



**KAIZEN GLOBAL**  
Investments

**AGM**

**Wednesday 25 November 2015**  
**Commencing 12:00 noon**

**Suite 201**  
**350 George Street**  
**Sydney NSW 2000**

**Order of Proceedings**

**Kaizen Global Investments Limited**  
**Annual General Meeting – Wednesday 25 November 2015 at 12:00 noon**

## **Order of Proceedings**

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|--|---|
| <b>Introduction</b>                                | <p>Good morning Ladies and Gentlemen and welcome to the first Annual General Meeting of Kaizen Global Investments Limited. As it is now 12:00 noon and we have a quorum present, I have pleasure in declaring the meeting open.</p> <p>My name is Simon Winfield and I am the Chairman of Kaizen Global Investments.</p>  |
| <b>Introduce Directors &amp; Company Secretary</b> | <p>I would like to commence by introducing my fellow Directors:</p> <ul style="list-style-type: none"> <li>• Mr Connor Grindlay the Managing Director; and,</li> <li>• Mr Andre Edmunds, our Non-Executive Director.</li> </ul> <p>I would also like to introduce Ms Lisa Grindlay, our Company Secretary.</p>  |
| <b>Introduce Advisors</b>                          | <p>Also present today is:</p> <ul style="list-style-type: none"> <li>• Mr John Corr from our auditors, Stantons International, who is available to answer questions about the audit of the Accounts.</li> </ul>   |
| <b>Apologies</b>                                   | <p>No apologies have been received.</p>   |
| <b>Notice of Meeting</b>                           | <p>The Notice of Annual General Meeting, which includes 3 items of business, has been sent to all shareholders, and with your agreement, I propose to take it as read.</p>  |
| <b>Minutes of Previous Meeting</b>                 | <p>There are no previous minutes to adopt as this is the Company's first Annual General Meeting.</p>  |
| <b>Introduce Managing Director</b>                 | <p>The purpose of this meeting is to review the financial year ended June 2015 and to give you the opportunity to discuss the affairs of the Company.</p> <p>I would like to start by calling on the Managing Director, to provide his address on the results and outlook for our company.</p> <p><i>[Connor to address audience.]</i></p>  |
| <b>Managing Director's address</b>                 | <p>Thank you Mr Chairman, let's begin with a reminder of KGI's business model and strategy.</p> <p><b>KGI's business model aims to;</b></p> <ul style="list-style-type: none"> <li>• Achieve a high real rate of return for Shareholders comprising both income and capital growth;</li> <li>• Preserve capital of the Company; and,</li> <li>• Deliver Shareholders a growing stream of fully franked dividends.</li> </ul> <p><b>KGI's Investment Strategy</b></p> <ul style="list-style-type: none"> <li>• Invest majority of assets in diverse portfolio consisting 30-60 internationally listed equities (shares).</li> <li>• Invest with long-term horizon (3-5 years plus).</li> </ul> |

- Utilise a fundamental, stock-picking approach.
- Invest in companies with thematic tailwinds.
- Can utilise strategies to protect downside risk.
- May also invest part of the portfolio in unlisted Australian companies and re-invest excess cash flows.

Here is a slide that has more colour on the board and their experience.

Let's discuss the Financial results for the year ended 30 June 2015

#### Financial results for the year ended 30 June 2015

	30 June 2015
Pre Tax (loss) dollars	(27,912)
Basic loss per share (cents per share)	(1.25)
Net tangible backing per share post tax (cents per share)	97.3

**October 2015 NTA (post tax) 98.75\* cents**

\*unaudited

#### Dividends

- Board intends to pay dividends in FY2016 if profit and franking balances allow this.

Performance: NTA and share price

#### PERFORMANCE: NTA

Performance	23 March* 2015-30 June 2015
Net KGI returns post tax	-0.78%
S&P/ASX 200 Net total return	-7.60%
RBA cash rate	0.54%

#### PERFORMANCE: SHARE PRICE

Performance	23 March* 2015-30 June 2015
Net KGI returns post tax	0.43%
RBA cash rate	0.54%

#### KGI Options

##### KGI OPTION: (NSX:KGIAO)

- Total issued 2.237m under prospectus.
- Exercisable at \$1.00 per share any time up until 27 February 2016.

#### OUTLOOK & MARKET VIEW

- *'There are seven billion people in the world – there will always be opportunities'* Jim Rogers
- Our outlook - per investment - is based on finding company specific ideas, not on a macro view of the world.
- We invest on a 3-5 year horizon, each investment has to have a **large margin of safety** to reduce the chance of **permanent loss of capital**.
- In bear markets, when people are most fearful, there are the best investment opportunities.
- Several commodity-based currencies have already retraced to their 2001/2 lows (against the USD).
- We believe the Australian dollar will zig-zag down to 50 cents against the US dollar on a 5-10 year view – staging rallies along the

way.

A reminder of how we invest

## **HOW WE INVEST – OUR PROCESS**

### **LOGICAL - REPEATABLE**

- Identify investment opportunities
- Complete fundamental analysis
- Quantify Investment thesis
- Consider macro-economic environment
- Determine portfolio weighting
- Maintain selling discipline

### **Our portfolio positioning**

- Fully invested
- Diversified holdings
- Global

Let's move now to two investments highlighted in our annual report.

First, General Electric

### **General Electric (GE) – Invest in ChΔnge: Thesis: Complex to simple**

- High quality business (high barriers to entry, high market share in industrial business lines).
- Never invested due to so many moving parts.
- Redeploying capital from financial business into industrial business.

GE is redeploying capital from its financial services business to its industrial business. The slide shows how this will be reallocated to dividends, share buybacks and the Synchrony exchange.

- Executing well on asset sales: 1.4x P/TBV vs 1.3x (1.1x total plan).
- “New” GE invested in industries with long-term tailwinds and large, recurring revenue streams.
- Sale of GECC reduces risk of permanent loss of capital (like 2008) whilst potentially offering attractive reward in a simplified GE (90% Industrial).
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### **Margins of safety**

- Our EPS estimates\* are ahead of consensus for 2018.
- If execution of GECC successful, large buyback of shares expected.
- Expect balance sheet to be transformed through GECC sell-down (2008 issues unlikely to repeat). Probability of permanent loss of capital reduced.

The second holding highlighted in the annual report is Tower.

### **Tower Limited (TWR) – Invest in ChΔnge: Thesis: A company transformed**

- Brand: 140 year old general insurer in New Zealand.
- Divested several business lines making it easier to analyse.
- Growth opportunities in a consolidated NZ market and in Pacific Islands.

**New Zealand market – 5%**  
**Strong position in Pacific Islands**

- Company has excess capital which it is redeploying into a buyback.
- Capital masks profitability of underlying business.

### **Margins of safety**

- Net cash per share\*
- M&A optionality.

Thank you for your attention, I will now hand back to the Chairman to resume with the formal matters of the meeting.

*[Simon to address audience.]*

### **Chairman Comments**

Thank you Connor.

In the two investment examples Connor has mentioned, the key value drivers relate to reallocation of capital from poorly performing businesses to areas with higher returns on capital, and ways of returning any excess capital to shareholders. Poorly performing business lines are divested, and management reenergized.

This is also a key attribute of companies analyzed by Will Thorndyke in the book 'The Outsiders: Eight unconventional CEOs and their radically rational blueprint for success', which I urge you to read.

Attributes of success include decentralization, capital allocation, focus on cash flow, frugality, patience, and having the mindset of a shareholder not an employee.

Kaizen Global are practicing what we preach, with a strong focus on costs and delivery.

Where the world sees uncertainty, Kaizen Global Investments see opportunity.

Your company's objective is to maximize compound after tax returns for its shareholders over the longer term.

I would like to acknowledge my fellow directors, colleagues, and advisors for their huge efforts over the last twelve months, thank you.  
Thank you also to John Corr from Stantons for attending today.

I would also like to acknowledge you, our shareholders, for supporting Kaizen Global at the IPO and over the last eight months.

### **Conclude Address**

Thank you for your attention. I will now move on to the formal matters of the meeting.

### **ORDINARY BUSINESS**

### **Financial Statements and Reports**

*"To receive and to consider the Annual Financial Report of the Company for the financial year ended 30 June 2015 together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report for that financial year."*

Ladies and Gentlemen this item of business does not require a vote. However, the reports are open for discussion. If you have any questions or comments relating to this item, please raise your hand. [Would you please begin by stating your name clearly.]

*[Questions / Discussion]*

If there are no [further] questions, as this matter does not require a vote, we will move to the next item of business.

**RESOLUTIONS**

**Resolution 1 – Adoption of Remuneration Report** The remuneration report is contained at p13 of the 2015 Annual Report.

*“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company’s annual financial report for the financial year ended 30 June 2015.”*

(The resolution is documented on page 2 of the Notice of Meeting.)

The Corporations Act requires the preparation of a remuneration report and that a resolution be put to members that the remuneration report be adopted.

Voting on the resolution is not binding on the Company or the Directors. However, the board takes seriously the views of members on this matter and will be given proper consideration when we review our remuneration practice and policies.

Does any shareholder wish to speak in relation to the resolution or to ask any questions?

If you do, please raise your hand and when called upon, please begin by stating your name clearly.

*[Questions / Discussion]***Proxies**

For this resolution, the secretary has received proxy instructions, which are also on the slide behind me.

**Put to vote**

I now put to the meeting the resolution that the Remuneration Report be adopted.

1. All those in favour raise your hands.
2. All those against raise your hands.
3. All those who wish to abstain please raise your hands.

As the next item involves my re-election, Connor will conduct the voting.

*[Connor to address audience]*

**Resolution 2 – Re-election of Directors**  
**Re-election of Simon Winfield**

The second resolution is the election of Directors. Resolution 2 is:

*“That Mr Simon Winfield, a Director who retires by rotation in accordance with the Company’s Constitution, and being eligible offers himself for re-election, is re-elected as a Director of the Company.”*

The resolution is documented on page 3 of the Notice of Meeting. A

synopsis of his experience at pages 5 and 6 of the Notice of Meeting is as follows:

*Simon Winfield has held senior roles in leading global investment banks, servicing some of the largest institutional investors in the US and the UK..*

*He started in the industry in 1979, working on the floor of the London Stock Exchange. He worked in UK equities for Greaveson Grant, W Greenwell, and UBS until 1990, when he joined Credit Suisse First Boston.*

*Simon was based in London and New York for Credit Suisse from 1990-2001 marketing European equities and European emerging markets to leading institutional and hedge fund managers.*

*Simon held the position of Managing Director, Head of European Equity Sales at Bank of America from 2001 to 2003.*

*Simon earned an MBA from the University of Edinburgh, and a Graduate Certificate in Carbon Management from Bond University. He has also been analysing directors share transactions, and has invested in unlisted sustainability-oriented businesses in Northern NSW.*

*Simon is currently a director of Urban Ecological Systems Pty Limited, a private agricultural technology company based in New South Wales. Simon has been a Director of the Manager since October 2009 and a Director of the Company since September 2014.*

*Simon brings over 34 years of broad executive, operational and investment experience to the Company.*

*[Questions / Discussions]*

Thank you.

## **Proxies**

For this resolution, the secretary has received proxy instructions, which are set out on the slide behind me.

I intend to vote all open proxies that I hold in favour of the resolution.

## **Put to Vote**

I now put to the meeting the resolution to re-elect Simon Winfield as a Director of the Company.

1. All those in favour raise your hands.
2. All those against raise your hands.
3. All those who wish to abstain please raise your hands.

*[Simon addresses the audience.]*

## **Meeting Close**

If there are no further questions, I will close the meeting.

Thank you for your attendance today and to those shareholders who participated by proxy.

Ladies and Gentlemen, this completes the formal business of the meeting. However, as I indicated earlier, I would be very happy to take any general

questions you may have.

The Directors would be pleased if you would join them for light refreshments and an opportunity to ask additional questions.