



31 DECEMBER 2011
UPDATE

FISHER FUNDS' QUARTERLY PORTFOLIO REVIEW

The roller-coaster ride for the New Zealand economy continues, with a number of companies announcing earnings downgrades during the December quarter. The Kingfish portfolio managed to miss most of these, but there is no doubt the economy is still stuttering along albeit amid a general tone of gradual improvement.

Over recent years, New Zealand companies with earnings exposure to Australia have benefitted from its robust economy, however recently this has not been the case, particularly in the retail and building sectors. Australian retail has been negatively affected by lower consumer spending and a shift to on-line shopping, equating to tough times for 'bricks and mortar' retailers. Although some retailers in the Kingfish portfolio have been impacted by this, they have fared a lot better than most.

On-going financial turmoil in Europe paints a murky picture of how this calendar year will evolve. That said, New Zealand is likely to be relatively insulated from the worst effects, with its strong (Australasian) banking sector and companies generally in good shape.

The re-election of the National Party cemented the process for the partial sale of State Owned Enterprises (SOE's). Although SOE's are generally not considered to be growth companies, we will examine them on a case-by-case basis and, as always, run them through our STEPP process as they come to market. Mighty River Power is likely to be first 'off the blocks' with a potential listing in the September quarter of this year.

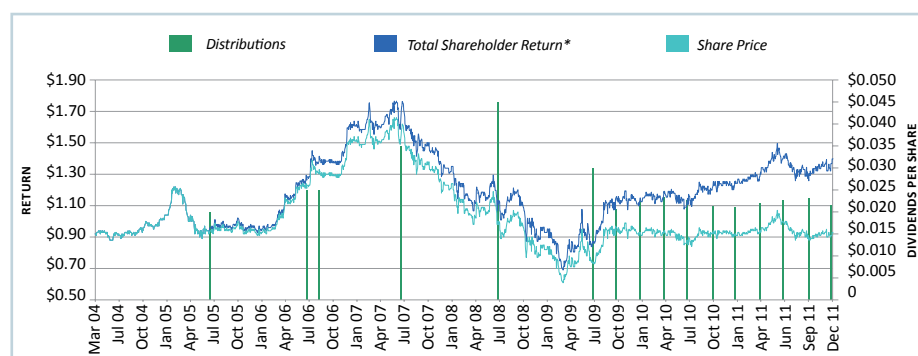
PORTFOLIO REVIEW

The Kingfish NAV was up 2.5%* in the December quarter, well ahead of the broader New Zealand market (NZ50G) which fell 2.1%. For the nine months since the March 2011 balance date, the NAV is down only slightly at -0.5%*, a superior performance to the NZ50G which fell 4.8%. To put this performance in context, the New Zealand sharemarket was itself an outperformer, beating most major equity markets over this period. >>>

PERFORMANCE

	Three Months	Since Inception**
Kingfish Gross NAV*	+2.5%	+51.6%
Relative performance		
NZX50 Gross Index (NZ50G)	-2.1%	+26.3%
NZX MidCap Gross Index (NZSEMCG)	-3.5%	+42.5%
Total Shareholder Return*	+7.0%	+39.8%

TOTAL SHAREHOLDER RETURN*



*Assumes all dividends are reinvested. Excludes imputation credits.

**Accumulated performance since inception.

AT A GLANCE

NAV	\$1.0585
DILUTED NAV	\$1.0258
SHARE PRICE	\$0.93

PORTFOLIO HOLDINGS SUMMARY AS AT 31 DEC 2011

Listed Companies	% Holding
Abano Healthcare	1.8%
Delegat's	2.0%
Fisher & Paykel Healthcare	5.2%
Freightways	6.8%
Infratil	6.4%
Kathmandu	2.8%
Mainfreight	13.2%
Metlifecare	8.7%
Michael Hill	3.9%
NZX	7.0%
Opus International	4.0%
Pumpkin Patch	1.8%
Ryman Healthcare	14.0%
Summerset Group	1.5%
TOWER	2.0%
Trade Me Group	1.0%
Wakefield Health	2.6%
Total Listed Companies	84.7%
Unlisted Company	
Waterman Holdings	1.3%
Total Equity	86.0%
Cash	14.0%
TOTAL	100.0%

WHAT'S COMING UP 2012 CALENDAR

WARRANT EXERCISE DATES

24 April 2012, 24 July 2012, 3 September 2012 (final exercise date)

DIVIDENDS PAYABLE

30 March 2012, 29 June 2012, 28 September 2012, 21 December 2012

FINANCIAL YEAR END

31 March 2012

ANNUAL RESULTS ANNOUNCED

May 2012

ANNUAL REPORT TO 31 MARCH 2012

June 2012

ANNUAL SHAREHOLDERS MEETING

July 2012

PORTFOLIO REVIEW CONTINUED

Metlifecare has successfully raised \$45m of new equity and its major shareholder has sold down to 51% holding creating a significant free-float of shares for the first time since 2005. The new capital will allow the company to build additional retirement units at existing villages and, over time, build new villages, now that it is no longer capital-constrained. We expect **Ryman Healthcare** will continue to successfully expand its village footprint in the current calendar year, including its first village in Australia.

Freightways has continued to make bolt-on acquisitions in its Information Management division, both here and in Australia. These acquisitions, along with volume growth and price rises in its Express Package business, have re-built earnings momentum despite the stuttering domestic economy. We expect **Mainfreight's** strong earnings momentum to carry through into this calendar year, with improved trading results from its offshore operations.

Abano's earnings remain in transition following the sale of its New Zealand audiology division and its investment in a new Australian and Asia audiology business (where start-up losses are incurred). Its new offshore audiology business has the potential to create significant shareholder value over time but will be a drag on earnings until it achieves critical mass.

Kathmandu and **Pumpkin Patch** were not spared the difficult operating conditions in Australasia. Kathmandu has indicated that trading results in the first half of the year will not match the same period last year, although profit growth for the full year is still achievable. Analysts' earnings forecasts for Pumpkin Patch continue to be scaled back although the closure of its loss-making UK operations will benefit earnings. **Michael Hill International** is forecasting a 2% to 8% increase in half year profits, despite slightly negative Australian same store sales.

Delegat's indicated at its annual shareholder meeting that it expects operating results in the current year to be flat when compared to last year. We view this as a good result, considering

the recent oversupply of bulk wine, price discounting and the elevated New Zealand dollar. The company has been successful in changing its sales mix, thereby improving margins.

Opus International Consulting has continued to use its strong balance sheet to buy offshore consultancies to diversify and grow its earnings. The performance of offshore businesses has been inconsistent, and is an area of upside if these perform to their potential. Opus' domestic operations are benefitting from the Christchurch rebuild, despite on-going earthquakes.

The **NZX** bourse has garnered the rewards of a number of new quality listings and the split of Telecom in two. This, along with the likelihood of partial SOE listings starting this year augur well for this area of the NZX business. The completion of the sale of TZ1 environmental registry for US\$21m will mean the company will review its capital structure again.

TOWER was unsuccessful in its bid to acquire its competitor AMI, creating uncertainty around what it will do with its surplus cash. Guinness Peat Group (TOWER's 35% shareholder) is in divestment mode, so TOWER's shareholding structure also remains up in the air.

PORTFOLIO CHANGES

During the December quarter we added Summerset and Trade Me to the portfolio. Both positions are currently relatively small, but we intend to add to our positions, subject to price. Both meet our STEEPP criteria and have robust business models. Due to the turmoil in world equity markets, we have maintained a higher than usual cash position, holding 14% as at 31 December 2011.

OUTLOOK

As suggested, the on-going financial turmoil in Europe has clouded the outlook for this calendar year. Nevertheless, we are confident that the hand-picked companies in the Kingfish portfolio have strong moats around their businesses and will continue to weather any storms better than most.

INTRODUCING SUMMERSET

Followers of Kingfish will be aware that we like the retirement village sector. The sector has a strong tailwind from an aging population with current industry village construction unable to meet this demand. There is under-penetration of retirement village living relative to other countries. In particular, we like the 'continuum of care' model where residents move through the village as their care requirements change. This model tends to be difficult to replicate, and provides a strong 'moat' around this business model. When done properly, the retirement village business model is self-funding and very capital efficient.

Summerset is a major player within this industry. It has a 14 year track record, is the second largest developer and third largest owner of retirement villages. It has come to the market with \$50m of new equity, providing a strong balance sheet and a land bank equal to five years of future development. Summerset has been operating long enough that it has started an initial 'wave of earnings' not dissimilar to that of Ryman Healthcare in its early days. It is in the process of rebuilding its development team having formerly outsourced this key function, so there is execution risk until it builds up this capability. Nevertheless, Summerset meets



our STEEPP criteria and we have built up a small holding within the portfolio.

In addition, the metrics of the Kingfish portfolio remain attractive. Using analyst's consensus earnings numbers, the one year forward expected growth in earnings is 16%, which is higher than the market average, and the portfolio trades on a one year forward price-to-earnings multiple of 12.5x, lower than the market average. Free cash flows and balance sheets remain strong, and the companies generally earn high returns on invested capital. The companies in the portfolio are therefore well priced and in good shape to benefit from an economic recovery as and when it eventually comes!



Carmel Fisher | MANAGING DIRECTOR | 30 January 2012



Murray Brown | SENIOR PORTFOLIO MANAGER | 30 January 2012

NOTABLE SHARE PRICE MOVEMENTS IN THE QUARTER

Source: Bloomberg, including dividends



WATCH THIS SPACE

NEW AND IMPROVED WEBSITE

We are in the process of redeveloping Kingfish's website. Exciting new initiatives are being established to create an easy to navigate interactive resource tool. Updated regularly, the website will host latest news and views, portfolio developments, performance data – historical and current, presentations, as well as the regular reporting, factsheets and information about Kingfish.

NEW PREMISES

At the end of February, Fisher Funds will be moving into new premises. At home on the North Shore, we are moving next door to The Crown Centre, Level 1, 67-73 Hurstmere Road, Takapuna 0740. Please feel free to pop in to see our new and improved space and to meet with our portfolio managers Carmel Fisher and Murray Brown and investor relations manager, Brigette Arnold.

COMPANY NEWS

DIVIDEND PAID 23 DECEMBER 2011

A dividend of 2.14 cents per share was paid to Kingfish shareholders on 23 December 2011, under the distribution policy. The next dividend payment is scheduled for 30 March 2012. Interest in Kingfish's dividend reinvestment plan (DRP) remains high with 53% of shareholders participating in the plan. Shares issued to DRP participants are at 3% discount to market price. If you would like to participate in the DRP, please contact our share registrar, Computershare.

KINGFISH WARRANTS

95,805 warrants were exercised by warrant holders on 24 January 2012. Future warrant exercise dates are 24 April 2012, 24 July 2012 and 3 September 2012. Any warrants not exercised by 3 September 2012 will lapse and all rights in regard to them will expire.

ANNUAL SHAREHOLDERS MEETING

Kingfish's Annual Shareholders Meeting will be held at the Ellerslie Event Centre in July 2012. The Notice of Meeting and Proxy form for registration will be sent to shareholders during the first week of June 2012.

MONTHLY UPDATE

As mentioned in the interim report, we will be producing a monthly update summarising significant news and events that have occurred over the month including:

- » A macroeconomic snapshot highlighting influential market news
- » Portfolio company developments
- » Portfolio manager updates following recent ASM's and conferences attended

If you would like to subscribe please email update@kingfish.co.nz

COMPUTERSHARE CONTACT

Phone: 09 488 8777. **Email:** enquiry@computershare.co.nz

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

The Kingfish Update newsletter is produced for the June and December quarters only. The Annual and Interim Reports will cover the March and September periods. Should you prefer to receive future Update newsletters electronically please email us at enquire@kingfish.co.nz

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25 January 2012

Dear Shareholder,

Kingfish Limited – share buyback – notice to shareholders for period 9 November 2011 to 25 January 2012

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 31 October 2011 its intention to continue the share buyback programme of Kingfish ordinary shares. The buyback period is from 1 November 2011 to 31 October 2012 and is for up to a maximum of 4,680,000 shares.

In accordance with the requirements of section 65(2A) of the Companies Act 1993, Kingfish Limited advises that between 9 November 2011 and 25 January 2012, it purchased a total of 170,623 ordinary shares at a total cost of \$157,692, an average price of \$0.92. 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,

A handwritten signature in black ink, appearing to read 'Ben Doshi', is written over a light blue horizontal line.

Ben Doshi
Chief Financial Officer
Kingfish Limited