Barramundi
LANDING TOMORROW'S TROPHIES

Monthly Update

April 2018

BRM NAV	SHARE PRICE	DISCOUNT
$0.65	$0.58	10.9%

as at 31 March 2018

A word from the Manager

The Australian market fell 4.3% in Australian dollar terms over March trading at levels last seen in October 2017. This performance helped cement the Australian market's worst quarter since September 2015 as fears of a trade war between the United States and China gripped global markets.

In March the US announced steel and aluminium tariffs primarily directed at China to which China responded. The escalating trade tensions that ensued were enough to cause a second significant market correction this year, with risk appetite falling and concerns over the risks to global growth rising. As a result, all major global indices finished the month in the red. Australia was hit harder than most given its close ties to China and the market's heavy exposure to commodities.

Additionally, the banking sector continues to trade at a deep discount to the market given regulatory concerns and the backdrop of a cooling property market. The first round of pubic hearings of the Royal Commission into misconduct in the banking, superannuation and financial services industry commenced in March. While the banks have already come clean on issues including residential mortgages and credit cards, so far the Royal Commission has not identified anything the market does not already know.

At a sector level, the worst performers over March were the telecommunication, financial and material sectors (which includes the resources companies). No sector was left unscathed, but the best performers over the period were rates sensitive sectors, including real estate and utilities. These sectors were supported by a fall in interest rates as investors lost their appetite for risk and moved into safe haven assets.

Performance

In March the Barramundi portfolio fell 2.9%. This was comfortably ahead of the S&P/ASX 200 index partially hedged into New Zealand dollars which tumbled 4.1% for the month.

In volatile times it is often companies with more defensive characteristics that perform best, and this is exactly what happened in March. **AUB Ltd** (+10.7%), **Brambles** (+5.6%) and **Domino's Pizza** (+5.9%) were the biggest contributors to the Barramundi portfolio performance over the month. While there was no material new news driving the outperformance of these companies, AUB, Brambles and Domino's Pizza are relatively immune from any trade related weakness and have very stable demand for their products or service. Investors tend to rotate capital to these safe havens in times of stress.

On the flip side it was technology companies that were the leading decliners for the Barramundi portfolio for March. This very much reflected global share price movements. Technology companies came under pressure in the United States with Facebook's privacy breaches and Donald Trump's tweets about Amazon putting the skids under those previous market darlings. The world is increasingly connected and weakness in the US translated to falls in two of our technology investments, **Wisetech**, a software company (-11.5%) and **Seek** (-6.8%), an online jobs board.

GST Update

Fisher Funds has historically charged Barramundi GST at the standard GST rate on the provision of investment services. Last year the IRD confirmed that the lower GST fund manager rate could be charged to Barramundi (and this rate has been applied since 1 August 2017). On 28 March 2018, Fisher Funds received confirmation from the IRD that they would receive a refund for overcharged GST of $1.2m plus use of money interest of $0.1m on the provision of investment services to Barramundi for the eight year period from 1 August 2009 to 31 July 2017. On receipt in early April, Fisher Funds passed the refund and use of money interest to Barramundi. The refund and use of money interest receivable from Fisher Funds has been recognised in the Barramundi NAV from 28 March 2018 onwards.

Portfolio changes

During the month we added **Xero** to the portfolio. With Xero's move to a sole listing on the ASX, it now fits within Barramundi's fishing pond. We regard Xero as a well-run, high quality business with a global growth opportunity. It is an obvious portfolio candidate.

We also used share price weakness to add to the portfolio's position in **Credit Corp**. The combination of a profit result that underwhelmed some investors when Credit Corp reported in February and generally weak markets meant the company's share price retreated over 15% from recent highs. In our view Credit Corp's result was anything but underwhelming. The only thing the company was "guilty" of was not raising profit guidance. Investors have got used to CEO Thomas Beregi beating expectations and setting the bar even higher. That wasn't the case this time. There was, however, something much more interesting in this result in our view. The company is beginning to gain real traction in its US business. The US Purchased Debt Ledger market is 10 times the size of the Australian market. Credit Corp is now on-track to create a business that is of similar size to its Australian operation. At this level it would have a US market share of around 4%. We believe it could readily grow beyond this providing a significant growth option for the company over years to come.

Frank Jasper
Chief Investment Officer

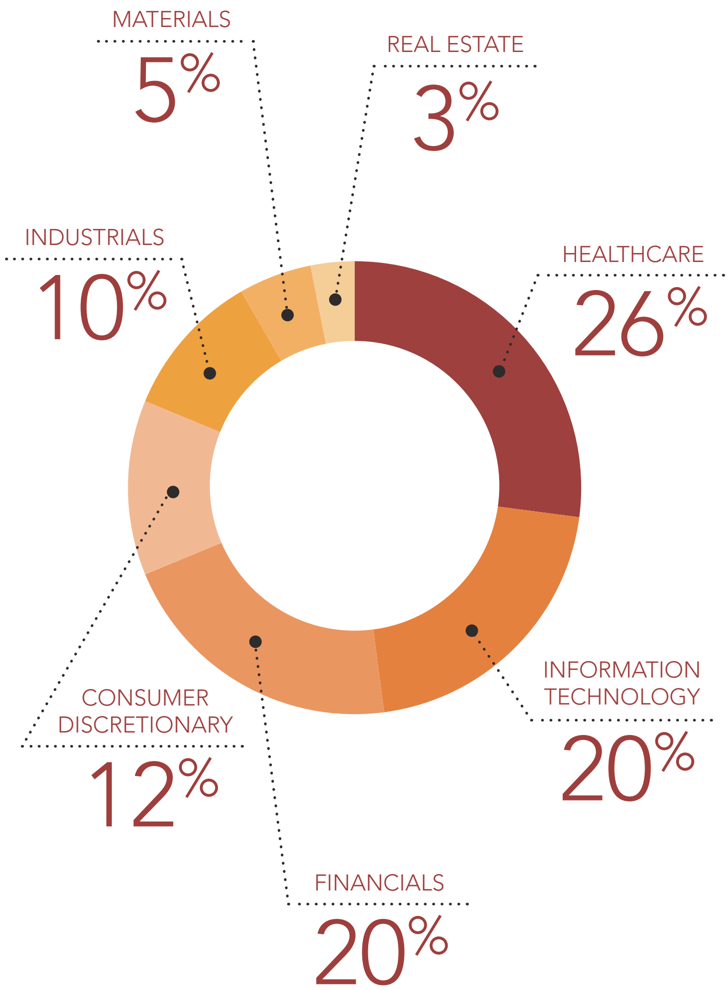
Key Details

as at 31 March 2018

FUND TYPE	Listed Investment Company
INVESTS IN	Growing Australian companies
LISTING DATE	26 October 2006
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	25-35 stocks
INVESTMENT CRITERIA	Long-term growth
PERFORMANCE OBJECTIVE	Long-term growth of capital and dividends
TAX STATUS	Portfolio Investment Entity (PIE)
MANAGER	Fisher Funds Management Limited
MANAGEMENT FEE RATE	1.25% of gross asset value (reduced by 0.10% for every 1% of underperformance relative to the change in the NZ 90 Day Bank Bill Index with a floor of 0.75%)
PERFORMANCE BENCHMARK	Changes in the NZ 90 Day Bank Bill Index + 7%
PERFORMANCE FEE HURDLE	15% of returns in excess of benchmark and high water mark
HIGH WATER MARK	$0.54
SHARES ON ISSUE	165m
MARKET CAPITALISATION	$95m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 31 March 2018



The Barramundi portfolio also holds cash.

March's Biggest Movers in Australian dollar terms

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

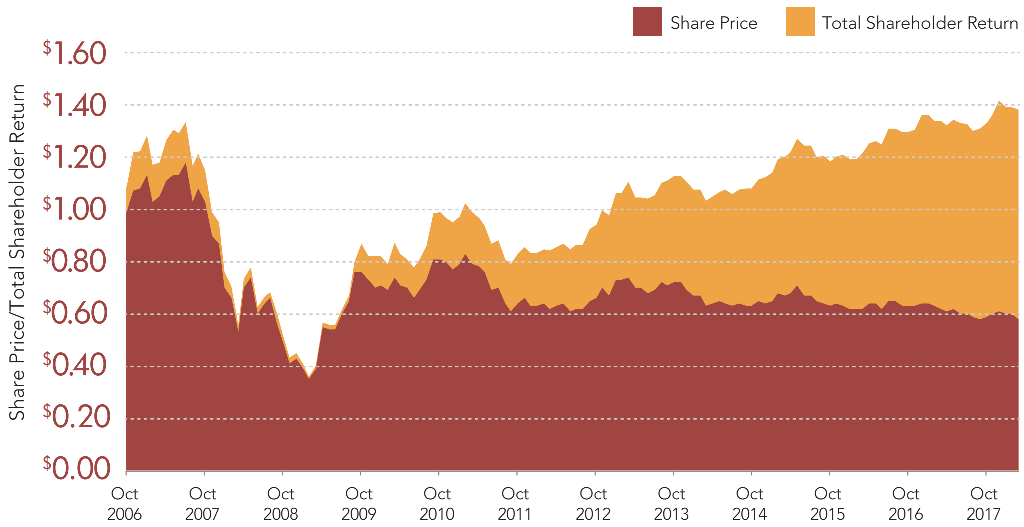
APN OUTDOOR	AUB GROUP	TECHNOLOGY ONE	RIO TINTO	WISETECH GLOBAL
+11%	+11%	+8%	-8%	-11%

5 Largest Portfolio Positions as at 31 March 2018

CSL	SEEK	CARSALES.COM	NATIONAL AUSTRALIA BANK	COMMONWEALTH BANK OF AUSTRALIA
8%	7%	6%	5%	5%

The remaining portfolio is made up of another 24 stocks and cash.

Total Shareholder Return to 31 March 2018



Performance to 31 March 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Corporate Performance					
Total Shareholder Return	(1.0%)	(2.6%)	+2.5%	+4.7%	+2.8%
Adjusted NAV Return	(2.4%)	(2.9%)	+8.4%	+6.2%	+3.5%
Manager Performance					
Gross Performance Return	(2.9%)	(2.9%)	+10.8%	+8.9%	+6.8%
Benchmark Index^	(4.1%)	(4.7%)	+2.2%	+9.8%	+2.4%

^Benchmark Index: S&P/ASX Small Ords Industrial Gross Index until 30 September 2015 & S&P/ASX 200 Index (hedged 70% to NZD) from 1 October 2015

Non-GAAP Financial Information

Barramundi uses non-GAAP measures, including adjusted net asset value, 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,
- gross performance return – the Manager's portfolio performance in terms of stock selection and hedging of currency movements, and
- total shareholder return – the return to an investor who reinvests their dividends, and if in the money, exercises their warrants at warrant maturity date for additional shares.

All references to adjusted net asset value, gross performance return and total shareholder return in this monthly update are to such non-GAAP measures. The calculations applied to non-GAAP measures are described in the Barramundi Non-GAAP Financial Information Policy. A copy of the policy is available at http://barramundi.co.nz/about-barramundi/barramundi-policies/

About Barramundi

Barramundi is an investment company listed on the New Zealand Stock Exchange. The company gives shareholders an opportunity to invest in a diversified portfolio of between 25 and 35 quality growing Australian companies through a single, professionally managed investment. The aim of Barramundi is to offer investors competitive returns through capital growth and dividends.

Management

Barramundi's portfolio is managed by Fisher Funds Management Limited. Frank Jasper (Chief Investment Officer), Terry Tolich (Senior Investment Analyst) and Delano Gallagher (Investment Analyst) have prime responsibility for managing the Barramundi portfolio. Together they have significant combined experience and are very capable of researching and investing in the quality Australian companies that Barramundi targets. Fisher Funds is based in Takapuna, Auckland.

Board

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. The Board of Barramundi comprises independent directors Alistair Ryan (Chair), Carol Campbell and Andy Coupe; and non-independent director Carmel Fisher.

Capital Management Strategies

Regular Dividends

» Quarterly distribution policy introduced in August 2009

» Under this policy, 2% of average NAV is targeted to be paid to shareholders quarterly

» Dividends paid by Barramundi may include dividends received, interest income, investment gains and/or return of capital

» Shareholders who prefer to have increased capital rather than a regular income stream have the opportunity to participate in the company's dividend reinvestment plan (DRP)

» Shares issued to DRP participants are at a 3% discount to market price

» Barramundi became a portfolio investment entity on 1 October 2007. As a result, dividends paid to New Zealand tax resident shareholders have not been subject to further tax

Share Buyback Programme

» Barramundi has a buyback programme in place allowing it (if it elects to do so) to acquire up to 7.4m of its shares on market in the year to 31 October 2018

» Shares bought back by the company are held as treasury stock

» Shares held as treasury stock are available to be re-issued for the dividend reinvestment plan and to pay performance fees

Warrants

» Warrants put Barramundi in a better position to grow further, improve liquidity, operate efficiently and pursue other capital structure initiatives as appropriate

» A warrant is the right, not the obligation, to purchase an ordinary share in Barramundi at a fixed price on a fixed date

» There are currently no warrants on issue

Barramundi

Barramundi Limited
Private Bag 93502, Takapuna, Auckland 0740
Phone: +64 9 489 7074 | Fax: +64 9 489 7139
Email: enquire@barramundi.co.nz | www.barramundi.co.nz

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Phone: +64 9 488 8777 | Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz | www.computershare.com/nz