KINGFISH

LANDING TOMORROW'S TROPHIES

QUARTERLY NEWSLETTER

1 April 2025 – 30 June 2025

Share Price	Warrant Price	KFL NAV	DISCOUNT[1]
$1.29	$0.04	$1.35	3.5%

as at 30 June 2025

The June quarter saw Kingfish deliver a gross performance return of +2.3% and an adjusted NAV return of +1.9%, compared to the +2.7% return of the S&P/NZX50G benchmark index.

The NZ market often proves more resilient in bouts of global volatility

The headline returns for the quarter did not tell the full story. Barely a week into the quarter, by 7 April, global share markets were in a spin following the 'Liberation Day' tariff announcements. While the US S&P 500 was down -9.8% and Australia's ASX 200 down -6.4%, the S&P/NZX 50 had suffered a more moderate -4.0% pullback.

A large part of this is because the composition of the New Zealand share market is quite different. Our market has a reasonably large exposure to utilities, property, telecommunications, and healthcare companies that tend not to be as volatile during global geopolitical shocks. At quarter end, these sectors comprised around 65% of the NZ market and 60% of Kingfish, compared to around 24% of the US S&P 500 index and only 21% of the Australian ASX 200 index.

The NZ market has been getting more concentrated and 'defensive' in recent years. Ten years ago, these sectors were only around 55% of the NZ share market. Further, the top ten companies now comprise around 68% of the NZX 50 benchmark index, up from 53% ten years ago. So, our market has become noticeably more defensive and has also become more top-heavy. Why is this?

Firstly, few new, significantly sized companies have listed on the market. The last large-scale IPOs to hit the NZX were Vulcan Steel and Winton in late 2021. Contrast this to the ASX which in recent weeks has seen a flurry of activity including the re-listing of airline Virgin (A$2.3 billion) and listing of retirement living company GemLife (A$1.6b) which followed several large IPOs in 2024. Many impressive local Kiwi companies have been well funded in private markets and have not needed to come to the NZX for funding, such as Kiwi electronic herd management company Halter, which in June raised a round of $165m in funding at a $1.65b valuation.

Secondly, many companies have delisted due to takeovers, including retirement operator Arvida late last year (NZ$1.2b). We are likely to see other companies disappear such as Manawa Energy which is due to be acquired by Contact Energy in July for around $2.0b. Campervan rental business Tourism Holdings has recently become subject to a $500m approach by private equity.

Thirdly, high quality companies that have been listed mainstays of the local market, have adeptly utilised their market listings to access liquidity. That is, they have raised new funding when required and also cornerstone shareholders have made use of demand to sell their shareholdings when their needs have changed. Portfolio holding EBOS saw both of these use-cases during the quarter, raising around $270 million to fund a new acquisition in early April despite the market turmoil. Longtime EBOS shareholder Sybos then sold around 13% of its 18% holding in May for $960 million (Kingfish acquired some of the shares at a nice price). EBOS has grown from a 1.4% weight in the NZX 50 to around 5.8% over the last 10 years through a combination of consistently good business performance and periodically raising additional capital for growth (taking it from 23rd largest index weight to 5th).

What does this mean for the Kingfish portfolio? Fortunately, as long as our portfolio companies perform well and remain listed then the portfolio can continue to deliver for shareholders. Owning the likes of Fisher & Paykel Healthcare, EBOS, Mainfreight, and Infratil over time has delivered for Kingfish as their businesses have grown. Over longer periods of time, enough quality new listings are needed to ensure a deep pool of companies exist in the market – the likes of Summerset and Vista came into the portfolio after listing around a decade ago.

The results of Kingfish's largest positions drove solid overall performance during the quarter

Overall performance was led in May by several portfolio stock reporting encouraging full year results including Mainfreight (+9% in the quarter), Fisher & Paykel Healthcare (+8%) and Infratil (+3%).

Mainfreight has seen a mixture of performances by region and product, reflecting diverging market conditions. Australia remains the key growth driver with robust growth, while its European business is also showing improved performance. Air & Ocean freight forwarding has seen limited impact of tariffs other than the China-US route, which is only around 10% of that business unit.

Fisher & Paykel Healthcare is seeing robust ongoing demand for its hospital hardware, supported in part by product innovation, and strong uptake of new applications like anaesthesia, in addition to its continued progress in changing clinical practice globally to increased prevalence of high flow nasal oxygen therapy. Performance in its homecare division was also solid, with growth supported by the launch of new obstructive sleep apnea masks like Solo and Nova.

The New Zealand economy remains subdued, as rural green shoots are yet to broaden

We have been waiting for some time for the subdued levels of economic activity in New Zealand to pick up, and optimistic that 2025 would finally see some improvement. As this year has evolved, it's become clear that despite having some more dollars in the wallet after paying the mortgage and other basic expenses, households are prioritising fiscal prudence rather than spending. Activity levels have stabilised at relatively low levels since the middle of 2024.

At its result announcement, Mainfreight noted that it was still seeing 'downtrading' prevalent across its customers, with consumers of a particularly value-conscious mindset and retailers needing to resort to discounting to stimulate activity.

The rural sector has seen improved prices translate into more income for farmers, not just dairy but pipfruit and meat too. Fonterra's expected payout of around $10 per kilogram of milk solids will likely be up almost 30% from the $7.83 last season. However, despite clear signs that rural economies are seeing some more optimism and activity, it is taking time for this activity to spread more broadly.

Matt Peek
Portfolio Manager
Fisher Funds Management Limited
14 July 2025

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

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER

MAINFREIGHT	FISHER & PAYKEL HEALTHCARE	MERCURY	VISTA GROUP	VULCAN STEEL
+9%	+8%	+7%	-7%	-30%

PERFORMANCE

as at 30 June 2025

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	+3.8%	+3.3%	+4.8%
Adjusted NAV Return	+1.9%	+8.4%	+4.7%
Portfolio Performance			
Gross Performance Return	+2.3%	+10.0%	+6.2%
S&P/NZX50G Index	+2.7%	+5.1%	+1.9%

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 percentage change in the adjusted NAV value,
- 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 newsletter 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 kingfish.co.nz/about-kingfish/kingfish-policies.

COMPANY NEWS

Dividend Paid 27 June 2025

A dividend of 2.75 cents per share was paid to Kingfish shareholders on 27 June 2025 under the quarterly distribution policy. Interest in Kingfish's dividend reinvestment plan (DRP) remains high with 39% of shareholders participating in the plan. Shares issued to DRP participants are at a 3% discount to market price. If you would like to participate in the DRP, please contact our share registrar, Computershare on (09) 488 8777.

PORTFOLIO HOLDINGS SUMMARY

as at 30 June 2025

LISTED COMPANIES	% Holding
Auckland Intl Airport	6.9%
Contact Energy	4.0%
Delegat Group	1.1%
EBOS Group	8.8%
Fisher & Paykel Healthcare	19.1%
Freightways	4.0%
Infratil	12.4%
Mainfreight	10.4%
Mercury NZ Limited	3.2%
Meridian Energy	3.4%
Port of Tauranga	3.5%
Summerset	9.1%
The A2 Milk Company	3.0%
Vista Group International	6.2%
Vulcan Steel	1.0%
Equity Total	**96.1%**
New Zealand dollar cash	3.9%
TOTAL	**100.0%**

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