MONTHLY UPDATE

August 2021

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	BRM NAV	Warrant Price	PREMIUM[1]
$1.03	$0.86	$0.33	29.5%

as at 31 July 2021

A WORD FROM THE MANAGER

In July Barramundi returned gross performance of -0.6% and an adjusted NAV return of -1.0%. This compares to the ASX200 Index which returned +0.5% (70% hedged into NZ$).

Bolstered by strong commodity prices, the Materials sector (+7.1% in the month) led the market higher along with Industrials (+4.3%) and Consumer Staples (+1.4%). Information Technology (-6.9%), weighed down by the buy-now-pay-later bellwether Afterpay (-18.2% in the month) lagged the market.

Heightened takeover activity, which we wrote about last month, continues to be a feature in Australia. In early August, Afterpay received a A$39bn takeover offer (supported by its board and founders) at a significant premium to its share price. The takeover offer is structured as a share swap. Afterpay shareholders will receive shares in Square, a US listed company. However, we expect a number of shareholders with Australian mandates will sell their shares should the takeover offer be completed. We also note that big dividends have been announced by the large mining companies. The Australian banks have begun announcing share buybacks (see below) and are also expected to increase the dividends paid to shareholders.

This will all result in a lot of money flowing back to Australian shareholders over the next few months. A good portion of this will be reinvested back into the Australian market and this will likely remain supportive for Australian share prices in the near-term.

Portfolio News

July was a quiet month in terms of portfolio company news. Most of our management teams are in a black-out period for news as they prepare financial results which will be released to the market in August.

Audinate (+22.5% in A$) provided an upbeat trading update to the market in July. Demand for its networked audio products has been strong as audio equipment manufacturers continue to benefit from customer demand driven by the re-opening of the global economy. Due to COVID related disruption in global supply chains, customers have been placing orders for delivery over the next year. Normally orders are only placed a month or two in advance. This has given Audinate better insight into next year's strong revenue growth, which the market liked. Audinate has also recently released its first audio-visual products to its customer base. The strong initial uptake of this new line of products bodes well for its future growth in the networked audio-visual market.

NEXTDC (+7.5%) announced it had secured land for a new data centre in Sydney. The data centre will be NEXTDC's fourth site in Sydney and twelfth in Australia. The facility will be the largest in Australia and reflects the robust long-term demand for cloud services and data centre capacity.

Sonic Healthcare returned +4.2% in July. The spread of the Delta variant led to accelerated COVID testing in Australia where Sonic's laboratories are one of the leading providers of COVID testing. In the US, two of Sonic's key competitors announced their quarterly results in the month. They both saw a strong recovery in their core pathology testing businesses supplemented by continued, albeit declining, COVID testing volumes.

ANZ (-1.6%) and **National Australia Bank** (-1.1%) announced share buybacks of A$1.5bn and A$2.5bn respectively in the month. The major Australian banks have ample capital and liquidity. The Australian economy is now on a stable footing. Notwithstanding the NSW lockdown, we expect to see an increase in buybacks and dividends as banks return this surplus capital to shareholders. This is likely to be supportive for bank share prices. In line with this, we expect **CBA** (-0.2%) to follow suit and announce a share buyback when it reports its full year results in August.

Fineos (-5.1%) announced its quarterly result during the month. While it encouragingly signed two new clients in North America, the market instead focused on its cash balance which had fallen over the quarter. The cash balance had been impacted by an acquisition Fineos made in the period, increased spend on research and development, and the timing of payments from customers that were subsequently collected in early July. We view the acquisition and the increased investment in research and development favourably as Fineos continues to build out its industry leading insurance software suite. We see the winning of the two large North American customers as further evidence that Fineos is the leading provider of core systems to the North American and Australian insurance industry.

Outdoor advertiser **oOH!Media's** share price slipped by -6.6% over July. This was no great surprise given the extension of the Sydney lockdown that had begun in late June, along with briefer snap lockdowns in Melbourne, Adelaide and Brisbane at various points over the month. These will all have affected out of home audiences and therefore spending on out of home advertising. This is a near-term issue. As Australia's COVID vaccine programme

[1] Share Price Premium to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places).

continues and lockdowns are eased, we expect out of home audience levels, and oOH!Media's revenue and earnings to recover.

There was no obvious news to explain the -9.8% drop in glove and protective equipment manufacturer, **Ansell's** share price over the month. We suspect the risk of raw material and freight cost inflation potentially pressuring Ansell's margins could have been a factor, albeit we believe Ansell is currently strongly positioned to pass-on higher costs. Supply of protective equipment is going to rise as manufacturers' (including Ansell) planned capacity expansions are completed in the next year. This may impact pricing and Ansell's profitability. That said, Ansell's glove production is not targeted at the commodity end of the market so should be less susceptible to the risk of oversupply.

Having risen strongly over the prior few months, **SEEK's** (-11.7%) share price fell during July. The employment advertising market remains strong, and there was no material information released by the company during the month. However, COVID related lockdowns were imposed in NSW, and these lockdowns have since been extended and broadened into other jurisdictions. We suspect the share price move reflects investor caution over what that means for the domestic employment market in Australia. We think that any negative impact on employment will be relatively short lived. The government has been willing to tide the economy over with stimulus during previous lockdowns and will do so again if needed.

Portfolio Changes

We had no significant portfolio changes in the month.

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

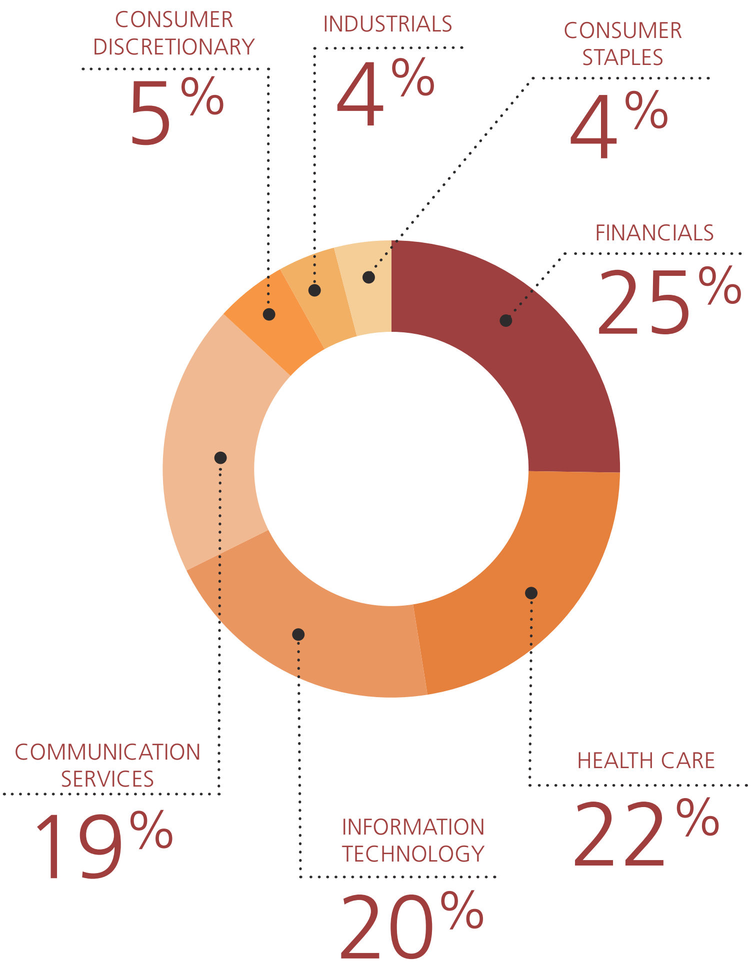
KEY DETAILS

as at 31 July 2021

FUND TYPE	Listed Investment Company
INVESTS IN	Growing Australian companies
LISTING DATE	26 October 2006
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	20-35 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 FEE HURDLE	Changes in the NZ 90 Day Bank Bill Index + 7%
PERFORMANCE FEE	10% of returns in excess of benchmark and high water mark
HIGH WATER MARK	$0.62
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	214m
MARKET CAPITALISATION	$220m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 31 July 2021



The Barramundi portfolio also holds cash.

JULY'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO during the month in Australian dollar terms

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

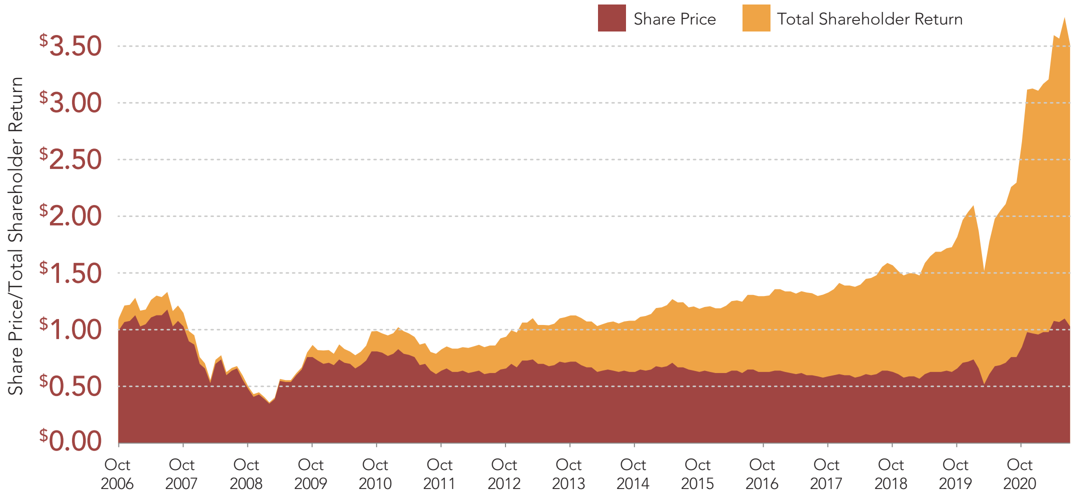
AUDINATE	CARSALES.COM	RESMED	ANSELL	SEEK
+23%	+11%	+10%	-10%	-12%

5 LARGEST PORTFOLIO POSITIONS as at 31 July 2021

CSL LIMITED	CARSALES.COM	CBA	WISETECH	XERO
9%	8%	6%	5%	5%

The remaining portfolio is made up of another 20 stocks and cash.

TOTAL SHAREHOLDER RETURN to 31 July 2021



PERFORMANCE to 31 July 2021

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	(6.3%)	(2.2%)	+66.9%	+33.4%	+21.9%
Adjusted NAV Return	(1.0%)	+4.4%	+34.7%	+16.8%	+13.3%
Portfolio Performance					
Gross Performance Return	(0.6%)	+5.2%	+39.2%	+20.3%	+16.6%
Benchmark Index^	+0.5%	+5.1%	+27.9%	+9.3%	+10.4%

^BBenchmark Index: S&P/ASX Small Ords Industrial Gross Index until 31 January 2015 & S&P/ASX 200 Index (hedged 70% to NZD)

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, after expenses, fees and tax,
- adjusted NAV return – the return to an investor after expenses, fees and tax,
- gross performance return – the Manager's portfolio performance in terms of stock selection and currency hedging before expenses, fees and tax, and
- total shareholder return – the return combines the share price performance, the warrant price performance, the net value of converting any warrants into shares, and the dividends paid to shareholders. It assumes all dividends are reinvested in the company's dividend reinvestment plan, and that shareholders exercise their warrants, (if they were in the money), at warrant expiry date

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

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 20 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.

MANAGEMENT

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. 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.

BOARD

The Board of Barramundi comprises independent directors Alistair Ryan (Chair), Carol Campbell, Andy Coupe and David McClatchy.

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 its shares on market

» 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

Warrants

» On 26 August 2020 a new issue of warrants (BRMWF) was announced

» The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Barramundi shares held

» The warrants were allotted to shareholders in October 2020 and the warrants listed on the NZX Main Board from early October 2020. (Information pertaining to the warrants was mailed/emailed to shareholders in September 2020)

» The Exercise Price of each warrant is $0.70, adjusted down for the aggregate amount per Share of any cash dividends declared on the Shares with a record date during the period commencing on the date of allotment of the Warrants and ending on the last Business Day before the final Exercise Price is announced by Barramundi. Dividends totalling 4.66 cents per share have been declared to date and there is one more dividend expected to be declared in the remaining period, before the final Exercise Price is announced by Barramundi.

» The Exercise Date for the new warrants (BRMWF) is **29 October 2021**

» The final Exercise Price will be announced and an Exercise Form sent to warrant holders in September **2021**

Barramundi
LANDING TOMORROW'S TROPHIES

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