HUNTER HALL INTERNATIONAL LIMITED

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HUNTER HALL INTERNATIONAL LIMITED
GENERAL MEETING – 22 SEPTEMBER 2006

Following please find the Chairman's address to be presented at the Hunter Hall General Meeting taking place today 22 September 2006.

Yours sincerely,

OUAFAA KARIM
Company Secretary

<u>Speech to General Meeting 22 September 2006</u>

A little over a year ago I heard a rumour that some of the key members of our investment team had been approached to leave Hunter Hall and join a start up boutique investment management company. Over the years similar very enticing offers have been made to other key team members.

Thus far all such attempts to poach our valuable staff have been rejected.

Which is very fortunate for the rest of us because to lose those people would have been a disaster not just in the short term but also for the long term development of our enterprise.

That event made me very concerned about how we were going to keep our good people in an environment where some of our competitors have huge financial resources and little compunction in using those resources to gain talent. The barriers to entry to the investment management industry are low and the rewards are high to those who are successful.

As a result, over the past year we have been working out a comprehensive plan which will hopefully make Hunter Hall a place where the best people in the investment management industry want to work and make a long term commitment to.

We already offer our team authority, freedom, flexibility of working conditions and a culture of collegial respect and fun. In addition, through our performance fee structure and grants of options we offer the opportunity to generate wealth.

But, I reflected, this might not be quite enough.

We want Hunter Hall to be an exemplary institution. Our core activity is the grubby business of making a quid out of the stockmarket; but we seek to do that with the highest levels of ethics, care and performance.

And we hope, through our ethical investment strategy, our charitable giving programme and our engagement with our community, that we serve a higher purpose - that of making the world a better place.

In order to achieve those ambitions we need to have people of a very high level of ability and integrity, who are focused on the long term goal of building an institution rather than the short term goal of self-enrichment. Given the temptations on offer that is a difficult task.

The answer we thought lay in the concept of "partnership".

In one of my early working papers for this project I wrote:

"Partnership implies a long term personal commitment by team members who will work towards long term objectives and ignore the pain of short term fluctuations, problems and disappointments.

In return for successful accomplishment of the long term objectives partners should expect to create substantial wealth for themselves as well as a respected and important leadership role in the enterprise."

The key was to engineer a solution whereby our team would see themselves as partners with our shareholders rather than employees and possibly adversaries over the spoils of success.

The plan we worked out has two main elements:

One part is the profit share plan which effectively creates "quasi equity" in the form of a pool of profits which will be shared by the team. As the company grows this will build up to a substantial volume and be a very powerful attraction and retention mechanism.

The other is a transfer from me to my colleagues of about 20% of my holding in the company. The purpose of this is to give each team member a substantial chunk of shares and thus ownership of the company but in a way that was not dilutive to other shareholders.

That is the principal business of this morning's meeting. The first five resolutions deal with my investment holding company, Hampshire Assets & Services, selling 2.35 million shares in Hunter Hall International to certain key employees at $6 per share over an extended period of time and subject to the company achieving significant growth in profitability.

You have already received a large volume of documentation concerning this morning's business which I will assume you have read and digested.

Included in that documentation was a letter concerning our Profit Share Plan. This letter was in draft form and addressed to our portfolio managers and set out the mechanics of the Profit Share Plan.

The idea behind the Profit Share Plan is to give our investment team a share of the increment of the growth of the profits of the company above the current level of about 60c per share pre tax.

For example, when pretax profits per share reach 69c, the investment team will be entitled to 6% of 9c (the difference between the 60c threshold and the 69c earned).

So the team will be sharing in the increment over 60c not the entire 69c.

I have to apologise to you that this is unclear in the letter.

The draft letter as supplied to you is deficient and this deficiency is the result of a tortuous process of drafting with many iterations and the fact that the point had not been properly worked through at the board level. That is entirely my fault for which I apologise.

All the letter requires to be correct is to insert the words "the increment" at relevant places and I assure you that this will happen. So to be clear, the investment team will be sharing in the growth of profits from the current level and not the level already achieved.

Thank you for your patience and support and I look forward to trying to answer any questions of detail you may have.

I will now hand the chair over to Wayne Hawkins.

Peter Hall
22 September 2006