

Monthly Update

July 2016

KFL NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT
\$1.39	\$1.34	\$0.04	3.9%

as at 30 June 2016



A word from the Manager

As expected, Brexit gave us enough anxiety and stress to last until the next big event — the US election, the next Fed meeting minutes, who knows what it will be. Also as expected, markets have largely taken Brexit in their stride and continued on the path they were already on.

I read a column recently that I felt was worthy of sharing, particularly as we sit in the middle of the year, the middle of winter, and the middle of a market that doesn't have enough energy to move decisively forward (or backward either, thank goodness).

Phil Huber of Huber Financial Advisors challenged investors with the question: Is your portfolio getting enough sleep? He quoted billionaire investor Seth Klarman who said "ultimately, nothing should be more important to investors than the ability to sleep soundly at night". In a world that is 'on' 24/7 sleep loss is a major problem. Without enough sleep, it's only a matter of time before mental, emotional and physical fatigue sets in. Our portfolios are no different — they need sleep too!

There's seemingly no end to the concerns we, and our portfolios, could lose sleep over if we allowed them to. Last month Brexit was at the top of everyone's list, but the other regulars — currency weakness, company earnings, China, Trump, dairy, and any number of experts proclaiming imminent doom — were ever present.

In the last month, our International portfolios suffered most from Brexit, but those investors who had exposure to our Fixed Interest, Property, and Australasian portfolios would have felt less anxious than those holding just one fund.

Huber gave what I consider good advice in terms of how we can "get some more ZZZs" for our portfolios. It's not too different to the advice any insomniac would be given.

- 1. Reduce stress.** How? Through diversification. This involves spreading your investment portfolio across different companies, industries, countries, asset classes and investment strategies. Diversification can help to eliminate unwanted or unintentional risk by ensuring that while everything in the portfolio matters, no one thing matters too much.
- 2. Eliminate distractions.** Just as you shouldn't try to sleep with your computer screen glowing, a portfolio that is inundated with fear-inducing headlines is bound to keep itself awake

with anxiety. Some headlines will be real and warrant our attention, but many more will prove to be no more than noise. Rather than wasting energy trying to decide which news we should take seriously, we're far better to focus only on the things that matter: long-term returns. We warned last month about the media circus that would revolve around Brexit, and sure enough, it proved a distraction rather than an issue to lose sleep over.

- 3. Stick to a sleep schedule.** Consistency is critical. We're told that it's not the total hours of sleep that matter, but the consistency of it, like going to bed at a similar time each night. It's easy to stay up late or sleep in a few mornings, but this can throw off our rhythm and lead to poor rest. Similarly having a plan around our portfolios can help manage our emotions and keep us calm and well-rested. Making regular investments can help us stay disciplined as it avoids us having to make unscheduled decisions, particularly in times of market stress and volatility.
- 4. Move the bedroom clock.** Checking the time every five minutes is a sure fire way of not sleeping. Checking your portfolio returns every day will certainly lead to more anxiety than necessary, and may lead to impulse reactions which you may later regret.

A sleep deprived portfolio is going to have a hard job lasting the distance and is not going to be able to do the heavy lifting when required.

This middle of the year period is a good time to give our portfolios a well-earned rest. On the road ahead, we've a bit of a breather between major economic, political and company announcements so it's a good time to count sheep. Don't worry though, we'll be staying awake.

Carmel Fisher
Managing Director,
Fisher Funds



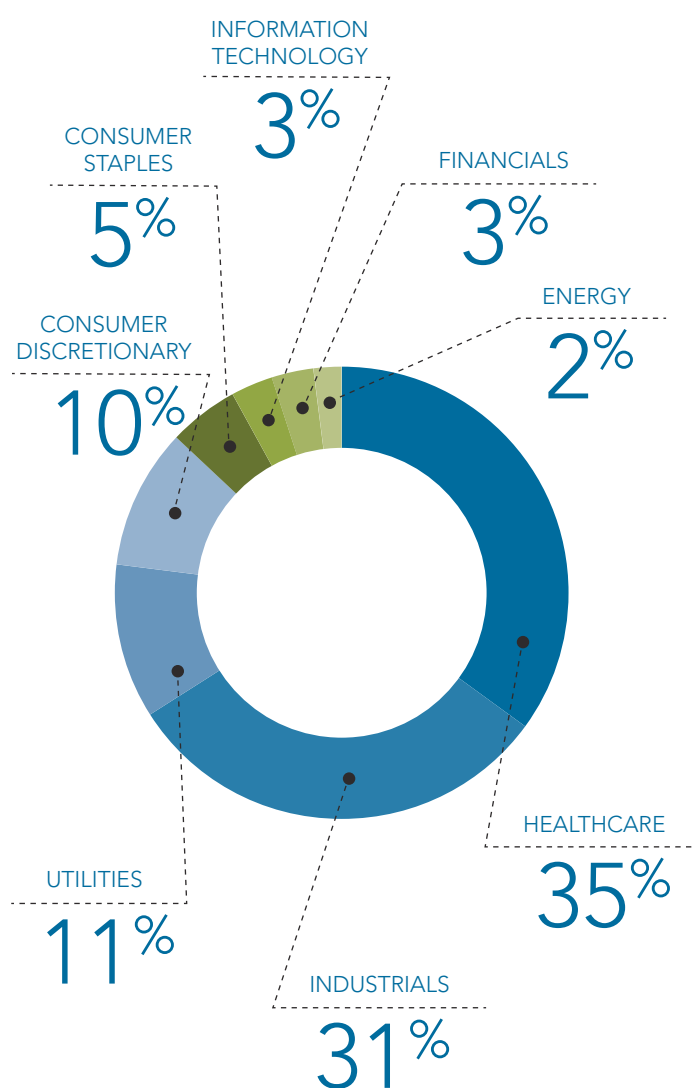
Key Details

as at 30 June 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 FEE HURDLE	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	\$1.34 per share
SHARES ON ISSUE	154m
MARKET CAPITALISATION	\$206m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 30 June 2016



Performance

to 30 June 2016

	1 Month	3 Months	1 Year	3 Years (accumulated)	5 Years (accumulated)
KFL Adjusted NAV*	(2.4%)	+3.8%	+17.8%	+42.4%	+89.8%
S&P/NZX50G Index	(2.0%)	+2.1%	+20.4%	+55.3%	+100.0%
Total Shareholder Return*	(4.3%)	+2.3%	+3.5%	+39.5%	+104.4%

*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)

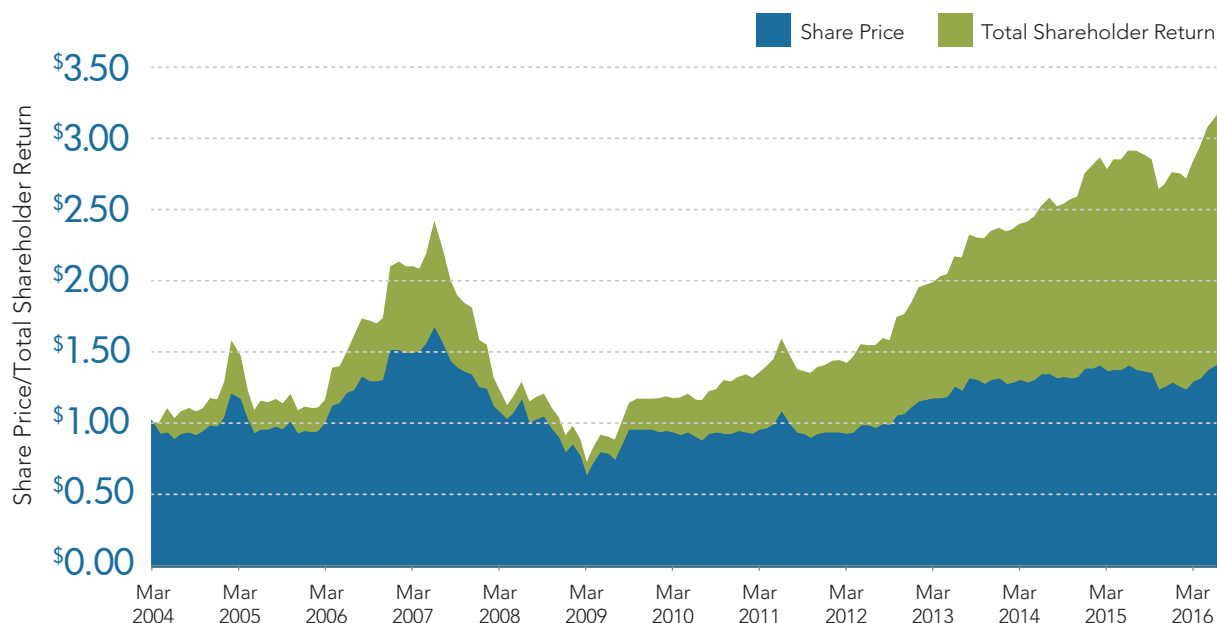
The TSR combines the share price performance, the warrant price performance (when warrants are on issue), the value in converting warrants into shares, and dividends paid to shareholders.

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 30 June 2016



June's Biggest Movers

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

AUCKLAND
INTERNATIONAL AIRPORT

+4%

MAINFREIGHT

-4%

VISTA

-5%

TRADE ME

-6%

SUMMERSET

-9%

5 Largest Portfolio Positions

as at 30 June 2016

RYMAN
HEALTHCARE

11%

MAINFREIGHT

11%

FISHER & PAYKEL

9%

FREIGHTWAYS

9%

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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