KINGFISH
LANDING TOMORROW'S TROPHIES

QUARTERLY NEWSLETTER

1 October 2021 – 31 December 2021

Share Price	Warrant Price	KFL NAV	PREMIUM[1]
$1.97	$0.09	$1.78	11.9%

as at 31 December 2021

Kingfish underperformed the local market in the December quarter, with gross performance falling -3.3%, compared to the S&P/NZX50G index which fell -1.8%. That brings the Kingfish 2021 calendar year gross performance to +5.6%, which was ahead of the S&P/NZX50G index return of -0.4% for the twelve months.

Fisher & Paykel Healthcare (F&P) delivered against the backdrop of a weak local equity market. The company reported a strong first half result, ahead of expectations, boosted by another wave of COVID hospitalisations in the US, Asia, and certain countries in Europe. The bulk of the strength was in sales of new hardware in the Hospital division, which continues to grow the installed base of F&P products in both established and new customers (70% of hardware sales were outside of the core markets of US/Europe).

There is increasing weight of evidence to suggest that nasal high flow (key product) usage will structurally increase even as COVID wanes. This is because (1) the therapy has stood up in a crisis and doctors who are new to the products have now had first-hand experience in seeing its efficacy; (2) there is a still sharply growing installed base of F&P hardware; (3) clinical evidence is supportive; (4) F&P is increasing its sales force to provide education to recent adopters and increase consumable usage. Market expectations do not appear to factor this in, as medium-term forecasts remain in line with the pre COVID trajectory and imply meaningful under-utilisation of the much higher installed hardware base.

Vista was a drag on December quarter performance. The market is concerned that an increase in COVID lockdowns in Europe and the emergence of the Omicron variant will impact the near-term outlook for its exhibitor customers. The company helped allay these fears late in the quarter when they re-affirmed revenue and earnings guidance. Industry health was improving and movie attendance was at 70% of pre-COVID levels before the release of the hugely successful Spiderman: No Way Home. The movie grossed more than US$260m in its first three days of release, the second highest grossing opening weekend of all time in the US Domestic market. Cinema operators are cash flow positive at around 60% occupancy and we don't expect severe cinema closures because of Omicron at this stage.

Infratil has been busy!

After exiting its highly successful Tilt investment, **Infratil** has been busily re-investing the proceeds. In December Infratil announced further expansion of its diagnostic imaging business, with Bay Radiology to join Pacific Radiology and Auckland Radiology Group as part of the broader platform. Infratil's New Zealand diagnostic imaging business now employs 141 radiologists across 70 clinics through the combination of the three businesses. Infratil has now invested $700 million across Australia and New Zealand developing the diagnostic imaging platform.

Earlier in the quarter the company announced a £130 million investment in Kao Data, a UK datacentre business focused on high performance computing. Clients include Nvidia, which has the UK's most powerful supercomputer on Kao Data's campus. The business is in the early stages of development, but Infratil hopes to grow it to a £500 million platform in time.

Key portfolio investment Canberra Data Centres (CDC) purchased a new site in Melbourne during the quarter and construction is expected to begin in the first half of 2022, contingent on signing an anchor tenant. The new site will eventually provide 150 megawatts of capacity and takes CDC's total planned capacity to 700 megawatts. This follows CDC's expansion into Sydney in 2018 and Auckland in 2021, with Microsoft acting as a strong anchor tenant in those locations.

In early January 2022, Infratil announced a 15% increase in the independent valuation of its CDC stake as at 31 December 2021. The previous valuation update was only six months prior.

Lockdowns and the local housing market buffeted the retirement village stocks

At one stage during the quarter, **Summerset** and **Ryman's** share prices had fallen 20% and 25% from peak respectively. The market was nervous about the impact of lockdowns on the ability to sell retirement village units and rising mortgage rates slowing the broader housing market.

We added to our Summerset position after the sell-off as we think underlying demand for retirement village living remains solid and inventory is fairly low. We continue to prefer Summerset over Ryman given its stronger balance sheet and superior execution in the last few years.

We re-introduced EBOS into the portfolio

EBOS has proven over a long period that it is the leading player in its core business of Australian pharmaceutical distribution. Its moat is based on it being the most efficient operator in this industry. It is the largest player and has the best processes and systems to deliver reliable service at low cost to its pharmacy customers. EBOS's capital raising to fund a new acquisition gave us the opportunity to re-enter the stock at an attractive price.

We had previously removed the company from the portfolio in 2018 due to some concerns including its model being tested by new competitive threats and the modest industry growth rate in its core business. In the meantime, EBOS has extended its strong track record under CEO John Cullity, emerged with its moat firmly intact, and delivered growth through market share gains and entering higher growth adjacencies.

Our re-entry was timely as during the month EBOS announced it was buying Australian medical devices distributor Lifehealthcare and raised new equity to partly fund the transaction. This is a logical acquisition in line with the company's previously stated strategy. Lifehealthcare is a leading player and EBOS has made several smaller medical device distributor acquisitions in recent years in this attractive and growing market. The transaction also provides a sensible entry point to South-East Asia through the Transmedic subsidiary, which still has its founders with skin in the game as minority shareholders. We participated in the equity raising.

Sam Dickie
Senior Portfolio Manager
17 January 2022

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

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER

EBOS GROUP	SUMMERSET	VISTA GROUP	RYMAN HEALTHCARE	PUSHPAY HOLDINGS
+19%	–10%	–12%	–18%	–29%

PERFORMANCE
as at 31 December 2021

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	+0.0%	+27.1%	+19.3%
Adjusted NAV Return	(3.3%)	+19.9%	+16.8%
Portfolio Performance			
Gross Performance Return	(3.3%)	+23.1%	+19.6%
S&P/NZX50G Index	(1.8%)	+13.9%	+13.6%

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 newsletter 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/about-kingfish/kingfish-policies/

PORTFOLIO HOLDINGS SUMMARY
as at 31 December 2021

LISTED COMPANIES	% Holding
Auckland Intl Airport	8.4%
Contact Energy	3.2%
Delegat Group	2.9%
EBOS Group	2.1%
Fisher & Paykel Healthcare	16.1%
Freightways	3.6%
Infratil	15.4%
Mainfreight	19.9%
Meridian Energy	1.0%
Port of Tauranga	2.5%
Pushpay Holdings	1.1%
Ryman Healthcare	4.3%
Summerset	9.8%
The a2 Milk Company	4.2%
Vista Group International	4.2%
Equity Total	**98.7%**
New Zealand dollar cash	1.3%
TOTAL	**100.0%**

COMPANY NEWS
Dividend Paid 17 December 2021

A dividend of 3.67 cents per share was paid to Kingfish shareholders on 17 December 2021 under the quarterly distribution policy. Interest in Kingfish's dividend reinvestment plan (DRP) remains high with 41% of shareholders participating in the plan. Shares issued to DRP participants are at a 3% discount to market price. If you would like to participate in the DRP, please contact our share registrar, Computershare on (09) 488 8777.

FOREIGN TAX COMPLIANCE ACT (FATCA) AND COMMON REPORTING STANDARD (CRS)

As a result of the New Zealand Government agreeing to participate in the exchange of information with other jurisdictions under the Foreign Tax Compliance Act (FATCA) and Common Reporting Standard (CRS), Financial Institutions are required to undertake due diligence to determine the account holders' jurisdiction of tax residence. All shareholders will have received a Tax Residency Self-Certification form from Computershare depending on when they first purchased their securities. Please ensure you complete and return this important document if you have not already done so. For more information please visit the IRD website: https://www.ird.govt.nz/international-tax/exchange-of-information/crs/registration-and-reporting or contact Computershare if you are unsure of whether you have completed your form.

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Kingfish Limited
Private Bag 93502, Takapuna, Auckland 0740, New Zealand
Phone: +64 9 489 7094 | Fax: +64 9 489 7139
Email: enquire@kingfish.co.nz | www.kingfish.co.nz

If you would like to receive future newsletters electronically please email us at enquire@kingfish.co.nz