



December 2009 Update

Dear Shareholders

In our report to you in November 2009, we noted Kingfish's impressive performance in the six months to 30 September 2009. The last quarter ended on a similar note, with Kingfish's Net Asset Value including dividends paid lifting a further 6.7%, significantly outperforming both the NZSX Small Cap and Mid Cap gross indices. The share market, however, took on a more subdued mood as we headed into the holiday season. As investors took a "wait and see" approach, low volumes of shares were traded over this period. Kingfish's share price reflected this weak sentiment falling 2.1% to 93 cents after reaching a high of 99 cents in October, widening the share price discount to NAV to 21% at 31 December.

While the market continues its "up and down" trend, we are pleased with the performance of our Manager, Fisher Funds and the portfolio they have selected. Certainly, the news from the core portfolio companies has been encouraging. Further in the newsletter, the Manager provides an update on the portfolio companies and outlines the progress achieved.

On 18 December, Kingfish paid a dividend of 2.23 cents per share - its second under the dividend policy established in June 2009. We note that the shares participating in the company's dividend reinvestment plan has increased from 41% to 45% since the introduction of the new policy with the current share price providing an ideal opportunity for our long-term investors to increase their investment in Kingfish.

As we head into the final quarter of the financial year, we look forward to the strong performance in the Kingfish NAV continuing and the share market rebounding from the sluggish holiday season to cap off what has otherwise been an uplifting year for equity markets.

On behalf of the Board,

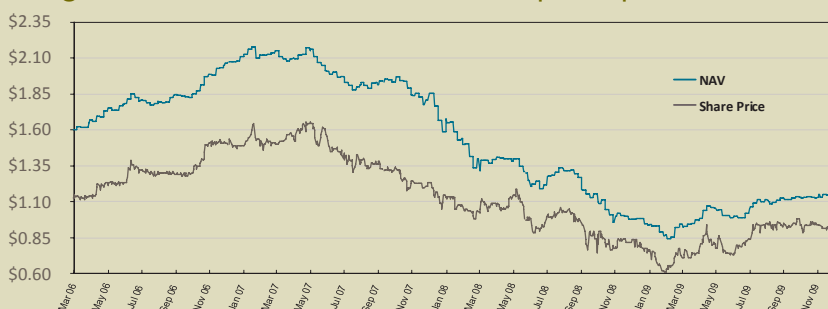


Rob Challinor, Chairman
Kingfish Limited - 20 January 2010

Fisher Funds Quarterly Review

This time last year, the Kingfish newsletter had a sombre tone to it, with good reason. The Kingfish portfolio had underperformed the market during 2008 and had been left, in our view, "looking very attractive in valuation terms." The Kingfish portfolio began 2009 with a 12 month forward weighted average P/E of 9.5x and weighted average earnings per share growth of 17%. In other words, the Kingfish portfolio was cheap, and its portfolio companies were in good shape to grow their earnings. It is no surprise therefore that the Kingfish portfolio outperformed when the share market began to recover in March 2009. That outperformance continued throughout 2009, and even though there is still some ground to make up, it is far more pleasurable to write this year's first newsletter than last year's.

kingfish net asset value and share price performance



at a glance

Relative Performance 31/12/2009

	Three Month	Since Inception
Kingfish NAV*	6.7%	42.9%
90 Day Bank Bill Index	2.5%	119.9%
+ 7% p.a.		

*including 22.28cps dividends paid excluding any imputation

NZSX Small Cap Index (NZSCIG)	1.0%	39.1%
NZSX Mid Cap Index (NZSEMCG)	3.9%	46.2%
NZSX 50 Gross Index (NZ50G)	2.2%	24.6%

Notable December quarter share price changes, including dividends

Tower	23%
Delegats	18%
NZ Exchange	15%
Ryman	15%
Wakefield Health	-17%

Portfolio Holdings Summary as at 31 December 2009

Listed Companies	% Holding
Abano Healthcare	3.8%
Delegats	7.5%
Freightways	7.3%
Mainfreight	15.0%
Metlifecare	8.6%
Michael Hill	5.3%
NZ Exchange	9.9%
Opus International	4.2%
Pumpkin Patch	6.7%
Rakon	1.3%
Ryman Healthcare	15.1%
Tower Limited	1.8%
Wakefield Hospital	3.5%
Non-listed Companies	
Waterman Holdings	1.0%
Equity Total	91.0%
New Zealand dollar Cash	9.0%
Cash Total	9.0%
TOTAL	100.0%

Kingfish's outperformance was made possible by the achievements of its underlying portfolio companies. It is the individual profit performance of each portfolio company that will also determine the extent of Kingfish's performance in the year ahead, and given the achievements of our companies during the toughest of times in the past eighteen months, we are comfortable that they can continue to deliver.

Portfolio Review

During the December quarter the Kingfish portfolio continued to perform strongly. NAV increased by 6.7%*, outperforming the broader market NZ50 Gross Index increase of 2.2%. For the nine months since the March 2009 balance date, the Kingfish NAV is up 35.9%*, considerably ahead of the NZ50G performance of 24.7%.

Ryman's retirement operations continue to perform well with realised profits lifting 12% in the September 2009 half year results. The opening of new villages in Whangarei and Orewa adds to its portfolio of retirement units and aged care beds, and to its recurring earnings stream. **Metlifecare's** outlook is improving with results for the first quarter ended September 2009 up 50% on the same quarter last year.

Both **Pumpkin Patch** and **Michael Hill International** are looking to add more stores in Australia over the next few years. Both have problematic offshore divisions, but a strong Australasian base of earnings. Michael Hill International's second quarter same store sales were particularly impressive.

Mainfreight is seeing a strong cyclical pick up in revenue and earnings. Margins improved strongly in the second quarter ended September 2009. **Freightways'** earnings have proven to be much less cyclical, aided by a strong performance from its information management division.

In the healthcare sector, **Abano** has completed the sale of its Bay Audio operations in New Zealand and resultant capital re-alignment. Like many of the companies in the Kingfish portfolio, it now has a meaningful footprint in Australia.

Wakefield Health has been a disappointing performer, being impacted by ACC cutbacks and fewer procedures conducted for DHB's. Notwithstanding this, we are confident that the aging population and pressure on the public health system to fund elective surgery augers well for the company.

NZX has restated its dividend policy,

implying a minimum level of earnings growth of 12% compound for the next five years, considerably above consensus expectations. The company has been busy diversifying its earnings base away from equities, with its new trading and settlement platform able to trade many different financial instruments. Both **Rakon** and **Tower** have raised further capital, with Kingfish participating in both raisings. Rakon is looking to lower its cost of production by producing some input products in China, whilst Tower is looking for bolt-on acquisitions in the general and health insurance sectors.

Delegat's continues to strengthen its in-house sales teams, particularly in the USA and Canada which are seen as growth markets for the company. The Oyster Bay brand continues to go from strength to strength. **Opus International Consulting's** offshore operations have also been problematic, but are showing signs of improvement now that costs have been reduced. Unlisted company **Waterman Holdings** completed the sale of its share of Express Logistics and is cashed-up and actively looking for further acquisitions.

Portfolio Changes

Portfolio changes for the December quarter have been relatively minor. We trimmed our holdings back to our target weights for both Ryman Healthcare and Mainfreight and lifted our cash weightings slightly. We also took profits on the Rakon shares we acquired in the placement.

Outlook/Strategy

The Kingfish portfolio has weathered the storm from the financial crisis and resulting recessionary conditions by sticking to its strategy of investing in quality companies for the longer term. Shareholders have been rewarded by a strong NAV performance this fiscal year-to-date, which in our view validates the strategy. Looking forward, we see the market becoming even more discerning and favouring quality companies with strong 'moats' around their businesses, lower cost structures and strong balance sheets. While the 2009 share market recovery featured both earnings multiple expansion (that is, investors became more willing to pay higher price earnings multiples than in 2008) and earnings growth, we expect that earnings growth will be the main story in 2010. The Kingfish portfolio comprises companies which, we believe, have the greatest potential for earnings growth. We therefore believe

that Kingfish shareholders are better placed than most to benefit as the market recovery continues to gradually evolve.

* Adjusted for dividends excluding any imputation.



**Carmel Fisher, Managing Director
Fisher Funds Management Limited
20 January 2010**

share register

A schedule of Kingfish shareholder names and addresses is by law available to any person from our share registrar, upon payment of a fee. We are concerned that requests for contact details appear to have been made by two Kiwisaver Fund Managers. We do not condone this and apologise to shareholders if they receive unsolicited mail.

investment insight

"If you have formed a conclusion from the facts and if you know your judgement is sound, act on it. You are neither right nor wrong because the crowd disagrees with you" – Benjamin Graham, scholar and analyst.

whats coming up

Dividend Record date/Payment date
5 March/19 March 2010

Financial Year End
31 March 2010

Annual Result Announcement
Late May 2010

Annual Report Published
June 2010

Annual Shareholders Meeting
July 2010

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.