KINGFISH

LANDING TOMORROW'S TROPHIES

Update
December 2010

at a glance 31 December 2010

Net Asset Value	$1.11
Share Price	$0.93
Warrant Price	$0.07

Fisher Funds' Quarterly Portfolio Review

The painfully slow New Zealand economic recovery has made for testing times for growth investors such as Kingfish. Notwithstanding this, the portfolio has performed well with its mix of hand-picked cyclical and defensive businesses, outperforming the broader market both for the December quarter and financial year-to-date, posting solid positive returns.

Many of the companies in the portfolio have dominant positions in their home market and have successfully used these 'beachheads' to expand into offshore markets, thereby offsetting the unexciting performance of the New Zealand economy. Those businesses that are geared mostly to the domestic market should see a more favourable economic environment in the second half of this calendar year as the economy responds to more robust trading partner growth rates, elevated commodity prices and increased spending associated with the hosting of the Rugby World Cup. Even if this timing is out, the portfolio companies are well financed and have cut costs to leverage the expected upturn.

Portfolio Review

The Kingfish NAV was up 6.1%* in the December quarter against the broader market movement (NZ50G) of 4.1%. For the nine months since the March 2010 balance date, the NAV has increased by 5.5%*, comfortably ahead of the NZ50G increase of 1.3%.

Ryman's retirement villages continue to perform well, with sales of new units again defying the subdued housing market. A move into Australia remains high on its agenda, although this is likely to be conducted in a controlled and low risk manner until it has proven its business model in that marketplace. Conversely, **Metlifecare** has struggled selling units at its new Poynton retirement village development in Takapuna, and this has meant its debt levels are relatively high. However the recent sale of its Merivale retirement village has alleviated any near term funding issues.

Mainfreight now earns 70% of its revenues and 50% of its earnings outside of New Zealand and these ratios are likely to increase further over time. The company continues to profitably expand its logistics footprint into new trade lanes, with earnings momentum currently very strong. **Freightways'** earnings are flat with its express package division yet to see an across-the-board pickup in activity.

Abano has now completed its capital restructuring post the sale of Bay Audiology NZ and its holding in National Hearing Care. It now derives most of its earnings from its dental division although it is re-investing back into audiology in Australia and Asia. **Wakefield Health's** earnings have suffered from lower ACC and District Health Board patient volumes, although there remains latent demand for private surgery from an aging population and this will inevitably flow through. **Fisher & Paykel Healthcare's** obstructive sleep apnea and respiratory humidification businesses continue to perform well on a constant currency basis, but earnings have faced a headwind from the elevated NZ dollar.

Michael Hill International has had a relatively strong first half, guiding the market to a 6%-12% increase in profits when it announces its results in February. This is despite a sluggish retail environment in Australasia. **Kathmandu** has also increased its guidance for the six months after strong sales performance in both Australia and New Zealand. **Pumpkin Patch** is unlikely to have traded as strongly although it had a solid first half result last year as a comparison. Each of our retail companies have strong Australasian businesses and the financial muscle to increase their store footprints when others are contracting.

Delegat's has taken full control over Oyster Bay Vineyards and is optimistic of a solid increase in core profits in the current year despite an industry-wide glut of grapes and the elevated NZ dollar. The company is altering its case selling mix away from the United Kingdom towards more profitable markets like Canada and the USA.

Opus International Consulting is back on the acquisition trail, announcing the purchase of a Canadian based engineering consultancy in November. Opus' strong New Zealand operations still dominate group earnings as infrastructure work remains buoyant domestically.

NZX has its new trading and settlements system operational and now offers whole milk powder futures as a result. The company has largely finished its infrastructure development programme and is now looking to work these assets harder. **Tower** is conducting a strategic review incorporating its capital structure given that it has been unsuccessful in consummating any bolt-on acquisitions

Portfolio Holdings Summary, as at 31 December 2010

Listed Companies	% Holding
Abano Healthcare	3%
Delegat's	3%
Fisher & Paykel Healthcare	5%
Freightways	6%
Infratil	5%
Kathmandu	2%
Mainfreight	16%
Metlifecare	9%
Michael Hill	4%
NZX	5%
Opus International	4%
Pumpkin Patch	6%
Ryman Healthcare	14%
Tower	3%
Wakefield Health	3%
Total Listed Companies	88%
Unlisted Company	
Waterman Holdings	1%
Total Equity	**89%**
Cash	**11%**
TOTAL	**100%**



over the last year. **Infratil's** core earnings from its investments have performed strongly over the last six months with Greenstone Energy and Infratil Energy Australia the standouts. Unlisted **Waterman Holdings** has paid investors back most of their initial investment and still retains two investments – Guthrie Bowron and David Reid Homes.

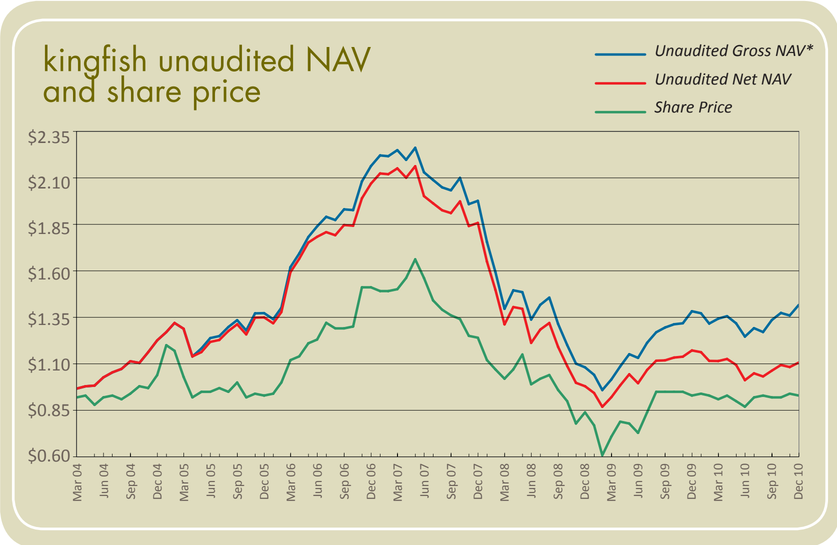
Portfolio Changes

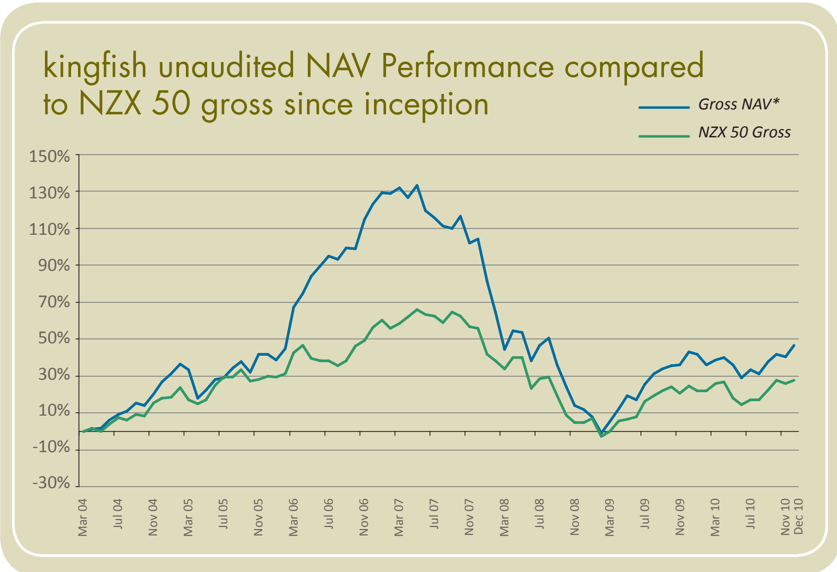
During the December quarter we continued to build positions in two companies that were first added to the portfolio in the September quarter – Infratil and Fisher & Paykel Healthcare. Infratil owns a portfolio of infrastructure assets that we cannot easily replicate, whilst Fisher & Paykel Healthcare is gaining traction in new business areas (eg oxygen therapy) that it has not addressed previously. We have trimmed positions slightly in Mainfreight, NZX and Delegat's. Cash has stayed roughly the same as the last quarter at around 11%.

Outlook / Strategy

Using analysts' consensus earnings forecasts, the Kingfish portfolio continues to have better earnings growth than the broader market, but is priced at a cheaper P/E ratio – a good position to be in for a growth investor. Although analysts' earnings estimates have had to be downgraded many times over the last couple of years, this cycle seems to be coming to an end. As patient investors, we await the anticipated domestic and global economic recovery, as earnings growth is likely to be the next 'kicker' for equity returns as opposed to multiple expansion (or P/E ratios increasing). The New Zealand share market is now priced slightly below long-run averages. As always, stock selection will be important in this context.

** Adjusted for dividends excluding imputation*





**Gross NAV includes 31.1 cps dividends paid.*

what's new on our website?

www.kingfishlimited.co.nz

Kingfish's fact sheet is available on the homepage and is a good place to start if you need to know key company details including the distribution policy, key portfolio positions and performance. The fact sheet is updated each quarter.

Kingfish's website now includes a performance page showing dividends paid to date, NAV performance since the Company's inception as well as NAV performance comparison to NZSX Indices.

WATCH THIS SPACE - we encourage you to visit the website and let us know if there is anything else we could do to make the website more informative.

Relative Performance at 31 December 2010

	Three months	Since Inception
Net Asset Value (incl. dividends)	+6.1%*	46.4%**
NZX 50 Gross Index	+4.1%	27.6%

*Includes 2.11 cps dividends assumed to be reinvested
** Includes 31.1 cps dividends assumed to be reinvested

Notable December quarter share price changes, including dividends

Michael Hill	+31%
Delegat's	+17%
Opus	+16%
Tower	+14%
Wakefield	-13%

what's coming up

Warrants Exercise
22 February 2011

Dividend Payment
25 March 2011 (ex-date 9 March, record date 11 March)

Financial Year End
31 March 2011

Warrants Exercise
24 May 2011

Annual Result Announcement
Late May 2011

Annual Report Published
June 2011

Dividend Payment
24 June 2011 (ex-date 8 June, record date 10 June)

Annual Shareholders Meeting
July 2011

Computershare contact

Phone: 09 488 8700
Email: enquiry@computershare.co.nz

For managing your shareholding online, please visit www.computershare.co.nz/investor centre. You will need your FIN number to access the investor centre.

Kingfish *Update* Reports will be produced for the December and June quarters. The Annual and Interim Reports will be produced for the March and September quarters. Should you prefer to receive future *Update* newsletters electronically please email us at enquire@kingfishlimited.co.nz.

The information and any opinions herein are based on sources believed reliable, but the writer makes no representations as to its accuracy or completeness. All opinions reflect the writer's judgement on the date of this report and are subject to change without notice.

company news

Kingfish Warrants

141,620 warrants were exercised by warrant holders on 23 November 2010 – the first exercise date since new warrants were issued to shareholders in September 2010. Warrant holders were recently sent a letter and form relating to the upcoming exercise of Kingfish warrants on 22 February 2011 informing them of the number of warrants held and the options available to them.

Renewal of share and warrant buyback programmes

Kingfish renewed its share and warrant buyback programmes on 31 October 2010, allowing the Company to acquire up to 4.29 million shares and 2.15 million warrants on-market. The shares bought back will be held as treasury stock and can be re-issued at a later date. Although the Company has the ability to buy back its warrants which are then automatically cancelled, the Kingfish Board does not intend to do so at this stage.

Broker handling fee

On 17 December 2010, the Company announced the introduction of a broker handling fee payable to NZX brokers in respect of the exercise of Kingfish warrants.

The Company recognises there is an administration cost and time involved in the warrant exercise process for brokers and, as such, will in future pay a small fee as compensation.

The broker handling fee is to be calculated at 0.4% of total consideration payable for warrants exercised per beneficial holder. The Company has consulted with its share registrar, Computershare, to ensure the implementation of such a fee involves minimal additional administrative effort. Full instructions will be provided within each subsequent exercise notice. Please note that the fee is not payable by a warrant holder exercising their warrants, it is only payable by Kingfish to brokers that handle the warrant exercise process for their clients.

Dividend paid 17 December 2010

A dividend of 2.11 cents per share was paid to Kingfish shareholders on 17 December 2010, under the quarterly distribution policy. Interest in Kingfish's dividend reinvestment plan has increased steadily since the introduction of the policy with shareholders holding 53% of shares on issue electing dividend reinvestment instead of a cash dividend. If you would like to participate in the dividend reinvestment plan, please contact our share registrar, Computershare.

Farewell to Rob Challinor

In December the Kingfish board sadly farewelled Rob Challinor as he heads into retirement. As Chairman of Kingfish for the past six years, Rob guided the Company through some of the most difficult of market environments, with professionalism and integrity. Rob ensured that the Kingfish board maintained the highest standards of corporate governance and his fellow directors had enormous respect for Rob's intellect, attention to detail and commercial experience. Rob will be missed by all who have had the pleasure of working with him. We wish him well. As foreshadowed in Kingfish's interim report, James Miller has succeeded Rob as Chairman of Kingfish from 1 January 2011.

21 January 2011

Dear Shareholder

KINGFISH LIMITED – SHARE BUYBACK – NOTICE TO SHAREHOLDERS FOR PERIOD 25 NOVEMBER 2010 TO 20 JANUARY 2011

This notice to shareholders is issued in accordance with the requirements of section 65(2A) of the Companies Act 1993.

The Kingfish Board announced on 1 November 2010 its intention to continue the share buyback programme of Kingfish ordinary shares. The buyback period is from 1 November 2010 to 31 October 2011 and is for up to a maximum of 4,290,000 shares.

In accordance with the requirements of section 65(2A) of the Companies Act 1993, Kingfish Limited advises that between 25 November 2010 and 20 January 2011, it purchased a total of 444,830 ordinary shares at a total cost of $404,604, an average price of $0.9096. All these shares acquired under the buyback programme are included in treasury stock.

As the shares acquired under the buyback programme were purchased on-market via an appointed independent broker, the sellers of these shares are not known to the company.

Yours sincerely

On behalf of the Board,

Nivedita Findlay
Corporate Manager
Kingfish Limited

Kingfish Limited PO Box 33549, Takapuna, Auckland, New Zealand.
Phone +64 9 489 7094 Fax +64 9 489 7139 email: enquire@kingfishlimited.co.nz www.kingfishlimited.co.nz