QUARTERLY NEWSLETTER

1 January 2025 – 31 March 2025

Share Price	KFL NAV	DISCOUNT[1]
$1.28	$1.35	5.1%

as at 31 March 2025

The March quarter saw Kingfish deliver a gross performance return of -7.1% and an adjusted NAV return of -6.8%, compared to the -6.4% return of the S&P/NZX50G benchmark index. A tough quarter. Global markets have been volatile with the US S&P 500 seeing a -10% 'correction' during the quarter and Australia's ASX 200 almost following suit. This includes concerns around the potential impact of Trump's tariffs on the global economy, which have intensified with the announcements in early April.

While volatility sees portfolio values drop from time to time, this is part and parcel of being invested in shares, and so we should expect it every so often. We use these opportunities to actively adjust the portfolio (as we did this quarter), putting more money into opportunities where we think better value is emerging and often funding that with cash or by selling down positions where our expected reward-to-risk ratio has not improved. For instance, in last month's update we discussed how we have added electricity company Mercury to the portfolio.

A backwards step for the NZ market during the March quarter, led by some heavyweights

The poor performance of the New Zealand market was led by company-specific dynamics for some of its largest companies. Notably these included **Fisher & Paykel Healthcare** (-13%), **Infratil** (-18%), **Ryman** (-37% to $2.76, and no longer in the Kingfish portfolio), and Spark (-25%, not owned by Kingfish) which together contributed the majority of the NZ market decline.

As discussed last month, Fisher & Paykel Healthcare saw its share price slump with the company warning that it could face higher costs following President Trump's tariff plans. We expect the company will be able to mitigate the tariffs over time.

Infratil provided two key updates in relation to CDC Data Centres during the quarter. Early in January, CDC also announced it has completed contracting for 230MW of capacity by year end versus expectations earlier in 2024 that this would reach 400MW. Looking at the bigger picture, this rate of contracting is still much higher than was anticipated a year ago, however it was disappointing to see expectations for a higher level of contracting not met.

In February, Infratil announced an investment of A$216 million into existing investment CDC Data Centres, increasing its stake by 1.6 percentage points to 49.8%, alongside fellow shareholder the Future Fund which bought another 10.5% of CDC. The overall deal was conducted between existing shareholders (Commonwealth Superannuation Corporation, or 'CSC', selling to Infratil and the Future Fund). CSC ran an external process to establish valuation, but existing shareholders had pre-emptive rights allowing them to purchase the shares on offer at the same price offered by third parties. The transaction implies an equity value for CDC of A$13.7 billion, a 34% uplift on the prevailing valuation.

Despite this, Infratil's share price declined after the deal was announced. We attribute this to market concerns on CDC's recent delayed contract wins and skittish sentiment regarding datacentres generally including concerns Microsoft is pulling back on demand.

During March, Infratil released a newsletter which noted its portfolio company One NZ remains on track to meet the mid-point of its earnings guidance range of $580-620 million (set in May 2024). This is in stark contrast to heavyweight competitor Spark which made the fourth downgrade to its current year earnings guidance, citing "spending cuts and mobile fleet reductions across government and businesses, changes in product mix, and aggressive price competition in mobile". We note that mobile share tracking we follow indicates One NZ (along with rival 2degrees) has progressively been taking market share from Spark and has also moved more proactively to position for a consumer slowdown.

During the quarter we saw several key Infratil people step up and buy a significant number of shares on market with their own money, which is the ultimate vote of confidence in the longer-term prospects for Infratil and the value on offer. We also bought additional shares during the period.

The quarter was not all bad news, the portfolio's companies as a group delivered credible results in a difficult market environment, particularly **a2 Milk** (+40%) and **Vista** (+22%).

Kingfish portfolio companies are outperforming their competitors

Last month we detailed our decision to not participate in Ryman's $1 billion capital raising at $3.05 and fully exit the position in Ryman during period (at a small premium to this price). The situation at Ryman is in stark contrast to **Summerset** (-13%), which delivered a strong 2024 result in February. Importantly the company also provided an upbeat albeit cautious trading update for the first eight weeks of 2025, citing "market conditions are stable with some early signs of improvement" with the rate of contracting up around 30%. The shadow cast by the situation at Ryman nonetheless weighed on the Summerset share price, but this created an opportunity to add to our position.

Like the divergence between One NZ and Spark, it is comforting to see Summerset outexecuting its key competitor in a tough market. We continue to see the same happening at other portfolio companies including **Vulcan Steel** (+14% in the quarter) versus **Steel & Tube** (-8%), **Freightways** versus NZ Post, and a2 Milk offshore versus its competitors.

Matt Peek
Portfolio Manager
Fisher Funds Management Limited
14 April 2025

[1] Share price discount to NAV (using the net asset value per share, after expense, fees and tax, to four decimal places).

SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER

a2 MILK COMPANY	VISTA GROUP	VULCAN STEEL	MAINFREIGHT	INFRATIL
+40%	+22%	+14%	-16%	-18%

PERFORMANCE

as at 31 March 2025

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	(2.3%)	(1.8%)	+9.4%
Adjusted NAV Return	(6.8%)	+3.2%	+8.4%
Portfolio Performance			
Gross Performance Return	(7.1%)	+4.6%	+10.2%
S&P/NZX50G Index	(6.4%)	+0.4%	+4.6%

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 28 March 2025

A dividend of 2.92 cents per share was paid to Kingfish shareholders on 28 March 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 31 March 2025

LISTED COMPANIES	% Holding
Auckland Intl Airport	8.3%
Contact Energy	4.0%
Delegat Group	1.1%
EBOS Group	7.9%
Fisher & Paykel Healthcare	17.8%
Freightways	3.8%
Infratil	13.6%
Mainfreight	9.6%
Mercury	3.0%
Meridian Energy	3.2%
Port of Tauranga	3.4%
Summerset	8.9%
The a2 Milk Company	3.0%
Vista Group International	7.7%
Vulcan Steel	1.2%
Equity Total	**96.5%**
New Zealand dollar cash	3.5%
TOTAL	**100.0%**

KINGFISH
LANDING TOMORROW'S TROPHIES

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

If you would like to receive future newsletters electronically please email us at enquire@kingfish.co.nz