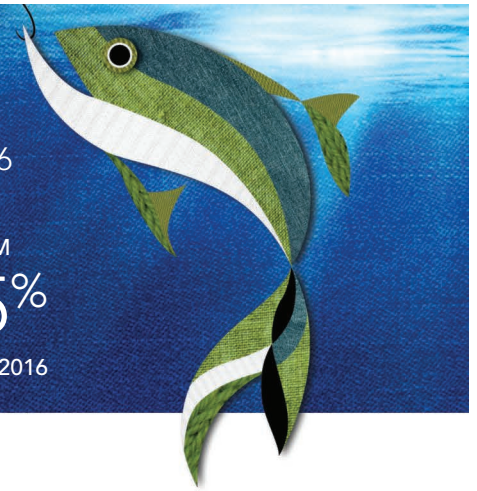


# Quarter Update Newsletter

1 October 2016 — 31 December 2016

NAV	SHARE PRICE	WARRANT PRICE	PREMIUM
\$1.34	\$1.36	\$0.06	1.5%

as at 31 December 2016



After posting very strong performance in the first three quarters of 2016, the New Zealand share market was weak in the December quarter, with the S&P/NZX50G Index falling 6.5%. Over the quarter the Kingfish performed in line with the index, down 6.4% on a gross performance basis.

This weak fourth quarter came after a seven year bull run, where our share market has been supported by a strong economy, growing corporate earnings and high dividend yields on many New Zealand companies. This backdrop supported share prices and also generated much foreign interest in the New Zealand market. In the fourth quarter, we began to see this dynamic change as expectations of increasing global interest rates, inflation and economic growth somewhat reduced the relative attractiveness of New Zealand shares. As a result, the New Zealand market underperformed most global indices in the fourth quarter.

Our best performing stock in the quarter was **Mainfreight** (up 18%), which released strong half year results that highlighted continued market share gains and solid margin improvement. Particularly pleasing were the improvements in their European, Asian and Australian operations. Mainfreight's recent investor day in Melbourne showcased their international growth strategy and we see a huge growth opportunity should they successfully build scale in these large global markets.

There were two material corporate developments in the portfolio during the quarter. Firstly, **Restaurant Brands** announced the acquisition of 37 Taco Bell and 45 Pizza Hut stores predominantly located in Hawaii, following its acquisition of 42 KFC stores in New South Wales earlier in the year. We believe Restaurant Brands' management has proven highly effective in operating quick service restaurants and these new businesses in Australia and Hawaii provide another avenue for growth.

Secondly, there was a well publicised partial takeover offer for 50.1% of **Abano Healthcare** by Healthcare Partners. This is the fourth takeover offer for Abano since 2007, which

## Notable Returns in the Quarter

MAINFREIGHT	FISHER & PAYKEL HEALTHCARE	AUCKLAND INTERNATIONAL AIRPORT	RYMAN HEALTHCARE	MICHAEL HILL INTERNATIONAL
+18%	-14%	-15%	-15%	-23%

highlights the value others see in the growing corporate dental platform they have built (Lumino in New Zealand/ Maven in Australia). We believe the takeover offer is opportunistic and would prefer Abano to remain listed and pursue its existing strategy unencumbered.

Two detractors from returns in the quarter were retirement village operators **Ryman Healthcare** and **Summerset**, as concerns about elevated residential property prices and valuation levels in the sector had an impact on sentiment. These are both well-run growth businesses that have been strong contributors to portfolio returns over the long term.

Despite this recent share market turbulence, our economy and corporate sector are performing well. The economy has been growing at a rapid clip (3.5%), the unemployment rate (4.9%) is at levels not seen since before the global financial crisis, and our housing and construction markets are buoyant. While we have seen a slight pullback in share prices, we are comfortable with our select portfolio of quality businesses and believe it will perform well over the medium to long term.



**Ashley Gardyne**  
Senior Investment Analyst  
Fisher Funds Management Limited  
2 February 2017



**Carmel Fisher**  
Managing Director  
Fisher Funds Management Limited  
2 February 2017

## Performance

### to 31 December 2016

	3 Months	3 Years (accumulated)	Five Years (accumulated)
Total Shareholder Return*	+2.1%	+40.4%	+129.1%
Kingfish Adjusted NAV*	(6.5%)	+32.5%	+97.5%
Gross Performance^	(6.4%)	+42.9%	+130.4%
S&P/NZX50G Index	(6.5%)	+45.3%	+110.1%

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

#### \*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. 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 a capital allocation decision 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.

## Company News

### Dividend Paid 22 December 2016

A dividend of 2.91 cents per share was paid to Kingfish shareholders on 22 December 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.

## Portfolio Holdings Summary

### as at 31 December 2016

LISTED COMPANIES	% Holding
ABANO HEALTHCARE	3.1%
AUCKLAND INTERNATIONAL AIRPORT	3.6%
DELEGAT GROUP	3.0%
EBOS GROUP	5.4%
FISHER & PAYKEL HEALTHCARE	10.6%
FREIGHTWAYS	9.0%
INFRATIL	7.3%
MAINFREIGHT	12.6%
MERIDIAN ENERGY	3.8%
METRO PERFORMANCE GLASS	2.7%
MICHAEL HILL INTERNATIONAL	2.8%
PORT OF TAURANGA	4.7%
RESTAURANT BRANDS	4.6%
RYMAN HEALTHCARE	9.6%
SUMMERSET	4.9%
TEGEL GROUP	2.7%
TRADE ME	3.3%
VISTA GROUP INTERNATIONAL	3.3%
Z ENERGY	1.9%
<b>NON-LISTED COMPANY</b>	
WATERMAN HOLDINGS	0.0%
<b>EQUITY TOTAL</b>	<b>98.9%</b>
NEW ZEALAND DOLLAR CASH	1.1%
<b>TOTAL</b>	<b>100.0%</b>

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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](mailto:enquire@kingfish.co.nz)