MONTHLY UPDATE

December 2020

Barramundi
LANDING TOMORROW'S TROPHIES

Share Price	BRM NAV	Warrant Price	PREMIUM[1]
$0.98	$0.78	$0.20	31.3%

as at 30 November 2020

A WORD FROM THE MANAGER

In November Barramundi returned +7.8% (gross performance) and an Adjusted NAV return of +6.8%. This compares to the ASX200 Index which returned +9.7% (70% hedged into NZ$).

November was a strong month for global equity markets helped by a reduction in uncertainty and an easing of concerns post the US election. Positive results from a number of COVID-19 vaccine trials also buoyed hopes that the path to global economic normalisation remains on track for 2021.

The combination of these events boosted global equity markets. Dispersion of returns across the market was high. In particular there was a strong rotation out of growth companies and those that have 'benefitted' from the COVID-19 environment into 'value' companies, cyclicals and those that stand to benefit most from economic normalisation.

This helped lift the ASX200 Index to one of its best monthly performances in 32 years (source: Goldman Sachs). It also reversed some of the significant outperformance during 2020 of 'growth' vs 'value' companies.

At a sector level, the Energy (+28.3%), Financials (+15.2%), Communication Services (+13.6%) and Real Estate (+13.6%) sectors led the market's performance. In contrast Consumer Staples (-0.7%), Utilities (+1.2%), Healthcare (+2.7%) and Information Technology (+4.6%) lagged.

Portfolio News

At its early November AGM **Credit Corp (+29.8% in A$)** reaffirmed guidance for a 6-25% drop in 2021 earnings versus 2020 NPAT prior to pre-emptive COVID-related provisioning. However, commentary that first quarter 2021 collections for both its Australasian and US debt buying businesses were strong and that its consumer lending volume was recovering earlier than expected suggest to us that the company will deliver a 2021 result toward the more favourable end of its guidance.

Our banks shareholdings including **ANZ (+22.5%), NAB (+24.8%), CBA (+14.6%)** and **Westpac (+14.3%)** performed strongly in the month. They were helped by strengthening conditions for the domestic economy and the style rotation from growth into value. In addition, ANZ, NAB and Westpac's interim results and CBA's quarterly release were also supportive with COVID-19 related customers on repayment deferrals continuing to drop materially for both household and business customers. This has increased the market confidence in the banks' bad debt provisioning as we head into 2021. It also lays the groundwork for APRA to further relax its restrictions on bank dividends in 2021 (we expect an update in January) which will be well received.

Having underperformed the market in October, **Nanosonics (+29.3%)** rose after providing an update on the new installed base for its Trophon product line and related consumable sales growth for the four months ended 31 October 2020. Consumable sales rebounded +25% over the four months ended 30 June 2020. For the same period +14% more Trophon units were installed in North America and encouragingly, +64% in Europe (off a smaller base). Hospital departments have in the most part reopened and ultrasound volumes have been increasing. Hospitals appear better equipped to manage the impact of subsequent waves of COVID-19. However, if these waves do impede hospital access in future, sales volumes could once again be negatively impacted.

oOH!Media's share price was also up significantly **(+27.5%)** despite there being no notable company specific news. The continued re-opening of the Australian economy (especially in Victoria) aid the recovery of audience levels in the public spaces where oOH!Media's advertising assets are located. Nonetheless we expect it will be well into 2021 before the run rate in out of home advertising spend has returned to pre-COVID levels.

REA Group (+22.8%) released its first quarter results in early November. It posted revenue growth in its Australian residential business despite Melbourne going back into lockdown in August and September. Real estate listings fell -44% in Melbourne in the quarter. This was in contrast to Sydney where listing volumes increased +23% on the back of low interest rates, and improving employment outlook and resilient house prices. Melbourne listings volumes rebounded +14% in October with the easing of Covid-19 restrictions.

Xero (+20.3%) delivered a solid interim financial result. Xero has generated robust customer growth across multiple key regions in the past six months notwithstanding the pandemic. Xero was also disciplined in reining in marketing spend during the period which boosted profitability (and cash flow). As economies normalise we'd expect marketing spend to increase and profit margins to fall back towards historic levels.

Next DC's (-11.7%) share price fell sharply during the month despite no material new news. Next DC has been a strong performer year to date and we suspect the underperformance was related to the style rotation from 'growth' to 'value' experienced

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

through November. Toward the end of the month Next DC confirmed it had upsized its senior debt facilities by A$350m to A$1.85b. This will be used to partially fund the expansion of its existing data centres and the build of its new data centre in Sydney where construction has recently commenced.

At its AGM trading update in November **Domino's (-12.6%)** indicated strong but slowing same store sales momentum. This is not unexpected as easing lockdown restrictions will take some of the heat out of food delivery. The challenge for Domino's is to retain the new customers and higher purchase frequency catalysed by COVID-19 restrictions. It addressed this at its Investor Day on 30th November which provided granular insights into the combination of product, service, image and price strategies it will be pursuing to deliver value to customers, thereby securing recent sales gains. This was well received with the share price closing up +12% on 1st December.

Insurance claims software provider **Fineos (-16.6%)** delivered a cautious trading update at its AGM. While near term Covid-19 related delays will impact the timing of its revenue growth, the structural growth drivers remain robust. In the near term tightening client budgets, particularly in Australia and NZ, and pandemic and election uncertainty in the US meant the closing of new deals were delayed. On the positive side, the onboarding of the record 9 new customers won in FY20 is going according to plan. Pleasingly Australian client QInsure signalled its intention to upgrade from its Fineos on-premise solution to the latest Fineos cloud edition. This bodes well for further Antipodean customers shifting to the cloud.

Portfolio Changes

We increased our weighting in Fineos during the month on its share price weakness (discussed above).

Robbie Urquhart
Senior Portfolio Manager
Fisher Funds Management Limited

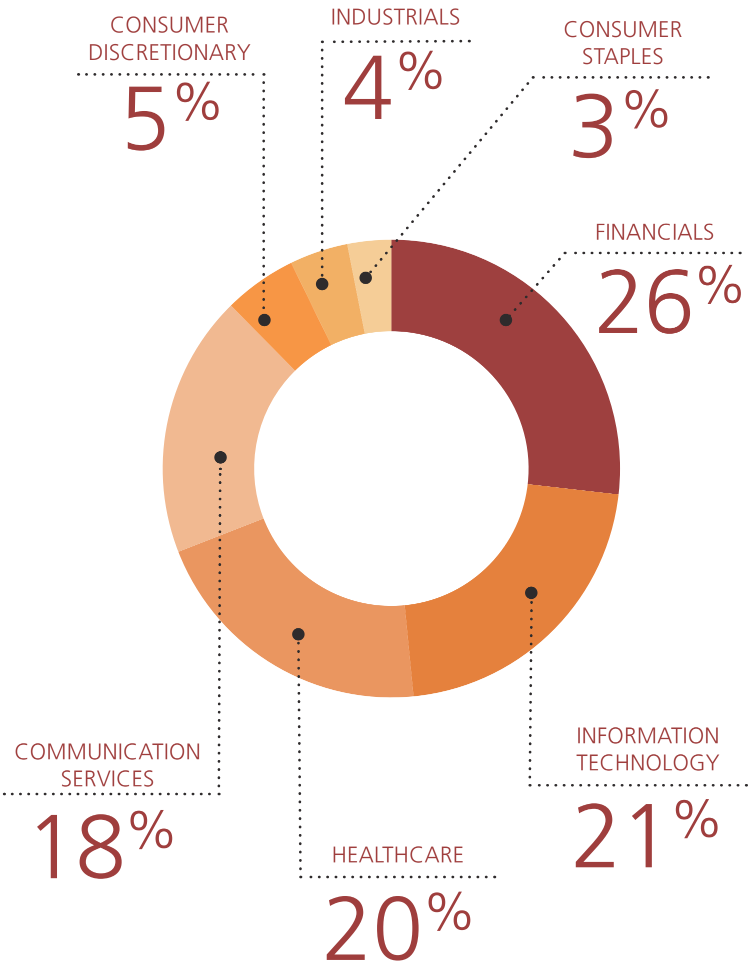
KEY DETAILS

as at 30 November 2020

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	$0.66
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	210m
MARKET CAPITALISATION	$206m
GEARING	None (maximum permitted 20% of gross asset value)

SECTOR SPLIT

as at 30 November 2020



The Barramundi portfolio also holds cash.

NOVEMBER'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.

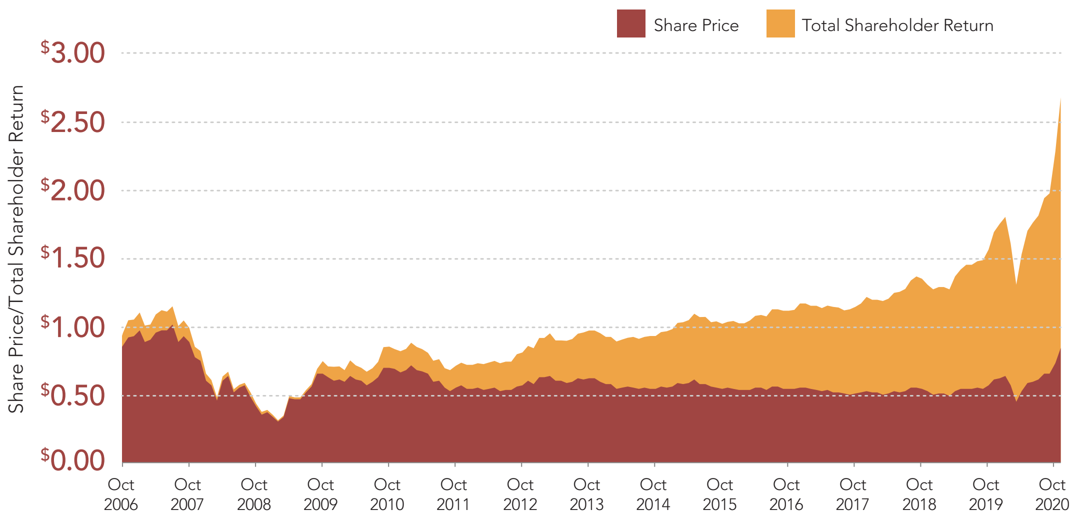
CREDIT CORP GROUP	NANOSONICS	OOH!MEDIA	NAB	REA GROUP
+30%	+29%	+27%	+25%	+23%

5 LARGEST PORTFOLIO POSITIONS as at 30 November 2020

CSL LIMITED	SEEK	XERO LIMITED	WISETECH	CARSALES.COM
8%	6%	6%	6%	5%

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

TOTAL SHAREHOLDER RETURN to 30 November 2020



PERFORMANCE to 30 November 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
Company Performance					
Total Shareholder Return	+17.3%	+38.1%	+58.1%	+31.8%	+21.0%
Adjusted NAV Return	+6.8%	+8.3%	+15.9%	+14.3%	+12.1%
Portfolio Performance					
Gross Performance Return	+7.8%	+10.4%	+19.3%	+18.0%	+15.7%
Benchmark Index^	+9.7%	+6.8%	(1.7%)	+6.6%	+9.2%

^Benchmark index: S&P/ASX Small Ords Industrial Gross Index until 30 September 2015 & S&P/ASX200 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, 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

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 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, Andy Coupe and 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 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 be mailed/emailed to shareholders in September 2020).
- The Exercise Price of each warrant is $0.70, adjusted down for dividends declared during the period up to the announcement of the final Exercise Price
- 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

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