

# Monthly Update

March 2017

KFL NAV

\$1.40

SHARE PRICE

\$1.33

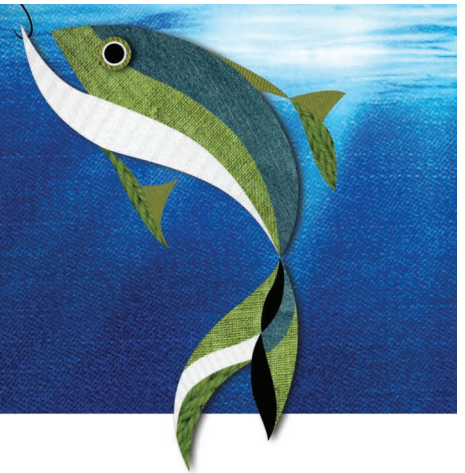
WARRANT PRICE

\$0.06

DISCOUNT

5.3%

as at 28 February 2017



## A word from the Manager — Meeting expectations

Actress Pamela Anderson famously said "It's great to be a blonde. With low expectations it's very easy to surprise people". I can attest to the fact that brunettes rarely get away with low expectations; neither do redheads or chief executives of listed companies (most of whom are grey haired these days).

At this time of the year, managing expectations is what it's all about for listed companies, and it is always with a little trepidation that we await the profit reporting season. Have our companies done what they said they'd do? Have they communicated openly to the investment community in the past six months to manage expectations and guide profit forecasts to within cooee of actual results? And are their outlook statements positive enough to prompt analysts to raise expectations for the next round of profit results?

Unfortunately, the job of chief executives has become even harder in recent times because a) analysts remain fixated on the bottom line of company results even though earnings often tell only a partial story and b) reactions are often outsized compared to results, such as a 2% profit "miss" against forecasts resulting in a 10% plus share price fall.

It's fair to say that our expectations of our portfolio companies have not been dashed so far in the first two months of the year, but neither have we been blown away by companies over-delivering. We fared well through the recent profit result round and have enjoyed exploiting opportunities when the market either had the wrong expectations or reacted inappropriately to what were actually good results.

Managing expectations is a year-round job for politicians and central bankers. Talk of what we might expect from President Trump and, to a lesser extent, the Federal Reserve has been a significant distraction and pastime for market participants this year. But a distraction is all it is.

The economic and political environment has so far not proven contrary to expectations; the world is rolling along mostly as anticipated, despite all the daily noise suggesting otherwise. Just as company earnings should not be viewed in a vacuum (but in the context of the underlying business fundamentals and long-term strategy) economic and political news needs to be considered in the context of the broad economic outlook which, so far this year, remains positive and entirely consistent with expectations.



Introducing Fisher Funds' new CEO:  
Bruce McLachlan

I was very pleased last week to announce the appointment of Bruce McLachlan as our new Chief Executive Officer, to take over the reins as I retire from my executive role. Bruce will be joining Fisher Funds from 18 April 2017 and I really am delighted as he has a wealth of experience in the financial sector and importantly, a passion for client service.

When we began our search for a new chief executive, we knew we wanted someone who understood and was excited about maintaining and growing the wealth of New Zealanders. We looked for someone who would continue our longstanding performance record and our commitment to exceptional client service. Bruce was an obvious choice for the role.

Bruce has been CEO of The Co-Operative Bank for the past four years. Under his leadership, the bank has consistently achieved top rankings in customer satisfaction and client service. Previously, Bruce worked for 10 years at Westpac NZ, where his roles included leading both its business banking and retail banking businesses; he was also Westpac NZ's acting CEO during 2008/9.

I will remain a director of the Kingfish Board and a member of the Board sub-committees, including the Kingfish Investment Committee and look forward to seeing you at the Annual Shareholder Meeting later this year.



Carmel Fisher  
Managing Director,  
Fisher Funds



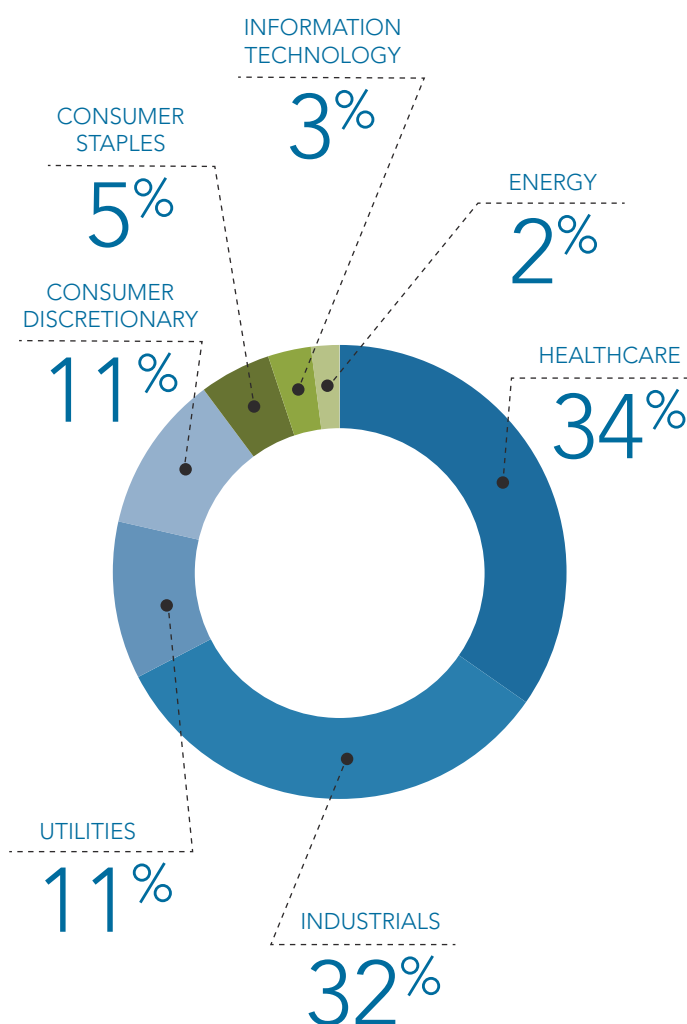
# Key Details

as at 28 February 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	\$1.27 per share
SHARES ON ISSUE	156m
MARKET CAPITALISATION	\$208m
GEARING	None (maximum permitted 20% of gross asset value)

# Sector Split

as at 28 February 2017



The Kingfish portfolio also holds cash.

# Performance

to 28 February 2017

	1 Month	3 Months	1 Year	3 Years (accumulated)	5 Years (accumulated)
KFL Adjusted NAV*	+1.4%	+4.3%	+15.6%	+37.5%	+98.9%
Total Shareholder Return*	(2.2%)	(2.8%)	+13.2%	+34.1%	+126.8%
Gross Performance^	+1.8%	+5.0%	+19.0%	+48.4%	+132.5%
S&P/NZX50G Index	+1.7%	+3.9%	+15.0%	+43.6%	+115.7%

^ Gross of fees and tax and adjusting for capital management initiatives

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

**Adjusted Net Asset Value (Adjusted 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. It adds back dividends paid to shareholders and adjusts for:

- » the impact of shares issued under the dividend reinvestment plan at the discounted reinvestment price;
- » shares bought on-market (share buybacks) at a price different to the NAV, and;
- » warrants exercised at a price different to the NAV at the time exercised.

Adjusted NAV assumes all dividends are reinvested in the company's dividend reinvestment plan and excludes imputation credits.

The directors believe this metric to be useful as it reflects the underlying performance of the investment portfolio adjusted for dividends, share buybacks and warrants, which are capital allocation decisions and not a reflection of the portfolio's performance.

**Total Shareholder Return (TSR)**

The TSR combines the share price performance, the warrant price performance (when warrants are on issue), the net value of 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 reinvestment price and exclude imputation credits, and;
- » all shareholders that have received warrants (for free), have subsequently exercised their warrants at the warrant expiry date and bought shares (if they were in the money).

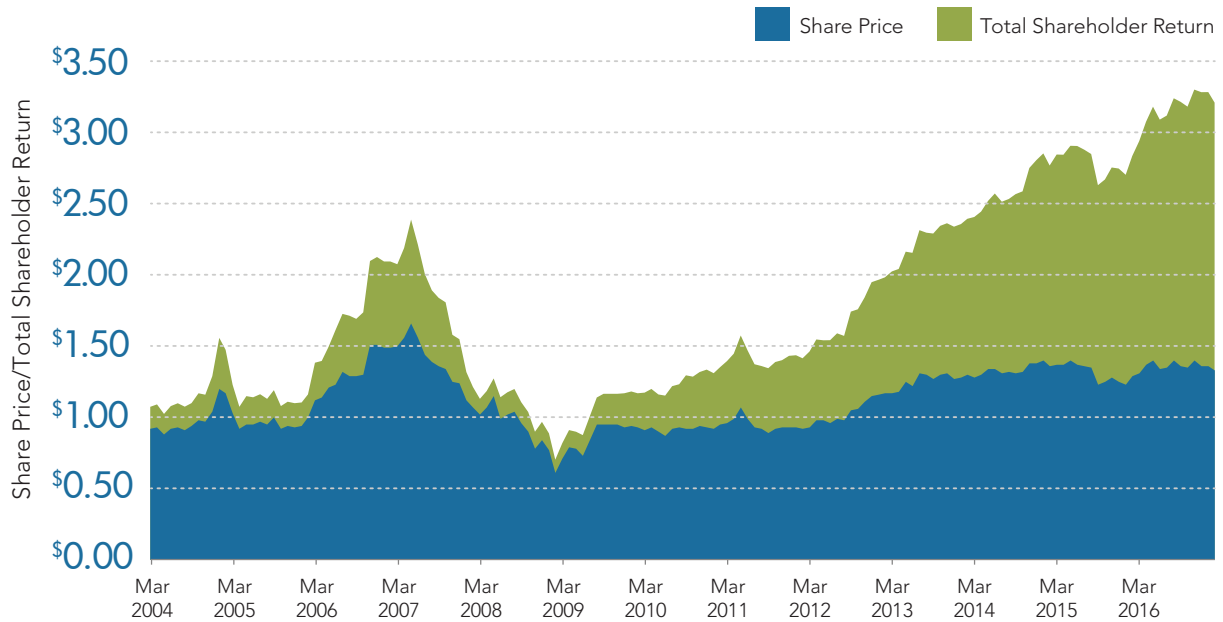
The directors believe this metric to be useful as it reflects the return of an investor who reinvests their dividends and, if in the money, exercises their warrants at warrant maturity date for additional shares. No metric has been included for investors who choose other investment options.

**Comparative information**

Kingfish's TSR and Adjusted NAV historical information has been restated. The restated values are based on the methodology described above. This methodology has resulted in some differences between the TSR and Adjusted NAV reported in this communication compared to previous communications. Please note this methodology will be used for all future communications.

# Total Shareholder Return

to 28 February 2017



## February's Biggest Movers

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

EBOS GROUP

+9%

AUCKLAND INTERNATIONAL AIRPORT

+7%

DELEGAT GROUP

+6%

SUMMERSET GROUP

+5%

METRO PERFORMANCE GLASS

-23%

## 5 Largest Portfolio Positions

as at 28 February 2017

MAINFREIGHT

12%

FISHER & PAYKEL HEALTHCARE

11%

RYMAN HEALTHCARE

10%

FREIGHTWAYS

9%

INFRATIL

7%

The remaining portfolio is made up of another 15 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. Sam Dickie (Senior Portfolio Manager) and Zoie Regan (Senior Investment Analyst) have prime responsibility for managing the Kingfish portfolio and with over 30 years combined experience, 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
- » 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 7.7m of its shares on market in the year to 31 October 2017
- » 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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