

Monthly Update

October 2018

BRM NAV

\$0.71

SHARE PRICE

\$0.64

DISCOUNT

10.3%

as at 30 September 2018

A word from the Manager

Market Overview

The ASX200 Index returned -1.2% (A\$) during the month. Healthcare was the largest drag on the index as the Prime Minister called for a Royal Commission into Australia's aged care sector. This caused sharp falls for a number of aged care operators. Energy and materials enjoyed strong gains during the month as commodity prices rallied, led by coking coal prices which rose 9.2% in September.

For September, the Barramundi portfolio fell -2.0% on a gross performance basis. After a strong performance in the prior few months a number of holdings such as CSL (-10.6% for the month), NXT (-8.2%) and SEK (-5.7%) fell in September contributing to the softer Barramundi result. In the main, we remain comfortable with our holdings in these companies.

Shaking off cyclical pressures

Brambles (BXB), one of our portfolio holdings for a number of years, pleasingly returned +23% (A\$) across the September quarter. BXB is the leading player in the global pooled pallet market with a strong market position in reusable plastic containers (RPC) through its subsidiary IFCO. Through these divisions, BXB is embedded across the supply chains of many major companies across a wide range of industries.

BXB had a tough first six months of the year, significantly underperforming the ASX200. It's near-term profit margins in the US had come under pressure from sharply rising lumber prices and transport costs. There was market uncertainty regarding the range of potential outcomes from an ongoing management review of the business by BXB's CEO Graham Chipchase (who took up his position in 2017). In addition to this there is an ongoing market debate as to whether or not the rise of e-commerce will structurally alter supply chains in a fashion that will diminish BXB's role and/or significantly worsen its pricing power.

We used this share price weakness to add to our position in the June quarter. In our view, the input cost inflation while negatively impacting near-term margins, ultimately will be passed on to customers (with a lag). In addition, as a large scale, low cost provider, BXB can wear the cost squeeze better than many peers and we do not believe that cyclical cost input squeezes necessarily destroy the longer-term economic proposition of Brambles.

At Brambles results announcement in August, there were early signs that the company's initiatives to mitigate US cost pressures were starting to bear fruit. In addition, the market was encouraged by the outcome of the business review which importantly has seen BXB explore a demerger of the IFCO RPC business from the pooled pallet operations as a means of trying to shine a light on the value inherent in the IFCO business. The combination of these events helped spark the strong rebound in the share price performance through the second half of the quarter.

We continue to like BXB's market position and outlook. The growth and evolution of e-commerce will have implications for global supply chains. It remains to be seen if and how those supply chains will evolve. Ultimately goods will still need to be moved from the source of their production to centralised distribution centres from where they can be dispatched to their end customers. BXB remains in a strong position to adapt to these changes and facilitate this flow of goods. We'll watch this space with interest.

Portfolio Changes

During the month after initially responding positively to **NEXTDC Limited's** (NXT) result (delivered on the last day of August), the market proceeded to knock 18% off the company's market cap during September before the share price recovered in the latter part of

the month. There was nothing onerous in NXT's result, although the lack of progress in contracting more of its recently constructed data centre capacity disappointed the market. Management put this down to timing delays rather than a lack of demand and in fact have brought forward the expansion of its second data centre in Sydney because of the strength of the underlying demand for capacity. We consequently topped up our position on this pullback.

Outside of topping up NXT, we had a number of minor changes to portfolio position sizes in the month following a comprehensive review of our individual portfolio company STEEP scores.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited



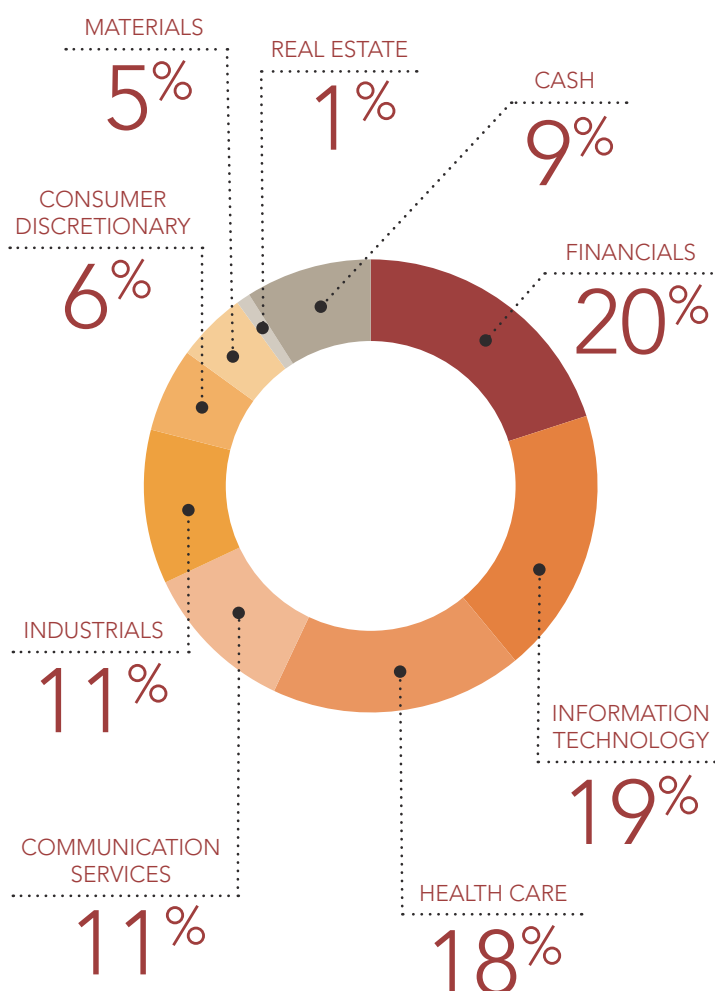
Key Details

as at 30 September 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	\$0.69
SHARES ON ISSUE	168m
MARKET CAPITALISATION	\$108m
GEARING	None (maximum permitted 20% of gross asset value)

Sector Split

as at 30 September 2018



September's Biggest Movers in Australian dollar terms

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

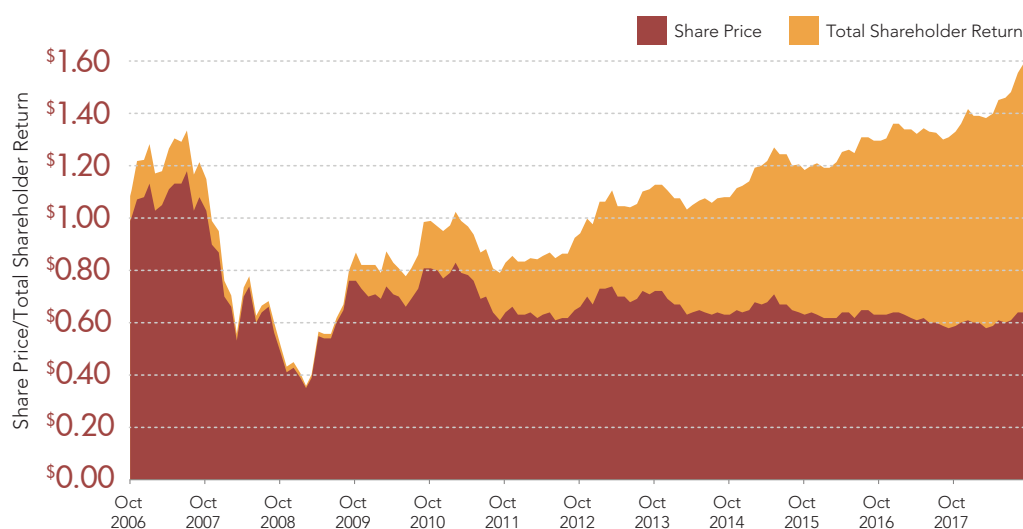
RIO TINTO	BHP BILLITON	SEEK	NEXTDC	CSL
+9%	+7%	-6%	-8%	-11%

5 Largest Portfolio Positions as at 30 September 2018

SEEK	CSL	CARSALES.COM	COMMONWEALTH BANK OF AUSTRALIA	LINK ADMINISTRATION HOLDINGS
7%	7%	7%	5%	5%

The remaining portfolio is made up of another 21 stocks and cash.

Total Shareholder Return to 30 September 2018



Performance to 30 September 2018

	1 Month	3 Months	1 Year	3 Years (annualised)	Since Inception (annualised)
Company Performance					
Total Shareholder Return	+2.3%	+9.1%	+21.8%	+9.7%	+4.0%
Adjusted NAV Return	(2.2%)	+2.9%	+22.6%	+12.6%	+4.5%
Portfolio Performance					
Gross Performance Return	(2.0%)	+4.5%	+26.0%	+16.1%	+7.9%
Benchmark Index [^]	(1.2%)	+1.6%	+14.6%	+12.6%	+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 currency hedging before fees and tax, 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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