portfolio has increased over that period above the Hurdle Rate, after deducting the underperformance carried forward. No performance fee is payable to the Manager in respect of any performance period where the portfolio has decreased in value over that period. ■ Key holdings: RIO, BIL, TLS, NCP, NCPDP, MIG, HHG, FGL, BHP, AMP.
WAM Capital Limited (WAM)	<ul style="list-style-type: none"> ■ Sector specialisation: Medium sized industrial companies on ASX. ■ Distinguishing feature: WAM’s investment approach is one that aims to strike a balance between value and growth. WAM aims to invest in companies with strong EPS growth, trading on low PE multiples, in growth industries (with an emphasis on medium sized industrial companies) and with a proven management. WAM will also undertake short selling as a way of offering investors potential downside protection. WAM listed in August 1999. ■ Managers: Wilson Asset Management (International) Pty Limited ■ Management Fees: 1% of gross assets p.a. ■ Performance Fees: 20% (a) where the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the Value of the Portfolio exceeds this increase; or (b) where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the Value of the Portfolio. No performance fee will be payable to the Manager in respect of any performance period where the Portfolio has decreased in Value over that period. ■ Key holdings: PLF, OFM, SHV, RKN, ASX, REG, RBS, LCP, OMP, PSI.

Source: ABN AMRO Morgans

Table 13: Listed Investment Companies

Company	Comments
Wilson Investment Fund (WIL)	<ul style="list-style-type: none"> ■ Sector specialisation: The preference is to invest in industrial companies that have a proven track record of profit and dividends. A number of the investee companies will be medium sized, however size will not be a limiting factor for inclusion in the portfolio. ■ Distinguishing feature: WIL will buy and hold securities for long term investment purposes and will predominantly invest in ASX listed securities. ■ Managers: MAM Pty Limited which comprises experienced fund management professionals Geoff Wilson, Matthew Kidman and Karl Siegling. ■ Management Fees: 1% of gross assets p.a. ■ Performance Fees: Where the Portfolio has increased in value over a 12 month performance calculation period, the Manager will also be entitled to a performance fee of 20% where (a) the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the value of the Portfolio exceeds this increase; or (b) the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the value of the Portfolio. No performance fee will be payable to the Manager in respect of any performance period where the Portfolio has decreased in value over that period. ■ Key holdings: ANZ 5.85% Conv. Pref, ASX, BWI, BKWPA, CKR, GNCPA, GTPG, HWT, IFL, LEIGA, LCP, MFI, MPI, MMA.
Wilson Leaders (WLS)	<ul style="list-style-type: none"> ■ Sector specialisation: ASX100 ■ Distinguishing feature: Ability to take short positions on up to 30% of its holdings. Don't anticipate that it will be considered an LIC for the purposes of the Income Tax Assessment Act. ■ Managers: KWB Capital Pty Limited - Geoff Wilson, Justin Braitling and Matthew Kidman ■ Management Fees: 1% of gross assets per annum calculated on a monthly basis. ■ Performance fee of 20% of: (a) where the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the value of the Portfolio exceeds this increase; or (b) where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the value of the Portfolio. No performance fee will be payable to the Manager in respect of any performance period where the Portfolio has decreased in value over that period. ■ Key holdings: WLS listed on 10 February 2004 – only an ALR holding has been announced.
Wilson Investment Taurine Fund Limited (WIT)	<ul style="list-style-type: none"> ■ Sector specialisation: primarily invests in listed Australian securities. ■ Distinguishing feature: The company's investment strategy centres on diversification via investment in a range of industry sectors. WIT's investment guidelines require the maintenance of holdings in at least 20 different companies, with the majority of funds to be invested in companies with a market value of at least \$10m. The company aims to maintain at least 90% of capital in equity investments at all times, with sector capital allocation to be guided by the weightings used in the determination of the All Ordinaries Index. ■ Managers: WHTM Asset Management Limited ■ Performance Fees: There is no fixed management fee. The Manager receives a fee that is performance based and payable quarterly in arrears. The performance fee is 15% of the amount by which the Company's net performance before tax (that is, after all costs and outlays but before the calculation of the performance fee) exceeds the interest rate payable on bank bills as represented by the SBC Bank Bill Index for that quarter. If the Company's net performance in any quarter is less than the interest rate payable on bank bills as represented by the SBC Bank Bill Index for that quarter, no performance fee will be payable. ■ Key holdings: RIO, FLT, TLS, MBL, CBA.
Whitefield Limited (WHF)	<ul style="list-style-type: none"> ■ Sector specialisation: WHF's portfolio is heavily weighted towards the banking sector. ■ Distinguishing feature: WHF holds a diversified portfolio of 69 stocks, where performance is benchmarked against the All Industrials Accumulation Index. WHF's investment objective is to produce a growing and secure income stream in both the long and short term. The company does not intend to gear its portfolio and has no borrowings. WHF has a strong underweight exposure to resources and remains overweight banks, financials and industrials. ■ Managers: White Funds Management and Moore Stephens WI. ■ Management Fees: less than 0.35%. ■ Key holdings: NAB, CBA, ANZ, WBC, TLS, MBL, NCP, PPT, NCP, FGL.

Source: ABN AMRO Morgans

Table 12: Listed Investment Companies that invest in International securities

Company	Comments
Bentley Equities Ltd (BEL)	<ul style="list-style-type: none"> ■ Sector specialisation: BEL has a diverse list of investments in overseas financial centres. BEL invests in the Vanguard International Shares Index Funds. It holds blue chip stocks listed in North America, Europe, and Japan. The benchmark is now the MSCI World (ex Australia) Accumulation Index. ■ Distinguishing feature: BEL was formally BT Global Asset Management. BEL may invest in international fixed interest securities, international money market securities, derivatives, currency and liquid assets to manage overall risk. From May 1999, BEL's policy was not to hold any Australian equities. ■ Managers: Constellation Capital Management is the proposed managers. BEL outsources its administration, accounting and company secretarial services to White Funds Management. ■ Management Fees: under review pending the appointment of the proposed manager. ■ Key holdings: approximately 80% of the company's funds were invested in the Vanguard International Shares Index Fund ("Vanguard Fund"). The Vanguard Fund seeks to match the total return of the MSCI World ex-Australia Index (with net dividends reinvested) on an unhedged basis. The remainder of the Company's funds have been held in an interest bearing bank account. At 31 December 2003, the investment portfolio remains approximately 79% in the Vanguard Fund and 21% in an interest bearing bank account.
Platinum Capital (PMC)	<ul style="list-style-type: none"> ■ Sector specialisation: International securities. ■ Distinguishing feature: PMC is an Australian-based, global equity fund manager holding a portfolio of international listed securities. PMC's investment strategy is to build a portfolio based on individual stock selections (a 'bottom-up' approach), where performance is benchmarked against the Morgan Stanley Capital International World Accumulation Index (MSCI). PMC is a medium to long-term investor, holdings stocks for 3 to 5 years. When undervalued stocks cannot be found, the funds will remain in cash. PMC short sells shares and indices and actively manages currency. The Directors of PMC has a policy of smoothing dividend payments over the years. ■ Managers: Platinum Asset Management - Kerr Neilson ■ Management Fees: 1.5% p.a. of the value of the portfolio payable monthly. ■ Performance fee: 10% of the amount by which the portfolio's annual performance exceeds the return achieved by MSCI plus 5%. Where the portfolio's annual performance is less than the MSCI, the amount of the underperformance is aggregated, carried forward and deducted from the annual performance in the subsequent year before calculating any performance fee for that year. The aggregate of underperformance is carried forward until a performance fee becomes payable. ■ Key holdings: Schindler, Siemens, Bayer, Linde, Nordea, Alleanza, Munich R, Veolia Environ., Deutsche Post, Hornbach, Shell, Barrick Gold, Newmont Mining, Gold Fields, Yamanouchi, Schering, Novartis, Merck KGaA, Agere, Samsung, AMD, Infineon Tech, Henkel, Citizen Watch, Adidas Salomon, Lott, Sky Perfect Communications, Seoul Broadcasting, Hellenic Telecom, Ericsson, NTT.
Templeton Global Growth Fund (TGG)	<ul style="list-style-type: none"> ■ Sector specialisation: International securities. ■ Distinguishing feature: The objective of TGG is to provide Australian residents with a well managed and cost effective investment vehicle through which they can gain access to global equity markets. TGG identifies companies rather than economies. The fund is benchmarked against the Morgan Stanley Capital International All Country World Free Index. During the half year, TGG made a placement of 13m shares at \$1.14 raising \$14m. A further \$1.2m of equity was raised through a shareholder purchase plan at \$1.14. ■ Managers: TGG delegates certain investment management functions to Franklin Templeton Investments Australia Limited, which invests in stocks around the world. ■ Management Fees: n/a ■ Key holdings: North America - Abbott Laboratories, Pfizer, Hewlett Packard, Synopsys, Ace. Europe - E.ON, Swiss Reinsurance, K. Philips Electronics, ENI, Spa Iberdrola. Asia - Cheung Kong, Samsung Electronics, NTT, Satyam, Nomura.
Technology Investment Fund (TIF)	<ul style="list-style-type: none"> ■ Sector specialisation: TIF invests in a diversified portfolio of technology companies in Australia and the US. ■ Distinguishing feature: TIF is the first fund dedicated to technology investment, with a disciplined process. Performance is benchmarked against the Nasdaq and the S&P Technology Index. The manager will not invest more than 10% of the Fund in any one company. The fund continues to invest in technology based companies predominantly in Australasia and the US. Fund's exposure to specific opportunities in the network services and technology hardware & equipment sectors and reduced the Fund's exposure to the pharmaceuticals and biotechnology sectors. The heaviest industry weightings at year end were to network services and software & services with lower weights to the three medical science sectors of biotechnology, pharmaceuticals and medical devices. ■ Managers: Gresham Technology Management Limited. ■ Management Fees: 1.5% ■ Key holdings: Powertel Ltd, Novera Energy, ResMed Inc, Nextel Communications Inc, MYOB, WebEx Communications Inc, Vimpel Communications Inc, E*TRADE Group Inc, Laboratory Group of America Holdings.

Source: ABN AMRO Morgans

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