

Monthly Update

November 2016

KFL NAV

\$1.39

SHARE PRICE

\$1.35

WARRANT PRICE

\$0.05

DISCOUNT

3.0%

as at 31 October 2016



A word from the Manager

By the time you receive this newsletter, the American election will be done and dusted and life will have returned to semi-normal.

It will be semi rather than fully normal because after an ugly campaign focused on the personalities rather than policies of two unpopular candidates, the election aftermath will be like nothing we've seen before.

There will be a semblance of normality because, as we've previously stated, no elected President — whatever their majority or popularity — can make wholesale changes or implement drastic measures that will derail the orderly progression of the US economy. There will be plenty of time for the world to get accustomed to the new American President.

Apart from the US election, investors have had plenty to occupy their minds in recent months, with anticipation of US interest rate hikes providing enough angst to stop markets making any real headway. There's been new news on all manner of things, lots of company goings-on and plenty to keep investors glued to their screens. But little that has been actionable or market moving.

With this market backdrop, I was interested to read a summary of Marcus Aurelius' *Meditations*. Sometimes in frustrating markets like we're in now, investors can question their investment philosophies and be tempted to take action, any action to get things moving along in the right direction. Nobody likes limbo and prolonged uncertainty, but that's what we've got, and we might continue to have for a few more months yet.

There's a lot in Aurelius' meditations for investors that might be useful right now, to avoid straying from time-tested investment approaches:

1. You aren't in control of much. You can't control other people and how they act. All you get to control is how you respond. As an investor, you are in control of very little. You don't decide when and how the Fed raises rates. You don't decide global economic output, profit margins, exchange rates or inflation. You don't get to control how other investors around the world feel about the future or what they think next year's earnings will be for any single company. You are, by and large, at the whim of the

markets. Sorry. You get to control how you respond to each of these events. You can make rational or panicked decisions. Count the short list of things you can control and let go of the rest.

- 2. Nothing ever really changes.** Markets are made up of people, and despite our best efforts to understand ourselves, we haven't ever changed. We are given to manias and panics, to speculation and greed. We think that what just happened is going to be what happens forever, despite decades of history that shows us otherwise. Markets cycle and economies cycle and that isn't going to change.
- 3. You can endure this (or you won't).** This is Aurelius's version of "this too shall pass". Whatever is going on in the markets, the economy, the world, we'll either come out the other side, or we won't and it's all over anyway. These are your two outcomes: the economy and markets recover from the next big thing, or they don't.
- 4. Be indifferent to what makes no difference.** This is the best advice any investor can receive. It is simply too easy to get information. Company earnings, revenue projections, economic data, inflation, Fed meeting minutes, opinion polls, name your poison. There is enough data to assemble any conceivable narrative. Bearish? You can support it. Valuations, earnings declines, too-high profit margins, a long-in-the-tooth bull market cycle. Bullish? Sure! Wages are going up, inflation is subdued, interest rates are still low, consumers are feeling good, unemployment is low etc. Whatever you want, you can find it. Of course, none of these things make any difference to you as an investor. This information is interesting, but it's not actionable. It makes no difference. Be indifferent.



Carmel Fisher
Managing Director,
Fisher Funds



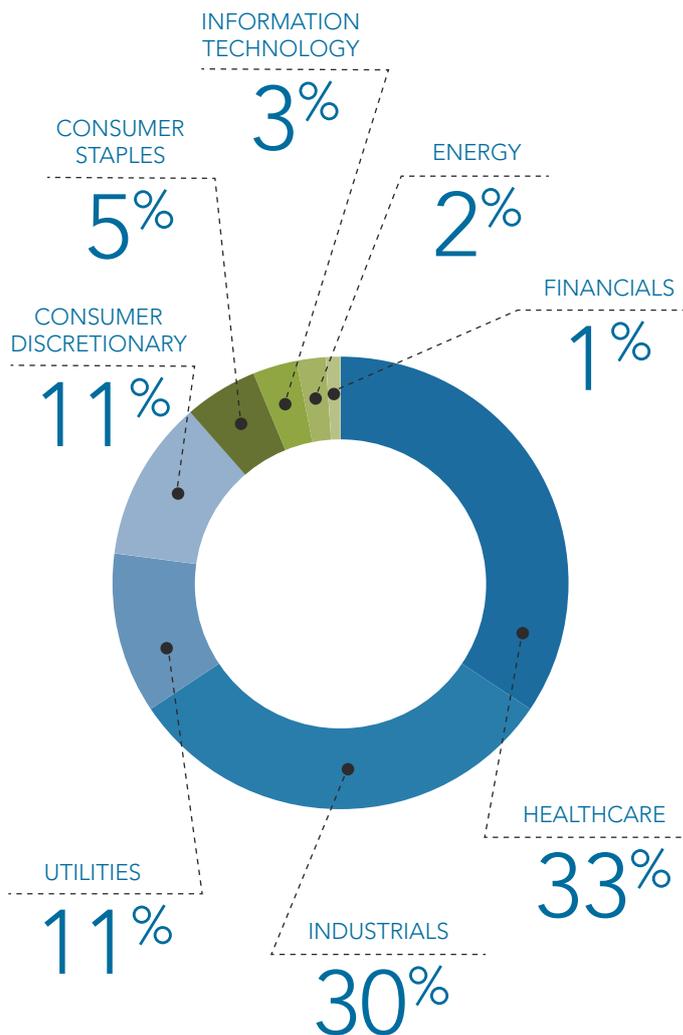
Key Details

as at 31 October 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	\$1.30 per share
SHARES ON ISSUE	155m
MARKET CAPITALISATION	\$209m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 October 2016



The Kingfish portfolio also holds cash.

Performance

to 31 October 2016

	1 Month	3 Months	1 Year	3 Years (accumulated)	5 Years (accumulated)
KFL Adjusted NAV*	(4.8%)	(2.8%)	+15.4%	+34.6%	+100.9%
Total Shareholder Return*	(1.1%)	+2.0%	+19.1%	+35.7%	+129.0%
Gross Return [^]	(5.1%)	(2.6%)	+18.5%	+45.0%	+134.7%
S&P/NZX50G Index	(5.4%)	(5.3%)	+16.3%	+41.8%	+108.9%

[^] Gross of fees and tax and adjusting for capital management initiatives

***Definitions of non-GAAP measures:**

Adjusted Net Asset Value (Adjusted 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. It adds back dividends paid to shareholders and adjusts for:

- » the impact of shares issued under the dividend reinvestment plan at the discounted reinvestment price;
- » shares bought on-market (share buybacks) at a price different to the NAV, and;
- » warrants exercised at a price different to the NAV at the time exercised.

Adjusted NAV assumes all dividends are reinvested in the company's dividend reinvestment plan and excludes imputation credits.

The directors believe this metric to be useful as it reflects the underlying performance of the investment portfolio adjusted for dividends, share buybacks and warrants, which are a capital allocation decision and not a reflection of the portfolio's performance.

Total Shareholder Return (TSR)

The TSR combines the share price performance, the warrant price performance (when warrants are on issue), the net value of 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 reinvestment price and exclude imputation credits, and;
- » all shareholders that have received warrants (for free), have subsequently exercised their warrants at the warrant expiry date and bought shares (if they were in the money).

The directors believe this metric to be useful as it reflects the return of an investor who reinvests their dividends and, if in the money, exercises their warrants at warrant maturity date for additional shares. No metric has been included for investors who choose other investment options.

Comparative information

Kingfish's TSR and Adjusted NAV historical information has been restated. The restated values are based on the methodology described above. This methodology has resulted in some differences between the TSR and Adjusted NAV reported in this communication compared to previous communications. Please note this methodology will be used for all future communications.

Total Shareholder Return

to 31 October 2016



October's Biggest Movers

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

TRADE ME GROUP

-13.5%

FISHER & PAYKEL
HEALTHCARE

-11.5%

AUCKLAND
INTERNATIONAL AIRPORT

-10.3%

SUMMERSET GROUP

-10.2%

EBOS GROUP

-9.5%

5 Largest Portfolio Positions

as at 31 October 2016

MAINFREIGHT

11%

RYMAN HEALTHCARE

10%

FISHER & PAYKEL
HEALTHCARE

8%

FREIGHTWAYS

8%

INFRATIL

7%

The remaining portfolio is made up of another 17 stocks and cash.

A personnel update

As you know, Murray Brown, our New Zealand Portfolio Manager, announced his retirement recently. We are thrilled to have found his successor after a comprehensive search. We are not able to identify him just yet but we can tell you that he is a Kiwi, with extensive market experience and a great investing pedigree. He is excited about continuing (and even improving) the great performance track record of our New Zealand funds and will be returning to New Zealand early in the New Year.

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) has recently retired. Murray's successor has been found and is due to start in early 2017. In the meantime, Ashley Gardyne (senior investment analyst) is overseeing the prime management responsibilities. Ashley is highly experienced in researching and investing in New Zealand growth companies with over 10 years' experience. 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 (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 7.7m of its shares on market in the year to 31 October 2017
- » 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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