

Original Message

From: Erling Sorensen

Sent: Thursday, 14 February 2019 6:58 PM

To: [REDACTED]

Subject: [REDACTED] - Shareholder Questions

Attention [REDACTED]

Hi [REDACTED],

My name is Erling Sorensen. I am a private investor and a shareholder in [REDACTED].

I have addressed this email to you as you are listed on your company announcements as the contact person.

Firstly, congratulations to you and the whole team at MFG for an outstanding HY result. Well done and thank you.

I have a couple of questions I would be grateful if you could please respond to.

Question 1:

I note we currently (as at 31 Dec 2018) have \$281m in Net Principal Investments (slightly up from 30 June 2018 in absolute terms and slightly down when measured on a per share basis).

I note from the CEO's interim letter that we "over time aim to earn satisfactory returns for shareholders through the sensible deployment of the Group's capital, while maintaining capital strength to underpin the business".

And furthermore that "the Board has established a pre-tax return hurdle of 10% per annum over the business cycle" for our Principal Investments.

I would be grateful if you could please explain why we believe engaging in our Net Principal Investment activities is the best allocation of that capital? Why not instead use that \$280m to buy back our own shares at a sensible price?

This would be immediately accretive and also as the business is currently generating return on equity of >40%, we would be generating a return on that capital of >4x than the hurdle set by the Board. Noting furthermore that, in my opinion, buying back shares carries a lower risk than the market investments where we currently invest our Net Principal Investments.

We are generating significant cash from our operations which, combined with the consistent strength of our cash flow ratio, I believe ensures our ability to maintain capital strength to underpin the business should we chose to allocate our Net Principal Investments to a buyback.

Your comments to the points raised above would be greatly appreciated.

Question 2:

Would you be able to please explain the discrepancy between the \$236,755K in Management and Service Fees received as stated in the cash flow statement and the \$228,136K as stated in the P&L?

And similarly, would you also be able to please explain the discrepancy between the \$45,547K in Performance Fees received as stated in the cash flow statement and the \$42,699K stated in the P&L?

Question 3:

I note we are paying an interim dividend of 73.8 cents per share for the HY (75% franked) which by my estimations is somewhere close to (exceeding?) 95% of our net earnings (excluding performance fees).

Why is it we are choosing to pay the Performance Fee dividend on an annual basis? Instead of also paying that (when available/earned) on an interim basis?

In general, and back to the matter of most effective capital allocation (per question 1), would you be able to comment as to why we chose to pay a dividend as opposed to instead buying back shares? Or, of course, keeping the capital if we believe we are able to allocate it better/more effectively through growth opportunities we may be presented with from time to time?

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Thank you very much in advance for your time and attention. I look forward to hearing from you by return.

Kind regards  
Erling Sorensen  
Mobile 0457 730 175