



# KINGFISH Update

December 2007 Quarter

## At a Glance

### Performance for period 31 March '04 to 31 Dec '07 (since listing)

	31 Dec '07	Movement
Net Asset Value	\$1.86	91.7%
Diluted Net Asset Value		
Asset Value	\$1.50	54.4%
Share Price	\$1.24	24.0%
Warrant Price	\$0.20	20.0%

### Performance for the December Quarter

Net Asset Value	-2.8%
Diluted Net Asset Value	-2.1%
Share Price	-8.8%
Warrant Price	-44.4%

### Notable December Quarter share price gains/(falls), including dividends

Opus International	19.4%
Michael Hill	10.6%
Comvita	-10.0%
Pumpkin Patch	-13.3%
Rakon	-16.8%

### Portfolio Holdings Summary, as at 31 Dec '07

Listed Companies	%Holding
Ryman Healthcare	15.6%
Metlifecare	13.3%
Michael Hill	12.9%
Mainfreight	12.8%
Pumpkin Patch	10.2%
Freightways	8.2%
Rakon	7.6%
Delegats	4.4%
NZ Exchange	4.3%
Comvita	1.8%
Sealegs	0.8%
Opus International	0.7%
<b>Non-listed Companies</b>	
Waterman Holdings	0.6%
<b>Equity Total</b>	<b>93.3%</b>
<b>Cash Total</b>	<b>6.7%</b>
<b>TOTAL</b>	<b>100.0%</b>

## Dear Shareholders

Welcome to our December 2007 quarter shareholders' newsletter. The Board and Management of Kingfish trust that you had a safe and happy holiday season.

The December quarter saw volatility in the financial markets continue. The uncertainty spurred on by the deterioration of the global credit markets, the strong NZ dollar and further finance company collapses in NZ, have knocked market confidence and our Kingfish share price is reflecting this sentiment. The share price discount to diluted Net Asset Value grew from 1.3% at 30 June 2007 to 17.1% at 31 December 2007. Although this discount greatly concerns us, we are reassured that Fisher Funds is optimally managing the portfolio and remains confident in the long term growth potential of the companies in the portfolio. Commentary from our Manager regarding the general market outlook and performance of the portfolio is provided later in this newsletter.

Other significant events during the last three months include:

- 1) Publication of the September 2007 Interim Report;
- 2) The Company's continuation of the share buyback program for the period 7 November 2007 to 31 October 2008, and the continuation of its warrant buyback program for the period 7 November 2007 to 31 March 2008 (the final exercise date);
- 3) 99,000 warrants were acquired and subsequently cancelled and 797,793 shares were acquired under the buyback and held as treasury stock;

The past few months of 2007 and so far in 2008 have been very difficult for share market investors with widespread uncertainty and nervousness prevailing.

Your Board and Manager remain diligent in this challenging environment and believe that the investment landscape should improve over 2008.

With best wishes,

**Rob Challinor**  
Chairman  
Kingfish Limited  
25 January 2008

## FISHER FUNDS QUARTERLY REVIEW

Nervousness in worldwide financial markets increased in November as the ongoing credit squeeze raised the risk of economic recession in the USA.

NZ was not immune to the global jitters with the NZ50 index falling 5% in the December quarter making 2007 the worst year since 2000. At a company level, there was consistency amongst the results releases and annual meeting comments suggesting that earnings growth remains sluggish in most sectors. Analyst downgrades continued through the quarter. Not surprisingly, the better performing sectors in the December quarter were Telecommunications, Healthcare, Property and Energy, most of which are defensive in nature. The high-profile takeovers of 2007 ended the year in limbo: The Warehouse takeover is before the courts essentially ruling on the legality of the Commerce Commission's earlier decision to block a takeover. The Board of Auckland International Airport advised shareholders to reject an offer from the Canadian Pension Plan Investment Board and Sky City Entertainment Group shares fell to pre-takeover levels as potential acquirers failed to deliver a concrete takeover offer.

## PORTFOLIO REVIEW

During the December quarter, the Kingfish NAV per share decreased 2.8% to \$1.86. The main culprits were the 13% and 17% falls respectively in Pumpkin Patch and Rakon share prices, more than offsetting the 11% gain posted by Michael Hill.

Many of the portfolio stocks reported results or held annual meetings during the December quarter. The market mood currently tends to take the negative side of every news item and we have seen at best flat share prices (Michael Hill really the only exception) in the wake of the abovementioned updates.

At its annual meeting **Pumpkin Patch** commented that its Australia and NZ operations are currently trading very well although the US consumer slow-down is affecting sales there. Head of design, Chrissy Conyngham was appointed Group General Manager enabling Managing Director, Maurice Prendergast to focus on the UK and USA retail strategy. Success in the Northern Hemisphere is the core of the investment case for Pumpkin

PERFORMANCE (31 DEC 2007)	One Month	Three Months	Since Inception
<b>Kingfish NAV</b>	<b>0.90%</b>	<b>-2.77%</b>	<b>91.74%</b>
90 Day Bank Bill Index +7% p.a.	1.34%	4.0%	69.0%
<b>Difference</b>	<b>-0.44%</b>	<b>-6.77%</b>	<b>22.74%</b>
NZSX Small Cap Index (NZSCI)	-0.32%	-2.19%	45.91%
NZSX Mid Cap Index (NZSEMC)	-1.12%	-4.37%	50.55%
NZSX 50 Gross Index (NZ50G)	-0.53%	-5.33%	55.86%

Patch and having expert resource driving that strategy will only enhance the likelihood of success. **Rakon's** interim result disappointed the market as 70% revenue growth only translated in to a 5% lift in earnings. The high NZ dollar hurt while production difficulties in France (now remedied) also proved costly. Management remains comfortable though that its full year result will show a lot more growth. **Mainfreight** commented that NZ and Australia volumes have accelerated since September resulting in double digit profit growth in those (important) divisions. The Company's USA acquisition has settled and company CEO Don Braid is excited about the immediate opportunities for growth in both revenue and earnings. 2008 will be an interesting year for Mainfreight as it looks to absorb Target as well as continue searching for suitable additional acquisitions in the USA and/or Asia. **Ryman's** interim net profit increased 23% on last year's with management reconfirming FY08 guidance of 20% plus earnings growth. In spite of Ryman's business being in a much stronger position than that of a year ago (i.e. landbank sufficient for 2,000 new units, bigger stock of dwellings, higher profits etc),

its share price is a little below where it was a year ago. Such is the mood of the market! **Delegat's** is increasing its promotional spend and adding to headcount in the USA and the UK. Notwithstanding the spend increase, management still anticipates 20% revenue growth and a minimum of 10% profit growth in FY08. In other updates, **Comvita** is making solid progress in launching its manuka honey based wound dressings into the US market. **Freightways** continues to comment that the NZ market is flat with (express activity) volumes unchanged over those of last year. **Michael Hill's** first quarter sales were a bit softer than expected (although sales last year were boosted by a one-off clearance sale of branded watches) and the gross profit is actually running ahead of last year's.

#### PORTFOLIO CHANGES

The only change of any significance in the portfolio was to trim the holdings in Ryman Healthcare and Mainfreight and use the proceeds to purchase shares whose prices have fallen relatively more, namely Pumpkin Patch and Rakon.

#### OUTLOOK / STRATEGY

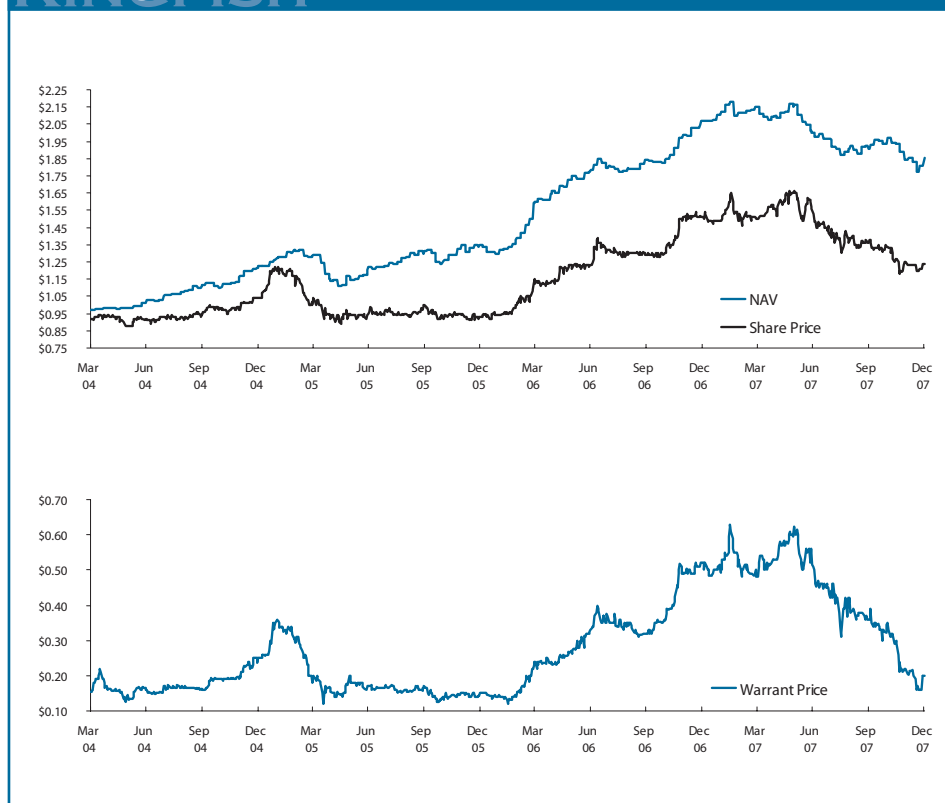
It is often tempting to change tack in severe conditions, however we know from experience that it is exactly these conditions that require a clear head and an adherence to proven investment strategies. You'll be pleased to know that in spite of fragile share markets all around the world and a tough six months for the Kingfish portfolio, our investment strategy remains consistent and unchanged. We've operated for many years in varying market and economic environments and our focus on investing in great companies with good growth prospects has over time delivered favourable investment returns. We don't see any need to change from this time-proven approach and remain comforted that the growth strategies of our investee companies are by and large on track. It is timely to remember that share prices reflect the short-term views and sentiments of investors, whereas company profits reflect the long-term efforts and focus of the company management and their teams. We know which side we're on and we are happy to back our companies to come out ahead during 2008.



#### Carmel Fisher

Managing Director  
Fisher Funds Management Limited  
25 January 2008

### Kingfish Net Asset Value, Share and Warrant Price Performance



#### What's Coming Up?

- Information to warrant holders on warrant exercise - *Early Feb 2008*
- Final exercise of warrants - *31 March 2008*
- Financial Year End - *31 March 2008*
- Publication of Annual Report - *June 2008*
- Annual Shareholders Meeting - *July 2008*
- June Quarter Shareholders' Update - *July 2008*

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