



Monthly Update

October 2019

KFL NAV	SHARE PRICE	DISCOUNT ¹
\$1.52	\$1.44	5.2%
as at 30 September 2019		

A word from the Manager

Market Overview

Kingfish posted an adjusted NAV return of +1.0% in September, which slightly lagged the local share market return of +1.6% (S&P/NZX50G).

Portfolio News

In September we attended **a2 Milk's** Investor Strategy Day and China Market Immersion in Shanghai, plus had many other related meetings and store visits as part of the trip. Overall the trip was very encouraging and allowed us to witness first hand several of the concepts underpinning our investment thesis. We sat in the living room of one Chinese mother and heard first hand why she chooses to use a2 Platinum infant formula for her 15 month old son. We were very impressed by the passionate and ambitious a2 management team including meeting and spending time with new Chief Executive Greater China, Li Xiao. Other key takeaways included the position that the brand already holds in the market, and potential for a2 to grow further into e-commerce and offline channels, where it is under-represented. a2's brand is well positioned for the fast growing social e-commerce platforms including Pinduoduo and Little Redbook. We believe the lacklustre market response in the wake of the day reflects disappointment that the company did not more tangibly illustrate the return metrics it is seeing to justify an acceleration in investment in marketing in China. However, it is consistent that a2 Milk decline to provide this level of detail as aspects are commercially sensitive. We continue to back management to deliver on the significant market share and opportunity for sales growth.

Summerset acquired a retirement village site in Cranbourne North, near Melbourne. This is its first site for development in Australia. This type of acquisition was well foreshadowed by the company and does not settle until early 2021.

The company will progress planning in the meantime. The village adds to its New Zealand development pipeline and units will likely be available for sale commencing late 2021 or early 2022. We view this as Summerset executing to plan and there are other similar opportunities in the pipeline.

Pushpay held an investor day in Seattle, and later in the month also updated guidance for its 2020 financial year. This provided some further assurances that new CEO Bruce Gordon has made positive moves since starting, including realigning the sales and customer service effort. The previous approach had seen a soft start to the financial year under the previous CEO. The company increased its operating earnings expectation to be US\$23.0-25.0 million (up US\$4.5 million from prior guidance), with the improvement primarily the result of cost savings. The company is also looking to build out its product to provide a more fulsome offering to its church customers in a range of areas.

Portfolio Changes

Following the partial take-over of Restaurant Brands, we were left with a small position. We used the high valuation the company was trading at to exit the remaining position during the month. Restaurant Brands remains on the fishing pond list and we will potentially re-enter when the levels are more attractive.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Ltd



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

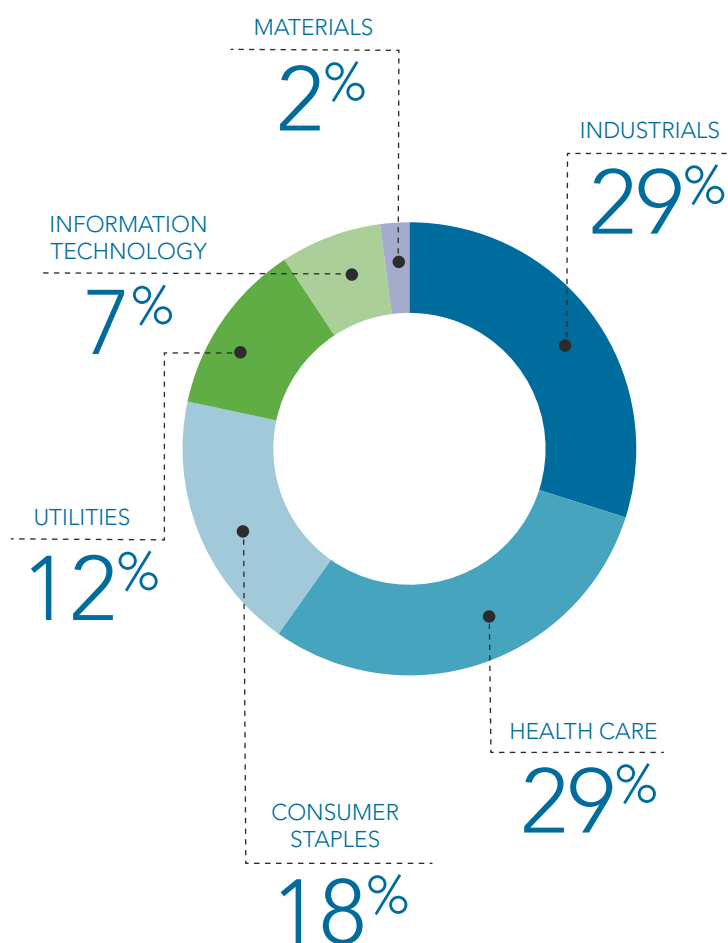
Key Details

as at 30 September 2019

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	\$1.43
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	244m
MARKET CAPITALISATION	\$352m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 30 September 2019



The Kingfish portfolio also holds cash

Performance

to 30 September 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+2.3%	+3.4%	+15.3%	+12.7%	+12.4%
Adjusted NAV Return	+1.0%	(0.1%)	+11.3%	+12.2%	+13.2%
Portfolio Performance					
Gross Performance Return	+1.1%	+0.5%	+14.8%	+14.9%	+15.9%
S&P/NZX50G Index	+1.6%	+4.0%	+16.8%	+14.1%	+15.8%

Non-GAAP Financial Information

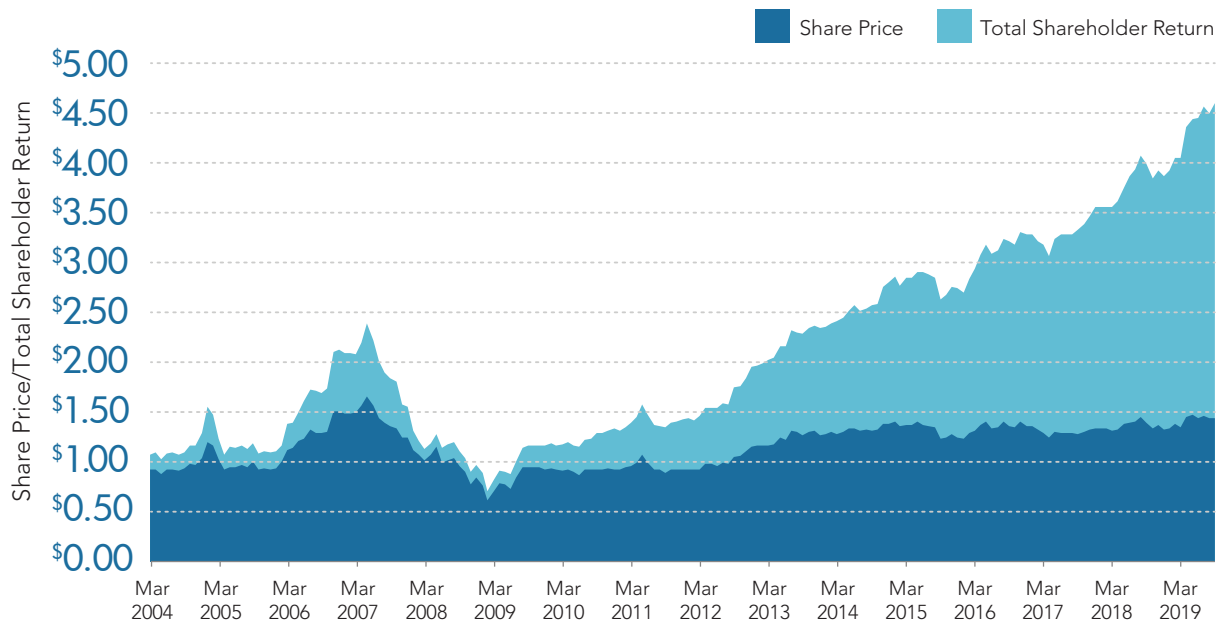
Kingfish uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » 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 to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

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/about-kingfish/kingfish-policies/>

Total Shareholder Return

to 30 September 2019



September's Biggest Movers

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

FLETCHER BUILDING

+16%

PUSHPAY HOLDINGS

+10%

SUMMERSET

+10%

RESTAURANT BRANDS

+8%

THE A2 MILK COMPANY

-8%

5 Largest Portfolio Positions

as at 30 September 2019

THE A2 MILK COMPANY

14%

FISHER & PAYKEL HEALTHCARE

14%

MAINFREIGHT

14%

INFRATIL

9%

SUMMERSET GROUP

8%

The remaining portfolio is made up of another 9 stocks and cash.

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

Kingfish's portfolio is managed by Fisher Funds Management Limited. Sam Dickie (Senior Portfolio Manager) and Matt Peek (Investment Analyst) have prime responsibility for managing the Kingfish portfolio. Together they have over 30 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, and Andy Coupe; and non-independent director 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 up to 9.7m of its shares on market in the year to 31 October 2019
- » 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 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 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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