



## A word from the Manager

### Market Overview

July was a solid month for the market overall with the S&P/ASX 200 Index (70% hedged into NZD) rising +1.4%. While the market rose overall, sector performance was variable. The telecommunications, industrials and healthcare sectors performed well. So too did the financial sector which ticked higher with strong performances from a number of non-bank financials and the regional banks. Utilities, retail and some elements of the consumer staples sectors were the laggards for the month.

Towards the end of July, the Australian market saw an injection of political risk premium after a strong showing by the Labour Party in a number of key by-elections which put elements of the Coalition's recently announced tax reform package into doubt. Also, late in the month companies within the technology and online space came under pressure taking their cue from the US technology sector's late month jitters.

### Emerging from the penalty box

Technology One was one of the best performers for the Barramundi portfolio in July, rising +16% across the month. This rebound came after a torrid previous 12 months during which time it was down over 20% (including dividends). Given the company posted a 9% rise in its net profit for its most recent financial year and earnings growth has continued into 2018, why has Technology One experienced such share price volatility?

To set the scene, Technology One was founded in Queensland by Adrian Di Marco in 1987. Since then it has grown to become one of Australia's largest enterprise software companies. Technology One provides enterprise software (akin to the 'plumbing' for the general running of operations) to clients across a range of sectors including universities, healthcare companies (including hospitals) and government agencies. Its software helps clients to manage their business operations including customer records management, invoicing and HR & payroll.

Technology One has a long history of growing earnings in a profitable manner in Australia and New Zealand. In fact, recently the company announced contracts to provide software to NZ Treasury and the Department of the Prime Minister and Cabinet. Technology One also has a small foothold in the UK market.

While the company has had a successful track record over the long term, the past year or so has proved to be one of transition. In May 2017, Adrian Di Marco stepped aside as CEO, passing the reins to Edward Chung (the previous COO). Around this time, Technology One also had a public spat with one of its clients and in September 2017, the company slightly missed its financial year end guidance. Since then the company signalled that new accounting standards which come into force in 2019 will impact how it would report its earnings, but initially did not provide clarity on exactly how the new standard would affect its accounts. The combination of these key factors put Technology One in the penalty box from the stock market's perspective.

However, Technology One started to emerge from the penalty box this July. Pleasingly, the company provided clarity on how the new accounting standards would impact its reporting during the month. At the same time, Technology One reiterated its guidance and provided some commentary on the long term growth strategy (which remains intact) and the 'relief rally' in the share price ensued.

While the recent market concerns are legitimate, in our view the company's recent hiccups did not fundamentally derail the earnings power of the business and the trends and tailwinds driving growth. Technology One was first added to the Barramundi portfolio in December 2012 and we remain comfortable that the investment thesis and longer term growth opportunity remains intact for Technology One.

Looking forward, we expect growth to come from three main sources:

1. **Growing customer base:** Technology One has a reasonable runway of untapped customers within Australia (& New Zealand) that it can target.
2. **Upselling to existing clients:** Technology One invests consistently in R&D, adding new functionality & modules to its existing product offering which it upsells to existing clients. Over the last decade it has increased the number of products used per customer from approximately three to five, and is aiming to lift this by another three over the next decade.
3. **Increased cloud computing:** Technology One is currently experiencing a tailwind of growth from moving its existing customers into the cloud. We expect this process to continue (and add to revenue) for a number of years yet.

Additionally, Technology One has spent a number of years establishing a foothold in the UK market. While the UK presence has not borne fruit for them yet, it remains a watching brief and may in the future be a growth lever for the company. Watch this space.

Robbie Urquhart  
Senior Portfolio Manager  
Fisher Funds Management Limited



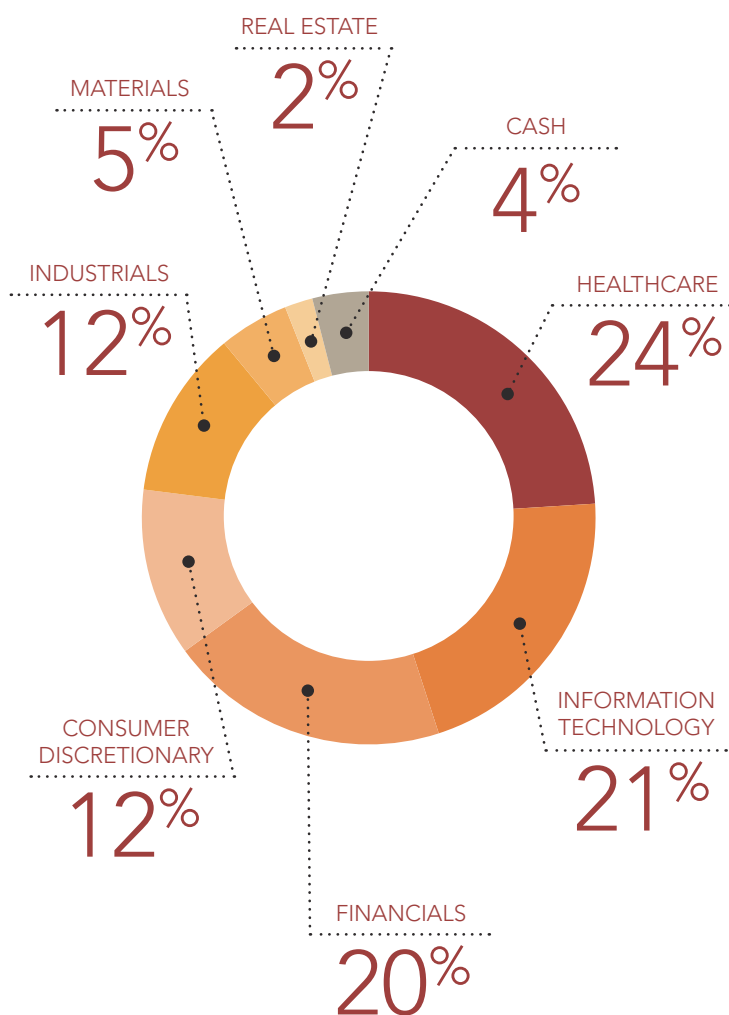
## Key Details

as at 31 July 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	\$0.70
SHARES ON ISSUE	167m
MARKET CAPITALISATION	\$102m
GEARING	None (maximum permitted 20% of gross asset value)

## Sector Split

as at 31 July 2018



# July's Biggest Movers in Australian dollar terms

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

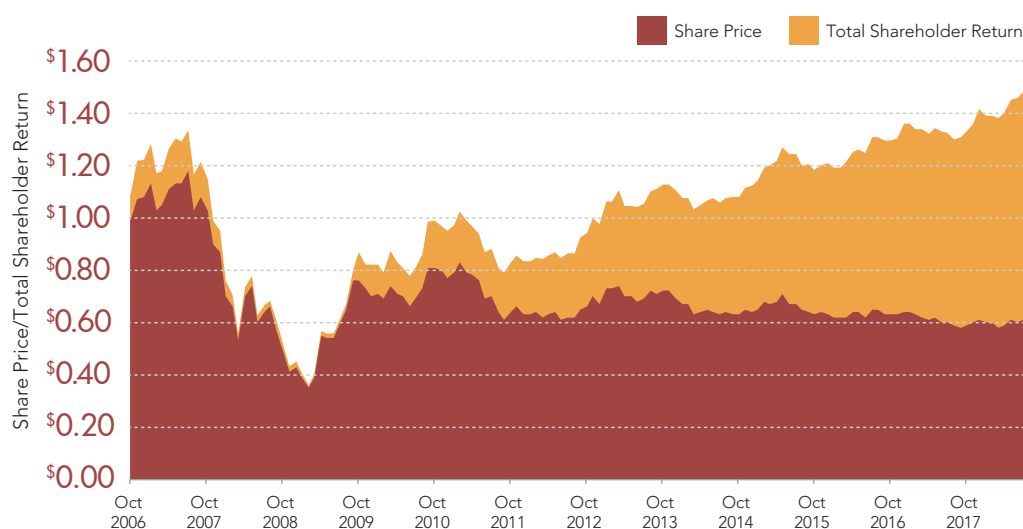
TECHNOLOGY ONE	CREDIT CORP GROUP	BRAMBLES	CARSALES.COM	ARB CORPORATION
+16%	+14%	+11%	-8%	-8%

## 5 Largest Portfolio Positions as at 31 July 2018

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

The remaining portfolio is made up of another 22 stocks and cash.

## Total Shareholder Return to 31 July 2018



## Performance to 31 July 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
<b>Corporate Performance</b>					
Total Shareholder Return	+1.7%	+5.8%	+12.0%	+6.0%	+3.4%
Adjusted NAV Return	(0.2%)	+6.9%	+22.8%	+9.0%	+4.3%
<b>Manager Performance</b>					
Gross Performance Return	+0.8%	+8.5%	+26.1%	+12.4%	+7.7%
Benchmark Index <sup>^</sup>	+1.4%	+6.5%	+15.9%	+11.1%	+3.3%

<sup>^</sup>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, 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,
- » adjusted NAV return – the return to an investor after fees and tax,
- » 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, adjusted NAV return, 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 Management Board

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.

Barramundi's portfolio is managed by Fisher Funds Management Limited. Robbie Urquhart (Senior Portfolio Manager), 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.

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, 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

Disclaimer: The information in this update has been prepared as at the date noted on the front page. The information has been prepared as a general summary of the matters covered only, and it is by necessity brief. The information and opinions are based upon sources which are believed to be reliable, but Barramundi Limited and its officers and directors make no representation as to its accuracy or completeness. The update is not intended to constitute professional or investment advice and should not be relied upon in making any investment decisions. Professional financial advice from an authorised financial adviser should be taken before making an investment. To the extent that the update contains data relating to the historical performance of Barramundi Limited or its portfolio companies, please note that fund performance can and will vary and that future results may have no correlation with results historically achieved.



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