KINGFISH

LANDING TOMORROW'S TROPHIES

MONTHLY UPDATE

March 2022

Share Price	Warrant Price	KFL NAV	PREMIUM[1]
$1.78	$0.04	$1.60	11.8%

as at 28 February 2022

A WORD FROM THE MANAGER

In February, Kingfish's gross performance return was down (0.6%) and the adjusted NAV return was down (0.6%). This compares with the local market benchmark index return, the S&P/NZX50, which was up 0.7%.

Market Environment

New Zealand equities rose +0.7% (S&P/NZX 50) in February, outperforming global equity markets (MSCI World -2.5%, S&P 500 -3.0%). NZ is typically a more defensive market and defensive sectors led the way. The Kingfish portfolio lagged with an Adjusted NAV Return of (0.6%) as the portfolio has less exposure to these defensive sectors in favour of growth companies, which we think have better medium-to-long term prospects. Encouragingly, on balance, the results of portfolio companies that reported in February were better-than-expected.

The Portfolio

a2 Milk (+7%) reported a better-than-expected half year result with infant formula sales around 10% higher than expectations. Its a2 Platinum brand health remains strong and the company is taking share from other brands, in particular offshore brands. The outlook is for a continuation of market share gains partially offset by a subdued birth rate in China.

Auckland Airport (-1%) reported another Covid impacted half year result. However, the forward-looking picture is more positive. International border restrictions will ease from early March for New Zealanders and Australians. Restrictions for long-haul tourists will ease in the second half of 2022.

Electricity generators **Contact** (+4%) and **Meridian** (+15%) reported solid half year results. New Zealand future wholesale electricity prices have moved sharply higher across 2022-2025 in response to higher fuel costs (coal, gas, and carbon) for non-renewable generators. This is positive for Contact and Meridian.

Delegat (-2%) announced a steady half year result and maintained its fiscal 2022 net profit guidance. This was a credible result given the company has faced a number of pressures including the below average 2021 harvest and supply chain challenges. In response the company was able to selectively raise prices and remix supply into its higher value markets, plus gain share from other New Zealand brands with lower inventory availability.

Recent addition **EBOS** (+0.2%) delivered a strong half year result. The company is executing well in its core business, with its Symbion wholesale operation taking market share off its major competitors. It is also benefiting from being aligned to key pharmacy customers - Chemist Warehouse and Terry White Chemmart (EBOS's own banner group), which are taking share from independents and seeing strong sales due to increased visitation for Covid tests and vaccines.

Freightways (+1%) delivered a strong half yearly result with profits coming in comfortably ahead of expectations. Its network courier business saw strong volume growth as customers have become more inclined to purchase via e-commerce with home delivery (particularly during Auckland's extended Covid lockdown). This more than made up for softer business-to-business deliveries. The company continues to push up pricing via its Pricing For Effort campaign in sectors that have typically been underpriced. It has also delivered an improvement in its Australian business with the standout performance being its small but fast growing medical waste business.

Infratil (+5%) hosted an investor day, with a focus on Canberra Data Centres (CDC), Vodafone, Longroad Energy, and its Diagnostic Imaging investments. Vodafone is exploring the sale of a minority interest in its mobile towers business, which should deliver a value uplift based on similar deals overseas. Longroad Energy is looking for a minority partner to inject capital and take a minority shareholding. This would allow Longroad to execute a much bigger development pipeline than previously indicated. CDC's Auckland datacentre facilities have been upsized in response to strong demand. Infratil announced approval for Morrison & Co (Infratil's manager) to purchase up to $40 million worth of shares on-market on behalf of employees, which demonstrates confidence in Infratil.

Mainfreight (-5%) provided a trading update to the end of January (the first 43 weeks of its fiscal year). Profit growth was ahead of expectations. The company is seeing a continuation

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

of tailwinds in its Air & Ocean division (international freight forwarding) coupled with good execution in Transport and Warehousing, taking further market share and improving efficiency and margins. The outlook for the beginning of the upcoming 2023 fiscal year remains solid.

Port of Tauranga (-6%) concurrently announced its half yearly result and the retirement of long-serving chair David Pilkington, who will be replaced by Julia Hoare (a director since 2015). Container Revenue was up +17%, primarily driven by storage revenues and pricing. Supply chain congestion remains an issue, with only 40% of vessels meeting their shipping windows. Despite profits +16% in the first half, the company maintained full year guidance for +1% to +7% due to concerns with the Omicron outbreak and continued supply chain congestion.

Summerset (-3%) announced its 2021 annual result, with underlying profit up +44% and net tangible assets per share up +27% while reducing its gearing (debt to assets) to the lowest since 2013. Summerset's prices lifted three times through 2021 but it still has a larger than normal buffer between its prices and house prices in surrounding areas. The company guided to a cautious 2022 build rate (626 units compared to 671 in 2021) given the uncertain impact of Omicron and its possible impact on the construction and housing market.

Vista (-6%) reported its 2021 annual result, which showed a continuation of the recovery in the global cinema business. The December quarter saw most cinemas open and studios releasing anticipated blockbuster content after a lengthy hiatus. This helped 4Q21 US box office recover to 74% of 2019 levels (versus just 7% in the same quarter in 2020). Both the company's recurring and market-facing revenues are now recovering, with 2022 guidance for revenue of $118-123 million versus $98 million in 2021. Most positively, early engagement with existing customers for its new Vista Cloud product suggests the medium-term opportunity could be towards or above the upper end of what the company had previously expected (recurring revenue of 1.5-2.5x current levels).

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited

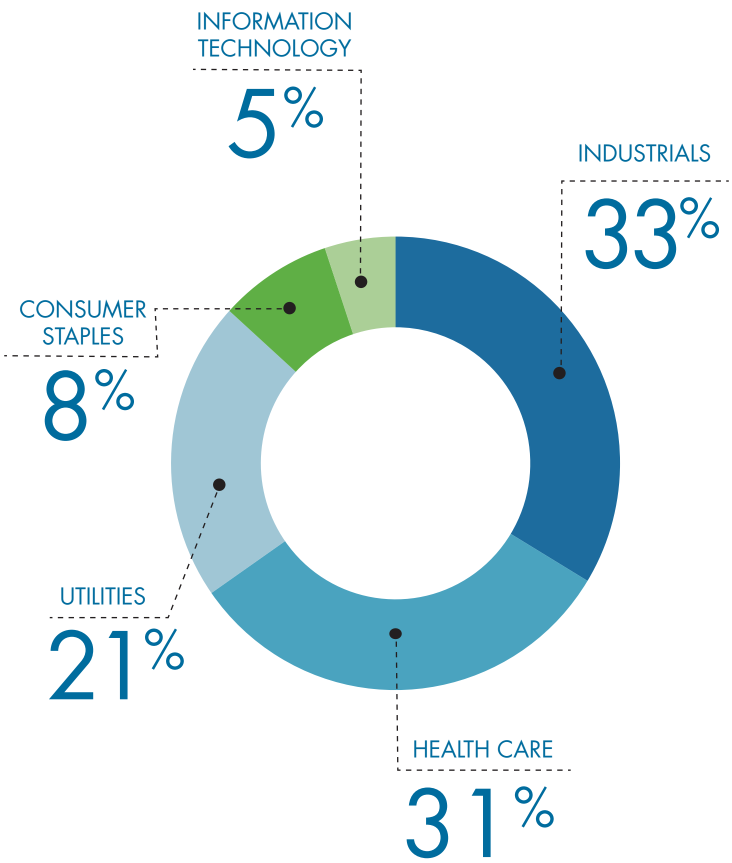
KEY DETAILS

as at 28 February 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	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	$1.66
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	318m
MARKET CAPITALISATION	$567m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 28 February 2022



The Kingfish portfolio also holds cash

FEBRUARY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

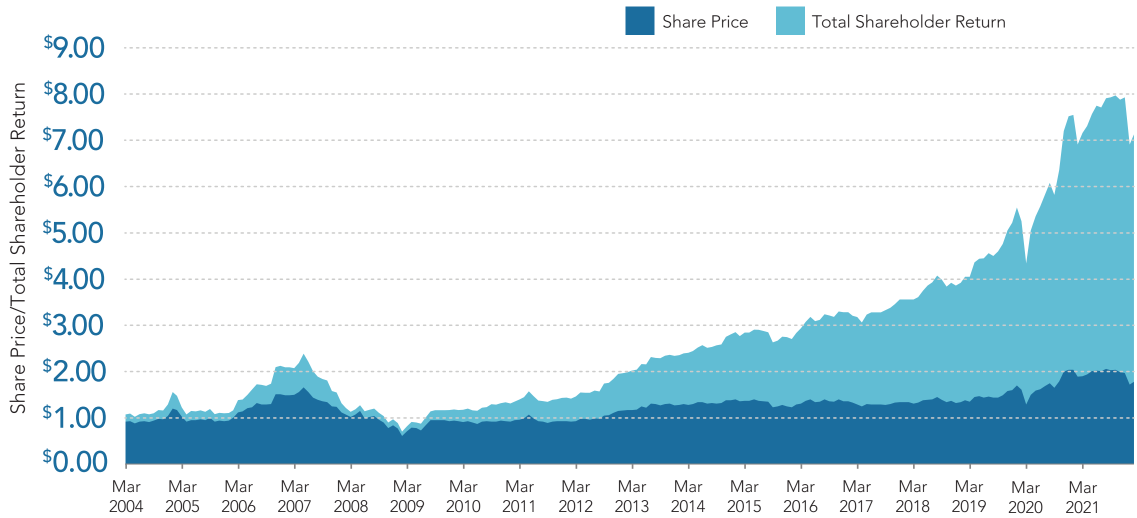
MERIDIAN ENERGY	A2 MILK	VISTA GROUP	PORT OF TAURANGA	PUSHPAY HOLDINGS
+15%	+7%	–6%	–6%	–14%

5 LARGEST PORTFOLIO POSITIONS as at 28 February 2022

MAINFREIGHT	INFRATIL	FISHER & PAYKEL HEALTHCARE	SUMMERSET	AUCKLAND INTERNATIONAL AIRPORT
19%	17%	15%	10%	9%

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

TOTAL SHAREHOLDER RETURN to 28 February 2022



PERFORMANCE to 28 February 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+3.2%	(9.5%)	+3.2%	+20.8%	+17.3%
Adjusted NAV Return	(0.6%)	(8.6%)	(1.7%)	+12.5%	+13.2%
Portfolio Performance					
Gross Performance Return	(0.6%)	(8.6%)	(0.5%)	+15.3%	+15.8%
S&P/NZX50G Index	+0.7%	(5.8%)	(2.0%)	+8.7%	+10.8%

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/

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

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 Alistair Ryan (Chair), Carol Campbell, Andy Coupe and David McClatchy.

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 7.22 cents per share have been declared to date and there are two 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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