CHAIRMAN'S LETTER

Dear Shareholder,

The successful capital raising and listing of Kaizen Global Investments (KGI) on 20 March 2015 marks the creation of a long-term investment vehicle focussed on compounding asset value per share. The capital raising included the issue of options which allows shareholders to make an additional investment in the Company and benefit from any future dividends and increase in the value of the Company's shares.

A RATIONAL BLUEPRINT FOR SUCCESS

We have been influenced by an excellent book highlighted by Warren Buffett, called 'The Outsiders: Eight unconventional CEOs and their radically rational blueprint for success'. The book studies eight CEOs who have delivered exceptional returns to their shareholders and we believe that there are lessons that we can draw on and apply to KGI and to investing generally. We believe that the way these companies operated is a roadmap for all companies to consider, if not emulate.

We highlight below the common attributes that resonate with us:

- The CEOs ran decentralised organisations, releasing entrepreneurial energy and kept both costs and internal politics down.
- The CEO acted as capital allocator, focussing on cash flow and not reported earnings.
- Frugality was central to the operating ethos.
- Mind-set of a shareholder not an employee.
- Independent thinking is essential to long-term success. Seeking to do things differently to conventional thinking if analysis warranted it.
- Sometimes the best investment opportunity is your own stock.
- With acquisitions, patience is a virtue, as is occasional boldness.

We listed on the NSX because we share this same culture of frugality and the mind-set of owners. We delivered the IPO below the cost estimate in the Prospectus and at a fraction of other listings. We purchased shares alongside new shareholders on exactly the same terms. Our focus on costs and delivery should be expected in everything we do – from operating the company, to making investments, and we believe this will matter in the long run.

KGI'S PORTFOLIO

Since listing, the Manager has built a diversified global portfolio, spanning developed and emerging markets and as of 30 June 2015 held 35 securities positions. This has increased in number since that date as we have filled out the portfolio as opportunities arose. Please read the Manager's Letter for some insight into the Company's holdings.

The Manager has been in regular contact with the executive management of the companies in the portfolio, as well as other companies, and is excited about each investment. The investment case in several of these holdings is not reliant upon strong global GDP growth and the Manager expects slow growth to dominate developed markets for the foreseeable future.

It is worth remembering, especially in times of stock market volatility/turbulence, that companies can move around their fair value, becoming overvalued or undervalued. It is important not to sell when they are undervalued – perhaps even to buy more – and not to be too optimistic when they become overvalued and perhaps take some profits.

We invest with a long-term horizon (3 – 5 years plus) and observe that when there is gloom and doom, stock prices can often become depressed and there are often bargains. Emerging markets have had a difficult time over the past few years and in the past few months in particular. Growth expectations have slowed, but this has also begun to be reflected in fallen share prices. We believe that the sheer volume of growing middle classes in the emerging markets will act as a strong tailwind to investing over a 5 - 10 year horizon in certain sectors and for certain companies. We are taking a much closer look at specific companies in some of these markets, where share prices have fallen and there could be a large margin of safety and compelling medium term investment opportunity.

COMPANIES THAT WE ARE INTERESTED IN ACQUIRING IN AUSTRALIA

As per the Prospectus, our goal is to allocate a portion of the Company's capital to buying businesses in Australia (and preferably NSW) that are mature, generate strong free cash flow and have low maintenance capital expenditure. There are occasions when an operating business generates a decent return on equity but expanding might not deliver attractive returns – or the risk of doing so may be too high. We would aim to redeploy the excess cash flows from these businesses into other opportunities (mainly in our listed portfolio) where we can earn a higher return on capital that would hit our target levels.

WHY WOULD YOU WANT TO SELL YOUR BUSINESS TO US? WHY NOT SELL TO PRIVATE EQUITY?

We are most interested in companies with a retiring founder, who wants a permanent home for his/her business. Private equity firms need an 'exit' when they invest (typically anywhere between 5-10 years) and that creates long-term uncertainty for employees.

We don't want to operate the business – there needs to be management that can grow into the role. There might be an individual who is already running the business on behalf of the founder, who does not have the financial resources to buy it outright themselves at this stage. We would consider offering key personnel and employees the opportunity to 'earn in' to being shareholders, potentially increasing their share of profits and taking home more than they earn today.

In our due diligence process we will focus, in particular, on cash flow and on receivables. Since we aim to have a quick turnaround in assessing opportunities it would be helpful to have that information available from the outset.

If you have such a business please contact us on cgrindlay@kaizencapital.com.au or swinfield@kaizencapital.com.au or call our office on 02 790 30007.

We are excited about the future for Kaizen Global, and laser focussed on growing our shareholder's capital per share.

Yours sincerely,

SIMON WINFIELD
Chairman
15 September 2015