



# MONTHLY UPDATE

November 2023

Share Price

\$1.19

Warrant Price

\$0.02

KFL NAV

\$1.22

DISCOUNT<sup>1</sup>

1.9%

as at 31 October 2023

## A WORD FROM THE MANAGER

In October, Kingfish's gross performance return was down -6.0% and the adjusted NAV return was also down -6.0%. This compares to the benchmark S&P/NZX50G, which was down -4.8%. Most of the underperformance during the month was attributable to Mainfreight's share price fall.

**EBOS** (+2%) was a notable bright spot in an otherwise challenging month. The healthcare and animal care product distributor provided a September quarter update at its annual meeting, with trading broadly in line with expectations (operating profit up 7% on the same quarter last year and more like 10% on an underlying basis, after excluding strong COVID-19 antiviral sales in the prior period).

New Zealand economic 'bellwether' **Freightways** (-9%) provided a first quarter trading update at its annual meeting. In its New Zealand network courier business, it is still seeing same-customer volumes down around 5-6% (as it did earlier in 2023), although it continues to offset this with new customer wins, such that in the quarter volumes were up 2.3%. However, its Australian large item delivery business Allied Express has seen same-customer volumes soften in the last couple of months to be around 2% below last year's level, although they are continuing to win new customers.

**Infratil** (-4%) provided a very strong update in relation to its portfolio company CDC (Canberra Data Centres), in which it has a 48% shareholding. Over the six months to 30 September, the independent valuation of its holding increased by A\$448 million at the midpoint, or 13%, to A\$3.9 billion. The key driver of the increase was an improving demand outlook for its data centre services. A key aspect of the new demand is from cloud computing companies moving to secure capacity needed for the development of Artificial Intelligence applications. Infratil commented that "in response to this demand CDC is expecting a significant acceleration of construction and

expansion of development planning in all locations". The valuation now assumes 1050 megawatts (MW) of current and future capacity out until 2028, up an impressive 34% from 786MW previously. The amount of capacity completed and under construction has increased by a whopping 72%. The increase in value also comes despite a lift in the discount rate from 9.6% to 11.2%, which acted as a headwind to the valuation. Overall, the announcement underscores that significant value is being created through the better operational outlook for the CDC business, which also bodes well for future returns.

**Port of Tauranga** (-13%) held its annual meeting and provided earnings guidance for the current financial year which was around 11% below market expectations. For the September quarter, container volumes were 21% lower than the same quarter last year. In part this has been due to overall weak consumer demand, with national container import volumes down. It has also been because higher rail costs are currently making Port of Auckland more attractive for imports to Auckland (versus via Tauranga and rail).

Global freight company **Mainfreight** (-12%) saw its share price fall ahead of its first half result in November. This was due to an absence of positive signs from global and local freight players, which suggest conditions are yet to improve after a prolonged period of softness in 2023. Overall, Mainfreight's global freight peers also experienced share price weakness during the month. Global freight forwarder Kuehne & Nagel (-6%) indicated it had not seen any peak season in sea freight, and competitor DSV (-20%) reported sea volumes slightly below expectations, although profitability per container held up better than expected. Mainfreight's domestic transport business is subject to the same subdued economic conditions in New Zealand, as experienced by Freightways and Port of Tauranga.

<sup>1</sup> 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).

**Summerset** (-5%) announced its September quarter sales which were in line with our expectations, with 127 resales and 133 new sales, its highest new sales quarter since late 2022. Management noted there were further positive signs that the residential housing market is improving. More positively, the team noted strong demand at many key villages, and specifically called out strong pre-sales and "very high" demand for its St Johns village in Auckland. This is particularly pleasing as this is a major village still under construction and well ahead of its opening in late 2024. In Australia, construction at its Cranbourne North village remains on track to deliver its first villas by the end

of 2023. During the month we visited several Auckland retirement villages, which further corroborated our view that Summerset's offering is resonating particularly well with prospective residents.



**Matt Peek**  
Portfolio Manager  
Fisher Funds Management Limited



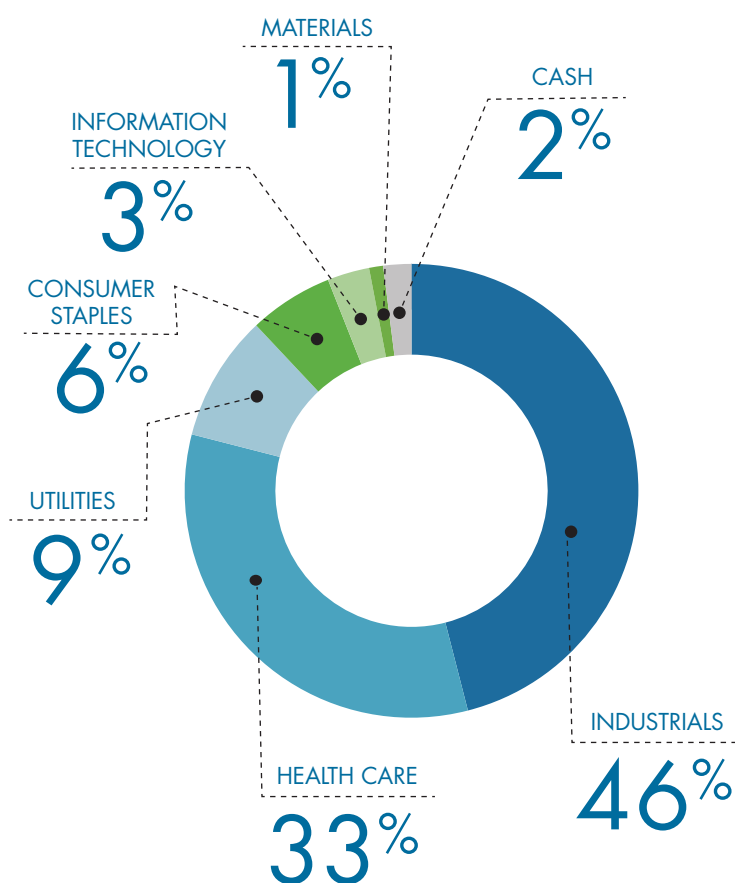
## KEY DETAILS

as at 31 October 2023

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	\$1.42
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	335m
MARKET CAPITALISATION	\$399m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 31 October 2023



# OCTOBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

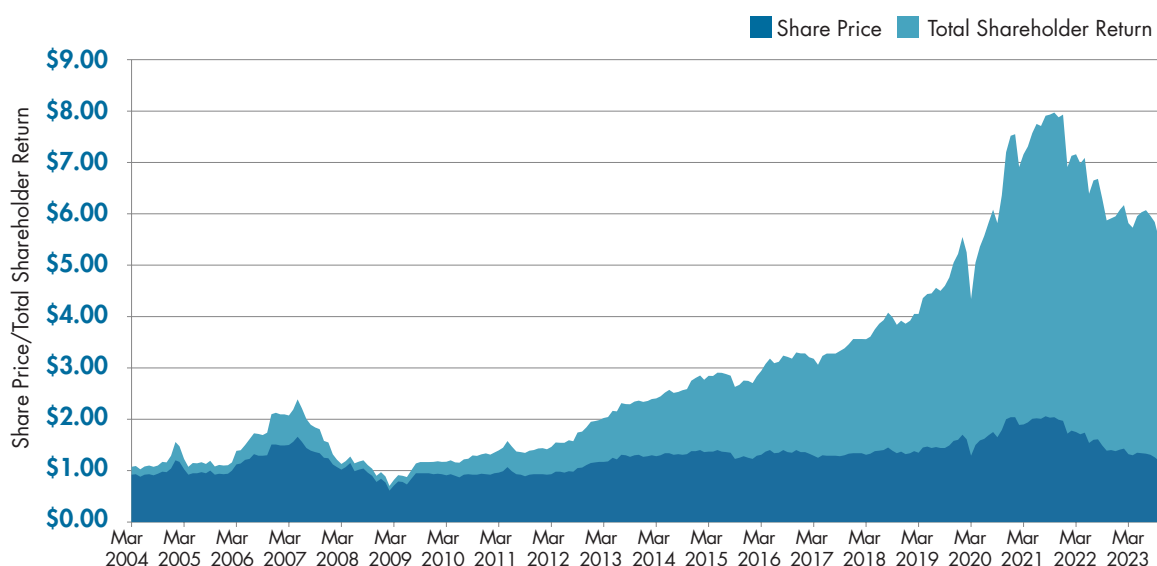
PORT OF TAURANGA	MAINFREIGHT	RYMAN HEALTHCARE	VISTA GROUP INTERNATIONAL	FREIGHTWAYS
-13%	-12%	-10%	-10%	-9%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 October 2023

INFRATIL	FISHER & PAYKEL HEALTHCARE	MAINFREIGHT	AUCKLAND INTERNATIONAL AIRPORT	SUMMERSET
18%	15%	14%	8%	8%

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

## TOTAL SHAREHOLDER RETURN to 31 October 2023



## PERFORMANCE to 31 October 2023

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	(5.8%)	(9.3%)	(6.3%)	(4.7%)	+7.5%
Adjusted NAV Return	(6.0%)	(11.1%)	(5.4%)	(3.3%)	+6.4%
<b>Portfolio Performance</b>					
Gross Performance Return	(6.0%)	(11.0%)	(4.4%)	(2.1%)	+8.5%
S&P/NZX50G Index	(4.8%)	(10.8%)	(5.1%)	(3.8%)	+4.2%

### 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](https://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

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 may have no correlation with results historically achieved.



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