



QUARTERLY NEWSLETTER

1 January 2026 – 31 March 2026

Share Price

\$1.19

Warrant Price

\$0.00

KFL NAV

\$1.20

DISCOUNT¹

1.0%

as at 31 March 2026

The March quarter saw Kingfish deliver a gross performance return of -7.3% and an adjusted NAV return of -7.2%, compared to the -4.7% return of the S&P/NZX50G benchmark index.

The key development impacting the share market (and Kingfish) is the global macroeconomic backdrop becoming more uncertain after US strikes on Iran, with the benchmark down -5.9% in March since the onset. In these bouts of volatility, share prices can fall sharply as investors grapple with new news or attempt to 'price in' the probability of a wider range of outcomes, such as an extended war or global economic downturn.

How does the war in Iran impact Kingfish's companies?

In response to US military strikes, Iran has effectively blockaded the Strait of Hormuz: a key Middle East thoroughfare, particularly for oil. This has triggered the largest global energy supply disruption since the 1970s and pushed New Zealand petrol and diesel prices up significantly, plus created some concern that supplies may run low. New Zealand uses around 10 Olympic pools worth of petrol and diesel every day, and the higher cost paid away offshore means less income to spend in the local economy, weighing on demand. There is also the risk that cost pressures cannot fully be recouped from customers, squeezing profits (although key companies like Mainfreight and Freightways have mechanisms to 'pass through' price increases to customers). If prices holistically rise in response to fuel costs it may lead to inflationary pressures and higher interest rates, which further weigh on economic activity.

This is why we have seen sharp falls in the share prices late in the quarter, particularly for companies that are most exposed to consumer demand. These include **Mainfreight** (-16% total shareholder return in the quarter), **Freightways** (-15%), **Vulcan Steel** (-23%), **Delegat** (-17%), and **Summerset** (-27%, via the second-order risk to house prices and sales).

It is difficult for us to predict what direction the war will take, but there is now a large degree of pessimism reflected in share prices.

That aside, how have Kingfish's companies actually been performing?

From February 'reporting season' and other company updates, we remain comforted by the underlying fundamentals across our businesses, in most cases (EBOS has been a disappointment recently). Eleven of Kingfish's companies were discussed in last month's monthly update.

The strongest performer in the portfolio continues to be **a2 Milk** (+8%), which continues to deliver strong results in the China infant formula market. The company also announced the launch of new products as it enters the \$8 billion China paediatric supplements

category. This expansion is supported by its strong brand recognition in infant formula and other products, including follow-on kids milk powder, adult milk powders, and senior supplements. This positions the company to extend its growth runway in the large and lucrative China market.

In March, **Infratil** (+5%) hosted an investor event in Sydney for CDC Data Centres, in which it holds a 49.7% shareholding valued at around NZ\$9 billion, making it the most significant asset for Infratil. The day highlighted how CDC has positioned itself well in the Australian market by getting ahead of evolving technical requirements (like closed-loop water cooling and high-power density) and using advanced planning and engagement to circumvent industry bottlenecks (such as planning approvals and power grid connections). CDC has a number of significant assets in its pipeline that are well placed to meet demand for increasing use of AI, in a market where capacity is very scarce. It had the confidence to increase its core operating earnings ('EBITDA') guidance for its upcoming 2027 fiscal year from around \$660 million to \$680-720 million.

Port of Tauranga (+2%) maintains a long-term strategic position in New Zealand's supply chain that continues to support ongoing earnings growth as it outlined at an investor day in March. The management team reiterated its target of a 7% return on invested capital on operational assets, and it is on track to achieve this in the 2027 financial year. The company plans to recycle capital from certain low-returning non-core assets and land into the core business.

In terms of companies exposed to New Zealand consumer demand, most have been seeing positive signs of an economic recovery. Freightways delivered a strong half-year result, with net profit after tax rising +17% on revenue up +9%. with profit growth driven by improved New Zealand market conditions share gains, and ongoing strong performance in its Australian express delivery operations. Vulcan Steel's first-half result confirmed that activity levels are starting to lift from depressed levels, with tonnes per day increasing and New Zealand profitability turning positive for the first time in several years. While still early in the cycle, the company's operational leverage and recent Roofing Industries acquisition provide meaningful upside as conditions normalise.

Vista and EBOS have seen their share prices impacted due to idiosyncratic factors.

Vista (-35%) saw its share price fall sharply during the quarter as the release of new Artificial Intelligence (AI) tools particularly by Anthropic/Claude saw share prices down sharply for many software companies' globally, due to fears AI may disrupt incumbent software players. Vista's latest results demonstrated continued progress against its medium-term strategy, including strong growth in cloud deployments, improving profitability, and successful early progress

¹ Share price discount to NAV (including warrant price on a pro-rated basis and using the net asset value per share, after expense, fees and tax, to four decimal places).

in payments. The business remains deeply embedded in customers' operations, with significant domain expertise and high switching costs. The company provided guidance for 2026 that sees a continuation of revenue and profit growth and continues to credibly build towards its medium-term plan of revenue well over \$300 million and free cash flow of around \$75 million in 2030.

EBOS (-17%) delivered core operating earnings in line with expectations, however flagged that higher lease costs from its distribution centre renewal programme continue to weigh on 'bottom line' profit performance. This adds to caution about the new management team's command of the business, with the share price trading around a 25% discount to the average price-to-earnings ratio over the last 10 years (around 15x versus 20x). We think the current valuation is attractive for what is fundamentally still a business with both attractive defensive and growth characteristics.

How are Kingfish's companies positioned?

In times of volatility, 'fundamentals' – the sustainable performance outlook for our companies – tend to take a back seat. However, over time, as the fervour around AI developments subsides and the Iran war is resolved, these fundamentals remain what will influence the share prices of our companies and investor returns over time.

After the recent sell-off, our assessment is that the Kingfish portfolio has rarely been offering the value we see today: many share prices are 'on sale' across the board. While it is never a nice feeling to experience these periods of volatility, we think it bodes well for future returns.



Matt Peek
Senior Portfolio Manager
Fisher Funds Management Limited
15 April 2026



SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO DURING THE QUARTER

VISTA GROUP	SUMMERSET	VULCAN STEEL	EBOS GROUP	DELEGAT GROUP
-35%	-27%	-23%	-17%	-17%

PERFORMANCE as at 31 March 2026

	3 Months	3 Years (annualised)	5 Years (annualised)
Company Performance			
Total Shareholder Return	(7.0%)	+5.7%	(0.8%)
Adjusted NAV Return	(7.2%)	+3.3%	+0.5%
Portfolio Performance			
Gross Performance Return	(7.3%)	+4.8%	+1.8%
S&P/NZX50G Index	(4.7%)	+2.8%	+0.6%

Non-GAAP Financial Information

Kingfish uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » adjusted net asset value – the underlying value of the investment portfolio adjusted for capital allocation decisions after expenses, fees and tax,
- » adjusted NAV return – the percentage change in the adjusted NAV value,
- » gross performance return – the Manager's portfolio performance in terms of stock selection, before expenses, fees and tax, and
- » total shareholder return – the return combines the share price performance, the warrant price performance, the net value of converting any warrants into shares, and the dividends paid to shareholders. It assumes all dividends are reinvested in the company's dividend reinvestment plan, and that shareholders exercise their warrants, (if they were in the money), at warrant expiry date.

All references to adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return in this newsletter are to such non-GAAP measures. The calculations applied to non-GAAP measures are described in the Kingfish Non-GAAP Financial Information Policy. A copy of the policy is available kingfish.co.nz/about-kingfish/kingfish-policies.

PORTFOLIO HOLDINGS SUMMARY as at 31 March 2026

LISTED COMPANIES	% Holding
Auckland Int Airport	7.9%
Contact Energy	4.7%
Delegat Group	1.2%
EBOS Group	5.7%
Fisher & Paykel Healthcare	18.5%
Freightways	4.0%
Infratil	16.5%
Mainfreight	7.9%
Mercury NZ Limited	3.7%
Meridian Energy	5.5%
Port of Tauranga	4.3%
Summerset	7.9%
The a2 Milk Company	5.3%
Vista Group International	3.7%
Vulcan Steel	1.4%
Equity Total	98.2%
New Zealand dollar cash	1.8%
TOTAL	100.0%

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