KINGFISH

LANDING TOMORROW'S TROPHIES

MONTHLY UPDATE

September 2022

Share Price	Warrant Price	KFL NAV	PREMIUM[1]
$1.61	$0.00	$1.47	9.2%

as at 31 August 2022

A WORD FROM THE MANAGER

In August, Kingfish's gross performance return was up 1.4% and the adjusted NAV return was up 1.3%.

New Zealand shares (the benchmark S&P/NZX50G) rose +0.9% in August, which was generally better than global equities fared (MSCI World -4.1%, US: S&P 500 -4.1%, Australia: ASX 200 +1.2%). This was despite 10-year Government bond yields, the key barometer for long-term interest rates and a key factor that has been driving the direction of the market this year, heading sharply higher from the recent lows of early August.

a2 Milk (+25%) reported a strong result, with infant formula sales and group earnings well ahead of expectations in the six months to June. The company has managed well during another challenging period, including managing a change in major distributor and shifting volumes towards online platforms. It also out-executed rivals in getting product to market during the Shanghai lockdowns. a2's marketing is proving effective, with an uplift in share of voice and "top of mind" and "spontaneous" awareness metrics lifting strongly, consistent with their growth in market share across key channels. Management has done a good job of fixing problems in the business and building more robust capability and processes to deliver on its growth strategy.

Auckland Airport (+1%) reported earnings ahead of expectations as the international travel recovery continues. Management highlighted airline labour constraints as a key factor that has been limiting the trajectory of the passenger recovery. Despite the headwinds, the company has confidence to restart significant growth projects that have been on hold, including the $1 billion new domestic jet terminal. Auckland Airport's aeronautical charges will need to increase significantly over the next decade, which will provide a multi-year tailwind to earnings growth.

Delegat (+3%) reported operating profit in line with its guidance ($58.1 million versus $57-61 million). Initial guidance for the new financial year of $60-64 million represents growth of three to ten percent. The growth outlook is being constrained by cost pressures including viticulture and shipping (yet to meaningfully reduce) which have been partially offset by price increases and efficiencies. The medium-term outlook is still for an attractive increase in earnings. This will be driven by case sales volume growth of around 7% per year, pricing gains, plus a resumption in margin improvement as transient cost factors abate and winery scale efficiency gains resume.

EBOS (-2%) delivered a solid result broadly in line with expectations. Revenue was stronger than expected in its core Community Pharmacy business as a result of strong pharmacy sales due to Omicron and winter illness tailwinds plus market share gains. This was largely offset by slightly weaker than expected growth in Animal Care (but still +7.4% in the second half) and higher costs. We expect the unwind of COVID related benefits to provide a slight headwind in the new financial year, although the contribution of the large LifeHealthcare acquisition (which is performing in line with expectations) is expected to help provide strong earnings per share growth of around +15%.

Fisher & Paykel Healthcare (-7%) delivered initial guidance for the first half of its 2023 financial year. The company is still experiencing uncertainty as its business cadence settles into more normal patterns after the COVID roller-coaster. It has seen lower demand as it observes customers are still working to destock inventories, they built during COVID waves. We think the company is set to bounce back in the seasonally stronger second half and beyond.

Freightways (-1%) delivered its annual result and simultaneously announced a meaningful acquisition. The company has seen network courier volumes for the first six weeks of the new financial year of -1% versus the previous year, with market share gains making up for weaker like-for-like trading from its customers (-5%). Like its competitors, it is implementing large price increases to offset price pressures, primarily labour costs. The company has purchased a niche Australian parcel business Allied Express which appears to be a good fit and they bought it at a reasonable price (8x EBITA). The latest meaningful acquisition in late 2019, Big Chill, has performed well.

[1] Share Price Premium to NAV (including warrant price on a pro-rated basis and using the net asset value per share, after expenses, fees and tax, to four decimal places).

Port of Tauranga (-4%) reported its financial results which were positive, as it had implemented pricing mechanisms to recover cost pressures. An infrastructure levy was introduced in July to pay off a future wharf extension, and general contract price increases will flow through as contracts rollover. Storage charges continue to be used to discourage container storage and compensate for supply chain disruption.

Summerset (+3%) reported its 2022 first half result, with earnings ahead of expectations supported by strong development profit margins, including the product mix effect from building more villas. Management talked about robust demand at the result, with new sales inventory low, no apparent change in settlement timeframes or cancellations and strong levels of pre-sales. The company reiterated its full-year build rate guidance of 600 units and added three new sites (900 units) to the landbank, which will support a lift in the future build rate.

Vista (+1%) increased its 2022 revenue guidance by $5 million (around 4%) at its first half result. This included solid organic growth performance from its box office exposed businesses and growing subscription revenues. The company is continuing to register strong interest in its new Digital EQ and Cloud offering, with attractive uplifts in recurring revenue (over 2.5 times current levels). Its pipeline for these next generation products is now 40% of its direct sites and its first large customer will be fully deployed in 2023. Cost pressures primarily from higher tech salaries have been constraining growth in earnings but will begin to be superseded by revenue growth from 2023.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited

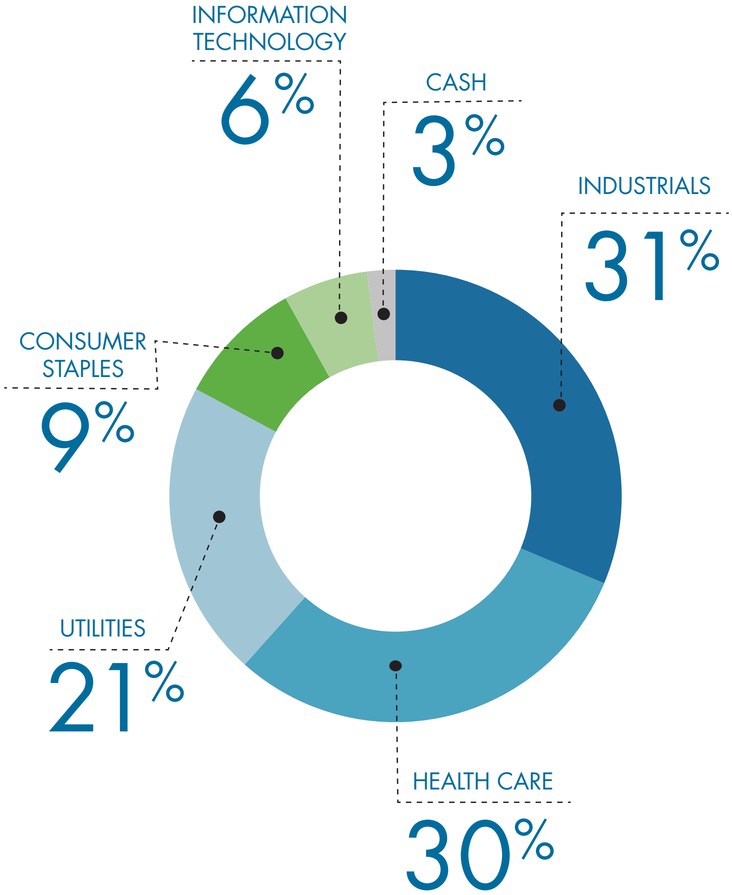
KEY DETAILS

as at 31 August 2022

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	$1.59
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	323m
MARKET CAPITALISATION	$520m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 August 2022



AUGUST'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

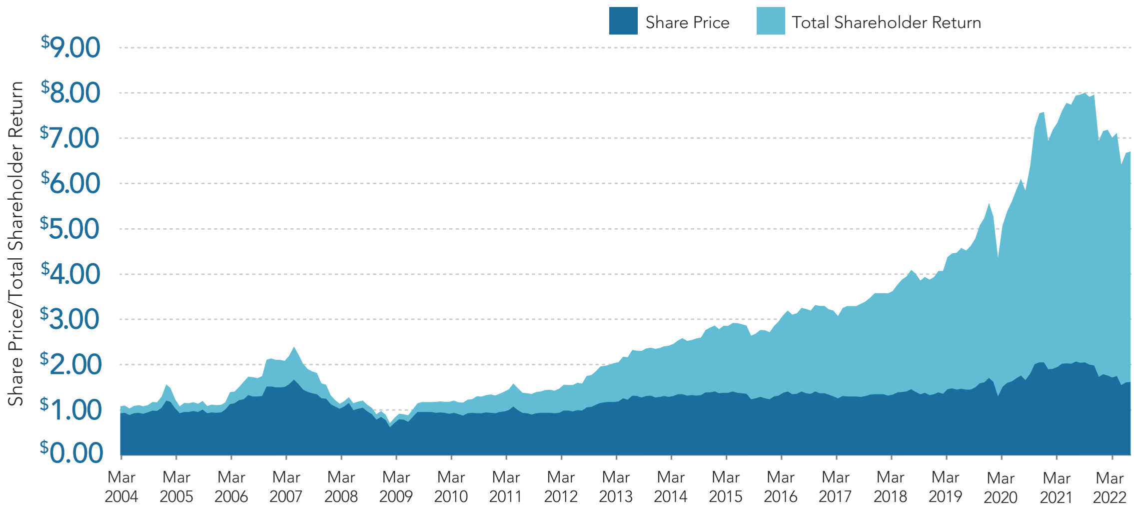
a2 MILK COMPANY	INFRATIL	DELEGAT GROUP	PORT OF TAURANGA	FISHER & PAYKEL HEALTHCARE
+25%	+8%	+3%	-4%	-7%

5 LARGEST PORTFOLIO POSITIONS as at 31 August 2022

INFRATIL	MAINFREIGHT	FISHER & PAYKEL HEALTHCARE	SUMMERSET	AUCKLAND INTERNATIONAL AIRPORT
17%	17%	13%	11%	9%

The remaining portfolio is made up of another 10 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 August 2022



PERFORMANCE to 31 August 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+0.5%	(5.7%)	(15.5%)	+14.1%	+15.3%
Adjusted NAV Return	+1.3%	+3.1%	(14.6%)	+7.9%	+10.8%
Portfolio Performance					
Gross Performance Return	+1.4%	+3.4%	(13.7%)	+10.0%	+13.2%
S&P/NZX50G Index	+0.9%	+2.6%	(12.2%)	+2.5%	+8.2%

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 dividends (and other capital management initiatives) and after expenses, fees and tax,
- adjusted NAV return – the percentage change in the adjusted NAV,
- 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/

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

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. Kingfish's portfolio is managed by Fisher Funds Management Limited. Sam Dickie (Senior Portfolio Manager), Matt Peek and Michael Bacon (Senior Investment Analysts) have prime responsibility for managing the Kingfish portfolio. Together they have around 50 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 Board of Kingfish comprises independent directors Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

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

- Kingfish announced a new issue of warrants on 18 October 2021
- Information pertaining to the warrants was mailed/emailed to shareholders on 1 November 2021
- The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Kingfish shares held based on the record date of 12 November 2021
- The warrants were allotted to shareholders on 15 November 2021 and listed on the NZX Main Board from 16 November 2021
- The Exercise Price of each warrant is $2.03, adjusted down for the aggregate amount per Share of any cash dividends declared on the Shares with a record date during the period commencing on the date of allotment of the warrants and ending on the last Business Day before the final Exercise Price is announced by Kingfish. Dividends totalling 13.21 cents per share have been declared to date and there are no more dividends expected to be declared in the remaining period up to the announcement of the 18 November 2022 exercise price
- The Exercise Date for the new warrants is 18 November **2022**

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