KINGFISH

LANDING TOMORROW'S TROPHIES

MONTHLY UPDATE

June 2022

Share Price	Warrant Price	KFL NAV	PREMIUM[1]
$1.74	$0.01	$1.46	19.1%

as at 31 May 2022

A WORD FROM THE MANAGER

In May, Kingfish's gross performance return was down (4.5%) and the adjusted NAV return was down (4.6%). This compares with the local market benchmark index return, the S&P/NZX50G, which was down (4.8%).

New Zealand equities declined more than other key developed share markets in May. The Reserve Bank delivered a hawkish outlook statement (with a bias to higher interest rates) and off the back of this the New Zealand dollar strengthened, which is unhelpful for New Zealand companies with offshore earnings.

It was a busy month, with most of Kingfish's March year end companies updating the market with their results for the 2022 financial year.

a2 Milk (+6%) shares rose after a bacterial contamination shut down major infant formula player Abbott's factory in Michigan, exacerbating a nationwide formula shortage in the US. While a2 doesn't have a US infant formula business, it has a US liquid milk business, with its strategy being to potentially use growing brand awareness to move into infant formula at a later date. This may expedite the necessary FDA approvals. CFO Race Strauss resigned and is being replaced by David Muscat, who has worked with CEO David Bortolussi in previous roles (whereas Race was appointed by former CEO Jayne Hrdlicka who had similarly worked with him previously). The simultaneous announcement of the transition and the known quantity in regard to the incoming CFO, suggests the transition will be smooth.

Fisher & Paykel Healthcare (-2%) released its results in line with revised expectations after providing updated guidance in March. It also announced several new products and hosted an investor day to demonstrate these and explain the potential uses and market opportunity. Two of these products, Switch and Trace, solve problems for anaesthesiologists and facilitate use of its Optiflow highflow nasal oxygen system in this large and underpenetrated market. The anaesthesia market is estimated to be 50 million patients per year and NZ$5 billion annual sales potential, the same as its hospital respiratory support segment, which has reached approximately $1 billion sales annually (and growing). The opportunity to have hospitals fully utilise the large equipment base that the company deployed through COVID remains a high priority and the company is growing its sales force to drive greater usage.

Infratil (-6%) announced its results with earnings overall in line with expectations, including key assets CDC (Canberra Data Centres) and Vodafone. CDC is set to deliver another 100MW of capacity by December 2022, increasing overall capacity by more than 60%. This will support a large uplift in earnings next year. The independent valuation of CDC increased +3% since the December 2021 valuation, as progress continued at its Melbourne site. Vodafone increased earnings +16% supported by strong cost management. This business is close to finalising a sell-down of its telecommunications towers, which should crystallise an attractive valuation for these assets. Infratil is also seeing change at the board table, with long-serving Mark Tume retiring after almost a decade as Chair, to be succeeded by Alison Gerry, who has been on the board since 2014.

Mainfreight (-7%) released a strong result which showed profit growth accelerating more than expected at the end of the year, following its 43-week trading update in early February. Performance continues to be strong across Transport, Warehousing, and Air & Ocean and across all geographic regions. Encouragingly, the business grew volumes strongly (13-22% across key products) which indicates it is continuing to win customers and take market share. There is a component of Air & Ocean profits which are benefiting from the complex global supply chain and Mainfreight's ability to find valuable shipping space to solve customers' problems when its competitors cannot. The company is winning new customers due to its superior service proposition, cross-selling existing customers more products, and gaining business from existing customers in new geographies. It is seeing inbound demand from customers which it cannot entirely fulfil which bodes well for future growth. Trading in recent weeks continues the recent growth trend despite concerns about global growth slowing. However, the share price remains under pressure with investors seemingly focused solely on the macro landscape and ignoring the company's strong execution on its ongoing growth opportunity.

[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).

Pushpay (+11%) released its results, which showed modest growth in its core business, although some early signs of promise in its foray into the Catholic segment. In the near-term, revenue growth will be driven via strong growth from its Resi Media acquisition and continued growth in donation payment volumes in existing church customers. Private equity firm BGH Capital and existing shareholder Sixth Street announced they have entered a co-operation agreement which suggests they are seriously considering formalising a proposal to acquire the company.

Ryman Healthcare (+9%) announced its results, which beat expectations. Underlying profit was up +14% for the full year, supported by strong development margins and record sales in Victoria, Australia. The company is confident in the outlook, expecting an increase in New Zealand sales after the Omicron peak and may look to increase unit prices this year, despite softness in the housing market. This is possible because of the 'buffer' between its unit pricing and house prices, which has widened in recent years. Ryman also forecast delivering over 1000 retirement units and beds this financial year, close to a 50% increase on the year just finished.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited

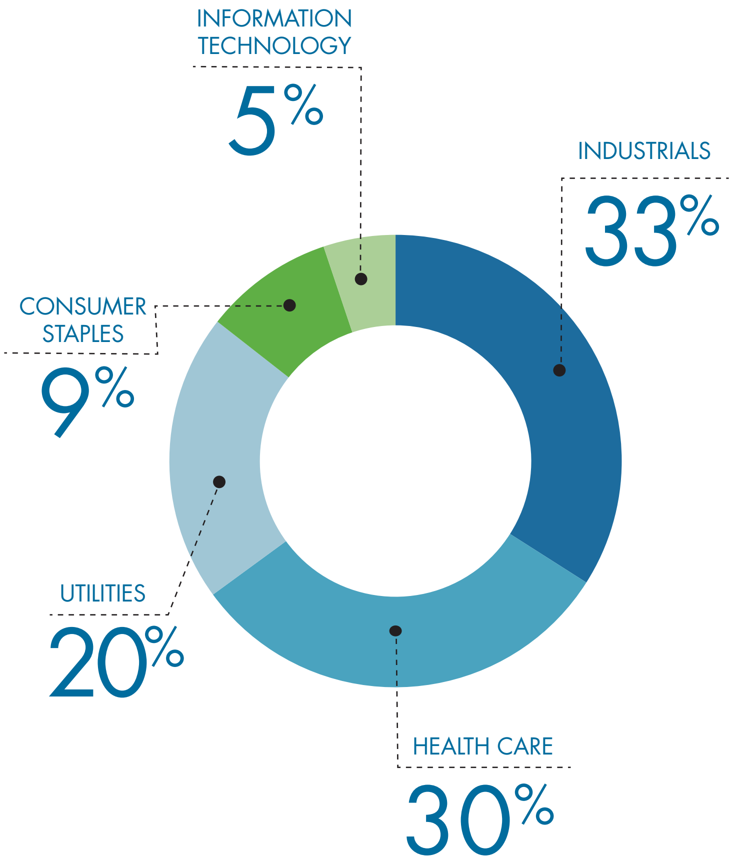
KEY DETAILS

as at 31 May 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	$1.62
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	321m
MARKET CAPITALISATION	$558m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 May 2022



The Kingfish portfolio also holds cash

MAY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

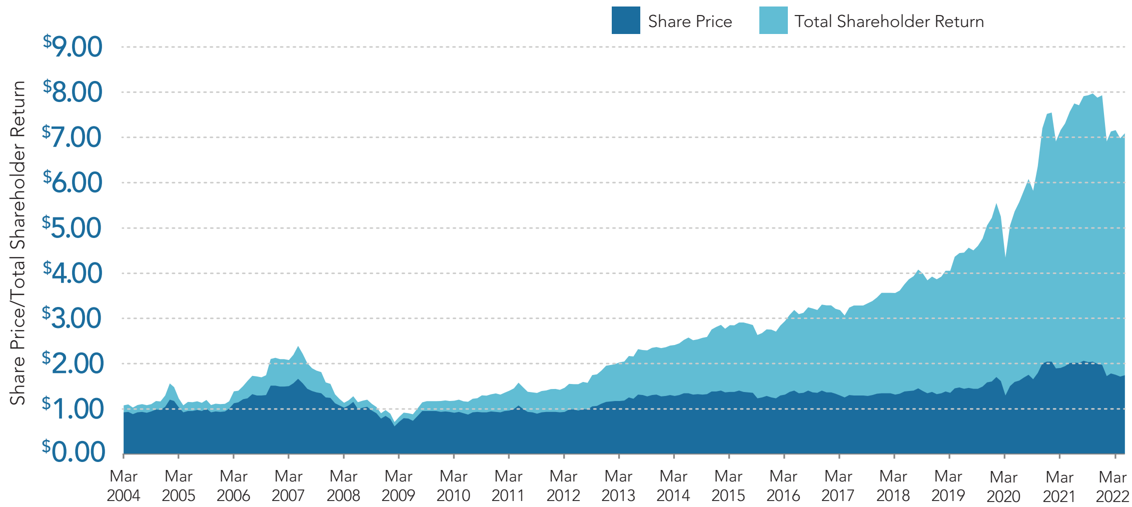
PUSHPAY HOLDINGS	CONTACT ENERGY	VISTA GROUP	SUMMERSET GROUP	FREIGHTWAYS
+11%	–9%	–9%	–10%	–10%

5 LARGEST PORTFOLIO POSITIONS as at 31 May 2022

MAINFREIGHT	INFRATIL	FISHER & PAYKEL HEALTHCARE	SUMMERSET	AUCKLAND INTERNATIONAL AIRPORT
19%	17%	15%	10%	8%

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

TOTAL SHAREHOLDER RETURN to 31 May 2022



PERFORMANCE to 31 May 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+1.5%	(0.6%)	(6.5%)	+16.8%	+17.0%
Adjusted NAV Return	(4.6%)	(6.6%)	(9.2%)	+7.5%	+11.1%
Portfolio Performance					
Gross Performance Return	(4.5%)	(6.3%)	(8.1%)	+9.7%	+13.6%
S&P/NZX50G Index	(4.8%)	(5.6%)	(8.2%)	+3.8%	+8.8%

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 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 10.38 cents per share have been declared to date and there is one more dividend 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**

KINGFISH
LANDING TOMORROW'S TROPHIES

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