



FISHER FUNDS' QUARTERLY PORTFOLIO REVIEW

The global environment for equities continues to be clouded with sovereign debt risks, particularly in Europe but also in the US, and these risks are currently worrying investors. Equity markets always have something to worry about, but concerns at the sovereign banking sector level have resurfaced to the extent that it makes it difficult for any short-term upward momentum in world share markets to be achieved.

As a result, most major equity markets were flat or down for the June quarter, with the NZ50G up a meagre 0.2%. The Kingfish portfolio performed much better than this with a 2.5% return in NAV (after adding back dividends paid but excluding imputation). Major contributors to this relative outperformance were our holdings in **Ryman Healthcare**, **NZX** and **Mainfreight**.

Notwithstanding a stuttering global economic backdrop, the New Zealand economy continues to improve off a low base, although for many this may appear illusory. Deleveraging (reducing debt) remains a common theme for consumers and also for the Government. Real GDP was surprisingly strong for the March quarter, and the tone of recent data is for further improvement, albeit that it always seems to be two steps forward and (at least) one back. Ongoing earthquakes in Christchurch continue to delay the rebuild, although reports that after-shocks should slowly get smaller and smaller will bring a cheer to all.

The March results season contained no major surprises. **Infratil**, **Ryman Healthcare** and **Mainfreight** posted healthy double-digit increases in profits and **Fisher & Paykel Healthcare** a single-digit increase (on a constant currency basis). **Tower** and **Wakefield Health** both posted falls in profitability (see below and overleaf).

PORTFOLIO REVIEW

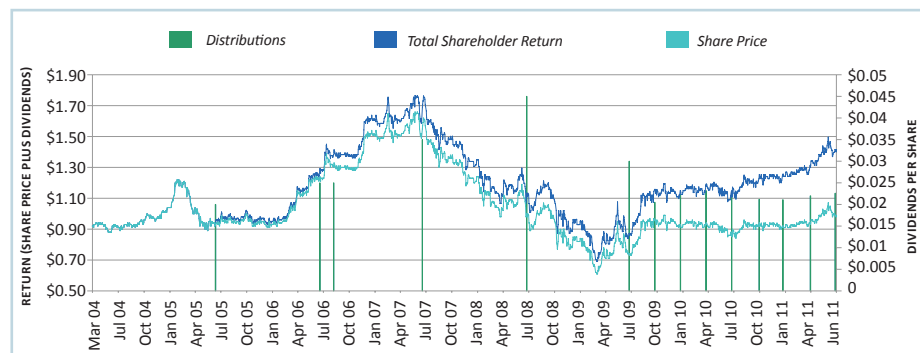
During the quarter Ryman Healthcare announced an increase in the build rate of its units/beds from 450pa to 550pa and a 17% increase in realised profits for the year ended March 2011. The increase in build rate does not include Australia where the company is poised to announce a land purchase for its first Australian village in Melbourne. The percentage of the population approaching Ryman's target market age of 75+ years in New Zealand is set to treble over the next 10 years, yet the industry build rate is well below the level required to meet this demand – virtually guaranteeing demand for Ryman's new villages as it spreads throughout New Zealand. Similar demographics exist in Australia. >>>

PERFORMANCE

	Three Months	Since Inception
Kingfish Gross NAV	+2.5%	+56.2%
Relative performance		
NZSX 50 Gross Index (NZX50G)	+0.2%	+33.0%
NZSX Mid Cap Index (NZSEMCG)	+0.9%	+53.1%
Total Shareholder Return	+5.5%	+41.6%

TOTAL SHAREHOLDER RETURN

Assumes dividends reinvested at the Dividend Reinvestment Plan strike price



AT A GLANCE

NAV	\$1.1369
DILUTED NAV	\$1.0794
SHARE PRICE	\$0.99

PORTFOLIO HOLDINGS SUMMARY AS AT 30 JUNE 2011

Listed Companies	% Holding
Abano Healthcare	2%
Delegat's	2%
Fisher & Paykel Healthcare	5%
Freightways	5%
Infratil	6%
Kathmandu	3%
Mainfreight	19%
Metlifecare	8%
Michael Hill	4%
NZX	7%
Opus International	4%
Pumpkin Patch	3%
Ryman Healthcare	16%
Tower	2%
Wakefield Health	2%
Total Listed Companies	88%
Unlisted Company	
Waterman Holdings	1%
Total Equity	89%
Cash	11%
TOTAL	100%

WHAT'S COMING UP 2011/2012 CALENDAR

WARRANT EXERCISE DATES

23 August 2011, 27 October 2011, 24 January 2012

DIVIDENDS PAYABLE

September 2011, December 2011, March 2012

INTERIM PERIOD END

30 September 2011

INTERIM REPORT TO 30 SEPTEMBER 2011

November 2011

DECEMBER QUARTER UPDATE

NEWSLETTER

January 2012

FINANCIAL YEAR END

31 March 2012

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.

PORTFOLIO REVIEW CONTINUED

Mainfreight posted its largest ever net profit result in 2011 and has strong earnings momentum going into the current financial year. The post-balance date acquisition of the Wim Bosman Group in Europe has enhanced the company's goal of becoming a global logistics company with less than 40% of future profits likely to come from its New Zealand's operations. Mainfreight was the best performing company on the NZX over the past 15 years, and has a goal of becoming New Zealand's largest company by size and market capitalisation by 2028 (which will be its 50th year of business). As the biggest weighting in the portfolio, we will be delighted if this goal becomes reality!

Tower's general insurance business was relatively unaffected by the first major earthquake in Christchurch, but subsequent earthquakes has meant that Tower now has three 'events' under its reinsurance arrangements. The on-going earthquakes have resulted in a significant increase in reinsurance rates (for all industry participants), which has impacted short-term profitability. **Opus International Consulting** on the other hand will receive a large pick-up in workload as it helps in the Christchurch rebuild.

The retailers have faced a difficult operating environment for some time now, and this has undoubtedly got worse for those with operations in Australia over recent months. **Pumpkin Patch** again downgraded earnings expectations, with second half earnings expected to fall significantly. The company has responded by closing all USA stores, loss-making UK stores and reducing head office staff levels. **Michael Hill International** and **Kathmandu** however should still post respectable increases in profitability in the current year notwithstanding the difficult industry backdrop.

The strength of the NZ\$, particularly against the US\$, impacted the share prices of exporters **Delegat's** and **Fisher & Paykel Healthcare** during the quarter. Demand for the products of both companies remain strong and both have significant currency hedging in place, but the relentless increase in the NZ\$ against most trading partners will continue to impact profitability if the currency remains at current levels.

Wakefield Health's earnings have continued to suffer from lower levels of elective surgery in the operating theatres at its three private hospitals. Lower levels of ACC approvals and less DHB work has lowered theatre utilisation rates, although the aging New Zealand population should mean that this impact is transitory. Wakefield's bid for a 60% stake in a Tauranga based private hospital has recently been re-activated, with further similar consolidation in the sector likely to occur in the medium-term.

STRATEGY AND OUTLOOK

Our strategy is to maintain a hand-picked portfolio of New Zealand's best growth companies, each with a competitive moat around their businesses which should enable on-going profitability no matter the economic environment. In the seven years since Kingfish was first formed, many of the original companies in the portfolio (Mainfreight and Ryman Healthcare – our two largest exposures in particular) have grown to the extent that they are no longer 'small' companies. Our focus will remain on profit growth, using our STEEPP process to rank candidates, with size of company no longer a relevant selection criterion.

Although we favour companies that will do well no matter the economic environment, most of our portfolio companies inevitably have a cyclical element to their earnings. Therefore, it goes without saying that a growing domestic economy will be helpful to earnings and our companies are well placed for this. Although there has been many 'false dawns' for this growth to emerge, it now has an air of inevitability about it.

COMPANY NEWS

ANNUAL SHAREHOLDERS MEETING HELD 7 JULY 2011

Kingfish's Annual Shareholders Meeting was held at the Eilerslie Event Centre on Thursday, 7 July 2011. The meeting was well attended with the Board and Manager enjoying the opportunity to meet with those shareholders who were able to attend. We were also fortunate to hear a presentation by Don Braid, Managing Director of Mainfreight, Kingfish's largest portfolio holding. Annabel Cotton was re-elected as Director and James Miller and Mark Todd were elected as Directors.

DIVIDEND PAID 24 JUNE 2011

A dividend of 2.26 cents per share was paid to Kingfish shareholders on 24 June 2011, under the quarterly distribution policy. At 30 June 2011, the gross dividend yield was 10% based on the last four quarterly dividends totalling 8.7cps. Interest in Kingfish's dividend reinvestment plan has increased steadily with 47% of shares (53% of shareholders holding shares) now participating in the plan. If you would like to participate in the dividend reinvestment plan, please contact our share registrar, Computershare.

WELCOME BRIGETTE ARNOLD, INVESTOR RELATIONS MANAGER

Kingfish is pleased to announce that Brigette Arnold has joined Fisher Funds as Investor Relations Manager for the listed investment companies (Kingfish, Barramundi and Marlin). Prior to joining Fisher Funds, Brigette was an Associate with MVision Private Equity Advisers, a leading international alternative asset advisory and placement firm. During her 10 year tenure, Brigette was involved in deal co-ordination, industry research and deal execution across global mandates as well as developing and maintaining relationships with Australasian investors. For all investor related enquiries please contact Brigette on Tel: +64 9 484 0352; brigette@fisherfunds.co.nz.

NOTABLE SHARE PRICE MOVEMENTS IN THE QUARTER

Source: Bloomberg, including dividends



COMPUTERSHARE CONTACT

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

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