



Minutes of Annual Shareholders Meeting of Kingfish Limited held at the Ellerslie Event Centre, Ellerslie on Friday 18th July 2008 commencing at 10.30am

PRESENT

Directors

Rob Challinor - Chairman
Ian Hendry
Annabel Cotton
Carmel Fisher

Shareholders and invitees

136 Shareholders and accompanying guests

4 Invitees

16 Visitors

IN ATTENDANCE

Nivedita Findlay - Kingfish Corporate Manager/Secretary
Philip Taylor - PricewaterhouseCoopers - Auditor
Mark Russell - PricewaterhouseCoopers - Tax
Darren White - Deloitte
Renee Sonntag - Deloitte

PRELIMINARY

The Chairman:

- Welcomed shareholders and invitees to the meeting;
- Introduced the Directors and Corporate Manager;
- Advised of venue safety procedures and administrative matters;
- Announced that 5,781,607 proxies had been received from 336 shareholders;
- Noted that the Notice of Meeting had been circulated to shareholders and confirmed that a quorum was present;
- Outlined the meeting conduct and declared the meeting open;
- Advised that the minutes from the last Annual Shareholders Meeting held on 5 July 2007 were approved by the Kingfish Board in July 2007 and made available on the Kingfish website. Copies were also available at the ASM for inspection;

- Noted that the 2008 Annual Report containing the financial statements and Auditors report thereon for the year ended 31 March 2008 had been circulated to shareholders;
- Informed that under the Companies Act 1993 there was no requirement for the Annual Report to be approved at the ASM but he welcomed any comments or questions following the Chairman's and Managers' address.

CHAIRMAN'S ADDRESS

The Chairman:

- Commenced his address with a reminder of what Kingfish was about. He emphasised Kingfish was a *long term* investor aiming to achieve a high real rate of return by investing in companies that had a proven track record of growing profits;
- Referred to the article in the NZ Herald by Brian Gaynor "Shocker of a half-year for investors" in which Mr Gaynor stated that NZX had the worst 6 months performance since July 1990 and that the NZ market was by no means the worst. Major world markets had had a dreadful six months;
- Outlined the results to 31 March 2008 commenting on the decline in the NAV and the decline in the portfolio value by \$36m for the year which coincidentally offset the \$36m gain the previous year;
- Emphasised that investment companies like Kingfish should be judged on the change in NAV as opposed to the usual "profit" from providing goods or services;
- Commented on the 3.5cps dividend paid in June 2007 and that notwithstanding the loss this 2007/08 year, the Directors had agreed to a 4.5cps tax exempt dividend that was paid last month;
- Noted that the NAV had grown by 36% since the inception of Kingfish in March 2004 and that the accumulated dividends paid since March 2004 were 15 cents per share. These meant that the investors who had subscribed at the IPO had benefited over this term;
- Outlined the other highlights of the year which included the registration as a Portfolio Investment Entity ("PIE") which provided significant tax advantages to the company and shareholders, and the amalgamation of the subsidiaries;
- Commented on the other major event which was the final exercise of warrants on 31 March 2008. The Directors were encouraged by the \$21.3m new shares issued to 1,117 warrant holders;
- Advised that the company had continued using the share buyback programme as effective capital management recognising that if shares were bought significantly below

the NAV then shareholders benefited by the increase in the NAV;

- Reviewed the quarter to 30 June 2008 and commented on the movements in the NAV, share price, dividends paid on 20 June 2008 and explained that 41% of dividends were reinvested. Over three months, the NAV had remained steady while the share price dropped;
- Presented graphs of the NAV, share price and NAV performance since listing. The presentation concluded with a graph of the share price discount from March 2004 to March 2008 which indicated that the Kingfish share price over the last two years had consistently been below the NAV.

MANAGER'S ADDRESS

Carmel Fisher, representing the Manager, then delivered her address. Mrs Fisher:

- Noted that Kingfish invested in growing companies and that it currently had an outstanding portfolio of companies, but the share price had not reflected this;
- Stated that the challenge for the Manager had been to provide a rational explanation to what has largely been an irrational market that was driven by market sentiment from the US;
- Emphasised that the focus should be brought back on the individual portfolio companies, and that they were in very good shape;
- Reiterated that it was a “shocker” of a year for the share market, but that it must be seen in context of a long term rising market;
- Emphasised that falling share prices were not a reflection of deteriorating fundamentals of the companies but simply a desire by investors to get their money out of risky assets at any price;
- Presented graphs showing the performance of each company in the portfolio for the year ending 31 March 2008 and then provided an update for the quarter ending June 2008;
- Commented that share prices reflect short term views and sentiments of investors, whereas company profits reflect long-term efforts and the focus of company management and their teams;
- Stated that she did not know when the market downturn would end but did know that if the focus was on individual companies and they were in good shape then when the markets did improve, the undervaluation should be reflected in rising share prices;
- Explained there has been a real disconnect between the share price and the value of the company. This was supported by tables depicting recent positive news on

- eight companies in the portfolio and the 12 month adverse share price reaction;
- Outlined the current Kingfish portfolio and highlighted that the P/E ratios and the earnings growth over two years indicated the portfolio was in good shape;
 - Explained the “price/value disconnect” and that Kingfish shareholders suffered the double ignominy of reduced asset values and a widening gap between share price and NAV;
 - Provided examples of investment companies that were trading at discounts of 30% and that the current environment provided good buying opportunities;
 - Explained the strategy which included being prepared for continued volatility, referring to experience and history and focusing on what the Manager knows rather than what the market thinks;
 - Concluded with an outlook that the worst was behind Kingfish and that the portfolio was in excellent shape despite, or perhaps because of, the last year’s performance.

QUESTIONS

The Chairman declared the meeting open for questions on the financial statements, the annual report and the Manager’s review.

A shareholder enquired what proportion of the cash raised upon the exercise of warrant had been invested. Carmel Fisher responded that most of the cash had been invested and at the moment approximately 6% of the total portfolio or \$7 million was held in cash.

The shareholder further enquired as to why Infratil was held in the New Zealand Growth Fund portfolio but not the Kingfish portfolio. Mrs Fisher informed that the market capitalisation of Infratil was too large for it to be included in the Kingfish portfolio which consists of small cap companies.

The shareholder went on to enquire about the activities that Waterman Holding were involved in. Mrs Fisher explained that Kingfish has held a small holding in the private equity company for the past 18 months to 2 years and that the business comprised of Guthrie Bowron, David Reid Homes and Express Logistics.

A question was directed to Carmel Fisher as to whether there had been any significant changes to the portfolio weightings over the past 12 months. Mrs Fisher responded by stating that no, the portfolio does not change that often. The Manager uses the STEEP process for analysing existing and new portfolio companies. In order to change the holding, it would require finding a company that rated higher than an existing company in the portfolio. If a company disappoints the Manager, it might go down in the ranking.

A shareholder enquired if the Manager was too close to the portfolio companies. He asked how much detailed analysis could the shareholder be privy to rather than just relying on just words such as “on track” provided by these companies. Mrs Fisher responded that shareholders were welcome to come in to the Fisher Funds office and go through the details with the Manager. She emphasised that considerable detailed analysis is undertaken but that getting to know the companies closely was more beneficial. Qualitative analysis was just as important as quantitative analysis in the long term.

An investor commented that he had not accepted the excuses provided for the very massive discount and had reviewed the performance of NZ equities researched by Fundsourc. He noted that Fundsourc had ranked Fisher Funds 9th and 10th on performance and requested the Managers’ response as to why they were rated so poorly. Mrs Fisher replied that the Fundsourc table had not been updated since October 2007 due to funds converting to PIE status and was therefore incorrect. If the performance for the past 12 months was analysed, yes Fisher funds did perform poorly however over the three to five year term, Fisher Funds was the best performer. The Manager had three to five years of outstanding performance so some perspective must be maintained when viewing this information.

A shareholder sought confirmation as to the whether the period for earnings growth was for the next two years. Mrs Fisher confirmed that this was a market consensus forecast for the next two years.

An investor sought comment on the deal Rakon had entered into with a company in China. Mrs Fisher commented that the deal was a key development for Rakon and very positive. It will enable the company to achieve lower costs and to maximise volume and was viewed positively by the market the previous day. However, Rakon was in a very competitive sector and was a small holding in the portfolio because it would have to work harder to grow value.

A shareholder queried the rationale for reducing the share holding in Rakon and Pumpkin Patch if they were such good companies. Mrs Fisher responded that there was only so much room in the portfolio and that the Manager had to decide on which stock to choose and then having enough of it. If it added value to the overall portfolio to change the weightings by reducing certain holdings, then that is what is done. It was all about the relative attractiveness of a stock compared to other stocks.

A question followed as to why Kingfish had sold out of Cadmus and why there was a 57% drop in Fletcher Building. Mrs Fisher responded that she couldn’t explain why good quality businesses

such as Fletcher Building were sold down. The reaction was not rational but one that had to be accepted. It did however provide a good buying opportunity.

Cadmus was a “toe in the water” for Kingfish and was partly because of Peter Maire’s success with Navman. However, the company had broader issues. The decision to sell out of Cadmus was not regretted.

An investor queried how NZX were achieving a 35% growth when there had not been much activity on the market. Mrs Fisher explained that NZX have diversified their operations to include providing data, research, selling information, and managing a index funds operation . These were providing valuable revenue streams which added to NZX’s natural advantage allowed them to increase their prices. In addition, the earnings forecasted for 2010 included the new trading platform in Australia.

The Chairman commented that the questions asked of the Manager were excellent and then advised that the meeting was moving to the re-election of Directors.

ELECTION OF DIRECTORS

The Chairman advised that under the constitution one third of the independent Directors must retire by rotation. Rob Challinor advised that Ian Hendry retired by rotation and, being eligible, offered himself for re-election.

Ian Hendry addressed the meeting.

It was moved and seconded “THAT Ian Hendry be re-elected as a Director of Kingfish.”

The Chairman declared the motion unanimously carried by a show of hands.

APPOINTMENT AND REMUNERATION OF AUDITOR

The Chairman advised that as no other nomination was received, PricewaterhouseCoopers, the existing auditors were automatically re-appointed auditor of the company for the year ending 31 March 2009, but a resolution was required in respect of their remuneration.

It was moved and seconded “THAT the Directors be empowered to set the auditor’s remuneration for the current year.”

The Chairman declared the motion unanimously carried by a show of hands.

**GENERAL
BUSINESS**

The Chairman invited members to raise matters of a general nature. Discussion followed relative to a number of matters including:

A proxy holder queried the longevity of Carmel Fisher's continuation with Fisher Funds. He agreed with her investing philosophies and requested her reassurance that she had no plans on leaving.

Rob Challinor spoke as Chairman of the company and stated he regarded Carmel as very positive person and very competent in managing the Kingfish portfolio. She had not wavered in this respect especially considering the market over the last few months. He went on to explain that the management agreement states that if Carmel Fisher was no longer an executive of the Manager, then the Board on behalf of the shareholders could reconsider the management agreement.

Carmel Fisher thanked Rob Challinor and the proxy holder for their comments and replied that she had no intention of resigning from her position. She thanked the shareholders and the Board for the opportunity to manage the Kingfish portfolio.

An investor queried whether the performance of KiwiSaver will improve. The Chairman clarified that Fisher Funds operated a Kiwisaver scheme which was not part of Kingfish and invited Carmel Fisher to respond to the query. Mrs Fisher stated that the Kiwisaver portfolio managed by Fisher Funds consisted of New Zealand, Australian and international companies and followed the same investment approach as other funds of the Manager. Mrs Fisher then stated that she did believe the performance of Kiwisaver would improve.

CLOSURE

The Chairman thanked all those present for attending the meeting and for their questions. He then invited the attendees to join the Directors for light refreshments. The meeting was declared closed at 11.30am

CONFIRMED:



_____ Chairman

27 August 2008

_____ Date