



# MONTHLY UPDATE

December 2020

Share Price

\$2.00

KFL NAV

\$1.87

WARRANT PRICE

\$0.31

PREMIUM<sup>1</sup>

10.8%

as at 30 November 2020

## A WORD FROM THE MANAGER

In November Kingfish returned gross performance of +6.7% and an Adjusted NAV return of +6.4%. This compared with our local market which was up 5.7% (S&P/NZX50G).

Global COVID new cases plateaued (after spiking the month before) and there were some encouraging COVID vaccine efficacy trial results. This caused significant outperformance by companies that had been hardest hit by COVID. On the flipside, we saw companies that had outperformed during COVID lag. For example, the US airline sector was up +26% for the month while US large cap technology shares were only up +4.5% for the month.

The environment was already conducive enough for global equities but this was supercharged by the fact global bond yields stayed largely flat for the month.

NZ outperformed in October due to its defensive qualities and subsequently underperformed in the sharp global stock market rally in November.

### The Portfolio

**a2 Milk (+1%)** maintained its first half 2021 and full year 2021 guidance at its AGM. During the Singles Day festival, a2 grew volumes +24% year on year which was in line with expectations. Management have pointed to "green shoots" of a recovery in the daigou sales channel, however we have reduced our position size as the recovery in the daigou channel is developing slower than we had anticipated.

**Auckland Airport (+9%)** was boosted by the news of three successful vaccine trials (Pfizer/BioNTech, Moderna and AstraZeneca/Oxford). All had 90%+ efficacy under certain dosage regimens. This increases the probability of a traffic recovery that is earlier and stronger than previous expectations.

**Fisher & Paykel Healthcare (+3%)** reported a strong first half 2021 result. The assumptions underpinning guidance predictably proved to be too conservative given the

prevalence of second waves of COVID in Europe, the US, and Asia. However, given the stock was a COVID beneficiary, it has been sold off in conjunction with news of multiple COVID vaccines emerging. We have been focused on the key medium-term growth drivers. The installed base of Airvo devices continues to grow strongly (positive) and is being well utilised (positive), plus further clinical studies have reinforced the efficacy of the company's nasal high flow therapies (positive). This suggests the company will see a long tail of consumables sales and continued growth in penetration of its addressable market.

**Mainfreight (+16%)** reported its first half 2021 result, which layered some more detail onto what was pre-announced at October's investor day. Momentum has continued and the company has increased confidence this will continue heading into the important Christmas period. Volumes look strong with a lot of freight in the system, including in New Zealand. For example, despite the NZ team working hard they are struggling to clear all freight off the cross dock by week end, which is highly unusual. Management pointed to signs of improved momentum in the US and European businesses. Mainfreight has performed very well through COVID and still has significant momentum.

**Pushpay (-22%)** announced its first half 2021 result and also hosted a mini virtual investor event in lieu of a full investor day in the US. As expected, the result was strong and full year EBITDA guidance was upgraded from US\$50-54m to US\$54-58m. The strong result featured strong cost control and higher gross margins in addition to a COVID-related uplift in revenues. However, revenue growth was impacted by fewer new customers net of losses. The immediate outlook for customer growth is more positive following the launch of the company's new combined ChurchStaq product. The stock was also caught up in the acute global rotation out of COVID winners into COVID losers.

**Ryman (+7%)** reported first half 2021 earnings which were impacted by lockdowns in Victoria and Auckland. Underlying net profit was -14% vs last year. Gearing increased to 46%

<sup>1</sup> Share Price Premium to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places)

from 42%. Whilst gearing is high, Ryman is the sector leader with a high-quality offering and strong sales track record. The removal of lockdown restrictions in Victoria should boost sales for Ryman, similar to the experience in New Zealand.

**Summerset (+3%)** announced the retirement of CEO Julian Cook, to be replaced by current CFO and Deputy CEO Scott Scoular. Julian had been CEO since 2014, the same year Scott joined as CFO. This transition is well-planned (Scott was appointed Deputy CEO in 2018) and has parallels with Ryman's Gordon McLeod promotion from Deputy CEO to

CEO. The leadership transition represents sensible long-term planning. Julian has done an excellent job. We think Scott will perform well in the role.



Sam Dickie  
Senior Portfolio Manager  
Fisher Funds Management Limited



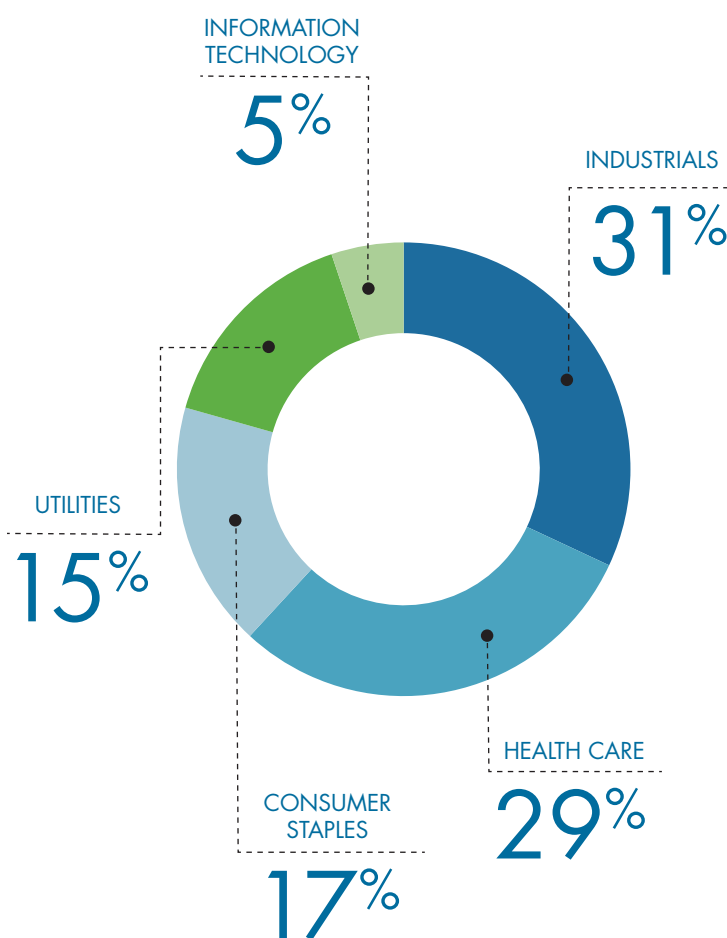
## KEY DETAILS

as at 30 November 2020

FUND TYPE	Listed Investment Company
INVESTS IN	Growing New Zealand companies
LISTING DATE	31 March 2004
FINANCIAL YEAR END	31 March
TYPICAL PORTFOLIO SIZE	10-25 stocks
INVESTMENT CRITERIA	Long-term growth
PERFORMANCE OBJECTIVE	Long-term growth of capital and dividends
TAX STATUS	Portfolio Investment Entity (PIE)
MANAGER	Fisher Funds Management Limited
MANAGEMENT FEE RATE	1.25% of gross asset value (reduced by 0.10% for every 1% of underperformance relative to the change in the NZ 90 Day Bank Bill Index with a floor of 0.75%)
PERFORMANCE FEE HURDLE	Changes in the NZ 90 Day Bank Bill Index + 7%
PERFORMANCE FEE	10% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$1.30
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	252m
MARKET CAPITALISATION	\$505m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 30 November 2020



The Kingfish portfolio also holds cash

# NOVEMBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

Typically the Kingfish portfolio will be invested 90% or more in equities.

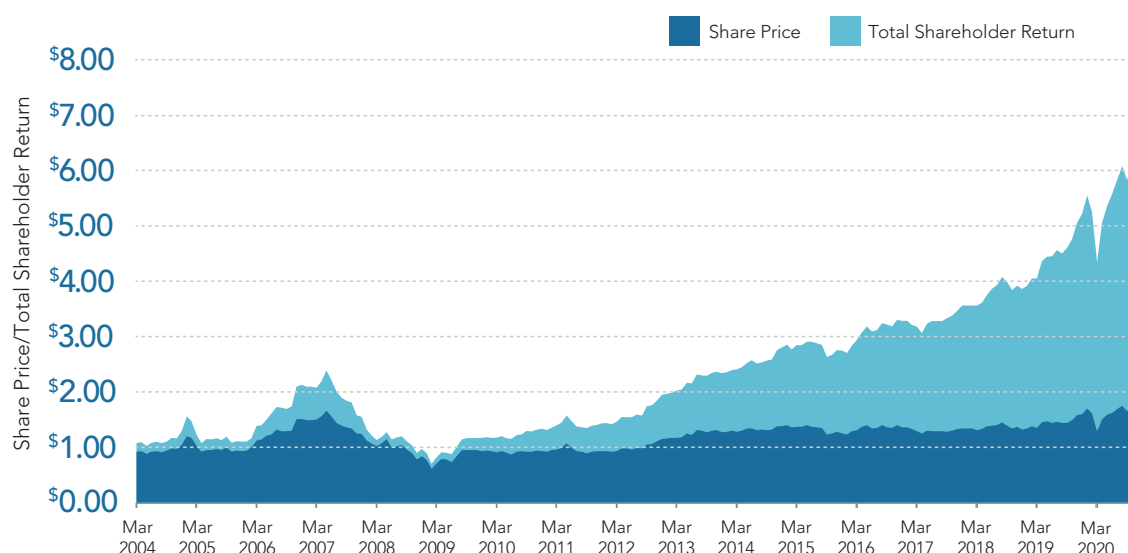
MERIDIAN ENERGY	VISTA GROUP	MAINFREIGHT	INFRATIL	PUSHPAY HOLDINGS
+21%	+16%	+16%	+11%	-22%

## 5 LARGEST PORTFOLIO POSITIONS as at 30 November 2020

MAINFREIGHT	FISHER & PAYKEL HEALTHCARE	THE A2 MILK COMPANY	INFRATIL	SUMMERSET
18%	15%	13%	12%	8%

The remaining portfolio is made up of another 9 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 30 November 2020



## PERFORMANCE to 30 November 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+13.3%	+18.5%	+42.6%	+27.7%	+21.2%
Adjusted NAV Return	+6.4%	+7.7%	+23.5%	+19.6%	+17.7%
<b>Portfolio Performance</b>					
Gross Performance Return	+6.7%	+8.2%	+26.6%	+22.7%	+20.8%
S&P/NZX50G Index	+5.7%	+7.0%	+12.8%	+16.0%	+15.9%

### Non-GAAP Financial Information

Kingfish uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » adjusted net asset value – the underlying value of the investment portfolio adjusted for capital allocation decisions after expenses, fees and tax,
- » adjusted NAV return – the net return to an investor after expenses, fees and tax,
- » gross performance return – the Manager's portfolio performance in terms of stock selection, before expenses, fees and tax, and
- » total shareholder return – the return combines the share price performance, the warrant price performance, the net value of converting any warrants into shares, and the dividends paid to shareholders. It assumes all dividends are reinvested in the company's dividend reinvestment plan, and that shareholders exercise their warrants, (if they were in the money), at warrant expiry date.

All references to adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return in this monthly update are to such non-GAAP measures. The calculations applied to non-GAAP measures are described in the Kingfish Non-GAAP Financial Information Policy. A copy of the policy is available at <http://kingfish.co.nz/aboutkingfish/kingfish-policies/>

## ABOUT KINGFISH

Kingfish is an investment company listed on the New Zealand Stock Exchange. The company gives shareholders an opportunity to invest in a diversified portfolio of between 10 and 25 quality growing New Zealand companies through a single, professionally managed investment. The aim of Kingfish is to offer investors competitive returns through capital growth and dividends

## MANAGEMENT

Kingfish's portfolio is managed by Fisher Funds Management Limited. Sam Dickie (Senior Portfolio Manager), Matt Peek (Senior Investment Analyst), and Michael Bacon (Senior Investment Analyst) have prime responsibility for managing the Kingfish portfolio with the assistance of Luke O'Donovan (Quantitative Analyst). Together they have around 50 years combined experience and are very capable of researching and investing in the quality New Zealand companies that Kingfish targets. Fisher Funds is based in Takapuna, Auckland.

## BOARD

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. The Board of Kingfish comprises independent directors Alistair Ryan (Chair), Carol Campbell, Andy Coupe and Carmel Fisher.

## CAPITAL MANAGEMENT STRATEGIES

### Regular Dividends

- » Quarterly distribution policy introduced in June 2009
- » Under this policy, 2% of average NAV is targeted to be paid to shareholders quarterly
- » Dividends paid by Kingfish may include dividends received, interest income, investment gains and/or return of capital
- » Shareholders who prefer to have increased capital rather than a regular income stream have the opportunity to participate in the company's dividend reinvestment plan (DRP)
- » Shares issued to DRP participants are at a 3% discount to market price
- » Kingfish became a portfolio investment entity on 1 October 2007. As a result, dividends paid to New Zealand tax resident shareholders have not been subject to further tax

### Share Buyback Programme

- » Kingfish has a buyback programme in place allowing it (if it elects to do so) to acquire its shares on market
- » Shares bought back by the company are held as treasury stock
- » Shares held as treasury stock are available to be re-issued for the dividend reinvestment plan

### Warrants

- » On 5 February 2020 a new issue of warrants (KFLWF) was announced
- » The warrants were issued at no cost to eligible shareholders and in the ratio of one warrant for every four Kingfish shares held
- » The warrants were allotted to shareholders on 9 March 2020 and the warrants were listed on the NZX Main Board from 10 March 2020. (Information pertaining to the warrants was mailed/mailed to shareholders in February 2020)
- » The Exercise Price of each warrant is \$1.64, to be adjusted down for dividends declared during the period up to the announcement of the Exercise Price. (Dividends totaling 13.01 cents per share have now been declared and there are no more dividends to be declared in the remaining period up to the announcement of the 12 March 2021 exercise price).
- » The Exercise Date for the new warrants (KFLWF) is **12 March 2021**
- » The final Exercise Price will be announced and an Exercise Form will be sent to warrant holders in late **January 2021**

Disclaimer: The information in this update has been prepared as at the date noted on the front page. The information has been prepared as a general summary of the matters covered only, and it is by necessity brief. The information and opinions are based upon sources which are believed to be reliable, but Kingfish Limited and its officers and directors make no representation as to its accuracy or completeness. The update is not intended to constitute professional or investment advice and should not be relied upon in making any investment decisions. Professional financial advice from an authorised financial adviser should be taken before making an investment. To the extent that the update contains data relating to the historical performance of Kingfish Limited or its portfolio companies, please note that fund performance can and will vary and that future results may have no correlation with results historically achieved.



Kingfish Limited  
Private Bag 93502, Takapuna, Auckland 0740  
Phone: +64 9 489 7094 | Fax: +64 9 489 7139  
Email: [enquire@kingfish.co.nz](mailto:enquire@kingfish.co.nz) | [www.kingfish.co.nz](http://www.kingfish.co.nz)

Computershare Investor Services Limited  
Private Bag 92119, Auckland 1142  
Phone: +64 9 488 8777 | Fax: +64 9 488 8787  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz) | [www.computershare.com/nz](http://www.computershare.com/nz)