

# DIXON ADVISORY INVESTMENT SEMINAR

## OCTOBER 2010

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Comments regarding the proposed merger with Choiseul Investments Limited (“Choiseul”) are the views of Milton and are not intended to represent the views of the independent directors of Choiseul.

# AGENDA

- BRIEF HISTORY
- BOARD OF DIRECTORS
- OBJECTIVE
- PORTFOLIO
- PERFORMANCE
- GROWTH OPTIONS
- OUTLOOK

# HISTORY

- INCORPORATED 1938
  - PRIVATE MORTGAGE INVESTMENT COY
- LISTED 1958 (> 50 YEARS AGO)
  - BEGAN EXPANDING SHARE INVESTMENT & PROPERTY INVESTMENT ACTIVITIES
  - PROFITS ACCRUED TO SHAREHOLDERS
- FOUNDER – FRED CHURCH
  - EXECUTIVE CHAIRMAN UNTIL 1995

# DIRECTORS

- MR ROBERT MILLNER (Chairman) 1998
- MR JOHN AITKEN - 2001
- MR JOHN CHURCH - 1986
- MR GRAEME CRAMPTON - 2009
- DR IAN POLLARD - 1998
- MR FRANK GOOCH (MD) – 2004
  - Joined Milton 1996
  - CEO 1999

# OBJECTIVE

- TO HOLD A DIVERSIFIED PORTFOLIO OF ASSETS THAT:
  - GENERATES A GROWING INCOME STREAM FOR DISTRIBUTION TO SHAREHOLDERS IN THE FORM OF FULLY FRANKED DIVIDENDS; AND
  - PROVIDES CAPITAL GROWTH IN THE VALUE OF SHAREHOLDERS' INVESTMENTS

# DIVERSIFIED PORTFOLIO

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MILTON CORPORATION LIMITED  
AN AUSTRALIAN LISTED INVESTMENT COMPANY SINCE 1958

# BALANCE SHEET 30 JUNE 10

	\$ million
Cash and other liquid assets (– 7.2%)	116
Investments (130 companies – 90.5%)	1,453
Other (JV's (– 1%) & Receivables)	36
Total assets	1,605
Other liabilities	(3)
<b>Net assets</b>	<b>1,602</b>
Prov. for tax on unrealised CGT	(130)
Total equity	1,472



# MILTON'S

## INVESTMENT CLASSIFICATION

### 31 AUGUST 2010

	% of Total Investments	Major investments
Banks	34.8	WBC, CBA, BEN, BOQ
Materials	12.7	BHP, BKW, RIO
Diversified Financials	12.2	SOL, CHO, PPT, MQG, ASX
Consumer Staples	11.5	WES, WOW
Commercial Services	4.1	CPB
Insurance	4.0	QBE, SUN
Energy	3.9	WPL, STO
Capital Goods	3.7	LEI, UGL
Real Estate	2.5	CFX
Healthcare	2.5	CSL
Other	8.1	TLS, AGK

# TOP 10 INVESTMENTS

## 31 AUGUST 2010

	<b>Market value \$ millions</b>	<b>% of total investments</b>
Westpac Banking Corporation	195.3	12.8
Commonwealth Bank of Australia	117.4	7.7
B H P Billiton Limited	87.5	5.7
Wesfarmers Limited	74.4	4.9
National Australia Bank Limited	68.9	4.5
Woolworths Limited	58.7	3.8
Washington H Soul Pattinson	58.1	3.8
Australia & NZ Banking Group	56.9	3.7
Choiseul Investments Limited	52.7	3.4
Campbell Brothers Limited	52.5	3.4

# TOP 11 - 20 INVESTMENTS

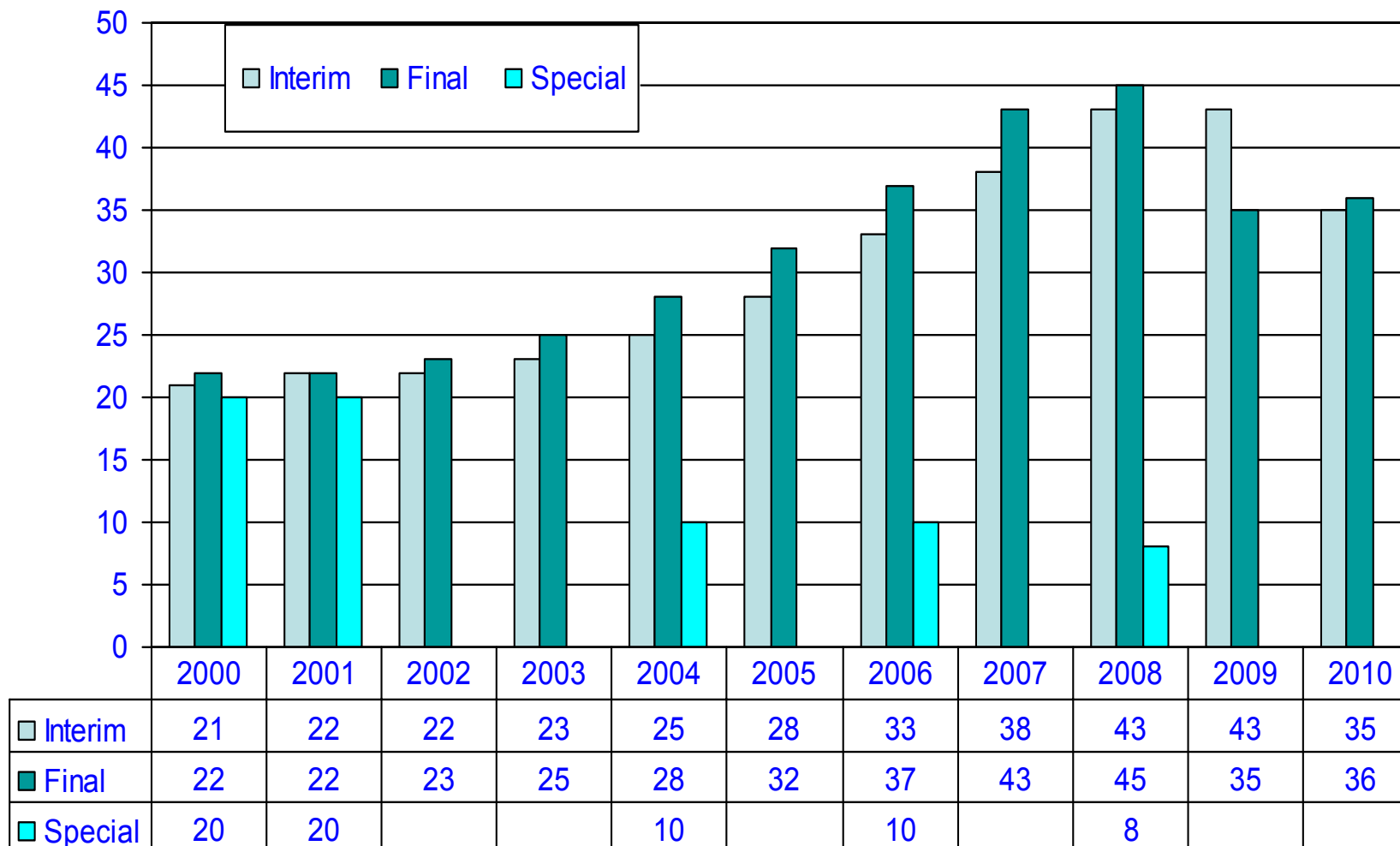
## 31 AUGUST 2010

	<b>Market value \$ millions</b>	<b>% of total investments</b>
Bank of Queensland Limited	46.6	3.1
Bendigo and Adelaide Bank Limited	39.0	2.6
Rio Tinto Limited	30.3	2.0
Woodside Petroleum Limited	29.0	1.9
Brickworks Limited	24.2	1.6
Telstra Corporation Limited	22.2	1.5
AGL Energy Limited	21.5	1.4
Perpetual Limited	20.1	1.3
Suncorp-Metway Limited	19.5	1.3
C S L Limited	<u>19.2</u>	<u>1.3</u>
<b>Total Top 20</b>	<b><u>1,094.3</u></b>	<b><u>71.6</u></b>

# INCREASING DIVIDEND STREAM

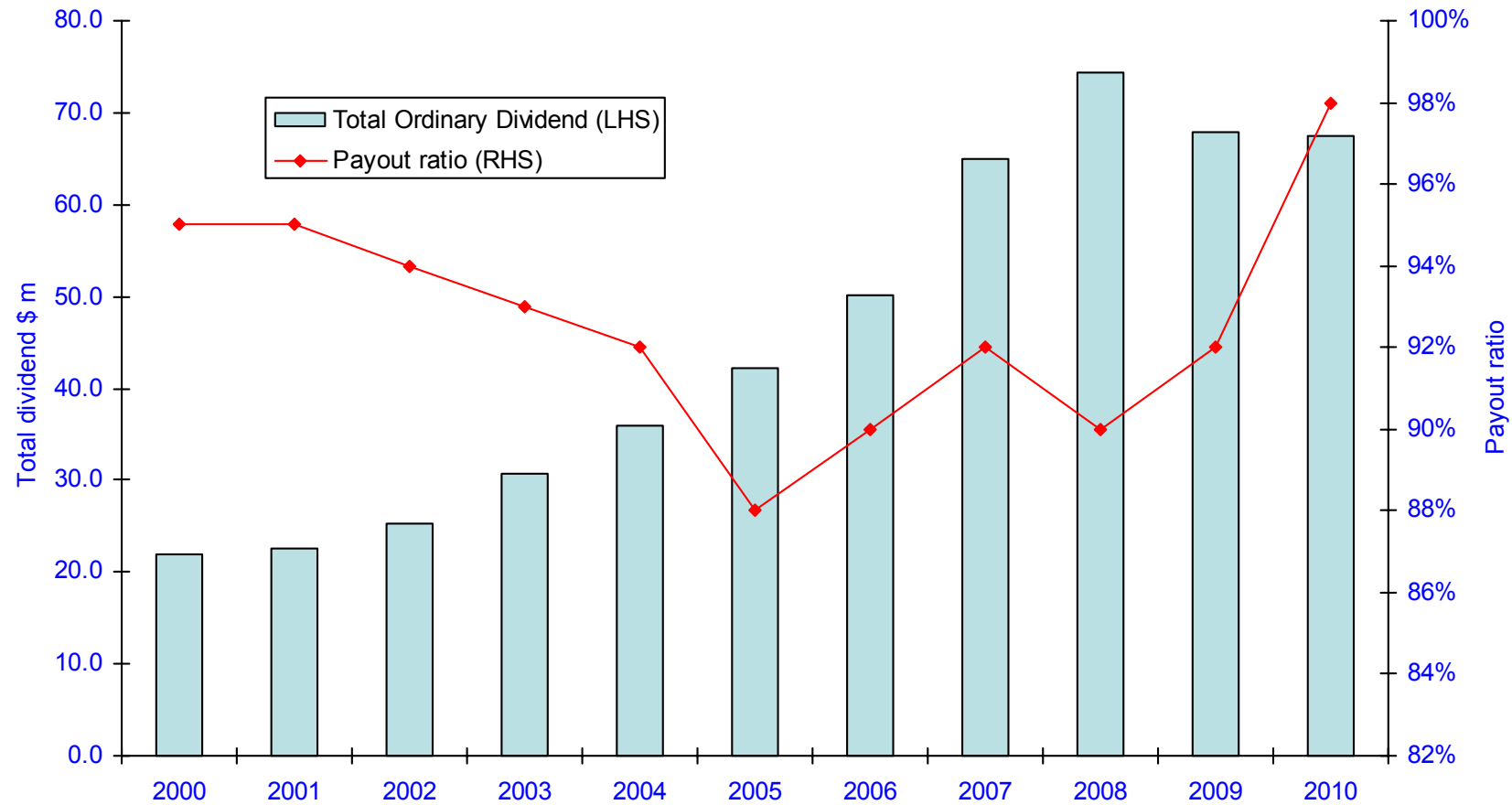
- FULLY FRANKED DIVIDENDS PAID OUT OF UNDERLYING OPERATING PROFIT
- SPECIAL DIVIDENDS PAID PERIODICALLY OUT OF SPECIALS

# MILTON DIVIDEND HISTORY



MILTON CORPORATION LIMITED  
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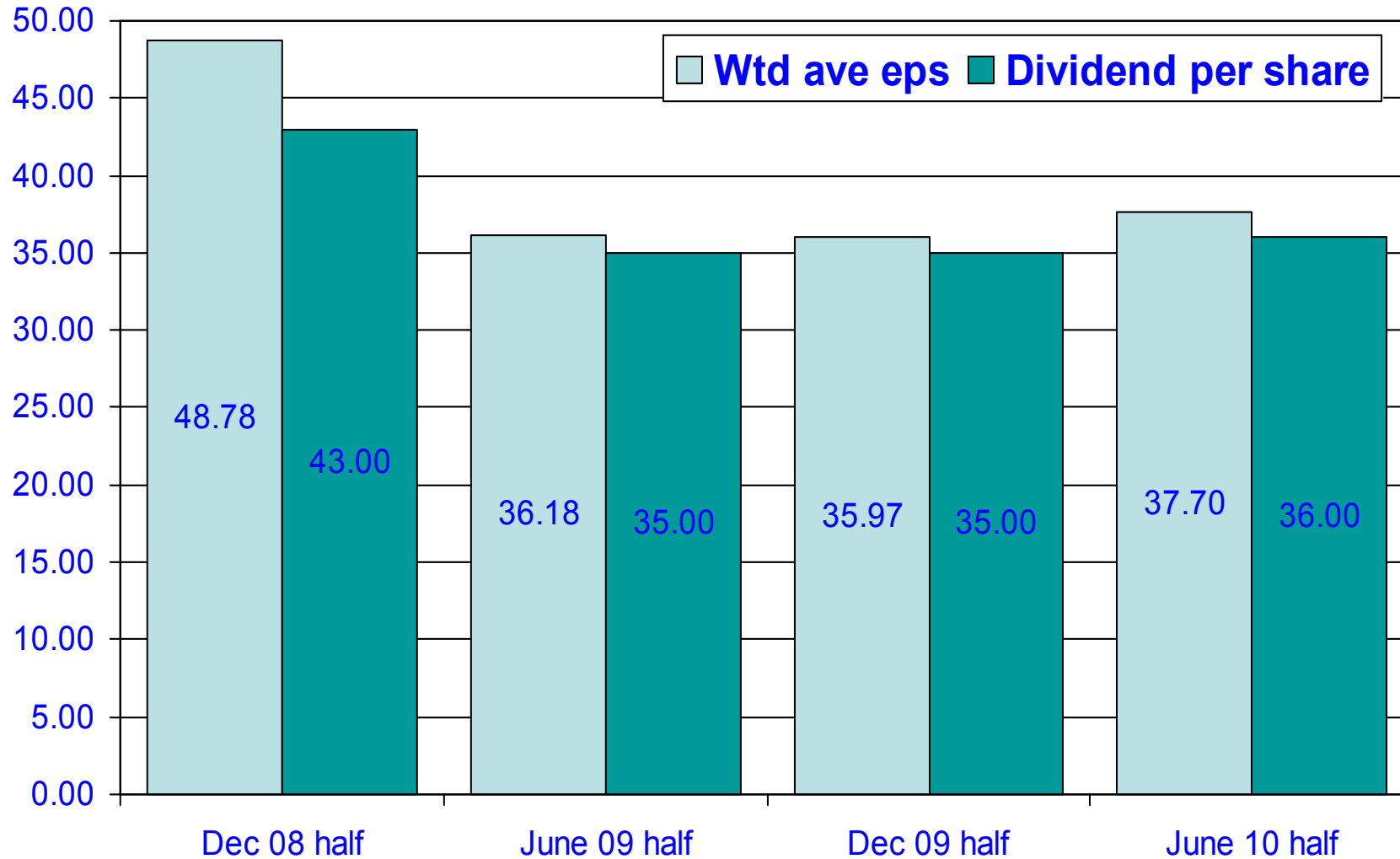
# MILTON PAYOUT RATIO



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MILTON CORPORATION LIMITED  
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# EPS & DPS SINCE GFC

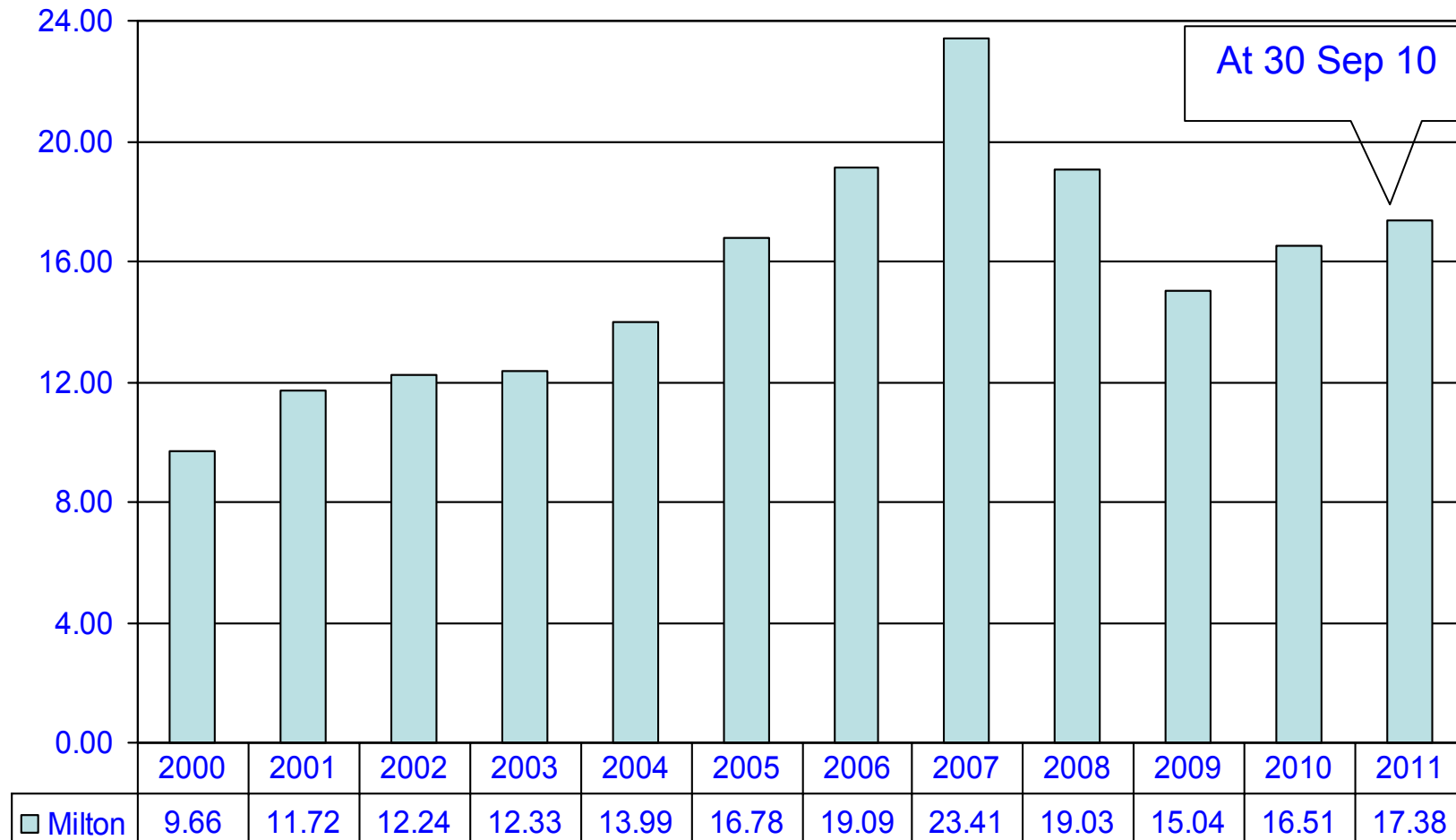


# CAPITAL GROWTH IN VALUE OF SHAREHOLDERS' INVESTMENT

VALUE BEST MEASURED BY NET ASSET  
BACKING PER SHARE



# MILTON NET ASSET BACKING



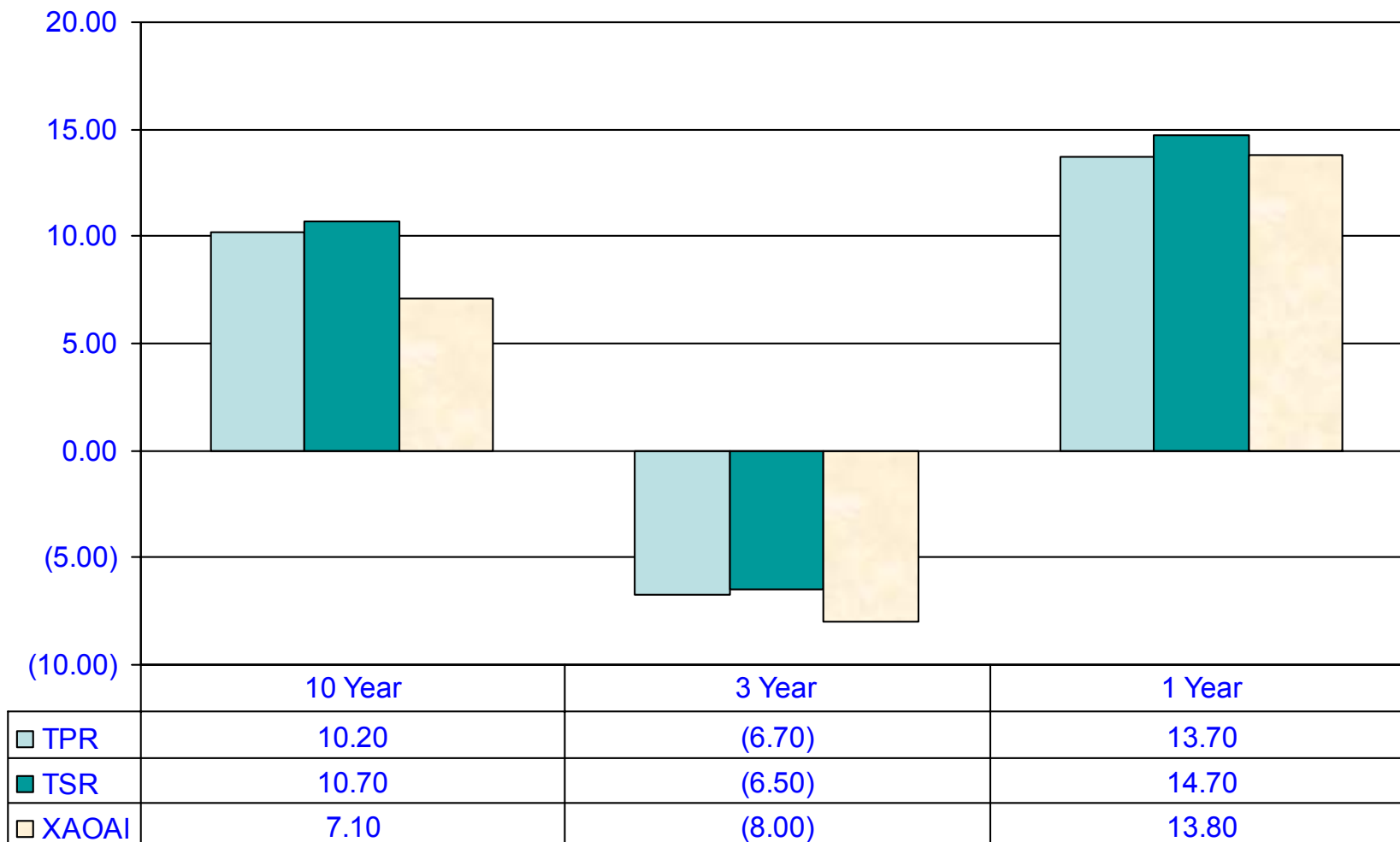
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MILTON CORPORATION LIMITED  
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# TOTAL RETURNS

- TPR – INCREASE IN VALUE OF NTA  
+ DIVIDENDS
- TSR – INCREASE IN SHARE PRICE  
+ DIVIDENDS
- XAOAI – ALL ORDINARIES  
ACCUMULATION INDEX

# TOTAL RETURNS



TPR – Total Portfolio Return    TSR – Total Shareholder Return    XAOAI - All Ordinaries Accumulation Return

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# GROWTH OPTIONS

- SHARE PURCHASE PLANS (SPP)
  - Introduced in 1999
- ACQUISITIONS OF LISTED INVESTMENT COMPANIES
- ACQUISITIONS OF UNLISTED INVESTMENT COMPANIES

# ACQUISITION HISTORY

- July 1998
  - Chatham, Matine and Milkirk
- December 2001
  - Cambooya Investments Ltd
  - 8.273 million shares issued
- June 2002 to August 2010
  - 16 unlisted investment companies
  - 28.223 million shares issued
- December 2010
  - Choiseul Investments Limited

# PROPOSED CHOISEUL MERGER

- CHOISEUL PROFILE
  - LIC
  - MANAGED BY MILTON SINCE 1992
  - 11.9% OF SHARES OWNED BY MILTON
  - TOTAL ASSETS (JUNE 10) - \$472 M
  - INVESTMENT PORTFOLIO - \$421 M
  - CASH AND TERM DEPOSIT - \$46 M
  - 4,300 SHAREHOLDERS

# PROPOSED TERMS OF MERGER

- NEW MILTON SHARES TO BE ISSUED TO CHOISEUL SHAREHOLDERS
- RATIO BASED ON RELATIVE NTA PER SHARE
- CHOISEUL NTA ADJUSTED BY INTERIM AND SPECIAL DIVIDENDS
- MILTON NTA ADJUSTED BY INTERIM DIVIDENDS

# BENEFITS OF THE MERGER FOR MILTON & CHOISEUL

- ONE LIC WITH TOTAL ASSETS OF \$2 B
  - CLOSE TO TOP 100 ASX LISTED COMPANIES
- MORE THAN 19,000 SHAREHOLDERS
- PROVIDE GREATER LIQUIDITY FOR BOTH MILTON AND CHOISEUL SHAREHOLDERS
  - OBJECTIVE IS TO LOWER THE DISCOUNT AT WHICH THE SHARES TRADE
- COST SAVINGS



# BENEFITS OF THE MERGER

## – MILTON SHAREHOLDERS

- PROVIDE MILTON WITH ADDITIONAL CASH TO INVEST
- ACQUISITION OF EQUITY PORTFOLIO WITHOUT INCURRING BROKERAGE
- PARTIALLY OFFSET BY COSTS OF TRANSACTION

## – CHOISEUL SHAREHOLDERS

- RECEIVE VALUE FOR THEIR SHARES BASED ON NTA
- POTENTIAL FOR 16 CPS FULLY FRANKED SPECIAL DIVIDEND
  - SUBJECT TO TAX RULING

# MERGER TIMETABLE

- SCHEME BOOKLET RELEASED AT END OF OCTOBER 2010
- DIVIDENDS DECLARED MIDDLE OF NOVEMBER 2010
- CHOISEUL SHAREHOLDERS MEETING AT END OF NOVEMBER 2010
- NEW MILTON SHARES ISSUED MIDDLE OF DECEMBER 2010

# OUTLOOK

- Australian economy quite sound
  - Supported by the resource sector and its exposure to Asia
  - Economy growing at trend and strong employment
  - Recovery is not uniform across all sectors
  - RBA likely to increase official interest rates
- Europe and US will take longer to recover
- Strong AUD will impact earnings of exporters
- Dividends from Australian companies have started to improve
  - 50% of companies have increased the dividend
  - Milton's underlying eps for 1<sup>st</sup> qtr 11 > 1<sup>st</sup> qtr 2010

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