MONTHLY UPDATE

December 2021

Share Price	Warrant Price	KFL NAV	PREMIUM[1]
$1.99	$0.11	$1.79	12.9%

as at 30 November 2021

A WORD FROM THE MANAGER

In November, Kingfish's gross performance return was down (3.2%) and the adjusted NAV return was also down (3.2%). This compares with the local market benchmark index return, the S&P/NZX50G, which was down (2.9%).

Market Update

New Zealand equities, as measured by S&P/NZX 50 index, underperformed major global equity markets (MSCI World -2.2%, S&P 500 -1.0%, S&P/ASX 200 -0.5%). The weakness reflected a combination of concerns. Higher interest rates mean investors are placing a lower valuation on defensive companies such as Contact Energy and Meridian. Summerset and Ryman have seen their share prices fall as their businesses are exposed to the slowing New Zealand housing market. A COVID resurgence globally is a threat for reopening beneficiaries such as Vista. The Kingfish portfolio slightly underperformed the benchmark index, during a busy month that saw many portfolio companies report their first half results for the 2022 fiscal year.

The Portfolio

Fisher & Paykel Healthcare (+7%) reported a strong first half result, ahead of expectations, boosted by another wave of COVID hospitalisations in the US, Asia, and certain countries in Europe. The bulk of the strength was in sales of new hardware in the Hospital division, which continues to grow the installed base of F&PH products in both established and new customers (circa 70% of hardware sales were outside of the core markets of US/Europe). There are signs that the step-change due to COVID will endure and consumables sales will grow off a higher base as the COVID overlay wanes. In Europe, where overall hospitalisations were down sharply, hardware and consumables sales were still well above pre-COVID levels. Also, around 70% of European hardware sales were to customers who had already bought devices the previous year, which suggests a meaningful component of this is increased frequency of usage and usage outside the ICU rather than purely COVID. European consumables sales are well up on pre-COVID levels despite a weaker COVID wave, which is a good sign for the utilisation of the higher installed base. We think that there is increasing weight of evidence to suggest that NHF[2] usage will structurally increase even as the COVID overlay wanes.

Infratil (-4%) reported its first half result. A key highlight was the announcement that data centre business CDC has purchased a new site in Melbourne. They expect to begin construction in the first half of 2022, contingent on signing an anchor tenant. The new site will eventually provide 150 megawatts of capacity and takes CDC's total planned capacity to 700 megawatts. This follows CDC's expansion into Sydney in 2018 and Auckland earlier in 2021, with Microsoft as anchor tenant in those locations. Infratil updated full year 2022 earnings guidance, reducing the range by -4% at the top end to reflect lockdown impacts on Wellington Airport, Infratil's diagnostic imaging businesses and transaction costs from new acquisitions.

Mainfreight (+1%) reported a strong first half result, ahead of expectations, with +41% growth in revenue (to $2.3 billion) and +78% growth in profit before tax (to $182m). Demand continues to be strong since the 30 September balance date and is expected to continue through Christmas and into 2022. There was synchronised record performance and growth in every product and geography, out of its eight regions and services, the lowest revenue growth rate was +24% and lowest profit before tax growth rate was +28% (the highest were +157% and +310%). There was a volume uplift of +30% in Air & Ocean freight, so the company is moving significantly more freight, not just achieving higher rates and margins. The volume in Transport increased +15%, in spite of Australian and New Zealand lockdowns during the period. Mainfreight is capturing market share as a result of superior delivery execution.

Pushpay (-28%) reported a weak first half result, with revenues and profits below expectations. This was primarily due to lower than expected payment processing volumes in the first quarter of the year. The company attributed this

[1] Share Price Premium to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places).
[2] Nasal High Flow (NHF) is a non-invasive respiratory support product.

to lower church attendance during summer in the US as COVID restrictions eased and people took the opportunity to take overdue holidays. Digital adoption in church giving has plateaued after the large increases during COVID, while new customer signups have also been subdued. The company also called out wage pressure in the IT sector which is inflating its costs. Overall the company reduced its full year guidance for underlying operating profit by -6%.

Ryman Healthcare (-15%) reported its first half result, however the most notable development was the retirement of David Kerr as Chair after 27 years. This was a disappointing development given that the new CEO Richard Umbers only started in late October and new Chair Greg Campbell joined the board in March (this year). Ryman also reported a lockdown-impacted result, with weaker new sales. The company also tempered medium-term build rate expectations, indicating it will take longer to achieve their medium-term goal of adding 1,600 units and care beds annually. Ryman announced a change in dividend policy to 30-50% of underlying profit (from 50%), which will accelerate the return to normal gearing levels by a number of years. On the positive side, resales were at strong levels (+9.6% on the previous half), resales margins were resilient (at 24%), and there will be a further +5% increase in unit prices (cumulatively +15% in 2021) which will benefit earnings and cashflows for years to come.

Vista (-11%) saw its share price come under pressure during the month as an increase in COVID lockdowns in Europe and the emergence of the Omicron variant impacts the near-term outlook for its exhibitor customers.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited

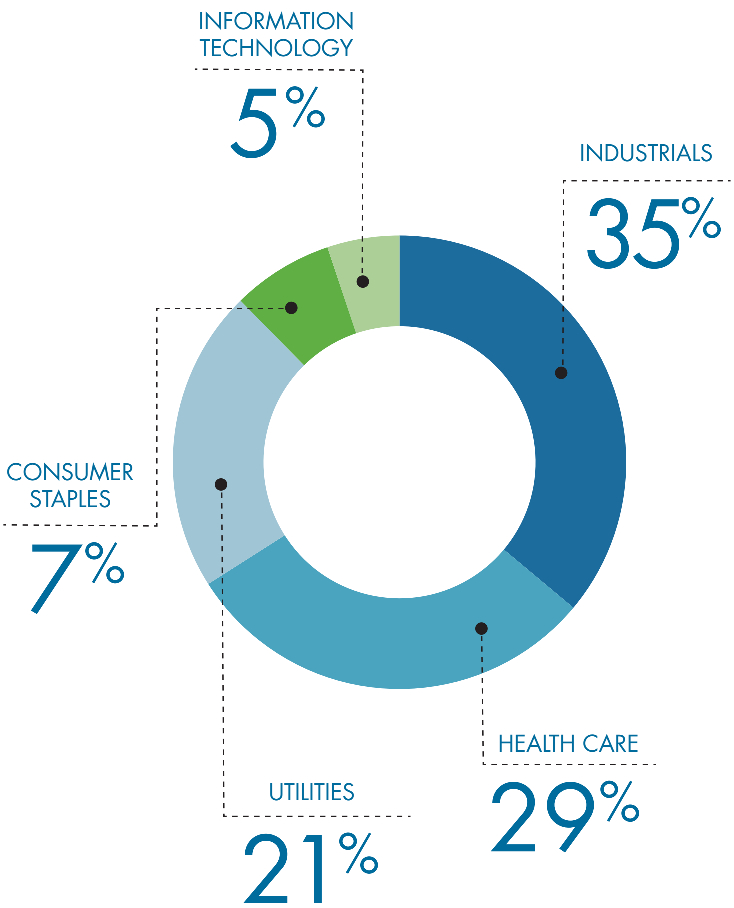
KEY DETAILS

as at 30 November 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	$1.69
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	316m
MARKET CAPITALISATION	$629m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 30 November 2021



The Kingfish portfolio also holds cash

NOVEMBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

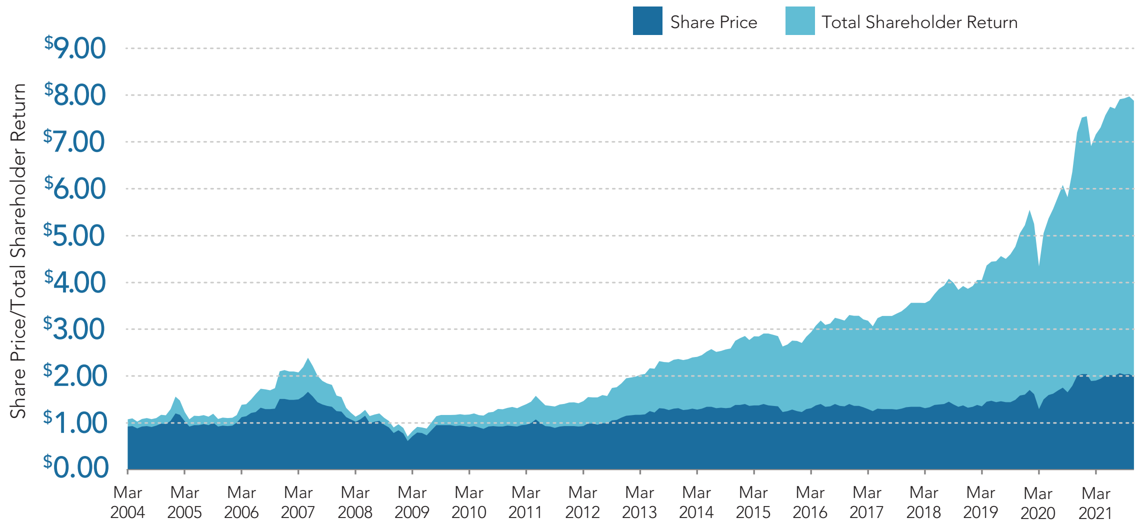
PUSHPAY	RYMAN HEALTHCARE	SUMMERSET GROUP	VISTA GROUP	A2 MILK
–28%	–15%	–12%	–11%	–7%

5 LARGEST PORTFOLIO POSITIONS as at 30 November 2021

MAINFREIGHT	FISHER & PAYKEL HEALTHCARE	INFRATIL	AUCKLAND INTERNATIONAL AIRPORT	SUMMERSET
20%	16%	15%	9%	9%

The remaining portfolio is made up of another 9 stocks and cash.

TOTAL SHAREHOLDER RETURN to 30 November 2021



PERFORMANCE to 30 November 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(1.2%)	(0.4%)	+9.4%	+26.2%	+19.0%
Adjusted NAV Return	(3.2%)	(2.8%)	+5.7%	+19.5%	+16.2%
Portfolio Performance					
Gross Performance Return	(3.2%)	(2.5%)	+7.4%	+22.7%	+19.1%
S&P/NZX50G Index	(2.9%)	(3.8%)	(0.4%)	+13.0%	+13.0%

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 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/

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. 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

- Kingfish announced a new issue of warrants on 18 October 2021.
- Information pertaining to the warrants was mailed/emailed to shareholders on 1 November 2021.
- The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Kingfish shares held based on the record date of 12 November 2021.
- The warrants were allotted to shareholders on 15 November 2021 and listed on the NZX Main Board from 16 November 2021.
- The Exercise Price of each warrant is $2.03, adjusted down for the aggregate amount per Share of any cash dividends declared on the Shares with a record date during the period commencing on the date of allotment of the warrants and ending on the last Business Day before the final Exercise Price is announced by Kingfish.
- The Exercise Date for the new warrants is 18 November **2022**.

KINGFISH
LANDING TOMORROW'S TROPHIES

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