

# Monthly Update

December 2017

KFL NAV

**\$1.46**

SHARE PRICE

**\$1.33**

DISCOUNT

**8.8%**

as at 30 November 2017



## A word from the Manager

The words “broken record” spring to mind, in a good way, when we describe New Zealand’s share market performance this year. November’s gain of 0.5% was another positive result on an uninterrupted 11 month run of positive results. Admittedly, the 0.5% rise was one of the smallest monthly returns in the streak, but nonetheless it was positive, and it did follow October which delivered the strongest monthly returns of the year so far.

For the calendar year to date, the S&P/NZX50G is up 19% which is remarkable particularly when you consider the backdrop. To start with, the market wasn’t cheap in January and there is New Zealand’s overvalued housing market. Coupled with this, was the New Zealand election in September which saw a new coalition Government elected and the fact we have experienced the first year of a Trump presidency.

The supportive environment continues to bode well for some of the Kingfish portfolio companies, with long term Kingfish investment, Ryman Healthcare, reporting a sound first half profit result. Ryman Healthcare demonstrated solid operating metrics and inventory levels despite a weak broader housing market, and the company continues to make good progress in building new villages in Melbourne. Importantly, Ryman Healthcare also improved their disclosure of certain key operating metrics which is something we had been looking for. This solid first half result and our follow up meetings with management were a wonderful opportunity for us to reaffirm our positive view of the company, the quality of the team and their long term strategic vision. Additionally, with interest rates falling over the month, yield stocks including those in the property and retirement sectors performed strongly, with Ryman Healthcare up 14% for November.

We also added to our investment in Summerset over the month. The stock had been sold off sharply after the change of Government amid expectations that the proposed cut in immigration and other housing related policies would slow the housing market. With a strong pipeline of activity, we believe Summerset can continue to grow its earnings and its share price, despite the slowdown that we are starting to see in the housing market.

During November, Fisher & Paykel Healthcare also released its first half result. The result was slightly disappointing due to slowing obstructive sleep apnea mask growth (the first time in several years), however, second half growth is expected to be stronger. We expect this to be driven by new product launches within the hospital division, growth from a new non-invasive ventilation mask released in the US and stabilisation of homecare flow generator revenue. While there are cross winds buffeting the company’s share price at the moment, over the longer term we believe Fisher & Paykel Healthcare has a growth runway far superior to most companies’ listed on the NZX and we expect this to be a core Kingfish holding for years to come.

This is our last monthly update for 2017 and we look forward to updating you again in February next year. We hope you have a wonderful summer holiday break.



Sam Dickie  
Senior Portfolio Manager,  
Kingfish



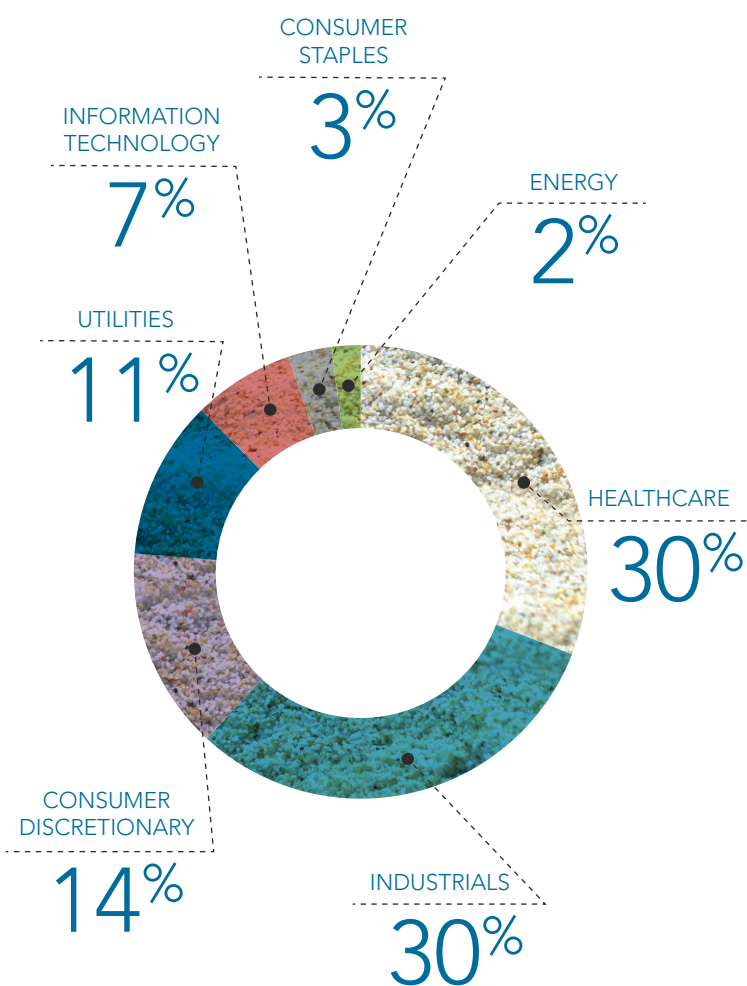
# Key Details

as at 30 November 2017

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	\$1.30
SHARES ON ISSUE	189m
MARKET CAPITALISATION	\$251m
GEARING	None (maximum permitted 20% of gross asset value)

# Sector Split

as at 30 November 2017



The Kingfish portfolio also holds cash.

# Performance

to 30 November 2017

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Corporate Performance</b>					
Total Shareholder Return	+2.3%	+5.4%	+4.8%	+7.9%	+13.4%
Adjusted NAV Return	+3.2%	+4.9%	+17.5%	+12.4%	+13.5%
<b>Manager Performance</b>					
Gross Performance	+3.5%	+5.7%	+20.8%	+15.2%	+16.9%
S&P/NZX50G Index	+0.5%	+4.7%	+18.7%	+14.7%	+15.1%

### Non-GAAP Financial Information

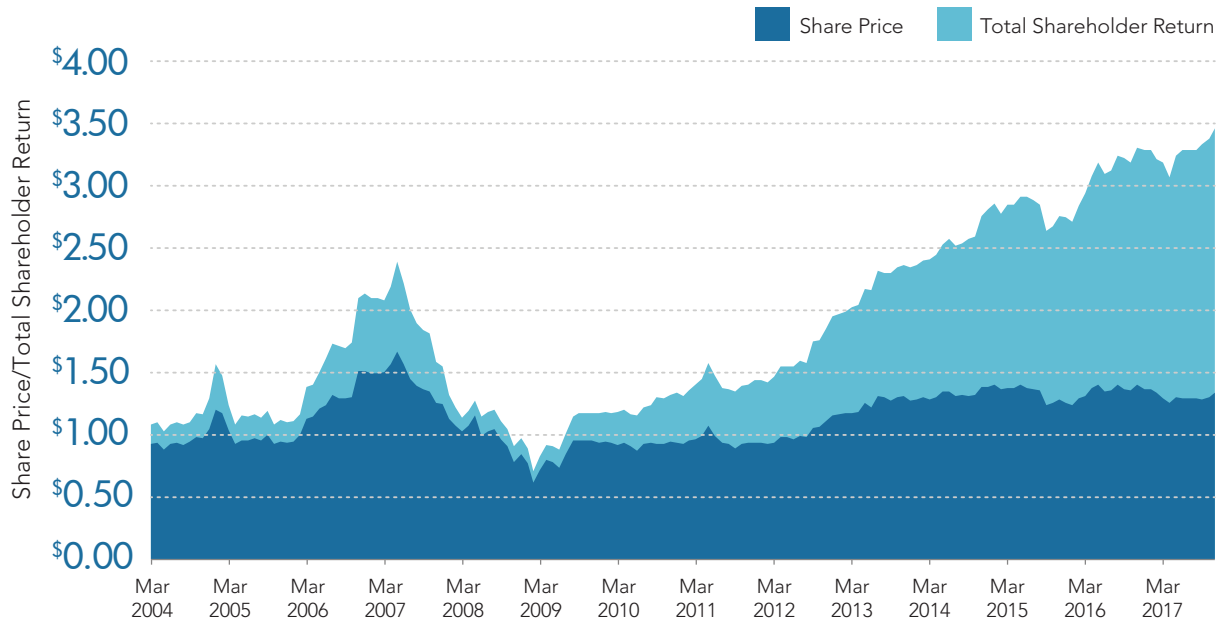
Kingfish uses non-GAAP measures, including adjusted net asset value, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » adjusted net asset value – the underlying value of the investment portfolio adjusted for capital allocation decisions,
- » gross performance return – the Manager's portfolio performance in terms of stock selection and hedging of currency movements, and
- » total shareholder return – the return to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

All references to adjusted net asset value, 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 Global Non-GAAP Financial Information Policy. A copy of the policy is available at <http://kingfish.co.nz/about-kingfish/kingfish-policies/>

# Total Shareholder Return

to 30 November 2017



## November's Biggest Movers

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

RYMAN HEALTHCARE

+14%

MICHAEL HILL

+12%

SUMMERSET GROUP

+8%

Z ENERGY

+7%

XERO

-7%

## 5 Largest Portfolio Positions

as at 30 November 2017

MAINFREIGHT

12%

FISHER & PAYKEL  
HEALTHCARE

11%

FREIGHTWAYS

9%

INFRATIL

8%

RYMAN  
HEALTHCARE

7%

The remaining portfolio is made up of another 13 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 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

Kingfish's portfolio is managed by Fisher Funds Management Limited. Sam Dickie (Senior Portfolio Manager), Zoie Regan (Senior Investment Analyst) and Matt Peek (Investment Analyst) have prime responsibility for managing the Kingfish portfolio. Together they have over 40 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 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 (Chair), 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
- » 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 9.4m of its shares on market in the year to 31 October 2018
- » 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

- » Warrants put Kingfish in a better position to grow further, improve liquidity, operate efficiently and pursue other capital structure initiatives as appropriate
- » A warrant is the right, not the obligation, to purchase an ordinary share in Kingfish at a fixed price on a fixed date
- » There are currently no warrants on issue

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.



Kingfish Limited  
Private Bag 93502, Takapuna, Auckland 0740  
Phone: +64 9 489 7094 | Fax: +64 9 489 7139  
Email: [enquire@kingfish.co.nz](mailto:enquire@kingfish.co.nz) | [www.kingfish.co.nz](http://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](mailto:enquiry@computershare.co.nz) | [www.computershare.com/nz](http://www.computershare.com/nz)