



Minutes of Annual Shareholders Meeting of Kingfish Limited held at the Bruce Mason Centre, Takapuna on Friday 17th June 2005 commencing at 10.00am

PRESENT

Directors

Rob Challinor - Chairman
Ian Hendry
Annabel Cotton
Carmel Fisher

Shareholders and invitees

72 Shareholders (and accompanying guests)

17 Invitees

IN ATTENDANCE

Anna Wight – Kingfish Corporate Manager/Secretary
Philip Taylor – PWC, Auditor
Erich Bachmann – Hesketh Henry

INTRODUCTION

The Chairman, Rob Challinor, welcomed members and invitees, advised of venue safety procedures, noted that the notice of meeting had been circulated to shareholders, confirmed that a quorum was present, outlined the meeting conduct, declared the meeting open and introduced the Directors and Corporate Manager.

APOLOGIES

The Corporate Manager advised that apologies had been received from 2 shareholders, and that proxies had been received from 383 shareholders holding 4,079,001 shares.

ANNUAL REPORT

The Chairman confirmed that the 2005 annual report containing the financial statements and the auditor's report thereon for the year ended 31 March 2005 had been circulated to shareholders, advised that under the Companies Act 1993, there was no requirement for the annual report to be approved at the ASM and indicated that he would be happy to take any comments or questions in relation to the report following the Chairman's and Managers address.

**CHAIRMAN'S
ADDRESS**

The Chairman then delivered his address commenting on the results for the year and updating these to the 16 June 2005. He then outlined the movements in the share and warrant price over time in comparison to the NAV.

**MANAGER'S
ADDRESS**

Carmel Fisher, representing the Manager then delivered her address which covered a review of the March 2005 year and an update to 16 June 2005. She then provided an analysis of the portfolio performance and composition along with an overview of the Fisher Funds investment approach and process. The presentation was concluded with an outlook for the March 2006 year.

QUESTIONS

The following questions were raised by shareholders following the Chairman's and Manager's address.

A question was raised on the philosophy behind the Holdings and Nursery portfolio structure and why they are structured in separate entities. The Chairman outlined the tax reasons surrounding the Holdings and Nursery portfolio structure. Based on tax advice received at the time of listing, sales of investments by Kingfish Holdings Limited (the company which holds the core portfolio) will be on capital account and therefore not subject to tax. Sales of investments by Kingfish Nursery Limited (the company which holds the stocks that are yet to meet the investment manager's criteria as a long term portfolio stock) will be on revenue account and subject to tax. It was highlighted that this tax opinion is not 100% certain as tax laws can change and be reinterpreted in the future.

Carmel Fisher further commented on the Managers "3-tiered" approach to investing. Initially a "toe in the water" approach is made whereby a small investment in stocks identified is made in Nursery while the stock is being watched. The Manager gets to know the management of the company and monitors to see if management delivers on what is said. It is then determined whether these stocks make the grade as long term holds to move into the Holdings portfolio or are to be sold off. This structure gives the Manager the flexibility to buy and sell or transfer to the core Holdings portfolio. Nursery is regarded as the "incubator" for stocks that the Manager is not sure at the outset if it is a long-term hold.

A shareholder queried how the benchmark base rate for the performance fee was determined and what the base will be for the next year. The benchmark return was explained by the Chairman. The initial base NAV was determined by the Independent Directors

and in accordance with the terms of the Management Agreement as being the \$0.97 per share (the \$1.00 raised at the IPO net of issue expenses) as at the 31 March 2005 the NAV was \$1.32. The performance fee was calculated on this excess return and outperforming the benchmark rate. The base NAV for the current year becomes the \$1.32 (being the highest NAV per share previously achieved at the end of any previous financial year). A performance fee will not become payable again until the Manager outperforms the benchmark return AND the NAV exceeds \$1.32. The benchmark return as disclosed in the prospectus is the change in the 90 Day Bank Bill Index plus 7%.

In response to a question raised by Oliver Saint from the Shareholders' Association, Carmel Fisher explained why the Manager has not adopted an NZX index as a basis for the performance fee calculation. Fisher funds investors over the last six years have indicated that they do not care if the fund beats an index rather that it exceeds bank returns plus a bit more. No NZX index (be it the mid cap or small cap) would be relevant to Fisher Funds portfolios as they are not constructed to look like any NZX indices. All NZX indices are based on the size of the company whereas the Fisher Funds approach as to the investment and weighting in the portfolio is not based on how big the company is. Carmel highlighted that discussions had been held with the NZX regarding which indices were relevant contributors for fund managers, however Fisher Funds will not be trying to change any of these indices as they are not relevant to the Fisher Funds portfolio strategy.

The Chairman responded to a question (highlighting that he is not a tax expert but in his view) that any gains on the sale of Metlifecare in Holdings will not be tested as to its non-taxable status in the event of a takeover, based on the compulsory acquisition that any gains will not be challenged. He highlighted that legislation foreshadowed in the budget will make it clearer on the tax status of gains/losses in companies such as Kingfish.

ELECTION OF DIRECTORS

The Chairman advised that Ian Hendry retires by rotation and, being eligible, offers 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
RENUMERATION
OF AUDITOR**

The Chairman advised that PricewaterhouseCoopers are automatically re-appointed auditor of the company for the year ending 31 March 2006, but a resolution is required in respect of their remuneration.

It was moved and seconded "THAT the auditor's remuneration is left in the hands of the directors".

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

**GENERAL
BUSINESS**

Questions received in advance of the meeting were addressed by the Chairman in relation to the following:

The level of the performance fee paid to the Manager compared to the 2 cents per share dividend paid to shareholders was discussed with the Chairman highlighting that investors need to not only look at the level of the dividend but also the increase in the value of their investment. The NAV has increased from \$0.97 at the time of the IPO to \$1.32 at 31 March 2005.

The dividend policy in the prospectus states that the company intends to pay dividends equivalent to the income received by Kingfish after deducting the operating and management costs, including tax and financing costs of the company. In the first year Kingfish incurred listing and IPO costs that impacted on the income available for distribution. It was also highlighted that some companies in the portfolio whilst contributing to the increased NAV did not pay a dividend. The Chairman commented that shareholders should be able to look forward to an increased dividend payment in 2006 and that the company was not looking to pay interim dividends as a means of keeping associated administration costs down.

A question received concerning "at what level of share price discount to NAV would the Directors of Kingfish consider a share buy back" was addressed by the Chairman. The company policy on capital management in the prospectus was referred to, noting that "the Board will consider buying shares or warrants in Kingfish if in the opinion of the Board the value of the shares and warrants do not appropriately reflect the underlying asset value. Any decision by the Board to acquire share or warrants will consider other

investment alternatives and whether the acquisition is in the best interest of the shareholders". If a decision is made in relation to a buy back then Kingfish is required to advise the market in advance. When asked by Mr. Saint on the level of the discount size consideration the Chairman advised that in very general terms being greater than 10 % but less than 30% taking all the other factors mentioned into consideration also.

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

A Shareholder asked if the Metlifecare takeover would have any impact on future dividends and or buy- back considerations. The Chairman advised that this should have no impact on future dividends as this gain would be realized in Holdings and would be on capital account and not subject to tax and would not be distributed to shareholders in the ordinary course. The Kingfish dividend policy is to attach full imputation credits were possible. In relation to a buy back, if the gain on sale was larger than that held in the accounts then the NAV would increase. If the share price did not respond to this then it would potentially impact on a buy back consideration.

An explanation was sought on note 3 page 31 of the financial statements on the non-deductible performance fee amount. The Chairman provided some background to the GST treatment of the entities within the Kingfish group. Kingfish Limited is registered for GST however Kingfish Holdings and Nursery are not registered as their activities relate to financial services. It was explained that the non deductible performance fee relates to the portion for services provided in respect of the initial core portfolio holdings (i.e. held in holdings limited) being on capital account and not deductible for tax purposes.

Another shareholder expressed surprise at sales of investments of \$4.2 million being what he considered a large part of the portfolio in the first year in light of the Kingfish investment policy being a long term vehicle with a buy and hold philosophy. Carmel Fisher responded that Fisher Funds did not consider this a large portion of the funds raised. She commented that other fund managers operate with much higher turnover. She re-iterated that the Nursery structure is actively used to invest in companies and to monitor their performance as a measure of good discipline. Fisher Funds does not use portfolio turnover as a rule for investment decisions – it purely buys and sells based on investment criteria. Typically over any one year the Manager will buy and sell 3 holdings per year, which is low turnover in comparison to other managed funds. Rob Challinor then highlighted that recent changes announced by Fisher Funds that they may invest in larger cap stocks will have no

impact on Kingfish as the investment philosophy remains unchanged in investing in smaller NZ companies.

A warrant holder commented on the \$1.33 trigger point for the performance fee payment being reached on 5 separate occasions and suggested that it may be better based on a longer period achievement.

Rob Challinor responded by explaining that the \$1.33 trigger in relation to the performance fee is detailed in the Management Agreement and the Prospectus. The performance fee becomes payable to the manager once the benchmark return has been achieved, this occurred in July 2004 and continued to be held above the benchmark for a considerable time. At this time the performance fee was accrued in the financial statements on the basis that it was reasonably probable that the fee would become payable at a future date. The trigger for the actual payment was the NAV exceeding \$1.33. This occurred at various dates in the first 2005 quarter.

Carmel Fisher re-iterated the distinction between the earning of the performance fee and the payment. The fee was earned by Fisher Funds in July 2004 when the benchmark was exceeded and this level of performance was maintained for in excess of 6 months. The trigger point of \$1.33 was purely for the payment mechanism. Rob Challinor commented that all investors should hope that a further performance fee is payable in the future!

A shareholder enquired about the warrant scheme and the dates of conversion. Rob Challinor provided some background outlining the issue of the free warrants at the time of the IPO and the warrants being exercisable at any of the three dates being the 31 March 2006, 2007, 2008. He explained that investors often use the alternative exercise dates as a form of leverage and that investors would be unlikely to exercise their warrants at the earlier dates if the share price was below the exercise price. When asked when a good time to buy the warrants is, Rob Challinor responded that it was a judgmental decision for the individual investor to consider and outlined that theoretical models exist to value warrants.

A shareholder sought comfort from the Manager about the purchase of the Management Agreement of Coronet Equity Trust on Kingfish investors and any potential conflict of interests in managing so many portfolios.

Carmel Fisher explained that the Coronet Equity Trust had only \$8 million under management out of a total \$350 million managed by Fisher Funds. Coronet invests in Australian shares and as a result Fisher Funds has employed 2 new resources to manage this. Essentially all Fisher Funds portfolios are managed in the same way as the preferred core stocks are representative across all the different portfolios in similar proportions.

QUESTIONNAIRE The chairman requested that all attendees please complete the copy of the ASM/Annual Report questionnaire and place in the box in the foyer.

CLOSURE The chairman declared the meeting closed at 11.10am and invited those present to join the Directors for light refreshments.

CONFIRMED:



_____ Chairman

10/8/2005

_____ Date