



# MONTHLY UPDATE

August 2023

Share Price

\$1.33

Warrant Price

\$0.07

KFL NAV

\$1.40

DISCOUNT<sup>1</sup>

5.0%

as at 31 July 2023

## A WORD FROM THE MANAGER

In July, Kingfish's gross performance return was up 0.4% and the adjusted NAV return was up 0.3%. This compares to the benchmark S&P/NZX50G, which was up 1.2%.

### Portfolio News

**Contact Energy** (+3%) delivered a positive finish to its financial year, with its operating statistics showing a record June operating performance. This has resulted in a one-off uplift in expected earnings for the year ended June 2023, ahead of earlier company guidance. The result was enabled by strong hydro inflows into its Clutha catchment which allowed for more high margin hydro generation. Contact has also continued to gain retail customers and fixed pricing continues to track upward as it reflects previous large increases in wholesale prices.

**Infratil** (-2%) announced the acquisition of Console Connect, a provider of connectivity and networking solutions, for US\$160 million. This provides another growth platform in the data and connectivity sector with global potential. Its investment thesis is to accelerate growth through investment in enhancing the technology platform and sales team, whilst reducing direct costs by progressively owning more of the network (via taking stakes in international submarine data cables). Console Connect is being spun out of Hong Kong's PCCW<sup>2</sup>, one of only a select number of top tier telecommunications companies globally. PCCW will maintain minority ownership and allow Console Connect to use its network, which is a source of competitive advantage. We like the opportunity, and it continues Infratil's track record of creating value in complex niche areas with strong growth prospects.

**Mainfreight** (-4%) delivered a trading update for the first quarter of its 2024 financial year, the three months to the end of June. The update was weaker than expected, with a deterioration in revenues and profits below expectations due to weaker freight volumes linked to economic conditions. The Transport division held revenue at last year's level, with rate increases offsetting volume pressures from weaker trading conditions in the quarter. However, lower utilisation of line haul services weighed on gross margins and inflationary cost growth such as annual wage increases and other fixed costs such as insurance meant a sharp decline in weekly profits (-36% versus the same period last year). Warehousing revenue continued to grow (+15%) at a similar rate to the most recent periods, however weekly profits declined (-9%). In Air & Ocean international freight forwarding, weekly profits had been reducing as expected as ocean freight rates fell from recent elevated levels towards more normal levels. However, weekly profits reduced more sharply than we expected, to \$2.9 million per week, from \$5.0 million per week in the second half of the 2023 financial year. The Mainfreight team are continuing to look for ways to bolster profitability, including a hiring freeze and efficiencies at the branch level. Heading into the update, we thought that the share price was implying a relatively pessimistic near-term earnings outcome and was confirmed with the muted share price fall subsequent to the trading update. There is nothing to suggest the company's positive long-term prospects have changed.

<sup>1</sup> Share Share Price Discount to NAV (including warrant price on a pro-rated basis and using the net asset value per share, after expenses, fees and tax, to four decimal places).

<sup>2</sup> Pacific Century CyberWorks Limited is a Hong Kong based information and communication technology (ICT) company.

**Vulcan Steel** (-7%) delivered a trading update, with profits for the 2023 financial year to June coming in below its guidance range. The company saw weaker trading in its New Zealand steel distribution operations in June. It cited that some projects are not progressing as quickly as anticipated because of uncertainty ahead of the general election in October. Trading conditions in the other parts of the business remain more reasonable (steel in Australia, stainless and engineering steel, and aluminium). Positively,

the company called out its number of Active Trading Accounts reached record levels in May, which means it is continuing to gain customers and take market share. This will become a positive tailwind when the challenging market conditions stabilise.



**Matt Peek**  
Portfolio Manager  
Fisher Funds Management Limited



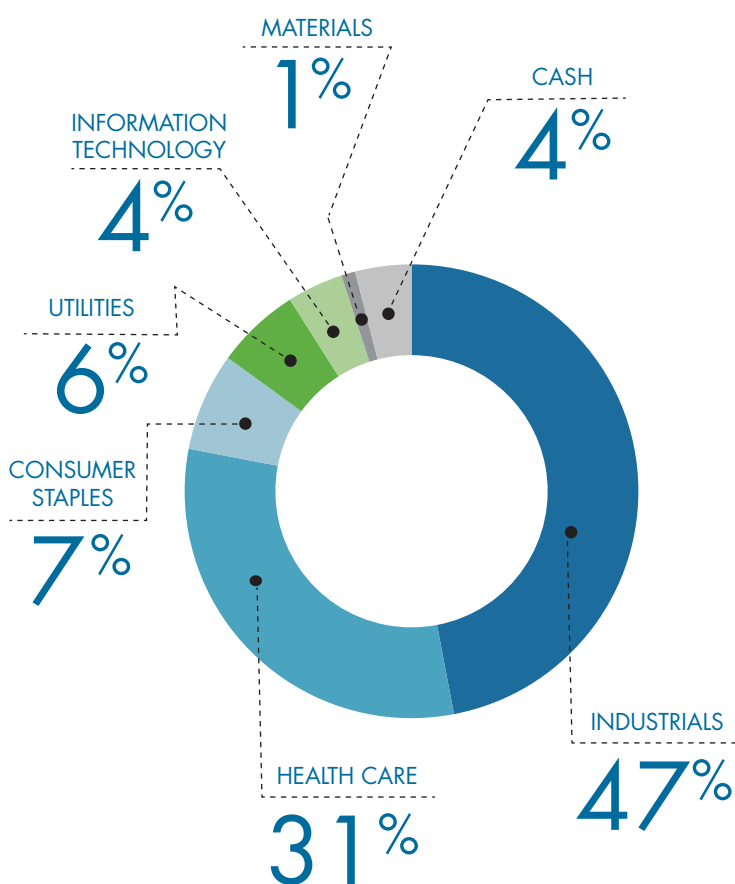
## KEY DETAILS

as at 31 July 2023

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	\$1.45
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	332m
MARKET CAPITALISATION	\$442m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 31 July 2023



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

SUMMERSET GROUP

+7%

DELEGAT GROUP

+7%

VISTA GROUP

+6%

EBOS GROUP

+5%

VULCAN STEEL

-7%

## 5 LARGEST PORTFOLIO POSITIONS as at 31 July 2023

INFRATIL

17%

MAINFREIGHT

16%

FISHER & PAYKEL  
HEALTHCARE

13%

SUMMERSET

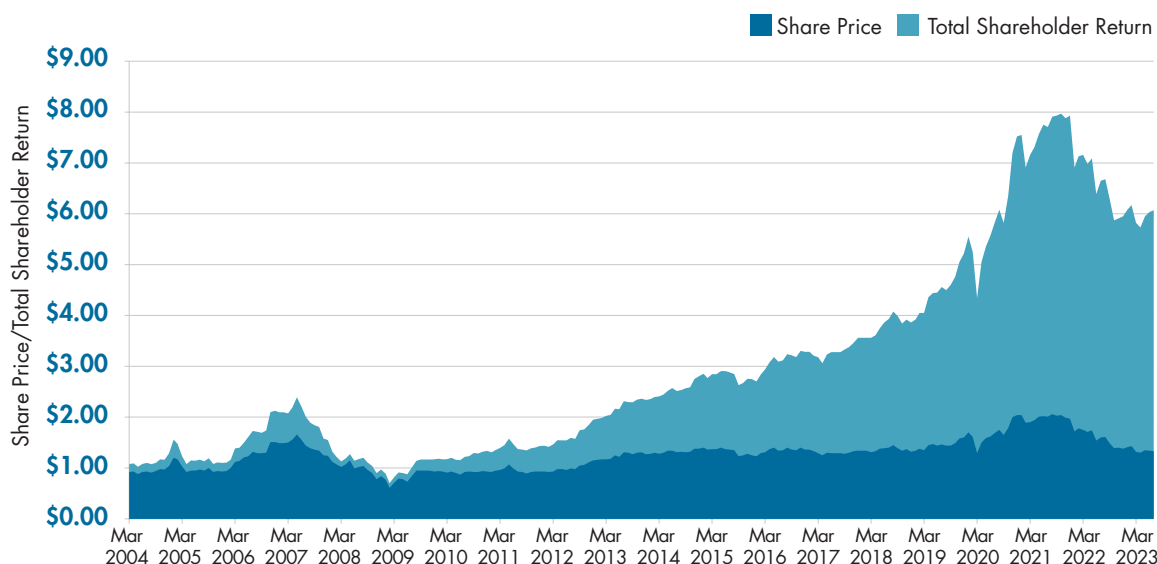
9%

AUCKLAND  
INTERNATIONAL  
AIRPORT

8%

The remaining portfolio is made up of another 10 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 31 July 2023



## PERFORMANCE to 31 July 2023

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+0.6%	+6.0%	(8.6%)	+1.4%	+9.1%
Adjusted NAV Return	+0.3%	+1.5%	+4.3%	+1.9%	+8.1%
<b>Portfolio Performance</b>					
Gross Performance Return	+0.4%	+1.9%	+5.5%	+3.2%	+10.3%
S&P/NZX50G Index	+1.2%	+0.3%	+4.9%	+0.9%	+6.2%

### 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 dividends (and other capital management initiatives) and after expenses, fees and tax,
- » adjusted NAV return – the percentage change in the adjusted NAV,
- » 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 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

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. Matt Peek (Portfolio Manager) and Michael Bacon and Zoie Regan (Senior Investment Analysts) have prime responsibility for managing the Kingfish portfolio. Together they have significant 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 Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

# 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 utilised for the dividend reinvestment plan

### Warrants

- » Kingfish announced an issue of warrants (KFLWH) on 20 June 2023
- » Information pertaining to the warrants was mailed/ emailed to all shareholders on Tuesday 27 June 2023
- » The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Kingfish shares held based on the record date of 5 July 2023
- » The warrants were allotted to shareholders on 6 July 2023 and listed on the NZX Main Board from 7 July 2023
- » The Exercise Price of each warrant is \$1.37, 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 warrants is 26 July 2024

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 may have no correlation with results historically achieved.



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