



MONTHLY UPDATE

May 2020

Share Price

\$1.50

KFL NAV

\$1.51

WARRANT PRICE

\$0.05

DISCOUNT¹

0.0%

as at 30 April 2020

A WORD FROM THE MANAGER

Kingfish's adjusted NAV rose +8.9% in April, outperforming the local share market which bounced +7.5% (S&P/NZX50G).

In recent months we had maintained our large position in **a2 Milk**, with multiple indicators suggesting it was benefiting from pantry stocking and a strong presence in e-commerce channels versus physical stores. The company's April update to fiscal 2020 guidance confirmed strong revenue growth and strong flow through to profit margins, albeit some uncertainty remains about how much is due to underlying strong demand for the brand versus temporary factors.

Early in April **Auckland Airport** launched a larger equity raising than we anticipated at \$1.2 billion, which removes any funding risk through to late 2021. The depressed share price in anticipation of a capital raising coupled with the uncertainty from COVID-19 created an attractive opportunity to increase our position. The outlook is still somewhat uncertain: (1) Domestic travel is yet to re-commence (at time of writing); (2) Short haul travel appears contingent on implementing a Trans-Tasman solution; (3) International long haul travel may not return in a meaningful way until a COVID-19 vaccine has been developed and may also hinge on how airlines weather the crisis. However, Auckland Airport is a significantly long duration asset whose value is driven primarily by medium and long-term passenger levels, plus it has a large property portfolio. We participated in the capital raise at the attractive \$4.66 issue price.

Freightways provided an update with volumes sharply down (-65% in the main domestic courier business) under Level 4, as expected, but freeing up in Level 3 as many non-essential retail businesses look to couriers to deliver to customers that cannot shop in store. The company settled on its Big Chill acquisition, which was 80% operational even in Level 4, thanks to chilled food delivery to supermarkets. However, Freightways sensibly increased the equity mix of funding through issuing shares to the vendor which has preserved its liquidity position. We do not think the company will need to raise equity as it has ample liquidity and a low cash burn rate which will improve from here, plus it has broad based economic exposure without any specific links to problem areas like international tourism.

Infratil updated the market on its portfolio businesses, categorising them similarly to how we were thinking: those

broadly unaffected by COVID-19 (Tilt, CDC, Longroad), other defensive businesses (Trustpower, Vodafone) and more exposed businesses (Wellington Airport, Retire Australia). The update dispelled lingering concerns about potential looming funding or equity needs. We had already analysed Infratil's position and taken a view that equity would not be required, which allowed us to buy stock at attractive levels during March. The update underscored our opinion that Infratil holds a high quality portfolio of assets and is being skilfully managed within a prudent risk framework.

Mainfreight quantified its performance early in April, with the New Zealand Level 4 lockdown coinciding with the first week of its financial year. The business was performing ahead of our expectations overall (revenue -12% year on year in constant currency terms). New Zealand had an understandably sharp decline given the more severe lockdown (-40%). The US (-8%) and Europe (-8%) were slightly better than expectations and Australia was significantly better than expectations (+9%), driven by strong market share gains. The company had seen resilience in warehousing, some insulation of transport volume from its focus on "everyday freight that lets a city breathe", and has pivoted to take up new opportunities in charter air freight. The forward looking outlook was more positive than expected and our discussion with management indicated they are seeing opportunities to take market share and emerge stronger than competitors, in line with our longer-term investment thesis.

Vista raised \$65 million of equity at \$1.05 to take liquidity risks off the table, given the uncertain duration of cinema closures globally. The company is working hard to simplify the business and reduce costs so there may be further upside to profit margins and cash flow subsequently. The company has a strong product and moat with recurring revenue streams which will continue once cinemas reopen. We participated in the equity raising.

Sam Dickie
Senior Portfolio Manager
Fisher Funds Management Limited



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

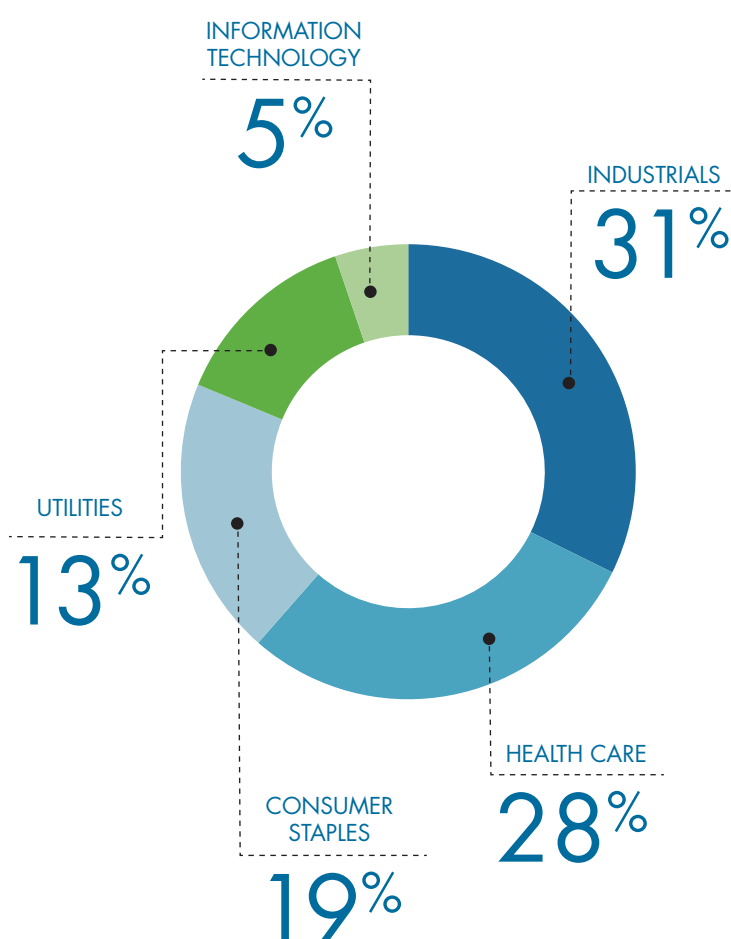
KEY DETAILS

as at 30 April 2020

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	\$1.37
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	249m
MARKET CAPITALISATION	\$373m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 30 April 2020



The Kingfish portfolio also holds cash

PERFORMANCE to 30 April 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+16.6%	(8.9%)	+16.0%	+18.2%	+12.2%
Adjusted NAV Return	+8.9%	(7.3%)	+7.5%	+14.0%	+13.0%
Portfolio Performance					
Gross Performance Return	+9.3%	(7.7%)	+9.7%	+16.6%	+15.8%
S&P/NZX50G Index	+7.5%	(10.1%)	+5.2%	+12.6%	+12.7%

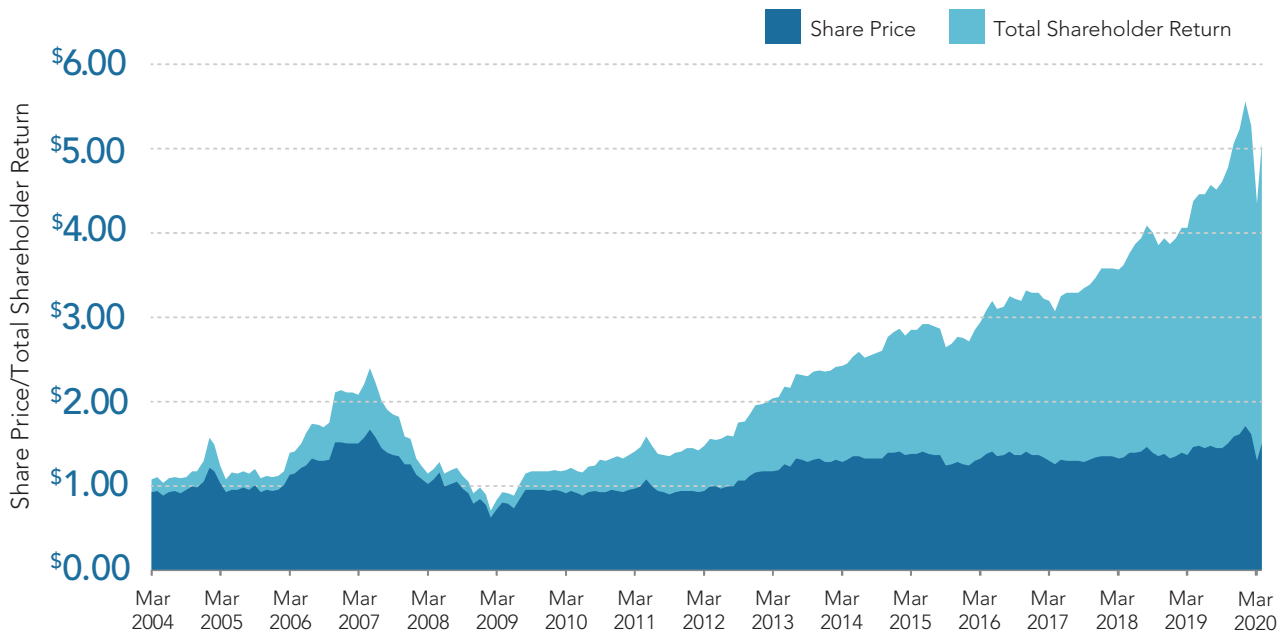
Non-GAAP Financial Information

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/>.

TOTAL SHAREHOLDER RETURN to 30 April 2020



APRIL'S BIGGEST MOVERS

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

PUSHPAY

+27%

AUCKLAND
INTERNATIONAL
AIRPORT

+22%

DELEGAT GROUP

+21%

FREIGHTWAYS

+21%

INFRATIL

+18%

5 LARGEST PORTFOLIO POSITIONS as at 30 April 2020

THE A2 MILK
COMPANY

16%

FISHER & PAYKEL
HEALTHCARE

15%

MAINFREIGHT

15%

INFRATIL

11%

AUCKLAND
INTERNATIONAL
AIRPORT

7%

The remaining portfolio is made up of another 8 stocks and cash.

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

Kingfish's portfolio is managed by Fisher Funds Management Limited. Sam Dickie (Senior Portfolio Manager) and Matt Peek (Investment Analyst) have prime responsibility for managing the Kingfish portfolio. Together they have over 30 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, and Andy Coupe; and non-independent director 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

Warrants

- » On 5 February 2020 a new issue of warrants (KFLWF) was announced.
- » The warrants were issued at no cost to eligible shareholders and in the ratio of one warrant for every four Kingfish shares held.
- » The warrants were allotted to shareholders on 9 March 2020 and the warrants were listed on the NZX Main Board from 10 March 2020. (Information pertaining to the warrants was mailed/mailed to shareholders in February 2020).
- » The Exercise Price of each warrant is \$1.64, to be adjusted down for dividends declared during the period up to the Exercise Date.
- » The Exercise Date for the new warrants (KFLWF) is **12 March 2021**.
- » The final Exercise Price will be announced and an Exercise Form will be sent to warrant holders in late **January 2021**.

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

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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