KINGFISH
LANDING TOMORROW'S TROPHIES

MONTHLY UPDATE

June 2024

Share Price	Warrant Price	KFL NAV	DISCOUNT[1]
$1.22	$0.00	$1.33	8.4%

as at 31 May 2024

A WORD FROM THE MANAGER

New Zealand shares declined during May (S&P/NZX 50 gross index -0.8%). The Kingfish portfolio Gross Performance Return and Adjusted NAV return performed better than this at -0.3% and -0.4% respectively. It was a busy month with March year end companies reporting their 2024 financial year results, plus a range of other updates.

Contact Energy (+6%) and **Meridian Energy** (+13%) announced 20-year agreements to supply electricity to the Tiwai Point aluminium smelter. The smelter consumes around 12% of New Zealand's electricity and many new generation projects have been effectively on hold pending confirmation of the smelter's future (with no new generation immediately required if it had shut down). The certainty also means these companies will likely be able to commit to a higher level of dividends, supported by higher earnings from better pricing in the new long-term agreement.

Delegat (-31%) announced it concluded its 2024 harvest with grape tonnage down around 25% versus the prior year as cooler growing conditions reduced yields. This will mean the company needs to reduce its case sale volumes in the 2025 financial year and carefully manage inventories to navigate the outcome. While unfortunate, as a viticulture company Delegat has navigated similar shortfalls in the past, such as 2015 and gone on to grow volumes and profits over time. The large share price reaction reflects the likelihood of a meaningful step down in profit in 2025, before a recovery.

Fisher & Paykel Healthcare (+4%) delivered its 2024 financial year result with limited surprises, with the result largely foreshadowed in March. The midpoint of maiden revenue ($1.9-2.0 billion) and net profit ($310-360 million) guidance for the new financial year are in line with expectations. The company's earnings outlook is particularly strong for the coming years. All areas of the business are demonstrating solid revenue growth momentum. Its Optiflow respiratory support penetration in the hospital is increasing as evidenced by growth in consumables despite lower hospitalisation rates. In particular its anaesthesia and obstructive sleep apnea masks are contributing outstanding growth. The outlook for ongoing future growth is supported by management's confidence in a strong pipeline of new product development. The company also reiterated its 65% gross margin target (versus 61.1% underlying in the 2024 financial year), with a 1.0-1.5% improvement expected in the coming year from improved efficiencies and ongoing continuous improvement projects.

Infratil (-3%) reported its 2024 result with its core 'proportionate earnings' measure above guidance. However, maiden guidance for growth in the 2025 year was a little below expectations, which dampened the result. Telecommunications provider One NZ's profit outlook is flat as the business is constrained by a slowdown in the enterprise and government market, despite solid performance in the core mobile business. The highlight of the result was again CDC Data Centres, which expects an acceleration in earnings growth from 2026 onwards, from around 20% to 30-40% per year, off the back of new capacity developed and leased. Infratil confirmed that CDC is seeking consents for a third Sydney site at Marsden Park. The site could be as large as 500MW, which would make it one of the largest data centres globally and a further step up from the current 1220MW book of existing, in development and pipeline capacity. Some of the smaller portfolio companies including Wellington Airport and its Diagnostic Imaging business delivered solid performance.

Mainfreight (+2%) delivered its 2024 financial year result modestly ahead of expectations, with profit before tax (PBT) of $395 million for the year. This was a credible result given progressively softening trading conditions in its core New Zealand and Australian markets over the year. While the company itself notes "we should have performed better", the performance in those divisions held up significantly better than other Australasian consumer-facing companies. The key disappointment remains the US Transport business, where the company is vocally dissatisfied with its progress, however it remains committed to growth and improvement given the size of the market opportunity. The company acknowledges the global economic environment remains fragile, but points to improved customer recognition across its network and strong sales pipelines as reasons to remain positive about the short- and medium-term outlook.

[1] Share Price Discount to NAV (including warrant price on a pro-rated basis and using the net asset value per share, after expenses, fees and tax, to four decimal places).

Ryman Healthcare's (-11%) operating performance in its 2024 financial result showed improved cashflow from existing operations and stable net debt. The company reaffirmed its target for breakeven cash flow for the new year. Consequently, it lowered its 'build rate' outlook, prioritizing cash flow and debt reduction over growth. With the recent changes to both board and management, the result showcased materially improved disclosure and transparency, but as part of the 'clearing of the decks' some assets were marked down, reducing net tangible assets by 10% year-on-year to $6.02 per share. We remain of the view that at a share price around $3.70 Ryman is undervalued relative to its asset backing and, critically, its brand remains healthy with existing and prospective residents. That said, it remains early in the throes of improving cash returns from existing villages and new developments which is likely needed to see the value gap close over time.

Vista (+21%) saw Australian private equity firm Potentia emerge with a 19.9% shareholding acquired from some of the company's other large shareholders. The stake was acquired at $2.10, which is a modest premium to the prior close of $1.84, although we note shares had recently traded as high as $2.00 following the company's 2023 result release in late February. We think that Potentia's interest is a further sign that the company is at a positive inflection point in its journey to roll out its next generation Cloud-based cinema software products to customers.

Matt Peek
Portfolio Manager
Fisher Funds Management Limited

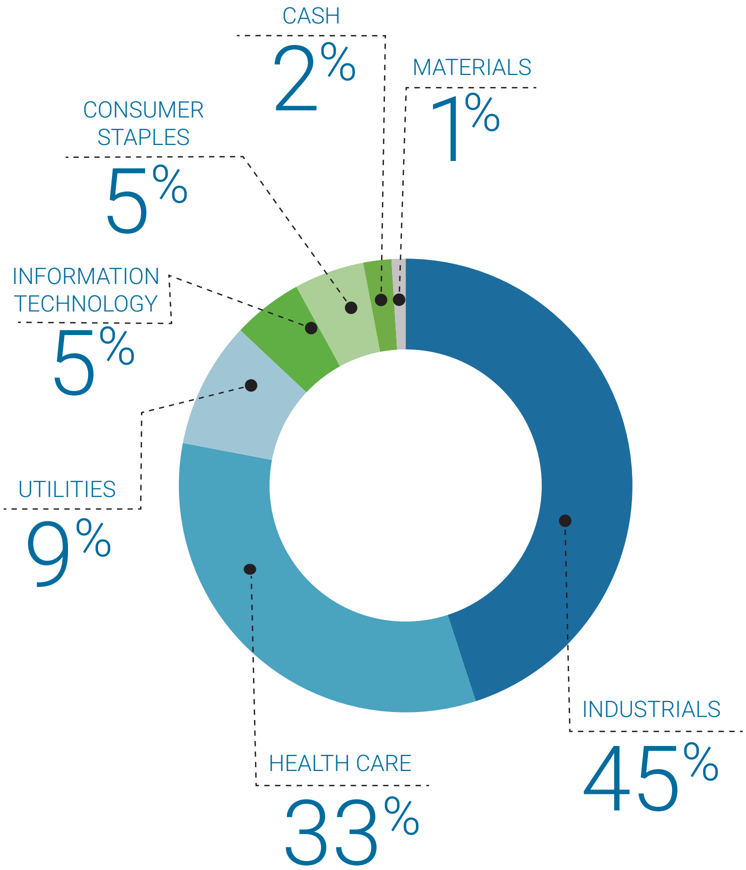
KEY DETAILS

as at 31 May 2024

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	$1.36
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	340m
MARKET CAPITALISATION	$415m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 May 2024



MAY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

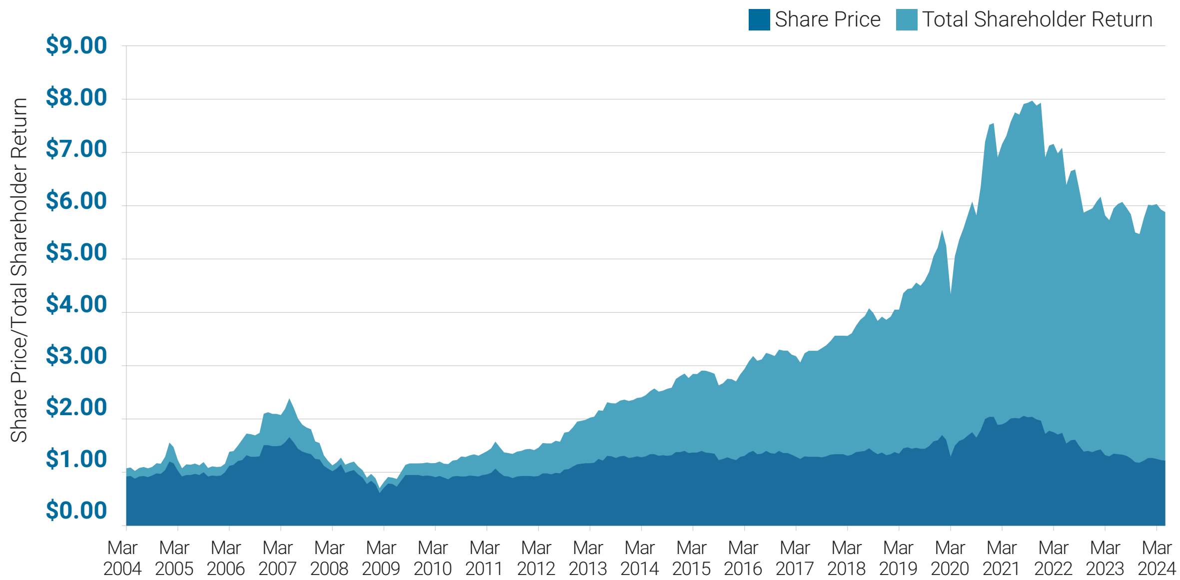
VISTA GROUP INTERNATIONAL	a2 MILK COMPANY	MERIDIAN ENERGY	SUMMERSET GROUP	DELEGAT GROUP
+21%	+15%	+13%	-14%	-31%

5 LARGEST PORTFOLIO POSITIONS as at 31 May 2024

INFRATIL	FISHER & PAYKEL HEALTHCARE	MAINFREIGHT	AUCKLAND INTERNATIONAL AIRPORT	CONTACT ENERGY
17%	17%	14%	9%	8%

The remaining portfolio is made up of another 10 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 May 2024



PERFORMANCE as at 31 May 2024

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(0.8%)	(2.2%)	(1.2%)	(8.1%)	+5.7%
Adjusted NAV Return	(0.4%)	+3.1%	+3.5%	(0.8%)	+5.9%
Portfolio Performance					
Gross Performance Return	(0.3%)	+3.8%	+5.2%	+0.5%	+7.8%
S&P/NZX50G Index	(0.8%)	+1.1%	+0.5%	(1.2%)	+3.2%

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 dividends (and other capital management initiatives) and after expenses, fees and tax,

» adjusted NAV return – the percentage change in the adjusted NAV,

» 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 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 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

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. Matt Peek (Portfolio Manager) and Michael Bacon and Zoie Regan (Senior Investment Analysts) have prime responsibility for managing the Kingfish portfolio. Together they have significant 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 Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

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 utilised for the dividend reinvestment plan

Warrants

» Kingfish announced an issue of warrants (KFLWH) on 20 June 2023

» Information pertaining to the warrants was mailed/emailed to all shareholders on Tuesday 27 June 2023

» 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 5 July 2023

» The warrants were allotted to shareholders on 6 July 2023 and listed on the NZX Main Board from 7 July 2023

» The Exercise Price of each warrant is $1.37, 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 warrants is 26 July 2024

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