

Monthly Update

November 2017

KFL NAV

\$1.41

SHARE PRICE

\$1.30

DISCOUNT

8.0%

as at 31 October 2017



A word from the Manager — No Black October

The S&P/NZX50 has continued its strong ascent so far this year. The 30th anniversary of the October 1987 crash was anything but a crash with the market recorded its highest monthly return to date this year rising 2.7%. Despite the stellar return New Zealand was only the middle of the pack compared to other share markets around the World with Japan, Australia, broader Asia and Emerging Markets all outperforming.

Our view, even before the change in government, was that the strong relative growth rate of the New Zealand economy versus the rest of world would slow. This view has been exacerbated by the appointment of the new government. In particular we believe that slowing migration will have a negative impact on growth and make it more difficult for businesses to find labour.

The change in the relative growth rate of New Zealand's economy compared to the rest of the world has been reflected in our portfolio with almost half of the revenues from companies owned by Kingfish coming from outside of New Zealand.

The potential impact of lower migration and slower growth in house prices was felt via weaker performance from the retirement living sector. Ryman Healthcare and Summerset, which are at least in part impacted by house prices, were flat and down 5% respectively in a strong market.

Fisher & Paykel Healthcare held an investor day during the month. This was a great reminder that this is one of New Zealand's highest quality companies with an attractive and very long growth runway ahead of it.

The company expects to double its constant currency revenue every 5-6 years and will continue to improve margins. That is a great combination for building long term shareholder wealth and an obvious company for us to own in Kingfish.

We highlighted last month that Xero has been added to the Kingfish portfolio. The company held its London "XeroCon" user's conference in October. Xerocon was attended by more than 2,000 accountants and bookkeepers, a huge increase on last year's event. At the same time the company updated the market on its UK customer numbers. With over a quarter of a million active customers Xero has established a clear leadership position in the UK SaaS accounting market.

The New Zealand share market's performance over the past few years has been spectacular but we are conscious that the golden weather won't necessarily last forever. By continuing to focus on owning the highest quality, globally competitive, companies in the share market we believe we are well positioned even if growth at home slows from its recent strong clip.



Sam Dickie
Senior Portfolio Manager,
Kingfish



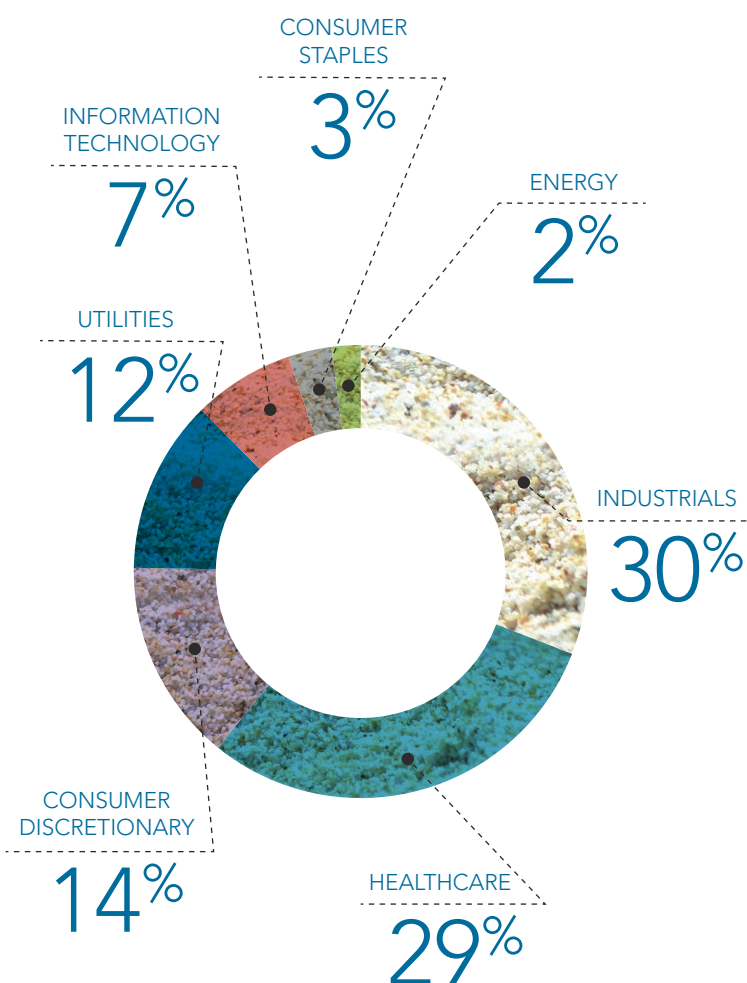
Key Details

as at 31 October 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	\$245m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 October 2017



The Kingfish portfolio also holds cash.

Performance

to 31 October 2017

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Corporate Performance					
Total Shareholder Return	+1.6%	+3.0%	+6.2%	+9.3%	+14.0%
Adjusted NAV Return	+0.3%	+1.8%	+12.5%	+11.1%	+13.3%
Manager Performance					
Gross Performance	+0.5%	+2.4%	+15.5%	+13.8%	+16.6%
S&P/NZX50G Index	+2.7%	+5.9%	+17.0%	+14.8%	+15.5%

Non-GAAP Financial Information

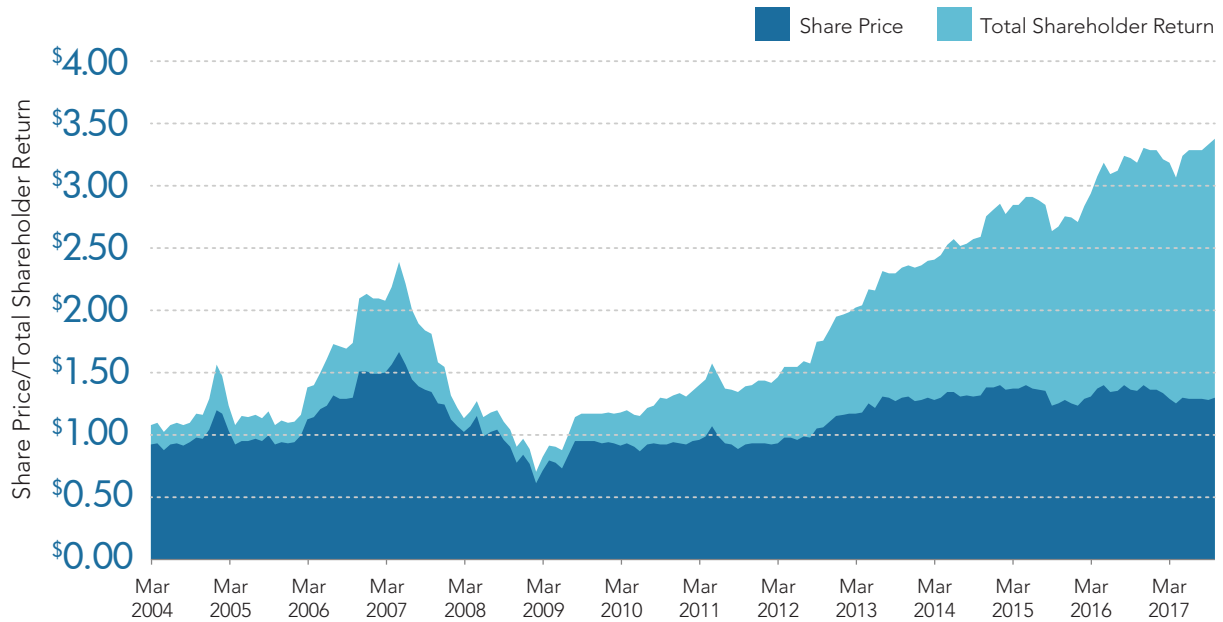
Kingfish uses non-GAAP measures, including adjusted net asset value, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » 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 31 October 2017



October's Biggest Movers

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



5 Largest Portfolio Positions

as at 31 October 2017



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.



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