



A word from the Manager

I am excited to write my first Barramundi monthly update. I joined Fisher Funds at the start of June as the Senior Portfolio Manager responsible for Australian equities and I look forward to meeting a number of you over the coming years.

Market overview

Overall June was a sound month for Australian equities with the S&P/ASX200 (70% hedged to NZD) closing up 3.7%, with the energy minerals, retail and technology services sectors performing particularly well.

While the headline figure was solid, it did hide a softness that crept into the market in the last week of the month on news of escalating tariffs between the US and China and the potential for a trade war. This was coupled with a softness in Chinese data and equity markets. Australia's economic fortunes are intrinsically linked to China as its largest trading partner, and we are watching the tariff developments closely.

For June, the Barramundi portfolio lifted 4.2% on a gross performance basis.

Wearing out the shoe leather

The Fisher Funds investment team office has a number of pieces of art on its walls, which mainly consist of quotes by renowned investors. Next to my new desk are two pieces with quotes by Peter Lynch, the former manager of the rockstar Magellan Fund. The first is *"There is absolutely no better investment technique than wearing out shoe leather and visiting companies."* The second is *"Know what you own and know why you own it."*

There are two potential reactions to those pieces of art – either we need to inject some flair into our taste or, given that as the manager of the Magellan Fund between 1977 and 1990, Lynch averaged a 29.2% annual return (consistently more than doubling the S&P500 and making it the best performing mutual fund in the world), it's a great reminder to keep heeding his advice.

There is no substitute to looking in the eye of business heads – it accelerates the knowledge process and gives us confidence that there are layers of quality management below the "C" suite.

During June, the Fisher Funds investment team took some time to wear out the shoe leather and visit a number of portfolio companies and a few that are interesting potential investments.

One of the highlights was the opportunity to spend some time with the head of **Xero's** UK operation, Gary Turner.

A recent addition to the Barramundi portfolio, Xero is the market leading provider of cloud based accounting software for small-to medium businesses and their accountants in New Zealand, Australia and the UK, with growing presences in the US and other markets such as South East Asia and EMEA.

At the core of our investment thesis is a belief that Xero will continue to be the innovators of the industry, allowing it to retain its market leading positioning in Australia/New Zealand and the UK, grow its foothold in the US market, as well as, over time, grow its rest-of-world business. Combined with the huge market opportunity (global penetration less than 3%) and the wide moat Xero is building around its small business customers, we think the company has material future earnings growth potential.

The UK: a lucrative opportunity

Gary Turner is one of the longest standing executives at Xero and has presided over the UK operations since inception almost 10 years ago.

During this time, Xero UK has increased its subscribers dramatically, from less than 25,000 subscribers and less than 15% of group revenue five years ago, to more than 325,000 subscribers and more than 20% of group revenue today. Importantly, we see the UK as the strongest revenue growth driver for the company over the next five years.

Currently, Xero has around 1.4m customers globally. Xero forecasts that it will reach 1m customers in the UK alone, and we believe that this milestone will be reached within the next five years. A powerful tailwind for the UK's business growth is the UK government's mandate requiring firms to lodge consumption tax (VAT) returns digitally from April next year. Given approximately only one in seven of the 1.4m VAT registered companies in the UK currently use accounting or tax software, we believe that this regulatory catalyst will help ensure the impressive growth rates we have been witnessing continue.

We believe that the secret to Xero's success in the UK's still relatively nascent cloud accounting software market will continue to be great product, great people, strong

relationships with the accountant channel as a key route to market and the courage to continue to be the innovator of the industry. It is face to face meetings like this that are invaluable in building our further understanding of portfolio companies like Xero.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited



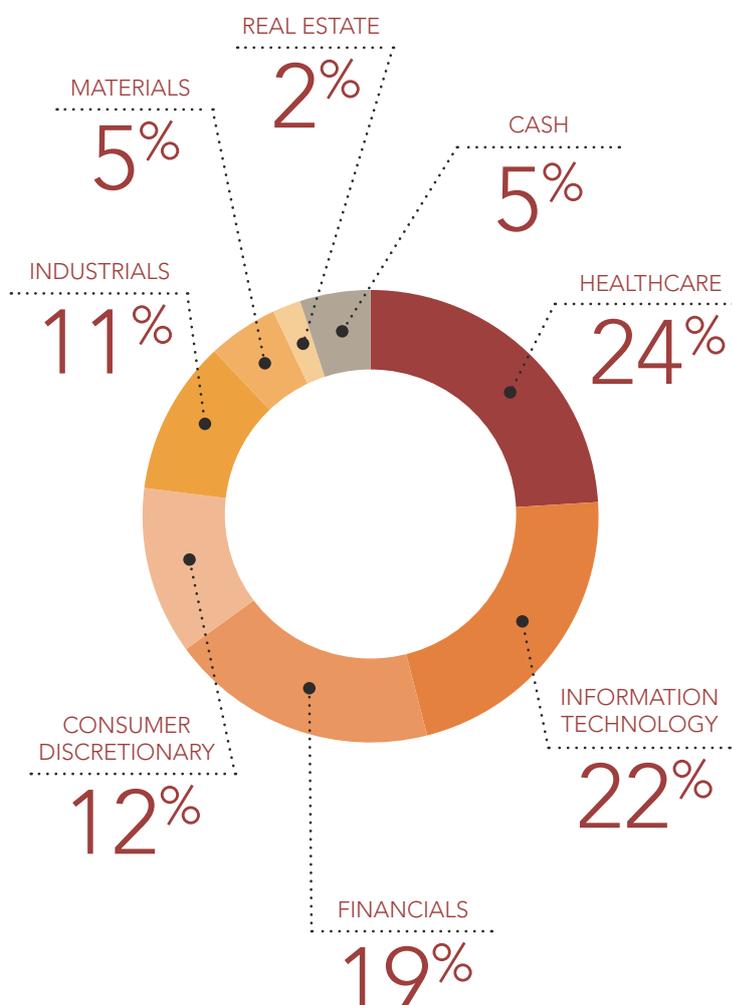
Key Details

as at 30 June 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	\$0.52
SHARES ON ISSUE	166m
MARKET CAPITALISATION	\$99m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 30 June 2018



June's Biggest Movers in Australian dollar terms

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

GATEWAY LIFESTYLE GROUP

+19%

NANOSONICS

+19%

INGENIA COMMUNITIES

+15%

APN OUTDOOR

+10%

RAMSAY HEALTHCARE

-11%

5 Largest Portfolio Positions as at 30 June 2018

CSL

7%

SEEK

7%

CARSALES.COM

6%

COMMONWEALTH BANK OF AUSTRALIA

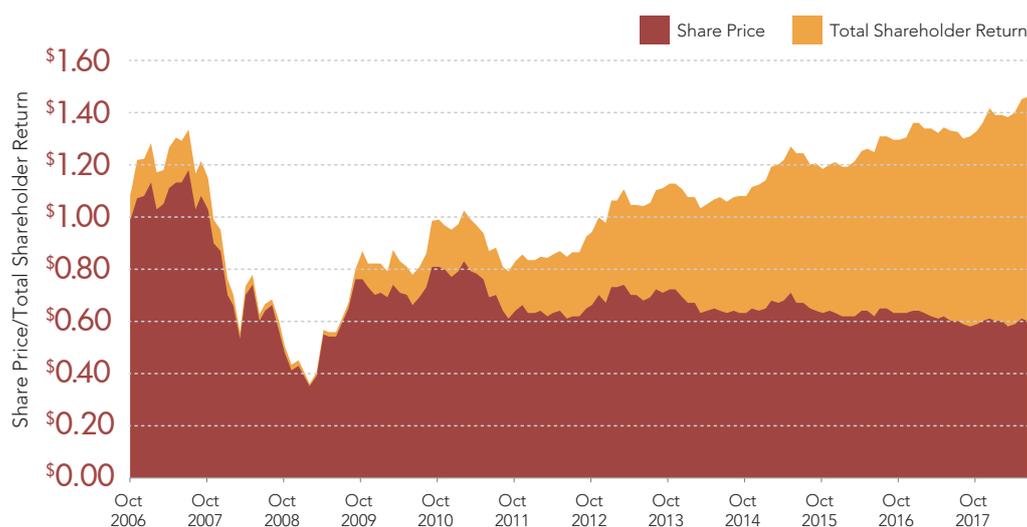
5%

NATIONAL AUSTRALIA BANK

4%

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

Total Shareholder Return to 30 June 2018



Performance to 30 June 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Corporate Performance					
Total Shareholder Return	+0.6%	+5.8%	+10.1%	+5.5%	+3.3%
Adjusted NAV Return	+4.0%	+10.9%	+22.6%	+10.2%	+4.4%
Manager Performance					
Gross Performance Return	+4.2%	+11.5%	+24.3%	+13.5%	+7.7%
Benchmark Index [^]	+3.7%	+9.4%	+14.9%	+10.8%	+3.2%

[^]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.



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