KINGFISH
LANDING TOMORROW'S TROPHIES

MONTHLY UPDATE

November 2024

SHARE PRICE	KFL NAV	DISCOUNT[1]
$1.26	$1.45	13.0%

as at 31 October 2024

A WORD FROM THE MANAGER

The Kingfish portfolio gross performance return and Adjusted NAV return in October were +2.8% and +2.5% respectively, versus the New Zealand shares benchmark S&P/NZX 50 return of +1.7%.

EBOS (+1%) delivered a solid first quarter trading update at its annual meeting with its preferred measure of operating profit (underlying earnings before interest, tax, depreciation and amortisation, and excluding its Chemist Warehouse Australia contract, which ceased prior to the period) up +7.4% on the same quarter a year ago. EBOS also reiterated its guidance for current year of A$575-600m million (growth of around 5-10%).

Freightways (+15%) provided its habitual first quarter trading update at its annual meeting. The company noted it is "yet to see any green shoots in the NZ economy but things have not worsened". Despite a difficult environment for courier volumes, the company continues to benefit from customer wins in its express package businesses which are keeping volumes flat as opposed to falling with same-customer activity. It has also been able to continue to lift pricing from low levels (an industry legacy) to better reflect the value of its service while benefitting from a slowdown in cost inflation which has pressured profit margins in recent years. This saw its underlying operating earnings grow +8.5% on the same period last year on a +7.5% increase in revenue and illustrates the potential for strong growth should parcel volume growth accelerate.

Infratil (+3%) announced a 22% increase in CDC Data Centres' construction pipeline. This contributed to a 6% increase in the independent valuation for CDC over the three months to 30 September. Construction began at CDC's Marsden Park site, a 504MW data centre campus which will be the largest in the Southern Hemisphere. Infratil also announced that its proposed acquisition of Console Connect, a software defined networking business, won't proceed as certain conditions weren't met.

Mainfreight (+0.4%) hosted investors in Dallas, showcasing its warehouse and the new transport cross-dock under construction. The update also included management presentations from nine of the senior leadership team and the release of the company's preliminary first half results for the six months to September. The 43,000 square metre warehouse walk-through showcased the strength of the company's offering, with a strong skew towards FMCG[2] products and customer anecdotes supportive of the strategy to grow existing customers across multiple products and geographies. The cross-dock will have 82-doors and be the first premium transport facility in its North American network, plus management were able to point to multiple areas where the site will create efficiency and enhance quality. We continue to view higher quality facilities as just one pre-condition for success in the lucrative US less-than-truckload freight market, in conjunction with continuing to build scale in "everyday freight" and, with it, density on line-haul routes.

The trading update was broadly in line with expectations, as reflected in the limited share price reaction. Australia continues to be the highlight, with solid growth continuing (+19% revenue for the half and +8% profit before tax, or PBT), while it was also encouraging to see improvement in Europe (PBT -3% for first 15 weeks at the annual meeting has turned around to +6% for 26 weeks). The company helpfully gave greater visibility into current problem areas, including weakness in transport operations in New Zealand (PBT -23%) and the Americas (loss before tax increased from around $0.10m per week in the prior corresponding period to $0.27m per week for the latest half). In the case of New Zealand, the reduction in profit is due to the combination of lower volumes due to weak economic conditions and the concurrent strong investment into new facilities.

The business's leading market position and strong long term track record give confidence that it will be able to recover the cyclical dip in profitability as volumes improve. In the US, the team reiterated a focus on improving profitability before expanding further and that some loss-making branches are seeing new business gains but noted that material improvement in profitability will take some time. Warehousing continues to suffer from the transition to new, scale facilities which has seen temporarily increased costs short term (PBT margin as a percent of revenue of around 5% versus over 8% previously). Air & Ocean freight forwarding saw PBT per week improve from the annual meeting update.

[1] Share Price Discount to NAV (using the net asset value per share, after expenses, fees and tax, to four decimal places).
[2] Fast-Moving Consumer Goods

Overall, the event showcased the huge opportunity in the US, but equally the challenge to unlock it with Mainfreight yet to find its stride in transport. The fact Australia has strong traction and has now eclipsed New Zealand as Mainfreight's top profit centre after sticking at the task for multiple decades is an apt analogy, although we and the company are eyes-wide-open that the US market will be a tougher nut to crack.

Summerset (+4%) reported unit sales for the September quarter. Despite the property market remaining slow going, it achieved +11% growth in total sales volumes versus the same quarter last year, with new sales volumes down -3% and resales volumes up a very strong +26%. As expected, Summerset also announced the first stage of its flagship St Johns village was delivered on time during the quarter and we look forward to another visit to the site in December as part of Summerset's investor day.

Matt Peek
Portfolio Manager
Fisher Funds Management Limited

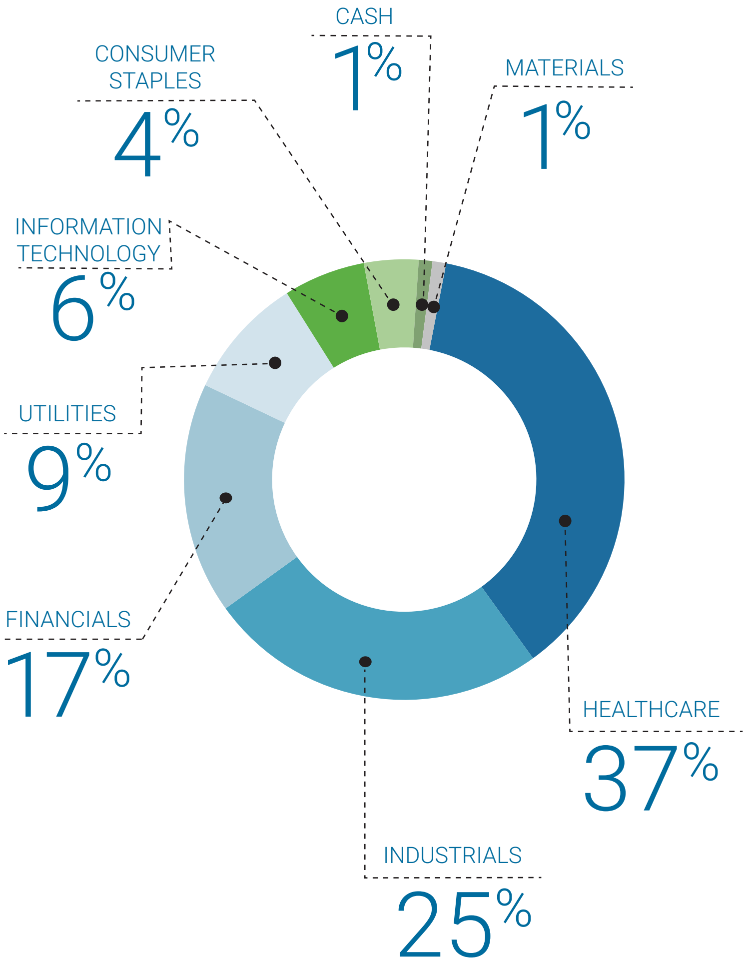
KEY DETAILS

as at 31 October 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	$1.30
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	344m
MARKET CAPITALISATION	$433m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 October 2024



OCTOBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

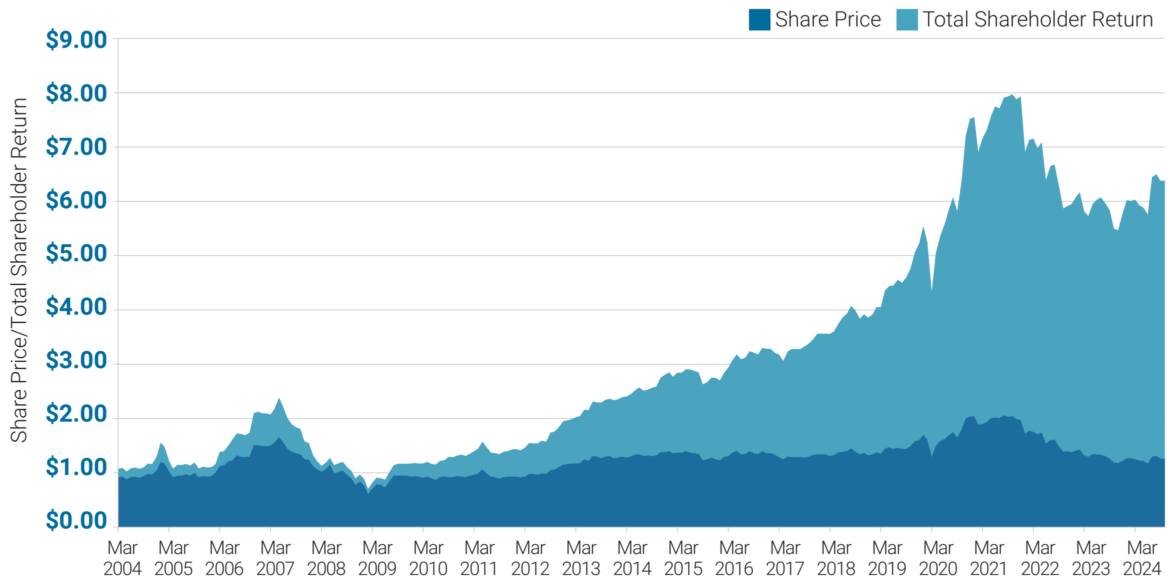
RYMAN HEALTHCARE	FREIGHTWAYS	VISTA GROUP	CONTACT ENERGY	a2 MILK COMPANY
+16%	+15%	+7%	+5%	-7%

5 LARGEST PORTFOLIO POSITIONS as at 31 October 2024

FISHER & PAYKEL HEALTHCARE	INFRATIL	MAINFREIGHT	SUMMERSET	AUCKLAND INTERNATIONAL AIRPORT
18%	17%	10%	8%	8%

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

TOTAL SHAREHOLDER RETURN to 31 October 2024



PERFORMANCE as at 31 October 2024

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+0.0%	(1.0%)	+16.0%	(7.1%)	+6.0%
Adjusted NAV Return	+2.5%	+6.8%	+29.1%	+0.2%	+7.9%
Portfolio Performance					
Gross Performance Return	+2.8%	+7.5%	+31.9%	+1.5%	+9.8%
S&P/NZX50G Index	+1.7%	+1.9%	+17.5%	(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

- 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

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Kingfish Limited
Private Bag 93502, Takapuna, Auckland 0740
Phone: +64 9 489 7094
Email: enquire@kingfish.co.nz | www.kingfish.co.nz

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Phone: +64 9 488 8777
Email: enquiry@computershare.co.nz | www.computershare.com/nz