



# MONTHLY UPDATE

August 2024

Share Price

\$1.30

KFL NAV

\$1.38

DISCOUNT<sup>1</sup>

5.9%

as at 31 July 2024

## A WORD FROM THE MANAGER

It was a strong month for New Zealand shares in July (S&P/ NZX 50 gross index +5.9%). The Kingfish portfolio gross performance return and Adjusted NAV return were +5.7% and +5.6% respectively. This was off the back of 'dovish' commentary from the Reserve Bank, which may signal a shift towards lower interest rates more conducive to economic growth. There was also takeover interest in some New Zealand companies at large premiums to the prevailing share prices.

**Auckland Airport** (-2%) saw the Commerce Commission release its draft report reviewing proposed passenger charges for the 2023 to 2027 financial years. The report suggested charges may need to be reduced because Auckland Airport's return on its regulated assets (8.7%) would be higher than what it deems to be fair (7.3-7.5%). Auckland Airport acknowledged it will reduce charges if the final report maintains this view, though management continues to contest the appropriate level of return should be higher. Its view is that the Commission is under-estimating the riskiness of its aeronautical business, with the COVID-affected period a key illustration. It is also investing significantly in some regulated assets without any income, which the Commission does not consider in its return calculation.

**Contact Energy** (-6%) provided initial guidance for its new 2025 financial year and suggested its dividend will rise to 39¢ (as anticipated) but this will not increase further in the next couple of years. New capacity at the Tauhara geothermal plant has taken longer than expected to come online and a worsening in the shortage of gas in New Zealand plus low hydro lake levels has made it more expensive for Contact to purchase enough electricity in the open market to meet customer demand. Contact also announced its decision to proceed with a 100MW battery near Glenbrook, Auckland which will allow it to generate electricity in the South Island off-peak and sell into higher North Island pricing at better times, which should boost earnings by around \$20 million when commissioned in 2026.

**Mainfreight** (+12%) was one of many cyclical companies that saw its share price rise over the month. The company, however, reported a disappointing trading update for the first

15 weeks of its new 2025 financial year at its Annual Meeting, with pre-tax profit down -11% despite a +8.5% increase in revenue. As always, the dozen-plus parts of its business are travelling at different speeds based on geography and customer offering. Australia continues to perform strongly, with pre-tax profit growth of +7.5% and revenue growth of +17%. The Air & Ocean international freight forwarding division delivered surprisingly weak earnings, with global shipping disruption and higher freight rates not benefiting the company (yet), in contrast to the situation of 2021 and 2022. It called out freight margins as being thinner, with many customers particularly price-sensitive in the current environment. Management seemed calm despite the tough start to the year and pointed to high levels of sales activity in June and 300+ customer gains as reasons to remain confident about the outlook.

**Summerset** (+18%) delivered a solid second quarter sales update, with resales particularly strong (20% ahead of last year) despite the national housing market remaining sluggish. The company also commented that underlying earnings for the six months to June will be similar to last year. Summerset remained silent on full year guidance, but reiterated it expects to build approximately 675 to 725 units in 2024, with the slight caveat that it expects it will deliver closer to the lower end as the company deliberately manages deliveries to soft market conditions. The strong share price move reflected a takeover offer for fellow listed retirement operator Arvida at a large premium, with all listed operators seeing large gains (Ryman was up +27%). The prospect of earlier and deeper interest rate cuts will potentially also improve the prospects for the local housing market sooner than anticipated.

Matt Peek  
Portfolio Manager  
Fisher Funds Management Limited



<sup>1</sup> Share Price Discount to NAV (using the net asset value per share, after expenses, fees and tax, to four decimal places).

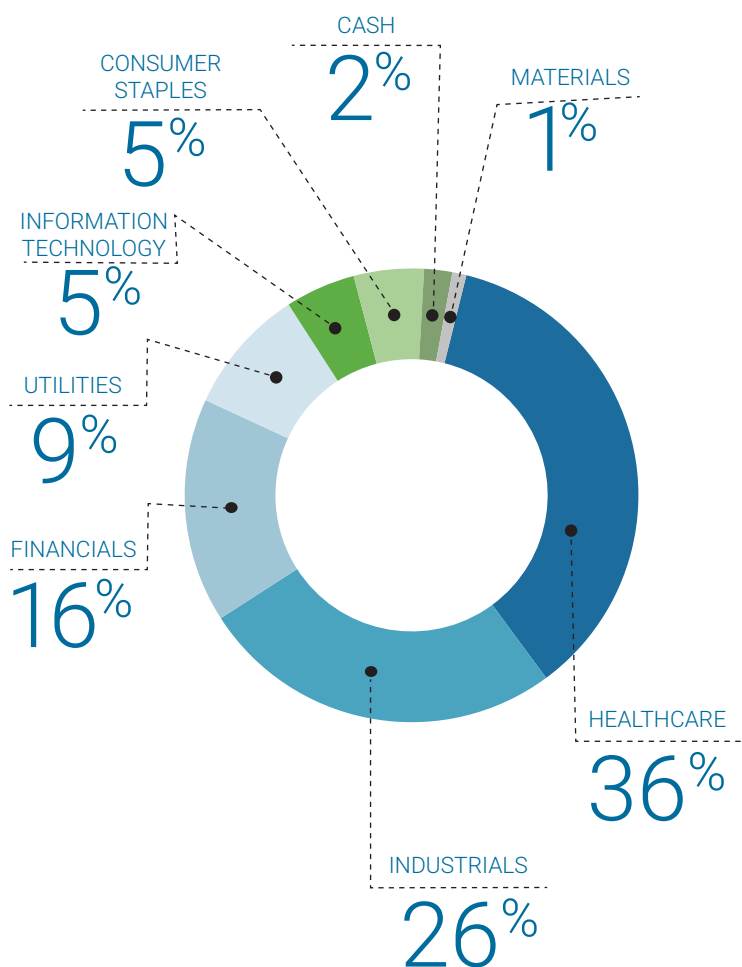
# KEY DETAILS

as at 31 July 2024

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	\$1.33
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	343m
MARKET CAPITALISATION	\$445m
GEARING	None (maximum permitted 20% of gross asset value)

# SECTOR SPLIT

as at 31 July 2024



# PERFORMANCE as at 31 July 2024

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+11.9%	+8.8%	+6.2%	(5.8%)	+7.2%
Adjusted NAV Return	+5.6%	+5.5%	+7.4%	+0.2%	+5.6%
<b>Portfolio Performance</b>					
Gross Performance Return	+5.7%	+6.0%	+9.2%	+1.5%	+7.4%
S&P/NZX50G Index	+5.9%	+3.7%	+2.9%	(0.5%)	+2.7%

## 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 dividends (and other capital management initiatives) and after expenses, fees and tax,
- » adjusted NAV return – the percentage change in the adjusted NAV,
- » 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 [kingfish.co.nz/about-kingfish/kingfish-policies](http://kingfish.co.nz/about-kingfish/kingfish-policies).

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

RYMAN HEALTHCARE

+27%

FREIGHTWAYS GROUP

+18%

SUMMERSET GROUP

+18%

PORT OF TAURANGA

+17%

MAINFREIGHT

+12%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 July 2024

FISHER & PAYKEL HEALTHCARE

18%

INFRATIL

16%

MAINFREIGHT

12%

AUCKLAND INTERNATIONAL AIRPORT

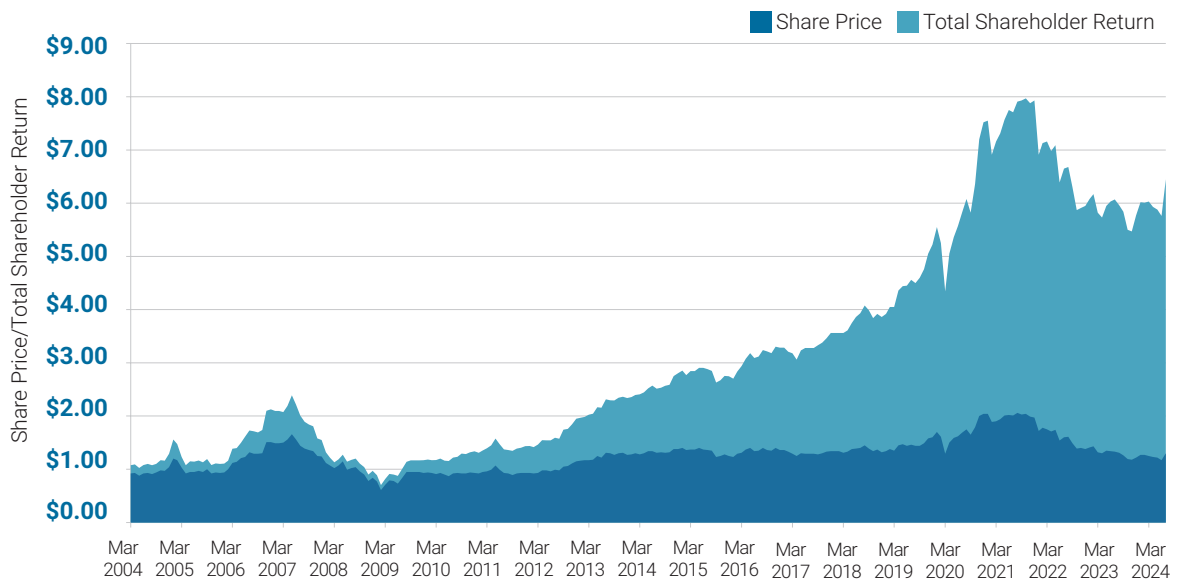
9%

SUMMERSET

8%

The remaining portfolio is made up of another 10 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 31 July 2024



## 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

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. Matt Peek (Portfolio Manager) and Michael Bacon and Zoie Regan (Senior Investment Analysts) have prime responsibility for managing the Kingfish portfolio. Together they have significant 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 Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

## 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

### 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

### 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 utilised for the dividend reinvestment plan

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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