

# Monthly Update

November 2019



BRM NAV <sup>2</sup>	SHARE PRICE	DISCOUNT <sup>1</sup>
\$0.74	\$0.66	10.4%

as at 31 October 2019

## A word from the Manager

Barramundi returned +1.8% (gross performance) vs the S&P/ASX 200 Index (70% hedged into NZ\$) which returned -0.4% for the month. The Adjusted NAV return for October was +1.5%.

### Market Overview

In a lacklustre month for the market, the S&P/ASX 200 Index fell -0.4% (in A\$) in October. Led by positive commentary by CSL at its AGM (see below), Healthcare (+7.6%) was the best performing sector in the month. The Industrials (+3.0%), Real Estate (+1.6%) and Utilities (+1.4%) sectors also contributed positively to the market return.

Information Technology (-3.9%) was the worst performing sector in October and was affected by falling share prices of a number of technology companies, including Wisetech (see below).

The bellwether Financials sector fell -2.9% and also dragged the S&P/ASX 200 Index return lower. Financials were weighed down by a tepid financial result by ANZ (see below). The Materials (-1.9%) sector also experienced a negative month as prices of a number of key commodities, including Iron Ore (-5.5%) fell during the month.

### Portfolio News

Similar to September, **Domino's (+9.8% in A\$)** share price continued to rise as the trading update released at the company's AGM provided further confidence that sales growth across the business was on track with market expectations.

**Ingenia (+9.8%)** raised equity and announced an acquisition of some lifestyle communities and development sites in the month which was well received by the market.

**CSL (+9.6%)** re-affirmed earnings guidance at its AGM in October. China is an important market for CSL, particularly for its sales of Albumin. At its AGM, CSL confirmed that its longstanding application to ship Albumin from its manufacturing facility at Kankakee in the US to China had been approved. This increases manufacturing flexibility

for the company. In addition to this, global demand for key plasma products remains strong. CSL's flu vaccine business has also benefitted recently from disruption to a key competitor's supply of flu vaccines.

**Brambles (+7.7%)** delivered a sound trading update for the first quarter of its 2020 financial year despite noting a "broad slowdown in global underlying economies". Excluding currency movements, company revenue grew 5%. Its Americas division did particularly well with a 7% increase in sales on the back of both price rises and solid volume growth. Brambles noted a moderation in the extent to which input costs and other cost pressures have been rising. This is pleasing given that rising cost pressures have weighed on the company's profitability recently. The company reiterated its earnings guidance for FY2020.

**Resmed (+7.2%)** got its 2020 financial year off to a flying start with a good first quarter result. Devices sales growth remained solid with Americas sales up 8%. Excluding currency movements, device sales across the Rest of World (ie: excluding the Americas) was up +4%. This growth rate is impressive as it comes on top of a +20% increase in Rest of World device sales in the same quarter last year. Mask sales were also strong with sales in the Americas and in the Rest of World +19% higher than a year ago.

Resmed continues to take market share in masks as it benefits from a flurry of well received new mask launches and the successful patient re-supply programmes it operates in partnership with its distributor customers.

The share prices of all our bank holdings, **Westpac (-4.8%)**, **NAB (-3.7%)** and **CBA (-2.7%)** fell in the month. This reflected market cautiousness following a soft financial result released by key competitor ANZ in late October. ANZ's result included subdued commentary regarding credit growth. ANZ noted that this low interest rate environment contributed to both a reduction in its net interest margin and a reduced trading (non-interest) income target. The bank also noted that it is proving difficult to reduce operating costs in this environment. These challenges are not specific to ANZ and affect all the major banks in Australia. Westpac and NAB

<sup>1</sup> Share Price Discount to NAV (using NAV to four decimal places).

<sup>2</sup> The undiluted NAV as at 31 October 2019 excludes any impact of the new ordinary shares which were issued 1 November 2019 following the exercise of the Barramundi warrants BRMWE.

both report their full year financial results in November and the market will await their commentary on these topics with interest.

**Wisetech (-24.7%)** fell after the release of a couple of independent research reports which raised perceived concerns about the company. These included the accounting practices employed by Wisetech, the strength of its product offering as well as its acquisition strategy. A number of these points are not new and have been raised by market commentators over the last few years. Management responded (as they have before) with a comprehensive rebuttal of these points. Wisetech also re-affirmed earnings guidance for the full fiscal year 2020. The logistics industry continues to increase its reliance on

software to efficiently manage the flow of goods between countries. This provides Wisetech with a foundation to continue growing its revenue for many years to come.

## Portfolio Changes

There were no substantive portfolio position changes during the month.



Robbie Urquhart  
Senior Portfolio Manager  
Fisher Funds Management Limited



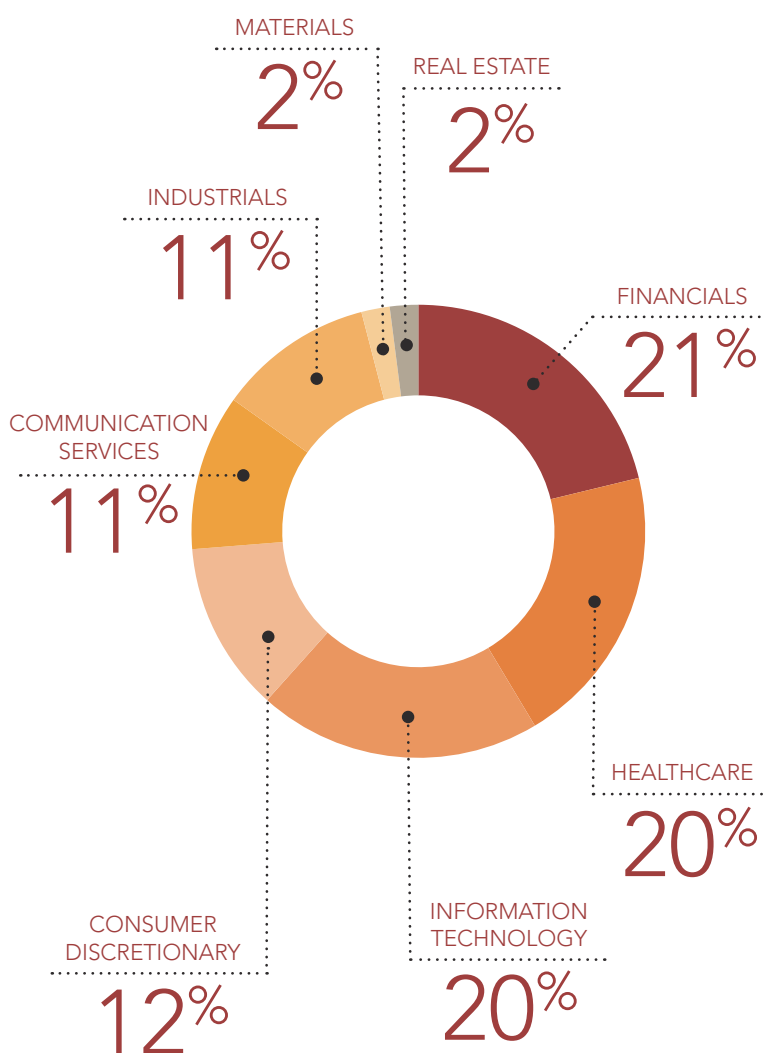
## Key Details

as at 31 October 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 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	\$0.63
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	172m <sup>2</sup>
MARKET CAPITALISATION	\$112m <sup>2</sup>
GEARING	None (maximum permitted 20% of gross asset value)

## Sector Split

as at 31 October 2019



The Barramundi portfolio also holds cash.

# October's Biggest Movers in Australian dollar terms

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

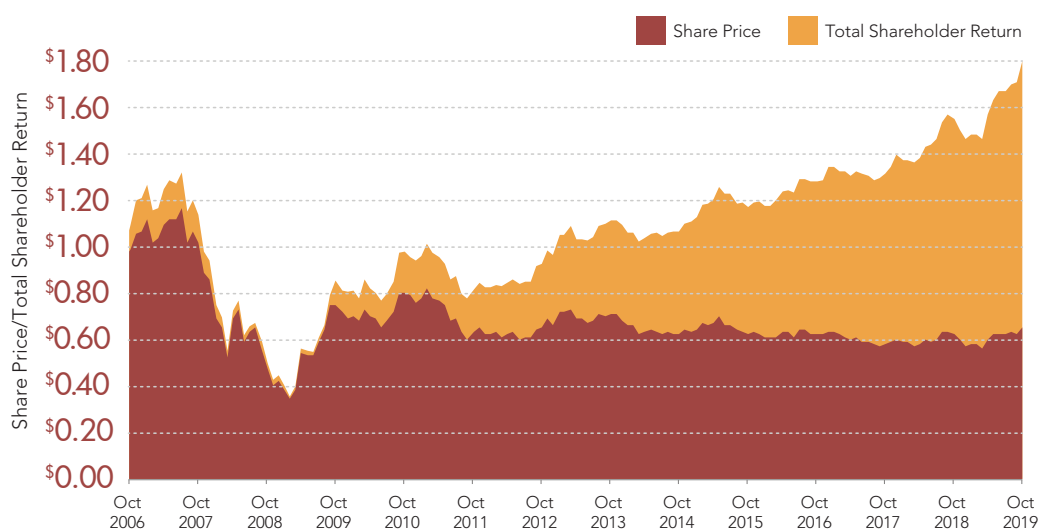
XERO	DOMINO'S PIZZA	INGENIA	CSL LIMITED	WISETECH
+11%	+10%	+10%	+10%	-25%

## 5 Largest Portfolio Positions as at 31 October 2019

SEEK	CSL LIMITED	CARSALES.COM	XERO LIMITED	COMMONWEALTH BANK
8%	7%	7%	6%	5%

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

## Total Shareholder Return to 31 October 2019



## Performance to 31 October 2019

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+5.1%	+7.4%	+16.1%	+11.9%	+11.0%
Adjusted NAV Return	+1.5%	+4.7%	+23.1%	+13.4%	+10.0%
<b>Portfolio Performance</b>					
Gross Performance Return	+1.8%	+5.1%	+26.7%	+16.6%	+13.6%
Benchmark Index <sup>^</sup>	(0.4%)	(0.0%)	+19.0%	+13.0%	+9.5%

<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 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 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 8.6m of its shares on market in the year to 31 October 2020
- » 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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