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

August 2013

In this Issue



# Investor Conference and NZSA AGM 2013

**When: Saturday 7 September 2013 from 9.30am-3.45pm**

**Where: Chateau on the Park, Christchurch.**

**Theme: "Business Taking New Zealand to the World".**

**This is the "don't miss" opportunity of the year for all investors. Gain real insights into the challenges and rewards facing our export industries from an incredible line-up of speakers. Empower your own decision making.**

**Sir Henry van der Heyden** Former Chair Fonterra, New Chair Auckland Airport, Director Rabobank (NZ) and Tainui.
**Simon Power** Former Minister of Commerce, Head of Westpac Private Wealth and Director of NZX.
**Sue Sheldon** Chair of Chorus and Freightways. Director of Contact Energy
**Mike Daniell** CEO Fisher and Paykel Healthcare
**Frank Owen** CEO of Tait Communications
**David Prentice** CEO of Opus International Consultants..
**2013 NZSA AGM**: Meet the new NZSA Board members and farewell those retiring. The chance to have your say.


**Registration**: Is essential www.nzshareholders.co.nz or by post.

**Cost**: Members and Partners: Free. $10 donation per person towards buffet requested.

**Enquiries**:

Website: www.nzshareholders.co.nz Email: conference@nzshareholders.co.nz

Post: PO Box 6310, Wellesley St, Auckland 1141

To enquire or register by phone, ring Chris Curlett 021 738 232

ISSN 1179 -4275

# A brave new world - for some!

Imagine if you will a brave new world. In this world, faceless people in 25th floor offices make the important decisions for you. In this utopia, your input is not required in order to do what is right for you. In this world, individual responsibility and knowledge has no opportunity to blossom. This is a world where "they" know best. Not quite George Orwell's 1984, but pretty close. You might think this imaginary world is unrelated to the present. And you would be wrong!

In our controlled new world, shopping is a very different and highly time efficient experience. No longer do we need to traipse around long aisles selecting products, comparing prices, balancing budgets and all that other boring stuff. No! There is a new way. We simply go into the store, hand over $200 and get given a nice eco friendly brown bag of groceries. When we get home, we have the exciting task of seeing what we got for our money today. Hopefully there will be some things that we actually needed and for the more subversively minded among us, we might even find that we received value for money. Or we might not!

Now dear reader, you will be saying that such a system would never be acceptable. It might be cost effective and time efficient for the shop keeper, but customers would never stand for it. And you would be right of course. However, slowly and stealthily this very scenario has been creeping up on retail share investors. I am of course referring to the current practise of using back-end book-builds to price new share offers.

First let me explain what I mean. When a company is floated on the sharemarket, a critical decision is the initial price of the shares. Too low and the sellers lose out. Too high and the issue may not get off the ground or worse still, fail due to a lack of demand – a very expensive mistake indeed. It's really a bit like selling your house. Get the price wrong and either someone gets a bargain (damn!) or you end up waiting for months and spending ever increasing amounts on "marketing" (damn again!). No, it is much better to price right in the first place.

There are basically three ways to value shares in an IPO. The first is an analytical approach using discounted future cash flow, earnings multiples or a number of other historically based ratios. This approach relies on rational and skilled people making rational and skilled assessments and in our view still has its place, particularly for smaller issues which are less attractive to the big players.

The second is to do a front end book build. Basically, get a group of likely large participants (the institutional investors and brokers) and give them the facts and figures. Let them do some analysis and indicate their level of interest and the price they think the shares are worth. That process guides the issue price and everyone then gets an opportunity to buy at whatever figure that is set when the IPO is announced. The institutions often get a firm percentage allocation based on their earlier interest and that is probably something we have to accept as a quid pro quo for their earlier efforts. For many years this was the most common method employed in the NZ market and is the most appropriate for larger issues in the NZSA's opinion.

More recently, a variation called a back-end bookbuild has been employed. A high profile recent case was Mighty River Power. Z Energy is currently doing the same, as have many others. Essentially the process involves the institutions being given early access to the prospectus data (usually only for 2 or 3 days) and based on that and their own analysis, they individually "bid" for shares in the issue. Their bid typically covers varying amounts of shares they are prepared to subscribe to at various price levels. For example, they may offer to take 0 at $3.80, 3m at $3.70 or 8m at $3.55. The issuer then collates all the bids and works out a price, which will ensure all the available institutional shares, are bought. This then becomes the price that everyone pays for the shares. Excepting that there are some fish hooks in the process. There are three big ones for retail investors.

The first is that your broker will pressure you for an "expression of interest" prior to any meaningful information (including the prospectus or the price) being available. Theoretically, you are not committed at this point, but everyone knows that failure to proceed will see future opportunities dry up. How many of you have had the message that "we didn't get our expected allocation and cannot help you this time" when you try to buy shares in a more attractive IPO at a later stage?

Secondly, it is common practise to give a price range for the shares at an IPO. However, there is inevitably a sentence that says "the price may be within the range or may be higher or lower than the range." This makes a complete nonsense of any attempt to analyse the company, as it is not possible to determine best and worst case figures.

The third problem is far more insidious and is greatly concerning the NZSA board. With a back end book build, retail investors have to decide in advance how much money they will invest before the share price is known. Once the book build is complete, the shares are then issued. For example, if you subscribe $10k and the shares are finally priced at $2 each, then ignoring any scaling that might be applied, you will get 5000 shares. But it gets worse – much worse. What if you decide that $2 is far too much. Can you take your money off the table? Not a chance. You are absolutely committed. However, if the institutions have bid below the final price, they can walk away with their money. If they bid high, they only pay the lower final price for all the shares they obtain. And worse still, the institutions can exert quite a lot of pressure to ensure they get the lion's share of what is on offer.

How on earth is such an unfair process tolerated, you say? The theory is that it "discovers" the true market price of the shares. If you believe the PR speak, the institutions with their teams of analysts are best placed to determine value and they effectively do the work for all other investors. And your humble writer agrees that in a perfect world that would indeed be the case. However we are in a world of self interest, greed and sometimes downright Machiavellian agendas. Institutions have a range of pressures on them that result in a different view from that taken by a retail investor. For example, they have reporting dates where they must declare their profits, and failure to hit market expectations can result in significant commercial consequences. Retail investors on the other hand are often more patient, and as a rule, have fewer immediate pressures. When it comes to fund raising, using a similar process, it is common for institutions to use their power to demand a very large discount to the prevailing share price so that they book an instant profit. Only if a full rights issue is used does every investor have the same opportunity. No wonder institutions like placements so much.

So what can we do about the situation? As individuals, almost nothing. As an Association we are in the ear of companies, directors, institutions and the government all the time. In our view where an open ended range is indicated and the price is unknown until after an irrevocable cash commitment is given, there may just be a case that disclosure is inadequate. Companies will probably say that they have set out the ground rules, and it is up to investors to make appropriate interpretations based on these. But how this is supposed to be done without the most important figure of all - the price - being disclosed, is beyond us.

Section 42 of the Companies Act 1993 allows that "the board of a company may issue shares at any time, to any person, and in any number it thinks fit". However, we note that NZX rules require "all investors to be treated equally". FMA believes markets should be "fair, efficient and transparent." A backroom process with the price set by those who have a completely different agenda to retail investors and who have the opportunity to walk away, cannot in our opinion meet these ideals. At the very least it potentially makes the figures in such a prospectus highly speculative and is something retail investors need to carefully consider. Buying on market after the IPO is always one option. For example, investors doing that with Mighty River have achieved a better outcome than those who subscribed to the IPO.

We are considering whether to pursue the disclosure argument further, and are actively lobbying the government in regard to future SOE partial floats. In our view, if they want large numbers of retail shareholders taking up shares, they should be structuring the IPO's in a way that does not disadvantage the target group. The feedback from our members is overwhelming. You want to know the price before you commit. What is so radical about that?

To those of you who may think that ordinary investors can never have the sophistication skill and intellect of the merchant bankers and other money men, I return to George Orwell: "There are some ideas so wrong that only a very intelligent person could believe in them."

***John Hawkins***

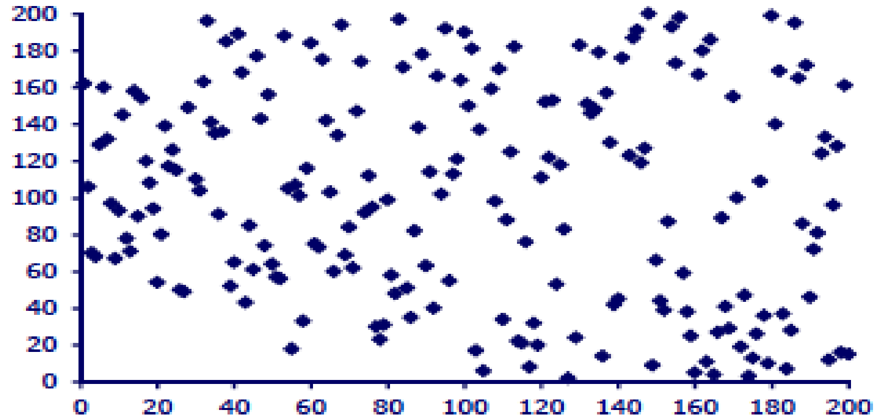
***Chairman***

# The real relationship between pay and performance

Some months ago, the investment bank and researcher CLSA published a report which plotted the relationship between CEO pay and Total shareholder returns (TSR) in Australia's top 200 companies. The graph below, quoted by Alan Kohler in the Business Spectator shows CEO pay on the vertical x axis and 3 year TSR on the horizontal y axis.

Where is the relationship? There is none. The only relationship uncovered by CLSA is that bigger companies pay more than smaller ones.

**Exec pay (X axis) versus three-year TSR (Y axis)**




Source: CLSA Asia-Pacific Markets

There are several myths at large in our CEO reward systems.

1 That larger companies must pay more than smaller ones. Why should this be? Larger companies surround their CEOs with more support in finance, marketing and human resources, and so the job is easier not more difficult.

2 That the complex systems of base, short term incentives and long term incentives, are the best way to get results for all stakeholders. The graph says "No." Remuneration size, and makeup, has no relationship to performance.

3 That there is a desperate shortage of choices for the position of CEO, and that the pursuit of excellence is the guiding star for only a very few. However the scattergun above suggests that careful selection of a scarce re-

source is not working. Many of the less likely looking CEOs are in fact the most successful.

The underlying incentive for a CEO is to make the company bigger, by merger or acquisition. Yet other research shows that the results of this activity are also very mixed. In fact demergers more frequently yield higher returns to shareholders, than large acquisitions, but these are resisted by executives because they result in smaller, more efficiently staffed entities, and lower salaries for executives.

We are in the grip of a fashion to pay the front man in an operation much more than any worker is worth. Market averages, consultants, directors (who are ex executives,) and large fund managers all support the fashion. However the retail shareholder is not duped, and signs of reaction are coming from some fund managers. The larger funds such as those assembled by banks and big insurers, are in on the game – bigger salaries for bigger companies. So when members place their trust in smaller and more flexible funds, one of the questions they might ask is how the fund will vote its shares when the new CEO is appointed.

***Alan Best***

# NZSA Board report

In the past few months, NZSA Board meetings have included a wide range of subcommittee reports which include the regular topics of regulatory submissions, public statements by the chair, liaison with company boards, branch reports, but also particular issues for which ad hoc committees investigate current issues.

One of these, The Mutual Recognition of Imputation and Franking Credits in New Zealand and Australia, was the subject of a members' issue in the June Scrip.

The subcommittee established that after positive reports from Treasury and the Institute of Economic Research, the New Zealand Government is keen to advance this process.

A Joint Productivity Commission at the end of 2012 decided:

1. To initiate a process, preferably with a clear deadline, for determining whether there is an efficient, equitable and robust mechanism for distributing the gains from MRIC.
2. If they consider that gains are not feasible to announce that MRIC will not go ahead.

The programme, however will not be advanced until after the Australian elections this year.

NZSA's subcommittee noted that the economic gains for New Zealand were greater than those for Australia. The subcommittee has been invited to meet with the Policy Division of IRD to represent the interests of retail shareholders in this matter.

***Alan Best***

# Board Changes

Like any good company, NZSA has been planning its board refreshment. Jacquie Bensemann, Des Hunt and Alan Best have announced that they will not be standing for reelection, at the 2013 AGM. Max Smith from Christchurch, Andrew Reding from Auckland, and Martin Watson from Waikato, have all been appointed to the board, and will offer themselves for election at the AGM.

Details of the changes have been circulated by email, and are available on the NZSA website. You will see from the biographical notes to the AGM and the website that the experience and background of our board is very strong. As John Hawkins says in his email, "This really is a win-win for the Association."

# Are your shares held by custodial services?

In times past when shareholdings were recorded in hard copy, custodial services were an essential tool for managing one's portfolio. Now, in the era of CRNs, electronic recording and the complimentary services offered by the registries the attraction of custodial seervices has lessened. Never-the-less, many investers still value the convenience custodial services provide. But, as always, there is a down side.

My ears pricked up during the Auckland branch visit to Link Market Services when I heard NZSA members discuss the difficulty they were having in surmounting the iterative "opt in" barriers to have their custodial service provider pass on documentation about company reports and meetings. They were in fact being disenfranchised.

Given the significant "holdings" by custodial services in some companies, this may materially affect voting at contentious AGMs.

Currently, the Financial Advisers Act 2008, which governs the conduct of financial advisers and brokers, is in the process of being amended by the passage of the Financial Markets Conduct Bill. In particular, the Bill will require providers of discretionary investment management services (DIMS) to be licensed and require all DIMS providers to use an independent custodian, unless otherwise permitted by their authorisation or licence conditions.

The Financial Markets Conduct Bill will also expand the regulation making powers in the Financial Advisers Act. To this end, the Ministry of Business, Innovation and Employment has released a discussion paper on potential regulations under these powers relating to:

- the obligations of financial advisers who offer truly personalised DIMS
- the obligations of custodians of investor assets.

The MBIE is seeking submissions from interested parties on the document, which is available at **www.med.govt.nz/business/business-law/current-business-law-work/consultation-dims** The closing date for submissions is Friday August 23rd.

The MBIE paper includes a useful definition of custodians.

"Custodians are financial institutions that hold property and money on a client's behalf, execute instructions, and provide information to clients and intermediaries (such as DIMS providers). Custodians can provide an effective safeguard against misappropriation of client assets when custody is provided in conjunction with robust risk management systems and where custodians act as a definitive and independent source of information for clients."

The MBIE document says, lack of adequate custody arrangements "were identified as an area of concern for submitters on the FMC Regulations".

Those investors who wish to continue using a custodial service provider and also have an interest in the affairs of the company in which they have invested, have an opportunity to strengthen their position.

Make a submission requiring custodians to pass on company documentation to investors unless those investors specifically opt out of such service. There is a submission template at the link above.

***Bruce Parkes***

# Company Meetings

New Zealand listed companies now usually post AGM presentations by the chair and CEO, on their website. Our commentaries therefore concentrate on the flavour of the meeting and the questions raised by shareholders. We encourage members to use the company website, before attending the general meeting, to see what has been said previously, and to familiarise themselves with the latest news. Comments are those of the attendee, who will often be a shareholder in the company, and are not necessarily NZSA policy. ***Run your cursor over the report heading for a link to the company website***

## Ryman Healthcare AGM 30th July

The Lady Isaac retirement village was the venue for the 14th annual AGM for Ryman Healthcare. Their flagship village in Christchurch hosted about 400 shareholders who were treated to a predictably solid result, which included dividend increases, a positive outlook for the future and a very encouraging prognosis for Australia.

Ryman has produced 15% increases every year for the past eight years and Chairman David Kerr intimated that while this would prove testing for the years ahead he confirmed the board was confident they would continue to deliver the same results for the next few years. This would be achieved by a continuing building program with their land bank now well established and four new villages planned over the next few years. The Australian village currently under construction is already a probable success but remains at this stage very much a trial project before any further commitments are made regarding future Australian developments.

The company achieved a $100million dollar underlying profit for the 2013 financial year an increase of 19% and an increase in the dividend to 10cents per share which also represented a 19% increase. The first three months of the New Year were ahead of the same corresponding period for the previous year. The chairman was therefore encouraged that the 2014 year would continue the growth levels of previous years. Refurbishment programmes for older villages were also on-going, in particular at Beckenham village that had been seriously damaged in the earthquake. This programme was consistent for all villages and was a reason for sustained returns from older villages and to the company's profitability overall.

Cash flow was again strong and this allowed them to complete each village, without the need for cash injections at the end of each project. He also made the point that they did not accumulate debt to grow, but to fund new development, and that if they did stop their growth programme, they could retire all their existing debt within a year. Future demand is assured as the demographics for an ageing population over the next 20 plus years clearly indicate, and this supports the land bank purchases, in both NZ and Australia.

David Kerr was positive in his praise of their staff, and confirmed that they have ensured their remuneration of staff is now the highest in the industry.

Three directors were presented for re-election, Jo Appleyard, Warren Bell and Georges Savvides. All were re-elected unanimously. Of interest was the appointment of George Savvides an Australian with an enviable reputation in the healthcare industry, whose wide experience in the Australian corporate environment makes him a worthy addition.

Managing Director Simon Challis spoke about the company's on-going development programme and the policy of ensuring they had a land-bank sufficient to meet this requirement. His delivery was informative and warm and covered the operational side of the business.

The NZSA proxy did not ask any questions although several shareholders did. One questioner asked about the entry into Australia, the graveyard of many New Zealand companies.

The question was answered by both David Kerr and Simon Challis who confirmed that they had spent over two years researching not only the viability of the Australian market, but also geographical sites, the demographics of the population and the aged care industry generally, before settling on Wheelers Hill, Victoria.

Tim Kerr was concerned that Ryman's had not responded appropriately to the death of a resident in care

The answer, supplied by Simon Challis, justified the question as several media generated misconceptions were dispelled. The first of these was the media report that the time period of two weeks was not correct, and was proved to be more probably three days once medical expertise had been employed. The second point was that the reported fee of $6.00 per day to make a daily phone call was definitely not correct. Ryman's did not charge for this service if requested. Finally as a responsible care provider Ryman's had to balance the need to monitor aged residents against their wish for privacy, and this was not always easy. The resident concerned had not requested a daily phone call and valued his privacy.

The meeting was notable for its supportive audience, warm and informative deliveries from the chair and the CEO

***Max Smith and Barbara Duff***

# Diligent Board Member Services Inc AGM 25th June

The Chairman David Liptak outlined the company's progress from 2008 highlights being customer retention now 97%, and users at 58000 up from 4500. There are now 2009 companies using Diligent, up from 170 in 2008. He said leads are being generated from existing company directors and reducing costs are allowing smaller companies to use Diligent products.

The company has US$36.5M cash on hand but will not be paying a dividend in 2013.

He acknowledged the recent corporate governance issues and said that work had been undertaken to strengthen internal controls with the appointment of a new CFO and also a new General Counsel and Corporate Secretary. The company was reviewing its corporate governance processes using an outside consultant to assist with this work.

The company was reviewing its listing position and a group of Directors lead by the Chairman and including Mark Weldon and Greg Petersen were reviewing all options. In answer to a question he said no decisions had been taken as to delisting from NZX but that dual listings and secondary listings were being considered by the group.

The CEO Alex Sodi presented an over view of the past years performance including that the company now has clients in 35 countries with 276 of the Fortune 1000 companies. As regards Stock Exchanges the company has 495 New York Stock Exchange companies, 246 NASDAQ, 34 FTSE 100 and 158 Toronto Stock Exchange companies. He said the emphasis has been on growing the software development team and increasing customer service through call centres with 24/7 serviced by real people rather than automated systems. He also said that the company had a number of new products and offerings being developed but wouldn't elaborate given commercial sensitivities.

The company has equipped 900 new Boards over the past year up from 650 in the previous year and has 45,000 users on its iPad App.

The formal motions with the exception of the 2013 Incentive Plan were passed by 99% plus of the votes. The 2013 Incentive Plan was passed by 86% of the votes.

***Grant Diggle***

## Property for Industry SGM and AGM 24th June

NZSA proxies - 716,265

These back to back meetings were held in an environment where all the information and interest centred on an entity that would not exist unless the Special Meeting voted in favour. The purpose of the SGM was to seek approval for the merger between listed PFI and unlisted Direct Property Fund (DPF). The merged company retaining the PFI name.

Chairman Peter Masfen and Director Anthony Beverley, who led the merger negotiations for PFI, outlined the advantages they saw in the proposed merger. An independent report from Deloittes found that the merger had merit. Positives for PFI shareholders were an expected 10.7% increase in dividend, a small increase in net tangible assets, a significant increase in the weighted average lease term from 4.4 to 5.6 years, a lift in NZX top 50 ranking from 42nd to 29th and potential economies of scale. Downsides include an increased PFI gearing from 33% to 39%. Mr Masfen noted PFI had an aging asset base. The implication being that the merger with DPF will reduce this – but this was not quantified.

Questions from the floor were directed at the proposed management fee with no apparent savings from the economies of scale from the merged company. This was countered by an independent Price Waterhouse report that the changes in management fees were fair and an explanation that there would be no reduction in the management team.

For the special meeting resolutions 75% of votes needed to be in favour. As expected by all commentators, all resolutions were overwhelmingly passed. Declared results were 99.7% for the merger, 97.92% for changed management fees and 93.9% for an increase in directors' fees. Discretionary NZSA proxies were voted in favour.

Following the SGM voting, a "chinese wall" was drawn across the proceedings and the (old) PFI AGM opened. This included a report on the past year results; the re-election of Mr Masfen and the reappointment of auditors BDO – both passed by a show of hands.

During general discussion I was able to congratulate the company on their revamped proxy voting form and voting process. With 6 methods of voting (including a QR code and Smartphone) and only one signature required for Trusts, Partnerships and Joint Shareholders, this is a benchmark for all companies to aim for.

The now merged PFI Board has two members in their 70s. Mr Masfen told me that the Board is actively considering a need for refreshment.

***Bruce Parkes***

## Energy Mad AGM 18th July

It was a small group of shareholders and interested parties who attended the 2nd Annual General Meeting held at the Chateau in Christchurch on the 18th July.

The Chair Mr Rick Ramsey no doubt well advised by his directors opened the meeting with a well prepared address to shareholders that clearly anticipated the concerns that many would have. His comprehensive coverage effectively answered all the questions the NZSA proxy had researched and prepared. He acknowledged the company had not performed well over the 2013 year and accepted that it was not good enough. This led him into the history of the company and how certain projections and promises made at the initial IPO and at the last AGM had not been realised and the reasons why. He covered the problems of cost overruns, quality problems, production delays and poor anticipation of the market. He then pointed out that all the issues had been recognised and that they either had been or were being addressed. He did not go into detail preferring instead to leave this to Managing Director and company founder Dr Chris Mardon.

He also introduced their new CEO Paul Ravelic whose appointment had not only strengthened their management team, but had released Chris Mardon to concentrate on marketing and sales management.

Chris Mardon the Managing Director explained that the main reasons for their failure to meet their forward projections was the delay in getting their ecobulb product accepted by the Australian authorities and this denied them revenue of $7 million. Secondly their failure to have their 240v down-light products introduced to the market denied them $2.5 million. This was directly attributable to production problems at the Chinese factory. These two budgeted revenue streams represented about half of their budgeted sales for the year. In addition the planned development of the European market simply did not occur over the year, but has since shown considerable improvement and appears to be on a course to meet our targets. The fourth identified area for failure was the promised delivery of retail sales in Australia, although things are now picking up there.

The chairman did spend some time in covering the four key initiatives the board had identified as essential to achieving a profitable and sustainable company. These were:

1. Growing the sales through the 8000 Walgreen stores in the USA. Of these 1350 would have in-store display sales points. The US$1.5million subsidy from the 28 ultilities companies that have a vested advantage in promoting energy saving technology. This would allow Energymad light bulbs to heavily discounted without effecting their margin.
2. Developing and expanding the Australian ecobulb and down-light sales in Victoria and New South Wales. The 12v eco-bulb has considerable advantages over existing options and is a preferred option in this A$170millon market.
3. Direct install in New Zealand. This marketing concept whereby Energymad identify, design and install the down lights in houses and buildings has started to have a high acceptance level and since April 2013 has started to show a profit.
4. To promote and establish in the market new Eco-bulb ranges. These bulbs are not only energy efficient but are non-heat generating and thus eliminate the potential fire risk present with alternative options. This allows for a fully insulated ceiling to be installed.

Managing Director Chris Mardon followed with a technical explanation of their product range and their planned strategy to bring the five key initiatives to a successful and therefore profitable conclusion. He achieved this using a power-point display and in an easy to understand delivery. It was comprehensive and clearly indicated they had identified the problems of the past year, analysed them and put together a remedial strategy and plan to achieve a much improved result.

He pointed out that they had looked closely at their cost structure and had been able to reduce their costs, and improved their efficiencies.

It was a frank and honest presentation by both the Chairman and the Managing Director who were complimented by the NZSA representative for identifying the main problem areas, formulating a plan and strategy to address these and in part at least have implemented these with positive preliminary result.

***Max Smith***

# Wellington Drive Technologies AGM 27th May

Chair & CEO addresses can be read at www.wdtl.com/documents/WDTNZX-AGMCEO-ChairTranscriptMay272013_000.pdf and https://www.nzx.com/files/attachments/175806.pdf

Before the meeting I spoke with the CEO Greg Allen. I had been asked for confirmation that no 'significant non-audit work assignments were awarded to the external auditor' during the year. He sought advice & told me that minor HR work had been done regarding salary rates. The Chairman, Tony Nowell, confirmed the answer.

Two directors were re-elected, Simon Mander & Dr Ray Thompson. Before the vote the Chairman asked both to speak to the meeting. There 'comments' were remarkably brief, in particular Dr Thomson's which comprised little more than, he is, a significant shareholder and this will be his last term. I wondered what had occurred within the board of directors. From what I could make out Dr Thomson is the last of the 'old board'.

Dr Lispeth Jacobs was appointed as independent Director. She spoke very well impressively detailing her qualifications and history, - so different from the directors who stood for re-election. I strongly suggest that you read this release: www.wdtl.com/documents/WT8359LJacobsappointment.pdf

Apart from the motions approved at the meeting there is no plan to raise more money, but the company is in active discussions with selected, strategic partners. Success may lead to fund raising.

2012 was a watershed for the company. New product 'roadmap' with a 3yr turnaround plan. Gross margin; 2012 -9%; 2013, first ¼, +16.8%. In 2013 the gross margin target is 20%, and longer term 25%.

Exchange rate: An increase of 1c to the exchange rate coiuld add $100k to the EBIT.

A Kaizen process has been introduced and is working well allowing staff teams to figure out where to focus & creating rapid improvements. Procurement & manufacture have been targeted with decreases in delivery, manufacture times & costs of 5%-10%.

Inventory is still being cleaned up with turnover 5 times P/A, compared to 1.5 P/A in 2011.

Concern was expressed over sales in Europe (revenue decreasing from 43%,) but this is balanced by focus on South America (25%), Asia & Pacific (55%), and association with 'global brands'. Growth is not ad hoc, we are told, but will be pursued in a planned way. Customer relationships forms collaborative growth, revealing an unsatisfied need for motors & control solutions.

A new GM has been appointed in Atlanta, USA, and demonstration units have been shipped to key customers.

After the meeting a show and tell occurred with small displays of motors with fan blades provided through a licensing agreement for liquid movement technology (liquid & air move in very similar ways).

A prototype display of a refrigerated soft drinks cabinet was on display. Commercial sensitivity prevented close examination but explanations around an all-in-one, cooling, control, lighting, internet connected, intelligent solution, made it clear that 'refrigeration' is about more than fridges & freezers.

***Michael Cornell***

# Methven AGM 30th July

The Chairman Phil Lough opened the meeting by saying the company was more confident about its future prospects, after a disappointing result for the year. He highlighted the success they have achieved winning a number of design awards and the $2.3 million Callaghan Fund grant from the government. This has helped them launch some 40 new products which will enter the market this coming 12 months.

The chairman had around 13.3 million votes in favour of all the resolutions so it was obvious they would go through without any objections. Group turnover was down 7.3%, on revenue of $98 million. EBITDA was $12.6 million and NPAT 5.15 million or 20% down on the previous year. If you deducted some cost related to the acquisition it was down around 11%. Debt levels did rise to over $17 million but now back to an acceptable level of around $15 million.

Last year sales in Australia were flat, they faced a number of challenges in the UK and NZ was steady. The Australia market was soft, with a number of companies failing. To reduce their losses operational costs were reduced there.

Overall, the company did reduce operating cost by 8.6%. Once again they managed to pay a dividend in March of 4.5 cents per share.Going forward they have projected an increase in NPAT. Australia will still be a tough market with margins under pressure. The UK has improved and now making a small NPAT. NZ has recovered and prospects look better. Even China has seen some solid growth.

The company has found success in promoting its new showers by offering a free trial period to potential customers. Over 80% go on to buy the product as well as 50% then go on to order their other tap fittings etc.

One of the highlights has been the acquisition of Invention Sanitary, a Chinese manufacturing business. The price paid was 4 times NPAT or around NZ $4 million. This could rise another NZ $2 million if certain NPAT targets have been achieved.

The company has been manufacturing exclusively for Methven for some time. The owner will stay on for two more years. The date for control takes place on the 1/7/2014. Methven will send up to China a production manager and a financial manager to over-see the business.

Rick Fala will step down as the Managing Director from the 30th September 2013 but will stay on as an Independent director. We wonder about his independence, though not his ability. They are now searching for a replacement CEO, who has wide marketing and brand experience.

Questions concerned the improved first quarter profit, the clearing of redundant stock in the face of many improved product launches, the difficulties of managing a Chinese subsidiary, imported competition with the stronger NZ dollar, repatriating overseas earnings to retire NZ debt, and promoting economical showers to the ski lodges. All were answered positively.

***Des Hunt***

## AWF (Allied Work Force) AGM 24th July

Chairman Peter Keenan was in high spirits as he opened AWF Group's AGM – the 8th since listing. He had good reason to be. EBITDA for the year was up 23.5%, underlying earnings up 17% and total dividends (including distribution from Panacea sale) up over 40% - dividends without Panacea, were up 20%. The company is established in 22 New Zealand cities, has zero debt (described by some as a "lazy balance sheet") and has significant growth opportunities that do not include moving off shore.

Simon Hull, Managing Director and founding shareholder who still holds 66.8% of the company's stock, said he was excited about the possibilities available to the company. He placed 2.5million shares into the market in May to increase liquidity and lift institutional interest in the stock. Strong trading since the placement suggests that strategy has been successful. Although not stated directly, I gained the impression that further placements might be expected.

The sale of Panacea Healthcare left the board with mixed feelings. While there are opportunities in the aged care sector, its resistance to change and ACC structural changes convinced the board that there were better opportunities elsewhere in the group. A good price was realised from the sale of the Panacea.

CEO Mike Huddleston said that the acquisition of Tradeforce, a business involved almost exclusively in the Manufacturing, Food Processing, Warehousing and Logistics sector, masked the strong contribution from the AWF Trades and Labour brands. The new Trades brand, which is focussed exclusively on recruiting highly skilled trades people, is proving a great success. The challenge is in recruiting good trades qualified people and a team of recruiters were sent to England and Ireland. As a result some 100 new staff will be joining AWF in the next 6 to 8 months.

As a temporary labour provider AWF is something of a bellwether for the New Zealand economy. While overall the company is tracking ahead of last year, there are some headwinds in Christchurch. The Auckland and Bay of Plenty regions are driving the growth. Pre earthquake, the words Wellington and construction have not been synonymous.

At this meeting, questions from the floor trended towards personal employment issues. With increased shareholders (still only 422) Mr Keenan accepted that it seems time to shift AGMs to a more spacious location. The company's DIY voting form and proxy process is also due for an upgrade. NZSA has been lobbying for a change and CFO David Sutherland told me that this will be addressed before the next AGM.

***Bruce Parkes***

# Aorere Resources - Chatham Rock Phosphate AGMs 29th July

A combined AGM of Aorere Resources (formerly Widespread Portfolios) (AOR: NZX) and Chatham Rock Phosphate (CRP: NZAX) was held on 9 July in Wellington. Six directors and approximately 70 shareholders were in attendance. The formal resolutions were passed unanimously and were supported almost unanimously by proxies. Shareholder mood was generally positive and there was a general feeling of satisfaction with the progress of the companies.

**Aorere Resources**

Following the appointment of a new Chairman, and in light of experience with CRP, the company changed its name and investment direction with the aim of concentrating on New Zealand oil and mineral prospects. Following a significant increase in CRP share value, CRP is now AOR's largest investment. Second largest operation is Kotuku oil seeps near Greymouth and AOR has just entered into a binding farm-in agreement with Mosman Oil and Gas Limited. King Solomon Mines (KSO: ASX) exploration efforts in Mongolia have not been successful, while Asian Mineral Resources (ASN:TSX-V) Vietnam nickel mine has commenced production. It is intended to sell both of these investments.

Possibly the main concern arising out of questions was the need to make progress on Kotuku before the next election. Treatment of management and consultancy fees in both AOR and CRP accounts was raised and satisfactorily explained and no concern was expressed with these arrangements. The companies have no employees with Chris Castle and others providing services to AOR which provides services to CRP.

**Chatham Rock Phosphate**

There has been significant progress in the last year with the lodging of a mining licence application and an environmental application. There are five significant risks – finance raising, technological, marketing, mining licence and environmental/political. Most of the questioning and discussion focussed on the environmental/political risks. An enormous effort and expense has gone into environmental studies and consultations cumulating with a wheel-barrow full of documents being submitted to the Environmental Protection Agency for consideration under the new Exclusive Economic Zone Act. The outcome of the consent application is expected early 2014 and if successful will be a major milestone for CRP. Most questions concerned environmental and political factors; a particular concern raised being the possible effects of a change of government in 2014. Research has shown that there no significant impediments to progress ('deal breakers') and there is strong public and political support - people want this to happen.

CRP recently had a public share offering seeking $4 to $10 million extra capital, but yielded $1.58 million, which, while disappointing, did raise sufficient capital for the interim and helped raise the company's profile. NZSA's President John Hawkins in the June issue of Scrip was critical of the way some companies conducted share issues and CRP could be open to such criticism. However, investors in a company such as CRP would generally expect a dilution of their holding as risks are progressive mitigated thus increasing investor appeal. CRP has generally had to seek funds from 'qualified' investors and through the maximum use Share Purchase Plans as until recently there was considered to be insufficient interest to attempt a public offering on either the Toronto or New Zealand exchanges.

With both AOR and CRP, it must be emphasised that both are speculative investments.

***Peter Milne***

## Mainfreight AGM 31 July

NZSA proxies: 97000 votes

The reports and announcements are well covered in the company's website, www.mainfreight.com.

Beside the 32m proxies held by the chair our input to the meeting was considerably greater than our voting power. The areas of concern in this company which does not follow conventional reporting or organisational patterns, are the need for board refreshment, the refreshment of the Bosman European operation, and the need for expanded facilites in Australia to match the sales increase there.

We questioned and gained assurances over, the adequacy of name protection around the world given the $1.5m settlement of a name challenge in the Netherlands. We also asked about the contracting out of parcel deliveries given the world wide increase in smaller retail internet sales. The chairman explained that parcel delivery was a specialised area which was currently outside Mainfreight's plan. In answer to Noel Thompson, he said that the $27m capex in Christchurch was a complete rebuild of facilites there.

He also explained the inclusion of directors in the staff share purchasing scheme. To the credit of the company this resolution was withdrawn, after negative feedback from some large shareholders. Nevertheless, CEO Don Braid commented to me, that Directors who follow the weekly sales reports, and give up extended time to participate in board meetings often at overseas locations over several days, should be paid more than the $85,000 fee reported.

The election of Simon Cotter was revealing. Simon is eminently qualified as a Grant Samuels financial analyst who has reported on several of Mainfreight's acquisitions. This puts him closer to management than many independent directors, but it is argued that all board members need a long association with this company and limited outside interests to perform acceptably.

A similar issue was raised by a shareholder opposing the relection of Richard Prebble. He wanted to see an overseas director with international freight experience on the board. In Don Braid's opinion there is no reason why foreigners should be preferred over New Zealanders as directors, and the main requirement is familiarity with the policies, strategies, and nature of the business, rather than a broad outsider's view.

Even the choice of location at the Villa Marie Vinyard was typically unconventional, and those very few of us who indicated a preference for the boring but convenient Ellerslie venue were roundly outvoted.

***Alan Best***

# Goodman Property Trust AGM 6 August

With no resolutions on the table and an upbeat report from management, unit holders were in a genial mood during Goodman's AGM at the Crowne Plaza Hotel.  Goodman, the largest property company by market value on the NZX, posted a $91.7 million pre tax profit - the best result in 5 years. Pretax distributable earnings for 2014, are expected to be between 8.2 cents per unit and 8.4 cents per unit, up from 8.21 cents per unit in 2013 and tax paid cash distributions should at least match last year's 6.25 cents per unit, chief financial officer Andy Eakin said.

The Trust's net borrowings represent 34.8% of its property assets. A ratio below both the board's targeted band of 35-to-40% and the 50% level permitted under its bank and Trust Deed covenants. Eakin said the current balance sheet capacity, together with the continuation of the distribution reinvestment plan and further assets sales will provide the Trust with the funding capacity to pursue investment and development strategies.

CEO John Dakin noted that since 2004, the trust has added 500,000sq m of new floor space to its portfolio. Much of that has been at Highbrook where Goodman has started new projects in the past 15 months worth more than $38 million. New properties have been built for Panasonic and Stanley Black & Decker, and Dakin said it was particularly pleasing that demand was coming from existing Highbrook tenants or customers needing more space.

The Crossing, Highbrook's new commercial and retail heart, would be finished in a few weeks and would become a focal point for the estate and East Tamaki, he said. More than 85 per cent of that area has been leased to firms including Wynyard Wood Lawyers, LG Electronics, Waipuna Conference Suites and a Quest Hotel. Unit holders will be invited to an open day at Highbrook in Feb 14

Dakin also outlined ongoing developments at Penrose, Wiri, Otahuhu and Christchurch As for earthquake fallout, Goodman planned to spend only $3 million to $5 million on seismic upgrades across its portfolio in the next few years, which Dakin said amounted to little more than maintenance. This was driven by a need to provide customer assurance rather than structural necessity.

One unit holder said he was cash-rich and asked chairman Keith Smith if more capital raising was planned. While last year more than $235 million of new equity was issued, Smith said there were no new plans right now.

Finally, Goodman gets a bouquet for it's online interactive annual report and a brickbat for its choice of inner city meeting locations. The venue of the December SGM was inadequate for the number attending. The venue of this meeting has a steep stairway – difficult for stiffer people to negotiate, with a congested "reception area" at the top.  One unit holder had a nasty fall during the "stampede" to the refreshment area after the meeting.

***Bruce Parkes***

# Caught on the Net

### Twenty truths about the sharemarket

Marcus Padley offers some down-to-earth advice in this SMH article; e.g. “if you ever find yourself standing up and punching the air in delight, it means, “sell”. ***More***

### Quants: the maths geniuses running Wall Street

Old style city traders are being replaced by maths geniuses who use super-computers to beat the market. In a Telegraph article, Sarfraz Mansoor discusses whether they are a force for good or evil. ***More***

### Foreigners buy nearly 75% of new homes in inner London

This Financial Times story shows xenephobia over housing is a common problem. ***More***

### Self managed funds transforming Australian capital markets

The number of Australians saving via self-managed funds is set to double in the next three years. Self-managed funds already have 30 per cent of the assets invested in superannuation, reports Robert Gottliebsen in the Business Spectator. ***More***

### The 100 best Finance blogs: all the internet is a stage.

According to search ranking site Alexa, there are over 6,000 dedicated financial news sites in existence today. Insider Monkey sets out to rank the top 100. ***More***

### What should investors expect over the long-term from their equity portfolio?

Buttonwood’s view in an Economist blog is rather pessimistic. ***More***

### What would Keynes do?

Writing in Forbes, former US Treasury economist Bruce Bartlett claims Keynes did not know what to do to get out of the “great depression” and it took him 6 years to devise his theory. ***More***

### The brighter side of decades of disappointing investment return

Justin Fox, in his Harvard Business Review blog, identifies the winners and losers in the GFC. Lots of links to articles backing up his argument. ***More***

### Time as Money

The Economist Free Exchange suggests over 65s gain through a drop in non-essential spending. ***More***

### Colonial rule: Why Aussies, Kiwis and Canadians are running Britain.

The Spectator wakes up to the new reality. The colonials have taken over the engine room. ***More***

### The cult of home ownership promotes disastrous politics

The difficulty of getting on the house ownership ladder seems to be a universal problem. Moneybox blogger Matthew Yglesias says political solutions are not the answer. ***More***

### Why economics needs economic history

Kevin O’Rourke argues in this VOX opinion piece that economics student are ill equipped to understand current economic events because they have no training in economic history. “They can’t see the train wreck coming”. ***More***

### New Zealand needs to start building trust in the long term

From a Chinese media viewpoint, the current Fonterra imbroglio points to deeper widespead systemic problems in brand New Zealand. **More**

***Bruce Parkes***

# Branch Reports

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***We recognise that branch reports in our newsletter do not adequately represent the expertise and preparation of the presenter. Members are encouraged to refer to the individual company websites for the latest news and disclosures. The work of these professionals who give their time is appreciated by all who attend.***

## Auckland

**Branch Meeting 19th June:**

**Chris Lee of Chris Lee and Partners**

Chris's talk began with a summary of his experience as General Manager of a finance company in the 1980s, whose board was chaired by the Group Managing Director of the parent bank. Before he started he was asked to read and understand the Trust Deed, to refer any lending which involved a conflict of interest or a high level of risk to the Trustee, and to ensure that open and complete disclosure was made to the auditor.

TThe organisation of all finance companies revolved around the tax reporting system of the time, that allowed the collection of principal before profit on interest was booked, plus Reserve Asset Ratios under which the government of the day dictated the percentage of assets required to be invested in government or local body bonds, plus lending only from cash flow, plus strict bad debt control policies.

When the 1987 crash occurred many finance companies closed or were sold - Broadlands, AGC, NZI Finance, Marac, Aurie, Lombard, CBA MF Natwest Finance, Beneficial Finance, AA Finance, Indosuez, Chase NBA, RDA, BNZ Finance, Finance & Discounts. BUT most investors lost neither principal nor interest. The Statutory Manager of Equiticorp Finance is still trying to recover only the last 5% of its secured loans. There was no need for Credit Rating Agencies at that time. Contrast this with the failure of 2008. Credit rating agencies were quiet. Auditors were silent. Trustees were almost absent.

Early defaulters in 2008 specialised in personal finance – Provincial lost 8%, Western Bay 20%, Geneva 20% of secured loans.

However the property lenders took the big hit – Strategic lost 80%, St Lawrence 75%, Bridgecorp 90%, Nathans 90%, Capital and merchant 100%, Dominion 80%, MFS 70%, and Hanover 90%.

Chris then identified the reasons giving specific examples.

(1) Dreadful accounting standards – IFRS requires an organisation to take to Profit, unpaid capitalized fees and interest and pay tax, when there is no real cash for dividends or tax.

(2) Trust deeds were set up by the companies and trustees competed for the easy money rather than discharge their responsibilities to investors

(3) Audits were poorly supervised and administered by less skilled staff

(4) Misleading information was recorded such as rollover loans shown as maturing.

(5) Credit Ratings Agencies were misled by untrue data.

(6) Fraud by concealment, in which related party loans were streamed through apparently independent parties – systematic "conduit loans."

(7) Trustees became ambulances at the foot of the cliff rather than trusted supervisors

(8) Directors were dishonest. St Lawrence repatriated bad loans to its NZ balance sheet, Dominion paid dividends from borrowings, South Canterbury lent through "conduit" outside parties to closely related parties, Nathans invested in equity and called it money lending, Bridgecorp said wrongly it was insured by Lloyds of London, while Lombard waved the Government Minister reliability card.

All this time auditors and trustees were silent.

Chris called for help with a mission:

- To achieve a return to proper, realistic accounting rules
- To ensure trust deeds are written and overseen by fully independent parties
- To force full transparency of the maturity of, and related parties to, loans
- To force accountability amongst advisers – valuers, auditors and trustees.
- To limit the employment term of trustees and auditors forcing regular renewal.
- To force trustee to countersign cheques for large loans and related party loans
- To solicit help from banks to supervise such cheques
- To insist on proper homework from investment advisers
- To ask auditors to certify that dividends are paid from real income.

***Alan Best***

***Editor: The NZSA board will consider each of these recommendations to establish whether they are adequately covered by existing regulations and the FMA.***

## Future Branch Meetings

All at Alexandra Park Convention Centre, Green Lane. 7pm tea & coffee – 7.30 pm start

Wednesday 18th September.

Johnathan Mason CFO Fonterra;
Christopher Luxon – CEO Air New Zealand

Wednesday 20th November.

Eric Barret – CEO Sanford; Brian Gaynor – Chair Milford Asset Management Investment Committee

## Future Auckland Company Visits

Wednesday 21st August – Mainfreight – Don Braid MD – limit 20 people

October and December visits – to be advised soon

Please register for each visit separately with Uli Sperber

***ukspер@gmail.com***

Confirmation details will be sent approximately a week before the visit.

# Waikato

At the AGM on 25 June some 60 members and guests had dinner at our excellent venue – The Verandah. Thank you coming from your homes on a cold and uninviting Waikato evening.

John Davies, Martin Watson and David Phillipps efficiently took us through the AGM. Waikato Branch continues to grow; membership is now 148 up from the 130 reported in The Scrip of August a year ago. As the number of members is the core of our strength nationally, the Branch expects to continue to play more than it's part in future growth.

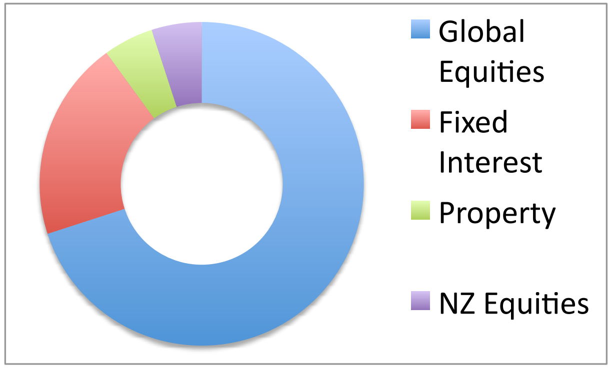
The website http://www.nzsuperfund.co.nz/index.asp?pageID=2145831955 is always worth a browse. After all it has some $23 billion to manage! But it's always so much better to have someone from the coalface of investing to tell the story. For us it was Fiona Mackenzie, Head of Investments at the Fund.

The meat of her talk was about "the opportunistic approach" by the Fund to investing. That approach has "no blueprint" and demands of the team of 85:

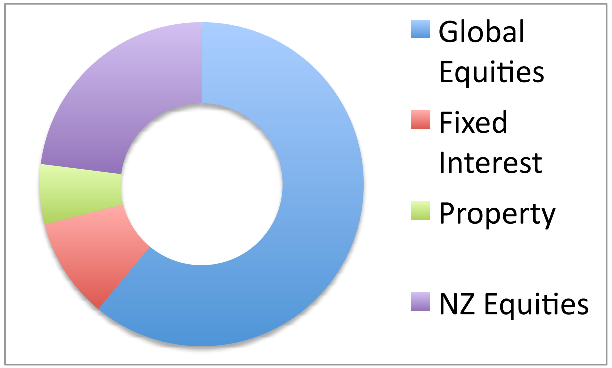
- to develop investment themes
- to identify the opportunities around those themes
- to access those opportunities, for example by external managers.

The aim is a top-down view across the widest range of investments and a consistent investment approach.

So what are the results of this challenging approach? Fiona illustrated those by pie charts.




Standard Approach




Opportunistic Approach

Taken from the charts the percentages invested in asset classes are:

The breakdown of sectors in the opportunistic NZ category is: infrastructure 5%, timber 6%, other prime markets 3%, private equity 3%, farmland 1%, equities 5%.

If the proof of the pie is in the eating, the opportunistic approach works as measured against various benchmarks.

Fiona took questions and answered them well during her talk. She certainly deserved the applause at the end.

**23 July 2013: Chris Gudgeon, Chief Executive of Kiwi Income Properties Limited**

Kiwi Income Property Trust (KIP) is the country's biggest property owner. With Chris steering us by way of well presented illustrations, we learned more. (The AGM was on 31 July so perhaps Waikato was treated to a dress rehearsal.)

KIP is invested 72% in retail with some 865 tenants and 97% occupancy. (That must take some management!) Locally is Centre Place now almost redeveloped. Pride of place is Sylvia Park Shopping Centre in Auckland.

Owners of shares are 52% institutional and 48% retail; 73% are NZ resident. For all, the forecast payout to March 2014 is 6.4 cents a unit or 5.71% on a market price of $1.12. That level of payout is also forecast to be about 104% of distributable income with the deficit supported by a further draw from the distribution reserve.

Being "The Shaky Isles" makes for problems in the property sector. Cost of commercial insurance, which is a prerequisite for bank lending, has increased by 100% since Christchurch in 2011. Then there is the cost to strengthen buildings to percentages of New Building Standards; Chris had a particular grumble about the lack of relief of tax on those costs.

Chris is hopeful that KIP in particular will meet the challenges of internet shopping. He pointed to the advantages of being in a shop, to see what you get and take what you buy away with you. (Who was it who said based on the numbers, shopping is NZ's biggest sport.)

Clearly Chris thinks the retail investor buys KIP for a steady income stream. He sees a steady growth in rents from retail and offices, more so in Auckland than elsewhere. (Some growth in operating profit will be needed if the distribution reserve is not to be reduced in 2015 and on.) Of note also to the retail investor that stock prices in the property sector, while less volatile than prices generally, do move with the market; KIP was $1.23 on 13 May and $1.055 on 25 June.

***Joe Carson***

# Bay of Plenty

For our June Discussion Group Meeting John Mainland gave a well documented presentation of "My Portfolio". As an older person yield was most important for him. His portfolio was New Zealand based.

A brief discussion was had on Mighty River Power on whether it was it a good long term investment as it seems that share turnover is fairly high with speculation that overseas investors may be exiting.

A favourite Share –Allen Smith spoke briefly. While Shares in CSL in Australia are perhaps dear, they were a worthy consideration, because there are not many companies in the blood business and it has low debt. Australian Foundation Investment has been accumulating them – their latest report show that CSL are their 26th largest holding which is a big change from a very low base say four years ago.

For July, Alan Schofield presented for "My Portfolio" segment a well diversified share portfolio many New Zealand and Australian Bluechip plus an international component, a couple of English Trusts one portraying the pharmaceutical industry. He initially started his portfolio in 1970 with a single share – Milne & Choice and has built it up over the years. He self manages with the aid of Microsoft Money and his emphasis is now on growth income, a mix of currencies, while endeavouring to cover inflation risk and lastly recognition that imputation credits play. Of course there were the usual failures that everyone experiences in ones investing lifetime. Some that come to mind were Equiticorp, Chase, Perry Dines, Judge Corp and Robert Jones. Alan's source of information comes from The NZ Herald, various web sites, London Stock Exchange and his local broker. His final emphasis to members is that he has to do well as interest and dividends pay his bills in retirement.

Ross Sheerin provided a discourse on Custodial Services and gave those present 2 pages of tables which were most enlightening.

Helen McDonald provided an interesting update on the Share Pick Competition. Best gains to date have been plus 21%. The worst minus 15%. The pick for the biggest loser share has been amazing!

Kerry Drumm presented several slides pertaining to bonds. This presentation provided quite a lot of discussion.

Money Week - On Monday, 2 September 2013 we are putting on a "Business After 5" seminar in Tauranga to lift our profile and attract new members. We have two excellent keynote speakers – Carmel Fisher, Managing Director of Fisher Funds –" Lessons I have learnt over 25 years in the Investment Battlefield," and Cameron Watson Consultant, Investment Research and Education – "Is there still Value in the Sharemarket?"

***Jane Lyndon***

## Wellington

Since I last wrote we have had NZX and Z Energy along to present, both sessions were well attended and very interesting. We had also hoped to get Mighty River Power along before their share float got away but in the end they couldn't fit us in, probably a good thing, it might have encouraged someone to buy their shares.

For our July meeting www.sharesight.co.nz gave us an update on their progress, a number of members have been using Sharesight for several years and their product really is coming along nicely. If you have a monster spreadsheet tracking your investments then take a look at Sharesight but be warned, if you do start using it you won't want to go back to the spreadsheet!

We also held our branch AGM as part of our meeting on 9 July, existing committee members were re-elected except for Ashley Chan who was not standing has he is now a resident in sunny Perth. We also have two new members, Geoff Head and Vinny Venkatesh – thank you both for volunteering your time.

For our August meeting we welcome back Ray Jack – Ray will be giving us one of his contrarian market updates and I'm sure there will be something for everyone.

There have been a few shakes in Wellington over the last couple of weeks but fear not – we meet in one of the safest buildings in the Wellington region! The Royal Society building meets 100% of the current building code and is designated NZS1170.5 IL2. I do still miss the thrill of our old unsafe venue Turnbull House, though….

***Martin Dowse***

## Canterbury

**Branch meeting 6th June:**

Mr Jolyon White and Ms Kate Day of the Anglican Social Justice Unit made a presentation on the campaign for a "Living Wage". Although we were expecting a hostile reaction from our members, the speakers were well prepared and were given a fair hearing. They responded well to some probing questioning and it proved to be an enlightening and enjoyable gathering.

Our branch AGM was held on Thursday, 27th June at the Balmarino Room on the Riccarton Park Function Centre. It was a short meeting where the formalities of annual accounts and officers' reports were dealt with expeditiously. The five members of the branch committee seeking re-election were returned unopposed and Garry Adams was elected taking the slot vacated by Max Smith who has joined the national board.

After the AGM we were joined by a number of Infratil shareholders to hear a presentation from Tim Brown, a member of Infratil's Senior Management Team, Director of Wellington Airport and NZ Bus. Tim gave an entertaining overview of the Infratil's performance and handled questions from the audience with accomplished ease. The evening concluded with a generous provision of light refreshments. We extend our thanks to Tim Brown and Infratil for facilitating the venue for our AGM and their generous provisions.

Our next function will be at 3pm on 15th August in the Fendalton Croquet Club where branch committee member Tim Kerr and member Don Foster will present the second in our series on Portfolio Management giving us the benefit of their own experiences.

Finally, the Committee is progressing well with plans for hosting the National Conference and AGM on Saturday, 7th September at the Chateau-on-the-Park here in Christchurch.

***Robin Harrison***

# Members' Issues

## Should shareholders be allowed to hide behind nominee companies?

Brian Tyler raised an important issue during our preparation for the Mainfreight meeting. "Each annual report lists the largest shareholders, but in most cases the list includes, not the actual or beneficial holder, but nominee holders. The purpose of the regulation was to show who is standing behind the corporate entity, but to allow it to be so easily avoided makes a nonsense of the whole disclosure."

Editor: The Companies Act requires disclosure of the top ten shareholders, while the NZX listing rules require disclosure of the largest 20. Of course Family Trusts are usually transparent because the registries require that the individual trustees be named. As grant Diggle says, "I guess it turns on legal definitions where nominees have been determined as 'persons' although most of us would regard them as agents, not the direct holder."

Your proxy holder did raise this issue in the Mainfreight meeting, and it was clear that management takes some trouble to keep track of who is behind the nominee holders. NZSA board will consider the issue, but our general feeling is that normal transparency of share transactions and company ownership are obscured by this practice. We would welcome your feedback on this subject.

## A call to refine the continuous disclosure rule

A small group from Minter Ellison Rudd Watts has considered the NZX continuous disclosure rule and concluded that it should be modified. The rule calls for "immediate" disclosure of material information subject to various exceptions. The exceptions are sufficiently detailed to require the serious consideration of board members, but are often considered by Secretary and CEO with support from the chair. This gives rise to the rigging of situations so that proposals are incomplete until the planned time of the announcement. However when the notifiable situations are outside the control of the issuer, there is insufficient time allowed for board members to consider the wisdom or legality of disclosure. In such cases trading halts are often called to allow time for disclosure to be considered and statements prepared. Trading Halts the group claims can spook the market, or force an unnecessarily early release.

The solution would be to allow a 48 hour period of grace, before implementing a trading halt or disclosing to the market. NZSA has always supported the prompt release of material information.

***Alan Best***

# Upcoming Events

For more information go to Branch section of NZSA website

| | |
|---|---|
| August 13 | Wellington Branch meeting |
| August 15 | Canterbury Branch meeting |
| August 20 | Waikato Branch meeting |
| Sptember 2 | Bay of Plenty Branch meeting |
| September 7 | Investor Conference and NZSA AGM |
| September 10 | Wellington Branch meeting |
| September 18 | Auckland Branch meeting |
| September 24 | Waikato Branch meeting |
| October 8 | Wellington Branch meeting |
| October 22 | Waikato Branch meeting |
| November 20 | Auckland Branch meeting |
| Noember 12 | Wellington Branch end of year function |
| December 2 | Bay of Plenty Branch meeting |
| December 3 | Waikato Branch meeting |

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

**Editor** Alan Best

**Layout** Bruce Parkes