

**Chairman's Address**  
**Contango MicroCap Limited (ASX: CTN)**  
**Annual General Meeting: 12.00pm Thursday 10 November 2016**

**RACV – Chancery Lane**  
**MELBOURNE**

Ladies, Gentlemen and Fellow Shareholders

Welcome to the 13th Annual General Meeting of Contango MicroCap Limited.

Thank you for your attendance and for your continuing support during what has been a volatile year for the local share market.

My name is Mark Kerr, I am the Chairman of the Board of Directors and I will be chairing the meeting today.

I would like to introduce the other members of the Board: David Stevens, Glenn Fowles and Alistair Drummond. Unfortunately, the 5<sup>th</sup> Board member, Mr Ian Ferres is unable to make the meeting today and apologises for his absence.

I also note that Nick Bull representing Pitcher Partners, the Company's auditors, is in the audience today.

Following any questions on the accounts and the business of the meeting, the meeting will formally close, at which time Bill Laister, Portfolio Manager with Contango Asset Management Limited (CAML) will provide a presentation about the Company's investment portfolio.

### **Company Performance**

During a year of political uncertainty both abroad, with Brexit and the US election, and locally, where we had a tight federal election result and a resulting hostile senate position for the government, the year past saw the Company post a profit result delivering \$17.25m after tax. This came off the back of very strong investment performance from the portfolio of more than 19% during a period when the broader Australian share market measured by the ASX All Ordinaries Index returned only 2.0%.

### **Dividends**

Dividends attributed to FY16 were 6.3 cents per share resulting from the Company's 6% of NTA dividend policy and representing an attractive yield of 5.9% for the year.

Since declaring its first dividend in December 2004, CTN has now paid a total of 93.6 cents per share in dividends to shareholders amounting to a total payout of over \$112m.

We currently have a dividend reserve balance of over \$7.9m.

The Board is aware of trends in the market place with some pressure on companies sustaining their dividend payout levels and it will monitor this. Any reset of dividend policy would be disclosed well in advance of the next payment and be applicable thereafter. In a low growth environment the obvious trade-off is between continued dividend payment and growth of the Company

## **Investment Management Activities**

As FY16 concluded, the Company sold its 100% investment manager subsidiary - Contango Asset Management Limited (CAML). In addition to the contribution to profit of \$470,000 that CAML's operations provided for the year, the sale delivered \$15.5m of cash proceeds and a profit on sale of \$1.5m before tax. To put this in better perspective, since taking full ownership of CAML in November 2013 at a cost of \$11.6m, CAML has delivered profits from its operations and upon sale of \$3.2m to provide return on investment of 28% before tax which is higher than the investment portfolio return of 26% and All Ords return of 12% over the corresponding period.

This sale now makes CTN a 'pure' LIC with an arm's length investment manager but importantly sees it retaining CAML as investment manager with Bill Laister responsible for this portfolio.

A new investment management agreement was entered into as part of the transaction with a term of 5 years and a reduction in the management fee scale. There is no performance fee and also tougher performance benchmarks that were not previously present

## **Investment in Contango Income Generator Limited**

The Board recently sold its 37% stake in Contango Income Generator Limited (CIE's).

Originally undertaken as a mechanism to grow the funds management business, with the sale of CAML having occurred, continuing to hold this investment had served its purpose and when the opportunity to sell this investment in a single transaction became available in the last two weeks, the Board decided to proceed.

The 30m shares held were sold for a price of \$0.94 which was only a modest discount of 3% from CIE's net tangible asset value. Given the very low liquidity of CIE prior to this transaction and the large magnitude of the transaction parcel, this was an acceptable result.

## **Outlook and Guidance**

It is particularly difficult to provide profit guidance for LIC's as these vehicles are so dependent on favourable share market conditions for their resulting annual profits, however, it is worth providing an update on performance and profit to date. For the period from 1 July 2016 to 31 October 2016, the Company has posted a net profit after tax of over \$13m. This has come from continued strong investment performance where the portfolio has returned 10.5% against the broader market of 3%. We can only ask our investment manager to keep up the good work and hope for well-behaved markets over the coming months and years.

## **Shareholders**

CTN continues its shareholder communications and promotional activities across the market.

Investor briefings are being conducted by CAML on a semi-annual basis. These begin again next week and will be held in most major Australian cities and are proposed to continue in March and November each year.

At 31 October 2016 CTN had 6,150 shareholders.

## **Ordinary Business**

We now move onto the main business of the meeting.

1. The first item of business is to open to the floor for questions about the financial statements for FY16. Please note that Nick Bull, Partner of the Company's auditor from Pitcher Partners is present, should you wish to address any questions to him. Are there any questions?

2. The next item of business is the vote on the Company's Remuneration Report. On the screen in front of you is the proxy voting for this vote. Also note that votes associated with the key management personnel are excluded from participation in this vote.

The details of the Resolution and Proxy Votes are now on the screen in front of you.

I now put the vote to a show of hands.

All those in favour? Against?

**[The resolution was passed by a show of hands]**

3. The next item is the election of Alistair Drummond as a non-executive director. Alistair was appointed by the Board on 29 July 2016 and this appointment requires shareholder approval at this meeting.

The details of this Resolution and Proxy Votes are now on the screen in front of you.

I now put the vote for Alistair's election as a non-executive Director to a show of hands.

All those in favour? Against?

**[The resolution was passed by a show of hands]**

Congratulations Alistair

4. For the final item of business, I will hand the Chair to Mr David Stevens.  
**[DAVID]** The final item of business is the re-election of Mr Mark Kerr as a non-Executive director. Under the retirement by rotation requirements of the Company's constitution, Mr Kerr is required to retire from the Board at the conclusion of this meeting unless re-elected.

The details of this Resolution and Proxy Votes are now on the screen in front of you.

I now put the vote for Mark's re-election as a non-executive Director to a show of hands.

All those in favour? Against?

**[The resolution was passed by a show of hands]**

**[DAVID]** – Congratulations Mark

**[CHAIR returns to MARK]**

**[MARK]** Thank you David.

With the formal business of the meeting complete I now close the meeting and advise that my address and today's presentation by the investment manager that will follow will be lodged with ASX and on the Company's website shortly.

After the presentation, a light afternoon tea will be served and Board members and CAML staff will be available for further discussion.

Thank-you ladies and gentlemen for joining us today.