



Monthly Update

June 2019

KFL NAV	SHARE PRICE	WARRANT PRICE	DISCOUNT ¹
\$1.60	\$1.47	\$0.12	6.5%
as at 31 May 2019			

A word from the Manager

Market Environment

New Zealand equities as measured by the S&P/NZX50G index were up +1.0% in May, sharply outperforming global equity markets that were generally down several percent with the US and China, in particular, suffering from concerns about the ongoing trade tensions. Kingfish delivered an adjusted NAV return of +0.6% which slightly lagged the market.

The Portfolio

Infratil (-0.4% for the month) announced the conditional acquisition of Vodafone New Zealand alongside Brookfield Infrastructure Partners, with Infratil raising \$400 million of new equity to fund its 49.9% stake. The deal has similarities to Infratil's extremely successful transformation of Shell's New Zealand assets into Z Energy where Infratil created significant shareholder value. We continue to view Infratil as an attractive investment opportunity and participated in the equity offer.

Mainfreight (+9.7%) delivered a very strong fiscal 2019 result, ahead of our expectations. Most of the uplift in profits came from its offshore businesses and the performance in the United States (US) was particularly notable. The humble management team commented they "will bask for a moment, savouring this result" which was somewhat a watershed moment for their global aspirations. We believe the recent confidence and upward inflection in the US and Europe will help boost Mainfreight's growth in those markets.

Freightways (-4.8%) provided an outlook update at a broker conference, calling out a range of idiosyncratic factors affecting its business. The update was mixed, with several of the factors having a negative impact, including rate reductions for its largest courier customer following an abnormally long period without a review. There was also a negative impact of zonal pricing from NZ Post and lower

paper prices for its document destruction operations. On the positive side, its competitors are implementing large market-wide price increases to re-price business-to-consumer volumes that are at uneconomic levels. Freightways is also seeing traction of its strategy to implement "Pricing for Effort" with consumer-skewed accounts. These pricing initiatives should drive improved performance in the coming 2020 fiscal year.

Portfolio Changes and Strategy

We added to our major positions in Infratil, Mainfreight and a2 Milk during the month. The simplification of Infratil's portfolio is now largely complete with a focus on data proliferation and connectivity (data centre business CDC continues to outperform expectations), air travel, renewable energy and retirement living. Vodafone is also exposed to favourable data and connectivity trends. Mainfreight is executing well and the potential for creation of shareholder value from growth in the large US and European markets is significant. a2 Milk continues to deliver on its strategy, with the new Smart Nutrition product launch in the 4-12 year old segment supportive of its strategy to extend its product range to cater to its older, loyal infant formula customers. We reduced our position in Freightways following recent share price gains.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



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

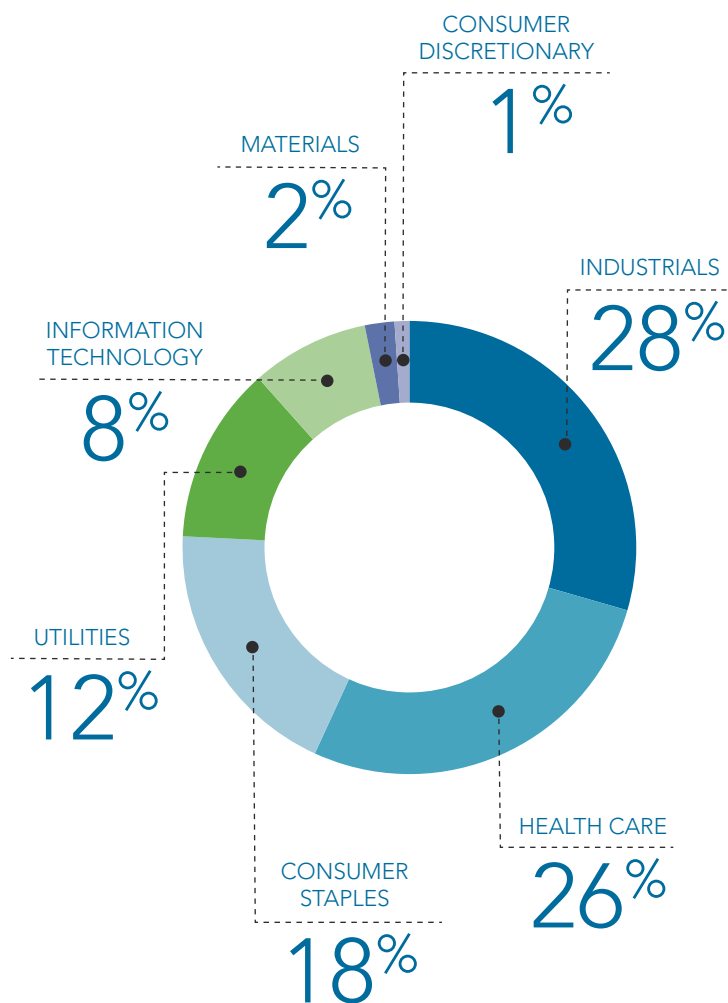
Key Details

as at 31 May 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	\$1.56
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	199m
MARKET CAPITALISATION	\$293m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 May 2019



The Kingfish portfolio also holds cash

Performance

to 31 May 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+2.0%	+9.9%	+18.5%	+11.8%	+12.0%
Adjusted NAV Return	+0.6%	+7.2%	+16.7%	+12.8%	+12.9%
Portfolio Performance					
Gross Performance Return	+0.7%	+8.9%	+20.6%	+15.6%	+15.7%
S&P/NZX50G Index	+1.0%	+8.5%	+16.9%	+12.9%	+14.3%

Non-GAAP Financial Information

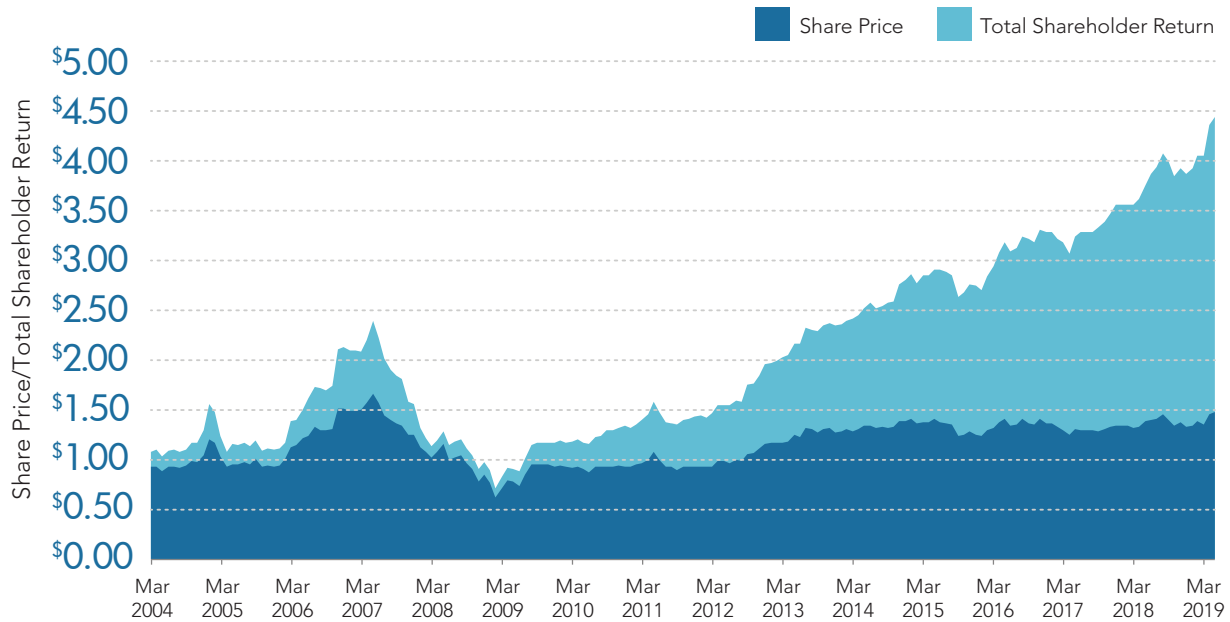
Kingfish uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » 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 31 May 2019



May's Biggest Movers

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

VISTA GROUP

+14%

AUCKLAND INTERNATIONAL AIRPORT

+10%

MAINFRIEIGHT

+10%

RESTAURANT BRANDS

+5%

A2 MILK COMPANY

-6%

5 Largest Portfolio Positions

as at 31 May 2019

THE A2 MILK COMPANY

15%

FISHER & PAYKEL HEALTHCARE

13%

MAINFRIEIGHT

11%

INFRATIL

8%

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

- » On 2 July 2018, a new issue of warrants (KFLWE) was announced
- » The warrants were issued at no cost to eligible shareholders and in the ratio of one warrant for every four Kingfish shares held
- » Exercise Price = \$1.25
- » Exercise Date = 12 July 2019
- » The final Exercise Price will be announced and an Exercise Form will be posted to warrant holders in June 2019

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 | 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 | www.computershare.com/nz