



MONTHLY UPDATE

August 2022

Share Price

\$1.60

Warrant Price

\$0.01

KFL NAV

\$1.46

PREMIUM¹

10.1%

as at 31 July 2022

A WORD FROM THE MANAGER

In July, Kingfish's gross performance return was up 7.8% and the adjusted NAV return was up 7.7%.

New Zealand equities rose +5.7% in July (S&P/NZX 50) in a strong month for global markets (S&P 500 +9.1%, MSCI World +7.9%, ASX 200 +5.7%) as 10-year Government bond yields, the key barometer for long-term interest rates, declined sharply after a peak in June.

Infratil (+9%) announced the sale of Vodafone's mobile tower business (Infratil owns half of Vodafone New Zealand). The sale price of \$1.7 billion translates to 34 times EBITDA (earnings before interest, tax, depreciation, and amortisation). The price is a significant premium to the seven times EBITDA paid when Infratil purchased Vodafone in 2019. That means the deal returns around 80% of the initial capital outlay whilst retaining around 90% of the earnings stream! The valuation is at the upper end of similar transactions in Australasia and well in excess of the levels that high quality tower companies in the US and Europe trade at. However, we look at it, this is a good result for Infratil shareholders. Infratil, still confident in the outlook for the towers business, reinvested alongside new owners and fellow infrastructure investors InfraRed Capital Partners and Northleaf Capital Partners.

Mainfreight (+12%) provided a 16-week update at its Annual Shareholders Meeting, which revealed continued strong progress in the business. Weekly profit before tax for the company grew +83% on the same period last year, a slight moderation from the +92% (comparative to the prior year) in the six months to March. The Transport division is growing faster than we anticipated and has seen year-on-year profit growth accelerate from +34% to +51% (again comparing to the six months to March). Air & Ocean freight forwarding pre-tax profits also continue to be at more elevated levels than we expected, \$6.1 million per week in a non-peak period (versus \$6.3 million in the six months to March) even as the global shipping market loosens from unsustainably tight levels. Warehousing, currently the smallest division, saw profit

before tax growth of +22%, which is trailing revenue growth (+30%) due to temporary cost headwinds ahead of consolidating multiple sites into larger, more efficient operations in Auckland and Sydney, which will provide future benefits. The company is continuing to execute well in all areas against its long-term growth strategy, opening new branches, winning market share from new customer gains, and benefiting from efficiencies as it continues to gain scale.

Port of Tauranga (+12%) increased cargo pricing and introduced a container levy, providing protection against rising costs and highlighting the pricing power held by New Zealand ports. However, on a disappointing note, a court decision on proposed capacity expansion has been delayed until 2023. Port of Tauranga said New Zealand was looking at "severe" capacity constraints on exports within a few years if the extension is not built. Management expects to be able to meet demand over the next few years, but the delay in expansion will put extra pressure on resources at the port.

Summerset (+11%) announced sales volumes for the three months to the end of June. It was the second biggest sales result for a June quarter ever, however slightly off recent highs. Despite the deceleration, Summerset's sales have proven more resilient than wider housing market volumes. The management team remains confident that they can sell 600 new units in 2022, an 11% increase on 2021. To support this confidence, they cite low inventory levels (supportive of demand), and note key sales indicators remain at healthy levels (such as time to settle and few cancellations).

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



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).

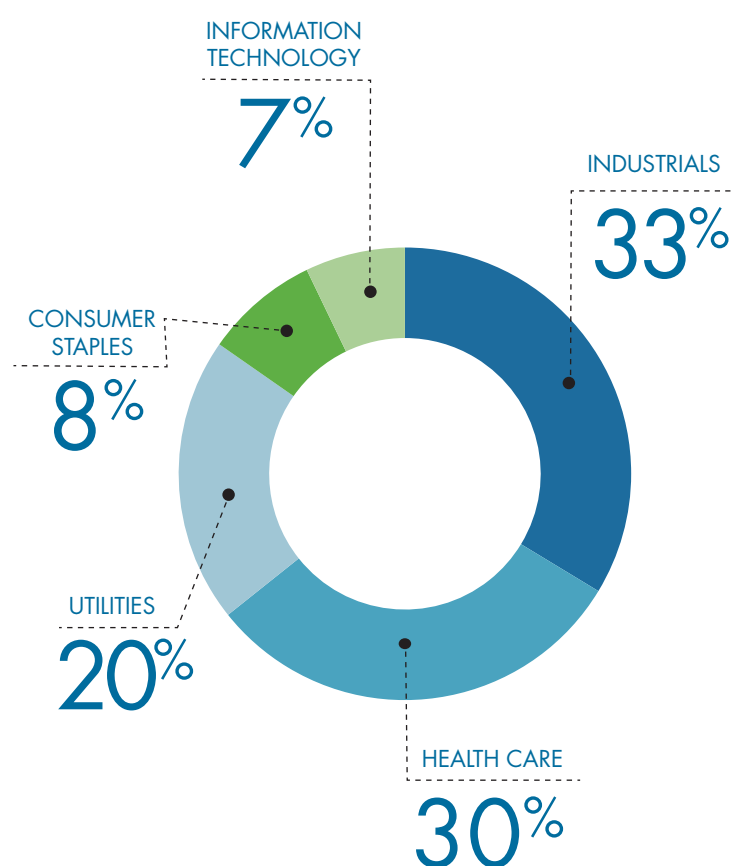
KEY DETAILS

as at 31 July 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	\$517m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 July 2022



The Kingfish portfolio also holds cash

PERFORMANCE to 31 July 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+4.0%	(4.8%)	(13.9%)	+13.4%	+15.2%
Adjusted NAV Return	+7.7%	(2.9%)	(10.2%)	+5.5%	+10.5%
Portfolio Performance					
Gross Performance Return	+7.8%	(2.7%)	(9.2%)	+7.5%	+12.9%
S&P/NZX50G Index	+5.7%	(3.3%)	(8.7%)	+1.9%	+8.4%

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/>

JULY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

FREIGHTWAYS

+13%

PORT OF TAURANGA

+12%

MAINFREIGHT

+12%

SUMMERSET GROUP

+11%

DELEGAT GROUP

+11%

5 LARGEST PORTFOLIO POSITIONS as at 31 July 2022

MAINFREIGHT

18%

INFRATIL

17%

FISHER & PAYKEL
HEALTHCARE

14%

SUMMERSET

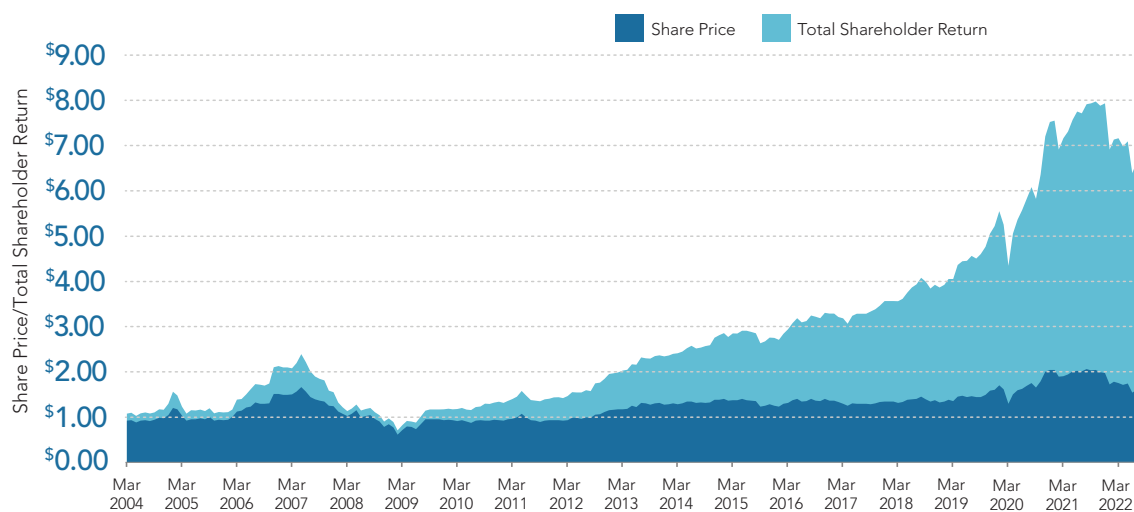
11%

AUCKLAND
INTERNATIONAL
AIRPORT

8%

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

TOTAL SHAREHOLDER RETURN to 31 July 2022



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**

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 a 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 June have no correlation with results historically achieved.



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