

Monthly Update

June 2018

KFL NAV

\$1.49

SHARE PRICE

\$1.38

DISCOUNT

7.4%

as at 31 May 2018



A word from the Manager

The bout of market volatility in February and March seems like a distant memory now with the New Zealand market backing up the 1.5% rebound in April with a further 2.5% rally in May. The market reached fresh all-time highs during the month. The Kingfish portfolio was up 4.2% on a gross performance basis for the month.

Market performance was driven by the IT and utilities sectors, which were up 8% and 5% respectively. Kingfish portfolio company, Vista Group, which is classified as an IT stock was up 17% after announcing its entry into the Japanese market and reminding the market of the long growth runway for its Movio business.

Our Fisher Funds STEPP investment philosophy aligns naturally to investments in companies like Vista Group. Vista Group is a quality company with a strong management team and a business model that has a number of competitive advantages. Our investment philosophy is longer-term focused – meaning, we expect our investment approach to deliver strong results over time, and that short term blips in a company's performance will not necessarily change our view. An example of this is Fisher & Paykel Healthcare.

Fisher & Paykel Healthcare is a core portfolio company which has an excellent track record. It's management team is world class and there is growing demand for the Fisher & Paykel Healthcare products as the worldwide population ages and the incidence of chronic respiratory diseases and obesity rises.

In May, Fisher & Paykel Healthcare reported its most recent result that revealed slower underlying earnings growth than some in the market were expecting. While its hospital business continued to grow exceptionally strongly throughout the second half of the period, Fisher

& Paykel Healthcare's homecare business was weaker than expected given it is driven by product cycles. This means that its products are typically developed, brought to market and then eventually removed from the market as a new product is released. At the moment, Fisher & Paykel Healthcare is in the latter stages of the current cycle, while its competitors are at an earlier stage - having recently launched products. Product cycle companies typically grow earnings faster at the earlier stages of the cycle when there is more appetite for the newly released products.

We are confident in the quality of Fisher & Paykel Healthcare's research and development and its next round of home care product releases will likely support an acceleration in earnings growth. Why? Fisher & Paykel Healthcare has a proven record of delivering high quality innovative products which take market share. Its sleep apnea mask division grew revenue at an average of 20% for the four years to March 2017, far outstripping market growth. The company's new sleep apnea mask is likely to be launched in the current year and we expect Fisher & Paykel Healthcare's long term research and development track record to be clearly exhibited in another quality product. Additionally, we expect the rapidly growing hospital business to continue to deliver.



Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



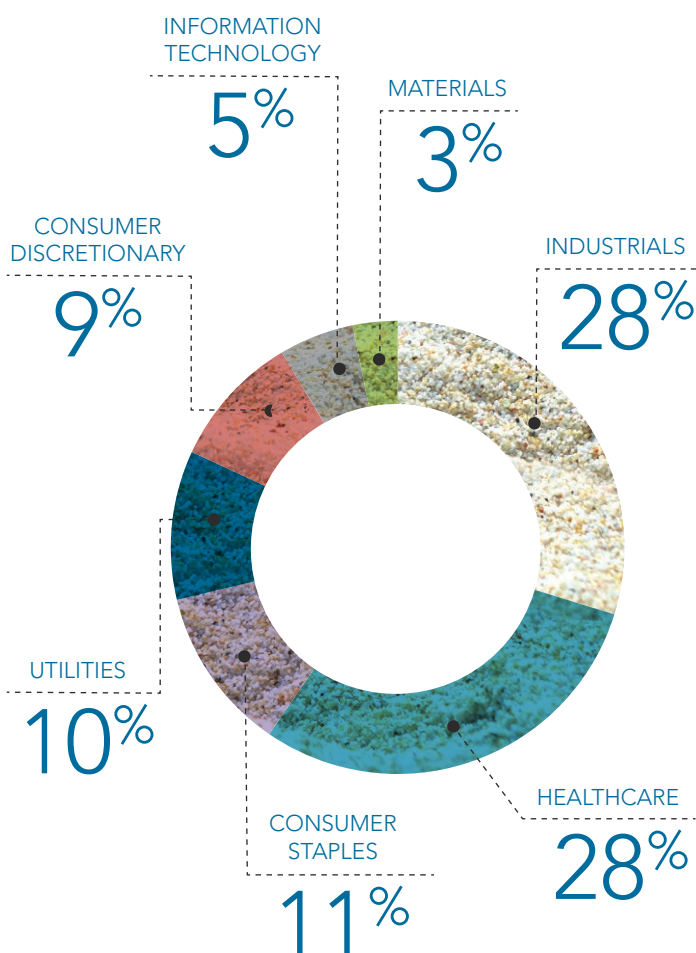
Key Details

as at 31 May 2018

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	\$1.44
SHARES ON ISSUE	192m
MARKET CAPITALISATION	265m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 May 2018



The Kingfish portfolio also holds cash.

Performance

to 31 May 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Corporate Performance					
Total Shareholder Return	+3.8%	+5.3%	+16.0%	+8.9%	+11.6%
Adjusted NAV Return	+4.1%	+4.5%	+16.9%	+13.6%	+12.3%
Manager Performance					
Gross Performance Return	+4.2%	+4.3%	+18.9%	+16.2%	+15.0%
S&P/NZX50G Index	+2.5%	+3.4%	+16.7%	+14.0%	+13.9%

Non-GAAP Financial Information

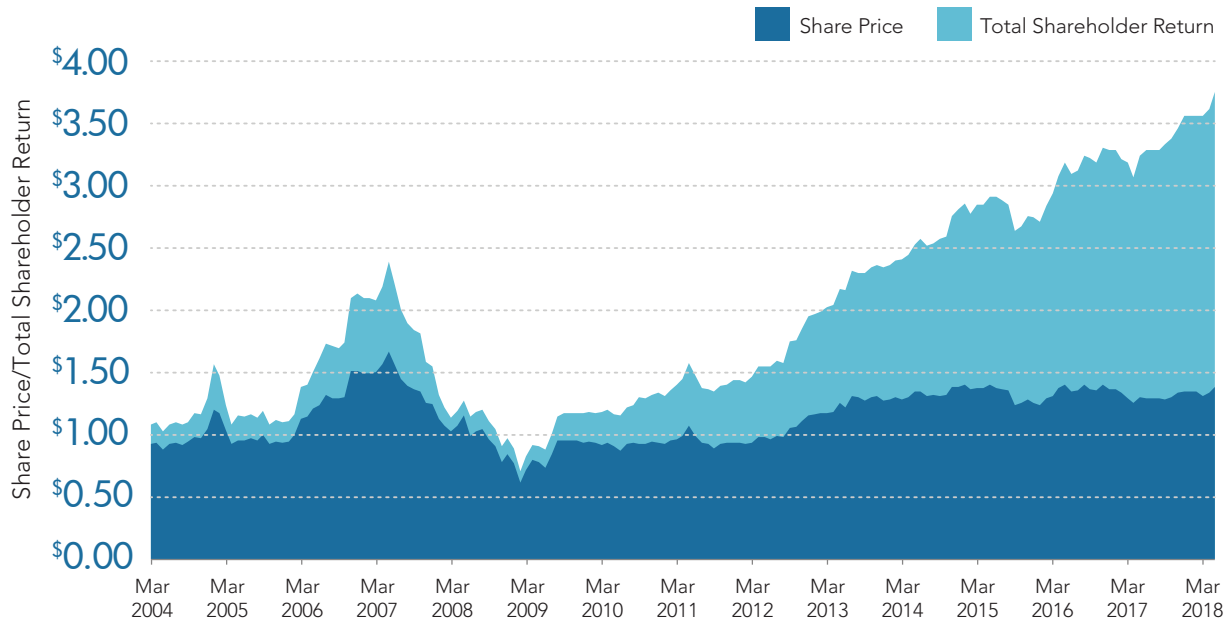
Kingfish uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » adjusted net asset value – the underlying value of the investment portfolio adjusted for capital allocation decisions after fees and tax,
- » adjusted NAV return – the net return to an investor after fees and tax,
- » gross performance return – the Manager's portfolio performance in terms of stock selection, 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, 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/>

Total Shareholder Return

to 31 May 2018



May's Biggest Movers

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

VISTA GROUP

+17%

RESTAURANT BRANDS

+11%

RYMAN HEALTHCARE

+8%

INFRATIL

+7%

THE A2 MILK COMPANY

-11%

5 Largest Portfolio Positions

as at 31 May 2018

FISHER & PAYKEL
HEALTHCARE

12%

MAINFREIGHT

11%

FREIGHTWAYS

9%

RYMAN HEALTHCARE

8%

THE A2 MILK COMPANY

8%

The remaining portfolio is made up of another 11 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, 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 | 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