

Monthly Update

February 2020

KFL NAV	SHARE PRICE	(PREMIUM)/ DISCOUNT ¹
\$1.67	\$1.70	(1.8%)
as at 31 January 2020		

A word from the Manager

Kingfish achieved a gross performance return of +1.2% in January, while the adjusted NAV return was +1.0%. This was behind the local share market which returned +2.0% (S&P/NZX50G). The underperformance was partly due to our lower exposure to defensive sectors, which benefitted as fears around coronavirus grew towards the end of the month and bond rates fell reasonably sharply. Like everyone, we are actively monitoring the progress of the current coronavirus outbreak both with concern for the health and wellbeing of our society, but also as a risk factor for our companies.

Portfolio Company Developments

Infratil (+7.5%) updated the market on the independent valuation of its investment in Canberra Data Centres ('CDC'), which was revised significantly upwards by around \$500 million as at December versus March 2019. We continue to like Infratil as a defensive exposure with several growth assets that have been under-appreciated.



Auckland Airport (-1.1%) air traffic continues to be below-trend as Chinese passenger numbers are reducing, while key Australian and New Zealand passenger numbers are flat. This reflects cuts in airline capacity, softer trans-Tasman economic conditions than recent times, plus less growth in Chinese outbound travellers. History suggests that 'shock' events similar to coronavirus like SARS and Swine Flu do not negatively impact airport traffic in the long-term.

Summerset (+0.2%) announced its fourth quarter 2019 key sales metrics. New sales accelerated strongly and were the second highest ever for the group and the highest in three years. The key factor was a more buoyant residential property market translating to more confidence for Aucklanders to list their property and move into Summerset villages. We continue to like the Summerset story in the medium-term, although recently trimmed the position after very strong performance (up around 60% from mid 2019 lows). This follows our decision to increase the position size multiple times during 2019 when we thought it offered attractive value and started seeing 'green shoots' in the Auckland housing market.

Portfolio changes

In addition to trimming the position in Summerset, we reduced our position in Meridian following the strong recovery in its share price with the future of the Tiwai Point aluminium smelter yet to be resolved. We also deployed additional funds into Infratil.



Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



¹ Share Price (Premium) / Discount to NAV (using NAV to four decimal places)

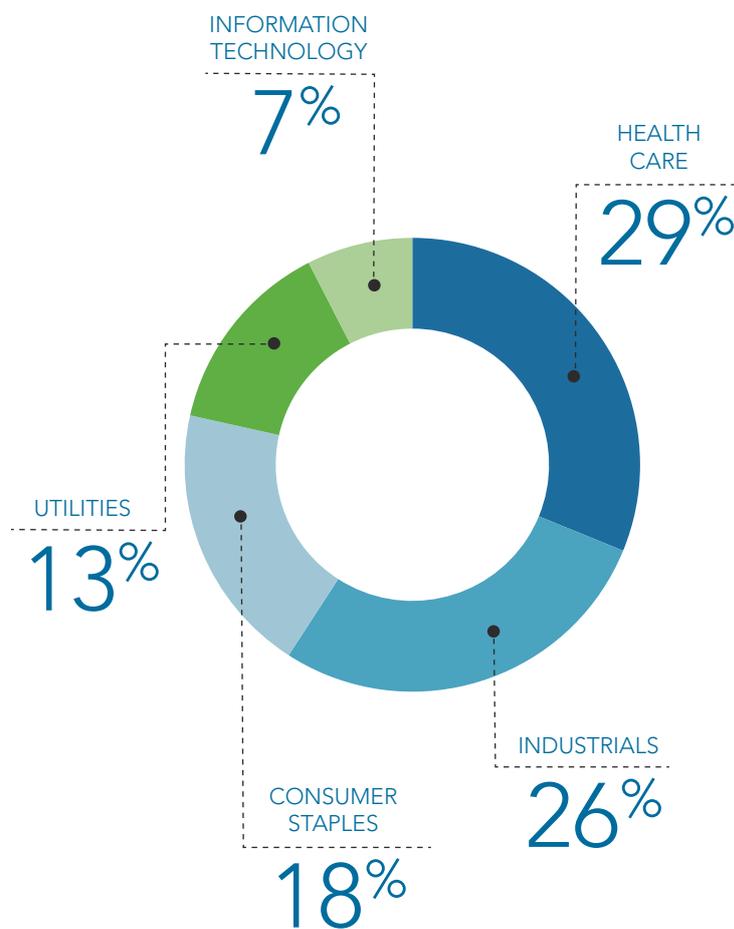
Key Details

as at 31 January 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	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	10% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$1.40
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	246m
MARKET CAPITALISATION	\$419m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 January 2020



The Kingfish portfolio also holds cash

Performance

to 31 January 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+6.3%	+16.4%	+41.6%	+19.1%	+14.2%
Adjusted NAV Return	+1.0%	+11.7%	+31.6%	+17.8%	+14.5%
Portfolio Performance					
Gross Performance Return	+1.2%	+13.3%	+37.6%	+21.2%	+17.5%
S&P/NZX50G Index	+2.0%	+8.6%	+30.4%	+18.5%	+15.3%

Non-GAAP Financial Information

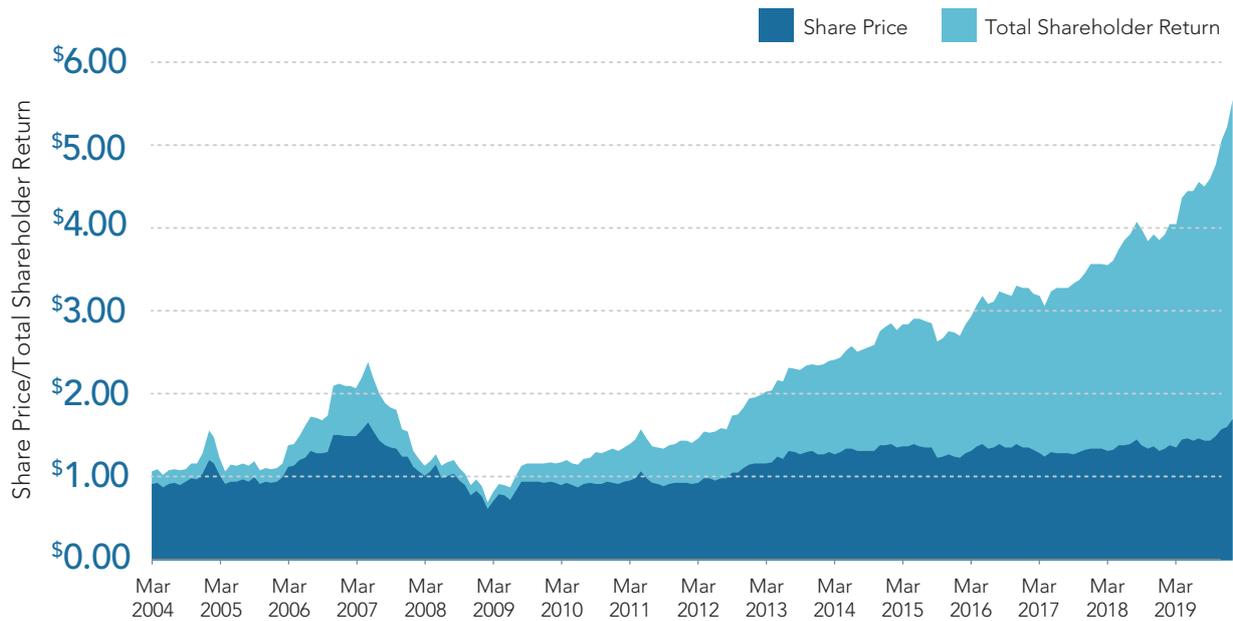
Kingfish uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » 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 to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

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/about-kingfish/kingfish-policies/>

Total Shareholder Return

to 31 January 2020



January's Biggest Movers

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

PUSHPAY HOLDINGS

+12%

INFRATIL

+8%

MERIDIAN

+7%

FISHER & PAYKEL
HEALTHCARE

+5%

DELEGAT GROUP

-5%

5 Largest Portfolio Positions

as at 31 January 2020

THE A2 MILK
COMPANY

15%

FISHER & PAYKEL
HEALTHCARE

14%

MAINFREIGHT

13%

INFRATIL

10%

SUMMERSET GROUP

8%

The remaining portfolio is made up of another 8 stocks and cash.

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 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) and Matt Peek (Investment Analyst) have prime responsibility for managing the Kingfish portfolio. Together they have over 30 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, 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
- » 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

- » Warrants put Kingfish in a better position to grow further, operate efficiently and pursue other capital structure initiatives as appropriate
- » A warrant is the right, not the obligation, to purchase an ordinary share in Kingfish at a fixed price on a fixed date
- » There are currently no warrants on issue, however Kingfish issued an NZX announcement on 5 February regarding a new warrant offer (KFLWF), which is scheduled for allotment to shareholders in early March 2020. Information regarding the new warrant offer will be mailed/emailed to shareholders in mid-February 2020.

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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