



Monthly Update

July 2019

KFL NAV

\$1.62

SHARE PRICE

\$1.44

WARRANT PRICE

\$0.13

DISCOUNT¹

9.2%

as at 30 June 2019

A word from the Manager

Market Environment

Kingfish posted a strong adjusted NAV return of 3.0% in June but lagged the 3.8% surge in the local share market (S&P/NZX50G). Meridian, Auckland International Airport, and Infratil all returned 12% gains as interest rates continued to fall. Defensive companies performed very strongly against this backdrop, which generally does not favour our growth-orientated style as strongly as it does the defensive-heavy New Zealand share market, represented by the S&P/NZX50G index.

The Portfolio

Pushpay upgraded earnings at its recent Annual Meeting. The company now expects Total Processing Volumes to be higher off the back of stronger 'backbook' growth from existing churches, with better than expected gross margin expansion driving higher earnings. It is pleasing to see guidance revised higher after the last guidance update which was only in early May.

a2 Milk shares fell in the month in reaction to an announcement by the Chinese government stating its intentions to increase China's domestic self-sufficiency of infant formula to over 60% (over an unspecified time period). The announcement was predominantly a reiteration of existing policies such as promoting further consolidation of the domestic industry, increasing domestic ownership of the offshore supply chain, and more regular testing of products for integrity. Integrity of product has been a focus in the country ever since the melamine infant formula scandal in 2008 and recent changes continue to

increase the focus on improving product quality. This news does not change our investment thesis as we already expect a continuing focus on quality and for the domestic landscape to consolidate towards the larger brands. A large proportion of Chinese consumers still have a clear preference for offshore infant formula and a2 is executing its strategy well and can continue to take market share, which is primarily coming from other offshore players.

Fletcher Building hosted its much anticipated 2019 Investor Day, where the company detailed its strategy to deliver improved performance from its Australian division. In isolation, this progress would be a moderate positive, but was clearly overshadowed by the effect the slowing Australian housing market is having on the business. In short, this means the upswing in earnings associated with the company's initiatives is contingent on activity levels picking back up in coming years.

Portfolio Changes

There were no target weight changes to the portfolio in the month.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



¹ Share Price Discount to NAV (including warrant price on a pro-rated basis)

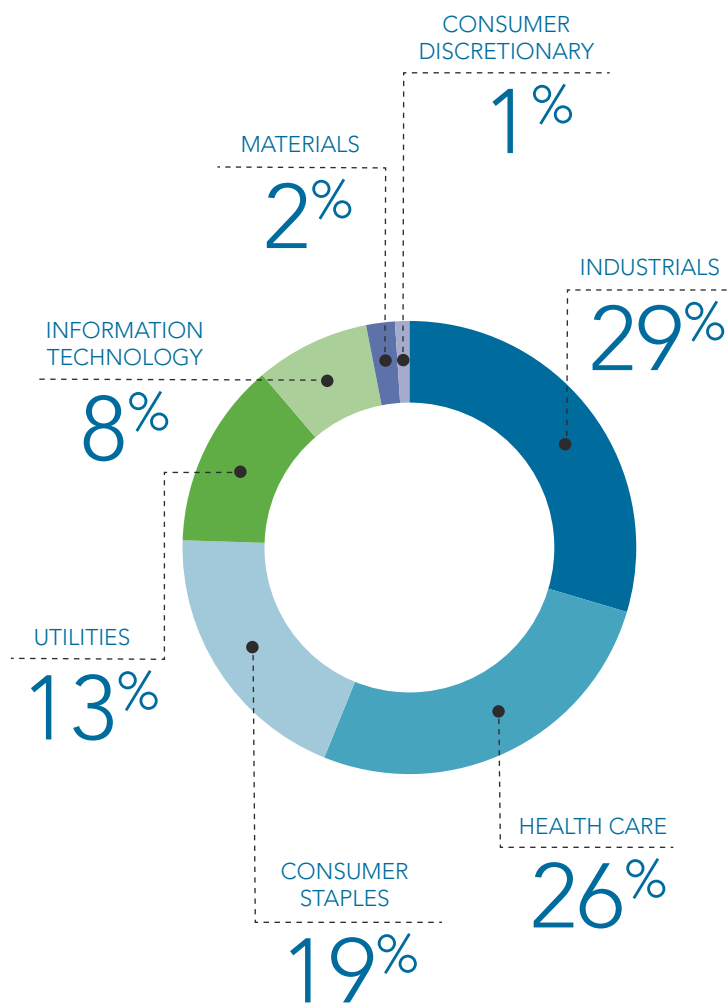
Key Details

as at 30 June 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	\$1.52
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	201m
MARKET CAPITALISATION	\$289m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 30 June 2019



The Kingfish portfolio also holds cash

Performance

to 30 June 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+0.2%	+10.1%	+15.4%	+13.0%	+11.6%
Adjusted NAV Return	+3.0%	+5.3%	+15.5%	+14.8%	+13.5%
Portfolio Performance					
Gross Performance Return	+3.2%	+6.5%	+19.3%	+17.7%	+16.2%
S&P/NZX50G Index	+3.8%	+6.7%	+17.4%	+15.1%	+15.4%

Non-GAAP Financial Information

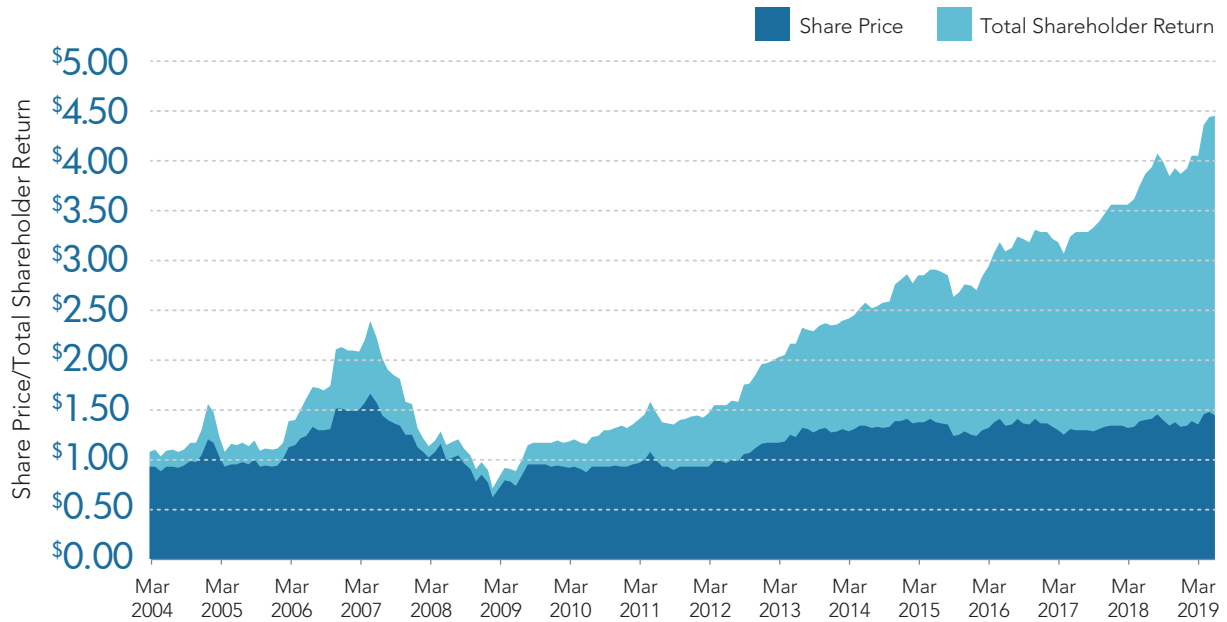
Kingfish uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » adjusted net asset value – the underlying value of the investment portfolio adjusted for capital allocation decisions after 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 30 June 2019



June's Biggest Movers

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

AUCKLAND INTERNATIONAL AIRPORT

+12%

MERIDIAN ENERGY

+12%

INFRATIL

+12%

DELEGAT GROUP

+9%

FLETCHER BUILDING

-8%

5 Largest Portfolio Positions

as at 30 June 2019

THE A2 MILK COMPANY

15%

FISHER & PAYKEL HEALTHCARE

13%

MAINFREIGHT

12%

INFRATIL

9%

FREIGHTWAYS

8%

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.

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 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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