



Monthly Update

April 2019



KFL NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT ²
\$1.57 ¹	\$1.35	\$0.06	13.1%

as at 31 March 2019

A word from the Manager

Market Environment

New Zealand equities as measured by the S&P/NZX50G index were up +5.6% in March, significantly outperforming global equity markets. This means the New Zealand share market has caught up to the global pack after global equities' explosive start to 2019, and New Zealand remains a clear outperformer over the last twelve months. New Zealand ten year Government bond yields fell very sharply during March and are now near lifetime lows. This supported strong performance of 'yield stocks' and so it was pleasing the Kingfish portfolio almost kept pace with the New Zealand market against this backdrop, given our larger exposure to growth companies.

The Portfolio

There was strong confirmation of our position in **The a2 Milk Company** from Synlait's first half 2019 result, (Synlait being a2 Milk's processing partner). Synlait's sales volumes were lower than expected at 17.7 thousand tonnes but its maintenance of full year guidance (41 to 45 thousand tonnes) in conjunction with minimal production from Synlait's smaller brands highlights a strong second half run-rate which reconciles with a2's sales growth expectations. We continue to believe a2 still has strong growth prospects in China from infant formula and have added to the position following the share price weakness recently.

Finaccess' partial takeover offer for **Restaurant Brands** closed with 91.35% of acceptances, versus 75% sought. This means around 82% of our shares were vended into the offer at \$9.45 with payment in early April, which was broadly as we expected.

Summerset held its investor day during the month and while there was limited fresh news, it was good to see its Ellerslie site now humming following the completion of a major block of apartments late in 2018. The site has been

a point of contention for Summerset over the past year with a range of issues affecting progress, but it is now attracting strong interest and remains on track to deliver around \$40 million net cash on completion.

Portfolio Changes and Strategy

We completely exited our position in **Michael Hill**. We believe we can invest that capital in other investments to generate superior risk-adjusted returns over time. We believe the investment case has shifted and the longer term prospects for the business are increasingly challenged. The company will require flawless execution to succeed given headwinds in terms of Australian retail mall footfall and stagnant fine jewellery category growth, among other things. The recent recovery in share price from depressed levels allowed us exit at a better price than would have been possible at any time since mid-October.

We lowered our target weighting in **Restaurant Brands** during the month to reflect the completion of the partial takeover offer. We increased our position in **a2** during the month as the stock was not pricing any upside from the expected upwards inflection in earnings power. We also redeployed the **Michael Hill** funds by increasing our target weightings in **Mainfreight** and **Infratil**.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



¹ As at the date of this Monthly Update the Kingfish Ltd year end NAV has yet to be audited, & therefore it may change.

² Share Price Discount to NAV (including warrant price on a pro-rated basis).

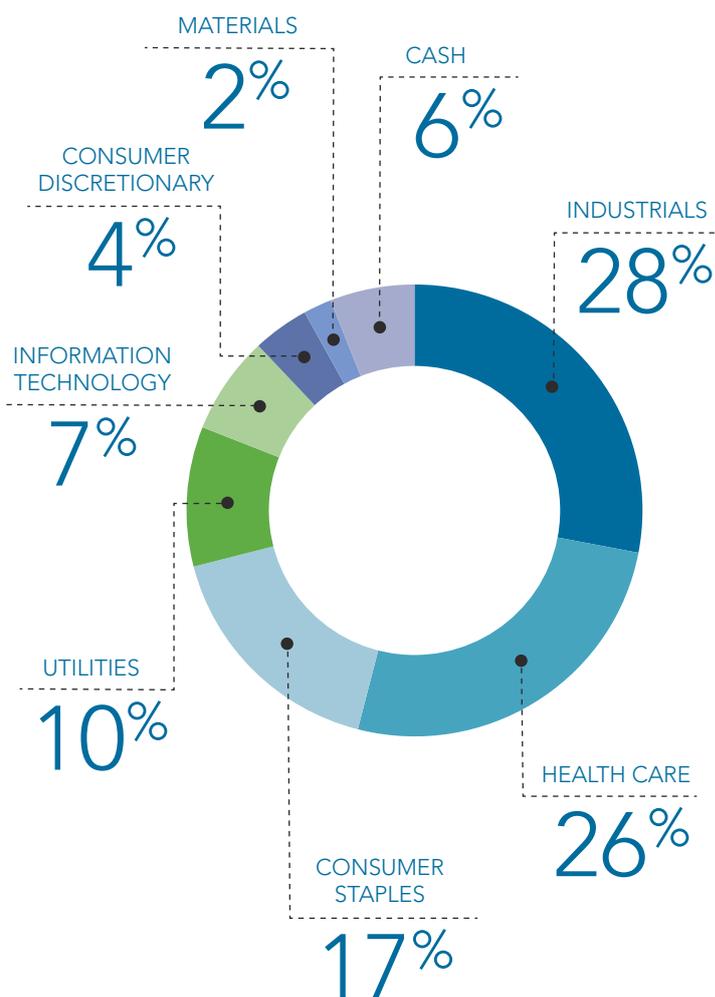
Key Details

as at 31 March 2019

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 (From 1 April 2019)
HIGH WATER MARK	\$1.31 (\$1.56 from 1 April 2019)
PERFORMANCE FEE CAP	1.25% of year end NAV ³
SHARES ON ISSUE	198m
MARKET CAPITALISATION	\$267m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 March 2019



Performance

to 31 March 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+0.0%	+4.7%	+13.5%	+11.2%	+10.9%
Adjusted NAV Return	+4.9%	+13.9%	+17.6%	+14.3%	+12.5%
Portfolio Performance					
Gross Performance Return	+5.5%	+15.3%	+21.2%	+17.0%	+15.2%
S&P/NZX50G Index	+5.6%	+11.7%	+18.3%	+13.4%	+13.9%

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:

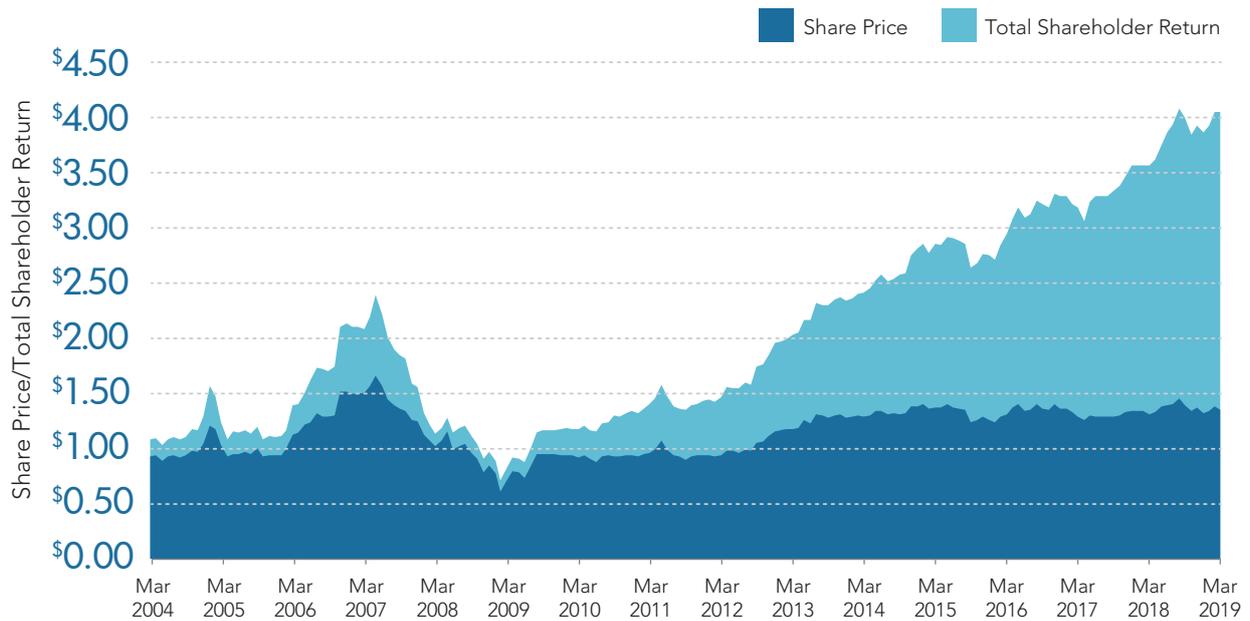
- » adjusted net asset value – the underlying value of the investment portfolio adjusted for capital allocation decisions after fees and tax,
- » adjusted NAV return – the net return to an investor after fees and tax,
- » gross performance return – the Manager's portfolio performance in terms of stock selection, before 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/>

³ Being the year end NAV prior to the accounting for the deduction of any performance fee to be paid in respect of performance in the calculation period.

Total Shareholder Return

to 31 March 2019



March's Biggest Movers

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

MERIDIAN ENERGY

+16%

RYMAN HEALTHCARE

+11%

MAINFREIGHT

+10%

VISTA GROUP

+9%

FISHER & PAYKEL
HEALTHCARE

+7%

5 Largest Portfolio Positions

as at 31 March 2019

FISHER & PAYKEL
HEALTHCARE

14%

THE A2 MILK COMPANY

13%

MAINFREIGHT

11%

FREIGHTWAYS

9%

INFRATIL

7%

The remaining portfolio is made up of another 10 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), Zoie Regan (Senior Investment Analyst) and Matt Peek (Investment Analyst) have prime responsibility for managing the Kingfish portfolio. Together they have over 40 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

Share Buyback Programme

- » Kingfish has a buyback programme in place allowing it (if it elects to do so) to acquire up to 9.7m of its shares on market in the year to 31 October 2019
- » 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

- » On 2 July 2018, a new issue of warrants (KFLWE) 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
- » Exercise Price = \$1.37 per warrant, to be adjusted down for dividends declared during the period up to the Exercise Date
- » Exercise Date = 12 July 2019
- » The final Exercise Price will be announced and an Exercise Form will be posted to warrant holders in June 2019

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.



Kingfish Limited
Private Bag 93502, Takapuna, Auckland 0740
Phone: +64 9 489 7094 | Fax: +64 9 489 7139
Email: enquire@kingfish.co.nz | www.kingfish.co.nz

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Phone: +64 9 488 8777 | Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz | www.computershare.com/nz