



# MONTHLY UPDATE

November 2021

Share Price

\$2.04

KFL NAV

\$1.85

PREMIUM<sup>1</sup>

10.5%

as at 31 October 2021

## A WORD FROM THE MANAGER

### Market Update

In October, Kingfish's gross performance return was down -1.8% and the adjusted NAV return was also -1.8%. This compares with the local market benchmark index return which was down -1.3% S&P/NZX50G).

New Zealand equities fell -1.3% (S&P/NZX 50) in October, underperforming major global equity markets (MSCI World +5.6%, S&P 500 +7.0%, S&P/ASX 200 -0.1%). New Zealand interest rates moved sharply higher during the month. Our stock market is generally comprised of more defensive and interest rate sensitive companies. It has fewer cyclical stocks and re-opening plays that benefit as global growth and interest rates are rising.

### The Portfolio

**a2 Milk** (+2%) hosted its Investor Day during the month. We continue to be impressed by its current CEO, David Bortolussi, and his expanded management team. They are gradually developing a track record of delivering on their targets as they have stabilised performance in the business and enabled a return to growth. David has been incredibly transparent with investors, providing a high level of detail in outlining the company's position and strategy. The team have now addressed the key inventory management issues that had impacted the company over the last 12 or so months. The a2 brand remains intact and is now positioned to recover some of the lost sales in its English Label infant formula business and continue to take share with its China Label range. The management team thinks it can grow sales at 10% annually for the next 5 years, despite a tough market environment. We have been closely tracking the health of the English Label ecosystem and we are seeing it consistently improve. Tighter supply of product and higher pricing are increasing margin available to channel partners (resellers/daigou), which should help drive a sales recovery. Overall this means we are becoming slightly more positive on the company's prospects.

**Freightways** (+1%) provided its usual first quarter update for fiscal 2022 at its Annual Meeting. Volumes in its key network courier business were impacted by the shift to Alert Level 4 but have subsequently returned to growth (Alert Level 3 is supportive for home deliveries).

**Infratil** (+4%) announced a £130 million investment in Kao Data, a UK datacentre business focused on high performance computing. Clients include Nvidia, which has the UK's most powerful supercomputer on Kao Data's campus. The business is in the early stages of development, but Infratil hopes to grow it to a £500 million platform in time. The company also announced the purchase of Auckland Radiology, which is Infratil's third investment in the diagnostic imaging industry over the past 12 months. They have now built one of the largest platforms in Australasia. It is good to see the team finding attractive ways of deploying the significant amount of capital received from the successful divestment of Tilt.

**Mainfreight** (-7%) shares pulled back after a very strong last few months as Shanghai to Los Angeles sea freight rates stopped rising (although remain near their very elevated highs). Its freight forwarding peers continue to report very strong results and we are expecting a strong first half fiscal 2022 result in November. Mainfreight's US trucking peers also reported strong September quarter results which is supportive for its business there, as demand remains strong and capacity in the market is limited given challenges in finding drivers. We had trimmed our position at higher levels.

**Port of Tauranga** (-3%) held its Annual Meeting, providing an update on first quarter trading and full-year earnings guidance. Trade volumes were strong in the first quarter, supported by containerised cargo (+8%), imports (+10%) and logs (+2%). Ship visits were up 8% as ships rationalise their ports of call to focus on main hubs, as a result of global supply chain disruption. Port of Tauranga has used congestion charges to compensate for productivity losses, increasing profits in 2021 by +15% despite container volumes declining -4%.

<sup>1</sup> Share Price Premium to NAV (using NAV to four decimal places)

**Ryman Healthcare** (-4%) announced the purchase of land adjacent to two existing sites in Victoria, Australia. Ryman has ambitions to double the rate at which it builds units and beds to 1,600 annually within the next five years. The purchase of additional sites is an important milestone in supporting that growth trajectory.

**Summerset** (-4%) announced third quarter unit sales. The 199 units sold was a -26% decline on the preceding quarter (a record 270 unit sales) although similar to the corresponding quarter a year ago. Lockdowns impacted sales during the quarter, but underlying demand remains strong. An example of this is the Mt Denby village near Whangarei, where all independent living units have been pre-sold.



Sam Dickie  
Senior Portfolio Manager  
Fisher Funds Management Limited



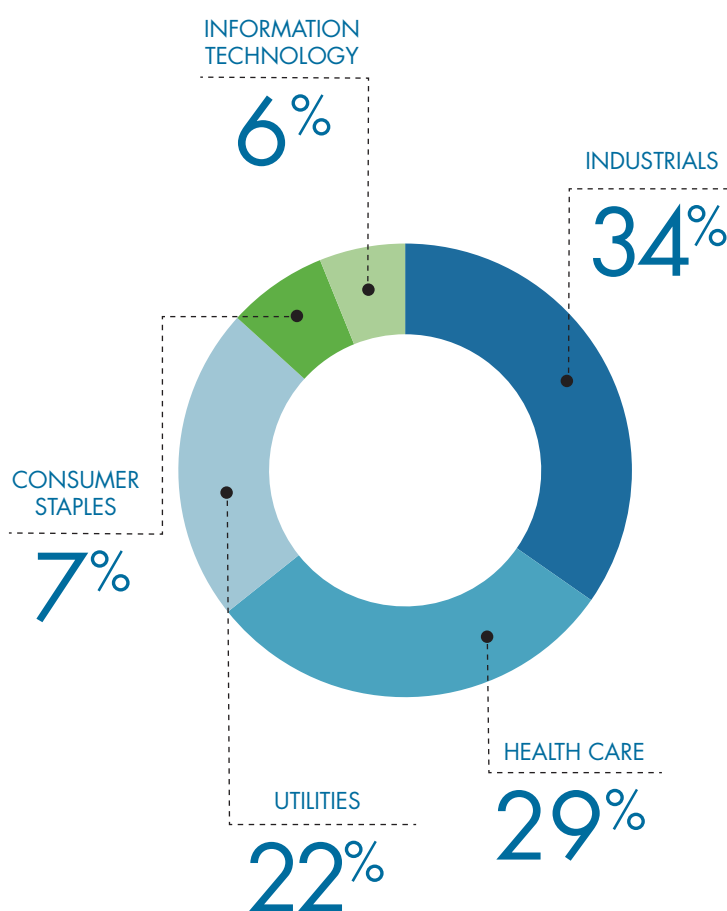
## KEY DETAILS

as at 31 October 2021

FUND TYPE	Listed Investment Company
INVESTS IN	Growing New Zealand companies
LISTING DATE	31 March 2004
FINANCIAL YEAR END	31 March
TYPICAL PORTFOLIO SIZE	10 – 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	\$1.69
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	316m
MARKET CAPITALISATION	\$645m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 31 October 2021



The Kingfish portfolio also holds cash

# OCTOBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

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

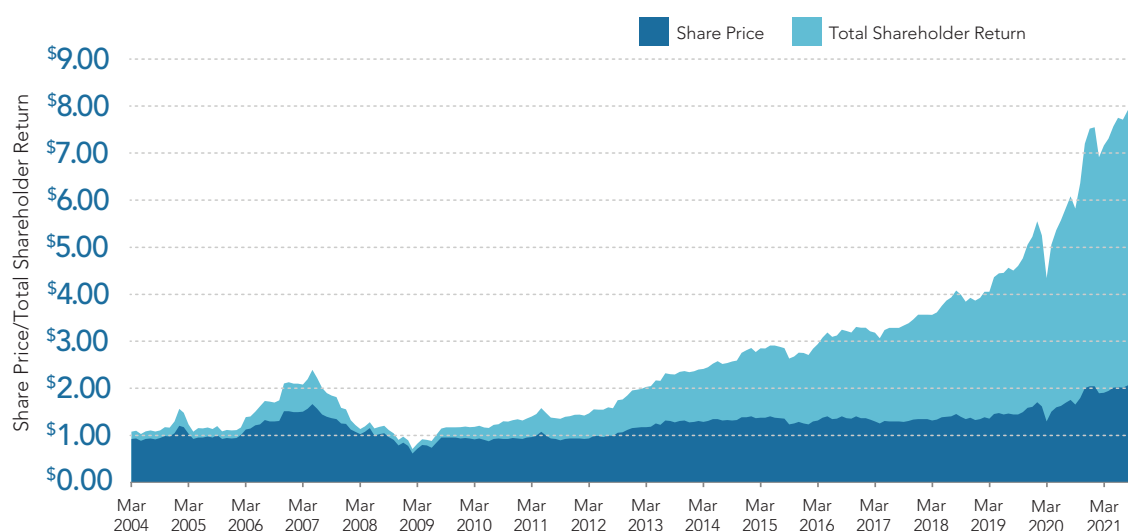
INFRATIL	RYMAN HEALTHCARE	SUMMERSET GROUP	VISTA GROUP	MAINFREIGHT
+4%	-4%	-4%	-7%	-7%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 October 2021

MAINFREIGHT	INFRATIL	FISHER & PAYKEL HEALTHCARE	AUCKLAND INTERNATIONAL AIRPORT	SUMMERSET
19%	16%	15%	10%	9%

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

## TOTAL SHAREHOLDER RETURN to 31 October 2021



## PERFORMANCE to 31 October 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+0.5%	+3.3%	+25.4%	+27.6%	+20.2%
Adjusted NAV Return	(1.8%)	+6.9%	+16.2%	+20.5%	+16.7%
<b>Portfolio Performance</b>					
Gross Performance Return	(1.8%)	+7.5%	+18.4%	+23.8%	+19.6%
S&P/NZX50G Index	(1.3%)	+4.0%	+8.4%	+14.4%	+13.5%

### 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 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 <http://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 10 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. Sam Dickie (Senior Portfolio Manager), Matt Peek and Michael Bacon (Senior Investment Analysts) have prime responsibility for managing the Kingfish portfolio. Together they have around 50 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 Board of Kingfish comprises independent directors Alistair Ryan (Chair), Carol Campbell, Andy Coupe and David McClatchy.

# 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 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.
- » On 18 October 2021 a new issue of warrants (KFLWG) was announced.
- » The warrants will be issued at no cost to eligible shareholders in the ratio of one warrant for every four Kingfish shares held on the Record Date of 12 November 2021.
- » The warrants will be allotted to shareholders on 15 November 2021 and will be listed on the NZX Main Board from 16 November 2021. (Information pertaining to the warrants was mailed/emailed to shareholders on 1 November 2021).
- » The Exercise Price of each warrant is \$2.03, adjusted down for the aggregate amount per Share of any cash dividends declared on the Shares with a record date during the period commencing on the date of allotment of the warrants and ending on the last Business Day before the final Exercise Price is announced by Kingfish.
- » The Exercise Date for the new warrants is 18 November **2022**.

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 a 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 June have no correlation with results historically achieved.



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