



MONTHLY UPDATE

February 2021

Share Price

\$2.04

KFL NAV

\$1.88

WARRANT PRICE

\$0.41

PREMIUM¹

13.8%

as at 31 January 2021

A WORD FROM THE MANAGER

In January Kingfish returned a gross performance loss of (1.1%) and an Adjusted NAV return loss of (1.2%). This compared with our local market which was up 0.3% (S&P/NZX50G).

Market Update

Global equities fell around 5% late in the month from all-time highs. The backdrop of extremely accommodative global central banks and governments remains supportive for equities. However, it was interrupted in January by a spectacular retail investor frenzy in certain shares in the US, which was well covered by the media. Retail investor buying en-masse pushed up a collection of heavily short-sold stocks including GameStop ("squeezing the shorts"). This led to a big unwind of positions whereby hedge funds were forced into covering their short positions (buying back shares) while selling high quality long positions to fund this. This selling of high-quality long positions, which included many index heavyweights, in part caused markets to take a breather. New Zealand shares were only slightly impacted by these global developments.

The Portfolio

Auckland Airport (-2%) was impacted by new community cases of COVID-19 in Auckland and parts of Australia, which delayed the timing of a possible fully open Trans-Tasman travel bubble.

Fisher & Paykel Healthcare (+5%) provided a December quarter update which highlighted that sales accelerated (again) in the December quarter, as COVID-19 infections surged in many regions globally. Hospitals reacted by increasing their hardware and consumables to treat COVID-19 patients. We remain positive on the long-term permanent acceleration of adoption of F&P's products and installed hardware base.

Freightways (+9%) continued to trade higher in the wake of its solid quarterly update. The company has benefited from a step up in ecommerce on volumes in its core network courier business plus poor performance from its competitors through COVID-19.

Infratil (-1%) reported a 55% increase in Canberra Data Centres' independent valuation (translating to around \$1 per Infratil share). This sharp increase reflects accelerated demand for secure data centre services.

Rio Tinto gave notice to **Meridian** that it has decided to accept Meridian's new power price package for the Tiwai Point aluminium smelter, effective immediately through to December 2024. This removes the risk of a 'hard exit' in August 2021 which could have led to spilled hydro water and low electricity prices in the short-term. However, the new terms include a lower electricity price which will result in lower earnings for Meridian and, to a lesser degree, Contact Energy. The outcome avoids the worst case scenario for the electricity sector and buys the companies time to build replacement demand for 2025 and beyond. In the meantime wholesale electricity futures prices remain elevated given there is a shortage of gas and new generation projects are yet to come online. Share prices in the sector have been volatile given renewable energy exchange traded fund (ETF) flows and limited liquidity in the market over the holiday period (Meridian -4%, Contact -8%).

Summerset (-3%) reported record fourth quarter unit sales, up +32% quarter-on-quarter and +20% compared to the prior twelve month total. We have written before about how Summerset went above and beyond to protect their vulnerable elderly residents during COVID-19. Potential new residents' children saw their parents as being more vulnerable than expected during COVID-19 and have sought out providers "good enough for mum". This, plus the backdrop of a strong housing market, has continued to drive strong sales momentum.

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

Vista (-11%) underperformed as the widespread reacceleration of COVID-19 and associated lockdowns in many regions pushes out the reopening of the global cinema industry. Around 55% of global cinema sites are currently open, which is less than at the end of September when around 75% of sites were open. However, the current rollout of vaccines provides some comfort that the industry will recover later in the year. In addition, US cinema exhibitors have rallied including AMC which benefited from the US retail short squeeze and has now raised over US\$900m in capital to support its survival. Vista has around \$50m in cash net of

debt and has reduced its cost base, so it is well positioned to return to profitability as the industry reopens.



Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



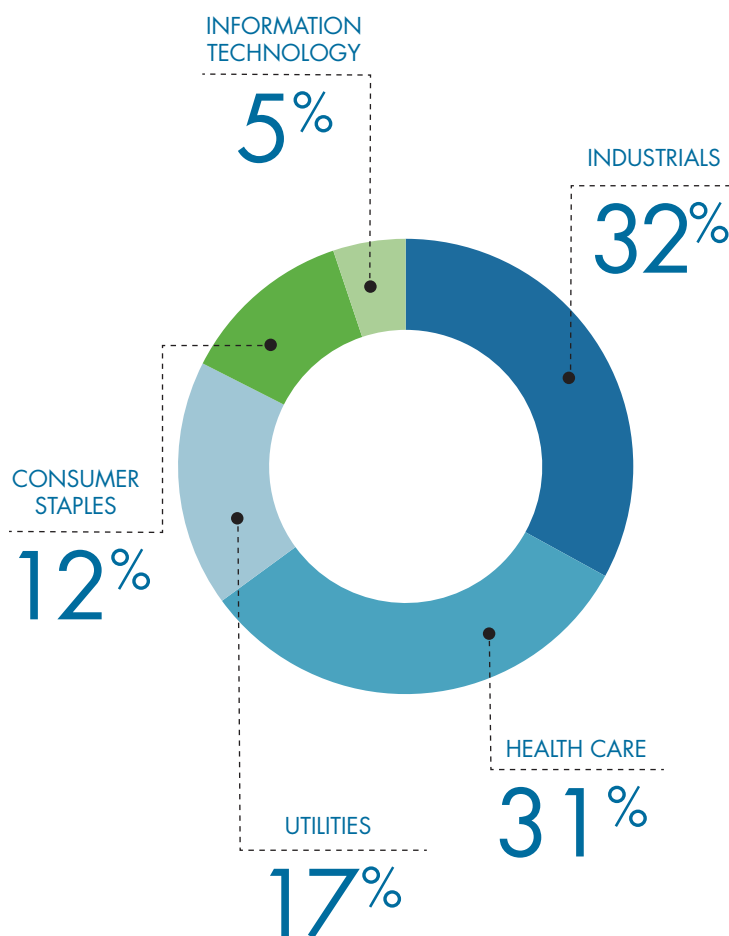
KEY DETAILS

as at 31 January 2021

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	\$1.27
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	254m
MARKET CAPITALISATION	\$518m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 January 2021



The Kingfish portfolio also holds cash

JANUARY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

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

FREIGHTWAYS

+9%

FISHER & PAYKEL
HEALTHCARE

+5%

CONTACT ENERGY

-8%

PUSHPAY HOLDINGS

-9%

VISTA GROUP

-11%

5 LARGEST PORTFOLIO POSITIONS as at 31 January 2021

MAINFREIGHT

20%

FISHER & PAYKEL
HEALTHCARE

16%

INFRATIL

15%

SUMMERSET

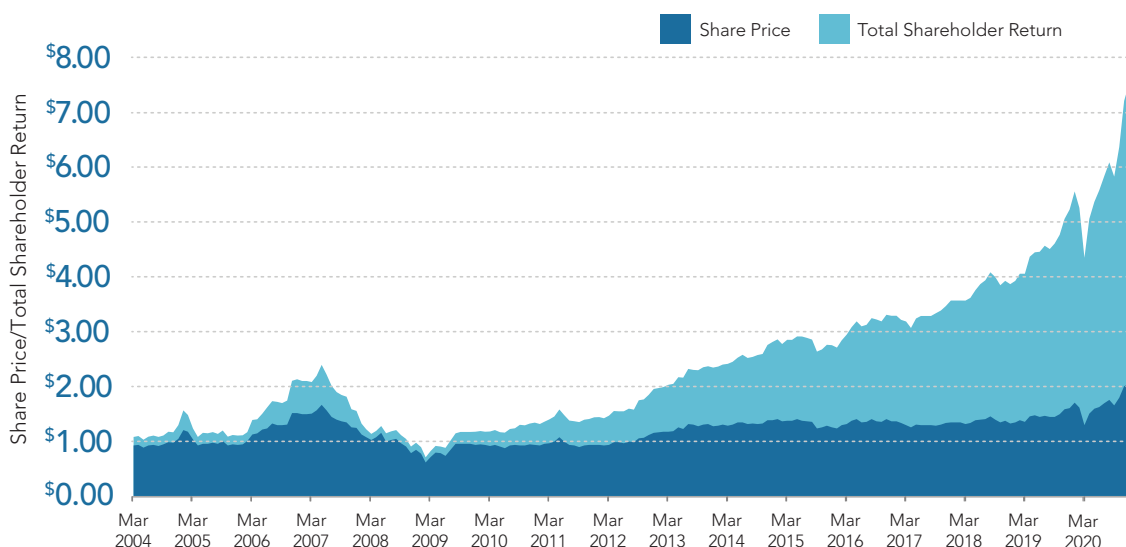
9%

THE A2 MILK COMPANY

8%

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

TOTAL SHAREHOLDER RETURN to 31 January 2021



PERFORMANCE to 31 January 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+0.4%	+18.8%	+36.1%	+28.4%	+22.8%
Adjusted NAV Return	(1.2%)	+8.7%	+21.9%	+19.2%	+17.9%
Portfolio Performance					
Gross Performance Return	(1.1%)	+9.3%	+24.5%	+22.2%	+21.1%
S&P/NZX50G Index	+0.3%	+8.6%	+12.0%	+15.8%	+16.3%

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 and Michael Bacon (Senior Investment Analysts) 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

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/emailed to shareholders in February 2020)
- » The final Exercise Price of each warrant is **\$1.51**
- » The Exercise Date for the new warrants (KFLWF) is **12 March 2021**

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

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.



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