



# MONTHLY UPDATE

March 2021

Share Price

\$1.89

KFL NAV

\$1.81

WARRANT PRICE

\$0.27

PREMIUM<sup>1</sup>

8.1%

as at 28 February 2021

## A WORD FROM THE MANAGER

In February, Kingfish's gross performance return was down (3.7%) and the adjusted NAV return was down (3.8%). This compares with the local market benchmark index return which was down (6.9%) (S&P/NZX50G).

Global equities eked out a small gain of +1%. The best performers were economic cyclicals and "reopening plays" that will benefit most from falling COVID infection rates and the roll out of vaccines. The significant fiscal and monetary stimulus that has been injected into global economies is creating much discussion about the possibility of higher inflation. This sent interest rates sharply higher during the month. Against this backdrop interest rate sensitive sectors underperformed. It isn't surprising to see the New Zealand equity market underperform in this environment given the large weightings of property and utilities in the benchmark index.

### The Portfolio

**α2 Milk** (-16%) reported its first half result in line with expectations but reduced its revenue and profit guidance for the full year. The company pointed to persistently high inventory levels in some areas that are taking longer to clear than anticipated. The company is now reducing its sales to allow these to reduce to more normal levels rather than compounding the problem which is weighing on results.

**Auckland Airport** (+1%) reported its first half result. The company has significantly reduced capital investment plans in line with the immediate outlook for lower international passenger numbers. It is working on a trigger-based plan to align spending with the traffic recovery profile, including the eventual resumption of trans-Tasman travel.

**Contact Energy** (-16%) raised \$400 million primarily to develop its Tauhara geothermal field. The announcement confirmed the strong economics of the renewable electricity project. Contact shares have fallen despite this news, due to what we think are non-fundamental factors (relating to possible index changes) so this presented an attractive buying opportunity.

**Delegat** (-1%) announced a very strong first half result and increased its full year net operating profit guidance to \$67 million. The good result follows strong sales in off-premise outlets in the US and UK, as people drink wine at home rather than at restaurants and bars given COVID restrictions.

**Freightways** (-4%) delivered a strong first half fiscal 2021 result. The courier business benefited from more businesses trying to reach customers via e-commerce. This assisted its strategy of increasing the profitability of residential deliveries. Freightways also took market share as it has maintained better service levels than competitors during COVID. Its Big Chill acquisition has performed well, with strong chilled transport volumes and its first chilled logistics warehouse filling faster than expected.

**Infratil** (+2%) held an investor day during the month. It continues to target further investment in renewable energy, data and connectivity, and healthcare. Important portfolio holdings Vodafone and CDC are progressing well against their business plans. Vodafone is guiding to +10% growth in 2022, boosted by cost efficiencies.

**Port of Tauranga** (+1%) reported its first half result. It guided to +9% growth in full year profit despite ongoing significant port congestion. The congestion is due to global COVID-related supply chain disruptions and problems caused by Ports of Auckland's automation project. Increased storage revenue helped offset the volume and productivity losses from these issues which underlines the port's quality and resilience.

**Summerset** (+6%) reported its full year result. Momentum in the business remains strong with its build rate expected to increase to over 500 units in 2021 (from around 350 in 2020). The company will buy up to three sites in Victoria this year, which will support growing a meaningful sized business there.

Global cinema software business **Vista** (+14%) performed strongly during the month to claw back last month's decline and then some. Sentiment is changing around entertainment

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

businesses with COVID infection rates falling in many countries and the vaccine rollout gaining some traction. Cinemas in New York, the second largest moviegoing state in the US, have been closed for almost a year but are beginning to re-open from March. Vista has done a commendable job of reducing costs and preserving cash while looking after its customers. Several cinema markets around the world have shown people are still keen to go to the movies, including China setting record box office takings around Chinese

New Year. Vista is well positioned to return to profitability as cinemas around the world re-open.



Sam Dickie  
Senior Portfolio Manager  
Fisher Funds Management Limited



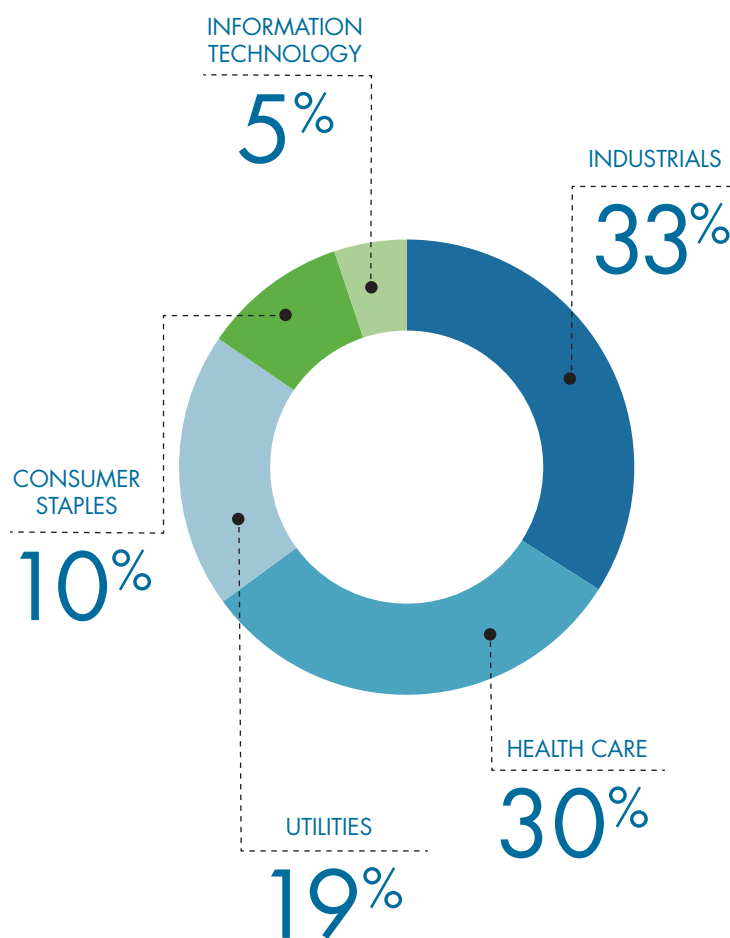
## KEY DETAILS

as at 28 February 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	\$1.27
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	254m
MARKET CAPITALISATION	\$480m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 28 February 2021



The Kingfish portfolio also holds cash

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

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

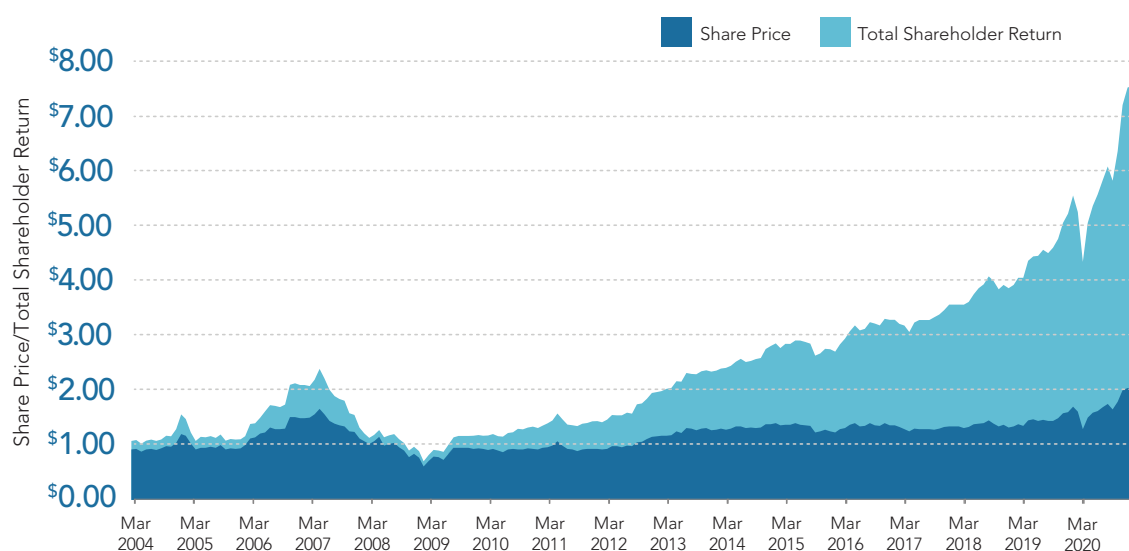
VISTA GROUP <b>+14%</b>	FISHER & PAYKEL HEALTHCARE <b>-16%</b>	A2 MILK <b>-16%</b>	CONTACT ENERGY <b>-16%</b>	MERIDIAN ENERGY <b>-20%</b>
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## 5 LARGEST PORTFOLIO POSITIONS as at 28 February 2021

MAINFREIGHT <b>20%</b>	INFRATIL <b>16%</b>	FISHER & PAYKEL HEALTHCARE <b>14%</b>	SUMMERSET <b>10%</b>	AUCKLAND INTERNATIONAL AIRPORT <b>7%</b>
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The remaining portfolio is made up of another 9 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 28 February 2021



## PERFORMANCE to 28 February 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	(8.5%)	(4.1%)	+31.5%	+24.7%	+19.5%
Adjusted NAV Return	(3.8%)	(1.7%)	+21.6%	+18.2%	+17.0%
<b>Portfolio Performance</b>					
Gross Performance Return	(3.7%)	(1.3%)	+24.6%	+21.2%	+20.1%
S&P/NZX50G Index	(6.9%)	(4.2%)	+8.6%	+13.4%	+14.4%

### 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

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 with the assistance of Luke O'Donovan (Quantitative Analyst). 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 Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. The Board of Kingfish comprises independent directors Alistair Ryan (Chair), Carol Campbell, Andy Coupe and Carmel Fisher.

## 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.
- » There are currently no Kingfish warrants on issue.

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 an authorised 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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