

Monthly Update

December 2016

KFL NAV	SHARE PRICE	WARRANT PRICE	PREMIUM
\$1.38	\$1.40	\$0.05	1.7%

as at 30 November 2016



A word from the Manager

It's the festive season and I've been thinking rather more about food and drink lately than usual (although to be fair, they are amongst my favourite topics!). I thought these words in a Christmas recipe book were an apt introduction to our final newsletter of the year:

Without a palate cleanser, strong flavours overwhelm the palate, making it difficult to experience delicate flavours in the next course. Palate cleansers consumed between courses neutralise the palate, cleansing any lingering flavours.

I don't know about you, but I am seriously in need of a Trump palate cleanser! The strong Trump flavours have certainly overwhelmed all others in the past month, and arguably the past year. For investors, 2016 will be remembered as the year Donald Trump was elected President and changed the world as we knew it. How he changed it will only become clear in time ... there is certainly no clarity right now, even though markets are behaving as if there is.

We can only guess what might happen in the American economy, and in global markets in two years' time, just as we can only guess who the real Donald Trump is and what he really intends to do.

Markets are forward looking and are supposed to discount future outcomes in today's prices. But how does a market factor in absolute uncertainty? To date, markets have focused on the almost-certain outcomes like: there will be more infrastructure spending (there's at least one big wall that needs to be built), there will be more growth (Trump has promised more jobs will be created and filled), and there will be higher interest rates (because there will be growth and inflation, and Trump doesn't support the Fed's strategy in using interest rates to drive the economy).

This has been the immediate and obvious trend, and it has seen a reversal of some of the most powerful trends of the last few years — high-yielding investments are no longer as

popular, US money is being repatriated from international assets, and growth assets are now being favoured over defensive assets.

But like I said at the beginning, this is the festive season so the important thing is to wish you all a very happy, enjoyable and safe Christmas wherever you may be. We have loved talking to you in 2016 and hope to have many more conversations with you in 2017.

A personnel update

We farewelled Murray Brown last month and hinted at his successor. We are now pleased to reveal that our new Portfolio Manager for New Zealand Shares is Sam Dickie, who is returning with his wife and family from Hong Kong in the first part of next year.

Sam has worked as an investment analyst and portfolio manager since 1998 in New Zealand, Australia, London and Hong Kong. He has covered a variety of sectors including property, telecommunications, tourism, and industrials and had a particular focus on China and India.

He began his career at Credit Suisse/First NZ Capital as an analyst, and was trained by our very own Murray Brown! We look forward to Sam's return to New Zealand, and are enjoying bringing him up to speed with our portfolios so that he can hit the ground running.

Best wishes and a Happy New Year.



Carmel Fisher
Managing Director,
Fisher Funds



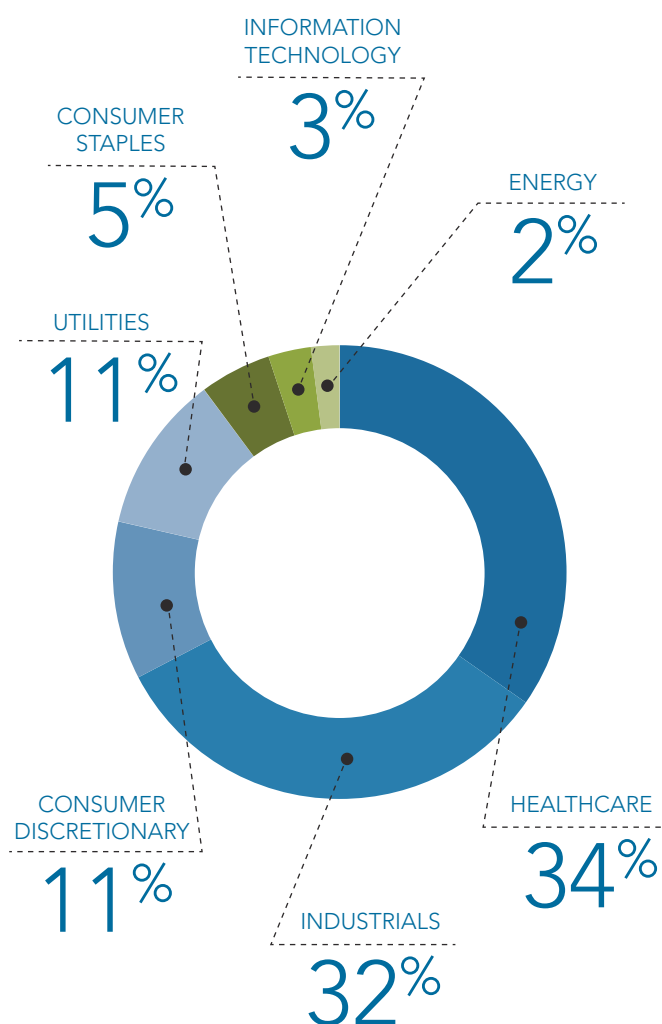
Key Details

as at 30 November 2016

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 per share
SHARES ON ISSUE	155m
MARKET CAPITALISATION	\$217m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 30 November 2016



The Kingfish portfolio also holds cash.

Performance

to 30 November 2016

	1 Month	3 Months	1 Year	3 Years (accumulated)	5 Years (accumulated)
KFL Adjusted NAV*	(1.2%)	(5.5%)	+12.3%	+33.5%	+98.4%
Total Shareholder Return*	+3.8%	+1.9%	+19.8%	+39.7%	+135.4%
Gross Performance [^]	(1.0%)	(5.6%)	+15.4%	+44.1%	+131.3%
S&P/NZX50G Index	(0.9%)	(6.8%)	+13.1%	+43.8%	+110.9%

[^] 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).

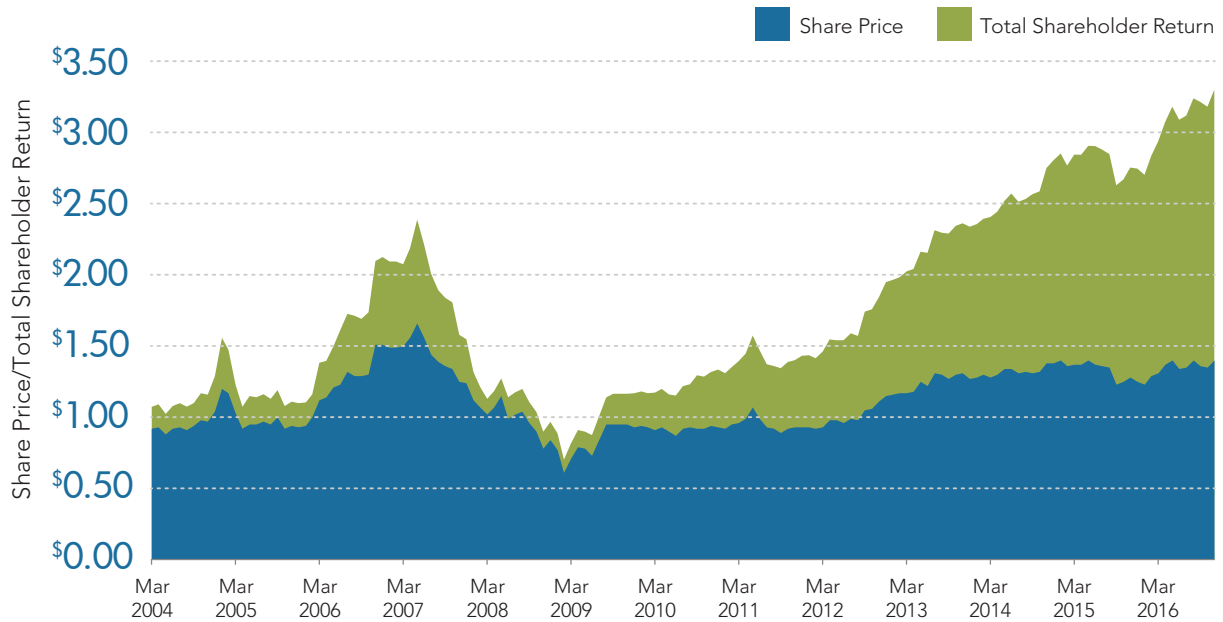
The directors believe this metric to be useful as it reflects the return of an investor who reinvests their dividends and, if in the money, exercises their warrants at warrant maturity date for additional shares. No metric has been included for investors who choose other investment options.

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 30 November 2016



November's Biggest Movers

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

MAINFREIGHT

+9%

AUCKLAND INTERNATIONAL AIRPORT

-7%

FISHER & PAYKEL HEALTHCARE

-8%

Z ENERGY

-8%

METRO PERFORMANCE GLASS

-12%

5 Largest Portfolio Positions

as at 30 November 2016

MAINFREIGHT

12%

RYMAN HEALTHCARE

10%

FISHER & PAYKEL HEALTHCARE

9%

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. Murray Brown (senior portfolio manager) has recently retired. Murray's successor, Sam Dickie, has been found and is due to start in early 2017. In the meantime, Ashley Gardyne (senior investment analyst) is overseeing the prime management responsibilities. Ashley is highly experienced in researching and investing in New Zealand growth companies with over 10 years' experience. 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 (Chairman), 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.



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