

Monthly Update

August 2019

KFL NAV	SHARE PRICE	DISCOUNT ¹
\$1.62	\$1.46	10.0%

as at 31 July 2019



A word from the Manager

Market Environment

Kingfish achieved an adjusted NAV return of 4.3% in July. The New Zealand market continued its 2019 'clean sheet' with a 3.4% return in July (S&P/NZX50G) – so far every month has been positive for the calendar year. New Zealand continues to perform well compared to global markets, supported by low interest rates. It's worth noting however that at the time of putting this monthly update together higher levels of volatility have returned to the markets in early August.

The Portfolio

It was a relatively quiet month in terms of news flow ahead of the August reporting season.

a2 Milk shares returned a stellar 22.8% in the month, justifying our decision to top up our position on weakness in the preceding months. We attended Synlait's investor day, which showcased that a2 has a best-in-class manufacturing partner. The Dunsandel plant where most of a2's infant formula is manufactured is very impressive in terms of its cleanliness, newness, and levels of automation. It was great to see the infant formula canning line rapidly firing through tin after tin of a2's Stage 3 product. Synlait commented that unplanned stoppages are now more infrequent which we think significantly increases the actual capacity of the plant. This should support a2's strong volume growth and also creates cost benefits for a2.

Mainfreight released its semi-annual newsletter and provided a trading update at its Annual Meeting of Shareholders. The company is continuing to get traction with its sales efforts in the US and Europe and has a

strong forward looking pipeline of opportunities to add new customers. These addressable markets are huge, with Mainfreight's current operations barely scratching the surface, and represents long duration growth opportunities.

Auckland Airport dipped 5.5% during the month, giving back some of the strong recent gains. New Zealand will introduce a \$35 International Visitor Conservation and Tourism Levy (IVL) later in 2019 on all international visitor arrivals excluding Australia and the Pacific. At the margin we think this may dampen tourism flows and it would appear that the market has adopted a similar view, given the recent share price weakness.

Portfolio Changes

We added slightly to the position in Mainfreight during the month and trimmed Freightways. We think Mainfreight's prospects in the US and Europe remain under-appreciated.



Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



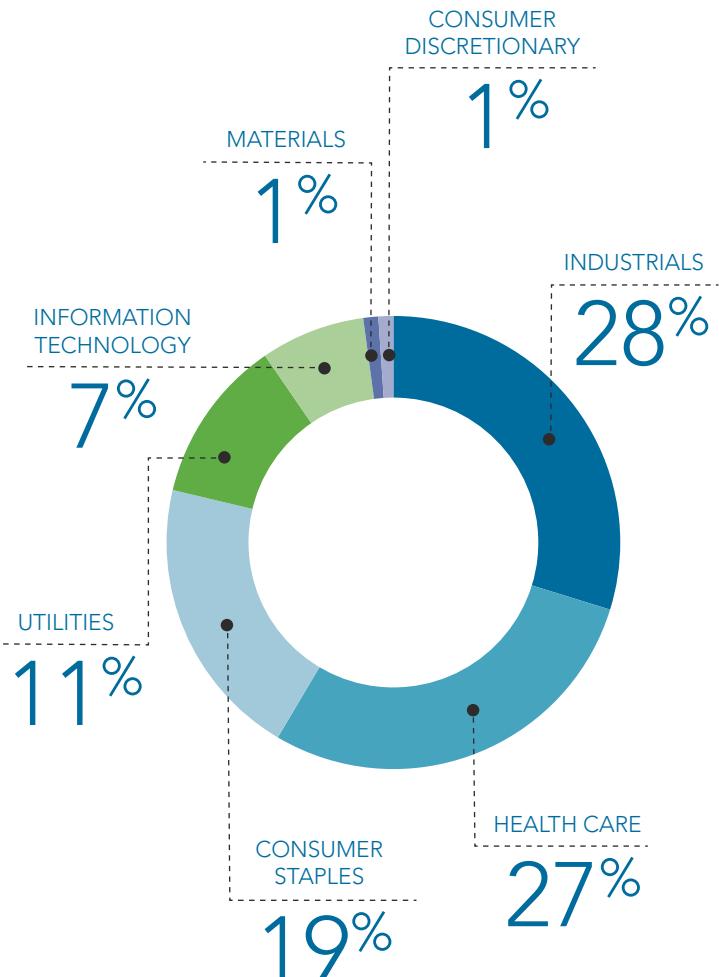
Key Details

as at 31 July 2019

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	10% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$1.47
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	242m
MARKET CAPITALISATION	\$354m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 July 2019



The Kingfish portfolio also holds cash

Performance

to 31 July 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+2.4%	+4.7%	+16.0%	+13.5%	+12.6%
Adjusted NAV Return	+4.4%	+8.1%	+20.5%	+14.7%	+14.5%
Portfolio Performance					
Gross Performance Return	+5.0%	+9.1%	+24.9%	+17.6%	+17.4%
S&P/NZX50G Index	+3.4%	+8.4%	+21.7%	+13.9%	+16.0%

Non-GAAP Financial Information

Kingfish uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, 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 after fees and tax,
- » adjusted NAV return – the net return to an investor after fees and tax,
- » gross performance return – the Manager's portfolio performance in terms of stock selection, before fees and tax, 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, adjusted NAV return, 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 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 July 2019



July's Biggest Movers

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

THE A2 MILK COMPANY

+23%

RYMAN HEALTHCARE

+10%

FISHER & PAYKEL
HEALTHCARE

+7%

AUCKLAND
INTERNATIONAL
AIRPORT

-6%

PUSHPAY HOLDINGS

-13%

5 Largest Portfolio Positions

as at 31 July 2019

THE A2 MILK COMPANY

15%

FISHER & PAYKEL
HEALTHCARE

14%

MAINFREIGHT

13%

INFRATIL

8%

FREIGHTWAYS

7%

The remaining portfolio is made up of another 10 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.

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 9.7m of its shares on market in the year to 31 October 2019
- » 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

Warrants

- » Warrants put Kingfish in a better position to grow further, 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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