



# Monthly Update

December 2019

KFL NAV	SHARE PRICE	DISCOUNT <sup>1</sup>
<b>\$1.64</b>	<b>\$1.58</b>	<b>3.9%</b>
as at 30 November 2019		

## A word from the Manager

Kingfish delivered a stellar adjusted NAV return of +7.8% in November, outpacing the strong New Zealand share market return of +4.9% (S&P/NZX50G).

The outperformance reflected very strong performance in a number of our companies, notably: Pushpay (+21.0%), a2 Milk (+19.4%), Ryman and Summerset (both +17.0%), and Fisher & Paykel Healthcare (+15.7%).

### The Portfolio

**Fisher & Paykel Healthcare** announced a strong financial result, with a continuation of strong growth in its Hospital segment driven by both hardware sales and growth in new applications. Revenue from the new Vitera masks has offset the decline in sales of some of the legacy obstructive sleep apnea masks. We think the company continues to deliver against its long-term growth potential and that Vitera and another new mask flagged for release in coming months could cause an acceleration in revenue growth.

**Mainfreight** reported solid growth in its first half result for its 2020 fiscal year. New Zealand and Australia grew despite slower economic growth, and positively the company flagged it has seen better trading in the lead-in to Christmas. Revenue growth in the US and Europe was lower than recent periods, although the company flagged 30 new sales roles in Europe which should see an improvement in new sales leads. Profit margins in both the US and Europe were stronger than our expectations as further progress has been made in increasing line haul and warehouse utilisation and continuing to improve operating disciplines.

**Ryman Healthcare** released its first half result slightly short of expectations, but maintained guidance of delivery of 900 units for the full-year. The company continues to progress towards its targeted build rate of 1600 units per annum and announced another development site at Highett in Melbourne. The company is holding an investor day in Melbourne in December.

We attended **a2 Milk's** annual meeting in Auckland. The company provided a detailed guidance statement which was more positive than most expectations. Many investors and analysts had become fearful and lost confidence in the company in recent months (while we had been buying shares at much lower prices). The company also announced a long-term incentive plan for management which sets clear targets for strong growth in sales and profits.

**Pushpay** reported its first half result for the 2020 fiscal year. It reiterated its full-year revenue guidance of US\$121-124 million and is demonstrating strong control of costs, which means profits are growing rapidly.

**Vista** hosted an investor day which largely focused on providing more detail around the transition of its core cinema software business to Software as a Service (SaaS). The company had announced its plans to accelerate this transition in August but had not provided much detail at the time. The presentation clearly articulated the benefits to customers from the transition and what is involved operationally. There was also an update from data business Movio, where the company unveiled the establishment of a new Moviegoer Data Platform. This will act to accelerate its entry into new geographical markets and introduce new revenue opportunities.

### Portfolio changes

There were no changes to our target portfolio weightings over the month.

Sam Dickie  
Senior Portfolio Manager  
Fisher Funds Management Limited



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

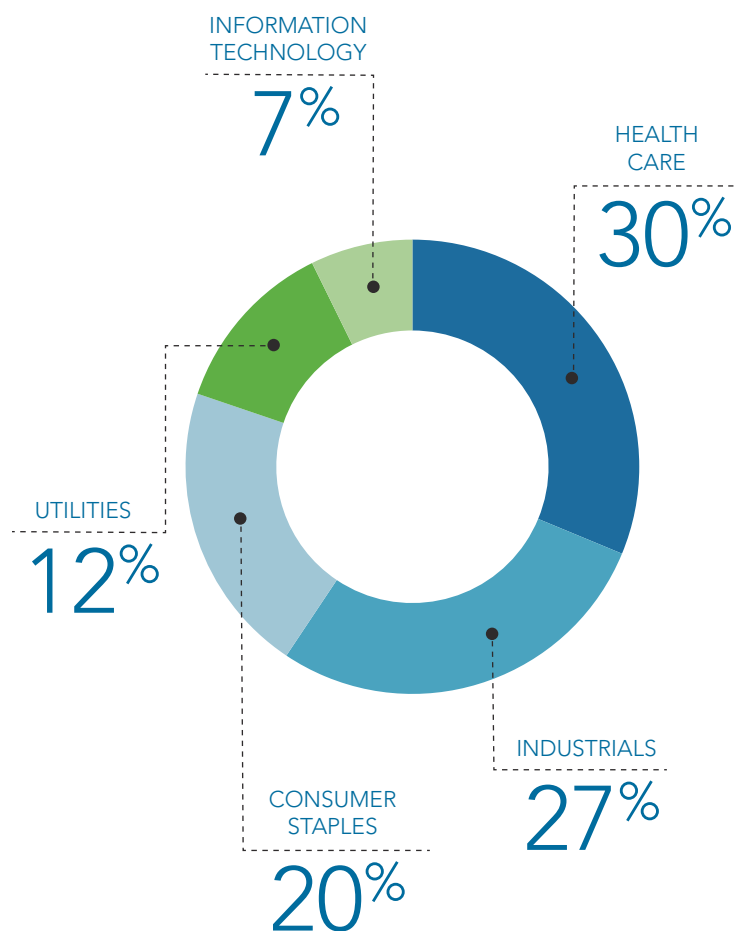
# Key Details

as at 30 November 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	\$1.43
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	244m
MARKET CAPITALISATION	\$386m
GEARING	None (maximum permitted 20% of gross asset value)

# Sector Split

as at 30 November 2019



The Kingfish portfolio also holds cash

# Performance

to 30 November 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+6.0%	+12.3%	+29.0%	+15.2%	+12.9%
Adjusted NAV Return	+7.8%	+9.3%	+30.6%	+17.6%	+14.5%
<b>Portfolio Performance</b>					
Gross Performance Return	+8.7%	+10.5%	+36.0%	+20.8%	+17.4%
S&P/NZX50G Index	+4.9%	+5.2%	+28.3%	+18.0%	+15.8%

## Non-GAAP Financial Information

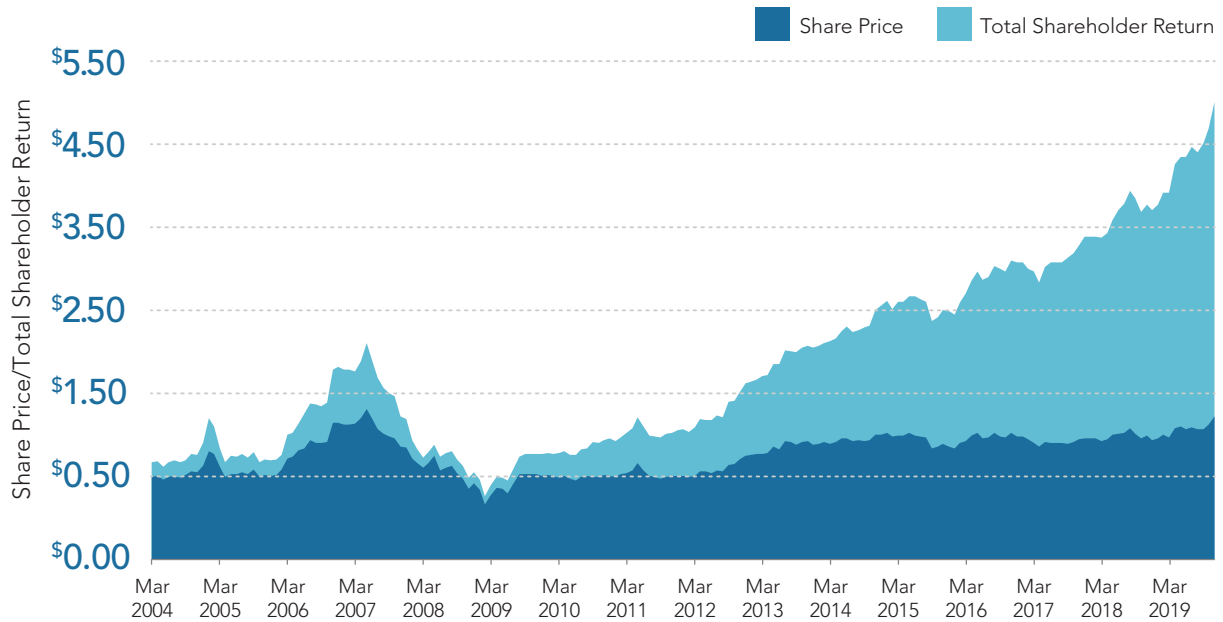
Kingfish uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » 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 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 30 November 2019



## November's Biggest Movers

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

PUSHPAY HOLDINGS

+21%

THE A2 MILK COMPANY

+19%

SUMMERSET GROUP

+17%

RYMAN HEALTHCARE

+17%

FISHER & PAYKEL HEALTHCARE

+16%

## 5 Largest Portfolio Positions

as at 30 November 2019

THE A2 MILK COMPANY

17%

FISHER & PAYKEL HEALTHCARE

14%

MAINFREIGHT

13%

INFRATIL

9%

SUMMERSET GROUP

8%

The remaining portfolio is made up of another 8 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) and Matt Peek (Investment Analyst) have prime responsibility for managing the Kingfish portfolio. Together they have over 30 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 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 12.2m of its shares on market in the year to 31 October 2020
- » 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.



Kingfish Limited  
Private Bag 93502, Takapuna, Auckland 0740  
Phone: +64 9 489 7094 | Fax: +64 9 489 7139  
Email: [enquire@kingfish.co.nz](mailto:enquire@kingfish.co.nz) | [www.kingfish.co.nz](http://www.kingfish.co.nz)

Computershare Investor Services Limited  
Private Bag 92119, Auckland 1142  
Phone: +64 9 488 8777 | Fax: +64 9 488 8787  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz) | [www.computershare.com/nz](http://www.computershare.com/nz)