Barramundi
LANDING TOMORROW'S TROPHIES

monthly update

APRIL 2014

market update

The Australian share market was up a little over the month with the S&P/ASX 300 Index rising 0.5%. This hid a cautious undertone as economic data around the world continues to be patchy. Weak data out of China is a particular concern for Australia and tanks rolling around the Crimean peninsula meant a mild 'risk off' flavour to the price action at an individual share level. On a sector basis this translated to strong performance from Australian bank shares, which tend to benefit in nervous times, weaker performance from resources companies and, relevant to Barramundi, weaker returns from shares in smaller companies.

The key economic data print for the month was the fourth quarter 2013 GDP release. Despite the concerns that many analysts have, ourselves included, the Australian economy has just clocked up 22 years of continuous economic growth. A lot of shocks have been thrown at Australia over this time and despite that, the economy has soldiered on. Real GDP rose by 0.8% for the quarter. This was a touch faster than in recent quarters. The economy expanded by 2.4% in 2013 as a whole. This outcome was at the low end of the range of the past few years.

The accounts also reveal some of the headwinds against which the economy struggled in 2013. For example, public spending fell by 2.0% in the year. This was the first decline in more than 60 years and detracted 0.5% from GDP growth. Cautious consumers made a smaller contribution to growth than usual and cautious businesses partly satisfied demand by running down inventories. This is a drag on growth.

The transition of growth drivers towards the non-mining economy remains elusive. Spending on new dwellings and non-mining capex both fell in the quarter although momentum in the lead indicators for the housing sector is building strongly. Other parts of the growth transition are on track. Mining capex has rolled over and is starting to decline. Most pleasingly we are seeing the benefits of this capex flowing into production volumes with resource exports growing strongly. Consumer activity lifted at the end of 2013. This lift was partly "paid for" by a reduction in the savings ratio. The balance sheet protection that households have accumulated is a little weaker as a result, however the outcome is also consistent with a bit more household spending appetite and some risk appetite as well. This bodes well for a more balanced growth outlook in 2014.

portfolio update

Key news on portfolio stocks over the month included:

During the month Anchorage Capital Partners made a non-binding and highly conditional bid for listed accounting firm **Crowe Horwath**. The Board has engaged with Anchorage Capital by allowing them to undertake due diligence to firm up the privatisation proposal. Anchorage Capital is an Australian based private equity firm focusing on undervalued businesses with upside from improving their operational and financial performance.

Nanosonics announced a strategic alliance for the distribution of the Trophon in Germany with Miele Professional. Miele (yes the same guys that make high end appliances) is the leading local provider of disinfection and sterilisation equipment. This is the first marketing partnership that Nanosonics has established with a company that is not an ultrasound manufacturer, and demonstrates another route to market the product. While we don't expect this to be a massive driver of future earnings it is another

performance to 31/03/14

	1 Month	3 Months	6 Months	1 Year	3 Years (accumulated)	Since Inception October 2006 (accumulated)
BRM Adjusted NAV*	-1.2%	-6.3%	-9.2%	-8.4%	-9.5%	+6.5%
Relative Performance						
S&P/ASX Small Ords Industrial Gross Index (in NZ dollar terms)	+0.4%	-0.2%	-1.7%	-6.2%	-0.5%	-4.4%
Total Shareholder Return*	-3.7%	-6.5%	-7.0%	-6.3%	+6.9%	+3.4%

**Adjusted NAV and Total Shareholder Return assume all dividends are reinvested, but exclude imputation credits.*
NB: NAV and Adjusted NAV are net of fees and tax, and include the dilution effect of warrants exercised.

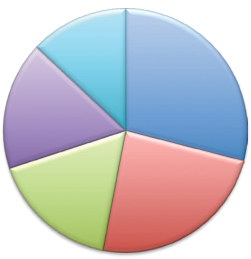
March's biggest movers

(from Bloomberg, in Australian dollar terms)

- **+24%** Crowe Horwath
- **+9%** Ingenia Communities
- **+8%** Nanosonics
- **-9%** Noni B
- **-16%** DWS

sector split as at 31/03/14

- **29%** Industrials
- **24%** Information Technology
- **17%** Financials
- **17%** Consumer Discretionary
- **13%** Healthcare



at a glance as at 31/03/14

BRM NAV	$0.69
Share Price	$0.63
Discount	8.7%

At $0.63 Barramundi currently trades at a discount to NAV of 8.7%. The discount could provide value, as investors are able to purchase a portfolio with a NAV of $0.69 per share for only $0.63 per share.

endorsement of Nanosonic's technology.

The Managing Director of **The Reject Shop**, Chris Bryce, announced his resignation during the month. This came after a post Christmas profit warning which has seen a sharp sell off in the share price of the company. Despite the last challenging trading period we did regard Mr Bryce positively, believing the broad swath of his strategy is appropriate for the business. The Board is undertaking a search for a replacement CEO. In the interim Chris will continue to lead the business. The company did note that it is presently trading on budget with second half comparable sales per store growing, gross margins on plan and new store openings continuing.

ToxFree Solutions has renewed a number of North Western municipal waste management contracts. These cover the Shires of Broome, Derby/West Kimberley and Wyndham/East Kimberley. These contracts are all for five years with five additional one year renewal options. The renewals are of existing contracts that ToxFree has had for the past six years. As well as being a positive reflection of the service that ToxFree has provided to its municipal clients in the North West these contract renewals are strategically important. ToxFree has a positive outlook for the Kimberley region, driven by oil and gas development within the offshore Browse Basin and onshore Canning Basin. This is in addition to growth in the iron ore, diamond and base metal mining operations in the region, as well as the Ord River agricultural expansion. Winning these contracts underpins ToxFree's presence in the region providing the scale to pursue growth as new projects, particularly those in the oil and gas sector like Inpex and Prelude, come on stream.

Frank Jasper, Senior Portfolio Manager

Following the resignation of Barramundi CFO Ben Doshi, the directors are pleased to announce the appointment of Kate Livingston as Corporate Manager responsible for the oversight of the company including finance, company secretarial, compliance and management reporting functions. Kate is a seasoned finance and risk professional with extensive experience in financial markets having spent 13 years in senior roles encompassing accounting, compliance, product development and risk and reporting functions in a fund management firm and seven years as a risk and compliance manager with responsibilities across a wide range of disciplines. Kate will assume the role on 12 May 2014.

Typically the Barramundi portfolio will be invested 90% or more in equities.

top 5 portfolio positions

as at 31/03/14

toxfree	10%
Retail Food Group (RFG)	9%
Ingenia Communities	8%
technologyone	7%
Credit Corp Group	6%

fisher funds

a word from the manager

Sarah Palin caught my attention when she said that political polls are just for strippers and cross country skiers. At the time, her bizarre comment temporarily deflected attention from the fact that she was lagging badly in the polls. Why is this relevant? Well we are in April, we have 24 weeks until the New Zealand general election and already opinions – as reflected in share prices – are being influenced by political polls. The share prices of Mighty River Power and Meridian Energy jumped 3.0% and 1.9% respectively when a Herald digipoll put the National Party at over 50% support giving them the ability to govern alone. Meridian Energy also jumped after the announcement of the election date, which is earlier than usual and considered by some to suggest a level of confidence by the National Party in their re election chances. We could be in for a bumpy six months if share prices react to every poll reading or political pronouncement.

We can't ignore polls altogether – they reflect the thinking of at least some of the electorate and they do have consequences. Historically, political candidates have been known to drop out of the race based on a poll; others have used poll results to galvanise voters into action to avoid the poll prediction becoming reality. However, we should remember that polls are a tool of campaigns, not an accurate heads-up of the result of an election that is months down the road. Like most forecasts and predictions, poll results can be blown out of the water, especially when they are published a long time before an actual outcome.

What should influence our thinking are results, and we had results season in February which was generally positive and hinted at a solid year ahead. We had more results in March that, while mixed in some sectors, were positive overall. Amidst talk of overvalued markets and imminent corrections, it is important that we remain laser focused on results, on the actual achievements of our companies and their management teams in executing their growth plans. Just as it is the number of voters who turn out on Election Day that will determine our next Government, so it is the revenue and profit growth that our companies achieve in coming months that will determine whether their shares are overvalued, fairly valued or even undervalued.

The further we move away from geo-political and macro drivers, the more the market is focusing on company specific factors to drive share prices. Already we are noticing less correlation between policy announcements and share price volatility. It used to be that every time former Fed chairman Ben Bernanke spoke, share prices would wobble. The new Fed chairman, Janet Yellen, has caused a few market ripples, largely because some of her early comments were ambiguous and markets are learning to read her. She has clearly taken heed though and in the last month some of her comments passed by almost unnoticed, well at least, they didn't give markets any cause for concern.

While we're talking about results, we are proud to have been reappointed as a default KiwiSaver provider. Our reappointment was the culmination of a comprehensive competitive process undertaken by the Ministry of Business, Innovation and Enterprise and the assessment criteria included our organisational and investment capabilities and fee levels. You are in good hands.

Carmel Fisher, Managing Director

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