



MONTHLY UPDATE

November 2020

Share Price

\$1.79

KFL NAV

\$1.76

WARRANT PRICE

\$0.17

PREMIUM¹

4.0%

as at 31 October 2020

A WORD FROM THE MANAGER

Market action

In October Kingfish returned gross performance of +5.3%, outperforming the local market at +2.9% (S&P/NZX50G).

New Zealand equities outperformed global equities, which fell by 2–3%. The pullback in global equities was primarily driven by the acceleration in COVID cases in early to mid-October and the subsequent reintroductions of lockdowns in many countries.

New Zealand has long been recognised as a more defensive equity market than most global markets.

The Portfolio

Auckland International Airport (–4% return for the month) held its AGM during the month. Given the high level of uncertainty around the outlook for international travel, the company elected not to provide FY21 earnings guidance. AIA thinks a full recovery of international travel will take more than three years. However, the company expects an earlier recovery in domestic travel to pre-COVID levels and a resumption in quarantine-free travel to Australia and the Pacific Islands.

Right now, the stronger than expected return of domestic travel and ongoing strength in AIA's property business means earnings are tracking above its expectations.

As a reminder, Kingfish added **Contact Energy** to the portfolio in August. The utilities sector in general was strong during October, up +7%, as the market continues to anticipate a higher likelihood that Rio Tinto remains in NZ medium-term. Rio Tinto owns and operates the Tiwai Point smelter which is the largest electricity user in NZ. Contact Energy (+11%) outperformed the sector as it is relatively well positioned if the smelter remains.

Freightways (+8%) provided its usual quarterly update at its Annual Shareholders Meeting. Headline results were strong (net profit +43%), primarily driven by its acquisition of Big Chill. Volumes in the Express Package division remain up +11%, the same rate as at its August results update. This

reflects a step up in business to consumer (B2C) deliveries and some market share gains in business to business (B2B) following poor service by its major competitor NZ Post. Information Management continues to deliver more subdued growth with underlying revenue growth of around +3%.

Infratil (+9%) held an investor day focused on its Canberra Data Centres (CDC) and Vodafone New Zealand investments. CDC provided increased capacity guidance, reflecting ongoing acceleration in data usage. On the flipside, Vodafone expects COVID to negatively impact FY21 earnings by \$60–75m, due to lower roaming and prepaid revenues. Vodafone's management reiterated significant profit improvement opportunities in IT transformation (lower costs), customer experience (customer retention) and 5G fixed broadband (revenue growth).

During the month Infratil also announced the acquisition of Qscan, a diagnostic imaging business in Australia. It is early days but we like the fact the diagnostic imaging market is growing +5–7% and Qscan's focus on higher-value services. While most of Qscan's business is typical diagnostic imaging like X-ray and ultrasound, it is a market leader in the faster growing positron emissions tomography ('PET'). PET is commonly used to detect cancer and pricing is typically 7–8x more than traditional diagnostic imaging technologies like X-ray.

We attended **Mainfreight's** (+17%) investor day and the opening of its new Mount Maunganui cross dock. A cross dock is a trucking interchange building where long-haul trucks and pickup-and-delivery trucks exchange freight. It was fantastic to see the latest iteration of a Mainfreight facility and compare and contrast it to others we have visited both in New Zealand and around the world. The new cross dock is around five times the size of the old facility. The company also delivered an impressive update for the first 26 weeks of the fiscal year. Sales continue to be up around +5% in constant currency terms and profit before tax growth accelerated to +23% versus +20% at the last update. Australia continues to be the key success story, with market share gains combining with improved line-haul utilisation and

¹ Share Price Premium to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places)

shrewd control of costs driving strong profit growth. Although the Australian division is now really hitting its straps, it is still considerably smaller than the New Zealand division despite being in a much larger market. We should continue to see the benefits of this long runway for growth unfold over time.

Summerset (+16%) announced the purchase of 2.8 hectares of land in Half Moon Bay, Auckland. The development will meet the needs of a rapidly growing catchment area and will be the company's largest to date (\$300 million build cost). Summerset also announced its third quarter sales, which were the highest on record and up +36% year-on-year. This

reflected strong underlying property market conditions and how well Summerset looked after its vulnerable residents during COVID.



Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



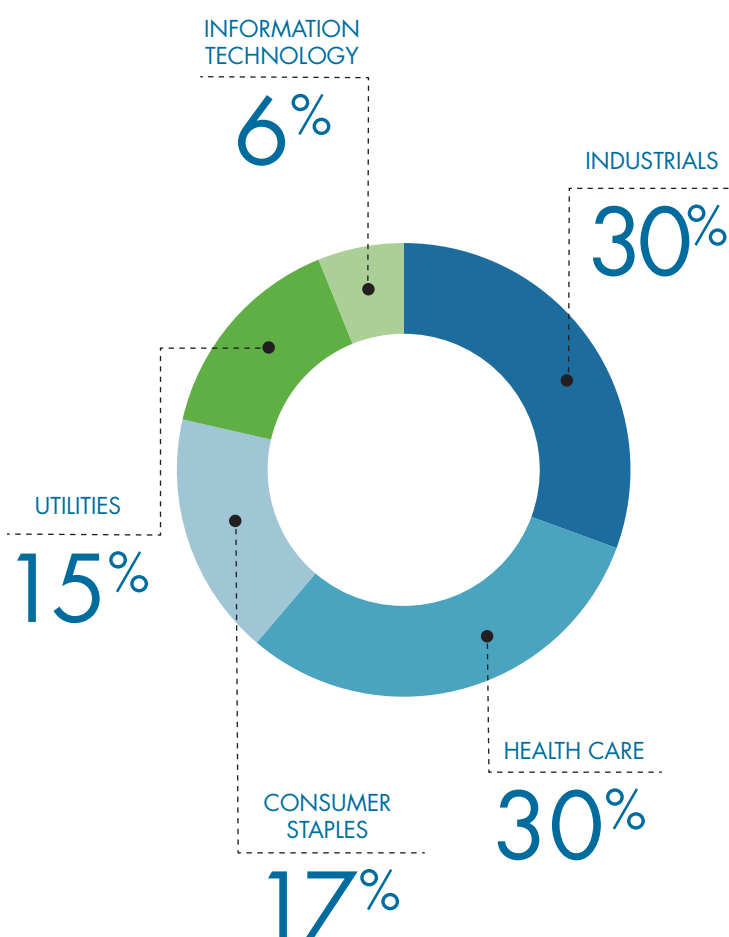
KEY DETAILS

as at 31 October 2020

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	\$1.30
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	252m
MARKET CAPITALISATION	\$452m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 October 2020



The Kingfish portfolio also holds cash

OCTOBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

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

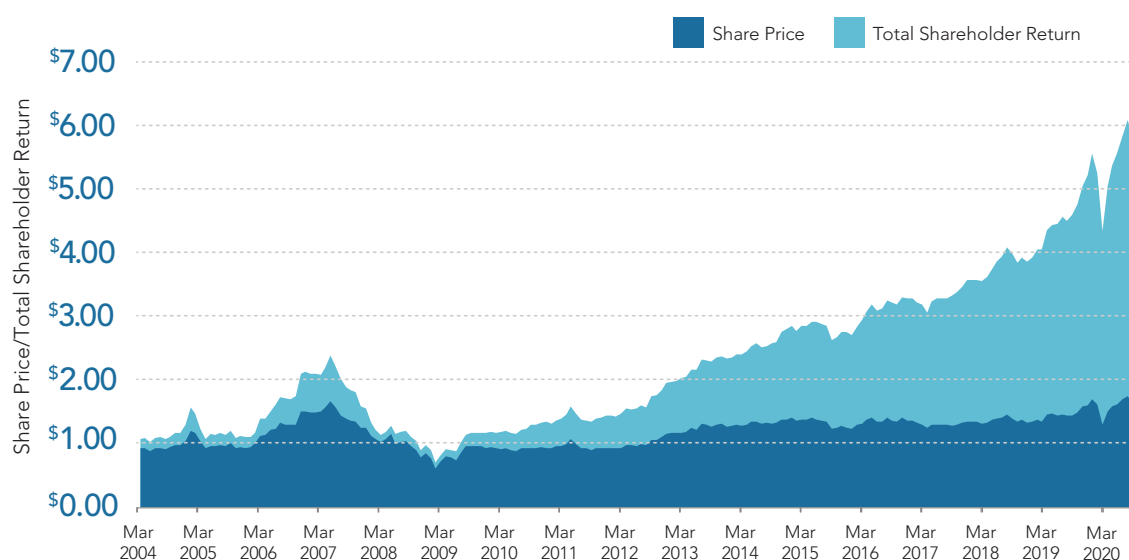
MAINFREIGHT +17%	SUMMERSET +16%	CONTACT ENERGY +11%	INFRATIL +9%	VISTA GROUP -8%
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5 LARGEST PORTFOLIO POSITIONS as at 31 October 2020

MAINFREIGHT 18%	FISHER & PAYKEL HEALTHCARE 15%	THE A2 MILK COMPANY 13%	INFRATIL 12%	SUMMERSET 8%
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The remaining portfolio is made up of another 9 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 October 2020



PERFORMANCE to 31 October 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+9.2%	+9.1%	+33.4%	+23.4%	+18.9%
Adjusted NAV Return	+5.1%	+3.8%	+25.2%	+18.3%	+16.5%
Portfolio Performance					
Gross Performance Return	+5.3%	+4.2%	+29.0%	+21.5%	+19.7%
S&P/NZX50G Index	+2.9%	+3.0%	+12.0%	+14.0%	+15.1%

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

Kingfish's portfolio is managed by Fisher Funds Management Limited. Sam Dickie (Senior Portfolio Manager), Matt Peek (Senior Investment Analyst), and Michael Bacon (Senior Investment Analyst) 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 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, 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

- » On 5 February 2020 a new issue of warrants (KFLWF) 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
- » The warrants were allotted to shareholders on 9 March 2020 and the warrants were listed on the NZX Main Board from 10 March 2020. (Information pertaining to the warrants was mailed/emailed to shareholders in February 2020)
- » The Exercise Price of each warrant is \$1.64, to be adjusted down for dividends declared during the period up to the announcement of the Exercise Price.
- » The Exercise Date for the new warrants (KFLWF) is **12 March 2021**
- » The final Exercise Price will be announced and an Exercise Form will be sent to warrant holders in late **January 2021**

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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