

Monthly Update

August 2016

KFL NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT
\$1.46	\$1.35	\$0.05	7.6%

as at 31 July 2016



A word from the Manager

I recently read an article describing the bull market of the last seven years as 'history's least loved'. It noted that even as markets have risen over the years, headlines have constantly spouted warnings about the 'next big bad' for markets, leaving people feeling pretty anxious.

A Credit Suisse strategy paper similarly noted that after visiting clients in the US, Europe and South Africa they found them to be 'as bearish on equities as we can remember'. They said their clients (who are generally fund managers and professional investors) felt that shares are too expensive and not attractive enough to compensate for the macro, political, earnings and business risks that exist today.

It is indeed hard to know how to feel about these markets. Returns from a number of markets have been pretty good, but there are things happening every day that encourage anxiety. Take low interest rates for instance. While mortgage holders might be happy about them, investors who rely on investment income have every reason to feel anxious when rates remain so low for so long.

We justifiably felt a bit of anxiety following Britain's momentous decision to leave the European Union. But then, within days markets shook off any anxiety and within weeks some markets have delivered virtually a year's worth of return.

One of the reasons investors have been feeling glum or pessimistic is that for the first half of this year we've been constantly reminded of all the things we should feel pessimistic about.

China was going to suffer a hard landing, and that was going to affect the world economy, and particularly those of us who trade with China. But actually, so far so good. Chinese GDP is on track to grow by around 6.7% for the year.

Low and negative interest rates were supposed to cause havoc, but actually while we still scratch our head about negative rates (why would anyone want them?) fixed income investors have simply widened their search and found other investments to give them a decent income.

Company earnings were supposed to struggle to keep up with share valuations, and earnings disappointments were going to cause share prices to tumble from their lofty heights.

But actually, earnings have been okay, and lofty share prices don't seem that lofty when interest rates are as low as they are now.

Politics, especially in the US and Europe, were supposed to be a big risk for markets because the 'wrong' outcomes could derail global trade and economic growth. But markets have taken politics in their stride, as we've seen in the last month, and apart from bouts of volatility, politics have largely turned out to be media fodder rather than a significant driver of markets.

There will be plenty of politics in the next four months, and given the closeness of the Trump/Clinton polls, it is likely that a potential Trump win will emerge as the 'biggest bad' that investors have to worry about heading into the end of the year. It will be bad because the effect of a Trump win will be uncertain for markets, and markets hate uncertainty.

It's not uncertainty about economic policy that will worry markets — Trump's intentions have been relatively clearly signalled and they will take some time to implement. Rather, markets will concern themselves with a possible Trump impact on the Federal Reserve's policy stance. There is no doubt share markets have remained strong because of the Fed's interest rate policy — low interest rates make shares attractive. Trump has talked tough saying he intends to 'audit the Fed' but that doesn't mean he will (or can) change their policy approach.

Still, the next four months may turn out to be this year's 'least loved'. Or, the year to date trends may continue, and we may find ourselves worrying for nothing.



Carmel Fisher
Managing Director,
Fisher Funds



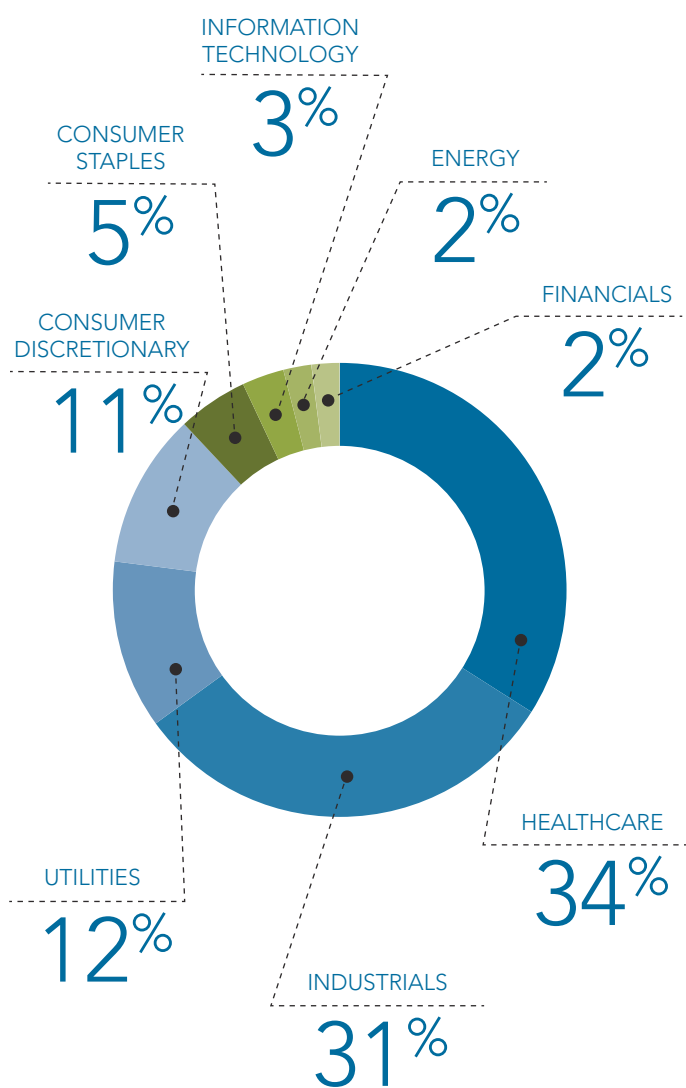
Key Details

as at 31 July 2016

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	15% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$1.34 per share
SHARES ON ISSUE	154m
MARKET CAPITALISATION	\$208m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 July 2016



Performance

to 31 July 2016

	1 Month	3 Months	1 Year	3 Years (accumulated)	5 Years (accumulated)
KFL Adjusted NAV*	+4.8%	+7.3%	+19.6%	+45.7%	+100.9%
S&P/NZX50G Index	+6.5%	+7.7%	+24.1%	+61.9%	+116.4%
Total Shareholder Return*	+0.7%	+0.5%	+7.3%	+33.5%	+125.0%

***Definitions of non-GAAP measures:**

Adjusted Net Asset Value (NAV)

The adjusted NAV per share represents the total assets of Kingfish (investments and cash) minus any liabilities (expenses and tax), divided by the number of shares on issue. Adjusted NAV adds back dividends paid to shareholders and adjusts for the impact of any warrants that were exercised at a price that was different to the NAV at the time they were exercised. Adjusted NAV assumes all dividends are reinvested in the company's dividend reinvestment plan and excludes imputation credits.

Total Shareholder Return (TSR)

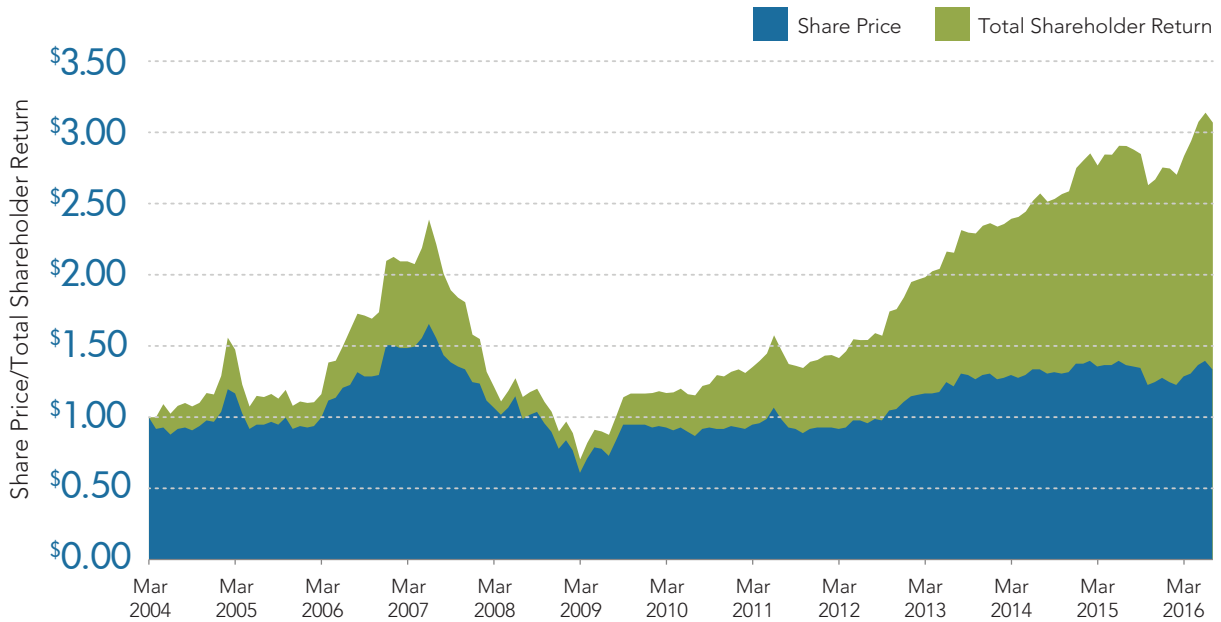
The TSR combines the share price performance, the warrant price performance (when warrants are on issue), the value in converting warrants into shares, and dividends paid to shareholders.

TSR assumes:

- » all dividends paid are reinvested in the company's dividend reinvestment plan at the discounted dividend reinvestment price and excludes imputation credits;
- » all shareholders that have received warrants (for free), have subsequently exercised their warrants and bought shares.

Total Shareholder Return

to 31 July 2016



July's Biggest Movers

Typically the Kingfish portfolio will be invested 90% or more in equities.

AUCKLAND INTERNATIONAL AIRPORT

+7%

METRO PERFORMANCE GLASS

+6%

PORT OF TAURANGA

+3%

SUMMERSET GROUP

-5%

VISTA GROUP

-6%

5 Largest Portfolio Positions

as at 31 July 2016

RYMAN HEALTHCARE

11%

MAINFREIGHT

10%

FISHER & PAYKEL HEALTHCARE

9%

FREIGHTWAYS

8%

INFRATIL

7%

The remaining portfolio is made up of another 16 stocks and cash.

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 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

Kingfish's portfolio is managed by Fisher Funds Management Limited. Murray Brown (senior portfolio manager) and Ashley Gardyne (senior investment analyst) take the prime management responsibilities and are highly experienced in researching and investing in New Zealand growth companies with over 40 years combined experience. Fisher Funds are based in Takapuna, Auckland.

Board

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. The Board of Kingfish comprises independent directors Alistair Ryan (Chairman), Carol Campbell and Andy Coupe; and non-independent director Carmel Fisher.

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
- » This policy is well received by shareholders as it provides an attractive and regular return that is referable to the NAV
- » 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 up to 6.2m of its shares on market in the year to 31 October 2016
- » 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 and to pay performance fees

Warrants

- » On 19 April 2016, a new issue of warrants (KFLWD) was announced
- » The warrants were issued at no cost to shareholders and in the ratio of one warrant for every four Kingfish shares held
- » Exercise Price = \$1.32 per Share on the exercise of each Warrant (adjusted for dividends declared during the period up to the Exercise Date)
- » Exercise Date = 5 May 2017
- » The final Exercise Price will be announced and an Exercise Form will be posted to warrant holders in April 2017

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 an authorised 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 may have no correlation with results historically achieved.



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