



MONTHLY UPDATE

August 2020

Share Price

\$1.69

KFL NAV

\$1.73

WARRANT PRICE

\$0.08

DISCOUNT¹

1.1%

as at 31 July 2020

A WORD FROM THE MANAGER

In July Kingfish returned gross performance of +4.9% and an Adjusted NAV return of +4.7%. This compares to our benchmark (S&P/NZX50G) which was up +2.4%.

Mainfreight provided an update at its Annual Shareholders' Meeting, including a trading update for the first 17 weeks of the new financial year beginning 1 April, which demonstrated outstanding performance despite the impacts of COVID. Constant currency² revenue is up +5% on the prior year and profit before tax an impressive +20%. This compares favourably to the first 7 weeks per the company's last update. The strong performance has been driven by \$67 million in new business in the first quarter as Mainfreight's sales teams went into overdrive, targeting market share opportunities, including taking business from lesser competitors who delivered poor service or could not execute well against the COVID backdrop. Australia was the standout region, where profit before tax has grown +167% as a result of market share gains, but also denser line haul utilisation improving gross margins and other process improvements delivering cost efficiency. In New Zealand there has been a strong recovery following the Alert Level 4 lockdown. Our channel checks had suggested activity had improved and we had increased our position based on this view.

The New Zealand electricity sector was hit with the news that Rio Tinto has given notice to **Meridian**, that it is terminating the Tiwai Point aluminium smelter's power contract. The smelter is expected to wind down and close around August 2021. This would release around 5500GWh of electricity generation in the lower South Island, circa 13% of national demand. The final outcome is still not entirely clear as Meridian has made a last gasp offer of a lower electricity price and the government may still get involved to try and keep the smelter open. Closure would mean some hydro generation is wasted and potentially a large fall in South Island wholesale electricity prices before transmission upgrades enable power to move further north and prices partially recover. Over time electrification of processes, like Fonterra's coal boilers, may also reduce the supply/demand imbalance. Regardless, Meridian will face reduced earnings and dividends over the

next couple of years at least. We had trimmed our position earlier in the year when we thought the risks of closure of Tiwai Point were not being reflected in the share price.

Summerset provided its second quarter update for 2020 including first half net profit guidance of \$40-45 million. This was better than many had feared given the effects of Alert Level 4 mid period. New sales of independent living units, a key barometer for the company, have recovered strongly and are currently growing solidly versus the same time last year. This reflects the great job Summerset did to keep residents safe from COVID which has generated positive word of mouth. It also reflects the sustained momentum in the housing market versus the fall many feared. Prospective residents can sell their property and move in, assisted by some flexibility around settlement timing that the company has introduced. Our research had suggested these factors were in place and the business could outperform expectations, so we had increased our position recently.

Vista lagged during the month which reflected further delays to the opening of cinemas in the US as blockbuster movie 'Tenet' was further delayed until 3 September (Labor Weekend in the US), having previously been delayed through July and more recently until 12 August. The prolonged COVID situation in several key US states has prevented cinemas from successfully reopening. Studios will not release new content until it can be played on a lot of screens (to maximise box office). It is not economic for cinemas to widely reopen unless they have new content to attract audiences – a chicken and egg situation! However, cinemas outside the US are gradually reopening which is more positive with global release of 'Tenet' in 70 countries from 26 August. The delay has been a short term negative for the industry and its participants.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



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

² Constant currency refers to a fixed exchange rate that eliminates fluctuations when calculating financial performance figures. Companies with significant operations in other countries often represent their earnings in constant currency terms since floating exchange rates can often mask true performance.

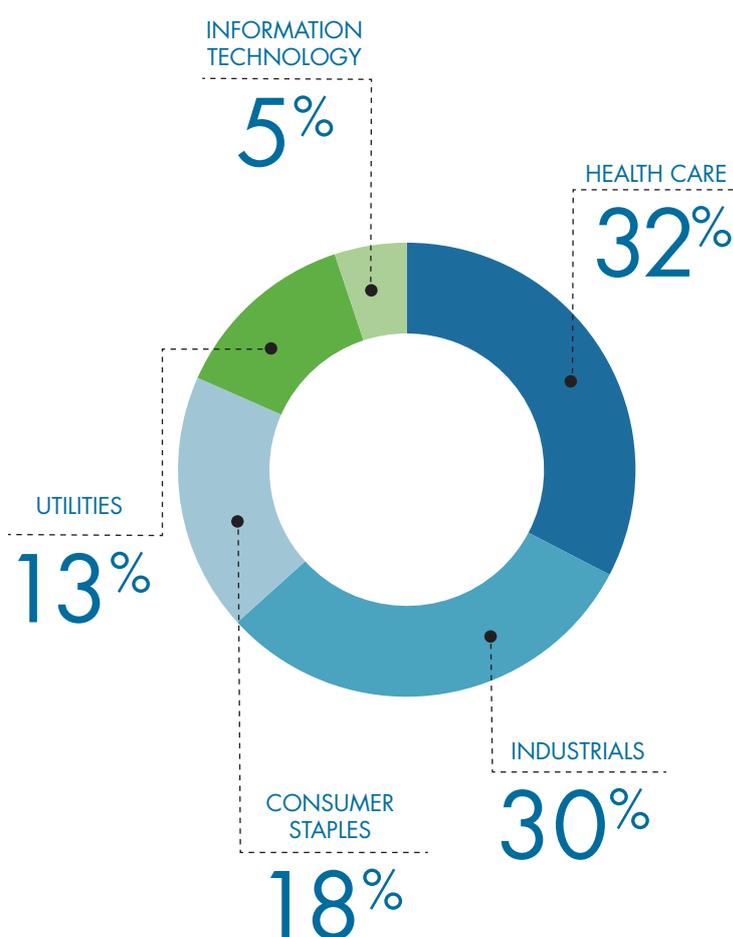
KEY DETAILS

as at 31 July 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	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	\$1.34
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	250m
MARKET CAPITALISATION	\$423m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 July 2020



The Kingfish portfolio also holds cash

PERFORMANCE to 31 July 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+4.5%	+15.3%	+27.7%	+21.1%	+15.1%
Adjusted NAV Return	+4.7%	+16.5%	+15.8%	+17.6%	+15.9%
Portfolio Performance					
Gross Performance Return	+4.9%	+18.4%	+19.1%	+20.8%	+19.0%
S&P/NZX50G Index	+2.4%	+11.4%	+8.0%	+15.1%	+14.6%

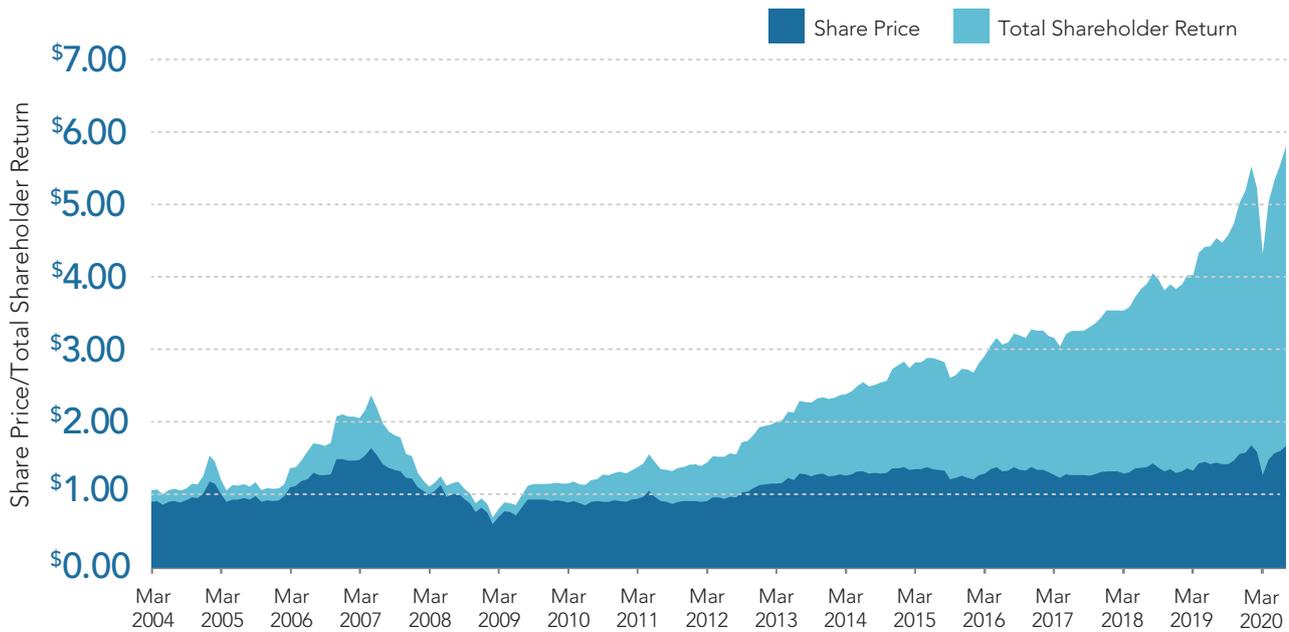
Non-GAAP Financial Information

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 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 July 2020



JULY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

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

SUMMERSET

+22%

MAINFREIGHT

+20%

A2 MILK

+3%

PUSHPAY HOLDINGS

-10%

VISTA GROUP

-12%

5 LARGEST PORTFOLIO POSITIONS as at 31 July 2020

FISHER & PAYKEL HEALTHCARE

17%

MAINFREIGHT

17%

THE A2 MILK COMPANY

14%

INFRATIL

11%

SUMMERSET

9%

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 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) 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, 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/mailed to shareholders in February 2020)
- » The Exercise Price of each warrant is \$1.64, to be adjusted down for dividends declared during the period up to the announcement of the Exercise Price.
- » The Exercise Date for the new warrants (KFLWF) is **12 March 2021**
- » The final Exercise Price will be announced and an Exercise Form will be sent to warrant holders in late **January 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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