

# Monthly Update

July 2019

BRM NAV

\$0.69

SHARE PRICE

\$0.63

WARRANT PRICE

\$0.02

DISCOUNT<sup>1</sup>

7.8%

as at 30 June 2019

## A word from the Manager

### Market Overview

The ASX 200 Index delivered another solid performance in June, returning +3.8% in A\$ over the month. The market was helped by supportive offshore equity markets with most major equity indices rising across the month. Domestically, the ASX200 was also buoyed by the first RBA interest rate cut since 2016 from 1.50% to 1.25%.

All sectors except the Consumer Discretionary sector (-1.5% in A\$) finished the month in the green. Materials (+6.7%) led the way, supported by strong performances from sector heavyweights BHP (+9.0%) and Newcrest (+17.4%), with the latter assisted by a strongly rising gold price. The Industrials (+5.4%), Health Care (+4.2%) and Financials (+3.5%) sectors also delivered strong returns in the month.

### Portfolio News

Barramundi returned +1.1% gross performance in the month and an adjusted NAV return of +0.6%, with the majority of our portfolio companies contributing positively to the result. However a handful of notable detractors (discussed below) resulted in Barramundi underperforming the market during the month.

The market environment was supportive for a number of high growth companies including **Nanosonics (+24.9% in A\$)**, **Wisetech (+13.8%)** and **Technology One (+10.2%)** with no materially incremental new news released from these companies.

**Brambles (+6.4%)** announced the completion of the sale of its IFCO reusable plastic containers pooling business in early June for US\$2.5 billion. It also commenced what will be a long running buy-back of stock with the majority of the sale proceeds.

**CSL (+4.6%)** is moving to a more direct model of distributing albumin into China, which improves its control over its supply chain. The net effect of this is that from an accounting perspective, it recognises the sales a few months later than it used to when it was more reliant on third parties for distribution. While there is no change to albumin supply

or shipping schedules because of this, CSL clarified in June that this delay will result in lower albumin revenue recorded in the FY20 year. Given that this is only a timing or revenue recognition issue, it has no material economic bearing on the company.

**Carsales (-0.4%)** provided a trading update in June which included a minor downgrade in revenue which was largely recouped through efficient cost management. This reflects the resilience of Carsales earnings in what has been a tough advertising market (especially display) in Australia for the last year. Notably, Carsales announced a strategic review of its 50.1% interest in Stratton Finance. This is a non-core, vehicle finance broking business which Carsales acquired in 2014. It has not contributed meaningfully to Carsales' profitability, but has been a distraction for management and the market for a number of years. We think it's a sound decision to review and ultimately exit this division.

**Domino's (-3.8%)** share price was weighed down by the announcement that a class action lawsuit against it has been filed in a registry of the Federal Court. Dominos has yet to be served with the class action, but the unsealed documents allege that Dominos misled franchisees about required payment terms for some of their staff. The company rejects the allegations and will defend the action. It is early days in this process. While unhelpful for sentiment, we note that class action lawsuits do arise periodically in corporate Australia, with the majority settled out of court or discontinued. We will no doubt be updated on the proceedings in due course.

**oOh! Media (-7.8%)** retraced much of its gain in May as post-election enthusiasm around a strengthening advertising environment waned.

**AUB Group (-10.8%)** provided a trading update in the month which included a modest downgrade in earnings expectation. In addition to this, AUB is disbanding a longstanding joint venture with an insurance broker network which has traditionally been used to negotiate insurance capacity with carriers and work for the benefit of the related brokers. The insurance broker network has aligned itself with

a competitor to AUB. While negative in one sense, the disbanding of the joint venture is partially a reflection of the evolution of AUB's business over the years, which is naturally changing its requirements from the joint venture arrangement. We therefore think that the share price reaction is overdone and have increased our position sizing in AUB Group.

**Link Administration (-16.3%)** continued its slide post the earnings update it gave in May (discussed in last month's newsletter). Also weighing on its share price in June, Link has received negative press coverage in the UK of an oversight role it performed for a fund manager client that ended up suspending redemptions from its investors. While the regulator is looking into the events leading up to the redemption suspension, management are satisfied that they met their required obligations in the matter. Taken together with the reasons behind May's

profit warning, we think the share price reaction is overdone and that Link's longer term outlook remains sound. We have consequently topped up our shareholding in the company.

## Portfolio Changes

As discussed above, we topped up our shareholding in Link Administration and increased our weighting in AUB Group during the month.

Robbie Urquhart  
Senior Portfolio Manager  
Fisher Funds Management Limited



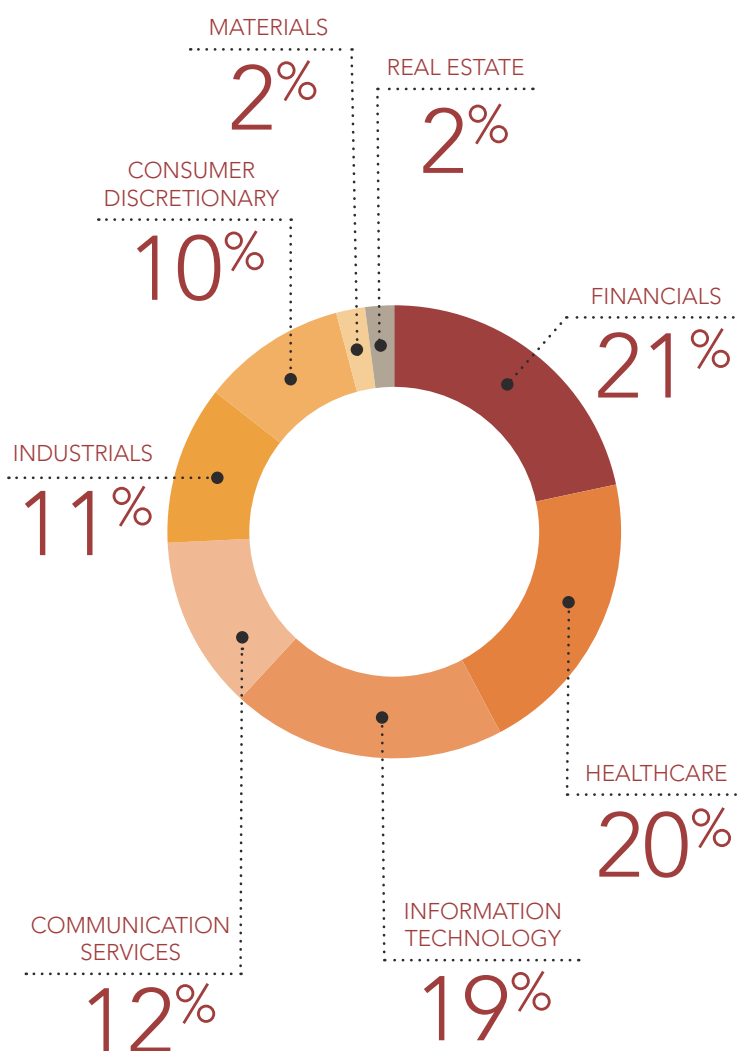
## Key Details

as at 30 June 2019

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	\$0.64
SHARES ON ISSUE	172m
MARKET CAPITALISATION	\$108m
GEARING	None (maximum permitted 20% of gross asset value)

## Sector Split

as at 30 June 2019



The Barramundi portfolio also holds cash.

## June's Biggest Movers in Australian dollar terms

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

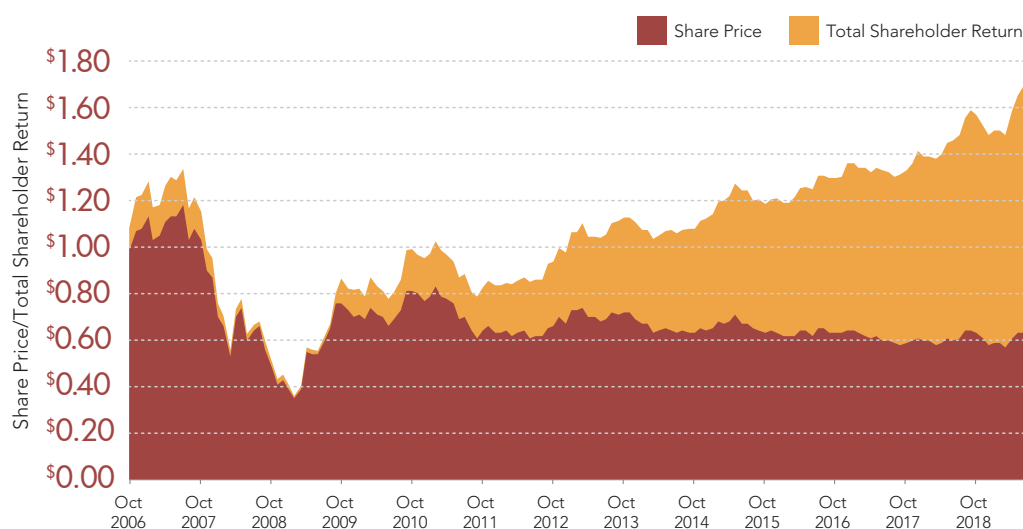
NANOSONICS	WISETECH GLOBAL	TECHNOLOGY ONE	AUB GROUP	LINK ADMINISTRATION
+25%	+14%	+10%	-11%	-16%

## 5 Largest Portfolio Positions as at 30 June 2019

SEEK	CSL LIMITED	CARSALES.COM	COMMONWEALTH BANK OF AUSTRALIA	XERO LIMITED
7%	7%	7%	5%	5%

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

## Total Shareholder Return to 30 June 2019



## Performance to 30 June 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+2.1%	+13.3%	+15.5%	+10.5%	+9.4%
Adjusted NAV Return	+0.6%	+7.7%	+5.6%	+10.0%	+9.2%
<b>Portfolio Performance</b>					
Gross Performance Return	+1.1%	+8.3%	+10.0%	+13.2%	+12.7%
Benchmark Index <sup>^</sup>	+3.1%	+8.1%	+10.2%	+13.3%	+11.1%

<sup>^</sup>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 8.4m of its shares on market in the year to 31 October 2019
- » 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

- » On 16 October 2018, a new issue of warrants (BRMWE) was announced
- » The warrants were issued 1 November 2018 at no cost to eligible shareholders and in the ratio of one warrant for every four Barramundi shares held
- » Exercise Price = \$0.64 per warrant, to be adjusted down for dividends declared during the period up to the Exercise Date
- » Exercise Date = 25 October **2019**
- » The final Exercise Price will be announced and an Exercise Form will be posted to warrant holders in September **2019**

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.



**Barramundi Limited**  
Private Bag 93502, Takapuna, Auckland 0740  
Phone: +64 9 489 7074 | Fax: +64 9 489 7139  
Email: [enquire@barramundi.co.nz](mailto:enquire@barramundi.co.nz) | [www.barramundi.co.nz](http://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](mailto:enquiry@computershare.co.nz) | [www.computershare.com/nz](http://www.computershare.com/nz)