

# Notice of general meeting

called at the request of shareholders under section 249D of the *Corporations Act 2001* (Cth)

## Contango MicroCap Limited

ACN 107 617 381

—  
Date: Monday, 27 March 2017  
Time: 11.00am (Melbourne time)  
Place: Pavilion Room, RACV Club, Level 2,  
501 Bourke Street, Melbourne, Victoria  
—

This is an important document and should be read in its entirety.

You are **strongly encouraged** to consider these issues carefully and **exercise your right to vote**.

# Notice of requisitioned general meeting

Notice is hereby given that a general meeting of Contango MicroCap Limited ACN 107 617 381 (Company) will be held at the **Pavilion Room, RACV Club, Level 2, 501 Bourke Street, Melbourne, Victoria at 11.00am (Melbourne time) on Monday, 27 March 2017 (General Meeting)**.

## Business

### 1. Resolution 1 – Appointment of director

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

*"That Trevor Carroll, having consented to act, be and is hereby appointed a director of the Company."*

### 2. Resolution 2 – Appointment of director

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

*"That Ken Poutakidis, having consented to act, be and is hereby appointed a director of the Company."*

### 3. Resolution 3 – Removal of director

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

*"That pursuant to section 203D of the Corporations Act, Ian Neil Ferres be and is hereby removed as a director of the Company."*

### 4. Resolution 4 – Removal of director

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

*"That pursuant to section 203D of the Corporations Act, David Ian Stevens be and is hereby removed as a director of the Company."*

### 5. Resolution 5 – Removal of director

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

*"That pursuant to section 203D of the Corporations Act, Glenn Fowles be and is hereby removed as a director of the Company."*

**By order of the Board**



**Glenn Fowles  
Company Secretary**

**17 February 2017**

# Information for shareholders

## Voting

For the purposes of determining eligibility to vote at the General Meeting, in accordance with Regulation 7.11.37 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the Company's register of Shareholders as at 11.00am (Melbourne time) on Saturday, 25 March 2017.

## Appointment of proxies

1. A Shareholder entitled to vote at the requisitioned General Meeting may appoint not more than two proxies to attend and vote at the General Meeting on that shareholder's behalf.
2. If a Shareholder appoints one proxy, that proxy may, subject to the Corporations Act, vote on a show of hands.
3. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half the votes.
4. A proxy need not be a Shareholder of the Company and may be an individual or body corporate. A body corporate-appointed proxy may appoint a representative to exercise the powers that the body corporate may exercise as the Shareholder's proxy.
5. A Proxy Form is valid if it is signed by the relevant Shareholder making the appointment, complies with note 6 and contains the Shareholder's name and address, the name of the Company, the proxy's name or the name of the office held by the proxy and the meeting at which the appointment may be used and is received in accordance with notes 7 and 8 below.
6. The Chairman will only act as proxy if the Proxy Form expressly appoints him as proxy and specifies the way he is to vote on the Resolutions. A Proxy Form will be considered invalid if it does not name the proxy or proxies in whose favour it is given, or if it expressly appoints the Chairman as proxy but does not specify the way the Chairman is to vote on the Resolutions.
7. For the appointment of a proxy, the Proxy Form enclosed with this Notice of General Meeting may be used. In order for the appointment of a proxy to be valid, the proxy form must be received at least 48 hours prior to the commencement of the General Meeting. If the proxy form is signed under a power of attorney or other authority, the original authority (or certified copy of the authority) under which the appointment was signed must be received at least 48 hours prior to the commencement of the General Meeting.
8. Duly signed proxy forms (and, if applicable, authorities) must be received by the Company:
  - (a) by mail to:

Computershare Investor Services Pty Ltd  
GPO Box 242  
Melbourne VIC 3001
  - (b) by facsimile to:

Computershare Investor Services Pty Ltd  
(with Australia) – 1800 783 447  
(outside Australia) – +61 3 9473 2555
  - (c) online:

By visiting [www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions and information provided on the enclosed proxy form.
  - (d) Custodian voting:

For Intermediary Online subscribers only (custodians), please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

9. If a Shareholder is a corporation and wishes to appoint a proxy, the Proxy Form must be executed under its common seal or, in the absence of a common seal, must be signed by:
  - (a) two directors of the corporation;
  - (b) a director and a company secretary of the corporation;
  - (c) if the corporation is a proprietary company that has a sole director who is also the sole company secretary – that director; or
  - (d) the corporation's appointed attorney under power of attorney.
10. If a representative of the corporation is to attend the General Meeting, the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry, Computershare Investor Services Pty Ltd.

# Explanatory Notes

As disclosed by the Company to the ASX on 30 January 2017, the Company has received a notice of requisition of meeting pursuant to section 249D of the Corporations Act from CTN Shareholders (**Requisitioning Shareholders**) holding approximately 5.6% of the votes that may be cast at a general meeting of the Company (**Requisition Notice**). The Requisition Notice proposed five Resolutions for consideration by the meeting.

Accordingly, the Company has convened the General Meeting to consider the five Resolutions proposed by the Requisition Notice.

These Explanatory Notes have been prepared to provide information which each Director believes to be material to CTN Shareholders of the Company in deciding whether or not to pass the Resolutions which are the subject of the business of the General Meeting.

As at the date of this Notice, your Directors are:

- Mark Kerr (Independent non-executive Chairman);
- Glenn Fowles;
- David Stevens;
- Ian Ferres; and
- Alistair Drummond.

Mark Kerr has abstained from making any recommendation in relation to the Resolutions.

Whilst Alistair Drummond does not have a material personal interest in the specific Resolutions requested by the Requisitioning Shareholders, Alistair Drummond is a senior portfolio manager of the incumbent Investment Manager. As a result and in order to avoid any appearance of conflict, Alistair is not making a specific recommendation with respect to the Resolutions.

## Business

### 1. Resolutions 1 & 2 – Appointment of Trevor Carroll as a new Director and Appointment of Ken Poutakidis as a new Director

At the time of printing this Notice, CTN has not received any information directly from or on behalf of the Requisitioning Shareholders, Carroll or Poutakidis, in relation to the professional background and experience of Carroll and Poutakidis.

The biographies below are extracted from a letter which CTN is aware was sent by Carroll and Poutakidis directly to some (but not all) CTN Shareholders on or about 31 January 2017.

CTN does not take responsibility for the accuracy of the information contained in the below extracts.

#### **Background and experience of Trevor Carroll**

*"Trevor Carroll has held senior management positions with a number of major international corporations and since 2008 has been a professional company director. In his management capacity, Trevor was the Managing Director for Australia and New Zealand of Electrolux Home Products between 2001 and 2008. Prior to 2001, Trevor held senior management positions with substantial companies including Email, Simpson Appliances and Nissan Motor Company. He was the National President of the Australian Industry Group between 2006 and 2008. More recently, Trevor has also served as a non-executive director on the boards of The Good Guys, Big Sister Food Group, Fusion Retail Brands and Crane Group. Trevor has a Bachelor of Commerce degree from Canterbury University in New Zealand."*

## **Background and experience of Ken Poutakidis**

*"Ken is a corporate adviser and corporate finance executive with extensive small cap expertise and over 16 years of finance experience. He is presently the Managing Director and founder of Avenue Advisory, a boutique advisory firm providing corporate finance and capital markets advice to emerging companies. Previously, Ken worked as a management consultant and a corporate finance executive with leading equity firms across Australia and Asia. His particular expertise includes capital raisings, mergers & acquisitions, corporate advisory, asset divestment and strategy development, with sectoral expertise in healthcare, industrials, engineering and financial services. He has also previously served as Chairman of the boards of Alchemia and Mach7 Technologies. Ken has a Bachelor of Business degree from Monash University and brings a range of commercial skills to the role."*

## **No recommendation from Mark Kerr**

Mark Kerr has abstained from making any recommendation in relation to Resolutions 1 and 2.

## **No recommendation from Alistair Drummond**

Whilst Alistair Drummond does not have a material personal interest in Resolutions 1 or 2, Alistair Drummond is a senior portfolio manager of the incumbent Investment Manager. As a result and in order to avoid any appearance of conflict, Alistair is not making a specific recommendation with respect to Resolutions 1 or 2.

## **Recommendation of each of Ian Ferres, David Stevens and Glenn Fowles**

Each of Ian Ferres, David Stevens and Glenn Fowles recommends that CTN Shareholders vote

### **AGAINST:**

- Resolution 1, being the resolution proposing the appointment of Trevor Carroll as a new Director; and
- Resolution 2, being the resolution proposing the appointment of Ken Poutakidis as a new Director.

The reasons each of Ferres, Stevens and Fowles make these recommendations are set out below.

### ***The letter Carroll and Poutakidis sent to some (but not all) CTN Shareholders on or around 31 January 2017 demonstrates a misunderstanding of the principles of good corporate governance***

CTN is aware that on or around 31 January 2017, Carroll and Poutakidis sent to some (but not all) CTN Shareholders a letter that purported to contain 'important information for Contango shareholders' regarding the General Meeting.

CTN understands that the Carroll and Poutakidis letter:

- includes, among other things:
  - strong support for the Investment Manager, including on bases which are disputed by Ferres, Stevens and Fowles – refer to their respective personal statements set out in Annexures 2, 3 and 4; and
  - comments about Carroll's and Poutakidis' perception of a lack of independence amongst the existing CTN Directors (refer again to the personal statements of Ferres, Stevens and Fowles in Annexures 2, 3 and 4, and to page 12); and
- does not include anything that indicates how the appointment of Carroll and Poutakidis will benefit CTN Shareholders, other than suggesting that their appointment will improve the level of independence within CTN's Board. Each of Ferres, Stevens and Fowles seriously question whether Poutakidis is in fact independent (refer page 7 overleaf).

Whilst CTN is aware of the existence of this letter from Carroll and Poutakidis, it has only become aware of the letter through independent means. That is, neither Carroll nor Poutakidis had any sense of proper corporate governance to first inform CTN directly of their concerns before distributing the letter. In the view of Ferres, Stevens and Fowles, this seeming lack of regard for (1) proper corporate governance and (2) the orderly and even distribution of information to all CTN Shareholders, is deeply concerning.

In this regard, while Carroll and Poutakidis indicated they had *'important information for Contango shareholders'* set out in their letter, they failed to distribute their 'important information' to all CTN Shareholders. In the view of Ferres, Stevens and Fowles, this demonstrates a disregard by Carroll and Poutakidis for the interests of CTN Shareholders as a whole.

In addition to the above corporate governance issues, each of Ferres, Stevens and Fowles are of the view that there are a number of inaccuracies and misconceptions in the letter sent by Carroll and Poutakidis to certain CTN Shareholders.

Ferres, Stevens and Fowles consider that had Carroll and Poutakidis taken the time to first discuss the matters set out in their letter with the Directors of CTN before distributing that letter to certain CTN Shareholders, many of their inaccurate assumptions and assertions could have been rectified and the distribution by them of an inaccurate and confusing letter avoided.

The actions taken by Carroll and Poutakidis in:

- failing to consult with the Directors of CTN in advance of sending the letter;
- failing to inform the Directors of CTN of the existence of the letter after sending the letter;
- failing to include anything of real substance in their letter regarding the benefits their appointment as Directors of CTN will provide to CTN Shareholders; and
- sending the letter to only some CTN Shareholders, rather than all CTN Shareholders,

are, in the view of each of Ferres, Stevens and Fowles, well short of the standard required and expected of directors of an ASX listed company, let alone a company with more than 6,000 shareholders on its register.

It follows that each of Ferres, Stevens and Fowles believe that, by their actions, each of Carroll and Poutakidis have demonstrated that they are not suitable or appropriate to serve you as Directors of CTN.

***Poutakidis has known links to the Investment Manager and his independence is therefore, at best, questionable***

It is the view of Ferres, Stevens and Fowles that Poutakidis has clear ties with the Investment Manager.

In this regard, Ferres, Stevens and Fowles note the following:

- Poutakidis was the sole director and sole shareholder of CAM SPV at the time of the sale by CTN of its entire interest in CAML to CAM SPV, a special purpose vehicle created to on-sell CAML to the Investment Manager.
- Poutakidis is the sole director and sole shareholder of Sagrada Familia Holdings Pty Ltd, which as at the CGA Listing Date was a top 20 shareholder of the Investment Manager.
- Poutakidis is also the sole director and sole shareholder of Avenue Advisory Pty Ltd. As set out in the prospectus issued by the Investment Manager on 31 August 2016 in relation to its public offer and proposed ASX listing, Avenue Advisory Pty Ltd acted as a corporate adviser to the Investment Manager and earned total fees of \$264,000.

It is the view of Ferres, Stevens and Fowles that the level of independence of Poutakidis is further brought into question by the connection the following people, being people who are themselves Requisitioning Shareholders or who are related parties or associates of Requisitioning Shareholders, have with the Investment Manager:

Requisitioning Shareholder (or related party or associate of Requisitioning Shareholder)	Connection with the Investment Manager
Bill Laister	<ul style="list-style-type: none"> <li>• Third largest shareholder in the Investment Manager, as at the CGA Listing Date</li> <li>• Senior Portfolio Manager of the Investment Manager</li> </ul>
Robert Fraser	<ul style="list-style-type: none"> <li>• Fourth largest shareholder in the Investment Manager, as at the CGA Listing Date</li> <li>• Director of TC Corporate Pty Ltd, which was:               <ul style="list-style-type: none"> <li>○ Corporate adviser to the Investment Manager in connection with the Investment Manager's public offer and ASX listing in August/September 2016 (CGA IPO)</li> <li>○ Seventh largest shareholder in the Investment Manager, as at the CGA Listing Date</li> </ul> </li> <li>• Director of Taylor Collison Limited, which acted as underwriter in connection with the CGA IPO and earned total fees of \$1,134,276</li> </ul>
Scott Dolling	<ul style="list-style-type: none"> <li>• Director of Taylor Collison Limited, which acted as underwriter in connection with the CGA IPO and earned total fees of \$1,134,276</li> </ul>

In light of these links between Poutakidis and the Investment Manager, each of Ferres, Stevens and Fowles seriously question the independence (both actual and perceived) of Poutakidis as a Director of CTN and his ability to act in all circumstances in the best interests of CTN Shareholders as a whole.

It follows that each of Ferres, Stevens and Fowles strongly believe that the appointment of Poutakidis as a CTN Director may compromise CTN's ability to improve its independence from the Investment Manager. They also believe that this is contrary to the best interests of CTN Shareholders.

***Poutakidis has limited ASX listed company directorship experience and no ASX listed investment company directorship experience***

Each of Ferres, Stevens and Fowles consider that Poutakidis' ASX listed company directorship experience is limited and that this, coupled with an absence of any ASX listed investment company directorship or portfolio management experience, casts doubt about his suitability to act as a Director of CTN.

Whilst Poutakidis, according to public record searches, has been a director of ASX listed Alchemia Limited and Mach7 Technologies Limited, the period of his directorship was for a mere 8 months and 2 months respectively. It is the view of Ferres, Stevens and Fowles that this experience alone serves as insufficient preparation to bring to bear the extensive skill set required to lead a company like CTN, an ASX listed investment company with more than 6,000 shareholders on its register.



***Carroll has no investment company directorship experience***

To the knowledge of Ferres, Stevens and Fowles, Carroll has no experience as a board member of an Australian listed investment company or a company in the Australian funds management industry.

It follows that each of Ferres, Stevens and Fowles believe that Carroll's skill set and experience may be insufficient to add substantial value to the CTN Board.

***Carroll is the director of two companies which are under external administration***

In addition to the above, it is noted that, according to public record searches, Carroll is currently a director of Miss Muffin Pty Ltd and BSF Ermington Pty Ltd, each of which are currently under external administration and were placed into external administration during his period of directorship.

It is also noted that Carroll did not mention, or seek to explain, this fact to those CTN Shareholders he contacted on or around 31 January 2017.

## 2. Resolution 3 – Removal of Ian Ferres as a Director

**Background and experience of Ian Ferres AM, FAIA, FAICD**

Ian Ferres has been an independent Director of CTN since 7 December 2009.

Ian has had a distinguished career in the funds management industry. He was employed by National Mutual Limited from 1956 to 1990. His executive positions within National Mutual Limited have included roles as Executive Director from 1983 to 1990, with responsibility for all worldwide equity, property, fixed interest investments and financial banking ventures from 1975 to 1988, and as Managing Director of Meridian Funds Management from 1988 to 1990. Ian was Group Managing Director of Australian Unity from 2002 to 2004.

Ian has been chairman of some 15 entities, and a director of a further 15, since he began a non-executive career in 1990. They have included both Federal and State Government corporations, private companies, both listed and unlisted public companies, and community and charitable organizations.

He also holds a number of other non-executive positions including: Consultant, TressCox Lawyers since 2005 and Chairman of Technology Development Investment Limited (and a director of its investee companies).

Ian is a Member of the Order of Australia, a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Actuaries of Australia.

For a detailed history of Ian's professional background and experience, refer to Annexure 1.

**No recommendation from Mark Kerr**

Mark Kerr has abstained from making any recommendation in relation to Resolution 3.

**No recommendation from Alistair Drummond**

Whilst Alistair Drummond does not have a material personal interest in Resolution 3, Alistair Drummond is a senior portfolio manager of the incumbent Investment Manager. As a result and in order to avoid any appearance of conflict, Alistair is not making a specific recommendation with respect to Resolution 3.

## **Recommendation of each of David Stevens and Glenn Fowles**

Each of David Stevens and Glenn Fowles recommends that CTN Shareholders vote **AGAINST** Resolution 3, being the resolution proposing the removal of Ian Ferres as a Director of CTN.

The reasons of each of Stevens and Fowles are set out below.

### ***Ian Ferres has an unparalleled record of independence and experience***

Ian Ferres has a long and distinguished career of excellence in both an executive and non-executive capacity as a director of a number of Australia's most renowned corporate institutions, including in the funds management industry.

Ian has brought these skills to bear in his role as a director of CTN in an uncompromising, dedicated and fiercely independent manner. Since his appointment as an independent director of CTN in 2009, Ian has always been, and to this day continues to be, solely motivated by the best interests of CTN Shareholders.

Having sat on more than 50 corporate boards over the past three decades, Ian brings an irreplaceable wealth of experience and wisdom to the CTN Board. Ian has long been recognised as a true model of leadership and good governance within the Australian business community. Following his retirement as a non-executive director of Australian Unity in 2014 of which he had been a director for some 15 years (including 3 years as managing director), the highly respected financial journalist, Terry McCrann of the Herald Sun, reported (on 30 July 2014):

*'There's a lot of institutional memory in someone like Ferres, that is absolutely both irreplaceable and vital to the effective functioning of any board; and when lost can't be replaced. He defines real good corporate governance.'*

Stevens and Fowles wholeheartedly concur with these sentiments.

### ***Ian Ferres continues to place the interests of CTN Shareholders first***

Each of Stevens and Fowles are of the view that there is no coincidence that the General Meeting has been requested shortly after the proposal to appoint a second investment manager was announced to ASX on 8 December 2016 (**Second Manager Appointment**).

The view of Stevens and Fowles in this regard is strengthened by:

- the connection between Poutakidis and certain Requisitioning Shareholders with the Investment Manager, as outlined on page 7 above; and
- the strong support each of Carroll and Poutakidis have expressed for the Investment Manager, albeit to some but not all CTN Shareholders.

Ian Ferres fully understands that the Second Manager Appointment is a development that may not be welcomed by interests associated with the Investment Manager. However, Ian's guiding principle (and the guiding principle of both Glenn Fowles and David Stevens) is and has always been a steadfast obligation and commitment to act in the best interests of CTN Shareholders as a whole, rather than in service of external interests.

Consistent with this commitment, the sole objective of the Second Manager Appointment, from Ian's perspective, is to further the best interests of CTN Shareholders, by:

- mitigating against any concentration risks by diversifying CTN's investments;
- avoiding any capacity constraints, noting that the Investment Manager has around \$200 million of CTN's investments and approximately \$300 million in micro-caps generally;
- promoting growth of CTN's net tangible asset value; and
- improving independence between CTN and the Investment Manager,

having regard in particular to the following events:

- the sale by CTN of 100% of its entire interest in CAML to the Investment Manager (via CAM SPV), such that CAML is no longer a wholly owned subsidiary of CTN – accordingly, unlike when CAML was a wholly owned subsidiary of CTN, the best interests of CTN Shareholders are no longer necessarily served by CTN maximising its investment in CAML (ie, the Investment Manager); and

- the sale by CTN of its significant shareholding in CIE, which has provided the opportunity for CTN to place around \$27 million with a second investment manager.

The removal of such a respected and upstanding director as Ian Ferres, who has always placed the interests of CTN Shareholders ahead of his own interests, would be a true loss to the CTN Board and CTN Shareholders as a whole.

#### **No recommendation from Ian Ferres**

Given his interest in Resolution 3, Ian Ferres has refrained from making a recommendation in relation to this Resolution.

However, Ian Ferres has exercised his right under section 203D(4) of the Corporations Act to submit a statement for circulation to CTN Shareholders. Ian's statement is set out in Annexure 2.

### **3. Resolution 4 – Removal of David Ian Stevens as a Director**

#### **Background and experience of David Ian Stevens**

David Stevens has had a distinguished career in the funds management industry. He has been a long standing and a highly successful Fund Manager, Chief Investment Officer, Managing Director, Chief Executive Officer and Director. Such roles have given him a deep understanding of the operational and value proposition of LIC oversight. As a fund manager, David has been an investor into LICs in Australia and investment companies in the UK. David has been an investment manager on behalf of LICs, and a managing director and director of LICs.

He has been the founder of three LICs in his career to date.

Prior to co-founding CAML with Stephen Babidge in 1998, David was the Managing Director and Chief Investment Officer of HSBC Asset Management (Australia) Limited. David joined HSBC in 1989, became Chief Investment Officer in 1990 and Managing Director in 1992 until his resignation in November 1998. Funds under management at HSBC grew from \$700 million to \$6.3 billion during his period as Managing Director. Previously with HSBC he had worked in London managing Global portfolios on behalf of US institutional clients.

David founded CTN in 2004 and has been a Director since its inception. He was the Portfolio Manager of CTN from 2004 to 2011 and the Managing Director from 1 July 2014 to 31 October 2015.

When he founded CTN, David chose the 'closed end' LIC structure as the right vehicle for the high performing but volatile micro-cap sector. This foresight rewarded shareholders when the GFC tested the 'open ended' unit trust industry with a number of collapses.

During his time as CTN's Portfolio Manager, an average return of 26.6% per annum was achieved. Prior to the GFC, he created liquidity, raising it to 50% of the portfolio in 2008. The portfolio was fully re-invested again by April 2009. This dramatically mitigated the decline in the portfolio return over the GFC period. In 2011, in his role as Chief Investment Officer of CAML, David increased the Industrials component in the portfolio as the China super cycle transitioned from resource orientation to consumer products.

As Chairman of CTN during the GFC period, David was instrumental in implementing an on-market buy-back of CTN securities, further adding value for shareholders.

David has a Bachelor of Economics from Monash University and is one of two 'key persons' on the Bellwether Australian Financial Services Licence.

#### **No recommendation from Mark Kerr**

Mark Kerr has abstained from making any recommendation in relation to Resolution 4.

### **No recommendation from Alistair Drummond**

Whilst Alistair Drummond does not have a material personal interest in Resolution 4, Alistair Drummond is a senior portfolio manager of the incumbent Investment Manager. As a result and in order to avoid any appearance of conflict, Alistair is not making a specific recommendation with respect to Resolution 4.

### **Recommendation of each of Ian Ferres and Glenn Fowles**

Each of Ian Ferres and Glenn Fowles recommends that CTN Shareholders vote **AGAINST** Resolution 4, being the resolution proposing the removal of David Stevens as a Director of CTN.

The reasons of each of Ferres and Fowles are set out below.

David Stevens, together with Glenn Fowles, founded CTN in 2004. Over the past 13 years, David has dedicated his wealth of asset management experience to build CTN to what is now the longest running micro-cap listed investment company in Australia.

Over the past three decades, David has proven to be a highly successful contributor to funds management. Since joining HSBC in 1989, Stevens was appointed Chief Investment Officer in 1990 and Managing Director in 1992. During his 6 year tenure as Managing Director of HSBC, funds under his management rose from \$700 million to \$6.3 billion.

Since founding CTN in 2004, David has brought these skills to bear in his role as a Director and continued his strong track record in funds management by building CTN (along with certain other 'Contango' companies, including CAML) to the successful company it is today.

During David's time as Portfolio Manager of CTN from 2004 to 2011, the investment return averaged 15% above the benchmark index (being the S&P / ASX Small Companies Accumulation Index).

David became an independent non-executive director of CTN in October 2015.

Over the past 13 years, David's guiding principle in growing and building upon the success of CTN has always been, and continues to be, a steadfast commitment to act in all circumstances in the best interests of CTN Shareholders as whole.

It is the view of Ferres and Fowles that the growth and success of CTN since its inception in 2004 is truly owed to the hard work and dedication contributed by David Stevens in his role as a Director over the past 13 years, including as Portfolio Manager and Managing Director. In their view, the removal of such a long-standing member of the CTN Board would be truly detrimental to such continued growth and success and the best interests of CTN Shareholders as a whole.

### **No recommendation from David Stevens**

Given his interest in this resolution, David Stevens has refrained from making a recommendation in relation to this Resolution.

However, David Stevens has exercised his right under section 203D(4) of the Corporations Act to submit a statement for circulation to shareholders. David's statement is set out in Annexure 3.

## 4. Resolution 5 – Removal of Glenn Fowles as a Director

### **Background and experience of Glenn Fowles**

Glenn Fowles, a founding Director of CTN, was appointed a Director on 14 January 2004. He is also the current company secretary of CTN. Glenn also acted as CTN's Chief Financial Officer prior to CTN's sale of CAML to the Investment Manager, following which he became a non-executive Director.

Glenn has held key executive roles in various 'Contango' companies, including CAML, Contango Capital Partners Pty Ltd and Contango Group Services Pty Ltd.

Glenn has worked in the financial services industry since 1985. His roles at fund management organisations have included that of Company Accountant, Operations Manager, Financial Controller, Finance Director, Chief Operating Officer and Chief Executive Officer.

Glenn has extensive experience in all aspects of investment administration, including investment accounting, custody, information systems, compliance and taxation.

Glenn holds a Bachelor of Business in Accounting and Finance from Massey University.

### **No recommendation from Mark Kerr**

Mark Kerr has abstained from making any recommendation in relation to Resolution 5.

### **No recommendation from Alistair Drummond**

Whilst Alistair Drummond does not have a material personal interest in Resolution 5, Alistair Drummond is a senior portfolio manager of the incumbent Investment Manager. As a result and in order to avoid any appearance of conflict, Alistair is not making a specific recommendation with respect to Resolution 5.

### **Recommendation of each of Ian Ferres and David Stevens**

Each of Ian Ferres and David Stevens recommends that CTN Shareholders vote **AGAINST** Resolution 5, being the resolution proposing the removal of Glenn Fowles as a Director of CTN.

The reasons of each of Ferres and Stevens are set out below.

Glenn Fowles, together with David Stevens, founded CTN in 2004. Over the past 13 years, Glenn has consistently been guided by a paramount commitment to act in the best interests of all CTN Shareholders in order to grow and build CTN into the successful micro-cap listed investment company it is today.

Having worked in the financial services industry for over 30 years, Glenn has brought a wealth of experience to his role as a Director of CTN and has established a strong track record in achieving continued positive results for CTN Shareholders.

In addition to his role as a CTN Director, Glenn also acted as CTN's Chief Financial Officer for several years prior to the sale by CTN of its entire interest in CAML to the Investment Manager (following which Glenn became a non-executive Director).

In the view of Ferres and Stevens, Glenn's strong commitment to act in the best interests of CTN Shareholders as a whole is clearly evidenced by the continued growth and success of CTN over the course of his 13 year directorship. In their view, the removal of such a long-standing member of the CTN Board with such an established track record would be truly damaging to the continued growth and success of CTN.

### **No recommendation from Glenn Fowles**

Given his interest in this resolution, Glenn Fowles has refrained from making a recommendation in relation to this Resolution.

However, Glenn Fowles has exercised his right under section 203D(4) of the Corporations Act to submit a statement for circulation to shareholders. Glenn's statement is set out in Annexure 4.

## Glossary

**ASX** means ASX Limited or its financial market, the Australian Securities Exchange, as the context requires.

**Board** means the Company's board of Directors.

**CAML** means Contango Funds Management Limited ACN 085 487 421 (formerly Contango Asset Management Limited), which is a wholly-owned subsidiary of the Investment Manager (following the sale by CTN of 100% of its entire interest in CAML).

**CAM SPV** means CAM SPV Pty Ltd ACN 612 978 800, being the special purpose vehicle incorporated to facilitate the sale by CTN of 100% of its entire interest in CAML to the Investment Manager.

**CGA Listing Date** means the date on which reinstatement of official quotation of the ordinary securities of the Investment Manager occurred, being 28 September 2016.

**CIE** means Contango Income Generator Limited ACN 160 959 991.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**CTN** or **Company** means Contango MicroCap Limited ACN 107 617 381.

**CTN Shareholder** or **Shareholder** means a holder of Shares.

**Director** means a director of CTN.

**Explanatory Notes** means the notes contained in this document that provide details of the business to be considered at the General Meeting.

**Investment Manager** means Contango Asset Management Limited ACN 080 277 998.

**LIC** means listed investment company.

**Notice** means the notice of general meeting accompanying these Explanatory Notes.

**Resolution** means a resolution set out in the Notice.

**Shares** means the shares in the capital of the Company.

# **Annexure 1 – Detailed professional background and experience of Ian Ferrer**

## **Education**

- Scotch College (Melb)
- Snr Govt scholarship (1955)
- University of Western Australia, Bachelor of Commerce (7 units)
- Australian Administrative Staff College (1972)
- Harvard Business School PMD programme (1976)
- Fellow Faculty of Actuaries (Edin) (1969)

## **Awards/ Recognition**

- Member of the Order of Australia (AM) – “For significant service to the finance and investment sectors through a range of advisory roles, to professional organisations, and to the community” (2014)
- Centenary Medal – “For outstanding service through the management of Victoria’s state finances” (2001)

## **Career**

### ***Non Executive***

- Independent non-executive director, Contango Microcap Limited (2009 – current)
- Consultant, TressCox Lawyers (2005 – current)
- Chairman, Technology Development Investments Ltd (2004 – current)
- Non-executive director, Australian Unity Limited (1999 – 2002; 2004 – 2014) (executive roles held between 2002 and 2004 are set out below)
- Chairman, Treasury Corp. Vic. (1991 – 2009) (incl VICFIN)
- Chairman, Vic. Debt Retirement (1991 – 1993)
- Chairman, Commonwealth Funds Management (1990 – 1997)
- Chairman, MAB Corp (2000 – 2002)
- Chairman, CMG CH CHINA (1993 – 1998)
- Chairman, Infosentials Ltd (1997 – 2001)
- Chairman, Denehurst Ltd (1993 – 1997)
- Founding Chairman, Contango Income Generator Limited (ASX: CIE) (2015 – 2016)
- Chairman, Advisory Committee, Vianova Asset Management (2004 – 2011)
- Chairman, Vic Trade and Investment Board (1990 – 1992)
- Vice Chairman, Acorn Capital (2002 – 2005)
- Director, Vic. Funds Mgmt Corp. (1996 – 2002)
- Swiss Re Aust. (1992 – 2000)
- Penrice Ltd (1992 – 1993)
- Amrad Corp (1990 – 2002)
- Amskan Limited (1991 – 1994)
- Hambros Australia (1990 – 1998)
- Director Byvest Mgmt Buyout Group (1986 – 1994)
- Barcoo Petroleum (1985 – 1988)

## **Executive**

- CEO and Managing Director, Australian Unity Limited (2002 – 2004)
- National Mutual (1956 – 1990):
  - Early career in actuarial, policy admin, computer programming and systems analysis
  - Victorian state actuary (1966 – 1969)
  - State sales manager (WA) (1969 – 1972)
  - State manager (WA) (1972 – 1975)
  - Chief Investments Manager (Global) (1975 – 1988)
  - Managing Director, Meridian Global Funds (1988 – 1990)
  - Founded a global investment management business with offices in London, New York, LA, Tokyo, Hong Kong and Wellington (A\$2billion under management)
  - Executive director, National Mutual (1982 – 1990)
  - Executive director, Investments (1982 – 1988)
  - Vice Chairman, National Mutual Royal Bank (1985 – 1988)
  - Director, CitiNational Ltd (1976 – 1984)
  - Director, Town and Country Building Society (1972 – 1975)
  - Vice Chairman, Capel Court (1983 – 1988)
  - Chairman, Mercantile Credits Limited (1983 – 1986)

## **Community**

- President, Monash Medical Centre (incl Queen Victoria hospital) (President: 1989 – 1995; Committee: 1980 – 1995)
- Member, Aust. Day (Vic.) Committee (2003 – 2012)
- Director and Chair of Audit and Remuneration Committee, Committee for Economic Development of Australia (CEDA) (2007 – 2013)
- Commonwealth Golf Club Committee (1983 – 1995) (incl, Captain 1992 – 1995)
- The Australian Club (Melb) Committee (1996 – 2012):
  - Treasurer (1998 – 2002)
  - President (2010 – 2012)
- “All of Us” photographic project following the 2007 Cronulla Race riots. Assisted the 'ideas man' and great photographer – Michel Lawrence – who photographed some 220 Victorians from over 200 different backgrounds. A 'coffee table' book of the photos was produced, and an 8 week large scale exhibition of the works took place at Federation Square.

**For an independent view of Ian's governance credentials, refer to Terry McCrann's article located at: <http://www.heraldsun.com.au/business/terry-mccrann/ian-ferres-the-model-of-leadership-retires/news-story/a4ad4dac8f3b72b99da41ca8a17d0f59>**

## **Contact**

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## Annexure 2 – Statement by Ian Ferres

Dear Shareholder

**I URGE YOU TO READ THIS MATERIAL FULLY. IT IS IN YOUR PERSONAL INTEREST TO VOTE AGAINST RESOLUTIONS 1, 2, 4 AND 5.**

**I STRONGLY URGE YOU TO DO SO.**

I joined your Board in December 2009, as an **independent non-executive Director**. Since then, my only interest is the success of your Company, to achieve good returns for you, our shareholders. Early investors have more than achieved that objective. Later investors have received satisfactory returns, given the impact on markets from the GFC.

**I suggest the shareholder meeting has not been called to debate the merits of two managers, nor to debate whether there is confusion between various 'Contango' brands, nor to debate whether proposed new Directors have better credentials, nor whether the existing Investment Manager is the best manager of your funds.**

**Rather, I suggest that the aim of the requisitioning shareholders is to seek to move CTN further into the orbit of a wider 'Contango' group.**

### **Appointment of second manager**

It is my strong view that the decision to appoint a second manager has been made by the Directors in good faith, based on decades of **real investment experience** in the Australian stock market – particularly in the micro sub sector which can be very illiquid. In my view, employing multiple managers will avoid concentration risk, **and lower risk overall.**

It has been claimed that the appointment of a second manager will lower your returns. The returns in 2015 – 2016, and at the time of the 2016 annual meeting were excellent in **absolute** terms. However, as illustrated in recent Mercer surveys covering many fund managers, our **comparative** performance places us in the bottom half of all managers (and at times in the bottom quartile) for recent periods. It would be **remiss for your Board** not to consider all these facts in managing the Company.

In my view it is no coincidence that those critical of the announcement on 8 December 2016 to appoint a second manager (based on Board decisions legitimately taken on your behalf) are, or are related parties or associates of, shareholders of the incumbent Investment Manager.

### **Board skills**

You are being asked to remove two founders of CTN. They have intimate knowledge of investment markets, and micros especially. They managed your Company for some 10+ years, with excellent results.

The fund performance when David Stevens was Portfolio Manager, until 2010, is the best CTN has ever achieved.

Annexure 1 shows the depth of my own experience in stock markets, including the microcap space. Despite the 1987 crash, funds I oversaw had the second best returns of all superannuation fund managers in Australia for that year.

By comparison, the biographies of Carroll and Poutakidis would appear to show **little or no actual** funds management experience.

Rather, they appear to have strengths and experience in advisory roles, more particularly in finance, **not** funds management.

You are being asked to swap three experienced Directors with results on the Board, for two Directors without the appropriate background for this specialised LIC.

Further, it is in my view **highly questionable** whether Poutakidis would be an independent CTN Director.

### **Change of Company name**

CTN sold CAML on 30 June 2016 to CGA (via the CAM SPV). As part of that sale, CGA acquired all rights to the 'Contango' name and CTN was in return granted a licence to use the 'Contango' name after the sale.

It is CTN's option alone whether it continues that use.

I believe there is confusion in the market place, as to where your Company actually sits amidst the multiple 'Contango' entities.

In any case, a change of the Company's name would require the approval of 75% of CTN Shareholders.

### **Corporate governance**

Many words have been written to you, about alleged poor corporate governance of CTN's Board (yet the removal of only three of CTN's five Directors has been proposed).

In my view, it is no coincidence that the three Directors proposed to be removed have similar views regarding the appointment of a second manager based on real experience and a common objective to protect our shareholders. **We are all independent** under current ASX guidelines, despite contrary claims by certain people.

Allegations regarding poor corporate governance have referred to a Lonsec review of CTN.

**I had never heard** of this review until I received an email copy of it. I was **never** interviewed regarding its contents. In my view, the review contains **numerous factual errors, incorrect assertions** and, what I consider to be, **disparaging commentary** on individual Directors. Had proper processes been followed, these errors could have easily been corrected.

I trust that our Shareholders' financial advisors will pass on this information so that our Shareholders can make **a fully** informed decision regarding the proposed Resolutions.

**I URGE YOU TO CONSIDER THESE MATTERS CAREFULLY, AS THEY WILL AFFECT YOUR INVESTMENT.**

**I RECOMMEND THAT YOU VOTE AGAINST RESOLUTIONS 1, 2, 4 AND 5.**

**I ALSO ASK THAT YOU PLEASE VOTE AGAINST RESOLUTION 3 TO REMOVE ME AS A DIRECTOR.**

## Annexure 3 – Statement by David Stevens

As a large shareholder in CTN, the return achieved by CTN shareholders is of prime importance to me.

The returns achieved by fund managers of the Company's portfolio are generally the key to shareholder return.

The Board, through its capital management, cost control and shareholder communications, are the second level of impact on shareholder returns.

The returns achieved by our portfolio manager over recent years have been positive against the key benchmark of the Company (ie, "the all ordinaries index"). However, this is an asset allocation issue determined by the Company's strategic direction and shareholders who support investment into the micro-cap sector.

The returns against the relevant index have also been positive. However, the relative performance of the Investment Manager has been found wanting.

The investment management contract with CGA includes a three year performance review term to allow CTN the right to terminate should the Investment Manager continue to underperform compared to its peer group. Accordingly, with funds recently becoming available through the sale of an asset and, following CTN's sale of its interest in CAML, the relationship between CTN and CGA becoming an arm's length relationship, it was in my view a perfect opportunity for the Board to act independently in the interests of shareholders and add a second manager.

CTN is now an independent entity from CGA and CIE, and like any other institutional manager of funds, the diversification of managers within a nominated asset class is generally in the best interest of shareholders.

A prime LIC example of this proposition is the Future Generations LICs, which are independent of their managers. While the Future Generations LICs have many more managers than it would be sensible for CTN to employ, CTN must be mindful of each manager's individual capacity constraints in deciding how many managers is optimal and the need to ensure the market's acceptance of CTN via its continuing shareholder communications strategy. While CGA will continue to have by far CTN's largest portfolio percentage, a second manager will bring additional healthy competition between the two to the benefit of CTN shareholders.

Your board has faithfully implemented an external review undertaken after the GFC. This has allowed the Company to benefit beyond the general trend of improvement in investor sentiment toward the LIC industry.

To attack the Board when the weakness in the Investment Manager's positioning is being rectified is the wrong strategy for the Company.

Accordingly, I recommend the retention of each of Ian Ferris and Glenn Fowles as Directors of your Company and urge you to vote **AGAINST** Resolutions 3 and 5.

I also kindly ask that you please vote **AGAINST** Resolution 4 to remove me as a Director.

## Annexure 4 – Statement by Glenn Fowles

I am a founding shareholder and have been a director of CTN since the Company's initial listing on ASX in 2004. I currently hold 736,506 shares in CTN.

Through my tenure as a director of CTN as well as the extensive experience I have gained from over 30 years in the funds management industry, I believe that CTN shareholders will be best served with my continuance on its Board.

From March 2004 until June 2016, I was considered a non-independent director because of my employment by the Company's investment manager – Contango Asset Management Limited (**CAML**). Since 1 July 2016, I am now an independent director of CTN – ceasing my employment with CAML when it was sold by CTN in June 2016. It is also important to note that I did not apply for shares in the IPO of the investment manager (**CGA**) when it subsequently listed on ASX. I have never held shares in CGA – to do so would compromise my independence. Since most listed investment companies (**LICs**) have no employees and their primary activity is the portfolio management by an external investment manager, I believe the sternest test of independence for a director of an LIC is complete independence from the LIC's investment manager.

The current independent members of the Board, (Messrs Kerr, Ferres, Stevens and myself), have worked tirelessly towards this goal over the last 4 years to deliver CTN as an LIC independent of its investment manager. This has only been recently achieved, yet, in getting to this point, my concerns are whether it will remain this way for very long.

My vision for CTN is to provide shareholders with an investment vehicle which is completely independent of its investment manager(s) and deliver an entity where maximised investment returns are achieved. In order to pursue this vision, it is necessary to make some changes to the structure of the Company's investment arrangements.

On 8 December 2016, the Company announced proposed changes that I strongly advocated - the possibility of a name change and the appointment of a second investment manager.

The name change was proposed because there are now three listed entities on ASX bearing the "Contango" name. These are:

- Contango MicroCap Limited (**CTN**); and
- Contango Income Generator Limited (**CIE**); and
- Contango Asset Management Limited (**CGA**).

Each of these companies is, and should be, completely independent of each other - each is owned by a separate group of shareholders. There is no cross ownership between them and none is a subsidiary or parent company of the others.

Many of these companies' shareholders, and the overall market, is confused by this common "Contango" name and a change of name was proposed to remove this confusion.

It should be noted that the Company **cannot** change its name without convening a shareholder meeting and attaining a 75% majority in order for a name change to take effect – this initiative cannot and would not proceed without shareholder approval.

The initiative to appoint a second manager is prudent risk management to avoid concentration risk of CTN's extensive portfolio to a single manager.

The fortunes of the three Contango companies depend on separate and different revenue drivers. For CTN and CIE, the investment performance of their respective portfolios are the main determinants in their operating profitability. However, CGA requires additional management fees to grow its profitability. CGA is heavily dependent on CTN and CIE for a significant proportion of its revenue. Fees paid to CGA are based on the value of the funds that it manages for CTN and CIE. The larger the fund size of CTN and CIE – the larger the fees CGA earns.

It is also important for shareholders to appreciate that this initiative to appoint a second manager does not, in any way, affect the running of the existing contract between CTN and CGA. The second manager appointment is to be funded by the net proceeds of a recent asset sale amounting to approximately \$27m. This asset is not included in the CGA microcap portfolio.

CGA currently manages approximately \$200m of CTN's funds, and has other microcap clients making their funds under management in microcaps around \$300m in total. It is widely accepted in the funds management industry that the amount of funds being managed in the microcap sector has a significant impact on the ability to perform well. This is supported by the two best surveyed investment managers\* in the market having closed their offerings because of reaching their limit of funds under management in microcaps.

Up to 31 December 2016, CGA's microcap performance\* ranked:

- 7<sup>th</sup> out of 9 managers for one year;
- 8<sup>th</sup> out of 8 managers over two years;
- 7<sup>th</sup> out of 8 managers over three years; and
- 5<sup>th</sup> out of 6 managers over five years.

Also, in a review of nine other prospective microcap managers, all nine quoted a maximum microcap exposure of up to \$250m to ensure performance was not compromised.

Further on performance, during the first 6 years of operation, when CTN's portfolio was managed by David Stevens and the portfolio was considerably smaller for a large portion of this time, the investment return averaged a return 15% above the benchmark index – the S&P/ASX Small Companies Accumulation Index. In the subsequent 6 years, during which the portfolio was much larger, the investment return averaged 5% above that same index. While this later CGA performance can be described as “solid”, it can hardly be referred to as “outstanding” when it is compared to the other investment managers in the microcap sector.

My final comment is an observation of the shareholders on whose behalf this EGM was requisitioned. Many of these are either CGA shareholders, employees or associates.

While I believe strongly that the initiatives outlined above are very much in the best interests of CTN shareholders, they may not be in the best interests of CGA.

Please vote **AGAINST** Resolution 5 to remove me as a Director.

\* Mercer Investment Microcap Survey periods to 31 December 2016