



December 2008 Quarter

Dear Shareholders

The last quarter of 2008 ended, for most, with a big sigh of relief.

The Kingfish portfolio suffered some of its heaviest falls in its history. The Net Asset Value dropped 18% from \$1.19 to \$0.98, while the share price declined from \$0.96 to \$0.84 – a period end discount of 14% to the underlying NAV. Share volumes traded during the quarter were relatively light – 2.3% of the total shares outstanding. This perhaps reflects that shareholders continue to recognise the underlying value of the portfolio companies and are “holding on” during the rough patch.

This newsletter contains, among other matters:

- » Fisher Funds' comments on portfolio companies for the quarter
- » A formal report on share buybacks for the last buyback period - in November, the company's share buyback programme was renewed and your Board and Manager continually monitor its implementation
- » Confirmation of the renewal of the Management Agreement between Kingfish Limited and Fisher Funds Management Limited.

Kingfish was established in 2004 to invest, through its manager, in a portfolio of well researched small cap New Zealand companies. It provides a single vehicle through which to invest in these stocks, primarily on a long term buy and hold basis. The tax structure is efficient, especially now that Kingfish has “PIE” status. Despite the difficult current market conditions, directors consider that the company's investment rationale and focus remain as relevant today as when the company was established.

The company's bias is towards capital growth but during the past five years a total of 15 cents per share has been paid in dividends.

Our next report to you will be in May when we release our full year results to 31 March 2009.

With best wishes on behalf of the Board,



Rob Challinor, Chairman
Kingfish Limited - 3 February 2009

renewal of management agreement

In March 2004 Kingfish Limited signed a Management Agreement (the "Agreement") with Fisher Funds Management Limited to manage our investment portfolio. The Agreement was for an initial five year term from 31 March 2004, following Kingfish raising funds and listing on the NZX. The Agreement provides for continuation for a further five year term. The company is entitled to decline to renew if the Board is dissatisfied with the Manager's performance of "Management Services" as defined in the Agreement.

Your independent directors have considered the comprehensive obligations of the Management Services clauses. Short term investment performance has been disappointing, as it has been for other NZ equity funds reviewed, reflecting the global credit crisis. Notwithstanding this, independent directors consider that Fisher Funds has met all its Agreement obligations and the Agreement will therefore continue for a further five years under existing terms and conditions.

at a glance

Performance for period 31/03/04 to 31/12/2008 (since listing)

Net Asset Value	\$0.98	1.3%*
Dividends Paid	\$0.15	15.0%
Share Price	\$0.84	-16.0%

**Based on adjusted Net Asset Value per Share at listing of \$0.9684, representing the issue price of \$1.00 less issue costs of \$0.0316 per share.*

Performance for the three months 30/9/2008 to 31/12/2008

Net Asset Value	-17.7%
Share Price	-12.5%

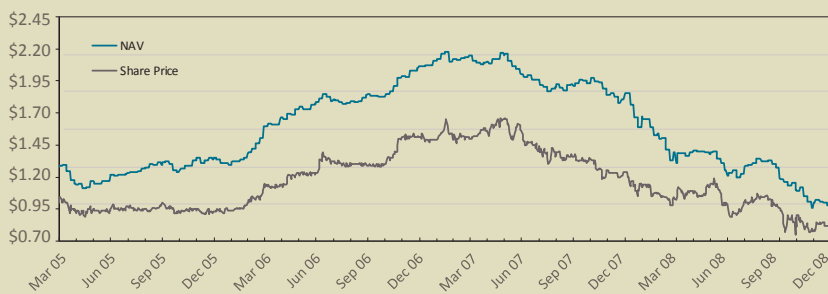
Notable December quarter share price falls, including dividends (local currency terms)

Comvita	-24.3%
Opus Intl	-27.5%
Metlifecare	-40.5%
Rakon Limited	-42.3%
Sealegs	-64.3%

Portfolio Holdings Summary, as at 31/12/2008

Listed Companies	% Holding
Abano Healthcare	1.29%
Comvita	1.46%
Delegats	7.08%
Freightways	10.08%
Mainfreight	16.24%
Metlifecare	8.46%
Michael Hill	5.99%
NZ Exchange	5.17%
Opus International	2.89%
Pumpkin Patch	3.86%
Rakon	1.95%
Ryman Healthcare	18.71%
Sealegs	0.17%
Wakefield Hospital	4.65%
Non-listed Companies	
Waterman Holdings	2.72%
Equity Total	90.72%
New Zealand dollar Cash	9.28%
Cash Total	9.28%
TOTAL	100.00%

kingfish net asset value and share price performance



Relative Performance 31/12/2008	1 Month	3 Month	Since Inception
Kingfish NAV	-1.8%	-17.7%	1.3%
90 Day Bank Bill Index	1.1%	3.7%	98.4%
(NZD) + 7% p.a.			
NZSX Small Cap Index (NZSCI)	-6.2%	-21.3%	-7.1%
NZSX Mid Cap Index (NZSEMC)	-2.6%	-14.3%	0.8%
NZSX 50 Gross Index (NZ50G)	0.2%	-12.1%	4.7%

Fisher Funds Quarterly review

The December quarter was another dismal one for world equity markets, although the New Zealand sharemarket was an outperformer with the NZ50 Gross Index declining 12.1% for the December quarter compared with a 22% decline posted by the MSCI World Index in local currency terms.

Banking failures, plunging commodity prices, declining house prices, falling consumer and business confidence all had an impact, despite concerted efforts by Governments and monetary authorities worldwide. With this backdrop, it is easy to see why equity markets have struggled. The quarter was all about investor uncertainty and selling was indiscriminate, with the shares of well-performing, defensive businesses being sold alongside those of poor quality businesses.

Portfolio Review

During the quarter, the Kingfish portfolio declined 17.7%, underperforming the NZ50G (-12.1%). Most of this underperformance can be attributed to our holding in Metlifecare, which declined by 40% as small parcels of shares were traded throughout the period. The decline in the Metlifecare share price was at odds with the performance of the underlying business and reflects

selling pressure in a very illiquid stock.

Like most share portfolios, the significant market decline has left the Kingfish portfolio looking very attractive in valuation terms. Based on current analysts' consensus earnings forecasts, the Kingfish portfolio has a 12 month forward weighted average P/E of 9.5x and weighted average earnings per share growth of 17%. Gearing remains low with weighted average interest cover of the Kingfish portfolio companies being over 9.0x. It is comforting to know that the Kingfish companies are not significantly impacted by the credit crisis that is at the heart of the global markets' woes.

None of the news from the Kingfish portfolio companies during the quarter gave us cause for concern, though it is clear that businesses in all sectors are feeling the impact of a slowing global economy. **Ryman Healthcare** posted a solid result for the half year ended 30 September with underlying earnings up 10% and cash flow remaining strong. Demand for its retirement village units remains strong with sales of occupation rights up 11% and occupancy at record highs. Realised profits in the second half are expected to be as good, if not better than the first half. **Metlifecare** has indicated that it intends to raise \$30m-\$40m through a

rights issue to operate a more prudent balance sheet whilst at the same time suspending dividend payments. The company confirmed that cash flow in the business remains very strong and it remains "well positioned to ride out the tough operating conditions in the domestic economy and then take full advantage of the inevitable upturn in the residential housing market." The fall in the Metlifecare share price has had a significant negative impact on Kingfish's NAV, and we believe that the shares are now oversold with the Metlifecare share price now trading at less than half its net asset backing.

The **Mainfreight** interim net profit result was up 9%, although it fell slightly in the second quarter. Trading in the third quarter has been encouraging, and although the company admits to low visibility of its forward workload, its domestic business has grown market share as competitors have struggled. **Freightways** announced that its Q1 2009 trading performance was solid, with net profit up 3%. Its Information Management division continues to perform strongly, albeit that it currently only represents around 15% of group profits.

Pumpkin Patch unwound its currency hedges, releasing \$30m for debt reduction. It has also had some success in reducing stock levels, although as with most retailers, short term profitability is under pressure. **Michael Hill International** is no exception, with its first half trading result likely to be 'materially below last year's record interim result'. The company has announced an innovative internal restructuring which we believe adds long term value that the market is currently giving no credit for.

Rakon announced a very disappointing interim result, with a weak second half expected. It is a beneficiary of a lower NZ\$/US\$ cross, although the impact is not expected until 2010F due to existing currency hedging. We had anticipated that Rakon would find the current environment difficult and have actively reduced our holding over the past six months. We have been very pleased to see both **Wakefield Health** and **Abano** continue to perform strongly, with the healthcare industry being less impacted by the domestic recession. Similarly, **Delegat's** continues to go from strength to strength with strong case sales at favourable export prices for its premium New Zealand wines. It is a major beneficiary of a declining NZ\$ in the medium term.



Portfolio Changes

During the December quarter we reduced our weighting in Rakon and increased our cash weighting slightly. We did not make significant portfolio changes in the December quarter as we are pleased with both the quality of the businesses and the composition of the portfolio.

Outlook / Strategy

The fundamentals of the Kingfish portfolio are compelling, despite continued earnings downgrades. The portfolio is well placed to weather the storm and is consistent with our time-tested approach of investing in quality growth companies with a long term investment horizon. While the current environment is challenging for all investors, we know that when investors again focus on rational valuation benchmarks and quality measures, the Kingfish portfolio will stand out.



**Carmel Fisher, Managing Director
Fisher Funds Management Limited
3 February 2009**

3 February 2009

SHARE BUYBACK – NOTICE TO SHAREHOLDERS FOR PERIOD 1 SEPTEMBER 2008 TO 3 FEBRUARY 2009

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 2008 its intention to continue its share buyback programme of Kingfish ordinary shares. The buyback period is from 6 November 2008 to 31 October 2009 and is for up to a maximum of 4,238,000 shares.

In accordance with the requirements of section 65(2A) of the Companies Act 1993, Kingfish Limited advises that between 1 September 2008 and 3 February 2009, it purchased a total of 62,617 ordinary shares at a total cost of \$50,248.83 at an average price of \$0.8025. 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.

whats coming up

Publication of Annual Report: May 2009

Annual Shareholders Meeting: July 2009

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.



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