Barramundi
LANDING TOMORROW'S TROPHIES

Monthly Update
SEPTEMBER 2012

Market Update

That "The Bernanke" and "The Draghi" have been drinking the same kool aid was the most decisive feature of markets for the month and could potentially shape asset prices for years to come. We will leave others to comment more persuasively on the potential implications of what some wags are describing as QE Infinity and Draghi's similarly open-ended commitment to protect and defend the weak, but this did have ripple effects through the Australian share market.

Most importantly for the Aussie market, and time will tell if the knee-jerk reaction is justified, the prospect of more accommodative global monetary policy put a bid tone under the resources sector which outperformed for the first time in seven months (which helped large caps outperform small caps for the month). With risk on sentiment globally, defensive sectors underperformed for the month led by utilities and the consumer staple and discretionary sectors. Overall the market was up 2.2% in September (S&P/ASX 300 index A$ terms) capping off a superb third quarter where the market rose 8.8% in Aussie dollar terms.

Economic data was biased towards the weak side over the month with second quarter GDP, July home loans, total employment and July retail sales all surprising to the negative. The Reserve Bank of Australia (RBA) left the cash rate on hold for the third straight month at 3.5%, as expected. The commentary suggested that RBA officials remain content with the current state of the economy and that a material change in circumstances would be needed for further rate cuts. It turns out weak global data supplied that material change in circumstances and in early October the RBA sneaked through a 0.25% rate cut - not a moment too soon in our view – but more of that in next month's update.

Portfolio Update

A few snippets from our portfolio companies in September:

Following a failed capital raising in Singapore **Dart Energy** is now pushing ahead with a listing of Dart Energy International on the AIM Market of the London Stock Exchange. Concurrently Dart International will be seeking to raise new capital to assist in funding of its near term exploration and commercialisation program. Post the listing, Dart will remain a majority shareholder of Dart International and be represented on the Dart International Board. The key rationale for the listing, in Dart's view, is that the international assets of the firm are undervalued and that the listing with provide greater transparency of the value of both Dart's Australian assets and the international portfolio. We tend to agree although will save the popping of champagne corks to when the deal gets over the line.

DWS made a small acquisition over the month buying Canberra based Apt Business Solutions for $5.7m. Apt provides outsourced application managed services to major Federal Government Agencies

Performance to 30/09/12

	1 Month	3 Months	6 Months	12 Months	3 Years	Since Inception**
BRM Gross NAV	-0.4%	+7.1%	+4.6%	+11.3%	+12.2%	+4.2%
Relative Performance						
S&P/ASX Small Ords Industrial Gross Index (in NZ dollar terms)	-2.7%	+3.1%	-5.0%	+12.4%	+6.3%	-13.6%
Total Shareholder Return*	+7.4%	+9.1%	+10.1%	+17.3%	+15.7%	-7.4%

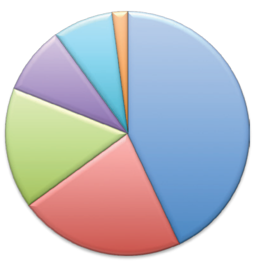
** Assumes all dividends are reinvested, but excludes imputation credits.*
*** Accumulated performance since inception.*

September's Biggest Movers

+47%	Universal Biosensors
+8%	WHK Group
+7%	Austbrokers
-19%	CSG
-11%	Dart Energy

Sector Split as at 30/09/12

- **43%** Industrials
- **22%** Information Technology
- **16%** Consumer Discretionary
- **9%** Financials
- **8%** Health Care
- **2%** Energy



At a Glance as at 30/09/12

BRM NAV	$0.76
Share Price	$0.65
Discount	15%

Portfolio Update continued

and has contracted work through till 2016 (with options for further renewal periods thereafter). The Apt team has strengths in the data warehousing and business intelligence disciplines and are, therefore, strongly aligned to DWS' own core competencies and focus areas. The acquisition, whilst small, will strengthen DWS' presence in the ACT market, and will also add to capability in the outsourced application managed services market. Whilst no transaction metrics were provided the acquisition is expected to be EPS accretive at completion.

Universal Biosensors (UBI) has signed a manufacturing and supply agreement with Siemens Healthcare, covering three point-of-care coagulation tests. This deal confirms the economics underpinning these products, the first of which (prothrombin time, or PT/INR) is likely to be launched in 2013. The available detail appears consistent with the Collaboration Agreement signed with Siemens this time last year with UBI to become the exclusive supplier of test strips to Siemens and for Siemens to commercialise the products globally in professional coagulation settings. UBI has provided some market estimates to help size the PT/INR opportunity. The hospital and 'coagulation clinic' segments of the PT/INR market are expected to support sales of approximately US$500m in 2012 (strips plus meters), growing to US$900m by 2020. Siemens does not have an existing handheld point of care coagulation analyser on the market. Historically their coagulation business has been a leading supplier of high-throughput diagnostic equipment used in central and hospital laboratory settings for coagulation analysis. The UBI product offers an opportunity to use their influence in those professional channels to take share from incumbent players like Roche, Abbott and Alere.

Top 5 Portfolio Positions

as at 30/09/12

toxfree	8%
WHK Group	8%
McMillan Shakespeare	7%
Credit Corp Group	7%
bravura solutions	6%

fisher funds

A word from the Manager

The light at the end of the tunnel shone brightly during September. Unfortunately, renewed European tensions and some mixed economic data caused one of the bulbs to blow in the last week of the month, leaving a dimmer light, but a light nevertheless.

US Federal Reserve Chairman Ben Bernanke flicked the switch early in the month by announcing his third attempt to stimulate economic activity: QE3. Actually, QE3 is not a big enough label for Bernanke's stimulus policy; it was really QE3,4,5 and 6 all rolled into one. The Fed announced that it will do whatever it takes to create jobs and drive the unemployment rate lower, and it will not stop until there is a significant improvement in the labour market. In fact, even after there are signs of an economic recovery, the Fed intends to keep interest rates low for a considerable time so the recovery can really gather steam. The Fed's policy comes hot on the heels of the European Central Bank's (ECB) policy which also undertakes to do whatever is necessary to stimulate growth.

This was without doubt a very positive announcement, however the market reaction was muted because QE3 had largely been anticipated and factored into asset prices. Spirits were also dampened by data out of China that showed a slowing in their economy, weakening commodity prices, and mixed data out of the US and Europe which suggested that if a recovery is in fact underway, it is a slow and shallow one.

Despite the positive policy action, we should prepare ourselves for more of this stop/start activity. Given the Fed's laser focus on the jobs market, you can imagine how markets are going to anticipate and react to every new employment number (as if it wasn't bad enough already!).

It was always going to be difficult to predict just when and how the global economic recovery was going to happen. There was always going to be a lag between the policy announcements and improved economic activity and confidence. But the reason we should err towards optimism, at least in the short to medium term, is that both the Federal Reserve and the ECB have committed unequivocally to pursuing economic and employment growth. Economic growth will happen because central banks will make sure it does.

If the US or European economies remain sluggish in a few months, we know that more money will be printed. If growth slows in six months, more money will be printed. Ultimately the money printing, particularly when combined with low, low interest rates, will lift asset values, stimulate businesses to spend and employ people, and encourage consumers to shift from saving to spending. Like the Pantene ad says, it won't happen overnight, but it will happen.

INVESTING 101

Why is diversification important?

Diversification can reduce investment risk by combining a wide variety of investments within a portfolio in order to minimise the impact that any one investment can have on the overall performance of the portfolio. Diversification aims to smooth out random movements in a portfolio so that the positive performance of some investments neutralise the negative performance of others.

Although diversification is important, it can be difficult to achieve with small amounts of money. For example, it would be difficult for an individual investor with $5,000, to build a portfolio of shares; they would most likely end up with only two or three different shares in their portfolio. Managed funds like Barramundi are ideal in that they instantly offer investors access to a diversified investment portfolio.

Barramundi Limited. PO Box 33 549, Takapuna, Auckland 0740, New Zealand Phone +64 9 489 7074 Fax +64 9 489 7139
Email: enquire@barramundi.co.nz www.barramundi.co.nz