MONTHLY UPDATE

September 2024

Share Price	KFL NAV	DISCOUNT[1]
$1.31	$1.42	8.1%

as at 31 August 2024

A WORD FROM THE MANAGER

The Kingfish portfolio gross performance return and Adjusted NAV return in August were +3.2% and +3.1% respectively, versus the S&P/NZX 50 gross index return of +0.3%. It was a busy month for the Kingfish portfolio with a number of companies reporting results or providing trading updates.

Auckland Airport (+1%) reported earnings for its 2024 financial year, in line with expectations. Management expects 4% passenger growth in the coming year, in part due to aircraft availability constraints and demand growth slowing after the post-Covid rebound. Retail spend per passenger is showing improvement, which is welcome as Auckland Airport begins the tender process for its next retail contract.

a2 Milk (-23%) delivered revenue and profit in line with expectations, however guidance for mid-single digit revenue growth and flat profit margins for the coming financial year fell short of expectations. The company called out supply chain issues which means it needs to air-freight stock into the US market at a significant additional cost ($10 million) with an impact on sales too. The company also pushed out profitability targets for both its US business and Mataura Valley Milk processing facility. These unexpected negatives detracted from what has been ongoing strong in-market execution from the company in the China infant formula market.

Delegat (+9%) delivered 2024 financial year net operating profit of $60 million and provided guidance for the year ahead of $55-60 million. This was much better than expected, following its announcement in May that its 2024 harvest was down 25% on the prior year. The company has been re-examining its costs after a period of elevated inflation and plans to raise prices further to help restore lost profit margin.

EBOS (-1%) delivered a solid 2024 financial year result and uncharacteristically provided guidance for the new year, given the discontinuation of its A$2.2 billion contract with Chemist Warehouse. The Community Pharmacy and Institutional Healthcare divisions continue to perform strongly, benefiting from attractive market growth tailwinds and market share gains. EBOS is benefiting from the changing competitor landscape, gaining roughly A$100 million of new wholesale pharmacy customer business over the last year, plus is targeting an additional A$300 million from new customer wins in the coming year. It has also maintained its A$25-50 million target for cost reduction initiatives, which will help offset the lost earnings from the Chemist Warehouse contract.

Fisher & Paykel Healthcare (+10%) provided strong revenue and net profit guidance for the first half of its 2025 financial year and increased its full year profit outlook. The year has started strongly across all products and regions. In the Hospital division, the key contributors included ongoing change in clinical practice in favour of the company's therapies, a good response to new product innovations, and relatively high respiratory hospitalisations. In its Homecare division, its new OSA (obstructive sleep apnea) masks continue to sell well. The company is also seeing gross margin improvements as it returns to its programme of working on efficiency and continuous improvement activities.

Meridian (-2%) delivered its 2024 financial year result under increased scrutiny, given the concern around current New Zealand electricity market dynamics, a byproduct of a historically significant lack of rain and unexpected gas shortages. This has seen wholesale electricity prices spike to high levels for spot market customers, although the way the electricity system works in New Zealand means residential customers and most commercial and industrial customers are insulated as they purchase at fixed prices, with only certain customers electing to take spot-market price risk. The Meridian team highlighted that the industry has adapted rapidly in the current situation, with Meridian's recently negotiated 'demand response' arrangement with the Tiwai Point aluminium smelter seeing 185 megawatts of electricity returned to the system, plus another 20 megawatts it has negotiated on a one-off basis. Meridian noted it has also acquired 800 gigawatt hours of hedges at an $258 per megawatt hour price (from the likes of Genesis's coal-fired Huntly power station). At face value this means it would be spending over $200 million to plug the hole in its 1,000-gigawatt hour hydro deficit, the cost to the business of mother nature not filling its hydro lakes so far this winter. Although it is likely the new 2025 fiscal year will therefore fall short of prior expectations, Meridian remains well placed as the system returns to normal when it rains again. It is also well positioned to spend over $3 billion by 2030 to build out its pipeline of wind, solar, and battery projects to meet New Zealand's increasing demand for electricity over the coming years.

[1] Share Price Discount to NAV (using the net asset value per share, after expenses, fees and tax, to four decimal places).

Summerset (+2%) delivered its first half 2024 result in line with expectations, having provided a sales update and interim underlying profit guidance in July. Despite trading conditions remaining tough Summerset continues to hit new records for its total sales. New financial disclosures highlighted stronger earnings from its village operations but even weaker care earnings than we anticipated, with care running at a loss. Unfortunately for the sector and wider New Zealand health system, funding support has lagged cost growth, meaning Summerset and others are scaling back their care offering to cater primarily to existing residents and those willing to pay for premium care suites. Summerset's solid development performance means it continues to deliver positive cash flow from developments and announced it has purchased another site in the Hawkes Bay.

Vista (+24%) reported the first half result for its 2024 financial year, with revenue impacted by the 19% weaker US box office as a result of the 2023 writers' and actors' strikes. This has delayed the release of certain movies in the 'film slate', with Vista's box-office exposed divisions feeling the impact. Positively, the company has been able to manage its cost base well following its late 2023 'transformation' which included reducing headcount by 8% and its focus on operating more cost-efficiently. This has led to the company clarifying it expects its core operating profit margin to be 13-14% for the year (versus expectations of around 12%). The company has become increasingly confident of achieving its targets in terms of Cloud and Digital customers live by the end of 2024 and is sticking by its aspiration of at least $175 million annualised recurring revenue by the end of 2025.

Matt Peek
Portfolio Manager
Fisher Funds Management Limited

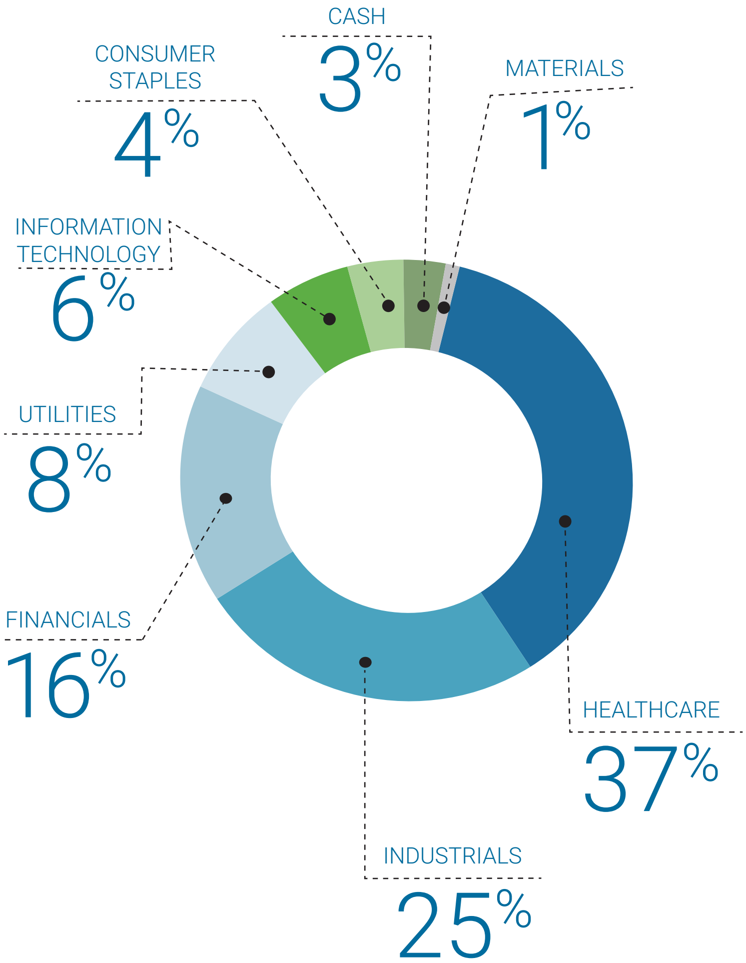
KEY DETAILS

as at 31 August 2024

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	$1.33
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	342m
MARKET CAPITALISATION	$448m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 August 2024



AUGUST'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month

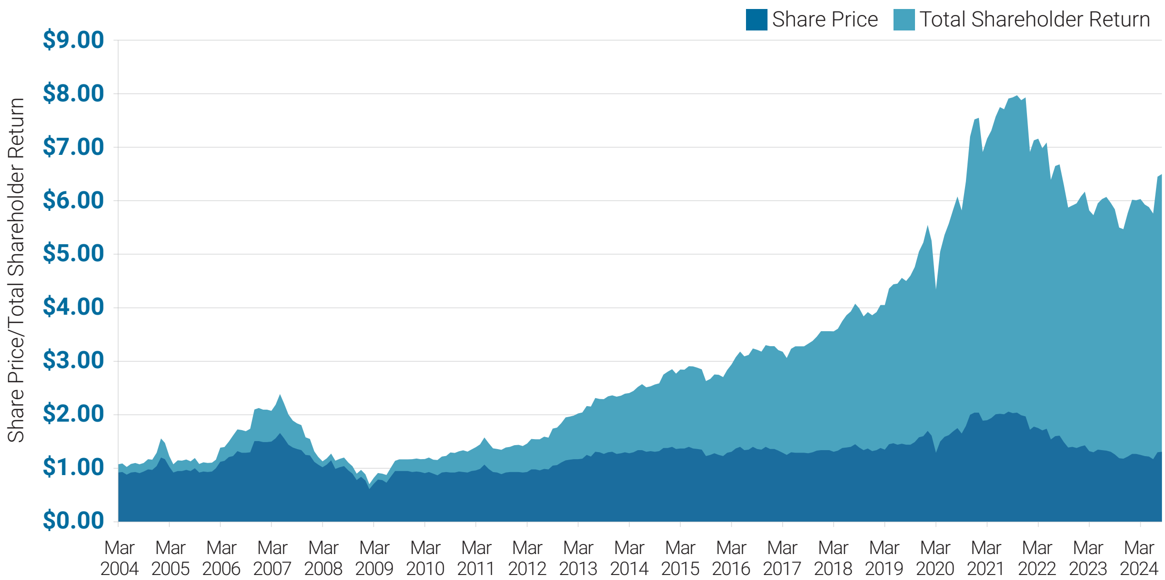
VISTA GROUP	FISHER & PAYKEL HEALTHCARE	DELEGAT GROUP	RYMAN HEALTHCARE	a2 MILK COMPANY
+24%	+10%	+9%	+7%	-23%

5 LARGEST PORTFOLIO POSITIONS as at 31 August 2024

FISHER & PAYKEL HEALTHCARE	INFRATIL	MAINFREIGHT	AUCKLAND INTERNATIONAL AIRPORT	SUMMERSET
19%	16%	11%	8%	8%

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

TOTAL SHAREHOLDER RETURN to 31 August 2024



PERFORMANCE as at 31 August 2024

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+0.8%	+10.6%	+9.0%	(6.3%)	+7.6%
Adjusted NAV Return	+3.1%	+9.3%	+14.8%	(0.9%)	+7.4%
Portfolio Performance					
Gross Performance Return	+3.2%	+9.7%	+16.9%	+0.4%	+9.3%
S&P/NZX50G Index	+0.3%	+4.9%	+7.7%	(2.0%)	+3.0%

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 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 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

» 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

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