



MONTHLY UPDATE

February 2022

Share Price

\$1.72

Warrant Price

\$0.06

KFL NAV

\$1.61

PREMIUM¹

7.7%

as at 31 January 2022

A WORD FROM THE MANAGER

In January, Kingfish's gross performance return was down a disappointing (9.7%) and the adjusted NAV return was down (9.5%). This compares with the local market benchmark index return, the S&P/NZX50, which was down (8.8%).

Market Environment

New Zealand equities fell -8.8% (S&P/NZX 50) in January, underperforming major global equity markets (MSCI World -5.3%, S&P 500 -5.2%, S&P/ASX 200 -6.4%). After a flat year for the market last year, this was a sombre note to begin 2022. The New Zealand market did not perform defensively as it usually does, rather every stock except one in the market index was down for the month. Concerns about interest rates rising faster than expected impacted growth and interest rate sensitive 'defensive' companies alike. New Zealand does not have many energy (oil and gas) or financial companies, which were the two sectors that outperformed globally, so this also accounts for the lacklustre relative performance of the local market.

There was little by way of fundamental developments for our companies, rather Kingfish's underperformance was the result of our preference for higher growth companies, which were out of favour during January.

The Portfolio

Auckland Airport (-7%) announced a delay in the aeronautical price reset for its next regulatory period. This is a response to continued uncertainty in the aviation market and to support airlines during the early phase of the COVID recovery. The share price performance reflected the market pricing potential Omicron impacts for Auckland Airport, on top of the broader market correction.

Our position in **Contact Energy** (-3%) outperformed our small position in **Meridian** (-10%) and the others in the electricity sector we do not own, benefiting from favourable hydro conditions boosting its renewable generation and allowing lower thermal generation costs in the December

half year.

Fisher & Paykel Healthcare (-15%) was not immune from the sell-off in growth companies. In addition, during the month the Recovery RS clinical study was published in the JAMA medical journal, following a pre-print that was released in August 2021. As foreshadowed by the pre-print, this study concludes that in COVID patients continuous positive airway pressure (CPAP) treatment is superior to standard oxygen, while nasal high flow oxygen (FPH's primary product suite) is not necessarily as beneficial in comparison. While we are carefully watching for any adverse reaction to the study, at this stage we are not particularly concerned because of the broader context. Firstly, three other COVID clinical studies were published in the last 12 months that reach a more favourable conclusion for nasal high flow oxygen. Secondly, a much wider body of clinical evidence for acute respiratory illness pre COVID has built up over many years which have more favourable conclusions for nasal high flow oxygen.

Our large position in **Infratil** (-5%) performed more defensively than the market overall. The company reported an increase in the independent valuation for Canberra Data Centres (CDC), its largest asset. The midpoint of the valuation increased by 15% since the previous valuation in June 2021. The increase reflects the pipeline of development and strong customer interest in CDC's services. CDC recently announced a move into Melbourne, and construction of the first phase of development is expected to commence shortly. This, along with CDC's track record and customer demand, gives strong confidence in the medium-term growth outlook.

Our largest position **Mainfreight** (-11%) was also down meaningfully, similar to its global trucking and freight forwarding transport peers. There was no new news. After month end, Mainfreight released a strong 43-week trading update. High profit growth is continuing and the early outlook for the upcoming 2023 financial year anticipates a continuation of the favourable trading conditions.

¹ Share Price Premium to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places).

The share prices of the technology names in our portfolio, **Pushpay** (-18%), and **Vista** (-13%), were down sharply. There were no material developments at the companies to justify the moves, so we've put the underperformance down to investors rotating their positioning away from tech companies, similar to what we've observed in offshore markets.

Retirement village operator **Summerset** (-9%) reported fourth quarter sales volumes, with 234 sales, down 25% versus last year, due to the impact of COVID lockdowns. Summerset is seeing growth in waitlists, demonstrating robust demand for its offering. The first quarter of 2022 is looking promising, with over half of new deliveries pre-sold. Despite the solid underlying business performance, the share price performed poorly in January. In addition to interest rates and the possible transient impact of Omicron

on sales, the broader expectation of a slow-down in the housing market is impacting investor sentiment towards the sector. We know that when someone purchases a retirement village unit, it is typically a needs-based decision which has nothing to do with the housing market. In addition, Summerset has a wider than normal 'buffer' between local house prices and the price it sells units for, which will insulate the business from a housing downturn. We think the stock market is over-emphasising these short-term headwinds and the value on offer is attractive to long-term investors.



Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



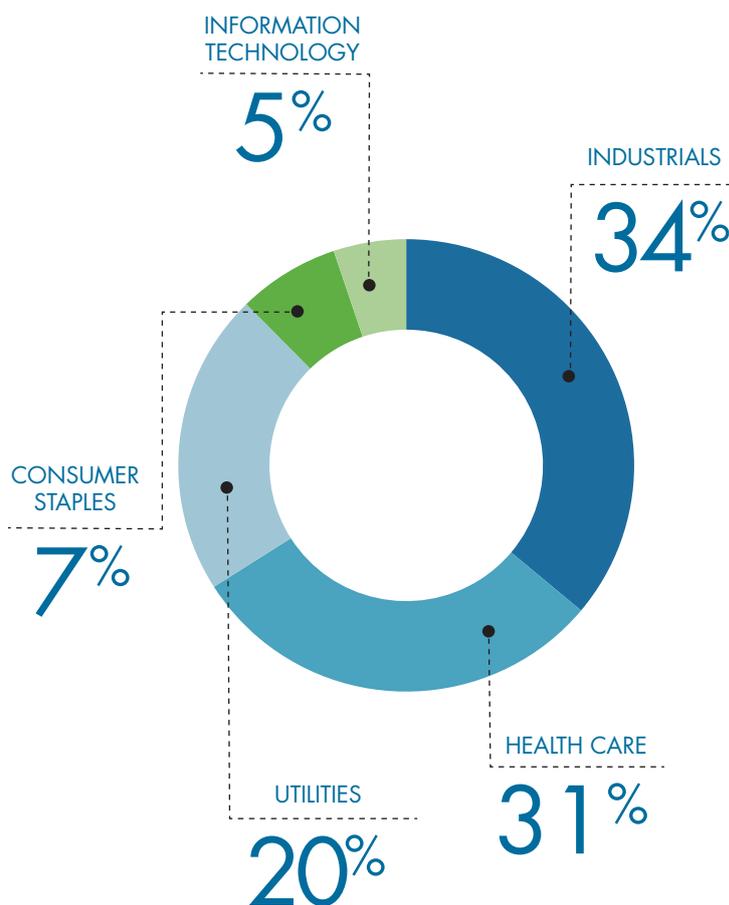
KEY DETAILS

as at 31 January 2022

| | |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 | \$1.66 |
| PERFORMANCE FEE CAP | 1.25% |
| SHARES ON ISSUE | 318m |
| MARKET CAPITALISATION | \$548m |
| GEARING | None (maximum permitted 20% of gross asset value) |

SECTOR SPLIT

as at 31 January 2022



The Kingfish portfolio also holds cash

JANUARY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

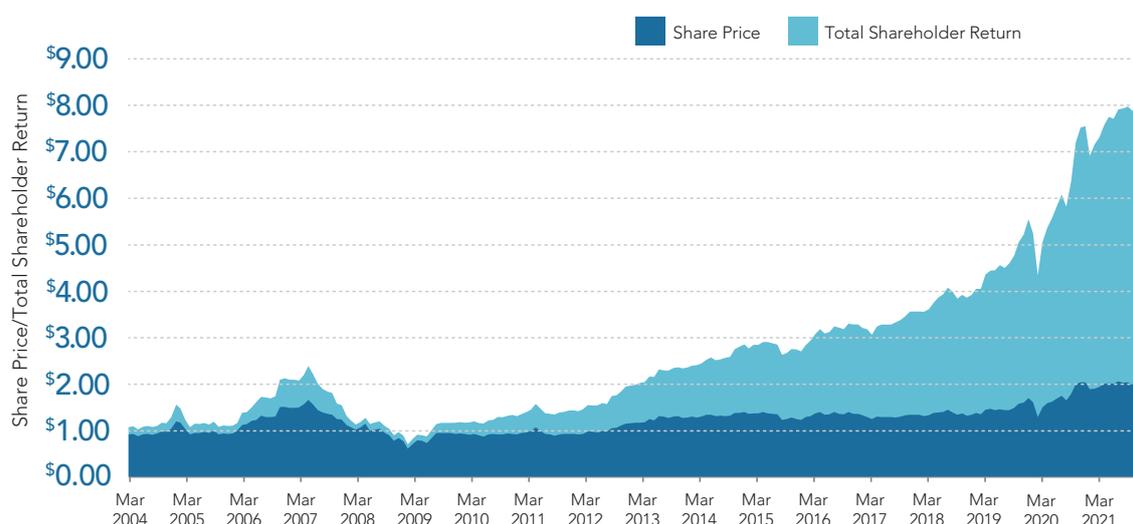
| | | | | |
|------------------|---------|----------------------------|-------------|-------------|
| RYMAN HEALTHCARE | PUSHPAY | FISHER & PAYKEL HEALTHCARE | VISTA GROUP | MAINFREIGHT |
| -19% | -18% | -15% | -13% | -11% |

5 LARGEST PORTFOLIO POSITIONS as at 31 January 2022

| | | | | |
|-------------|----------|----------------------------|-----------|--------------------------------|
| MAINFREIGHT | INFRATIL | FISHER & PAYKEL HEALTHCARE | SUMMERSET | AUCKLAND INTERNATIONAL AIRPORT |
| 20% | 16% | 15% | 10% | 9% |

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

TOTAL SHAREHOLDER RETURN to 31 January 2022



PERFORMANCE to 31 January 2022

| | 1 Month | 3 Months | 1 Year | 3 Years (annualised) | 5 Years (annualised) |
|------------------------------|---------|----------|--------|----------------------|----------------------|
| Company Performance | | | | | |
| Total Shareholder Return | (12.9%) | (13.3%) | (8.5%) | +20.8% | +16.0% |
| Adjusted NAV Return | (9.5%) | (11.0%) | (4.8%) | +15.2% | +13.7% |
| Portfolio Performance | | | | | |
| Gross Performance Return | (9.7%) | (11.0%) | (3.6%) | +18.2% | +16.4% |
| S&P/NZX50G Index | (8.8%) | (9.2%) | (9.4%) | +9.8% | +11.0% |

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/aboutkingfish/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

- » Kingfish announced a new issue of warrants on 18 October 2021
- » Information pertaining to the warrants was mailed/ emailed to shareholders on 1 November 2021
- » 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 12 November 2021
- » The warrants were allotted to shareholders on 15 November 2021 and listed on the NZX Main Board from 16 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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