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Kingfish Limited Annual Meeting

Chair's Address from Alistair Ryan

[Slide: Kingfish Limited Annual Meeting of Shareholders]

Welcome to the 15th Kingfish Annual Meeting of Shareholders. I am Alistair Ryan, Chair of Kingfish.

We are duly convened as a notice of meeting has been circulated to shareholders and I can confirm that a quorum is present so I declare the meeting open.

Please note that the exits are at the back and front of the room. Please ensure you turn off your cell phones.

At the conclusion of the meeting there will be a light lunch. We look forward to meeting many of you after the meeting.

[Slide: Agenda]

To briefly cover off preliminary matters:

- The minutes of the 2018 annual shareholders' meeting held on 27 July 2018 are available at the registration desk and are also on the Kingfish website.
- The 2019 annual report has been circulated to shareholders – additional copies are available at the registration desk.

Today I'll give a brief update on the Kingfish 2019 financial year, and then Kingfish's Senior Portfolio Manager, Sam Dickie will review the Kingfish portfolio.

After the Manager's Review, we will have a Q&A session, and will then move to the formal business of the meeting. There are four resolutions for you to consider and vote on today, which are set out in the notice of meeting.

[Slide: Introductions]

Let me introduce the front table.

Firstly, the directors. To my right is Carmel Fisher, then Andy Coupe and Carol Campbell.

Next to Carol is Sam Dickie, Senior Portfolio Manager for Kingfish. Next to Sam, is Wayne Burns, the Corporate Manager for Kingfish.

Senior Investment Analyst, Zoie Regan and Investment Analyst, Matt Peek are also in the audience today, please stand Zoie and Matt.

We are pleased to have representatives from our share registrar, Computershare, auditor, PricewaterhouseCoopers, our tax agent, Deloitte and our legal advisors, Bell Gully in the audience today.

[Slide: Chair's Overview]

Shareholders, it is my pleasure to again present the Chair's Overview at this meeting.

[Slide: Kingfish's Investment Objective]

Before we begin the review of the year ended 31 March 2019, it is useful to refresh ourselves as to the key investment objectives of Kingfish, namely:

- to achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the directors; and
- to provide access to a diversified portfolio of New Zealand quality, growth stocks through a single tax-efficient investment vehicle.

Both of these objectives were achieved for the 2019 financial year.

[Slide: Kingfish's Corporate Governance]

The Board is committed to strong governance principles and to overseeing the Manager's portfolio performance on behalf of shareholders. The Investment Committee generally meets twice a year, on a six monthly basis, to hear from the Manager about what has gone well and what has disappointed, and to engage in a comprehensive review session covering key performance metrics, some of which we will go through on the following slides. The Board generally meets formally six times per annum plus other meetings as required.

During the second half of the 2019 financial year the Board held additional meetings to review the Kingfish Management Agreement, which the Board and the Manager renewed for a further five years in late March 2019. As part of the renewal process, the Board negotiated a 33% reduction to the performance fee earn rate (above the performance hurdle) from 15% to 10% together with the introduction of a cap (1.25%) on the total performance fee amount in conjunction with moving to the payment of any performance fee 100% in cash rather than 50% cash and 50% shares. The changes took effect from 1 April 2019.

The Kingfish board wishes to acknowledge the positive response from Fisher Funds Management Limited to enter into fee discussions and for agreeing to these changes which will be of significant benefit for Kingfish shareholders in the circumstances where a performance fee has been earned.

There has been no change to the fulcrum fee, where the base management fee can be reduced on a sliding scale below 1.25% to as low as 0.75% depending on the performance of the fund.

The combination of the fulcrum fee, (down to as low as 0.75% for lower performance) along with the potential for the Manager to receive upside benefit for performance above the nominated threshold level is a good fee combination.

The Kingfish result as already announced is a record net profit result for the 2019 financial year which I will highlight further on the next slide and which Sam will discuss in more detail in the Manager's Review.

[Slide: 2019 Overview]

So how has 2019 treated shareholders?

- Kingfish delivered a very strong net profit of \$47.1m for the 2019 financial year, well ahead of last year's net profit result of \$36.3m.
- Total shareholder return was 13.5% for the period, just ahead of the 2018 total shareholder return of 12.0%.

- Kingfish's regular dividends continued to contribute to the total shareholder return with 11.76 cents per share paid in dividends during the 2019 financial year, which is equivalent to a dividend return of +9.0% (2018: +8.7%).
- Due to the strong performance in 2019, the overall net asset value (NAV) per share grew from \$1.45 (as at 31 March 2018) to \$1.57 (as at 31 March 2019) – even after dividends were paid out.
- The adjusted NAV return was +17.6% for the period which represents the net return to an investor after fees and tax, significantly ahead of the 2018 result of 14.7%. The increase in return was largely driven by stronger portfolio performance.
- Over the 2019 financial year, the share price to NAV discount widened from 9.7% (31 March 2018) to be 13.1% at 31 March 2019. However, for a large part of the year the discount was below 8%. Since year end, the share price to NAV discount has continued to fluctuate.
- The Board has a number of initiatives in place to help manage the share price to NAV discount including the buyback programme. Over the 12 months to 31 March 2019, 395k Kingfish shares were purchased under the buyback programme when the shares were trading at sufficiently deep discounts. Shares purchased under the buyback programme are held as treasury stock and primarily utilised under the dividend reinvestment plan.

[Slide: Basic and Diluted Earnings per Share]

- Looking back over the last five years there has been steady growth in the Earnings per Share.
- We know however that behind these steady growth statistics there has certainly been a degree of volatility.
- During the 2019 financial year the steady first half of the year (to 30 September 2018) produced a net profit of \$31m, which was almost completely reversed in the extremely volatile market conditions that prevailed during the quarter ending December 2018.
- The last quarter of the financial year to March this year saw yet another steady recovery, with the Kingfish portfolio gaining \$38m (NPAT).

[Slide: Use of Shareholder Funds]

The chart shows the Kingfish NAV of \$276m (as at 31 March 2018) increased \$34m to \$310m (as at 31 March 2019).

The movements during the year as represented by the blue and yellow columns were:

- plus \$47.1m net profit,

And movements due to our capital management initiatives:

- less \$23m dividends paid,
- adding back \$8m for dividends reinvested by shareholders, and
- less \$0.5m for buybacks.

As per the terms of the Management Agreement, Kingfish issued the Manager 1,409,150 shares for consideration of \$2,211,942 in relation to the performance fee payment obligations.

[Slide: Quarter 1, 2019]

The first quarter of Kingfish's 2020 financial year has been relatively settled and markets have risen.

This slide provides a snapshot of the first three months of the current financial year to 30 June 2019:

- Total shareholder return for the quarter was +10.1% - driven by share price increasing from \$1.35 (31 March) to \$1.44 (30 June).
- As at 30 June, the NAV per share was \$1.62 (\$1.57 as at 31 March) – an increase of 5 cents in three months and after a dividend of 3.07 cents per share paid on 27 June.
- The adjusted NAV return for the first three months of the 2019 financial year was +5.3% (which represents the net return to an investor after fees and tax).
- This performance to date, translates to a net profit of \$18.8m for the three months to 30 June 2019.

[Slide: Warrants]

- Earlier this month, Kingfish warrant holders had the option to convert all or some of their warrants into ordinary Kingfish shares at an exercise price of \$1.25.
- At the time, Kingfish shares were trading on market at \$1.45.
- 87% of warrant holders exercised their warrants, which has provided an additional \$52.4m to invest in the Kingfish portfolio, and has been invested in existing Kingfish portfolio stocks.

Closing remarks

In closing, on behalf of the Board, thank you shareholders for your continued support of Kingfish. I will now hand over to Sam Dickie, Senior Portfolio Manager of Kingfish.

ENDS