



Minutes of Annual Shareholders Meeting of Kingfish Limited held at the Ellerslie Event Centre, Ellerslie on Friday 24th July 2009 commencing at 10.30am

PRESENT

Directors

Rob Challinor - Chairman
Ian Hendry
Annabel Cotton
Carmel Fisher

Shareholders and invitees

159 Shareholders and accompanying guests

4 Invitees

14 Visitors

IN ATTENDANCE

Nivedita Findlay - Kingfish Corporate Manager/Secretary
Bruce Baillie - PricewaterhouseCoopers – Audit Partner
Giovani Pericolini - PricewaterhouseCoopers – Auditor
Darren White - Deloitte
Jason McGarvey - Deloitte

PRELIMINARY

The Chairman:

- Welcomed shareholders and invitees to the 5th Annual meeting;
- Introduced the Directors and Corporate Manager;
- Advised of venue safety procedures and administrative matters;
- Noted that the Notice of Meeting had been circulated to shareholders and confirmed that a quorum was present;
- Declared the meeting open; Announced that 2,184,785 proxies had been received from 174 shareholders;
- Advised that the minutes from the last Annual Shareholders Meeting held on 18 July 2008 were approved by the Kingfish Board on 27 August 2008. Copies were also available at the ASM for inspection;
- Commented that the 2009 Annual Report had been circulated to shareholders and he would make a few general comments later in his presentation;

CHAIRMAN'S ADDRESS

The Chairman:

- Commenced his address by stating that Directors were disappointed reporting on what had been a challenging and difficult year for all share market investors, including Kingfish;
- Commented that the fallout of the financial market meltdown left few companies unscathed and the fall in the Kingfish share price was broadly in line with the NZ market;
- Presented the result for 2008/09 financial year in terms of the net reduction in NAV of 26% which was represented by an operating deficit of \$31m for the year;
- Reiterated that Kingfish was an investment company rather than an operational company so the operating deficit was not equivalent to a loss on operations of say a manufacturing company, rather it was the fall in the value of the Kingfish portfolio assets determined by a lower share price in March 2009 than in March 2008.
- Provided an update of result to 30 June 2009. This showed that Kingfish had begun to claw back some of the earlier deficit;
- Presented a chart showing total shareholder returns per share since Kingfish's IPO;
- Presented graphs of the NAV, share price and share price discount to NAV and commented that the Kingfish discount had narrowed over six months and should narrow further when market sentiment improved;
- Explained that the Board had continued to investigate and utilise capital management tools to maximise shareholder value;
- Outlined the rationale for the new dividend policy announced in June 2009 and explained that it replaced the traditional annual dividend and further explained how the new policy worked.

MANAGER'S ADDRESS

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

- Commented on the share market environment in the last 12 months. It had been a continuation of the economic crisis that began in October 2007 and unprecedented volatility and indiscriminate selling was predominant;
- Noted confidence was gradually returning to economies and markets and the focus was now on fixing problems and moving forward;
- Reviewed Kingfish's NAV performance to March 2009 against its benchmark and compared Kingfish's performance since inception to the NZX50 Index;
- Reviewed the performance over the year of a few companies within the Kingfish portfolio;
- Illustrated the challenges faced in managing the portfolio last year. The strategy had been to largely to reduce exposure to cyclical companies and to increase exposure to defensive companies with resilient earnings, and to tolerate lower growth;

- Outlined some of the key changes in the portfolio as part of implementing this strategy and emphasised that had no changes been made to the portfolio since the start of the financial year, then results would have been lower by a further 12%;
- Emphasised the importance of both portfolio management and stock picking in generating returns at all times, but particularly in difficult markets;
- Reiterated the “STEEP Analysis” framework used to select, monitor and determine the weightings of portfolio companies;
- Reviewed some stocks in the spotlight: Metlifecare, Rakon, Michael, Hill Pumpkin Patch and Delegates;
- Commented on Kingfish’s performance post balance date. The portfolio and share price had outperformed the market, and the Kingfish discount to NAV had narrowed;
- Outlined the current Kingfish portfolio. The four new additions to the portfolio had made positive contributions to the portfolio performance;
- Presented the Kingfish portfolio metrics which showed Kingfish as an attractive investment with a low P/E and growth potential;
- Concluded her presentation by emphasising that the Kingfish portfolio contained quality companies that were currently undervalued. The Manager had taken value-adding portfolio decisions during the year and continued to focus on long-term growth.

QUESTIONS

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

A shareholder queried the Manager’s decision to add Tower to the portfolio as it didn’t fit in with the other companies in the portfolio. Carmel Fisher responded that Tower didn’t typically fit their criteria as it wasn’t a high growth company. However, they had watched Tower’s performance over the years and it was an undervalued company that stood out as it was cheap and had some real growth potential because of the management initiatives undertaken. Tower was a small part of the Kingfish portfolio.

A shareholder noted that Waterman Holding was an unlisted company and queried whether there was a move to add more unlisted companies to the portfolio. Carmel Fisher replied that Waterman was a small holding and that although Kingfish is permitted to hold up to 30% of its portfolio invested in unlisted companies, there was no move to invest further in unlisted companies.

An investor commented that a number of David Reid Homes (DRH) branches were in trouble to which Murray Brown, the Kingfish Portfolio Analyst replied that the investment Waterman held in DRH was as the Franchisor therefore the risk was reduced. Waterman intended to hold on to DRH as it believed the property market would improve and as it held approximated \$5 million in cash, it was not under any duress to sell its holding in DRH. The investor queried as to why Kingfish had sold out of Comvita to which Carmel Fisher replied it was because it didn’t stack up in the investment criteria.

A question was directed to Carmel Fisher as to how the company was going to fund the new distribution policy as 52% of shareholders did not reinvest their dividends. Mrs Fisher replied that as a portfolio investment entity, Kingfish could distribute dividends received from portfolio companies as well as unrealised capital gains and since they knew they needed to distribute 2% of NAV every quarter, the portfolio would be managed in a manner that would ensure that there was sufficient cash for distribution each quarter. Most Kingfish shareholders invested in Kingfish for long-term capital growth, not regular income and the new distribution policy was less about achieving an 8% annual distribution and more about those investors who wanted to get their capital out at NAV and therefore not suffering any discount that existed on the market. At the moment 48% of shareholders reinvested their dividends and it may be that more would choose to do so as reinvesting allowed shareholders to receive more shares at a discount. The Chairman added that when the new policy was announced it was well received by share brokers and the investment community.

A proxy holder commented that Kingfish was a growth company but under the new policy capital could be paid out to meet the distributions. He added that he hoped the Kingfish philosophy was not changing to an income type of company from capital growth. Carmel Fisher assured him that Kingfish's investment policy was not changing. She agreed that in some periods the company may be returning capital, but explained that in a year only 4% of the distribution would need to come from capital growth as Kingfish received 4% per annum from dividends from its portfolio companies. Prior to last year Kingfish was averaging 20% capital growth and Mrs Fisher was confident to be able to achieve the returns required to pay out the distribution. She added there would also be more opportunities to raise capital in the future if it was necessary.

An investor queried what had gone wrong with the analysis that resulted in Kingfish selling out of Sealegs and sought reassurance that this would not reoccur. Carmel Fisher responded that these situations might reoccur if companies did not do what they said they were going to and that no amount of analysis was going to solve that. Sealegs did not deliver on what they were expected to deliver - the company did not reach the commercial scale required to achieve profitability. Sealegs had been in the portfolio for more than 2 years and was less than 1% of the portfolio. It should be a viable company as it had good technology. There was nothing stopping the Manager from investing in Sealegs again but the opportunity cost of other quality companies that had good returns and were reasonably priced in this environment.

An investor complimented the Board on the new dividend policy as it did allow larger shareholders to meet their cash flow requirements imminently. He added however, that the single line item of "other expenses" of \$600,000 in the Annual Report was less satisfactory. He suggested that the Board provide a full break down into reasonable amounts next year and requested guidance on the break down of \$600,000 of expenses. The Chairman responded that it was a fair comment and that it had been discussed at the Board meeting earlier in the week. The \$600,000 was made up of a number of expenses including brokerage on buying and selling shares, which traditionally had been included in the cost of the portfolio but under International Financial

Reporting Standards, was now required to be shown as an expense. Other expenses included listing fees, custody fees and the cost of the corporate management team. The team spread their time over Kingfish Limited, Barramundi Limited and Marlin Global Limited, which provided an advantage. The Chairman concluded that these costs largely made up the \$600,000 and agreed to provide a greater breakdown from the next report.

An investor sought comment on Metlifecare and Ryman and their relative positions in the portfolio as they were both similar. Carmel Fisher replied that Ryman was a standout business and the largest holding in the Kingfish portfolio and that they were very pleased with it. Kingfish owned nearly two times more shares in Ryman than Metlifecare. Mrs Fisher commented that the quality of the Ryman management team was outstanding. Ryman made more money operating retirement villages whereas Metlifecare did so by buy buying and selling units. She added that they liked the sector dynamics which is why they were both in the portfolio.

An investor commented that the policy of paying dividend out of capital was similar to the Macquarie model which was out of favour and queried why Kingfish was moving to a similar model. Carmel Fisher suggested Terry Tolich and Frank Jasper (Fisher Funds executives) answer this question as they were authors of the study that lead to the Board adopting this policy. Terry in particular had done significant research in this area. Terry Tolich responded that the Kingfish dividend policy was different to the Macquarie model as in their case they geared investments and paid out of what was borrowed whereas Kingfish would be paying dividends out of realised cash flow rather than borrowed funds. He added that over and above this, a prime reason for the new policy was to allow shareholders to access capital at NAV.

Frank Jasper suggested that it may be helpful to focus on what a shareholder should consider when they bought into a company like Kingfish –it was a long-term capital growth investment of 5-10 years. In practice, however investors did need to access their capital over this period and that the key point of this policy was that over a long-term of 5-10 years, shareholders could get their capital back at NAV and not be affected by any discount. This policy provided confidence to shareholders that over the long-term, they were guaranteed to get 8% per annum of their capital back at NAV.

Carmel Fisher emphasised that the policy provided an *opportunity* to get capital back. Shareholders who did not want to get their capital back quarterly did not have to do this – they could reinvest their dividends instead at a small discount to latest weighted average price.

Rob Challinor commented that provided the Manager achieved an 8% return per annum, then shareholders would receive a return of profits tax free. If they chose not to receive cash dividends, they could reinvest under the dividend reinvestment plan.

An investor queried if the PIE dividend was tax free and if it applied to all tax holders or those on a marginal rate of 30%. The Chairman responded that it was tax free to NZ Resident shareholders. For those shareholders on a lower than 30% marginal tax rate, there was an advantage as they

could use their share of excess imputation credits attached to any Kingfish dividend to offset against tax on any other income. The shareholder agreed to this and further commented that the Kingfish dividend was going to be more from unrealised gains than from dividends the company itself had received. The Chairman replied it did not matter if the dividend was paid from investment gains – it would still be a tax free distribution to most shareholders.

The Chairman advised that the meeting was moving to the re-election of Directors.

RE-ELECTION OF ROB CHALLINOR AS DIRECTOR

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

Mr Hendry informed the meeting that Rob Challinor had the complete confidence of the Board and Manager and strongly recommended his re-election.

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

Ian Hendry 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 2010, but a resolution was required to authorise the Directors to set their remuneration.

It was moved and seconded “THAT the Directors be authorised to set PricewaterhouseCoopers 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 on a number of matters including:

A shareholder commented that the Management Agreement with Fisher Funds had been renewed and requested the Chairman to explain the process undertaken by the Board to renew the contract and what alternatives were considered. The Chairman responded that the Board considered the performance of the Manager in accordance with the detailed terms of the Management Agreement. One of the terms was that the Manager would perform their duties diligently. The timing of the renewal was when the share market had fallen considerably. The Board conducted an independent survey of other investment managers primarily in NZ but also in Australia, and concluded that notwithstanding that the returns over the period since inception were at that stage only about 8%, Fisher Funds had performed as good as, or better than others. The independent directors were satisfied that Carmel and her team had met

all the requirements of the Management Agreement which was therefore automatically extended for a further five years. The shareholder added that considering the Board's confidence in Fisher Funds, whether they had considered investing in the Company. The Chairman replied that the Directors held shares in the three listed companies managed by Fisher Funds and in a couple of cases, these were considerable amounts.

Another shareholder commented on the distribution policy in that he suspected there could be a higher take up than initially forecasted due to the lack of alternatives in the poor investing environment. He added that people would invest in Kingfish just to take advantage of the 10% yield. He queried how the company would fund what could be a large uptake of this policy and also wondered what criteria would be used to measure the success of this policy before it would be applied to Barramundi and Marlin Global. The Chairman replied that if anyone wished invest in Kingfish and take advantage of the 8% return, they could buy Kingfish shares on market. One of the outcomes of this would be that the discount of share price to NAV would start to close. He commented that directors had already started to see signs of this and hoped that over the next few months it would happen to a greater extent. There wasn't any pressure on to fund anyone either selling or buying in because of Kingfish's listed company status

The measure of the new distribution policy's success would be the response from shareholders and financial commentators and a closing of the discount gap. Shareholders response to the flexibility of significant cash dividends or the higher dividend reinvestment plan would also be a measure.

Carmel Fisher added that there could be a larger cash dividend uptake as a return of 8% of NAV was attractive in this market. If Kingfish needed to generate cash flow every quarter for dividend purposes then Fisher Funds would plan for this in the normal course of managing the portfolio. Mrs Fisher added that if there was a larger dividend reinvestment uptake because of the attractive return it would be beneficial to everyone as it deepened the market, created liquidity and would likely close the discount.

CLOSURE

The Chairman thanked all those present for attending the meeting and for taking an interest in the company. He then invited the attendees to join directors and the management team for refreshments.

The meeting was declared closed at 11.45am.

CONFIRMED:



_____ Chairman

26 August 2009