

Quarter Update Newsletter

1 April 2016 - 30 June 2016

KFL NAV

\$1.39

SHARE PRICE

\$1.34

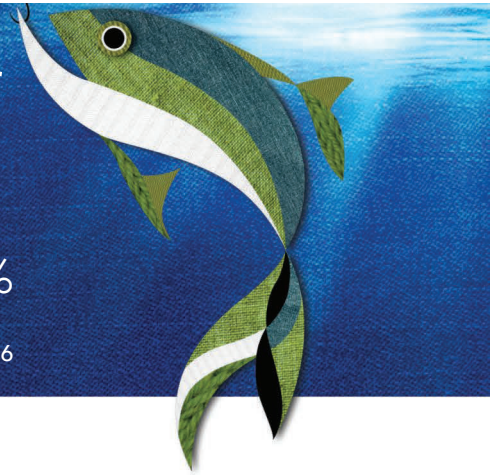
WARRANT PRICE

\$0.04

DISCOUNT

3.9%

as at 30 June 2016



The broader New Zealand share market rose again during the June quarter with the S&P/NZX50G Index up 2.1%. The Kingfish NAV (adjusted for dividends and warrants) also performed strongly, rising 3.8% for the quarter. Although the surprise Brexit vote result caused a dip in equity markets just before quarter end, this had a minimal impact on the New Zealand share market.

Portfolio Review

Abano can concentrate on its Australasian dental operations now that it has sold its 50% share of its audiology business to fellow shareholder Peter Hutson. The \$32m proceeds from the sale will allow it to purchase further dental clinics and progress its current 2% share of the \$11 billion trans-Tasman dental market towards its ultimate goal of attaining a 10% share.

Auckland International Airport added Hong Kong Airlines to its list of new airlines to begin flying direct to Auckland during the quarter. Passenger growth continues to be very buoyant, including both inbound and domestic, with Chinese visitor arrivals in particular being strong.

Delegat Group's New Zealand 2016 harvest was up 33% on the low yielding 2015 and sets the company up nicely for its immediate future. The company is guiding to an 8% increase in net operating profit for the 2016 year.

Fisher & Paykel Healthcare recorded another record profit during the quarter with strong uptake on its products in both hospital and homecare settings. In our opinion, Fisher & Paykel Healthcare remains one of New Zealand's premier companies and has many years of growth ahead of it.

Infratil purchased a 48% stake in Canberra Data Centres in May. Canberra Data Centres operates in the emerging data centre and telecommunications infrastructure sector, a new area of investment within the broader infrastructure sector for Infratil.

Mainfreight delivered on its promise of a resumption of earnings growth in the second half of its March year result. A re-focus on costs, coupled with solid revenue growth across all its divisions resulted in a 2016 profit result more in line with our expectations for this well-run company.

Meridian is edging closer to reaping the benefits from proposed changes to the transmission pricing methodology with another consultation paper issued by the Electricity Authority in May. Meridian is likely to be charged significantly less for transporting its generated electricity around the country, and this will flow through to a meaningful increase in earnings.

Metro Performance Glass is set to reap the benefits of getting its new Auckland plant operating efficiently at a time of buoyant new housing starts, record committed commercial work and strong demand for its retrofitted double glazing. Whilst the housing market is undoubtedly cyclical, it is likely to remain buoyant for

Notable Share Price Movements in the Quarter

Z ENERGY

+21%

MICHAEL HILL INTERNATIONAL

+18%

RESTAURANT BRANDS

+14%

RYMAN HEALTHCARE

+13%

EBOS GROUP

-5%

some time given the push to increase the supply of houses.

Michael Hill International again recorded solid same store sales across all geographic divisions during the quarter and has now committed to the roll out of its fledgling Emma & Roe brand of shops in Australasia. The Emma & Roe brand is a credible growth option in our opinion, and will provide another avenue of earnings growth for the company in the years ahead.

NZX's court case against the former owners of its Clear Grain division is drawing to a close and will hopefully put an end to this costly legal dispute. Other costs have been reigned in, and should see a resumption of earnings growth given the relatively strong New Zealand capital market and push into funds management.

Port of Tauranga is scheduled to receive a 9,500 TEU Maersk vessel later this year, following the successful dredging of the Tauranga harbour. This is a significantly larger vessel than any other ship to arrive in New Zealand, and widens Port of Tauranga's 'moat' in that it is the only port capable of handling these large, efficient ships.

Restaurant Brands' first quarter same store sales growth was again positive, although the rate of growth has slowed from previous quarters. Its newly acquired Australian KFC stores are performing to plan and we expect Carl's Junior stores to make a more meaningful contribution starting from this year.

Ryman Healthcare recorded its 14th straight year of earnings growth during the period, an impressive record by any measure. Five villages are planned to be opened in Melbourne by 2020, with the move into Australia being a key differentiating factor compared to other New Zealand retirement village operators.

Summerset has continued to lift its build rate of new beds and units at its retirement villages at the same time as lifting its development margins, pointing to impressive execution. Summerset is at a more formative stage in its life than Ryman Healthcare, but has performed well and makes a worthy contribution to the Kingfish portfolio.

Tegel recorded a profit result just slightly above its prospectus forecast during the quarter and has generally made a solid debut on the NZX. Growth will come from exports of chicken and the company has aspirations of achieving 25% of sales from exports over the next five years (currently 17%).

Vista Group continues to sign new customers to its niche but sophisticated cinema management software from all corners of the world. It has made further bolt-on acquisitions during the quarter, and is finalising the details of its significant Chinese joint venture which will see the company end up with significant cash reserves.

Z Energy has successfully completed the initial operational stages of its acquisition of Caltex, and is set to realise the significant synergy benefits that are likely to accrue from the acquisition over the next few years. We are confident that Z has the management team to realise these benefits.

Portfolio Changes

As advised in the 2016 annual report, we added both Tegel and Z Energy to the portfolio during the June quarter. Tegel ticked our 'STEEPP' boxes in that it has a dominant market position in an industry that is insulated from export competition due to New Zealand's strict bio-security laws. We previously had an indirect exposure to Z Energy through our significant holding in Infratil, which owned 20% of the company until October last year. We took the view that the Commerce Commission would allow Z Energy to acquire Caltex and took a small holding just prior to the Commission's decision and topped up our position immediately after permission was granted.

Outlook

Although New Zealand share market valuation fundamentals continue to be well above their long term average, the outlook is for short term domestic interest rates to fall further. The market's 'hunt for yield' continues, with the dividend yields available in the New Zealand share market remaining attractive, notwithstanding the strong run in share prices.

We are constantly looking to refresh our portfolio with other companies that meet our 'STEEPP' criteria. In this context we note the somewhat 'skinny' IPO pipeline for new, quality companies entering the NZX. Nevertheless we are happy with the quality of the current Kingfish portfolio and believe it will continue to do well in the medium term.



Murray Brown
Senior Portfolio Manager
Fisher Funds Management Limited
25 July 2016



Carmel Fisher
Managing Director
Fisher Funds Management Limited
25 July 2016

Portfolio Holdings Summary

as at 30 June 2016

LISTED COMPANIES	% Holding
ABANO HEALTHCARE	2.6%
AUCKLAND INTERNATIONAL AIRPORT	3.1%
DELEGAT GROUP	2.9%
EBOS GROUP	4.3%
FISHER & PAYKEL HEALTHCARE	8.8%
FREIGHTWAYS	8.5%
INFRATIL	7.1%
MAINFREIGHT	10.6%
MERIDIAN ENERGY	3.8%
METRO PERFORMANCE GLASS	2.8%
MICHAEL HILL INTERNATIONAL	2.8%
NZX	2.2%
PORT OF TAURANGA	4.7%
RESTAURANT BRANDS	3.8%
RYMAN HEALTHCARE	11.4%
SUMMERSET	5.4%
TEGEL GROUP	1.9%
TRADE ME	3.0%
VISTA GROUP INTERNATIONAL	3.0%
Z ENERGY	2.1%
NON-LISTED COMPANY	
WATERMAN HOLDINGS	0.3%
EQUITY TOTAL	95.1%
NEW ZEALAND DOLLAR CASH	4.9%
TOTAL	100.0%

Performance

to 30 June 2016

	3 Months	3 Years (accumulated)	5 Years (accumulated)
Kingfish Adjusted NAV*	+3.8%	+42.4%	+89.8%
S&P/NZX50G Index	+2.1%	+55.3%	+100.0%
Total Shareholder Return*	+2.3%	+39.5%	+104.4%

*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.

Company News

Dividend Paid 24 June 2016

A dividend of 2.69 cents per share was paid to Kingfish shareholders on 24 June 2016 under the quarterly distribution policy. Interest in Kingfish's dividend reinvestment plan (DRP) remains high with 46% of shareholders participating in the plan. Shares issued to DRP participants are at a 3% discount to market price. If you would like to participate in the DRP, please contact our share registrar, Computershare on (09) 488 8777.

Warrant Update

On 19 April 2016, a new issue of warrants (KFLWD) was announced. The warrants were issued 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 newsletter 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 newsletter 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 newsletter 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

The Kingfish quarter update newsletter is produced for the June and December quarters only. The annual and interim reports cover the March and September periods. If you would like to receive future newsletters electronically please email us at enquire@kingfish.co.nz