

# MONTHLY UPDATE

November 2020



Share Price

\$0.85

BRM NAV

\$0.73

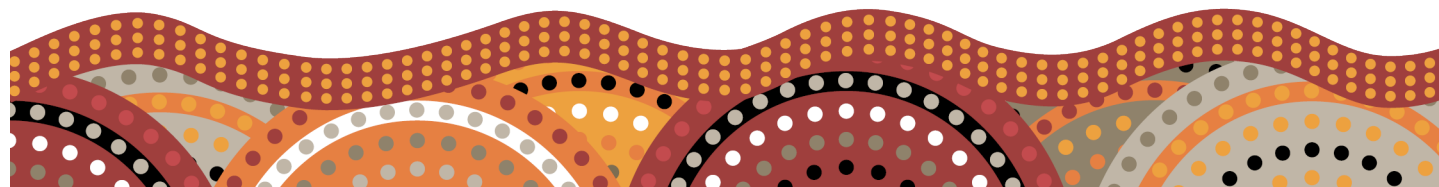
Warrant Price

\$0.11

PREMIUM<sup>1</sup>

19.6%

as at 31 October 2020



## A WORD FROM THE MANAGER

In October Barramundi returned +4.5% (gross). This compares to the ASX200 Index which returned +1.3% (70% hedged into NZ\$).

October was a strong month for the Australian share market in absolute terms and relative to international equity markets. Globally, worsening COVID-19 case numbers across Europe and the US coupled with US election jitters weighed on equity markets.

Domestically, the Federal Government delivered a stimulatory budget in October. Policies included a new JobMaker credit for hiring younger unemployed job seekers, a pull-forward of household tax cuts back-dated to 1 July 2020, full deductibility of investments for businesses with revenue of up to \$5bn, expansion of the first home buyer scheme as well as over \$10bn in infrastructure spending. Combined, this budget is forecast to lead to a -\$214bn fiscal deficit in FY21 (the largest on record). Coupled with previously announced measures, UBS estimates the Australian total fiscal stimulus response to COVID-19 now stands at ~17% of GDP in Australia. This compares to 6% during the 2008 financial crisis and is significantly higher than COVID-19 related stimulus measures announced globally.

The budget went some way to alleviate concerns about a fiscal stimulus cliff as previous measures (such as Jobkeeper) expire. Along with improving COVID-19 outcomes and a relaxation of lockdown restrictions in Victoria, this buoyed the equity market. The Information Technology (+9%), Financials (+6.3%) and Consumer Staples (+4.8%) sectors led the ASX200 Index higher in the month, while Industrials (-3.9%), Utilities (-1.5%) and Materials (-1.2%) lagged.

### Portfolio News

**Link Group (+28% in A\$)** received a non-binding, indicative acquisition proposal from a private equity consortium. The consortium initially indicated a \$5.20 per share offer. This has now been raised to \$5.40 which has prompted the Board to provide the suitors with access to due diligence. If a bid does eventuate it will include an option for Link shareholders to retain an indirect interest in PEXA, the Australian online conveyancing platform in which Link has a 44% stake.

**Resmed's (+16.9%)** share price rise reflected a strong first quarter result. The company continued to benefit from COVID-related ventilator sales. However, more importantly, underlying sales of CPAP (Continuous Positive Airway Pressure) devices

to new patients rebounded more quickly than expected as testing for obstructive sleep apnoea began to ramp-up again as lockdowns eased. Mask resupply sales growth remained healthy. The US Centre for Medicare & Medicaid Services' decision to abandon the 2021 Competitive Bidding Round was also good news. This had been expected to result in lower reimbursement levels for Resmed's US Home Medical Equipment customers which would likely have meant pricing pressure on Resmed.

**Credit Corp (+8.2%)** had no company-specific news in the month. Credit Corp may benefit from the budget which is focused on promoting a post-COVID recovery in Australian growth. Household income support and a lower unemployment rate than might previously have been expected are potentially positive for Credit Corp's Australian debt buying and consumer lending operations.

**ARB (+12.7%)** posted strong revenue and margin growth for the first quarter in FY21 at its AGM. After plunging in March and April, demand for ARB's 4x4 accessories rebounded strongly in mid-May as economic restrictions were lifted and domestic travel boomed across its US, European and Australian markets. It generated record sales in June and July. Orders have continued to grow through August and September driven by heightened levels of domestic travel and increased fiscal stimulus.

**Nanosonics (-9.3%)** share price fell sharply during the month. There was no material news from the company. Nanosonics is likely a long-term beneficiary from the COVID-19 inspired increased awareness about the importance of having high disinfection standards across healthcare systems. Recently, sales of Nanosonics' equipment has been negatively impacted by COVID-19 related hospital restrictions. Demand might continue to be disrupted near term given the recent resurgence in COVID-19 case numbers in the US and Europe. However, the longer-term outlook remains sound.

**Brambles' (-8.6%)** share price slipped in the month. Its AGM early in the month reiterated FY21 guidance for underlying profit growth between flat and +5% at constant FX. However, as the month progressed, resurgent COVID-19 infection rates and the prospect of renewed lockdowns in many parts of Europe may have weighed on the share price. Brambles' core pallet operation will remain resilient but any recovery in its ancillary businesses tied to the European auto and hospitality sectors could be delayed.

<sup>1</sup> Share Price Premium to NAV (including warrant price on a pro-rated basis and using NAV to four decimal places).

**PWR Holdings (-4.4%)** had its AGM at the end of the month. PWR supplies industry leading cooling technology to most of the teams in top tier motor racing series globally, including F1, Formula E and NASCAR. While a number of these competitions were put on hold with the onset of COVID-19, most have recommenced since July. Racing schedules have typically been compressed into the last few months of the year to make up for lost time. This has seen PWR's team work long hours to meet the specialised demands of the racing teams. But it bodes well for PWR's ability to book revenues that would otherwise have been lost if racing had been completely cancelled for the 2020 calendar year.

## Portfolio Changes

We reduced our weighting in ARB during the month following a re-rating in the share price and re-deployed the proceeds into adding to our Woolworths position. Outside of this there were no substantive changes to positioning in the month.



Robbie Urquhart  
Senior Portfolio Manager  
Fisher Funds Management Limited



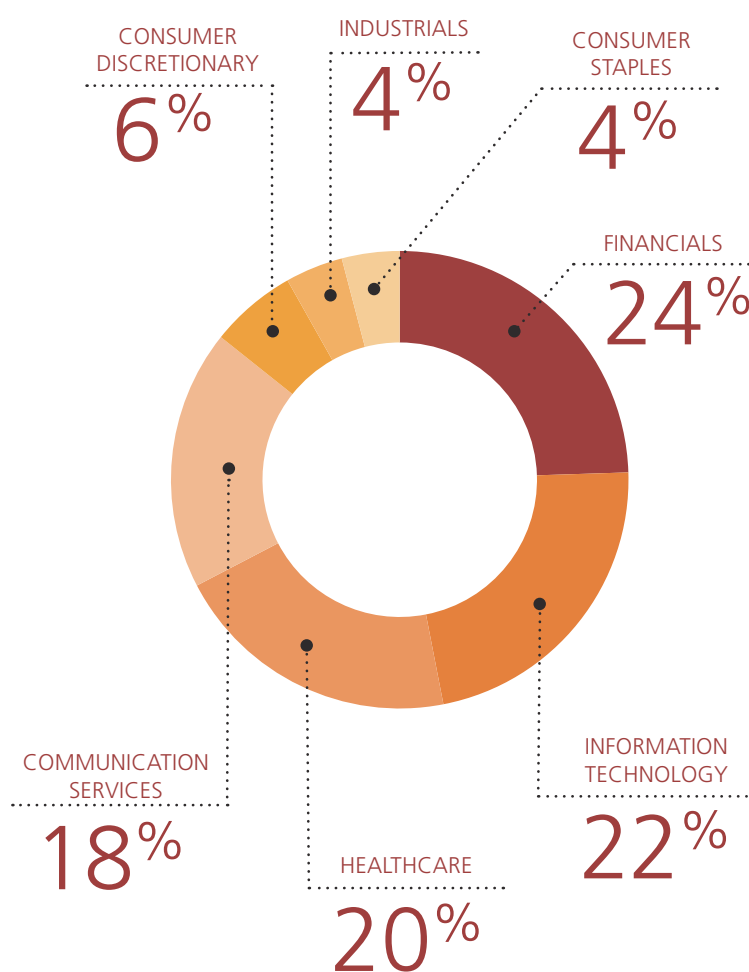
## KEY DETAILS

as at 31 October 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	\$179m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 31 October 2020



The Barramundi portfolio also holds cash.

# OCTOBER'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.

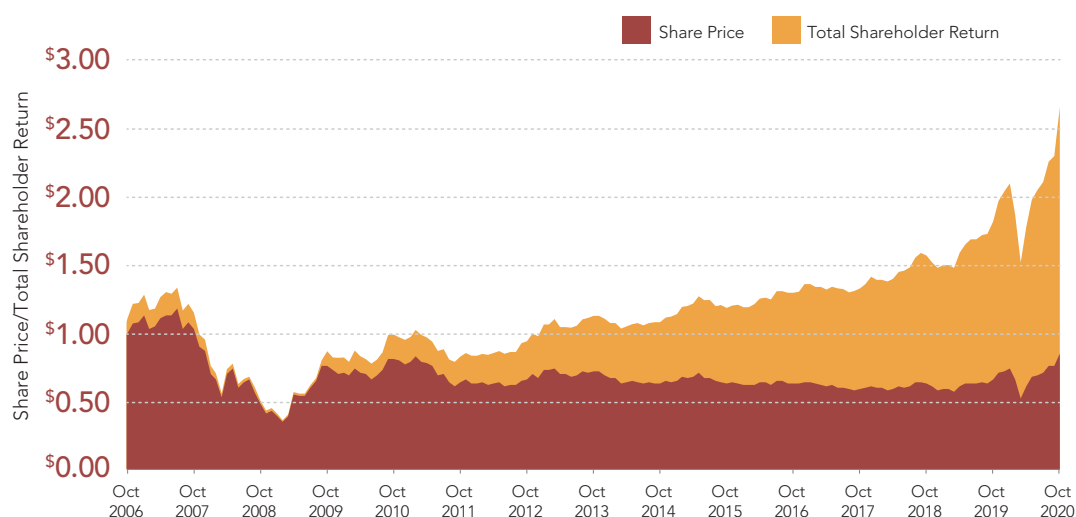
LINK ADMINISTRATION <b>+28%</b>	AUDINATE <b>+24%</b>	RESMED <b>+17%</b>	ARB CORP <b>+13%</b>	WISETECH <b>+12%</b>
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## 5 LARGEST PORTFOLIO POSITIONS as at 31 October 2020

CSL LIMITED <b>9%</b>	CARSALES.COM <b>6%</b>	XERO LIMITED <b>6%</b>	WISETECH <b>6%</b>	SEEK <b>6%</b>
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The remaining portfolio is made up of another 22 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 31 October 2020



## PERFORMANCE to 31 October 2020

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	+15.6%	+26.0%	+46.2%	+26.0%	+17.5%
Adjusted NAV Return	+3.7%	+9.2%	+11.8%	+12.5%	+12.0%
<b>Portfolio Performance</b>					
Gross Performance Return	+4.5%	+10.3%	+15.3%	+15.9%	+15.3%
Benchmark Index <sup>^</sup>	+1.3%	+0.6%	(8.0%)	+3.8%	+7.3%

<sup>^</sup>Benchmark 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

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**

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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