



# QUARTERLY NEWSLETTER

1 January 2024 – 31 March 2024

Share Price

\$ 1.25

Warrant Price

\$ 0.01

KFL NAV

\$ 1.34

DISCOUNT<sup>1</sup>

6.8%

as at 31 March 2024

In the March quarter, Kingfish delivered a gross performance return of +5.5% and an Adjusted NAV return of +4.8%, versus the +2.8% return of the S&P/NZX50 gross index.

The quarter's performance features strong returns from several portfolio companies, led by China-focused infant formula maker **a2 Milk** (+47% total return in the quarter) and cinema software provider **Vista** (+21%). There were also a range of solid contributions from a number of large positions, particularly **Summerset** (+13%), **Fisher & Paykel Healthcare** (+9%), **Infratil** (+9%), and **Contact Energy** (+10%). A meaningful detractor during the period was **Ryman Healthcare** (-23%).

## Kingfish celebrates 20 years of excellence in investment management

At the end of March Kingfish celebrated 20 years as a listed investment company, and the Kingfish Board and Fisher Funds investment management team were invited by the NZX to mark the milestone by having the Kingfish directors open the NZX trading day (on 27 March) with the ringing of the NZX bell. Kingfish remains committed to providing shareholders with competitive investment returns from the professionally managed hand-picked portfolio of New Zealand's best companies.

## Kingfish's more economically sensitive companies mostly delivered solid report cards in a difficult environment

One of legendary investor Warren Buffett's most famous sayings is: "A rising tide floats all boats... only when the tide goes out do you discover who's been swimming naked". It certainly feels like that's the case in New Zealand, given the current economic downturn.

During the quarter, many companies, both those in the portfolio and those in the broader New Zealand share market, released financial results or provided trading updates. It was pleasing to see most of Kingfish's portfolio companies deliver solid results against the challenging backdrop, while many other companies (that we have deliberately chosen not to invest in) struggled.

During the quarter, China focused infant formula maker **a2 Milk** released its half year result with revenue and earnings above its plan, and the company increased its revenue guidance for the full financial year, despite the number of births in China being below previous years. **a2 Milk** has seen a smooth transition to its new Chinese Label product formulation and has continued to take share in most market segments, with brand health metrics showing continuous improvement.

**Summerset** has seen its share price meaningfully outperform the other three listed retirement village operators so far in 2024. The company continues to out-execute its rivals in building and selling its retirement living proposition, despite ongoing softness in the New Zealand housing market. It is also delivering attractive development margins and recycling cash into new developments, enabling it to confidently increase its build rate when other operators are struggling to manage indebted balance sheets.

In contrast, **Ryman** disappointingly reduced its underlying profit guidance with new sales expectations revised down around 20%. Ryman is working through some near-term challenges, with an unprecedented four

main buildings under construction proving a distraction for prospective residents considering those villages.

Recent results and updates also highlighted the value of portfolio companies that have grown their businesses in Australia, with several seeing less challenging economic conditions there. **Freightways** (+7%) and **Vulcan Steel** (+12%) are key examples. Both companies have also added new customers to mitigate weaker market conditions.

## Several of Kingfish's structural growth companies continue to deliver impressive performance

It was pleasing to see strong returns from cinema software company **Vista**. Its share price performance reflects a solid 2023 result ahead of expectations and a growing appreciation of its progress against its medium-term strategy. This involves progressively transitioning its cinema exhibitor customers to its next generation Digital and Cloud products. Maiden revenue guidance for 2024 was in line with expectations and represents recurring revenue growth of 8–12%, which when combined with much lower cost growth (it expects \$10 million of annualised savings from its recent organisational restructure) this should see operating profits grow strongly.

During the quarter **Infratil** updated the market on progress at its portfolio company Canberra Data Centres (CDC). CDC has signed significant new contracts and is accelerating development to support growth, which has been boosted in recent times by the emergence of demand from AI-based computing. As a result of its strong organic growth over time, CDC has become the largest asset in Infratil's portfolio but still expects to double the size of the business within two years, and to be over four times its current size by 2029. In March, Infratil also hosted an investor day in Sydney with presentations from several portfolio companies. One emerging business in Infratil's portfolio is **Gurin Energy**, Infratil's Asian renewable electricity development platform. The business is tracking well ahead of Infratil's investment case. Recently it has signed a significant deal to build 2 gigawatts of solar farm capacity in Indonesia, supported by batteries, and import the electricity into Singapore as part of its plans to decarbonise its electricity supply.

**Fisher & Paykel Healthcare** released updated guidance for its 2024 financial year late in the quarter, with revenue and underlying profit after tax in the second half of the year 3% and 5% higher than previously expected. The quality of the update was solid, with its hospital consumables and OSA masks both experiencing stronger underlying sales growth than anticipated by the company back in November when guidance was last communicated.

**Matt Peek**  
Portfolio Manager  
Fisher Funds Management Limited  
12 April 2024



<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 expense, fees and tax, to four decimal places).

# SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER

a2 MILK COMPANY	VISTA GROUP	SUMMERSET	VULCAN STEEL	RYMAN HEALTHCARE
+47%	+21%	+13%	+12%	-23%

## PERFORMANCE

as at 31 March 2024

	3 Months	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>			
Total Shareholder Return	+4.5%	(5.6%)	+8.3%
Adjusted NAV Return	+4.8%	(0.9%)	+6.6%
<b>Portfolio Performance</b>			
Gross Performance Return	+5.5%	+0.3%	+8.6%
S&P/NZX50G Index	+2.8%	(1.2%)	+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 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/aboutkingfish/kingfish-policies](http://kingfish.co.nz/aboutkingfish/kingfish-policies).

## PORTFOLIO HOLDINGS SUMMARY

as at 31 March 2024

LISTED COMPANIES	% Holding
Auckland Intl Airport	8.4%
Contact Energy	7.3%
Delegat Group	1.8%
EBOS Group	6.4%
Fisher & Paykel Healthcare	16.0%
Freightways	3.2%
Infratil	17.8%
Mainfreight	13.9%
Meridian Energy	1.5%
Port of Tauranga	2.7%
Ryman Healthcare	2.5%
Summerset	8.5%
The a2 Milk Company	3.2%
Vista Group International	4.5%
Vulcan Steel	1.2%
<b>Equity Total</b>	<b>98.9%</b>
New Zealand dollar cash	1.1%
<b>TOTAL</b>	<b>100.0%</b>

## COMPANY NEWS

Dividend Paid 28 March 2024

A dividend of 2.58 cents per share was paid to Kingfish shareholders on 28 March 2024 under the quarterly distribution policy. Interest in Kingfish’s dividend reinvestment plan (DRP) remains high with 40% 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.

## FOREIGN TAX COMPLIANCE ACT (FATCA) AND COMMON REPORTING STANDARD (CRS)

As a result of the New Zealand Government agreeing to participate in the exchange of information with other jurisdictions under the Foreign Tax Compliance Act (FATCA) and Common Reporting Standard (CRS), Financial Institutions are required to undertake due diligence to determine the account holders’ jurisdiction of tax residence. If shareholders have not previously self-certified, they will receive a Tax Residency Self-Certification form from Computershare depending on when they first purchased their securities. Please ensure you complete and return this important document if you have not already done so. For more information please visit the IRD website: [ird.govt.nz/international-tax/exchange-of-information/crs/registration-and-reporting](http://ird.govt.nz/international-tax/exchange-of-information/crs/registration-and-reporting) or contact Computershare if you are unsure of whether you have completed your form.

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