

# Monthly Update

June 2016

KFL NAV

\$1.46

SHARE PRICE

\$1.40

WARRANT PRICE

\$0.07

DISCOUNT

3.9%

as at 31 May 2016

## A word from the Manager

It's quite nice being in New Zealand where the most significant political debate of recent times centred on an unsurprising and unspectacular Budget. Financial markets barely moved before or after the Budget, and I suspect that in terms of business and consumer confidence, Bill English's announcements made little difference to any of us.

You'd be feeling a lot less sanguine if you were living in Britain ahead of the Brexit vote (Britain's exit from the European Union) on June 23, or in the United States ahead of the November presidential election. The British and American media machines are in overdrive as proponents on either side of the political divide stake their often extreme claims to win support. The media noise is so deafening that investors everywhere are left struggling to decipher what a Brexit or a Trump victory might mean not only for Britain and the US, but for the world at large.

Financial markets don't need an excuse to tread cautiously in coming markets — low economic growth, low interest rates and the perennial discussion about the Fed's next interest rate hike have been sufficient reason for markets to tread water year to date. Add in uncertainty around Brexit and a possible Trump win, and it's hard to imagine a strong market rally happening any time soon.

Brexit hasn't been as widely covered here as the US presidential race, probably because there are fewer personality based sound-bites to be had around Britain's potential exit from the EU. Although Boris Johnson, the former London mayor and leader of the independent Britain campaign, is colourful and eloquent he is opposed in the Stay or Leave debate by a variety of celebrities, economists, politicians and Treasury officials.

While Brexit may not seem as big a deal as a new American president, it would arguably have a far more significant impact on the global economy, with opponents predicting a loss of 820,000 jobs, a sharp rise in inflation and a hit to British GDP of between 3.8% and 7.5% should the nation decide to go it alone. That's not to mention the impact elsewhere — financial instability and a loss of confidence throughout Europe and beyond and a reduction in international trade as the UK is a

top three export destination for Germany, Ireland, Spain, Cyprus, the Netherlands and Poland.

But like all news du jour, it is important that we maintain perspective and understand that markets are very good at discounting widely known information. A new market cycle will not immediately kick in following the Brexit vote or on the day after the American election. If anything, markets are likely to be volatile and cautious ahead of these significant votes, but as we get closer to them, markets may well be calm as there tend to be fewer unknowns as voting day approaches.

In the case of the presidential election, the time for market reaction will be when the new President takes action and passes legislation. That won't happen quickly or easily because Presidents don't have the power to act unilaterally, whatever they've promised during their election campaign. For virtually every action, the new President will need the support of Congress. And Congressman will always have in mind their primary goal — to get re-elected.

As for Brexit, whether the vote is to Stay or Leave, discussions with Brussels will need to happen. If Britons vote to stay in the EU, David Cameron will no doubt seek to renegotiate the terms of the relationship and get a 'win' in some of the key areas that prompted the Leave campaign. If Britain chooses to leave, there will be two years of exit discussions before anything really happens.

There's plenty of time for markets to understand the ramifications of the story of the day.



Carmel Fisher  
Managing Director,  
Fisher Funds



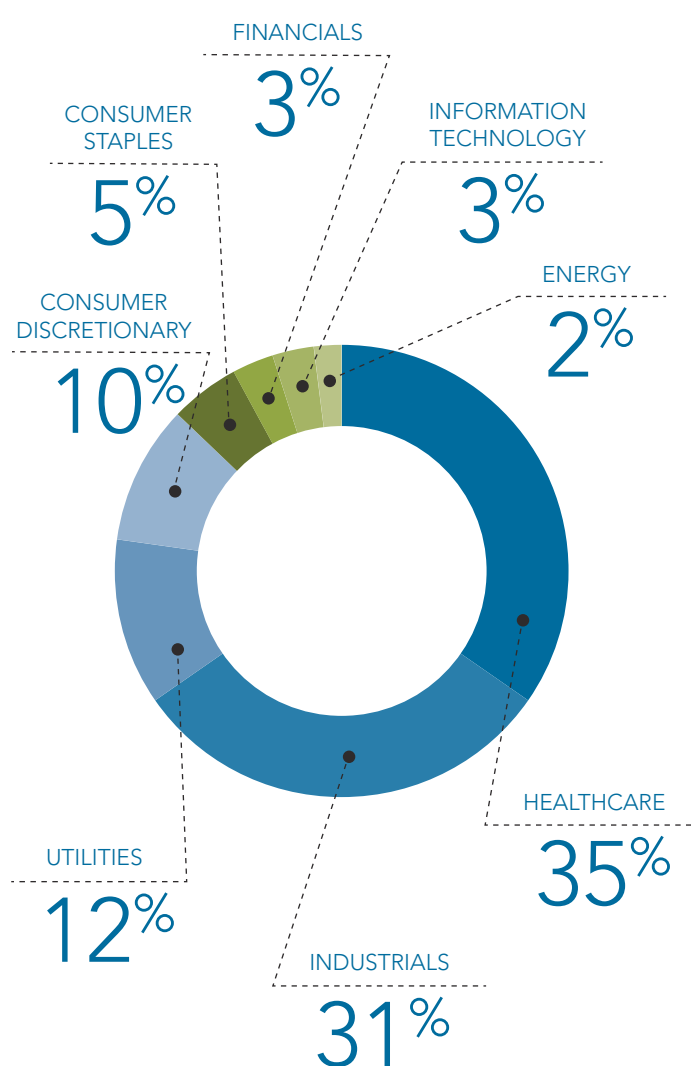
# Key Details

as at 31 May 2016

FUND TYPE	Listed Investment Company
INVESTS IN	Growing New Zealand companies
LISTING DATE	31 March 2004
FINANCIAL YEAR END	31 March
TYPICAL PORTFOLIO SIZE	15-25 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 BENCHMARK	Changes in the NZ 90 Day Bank Bill Index + 7%
PERFORMANCE FEE	15% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$1.37 per share
SHARES ON ISSUE	153m
MARKET CAPITALISATION	\$214m
GEARING	None (maximum permitted 20% of gross asset value)

# Sector Split

as at 31 May 2016



# Performance

to 31 May 2016

	1 Month	3 Months	1 Year	3 Years (accumulated)	5 Years (accumulated)
KFL Adjusted NAV*	+5.0%	+12.8%	+16.9%	+41.8%	+83.9%
S&P/NZX50G Index	+3.2%	+13.0%	+20.4%	+56.0%	+98.4%
Total Shareholder Return*	+2.2%	+10.8%	+8.6%	+43.4%	+101.2%

## \*Definitions of non-GAAP measures:

### Adjusted Net Asset Value (NAV)

The adjusted NAV per share represents the total assets of Kingfish (investments and cash) minus any liabilities (expenses and tax), divided by the number of shares on issue. Adjusted NAV adds back dividends paid to shareholders and adjusts for the impact of any warrants that were exercised at a price that was different to the NAV at the time they were exercised. Adjusted NAV assumes all dividends are reinvested in the company's dividend reinvestment plan and excludes imputation credits.

### Total Shareholder Return (TSR)

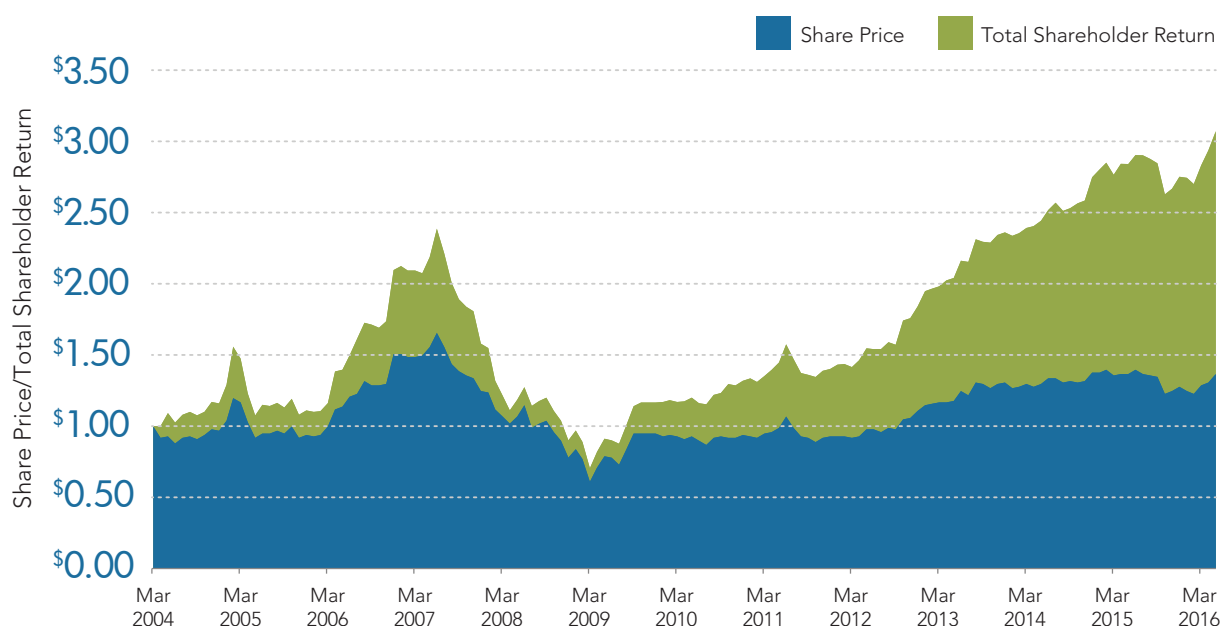
The TSR combines the share price performance, the warrant price performance (when warrants are on issue), the value in converting warrants into shares, and dividends paid to shareholders.

### TSR assumes:

- » all dividends paid are reinvested in the company's dividend reinvestment plan at the discounted dividend reinvestment price and excludes imputation credits;
- » all shareholders that have received warrants (for free), have subsequently exercised their warrants and bought shares.

# Total Shareholder Return

to 31 May 2016



## May's Biggest Movers

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

FISHER & PAYKEL

+14%

Z ENERGY

+9%

RESTAURANT  
BRANDS

+9%

TEGEL

+8%

ABANO HEALTHCARE

-4%

## 5 Largest Portfolio Positions

as at 31 May 2016

RYMAN  
HEALTHCARE

11%

MAINFREIGHT

11%

FISHER & PAYKEL

10%

FREIGHTWAYS

8%

INFRATIL

7%

The remaining portfolio is made up of another 16 stocks and cash. The average market capitalisation of companies within the Kingfish portfolio is \$2.1b.

## 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 15 and 25 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. Murray Brown (senior portfolio manager) and Ashley Gardyne (senior investment analyst) take the prime management responsibilities and are highly experienced in researching and investing in New Zealand growth companies with over 40 years combined experience. Fisher Funds are 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 (Chairman), Carol Campbell and Andy Coupe; and non-independent director 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
- » This policy is well received by shareholders as it provides an attractive and regular return that is referable to the NAV
- » 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 up to 6.2m of its shares on market in the year to 31 October 2016
- » 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 and to pay performance fees

### Warrants

- » On 19 April 2016, a new issue of warrants (KFLWD) was announced
- » The warrants were issued at no cost to shareholders and in the ratio of one warrant for every four Kingfish shares held
- » Exercise Price = \$1.32 per Share on the exercise of each Warrant (adjusted for dividends declared during the period up to the Exercise Date)
- » Exercise Date = 5 May 2017
- » The final Exercise Price will be announced and an Exercise Form will be posted to warrant holders in April 2017

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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