



# MONTHLY UPDATE

August 2021

Share Price

\$2.01

KFL NAV

\$1.76

PREMIUM<sup>1</sup>

14.3%

as at 31 July 2021

## A WORD FROM THE MANAGER

### Market Update

In July, Kingfish's gross performance return was down (0.1%) and the adjusted NAV return was down (0.3%). This compares with the local market benchmark index return which was down (0.5%) (S&P/NZX50G).

New Zealand equities fell (0.5%) in July, underperforming most major global equity markets (MSCI World +1.8%, S&P 500 +2.4%, ASX 200 +1.1%).

Despite all the rhetoric about inflation pressures and rising interest rates, the US 10 year government bond rate fell the most sharply in a year. At the moment, the spectre of the COVID delta variant is causing renewed lockdowns in some countries. The resulting drag on global economic growth is outweighing the concern around upward pressure on inflation and interest rates for now. It is also giving central banks some breathing space before they start to unwind the extraordinary stimulus.

### Portfolio

**Auckland Airport** (flat) provided subdued updated fiscal 2022 guidance. Retail income is expected to be only \$25-35 million (11-16% of 2019 levels) due to the airport providing ongoing support for retail tenants whilst borders remain partially closed. Auckland Airport also prepaid \$500 million in US Private Placement debt in order to retain covenant flexibility whilst border closures persist. Sydney Airport received a takeover bid from a consortium of global infrastructure funds, validating the long-term value in airports and the opportunity available once borders reopen further.

**Delegat** (-9%) downgraded earnings expectations during the month. The well publicised global shipping capacity shortage meant its product is not getting to its offshore customers as quickly as the market expected. In addition, the weaker harvest than expected in 2021 will impact volume and costs in 2022 more than we initially expected. We think both issues will have limited impact beyond the current financial year.

**Infratil** (-5%) announced that Marko Bogoevski will step down as CEO of Morrison & Co, Infratil's manager, having stepped down as Infratil CEO earlier this year. Marko will be succeeded by Paul Newfield, who is Morrison & Co's CIO and has 13 years of experience at the company, which we see as a positive. In addition, Marko will remain involved as an Operating Partner with involvement with key portfolio company boards, such as Vodafone.

**Mainfreight** (+7%) held its annual meeting and released some very strong numbers for the first four months of its 2022 fiscal year. Profit has almost doubled versus the same period last year, plus the company already anticipates its full year result will be "satisfactory". This is a positive given the company's normally conservative stance on guidance. For the first time since we have been running the portfolio, we are seeing all the key geographies (NZ, Australia, US, Europe) really performing well at the same time. The company is taking market share at the fastest pace in its history.

**Ryman Healthcare** (flat) held its annual meeting this month, announcing record quarterly sales volumes and a new site purchase in Victoria. Ryman has been able to increase prices recently due to the strong housing market. It guided to maintaining current debt levels as it grows over the next few years, implying faster capital recycling and reduced leverage (the ratio of debt to assets). This is positive although we remain cautious given recent management changes and some delays to certain developments.

**Summerset** (-4%) announced second quarter sales figures, which were a record for the June quarter. The figure of 270 sales of new units plus resales was almost twice the average of 150 over the past four years.

Sam Dickie  
Senior Portfolio Manager  
Fisher Funds Management Limited



<sup>1</sup> Share Price Premium to NAV (using NAV to four decimal places)

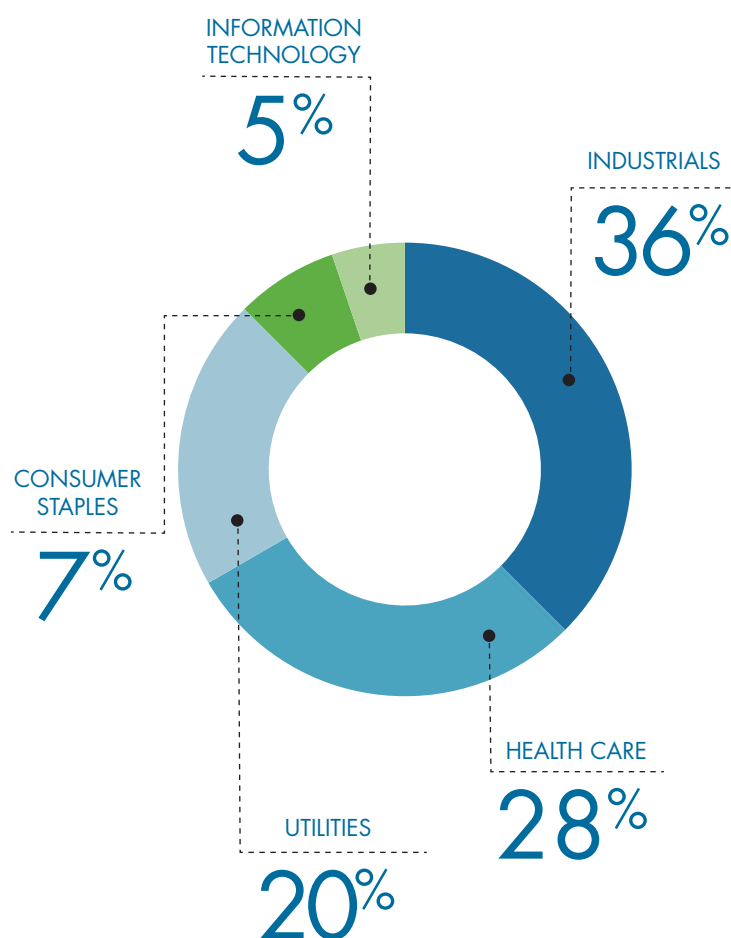
## KEY DETAILS

as at 31 July 2021

FUND TYPE	Listed Investment Company
INVESTS IN	Growing New Zealand companies
LISTING DATE	31 March 2004
FINANCIAL YEAR END	31 March
TYPICAL PORTFOLIO SIZE	10-25 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	\$1.73
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	314m
MARKET CAPITALISATION	\$632m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 31 July 2021



The Kingfish portfolio also holds cash

## PERFORMANCE to 31 July 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	(0.5%)	+5.5%	+32.4%	+25.2%	+19.9%
Adjusted NAV Return	(0.3%)	(0.1%)	+12.8%	+16.3%	+14.5%
<b>Portfolio Performance</b>					
Gross Performance Return	(0.1%)	+0.0%	+14.8%	+19.5%	+17.3%
S&P/NZX50G Index	(0.5%)	(1.1%)	+7.4%	+12.2%	+11.4%

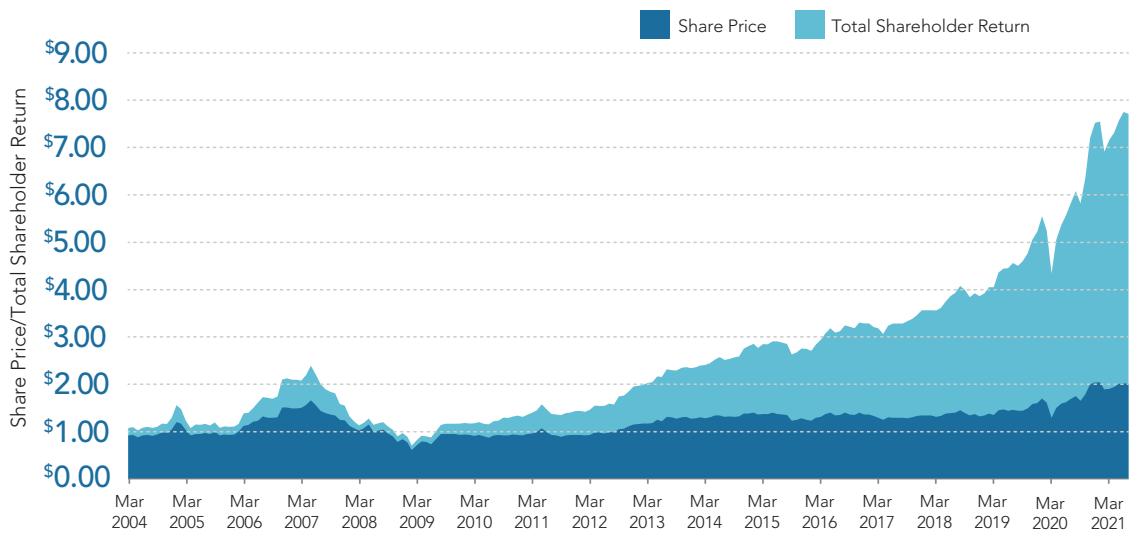
### Non-GAAP Financial Information

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 expenses, fees and tax,
- » adjusted NAV return – the net return to an investor after expenses, fees and tax,
- » gross performance return – the Manager's portfolio performance in terms of stock selection, before expenses, fees and tax, and
- » total shareholder return – the return combines the share price performance, the warrant price performance, the net value of converting any warrants into shares, and the dividends paid to shareholders. It assumes all dividends are reinvested in the company's dividend reinvestment plan, and that shareholders exercise their warrants, (if they were in the money), at warrant expiry date.

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 2021



## JULY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

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

MAINFREIGHT

+7%

SUMMERSET

-4%

INFRATIL

-5%

PUSHPAY

-6%

DELEGAT

-9%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 July 2021

MAINFREIGHT

21%

FISHER & PAYKEL  
HEALTHCARE

15%

INFRATIL

15%

AUCKLAND  
INTERNATIONAL  
AIRPORT

9%

SUMMERSET

8%

The remaining portfolio is made up of another 9 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 10 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

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. Kingfish's portfolio is managed by Fisher Funds Management Limited. Sam Dickie (Senior Portfolio Manager), Matt Peek and Michael Bacon (Senior Investment Analysts) have prime responsibility for managing the Kingfish portfolio with the assistance of Luke O'Donovan (Quantitative Analyst). Together they have around 50 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.

## BOARD

The Board of Kingfish comprises independent directors Alistair Ryan (Chair), Carol Campbell, Andy Coupe and David McClatchy.

## 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 its shares on market
- » 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 Kingfish 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 a 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 June have no correlation with results historically achieved.



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