



Quarter Update Newsletter

1 July 2016 – 30 September 2016

BRM NAV

\$0.68

SHARE PRICE

\$0.63

DISCOUNT

8.0%

as at 30 September 2016

Barramundi's gross performance rose by 4.5% over the quarter, comparing negatively with the benchmark^ which was 5.5% for the same period.

The highlight of the quarter was the full year reporting season. 85% of the companies in the Barramundi portfolio beat or met earnings expectations, comparing favourably with the market average of 65%. The performance of portfolio companies generally continued to impress, with our focus on buying quality businesses delivering strong earnings growth.

However demanding valuations made it hard for the shares of growth companies generally to meet expectations. Most market sectors saw continued downgrades in analyst estimates of future earnings growth. The resources sector was a notable exception, with share prices responding positively to strong momentum in commodity prices. This proved a challenging environment for the portfolio given its significant exposure to quality growth companies, and very limited exposure to resources companies. In the sectors in which it has large exposures, the portfolio generally beat the market.

The portfolio's largest investment, **Ramsay Healthcare**, built on a solid trend of earnings delivery as it showed strong surgical volume growth in its Australian business even as the sector generally weakened. The ability to grow earnings during tough times is a defining hallmark of a true economic moat. A key win over the quarter came from **Nanosonics**, as investors increasingly rewarded the opportunity to grow sales more aggressively in Europe, and to enter a lucrative new Japanese market. Nanosonics is a fine example of the classic undiscovered gem; years ago we recognised the company's technology advantage in a profitable healthcare niche, and today the market is recognising the related growth potential. The share price of **Ansell** responded well when the company reported strong growth in its core sexual wellness and single use gloves division, and a stabilisation in its emerging market businesses. Growth expectations leapt for **Credit Corp** as its consumer lending business matured and U.S. earnings prospects improved.

APN Outdoor announced a shock downgrade to earnings guidance, sending the share price into free fall. Outdoor media sector sales have been very strong, but according

Notable Returns in the Quarter in Australian dollars

CREDIT CORP GROUP	NANOSONICS	ANSELL	GATEWAY LIFESTYLE	VOCUS COMMUNICATIONS
+55.0%	+54.8%	+28.2%	-25.4%	-25.2%

to the company demand later into the year has slowed. Our checks suggest that medium term demand remains robust, so we added to our position on the share price weakness. Investors were underwhelmed by **Gateway's** guidance for 5% earnings growth next year. We prefer to see acceleration in new manufactured home sales rates before adding to the portfolio's position. **Vocus Communications** was weak when peer TPG showed earnings vulnerability to the roll-out of the Australian National Broadband Network. In fact we fully expected this weakness in TPG, and believed Vocus was unfairly sold off, but a surprise resignation from Vocus' CFO saw us hold off adding to the position.

Australia has passed some critical points in its adjustment away from a mining-led economy. The worst effects of falling mining investment on economic growth are now behind us. Similarly, the most significant impact on incomes from weaker commodity prices has already been felt. The government is poised to initiate a meaningful infrastructure development program which should provide stimulus going forward. On balance earnings prospects in Australia are gradually becoming more positive.



Manuel Greenland
Senior Portfolio Manager
Fisher Funds Management Limited
21 October 2016



Carmel Fisher
Managing Director
Fisher Funds Management Ltd
21 October 2016

Performance to 30 September 2016

	3 Months	3 Years (accumulated)	Since Inception October 2006 (accumulated)
Total Shareholder Return*	+3.9%	+16.7%	+29.7%
Barramundi Adjusted Nav*	+ 3.9%	+ 21.3%	+36.3%
Gross Return [^]	+4.5%	+23.7%	+88.2%
Relative Performance			
Benchmark Index ^{^^} (in NZ dollar terms)	+5.5%	+18.3%	+15.1%

[^] Gross of fees and tax and adjusting for capital management initiatives

^{^^} 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

*Definitions of non-GAAP measures

Adjusted Net Asset Value (NAV)

The adjusted NAV per share represents the total assets of Barramundi (investments and cash) minus any liabilities (expenses and tax), divided by the number of shares on issue. It adds back dividends paid to shareholders and adjusts for:

- » the impact of shares issued under the dividend reinvestment plan at the discounted reinvestment price;
- » shares bought on-market (share buybacks) at a price different to the NAV, and;
- » warrants exercised at a price different to the NAV at the time exercised.

Adjusted NAV assumes all dividends are reinvested in the company's dividend reinvestment plan and excludes imputation credits.

The directors believe this metric to be useful as it reflects the underlying performance of the investment portfolio adjusted for dividends, share buybacks and warrants, which are a capital allocation decision and not a reflection of the portfolio's performance.

Total Shareholder Return (TSR)

The TSR combines the share price performance, the warrant price performance (when warrants are on issue), the net value of converting warrants into shares and dividends paid to shareholders.

TSR assumes:

- » all dividends paid are reinvested in the company's dividend reinvestment plan at the discounted reinvestment price and exclude imputation credits, and;
- » all shareholders that have received warrants (for free), have subsequently exercised their warrants at the warrant expiry date and bought shares (if they were in the money).

The directors believe this metric to be useful as it reflects the return of an investor who reinvests their dividends and, if in the money, exercises their warrants at warrant maturity date for additional shares. No metric has been included for investors who choose other investment options.

Comparative information

Barramundi's TSR and Adjusted NAV historical information has been restated. The restated values are based on the methodology described above. This methodology has resulted in some differences between the TSR and Adjusted NAV reported in this communication compared to previous communications. Please note this methodology will be used for all future communications.

Company News

Dividend paid 30 September 2016

A dividend of 1.40 cents per share was paid to Barramundi shareholders on 30 September 2016, under the quarterly distribution policy. Interest in Barramundi's dividend reinvestment plan (DRP) remains high with 38% of shareholders participating in the plan. Shares issued to DRP participants are at a 3% discount to market price. If you would like to participate in the DRP, please contact our share registrar, Computershare on 09 488 8777.

Portfolio Holdings Summary as at 30 September 2016

COMPANY	% Holding
ACONEX	2.1%
ANSELL	3.3%
APN OUTDOOR	3.9%
AUB GROUP	3.1%
BAPCOR	5.0%
BAPCOR PLACEMENT	0.6%
BRAMBLES	3.9%
CARSALES	4.0%
COCA-COLA AMATIL	2.1%
CREDIT CORP	2.1%
CSL	4.4%
DOMINO'S PIZZA	2.0%
GATEWAY LIFESTYLE GROUP	1.5%
HENDERSON GROUP	3.4%
INGENIA COMMUNITIES	2.3%
LINK ADMINISTRATION	2.1%
NANOSONICS	2.9%
NATIONAL AUSTRALIA BANK	4.0%
OOH! MEDIA	2.2%
RAMSAY HEALTH CARE	6.7%
REGIS HEALTHCARE	1.8%
RELIANCE WORLDWIDE CORP	3.0%
RESMED	3.1%
SEEK	4.3%
SONIC HEALTHCARE	3.9%
TECHNOLOGY ONE	3.5%
TOXFREE SOLUTIONS	2.2%
VOCUS COMMUNICATIONS	3.1%
WESTPAC	3.6%
WISE TECH GLOBAL	1.2%
EQUITY TOTAL	91.3%
AUSTRALIAN DOLLAR CASH	8.4%
NEW ZEALAND DOLLAR CASH	1.2%
TOTAL CASH	9.6%
CENTREBET UNIT TRUST	0.3%
FORWARD FOREIGN EXCHANGE CONTRACTS	-1.2%
TOTAL	100%

Disclaimer: The information in this newsletter 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 newsletter 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 newsletter 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

The Barramundi quarter update newsletter is produced for the March and September quarters only. The annual and interim reports cover the June and December periods. If you would like to receive future newsletters electronically please email us at enquire@barramundi.co.nz