"The Scrip"
MANY INVESTORS; ONE VOICE
NZSA New Zealand Shareholders Association Inc.

ISSN 1179-4275 June 2011

NZ SHAREHOLDERS ASSOCIATION NATIONAL CONFERENCE & AGM 2011

When: Saturday, 6th August, from 9.30am to 4.15pm

Where: Club Mount Maunganui, 45 Kawaka St, Mt Maunganui, Tauranga.

Speakers: As usual, the Association has been able to attract a fantastic line up of top quality speakers. You really can't afford to miss this day.

- **Dr Alan Bollard.** Governor of the Reserve Bank of New Zealand. The man who controls the big picture settings that affect the whole investment scene including interest and mortgage rates. The RB also oversees the banking sector and has picked up some additional responsibilities under the new FMA regime.
- **Simon Botherway**. Simon has done it all. Fund manager, shareholder activist, company director and head of the FMA Establishment board. Now has a new position as GM, Investment Management for ANZ Wealth controlling $12 billion in managed funds.
- **Carmel Fisher.** One of New Zealand's best known fund managers and investment commentators. Now becoming a major force in the Kiwisaver arena.
- **Brian Leyland.** A respected hydropower engineer who has written extensively about the risks and opportunities in the NZ electricity market including the lack of objectivity around climate change.
- **Demonstration:** Company Key performance data system available to members
- **2011 AGM:** Meet and hear your newest directors. The chance to have your say.
- **Full buffet lunch** included for registered attendees.
- **No charge** for members.

Accommodation: Make a long weekend of it in the sunny Bay of Plenty. A wide range of accommodation at reasonable prices is available close to the venue.

Early Registration: Early registration will assist with catering.

Email: admin@nzshareholders.co.nz
Phone: (09) 309 9768
0800 6972 7478

Post: PO Box 6310, Wellesley St,
Auckland 1141.

CAN THE TRUSTS BE TRUSTED?

The crash of 1987 showed up the risks of the unregulated Wild West markets of the time. The worst excesses were committed by some so-called “investment “companies. A constant merry-go-round of buying and selling “assets” at ever increasing prices lead to an inevitable implosion. Paper fortunes, based largely on smoke and mirrors disappeared overnight. The companies all had “corps” in their titles. Equiticorp, Chase Corp, Gold Corp and so on. Investors pretty soon found that “corpse” might have been more appropriate! In time these disasters lead to an overhaul of the law. The Security Markets Act began a process that culminated in the FMA super regulator replacing the inept SecCom just a few weeks ago.

At the time, investors were left to ponder how they could obtain a reasonable income stream from property related assets in the absence of protection from shyster promoters. The answer was to use the unit trust structure. Trust law was long established, regulated and enforceable. Basically, property was owned by a trust and overseen by a commercial trustee. The trustee contracted a separate company to manage the assets of the trust. Investors bought units in the trust. Most thought of these like shares, but there were important differences. Unlike shareholders, unit holders had no say in the running of the trust, there was no requirement to have meetings, no say in choosing the directors of the management company or even the company itself, no independent directors and the reporting standards were different. The trustees had the responsibility, but as far as possible they hived off any operational decisions to others.

Over the years we have ended up with the likes of Kiwi Income Property Trust, Goodman Property Trust, Vital and Argosy amongst others. The structure looked great on paper, but clever people always find ways to turn things to their advantage. Weak trustees signed management contracts that locked the trust into an indefinite arrangement. Worse – the management companies usually got paid a percentage of total assets under management. And guess what, the managers were quite happy to buy assets of sometimes dubious quality and gear up to imprudent levels to increase their fees. Look at how many have had to do urgent equity raisings. Most had clauses in their contracts forcing the trust to pay for a lot of activities that an average person would consider part of “management”.

The outcome was that the management companies became very profitable. They could be sold at large multiples of their contractually assured future income stream. The investors could have a different company with different staff managing their property - with no choice in the matter. The trustees tended to simply sit back and take fat fees for paper shuffling. Over time, some trusts have introduced meetings and even allowed unit holders to vote. But again, the men in grey suits looked after themselves. In a number of major trusts, the manager is a company owned by a large institutional investor. That same institution tends to hold a significant chunk of the units. This means that they can block vote and prevent action to remove the management company. They can ram through proposals that suit them, but are not necessarily in the interests of all unit holders. A prime example was AMP Property Trust which finally adopted a corporate structure last year, but at the same time more deeply entrenched the management rights. These were ultimately owned by the two largest unit holders. At the very least we think they should not be allowed to vote in such circumstances.

It has become clear to many investors that these trust structures are flawed. Pressure has mounted to internalise the management company and change to a corporate structure. The NZSA endorses both of these objectives as it aligns everyone's interests and gives shareholders a greater degree of control.

The problem is the management contracts. Vital Healthcare Property Trust and Argosy Trust are both proposing to buy out their managers and bring the process in house. The prices being asked are $14m and $32m respectively. If we look at Vital, this is a large cost on the face of it. In FY2010 the Trust made an operating profit before tax of $7m. However, late last year it doubled in size following the purchase of 12 investment properties in Australia, and so we would expect the profit to increase substantially. On the other hand, gearing for FY2012 is expected to be 42% and increases to 45% following the buyout. Of course the management fees will also increase substantially due to the larger asset base!

The Trust advises that a buyout would be cash accretive, but have been unwilling so far to quantify that. If we assumed that half the management fee was profit, and was set to double in the larger company, the savings could be in the order of $2m p.a. Is a 7 year payback reasonable (ignoring taxation and funding costs)? The independent report due in July may give greater clarity. Certainly with an average lease term of 11.5 years and strong tenants, Vital is unlikely to default. However, returns to unit holders may be affected. The difficulty facing investors also encompasses non-financial aspects. The management company is up for sale. If the Trust does not buy it, it will be stuck with whoever does. Part of the deal means the current management team will come with the internalisation. What value should investors place on this continuity? And what price is fair to everyone?

Vital has said it will allow unit holders to vote on director appointments, but will not corporatize at this time. We think that doing so might tip the balance and will be seeking a commitment for this to happen within 12 months if management is ultimately internalised.

The complexity of these situations has led your board to write a series of policy statements. These will be on the NZSA website shortly as part of a wider overhaul adding value to your membership. The intention is that in time you will be able to look up which way we will vote your proxies at every meeting, and the reasons why. **One of the most powerful tools you can give us is an undirected proxy.** We may not always succeed, but a large no vote always has an effect in the boardroom. Remember Contact Energy!

John Hawkins
Chairman

NEW ZEALAND SHAREHOLDERS ASSOCIATION INC.
PO Box 6310, Wellesley Street, Auckland Ph (09) 309-9768
Website – www.nzshareholders.co.nz

Chairman- John Hawkins – jhawkins@internet.co.nz
Secretary/Treasurer- Chris Curlett - chris.curlett@xtra.co.nz Ph (021) 738 032
Corporate Liaison- Des Hunt - desmondhunt@xtra.co.nz Ph (09) 521 6117
Newsletter & Branch Liaison- Alan Best - fleshnfruity@xtra.co.nz Ph (09) 524 0317
Proxy Coordination- Jacquie Staley – proxies@nzshareholders.co.nz Ph 021 2889990
Governance issues - Grant Diggle - grant.diggle@gmail.com
Marketing - Jacqui Bensemann – jmbnzsa@argusfire.co.nz
Legal issues - Gayatri Jaduram – gayatri@cogswelljaduram.co.nz
Lyn Lim – lyn@forestharrison.co.nz
National Manager- Patrick Flynn - patrick.flynn@nzshareholders.co.nz

THOUGHTS ON THE HERALD SALARY SURVEY

By now many of you have read the article in the NZ Herald on the 30th April showing the latest 12 months CEO pay survey. They claim the average went up by 14% against the average for workers of only 1.7%. There is no doubt CEO and directors pay has increased at a much faster pace over the last few years than returns to us, the shareholders. When the subject is raised with consultants who do this work they claim our CEO's are under paid compared to those overseas. Their research is often shallow. You rarely see them use the same argument when it comes to workers' pay. They usually overlook cost of living differences, house prices, school fees, life style – important things that contribute to a standard of living. Playing golf, going sailing, and recreation on reserves and beaches are so much easier in NZ, and barely accessible in most overseas cities.

In another piece of research it has been found companies can spend a fortune recruiting a hot shot CEO from outside only to find they have wasted shareholders' money. The study by consultants A T Kearney and the Kelley School of Business at Indiana University discovered that outsiders have a significantly higher failure rate, and a shorter tenure than insiders. According to Paul Laudicina, chairman and managing partner of A T Kearney: "Recruiting at the top is far more likely to be costly and disruptive than seeding succession from within" The report's authors studied non-finance companies in the S&P 500 index between 1988 and 2007, and identified 36 that routinely promoted chief executives from within their own ranks. These outperformed the others in the index across seven metrics. The research also found the median compensation, including salary, bonus and equity incentive, for external CEOs was 65% higher than the two thirds of companies which promoted from within. Yet 40% of outside chiefs lasted two years and less, whilst over 60% were gone by their fourth year. Just see what happened at The Warehouse and Telecom.

Coming from outside gives external chiefs a feeling that they have a "mandate for change," and the freedom to assert their will on the company almost immediately, the study suggests. Frequently, this leads them to make changes before they fully understand the company, its culture and its most valuable asset people. Their arrival is often quickly followed by the departure of other senior management members, and the results are not always positive. One could relate this to Telecom. The only thing outsiders seem consistently good at is rapid cost-cutting and divestment. But over time those opportunities dry up.

This is why the NZSA has been telling company boards that they should take a more active role in succession planning and rely less on the gap between incumbent CEOs and their staff.

Des Hunt

FINANCIAL ADVISERS ACT 2008

The NZSA Board considered its position under the new rules of the Financial Advisers Act 2008, and has concluded, after legal advice, that in the normal course of its activities it is not a financial adviser, and that if challenged, it comes within the "Information only exemption" from financial advice. It has also concluded that the membership subscription is not a charge for financial advice. Nevertheless it is important for us all to remember that :

The NZSA does NOT give buy/sell recommendations or opinions
We remind our members that the NZSA and its branches do not (and, in its view, must not) make recommendations or give opinions in relation to whether to buy or sell a specific investment (nor does NZSA or its branches purport to do so). The NZSA and its branches can (and continues to) provide factual information about a specific investment product or a class of investment product, for example, in its education materials.

The NZSA does not authorise any member to hold him or herself out as representing NZSA, if that member chooses to give a recommendation or opinion in relation to any financial or investment product. If that member chooses to do so, that recommendation or opinion is given in his or her private capacity and not on behalf of the NZSA.

Legal and Regulatory Subcommittee.

BOARD REPORT FOR APRIL AND MAY

An intensive schedule of meetings with both companies and regulators kept NZSA advocacy alive, and the chairman very busy, in the past two months. These included Joan Withers (AIA, TVNZ, Treasury,) Sean Hughes (FMA,) Simon McKenzie (Vector,) Michael Stiassny (ETNZ, IOD) Wayne Boyd (Telecom,) Ross Jackson (NZICA,) as well as Energy Trustees, Ministry of Economic Development, NZX, Fisher Funds, Contact Energy, Nuplex, Vital Healthcare, AMP Capital, and various media contacts. The issues canvassed included remote computerised voting and participation at AGMs, Review of the Securities Act, sponsorship of our education and conference, executive remuneration and other company policies.
Website development continued with the updating of Australian and UK Shareholders Association newsletters, entry of company performance data, position statements and other member-access benefits. Systems are being proved and fine tuned at present.
Other issues addressed by the board are covered under separate headings in the newsletter.
NZX WEBSITE: In the last meeting with NZX, we were advised that they are planning an update of their website. We mentioned out-of-date news, and skimpy records of company announcements, in our January issue. The line is open for your complaints or

suggestions to NZX for their website. Please advise any of our board members of your concerns.

Alan Best

THE BEACON AND THE GLOB 2011

For several years the Association's programme has included the Beacon and Glob awards. This has been successful in gaining media attention, and thus encourages and acknowledges good corporate governance. These days the NZ Government seeks out the thoughts of the Association and this is hugely useful to our cause. Some people do contribute more than others in the NZSA but if we did not have broad support from hundreds of people who have real back bone, NZSA would only be a shadow of the current organisation.

In the past, some members have felt disenfranchised in the awards programme. While the board makes it decisions based on members' nominations, it is not a vote, number-crunching procedure, and there is an element of timely public relations in the Board's decision. Naturally members are disappointed if their nominations are not successful, but there are usually several good candidates who are supported by nominations for the Beacon award. That there are usually several baddies as well, for the Glob award, is not such good news.

To reassure members that their input of nominations are and will be carefully considered by the Board, Patrick Flynn, our National Manager, is taking a more direct interest in the process. Howard Zingel the usual convenor, will be given participation rights, but not a vote at the 7th September board meeting when the awards are decided. The nomination deadline is 31 August 2011 and you will be prompted again before then to tender your nominations. We welcome nominations which are supported by reasons, and Howard will ensure that reports receive a fair hearing. Last year, the Waikato Branch supported their nomination with a very well developed report. That their selection choice only just missed out winning the award is hopefully sufficient motivation for them to continue to make strong presentation.

Any of your ideas about the awards or the process are welcome and may be made to Patrick at patrick.flynn@nzshareholders.co.nz, or Howard at howardz@xtra.co.nz.

Howard Zingel

SECURITIES ACT REVIEW

The legislation subcommittee of the board recently had the satisfaction of seeing Mr Whimp stopped in his tracks by regulations we requested in the new Financial Markets Authority law. This is an example of why we have been putting so much effort into working with government to ensure your voice is heard.

Now we are turning our attention to the review of the Securities Act. This is a major law that sets out what offers of financial products are to be regulated, how they will be regulated and how the regulation will be enforced. It affects us all because bonds, shares and managed funds are included. So are property and many other specialist financial products.

Because of its "one size fits all" approach, it becomes very complex. There needs to be alot of thought given to avoiding unintended consequences. If care is not taken, we could have the situation that someone wishing to sell their corner dairy has to issue a prospectus!

The NZSA is strongly in favour of a principle based approach - if something looks like a dog, barks like a dog and wags its tail like a dog, it cannot be called a cat in order to avoid the law. There is strong support for this approach.
We are also very concerned with some of the exemption rules currently proposed. As it stands, people investing quite modest sums, or on a regular basis, or with close relatives may be automatically exempt from the coverage of the Securities Act. Our initial view is that unless someone opts out, they should be covered. However, this can become problematic in a range of circumstances which are generally outside the NZSA area of interest.
We will update you on shareholder related issues as they are addressed.

John Hawkins

COMPANY MEETINGS

NZ REFINING COMPANY AGM 19TH APRIL

NZSA proxies - 13 shareholders holding 171,558 shares, 0.6% of total ordinary shares.

For the first time since incorporation, the 2011 AGM was webcast. If the procedure proves successful, it is intended to repeat this for future years. It is particularly notable that this year, the Company's 50th Anniversary, the decision has been taken to hold future shareholder meetings at Marsden Point. Shareholders will be given the chance to watch proceedings without the debilitating journey for some of the 3,800 shareholders; it is to be hoped that the costs involved in arranging webcasts will be taken advantage of and appreciated by members and the wider investing public.

There were a large number of directors up for election or re-election. Your representative took the opportunity to seek response from Mr Mike Bennetts (who on behalf of Greenstone Energy Holdings along with the Guardians of NZ Superannuation and Infratil are major shareholders), for his comment on any change of strategy in view of the departure of Shell. The query was deflected due to the fact that Infratil was also a listed company and any comments would not be appropriate. In my view the question should have been anticipated by Infratil and its representative given more meaningful facts about intentions.

There were three shareholder questions. One shareholder asked why Shell decided to exit the Refinery company. The chairman responded that this was a strategic decision by the Board of Shell to move away from the general retailing side of operations and to concentrate on prospecting and developing. Clive Mill, a long time shareholder and farmer complained about the performance of his tractor, and the CEO advised that over a period of time the sulphur content of the oil had been restricted from 3,000 parts per million to 30 ppm by government legislation. He was advised that this should not make any appreciable difference to his tractor, There were however, other points and Ken Rivers suggested a talk after the meeting might be beneficial. Mr Peter Scherer (former editor of the 'The New Zealand Herald'), asked a topical question relating to the susceptibility of the Refinery to earthquakes and tsunamis. The CEO stated that the matter had been given much investigation 4 years ago and he was able to point out that whilst there was some possibility of flooding from a tsunami there was little risk of severe earthquake damage or tsunami given the depth of water of the surrounding sea area.

On the question of Insurance Ken Rivers indicated that both he and Denise Jensen visited their underwriters in Singapore and Lloyds of London to explain the situation and the Board had agreed that cover was sufficient.

Oliver Saint

CAVOTEC MSL AGM 28TH APRIL.

The CCC AGM was held at the Clearwater Resort, Harewood, Christchurch. NZSA held proxies from seven members for just over 35,000 votes.

Cavotec MSL is an international engineering company concentrating on mining, aviation and shipping equipment. It entered the NZX several years ago in a reverse takeover of the NZX listed Mooring Systems Ltd.

The major proposal before shareholders was the Board's proposal to de-list from the NZX and re-list on the Stockholm Nasdaq. They sought shareholder approval for a "court-approved scheme of arrangements to be placed before shareholders at a subsequent meeting". It sounds a bit like NZ turkeys being asked to vote for Christmas! And with the company management controlling over 70% of the shares there was never any doubt the proposal would proceed to the next stage.

The Chairman, Mr Stefan Widegren, told the AGM that the company had come through the recession and was in a strong position to achieve growth which needed greater financial support. He saw the move as overcoming the company's declining share price, improving the liquidity of the shares, and improving the prospect of capital raising from a much broader base of investors. He enthusiastically likened their international growth proposals to the great voyage of Ferdinand Megellan; although he neglected to mention that the explorer died on the return journey!

For NZ shareholders the prospect of retaining their holding into this offshore move is hardly attractive, given the tax implications which can be burdensome and only worthwhile if the company achieves future share price increases and high dividends which have eluded it throughout its NZ existence.

The shares last traded at $2.85 down from $3.30 before the announcement of the proposal for re-listing.

Robin Harrison

PROPERTY FOR INDUSTRY AGM 5TH MAY

NZSA proxies - 15 shareholders holding 462,296 shares (including your reporter's)
In view of the high quality of the light lunch provided for shareholders, it was disappointing that so few attended the meeting. The shareholder spread indicates that one third numerically are from the Auckland and Northern Region. However around 20% in number come from the South Island and the Hamilton district is also a strong supporter of this group. It would not surprise me if the Company were considering extending the range of venues to cover other districts in New Zealand. The results held no surprises and perhaps this was a reason why shareholders were absent on this occasion. However it is possible there is another more potent reason for the relative lean attendance. We have heard that there has been a sharp increase in equity investment

by New Zealanders lately and it is occurring to me that much of this investment is being channelled through managed funds. It is certainly not through increased numbers of shareholders on the register as this has steadily decreased each year from 5,458 in 2007 to 4,984 in 2010. The results presentation, which is now displayed on the PFI website covered the major points. After a slow start, there was one interesting question. The question raised by David Lawson sought advice whether the Company would consider following the latest popular move for property companies to operate with their own management team. The performance of AMP since incorporation has proved to be one of, if not the best of all, New Zealand listed property companies and there seemed to be small incentive for change. However the chairman indicated that the Management Contract with AMP had been passed by shareholders at a general meeting and was thus fully documented. Now that the Company has an excellent website, it would seem appropriate that the contract might be included on the website for the interest of shareholders.

Oliver Saint

CDL INVESTMENTS AGM 31ST MAY

NZSA proxies – 12 shareholders holding 79,780 shares
The expectations of shareholders appeared to be confirmed in this 27th meeting of this small residential property developer. Most I guess, had bought in the knowledge of its low gearing, spread land bank, low overheads, and potential for good margins when the market for new sections is buoyant. The ability to share the cost of senior executive positions (CEO, Secretary and Directors) with 69% owner Millenium Copthorne is an obvious cost benefit, while the outsourcing of section excavation, and land-agent selling costs, keeps the staffing levels low. Chairman Wong Hon Ren's halting but clear delivery was soon replaced by the fluent explanations of BK Chiu, who claimed that having passed through the 6 oclock nadir of the property clock, we were only just positioned at 7 oclock, and well away from the high noon of the 2007 year. Building consents are at the lowest level since 1985, while net migration gains were low at 6600 (compared with the high point of 21000.) However, estimated demand for 26000 new homes was unsatisfied by building only 10000, and pockets of opportunity were showing up in Hamilton (Ashmore,) Hastings (Northwood,) Rolleston (Millbank,) and Auckland (Don Buck.) Sales of over 50 sections for this year were expected to be in line with last years result, but given the delay between signing and receipt of cash, the company was concentrating on building up forward sales for the following year, helped by continuing low-interest lending by the banks. With $8m in cash the company expects to announce a further land purchase in the near future.
Directors John Henderson and BK Chiu were reelected without dissent. Questions over the development of the investor section of the website, section availability in Nelson, (17 available,) and further land purchases were answered positively, but it was clear that there were no bonuses in store for shareholders in the current climate.

Alan Best

GPG AND THE FDR

As we go to press, GPG will hold its AGM in Auckland. Halleluiah! At last we will have a chance to question the directors on the direction of the company. We have been advised that the voting papers were prepared under UK listing rules not NZX, which explains why they did not appear to give clarity to "proxy discretion."

One of the issues raised by members has been the temporary exemption enjoyed by shareholders of GPG from the Fair Dividend Rate (FDR) of tax on foreign companies. As shown in the correspondence section of the website our Bay of Plenty Chair, Allen Smith, recently wrote to the Minister of Inland Revenue to ask whether this would be extended beyond 2012. Mr Dunne's reply was, in short, "No." As many of our members are shareholders in GPG, we thought we should make the position as clear as possible. If you are not a trader, but a long term shareholder in GPG, the current capital return will not be taxable. We expect the company to make it clear before any further payments are made whether they are from revenue or shareholders' capital. Capital investment in GPG, a UK registered company, held by New Zealanders after 31st March 2012, will be part of the $50,000 threshold, and when that threshold is passed, will be subject to the FDR tax. Mr Dunne had previously advised the NZSA that the FDR tax would continue for the foreseeable future, and had no information on the cost and benefit of the tax. We recommend that members consult a tax adviser if they are in any doubt.

Alan Best

BRANCH REPORTS

AUCKLAND

Brian Gaynor, as always, a popular guest speaker at the branch gave an enlightening, sobering statistical review and commentary on the current state of N Z's poor financial position compared with Australia and other trading partners to a well attended meeting of over 100 members.

- GDP growth comparisons for NZ, Australia, and other advanced economies were substantially behind the emerging economies, especially China & India. The advanced economies with high debt levels were mainly negative in 2009 and struggling to make progress compared with the emerging country economies.
- GDP growth, Investment levels, new jobs created, and population growth statistics comparing NZ with Australia, showed trends that Australia was progressing at a faster rate than NZ in all areas.
- Trends in NZ Government finances from 2008 – surplus $4billion to a 2011 deficit of $9billion needed to be addressed to bring under control to avoid downgrades in credit ratings. Govt. Debt over the same period has risen from $31.8b to $63.4b.The high NZ $ exchange rate was being affected by funds coming into the country from overseas reinsurers for the Christchurch earthquake.
- The Christchurch earthquake has affected the Government finances with an estimated $11.5 b cost to Government for infrastructure, and this could be higher after inflation. He emphasised the revitalisation rather than the rebuild of Christchurch as a great opportunity to build a vibrant society to stimulate growth and opportunity. It will take 10 years to rebuild from 2012, and will stimulate the economy.
- He said that Corporate Governance was still a problem in NZ and highlighted the examples of AMI Insurance, South Canterbury Finance and Dilligent where boards of directors failed to exercise proper governance.
- Finally he praised the role of the NZSA in pushing for higher standards of governance and the new regulatory FMA and quoted GPG as an example with successful results for change in directorship and AGM to be held in NZ.

Brian fielded a wide range of questions from the floor and generously responded to them all in his usual decisive manner, which kept him on his feet for some time, and which was much appreciated by the members present.

Noel Thompson

Future company Visits: Visits 1 Sealegs and 2 Fletcher Building completed

3. Wednesday 6 July am – ANO (AMP NZ Office Trust), Queen St. Auckland
   Presentation by CEO Scott Pritchard – maximum participants 50

4. Tuesday 16 August, 2 – 4 pm – AIA (Auckland Intl. Airport Ltd)
   Presentation by CEO Simon Moutter & CFO Simon Robertson

5. Tuesday 4 or Wednesday 5 October APN/NZ Herald – max. participants 22 details to be advised.

6. Tuesday 6 December 10 am – 12 noon – Vector (VCT) House of the future, AKL CBD – max. 50 participants - Presentation by CEO Simon Mackenzie

Members who have not already registered please email Uli Sperber: uksper@gmail.com (stating membership number & names of participants). Please, register for each visit separately & keep a note of your registration to avoid double bookings.

Please note that after registration you will receive a final email a week before the event to confirm any last minute instructions.

Uli Sperber

WAIKATO

Our committee combined with Bay of Plenty branch in March for an exchange of ideas and a social get together at the Okoroire Hot Springs Hotel. It was good for us see how another branch functions, and we have benefited from their ideas.
In April, Martin Watson, our treasurer, gave us the second half of his talk "Making the most of the wild ride" which proved most interesting. He dealt with thirteen points from -- 'Is investing becoming harder or easier for private investors?' to 'Investing for those who aren't interested in analyzing companies themselves'. We enjoyed the wide range of topics which stimulated a good response.
Dean Bracewell addressed us in May to keep us up to date with Freightways activities. It was a good backgrounding of a go-ahead, well-run company.
On June the 9th John Hawkins, National Chairman, will speak at our AGM.
The rest of the year will see a full program of speakers.

Roger Jennings

BAY OF PLENTY

The Bay of Plenty Branch has been very active over the past two months with our organizers arranging a company visit to Seeka Kiwifruit Industries Ltd.

Stuart McKinstry their Chief Financial Officer provided an excellent presentation of their latest financial results. They have a good story to tell. We were impressed with their enthusiasm and can do approach. The packing season was well underway and members attending were able to view their latest acquisition, a MAF Roda grading machine imported from France this season. The machine is capable of sorting 4,500 trays of kiwifruit an hour.

Seeka Kiwifruit Industries runs 10 pack houses, 23 cool stores and packs 23% of the nation's kiwifruit harvest. They have 1130 growers supplying their pack houses. During December 2010 they purchased Huka Pack, and that has anchored their position in the industry even more firmly.

The company's innovative approach has seen the introduction of a new grower service for those who unfortunately may be affected with the PSA virus. Verified Lab Services can offer growers a 48 hour leaf testing / confirmation programme. Three hundred tests can be processed each day.

Seeka Kiwifruit Industries is budgeting on packing 25.3 million trays of export grade kiwifruit this season compared to 23.6 million last season.

Later in the afternoon Michael Franks their Chief Executive spoke about the prospects for the industry and more importantly the gains and innovations that Seeka have in mind. Our branch enjoyed this afternoon visit. We were impressed with the company's planning and the positive approach of management.

May saw the conducting of our Annual General Meeting at "Daniels In The Park". Fifty members attended. Our guest speaker was Mr. Cameron Watson a director from Craigs Wealth Research who spoke on the theme of "Protecting It, Growing It and Living On It." This was a fitting address considering the age of our membership. Emphasis was given to acquiring shares in blue chip companies, those with increasing earnings and improving dividend payments over time. Several examples over a ten year period were provided. Cam also stressed the need to have ones nest egg well spread with investments made off shore. Long term examples were provided such as BHP, Johnson & Johnson, Proctor & Gamble and the Australian Banks.

A tribute was paid to Bruce Anderson, an inaugural committee member who is retiring after 10 years of dedicated service. His valued contribution has certainly assisted with the success of the Tauranga Branch.

Our current chairman stated that the present committee have undertaken with the current national board to host the 2011 National AGM in Tauranga on Saturday 6th August. All members were urged to attend this day where significant speakers from around the country will be addressing those present. It is estimated that in excess of 160 members will be present.

Lloyd Christie, Kerry Drumm, David Higson, Jane Lyndon, John Mainland, Neil Parker, Allen Smith and Martin van der Meys were elected to the committee for the ensuing year. A chairman will be nominated at the next committee meeting.

Allen Smith

WELLINGTON

The great thing about being involved with the Shareholders Association at branch level is that you get to meet a lot of really interesting people – the branch members, the local broking and financial community and the guest speakers who give their time to come along and talk to us.

At our May branch meeting we had two thoroughly nice gentlemen from Teamtalk, David Ware (founder/CEO) and Geoff Davis (Group Financial Director) tell us about the company. TeamTalk is New Zealand's largest mobile radio company, established in 1994 by David Ware (ex NZ Post Office) with venture capital from the US. There was as change of shareholders in 1999 after the US owners hit a bit of financial strife, and in 2001 TeamTalk purchased Telecom's Fleetlink and mobile assets - at that stage

Telecom was Teamtalk's competitor in the mobile radio space. Teamtalk listed in 2004, and since then has made several strategic purchases including Wellington's CityLink. Teamtalk is a low profile company that focuses on niche markets that have been neglected by others, often because the market is too small or too specialised for large companies, and unusually in the virtual world, Teamtalk likes to own and have full control over its infrastructure.
Since IPO Teamtalk shareholders have averaged a 15% annual return (capital plus dividend), one of the better performing NZX listed companies over this period.

Martin Dowse

CANTERBURY

As we recover from the quakes and aftershocks the committee is restoring the Branch's regular programme. Our first speaker for the year was **Dr Don Elder, CEO of Solid Energy,** who visited us on 12 May at the Fendalton Croquet Club. This was an evening which delivered far more than we had expected. Don Elder, a graduate of the University of Canterbury and former Rhodes Scholar with a PhD in Civil Engineering from Oxford, is generally regarded as the man responsible for putting Solid Energy on its feet and driving the company forward in recent years. When asked if the report was true that "*after he took over productivity at Solid Energy had increased by over 500%*", he modestly responded "*yes, but it was from a very low base*".

His talk was wide ranging, far exceeding our expectations; covering his perceptions of NZ resource utilization, environmental protection, his role NZ our trade negotiations with China, possible future privatization and Pike River. His presentation was lively, interspersed with many anecdotes and penetrating observations which held his audience enthralled.

Don Elder turned our attention to Canterbury's current situation in his role as Chair of the Canterbury Business Leaders' Group. He saw the opportunities for a rejuvenated city establishing a legacy for prosperity for the city's next 150 years.

For NZ's long term prospects Dr Elder observed that the era of cheap resources was coming to an end; but NZ was well endowed with land, water and energy which were becomingly increasing scarce around the world with its ever rising population and rising economic aspirations. So, if NZ handled its resources wisely it should be a big winner!

After his presentation Don Elder handled the many questions from the audience with ease and frankness. I, for one, had not expected to hear the head of the major coal mining company expound on the need for environmental protection! He stayed on for our usual round of light refreshments and continued to answer and chat with members. All agreed that this was a most informative and entertaining evening and that Dr Don Elder is a most remarkable leader of industry.

Robin Harrison

BRANCH CONTACTS

Auckland	Andrew Reding	andrewNZSA@gmail.com
Waikato	John Davies	cjdavies@xtra.co.nz
Bay of Plenty	Allen Smith	allen.smith@wave.co.nz
Wellington	Martin Dowse	martin@dowsemurray.co.nz
Canterbury	Robin Harrison	robin.harrison@canterbury.ac.nz

MEMBERS' ISSUES

THE SHARE INVESTMENT COMPETITION.
WAIKATO BRANCH PORTFOLIO SUMMARY 30/04/2011

Company	Quantity	Latest Price $	Cost Basis	$ Gain/Loss	% Gain/Loss	Value
Abano Healthcare	684	4.50	3,805.12	- 727.12		3,078.00
Barramundi	2,422	0.78	1,936.32	-47.16		1889.16
Ebos	1,047	7.30	4,997.90	2,645.20		7,643.10
Fletcher Building	602	9.19	4810.90	721.48		5,532.38
Infratil	2,006	1.90	4,999.14	-1,187.74		3,811.40
Kingfish	665	0.99	1,022.50	-364.15		658.35
Michael Hill	4,789	0.91	3,344.81	1,013.18		4357.99
Nuplex	310	3.26	1,244.85	-234.25		1,010.60
NZ Windfarms	4,239	0.175	997.97	-256.15		741.82
Opus International	1,728	2.22	2,999.32	836.84		3,836.16
Pike River Coal	3,002	0.88	4,367.99	-4,367.99		0.00
Pike River Options	3,871	0.06	899.84	-899.84		0.00
Restaurant Brands	2,390	2.50	5,024.02	950.98		5,975.00
Vector	790	2.56	2,000.00	22.40		2,022.40
Xero	3,880	2.55	4,989.77	4,904.23		9,894.00
Cash			5,239.60			5,239.60
Totals			**41,319.46**	**3,009.91**		**52,611.96**

Summary to 30/04/2011
The portfolio competition came to a conclusion after 5 years of notional $1,000 monthly contributions. As can be seen our total of $52,611 reflects an underperformance of 12.31% on the $60,000 supplied. The NZX50 over the same period had a decline of 7.85%. Some of this may possibly be put down to the fact that being a competition we adopted the strategy of chasing performance and looking for "rockets." In the last year Pike River Coal proved very costly and although start up mine ventures may be risky we certainly under-appreciated the risks associated with the mine. On the other hand, risk taking in the form of Xero proved very profitable. It would be interesting to hear of the performance of the Tauranga Branch who invested real money into a share club and if they employ a more conservative strategy.
The competition proved a very useful vehicle for the participants as a learning vehicle. Meeting on a regular monthly basis provides some discipline in thinking, reviewing and

keeping current on investments. The different views and discussions were great research tools and widened investment horizons and ideas. Optimum group numbers we found to be about 6. It proved to be difficult to maintain interest in the competition as such, with the only other competing branch dropping out a year ago. A 3 year maximum time frame may have helped. We found 2 hours a good amount of time for a meeting, but did find it difficult to schedule meetings especially outside the designated day and time. Keeping good accurate records is essential to monitor performance, and certainly emphasised the importance of dividends. Sharesight (the cloud online share management programme) has proved very useful.

We devised various strategies to maintain interest in the later part of the competition. John Ward maintained a bond portfolio in tandem with our competition portfolio and reported to us regularly. This portfolio also did not have entirely plain sailing in the GFC, with some of his perpetual bonds suffering losses of capital. We also ran a share competition amongst ourselves with Alex Eames taking the honours. The remnants of the group will continue to meet on a regular basis, with the hope of engendering some more interest and participation in share discussion.

My thanks to all members who initiated, participated and hosted the various meetings over the 5 years.

Robert Foster

Editor: Thanks to Robert for a final report. We congratulate Waikato, the only branch to complete the full 5 years of the competition. We do think that branches should continue with this type of share discussion group which clearly lifts the knowledge and interest levels within NZSA.

RELEASING THE SHARE REGISTER TO MEMBERS OF A COMPANY

The recent use of the share registry by interests associated with Bernard Whimp, evoked a strong recommendation from Computershare, that the release of its register for any company be subject to an “improper purpose test” as happens in Australia. It was suggested that the definition of “improper purpose” be so carefully detailed that directors would need to justify the withholding of the register in the light of the terms, such as

- Soliciting a donation
- Soliciting by a broker
- Gathering personal information about an investor
- Making an unsolicited offer to purchase off market.

In any event, we saw that the decision to withhold the names on the register would be left to the directors.

That NZSA did not support the proposal, was greeted with some surprise by both registries and some outside parties, and it deserves some explanation.

NZSA has requested the names and contact addresses in particular companies on several occasions. Usually it is because we wish to present information to shareholders in that company. Sometimes the mere request for the names was sufficient to begin talks, and initiate a positive outcome for shareholders. We believe that to restrict shareholder access to the register, even if it is only by allowing a board to employ delaying tactics, is a negative move, restricting transparency, and democratic questioning. Even the suggestion above, that we would be unable to solicit help from other shareholders with funding an action against a company or its directors could be an excuse for not releasing the share register. The right of a shareholder to seek the support of, and join with other shareholders to influence a company is a fundamental one, and should not be too circumscribed.

With the benefit of hindsight, we note that the FMA had sufficient powers to cancel out the misleading offers by the Whimp interests, without recourse to more restrictive rules on the release of shareholder information by the registries.

Alan Best

A FURTHER COMMENT ON HIGH FREQUENCY TRADES
Following our comment in the last issue on high frequency trading we found further information on the dangers in this practice in overseas exchanges.
The increase in trading frequency and profit from high speed trading comes partly from attempts to “front run” conventional orders on market.

Exchanges sell space in their computing nerve centres to high frequency traders so that their computers are positioned close to the hub and therefore shave nanoseconds off their execution speeds. This ensures that they can front run other orders that they see coming from other overseas exchanges or “dark pools” in broking businesses. So if you hear about investment banks making money on stocks every trading day in the quarter, it is a strong indication that they are stealing a march on the market by front running other traders’ orders.

As computing speeds advance, and nanotechnology develops it will be more important that we have an ethical environment, and careful regulation to control share buying and selling.

Alan Best

FEATURES INDEX – page and subject

ISSN: The National Library has allocated the International Standard Serial Number 1179-4275 to The Scrip so that researchers will have ready access to our material.