



**Minutes of Annual Shareholders Meeting of Kingfish Limited held at the Ellerslie Event Centre, Ellerslie on Friday 23<sup>rd</sup> July 2010 commencing at 10.30am**

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**PRESENT**

Directors

Rob Challinor - Chairman  
Ian Hendry  
Annabel Cotton  
Carmel Fisher

Shareholders and invitees

145 Shareholders and accompanying guests

2 Invitees

13 Visitors

**IN ATTENDANCE**

Nivedita Findlay - Kingfish Corporate Manager/Company Secretary  
Representatives of PricewaterhouseCoopers

**PRELIMINARY**

The Chairman:

- Welcomed shareholders and invitees to the 6<sup>th</sup> Annual meeting;
- Introduced the Directors, Corporate Manager and the Senior Investment Analyst;
- 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 3,924,355 proxies had been received from 226 shareholders;
- Advised that the minutes from the last Annual Shareholders Meeting held on 24 July 2009 were approved by the Kingfish Board on 26 August 2009. Copies were also available at the ASM for inspection;
- Commented that the 2010 Annual Report had been circulated to shareholders;

**CHAIRMAN'S ADDRESS**

The Chairman:

- Commenced his address by stating that after the 2009 year's disappointing result, Directors were pleased to report a solid performance for the year ended 31 March 2010;

- Reviewed the highlights of the year – the increase in Net Asset Value (NAV) by 22% (or 32% including dividends paid), the net operating surplus of \$25 million, the 28% lift in share price and that the quarterly dividend policy which provided a 10-11% yield was gaining support;
- Complimented the consistent investment approach of the Manager which gave rise to a year of impressive gains;
- Outlined the result for the year. NAV had increased by 29.6 cents from the previous year after adding back dividends paid of 9.6c;
- Reiterated that Kingfish was an investment company rather than an operational company. The most relevant guide to performance was therefore the return achieved per share rather than the dollar surplus for the year;
- Provided an update on results to 30 June 2010. This showed a reduction in value by 8% due to the weakening international and local markets;
- Presented a chart showing total shareholder returns per share since Kingfish's IPO;
- Presented graphs of Kingfish's NAV (net and gross of dividends paid) and share price, and share price discount to NAV and commented that the Kingfish discount had narrowed by 5% to 18% since 31 March 2009;
- Noted that the latest discount was around 12% and that the Board would like to see it closer to 10%;
- Reminded investors that while the discount remained, it provided them opportunity to access the portfolio stocks at less than it would cost to buy each stock individually. A strong and steady tax-free dividend flow was an added bonus;
- Noted that the share buyback programme was in place;
- Reviewed the distribution policy which had now been in place for 12 months. Paying 2% of average NAV per quarter had provided an attractive yield of 10-11% tax free which was hard to beat;
- Compared the relative performance of the Kingfish NAV to various NZX indices since inception and showed Kingfish outperforming the indices in all but one category;
- Announced the issue of free warrants to Kingfish shareholders at the record date of 30 August.

## **MANAGER'S ADDRESS**

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

- Thanked shareholders for holding steadfast in what had been a tumultuous twelve months;
- Noted that Kingfish had outperformed the broad New Zealand share market and provided a healthy dividend yield;
- Commented that although New Zealand had participated in the global market rally in the early part of 2009, the NZ share market had been quiet and directionless for the 2010 year to date;
- Noted that the Kingfish portfolio remained largely unchanged over the financial year and that it had been well positioned in early 2009 allowing it to participate in the market rally that followed;

- Emphasised that Kingfish remained an attractive investment vehicle in the current climate as it offered a strong dividend yield and exposure to NZ's best growth companies;
- Illustrated Kingfish's outperformance in a rising market by comparing it to the NZ50 Index from March 2009 to July 2010;
- Showed Kingfish's five year outperformance in a falling market - the broad NZ share market was 20% lower whereas Kingfish was close to where it started;
- Provided an update on performance since balance date – both the Kingfish share price and NAV had outperformed the NZ50 and NZ Midcap indices;
- Outlined the few changes made to the portfolio over the year: two new companies were added (Kathmandu and Tower) and two were sold (Comvita and Rakon);
- Highlighted that although the Kingfish portfolio was relatively cheaper than the market, it had better earnings growth prospects and a competitive yield;
- Summarised the performance of the Kingfish portfolio for the year – the larger portfolio holdings had been the better performers showing that the Manager had chosen not only the right stocks, but also the right amount to make a performance difference;
- Reviewed the two stocks that had underperformed during the year – Rakon and Wakefield Health.
- Reiterated the “STEEP Analysis” framework upon which investment and portfolio decisions were based, highlighting the issues faced by portfolio companies during the year and the high level of regular contact maintained with those companies;
- Reviewed Kingfish as an investment: noting that Kingfish was a dynamic investor in NZ growth companies, it was successful in its objectives of achieving capital growth and a growing stream of dividends over the past five years and it continued to be a convenient way of accessing a diversified portfolio managed by experienced investment professionals;
- Compared Kingfish as an investment to NZ50 stocks gross returns – Kingfish was the 9<sup>th</sup> best performer in the 12 months to June 2010 with a gross return of 30.5%;
- Similarly compared Kingfish's dividend yield of 11.9%, - the 4<sup>th</sup> highest of NZ50 stocks;
- Outlined the strategy for the year ahead. It would be more of the same if the current portfolio stocks enabled Kingfish to achieve its target returns. The Manager would continue to utilise cash and increase liquidity via large cap stocks as well as adhering to the STEEPP framework;
- Concluded her presentation by suggesting that the economic recovery was expected to be gradual, tentative and uncertain. Any economic recovery would be followed by a recovery in company earnings. The Kingfish portfolio was both defensive and leveraged to cyclical upturn so that the portfolio should perform irrespective of how long it took for the economy to recover. The Manager maintained a cautiously optimistic outlook.

## QUESTIONS

### *The Chairman declared the meeting open for questions*

A shareholder queried whether Kingfish, in its search for growth, had considered acquiring funds that were floundering, such as Salvus. The Chairman replied that it was a sensible question and that the Board had looked at possible acquisition opportunities but it was a difficult process as a management agreement was usually in place which meant there was a cost to buying out the fund manager.

A shareholder was interested as to why the Board chose a warrants issue instead of a rights issue. The Chairman replied that the Board had from time to time considered a rights issue. A rights issue virtually compelled shareholders to take up their rights within a limited timeframe or sell their rights. The Board did not consider the current market environment to be conducive to a rights issue. With warrants, shareholders have a choice of whether to participate or not, over a two years period subject to the performance of the company.

A shareholder commented that issuing warrants was a good decision, however the exercise price of 95c was too high and that it should be based on the share price, not the NAV. The Chairman replied that there was a lot of theory involved in calculating an exercise price using the Black-Scholes option pricing model which took into account a number of factors such as term of warrants, current share price and volatility. The share price yesterday was 90c, the NAV around \$1.00, and therefore an exercise price of 95 cents set the right balance for shareholders and for the Manager to perform to.

A shareholder queried the sustainability of the distribution policy given that dividends received from portfolio companies equated to only about 5%. Carmel Fisher replied that it was very sustainable given that long-term returns from equity investments was 14% per annum.

A long-term shareholder congratulated the Board and Manager on issuing warrants. In his experience, warrants had been very beneficial. The main thing was that the share price followed earnings and if the earnings grew 17% over two years then the warrants would be “in the money” which would lead to “very happy” warrant holders.

A shareholder queried the price at which warrants were envisaged to commence trading. The Chairman replied that although the theoretical price, using the Black Scholes model, was calculated at 6 cents, the actual trading price upon listing on the NZSX could be higher.

A shareholder sought the Manager’s opinion on the announcement that NZX had recently introduced a dividend policy and how it would impact the company considering its poor performance. Murray Brown responded that NZX’s introduction of semi-annual dividends and its bullish outlook implied by wanting to increase dividends 1 cent per annum, equating to a 12% gain in earnings per share per annum, had seen the share price gain 6 cents on that day.

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

## RE-ELECTION OF DIRECTORS

The Chairman advised that under the constitution, one-third of the independent Directors must retire by rotation. Annabel Cotton and Carmel Fisher retired by rotation and, being eligible, offered themselves for re-election.

Annabel Cotton addressed the meeting.  
The Chairman commented that Ms Cotton's re-election had the full support of the other Directors.

It was moved and seconded "THAT Annabel Cotton be re-elected as a Director of Kingfish."

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

The Chairman commented that Carmel Fisher needed no introduction and that she had the endorsement of the Board as a Director.

It was moved and seconded "THAT Carmel Fisher 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 2011, 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.***

No matters were raised.

## 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 11.15am.

CONFIRMED:



Chairman  
14 September 2010