



MONTHLY UPDATE

June 2021

Share Price

\$2.01

KFL NAV

\$1.74

PREMIUM¹

15.2%

as at 31 May 2021

A WORD FROM THE MANAGER

Market Update

In May, Kingfish's gross performance return was down (3.0%) and the adjusted NAV return was down (2.8%). This compares with the local market benchmark index return which was down (3.2%) (S&P/NZX50G).

The Portfolio

a2 Milk (-23%) downgraded revenue and earnings expectations again, off the back of lower June quarter sales, as it took greater measures to address excess inventory levels. These measures included writing off and swapping old for new inventories and reducing sell-in to its distributors (hence lower sales). It was particularly disappointing to see the company had made further missteps in the core competency of inventory management in multiple channels. There are now some excess inventories in the offline mother and baby store channel, which had not experienced problems previously. All evidence points to a less resilient business with a narrower moat than we previously thought, despite ongoing signs the underlying brand health is intact. This means we have a much smaller position than previously.

Auckland Airport's (-4%) CEO Adrian Littlewood announced his intention to step down after almost nine years in the role. While we don't like to see experienced management leave, our investment thesis is unchanged and we are confident a high calibre replacement will be found.

Contact Energy (+5%) hosted an investor day and a tour of its Tauhara geothermal site, which is ahead of its construction schedule. Overall the day provided more comfort that Contact is executing well and has a sound four plus year growth plan based around its geothermal development pipeline, its retail business, and its innovative approach to stimulating and managing electricity demand.

Fisher & Paykel Healthcare (-17%) delivered its full year financial result, which was below expectations, with a slowing of sales as COVID receded in the US and Europe.

The company's outlook "observations" revealed that there is a lot of uncertainty around the near-term. However, management remains unequivocal that the penetration of nasal high flow therapy has been pulled forward many years, with a large body of new clinical evidence, new research and published guidelines, and practitioners seeing the benefits of the treatment first hand.

Infratil (+7%) reported its full year result largely in line with expectations. In particular, Canberra Data Centres (CDC) is building capacity to support customer growth which is exceeding expectations.

Meridian (-2%) hosted an investor day and site tour of its Harapaki wind farm. The key takeaway was that replacement demand for the Tiwai aluminium smelter for 2025 and beyond is well progressed, including data centre and hydrogen fuel manufacturing options.

Mainfreight (+5%) delivered a strong result, although we had been expecting this given peer results and commentary about buoyant trading conditions. Second half sales and profit growth accelerated strongly in Europe and the US which were the standouts. Australia also delivered a very strong result which was a continuation of its first half momentum. New Zealand continues to deliver solid growth despite the market leading position. Asia delivered the strongest growth rates although it is the smallest business by a long way so this does not add much to the overall business result. The company is continuing to "fatten" its network, including driving higher line haul utilisation and opening new warehouses which helps win new customers. Momentum has continued into the new year.

Pushpay (-7%) delivered its annual result in line with expectations. Positively, customer additions accelerated in the second half as its integrated ChurchStaq church management system continued to gain traction. The company guided for further growth in the new year while simultaneously increasing investment into its Catholic product, which will extend the company's growth runway.

¹ Share Price Premium to NAV (using NAV to four decimal places)

Ryman Healthcare (-8%) reported its annual results which were slightly below expectations, although they noted that recent sales levels were their best ever. Experienced CEO Gordon MacLeod announced his resignation which was disappointing given his time at the helm and the fact there is no clear internal successor.



Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



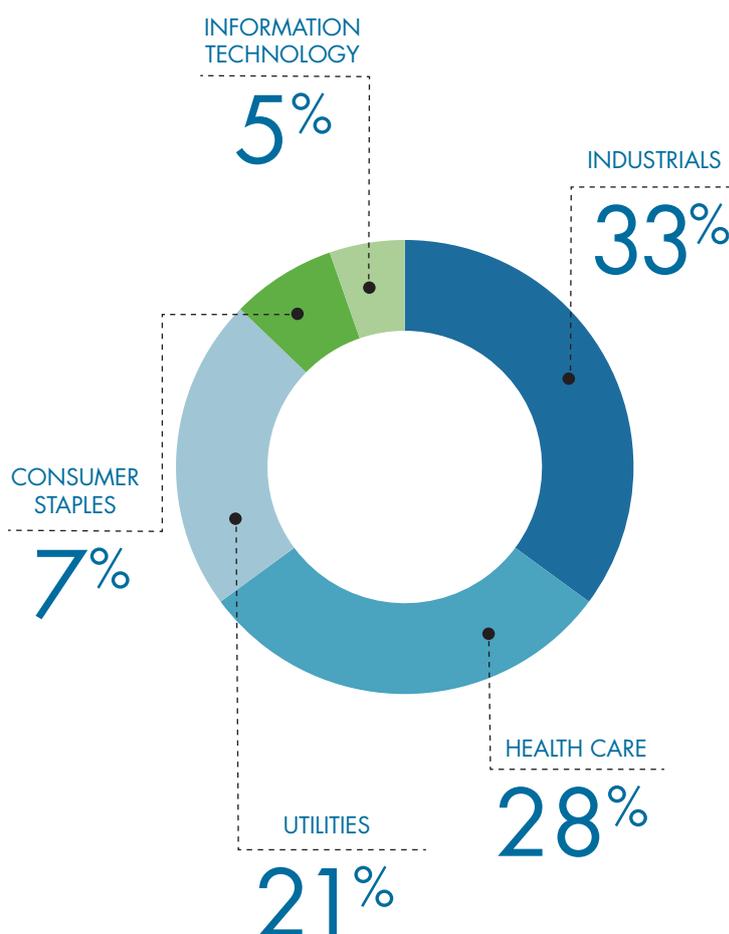
KEY DETAILS

as at 31 May 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	\$1.76
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	312m
MARKET CAPITALISATION	\$627m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 May 2021



The Kingfish portfolio also holds cash

MAY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

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

INFRATIL +7%	RYMAN HEALTHCARE -8%	VISTA -11%	FISHER & PAYKEL HEALTHCARE -17%	A2 MILK -23%
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5 LARGEST PORTFOLIO POSITIONS as at 31 May 2021

MAINFREIGHT 20%	INFRATIL 15%	FISHER & PAYKEL HEALTHCARE 15%	SUMMERSET 8%	AUCKLAND INTERNATIONAL AIRPORT 7%
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The remaining portfolio is made up of another 9 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 May 2021



PERFORMANCE to 31 May 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+3.6%	+9.7%	+41.2%	+26.4%	+18.9%
Adjusted NAV Return	(2.8%)	+1.1%	+21.1%	+16.9%	+14.4%
Portfolio Performance					
Gross Performance Return	(3.0%)	+1.5%	+23.9%	+20.1%	+17.2%
S&P/NZX50G Index	(3.2%)	+0.8%	+13.2%	+12.5%	+11.8%

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 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/aboutkingfish/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 with the assistance of Luke O'Donovan (Quantitative Analyst). 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 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 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

- » 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.

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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