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Kingfish Limited Annual Meeting

Chair's Address from Alistair Ryan

[Slide: Kingfish Limited Annual Meeting of Shareholders]

Welcome to the 14th Kingfish Annual Meeting of Shareholders. I am Alistair Ryan, Chair of Kingfish.

We are duly convened as a notice of meeting has been circulated to shareholders and I can confirm that a quorum is present so I declare the meeting open.

Please note that the exits are at the back and front of the room. Please ensure you turn off your cell phones.

At the conclusion of the meeting there will be a light lunch. We look forward to meeting many of you after the meeting.

[Slide: Agenda]

To briefly cover off preliminary matters:

- The minutes of the 2017 annual shareholders' meeting held on 28 July 2017 are available at the registration desk and are also on the Kingfish website.
- The 2018 annual report has been circulated to shareholders – additional copies are available at the registration desk.

Now to today's agenda. Firstly, I will give a brief update on the Kingfish 2018 financial year, and then Kingfish's Senior Portfolio Manager, Sam Dickie will review the Kingfish portfolio.

After the Manager's Review, we will have a Q&A session, and will then move to the formal business of the meeting. There are three resolutions for you to consider and vote on today, which are set out in the notice of meeting.

[Slide: Introductions]

Let me introduce the front table.

Firstly, the directors. To my right is Carmel Fisher, then Andy Coupe and Carol Campbell.

Next to Carol is Sam Dickie, Senior Portfolio Manager for Kingfish. Next to Sam, is Jody Kaye, the Corporate Manager for Kingfish.

Senior Investment Analyst, Zoie Regan and Investment Analyst, Matt Peek are also in the audience today, please stand Zoie and Matt.

We are also pleased to have representatives from our share registrar, Computershare, auditor, PricewaterhouseCoopers, our tax agent, Deloitte and our legal advisors, Bell Gully in the audience today.

[Slide: Chair's Overview]

Shareholders, it is my pleasure to again present the Chair's Overview at this meeting.

[Slide: Kingfish's Investment Objective]

Before we begin the review of the year ended 31 March 2018, it is useful to refresh ourselves as to the key investment objectives of Kingfish, namely:

- to achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the directors; and
- to provide access to a diversified portfolio of New Zealand quality, growth stocks through a single tax-efficient investment vehicle.

Both of these objectives were achieved for the 2018 financial year.

The Board is committed to strong governance principles and to overseeing the Manager's portfolio performance on behalf of shareholders. The Investment Committee meets twice a year, on a six monthly basis, to hear from the Manager about what has gone well and what has disappointed, and to engage in a comprehensive review session covering key performance metrics, some of which we will go through on the following slides. The Board meets formally six times per annum plus other meetings as required.

We are pleased to report that Kingfish has reported a strong net profit result and a strong absolute return for the 2018 financial year which I will highlight further on the next slide and which Sam will discuss in more detail in the Manager's Review.

[Slide: 2018 Overview]

So how has 2018 treated shareholders?

Kingfish delivered a very strong net profit of \$36.3m for the 2018 financial year, well ahead of last year's net profit result of \$22.4m.

Total shareholder return was 12.0% for the period, well ahead of the 2017 total shareholder return of 8.1%.

Kingfish's regular dividends continued to contribute to the total shareholder return with 11.28 cents per share paid in dividends during the 2018 financial year, which is equivalent to a dividend return of +8.7% (2016: +8.5%).

Due to the strong performance in 2018, the overall net asset value (NAV) per share grew from \$1.40 (as at 31 March 2017) to \$1.45 (as at 31 March 2018) – even after dividends were paid out.

The adjusted NAV return was +14.7% for the period which represents the net return to an investor after fees and tax, significantly ahead of the 2017 result of 10.6%. The increase in return was largely driven by stronger portfolio performance.

Over the 2018 financial year, the share price to NAV discount widened from 7.0% (31 March 2017) to 11.2% at its widest, before narrowing slightly to be 9.7% (31 March 2018). Since year end, the share price to NAV discount has continued to fluctuate.

The Board has a number of initiatives in place to help manage the share price to NAV discount including the buyback programme. Over the 12 months to 31 March 2018, 2.4m Kingfish shares were purchased under the buyback programme when the shares were trading at sufficiently deep discounts. Shares purchased under the buyback programme are held as treasury stock and primarily utilised under the dividend reinvestment plan.

[Slide: Use of Shareholder Funds]

The chart shows the Kingfish NAV of \$220m (as at 31 March 2017) increased \$56m to \$276m (as at 31 March 2018).

The movements during the year as represented by the blue and yellow columns were:

- plus \$36m net profit,

And movements due to our capital management initiatives:

- plus \$35m for new capital raised through the warrant issue (exercise date May 2017),
- less \$21m dividends paid,
- adding back \$8m for dividends reinvested by shareholders, and
- less \$3m for buybacks.

As per the terms of the Management Agreement, Kingfish issued the Manager 840,523 shares for consideration of \$1,216,103 in relation to the performance fee payment obligations.

[Slide: Quarter 1, 2019]

The first quarter of Kingfish's 2019 financial year has been relatively settled and markets have risen.

This slide provides a snapshot of the first three months of the current financial year to 30 June 2018:

- Total shareholder return for the quarter was +8.4% - primarily driven by share price increasing from \$1.31 (31 March) to \$1.39 (30 June).
- As at 30 June, the NAV per share was \$1.52 (\$1.45 as at 31 March) – an increase of 7 cents in three months and after a dividend of 2.89 cents per share was paid on 29 June.
- The adjusted NAV return for the first three months of the 2019 financial year was +7.2% (which represents the net return to an investor after fees and tax).
- This performance to date, translates to a net profit of \$21.1m for the three months to 30 June.

[Slide: Warrants]

At last year's ASM we talked about the Kingfish warrant issue ("KFLWD") which resulted in \$35.2m (before costs) being raised for further investment by Kingfish in May 2017. That warrant issue was very successful with 29.1m warrants (76%) exercised at an exercise price of \$1.21, well below the

Kingfish share price at the time of \$1.32 representing a gain of 11 cents per share for those holders who exercised their warrants. Since then, the Kingfish share price has risen a further, closing at \$1.39 on 30 June 2018.

Since Kingfish's 31 March 2018 balance date, the Board has approved a new tranche of warrants. Similar to previous warrant issues, the new warrants were issued to eligible shareholders on the basis of one warrant for every four Kingfish shares held on the Record Date (18 July 2018).

Warrants give holders the right, but not the obligation, to purchase additional shares in Kingfish at an exercise price of \$1.37, less dividends declared between the date of allotment of the Warrants and ending on the last business day before the final exercise price is announced. The final exercise price will be announced next year in June.

Warrant holders have the option to exercise their warrants, sell their warrants on market or let their warrants lapse. All warrants must be exercised by 12 July 2019. Any warrants not exercised by 12 July 2019 will lapse.

Warrants were quoted on NZX Main Board last Friday (20 July) as KFLWE.

Closing remarks

In closing, on behalf of the Board, thank you shareholders for your continued support of Kingfish. I will now hand over to Sam Dickie, Senior Portfolio Manager of Kingfish.

ENDS